Gigaset

# 2012

REPORT FOR THE 1ST QUARTER

# Key Figures

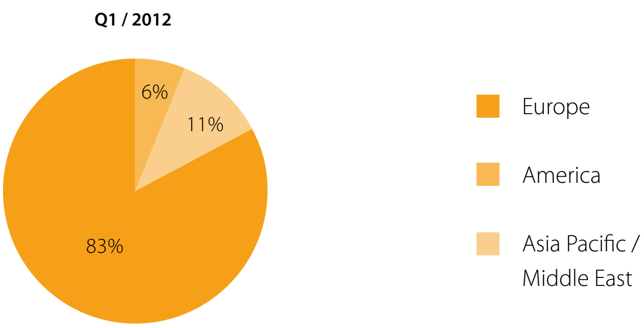
| EUR million | 01/01-03/31/2012 | 01/01-03/31/2011 |
|---|---|---|
| Consolidated revenues | 120.0 | 150.2 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 10.4 | 20.0 |
| Earnings before interest and taxes (EBIT) | 4.6 | 12.8 |
| Consolidated profit | 3.6 | 8.6 |
| Free cash flow | -16.3 | 2.1 |
| Earnings per share (diluted. EUR) | 0.07 | 0.17 |

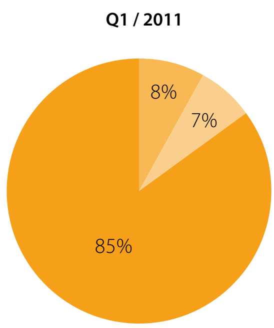
| EUR million | 03/31/2012 | 12/31/2011 |
|---|---|---|
| Total assets | 291.0 | 311.4 |
| Shareholders' equity | 79.7 | 76.2 |
| Equity ratio (%) | 27.4 | 24.5 |

# Information on the Gigaset share

| The Gigaset Share | Q1 / 2012 | Q1 / 2011 |
|---|---|---|
| Closing rate in EUR (at the end of the period) | 2.70 | 4.23 |
| Maximum rate in EUR (in the period) | 3.21 | 4.81 |
| Minimum rate in EUR (in the period) | 2.23 | 2.91 |
| Number of shares in issue (at the end of the period) | 50.014.911 | 39.666.670 |
| Market capitalization in EUR Million (at the end of the period) | 135.040 | 167.790 |

# Sales by Region



# Significant events in the first quarter of 2012

The Gigaset Group announced its preliminary figures for the 2011 fiscal year on January 31, 2012. The Group succeeded in increasing its profitability significantly and its EBITDA several fold in the fiscal year just ended. The Company generated an EBITDA of EUR 51 million in the 2011 fiscal year with sales revenues of EUR 521 million.

On 1 February Gigaset lauchned a innovative mobility concept and presented a new multi-cell IP phone system. The N720 IP DECT connected up to 20 DECT base stations wirelessly and can be configured in a simple manner. Up to 100 employees are mobile reachable at a company site.

In March 2012, the Company announced its decision to engage in joint operations involving terminal equipment with IP-based telephones with Teldat GmbH (formerly FEC), Nuremberg. Teldat GmbH is to integrate terminal equipment manufactured by Gigaset Communications GmbH in its elmeg product line and supplement its IP equipment family starting in summer 2012. The cooperation between Teldat and Gigaset creates synergies in the processing of the small and medium enterprise market because Teldat can offer their customers tailored Gigaset brand products.

The SL910 returned to stores once again with new software on March 29, 2012. The device that had to wait for approximately three months for technical problems because of a purchased battery appeared in stores once again in March with a series of product innovations, for instance the automatic transfer of images from Outlook contacts to a cell phone address book. In addition, Gigaset further increased the speed of the full touch telephone's user interface and also introduced the telephone's text-messaging function.

# Combined Management Report as of March 31, 2012

## 1 Business model

Gigaset AG is a global enterprise with activities in the field of telecommunications. Based in Munich and with its main production facility in Bocholt, the company is one of the world's leading manufacturers of cordless telephones and market leader for DECT telephones in Europe. The premium vendor ranks in second place in the DECT segment and third place in the cordless phones category in the world, employing some 1,900 people and enjoying a market presence in more than 70 countries.

The Group covers a broad market base across its two divisions: Cordless Voice Telecommunications and Gigaset pro. Gigaset is renowned for its high quality, future-looking products for the fixed-line telephony segment.

### 1.1 Cordless voice

Gigaset is the European market leader, technology leader and price leader in DECT, which stands for Digital Enhanced Cordless Telecommunications, the most successful telecommunications standard for cordless telephones in the world. Gigaset helped to shape the DECT standard in the 1990s, since when the company has maintained its position as the market, technology, and price leader for DECT telephony in Europe. Market coverage is a key factor behind the company's success: a Gigaset phone is found in one in every four homes in Europe and one in every two in Germany. Gigaset enjoys a brand awareness level of over 90% in Germany. All of its proprietary products are manufactured predominantly in the highly automated Bocholt plant, which has won several awards.

### 1.2 Gigaset pro

The company has created an attractive offering for small and medium-sized enterprises with the "Gigaset pro" product line. The constantly growing portfolio of Gigaset pro products is geared to the needs of the SME segment. The pro series provides the kind of versatility and reliability that commercial users need in their day-to-day operations. These telephones are widely appreciated for their simple administration and installation. Due to the depth that is required for commercial products, Gigaset only distributes the pro line through value-added resellers (VARs).

Gigaset has thus greatly expanded its product range with the Gigaset pro, enabling it to tap new customer groups. The company markets a product line which, in addition to the private customers that it has traditionally served with great success, now also includes small offices and home offices (known as the SOHO market) and 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 in this growing SME market over the coming years that will contribute a significant proportion of revenues in the future.

# 2. General economic environment and industry environment

## 2.1 General economic environment

While the many parts of the global economy recovered from the sharp decline in growth in the fourth quarter of 2011, the European economy remains in recession in the first quarter of 2012. In the opinion of the Organization for Economic Cooperation and Development (OECD) expressed on March 29, 2012, e.g. the G7 countries (USA, Japan, Germany, France, Italy, United Kingdom, Canada) grew at an annualized rate of 1.9% in the first quarter of 2012, led by the USA with employment once again on the rise and increasing consumer confidence, with robust growth in the USA (2.9%), Canada (2.5%), and Japan (3.4%) compensating the expected decrease in economic output in Europe. Gross domestic product (GDP) is expected to decrease by 0.4% on average alone in the three euro zone countries Germany, Italy and France. According to the Euro-zone Economic Outlook collaboration project (Ifo Institute, Munich; INSEE, Paris; and ISTAT, Rom) in its forecast dated April 3, 2012, real GDP in euro zone countries is expected to fall again by 0.2% quarter-on-quarter in the first quarter of 2012. The insecurity on the financial markets may have subsided somewhat in the meantime; however, the sustained consolidation measures in some euro zone countries and the labor market situation, which remains difficult (unemployment rate according to Eurostat in February 2012: 10.8%), should continue to have a negative impact on consumer spending, which is also expected to decrease by 0.2% in the first quarter of 2012. In the opinion of the experts from DB Research, Frankfurt, expressed on March 13, 2012, the German economy will stagnate at the prior quarter's level in the first quarter of 2012. A slight rise in consumer spending (0.1%) and fixed asset investments (0.6%) continues to be offset partially by negative net exports (-0.2%).

## 2.2 Market for Telecommunication

### 2.2.1 Cordless Voice Market

The first quarter of 2012 reflects reluctant consumer spending as a result of the current economic conditions in numerous European countries. The market as a whole for cordless telephones in Europe decreased by more than 10% based on sales revenues (by around -13% in the markets observed by Gigaset). The only exception was Poland with an increase of 3%.

At the same time, Gigaset increased its market share overall in Europe slightly by 1% both with respect to sales volume as well as sales revenues. Increases were recorded in countries such as Austria, Switzerland, Germany, Italy, and Turkey.

### 2.2.2 Gigaset pro Market

The market for wire-bound telephony, which is mostly used by business-to-business customers, remains a growth market all over the world. More than 56 million connections were sold in this market in 2011. Although these continue to be mostly hybrid systems (digital systems with connection possibilities also for analog devices), the percentage share of "pure" IP telephony continues to grow steadily (2010: 33%; 2011: 37% of the overall market). The strongest growth in 2011 was recorded in Eastern Europe. There is still a major potential for IP applications in the segment for telephone systems with less than 100 connections. Only one in six of 32 million connections sold worldwide was purely digital, while the others were connected to hybrid systems. Demand for hosted service continues to grow; however, more in the USA (5% of all systems with less than 100 connections) than in Western Europe (2%).

