Gigaset

2012

REPORT FOR THE 2ND QUARTER

Key Figures

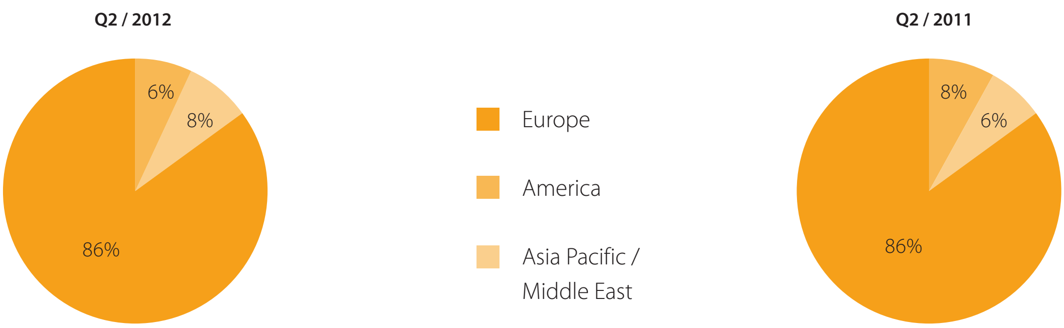
EUR million	01/01-06/30/2012	01/01-06/30/2011
Consolidated revenues	217.2	259.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10.8	28.5
Earnings before interest and taxes (EBIT)	-1.3	13.5
Consolidated profit	0.2	9.1
Free cash flow	-28.9	1.9
Earnings per share (diluted. EUR)	0.00	0.18

EUR million	06/30/2012	12/31/2011
Total assets	276.9	311.4
Shareholders' equity	76.3	76.2
Equity ratio (%)	27.6	24.5

Information on the Gigaset share

The Gigaset Share	Q2 / 2012	Q2 / 2011
Closing rate in EUR (at the end of the period)	1.45	3.72
Maximum rate in EUR (in the period)	2.55	4.55
Minimum rate in EUR (in the period)	1.29	3.48
Number of shares in issue (at the end of the period)	50,014,911	50,014,911
Market capitalization in EUR Million (at the end of the period)	72.522	186.055

Revenues by Region



Dear Shareholders,

An eventful and exciting half-year lies behind us: On the one hand, the European debt crisis is impeding economic development and also has a negative impact on our business operations. On the other hand, we developed our strategy "Gigaset 2015" in the first six months of this year, thereby pointing the way for Gigaset AG's future. At this point, we would like to thank you for your trust in our Company and also win over your trust in our Gigaset 2015 strategy.

The difficult economic situation in Europe and the associated weakened propensity to consume in important target regions such as Italy and Spain have challenged in particular our core business. The market for cordless telephones is indeed declining more sharply than first expected. In contrast, the decrease in our net operating income can also be attributed to the forward-looking investments announced as part of our growth strategy. In addition, our EBITDA was impacted by currency effects from the persistently weak euro. Indisputably strong competition is putting pressure on our prices. We have to counter these efforts. That is why we will set up a cost-savings and efficiency program. This will be necessary to ensure our Company's competitiveness and facilitate the transformation that we have already begun. The goal is to increase our competitiveness such that we can also invest in cutting-edge fields.

Nevertheless, we have already made important achievements in this difficult environment: In the first half of 2012, adjusted consolidated sales revenue in continuing operations remained stable at EUR 205,7 million. In our core business Cordless Voice, we expanded our market share continuously, in particular in our main market Germany. In France, we entered into agreements with the major telecommunications provider France Telecom as well as with the worldwide leading retailer Carrefour for France and Spain. Our product successes included the SL 910A, which was selected as "Product of the Year 2012" by readers of the magazine "connect", as well as the market launch of new entry-level products in the premium segment and the new Cordless Voice DECT telephones A420 and A420A – hardly a matter of course in light of the general economic and industry-specific conditions.

We are in an irreversible trend of the digital transformation of all information and telecommunications markets. A trend that offers Gigaset unique growth opportunities and which can therefore help us master the cited challenges. As you already know, our original core business only offers limited growth. Nevertheless, Gigaset is emerging from the unabated consolidation of the industry as a creator and winner and is continuously increasing its market share. Gigaset's further development as an innovative leading company is necessary in order to achieve long-term profitability and robust growth. The economic and industry-specific developments in the past months have confirmed that our "Gigaset 2015" strategy is the answer to the market dynamics:

We have a concrete plan for how to shape the long-term growth of our business. We will focus on expanding our hardware-based business model to include software-oriented communications solutions by 2015. In addition to our core business, we are focusing on two growth segments: On the one hand, the Business Customers segment, including the existing Gigaset pro product line for small and medium-sized enterprises. On the other hand, we are developing the Home Networks segment – the intelligent networking of your house. We expect significant market success in sales and earnings for the Business Customers segment starting in 2013. The market growth is estimated to be around 20 percent per year, with a market potential of around EUR 1.2 billion. In the Home Networks segment, we are convinced that the successes will be reflected in sales and earnings starting in 2014. Annual growth in this market is estimated to be around 40 percent and offers a potential of around EUR 850 million. In order for Gigaset to be able to utilize this market's enormous growth potential, targeted investments in innovative products and the expansion of our market share are of crucial importance – as are high efficiency and cost discipline. For this reason, we constantly review our structures and processes and will make adjustments where necessary.

Dear Shareholders,

We are convinced that we have taken the right path with "Gigaset 2015" and that we can achieve our ambitious goals. Gigaset AG has highly committed and qualified employees with impressive know-how in the area of research and development. Gigaset's extraordinarily strong brand and our excellent distribution structures also support us in this endeavor. The fact that we have already succeeded in installing Gigaset devices in around 75 million households speaks for itself and is the starting point for our future growth. We will present the corresponding product innovations and developments for the first time at the IFA trade show in Berlin at the beginning of September 2012 – see for yourself.

"Gigaset 2015" has long been more than a vision. Our strategy increasingly determines our daily operations and supports us in inspiring our customers with product innovations. The successful further development of the Company is the highest priority for all members of the Executive Board, whereby we will generate long-term positive returns for our investors. We are fully committed to achieving this goal.

Yours sincerely

Charles Fränkl Dr. Alexander Blum Maik Brockmann

Significant events in the second quarter of Q2 2012

On June 12, 2012, around 250 shareholders and guests gathered in the Alte Kongresshalle in Munich for the Annual General Meeting of Gigaset AG. In his speech, Charles Fränkl, Chairman of the Executive Board of Gigaset AG, presented the annual report 2011 and the main points of the new growth strategy.

Evonik Degussa GmbH filed an arbitration action against Gigaset AG dated April 30, 2012 with Deutsche Institution für Schiedsgerichtsbarkeit e.V. Based on a contract from 2006, Evonik Degussa GmbH is demanding payment of a contractual penalty of EUR 12 million. Gigaset already rejected in advance both the allegation raised by Evonik and the claims asserted and will defend itself against the action. Gigaset bases its view on an opinion provided by a prestigious legal firm. As agreed with the independent auditors, Gigaset had already recognized a provision of EUR 3.6 million for this in the annual financial statements at December 31, 2011.

The readers of the magazine connect have voted the Gigaset SL910A Product of the Year 2012 in the cordless telephones category. The first full-touch telephone for home use received 46 % of the votes cast in this category, putting it at the head of a group of eight nominated products. Over 45,000 connect readers took part in the vote for the networks, services and products of the year. All in all, Gigaset products occupied the top five places in the connect role of honor.

In April, Gigaset rolled out four new entry-level products featuring the renowned Gigaset premium quality in the form of the A120, A120A, A220 and A220A. The Gigaset A120 and A220 product families are reliable cordless telephones characterized by very good value-for-money and simple operation. The keys feature a lightly indented pressure point that makes it easier to do things like dialing. And convenience is taken up a level by the readily usable hands-free function. There are a total of ten polyphone ringtones available for selection. Like all cordless Gigaset telephones, the A120 and A220 product families come equipped with the environmentally friendly ECO Mode Plus.

Furthermore, Gigaset started to market two new Cordless Voice DECT telephones, the A420 and the A420A, in May. These are solid devices equipped with the basic functions that are aimed at the lower end of the market. Contacts can be reached in seconds using the integrated telephone book for up to a hundred names and phone numbers. The large, high-contrast display is easy to read and allows simple operation. Calls enjoy clear sound quality, even in hands-free mode. The Gigaset A420 and A420A telephones similarly feature ECO Mode Plus, which makes them especially environmentally friendly.

Combined Management Report as of June 30, 2012

1. Business model

Gigaset is a worldwide operating company in the telecommunication and accessories sector. The company is a leading global producer of cordless phones and Europe's market leader in DECT phones. Internationally, the premium provider with 1,700 employees is represented in more than 70 countries and is ranked in second place in its sector.

For purposes of internal management, the Gigaset Group is divided globally into regional segments. In this context, the Europe segment represents comfortably the largest share of total business activity. Within Europe, Germany is by far the largest individual market.

Gigaset markets its products through both a direct and an indirect distribution structure. The company is represented in the Americas region by separate legal units in the United States, Brazil, and Argentina. In the Asia-Pacific / Middle East region, separate legal units have been set up in China and the United Arab Emirates.

