Gigaset

Report for the 1st Quarter 2014

OVERVIEW OF KEY FIGURES

EUR million	1/1 - 3/31/2014	1/1 - 3/31/2013
Consolidated revenues	65.0	**89.1**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-7.6	**3.9**
Earnings before interest and taxes (EBIT)	-13.9	**-2.1**
Consolidated loss	-12.2	**-3.3**
Free cash flow	-28.0	**-24.4**
Earnings per share (diluted in EUR)	-0.12	**-0.07**

EUR million	3/31/2014	12/31/2013
Total assets	237.4	**267.1**
Consolidated equity	24.6	**38.7**
Equity ratio (%)	10.4	**14.5**

Information on the Gigaset share	Q1 / 2014	Q1 / 2013
Closing rate in EUR (at the end of the period)	0.97	0.97
Peak price in EUR (in the period)	1.02	1.27
Lowest price in EUR (in the period)	0.86	0.96
Number of shares in circulation (at the end of the period)	96,402,685	50,014,911
Market capitalization in EUR million (at the end of the period)	93.511	48.514

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Significant events in the first Quarter of 2014

Securitas enables the first premium service for “Gigaset elements”

Securitas and Gigaset have maintained a development partnership since the development phase of ‘Gigaset elements’, an innovative system for networked living. Now, the collaboration is bearing fruit: Securitas, the leading security service provider, intends to ensure that no alarm goes unanswered with the premium service “Gigaset elements monitored by Securitas”. The service at the heart of the mutual cooperation ‘Gigaset elements safety’ is the computer-aided handling of alarms by Securitas, which can be ordered by all ‘Gigaset elements’ customers. The security services provider operates two certified emergency and service centers across Germany.

If ‘Gigaset elements’ sets off an alarm, the Securitas system automatically notifies four contact persons defined by the customer until they accept the alert and address the matter. The cooperation will first begin with a free pilot phase. Interested customers can register at https://gigaset.securitas.de and test the service for three months free of charge. The price for the premium service will be determined when the pilot phase is completed. The customers can decide for themselves whether they want to continue using the service for a charge or not.

Gigaset presents CeBIT 2014 trade fair highlights

Gigaset will present new products from all business areas at CeBIT 2014. “Maxwell 10” – an IP-based 10.1” HD video telephone with a touch screen – will be presented to the Business Customers segment, while private users can observe the new “Dune” – a cordless telephone oriented to the design of nature – as well as new high-quality bluetooth headsets.

With the “Maxwell 10”, Gigaset pro is presenting corporate customers and entrepreneurs an innovative, IP-based 10.1” HD video telephone with a touch screen, various optional cordless handsets and the Android operating system 4.2.2 (Jelly Bean). The completely redeveloped operating concept makes what used to be complex telephone processes, such as the switching of multiple parallel calls, simple as never before.

In the Retail Customers segment, hands-free telephones that embed themselves into modern, individual living spaces, are becoming increasingly important. Gigaset is responding to this need with the “Dune” (CL540A, CL540 and CL540H). Inspired by the sweeping curves of a sand dune, it is a true gem for customers who pay attention to design, materials, and functionality.

Bluetooth headsets are becoming increasingly popular in the office as well as at home as a result of their versatility. Gigaset is presenting two new headsets in the premium and midrange segments at CeBIT 2014. Both ZX830 as well as ZX530 can connect with up to two devices at the same time thanks to Near Field Communication (NFC) technologies and Bluetooth 4.0 (10 meter range) and provide crystal clear sound with extremely long standby times.

Gigaset receives HTV-Life® mark of excellence

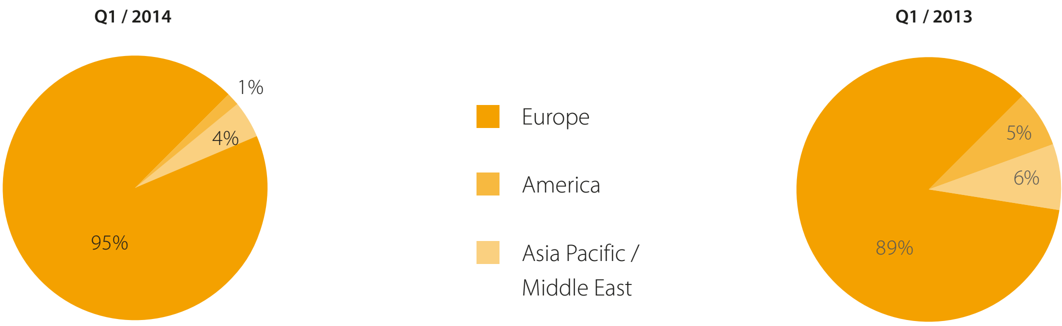
Planned obsolescence, i.e. when manufacturers intentionally limit the life of a product, is currently a major topic. More and more consumers are demanding greater clarity and transparency when they purchase new products. The HTV-Life® mark of excellence, which Gigaset has now received as one of the first manufacturers in the world for the first four of its landline telephones, should provide clarity.

Gigaset would like to be one of the first manufacturers worldwide to furnish its products with the HTV-Life® mark of excellence. The first telephone to receive the mark of excellence is the Gigaset C620 family telephone, which was introduced to the market in the middle of last year. The certification and mark of excellence are issued by HTV, one of the largest independent test houses in Europe. HTV has been testing electronic components for more than 27 years and is specialized in the testing and identification of intentional weak points built into products.

Investor takes an equity stake in Gigaset Mobile Pte. Ltd., Singapore

Goldin Digital Pte. Ltd. has purchased an equity stake in Gigaset Mobile Pte. Ltd., Singapore, by making a capital contribution of EUR 30 million. The equity investment and contribution of additional capital underscores the Goldin Group's commitment to Gigaset. The joint activities of the two partners will be aimed at successfully tapping the market for tablet PCs and smartphones. Due to the change in the majority ownership of Gigaset Mobile Pte. Ltd., Singapore, this company will now be accounted for "at equity" in the consolidated financial statements of the Gigaset Group.

Sales broken down by region



Combined Management Report as of March 31, 2014

1 Business Model

Gigaset AG is a globally active telecommunications group with its headquarters in Munich, a product center in Düsseldorf, and its main production facility in Bocholt. Gigaset is the leading brand in Western Europe, as measured by total sales of the cordless telephones it develops and manufactures on the basis of the "Digital Enhanced Cordless Telecommunications" ("DECT") standard. Measured by the number of base stations sold, Gigaset is in second place worldwide. It is a vendor of premium-quality products with a market presence in approximately 70 countries of the world. It had around 1,400 employees in 2013.

The Group offers a broad-based portfolio of products in its Consumer Products, Business Customers, Home Networks (Gigaset elements), and Mobile Products segments. The Gigaset brand is renowned for high-quality and trailblazing telecommunications products.

The Gigaset Group's worldwide business is divided into regional segments. Most of its revenues are generated in Europe, particularly in Germany and France. The Consumer Products segment, which comprises the business of cordless voice telephony, accounts for the bulk of total revenues. Gigaset employs a direct and an indirect sales structure to distribute its products.

1.1 Consumer Products

Gigaset is the European market and technology leader in the field of DECT telephony. DECT stands for Digital Enhanced Cordless Telecommunications, which is the world's most successful telecommunications standard for cordless telephones. Gigaset played an important role in the development of the DECT standard in the 1990s. Since then, the company has successfully defended its status as the European market and technology leader for DECT telephony. The company's success is reflected in the high level of market penetration. A Gigaset telephone can be found in one of four households in Europe, and one of two households in Germany. In Germany, Gigaset enjoys a brand awareness level of more than 80%. The company manufactures most of its own products in the highly automated Bocholt factory, which has won numerous awards.

1.2 Business Customers

In the "Gigaset pro" (pro = professional) product line, the Business Customers segment has created an attractive range of corded telephones, telephone systems (so-called "Private Branch Exchanges" ("PBXs")), professional DECT systems, and handsets for small and medium-sized enterprises. These telephone systems distributed by the company are based on the "Session Initiation Protocol" ("SIP"), a network protocol for establishing, managing, and terminating a communication session. The SIP is one of several possible voice transmission protocols. Gigaset pro's steadily growing portfolio is aimed at small and medium-sized enterprises, the so-called SME segment. The pro series offers the versatility and dependability that business users require in their day-to-day activities. These devices are noteworthy for being easy to administer and install. Due to the high level of consultation required for business products, Gigaset only distributes the pro line through value-added resellers (VARs).

By introducing Gigaset pro, Gigaset greatly expanded its product range and tapped new customer groups. Besides the residential customer segment, which the company has served very successfully in the past, the company's professional IP telephone systems also meet the needs of small offices and home offices (SOHOs) and the fast-growing, highly promising market of small and medium-sized enterprises (SMEs). By serving the SME market, Gigaset pro will develop into a second pillar of the company's business, contributing a significant share of revenues, in the next few years.

1.3 Home Networks

In financial year 2013, Gigaset introduced a modular, sensor-based "connected living" system for residential households to the market. Users can maintain a permanent connection to "Gigaset elements" in their home via smartphone. With the Starter Kit, users can respond immediately to unforeseen events. The portfolio of sensors will be continually broadened. Besides the Starter Kit, a complementary siren and a window sensor are also available now. Further applications such as energy management and senior citizen assistance will follow.

1.4 Mobile Products

In December 2013, Gigaset successfully introduced its first portfolio of tablet PCs to the market. Successor products are already being planned. The current models QV830 and QV1030 are based on the world's most widely used operating system, Android.

Furthermore, Gigaset plans to introduce a smartphone to the market, which will round out the product offering of the Mobile Products division, before the end of financial year 2014.

2 Market and Industry Environment

2.1 General Economic Environment

The pace of economic growth in the Eurozone doubled in the first quarter, due to the high level of fixed investment. Consumer spending exhibited only slight gains, due to high unemployment and the very small increase in the disposable income of private households.

Within the Eurozone, the German economy was especially strong in the first quarter, posting its highest growth rate in three years. On the other hand, many observers are increasingly concerned that the apex has already passed. Furthermore, the positive development of the German economy may have been overstated by the mild winter.

Economic news from the United States has been mixed. On the one hand, the unemployment rate fell to 6.7% in February, the lowest level since October 2008. On the other hand, U.S. companies reported very mixed results in the latest reporting season.

