Q3 2011

Report for the third quarter of 2011

Key Figures

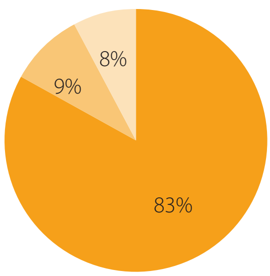
EUR million	01/01-09/30/2011	01/01-09/30/2010
Consolidated revenues	368.4	764.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	44.2	39.2
Earnings before interest and taxes (EBIT)	21.7	-8.7
Consolidated profit / loss	14.0	-21.4
Free cash flow	6.0	-5.2
Earnings per share (diluted. EUR)	0.29	-0.81

EUR million	09/30/2011	12/31/2010
Total assets	296.7	345.6
Shareholders' equity	72.3	35.0
Equity ratio (%)	24.4	10.1

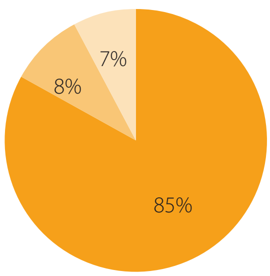
Information on the Gigaset share

The Gigaset share	Q3 / 2011	Q3 / 2010
Closing rate in EUR (at the end of the period)	2.56	1.55
Maximum rate in EUR (in the period)	3.80	2.15
Minimum rate in EUR (in the period)	2.45	1.11
Number of shares in issue (at the end of the period)	50,014,911	26,450,000
Market capitalization in EUR Million (at the end of the period)	128,038,172	40,997,500

Sales by Region



Q3 / 2011



Q3 / 2010

Combined Management Report at September 30, 2011

Business model and underlying conditions

The Munich-based Gigaset Group is a global enterprise with activities in the field of telecommunications and accessories. The Company is one of the world's leading manufacturers of cordless phones and market leader for DECT phones in Europe. Internationally, the premium provider with 1,600 employees is represented in more than 70 countries and is ranked in third place in its sector.

Gigaset is divided in geographical segments for worldwide internal controlling purposes. Europe is well spaced out the largest segment and Germany is the biggest single market. In the German market the communication business and the accessories business is operated by separate local sales units.

In the moment Gigaset has a direct as well as an indirect sales structure. The segment "America" represents own legal entities in the United States of America, in Brazil and in Argentina. The segment "Asia-Pacific / Middle East" operates with legal entities in China and in the United Arab Emirates.

The core business in Europe aggregates currently 83 % of the total business. The Segments "America" and "Asia Pacific / Middle East represent 9 % respectively 8 % of total sales. The status of these both overseas segments takes the expected growth into account.

The Gigaset group covers a broad market base across its three divisions: DECT Telephony, Gigaset pro, and Accessories. The Gigaset brand is renowned for its high quality, future-looking products for the fixed-line telephony segment.

Cordless Voice

Gigaset is the European market, technology and price leader in DECT telephony. DECT stands for Digital Enhanced Cordless Telecommunications, the most successful telecommunications standard in the world. More than 100 million terminals are sold on the average every year. Gigaset enjoys a brand awareness level of over 90 % in Germany. All of its proprietary products are manufactured in the highly automated plant in Bocholt, which has won several awards.

Gigaset pro

"Gigaset pro" (pro = professional) tailors its products to small and medium-sized enterprises in the SME segment. This means that Gigaset now markets a portfolio that covers private customers, small offices and home offices (known as the SOHO market) and also the fast-growing, high-potential SME market for professional IP telephone systems. The intention is to turn Gigaset pro into a second pillar of the company over the coming years that will contribute a significant proportion of revenues in the future.

Accessories

At the moment the accessories business is primarily located in the subsidiary SM Electronic GmbH. Under the brand name "Skymaster" Gigaset develops and distributes TV equipment as well as audio, video, telecommunication, home entertainment and multimedia accessories. Skymaster is a well established successful brand in trade, consumer and construction markets during the last 20 years.

The capital market and the Gigaset share

The Gigaset share had to cope with a highly volatile market environment in the third quarter that was dominated by the uncertainty surrounding the future direction of the European sovereign debt crisis. This led to collapsing prices on numerous stock exchanges, resulting, for instance, in the biggest quarterly losses seen for nine years on the DAX, the EuroStoxx50, France's CAC40, Britain's FTSE 100 and Spain's Ibex. The TecDAX, the German technology index which also includes the Gigaset share, suffered a decline of 25.9 % during the third quarter.

The Gigaset share was also subject to major fluctuations during the third quarter, closing at EUR 2.56 on September 30, 2011. The Company's market capitalization totaled EUR 128.0 million at September 30, 2011. Based on our EPS guidance of EUR 0.36 (diluted) for fiscal year 2011, this implies a price-earnings ratio of 7.2 for the share.

Gigaset again expanded its investor relations (IR) activities during the third quarter, remaining in constant, close contact with institutional investors and private investors. The IR activities in the third quarter included the roadshow activities that had already started in the second quarter and attendance at the SCC Small Cap Conference in Frankfurt during August. In the course of the thirteen road show days until September 2011 the board of management conducted intensive personal interviews with a total of 90 institutional investors.

To coincide with the presentation of the half-year results, an analyst and investor call was set up with a view to ensuring that targeted information for each audience can be provided into the future. Furthermore, the Executive Board is in constant touch with banks and analysts that have expressed an interest in the Gigaset share. Against this backdrop, Bankhaus Lampe has commenced coverage of the Gigaset share. The management expects more banks to start research activities in the current quarter following on from further productive talks.

General economic climate and industry environment

General economic climate

After the European economy continued to expand during the first half of 2011, the expectations for the second half of the year are increasingly being shaped by the impact of the European sovereign debt crisis on the real economy. In its forecast dated October 7, 2011, the "Euro-zone Economic Outlook" collaboration project (Ifo Institute, Munich, INSEE, Paris, and ISTAT, Rome) assumes that growth in the real gross domestic product (GDP) of the euro-area countries will pretty much stagnate over the coming quarters. Consequently, quarter-on-quarter expansion of only 0.2 % is predicted for the third quarter of 2011. According to the Kiel Institute for the World Economy (IfW) and the German Institute of Economic Research, Berlin (DIW), the German economy will also be increasingly affected by the sovereign debt crisis and its impact on Germany's trading partners. The expected weaker growth is likely to leave its mark above all on the labor market and in private consumption accordingly.

All in all, the renewed deterioration of the European sovereign debt crisis during the third quarter has thus made the general economic environment increasingly difficult, which is also reflected in a persistent reluctance on the part of European consumers to spend. Accordingly the majority of our european market show a declining development.

Cordless Voice Market

In the third quarter 2011 the market for cordless phones in Europe was shaped by two trends: higher sales volumes and weaker revenues. The market growth (in terms of units shipped) was driven notably by positive developments in Russia, Turkey and the largest European market, Germany. In other European markets like Switzerland, Poland, France, Italy, Spain, the UK and the Netherlands, the volume of units shipped was lower. The market price decreased slightly during the year.

Business Development

General Development

The Gigaset AG again increased its profitability sharply. A globally active company with the structures of a medium-sized enterprise, it is in a good position to exploit the international markets it serves. Gigaset again succeeded in improving its earnings during the reporting period by consistently focusing on its core competencies. In the first nine months 2011 Gigaset's EBITDA totaled around EUR 44.2 million and exceeded the unusually strong year in 2010. For 2011 as a whole, Gigaset expects its strict cost management program to yield further profit.

The unusually strong sales of the prior year quarter (Q3/2010) could not be achieved under the above mentioned conditions.

Whereas difficult conditions in local sales markets served to depress revenues, Gigaset Communications countered the associated effects by implementing consistent measures on the cost side. The processes geared for sustainable profitability helped to maintain strong profit margins and reinforce the Company's market position as number one in Europe.

