Gigaset

Report for the 3rd Quarter 2014

OVERVIEW OF KEY FIGURES

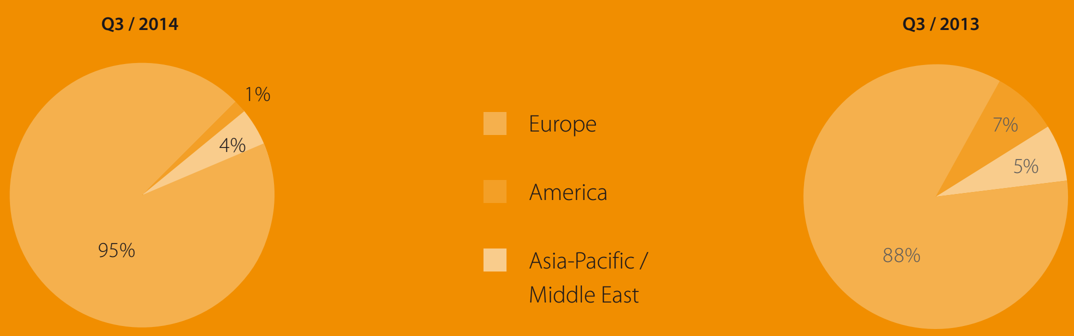
EUR million	1/1 - 9/30/2014	1/1 - 9/30/2013
Consolidated revenues	218.9	264.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	7.1	11.6
Earnings before interest and taxes (EBIT)	-10.9	-6.6
Consolidated profit/loss	-11.2	-17.7
Free cash flow	-19.3	-46.0
Earnings per share (diluted in EUR)	-0.10	-0.35

EUR million	9/30/2014	12/31/2013
Total assets	251.6	247.3
Consolidated equity	53.6	38.7
Equity ratio (%)	21.3	14.5

Information on the Gigaset share	Q3 / 2014	Q3 / 2013
Closing rate in EUR (at the end of the period)	0.77	1.01
Peak price in EUR (in the period)	1.02	1.19
Lowest price in EUR (in the period)	0.76	0.61
Number of shares in circulation (at the end of the period)	121,451,264	50,014,911
Market capitalization in EUR million (at the end of the period)	93.068	50.515

TABLE OF CONTENTS

REVENUES BROKEN DOWN BY REGION



Significant events in the third Quarter of 2014

Gigaset received around EUR 33.9 million from the successful placement of its capital increase and convertible bond

Under the offer for subscription of Gigaset AG (ISIN DE0005156004), which ended as planned on July 14, 2014, 3.5% of the subscription rights were issued to shares and 1.5% to convertible bonds. Goldin Fund Pte. Ltd. will purchase the 24,178,308 new shares and 9,337,935 convertible bonds that were not subscribed based on the issue of subscription rights at a subscription price of EUR 1.00 for each new share and/or convertible bond. Therefore, the Company received the planned net proceeds from the issue totaling EUR 33.9 million from the issue of new shares and convertible bonds.

The total number of shares issued has been increased to 121,498,092 with the entry of the executed capital increase in the commercial register on July 22, 2014. This includes 46,828 shares that were issued from contingent capital since January 1, 2014, as a consequence of conversion rights exercised based on the 2013 convertible bond and have not yet been entered in the commercial register.

The new shares are delivered on July 22, 2014. On this date, the new shares are also included in the existing quotation in the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The convertible bonds were also delivered on July 22, 2014.

Gigaset reduces its financial liabilities

On July 24, 2014, Gigaset AG reduced all of its financial liabilities, including all interest not yet paid, totaling EUR 25.0 million after the requirement to repay an additional EUR 3.0 million on July 7, 2014, was fulfilled. This was made possible as a result of the proceeds from the recent successfully placed capital measures. Gigaset received a net amount of EUR 33.9 million in proceeds.

CFO Dr. Alexander Blum leaves Gigaset at the end of the year

Gigaset's Chief Financial Officer, Dr. Alexander Blum, informed the Executive Board that his employment contract will end when it expires on December 31, 2014. Dr. Blum will continue to discharge all of his duties until the end of the year so that a successor can be appointed and acquainted with the responsibilities, thus ensuring a smooth transition. "After six extremely exciting years with Gigaset, this is a logical time for me to seek new challenges starting in 2015", says Dr. Blum, explaining his decision.