After first improving to 111.3 points in February, the IFO Business Climate Index fell back to 110.7 points in March. The expectations component of this index worsened to 106.4, after 108.3 in the preceding month.

2.2 Telecommunications Market

2.2.1 Consumer Products market

In terms of both revenues and unit sales, the European market for cordless telephones experienced another substantial contraction in the past year. The consumption climate, particularly in Southern and Eastern Europe, was weighed down by the global financial and sovereign debt crisis. This development was further exacerbated by the continuing trend of replacing fixed-line telephones with smartphones ("mobile replacement"), especially in the relatively saturated European markets. In the period from January to March 2014, the total European market for cordless telephones contracted by nearly 13%, based on revenues, in the markets monitored by Gigaset. This decline occurred in nearly all monitored markets. Based on units sold, however, Gigaset increased its market shares in Europe by a total of 1 percentage point compared to 2013[1]. The market trend in Western Europe points to further consolidation and a slight decline in overall prices. The biggest European markets are Germany, France, and Great Britain. Already today, the three biggest competitors led by Gigaset account for about two thirds of total market volume. So-called "B" brands situated in the lower-price market segments, as well as cheap brands and local suppliers, continue to lose market shares[2].

2.2.2 Business Customers market

According to the latest MZA studies (Telecoms & IT Analytics, basis Q4 2013) available to Gigaset, the worldwide market for PBX solutions contracted by 3%[3]. However, market developments varied considerably by region. Accord-

1. Source: Surveys conducted by the Retail Panels For Cordless Telephones of GfK Retail and Technology GmbH in the countries of Belgium, Germany, France, Great Britain, Italy, Netherlands, Austria, Poland, Switzerland, Spain, Russia, and Turkey. Survey period January to March 2014; basis GfK Panel Market.
2.MZA Shipment Review 1H 2013 – published September 2013
3. MZA PBX-IP PBX Press Release Q4 2013 of March 2014.

ing to MZA, the Latin American market expanded by 10% and the Asia-Pacific market stagnated, while revenues in North America and the Middle East/Africa region rose by 5% and 3%, respectively. The markets of Western Europe and Eastern Europe contracted by 8% and 5%, respectively. Within the generally shrinking market, however, IP PBX solutions continue to advance, as evidenced by the absolute increase in IP connections in the fourth quarter of 2013 (+3% over the fourth quarter of 2012) and by the fact that the share of the total PBX market represented by IP PBX solutions rose to 46% (+3%) over the same time period.

2.2.3 Home Networks market

The Western European market for Smart Home Systems & Services (SHSS) is considered to be highly promising. The number of smart home households is expected to rise from about 14 million at the start of 2014 to roughly 20 million by the end of 2014, and to roughly 41 million by the end of 2018. Because the DECT ULE standard is being used by a growing number of Western European providers of smart home solutions, the market research institution Strategy Analytics anticipates that the revenues generated in this segment will more than quintuple in Western Europe between the years 2015 and 2018.

According to Strategy Analytics[4], roughly 8% of households could be described as “smart homes” at the end of 2013. The revenues generated in this segment are expected to rise from USD 4.5 billion in 2012 to USD 6.6 billion in 2013, and to USD 14 billion in 2018. In Germany alone, this market is expected to expand from USD 1.6 billion in 2013 to USD 3.2 billion in 2018[5]. According to estimates, 25% of German households will have installed at least some kind of smart-home system by the year 2018.

An important aspect supporting the acceptance of smart home devices and services is a readily discernible benefit that enhances people’s quality of life. Criteria such as plug-and-play capability, reliability, and ease of use are crucial in this regard.

Because new buildings account for only a tiny percentage of the total housing stock in Germany, the German market can best be conquered with affordable, cordless retrofit packages for old buildings. Consumer surveys reveal that about 15% of surveyed persons consider additional expenditures for smart-home solutions to be thoroughly acceptable[6].

2.3 Mobile Products

According to Strategy Analytics, the tablet PC market registered substantial growth of 19% in the first quarter of 2014[7]. This trend was also apparent in the Western European markets, where the growth rate was approximately 36 %[8]. Thanks to their user-friendliness, convenience, and versatility, the popularity of tablet PCs continues to grow. And the Android operating system still occupies a dominant position in this market. Considering the scope and diversity of applications for practically all scenarios, as well as the growing importance of the more price-sensitive emerging markets, Android will maintain this dominant position indefinitely, in all likelihood. Accounting for 66% of total worldwide shipments, Android was the uncontested market leader, well ahead of the iOS operating system (28%), in the first quarter of 2014.

4. Smart Home Systems and Service Forecast Western Europe, July 2013
5. Smart Home Systems and Service Forecast Germany, June 2013
6. electroboerse – smarthouse.de of July 16, 2013
7. Strategy Analytics, Global Tablet OS Market Share: Q1 2014, April 2014
8. Strategy Analytics, Preliminary Q1 Data

3 Business Developments

3.1 Consumer Products

As before, the primary goals of Gigaset's sales strategy are to uphold the premium price status of the Gigaset brand and to further expand the company's market shares in Europe.

Within a generally difficult environment for retailers and network operators, Gigaset successfully defended its strong position against competitors in its core markets.

In terms of units sold, Gigaset maintained a leading market position in Europe and Germany[9]. In addition, Germany assumed a pioneering role with respect to the introduction of tablets PCs and "Gigaset elements." The next step, after the successful introduction of "Gigaset elements" in France, will be to expand the company's international presence in the countries of Austria, Switzerland, the Netherlands, and Sweden.

Gigaset presented new highlights in all areas of its business at the CeBIT 2014 trade fair. More than 20,000 trade professionals visited Gigaset's stand and showed strong interest in the company's product innovations. Among other highlights, the company unveiled its two new Bluetooth headsets ZX530 and ZX830. It also presented the designer DECT telephone Dune, which should be available in stores in May.

In another step in the direction of a uniform Gigaset ecosystem, in which all the company's hardware products will be linked together via the cloud, Gigaset announced a new application, Gigaset Go, which will facilitate smooth, automated data transfers between different Gigaset devices, including such data as the telephone directory, for example,.

Also at this year's CeBit, Gigaset reaffirmed its intention to bring a smartphone to market before the end of 2014.

3.2 Business Customers

Gigaset expanded its proprietary business under the brand name "Gigaset pro" slightly further in the first quarter of 2014. France and the Netherlands in particular contributed to this growth. However, total revenues were slightly lower than the year-ago comparison figure, due to the somewhat worse performance of customer-specific, private-label products.

In the first quarter of 2014, Gigaset entered into important cooperation agreements with network operators, which have already begun to yield additional revenues. The number of especially loyal "silver" and "gold" partners in the sales regions was increased further. The functional scope of the multi-cell solution N720 IP Pro was improved by a software update, so that the system can now be conveniently operated also behind BroadSoft systems.

9. Retail Panel for Cordless Telephones of GfK Retail and Technology GmbH in the countries of Belgium, Germany, France, Great Britain, Italy, Netherlands, Austria, Poland, Switzerland, Spain, Russia, and Turkey. Survey period January to March 2014; basis GfK Panel Market.

The CeBIT trade fair was also a special highlight for the Business Customers segment in the first quarter. Trade professionals showed great interest in the “Maxwell” telephone for business customers, which is equipped with a 10” touch-screen and can be operated entirely without keys, which the company presented there. Gigaset generated its first national and international leads for the upcoming market introduction and will pursue them further in the second quarter of 2014.

3.3 Home Networks

Gigaset began to distribute Starter Kits for “Gigaset elements” via the German network of specialty stores and online shops in September 2013. In the meantime, this system is now available in the French market, through Gigaset’s own dense, long-established sales network in that country. The Safety Starter Kit introduced in 2013 forms the basis for the diverse possibilities of “Gigaset elements.” It consists of two intelligent DECT ULE-based sensors, the door sensor “door” and the motion sensor “motion,” as well as the base station “base” and an app for smartphones. “Gigaset elements” works with an intelligent, self-learning and secure cloud, as the interface between the residence and the smartphone. The system is modularly expandable. For example, it can be retrofitted with a siren and a window sensor, which are now available for sale.

At the CeBIT, Gigaset announced its intention to expand its hardware portfolio yet again. In 2014, the company intends to bring to market a smart outlet, a smart smoke detector, and a camera. Furthermore, the central software platform in the cloud will be equipped with new functions. The system will be made learning-capable (“machine learning”) in order to address the energy management and senior care segments. Furthermore, Gigaset elements will be given an open interface (API), to make it easier to connect partners.

3.4 Mobile Products

In December 2013, Gigaset entered the fast-growing market for tablet PCs by introducing two new Android-based models in 8-inch and 10.1-inch formats. This was the next step in the implementation of the “Gigaset 2015” strategy. The market introduction was focused initially on Germany, but other European countries have also begun to distribute these tablet PCs. The newly introduced tablet PCs are designed to fulfill Gigaset’s accustomed premium standard, at top prices. The compact multimedia tablet QV830 is ideal for surfing, shopping, chatting, and checking e-mails. The high performance tablet QV1030 features a display with 2560 x 1600 pixels at 300 DPI, which delivers sharper resolution than the human eye. Thus, users can enjoy films, pictures, and games in HD quality. Another plus is the high-performance quad-core processor, the stereo sound system, and the 8-megapixel camera with dual LED flash. The company expanded its tablet distribution network further in the first quarter by signing numerous agreements with existing and also new pan-European resale partners.

4 The Gigaset Share

Stock markets settled down for the time being following the final spurt of 2013. The climate was subsequently negatively impacted by weak economic data from China as well as the crisis surrounding Crimea. The People's Bank of China also pumped money into the banking system in order to counter a liquidity shortage. However, the indices recovered quickly after these negative headlines, but the losses incurred in the meantime could not be equalized.

The Gigaset Share performed inconsistently at the beginning of the year. Extremely high intraday volatility was observed at times – in particular in the first half of January. After the share price rose to EUR 0.99 in the first trading days, it slipped to EUR 0.88 by January 9, marking the lowest price of the month. It subsequently recovered rapidly and the share climbed successively in the direction of the 38 day line marked by EUR 0.98. On January 20, the share regained this level and subsequently oscillated around this point. The report on January 23 regarding a court decision reducing an antitrust fine by EUR 1 million surely had a positive impact on this. By January 29, the share price had reached its monthly peak price of EUR 1.02.