Although market prices were declining slightly in this core market year-on-year, Gigaset was able to prevent its prices falling as fast. Gigaset continues to generate much higher average sales prices than its competitors, enabling it to maintain its premium position.

Gigaset pro

New distribution contracts have recently been concluded with numerous sales partners in countries including Germany, Austria, France, the Netherlands and the UK. Negotiations have been initiated in other countries and with further distributors.

The multi-level sales strategy employed by Gigaset pro calls for the involvement of value added resellers (VARs). Gigaset has received more than a thousand inquiries from VARs and professional customers regarding potential collaboration over the course of the year. Appropriate product training courses have been initiated in a number of countries, including the Netherlands, the UK, Germany, Austria and Spain.

Gigaset has responded to the strong demand from the distribution side by expanding its sales organization. In particular, the international Gigaset pro team has been reinforced and competencies added to the division.

The warm welcome received by Gigaset pro from business customers in various European countries suggests that this step will help Europe's market leader for cordless telephony to profit from growing market demand for IP telephone systems. Gigaset is in a position to leverage its core competencies and experience from the consumer electronics segment in this new market segment and diversify its product range.

Accessories

In the Accessories division, success has been achieved on the operating side with the restructuring and transition of SM Electronic GmbH to a new business model focusing on its core competencies. In line with the concept, all aspects of logistics have been outsourced to an external partner. Minor start-up problems have had a negative impact on revenues during the transition phase, however. The company boasts a relatively broad customer base and serves major specialist outlets, department stores and retail chains in Germany and other German-speaking countries. Moreover, it is subject to general fluctuations in the consumer climate. The German consumer electronics market is characterized by a large number of participants and strong downward pressure on prices.

The division has succeeded in sustainably enhancing its cost structure by optimizing its internal processes, modernizing its IT and outsourcing logistics and after-sales services. Major business potential can be exploited by optimizing the product portfolio and realigning international operations with the help of the Gigaset group structures.

The financing for SM Electronic was secured during the third quarter of 2011 by entering into a factoring agreement with Coface. The company has long-term contracts with its major customers and is constantly expanding its business activities in order to enhance the existing product and customer portfolio.

Gigaset – a strong brand

Three years after being sold by Siemens AG, Gigaset has enhanced the profile of the brand, completing the gradual transition from the "Siemens Gigaset" brand to "Gigaset" in the third quarter of 2011. The Gigaset name contains a brand promise of pure telephony 'Made in Germany' with a claim to top quality. Gigaset and its brand are built upon a long tradition and experience in telephony. A carve out of Siemens AG, which established telephony more than 150 years ago and invented the DECT standard, Gigaset has continued in this tradition of research and development competence coupled with technical expertise.

The Gigaset brand is also independent in legal terms as of October 1, 2011, from which date the Siemens name previously used as part of the co-branding agreement completely disappears. The use of the Siemens licensing rights had been agreed for a transition period of three years.

Innovations

Gigaset presented a new high-end, premium model featuring touch technology to the general public during the third quarter. The Gigaset SL910 is the first phone for home use that is especially easy to operate with one finger on its high-capacity full-touch screen. This means that Gigaset transfers the operating philosophy common in tablet computers and mobile phones to cordless telephones.

Key features of the Gigaset SL910 include the large, precise-control touch screen with high-resolution display of the content, the user-friendly navigation and a large-volume loudspeaker for excellent sound quality. The intuitive user interface and the typical iconography for Gigaset set the high-end phone clearly apart from the products of other manufacturers. Furthermore, the cradle and charger made of polished real metal lend the Gigaset SL910 the touch of class that customers expect from a premium model.

The European market leader in the DECT telephone market thus rolled out the latest product in the premium class, after the Gigaset SL400 and Gigaset SL780 (DECT telephone with full metal frame). Gigaset is the clear global market leader in this category covering devices costing over 100 Euros. Around half of all units in this category sold in Europe come from Gigaset as well as around 40 % in the middle price segment (50 to 100 Euros).

Sales of a further world exclusive unveiled by Gigaset in the second quarter of 2011 have also gone well: The Gigaset L410 Hands-free Clip combines full mobility with top voice quality while calling. Sales of the 30-gram clip are well ahead of plan.

During the third quarter, the European market leader rolled out the new Gigaset E310 in the best-ager telephone segment. This large-key phone impresses with premium ergonomics and visual appearance. A high-contrast display, clear sound and easy operation make it ideal for the older generation. Findings from hearing research were incorporated when designing the acoustics. While developing the new Gigaset E310 large-key phone, Gigaset played close attention to ensuring that it would meet the needs of all family members, no matter what their age.

Prior to that, the telephone manufacturer had introduced a practical all-rounder for the whole family in the form of the Gigaset A510. This model blends reliable telephone technology with award-winning design. The Gigaset A510 combines an elegant appearance with proven technology to create a user-friendly, all-round phone for all the family. The Gigaset A510 won the red dot Design Award 2011 for its stylish, ergonomic housing in the popular Gigaset design. One special feature of the Gigaset A510 is the ability to alter the color of the background illumination of the large graphical display to personal taste. The new products rolled out by Gigaset Communications GmbH feature all the ECO- DECT functions and are manufactured to the very highest quality and environmental standards.

Following the successful introduction of the new products Gigaset SL910 and Gigaset L410, the company plans further innovations in the coming years especially for the retail business. Thereby Gigaset especially targeted the middle price segment.

Gigaset AG – Interim Consolidated Financial Statements

Financial performance, Cash flows and financial position

1. Financial performance

Revenues

The Gigaset Group generated **revenues** of EUR 368.4 million (PY EUR 764.2 million) in the first nine month in 2011. Of that amount, EUR 40.4 million (PY EUR 407.3 million) related to discontinued operations and deconsolidated companies. The revenues from continuing operations consisted of the revenues generated in the core segment of Gigaset, which are subject to the normal seasonal fluctuations of consumer-driven businesses. The revenues for the third quarter of 2011 fell short of the exceptionally strong revenues generated in the quarter ended September 30, 2010. Nonetheless, the revenue declines in the USA and in southern Europe, which were particularly influenced by the weakened consumer demand resulting from the Euro crisis, were partially offset by revenue increases in Latin America.

The geographical segment revenues are presented in the table below:

Operating revenues in EUR millions	Q3 2011	Q3 2010	Change
Europe	272.0	303.3	-10.3 %
America	30.9	28.4	8.8 %
Asia-Pacific/ Middle East	25.1	25.2	0.0 %
Gigaset Total	328.0	356.9	-8.1 %
Holding	0.0	0.0	0.0 %
Other	40.4	407.3	-90.1 %
Continuing operations	328.0	356.9	-8.1 %
Discontinued operations	40.4	407.3	-90.1 %
Total	**368.4**	**764.2**	**-51.8 %**

The **other internal production capitalized** in the amount of EUR 13.5 million (PY EUR 15.3 million) consisted mainly of the costs related to the development of innovative products. The capitalized internal production in continuing operations was little changed from the corresponding year-ago period.

The **other operating income** of EUR 31.4 million was EUR 11.8 million lower than the corresponding figure for the third quarter of last year. The main constituents of this item were income from the reversal of provisions, in the amount of EUR 9.0 million (PY EUR 4.4 million), and foreign exchange gains, in the amount of EUR 6.8 million (PY EUR 16.0 million). The reversal of negative goodwill arising from capital consolidation amounted to EUR 3.4 million (PY EUR 0.0 million). The deconsolidation gain on the sale of the Oxxynova Group, which is presented within other operating income, amounted to EUR 2.6 million (PY EUR 0.0 million). The other operating income resulting from the reversal of valuation allowances and the write-off of payables amounted to EUR 3.9 million (PY EUR 4.8 million).

