



Press release

## **Gigaset posts consolidated profit and positive free cash flow in Q2 Significant improvement in the funding base**

- Consolidated revenue from continuing operations in the second quarter: €82.0 million (Q2/2013: €96.8 million)
- EBITDA from continuing operations in the second quarter: €10.3 million (Q2/2013: €6.4 million)
- Consolidated profit from continuing operations in the second quarter: €1.3 million (Q2/2013: € -9.4 million)
- Positive free cash flow from continuing operations of €1.1 million in the second quarter
- Market share in core business expanded further in terms of volume and revenue
- Business Customers Business Unit grows revenue by 8%
- CEO Charles Fränkl: "Despite a sharply declining market in our core business we were profitable again in the second quarter, not least thanks to the efficiency programs. The significant improvement in our funding base means we have new freedom when it comes to financing our company's growth in future by means of the new products we've already launched and those still under development."

**Munich, August 7, 2014** – Thanks to successful implementation of the efficiency programs and the elimination of negative one-off tax effects from the previous year, Gigaset AG was able to again post positive consolidated net income of €1.3 million from continuing operations in the second quarter of 2014. The company made a net loss of €9.4 million in the same period of the previous year.

The free cash flow in the past quarter was positive at €1.1 million. The free cash flow in the first six months totaled minus €26.9 million and was reduced in particular by a one-off capital contribution of €18 million to Gigaset Mobile Pte. Ltd. Gigaset Mobile is a joint venture that is run together with Goldin Fund Pte. Ltd. and at which mobile communications business is to be built. Adjusted for this one-off effect, the free cash flow in the first half of the year was thus minus €8.9 million, a sharp improvement over the same quarter of the previous year. Gigaset Mobile Pte. Ltd., Singapore, which had been fully consolidated due to the 100% stake in it, was no longer fully consolidated as of January 2014 due to the fact that Goldin Digital Pte. Ltd., Singapore, took a stake in Gigaset, but was instead included in the consolidated financial statements using the equity method on the basis of the voting rights now applying.

In July Gigaset obtained net proceeds of €33.9 million from the capital measures announced in June from the issue of new shares and bonds. The company used the proceeds of €25.0 million to repay all its financial liabilities. They included the syndicated loan, as well as a loan granted by the associated company Gigaset Mobile Pte. Ltd., Singapore. The company intends to use the remainder to fund and expand its business, in particular the promising Home Networks segment.

"By repaying its liabilities to banks, the Gigaset Group now has no financial debt whatsoever. The company's funding has been put on a totally new footing in the space of just twelve months. In addition, we'll save around €1.5 million a year in interest payments," says **CFO Dr. Alexander Blum**. Gigaset obtained net liquid funds totaling €82.4 million from the capital measures in 2013 and 2014.

## Press release

**CEO Charles Fränkl** commented on the quarterly figures: "Despite a sharply declining market in our core business we were profitable again in the second quarter, not least thanks to the efficiency programs. The significant improvement in our funding base means we have new freedom when it comes to financing our company's growth in future by means of the new products we've already launched and those still under development."

## Leading market position expanded

In a weak market, Gigaset was able to increase its share in its core business of digital cordless phones year on year by 1 percentage point in terms of units sold and by 0.3 percentage points in terms of revenue and so was again a winner from the continuing phase of market consolidation. Gigaset's share of market revenue in Europe was 34% in the second quarter of the year. As a result, Gigaset was able to expand its market position in Europe further. As a premium brand, Gigaset was also able to achieve prices that were 29% above the market average. However, the market as a whole remains under strong pressure. It declined year on year by around 12% in terms of units sold and by 13% in terms of revenue.<sup>[1]</sup>

## Gigaset AG's figures in the second quarter of 2014 (continuing operations):

- Consolidated revenue: €82.0 million (Q2/2013: €96.8 million)
- EBITDA: €10.3 million (Q2/2013: €6.4 million)
- EBITDA margin: 12.6 percent (Q2/2013: 6.6 percent)
- Consolidated net income: €1.3 million (Q2/2013: minus €9.4 million)
- Free cash flow: €1.1 million (Q2/2013: minus €10.9 million)

## Relative to the first half of 2014 (continuing operations):

- Consolidated revenue: €147.0 million (H1/2013: €183.6 million)
- EBITDA: €2.6 million (H1/2013: €11.0 million)
- EBITDA margin: 1.8 percent (H1/2013: 6.0 percent)
- Consolidated net income: minus €11.0 million (H1/2013: Consolidated net loss: €12.7 million)
- Free cash flow: minus €26.9 million (H1/2013: minus €34.9 million)

## Outlook confirmed

Gigaset AG sticks to the outlook it gave when the 2013 Annual Report was published on March 26, 2014.