In the second reporting month of 2014, Gigaset AG's share looked back on a volatile but ultimately negative price performance. The share marked its monthly peak price of EUR 1.02 right at the beginning of the month, but decreased in value in the following days. At first there was no reaction to the preliminary operating figures published on the morning of February 6. There was strong selling pressure for only a short while in the early afternoon, which did in fact cause the price to fall to EUR 0.86, but was fully compensated only a few minutes later. The 200 day line intraday was subsequently tested once again, but the share generally trended sideways at the level of EUR 0.95 just below the 38 day line until the end of the month. The price remained 4.7 % below the level of the prior month of January.

In the following month, Gigaset AG's share looked back on a positive reporting month from the perspective of chart analysis. After the price had marked its monthly low of EUR 0.932 on the second trading day, it subsequently climbed slowly but surely upwards and consequently continued the upward trend that had begun in February, whereby the very high intraday volatility at the beginning of the year was further and further reduced. The Gigaset share traded consistently in a price range between EUR 0.96 and EUR 0.98 starting on March 13, completely unimpressed by the losses of the leading indices at the middle of the month. In particular in the final trading days of the month, multiple buy orders over a volume of 30,000 shares or more in the range of EUR 0.96 formed a valid support level under which the share price had not fallen by the last trading day of the quarter. The trigger for this was the operating figures published on March 26. The investors honored the consistent transformation of the business as well as the outlook provided and the price reached its highest level of the month at EUR 0.98 on the same day.

5 Financial Performance, Cash Flows and Financial Position

5.1 Financial Performance

The Gigaset Group generated **sales revenue** in the amount of EUR 65.0 million (prior year: EUR 89.1 million) in the first three months of fiscal year 2014. After the sale of the SM Electronic Group in December 2013, no more sales revenue can be attributed to discontinued operations (prior year: EUR 2.3 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 27.1% year-on-year decrease in sales revenue can be explained in particular by the declining market in the core business Consumer Products. Overall, sales revenue in Europe fell by 19.2% to EUR 61.7 million compared to the first quarter of 2013 due to the declining market. The decrease in sales revenue in the America region was due in particular to restrictive import regulations and the negative exchange rate trend in Argentina as well as the change in the distribution model in the USA, Brazil and Argentina. Sales revenue in the Asia-Pacific / Middle East region also declined. In particular, the change in the distribution model in the United Arab Emirates and the political unrest in the Middle East are responsible for this development.

The results can be broken down as follows:

Sales revenue in € millions	Q1 2014	Q1 2013	Change
Europe	61.7	76.4	-19.2%
America	0.7	4.6	-84.8%
Asia-Pacific / Middle East	2.6	5.8	-55.2%
Gigaset Total	65.0	86.8	-25.1%
Other	0.0	2.3	-100.0%
Total	**65.0**	**89.1**	**-27.1%**
of which continuing operations	65.0	86.8	-25.1%
of which discontinued operations	0.0	2.3	-100.0%

Other own work capitalized in the amount of EUR 2.1 million (prior year: EUR 5.3 million) mainly includes costs related to the development of innovative products. The investments decreased by more than 50% year-on-year, in some cases due to postponements that will be made up in the course of 2014 due to delays in planned projects.

Other operating income amounts to EUR 2.2 million and is thus EUR 6.1 million lower than in the first quarter of 2013. The main items include income from exchange rate gains in the amount of EUR 0.9 million (prior year: EUR 4.6 million), income from the reversal of provisions in the amount of EUR 0.3 million (prior year: EUR 0.3 million), income from derivatives in the amount of EUR 0.2 million (prior year: EUR 1.1 million) as well as income from the reversal of other impairment losses and the derecognition of liabilities in the amount of EUR 0.1 million (prior year: EUR 1.7 million).

The **cost of materials** for raw materials, merchandise, finished goods and purchased services was EUR 31.2 million – a decrease of EUR 11.9 million from EUR 43.1 million in the previous year. The cost of materials rate fell from 50.8% to 47.0% including changes in inventories. This can be attributed mainly to the decrease in sales revenue and the USD exchange rate trend.

Personnel expenses for wages, salaries, social insurance contributions and old age pensions amounted to EUR 24.9 million and were thus down 3.9% from EUR 25.9 million in the previous year. The decrease reflects in particular the restructuring program that was initiated in fiscal year 2012 and continued in stages in fiscal year 2013. These positive effects were partially offset by higher expenses for variable remuneration payments and by severance payments in connection with the further reduction in staff.

Other operating expenses in the amount of EUR 21.5 million were incurred in the reporting period (prior year: EUR 27.7 million). This includes marketing costs, general administrative expenses, exchange rate losses (EUR 2.5 million; prior year: EUR 4.8 million) as well as transport costs and advisory fees.

EBITDA as of March 31, 2014, amounted to EUR 7.6 million (prior year: EUR 3.9 million).

The results can be broken down as follows:

EBITDA in € millions	Q1 2014	Q1 2013	Change
Europe	-3.5	6.2	-156.5%
America	-1.2	-0.7	-71.4%
Asia-Pacific / Middle East	-0.1	0.6	-116.7%
Gigaset Total	-4.8	6.1	-178.7%
Holding	-2.8	-1.5	-86.7%
Other	0.0	-0.7	100.0%
Total	**-7.6**	**3.9**	**-294.9%**
of which continuing operations	-7.6	4.6	-265.2%
of which discontinued operations	0.0	-0.7	100.0%

Depreciation and amortization in the current reporting period amounted to EUR 6.2 million (prior year: EUR 6.6 million) and can be attributed entirely from continuing operations. Impairment write-downs in the previous year in the amount of EUR 0.7 million can be attributed to the reversal of impairment of SM Electronic GmbH's assets that resulted from the measurement at the net realizable value less costs to sell.

EBIT can be broken down as follows:

EBIT in € millions	Q1 2014	Q1 2013	Change
Europe	-9.7	-0.4	-2,325.0%
America	-1.3	-0.7	-85.7%
Asia-Pacific / Middle East	-0.1	0.6	-116.7%
Gigaset Total	-11.1	-0.5	-2,120.0%
Holding	-2.8	-1.5	-86.7%
Total	**-13.9**	**-2.0**	**-595.0%**
Continuing operations	-13.9	-2.0	-595.0%

Compared to the previous year, **net financial income** decreased from EUR -0.5 million to EUR -0.7 million. The primary drivers include the raising of the syndicated loan and the interest accrued in connection with factoring.

The **consolidated net loss for the fiscal year** after non-controlling interests as of March 31, 2014, amounts to EUR -12.2 million and was due primarily to the negative EBIT in the amount of EUR 13.9 million, which was weakened by positive taxes on income in the amount of EUR 2.4 million. In the previous year, a consolidated net loss for the fiscal year after non-controlling interests was generated in the amount of EUR 3.3 million.

This results in **earnings per share** of EUR -0.12 (prior year: EUR 0.07).

5.2 Cash Flows

Cash flows in € million	Q1 2014	Q1 2013
Cash flow from operating activities	-9.5	-21.9
Cash flow from investing activities	-18.5	-2.5
Free cash flow	-28.0	-24.4
Cash flow from financing activities	0.0	0.1

In the quarter just ended, the Gigaset Group recorded a **cash outflow from continuing operations** of EUR -9.5 million (prior year: EUR -21.9 million). The typical cash outflow in the first quarter is characterized by the seasonal business and results largely from the repayment of liabilities to suppliers from the 2013 Christmas shopping season. Net cash inflows are traditionally generated in the second half of the year during the Christmas shopping season. The considerably lower cash outflow from continuing operations compared to the first quarter of 2013 can be explained in particular by the higher cash inflow from trade receivables compared to the first quarter of 2013.

Cash outflow from investing activities amounts to EUR -18.5 million and thus clearly exceeds the previous year's level of EUR -2.5 million. Disbursements for investments in fixed assets decreased from EUR -2.5 million in the previous year to EUR -0.5 million in the current fiscal year. The majority of the cash outflow from investing activities comprises the cash resources transferred on the part of Gigaset Mobile Pte. Ltd. in the amount of EUR 18.0 million in connection with the transitional consolidation to equity method accounting.

Thus, **free cash flow** amounted to EUR -28.0 million compared to EUR -24.4 million in the first quarter of 2013.

There was no noteworthy **cash inflow from financing activities** recorded in either in the current period or the previous year.

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

The cash flow attributable to discontinued operations amounted to EUR 0.0 million (prior year: EUR 0.6 million) and is presented in detail in the notes. Furthermore, cash flow includes EUR -0.6 million in exchange rate losses (prior year: gain of EUR 0.3 million).

Cash and cash equivalents amounted to EUR 28.3 million as of March 31, 2014 (prior year: EUR 31.0 million).

5.3 Financial Position

The Gigaset Group's **total assets** as of March 31, 2014, amounted to around EUR 237.4 million and thus decreased by approximately 11.1% compared to December 31, 2013.

Non-current assets increased slightly by EUR 17.8 million to EUR 119.6 million compared to December 31, 2013. The increase can be attributed mainly to the addition of equity interest in the amount of EUR 18.0 million (prior year: EUR 0.0 million) accounted for using the equity method that was classified as a consolidated subsidiary as of December 31, 2013. Due to the loss of control in the first quarter of 2014, the investment in Gigaset Mobile Pte. Ltd., Singapore, was deconsolidated and included in the consolidated financial statements using equity method accounting as a result of the significant influence. Depreciation and the disposals from property, plant and equipment exceeded the investments in property, plant and equipment; as a result, property, plant and equipment decreased by a total of EUR 1.7 million to EUR 37.9 million. A decrease of EUR 1.9 million to EUR 43.6 million was also recorded for intangible assets.

Current assets account for 49.6% of total assets. Compared to the December 31, 2013, they fell by EUR 47.4 million and now amount to EUR 117.9 million. Inventories increased by EUR 1.7 million to EUR 29.2 million, since the company traditionally replenishes its inventories in the first quarter after the Christmas shopping season. Trade receivables decreased by EUR 19.7 million to EUR 30.5 million, which can be attributed mainly to the lower sales revenue in the first quarter and a round of factoring that was postponed at the beginning of the year due to the Christmas holidays. A decrease was also recorded for other assets as well as cash and cash equivalents. While other assets only decreased slightly by EUR 0.3 million, cash and cash equivalents decreased by EUR 28.6 million. A detailed development of cash and cash equivalents is presented in the statement of cash flows in the notes.