At EUR 196.0 million (PY EUR 468.5 million), the **cost of purchased goods and services** such as raw materials, merchandise, finished goods and services was less than half as much as the corresponding figure for the year-ago period. The ratio of purchased goods and services to revenues fell from 61.3 % to 53.2 %.

At EUR 86.4 million, the **personnel expenses** consisting of wages, salaries, social security and pension expenses were 48.7 % less than the corresponding year-ago figure of EUR 168.6 million. The costs of a restructuring program at SM Electronic GmbH, which was resolved and initiated in the current fiscal year, have already been included in the personnel expenses for the third quarter.

The **other operating expenses** amounted to EUR 91.9 million (PY EUR 155.3 million) in the reporting period. This figure is particularly composed of general administrative expenses, shipping costs, consulting and marketing expenses, rental expenses and foreign exchange losses (EUR 9.7 million, PY EUR 20.6 million). The cost savings measures that were consistently implemented in the continued operations are showing their effects. Compared to prior year, it was possible to reduce the other operating expenses in the core business by EUR 10.6 million to EUR 85.5 million.

At EUR 44.2 million, the **EBITDA** for the third quarter was EUR 5.0 million higher than the strong comparison figure for the third quarter of last year. As a percentage of revenues, the EBITDA margin rose from 5.1 % in the year-ago period to 12.0 % in the third quarter of 2011.

The geographic segment results are presented in the table below:

EBITDA in EUR millions	Q3 2011	Q3 2010	Change
Europe	42.2	38.6	9.3 %
Americas	-1.4	-2.5	44.0 %
Asia-Pacific / Middle East	2.9	0.9	222.2 %
Gigaset Total	43.7	37.0	18.1 %
Holding	-3.6	-5.6	35.7 %
Other	4.1	7.8	-47.4 %
Continuing operations	40.1	31.4	27.7%
Discontinued operations	4.1	7.8	-47.4 %
Total	**44.2**	**39.2**	**12.8 %**

Depreciation and amortization in the amount of EUR 21.2 million (PY EUR 43.6 million) was recognized entirely in continuing operations. **Impairment losses** in the amount of EUR 1.3 million (PY EUR 4.2 million) consisted of impairments of property, plant and equipment and intangible assets at SM Electronic GmbH, which will no longer be used after the restructuring measures, in the amount of EUR 1.1 million. Other impairment losses of EUR 0.2 million were recognized to account for developments in discontinued operations.

Broken down by geographic segments, EBIT showed the following development:

EBIT in EUR millions	Q3 2011	Q3 2010	Change
Europe	19.9	12.0	65.8 %
Americas	-1.4	-2.5	44.0 %
Asia-Pacific / Middle East	2.8	0.8	250.0 %
Gigaset Total	21.3	10.3	106.8 %
Holding	-3.6	-5.7	36.8 %
Other	4.0	-13.3	130.0 %
Continuing operations	17.7	4.6	284.8 %
Discontinued operations	4.0	-13.3	130.0 %
Total	**21.7**	**-8.7**	**349.4 %**

The **financial result** of EUR -3.9 million was EUR 5.0 million higher than the corresponding year-ago figure. The increase resulted primarily from the consistent reduction of Group debt.

The **consolidated profit** after non-controlling interests amounted to EUR 14.0 million, as compared to EUR -21.4 million in the year-ago period. This figure demonstrates the success of the Group's strategic reorientation.

Based on the consolidated profit, the **earnings per share** came to EUR 0.33 (basic) and EUR 0.29 (diluted) (PY: EUR 0.81 (diluted/ basic)).

2. Cash flow

EUR millions	Q3 2011	Q3 2010
Cash flow from operating activities	11.6	0.1
Cash flow from investing activities	-5.6	-5.3
Free cash flow	6.0	-5.2
Cash flow from financing activities	1.9	-15.6

In the first nine months of 2011, the Gigaset Group generated a positive **cash flow from operating activities** in the amount of EUR 11.6 million (as compared to EUR 0.1 million in the first nine months of last year). This positive development was mainly influenced by the successful business activities of the cordless voice division in the first nine months of 2011. Operating cash flow was burdened in particular by non-recurring payments associated with personnel restructuring measures in Germany. The negative **cash flow from investing activities** amounted to EUR -5.6 million (PY: EUR -5.3 million). This development resulted mainly from the investments made in intangible assets, as well as non-recurring effects related to changes in the investment portfolio.

Thus, the **free cash flow** amounted to EUR 6.0 million, as compared to EUR -5.2 million in the first nine months of last year.

The positive **cash flow from financing activities** amounted to EUR 1.9 million (Q1-Q3 2010: negative cash flow of EUR -15.6 million) and results from the borrowing of short-term financial liabilities.

The negative cash flow attributable to discontinued operations amounted to EUR -2.1 million. Detailed information on this subject can be found in the notes to the financial statements. The cash flow figure also contained foreign exchange differences of EUR 0.6 million.

At September 30, 2011, cash and cash equivalents amounted to EUR 47.2 million, as compared to EUR 36.6 million at December 31, 2010.

3. Financial Position

The **total assets** of the Gigaset Group amounted to approximately EUR 296.7 million at September 30, 2011, reflecting a decrease of about 14 % from the corresponding figure at December 31, 2010. This decrease resulted mainly from the continued streamlining of the investment portfolio and the related deconsolidation's.

At EUR 94.7 million, **non-current assets** were slightly higher than the corresponding figure at December 31, 2010, mainly due to the recognition of deferred tax assets in the amount of EUR 4.4 million for tax loss carry-forwards that can be applied against taxable profits in the future. The depreciation of property, plant and equipment was largely offset by additional investments in intangible assets.

Current assets make up 68.1 % of total assets. At EUR 202.0 million, current assets were less than the corresponding figure at year-end 2010 by EUR 52.6 million. This decrease resulted mainly from the sale of three subsidiaries which are no longer part of the group's core business and had previously been presented as "assets held for sale." Inventories rose by EUR 12.0 million to EUR 48.5 million because the company traditionally stocks up in the third quarter for the upcoming Christmas season. Trade receivables fell to EUR 58.7 million as a result of seasonal factors. The category of "other assets" rose from EUR 33.6 million to EUR 45.4 million. This increase is mainly attributable to a receivable towards a former owner of SM Electronic GmbH. The receivable is for a settlement of royalties which arose before Gigaset group affiliation. The cash and cash equivalents of EUR 47.2 million were 28.9 % higher than the corresponding figure at the beginning of the year. Please refer to the cash flow statement below for more information on the development of cash and cash equivalents.

Of the **total liabilities** in the amount of EUR 224.4 million, 80.7 % were current in nature. Even after the substantial debt reduction in the past fiscal year, the Group reduced its total debt by another EUR 86.2 million in the first nine months of fiscal year 2011.

At September 30, 2011, the **shareholders' equity** of the Gigaset Group amounted to approximately EUR 72.3 million, reflecting an increase of 14.3 % over the preceding fiscal year and an equity ratio of 24.4 %. Aside from the capital increase conducted in connection with the conversion of the convertible bond issue, the consolidated profit was another positive factor affecting the development of shareholders' equity.

The increase in shareholders' equity caused by the conversion of the convertible bond was accompanied by an equal decrease in **non-current liabilities**.

The **current liabilities** of EUR 181.0 million were on the level of the corresponding figure at December 31, 2010. Whereas provisions were reduced from EUR 37.2 million to EUR 26.5 million, particularly due to the reduction of the provision for restructuring expenses, the provisions for warranties and the provisions for anticipated losses under onerous contracts, a countervailing effect consisted of the EUR 14.7 million increase in trade payables, due to seasonal factors. The EUR 6.9 million decrease in other liabilities resulted particularly from the lower level of personnel-related liabilities.

Financial liabilities rose slightly, from EUR 4.7 million to EUR 6.3 million. All financial liabilities are current.