While the core activities in Europe currently account for around 86 % of total business, the regional segments of the Americas and Asia-Pacific / Middle East contribute approximately 6 % and 8 % respectively. The decision to run the two overseas regions as separate regional segments reflects the planned growth.

The Group covers a broad market base across its two divisions: Cordless Voice Telecommunications and Business Customers. The Gigaset brand stands for high quality, innovative, future-looking products for the fixed-line telephony segment.

1.1 Cordless Voice Telecommunications

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 European 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 nearly 90 % in Germany. Some 75 million homes around the world possess a Gigaset unit. The Company's proprietary products are manufactured predominantly in the highly automated Bocholt plant, which has won several awards.

1.2 Business Customers

All the business customer activities of Gigaset have been grouped together in the newly created Business Customers division. This essentially comprises the original equipment manufacturer (OEM) business and the "Gigaset pro" product line. The OEM business entails supplying customers from the telecommunications industry with communications solutions that they integrate in their own offerings and sell on to their customers. This is a long-standing, successfully established line of business that Gigaset is constantly expanding.

The Company is expanding its offering for small and medium-sized enterprises with products bearing the "Gigaset pro" brand and is constantly enhancing the product portfolio as appropriate for this target group. The Gigaset pro range provides the kind of versatility and reliability that commercial users in particular require in their everyday business activities. These devices are designed to be easy to install and manage. Close attention has been paid to the total costs that accrue when acquiring and operating communications solutions, known as the total cost of ownership (TCO). Gigaset solutions make it possible to greatly reduce these costs compared with traditional telephony solutions while providing a more attractive offering at the same time. The products for business customers are distributed through strong distribution partnerships with value-added resellers (VARs).

Gigaset offers a product range for the business customer segment that both covers the market for small offices and home offices (known as the SOHO market) and the fast-growing, high-potential SME market for professional IP communications. Gigaset is continuing to enhance communications solutions for business customers and devise solutions that facilitate collaboration in virtual teams. In this growth market dominated by SMEs, the Business Customers division will be turned into a second pillar of the company over the coming years and contribute a significant proportion of revenues in the future.

2. General economic environment and industry environment

2.1 General economic environment

Once again, the ongoing uncertainty about the further course of the euro debt crisis affected economic development worldwide in the second quarter of 2012. Global output has been depressed by a slowdown since the summer of 2011. This is still having an impact on major economic regions, even if to different extents. The monetary and fiscal policy measures that have been taken to date have only calmed the situation temporarily. The underlying structural problems remain unresolved. As a result, the positive developments seen in the first quarter could not be sustained.

Southern European countries continue to be hit particularly hard by the euro crisis. The risk premiums on sovereign bonds issued by countries like Italy and Spain rose again in April 2012. Financial markets throughout the world were sent into turmoil, triggered notably by uncertainties surrounding Greece and Spain. The Greek parliamentary elections provided for speculation in advance regarding the commitment of a future government to the common currency. A worsening of the Spanish recession only made matters worse. The number of non-performing loans rose, causing the already troubled Spanish banks to get into severe difficulties. Spain became the fourth euro country after Greece, Ireland and Portugal to request assistance from the EU bailout fund. The debt crisis in the euro area has driven the euro to new cyclical lows against the US dollar.

According to projections by the Ifo Institute, the global economy will recover gradually over the first three quarters of the current year, with the rate of expansion in the emerging economies of Asia and Latin America serving to underpin the recovery. Despite expansionary monetary policies, the pace of economic growth will be more anemic in the industrialized nations. The recovery in the United States will continue to pick up pace slowly. The OECD believes that consumption in the private sector will increase by 2.4 % in 2012. Japan is expected to see consumption expand by around 2 %. Although the pace of growth will slow in the emerging markets, it will remain above the average level of industrialized nations: rising pay and currency effects are hindering Brazil's competitiveness; India is struggling with inflation; growth in China could well prove slower than in recent years. All in all, the Ifo Institute anticipates that global economic output will only increase weakly this year and next, at rates of 3.2 % and 3.6 % respectively. According to the "Euro-Zone Economic Outlook" collaboration project (Ifo Institute, Munich, INSEE, Paris, and ISTAT, Rome), global demand will increase. Nevertheless, the disposable incomes of private households will be depressed by the difficult situation on the labor market coupled with the fiscal tightening. The persistently recessionary trends in the euro area are causing the labor market to considerably worsen. According to estimates in the Euro-Zone Economic Outlook, gross domestic product in the euro area is set to fall in the second and third quarters (by 0.2 and 0.1 % respectively). This forecast is also supported by the OECD's estimates.

The analysis of Germany shows that, although overall economic output increased tangibly in the first quarter of 2012 at a rate of 0.5 %, a period of weakness can be expected over the summer months. The Ifo Business Climate Index worsened sharply in May and June. The uncertainty surrounding the debt crisis coupled with volatile financial markets and concerns about the economic weakness of key trading partners are serving to dampen future prospects. The GfK Consumer Climate Study also indicates a decline in economic optimism in Germany. The financial market experts surveyed by ZEW similarly expressed in the June survey their concerns about the prospects for the economy, with expectations falling from 27.7 to minus 16.9 points. The Ifo Institute expects GDP to expand by 0.1 % overall in each of the second and third quarters.

2.2 Telecommunications market

2.2.1 Cordless Voice Telecommunications market

The second quarter of 2012 was shaped by a continued reluctance on the part of consumers, reflecting the current economic conditions in numerous European countries. The overall market for cordless telephones in Europe fell by almost 12 % in terms of sales revenues in the markets observed by Gigaset in the first four months of the year. This picture was the same across all the markets observed.

At the same time, Gigaset increased its market share slightly overall in Europe, by 1 %, in terms of both sales volume and sales revenues. Increases were recorded in countries like Austria, Switzerland, Germany, Italy, Russia, Poland and Turkey.

2.2.2 Business Customers market

Corded telephony, which is used mainly in business-to-business telephony, remains a growing market worldwide. More than 56 million lines were sold in this segment in 2011. Even though the majority of this continues to relate to hybrid systems (digital systems with connection options for analog devices as well), the percentage share of pure-play IP telephony has been rising steadily (2010: 33 %; 2011: 37 % of the overall market). Gigaset recorded its strongest growth in 2011 in Eastern Europe. There is still plenty of potential for IP applications in the segment for telephone systems with less than 100 lines. Only one in six lines of 32 million sold worldwide was purely digital, while the other lines were connected to hybrid systems. The demand for hosted services continues to grow slowly, at around 2 % in Europe.

3. Business Development

3.1 Cordless Voice Telecommunications

The Gigaset Group succeeded in maintaining its revenues in the second quarter just below the equivalent year-ago quarter against a backdrop of continued reticence on the part of consumers. The revenues from continuing operations totaled EUR 206 million in the second quarter of 2012 (EUR 210 million in the second quarter of 2011).

Implementation of the regionalization strategy in particular had a positive impact on sales revenues. Gigaset continued to enjoy success with its expansion in the Russian and British markets, among others, where it could considerably increase revenues.

Compared with the equivalent period last year, moreover, the sales revenues and market shares of many local companies rose significantly despite the difficult market environment. This included countries like the Netherlands and Austria.

The revenue gains in these countries are drawn from a consistent increase in market shares. To achieve this, new customer relationships have been set up and existing relationships systematically expanded. The implementation of multi-channel strategies has also reinforced these results, with further sales channels like e-commerce being exploited in addition to sales through traditional outlets.

Gigaset again considerably expanded its already excellent market position in Germany in terms of revenues, enjoying a 60 % share of the market in spring according to statistics published by market researcher GfK (March/April 2012).

The Gigaset SL910 also occupied a leading position in the revenue rankings in spring. The readers of the German technical journal connect voted the Gigaset SL910A Product of the Year 2012 in the cordless telephones category. Gigaset had considerably expanded its position in Poland in terms of units shipped with a 38 % share of the market in May.

Contracts were concluded with the incumbent telecommunications provider France Telecom in France and with the world-leading retailer Carrefour for France and Spain. The completed restructuring in Spain brought further success and returned the business to the black. The Spanish business journal Actualidad Económica named the Gigaset SL 910 a top innovation. Contracts with further major, market-leading telecommunications providers Deutsche Telekom AG, Telefónica and Belgacom, Telecom Italia, A1 Telekom Austria AG and Telecom Argentina have also supported the business performance.

Gigaset has again defended its leading market position in the core market of Europe. With slightly lower market prices year-on-year, Gigaset continues to enjoy high quality margins on its product portfolio. Gigaset continues to generate much higher average sales prices than its competitors, helping it to maintain its position as a premium vendor.

In order to improve the situation in the difficult Americas markets, Gigaset has taken wide-ranging measures aimed at both improving market cultivation and reinforcing the cost and earnings position. Preparations have been made in North America to keep stocks locally with a view to allowing a faster, more flexible response to market requirements. Furthermore, the sales channel strategy has been revised and distribution through partners reinforced. Further market cultivation focused on cable network operators and sales of IP devices. Restrictive customs and import regulations in Brazil and Argentina are increasingly hindering the development of the business. The business models for both Brazil and Argentina are currently being modified to reflect underlying regulatory conditions. Activities involving Telecom Argentina continue to run at a solid level nonetheless, and a geographical expansion of sales has been initiated in Brazil.