Total liabilities amount to EUR 212.8 million, 65.2% of which are current. The Group's total debt was decreased by an additional EUR 15.6 million in the current fiscal year following the significant reduction of debt in the preceding fiscal years.

The Gigaset Group's **equity** amounted to around EUR 24.6 million as of March 31, 2013, and is EUR 14.0 million lower than at the beginning of the year. Correspondly, equity as a percentage of assets amounts to 10.4% compared to 14.5% as of December 31, 2013.

Non-current liabilities mainly include pension deferred tax liabilities, pension obligations, deferred tax liabilities, and long-term provisions for personnel expenses as well as provisions for guarantees. The EUR 2.8 million increase in non-current liabilities resulted mainly from the increase in pension provisions, which increased correspondingly due to a decrease in the discount rate of 3.40% as of December 31, 2013, to 3.25% as of March 31, 2014.

At EUR 138.8 million, **current liabilities** are around 11.8% lower than reported as of December 31, 2013. Current provisions decreased by a total of EUR 2.3 million compared to December 31, 2013, mainly as a result of the EUR 1.0 million decrease in restructuring provisions. Current financial liabilities decreased only marginally. Trade payables declined seasonally from EUR 71.5 million on December 31, 2013, to EUR 52.3 million on March 31, 2014. The EUR 3.6 million increase in other liabilities to EUR 25.1 million can be attributed primarily to the presentation of a tax refund claim in the amount of EUR 3.5 million on the part of an associated company. This was offset by a tax refund claim for the same amount on the part of Gigaset Communications GmbH against the customs authority.

6 Opportunities and Risk Report as of March 31, 2014

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

Detailed information regarding the Gigaset Group's opportunities and risks is presented in Gigaset AG's Annual Report as of December 31, 2013.

The process of the Group-wide, systematic risk management system is described in detail in Gigaset AG's Annual Report as of December 31, 2013. In the first quarter 2014 there are no significant changes.

7 Events after the Reporting Date

7.1 Action to set aside two resolutions on the part of the extraordinary shareholders' meeting

The shareholder Ludic GmbH filed suit on January 21, 2014, against two resolutions on the part of the extraordinary shareholders' meeting held on December 19, 2013. The action is directed against the resolution regarding agenda items 2 (authorized capital) and 3 (authorization of the Executive Board to issue bonds with warrants and/or convertible bonds, Contingent Capital 2013). The plaintiff is petitioning to have the aforementioned resolutions declared null and void in part or alternatively in full. The suit was filed on February 17, 2014, and is being conducted by the regional court Munich I (chamber for commercial matters) under file number 5 HKO 1196/14. The court first ordered written preliminary proceedings. A date for oral proceedings in the complaint has not been set yet. Gigaset considers the suit to be obviously inadmissible and obviously unfounded.

On February 28, 2014, Gigaset therefore filed an application for release under section 246a of the German Stock Exchange Act (Aktiengesetz, AktG) against Ludic GmbH. The higher regional court of Munich ruled to allow the application for release on April 2, 2014, and decided that the suit filed by the shareholder Ludic GmbH did not prevent the change in the articles of association resolved by the annual shareholders' meeting from being entered in the commercial register. Therefore, the suit – even if it should prove unexpectedly successful – will not have any impact in the meantime on the execution of the decisions resolved by the annual shareholders' meeting.

7.2 Syndicating banks deferred repayment of the syndicated loan

As a result of the change of control of the company due to the investment made by Goldin Fund Pte. Ltd., Singapore, the syndicating banks ordered the repayment of all amounts drawn down on issued credit lines by April 30, 2014 – without canceling the syndicated loan agreement – as expected and in accordance with the agreement. In a letter dated April 30, 2014, the banks stated their willingness to extend the period in which the credit line in the amount of EUR 29.9 million can be drawn down in cash until May 31, 2014. The extension is intended to serve to complete the actions and negotiations initiated regarding the Gigaset Group's follow-up financing by means of equity and/or debt instruments.

8 Outlook

8.1 Industry developments

Cordless telephones market[10]

In the years from 2013 to 2018, experts expect the global market for cordless telephones to shrink at an annual rate of 5.5%, due to the growing competition posed by smartphones and mobile phones. Within this market, the importance of the DECT standard will continue to grow, at the expense of the analog standard and other digital standards. Whereas the DECT standard accounted for roughly 70% of the worldwide installed base in 2012, this percentage is expected to reach 90% already in 2018.

According to market experts, Western Europe will remain the most important market, accounting for a total market share of 35% in 2018, followed by North America at 24% and Asia-Pacific at 18%. The sharpest drop is predicted for North America, where the cordless telephone market is expected to shrink at an annual rate of 8.6 % in the years from 2013 to 2018.

The price level for all telephony standards is expected to decline in the coming years, but the decline will be especially pronounced for products using the analog standard and other digital standards.

Market for business customers[11]

According to market studies, the European telecommunications market is markedly shifting in the direction of IP telephony. The demand for hybrid IP systems already accounts for 90% of total market demand, and it will increase further over the next four years. Similar trends are expected in the market for IP terminals. By the year 2018, the number of IP terminals sold in the European market is predicted to increase by almost 18%, while the market for digital and analog terminals will shrink. Gigaset pro's offering not only includes terminal devices, but also serves the fast-growing demand for web-based telephone systems, known as "hosted" communications solutions.

Market for home networks

According to recent studies, the smart home market will expand dramatically in the next ten years, due to the introduction of affordable, compatible, intuitively operable and personalized applications that offer comfort, safety, energy efficiency, and self-determination in old age. According to calculations of the accounting firm Deloitte, this market will expand to more than EUR 4.1 billion in Europe by the year 2017, reflecting an annual growth rate of 20%. In the future, smart home solutions will not be limited to the luxury and premium segments, but will gradually become a mass market. According to a study published by VDI/VDE Innovation + Technik GmbH, cumulative sales of smart home solutions could reach EUR 19 billion in the German market alone by the year 2025. The average value-added accruing to German suppliers is estimated to be around EUR 11.4 billion. Within this global growth market, German manufacturers will stand out by virtue of their expertise in the areas of systems integration and embedded systems.

10. MZA World - Consumer Cordless Telephony Market – 2013 Forecast Edition (published October 2013)
11. MZA PBX/IP PBX – 2012 Forecast Edition (published September 2012)

Market for tablets and smartphones

The global smartphone market continued to grow in 2013, as high-end smartphones, tablet PCs, and subsidies by mobile telecom operators pushed the market to new highs. Because the available forecasts call for further increases in unit sales over the next five years, worldwide revenues will also rise further. However, revenue growth will slow to a rate in the lower single-digit percentage range starting in 2015, as falling prices largely offset the growth of unit quantities. The main reason for the continued decline in average sales prices is the development in the direction of large unit sales of lower-price smartphones. Strategy Analytics anticipates that the global smartphone market will expand to more than 1.5 billion smartphones by the year 2018[12]. As in prior years, the Android and Apple iOS operating systems will continue to dominate the global smartphone market. These two operating systems accounted for about 94%, and Android for about 78% of total worldwide smartphone sales in 2013[13].

8.2 Expected development of sales revenue and earnings

The market as a whole for cordless telephones in Europe declined by around 13% in 2013 measured on sales[14]. A reversal of the market trend has not been observed. Thus, the decrease in sales revenue for Gigaset's continuing operations lies within the expected percentage range communicated from upper single-digits to lower double-digits. In order to compensate the loss in sales in the core business in the medium and long term, Gigaset continued to consistently implement its "Gigaset 2015" strategy and began to expand the business into new product categories in the second half of 2013. In the third quarter of 2013, "Gigaset elements" was successfully introduced to the solutions market for networked living, which according to observers is growing robustly. In December, Gigaset launched its first tablets on the market. However, the new business areas were not yet able to compensate the loss in sales in the core business in the fiscal year just ended.

The trend in the 2014 fiscal year will depend significantly on the forecasted decline in the traditional telecommunications market as well as on the successful expansion of the growing business segments Business Customers, Home Networks and Mobile Products (tablets and smartphones). The experts are assuming that the market for cordless telephony will continue to decline. Gigaset will not be able to avoid this trend, even if it continues to expand its share of the market. Therefore, Gigaset also expects its sales revenue to continue decreasing in this business segment in 2014, which has already been confirmed in the first quarter of 2014 with a decrease compared to the first quarter of 2013. Nevertheless, the company will continue to focus sharply on cordless telephony and the consumer needs identified should be addressed through specific product offers. This will express itself, for example, in product designs that are oriented to current lifestyle factors. Gigaset will also continue to focus on the further development of a proprietary ecosystem with which it should be possible to integrate as many Gigaset products and services as possible in 2014.

At the same time, the plan is to further expand the Business Customers segment with the "Gigaset pro" brand, which has grown continuously in the past two years. Distribution and in particular distribution partnerships are to be further developed. An intensification of activities is planned in particular for the regions United Kingdom, Austria

12. Strategy Analytics: Global Smartphone Sales Forecast by Operating System for 88 Countries: 2007 to 2018
13. Strategy Analytics: Global Smartphone Sales Forecast by Operating System for 88 Countries: 2007 to 2018
14. The data was taken from surveys by the Retail Panel for cordless telephones of GfK Retail and Technology GmbH in the countries of Belgium, Germany, France, the United Kingdom, Italy, the Netherlands, Austria, Poland, Switzerland, Spain, Turkey, and Russia. Collection period: 2013; Basis GfK Panel Market

and Italy, whereby addressing local needs will play an increasingly more important role. The focus lies on the distribution of complete solutions. This should lead to an increase in the sales of desktop, PBX and base stations. The introduction of the product "Maxwell", an innovative full touch video IP telephone that was presented at the CeBIT in March 2014, is expected to result in additional stimulus for sales revenue products. "Gigaset pro" is starting a new product portfolio with this telephone and is creating its own platform for professional desktop phone products.

The solutions in the Smart Home area are also gaining in significance. According to a current study by Fittkau & Maß Consulting, 78% of consumers in Germany alone are interested in a Smart Home solution. According to surveys by Strategy Analytics, international consumer interest is just as strong. A market potential of around USD 14 billion is expected for 2018 in Western Europe alone[15]. In this dynamic environment, "Gigaset elements" – Gigaset's new solution for networked living – has been available in German retail stores since September 2013 and French stores since October 2013. The new sensor and cloud-based system connects people with their home.