Report on opportunities and risks at September 30, 2011

The future performance of the Gigaset Group and its subsidiaries is subject to entrepreneurial opportunities and risks. The company's risk policy consists in leveraging available opportunities and using appropriate instruments to limit the associated risks.

Please refer to the 2011 Half-year Report and the 2010 Annual Report of Gigaset AG for more detailed information on the opportunities and risks of the Gigaset Group.

The Group-wide, systematic risk management system is described in detail in the 2011 Half-year Report and the 2010 Annual Report of Gigaset AG.

Events after the reporting date

On October 24, 2011 Gigaset AG announced that its subsidiary Gigaset Communications GmbH filed a lawsuit against AVM Computersysteme Vertriebs GmbH („AVM") at the regional court in Düsseldorf. Gigaset assumes that several "FRITZ!" products violate fundamental Gigaset patents.

Gigaset requested with this lawsuit the abandoning of the use of its technology and pursuit the demolition of the produced goods. Moreover Gigaset claimed a compensation for the unauthorized sale of patented products. The claim covers products of the series FRITZ!Box and FRITZ!Fon, which operates with the DECT standard and uses a Gigaset patented technology.

The Supervisory Board of Gigaset AG appointed Mr. Charles Frankl as new CEO of Gigaset AG on November 8, 2011. The 53-year-old is an accomplished and recognized expert in international business, telecommunications and information technology. The Swiss manager enters the position on January 1, 2012.

Forecasting report

The Gigaset AG will continue it's in 2011 initiated course of focused growth. In addition to the targeted expansion of regional markets, the development and marketing of new innovations are in the company's focus. The inorganic growth through acquisitions and the expansion of Gigaset pro will be another emphasis.

Whereas the market for IP telephone systems for SMEs is expected to enjoy strong annual growth rates, the world market for cordless phones is recording moderate growth in some regions and a slight decline in other regions in terms of units shipped. In the traditional markets for cordless phones, Eastern Europe, South America and the Middle East in particular are driving growth. By contrast, the markets in the United States and southeastern Europe are contracting. Gigaset has responded to this trend by implementing a BRIC (BRIC = Brazil, Russia, India and China) strategy and a greater presence in regions like Russia and Latin America.

The trends in the core market of Europe indicate a consolidation coupled with steady or slightly declining price levels. Today, the three biggest competitors under the leadership of Gigaset already account for well over two-thirds of the total volume. "B" and cheap brands and local vendors are continuing to lose share. In its position as market leader, Gigaset is able to leverage its portfolio and its geographical and logistical proximity to its core markets whereas almost all of its competitors manufacture their products outside of Europe. Gigaset is capable of delivering to even remote European regions within three days. Building on a broad-based product portfolio, Gigaset also achieves much higher average sales prices on its premium brand than the competition. The clear brand profile applied by Gigaset is reinforcing the trend for "B" and cheap brands to be displaced.

Innovations will lead to further targeted growth. Following on from the world-exclusive Gigaset L410 hands-free clip and Gigaset SL910 full-touch phone, Gigaset is working on more innovations for private customers.

All in all, Gigaset's growth strategy is built around the following four pillars:

1. Regional growth in promising markets
2. Expansion into growing markets for IP telephone systems for SMEs (Gigaset pro)
3. Innovation
4. Inorganic growth from company acquisitions

Based on the four pillars strategy Gigaset is primed for the future.

Outlook for the Gigaset Group

Expected development of revenues and earnings:

Operating profit threshold targeted for 2011

Given the previous development of Gigaset´s operating activities, we expect to generate revenues amounting to EUR 540 million and an EBITDA of EUR 57 million for 2011. The prospective EPS amounts to EUR 0.36 (diluted).

Expected changes in financial position, capital expenditures and liquidity development

The Gigaset Group is free of financial liabilities to the greatest extent. Investments can be financed from the Company's own resources. For the year as a whole, we expect to earn a positive free cash flow.

Overall view of the Executive Board regarding the likely development of the Group:

The Management Board of Gigaset AG shares the view of economic experts that the global economy will weaken. Despite the partial difficult development the Management Board expect a potential growth for the Gigaset AG generated by the four pillar strategy. This opens up opportunities for a discernible recovery of the profits as well as an additional improvement in the quality of the balance sheet. On this basis, the Executive Board believes that the Group will show a positive profit trend in 2011 and beyond.

Munich, November 17, 2011

Gigaset AG

The Management Board

Consolidated Financial Statements at September 30, 2011

Consolidated Income Statement for the period from January 1 to September 30, 2011

EUR'000
Revenues
Change in inventories of finished and unfinished goods
Other internal production capitalized
Other operating income
Purchased goods and services
Personnel expenses
Other operating expenses
EBITDA
Depreciation and amortization
Impairments
EBIT
Income / expenses from non-current financial assets accounted for by the equity method
Other interest and similar income
Interest and similar expenses
Net financial income / expenses
Income / loss from ordinary activities
Income taxes
Consolidated income / loss
- Share of consolidated net income / loss attributable to non-controlling interests
- Shares of consolidated net income / loss attributable to shareholders of Gigaset AG
Earnings per common share
- Basic earnings per share, in EUR
- Diluted earnings per share, in EUR

Statement of Comprehensive Income for the Period from January 1 to September 30, 2011

EUR'000
Consolidated net income / loss
Currency translation differences
Total changes not recognized in the income statement
Total comprehensive income and expenses
thereof non-controlling interests
thereof attributable to shareholders of Gigaset AG

01/01 – 09/30/2011 Continuing operations	Discontinued operations	Total	01/01 – 09/30/2010 Continuing operations	Discontinued operations	Total
327,981	40,438	368,419	356,944	407,276	764,220
6,924	-1,667	5,257	4,114	4,721	8,835
13,469	0	13,469	13,424	1,837	15,261
28,227	3,214	31,441	32,126	11,133	43,259
-170,261	-25,756	-196,017	-187,999	-280,467	-468,466
-80,723	-5,718	-86,441	-91,117	-77,473	-168,590
-85,498	-6,393	-91,891	-96,070	-59,279	-155,349
40,119	**4,118**	**44,237**	**31,422**	**7,748**	**39,170**
-21,205	0	-21,205	-26,799	-16,833	-43,632
-1,178	-153	-1,331	0	-4,196	-4,196
17,736	**3,965**	**21,701**	**4,623**	**-13,281**	**-8,658**
0	0	0	0	149	149
742	10	752	273	182	455
-4,537	-133	-4,670	-6,320	-3,225	-9,545
-3,795	**-123**	**-3,918**	**-6,047**	**-2,894**	**-8,941**
13,941	**3,842**	**17,783**	**-1,424**	**-16,175**	**-17,599**
-3,594	-20	-3,614	-2,423	-2,549	-4,972
10,347	**3,822**	**14,169**	**-3,847**	**-18,724**	**-22,571**
0	126	126	0	-1,211	-1,211
10,347	**3,696**	**14,043**	**-3,847**	**-17,513**	**-21,360**
0.24	0.09	0.33	-0.15	-0.66	-0.81
0.22	0.07	0.29	-0.15	-0.66	-0.81

01/01 – 09/30/2011 Continuing operations	Discontinued operations	Total	01/01 – 09/30/2010 Continuing operations	Discontinued operations	Total
10,347	**3,822**	**14,169**	**-3,847**	**-18,724**	**-22,571**
-418	0	-418	1,905	669	2,574
-418	**0**	**-418**	**1,905**	**669**	**2,574**
9,929	**3,822**	**13,751**	**-1,942**	**-18,055**	**-19,997**
0	126	126	0	-1,211	-1,211
9,929	**3,696**	**13,625**	**-1,942**	**-16,844**	**-18,786**