AGM confirms strategy – actions of the Executive Board and Supervisory Board approved by a large majority

Around 150 shareholders, shareholder representatives and guests attended the Annual General Meeting of Gigaset AG at the Hanns Seidel Foundation in Munich. The investors present were asked to vote on six agenda items, which they approved with a large majority. Charles Fränkl, CEO of Gigaset AG, summarized the previous financial year and emphasized the great speed at which the company is being restructured. Charles Fränkl also presented the company's further strategic direction. Gigaset plans to construct its own cloud-based ecosystem, which will connect all products with a common user interface. It also intends to launch a smartphone in the near future. Charles Fränkl and the Chairman of the Supervisory Board, Bernhard Riedel, praised the services of the CFO Dr. Alexander Blum, who is leaving the post at his own request for personal reasons at the end of the year. The AGM also approved the actions of the Executive Board and Supervisory Board in fiscal year 2013 and passed a separate resolution regarding authorized capital.

Change in the corporate structure

Two mergers took place within the Gigaset Group during the third quarter.

Hortensienweg Verwaltungs GmbH, Munich, was absorbed by Hortensienweg Management GmbH, Munich, with effect from August 28, 2014. The statement of financial position prepared by the transferring company as of July 31, 2014 was used as the basis for the merger agreement.

Furthermore, Gigaset Asset Invest GmbH, Vienna, Austria, was absorbed by Gigaset Industries GmbH, Vienna, Austria, with effect from August 28, 2014. December 31, 2013 was specified as the merger date.

These moves take Gigaset a step closer to its objective of streamlining its corporate structures.

Combined Management Report as of September 30, 2014

1 Business Model

Gigaset AG is a global operating group with activities in the field of telecommunications. Based in Munich, with a product center in Düsseldorf and its main production facility in Bocholt, the company is, based on total sales, the leading brand in western Europe with the cordless telephones based on the DEC standard that it develops and manufactures. Measured by base stations sold, Gigaset ranks in third place worldwide. The premium vendor has a market presence in some 70 countries and has around 1,400 employees.

The Group covers a broad market base across its various divisions: Consumer Products, Business Customers, Home Networks ("Gigaset elements"), and Mobile Products. The Gigaset brand stands for high quality, future-looking products for the telecommunications segment.

The Gigaset Group is divided globally into regional segments. Most of its revenues are generated in Europe, especially Germany and France. The vast majority of total revenues come from the Consumer Products division and hence the cordless voice business. Gigaset markets its products through both a direct and an indirect distribution structure.

1.1 Consumer Products

Gigaset is the European market, technology and innovation leader in DECT telephony. The abbreviation DECT stands for Digital Enhanced Cordless Telecommunications, the most successful telecommunications standard for cordless telephones in the world. Gigaset helped to shape the DECT standard in the 1990s, since when the company has maintained its position as the market and technology leader for DECT telephony in Europe. A high level of market penetration is a key factor behind the company's success: a Gigaset phone is found in one in every four homes in Europe and one in every two in Germany. Gigaset enjoys a brand awareness level of over 80% in Germany. Most of its proprietary products are manufactured in the highly automated Bocholt plant, which has won several awards.

1.2 Business Customers

With the “Gigaset pro” product line (pro = professional), the Business Customers division has created an attractive range of corded phones, telephone systems (private branch exchanges (PBX)), 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 creating, managing, and terminating a communication session. SIP is one of several possible internet protocols for voice transmission. The constantly growing portfolio of Gigaset pro products is geared to the needs of the SME segment. The pro series provides the kind of versatility and reliability that commercial users need in their day-to-day operations. These devices are designed to be easy to install and manage. Due to the level of advice required for commercial products, Gigaset only distributes the pro line through value-added resellers (VARs).

Gigaset has greatly expanded its product range with Gigaset pro, enabling it to tap new customer groups. The company now markets a product line which, in addition to the private customers that it has traditionally served with great success, now also includes small offices and home offices (known as the SOHO market) and the fastgrowing, high-potential SME market for professional IP telephone systems. The intention is to turn Gigaset pro into a second pillar of the company in this growing SME market over the coming years that will contribute a significant proportion of revenues in the future.

1.3 Home Networks

In 2013, Gigaset launched a modular, sensor-based “connected living” system for private households. “Gigaset elements” enables the user to maintain a permanent connection to Gigaset modules in their home by smartphone. The starter kit makes it possible for the user to react immediately to unforeseen events. The portfolio of sensors is continually being expanded. A supplementary alarm, a window sensor and a camera are now also available with the starter kit. Additional applications for issues such as energy or assistance for the elderly are slated to follow.