# 3 Business Development

## 3.1 Cordless Voice

The Gigaset Group succeeded in holding its sales revenues just below the level of Q1 2011 with restrained consumer spending in the first quarter of 2012: For instance, sales revenues in continuing operations were EUR 112.2 million in the first quarter of 2012 (EUR 115 million in Q1 2011). Events in March were particularly encouraging. Among other things, delivery of the flagship model Gigaset SL910 began once again. Delivery of the full touch telephone to the markets was temporarily discontinued due to problems with a supplier's lithium ion batteries.

In particular the Company's regional strategic focus had a positive impact on sales revenues. Gigaset continued to successfully expand its presence in markets such as Russia and the United Kingdom.

Further to this Gigaset once again defended its market position as number one in the core market of Europe. Gigaset continues to enjoy a high margin quality at slightly lower market prices compared to previous years. Gigaset continues to realize average sales prices that are significantly higher than the competition and thus maintains its position as a premium supplier.

Strict and consistent cost management ensures the Company's long-term profitability. This cost management is being continued, whereby higher investments in future growth segments will be financed at the same time from the core business in the future. Strengthening of the Gigaset brand will also be financed from core business. Among other things, expenses for

- the development of new product generations
- Gigaset mono-brand marketing
- additional headcounts for new segments
- tooling costs for new products
- IT and projects

will increase compared to prior years.

## 3.2 Gigaset Pro

Gigaset pro has further improved and expanded its product line. For instance, the IP-based multi-cell DECT solution, which enables a mobil accessibility all over the company site, was brought to the market early in the year. Over 900 were sold within a few days. Interest in Gigaset products was also as high as ever at the CeBit in Hannover. In addition to the countries already supplied in 2011, Gigaset pro will begin marketing in Sweden and Spain in the current fiscal year. Human resources are already in place there today. The strong growth in Eastern Europe also reflects the fact that sales began in Poland as of January 1, 2012. Furthermore, the introduction of Gigaset pro in Hungary and the Czech Republic is planned to start this year. Gigaset pro is responding to the significant share of hybrid systems by introducing additional solutions for ISDN and analog connections on the market as well as with a compact hybrid system and a technical alliance with a manufacturer of analog/digital converters. In addition to expanding its country distributors, Gigaset pro attracted a sales manager with international experience to support its team. Gigaset pro considers itself to be well-prepared with these measures to quickly gain additional market shares in the IP telephony segment.

# 4 The capital market and the Gigaset share

Boosted by positive economic data from the USA, China, and Germany, as well as by positive corporate results on the part of some US Blue Chips, the international stock markets started the new market year optimistically. The successful bond auctions of Germany, Spain, and Italy provided additional support and resulted in excess demand that led to lower refinancing costs than expected. The American central bank, i.e. the Fed, confirmed its intention to pursue its low interest rate policy into 2014. The markets were hardly impressed with the downgrade of France's rating as well as that of ESFS from AAA to AA+ by Standard & Poor's in this phase. The comparatively long restructuring negotiations between Greece and its creditors also only resulted in short-term adjustments in an otherwise continually rising market. In February, the S&P 500 reached its highest level in four years, while the Dow Jones index topped 13,000 points again for the first time since May 2008. A signal that the Chinese central bank would participate in the solution to the European debt crisis also provided for a good mood on Europe's stock markets. In March, the leading German index DAX once again reached the level of July 2011.

Shares of Gigaset AG did not at first join in the euphoria of the market as a whole. The consolidation begun in the prior year was continued in the first weeks of January. The share reached the previous record low of EUR 2.23 on January 24. Support was possibly provided by the publication of the preliminary figures for the 2011 fiscal year, as well as by the inclusion in a major investor magazine's sample securities portfolio. The share left the former lowest prices behind accompanied by a significant increase in trading volume and reached a new annual high price of EUR 3.21 within just a few days (February 2, 2012). This corresponds to a recovery of 43 percent compared to the low prices. Trading volume on these days reached a volume of more than 4.5 million shares. The share was able to maintain its position over the EUR 3.00 marker slightly below its peak price and moved sideways despite relatively high volatility until March 30.

The Group published its final figures for the 2011 fiscal year on March 30, 2012, together with qualitative guidance for 2012. The 2012 fiscal year is important for Gigaset AG, during which the Group is striving to expand the previously existing business segments and thus aiming for a strategic expansion of the business. As a result, a reliable, quantitative forecast was not possible. The potentially resulting uncertainty weighed on the share price. Gigaset AG's core business, Cordless Voice, will also secure stable, long-term cash flows for the Company – cash flows that will be available for the targeted growth and innovations. Gigaset is convinced that the forward-looking investments scheduled during the current year will already reflect positively in the earnings for fiscal year 2014.

After reaching record levels in mid-March, the market as a whole also reported an adjustment. The mood on the markets was clouded after the People's Congress in China lowered its growth target from 8.0% to 7.5% – the lowest goal since 1998. The DAX forfeited a portion of its gains and closed trading in the first quarter at 6,946.83 points. This corresponds to an increase of 17.77 percent on a quarterly basis.

# 5 Financial performance, cash flows and financial position

## 5.1 Financial performance

### Sales revenues

The Gigaset Group generated **sales revenues** in the amount of EUR 120.0 million in the first quarter of 2012 (previous year: EUR 150.2 million). EUR 7.8 million of which can be attributed to discontinued and deconsolidated business lines (previous year: EUR 35.2 million). Sales revenues from continuing operations result from the core Gigaset segment and are subject to seasonal fluctuations typical in the consumer business. The first quarter of 2012 was not able to repeat the exceptionally strong quarterly results as of March 31 of the prior year. Declining sales in the USA and in Southern Europe as a result in particular of consumer demand weakened by the euro crisis was only partially compensated by corresponding rising sales in Asia.

The results can be broken down as follows:

| Sales revenues in € millions | Q1 2012 | Q1 2011 | Change |
|---|---|---|---|
| Europe | 92.7 | 97.1 | -4.5% |
| America | 6.8 | 9.7 | -29.9% |
| Asia-Pacific / Middle East | 12.6 | 8.2 | 53.7% |
| Gigaset Total | 112.1 | 115.0 | -2.5% |
| Holding | 0.1 | 0.0 | - |
| Other | 7.8 | 35.2 | -77.8% |
| Continuing operations | 112.2 | 115.0 | -2.4% |
| Discontinued operations | 7.8 | 35.2 | -77.8% |
| **Total** | **120.0** | **150.2** | **-20.1%** |

**Other own work capitalized** in the amount of EUR 4.6 million (previous year: EUR 4.0 million) mainly includes costs related to the development of innovative products. The 15% year-on-year increase reflects the announced investments in promising products.

**Other operating income** amounts to EUR 4.9 million and is thus EUR 11.6 million lower than in the first quarter of 2011. The main items comprise EUR 1.9 million in exchange rate gains (previous year: EUR 6.4 million), EUR 1.0 million in income from derivative financial instruments (previous year: EUR 0.0 million) and EUR 0.5 million in income from the release of provisions (previous year: EUR 1.1 million).

The **cost of materials** for raw materials, merchandise, finished goods and purchased services was EUR 59.2 million – a decrease of EUR 21.3 million from EUR 80.5 million in the previous year. The cost of materials ratio fell from 53.6% to 49.9%.

**Personnel expenses** for wages, salaries, social insurance contributions and old age pensions was EUR 26.8 million and were thus down 18.6% from the previous year's amount of EUR 33.0 million.

**Other operating expenses** in the amount of EUR 29.5 million were incurred in the reporting period (previous year: EUR 36.6 million). These include in particular general administrative expenses, transport costs, consulting and marketing expenses, rents, and exchange rate losses (EUR 1.1 million; previous year: EUR 5.6 million). The consistently executed cost-saving measures are showing their impact on continuing operations. Other operating expenses in the core business were decreased year-on-year by EUR 5.0 million to EUR 25.2 million.

The **EBITDA** of continuing operations for the first quarter of 2012 amounts to EUR 10.7 million (previous year: EUR 14.4 million), resulting in an EBITDA to sales ratio of 9.5% (previous year: 12.5%).

The **EBITDA** results can be broken down as follows:

| EBITDA in € millions | Q1 2012 | Q1 2011 | Change |
|---|---|---|---|
| Europe | 10.1 | 13.9 | -27.3% |
| America | -0.1 | 0.4 | -125.0% |
| Asia-Pacific / Middle East | 1.9 | 1.0 | 90.0% |
| Gigaset Total | 11.9 | 15.3 | -22.2% |
| Holding | -1.2 | -0.9 | 33.3% |
| Other | -0.3 | 5.6 | -105.4% |
| Continuing operations | 10.7 | 14.4 | -25.7% |
| Discontinued operations | -0.3 | 5.6 | -105.4% |
| **Total** | **10.4** | **20.0** | **-48.0%** |

**Depreciation and amortization** amounted to EUR 5.8 million (previous year: EUR 7.3 million) and result entirely from continuing operations.