Consolidated Income Statement for the period from July 1 to September 30, 2011

EUR'000
Revenues
Change in inventories of finished and unfinished goods
Other internal production capitalized
Other operating income
Purchased goods and services
Personnel expenses
Other operating expenses
EBITDA
Depreciation and amortization
Impairments
EBIT
Income / expenses from non-current financial assets accounted for by the equity method
Other interest and similar income
Interest and similar expenses
Net financial income / expenses
Income / loss from ordinary activities
Income taxes
Consolidated net income / loss
- Share of consolidated net income / loss attributable to non-controlling interests
- Shares of consolidated net income / loss attributable to shareholders of Gigaset AG
Earnings per common share
- Basic earnings per share, in EUR
- Diluted earnings per share, in EUR

Statement of Comprehensive Income for the Period from July 1 to September 30, 2011

EUR'000
Consolidated net income / loss
Currency translation differences
Total changes not recognized in the income statement
Total comprehensive income and expenses
thereof non-controlling interests
thereof attributable to shareholders of Gigaset AG

	07/01 – 09/30/2011 Continuing operations	Discontinued operations	Total	07/01 – 09/30/2010 Continuing operations	Discontinued operations	Total
	109,194	0	109,194	119,164	120,413	239,577
	7,703	0	7,703	2,950	-599	2,351
	4,880	0	4,880	3,421	943	4,364
	8,799	0	8,799	7,948	-644	7,304
	-60,848	0	-60,848	-66,249	-89,540	-155,789
	-24,273	0	-24,273	-29,243	-23,141	-52,384
	-31,061	0	-31,061	-29,387	-15,104	-44,491
	14,394	**0**	**14,394**	**8,604**	**-7,672**	**932**
	-6,342	0	-6,342	-9,024	-5,493	-14,517
	-1,178	0	-1,178	0	3,603	3,603
	6,874	**0**	**6,874**	**-420**	**-9,562**	**-9,982**
	0	0	0	0	43	43
	343	0	343	75	108	183
	-1,203	0	-1,203	-1,787	-1,149	-2,936
	-860	**0**	**-860**	**-1,712**	**-998**	**-2,710**
	6,014	**0**	**6,014**	**-2,132**	**-10,560**	**-12,692**
	-941	0	-941	-1,343	-409	-1,752
	5,073	**0**	**5,073**	**-3,475**	**-10,969**	**-14,444**
	0	0	0	0	-1,755	-1,755
	5,073	0	5,073	-3,475	-9,214	-12,689
	0.10	0.00	0.10	-0.13	-0.35	-0.48
	0.10	0.00	0.10	-0.13	-0.35	-0.48

	07/01 – 09/30/2011 Continuing operations	Discontinued operations	Total	07/01 – 09/30/2010 Continuing operations	Discontinued operations	Total
	5,073	**0**	**5,073**	**-3,475**	**-10,969**	**-14,444**
	242	0	242	-1,451	1,445	-6
	242	**0**	**242**	**-1,451**	**1,445**	**-6**
	5,315	**0**	**5,315**	**-4,926**	**-9,524**	**-14,450**
	0	0	0	0	-1,755	-1,755
	5,315	**0**	**5,315**	**-4,926**	**-7,769**	**-12,695**

Consolidated Statement of Financial Position at September 30, 2011

EUR'000	09/30/2011	12/31/2010
ASSETS		
Non-current assets		
Intangible assets	41,558	38,322
Property, plant and equipment	44,723	48,680
Deferred tax assets	8,409	3,985
Total non-current assets	94,690	90,987
Current assets		
Inventories	48,451	36,498
Trade receivables	58,689	83,355
Other assets	45,429	33,631
Current tax assets	2,255	1,495
Cash and cash equivalents	47,182	36,608
	202,006	191,587
Non-current assets held for sale	0	62,989
Total current assets	202,006	254,576
Total assets	**296,696**	**345,563**

Consolidated Statement of Financial Position at September 30, 2011

EUR'000	09/30/2011	12/31/2010
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	50,015	39,629
Additional paid-in capital	87,981	74,606
Retained earnings	20,290	20,290
Accumulated other comprehensive income	-85,946	-99,580
	72,340	34,945
Non-controlling interests	0	95
Total equity	72,340	35,040
Non-current liabilities		
Convertible bonds	0	23,092
Pension obligations	9,238	8,188
Provisions	7,208	10,439
Liabilities under finance leases	0	8
Other liabilities	9,320	10,120
Deferred tax liabilities	17,644	14,142
Total non-current liabilities	43,410	65,989
Current liabilities		
Provisions	26,463	37,147
Financial liabilities	6,297	4,726
Liabilities under finance leases	26	50
Trade payables	104,475	89,798
Current tax liabilities	5,543	3,268
Other liabilities	38,142	45,072
	180,946	180,061
Liabilities related to assets held for sale	0	64,473
Total current liabilities	180,946	244,534
Total equity and liabilities	**296,696**	**345,563**

Consolidated Statement of Changes in Equity at September 30, 2011

EUR'000	
	January 1, 2010
1	Capital increase
2	Appropriation to retained earnings
3	Withdrawal from additional paid-in capital
4	Stock option program
5	Changes in non-controlling interests
6	Other changes
7	Total transactions with shareholders
8	Consolidated loss 2010
9	Non-controlling interests
10	Consolidated loss after non-controlling interests
11	Currency translation differences
12	Total changes not recognized in the income statement
13	Total net loss (10+12)
14	Treasury shares
	September 30, 2010
	January 1, 2011
1	Capital increase
2	Appropriation to retained earnings
3	Withdrawal from additional paid-in capital
4	Stock option program
5	Changes in non-controlling interests
6	Other changes
7	Total transactions with shareholders
8	Consolidated net income 2011
9	Non-controlling interests
10	Consolidated net income after non-controlling interests
11	Currency translation differences
12	Total changes not recognized in the income statement
13	Total net income (10+12)
14	Treasury shares
	September 30, 2011

Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Adjustment items for non-controlling interests	Consolidated equity
26,402	**73,580**	**20,290**	**-1,920**	**3,109**	**121,461**
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	27	0	27
0	0	0	0	146	146
0	0	0	0	0	0
0	0	0	27	146	173
0	0	0	-21,360	0	-21,360
0	0	0	0	-1,211	-1,211
0	0	0	-21,360	-1,211	-22,571
0	0	0	2,574	0	2,574
0	0	0	2,574	0	2,574
0	0	0	-18,786	-1,211	-19,997
0	0	0	0	0	0
26,402	**73,580**	**20,290**	**-20,679**	**2,044**	**101,637**
39,629	**74,606**	**20,290**	**-99,580**	**95**	**35,040**
10,348	13,268	0	0	0	23,616
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	9	0	9
0	0	0	0	-221	-221
0	0	0	0	0	0
0	0	0	9	-221	-212
0	0	0	14,043	0	14,043
0	0	0	0	126	126
0	0	0	14,043	126	14,169
0	0	0	-418	0	-418
0	0	0	-418	0	-418
0	0	0	13,625	126	13,751
38	107	0	0	0	145
50,015	**87,981**	**20,290**	**-85,946**	**0**	**72,340**

Consolidated Cash Flow Statement for the Period from January 1 to September 30, 2011