Gigaset defended its share of the market in the China region with its positioning as manufacturer of high quality products in a shrinking market. New products for the Chinese market are being developed and should soon be released for marketing. The Middle East/Africa region is still characterized by political disturbances, consumer restraint and tough competition. The Company succeeded in defending its market position in a contracting market. In South Africa, on the other hand, new sales partners could be acquired.

3.2 Business Customers

The Business Customers division is currently focusing on exploiting the sales regions and expanding the existing business involving IP-based desktop and cordless products. The multi-cell DECT solutions launched in the spring were very well received on the market; they ensure cordless reachability throughout company premises. The task of expanding distribution partnerships by acquiring strong distribution partners and system houses is progressing and forms the basis for the expected growth in this line of business. The OEM partnership with Teldat GmbH that was already announced in the first quarter of 2012 has been finalized. First products will be delivered in the fourth quarter of 2012.

4. The capital market and the Gigaset share

Once again, the second quarter was shaped by concerns about the global economy and efforts to find a solution to the sovereign debt issue in some EU states. The financial markets already started coming under pressure again at the start of the quarter. After the US central bank, the Fed, indicated no prospect of a further easing of monetary conditions, the debt problems in Italy and especially Spain again became the focal point for investors. Weak economic data from Germany and slower than expected economic growth in China served to reinforce the trend. Not until some German and US blue chips announced quarterly results ahead of expectations did any temporary relief occur. Financial stocks alone recorded a disappointing performance and were depressed further by the election results in France and Greece. While the premiums for default insurance on Spanish bonds climbed to a record high, the yield on ten-year German government bonds sank to a historic low of 1.213 %. Accordingly, May was the weakest month of the year so far with the global financial markets losing around 7 % in value. This negative mood was exacerbated by the much-vaunted Facebook IPO. After the share could only be placed at the lower end of the bookbuilding range, it lost almost 20 % of its value in the following weeks.

The Gigaset share was also unable to escape the negative conditions on the international stock markets at the start of the second quarter. The market reaction to the outlook for 2012 was disproportionate in this negative environment, leading to heavy price losses at the start of the quarter. The publication of the claim for damages of EUR 12 million by Evonik Degussa GmbH served to additionally depress the mood. The average volume of trading in the share rose sharply during this period. The peak came on May 4 when more than 1,660,000 shares changed hands. The share price reached its low for the year of EUR 1.272 on June 26. Shortly before the end of the quarter, however, the share started to head back in the right direction. The price recovered quickly over several days and was soon able to distance itself sharply from its previous lows.

Germany’s DAX index fell below the 6,000-point mark and reached a new low for the year at 5,914.43 points at the start of June, driven down by poor economic data from the United States and China. After this, the market as a whole reversed direction as the quarter wore on. With volatility remaining high, in a sign of persistent, serious uncertainty on the part of investors, the German stock market barometer left its low well behind to end the second quarter at 6,416.28 points.

5. Gigaset AG – Interim Group Financial Statements

5.1 Financial performance

The Gigaset Group generated **revenues** in the amount of EUR 217.2 million in the first half of 2012 (previous year: EUR 259.2 million). EUR 11.6 million of which can be attributed to discontinued and deconsolidated business segments (previous year: EUR 48.8 million). Sales revenues from continuing operations result from the core Gigaset segment and are subject to the seasonal fluctuations typical in the consumer business. The exceptionally strong results as of June 30, 2011, were not repeated in the first half of 2012. In Europe, declining sales in Germany, France and Italy, resulting in particular from weakened consumer demand as a result of the euro crisis, were more than compensated with corresponding increases in sales in England, the Netherlands and Russia. Decreases in sales in America were only partially offset by increases in sales in the Asia-Pacific / Middle East region.

The results can be broken down as follows:

Revenues in € millions	Q2 2012	Q2 2011	Change
Europe	175.7	173.5	1.3 %
America	12.9	21.3	-39.4 %
Asia-Pacific / Middle East	17.0	15.5	9.7 %
Gigaset Total	205.6	210.3	-2.2 %
Holding	0.0	0.1	-100.0 %
Other	11.6	48.8	-76.2 %
Continuing operations	205.6	210.4	-2.3 %
Discontinued operations	11.6	48.8	-76.2 %
Total	**217.2**	**259.2**	**-16.2 %**

Other own work capitalized in the amount of EUR 8.7 million (previous year: EUR 8.6 million) mainly includes costs related to the development of innovative products. As in the previous year, investments in the future remain at a consistently high level.

Other operating income amounts to EUR 13.9 million and is thus EUR 8.7 million lower than in the first half of 2011. The main items comprise EUR 4.3 million in exchange rate gains (previous year: EUR 5.5 million), EUR 3.6 million in income from derivative financial instruments (previous year: EUR 0.0 million) and EUR 1.8 million in income from the release of provisions (previous year: EUR 6.4 million). In the first half of 2011, other operating income still reflected non-recurring effects from the reversal of negative goodwill from the capital consolidation in the amount of EUR 3.3 million and deconsolidation gains in the amount of EUR 2.6 million.

The **cost of materials** for raw materials, merchandise, finished goods and purchased services was EUR 109.1 million – a decrease of EUR 26.1 million from EUR 135.2 million in the previous year. The cost of materials ratio fell from 52.1 % to 50.2 %.

Personnel expenses for wages, salaries, social security contributions and old age pensions were EUR 55.3 million and were thus down 12.9 % from the previous year's amount of EUR 63.5 million for the first six months.

Other operating expenses in the amount of EUR 59.6 million were incurred in the reporting period (previous year: EUR 60.8 million). This includes marketing costs, transport costs, general administrative expenses and exchange rate losses (EUR 5.7 million; previous year: EUR 5.6 million) as well as advisory fees. The cost-saving measures begun in the previous year are being consistently implemented.

EBITDA for the first half of 2012 amounts to EUR 10.8 million (previous year: EUR 28.5 million). Relative to sales revenues, this result in an EBITDA ratio of 5.0 % (previous year: 11.0 %).

The results can be broken down as follows:

EBITDA in € millions	Q2 2012	Q2 2011	Change
Europe	11.6	25.1	-53.8 %
America	-1.5	1.3	-215.4 %
Asia-Pacific / Middle East	1.7	1.9	-10.5 %
Gigaset Total	11.8	28.3	-58.3 %
Holding	-1.1	-2.7	59.3 %
Other	0.1	2.9	-96.6 %
Continuing operations	10.7	25.6	-58.2 %
Discontinued operations	0.1	2.9	-96.6 %
Total	**10.8**	**28.5**	**-62.1 %**

Depreciation and amortization amounted to EUR 12.1 million (previous year: EUR 14.9 million) and result entirely from continuing operations.

The EBIT can be broken down as follows:

EBIT in € millions	Q2 2012	Q2 2011	Change
Europe	-0.4	10.4	-103.8 %
America	-1.5	1.3	-215.4 %
Asia-Pacific / Middle East	1.7	1.9	-10.5 %
Gigaset Total	-0.2	13.6	-101.5 %
Holding	-1.2	-2.7	55.6 %
Other	0.1	2.6	-96.2 %
Continuing operations	-1.4	10.9	-112.8 %
Discontinued operations	0.1	2.6	-96.2 %
Total	**-1.3**	**13.5**	**-109.6 %**

Net financial income was increased from EUR -1.7 million to EUR -0.8 million compared to the first half of 2011. In addition to the strict reduction of debt within the corporate group, more favorable financing terms 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 0.1 million in the second quarter of 2012 (previous year: EUR 6.6 million.)

This results in **earnings per share** of EUR 0.00 for continuing operations (previous year: EUR 0.13).

5.2 Cash flows

€ millions	Q2 2012	Q2 2011
Cash flow from operating activities	-24.5	4.9
Cash flow from investing activities	-4.4	-3.0
Free cash flow	-28.9	1.9
Cash flow from financing activities	3.0	1.2

In the fiscal half-year just ended, the Gigaset Group recorded a **cash outflow from continuing operations** in the amount of EUR 24.5 million (compared to a cash inflow of EUR 4.9 million in the first half of 2011). The cash outflow resulted mainly from the settlement of liabilities to suppliers.

Cash outflow from investing activities amounts to EUR 4.4 million (previous year: EUR 3.0 million) and exclusively reflects investments in intangible assets and property, plant and equipment.

Thus, **free cash flow** amounted to EUR -28.9 million compared to EUR 1.9 million in the first half of 2011.

Cash inflow from financing activities amounted to EUR 3.0 million (previous year: EUR 1.2 million) and resulted on the one hand from the utilization of the long-term syndicated loan and on the other hand from the repayment of current financial liabilities.

Please refer to the cash flow statement presented in the notes for a detailed development of **cash and cash equivalents**.

Cash 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 0.1 million.

Cash and cash equivalents amounted to EUR 37.0 million as of June 30, 2012 (previous year: EUR 42.5 million).

5.3 Financial position

The Gigaset Group's **total assets** as of June 30, 2012, amounted to around EUR 276.9 million and thus decreased by approximately 11.1 % compared to December 31, 2011. This can be primarily attributed to the repayment of liabilities to suppliers.

At EUR 109.2 million, **non-current assets** increased slightly compared to December 31, 2011. The increase resulted mainly from the recognition of deferred taxes for tax loss carryforwards that can be used in the future as well as investments in non-current assets. Depreciation of property, plant and equipment was more than compensated by additional investments.