The measures required to ensure long-term growth were initiated in 2012. To counter the continuing difficult trend in the company's core market, investments in establishing new, promising business segments and product groups are also still required. In 2014, the new business segments will make

---

<sup>[1]</sup> The data is taken from surveys by the Retail Panel for Cordless Phones of GfK Retail and Technology GmbH in Belgium, Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, Spain, Russia and Turkey. Survey period: April to June 2014; the price premium is calculated from the average market price excluding Gigaset; base: GfK Panel Market.

## Press release

additional contributions to revenue, but these will not yet be able to compensate fully for the market-related decline in cordless phones. Gigaset therefore expects in the current fiscal year in the Business Units Consumer Products, Business Customers and Home Networks (excluding tablets and mobile):

- A decline in revenue from continuing operations in a high single-digit to low double-digit percentage range.
- EDITBA to improve sharply year on year and to be positive again and an EBITDA margin in the upper single-digit percentage range thanks to the positive impact expected from the efficiency programs.
- A negative free cash flow in the low double-digit million range, among other things due to the investments required in further establishment of the new business segments and restructuring of the company.

In addition, Gigaset expects additional revenues from tablet and smartphone business; however, they are difficult to predict due to the early stage of the joint activities with Goldin Fund Pte. Ltd., Singapore.

## Overview of development of the Business Units

### *Consumer Products*

Gigaset's sales strategy is geared toward maintaining the Gigaset brand's price premium in the market and further growing its market share in Europe. In what is overall a difficult environment for retailers and operators, Gigaset was again able to maintain its position over the competition in its core markets. That was assisted in particular by the company's participation in large invitations to tender by retailers and telecommunications providers. Trends varied by region and country. Overall, Gigaset was able to hold its leading market position in Europe and Germany in terms of units sold.<sup>[1]</sup>

This success is mainly due to the unmistakable design of Gigaset's products. Numerous awards over the past years are testimony to Gigaset's constant design leadership. More than 20 products have captured the iF Awards, Red Dots, Good Design Awards and other prestigious prizes for design since 2010. Gigaset has won nine awards so far in 2014.

The new products Gigaset C530 and Gigaset C430 and the Gigaset Dune picked up Plus X Awards, while the innovative Dune was also named "Best Product of 2014" in the fixed-network telephony segment. Gigaset was also elected the "most innovative brand" overall.

The new ContactsPush represents a first step toward a single Gigaset ecosystem that is intended to network the entire hardware portfolio of Gigaset over the cloud in future and enable automatic and smooth transfer of data between different Gigaset devices. It enables simple transfer of smartphone contacts to fixed-network handsets operated on IP base stations. The app is compatible with Android (4.x and above) and iOS devices (6.x and above) and can be obtained free of charge from the Google Play Store™ or Apple App Store™. It was launched in May.

---

<sup>[1]</sup> The data is taken from surveys by the Retail Panel for Cordless Phones of GfK Retail and Technology GmbH in Belgium, Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, Spain, Russia and Turkey. Survey period: April to June 2014; the price premium is calculated from the average market price excluding Gigaset; base: GfK Panel Market.



## Press release

### *Business Customers*

Revenue at the Business Customers Business Unit grew by 8% year on year in the second quarter of 2014. This was attributable in particular to business under the brand name Gigaset pro, which increased by 19%. On the product side, the N720 DECT IP Pro multi-cell system contributed sharp growth. Business with customer-specific products remained constant. Seen regionally, the Business Unit mainly grew in the Netherlands, Italy and the UK.

The flagship product Maxwell, which is based on the Android operating system and is to be launched in the middle of the year, has been certified for access to the Google Play Store. As a result, applications from third-party vendors, such as video applications or tools to enable better collaboration, can be installed especially simply and securely. In addition, Maxwell was named the best product in the category "Telecommunications and Accessories" by Spain's "Melco Business Club."

After being rolled out in France, the telephone system "Hybird 120 Gigaset Edition," which was provided together with the partner bintec elmeg, was also launched in the Netherlands, Austria, Switzerland, Spain, Portugal and the UK and is helping grow revenue further.