EUR'000	01/01 - 09/30/2011	01/01 - 09/30/2010
Income / loss from ordinary activities before taxes (EBT)	17,783	-17,599
Reversal of negative goodwill	-3,415	0
Depreciation and amortization of property, plant and equipment and intangible assets	21,205	43,632
Impairments	1,331	4,196
Increase (+) / decrease (-) in pension provisions	1,050	764
Gain (-) / loss (+) on the sale of non-current assets	-460	1,028
Gain (-) / loss (+) on deconsolidation	-2,580	0
Gain (-) / loss (+) on currency translation	2,550	4,143
Issuance of stock options	9	27
At-equity valuation result	0	-149
Other non-cash income and expenses	-13,469	-14,199
Net interest expenses	3,918	9,090
Interest received	219	375
Interest paid	-2,060	-3,134
Income taxes paid	-3,278	-2,952
Increase (-) / decrease (+) in inventories	-8,185	-14,236
Increase (-) / decrease (+) in trade receivables and other receivables	31,024	24,745
Increase (+) / decrease (-) in trade payables, other liabilities and other provisions	-30,219	-35,299
Increase (+) / decrease (-) in other statement of financial position items	-3,782	-309
Cash inflow (+) / outflow (-) from operating activities (net cash flow)	**11,641**	**123**
Payments for shares in companies	-650	-981
Cash acquired with the acquisition of shares in companies	1,626	0
Proceeds from the sale of shares in companies	305	-421
Cash transferred with the sale of shares in companies	-1,079	-854
Proceeds from the sale of non-current assets	514	7,481
Payments for investments in non-current assets	-6,400	-10,532
Cash inflow (+) / outflow (-) from investing activities	**-5,684**	**-5,307**

EUR'000	01/01 - 09/30/2011	01/01 - 09/30/2010
Free cash flow	**5,957**	**-5,184**
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	1,760	-12,824
Cash flows from the borrowing of non-current financial liabilities	0	203
Repayment of non-current financial liabilities	0	-1,933
Payments related to liabilities under finance leases	-32	-1,030
Sale of treasury shares	145	0
Cash inflow (+) / outflow (-) from financing activities	**1,873**	**-15,584**
Net funds at beginning of period	30,392	62,002
Changes due to exchange rate differences	605	-1,367
Net funds at beginning of period, measured at prior-year exchange rate	29,787	63,369
Increase (-) / decrease (+) in restricted cash	1,380	4,224
Change in cash and cash equivalents	7,830	-20,768
Net funds at end of period	**39,602**	**45,458**
Restricted cash	7,580	9,905
Cash and cash equivalents	**47,182**	**55,363**
Cash presented within the statement of financial position item of „assets held for sale"	0	0
Cash and cash equivalents according to the balance sheet	**47,182**	**55,363**

Notes to the Interim Financial Report as of September 30, 2011

General Statements Regarding Accounting and Valuation Methods

The consolidated financial statements of Gigaset AG at September 30, 2011, and the prior-year figures presented have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the Standard Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the EU, as well as the IFRS as a whole. Accordingly, the present unaudited interim financial report at September 30, 2011, which was not subjected to any review, was prepared in accordance with IAS 34. All the standards in effect and applicable up to September 30, 2011, have been observed. They help to provide a true and fair view of the financial position, liquidity, and financial performance of the Gigaset Group.

The explanations in the Notes to the 2010 Consolidated Financial Statements apply accordingly, particularly with regard to the significant accounting policies. The consolidated financial statement is prepared under going concern assumption.

In addition, application of the following standards and interpretations revised and newly issued by the IASB was obligatory starting from fiscal 2011:

- Amendment Amendment to IFRS 1 (First-time Adoption of International Financial Reporting Standards)
- Amendment to IAS 24 (Related Party Disclosures)
- Amendment to IAS 32 (Financial Instruments: Presentation)
- Amendment to IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)
- Amendment to IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)
- Collective Standard „Improvements to IFRS" (2010)

The amendment of IFRS 1 in the course of amending IFRS 7 exempts first-time adopters of IFRS from specific disclosures in the Notes that were introduced in IFRS 7. The amendment of IFRS 1 now also allows companies adopting IFRS for the first time to take advantage of the exemption from providing comparative figures for fair value measurements and for liquidity risk. IFRS 7 provides these exemptions in cases in which the comparison periods end prior to December 31, 2009. This ensures that first-time adopters of IFRS will also benefit from the transitional rules for the application of the amended IFRS 7. The amendments to IFRS 1 and IFRS 7 are to be applied no later than at the beginning of the first fiscal year commencing after June 30, 2010. The amendments had no effect on the consolidated financial statements.

The amendments to IAS 24 were published in November 2009. The amendments for government-related entities did not result in any effects on the presentation of the financial information. Furthermore, the amendment to IAS 24 clarified the definition of a related company or related person. The amended standard enters into force for reporting periods beginning on or after January 1, 2011. Earlier application is permitted. The amendments had no effect on the consolidated financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation" The amendments regulate the accounting at the issuer of preemptive rights, options, and warrants for the acquisition of a fixed number of equity instruments that are denominated in a different currency than the issuer's functional currency. In the past, such cases were carried as derivative liabilities. Such preemptive rights, which are issued proportionally to the existing shareholders of a company at a fixed currency amount must be classified as equity. The currency that the exercise price is stated in is irrelevant. The amendments had no effect on the consolidated financial statements.

Amendment of IFRIC 14: "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The amendment of IFRIC 14 is relevant in those rare cases in which a company is subject to minimum funding requirements and makes advance contribution payments in order to comply with these minimum funding requirements. The amendment permits companies to recognize the advantage from such an advance payment as an asset in these cases. Application of the amendments was first obligatory for fiscal years starting on or after January 1, 2011. The amendments had no effect on the consolidated financial statements.

IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments" IFRIC 19 explains the requirements of IFRS when a company partially or completely repays a financial liability by issuing shares or other equity instruments. The interpretation clarifies the fact that the equity instruments issued to a creditor to extinguish a financial liability are components of the "remuneration paid" within the meaning of IAS 39.41 and that the corresponding equity instruments must fundamentally be carried at fair value. If this fair value cannot be reliably determined, the equity instruments must be carried at the fair value of the repaid obligation and the difference between the carrying amount of the financial liability to be derecognized and the initial valuation rate of the issued equity instruments must be recorded in the income statement. Application of this interpretation was first obligatory for fiscal years starting on or after July 1, 2010. The amendments had no effect on the consolidated financial statements.

The IASB publishes improvements to existing standards annually. These are generally minor changes. The Gigaset Group applied the amendments at January 1, 2011 (2010 improvement project). This did not result in any effects on the financial position, liquidity, or financial performance and the presentation of the financial information.

The obligatory application of amendments to standards or interpretations resulted in no significant effect on the financial position, liquidity, and financial performance of the Gigaset Group.

Application of the following revised and newly issued standards and interpretations already adopted by the IASB was not yet mandatory in fiscal 2011:

		Application mandatory from	Adopted by EU Commission
Standards			
IFRS 1	Strong hyperinflation and withdrawal of fixed times of initial application for first-time IFRS appliers	07/01/2011	No
IFRS 7	Information—Transfer of financial assets	07/01/2011	No
IFRS 9	Financial instruments: Classification and impairment of financial assets	01/01/2015	No
IFRS 10	Consolidated financial statements	01/01/2013	No
IFRS 11	Accounting for joint venture companies	01/01/2013	No
IFRS 12	Information on shares in other companies	01/01/2013	No
IFRS 13	Assessment of the fair value	01/01/2013	No
IAS 1	Presentation of financial statements	01/07/2012	No
IAS 12	Deferred taxes: Realization of underlying assets	01/01/2012	No
IAS 19	Employee benefits	01/01/2013	No
IAS 27	Separate financial statements	01/01/2013	No
IAS 28	Shares in associated companies and joint venture companies	01/01/2013	No
Interpretations			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	No

The effects of the first-time application of these revised or newly issued Standards and Interpretations cannot be reliably estimated at the present time.