Current assets account for 60.5 % of total assets. Compared to the 2011 annual financial statements, they fell by EUR 40.8 million and now amount to EUR 167.6 million. Trade receivables decreased compared to the beginning of the year from EUR 59.7 million to EUR 54.6 million due to the seasonality of the consumer goods market. The decrease in other assets from EUR 27.2 million to EUR 19.6 million resulted mainly from fewer factoring receivables. Compared to the beginning of the year, cash and cash equivalents decreased by EUR 25.3 million to EUR 37.0 million, which can be attributed to the repayment of liabilities to suppliers. 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 200.5 million, 78.0 % of which are current. The Group's total debt was decreased by an additional EUR 34.6 million in the first half of 2012 following the significant reduction of debt in the preceding fiscal years.

The Gigaset Group's **equity** amounted to around EUR 76.3 million as of June 30, 2012. This corresponds to an equity ratio of 27.6 % and a year-on-year increase of just under 3.1 %.

Non-current liabilities mainly include deferred tax liabilities, pension commitments, liabilities under the utilization of the syndicated loan, and non-current personnel expenses, as well as provisions for guarantees. The EUR 10.4 million increase in non-current liabilities results mainly from the repayment of current financial liabilities with funds from the long-term, low-interest syndicated loan.

At EUR 138.6 million, **current liabilities** are around 22.5 % lower than reported in the annual financial statements as of December 31, 2011. Current provisions decreased from EUR 27.2 million to EUR 22.6 million in particular as a result of the reduction in provisions for guarantees and provisions for expected losses from executory contracts. Current financial liabilities decreased by EUR 5.0 million to EUR 1.0 million as a result of the repayment of working capital loans with funds from the long-term syndicated loan. Trade payables decreased seasonally from EUR 96.2 million to EUR 74.6 million. The decrease in other liabilities in the amount of EUR 6.8 million resulted in particular from lower advanced payments from customers as well as from lower personnel-related 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 June 30, 2012

Risk is a fundamental component of all business activity. It comprises the danger that corporate objectives will not be achieved as a result of external or internal events, actions or decisions, and in extreme cases that the continued existence of the company is in jeopardy.

6.1 Market risk

The general economic climate in Germany, Europe and worldwide influences the operating performance of the Company in a number of ways.

Industry risk is a risk that affects a specific market or sector. Given the concentration on the field of telecommunications, the Company is especially dependent on the performance of this sector. Basically all industries are exposed to changes in commodity prices and the risk of new, aggressive competitors entering the market.

The products of the Gigaset Group are widely used and appreciated by customers in the retail distribution sector on account of the Company's strong brand name and its innovative product portfolio. In the final analysis, the very good market positioning reflects this high level of product acceptance. Because the Company normally cooperates with such customers on the basis of steady, long-standing partnerships, the dependence on individual retailers and distributors is generally minor. When entering into new markets, however, the Company may be subject to greater dependence on individual companies at first.

The transition from the Siemens Gigaset brand to the (standalone) Gigaset brand was completed successfully on September 30, 2011. The Company has engaged in targeted PR and marketing activities aimed at boosting awareness of the Gigaset brand, thereby protecting its market position. Nonetheless, it is not possible to completely exclude the risk to sales resulting from the discontinued use of the Siemens name.

As a general rule, the company is subject to the risk of general price erosion for the product range and the risk that its market volume will sink in the medium term on account of consolidation in target markets. This was countered by applying consistent cost management and an innovative product portfolio featuring a uniform corporate design.

6.2 Business opportunities

The Company sees business opportunities in the Gigaset pro project. Alongside the traditional customer segment of consumers, the Company is exploiting a new customer segment – "SOHO" (Small Offices and Home Offices) customers – and to leverage the related potential for revenue growth with Gigaset pro. Appropriate organizational changes have already been approved and partially implemented. Gigaset pro is intended to evolve into a second pillar for the Gigaset Group. Furthermore, the Company is aiming to exploit further opportunities by tapping regional growth markets (e.g. Russia) using the established Gigaset brand and the existing global distribution network. Gigaset has the expertise required in the field of research and development to meet the rising technical demands of the market and to roll out product innovations itself.

Reinforcing regional market positions is a key prerequisite for benefiting from the future growth potential. At the same time, the targeted growth is geared to a very price-sensitive segment. The Group closely analyzed the market determinants during the year under review and has already initiated measures aimed at reinforcing and expanding its market position. Should it prove impossible to strengthen the market presence and acceptance to the extent envisaged, weaker sales figures would present a risk to earnings.

The Group perceives a profit potential for fiscal 2013 in the waiver of the final purchase price installment, including accrued interest, which Siemens AG has offered as part of the comprehensive agreement.

Gigaset AG sees opportunities particularly in the development of its most important subsidiary, Gigaset Communications GmbH. Furthermore, the operating business can also be expanded by acquiring companies that offer the right "strategic fit." Top priority will be given to taking an especially responsible approach to acquisitions, particularly when they involve the use of approved capital, which could potentially dilute the company's shares.

6.3 Company-related risk

6.3.1 Information systems and reporting structure

Reliable, consistent and meaningful information systems and reporting structures are required to monitor and manage the corporate group and its subsidiaries. Gigaset possesses professional accounting, controlling, information and risk management systems and has established a regular system of subsidiary controlling and risk management throughout the company. Appropriate IT support is provided to ensure that the systems operate properly. The Executive Board is kept informed about sustainable developments in the countries and regions promptly and at regular intervals.

Nevertheless, it is not inconceivable that the information system could fail at some specific point, or would not be operated properly by the employees concerned, and negative economic developments in a region would therefore not be flagged promptly.

6.3.2 Other company-related risk

Proactive management of R&D programs will help to cut costs and simultaneously accelerate technological progress in future-looking segments like voice-over-IP telephony (VoIP).

For its sourcing of raw materials and supplies, the Company generally works with at least two suppliers. Gigaset has established a supplier management center in Shanghai to manage and control its suppliers in Asia. The Company attempts to avoid becoming dependent upon individual suppliers with regard to prices, volumes and innovations by cultivating a broad supplier base.

There is a latent risk associated with the fact that the Company's production activities are concentrated at a single production facility in Bocholt.

The Company counters the risk of losses on receivables by carrying trade credit insurance and applying strict receivables management and a systematic reminder system. Based on historical data, the risk of losses on receivables is considered low.

With regard to receivables of some Gigaset companies from other Group companies, the Group would be exposed to default risk if the company owing such obligations were unable to meet them.

With the exception of the significant items listed in the section "Report on opportunities and risks at June 30, 2012" under "Risk arising from contingent liabilities and legal disputes", there are no discernible facts that would compel Gigaset AG to stand for the liabilities of the subsidiaries.

6.4 Financial risk

In general, liquidity risk is managed, and the liquidity planning and financing structures are reviewed, by the corporate Finance and Controlling Department locally, in consultation with the subsidiaries.

6.4.1 Liquidity of the Gigaset Group

The business activities are financed largely by equity capital. The factoring of trade receivables that was commenced on October 1, 2008 was again used as a short-term financing instrument.

The Group is exposed to relatively high seasonal liquidity fluctuations, which are typical of the retail business. It has enough liquid funds, current receivables and assets to cover its current liabilities.

6.4.2 Debt and liquidity of Gigaset AG

At year-end, Gigaset AG had negotiated a syndicated loan that enabled it to repay bilateral working capital facilities.

The financing of the Group's demand for working capital and investment funds has been secured for the next few years. Furthermore, Gigaset AG now has additional financial leeway that will allow it to finance future acquisitions.

6.4.3 Interest rate, currency and liquidity risk

The Group continually optimizes its corporate financing system and limits its financing risk in order to preserve the Group's financial independence. Financial risk is covered by the risk management system and is additionally monitored closely as part of liquidity management.

The Gigaset Group generates earnings denominated in foreign currency and incurs similar expenses by procuring a range of components for production in the dollar area. The associated foreign currency risk is generally hedged by financing the international activities in matching currencies or by means of derivative currency hedging instruments.

Changes in capital market rates could lead to changes in the market value of fixed-income securities and unsecured receivables, and in the plan assets used to fund pension obligations. Gigaset conducts customary banking transactions to hedge its interest rate risk on a case-by-case basis.

To hedge its cash flow risk and protect the Group's liquidity, the Group employs various instruments to fund and protect its receivables, including factoring and credit default insurance.

Interest rate, currency and liquidity risk is generally managed centrally by the Finance and Controlling Department, after consultation.

6.5 Tax risk

Like all other operating risks, tax risk is isolated at the level of the individual companies and is not aggregated at holding company level by way of intercompany tax relationships or Group-level taxation, for instance. By exploiting tax loss carryforwards that have not yet been capitalized, the Company succeeds in obtaining below-average rates of taxation. After closely examining the relevant provision of corporate tax law, the Company has realized income from the sale of subsidiaries tax-free in the past years; the losses incurred in connection with (emergency) sales were largely neutralized for tax purposes; the relevant years are, however, still subject to a possible follow-up audit. Beginning with the 2008 tax assessment period, Gigaset AG began to claim input tax credits only proportionally, based on the calculation of an economically sensible key; in the preceding years, input tax amounts were claimed in the full amount. In the currently ongoing tax audits of the years 2002 to 2004 and 2006 to 2008, the above-mentioned topic areas in particular are being discussed with the tax authority. The Group constantly obtains expert advice on tax issues in order to detect any possible risks at an early stage.