The **EBIT** can be broken down as follows:

| EBIT in € millions | Q1 2012 | Q1 2011 | Change |
|---|---|---|---|
| Europe | 4.4 | 6.7 | -34.3% |
| America | -0.1 | 0.4 | -125.0% |
| Asia-Pacific / Middle East | 1.8 | 1.0 | 80.0% |
| Gigaset Total | 6.1 | 8.1 | -24.7% |
| Holding | -1.2 | -1.0 | -20,0% |
| Other | -0.3 | 5.7 | -105.3% |
| Continuing operations | 4.9 | 7.1 | -31.0% |
| Discontinued operations | -0.3 | 5.7 | -105.3% |
| **Total** | **4.6** | **12.8** | **-64.1%** |

**Net financial income** increased year-on-year from EUR -1.0 million to EUR -0.2 million. In addition to the strict reduction of debt within the Group, the more favorable financing terms and conditions from the syndicated loan also contributed to further improving net financial income.

**Consolidated net profit** for the fiscal year from continuing operations after non-controlling interests amounted to EUR 3.9 million in the first quarter of 2012 (previous year: EUR 3.0 million).

This results in **earnings per share** of EUR 0.08 for continuing operations (previous year: EUR 0.06).

## 5.2 Cash Flow

| € millions | Q1 2012 | Q1 2011 |
|---|---|---|
| Cash flow from operating activities | -14.0 | 2.9 |
| Cash flow from investing activities | -2.3 | -0.8 |
| Free cash flow | -16.3 | 2.1 |
| Cash flow from financing activities | 2.3 | -1.1 |

In the fiscal quarter just ended, the Gigaset Group recorded a **cash outflow from continuing operations** in the amount of EUR 14.0 million (compared to a cash inflow of EUR 2.9 million in the first quarter of 2011). The cash outflow resulted mainly from the settlement of liabilities to suppliers from the Christmas shopping season just ended.

**Cash outflow from investing activities** amounted to EUR 2.3 million (previous year: EUR 0.8 million) and primarily reflects investments in intangible assets.

Thus, **free cash flow** amounted to EUR -16.3 million compared to EUR 2.1 million in the first quarter of 2011.

**Cash inflow from financing activities** amounted to EUR 2.3 million (first quarter of 2011: cash outflow of EUR -1.1 million) and resulted on the one hand from the utilization of the syndicated loan and on the other hand from the repayment of current liabilities.

Cash outflow attributable to discontinued operations amounted to EUR 0.3 million and is presented in detail in the notes. In addition, cash flow includes changes in exchange rates in the amount of EUR 0.4 million.

**Cash and cash equivalents** amounted to EUR 48.3 million as of March 31, 2012 (first quarter of 2011: EUR 39.8 million).

## 5.3 Financial Position

The Gigaset Group's total assets as of March 31, 2012, amounted to around EUR 291.0 million and thus decreased by approximately 6.5% compared to December 31, 2011. This can be primarily attributed to the repayment of liabilities to suppliers from the Christmas shopping season.

At EUR 104.7 million, non-current assets increased slightly compared to December 31, 2011. The increase was mainly the result of investments in fixed assets and the recognition of deferred tax assets for existing tax loss carryforwards that can be used in future periods. Depreciation of property, plant and equipment was more than compensated by additional investments.

Current assets account for 64.0% of total assets. Compared to the 2011 annual financial statements, they fell by EUR 22.1 million and now amount to EUR 186.3 million. Inventories increased by EUR 1.2 million to EUR 37.1 million, since the Company traditionally replenish its inventories in the first quarter after the Christmas shopping season. At EUR 58.1 million, trade receivables are at the same level as at the end of the fiscal year. The decrease in other assets from EUR 27.2 million to EUR 21.2 million resulted mainly from fewer factoring receivables. Compared to the beginning of the year, cash and cash equivalents decreased by EUR 13.9 million to EUR 48.3 million, which can be attributed to the repayment of liabilities to suppliers from the Christmas shopping season. Please refer to the statement of cash flows presented in the notes for the development of cash and cash equivalents. The SM Electronic Group's assets are presented under the item "Assets held for sale". Please refer to the disclosures in the notes for the breakdown of this balance sheet item.

Total liabilities amount to EUR 211.3 million, 83.7% of which are current. The Group's total debt was decreased by an additional EUR 23.9 million in the first quarter of 2012 following the significant reduction of debt in the preceding fiscal years.

The Gigaset Group's equity amounted to around EUR 79.7 million as of March 31, 2012. This corresponds to an equity ratio of 27.4% and a year-on-year increase of just under 11.8%.

Non-current liabilities mainly include deferred tax liabilities, pension commitments, and long-term provisions for personnel expenses as well as provisions for guarantees. Non-current liabilities as of March 31, 2012, are at essentially the same level presented in the annual financial statements.

At EUR 176.8 million, current liabilities are around 12.3% lower than reported in the annual financial statements as of December 31, 2011. Whereas provisions decreased from EUR 27.2 million to EUR 23.5 million in particular as a result of the reduction of other provisions, guarantee provisions, and provisions for commissions, current financial liabilities increased as a result of the utilization of the syndicated loan from EUR 6.1 million to EUR 8.4 million. Liabilities to suppliers from the Christmas shopping season were settled in the first quarter of 2012, resulting in a reduction of liabilities from trade payables from EUR 19.6 million to EUR 76.6 million. The increase in tax liabilities from EUR 7.8 million to EUR 9.4 million resulted mainly from additional income tax liabilities and can be attributed to the positive profit development in the Gigaset Group. The decrease in other liabilities in the amount of EUR 2.7 million resulted in particular from lower advanced payments from customers as well as from lower personnel-related liabilities. The increase in value added tax liabilities partially compensated the decrease in other liabilities. The item "Liabilities related to assets held for sale" includes the SM Electronic Group's liabilities. Please refer to the disclosures in the notes for the breakdown of this balance sheet item.

## 6 Report on opportunities and risks at March 31, 2012

The future business development of the Gigaset Group and its participating interests is associated with entrepreneurial opportunities and risks. The Company's risk policy consists of taking advantage of existing opportunities and limiting the associated risks with the use of appropriate instruments.

Detailed information regarding the Gigaset Group's opportunities and risks is presented in Gigaset AG's 2011 Annual Report. The process of the Group-wide, systematic risk management system is described in detail in Gigaset AG's 2011 Annual Report.

# 7 Events after the reporting date

On April 30, 2012, Evonik Degussa GmbH filed an arbitration claim against Gigaset AG with Deutsche Institution für Schiedsgerichtsbarkeit e. V., demanding payment of EUR 12 million from Gigaset AG under a contractual agreement from the year 2006. The company had already rejected the alleged facts as well as the asserted claim and will defend against the complaint. Gigaset's assessment of the case is based on a legal opinion by a prestigious law firm. The company recognized in consultation with the auditor an appropriate risk provision amounting to EUR 3.6 million in its annual financial statements at December 31, 2011.

# 8 Forecasting report

## 8.1 Outlook for the Gigaset Group

Whereas strong growth rates are recorded in the market for IP telephone systems for small and medium-sized enterprises, the global market for cordless telephones exhibits slight growth in unit sales in some regions and a slight to moderate decrease in other regions. In particular Eastern Europe, South America, and the Middle East are proving to be market drivers in the classic market for cordless telephones. In contrast, the trend in the US market and some European markets is decreasing. A percentage decrease in the mid-single digits is expected for the telecommunications market in 2012 due to the persistently weak economic environment. The market based on the DECT standard will remain nearly constant, while the analogue standard and other digital standards will decrease in importance worldwide.

The European market will remain stable measured in units in 2012, whereby slight growth is forecast for Eastern Europe. However, a single-digit decline in prices is expected in both regions.

A weak market decrease in unit sales compared to prior years is expected in the North American market starting in 2012. The North American market is expected to stabilize more and more as a result of the price per unit sold, which will continue to remain relative constant.

The markets in the Middle East, Africa, Asia and South America represent further potential areas of growth. With respect to units sold, we continue to expect the Asia-Pacific area to be a growth market as in previous years based on units sold in the digital standards and in particular in the DECT area.

Growth impulses are also expected according to forecasts for the market in South America, in particular for digital technologies. In addition to general growth in cordless fixed-line phones, the segment for DECT telephones will expand at an above-average rate due to technology substitution. Unit growth in the area of cordless fixed-line phones is also anticipated for the markets in the Middle East and Africa. In the MEA Region, the segment for DECT telephones will grow at a higher rate than analogue and other digital technologies.

The Gigaset Group will continue its course of strategic development introduced in 2011. In addition to the targeted expansion of regional markets and the development and sale of new innovations, the Company is focusing on expanding Gigaset pro to a fundamental pillar. In addition to Gigaset pro, the cloud-and Android-based home networking platforms will be developed to a new product segment. Solutions in the areas of safety, health and energy management will be offered here. This allows Gigaset the expansion of existing and new partnerships and entering new market segments.