1. Seasonal effects

The core business of Gigaset Communications GmbH is subject to distinct seasonal fluctuations on account of the regularly changing patterns of consumer behavior during the course of the calendar year. The highest revenues are generated in the Christmas trade, which explains why the fourth quarter is traditionally so strong. The first quarter, on the other hand, is used to replenish stocks after the Christmas rush, which means that it is usually similar in volume to the third quarter. Sales to build up the stocks of distributors and retailers for the Christmas trade already start in the third quarter, although July and August are still weak summer months during which consumers tend to spend less. As a result of this, the third quarter is generally weaker than the fourth quarter. The second quarter is already affected by seasonal downturn in consumer spending in the early summer months of May and June, while distributors and retailers are also reducing their stocks for the weak summer months at the same time. Consequently, the lowest quarterly revenues in the year are traditionally recorded in the second quarter.

Alongside the traditional general seasonal fluctuations, there are also country-specific and regional seasonal factors, including sales promotions in connection with specific trade fairs (such as CEBIT and IFA), back-to-school activities and Chinese New Year.

2. Discontinued operations

In accordance with IFRS 5, non-current assets and disposal groups are presented separately in the statement of financial position as “held for sale” if they could be sold in their current condition and the sale is highly probable. Assets classified as “held for sale” are measured at fair value less costs to sell, if that amount is less than the carrying amount. Based on this classification, liabilities that are directly related to such assets are presented separately in the statement of financial position as liabilities “held for sale.” A discontinued operation is a component of a company that has been disposed of or is classified as held for sale. The Carl Froh Group, the Oxxynova Group, the van Netten Group, and the discontinued operation “Home Media” are disclosed under the discontinued operations.

At December 31, 2010, the van Netten Group (the “Other” segment) was classified as a discontinued operation due to its planned sale. The sale of the Group was successfully concluded in the second quarter of 2011. The companies of the Carl Froh Group (“Other” segment) and the Oxxynova Group (“Other” segment) that were likewise included in this item were sold in the first quarter.

The assets and liabilities of the corporate groups classified as “held for sale” at year-end are no longer included on the balance sheet at the reporting date because these corporate groups were deconsolidated.

The income from the companies classified as discontinued operations are disclosed in the consolidated income statement under discontinued operations in all of the reporting timeframes presented.

The cash and cash equivalents attributable to the discontinued operations are presented in the table below:

EUR’000	01/01 – 09/30/ 2011	01/01 – 09/30/ 2010
Cash inflow (+)/ outflow (-) from operating activities	-1,365	-824
Cash inflow (+)/ outflow (-) from investing activities	-774	-1,453
Cash inflow (+)/ outflow (-) from financing activities	0	-4,995
Change in cash and cash equivalents	**-2,139**	**-7,272**

3. Conversion of the convertible bond.

The convertible bond was exchanged effective June 30, 2011. Holders received 0.8696 no-par shares with a notional amount of EUR 1.00 per share of the Company's total capital stock for each debenture. The total number of shares issued by Gigaset AG thus rose to 50,014,911. Considering direct allocatable costs and deferred taxes, the conversion increased the consolidated equity amounting to EUR 23.616 thousand. The interest of 9% p.a. payable on the bond from January 1, 2011 fell due for payment at the time of conversion and was credited at July 1, 2011.

4. Changes in consolidation group

Notes on company purchases

In February 2011, Gigaset took over the shares in the SM Electronic Group held by local management. With the shares already held by Gigaset, the Group now holds 100% of the shares in SME Holding GmbH, 100% of the shares in SM Electronic GmbH and their wholly-owned subsidiaries Skymaster Electronic HK Limited and Emanon GmbH.

The companies were included in the consolidated financial statements of Gigaset AG starting February 3, 2011.

Their inclusion in the consolidated financial statements occurred based on preliminary accounting. Since a purchase price allocation is time-consuming, the best available information at the time the statements were prepared was used.

The purchase price for the acquisition of SM Electronics Group was EUR 650 thousand, of which EUR 648 thousand is allocated to the purchase of owner loans. In addition to the company shares, Gigaset also bought the owner loans from the management with a nominal amount of about EUR 1,551 thousand. These payments and the acquired assets and liabilities, along with the recognition of already existing loan claims results in a negative difference from capital consolidation in the amount of EUR 3,415 thousand, which were recognized in the income statement under other operating income.

The earnings of SM Electronics Group from the acquisition date through September 30, 2011, amounted to EUR -7,269 thousand. This already includes the material startup and takeover losses as well as losses from restructuring. This does not include the other operating income arising from the negative difference from capital consolidation. The operating revenues of SM Electronics Group from January 1, 2011, through the acquisition date were EUR 2,656 thousand, while the operating revenues through September 30, 2011, were EUR 11,877 thousand. The loss without recognition of purchase price allocation effects from January 1, 2011 until the acquisition date amounted to EUR -406 thousand. The disclosure of purchase price allocation effects according to IFRS 3.60 in connection with paragraph B64 (q) (ii) is impracticable. On the one hand extensive assumptions regarding the management´s intent would be required in order to designate the profit or loss contribution. On the other hand several estimates of amounts regarding the determination of the profit or loss contribution would have been necessary. At the end, it would have been impossible to distinguish between objective information and those estimates.

The acquired assets and liabilities of SM Electronics Group break down as follows:

EUR'000	Carrying amounts	Fair value
Non-current assets		
Intangible assets	381	381
Buildings	758	758
Other assets	707	707
Deferred tax assets	0	21
Current assets		
Inventories	3,768	3,768
Trade receivables	8,671	8,671
Other assets	9,308	9,225
Cash and cash equivalents	1,626	1,626
Liabilities		
Provisions	-373	-2,341
Trade payables	-17,166	-17,242
Other liabilities	-14,674	-14,674
Deferred tax liabilities	0	-827
Total		**-9,927**

The acquired cash amounted to EUR 1,626 thousand, resulting in a total cash inflow in the amount of EUR 976 thousand.

The fair value of the acquired trade accounts receivable amounts to EUR 8,671 thousand and reflects the nominal amount of EUR 9,247 thousand reduced by an expected bad debt loss of EUR 576 thousand.

No operations were discontinued or sold in the context of the company acquisition.

No further acquisitions occurred up to September 30, 2011.

Notes on company sales

Effective January 1, 2011, the Carl Frohn Group (part of the "Other" segment), which was classified as a discontinued operation, was sold to the investment manager at a symbolic price. The assets sold amounted to EUR 21.8 million, of which EUR 0.3 million were cash and cash equivalents and the liabilities were EUR 21.8 million. The deconsolidation profit amounts to EUR 0.0 million taking into account consolidation effects as well as other expenses incurred in connection with the transaction.

At the end of February, the Oxxynova Group (part of the "Other" segment), which was classified as a discontinued operation, was sold to an investor for a symbolic price. The assets sold amounted to EUR 27.2 million, of which EUR 0.6 million were cash and cash equivalents, and the liabilities were EUR 29.8 million. The deconsolidation profit amounts to EUR 2.6 million, taking into account consolidation effects as well as other expenses incurred in connection with the transaction, and is carried under other operating income.

At the end of June, the Van Netten Group, which was classified as a discontinued operation (part of the "Other" segment) was sold to a strategic investor at a price of EUR 405 thousand. The assets sold amounted to EUR 17.8 million, of which EUR 0.2 million were cash and cash equivalents, and the liabilities were EUR 15.2 million. The deconsolidation profit amounts to EUR 0.0 million, taking into account retained account receivables, consolidation effects as well as other expenses incurred in connection with the transaction.

The sold assets and transferred liabilities are aggregated in the table below:

EUR'000	
Assets	
Intangible assets	1,904
Property, plant and equipment	24,360
Other assets	40,508
Total	**66,772**
Liabilities	
Provisions	20,694
Liabilities	46,094
Total	**66,788**

5. Segment reporting

Due to the reorientation of the Gigaset Group's business model at the end of 2010, the segment reporting was adjusted accordingly. The activities of Gigaset and the Holding are presented separately. Due to the information on the internal control of Gigaset that was included, the presentation of the Gigaset Group is additionally subdivided by geographical areas.