Gigaset intends to continue to use this platform for the "Internet of things" step by step in order to develop an ecosystem that includes other product areas. This should provide a clear opportunity for differentiation from the competition in the next few years and develop completely new revenue channels.

A camera will be added to the existing "Gigaset elements" portfolio in 2014, in order to more closely connect customers with their homes. A smoke detector, a controllable electrical outlet, and a temperature sensor will expand the system's utility to other living areas. Premium services such as notification by text message or the automatic saving of camera images in certain situations will result in the first new sources of revenue.

Following the introduction of the first two models in the rapidly expanding tablet market, Gigaset intends to continue expanding the portfolio in 2014. With its market expertise and strong brands in this category, Gigaset considers itself to be in a good position to enter into this market and thereby continue to meet its standard of offering first-class communications tools for networked living. Additional devices in the tablet environment should following in 2014. Additional price points and therefore also additional target groups are to be addressed with an expanded product range.

Nevertheless, Gigaset expects sales revenue to continue to decline for the current fiscal year in the Consumer Products segment. Moderate increases are expected for the Business Customers and Home Networks segments. Additional sales revenue from the tablet and smartphone business are expected for the Gigaset Group. However, the common activities with Goldin Fund Pte. Ltd., Singapore, to expand this segment are still in the beginning phase; as a result, specific predictions are difficult to make.

Gigaset's net operating profit (EBITDA) already improved significantly in fiscal year 2013 thanks to the savings program announced and consistently implemented in fiscal year 2012. The planned and also realized annual savings of EUR 30.0 million will take full effect in 2014. Due to the invoicing primarily in US dollar on the procurement markets, a strong US dollar could have a negative impact on the Group's profitability.

This forecast is based on the described general economic and industry-specific trends. The forecast is not based on inorganic growth through acquisitions. In addition, the forecast is based on a USD/EUR exchange rate of 1.31.

15. Strategy Analytics, Smart Home Systems and Services Forecast: Western Europe, July 2013

8.3 Expected development of cash flow, capital expenditures and liquidity

The Company currently finances itself in particular through the syndicated credit line extended at the beginning of 2012 as well as through factoring. Due to the change in control of the Company as a result of the investment on the part of Goldin Fund Pte. Ltd., Singapore, the syndicating banks demanded the repayment of all amounts drawn down in a volume of up to EUR 32.9 million of the extended credit line as expected and in accordance with the agreement. The original repayment of the credit line agreed and planned for no later than April 30, 2014, was extended until May 31, 2014. The background for the extension is the steps and negotiations initiated for the Gigaset Group's follow-up financing over equity and/or debt instruments. The banks involved have signaled their willingness for further discussions.

The Company does not expect to have any recourse to equity for the time being, since an action was brought to set aside the corresponding resolution on the part of the extraordinary shareholders' meeting held on December 19, 2013. A release was granted in April 2014 in accordance with section 246a AktG to enter the capital increase from authorized capital in the commercial register; however, the action is still pending. Therefore, an associated company is making a loan for up to EUR 32.0 million available if needed to finance the liquidity requirements of Gigaset AG and Gigaset Communications GmbH. This financing serves in particular to bridge the period until the planned additional equity financing. Parallel to this, the Executive Board is currently working on replacing the syndicated loan with other instruments.

If this should not be possible, there could be a shortage of liquidity in the course of the year. Furthermore, an uneven distribution of sales revenue can lead to shortage of liquidity in the summer months of 2014. In light of this, the continuance of the Group as a going concern depends in particular on the refinancing of the syndicated loan as well as on the sales trend in fiscal year 2014.

The Group could be jeopardized as a going concern if additional liquidity cannot be procured or measures intended to cover liquidity cannot be implemented as planned, in particular in an evolving economic environment. We will continue to focus on managing liquidity in the coming two fiscal years. The Company's strategy with respect to securing financial stability remains conservative in order to preserve the Group's operational and strategic flexibility.

Gigaset will continue to invest in established markets as part of its investment planning in order to secure market shares as well as to secure and expand competitive advantages. Additional investments will also be made in new product categories and growth segments that should permanently secure the Company's existence and competitiveness. Additional external sources of financing could be necessary as a result of the development and expansion of new business segments. Consequently, the Group could be dependent on the provision of additional financial resources by third parties and on the implementation of the measures already initiated to secure liquidity, depending on the business trend in the event of a lower than planned supply of liquidity.

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

The necessary measures for long-term growth were initiated in 2012. However, in order to counter the persistently difficult development of our core market, we must continue to invest in the development of new and promising segments and product groups. In fiscal year 2014, the new segments will make additional contributions to sales, which however will not yet suffice to fully compensate the decline in cordless telephones. Gigaset AG maintains the outlook provided with the annual report published March 26, 2014. Therefore, Gigaset expects the following for the current fiscal year in Consumer Products, Business Customers, and Home Networks segments (excluding Mobile Products):

- decreasing sales revenue in continuing operations in the high single digit to lower double digit percentage range
- a once again significantly improved, positive EBITDA and EBITDA margin compared to the previous year in the upper single-digit percentage range due to the expected positive impact of the efficiency program
- a negative free cash flow in the lower double-digit millions, among other things, due to the necessary investments in the further expansion of the new business areas and the restructuring of the Company.

In addition, Gigaset expects additional sales revenue from the tablet and smartphone business (Mobile Products), which however are difficult to predict due to the fact that the joint activities with Goldin Fund Pte. Ltd., Singapore, are still in an early phase.

Munich, May 20, 2014
The Executive Board of Gigaset AG

Charles Fränkl   Dr. Alexander Blum   Maik Brockmann

Interim Report as of March 31, 2014

Consolidated Income statement for the period from January 1 - March 31, 2014

	01/01 – 03/31/2014		
EUR'000	Continuing operations	Discontinued operations	Total
Revenues	64,965	0	64,965
Change in inventories of finished and unfinished goods	661	0	661
Other internal production capitalized	2,146	0	2,146
Other operating income	2,174	0	2,174
Purchased goods and services	-31,202	0	-31,202
Personnel expenses	-24,894	0	-24,894
Other operating expenses	-21,474	0	-21,474
EBITDA	**-7,624**	**0**	**-7,624**
Depreciation and amortization	-6,234	0	-6,234
Impairment losses	0	0	0
EBIT	**-13,858**	**0**	**-13,858**
At equity valuation result	-32	0	-32
Impairment of financial assets	-11	0	-11
Other interest and similar income	15	0	15
Interest and similar expenses	-698	0	-698
Net financial expenses	**-726**	**0**	**-726**
Income from ordinary activities	**-14,584**	**0**	**-14,584**
Income taxes	2,350	0	2,350
Consolidated loss for the year	**-12,234**	**0**	**-12,234**
Share of consolidated loss attributable to minority interests	0	0	0
Share of consolidated loss attributable to shareholders of Gigaset AG	-12,234	0	-12,234
Earnings per common share			
- Basic earnings per share, in EUR	-0.12	0.00	-0.12
- Diluted earnings per share, in EUR	-0.12	0.00	-0.12

Consolidated Income statement for the period from January 1 - March 31, 2014

01/01 – 03/31/2013 Continuing operations	Discontinued operations	Total	EUR'000
86,744	2,349	89,093	Revenues
-2,127	0	-2,127	Change in inventories of finished and unfinished goods
5,314	0	5,314	Other internal production capitalized
7,181	1,094	8,275	Other operating income
-41,984	-1,107	-43,091	Purchased goods and services
-25,315	-586	-25,901	Personnel expenses
-25,197	-2,504	-27,701	Other operating expenses
4,616	**-754**	**3,862**	EBITDA
-6,647	0	-6,647	Depreciation and amortization
0	725	725	Impairment losses
-2,031	**-29**	**-2,060**	EBIT
0	0	0	At equity valuation result
-28	0	-28	Impairment of financial assets
130	0	130	Other interest and similar income
-543	-15	-558	Interest and similar expenses
-441	**-15**	**-456**	Net financial expenses
-2,472	**-44**	**-2,516**	Income from ordinary activities
-779	42	-737	Income taxes
-3,251	**-2**	**-3,253**	**Consolidated loss for the year**
0	0	0	Share of consolidated loss attributable to minority interests
-3,251	-2	-3,253	Share of consolidated loss attributable to shareholders of Gigaset AG
			Earnings per common share
-0.07	0.00	-0.07	- Basic earnings per share, in EUR
-0.07	0.00	-0.07	- Diluted earnings per share, in EUR

Consolidated Statement of Comprehensive Income for the period from January 1 - March 31, 2014

	01/01 – 03/31/2014		
EUR'000	Continuing operations	Discontinued operations	Total
Consolidated loss for the year	-12,234	0	-12,234
Items that may be reclassified subsequently to net income/loss			
Currency translation differences	-9	0	-9
Recognized income taxes for this item	0	0	0
Items that will not be reclassified to net income/loss			
Revaluation effects, net debt from defined benefit plans	-2,605	0	-2,605
Recognized income taxes for this item	810	0	810
Total changes not recognized in the income statement	-1,804	0	-1,804
Total comprehensive income and expenses	-14,038	0	-14,038
thereof attributable to minority interests	0	0	0
thereof attributable to shareholders of Gigaset AG	-14,038	0	-14,038

Consolidated Statement of Comprehensive Income for the period from January 1 - March 31, 2014

01/01 – 03/31/2013			
Continuing operations	Discontinued operations	Total	EUR'000
-3,251	-2	-3,253	Consolidated loss for the year
			Items that may be reclassified subsequently to net income/loss
-96	7	-89	Currency translation differences
0	0	0	Recognized income taxes for this item
			Items that will not be reclassified to net income/loss
0	0	0	Revaluation effects, net debt from defined benefit plans
0	0	0	Recognized income taxes for this item
-96	7	-89	Total changes not recognized in the income statement
-3,347	5	-3,342	Total comprehensive income and expenses
0	0	0	thereof attributable to minority interests
-3,347	5	-3,342	thereof attributable to shareholders of Gigaset AG