In order to limit any possible tax risk arising from intra-Group offsetting involving the international subsidiaries, a tax consultancy draws up a transfer price report every year. Further potential tax risk results from the acquisition of the Gigaset Communications Group in 2008.

6.6 Risk arising from contingent liabilities and legal disputes

6.6.1 Guarantees of the parent company

Gigaset AG issued various guarantees as part of corporate acquisitions and disposals in the past. Furthermore, the parent company issued financial guarantees for subsidiaries in the past. The latent risks arising from these guarantees could be further reduced during last fiscal year, not least due to expiry of the limitation period. The Executive Board considers it unlikely that such guarantees will be utilized.

6.6.2 Legal disputes involving Gigaset AG

In connection with its ordinary activities, Gigaset AG is involved in, or may in the future be involved in, various legal disputes, notably lawsuits and arbitration proceedings, and judicial administrative proceedings, or such proceedings may be initiated or pursued in the future. Although the outcome of the individual proceedings cannot be predicted with any certainty, given the imponderability always associated with legal disputes, it is believed, based on current assessments, that these proceedings will not have a seriously adverse effect on the Group's earnings performance, beyond the risks accounted for as liabilities or provisions in the present financial statements. In particular, the Group is engaged in employment-law disputes with former employees and civil-law disputes with suppliers and service providers to the customary extent, all of which involving relatively insignificant amounts.

The following significant legal disputes involving Gigaset AG are pending at present:

Evonik Degussa GmbH believes it can assert a claim of EUR 12 million against the Company under a contractual agreement from the year 2006 and demanded payment of this amount by Gigaset AG in February 2012. In order to avoid time-consuming and costly arbitration proceedings, Gigaset AG responded by proposing an out-of-court settlement involving payments of EUR 3.6 million. In consideration of the existing uncertainty and the threatened legal dispute, the Company formed provisions in the amount of EUR 3.6 million at December 31, 2011. Evonik Degussa GmbH has rejected the out-of-court settlement offer and filed an arbitration action demanding payment of EUR 12 million dated April 30, 2012. Gigaset AG believes that it has good prospects for defending itself against this arbitration action.

In July 2009, the European Commission imposed total fines of EUR 61.1 million in connection with its anti-trust investigations of various European companies operating in the calcium carbide sector. In this connection, a total fine of EUR 13.3 million was levied against SKW Stahl-Metallurgie Holding AG and SKW Stahl-Metallurgie GmbH, with each of them bearing joint and several liability as the direct cartel participants. The Commission also imposed joint and several liability on the Group parent company at the time, Arques Industries AG, based on the assumption that it formed a "corporate unit" with the direct cartel participants. At the reporting date of December 31, 2011, the fine of EUR 6.65 million apportioned to Gigaset had been paid in full, including interest. Gigaset has, however, appealed against the ruling of the Commission, which has not yet been decided. In this context, it is possible that Gigaset would be reimbursed the fine already paid, in full or in part. Furthermore, Gigaset filed suit against SKW Stahl-Metallurgie GmbH and SKW Stahl-Metallurgie Holding AG in 2010 essentially demanding the reimbursement of the entire fine imposed on Gigaset, complete with interest, by the cartel participants. This appeal was rejected by way of a ruling of the Munich Regional Court I dated July 13, 2011 and a ruling of the Munich Higher Regional Court dated February 9, 2012. The company considers this ruling to be incorrect for legal and factual reasons, and has therefore filed an appeal against the ruling of the Munich Higher Regional Court that was handed down on February 9, 2012. The company believes that the appeal has good chances for success, but in consideration of the two negative rulings of the prior-instance courts, it must be prepared for the possibility that it will not completely win the appeal before the Federal Court of Justice.

Lauc, S. L., a company organized under Spanish law, has announced that it intends to seek recourse from the company under a contractual guarantee agreement from the year 2007 in the amount of approximately EUR 0.7 million in connection with the acquisition of the now insolvent company Capresa. The company disputes the grounds, amount and due date of the claim, but has proposed an out-of-court settlement involving payments of EUR 75,000, for the sake of avoiding a time-intensive and costly court proceeding. Lauc, S.L. has rejected this settlement offer. The out-of-court settlement negotiations have not been completed yet.

In addition, a former managing director of a former subsidiary of Gigaset AG, has filed a lawsuit against the new owners of the company, and alternatively against Gigaset AG, due to the alleged violation of his alleged preemptive right to the former subsidiary. Gigaset AG considers the lawsuit to be inadmissible and otherwise unfounded.

In a criminal proceeding, the Munich Public Prosecutor's Office has accused the former Executive Board of embezzling from Gigaset Communications GmbH in 2009. In the meantime, the Munich Public Prosecutor's Office has told the company that it should join the proceeding as a co-participant. In this case, the company denies criminal responsibility for the actions of its directors and officers, both on factual and legal grounds.

6.7 Report on the opportunities and risks of discontinued operations

6.7.1 Report on the opportunities and risks of the held-for-sale interest in SM Electronic Group

The SM Electronic Group has a relatively broad customer base and supplies large specialist outlets, department stores and retail chains in Germany and the rest of Europe. The company is thus exposed to the general fluctuations in consumer purchasing patterns. The company has long-term contracts with major customers. The SM Electronic Group is constantly adding new lines and segments to its business activities with a view to further developing the existing product and customer portfolio. The German consumer electronics market is characterized by a large number of participants and strong downward pressure on prices. Purchasing is exposed to fluctuations in the US dollar exchange rate. The company is essentially financed by means of intra-Group loans. A factoring agreement has been concluded with Coface with a view to tapping an external source of finance. Further risks exist in connection with the measures taken to overcome underfunding. Some SM Electronic Group companies are subject to substantial claims for damages asserted by third parties due to the alleged violation of intellectual property rights that result from the time prior to the acquisition by Gigaset and that are the subject of a legal dispute with the seller of that time. The liability and legal risks arising from this matter are monitored constantly by the internal risk management system of Gigaset AG.

There are large fluctuations in new orders received. SM Electronic is looking to exploit major business opportunities by optimizing its product portfolio and reorganizing its international operations. SM Electronic has been able to greatly enhance its cost structure sustainably by optimizing its internal processes, modernizing its IT systems and centralizing the services it provides.

6.7.2 Subsidiaries already sold

The opportunities and risks associated with the subsidiaries that have been sold up until their deconsolidation are reflected in the present consolidated financial statements.The opportunities and risks associated with the commercial operations of the subsidiaries that have been sold were fully eliminated by the disposal in each case. With the exception of the significant items arising from the disposal of the sold subsidiaries as listed in the notes to the financial statements under "Risk arising from contingent liabilities and legal disputes," there are no legal grounds on which Gigaset could be compelled to stand for the liabilities of the subsidiaries.

7. Events after the reporting date

There are no significant events after the balance sheet date.

8. Forecasting report

8.1. Outlook for the Gigaset Group

Whereas the market for IP telephone systems for small and medium-sized enterprises is enjoying strong growth rates, the global market for cordless telephones is exhibiting slight decrease in some regions in terms of units. A percentage decrease in the mid single digits is expected for the European telecommunications market in 2012 due to the persistently weak economic environment. The market based on the DECT standard will decrease in the low single-digit range, while the analog standard and other digital standards will more and more decrease in importance worldwide.

The European market is projected to decline in 2012 in terms of units shipped and a single-digit percentage decrease in the price per unit is expected.

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

The Gigaset Group will continue course of strategic development introduced in 2011. In addition to the targeted expansion of regional markets and the development and marketing of innovations, the Company is focusing on turning Gigaset pro into a fundamental pillar. Alongside Gigaset pro, the cloud- and Android-based home-networking platforms will be developed to form a new product segment offering solutions in the areas of security, healthcare and energy management. This will enable the Company to expand new and existing partnerships and enter new market segments.

The Group's financial situation is to be improved and greater strategic leeway to secure the future achieved by implementing an all-round concept of portfolio optimization, change management, and permanent focus on profitability from enhanced efficiency.

8.2 Expected development of revenues and earnings

Due to the ongoing Euro crisis, the related decrease in consumer spending, and the Euro expected to remain weak, the company expects the following for the entire year 2012:

- a decrease in revenues in the single-digit percentage range
- earnings before interest, taxes, depreciation and amortization (EBITDA) significantly below that of the previous year in the single-digit million range

The reasons for this development are:

- In particular southern European countries, and thus important target regions for Gigaset AG such as Italy and Spain, are particularly strongly affected by the Euro crisis and the resulting decrease in consumer spending. In the core market, Germany, consumer confidence is beginning to worsen.

- The announced investments in new business areas and innovative products as well as in the further expansion of market share will have a negative effect on results during the transformation years 2012 and 2013.

- With the ongoing weakness of the Euro compared to the U.S. dollar, the EBITDA is strongly negatively affected by exchange rate effects.

8.3 Expected changes in financial position, capital expenditures and liquidity

Despite the difficulties on the European financial markets and the resulting complex operating environment, Gigaset's financing and liquidity are built on a secure foundation in fiscal 2012. The syndicated loan for EUR 35 million raised at the beginning of 2012 and the existing factoring agreement are contributing significantly to this. As of June 30, 2012 the cash and cash equivalents in the Gigaset group amounts to EUR 37.0 Mio.