The Group's financial situation should be improved and greater strategic room for maneuver to secure the future should be achieved with a holistic concept of portfolio optimization, change management, and permanent orientation on profitability by increasing efficiency.

## 8.2 Expected development of revenues and earnings

The business development in fiscal year 2012 will be significantly driven by the possible effects of the financial crisis on the main sales market of Europe. The scope and influence of the financial crisis on the consumer climate cannot be reliably estimated at this time. This uncertain operating environment makes a reliable outlook considerably more difficult. The highly volatile trend on the foreign exchange markets also has an effect. Invoices are issued primarily in US dollars on Gigaset's procurement markets, whereby a stronger US dollar has a negative effect on the Group's profitability. In light of this, we expect that sales in 2012 will be on the previous year's level if there are no major disruptions on the sales markets. Earnings (EBITDA) are not likely to reach previous year's level, since the strict cost management is more than offset by the current developments in the sales markets, a strong USD as well as required investments in innovations and future product portfolios.

## 8.3 Expected changes in financial position, capital expenditures and liquidity development

Despite the difficulties on the European financial markets and the resulting complex operating environment, Gigaset's financing and liquidity are secure in fiscal year 2012. The syndicated loan for EUR 35 million raised at the beginning of 2012 and the existing factoring agreement are contributing significantly to this.

Given a moderate market environment, the Group expects to be able to generate positive cash inflows from continuing operations.

## 8.4 Overall view of the Executive Board regarding the likely development of the Group

We have started the development of strategic measures to achieve a sustainable growth. Ensuring the future security of the Group and the holding company is among the Executive Board's most urgent duties. Therefore, portfolio and product optimization is a continuous process. We will further advance our concept of focusing on interesting growth markets and complete the adjustments to our product portfolio. At the same time, the Executive Board will establish strategic initiatives to open up attractive medium to long term growth areas for the company. The current fiscal year will be characterized by going concern of a stable core business and the development of new growth areas where investments are required. The Executive Board strives to further improve the financial position of the Gigaset. The combination of these measures provides the basis for sustainable growth.

Munich, May 11, 2012

Gigaset AG

The Executive Board

# Interim Financial Report

## Income statement for the period from January 1 to March 31, 2012

| EUR'000 | 01/01 – 03/31/2011 Continuing operations | Discontinued operations | Total |
|---|---|---|---|
| Sales revenues | 112,220 | 7,811 | 120,031 |
| Change in inventories of finished goods and work in progress | -3,520 | 0 | -3,520 |
| Other own work capitalized | 4,551 | 0 | 4,551 |
| Other operating income | 4,160 | 729 | 4,889 |
| Cost of materials | -55,348 | -3,891 | -59,239 |
| Personnel expenses | -26,222 | -620 | -26,842 |
| Other operating expenses | -25,176 | -4,309 | -29,485 |
| **EBITDA** | **10,665** | **-280** | **10,385** |
| Depreciation and amortization | -5,782 | 0 | -5,782 |
| Impairment write-downs | 0 | 0 | 0 |
| **EBIT** | **4,883** | **-280** | **4,603** |
| Result from financial assets accounted for using the equity method | 0 | 0 | 0 |
| Other interest and similar income | 244 | 0 | 244 |
| Interest and similar expenses | -403 | -33 | -436 |
| **Net financial income** | **-159** | **-33** | **-192** |
| **Result from ordinary activities** | **4,724** | **-313** | **4,411** |
| Taxes on income | -821 | 0 | -821 |
| **Consolidated net profit/loss for the fiscal year** | **3,903** | **-313** | **3,590** |
| of which attributable to non-controlling interests in consolidated net profit/loss for the fiscal year | 0 | 0 | 0 |
| of which interests in consolidated net profit/loss for the fiscal year attributable to the shareholders of Gigaset AG | 3,903 | -313 | 3,590 |
| | | | |
| **Earnings per ordinary share** | | | |
| - undiluted in EUR | 0.08 | -0.01 | 0.07 |
| - diluted in EUR | 0.08 | -0.01 | 0.07 |

# Income statement for the period from January 1 to March 31, 2012

| 01/01 – 03/31/2011 | | | |
|---|---|---|---|
| **Continuing operations** | **Discontinued operations** | **Total** | **EUR'000** |
| 115,020 | 35,156 | 150,176 | Sales revenues |
| 572 | -1,224 | -652 | Change in inventories of finished goods and work in progress |
| 4,019 | 0 | 4,019 | Other own work capitalized |
| 9,684 | 6,864 | 16,548 | Other operating income |
| -56,639 | -23,866 | -80,505 | Cost of materials |
| -28,091 | -4,898 | -32,989 | Personnel expenses |
| -30,180 | -6,452 | -36,632 | Other operating expenses |
| **14,385** | **5,580** | **19,965** | **EBITDA** |
| -7,270 | -71 | -7,341 | Depreciation and amortization |
| 0 | 184 | 184 | Impairment write-downs |
| **7,115** | **5,693** | **12,808** | **EBIT** |
| 0 | 0 | 0 | Result from financial assets accounted for using the equity method |
| 69 | 6 | 75 | Other interest and similar income |
| -907 | -149 | -1,056 | Interest and similar expenses |
| **-838** | **-143** | **-981** | **Net financial income** |
| **6,277** | **5,550** | **11,827** | **Result from ordinary activities** |
| -3,236 | -8 | -3,244 | Taxes on income |
| **3,041** | **5,542** | **8,583** | **Consolidated net profit/loss for the fiscal year** |
| 0 | 142 | 142 | of which attributable to non-controlling interests in consolidated net profit/loss for the fiscal year |
| 3,041 | 5,400 | 8,441 | of which interests in consolidated net profit/loss for the fiscal year attributable to the shareholders of Gigaset AG |
| | | | |
| | | | Earnings per ordinary share |
| 0.06 | 0.11 | 0.17 | - undiluted in EUR |
| 0.06 | 0.11 | 0.17 | - diluted in EUR |

# Consolidated statement of financial position as of March 31, 2012

| EUR'000 | 03/31/2012 | 12/31/2011 |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 43,241 | 42,431 |
| Property, plant and equipment | 46,118 | 45,911 |
| Financial assets | 2,379 | 2,334 |
| Deferred tax assets | 12,944 | 12,240 |
| **Total non-current assets** | **104,682** | **102,916** |
| Current assets | | |
| Inventories | 37,053 | 35,804 |
| Trade receivables | 58,072 | 59,723 |
| Other assets | 21,185 | 27,163 |
| Current tax assets | 3,031 | 3,076 |
| Cash and cash equivalents | 48,322 | 62,262 |
| | **167,663** | **188,028** |
| Assets held for sale | 18,674 | 20,416 |
| **Total current assets** | **186,337** | **208,444** |
| **Total assets** | **291,019** | **311,360** |

# Consolidated statement of financial position as of March 31, 2012

| EUR'000 | 03/31/2012 | 12/31/2011 |
|---|---|---|
| EQUITY AND LIABILITIES | | |
| **Equity** | | |
| Subscribed capital | 50,015 | 50,015 |
| Share premium | 87,981 | 87,981 |
| Revenue reserves | 22,858 | 22,858 |
| Accumulated other comprehensive income | -81,146 | -84,621 |
| | 79,708 | 76,233 |
| Non-controlling interests | 0 | 0 |
| **Total equity** | **79,708** | **76,233** |
| **Non-current liabilities** | | |
| Pension commitments | 10,638 | 10,258 |
| Provisions | 8,272 | 7,392 |
| Other liabilities | 45 | 35 |
| Deferred tax liabilities | 15,573 | 15,958 |
| **Total non-current liabilities** | **34,528** | **33,643** |
| **Current liabilities** | | |
| Provisions | 23,517 | 27,222 |
| Financial liabilities | 8,358 | 6,083 |
| Trade payables | 76,632 | 96,239 |
| Tax liabilities | 9,405 | 7,790 |
| Other liabilities | 38,912 | 41,568 |
| | **156,824** | **178,902** |
| Liabilities related to assets held for sale | 19,959 | 22,582 |
| **Total current liabilities** | **176,783** | **201,484** |
| **Total assets** | **291,019** | **311,360** |