Consolidated statement of financial position as of March 31, 2014

EUR'000	3/31/2014	12/31/2013
ASSETS		
Non-current assets		
Intangible assets	43,590	45,470
Property, plant and equipment	37,920	39,636
Financial assets accounted for by the equity method	18,022	0
Deferred tax assets	20,024	16,645
Total non-current assets	119,556	101,751
Current assets		
Inventories	29,182	27,504
Trade receivables	30,498	50,200
Other assets	28,218	28,519
Current tax assets	1,646	2,099
Cash and cash equivalents	28,340	56,987
	117,884	165,309
Total current assets	117,884	165,309
Total assets	**237,440**	**267,060**

Consolidated statement of financial position as of March 31, 2014

EUR'000	3/31/2014	12/31/2013
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	97,928	97,928
Additional paid-in capital	87,042	87,042
Retained earnings	68,979	68,979
Accumulated other comprehensive income	-229,310	-215,272
	24,639	38,677
Total equity	24,639	38,677
Non-current liabilities		
Convertible bond	65	76
Pension obligations	47,419	44,587
Provisions	10,832	11,043
Other liabilities	148	184
Deferred tax liabilities	15,497	15,232
Total non-current liabilities	73,961	71,122
Current liabilities		
Provisions	29,232	31,506
Financial liabilities	30,197	30,201
Trade payables	52,275	71,476
Current tax liabilities	2,044	2,589
Other liabilities	25,092	21,489
	138,840	157,261
Total current liabilities	138,840	157,261
Total equity and liabilities	**237,440**	**267,060**

Change in consolidated equity as of March 31, 2014

	EUR'000	Subscribed capital	Share premium	Revenue reserves
	January 1, 2013	**50,015**	**87,981**	**68,979**
1	Capital increase	0	0	0
2	Appropriation to retained earnings	0	0	0
3	Changes in non-controlling interests	0	0	0
4	Total transactions with shareholders	0	0	0
5	Consolidated loss 2013	0	0	0
6	Minority interests	0	0	0
7	Consolidated loss after minority interests	0	0	0
8	Currency translation differences	0	0	0
9	Actuarial effects IAS 19	0	0	0
10	Total changes not recognized in the income statement	0	0	0
11	Total net income (7+10)	0	0	0
	December 31, 2013	**50,015**	**87,981**	**68,979**
	January 1, 2014	**97,928**	**87,042**	**68,979**
1	Capital increase	0	0	0
2	Appropriation to retained earnings	0	0	0
3	Changes in non-controlling interests	0	0	0
4	Total transactions with shareholders	0	0	0
5	Consolidated loss 2014	0	0	0
6	Minority interests	0	0	0
7	Consolidated loss after minority interests	0	0	0
8	Currency translation differences	0	0	0
9	Actuarial effects IAS 19	0	0	0
10	Total changes not recognized in the income statement	0	0	0
11	Total net income (7+10)	0	0	0
	March 31, 2014	**97,928**	**87,042**	**68,979**

Change in consolidated equity as of March 31, 2014

Accumulated other comprehensive income	Adjusting items for non-controlling interests	Consolidated equity		
-182,627	**0**	**24,348**	**January 1, 2013**	
0	0	0	Capital increase	1
0	0	0	Appropriation to retained earnings	2
0	0	0	Changes in non-controlling interests	3
0	0	0	Total transactions with shareholders	4
-3,253	0	-3,253	Consolidated loss 2013	5
0	0	0	Minority interests	6
-3,253	0	-3,253	Consolidated loss after minority interests	7
-89	0	-89	Currency translation differences	8
0	0	0	Actuarial effects IAS 19	9
-89	0	-89	Total changes not recognized in the income statement	10
-3,342	0	-3,342	Total net income (7+10)	11
-185,969	**0**	**21,006**	**December 31, 2013**	
-215,272	**0**	**38,677**	**January 1, 2014**	1
0	0	0	Capital increase	2
0	0	0	Appropriation to retained earnings	3
0	0	0	Changes in non-controlling interests	4
0	0	0	Total transactions with shareholders	5
-12,234	0	-12,234	Consolidated loss 2014	6
0	0	0	Minority interests	7
-12,234	0	-12,234	Consolidated loss after minority interests	8
-9	0	-9	Currency translation differences	9
-1,795	0	-1,795	Actuarial effects IAS 19	10
-1,804	0	-1,804	Total changes not recognized in the income statement	11
-14,038	0	-14,038	Total net income (7+10)	
-229,310	**0**	**24,639**	**March 31, 2014**	

Consolidated statement of cash flows for the period from January 1 - March 31, 2014

EUR'000	Jan. 1 - Mar 31, 2014	Jan. 1 - Mar 31, 2013
Result from ordinary activities before taxes on income (EBT)	-14.584	-2.516
Depreciation of property, plant and equipment and amortization of intangible assets	6.234	6.647
Impairment losses	0	-725
Addition (+)/decrease (-) in pension provisions	226	213
Gain (-)/loss (+) from the sale of non-current assets	5	0
Gain (-)/loss (+) from deconsolidations	235	0
Gain (-)/loss (+) from currency translation	1.819	218
At equity valuation result	32	0
Other non-cash items	-2.146	-5.314
Net interest income	683	428
Interest received	7	21
Interest paid	-828	-340
Income taxes paid	-246	-2.166
Impairment on financial assets	11	28
Increase (-)/decrease (+) in inventories	-1.678	1.006
Increase (-)/decrease (+) in trade receivables and other receivables	20.003	7.543
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	-18.145	-26.536
Increase (+)/decrease (-) in other balance sheet items	-1.136	-397
Cash inflow (+)/outflow (-) from continuing operations (net cash flow)	**-9.508**	**-21.890**
Payments concerning to an at equity investment, as part of the transitional consolidation	-18.000	0
Proceeds from the disposal of non-current assets	0	0
Payments for investments in non-current assets	-508	-2.522
Cash inflow (+)/outflow (-) from investing activities	**-18.508**	**-2.522**
Free cash flow	**-28.016**	**-24.412**

Consolidated statement of cash flows for the period from January 1 - March 31, 2014

EUR'000	Jan. 1 - Mar 31, 2014	Jan. 1 - Mar 31, 2013
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	-4	55
Convertible bond	-11	0
Cash inflow (+)/ outflow (-) from financing activities	**-15**	**55**
Net funds at beginning of period	53.709	54.145
Changes due to exchange rate differences	-616	260
Net funds at beginning of period, measured at prior-year exchange rate	54.325	53.885
Increase (-)/ decrease (+) in restricted cash	-290	-10.681
Change in cash and cash equivalents	-28.031	-24.357
Net funds at end of period	**25.388**	**19.107**
Restricted cash	2.952	12.478
Cash and cash equivalents	**28.340**	**31.585**
Cash presented within the balance sheet item of "assets held for sale"	0	568
Cash and cash equivalents presented in the balance sheet	**28.340**	**31.017**

Notes to the Interim Financial Statements as of March 31, 2014

1. General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of March 31, 2014, and the presentation of comparative figures from the prior year was carried out in compliance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) 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 (IFRIC) as they apply in the EU. Accordingly, this unaudited and unreviewed Interim Financial Report as of March 31, 2014, was prepared in accordance with IAS 34. All Standards applicable as of March 31, 2014, 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 2013 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.

Corresponding to the provisions in IAS 8.28, the disclosures regarding the adjustment of amounts from prior periods resulting from the new provisions under IAS 19, Employee Benefits, which had to be applied retroactively beginning January 1, 2013, are not repeated in the financial statements for subsequent periods.

In addition, the following standards and interpretations, which were amended or newly issued by the IASB, had to be applied beginning with the 2014 fiscal year:

› IFRS 10, Consolidated Financial Statements

  The new standard IFRS 10, Consolidated Financial Statements, replaces previously applicable IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation. IFRS 10 specifies the control of investees by the parent entity as the basis for consolidation. In accordance with IFRS 10, an investor controls an investee when the following three conditions are cumulatively met: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In addition, an exception for investment companies and their investees was introduced. As a result of the new conception in IFRS 10 with respect to the obligation to consolidate investees, the status of existing equity interests had to be reviewed with respect to the obligation to consolidate and/or the method of consolidation. The new provisions apply for fiscal years beginning on or after January 1, 2014. The amendments had no effect on the consolidated financial statements.

› IFRS 11, Joint Arrangements

The new standard IFRS 11, Joint Arrangements, replaces the previously applicable rules of IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-Monetary Contributions by Venturers. The standard governs the principles for the accounting of companies that participate in arrangements that are jointly managed. Joint arrangements are defined as arrangements in which the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. The arrangement can involve joint operations or a joint venture. A joint operator must recognize the following line items in connection with its interest: (a) its assets, including its share of any assets held jointly, (b) its liabilities, including its share of any liabilities incurred jointly, (c) its revenue from the sale of its share of the output arising from the joint operation, (d) its share of the revenue from the sale of the output by the joint operation, and (e) its expenses, including its share of any expenses incurred jointly. Proportionate consolidation of assets and liabilities and/or profit or loss is no longer permitted. Interests in joint ventures must now be recognized based on equity method accounting in accordance with IAS 28, Investments in Associates and Joint Ventures. The new provisions apply for fiscal years beginning on or after January 1, 2014. The amendments had no effect on the consolidated financial statements.

› IFRS 12, Disclosure of Interests in Other Entities

The new standard IFRS 12, Disclosure of Interests in Other Entities, replaces the disclosure requirements of the previously applicable standards IAS 27, Consolidated and Separate Financial Statements, IAS 28, Investments in Associates, and IAS 31, Interests in Joint Ventures. The new standard applies for entities that have interests in an investee, a joint arrangement, an associate, or an unconsolidated structured entity. In addition to information regarding significant discretionary decisions and assumptions and/or the status of investment companies, the disclosure requirements for entities that fall under the scope of application are specified. The new provisions apply for fiscal years beginning on or after January 1, 2014. The additional disclosures required will be taken into account in the Company's financial statements as of December 31, 2014.

› Amendments to IAS 27, Separate Financial Statements

The revised standard IAS 27, Separate Financial Statements, now governs the accounting treatment and disclosure requirements for interests in subsidiaries, joint ventures, and associates if an entity prepares separate financial statements. The amendments apply for fiscal years beginning on or after January 1, 2014. The amendments had no effect on the consolidated financial statements.

› Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments to IAS 28, Investments in Associates and Joint Ventures, now specify that interests in joint ventures must be recognized using equity method accounting. The amendments apply for fiscal years beginning on or after January 1, 2014. The amendments had no effect on the consolidated financial statements.

› Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 regarding the offsetting of financial assets and financial liabilities include clarifications regarding the offsetting of financial instruments. The significance of the current legally enforceable right to set off amounts as of the balance sheet date is explained. Furthermore, which gross settlement systems can be regarded as equivalent to net settlement as defined under the standard are explained. As a result, information required in the notes in accordance with IFRS 7, Financial Instruments: Disclosures, was subsequently adjusted. The amendments apply for fiscal years beginning on or after January 1, 2014. The amendments had no effect on the consolidated financial statements.

› Amendments to IAS 39, Amendments to Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 regarding the novation of derivatives and continuation of hedge accounting also clarify that the novation of a hedging instrument with a central counterparty as a consequence of legal or regulatory requirements does not lead to the discontinuance of hedge accounting under certain circumstances. The amendments apply for fiscal years beginning on or after January 1, 2014. The amendments had no effect on the consolidated financial statements.

› IFRIC 21, Levies

The new interpretation IFRIC 21, Levies, includes rules for the accounting treatment of obligations to pay public levies that do not represent levies as defined under IAS 12, Income Taxes. The interpretation includes further guidelines regarding the identification of the obligating event that leads to the recognition of a liability to pay a levy as well as the timing of the recognition of the liability. The new provisions apply for fiscal years beginning on or after January 1, 2014. The amendments will have no effect on the consolidated financial statements. IFRIC 21 had not yet been adopted by the EU Commission as of the publication date; however, the EU Commission's Accounting Regulatory Committee (ARC) recommended the adoption of IFRIC 21, which is why formal adoption on the part of the EU Commission can be expected in the second quarter of 2014.

Application of the following standards and interpretations already adopted, revised, or newly issued by the IASB is not yet mandatory in fiscal year 2014:

Standards		Application requirement for Gigaset starting	Adopted by EU Commission
IAS 19	Employee Benefits – Defined Benefit Plans: Employee Contributions	1/1/2015	No
Various	Annual Improvements to IFRSs 2010–2012 Cycle	1/1/2015	No
Various	Annual Improvements to IFRSs 2011–2013 Cycle	1/1/2015	No
IFRS 14	Regulatory Deferral Accounts	1/1/2016	No
IFRS 11	IFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	1/1/2016	No
IAS 16 / IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1/1/2016	No
IFRS 9	Financial Instruments	1/1/2018	No
IFRS 9 / IFRS 7	Amendments to Mandatory Effective Date and Transition Disclosures	1/1/2018	No
Interpretations			
	-		

The effects of the first-time application of the other revised or newly issued standards and interpretations cannot be reliably estimated at this time. The Company assumes that these standards and interpretations will not have a material impact.

2. Seasonal effects

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

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

3. Restructuring

The restructuring begun in the fourth quarter of 2012 was continued as planned. In the first quarter of 2014, there was a cash outflow of EUR 0.9 million as a result of these restructuring measures.

4. Financial assets and liabilities

The fair values of financial assets and liabilities as of March 31 essentially correspond to the carrying amounts. There were no significant changes in non-current financial assets and liabilities compared to December 31 of the prior year; as a result, the fair values of these items was essentially the same as their carrying amounts, as was the case at the end of the year. The carrying amounts of the current financial assets and liabilities also correspond essentially to their fair values. There were also no changes with respect to the measurement and fair value hierarchy of the financial assets and liabilities compared to the end of the year.

The following tables present the fair values determined for the financial assets and liabilities based on hierarchy levels for the reporting date as well as the first quarter of the previous year:

3/31/2014	Level			
EUR'000	1	2	3	Total
Financial assets				
Derivative financial instruments	0	480	0	480
Financial liabilities				
Financial liabilities	0	65	0	65
Derivative financial instruments	0	342	0	342

3/31/2013	Level			
EUR'000	1	2	3	Total
Financial assets				
Derivative financial instruments	0	384	0	384
Financial liabilities				
Financial liabilities	0	77	0	77
Derivative financial instruments	0	423	0	423

Other assets include derivative financial assets in the amount of EUR 480 thousand (December 31, 2013: EUR 384 thousand). Other liabilities include current derivative liabilities in the amount of EUR 194 thousand (December 31, 2013: EUR 251 thousand) as well as non-current derivative liabilities in the amount of EUR 148 thousand (December 31, 2013: EUR 172 thousand).

The fair value of derivative financial instruments was calculated using present value and option pricing models. To the extent possible, the relevant market prices and interest rates observed on the balance sheet date that were taken from generally accepted external sources were used as input parameters for these models. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 2 of the fair value hierarchy.

Cash and cash equivalents, trade receivables and current financial assets have short remaining terms. Therefore, the carrying amounts as of the balance sheet date approximate the fair value.

Trade payables and current financial liabilities are due in full within one year. Therefore, the nominal value or repayment amount approximates the fair value.

The fair values of other non-current financial assets and liabilities with remaining terms of more than one year correspond to the present values of the payments associated with the assets and liabilities under consideration of the respectively current interest parameters, which reflect the currency, interest rate and partner-related changes in terms and conditions. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 2 of the fair value hierarchy.

5. Non-current disposal groups 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 more likely than not. 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 SM Electronic Group classified in the previous year as held for sale was sold on December 23, 2013. Since the disposed companies were already classified as held for sale before the disposal, all assets and liabilities were presented under the line items "Assets held for sale" or "Liabilities related to assets held for sale" in the statement of financial position. As a result of the deconsolidation as of December 23, 2013, these line items showed a value of EUR 0 thousand in the consolidated financial statements as of March 31, 2014.

The SM Electronic Group's objectives included the trading and distribution of receiver technology and accessories.

The assets and liabilities of the disposal group SM Electronic ("Other" segment) each amounted to EUR 0 thousand as of March 31, 2014; however, they comprised the following items as of March 31, 2013:

EUR'000	Amount prior to impairment 3/31/2013	Impairment under IFRS 5 2013	Amount after impairment 3/31/2013
Assets			
Deferred tax assets	3,247	-1,210	2,037
Inventories	3,439	0	3,439
Current receivables and other assets	11,818	0	11,818
Cash and cash equivalents	568	0	568
Total	**19,072**	**-1,210**	**17,862**
Liabilities			
Deferred tax liabilities	3,431		3,431
Provisions	290		290
Other liabilities	14,141		14,141
Total	**17,862**	**0**	**17,862**

The impairment recognized as of December 31, 2012, amounted to EUR 1,935 thousand and was reduced in the first quarter of 2013 by EUR 725 thousand to a total of EUR 1,210 thousand. The reduction of the recognized impairment is reported as a positive amount in the income statement item "Impairment write-downs" under discontinued operations.

Cash flows attributable to discontinued operations in the first quarter of 2013 can be broken down as follows:

EUR'000	1/1 - 3/31/2013
Cash inflow (+)/outflow (-) from operating activities	-459
Cash inflow (+)/outflow (-) from investing activities	-4
Cash inflow (+)/outflow (-) from financing activities	0
Change in cash and cash equivalents	-463

6. Changes in the consolidated group

In addition to the parent company, 32 group companies were consolidated and included in Gigaset's consolidated financial statements as of March 31, 2014; 11 of which domestic and 21 of which foreign companies.

One company ceased to exist as a result of accrual to Gigaset AG (Gigaset Asset GmbH & Co. KG) and another company merged with Gigaset AG (Gigaset Beteiligungsverwaltungs GmbH). Gigaset Beteiligungsverwaltungs GmbH transferred its assets in their entirety to Gigaset AG – its sole shareholder – with all rights and obligations by way of merger without being liquidated in accordance with sections 2 et seqq., section 46 et seqq., and section 60 et seqq. of the German Transformation Act (Umwandlungsgesetz, UmwG) under a merger agreement dated January 29, 2014. The merger agreement was based on the transferring entity's closing statement of financial position as of June 30, 2013. The acquisition of the transferring legal entity's assets by the acquiring legal entity was carried out internally effective as of the expiry of June 30, 2013, at midnight. The entry in the commercial register on February 4, 2014, led to both the retirement of the general partner and the extinction of Gigaset Asset GmbH & Co. KG as well as to the accrual of the limited partnership's assets to Gigaset AG in accordance with section 738 of the German Civil Code (Bürgerlichesgesetzbuch, BGB).

In addition, there was another change in the consolidated group compared to December 31, 2013. Gigaset Mobile Pte. Ltd., which had previously been consolidated based on the shareholding of 100% of the equity interest, was no longer consolidated beginning January 16, 2014, as a result of the investment on the part of Goldin Digital Pte. Ltd., Singapore, but instead included in the consolidated financial statements using equity method accounting as a result of the new share of voting rights. In connection with the deconsolidation, the disposed assets amounted to EUR 18,000 thousand (EUR 18,000 thousand of which cash and cash equivalents) while the liabilities amounted to EUR 4,408 thousand. Taking consolidation effects, recovered receivables from and liabilities to Gigaset Mobile Pte. Ltd. into account, as well as other expenses related to the transaction, the deconsolidation l amounts to EUR 235 thousand and is presented under other operating expenses. The fair value of the remaining interest determined at the time of deconsolidation amounted to EUR 18,054 thousand, which subsequently represented the initial carrying amount for recognition based on equity method accounting.

The disposed assets and liabilities from the perspective of the Group comprise the following:

EUR'000	
Assets	
Current assets	18,000
Total	18,000
Liabilities	
Liabilities	**4,408**
Total	**4,408**

7. Financial assets measured based on equity method accounting

Gigaset Mobile Pte. Ltd., Singapore, which had previously been consolidated based on the shareholding of 100% of the equity interest, was no longer consolidated beginning January 16, 2014, as a result of the investment on the part of Goldin Digital Pte. Ltd., Singapore, but instead included in the consolidated financial statements using equity method accounting as a result of the new share of voting rights. The Shareholders Agreement between Gigaset and Goldin Digital Pte. Ltd., governs the companies' contractual relationships with one another. The Company is to develop, produce, and distribute tablets, smartphones, or other mobile communications devices and associated accessories. The profit or loss attributable based on the equity method is included in the consolidated financial statements of Gigaset AG with a share of 32.43%, given a 37.50% share of voting rights, taking into account potential voting rights. Financial assets measured based on equity method accounting changed as follows:

EUR'000	2014
Balance January 1	0
Additions	18,054
Profit or loss attributable based on the equity method	-32
Balance on March 31	**18,022**

The financial information of Gigaset Mobile Pte. Ltd. for the reporting period and/or as of the reporting date on the basis of the translation rates applied in the consolidated financial statements for the company's functional currency – the US dollar – comprises the following (amounts presented based on 100% and not on the basis of ownership interest):

EUR'000	3/31/2014
Current assets	53,632
of which cash and cash equivalents	37,987
Non-current assets	0
Current liabilities	5,566
of which financial liabilities (excluding trade payables, other liabilities, and provisions)	0
Non-current liabilities	0

EUR'000	1/1 - 3/31/2014
Sales revenues	21
Depreciation and amortization	0
Interest income	0
Interest expense	0
Income tax expense	15
Profit from continuing operations	11
Other comprehensive income	-108
Total comprehensive income	-97

No dividends were distributed by Gigaset Mobile Pte. Ltd. to the shareholders in the reporting period. Nor were there any discontinued operations.