Given the development of revenues and earnings, we expect a negative free cash flow in the low double-digit million ranges over the fiscal year.

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

We have started to develop strategic measures to achieve sustainable growth. Securing the future of the Group and the holding company is one of the Executive Board's most urgent duties. Portfolio and product optimization is an ongoing process. This will involve continuing to focus on lucrative growth markets in Europe in particular and also to adjust our product portfolio and our structures. At the same time, the Executive Board has initiated strategic initiatives with a view to tapping attractive growth fields for the company over the medium to long term. The current fiscal year will be shaped by pursuing the stable core business and developing new growth fields where investments are required. Once this realignment has been concluded, Gigaset will be a completely different company from today. It will be equipped with a new structure and a new business model for tapping further markets above and beyond the market currently covered by the core business.

Munich, August 7, 2012

Gigaset AG

The Executive Board

Charles Fränkl   Dr. Alexander Blum   Maik Brockmann

Interim Financial Report

Income statement for the period from January 1 to June 30, 2012

EUR'000	01/01 – 06/30/2012 Continuing operations	Discontinued operations	Total
Revenues	205,661	11,587	217,248
Change in inventories of finished goods and work in progress	-4,819	-223	-5,042
Other own work capitalized	8,669	0	8,669
Other operating income	9,366	4,541	13,907
Cost of materials	-102,880	-6,182	-109,062
Personnel expenses	-53,965	-1,329	-55,294
Other operating expenses	-51,357	-8,239	-59,596
EBITDA	**10,675**	**155**	**10,830**
Depreciation and amortization	-12,052	0	-12,052
Impairment losses	0	-50	-50
EBIT	**-1,377**	**105**	**-1,272**
Result from financial assets accounted for using the equity method	0	0	0
Other interest and similar income	360	0	360
Interest and similar expenses	-1,045	-130	-1,175
Net financial income	**-685**	**-130**	**-815**
Result from ordinary activities	**-2,062**	**-25**	**-2,087**
Income Taxes	2,191	82	2,273
Consolidated net profit/loss for the fiscal year	**129**	**57**	**186**
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	129	57	186
Earnings per ordinary share			
- undiluted in EUR	0.00	0.00	0.00
- diluted in EUR	0.00	0.00	0.00

Income statement for the period from January 1 to June 30, 2012

01/01 – 06/30/2011 Continuing operations	Discontinued operations	Total	EUR'000
210,391	48,834	259,225	Revenues
-736	-1,710	-2,446	Change in inventories of finished goods and work in progress
8,589	0	8,589	Other own work capitalized
15,518	7,124	22,642	Other operating income
-102,299	-32,870	-135,169	Cost of materials
-54,556	-8,934	-63,490	Personnel expenses
-51,289	-9,541	-60,830	Other operating expenses
25,618	**2,903**	**28,521**	**EBITDA**
-14,763	-100	-14,863	Depreciation and amortization
0	-153	-153	Impairment losses
10,855	**2,650**	**13,505**	**EBIT**
0	0	0	Result from financial assets accounted for using the equity method
398	11	409	Other interest and similar income
-1,953	-192	-2,145	Interest and similar expenses
-1,555	**-181**	**-1,736**	**Net financial income**
9,300	**2,469**	**11,769**	**Result from ordinary activities**
-2,652	-21	-2,673	Income Taxes
6,648	**2,448**	**9,096**	**Consolidated net profit/loss for the fiscal year**
0	126	126	of which attributable to non-controlling interests in consolidated net profit/loss for the fiscal year
6,648	2,322	8,970	of which interests in consolidated net profit/loss for the fiscal year attributable to the shareholders of Gigaset AG
			Earnings per ordinary share
0.13	0.05	0.18	- undiluted in EUR
0.13	0.05	0.18	- diluted in EUR

Income statement for the period from April 1 to June 30, 2012

	04/01 – 06/30/2012		
EUR'000	**Continuing operations**	**Discontinued operations**	**Total**
Revenues	93,441	3,776	97,217
Change in inventories of finished goods and work in progress	-1,299	-223	-1,522
Other own work capitalized	4,118	0	4,118
Other operating income	5,206	3,812	9,018
Cost of materials	-47,532	-2,291	-49,823
Personnel expenses	-27,743	-709	-28,452
Other operating expenses	-26,181	-3,930	-30,111
EBITDA	**10**	**435**	**445**
Depreciation and amortization	-6,270	0	-6,270
Impairment losses	0	-50	-50
EBIT	**-6,260**	**385**	**-5,875**
Result from financial assets accounted for using the equity method	0	0	0
Other interest and similar income	116	0	116
Interest and similar expenses	-642	-97	-739
Net financial income	**-526**	**-97**	**-623**
Result from ordinary activities	**-6,786**	**288**	**-6,498**
Income taxes	3,012	82	3,094
Consolidated net profit/loss for the fiscal year	**-3,774**	**370**	**-3,404**
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	-3,774	370	-3,404
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 April 1 to June 30, 2012

04/01 – 06/30/2011			
Continuing operations	Discontinued operations	Total	EUR'000
95,371	13,678	109,049	Revenues
-1,308	-486	-1,794	Change in inventories of finished goods and work in progress
4,570	0	4,570	Other own work capitalized
5,834	260	6,094	Other operating income
-45,660	-9,004	-54,664	Cost of materials
-26,465	-4,036	-30,501	Personnel expenses
-21,109	-3,089	-24,198	Other operating expenses
11,233	**-2,677**	**8,556**	**EBITDA**
-7,493	-29	-7,522	Depreciation and amortization
0	-337	-337	Impairment losses
3,740	**-3,043**	**697**	**EBIT**
0	0	0	Result from financial assets accounted for using the equity method
329	5	334	Other interest and similar income
-1,046	-43	-1,089	Interest and similar expenses
-717	**-38**	**-755**	**Net financial income**
3,023	**-3,081**	**-58**	**Result from ordinary activities**
584	-13	571	Income taxes
3,607	**-3,094**	**513**	**Consolidated net profit/loss for the fiscal year**
0	-16	-16	of which attributable to non-controlling interests in consolidated net profit/loss for the fiscal year
3,607	-3,078	529	of which interests in consolidated net profit/loss for the fiscal year attributable to the shareholders of Gigaset AG
			Earnings per ordinary share
0.07	-0.06	0.01	- undiluted in EUR
0.07	-0.06	0.01	- diluted in EUR

Consolidated statement of comprehensive income for the period from January 1 – June 30, 2012

EUR'000	01/01/ – 06/30/ 2012 Continuing operations	Discontinued operations	Total
Consolidated net profit/loss for the fiscal year	129	57	186
Foreign currency gains/losses	-79	5	-74
Total changes recognized in other comprehensive income	-79	5	-74
Total recognized income and expense	50	62	112
Of which attributable to non-controlling interests	0	0	0
Of which attributable to the shareholders of Gigaset AG	50	62	112

Consolidated statement of comprehensive income for the period from April 1 – June 30, 2012

EUR'000	04/01/ – 06/30/ 2012 Continuing operations	Discontinued operations	Total
Consolidated net profit/loss for the fiscal year	-3,774	370	-3,404
Foreign currency gains/losses	31	10	41
Total changes recognized in other comprehensive income	31	10	41
Total recognized income and expense	-3,743	380	-3,363
Of which attributable to non-controlling interests	0	0	0
Of which attributable to the shareholders of Gigaset AG	-3,743	380	-3,363

Consolidated statement of comprehensive income for the period from January 1 – June 30, 2012

01/01/ – 06/30/ 2011

Continuing operations	Discontinued operations	Total	EUR'000
6,648	2,448	9,096	Consolidated net profit/loss for the fiscal year
-642	-18	-660	Foreign currency gains/losses
-642	-18	-660	Total changes recognized in other comprehensive income
6,006	2,430	8,436	Total recognized income and expense
0	126	126	Of which attributable to non-controlling interests
6,006	2,304	8,310	of which attributable to the shareholders of Gigaset AG

Consolidated statement of comprehensive income for the period from April 1 – June 30, 2012

04/01/ – 06/30/ 2011

Continuing operations	Discontinued operations	Total	EUR'000
3,607	-3,094	513	Consolidated net profit/loss for the fiscal year
622	-13	609	Foreign currency gains/losses
622	-13	609	Total changes recognized in other comprehensive income
4,229	-3,107	1,122	Total recognized income and expense
0	-16	-16	Of which attributable to non-controlling interests
4,229	-3,091	1,138	of which attributable to the shareholders of Gigaset AG

Consolidated statement of financial position as of June 30, 2012

EUR'000	06/30/2012	12/31/2011
ASSETS		
Non-current assets		
Intangible assets	43,740	42,431
Property, plant and equipment	45,648	45,911
Financial assets	2,415	2,334
Deferred tax assets	17,439	12,240
Total non-current assets	109,242	102,916
Current assets		
Inventories	36,321	35,804
Trade receivables	54,552	59,723
Other assets	19,513	27,163
Current tax assets	2,376	3,076
Cash and cash equivalents	37,010	62,262
	149,772	188,028
Assets held for sale	17,842	20,416
Total current assets	167,614	208,444
Total assets	276,856	311,360