# Change in consolidated equity as of March 31, 2012

| | EUR'000 | Subscribed capital | Share premium | Revenue reserves |
|---|---|---|---|---|
| | January 1, 2011 | 39,629 | 74,606 | 20,290 |
| 1 | **Capital increase** | **0** | **0** | **0** |
| 2 | **Allocation to revenue reserves** | **0** | **0** | **0** |
| 3 | Stock option program | 0 | 0 | 0 |
| 4 | Change in non-controlling interests | 0 | 0 | 0 |
| 5 | Other changes | 0 | 0 | 0 |
| 6 | **Total transactions with owners** | **0** | **0** | **0** |
| 7 | Consolidated net profit 2011 | 0 | 0 | 0 |
| 8 | Non-controlling interests | 0 | 0 | 0 |
| 9 | Consolidated net profit for the fiscal year after non-controlling interests | 0 | 0 | 0 |
| 10 | Foreign currency gains/losses | 0 | 0 | 0 |
| 11 | Total changes recognized in other comprehensive income | 0 | 0 | 0 |
| 12 | **Total net income (9+11)** | **0** | **0** | **0** |
| 13 | **Treasury shares** | **38** | **107** | **0** |
| | March 31, 2011 | 39,667 | 74,713 | 20,290 |
| | January 1, 2012 | 50,015 | 87,981 | 22,858 |
| 1 | **Capital increase** | **0** | **0** | **0** |
| 2 | **Allocation to revenue reserves** | **0** | **0** | **0** |
| 3 | Stock option program | 0 | 0 | 0 |
| 4 | Change in non-controlling interests | 0 | 0 | 0 |
| 5 | Other changes | 0 | 0 | 0 |
| 6 | **Total transactions with owners** | **0** | **0** | **0** |
| 7 | Consolidated net profit 2012 | 0 | 0 | 0 |
| 8 | Non-controlling interests | 0 | 0 | 0 |
| 9 | Consolidated net profit for the fiscal year after non-controlling interests | 0 | 0 | 0 |
| 10 | Foreign currency gains/losses | 0 | 0 | 0 |
| 11 | Total changes recognized in other comprehensive income | 0 | 0 | 0 |
| 12 | **Total net income (9+11)** | **0** | **0** | **0** |
| 13 | **Treasury shares** | **0** | **0** | **0** |
| | March 31, 2012 | 50,015 | 87,981 | 22,858 |

# Change in consolidated equity as of March 31, 2012

| Accumulated other comprehensive income | Adjusting items for non-controlling interests | Consolidated equity | EUR'000 | |
|---|---|---|---|---|
| -99,580 | 95 | 35,040 | January 1, 2011 | |
| 0 | 0 | 0 | Capital increase | 1 |
| 0 | 0 | 0 | Allocation to revenue reserves | 2 |
| 4 | 0 | 4 | Stock option program | 3 |
| 0 | -410 | -410 | Change in non-controlling interests | 4 |
| 0 | 0 | 0 | Other changes | 5 |
| 4 | -410 | -406 | Total transactions with owners | 6 |
| 8,441 | 0 | 8,441 | Consolidated net profit 2011 | 7 |
| 0 | 142 | 142 | Non-controlling interests | 8 |
| 8,441 | 142 | 8,583 | Consolidated net profit for the fiscal year after non-controlling interests | 9 |
| -1,269 | 0 | -1,269 | Foreign currency gains/losses | 10 |
| -1,269 | 0 | -1,269 | Total changes recognized in other comprehensive income | 11 |
| 7,172 | 142 | 7,314 | Total net income (9+11) | 12 |
| 0 | 0 | 145 | Treasury shares | 13 |
| -92,404 | -173 | 42,093 | March 31, 2011 | |
| -84,621 | 0 | 76,233 | January 1, 2012 | |
| 0 | 0 | 0 | Capital increase | 1 |
| 0 | 0 | 0 | Allocation to revenue reserves | 2 |
| 0 | 0 | 0 | Stock option program | 3 |
| 0 | 0 | 0 | Change in non-controlling interests | 4 |
| 0 | 0 | 0 | Other changes | 5 |
| 0 | 0 | 0 | Total transactions with owners | 6 |
| 3,590 | 0 | 3,590 | Consolidated net profit 2012 | 7 |
| 0 | 0 | 0 | Non-controlling interests | 8 |
| 3,590 | 0 | 3,590 | Consolidated net profit for the fiscal year after non-controlling interests | 9 |
| -115 | 0 | -115 | Foreign currency gains/losses | 10 |
| -115 | 0 | -115 | Total changes recognized in other comprehensive income | 11 |
| 3,475 | 0 | 3,475 | Total net income (9+11) | 12 |
| 0 | 0 | 0 | Treasury shares | 13 |
| -81,146 | 0 | 79,708 | March 31, 2012 | |

# Consolidated statement of cash flows for the period from January 1 – March 31, 2012

| EUR'000 | 01/01/ - 03/31/ 2012 | 01/01/ - 03/31/ 2011 |
|---|---|---|
| **Result from ordinary activities before taxes on income (EBT)** | **4,411** | **11,827** |
| Reversal of negative goodwill | 0 | -3,326 |
| Depreciation of property, plant and equipment and amortization of intangible assets | 5,782 | 7,341 |
| Impairment write-downs | 0 | -184 |
| Addition(+)/decrease (-) in pension provisions | 380 | 597 |
| Gain (-)/loss (+) from the sale of non-current assets | -9 | -1 |
| Gain (-)/loss (+) from deconsolidations | 0 | -2,580 |
| Gain (-)/loss (+) from currency translation | -499 | -623 |
| Issuance of stock options | 0 | 4 |
| Result from equity-accounted interests | 0 | 0 |
| Other non-cash income and expense | -4,551 | -4,019 |
| Net interest income | 192 | 1,642 |
| Interest received | 38 | 31 |
| Interest paid | -206 | -225 |
| Income taxes paid | -107 | -212 |
| Increase (-)/decrease (+) in inventories | -1,249 | 13 |
| Increase (-)/decrease (+) in trade receivables and other receivables | 7,629 | 12,993 |
| Increase (+)/decrease (-) in trade payables, other liabilities and other provisions | -25,102 | -17,734 |
| Increase (+)/decrease (-) in other balance sheet items | -710 | -2,650 |
| **Cash inflow (+)/outflow (-) from continuing operations (net cash flow)** | **-14,001** | **2,894** |
| Disbursements for shares in companies | 0 | -650 |
| Cash received from purchase of equity interests | 0 | 1,617 |
| Cash paid for sale of equity interests | 0 | -911 |
| Proceeds from disposals of non-current assets | 9 | 1 |
| Payments for investments in non-current assets | -2,293 | -812 |
| **Cash inflow (+)/outflow (-) from investing activities** | **-2,284** | **-755** |
| **Free cash flow** | **-16,285** | **2,139** |

# Consolidated statement of cash flows for the period from January 1 – March 31, 2012

| EUR'000 | 01/01/ - 03/31/ 2012 | 01/01/ - 03/31/ 2011 |
|---|---|---|
| Cash flows from the raising (+)/repayment (-) of current financial liabilities | 2,275 | -1,275 |
| Payments in connection with finance lease liabilities | 0 | -11 |
| Sale of treasury shares | 0 | 145 |
| **Cash inflow (+)/outflow (-) from financing activities** | **2,275** | **-1,141** |
| Cash and cash equivalents at the beginning of the period | 60,264 | 30,448 |
| Foreign exchange rate gains/losses | 388 | 661 |
| **Cash and cash equivalents at the beginning of the period measured at the rate of exchange prevailing at the reporting date of the prior year** | **59,876** | **29,787** |
| Increase (-)/decrease (+) in restricted cash | 926 | 916 |
| Change in cash and cash equivalents | -14,010 | 998 |
| **Cash and cash equivalents at the end of the period** | **47,180** | **32,362** |
| Restricted cash | 2,354 | 8,044 |
| **Cash and cash equivalents** | **49,534** | **40,406** |
| Cash and cash equivalents presented under "Assets held for sale" | 1,212 | 631 |
| **Cash and cash equivalents reported on the statement of financial position** | **48,322** | **39,775** |

# Consolidated statement of comprehensive income for the period from January 1 – March 31, 2012

| EUR'000 | Continuing operations (01/01/ – 03/31/ 2012) | Discontinued operations (01/01/ – 03/31/ 2012) | Total (01/01/ – 03/31/ 2012) |
|---|---|---|---|
| Consolidated net profit/loss for the fiscal year | 3,903 | -313 | 3,590 |
| Foreign currency gains/losses | -110 | -5 | -115 |
| Total changes recognized in other comprehensive income | -110 | -5 | -115 |
| Total recognized income and expense | 3,793 | -318 | 3,475 |
| of which attributable to non-controlling interests | 0 | 0 | 0 |
| of which attributable to the shareholders of Gigaset AG | 3,793 | -318 | 3,475 |

# Consolidated statement of comprehensive income for the period from January 1 – March 31, 2012

| 01/01/ – 03/31/ 2011 Continuing operations | Discontinued operations | Total | EUR'000 |
|---|---|---|---|
| 3,041 | 5,542 | 8,583 | Consolidated net profit/loss for the fiscal year |
| -1,268 | -1 | -1,269 | Foreign currency gains/losses |
| -1,268 | -1 | -1,269 | Total changes recognized in other comprehensive income |
| 1,773 | 5,541 | 7,314 | Total recognized income and expense |
| 0 | 142 | 142 | of which attributable to non-controlling interests |
| 1,773 | 5,399 | 7,172 | of which attributable to the shareholders of Gigaset AG |

# Notes to the Interim Financial Statements as of March 31, 2012

## 1. General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of March 31, 2012, and the presentation of comparative figures from the prior year was carried out in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and their interpretation by the Standard Interpretations Committee (SIC) and International Financial Reporting Standards Interpretations Committee (IFRS IC) as they apply in the EU, as well as the IFRSs as a whole. Accordingly, this unaudited and unreviewed Interim Financial Report as of March 31, 2012, was prepared in accordance with IAS 34. All standards applicable as of March 31, 2012, whose application is mandatory were taken into account and provide a true and fair view of the Gigaset Group's financial position, financial performance and cash flows.