8. Segment reporting

Due to the reorientation of the business model of the Gigaset Group at the end of 2010, the segment report was adjusted accordingly. The activities of Gigaset are presented separately from those of the holding company. By reason of the information applied by Gigaset for internal management purposes, the activities of the Gigaset Group are additionally segmented by geographical regions.

Gigaset is principally active in the sector of communications technology. The geographical regions in which Gigaset operates are the following:

› "Europe"

The geographical segment of "Europe" comprises all operating activities of the Gigaset Group in the European countries, as well as the operating activities in Russia, because they are co-managed by the European companies. Thus, this segment comprises the operating activities in Germany, France, Great Britain, Italy, Netherlands, Austria, Poland, Russia, Sweden, Switzerland, Spain and Turkey.

› "Americas"

The geographical segment of "Americas" comprises the operating activities of the Gigaset Group in Canada, the United States, Brazil and Argentina.

› "Asia-Pacific/Middle East"

The geographical segment of "Asia-Pacific / Middle East" comprises the operating activities in China and in the United Arab Emirates.

Because all companies which do not belong to the core activities of the Group have already been or will be closed or sold, the corresponding groups are presented within the "Other" segment.

The transfer prices charged between the segments are the same as those that could be achieved with third parties. Administrative services are on-debited as cost-sharing.

In the prior year, the "Other" segment comprised the SM Electronic Group, which was held for sale and was sold in December 2013.

Activities are attributed to the individual geographical regions on the basis of the country of domicile of the respective legal entity. Therefore, revenues and profit/loss contributions are attributed to geographical regions on the basis of legal entities, in accordance with the internal reporting system.

January 1 to March 31, 2014	Europe	Americas	Asia-Pacific/ Middle East	Gigaset Total
Revenues				
External revenues	61,673	663	2,629	64,965
Continuing operations	61,673	663	2,629	64,965
Discontinued operations	*0*	*0*	*0*	*0*
Internal revenues	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	*0*	*0*	*0*	*0*
Total revenues	61,673	663	2,629	64,965
Continuing operations	61,673	663	2,629	64,965
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBITDA	-3,505	-1,251	-89	-4,845
Continuing operations	-3,505	-1,251	-89	-4,845
Discontinued operations	*0*	*0*	*0*	*0*
Depreciation and amortization	-6,230	-1	-3	-6,234
Continuing operations	-6,230	-1	-3	-6,234
Discontinued operations	*0*	*0*	*0*	*0*
Impairments	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBIT	-9,735	-1,252	-92	-11,079
Continuing operations	-9,735	-1,252	-92	-11,079
Discontinued operations	*0*	*0*	*0*	*0*
At equity valuation result				
Value adjustment on financial assets				
Net interest income/expenses				
Income/expenses from ordinary activities				
Income taxes				
Consolidated net income/loss				
Non-controlling interests				
Consolidated net income/loss attributable to shareholders of Gigaset AG				

Holding company	Other	Eliminations	Consolidated	January 1 to March 31, 2014
				Revenues
0	0	0	64,965	External revenues
0	0	0	64,965	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
0	0	0	0	Internal revenues
0	0	0	0	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
0	0	0	64,965	Total revenues
0	0	0	64,965	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
-2,779	0	0	-7,624	Segment EBITDA
-2,779	0	0	-7,624	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
0	0	0	-6,234	Depreciation and amortization
0	0	0	-6,234	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
0	0	0	0	Impairments
0	0	0	0	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
-2,779	0	0	-13,858	Segment EBIT
-2,779	0	0	-13,858	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
			-32	At equity valuation result
			-11	Value adjustment on financial assets
			-683	Net interest income/expenses
			-14,584	Income/expenses from ordinary activities
			2,350	Income taxes
			-12,234	**Consolidated net income/loss**
			0	Non-controlling interests
			-12,234	Consolidated net income/loss attributable to shareholders of Gigaset AG

January 1 to March 31, 2013	Europe	Americas	Asia-Pacific/ Middle East	Gigaset Total
Revenues				
External revenues	76,420	4,577	5,747	86,744
Continuing operations	76,420	4,577	5,747	86,744
Discontinued operations	*0*	*0*	*0*	*0*
Internal revenues	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	*0*	*0*	*0*	*0*
Total revenues	76,420	4,577	5,747	86,744
Continuing operations	76,420	4,577	5,747	86,744
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBITDA	6,233	-731	612	6,114
Continuing operations	6,233	-731	612	6,114
Discontinued operations	*0*	*0*	*0*	*0*
Depreciation and amortization	-6,638	-5	-3	-6,646
Continuing operations	-6,638	-5	-3	-6,646
Discontinued operations	*0*	*0*	*0*	*0*
Impairments	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBIT	-405	-736	609	-532
Continuing operations	-405	-736	609	-532
Discontinued operations	*0*	*0*	*0*	*0*
At equity valuation result				
Value adjustment on financial assets				
Net interest income/expenses				
Income/expenses from ordinary activities				
Income taxes				
Consolidated net income/loss				
Non-controlling interests				
Consolidated net income/loss attributable to shareholders of Gigaset AG				

Holding company	Other	Eliminations	Consolidated	January 1 to March 31, 2013
				Revenues
0	2,349	0	89,093	External revenues
0	0	0	86,744	Continuing operations
0	*2,349*	*0*	*2,349*	*Discontinued operations*
0	45	-45	0	Internal revenues
0	0	0	0	Continuing operations
0	*45*	*-45*	*0*	*Discontinued operations*
0	2,394	-45	89,093	Total revenues
0	0	0	86,744	Continuing operations
0	*2,394*	*-45*	*2,349*	*Discontinued operations*
-1,498	-754	0	3,862	Segment EBITDA
-1,498	0	0	4,616	Continuing operations
0	*-754*	*0*	*-754*	*Discontinued operations*
-1	0	0	-6,647	Depreciation and amortization
-1	0	0	-6,647	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
0	725	0	725	Impairments
0	0	0	0	Continuing operations
0	*725*	*0*	*725*	*Discontinued operations*
-1,499	-29	0	-2,060	Segment EBIT
-1,499	0	0	-2,031	Continuing operations
0	*-29*	*0*	*-29*	*Discontinued operations*
			0	At equity valuation result
			-28	Value adjustment on financial assets
			-428	Net interest income/expenses
			-2,516	Income/expenses from ordinary activities
			-737	Income taxes
			-3,253	**Consolidated net income/loss**
			0	Non-controlling interests
			-3,253	Consolidated net income/loss attributable to shareholders of Gigaset AG

9. Related party disclosures

In accordance with IAS 24, Related Party Disclosures, business relationships with Gigaset Mobile Pte. Ltd., Singapore, are to be shown as related party transactions starting in 2014. From the perspective of the Group, the transactions and/or net balances comprised the following for the reporting period and/or as of the reporting date:

EUR'000	Expenses 1/1 - 3/31/2014	Sales revenues/ income 1/1 - 3/31/2014	Receivables 3/31/2014	Liabilities 3/31/2014
Gigaset	21	0	3,500	8,036
Gigaset Mobile Pte. Ltd.	0	21	8,036	3,500

No value adjustments or expenses for uncollectible or doubtful receivables were recognized for existing receivables in the reporting period. Nor was there any collateral for the respective receivables.

There were no significant transactions between the Group and its related parties other than the facts and circumstances described.

10. Significant events after the reporting period

The shareholder Ludic GmbH filed suit on January 21, 2014, against two resolutions on the part of the extraordinary shareholders' meeting held on December 19, 2013. The action is directed against the resolution regarding agenda items 2 (authorized capital) and 3 (authorization of the Executive Board to issue bonds with warrants and/or convertible bonds, Contingent Capital 2013). The plaintiff is petitioning to have the aforementioned resolutions declared null and void in part or alternatively in full. The suit was filed on February 17, 2014, and is being conducted by the regional court Munich I (chamber for commercial matters) under file number 5 HKO 1196/14. The court first ordered written preliminary proceedings. A date for oral proceedings in the complaint has not been set yet. Gigaset considers the suit to be obviously inadmissible and obviously unfounded.

On February 28, 2014, Gigaset therefore filed an application for release under section 246a of the German Stock Exchange Act (Aktiengesetz, AktG) against Ludic GmbH. The higher regional court of Munich ruled to allow the application for release on April 2, 2014, and decided that the suit filed by the shareholder Ludic GmbH did not prevent the change in the articles of association resolved by the annual shareholders' meeting from being entered in the commercial register. Therefore, the suit – even if it should prove unexpectedly successful – will not have any impact in the meantime on the execution of the decisions resolved by the annual shareholders' meeting.

As a result of the change of control of the Company due to the investment made by Goldin Fund Pte. Ltd., Singapore, the syndicating banks ordered the repayment of all amounts drawn down on issued credit lines by April 30, 2014 – without canceling the syndicated loan agreement – as expected and in accordance with the agreement. In a letter dated April 30, 2014, the banks stated their willingness to extend the period in which the credit line in the amount of EUR 29.9 million can be drawn down in cash until May 31, 2014. The extension is intended to serve to complete the actions and negotiations initiated regarding the Gigaset Group's follow-up financing by means of equity and/or debt instruments.

Munich, May 20, 2014
The Executive Board of Gigaset AG

Charles Fränkl   Dr. Alexander Blum   Maik Brockmann

Financial Calendar

August 7, 2014

- 2nd quarterly report for the fiscal year 2014

August 12, 2014

- Annual General Meeting in Munich, Germany

November 11, 2014

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