The geographical areas of Gigaset comprise the following areas:

- „Europe"
  The „Europe" geographical area comprises all operating activities of the Gigaset Group in the European countries, as well as the operating activities in Russia, since they are also managed by the European companies. Thus, this area comprises the operating activities in Germany, France, Great Britain, Italy, the Netherlands, Austria, Poland, Russia, Sweden, Switzerland, Spain and Turkey.
- „America"
  The „America" geographical area comprises the operating activities of the Gigaset Group in Canada, the U.S., Brazil, and Argentina.
- „Asia-Pacific/Middle East"
  The „Asia-Pacific/Middle East" geographical area comprises the operating activities in China and the United Arab Emirates.

Since all operations not belonging to the core activities were or are intended to be discontinued or sold, the affected groups are presented in the "Other" segment.

At September 30, 2011, the "Other" segment comprised the following companies: van Netten Group (sold in the second quarter of 2011), Carl Froh Group (sold in the first quarter of 2011), Oxxynova Group (sold in the first quarter of 2011), and the "Home Media" operation (discontinued).

In the comparison period at September 30, 2010, the "Other" segment comprises the following companies: Carl Froh Group (formerly "Steel" segment), Wanfried Group (formerly "Print" segment), van Netten Group (formerly "Industrial Production" segment), Anvis Group (formerly "Automotive" segment), Fritz Berger Group (formerly "Retail" segment), Golf House Group (formerly "Retail" segment), SM Electronics Group (formerly "Retail" segment), Oxxynova Group (formerly "Specialty Chemistry" segment), the "Home Media" operation (formerly "Home Media" segment).

01/01 – 09/30/2011 EUR'000	Europe	Americas	Asian-Pacific/ Middle East
Revenues			
External revenues	271,929	30,870	25,057
Continued operations	271,929	30,870	25,057
Discontinued operations	*0*	*0*	*0*
Internal revenues	0	0	0
Continued operations	0	0	0
Discontinued operations	*0*	*0*	*0*
Total revenues	271,929	30,870	25,057
Continued operations	271,929	30,870	25,057
Discontinued operations	*0*	*0*	*0*
Segment profit or loss/EBITDA	42,251	-1,386	2,860
Continued operations	42,251	-1,386	2,860
Discontinued operations	*0*	*0*	*0*
Depreciation and amortization	-21,136	-19	-21
Continued operations	-21,136	-19	-21
Discontinued operations	*0*	*0*	*0*
Impairments	-1,178	0	0
Continued operations	-1,178	0	0
Discontinued operations	*0*	*0*	*0*
Segment profit or loss/EBIT	19,937	-1,405	2,839
Continued operations	19,937	-1,405	2,839
Discontinued operations	*0*	*0*	*0*
Income from financial investments accounted for by the equity method			
Net interest expenses			
Profit/loss before taxes			
Income tax expenses			
Consolidated income for the year			
Non-controlling interests			
Consolidated income, share of shareholders of Gigaset AG			

Gigaset TOTAL	Holding	Others	Eliminations	Consolidated
327,856	**125**	**40,438**	**0**	**368,419**
327,856	125	0	0	327,981
0	*0*	*40,438*	*0*	*40,438*
0	**423**	**0**	**-423**	**0**
0	423	0	-423	0
0	*0*	*0*	*0*	*0*
327,856	**548**	**40,438**	**-423**	**368,419**
327,856	548	0	-423	327,981
0	*0*	*40,438*	*0*	*40,438*
43,725	**-3,606**	**4,118**	**0**	**44,237**
43,725	-3,606	0	0	40,119
0	*0*	*4,118*	*0*	*4,118*
-21,176	**-29**	**0**	**0**	**-21,205**
-21,176	-29	0	0	-21,205
0	*0*	*0*	*0*	*0*
-1,178	**0**	**-153**	**0**	**-1,331**
-1,178	0	0	0	-1,178
0	*0*	*-153*	*0*	*-153*
21,371	**-3,635**	**3,965**	**0**	**21,701**
21,371	-3,635	0	0	17,736
0	*0*	*3,965*	*0*	*3,965*
				0
				-3,918
				17,783
				-3,614
				14,169
				126
				14,043

01/01 – 09/30/2010 EUR'000	Europe	Americas	Asian-Pacific/ Middle East
Revenues			
External revenues	303,305	28,355	25,242
Continued operations	303,305	28,355	25,242
Discontinued operations	*0*	*0*	*0*
Internal revenues	0	0	0
Continued operations	0	0	0
Discontinued operations	*0*	*0*	*0*
Total revenues	303,305	28,355	25,242
Continued operations	303,305	28,355	25,242
Discontinued operations	*0*	*0*	*0*
Segment profit or loss/EBITDA	38,588	-2,514	882
Continued operations	38,588	-2,514	882
Discontinued operations	*0*	*0*	*0*
Depreciation and amortization	-26,591	-34	-25
Continued operations	-26,591	-34	-25
Discontinued operations	*0*	*0*	*0*
Impairments	0	0	0
Continued operations	0	0	0
Discontinued operations	*0*	*0*	*0*
Segment profit or loss/EBIT	11,997	-2,548	857
Continued operations	11,997	-2,548	857
Discontinued operations	*0*	*0*	*0*
Income from financial investments accounted for by the equity method			
Net interest expenses			
Profit/loss before taxes			
Income tax expenses			
Consolidated loss for the year			
Non-controlling interests			
Consolidated loss, share of shareholders of Gigaset AG			

Gigaset TOTAL	Holding	Others	Eliminations	Consolidated
356,902	**42**	**407,276**	**0**	**764,220**
356,902	42	0	0	356,944
0	*0*	*407,276*	*0*	*407,276*
0	**1,153**	**0**	**-1,153**	**0**
0	1,153	0	-1,153	0
0	*0*	*0*	*0*	*0*
356,902	**1,195**	**407,276**	**-1,153**	**764,220**
356,902	1,195	0	-1,153	356,944
0	*0*	*407,276*	*0*	*407,276*
36,956	**-5,534**	**7,748**	**0**	**39,170**
36,956	-5,534	0	0	31,422
0	*0*	*7,748*	*0*	*7,748*
-26,650	**-149**	**-16,833**	**0**	**-43,632**
-26,650	-149	0	0	-26,799
0	*0*	*-16,833*	*0*	*-16,833*
0	**0**	**-4,196**	**0**	**-4,196**
0	0	0	0	0
0	*0*	*-4,196*	*0*	*-4,196*
10,306	**-5,683**	**-13,281**	**0**	**-8,658**
10,306	-5,683	0	0	4,623
0	*0*	*-13,281*	*0*	*-13,281*
				149
				-9,090
				-17,599
				-4,972
				-22,571
				-1,211
				-21,360

6. Related party transactions

There are no material related party transactions in the Gigaset group.

7. Significant events after the reporting date

On October 24, 2011 Gigaset AG announced that its subsidiary Gigaset Communications GmbH filed a lawsuit against AVM Computersysteme Vertriebs GmbH („AVM") at the regional court in Düsseldorf. Gigaset assumes that several "FRITZ!" products violate fundamental Gigaset patents.

Gigaset requested with this lawsuit the abandoning of the use of its technology and pursuit the demolition of the produced goods. Moreover Gigaset claimed a compensation for the unauthorized sale of patented products. The claim covers product of the series FRITZ!Box and FRITZ!Fon, which operates with the DECT standard and uses a Gigaset patented technology.

The Supervisory Board of Gigaset AG appointed Mr. Charles Frankl as new CEO of Gigaset AG on November 8, 2011. The 53-year-old is an accomplished and recognized expert in international business, telecommunications and information technology. The Swiss manager enters the position on January 1, 2012.

Munich, dated November 17, 2011

Gigaset AG
The Management Board

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