The notes to the 2011 consolidated financial statements apply accordingly in particular with respect to the significant accounting policies adopted. The consolidated financial statements are prepared under the premise that the Company will continue as a going concern.

In addition, the following standards and interpretations, which were amended or newly issued by the IASB, had to be applied beginning with the 2012 fiscal year:

- Amendment to IFRS 1 (First-time Adoption of International Financial Reporting Standards)
- Amendment to IFRS 7 (Financial Instruments: Disclosures)
- Amendment to IAS 12 (Income Taxes)

The amendments to IFRS 1 expand the existing exemptions. In accordance with this amendment, a first-time user of IFRS whose functional currency is subject to hyperinflation at the transition date can measure assets and liabilities at fair value in the opening balance sheet. The amended standard applies for reporting periods beginning on or after July 1, 2011. Earlier adoption is permitted. The amendments had no effect on the consolidated financial statements.

The amendments to IFRS 7 relate to the expanded disclosure requirements for the transfer of financial assets and are intended to increase transparency with respect to the effects of the risks remaining with the company. The amended standard applies for reporting periods beginning on or after July 1, 2011. The disclosure of newly required information is not necessary for prior periods. Earlier adoption is permitted. The amendments had no effect on the consolidated financial statements.

The amendment to IAS 12 includes a partial clarification regarding the treatment of temporary tax differences related to the application of the fair value model in IAS 40. With respect to investment property, it is often difficult to assess whether existing differences reverse over a period of continued use or as a result of a sale. Therefore, the amendment specifies that the general assumption is reversal through sale. The amended standard applies for reporting periods beginning on or after January 1, 2012. Earlier adoption is permitted. The amendments had no effect on the consolidated financial statements.

The mandatory application of amendments to standards or interpretations resulted in no significant effects on the Gigaset Group's financial position, financial performance and cash flows.

The following standards and interpretations already adopted, revised, or newly issued by the IASB were not yet required to be applied in fiscal year 2012:

| Standards | | Mandatory application beginning | Adoption by the EU Commission |
|---|---|---|---|
| IFRS 1 | Accounting treatment of government loans | Jan. 1, 2013 | No |
| IFRS 10 | Consolidated Financial Statements | Jan. 1, 2013 | No |
| IFRS 11 | Joint Arrangements | Jan. 1, 2013 | No |
| IFRS 12 | Disclosure of Interests in Other Entities | Jan. 1, 2013 | No |
| IFRS 13 | Fair Value Measurement | Jan. 1, 2013 | No |
| IAS 1 | Presentation of Financial Statements | Jan. 1, 2013 | No |
| IAS 19 | Employee Benefits | Jan. 1, 2013 | No |
| IAS 27 | Separate Financial Statements | Jan. 1, 2013 | No |
| IAS 28 | Investments in Associates and Joint Ventures | Jan. 1, 2013 | No |
| IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | Jan. 1, 2013 | No |
| IAS 32 | Amendments to Offsetting Financial Assets and Financial Liabilities | Jan. 1, 2014 | No |
| IFRS 9 | Financial Instruments | Jan. 1, 2015 | No |
| IFRS 9 / IFRS 7 | Amendments to Mandatory Effective Date and Transition Disclosures | Jan. 1, 2015 | No |
| **Interpretations** | | | |
| IFRIC 20 | Recognition of Stripping Costs in the Production Phase of a Surface Mine | Jan. 1, 2013 | No |

The amendments of IAS 19 are expected to have a significant effect on the Gigaset Group's financial position, financial performance and cash flows.

The primary change in IAS 19 is that future unexpected fluctuations in pension commitments as well as any plan assets – so-called actuarial gains and losses – will have to be recognized directly in equity under other comprehensive income (OCI). The option previously applied by Gigaset – recognition under the corridor method – is being abolished. This is expected to lead to increasing volatility of equity. Another change in accounting treatment is that interest expense will be derived in the future based on the so-called net defined benefit liability. More comprehensive disclosures will have to be made in the notes under the amended standard than previously required. The exact quantitative effects are currently being reviewed, but cannot yet be reliably estimated.

The effects of the first-time application of the other revised or newly issued standards and interpretations cannot be reliably estimated at this time.

## 2. Adjustment of comparative information in the consolidated financial statements as of March 31, 2011

Earnings per share were adjusted for 2011. In accordance with IAS 33.23, ordinary shares issued when an instrument with a conversion requirement is converted must be included in the calculation of basic earnings per share beginning with the date of entry into the contract. The convertible bond issued in 2010 was designed with a conversion requirement, albeit with a variable conversion ratio. The convertible bond was treated as potential ordinary shares for the calculation of earnings per share for the first quarter of 2011 and thus included in the calculation of diluted earnings per share.

However, due to the provision in IAS 33.23, the convertible bond would have had to be included in the calculation of basic earnings per share and would have thus resulted in adjusted basic earnings per share of EUR 0.17 instead of the EUR 0.21 presented in the Interim Financial Statements as of March 31, 2011. Diluted earnings per share remain unchanged at EUR 0.17 for the Interim Financial Statements as of March 31, 2011.

The adjusted calculation of earnings for the Interim Financial Statements as of March 31, 2011, based on the provisions under IAS 33.23 are presented below:

| | Calculation in the 2011 Interim Financial Report | | |
|---|---|---|---|
| **03/31/2011 in EUR'000** | **Continuing operations** | **Discontinued operations** | **Group** |
| EARNINGS | | | |
| Basis for basic earnings per share (imputable net profit or loss for the period attributable to the shareholders of the parent company) | 3,041 | 5,400 | 8.441 |
| Effect of the potentially diluting ordinary shares: Convertible bond | 409 | 0 | 409 |
| Basis for diluted earnings per share | 3,450 | 5,400 | 8.850 |
| NUMBER OF SHARES | | | |
| Weighted average number of ordinary shares for basic earnings per share | 39,664,621 | 39,628,552 | 39.628.552 |
| Effect of the potentially diluting ordinary shares: Stock options | 15,994 | 0 | 0 |
| Effect of the potentially diluting ordinary shares: Convertible bond | 11,900,001 | 11,900,001 | 11.900.001 |
| Weighted average number of ordinary shares for diluted earnings per share | 51,580,616 | 51,528,553 | 51.528.553 |
| Basic earnings per share (in EUR) | 0.07 | 0.14 | 0,21 |
| Diluted earnings per share (in EUR) | 0.07 | 0.10 | 0,17 |

| Adjusted calculation | | | |
|---|---|---|---|
| **Continuing operations** | **Discontinued operations** | **Group** | **03/31/2011 in EUR'000** |
| | | | EARNINGS |
| 3,041 | 5,400 | 8,441 | Basis for basic earnings per share (imputable net profit or loss for the period attributable to the shareholders of the parent company) |
| 0 | 0 | 0 | Effect of the potentially diluting ordinary shares: Convertible bond |
| 3,041 | 5,400 | 8,441 | Basis for diluted earnings per share |
| | | | NUMBER OF SHARES |
| 50,012,324 | 50,012,324 | 50,012,324 | Weighted average number of ordinary shares for basic earnings per share |
| 15,994 | 0 | 15,994 | Effect of the potentially diluting ordinary shares: Stock options |
| 0 | 0 | 0 | Effect of the potentially diluting ordinary shares: Convertible bond |
| 50,028,318 | 50,012,324 | 50,028,318 | Weighted average number of ordinary shares for diluted earnings per share |
| 0.06 | 0.11 | 0.17 | Basic earnings per share (in EUR) |
| 0.06 | 0.11 | 0.17 | Diluted earnings per share (in EUR) |

The amounts as of March 31, 2011, were adjusted in the income statement. It was not necessary to adjust either the statement of financial position as of December 31, 2010, or December 31, 2009, or the consolidated net loss for the year in 2010 or 2009. Since the change in methods did not have an effect on the opening balance sheet as of January 1, 2009, we chose not to present the opening balance sheet as of January 1, 2009.