Consolidated statement of financial position as of June 30, 2012

EUR'000	06/30/2012	12/31/2011
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	50,015	50,015
Additional paid-in capital	87,981	87,981
Revenue reserves	68,979	22,858
Accumulated other comprehensive income	-130,630	-84,621
	76,345	76,233
Non-controlling interests	0	0
Total equity	**76,345**	**76,233**
Non-current liabilities		
Pension obligations	9,980	10,258
Provisions	8,165	7,392
Financial liabilities	8,000	0
Other liabilities	38	35
Deferred tax liabilities	17,876	15,958
Total non-current liabilities	**44,059**	**33,643**
Current liabilities		
Provisions	22,621	27,222
Financial liabilities	1,036	6,083
Trade payables	74,624	96,239
Tax liabilities	5,538	7,790
Other liabilities	34,791	41,568
	138,610	**178,902**
Liabilities related to assets held for sale	17,842	22,582
Total current liabilities	**156,452**	**201,484**
Total assets	**276,856**	**311,360**

Change in consolidated equity as of June 30, 2012

	EUR'000	Subscribed capital	Additional paid-in capital	Revenue reserves
	January 1, 2011	39,629	74,606	20,290
1	Capital increase	10,348	13,268	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
	June 30, 2011	50,015	87,981	20,290
	January 1, 2012	50,015	87,981	22,858
1	Capital increase	0	0	0
2	Allocation to revenue reserves	0	0	46,121
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
	June 30, 2012	50,015	87,981	68,979

Change in consolidated equity as of June 30, 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	23,616	Capital increase	1
0	0	0	Allocation to revenue reserves	2
9	0	9	Stock option program	3
0	-221	-221	Change in non-controlling interests	4
0	0	0	Other changes	5
9	-221	-212	Total transactions with owners	6
8,970	0	8,970	Consolidated net profit 2011	7
0	126	126	Non-controlling interests	8
8,970	126	9,096	Consolidated net profit for the fiscal year after non-controlling interests	9
-660	0	-660	Foreign currency gains/losses	10
-660	0	-660	Total changes recognized in other comprehensive income	11
8,310	126	8,436	Total net income (9+11)	12
0	0	145	Treasury shares	13
-91,261	0	67,025	June 30, 2011	
-84,621	0	76,233	January 1, 2012	
0	0	0	Capital increase	1
-46,121	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
186	0	186	Consolidated net profit 2012	7
0	0	0	Non-controlling interests	8
186	0	186	Consolidated net profit for the fiscal year after non-controlling interests	9
-74	0	-74	Foreign currency gains/losses	10
-74	0	-74	Total changes recognized in other comprehensive income	11
112	0	112	Total net income (9+11)	12
0	0	0	Treasury shares	13
-130,630	0	76,345	June 30, 2012	

Consolidated statement of cash flows for the period from January 1 – June 30, 2012

EUR'000	01/01/ - 06/30/ 2012	01/01/ - 06/30/ 2011
Result from ordinary activities Before taxes on income (EBT)	**-2,087**	**11,769**
Reversal of negative goodwill	0	-3,333
Depreciation of property, plant and equipment and amortization of intangible assets	12,052	14,863
Impairment losses	50	153
Addition(+)/decrease (-) in pension provisions	-278	256
Gain (-)/loss (+) from the sale of non-current assets	26	-190
Gain (-)/loss (+) from deconsolidations	-593	-2,580
Gain (-)/loss (+) from currency translation	1,693	-461
Issuance of stock options	0	9
Result from equity-accounted interests	0	0
Other non-cash income and expense	-8,669	-8,589
Net interest income	815	1,736
Interest received	78	148
Interest paid	-633	-1,383
Income taxes paid	-2,269	-602
Increase (-)/decrease (+) in inventories	-517	402
Increase (-)/decrease (+) in trade receivables and other receivables	12,808	39,214
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	-32,533	-45,146
Increase (+)/decrease (-) in other balance sheet items	-4,410	-1,367
Cash inflow (+)/outflow (-) from continuing operations (net cash flow)	**-24,467**	**4,899**
Payments for shares in companies	0	-650
Cash acquired with the acquisition of shares in companies	0	1,626
Proceeds from the sale of shares in companies	0	305
Cash transferred with the sale of shares in companies	0	-1,079
Proceeds from disposals of non-current assets	8	231
Payments for investments in non-current assets	-4,464	-3,459
Cash inflow (+)/outflow (-) from investing activities	**-4,456**	**-3,026**
Free cash flow	**-28,923**	**1,873**

Consolidated statement of cash flows for the period from January 1 – June 30, 2012

EUR'000	01/01/ - 06/30/ 2012	01/01/ - 06/30/ 2011
Cash flows from the raising (+)/repayment (-) of current financial liabilities	-5,047	1,045
Cash flows from the raising (+)/repayment (-) of non current financial liabilities	8,000	0
Payments in connection with finance lease liabilities	0	-20
Sale of treasury shares	0	145
Cash inflow (+)/outflow (-) from financing activities	**2,953**	**1,170**
Cash and cash equivalents at the beginning of the period	59,996	30,515
Foreign exchange rate gains/losses	120	728
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	641	933
Change in cash and cash equivalents	-25,970	3,043
Cash and cash equivalents at the end of the period	**34,667**	**34,491**
Restricted cash	2,639	8,027
Cash and cash equivalents	**37,306**	**42,518**
Cash and cash equivalents presented under "Assets held for sale"	296	0
Cash and cash equivalents reported on the statement of financial position	**37,010**	**42,518**

Notes to the interim financial statements as of June 30, 2012

1. General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of June 30, 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 June 30, 2012, was prepared in accordance with IAS 34. All standards applicable as of June 30, 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	Yes
IAS 19	Employee Benefits	Jan. 1, 2013	Yes
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 June 30, 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 second 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 0.18 instead of the EUR 0.23 presented in the Interim Financial Statements as of June 30, 2011. Diluted earnings per share changed from EUR 0.19 to EUR 0.18 for the Interim Financial Statements as of June 30, 2011.

The adjusted calculation of earnings for the Interim Financial Statements as of June 30, 2011, based on the provisions under IAS 33.23 are presented below:

	Calculation in the 2011 Interim Financial Report		
06/30/2011 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)	6,648	2,322	8,970
Effect of the potentially diluting ordinary shares: Convertible bond	830	0	830
Basis for diluted earnings per share	7,478	2,322	9,800
NUMBER OF SHARES			
Weighted average number of ordinary shares for basic earnings per share	39,722,867	39,722,867	39,722,867
Effect of the potentially diluting ordinary shares: Stock options	18,626	0	18,626
Effect of the potentially diluting ordinary shares: Convertible bond	11,776,400	11,776,400	11,776,400
Weighted average number of ordinary shares for diluted earnings per share	51,517,893	51,499,266	51,517,893
Basic earnings per share (in EUR)	0.17	0.06	0.23
Diluted earnings per share (in EUR)	0.15	0.05	0.19

Adjusted calculation			
Continuing operations	Discontinued operations	Group	06/30/2011 in EUR'000
			EARNINGS
6,648	2,322	8,970	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
6,648	2,322	8,970	Basis for diluted earnings per share
			NUMBER OF SHARES
50,013,618	50,013,618	50,013,618	Weighted average number of ordinary shares for basic earnings per share
18,626	0	18,626	Effect of the potentially diluting ordinary shares: Stock options
0	0	0	Effect of the potentially diluting ordinary shares: Convertible bond
50,032,244	50,013,618	50,032,244	Weighted average number of ordinary shares for diluted earnings per share
0.13	0.05	0.18	Basic earnings per share (in EUR)
0.13	0.05	0.18	Diluted earnings per share (in EUR)

The amounts as of June 30, 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/ – 06/30/2011 in EUR'000	Continuing operations	Discontinued operations	Total	Change in methods Continuing operations
Revenues	**210,391**	**48,834**	**259,225**	**0**
Change in inventories of finished goods and work in progress	-736	-1,710	-2,446	0
Other own work capitalized	8,589	0	8,589	0
Other operating income	15,518	7,124	22,642	0
Cost of materials	-102,299	-32,870	-135,169	0
Personnel expenses	-53,234	-8,934	-62,168	-1,322
Other operating expenses	-51,289	-9,541	-60,830	0
EBITDA	**26,940**	**2,903**	**29,843**	**-1,322**
Depreciation and amortization	-14,763	-100	-14,863	0
Impairment losses	0	-153	-153	0
EBIT	**12,177**	**2,650**	**14,827**	**-1,322**
Result from financial assets accounted for using the equity method	0	0	0	0
Other interest and similar income	398	11	409	0
Interest and similar expenses	-3,275	-192	-3,467	1,322
Net financial income	**-2,877**	**-181**	**-3,058**	**1,322**
Result from ordinary activities	**9,300**	**2,469**	**11,769**	**0**
Income taxes	-2,652	-21	-2,673	0
Consolidated net profit for the fiscal year	**6,648**	**2,448**	**9,096**	**0**
Of which attributable to non-controlling interests	0	126	126	0
Of which attributable to the shareholders of Gigaset AG	**6,648**	**2,322**	**8,970**	**0**
Earnings per ordinary share				
- undiluted in EUR	0.13	0.05	0.18	0.00
- diluted in EUR	0.13	0.05	0.18	0.00