### *Home Networks*

In September 2013, Gigaset began marketing the Gigaset elements starter kits through the network of specialty retailers and online in Germany and then in France shortly afterwards. Gigaset has a particularly dense sales network in France. The system has also been available in Switzerland, Austria, the Netherlands and Sweden since April.

In order to increase sales of Gigaset elements in Germany, the product was offered for the first time exclusively in the Tchibo online shop as part of Tchibo's "Mobile Technology 2014" campaign. The offering comprised a bundle made up of the starter kit and the separately available alarm siren "siren." The special promotion made Gigaset elements accessible to a broad group of customers, since Tchibo's online sales channel is one of the most far-reaching in Germany.

In May 2014 Gigaset elements was voted "Product of the Year" in the "Smart Home" category by readers of Europe's largest telecommunications magazine connect at the 2014 Community Awards.

The starter kit is the foundation for the versatile uses of Gigaset elements. It consists of two intelligent DECT ULE-based sensors – the door sensor "door" and the motion sensor "motion" – as well as the base station "base" and an app for smartphones. An intelligent, learning and secure cloud is behind Gigaset elements, acting as an interface between the home and smartphone. The system can be expanded in a modular manner. A siren and separate door and window sensors are also available. A camera will be launched soon as a further element of the system.

In addition, an intelligent socket will be added to the sensor portfolio in 2014. The central software platform in the cloud is also to be provided successively with new functionalities. So as to be able to address new segments, Gigaset is setting store in the cloud by machine learning and open interfaces (APIs) to make it easier to integrate partners. The aim of this is to further enhance the attractiveness of Gigaset elements by devices and services from partners.



## Press release

### *Mobile Products*

In December 2013, Gigaset entered the growing market for tablets with two Android-based models in an 8" and 10.1" format. That marked the completion of the next step in expansion of the Gigaset 2015 strategy. The main focus of their launch was Germany. Marketing of the tablets was then expanded successively to other European countries. At the moment Gigaset is developing a smartphone portfolio in cooperation with Goldin.

Gigaset AG, Munich, is an internationally operating company in the area of communications technology. The company is Europe's market leader in DECT telephones. The premium supplier is likewise the leader worldwide with around 1,400 employees and sales activities in around 70 countries. Under the name Gigaset pro, the company continues to develop and market innovative business telephony solutions for small and medium-sized enterprises. The company also operates in the smart home arena. Cutting-edge, cloud-based products and solutions for the smart home are developed and marketed under the name Gigaset elements.

Gigaset AG is listed on the Prime Standard of Deutsche Börse and is therefore subject to the very highest requirements for transparency. Its shares are traded on the Frankfurt Stock Exchange under the symbol 'GGS' (ISIN: DE0005156004).

More information on Gigaset can be found at: <http://www.gigaset.com/de> or at <http://blog.gigaset.com>

### **Contact:**

Gigaset AG  
Stefan Zuber  
Corporate Communications &  
Investor Relations  
Phone: +49 (0)89 444456-866  
E-mail: [info.presse@gigaset.com](mailto:info.presse@gigaset.com)

## Press release

### Overview of the figures:

	January 1 – June 30, 2014		January 1 – June 30, 2013	
€ thousand	Continuing operations	Total	Continuing operations	Total
Consolidated revenue	146,989	146,989	183,536	187,384
Earnings before interest, taxes, depreciation and amortization (EBITDA)	2,644	2,644	10,973	8,852
Earnings before interest and taxes (EBIT)	-9,584	-9,584	-2,535	-3,133
Consolidated net income/loss	-10,931	-10,931	-12,681	-13,260
Diluted earnings per share in €	-0.11	-0.11	-0.25	-0.26
Free cash flow	-26,916	-26,916	-34,854	-35,493
	April 1 – June 30, 2014		April 1 – June 30, 2013	
€ thousand	Continuing operations	Total	Continuing operations	Total
Consolidated revenue	82,024	82,024	96,792	98,291
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10,268	10,268	6,357	4,990
Earnings before interest and taxes (EBIT)	4,274	4,274	-504	-1,073
Consolidated net income/loss	1,303	1,303	-9,430	-10,007
Diluted earnings per share in €	0.01	0.01	-0.18	-0.19
Free cash flow	1,100	1,100	-10,905	-11,081

## Press release

€ thousand	June 30, 2014	December 31, 2013
Total assets	237,157	267,060
Consolidated equity	22,968	38,677
Equity ratio in %	9.7	14.5