The changes affect the presentation of interest expense from pension commitments as well as planned returns from plan assets, which were previously presented under net financial income. The Company believes that the financial position, financial performance and cash flows are presented more clearly for comparison to the Company's most important competitors by the users of the annual financial statements when all income and expenses related to the recognition of pension commitments are presented together under personnel expenses.

| 01/01/ – 03/31/2011 in EUR'000<br>Change in methods | Continuing operations | Discontinued operations | Total | Continuing operations |
|---|---|---|---|---|
| Sales revenues | 115,020 | 35,156 | 150,176 | 0 |
| Change in inventories of finished goods and work in progress | 572 | -1,224 | -652 | 0 |
| Other own work capitalized | 4,019 | 0 | 4,019 | 0 |
| Other operating income | 9,684 | 6,864 | 16,548 | 0 |
| Cost of materials | -56,639 | -23,866 | -80,505 | 0 |
| Personnel expenses | -27,430 | -4,898 | -32,328 | -661 |
| Other operating expenses | -30,180 | -6,452 | -36,632 | 0 |
| EBITDA | 15,046 | 5,580 | 20,626 | -661 |
| Depreciation and amortization | -7,270 | -71 | -7,341 | 0 |
| Impairment write-downs | 0 | 184 | 184 | 0 |
| EBIT | 7,776 | 5,693 | 13,469 | -661 |
| Result from financial assets accounted for using the equity method | 0 | 0 | 0 | 0 |
| Other interest and similar income | 69 | 6 | 75 | 0 |
| Interest and similar expenses | -1,568 | -149 | -1,717 | 661 |
| Net financial income | -1,499 | -143 | -1,642 | 661 |
| Result from ordinary activities | 6,277 | 5,550 | 11,827 | 0 |
| Taxes on income | -3,236 | -8 | -3,244 | 0 |
| Consolidated net profit for the fiscal year | 3,041 | 5,542 | 8,583 | 0 |
| of which attributable to non-controlling interests | 0 | 142 | 142 | 0 |
| of which attributable to the shareholders of Gigaset AG | 3,041 | 5,400 | 8,441 | 0 |
| Earnings per ordinary share | | | | |
| - undiluted in EUR | 0.06 | 0.11 | 0.17 | 0.00 |
| - diluted in EUR | 0.06 | 0.11 | 0.17 | 0.00 |

| Discontinued operations | Total | Continuing operations | Discontinued operations | Total | 01/01/ – 03/31/2011 in EUR'000 Change in methods |
|---|---|---|---|---|---|
| **0** | **0** | **115,020** | **35,156** | **150,176** | **Sales revenues** |
| 0 | 0 | 572 | -1,224 | -652 | Change in inventories of finished goods and work in progress |
| 0 | 0 | 4,019 | 0 | 4,019 | Other own work capitalized |
| 0 | 0 | 9,684 | 6,864 | 16,548 | Other operating income |
| 0 | 0 | -56,639 | -23,866 | -80,505 | Cost of materials |
| 0 | -661 | -28,091 | -4,898 | -32,989 | Personnel expenses |
| **0** | **0** | **-30,180** | **-6,452** | **-36,632** | **Other operating expenses** |
| **0** | **-661** | **14,385** | **5,580** | **19,965** | **EBITDA** |
| **0** | **0** | **-7,270** | **-71** | **-7,341** | **Depreciation and amortization** |
| 0 | 0 | 0 | 184 | 184 | Impairment write-downs |
| **0** | **-661** | **7,115** | **5,693** | **12,808** | **EBIT** |
| 0 | 0 | 0 | 0 | 0 | Result from financial assets accounted for using the equity method |
| 0 | 0 | 69 | 6 | 75 | Other interest and similar income |
| 0 | 661 | -907 | -149 | -1,056 | Interest and similar expenses |
| **0** | **661** | **-838** | **-143** | **-981** | **Net financial income** |
| **0** | **0** | **6,277** | **5,550** | **11,827** | **Result from ordinary activities** |
| 0 | 0 | -3,236 | -8 | -3,244 | Taxes on income |
| **0** | **0** | **3,041** | **5,542** | **8,583** | **Consolidated net profit for the fiscal year** |
| 0 | 0 | 0 | 142 | 142 | of which attributable to non-controlling interests |
| **0** | **0** | **3,041** | **5,400** | **8,441** | **of which attributable to the shareholders of Gigaset AG** |
| | | | | | **Earnings per ordinary share** |
| 0.00 | 0.00 | 0.06 | 0.11 | 0.17 | - undiluted in EUR |
| 0.00 | 0.00 | 0.06 | 0.11 | 0.17 | - diluted in EUR |

## 3. Seasonal effects

The core business of Gigaset Communications GmbH is subject to distinct seasonal fluctuations due to regularly varying consumer behavior over the course of a calendar year. The highest sales are realized during the Christmas shopping season, which is why the fourth quarter is traditionally very strong. In contrast, the first quarter serves the restocking of warehouses following the Christmas business and in our experience fluctuates around the same level as the third quarter. Sales for the Christmas season are already affecting inventory levels in the warehouses of distributors and retailers beginning in the third quarter; however, July and August count among the weak summer months with a typically low propensity to spend on the part of consumers. In light of this, the third quarter is normally weaker than the fourth. The second quarter is already characterized by seasonal consumer restraint in the early summer months of May and June; at the same time, distributors and retailers are adjusting their inventory levels to the weak summer months. Therefore, the second quarter is traditionally the weakest sales quarter of the entire fiscal year.

In addition to the traditional general seasonal fluctuations, there are country and region-specific seasonalities, such as sales promotions related to specific trade fairs (e.g. CEBIT, IFA), back-to-school activities, or the Chinese New Year.

## 4. Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, non-current assets and disposal groups are presented separately in the statement of financial position if they can be sold in their current condition and the sale is highly probable. For classification as "held for sale", the corresponding assets are recognized at fair value less costs to sell if this is lower than their carrying amount. Directly related liabilities are presented separately under liabilities as "held for sale" according to their classification.

The Supervisory Board approved the sale of the SM Electronic Group in December 2011 and sales efforts began immediately. Since the SM Electronic Group fulfills the criteria of immediate marketability specified under IFRS 5 and its sale can be regarded as highly probable, the SM Electronic Group was classified as a disposal group as defined under IFRS 5.

The assets and liabilities of the disposal group SM Electronic ("Other" segment) can be broken down as follows as of March 31, 2012:

| EUR'000 | 03/31/2012 |
|---|---|
| **Assets** | |
| Deferred tax assets | 17 |
| Inventories | 3,855 |
| Current receivables and other assets | 13,590 |
| Cash and cash equivalents | 1,212 |
| **Total** | **18,674** |
| **Liabilities** | |
| Provisions | 1,602 |
| Other liabilities | 17,663 |
| Deferred tax liabilities | 694 |
| **Total** | **19.959** |

Additional disclosures have been made for discontinued operations: Gigaset separated itself in 2011 from the Carl Froh Group, the Oxxynova Group and the van Netten Group (all belonging to the Other segment). These are presented under discontinued operations. The SM Electronic Group is also presented under discontinued operations in 2011, since it represents a major business line based on total assets and sales revenues.

Cash flows attributable to discontinued operations can be broken down as follows:

| EUR'000 | 01/01/ - 03/31/ 2012 | 01/01/ - 03/31/ 2011 |
|---|---|---|
| Cash inflow (+)/outflow (-) from operating activities | 318 | 810 |
| Cash inflow (+)/outflow (-) from investing activities | 0 | -1,791 |
| Cash inflow (+)/outflow (-) from financing activities | 0 | -722 |
| **Change in cash and cash equivalents** | **318** | **-1,703** |

## 5. Changes in the consolidated group

There were no changes in the consolidated group in the first quarter of 2012.

## 6. Segment reporting

Due to the reorientation of the Gigaset Group's business model, the segment reporting was adjusted accordingly. The activities of Gigaset and the holding company are presented separately from one another. The Gigaset Group is also presented based on geographic regions as a result of the information applied in Gigaget's internal management.

Gigaset's geographic regions whose main activities lie in the area of communications technology include the following:

- "Europe"

  The geographic region "Europe" includes all operating activities of the Gigaset Group in European countries as well as its operating activities in Russia, since they are jointly managed by the European companies. Thus, this area includes the operating activities in Germany, France, the United Kingdom, Italy, the Netherlands, Austria, Poland, Russia, Sweden, Switzerland, Spain, and Turkey.

- "America"

  The geographic region "America" includes the Gigaset Group's operating activities in Canada, the USA, Brazil, and Argentina.

- "Asia-Pacific / Middle East"

  The geographic region "Asia-Pacific / Middle East" includes the operating activities in China and the United Arab Emirates.

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

Transfer pricing between the segments corresponds to the prices realized with third parties. The cost of administrative services is passed on via cost allocation.

As of March 31, 2012, the Other segment includes the SM Electronic Group held for sale.