Change in methods Discontinued operations	Change in methods Total	Continuing operations	Discontinued operations	Total	01/01/ – 06/30/2011 in EUR'000 Change in methods
0	**0**	**210,391**	**48,834**	**259,225**	**Revenues**
0	0	-736	-1,710	-2,446	Change in inventories of finished goods and work in progress
0	0	8,589	0	8,589	Other own work capitalized
0	0	15,518	7,124	22,642	Other operating income
0	0	-102,299	-32,870	-135,169	Cost of materials
0	-1,322	-54,556	-8,934	-63,490	Personnel expenses
0	0	-51,289	-9,541	-60,830	Other operating expenses
0	**-1,322**	**25,618**	**2,903**	**28,521**	**EBITDA**
0	0	-14,763	-100	-14,863	Depreciation and amortization
0	0	0	-153	-153	Impairment losses
0	**-1,322**	**10,855**	**2,650**	**13,505**	**EBIT**
0	0	0	0	0	Result from financial assets accounted for using the equity method
0	0	398	11	409	Other interest and similar income
0	1,322	-1,953	-192	-2,145	Interest and similar expenses
0	**1,322**	**-1,555**	**-181**	**-1,736**	**Net financial income**
0	**0**	**9,300**	**2,469**	**11,769**	**Result from ordinary activities**
0	0	-2,652	-21	-2,673	Income taxes
0	**0**	**6,648**	**2,448**	**9,096**	**Consolidated net profit for the fiscal year**
0	0	0	126	126	Of which attributable to non-controlling interests
0	**0**	**6,648**	**2,322**	**8,970**	**Of which attributable to the shareholders of Gigaset AG**
					Earnings per ordinary share
0.00	0.00	0.13	0.05	0.18	- undiluted in EUR
0.00	0.00	0.13	0.05	0.18	- diluted in EUR

3. Seasonal effects

The core business of Gigaset 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.

In the second quarter 2012 an impairment amounting to EUR 50 thousand was recognized for the disposal group SM Electronic. Thereof EUR 38 thousand was related to current receivables and other assets and EUR 12 thousand to inventories.

The assets and liabilities of the disposal group SM Electronic ("Other" segment) including the impairment of EUR 50 thousand can be broken down as follows as of June 30, 2012:

EUR'000	06/30/2012
Assets	
Deferred tax assets	99
Inventories	4,350
Current receivables and other assets	13,097
Cash and cash equivalents	296
Total	**17,842**
Liabilities	
Provisions	1,459
Other liabilities	15,689
Deferred tax liabilities	694
Total	**17,842**

Additional disclosures are made for discontinued operations: Gigaset divested itself in 2011 of 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 in terms of total assets and sales revenues.

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

EUR'000	01/01/ - 06/30/ 2012	01/01/ - 06/30/ 2011
Cash inflow (+)/outflow (-) from operating activities	-598	-1,373
Cash inflow (+)/outflow (-) from investing activities	0	226
Cash inflow (+)/outflow (-) from financing activities	0	0
Change in cash and cash equivalents	**-598**	**-1,147**

5. Equity

On the shareholders meeting dated June 12, 2012 the shareholders approved the distribution of the balance sheet profit as proposed by the management board and the supervisory board. The balance sheet profit of fiscal year 2011 with an amount of EUR 48,689 thousand were distributed amounting to EUR 46,121 thousand to the revenue reserves and were allocated amounting to EUR 2,568 thousand to the retained earnings.

6. Changes in the consolidated group

In the second quarter 2012 the entity Schierholz Translift Global Manufacturing & Finance AG, Baar / Schweiz (Segment Holding) was liquidated an therefore deconsolidated.

The deconsolidation gain amounting to EUR 0,6 million is shown under the position other operating income and includes deconsolidation effects as well as all other expenses in connection with this transaction.

7. 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 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 June 30, 2012, the “Other” segment includes the SM Electronic Group which is classified as 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 – June 30, 2012	Europe	America	Asia-Pacific / Middle East	Gigaset TOTAL
Revenues				
External revenues	175,659	12,934	17,023	205,616
Continuing operations	175,659	12,934	17,023	205,616
Discontinued operations	*0*	*0*	*0*	*0*
Internal revenues	4,708	0	0	4,708
Continuing operations	4,708	0	0	4,708
Discontinued operations	*0*	*0*	*0*	*0*
Total revenues	180,367	12,934	17,023	210,324
Continuing operations	180,367	12,934	17,023	210,324
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBITDA	11,591	-1,496	1,719	11,814
Continuing operations	11,591	-1,496	1,719	11,814
Discontinued operations	*0*	*0*	*0*	*0*
Depreciation and amortization	-11,969	-11	-71	-12,051
Continuing operations	-11,969	-11	-71	-12,051
Discontinued operations	*0*	*0*	*0*	*0*
Impairment losses	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBIT	-378	-1,507	1,648	-237
Continuing operations	-378	-1,507	1,648	-237
Discontinued operations	*0*	*0*	*0*	*0*
Income from financial assets accounted for using the equity method				
Net interest expenses				
Result from ordinary activities				
Income taxes				
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 – June 30, 2012
				Revenues
45	11,587	0	217,248	External revenues
45	0	0	205,661	Continuing operations
0	*11,587*	*0*	*11,587*	*Discontinued operations*
300	0	-5,008	0	Internal revenues
300	0	-5,008	0	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
345	11,587	-5,008	217,248	Total revenues
345	0	-5,008	205,661	Continuing operations
0	*11,587*	*0*	*11,587*	*Discontinued operations*
-1,139	155	0	10,830	Segment EBITDA
-1,139	0	0	10,675	Continuing operations
0	*155*	*0*	*155*	*Discontinued operations*
-1	0	0	-12,052	Depreciation and amortization
-1	0	0	-12,052	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
0	-50	0	-50	Impairment losses
0	0	0	0	Continuing operations
0	*-50*	*0*	*-50*	*Discontinued operations*
-1,140	105	0	-1,272	Segment EBIT
-1,140	0	0	-1,377	Continuing operations
0	*105*	*0*	*105*	*Discontinued operations*
			0	Income from financial assets accounted for using the equity method
			-815	Net interest expenses
			-2,087	Result from ordinary activities
			2,273	Income taxes
			186	Consolidated net profit for the fiscal year
			0	Non-controlling interests
			186	Consolidated net profit for the fiscal year attributable to the shareholders of Gigaset AG

January 1 – June 30, 2011	Europe	America	Asia-Pacific / Middle East	Gigaset TOTAL
Revenues				
External revenues	173,524	21,267	15,531	210,322
Continuing operations	173,524	21,267	15,531	210,322
Discontinued operations	*0*	*0*	*0*	*0*
Internal revenues	365	0	0	365
Continuing operations	365	0	0	365
Discontinued operations	*0*	*0*	*0*	*0*
Total revenues	173,889	21,267	15,531	210,687
Continuing operations	173,889	21,267	15,531	210,687
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBITDA	25,111	1,327	1,863	28,301
Continuing operations	25,111	1,327	1,863	28,301
Discontinued operations	*0*	*0*	*0*	*0*
Depreciation and amortization	-14,708	-13	-14	-14,735
Continuing operations	-14,708	-13	-14	-14,735
Discontinued operations	*0*	*0*	*0*	*0*
Impairment losses	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBIT	10,403	1,314	1,849	13,566
Continuing operations	10,403	1,314	1,849	13,566
Discontinued operations	*0*	*0*	*0*	*0*
Income from financial assets accounted for using the equity method				
Net interest expenses				
Result from ordinary activities				
Income taxes				
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 – June 30, 2011
				Revenues
69	48,834	0	259,225	External revenues
69	0	0	210,391	Continuing operations
0	*48,834*	*0*	*48,834*	*Discontinued operations*
310	1,486	-2,161	0	Internal revenues
310	0	-675	0	Continuing operations
0	*1,486*	*-1,486*	*0*	*Discontinued operations*
379	50,320	-2,161	259,225	Total revenues
379	0	-675	210,391	Continuing operations
0	*50,320*	*-1,486*	*48,834*	*Discontinued operations*
-2,683	2,903	0	28,521	Segment EBITDA
-2,683	0	0	25,618	Continuing operations
0	*2,903*	*0*	*2,903*	*Discontinued operations*
-28	-100	0	-14,863	Depreciation and amortization
-28	0	0	-14,763	Continuing operations
0	*-100*	*0*	*-100*	*Discontinued operations*
0	-153	0	-153	Impairment losses
0	0	0	0	Continuing operations
0	*-153*	*0*	*-153*	*Discontinued operations*
-2,711	2,650	0	13,505	Segment EBIT
-2,711	0	0	10,855	Continuing operations
0	*2,650*	*0*	*2,650*	*Discontinued operations*
			0	Income from financial assets accounted for using the equity method
			-1,736	Net interest expenses
			11,769	Result from ordinary activities
			-2,673	Income taxes
			9,096	Consolidated net profit for the fiscal year
			126	Non-controlling interests
			8,970	Consolidated net profit for the fiscal year attributable to the shareholders of Gigaset AG

8. Related party disclosures

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

9. Significant events after the reporting period

There were no significant events after the reporting date which has material effects on the company´s development.

10. Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the combined management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group."

Munich, August 7, 2012

The Management Board of Gigaset AG

Charles Fränkl Dr. Alexander Blum Maik Brockmann

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