The Other segment includes the following companies in the comparison period of the prior year: Carl Froh Group (sold in the first quarter of 2011), Oxxynova Group (sold in the first quarter of 2011), van Netten Group (sold in the second quarter of 2011), the Home Media segment (discontinued), and the SM Electronic Group held for sale.

The allocation to the individual geographic regions is made based on the country of residence of the respective legal unit. Therefore, sales revenues and earnings are allocated in the segment reporting based on the legal units according to the internal segment reporting.

| January 1 – March 31, 2012 | Europe | America | Asia-Pacific / Middle East | Gigaset TOTAL |
|---|---|---|---|---|
| Sales revenues | | | | |
| External sales | 92,742 | 6,818 | 12,564 | 112,124 |
| Continuing operations | 92,742 | 6,818 | 12,564 | 112,124 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Internal sales | 2,791 | 0 | 0 | 2,791 |
| Continuing operations | 2,791 | 0 | 0 | 2,791 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Total sales revenues | 95,533 | 6,818 | 12,564 | 114,915 |
| Continuing operations | 95,533 | 6,818 | 12,564 | 114,915 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Net segment income/EBITDA | 10,133 | -158 | 1,909 | 11,884 |
| Continuing operations | 10,133 | -158 | 1,909 | 11,884 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Depreciation and amortization | -5,709 | -6 | -66 | -5,781 |
| Continuing operations | -5,709 | -6 | -66 | -5,781 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Impairment write-downs | 0 | 0 | 0 | 0 |
| Continuing operations | 0 | 0 | 0 | 0 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Net segment income/EBIT | 4,424 | -164 | 1,843 | 6,103 |
| Continuing operations | 4,424 | -164 | 1,843 | 6,103 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Income from financial assets accounted for using the equity method | | | | |
| Net interest income | | | | |
| Result from ordinary activities | | | | |
| Taxes on income | | | | |
| Consolidated net profit for the fiscal year | | | | |
| Non-controlling interests | | | | |
| Consolidated net profit for the fiscal year attributable to the shareholders of Gigaset AG | | | | |

| Holding | Other | Eliminations | Consoli-dated | January 1 – March 31, 2012 |
|---|---|---|---|---|
| | | | | Sales revenues |
| 96 | 7,811 | 0 | 120,031 | External sales |
| 96 | 0 | 0 | 112,220 | Continuing operations |
| *0* | *7,811* | *0* | *7,811* | *Discontinued operations* |
| 100 | 0 | -2.891 | 0 | Internal sales |
| 100 | 0 | -2,891 | 0 | Continuing operations |
| *0* | *0* | *0* | *0* | *Discontinued operations* |
| 196 | 7,811 | -2,891 | 120,031 | Total sales revenues |
| 196 | 0 | -2,891 | 112,220 | Continuing operations |
| *0* | *7,811* | *0* | *7,811* | *Discontinued operations* |
| -1,219 | -280 | 0 | 10,385 | Net segment income/EBITDA |
| -1,219 | 0 | 0 | 10,665 | Continuing operations |
| *0* | *-280* | *0* | *-280* | *Discontinued operations* |
| -1 | 0 | 0 | -5,782 | Depreciation and amortization |
| -1 | 0 | 0 | -5,782 | Continuing operations |
| *0* | *0* | *0* | *0* | *Discontinued operations* |
| 0 | 0 | 0 | 0 | Impairment write-downs |
| 0 | 0 | 0 | 0 | Continuing operations |
| *0* | *0* | *0* | *0* | *Discontinued operations* |
| -1,220 | -280 | 0 | 4,603 | Net segment income/EBIT |
| -1,220 | 0 | 0 | 4,883 | Continuing operations |
| *0* | *-280* | *0* | *-280* | *Discontinued operations* |
| | | | 0 | Income from financial assets accounted for using the equity method |
| | | | -192 | Net interest income |
| | | | 4,411 | Result from ordinary activities |
| | | | -821 | Taxes on income |
| | | | 3,590 | Consolidated net profit for the fiscal year |
| | | | 0 | Non-controlling interests |
| | | | 3,590 | Consolidated net profit for the fiscal year attributable to the shareholders of Gigaset AG |

| January 1 – March 31, 2011 | Europe | America | Asia-Pacific / Middle East | Gigaset TOTAL |
|---|---|---|---|---|
| Sales revenues | | | | |
| External sales | 97,119 | 9,742 | 8,159 | 115,020 |
| Continuing operations | 97,119 | 9,742 | 8,159 | 115,020 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Internal sales | 0 | 0 | 0 | 0 |
| Continuing operations | 0 | 0 | 0 | 0 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Total sales revenues | 97,119 | 9,742 | 8,159 | 115,020 |
| Continuing operations | 97,119 | 9,742 | 8,159 | 115,020 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Net segment income/EBITDA | 13,897 | 387 | 1,047 | 15,331 |
| Continuing operations | 13,897 | 387 | 1,047 | 15,331 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Depreciation and amortization | -7,256 | -6 | -7 | -7,269 |
| Continuing operations | -7,256 | -6 | -7 | -7,269 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Impairment write-downs | 0 | 0 | 0 | 0 |
| Continuing operations | 0 | 0 | 0 | 0 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Net segment income/EBIT | 6,641 | 381 | 1,040 | 8,062 |
| Continuing operations | 6,641 | 381 | 1,040 | 8,062 |
| *Discontinued operations* | *0* | *0* | *0* | *0* |
| Income from financial assets accounted for using the equity method | | | | |
| Net interest income | | | | |
| Result from ordinary activities | | | | |
| Taxes on income | | | | |
| Consolidated net profit for the fiscal year | | | | |
| Non-controlling interests | | | | |
| Consolidated net profit for the fiscal year attributable to the shareholders of Gigaset AG | | | | |

| Holding | Other | Eliminations | Consolidated | January 1 – March 31, 2011 |
|---|---|---|---|---|
| | | | | Sales revenues |
| 0 | 35,156 | 0 | 150,176 | External sales |
| 0 | 0 | 0 | 115,020 | Continuing operations |
| *0* | *35,156* | *0* | *35,156* | *Discontinued operations* |
| 182 | 0 | -182 | 0 | Internal sales |
| 182 | 0 | -182 | 0 | Continuing operations |
| *0* | *0* | *0* | *0* | *Discontinued operations* |
| 182 | 35,156 | -182 | 150,176 | Total sales revenues |
| 182 | 0 | -182 | 115,020 | Continuing operations |
| *0* | *35,156* | *0* | *35,156* | *Discontinued operations* |
| -946 | 5,580 | 0 | 19,965 | Net segment income/EBITDA |
| -946 | 0 | 0 | 14,385 | Continuing operations |
| *0* | *5,580* | *0* | *5,580* | *Discontinued operations* |
| -1 | -71 | 0 | -7,341 | Depreciation and amortization |
| -1 | 0 | 0 | -7,270 | Continuing operations |
| *0* | *-71* | *0* | *-71* | *Discontinued operations* |
| 0 | 184 | 0 | 184 | Impairment write-downs |
| 0 | 0 | 0 | 0 | Continuing operations |
| *0* | *184* | *0* | *184* | *Discontinued operations* |
| -947 | 5,693 | 0 | 12,808 | Net segment income/EBIT |
| -947 | 0 | 0 | 7,115 | Continuing operations |
| *0* | *5,693* | *0* | *5,693* | *Discontinued operations* |
| | | | 0 | Income from financial assets accounted for using the equity method |
| | | | -981 | Net interest income |
| | | | 11,827 | Result from ordinary activities |
| | | | -3,244 | Taxes on income |
| | | | 8,583 | Consolidated net profit for the fiscal year |
| | | | 142 | Non-controlling interests |
| | | | 8,441 | Consolidated net profit for the fiscal year attributable to the shareholders of Gigaset AG |

## 7. Related party disclosures

There were no significant transactions between the Group and its related parties.

## 8. Significant events after the reporting period

On April 30, 2012, Evonik Degussa GmbH filed an arbitration claim against Gigaset AG with Deutsche Institution für Schiedsgerichtsbarkeit e. V., demanding payment of EUR 12 million from Gigaset AG under a contractual agreement from the year 2006. The company had already rejected the alleged facts as well as the asserted claim and will defend against the complaint. Gigaset's assessment of the case is based on a legal opinion by a prestigious law firm. The company recognized in consultation with the auditor an appropriate risk provision amounting to EUR 3.6 million in its annual financial statements at December 31, 2011.

Munich, May 11, 2012

The Management Board of Gigaset AG

Charles Fränkl Dr. Alexander Blum Maik Brockmann

# Financial Calender

## June 12, 2012

- Annual General Meeting in Munich (Germany)

## August 8, 2012

- 2nd quarterly report for the 2011 fiscal year

## November 9, 2012

- 3rd quarterly report for the 2011 fiscal year

# Imprint

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