1.4 Mobile Products

In addition, Gigaset successfully rolled out an initial portfolio of tablets on the market in December 2013. The current models, the QV830 and the QV1030, are based on Android, the most widely used operating system in the world. Furthermore, Gigaset is planning to roll out a portfolio of smartphones as soon as possible to round out the Mobile Products segment.

2 Market and Industry Environment

2.1 General Economic Environment[1]

The key economic indicators and underlying figures worsened during the course of the third quarter. In addition, geopolitical tensions between Western Europe and Russia dampened the mood, which was additionally depressed by the shooting down of a Malaysian airliner. The sanctions imposed on Russia and the economic correlations – especially in Western Europe – started to have an impact. Industrial production in Germany declined 1.8% in May of this year (following a downward trend), while the closely observed ZEW Index of the Centre for European Economic Research regarding the current economic situation fell to 61.8 points in July (from 67.4 points in May) and the ZEW Indicator of Economic Sentiment dropped to 27.1 points (from 28.2 points). Although the GfK Consumer Climate Index was slightly better for August at 9 points, the important Ifo Business Climate Index of the Institute for Economic Research for July fell for the third time in a row, which is considered a sign of a slowing economy.

European economic data and the performance of the stockmarkets were impacted to an ever greater extent by the worsening tensions in July between Western Europe/Ukraine and Russia together with the geographical proximity of the conflict. In June, industrial orders in Germany suffered their biggest decline since September 2011, falling a further 3.2% compared with the previous month. Gross domestic product in Germany contracted 0.2% in the second quarter on the back of declining exports.

The ZEW assessment of the current economic situation for August, at 44.3 points, was just as weak as the indicator of economic sentiment, at just 8.6 points. Concerns arose that interest rates would start rising after it was announced on September 12 of this year that retail sales in the United States had enjoyed the fastest rise for 24 months in August and the University of Michigan's index of consumer sentiment totaled a very high 84.6 points in September. There were fears that higher interest rates would cause a slowdown in the global economy, not least as Chinese industrial production only increased 6.9% in August. The expanded sanctions imposed on Russia and the Scottish referendum were further downside factors. These uncertainties were also reflected in the ZEW assessment for the current economic situation in September, which totaled just 25.4 points. The Ifo Business Climate Index fell to a 17-month low and the GfK Consumer Climate index for October also deteriorated for the second time in a row.

2.2 Telecommunications Market

2.2.1 Consumer Products Market

The European market for cordless telephones continued to decline considerably in the past year both with respect to sales revenue as well as units sold. The global financial and sovereign debt crisis clouded in particular the consumer climate in Southern and Eastern European regions. The further observable trend of surrendering landline telephones in favor of smartphones – so-called "mobile replacement" – also continued to reinforce this tendency, in particular in the relatively saturated European markets. The market as a whole for cordless telephones in Europe declined by just under 6% in the months from July to September based on sales revenues in the markets observed by Gigaset. This picture was seen in nearly all of the observed markets. At the same time, Gigaset's market share in

1. Monthly reports Equinet Bank AG June-September 2014

Europe remained stable overall compared to the previous year with respect to units sold and sales revenues.[2] The market trend in Western Europe points to continued consolidation with an overall slightly declining price level. The largest European markets are in Germany, France, and the United Kingdom. The three largest competitors already sell around two-thirds of the total volume led by Gigaset. Secondary brands, i.e. brands in lower price segments, “value brands”, and local suppliers continue to lose market share.[3]

2.2.2 Business Customers Market

The underlying market trend in the business customer segment is unchanged. The total number of newly installed telephone systems has continued to decline at a rate of around 5%. As has happened in the consumer market, the substitution of landline telephony with mobile telephony is evident, albeit at a much lower level in the business customer segment. Within the overall market, there is a distinction between extensions based on conventional TDM technology (e.g., ISDN) and extensions based on Voice-over-IP technology (VoIP). The share of VoIP extensions has risen from 40% to 45% over the last two years. Gigaset pro is addressing only the expanding market in the VoIP environment with VoIP and hybrid VoIP devices. This market segment is forecast to go on expanding and increasingly the displacing conventional TDM technologies.[4]

2.2.3 Home Networks Market

The market for smart home systems & services (SHSS) in western Europe is considered highly promising. The number of smart home households is predicted to rise from around 14 million at the start of 2014 to approximately 20 million by the end of 2014 and around 41 million by the end of 2018. Since the DECT ULE standard is being employed by an increasing number of western European vendors in the smart home sector, the market research institute Strategy Analytics expects revenues in this segment to increase more than fivefold in western Europe between 2015 and 2018.

Strategy Analytics[5] estimates that around 8% of households can now be described as “smart” at the end of 2013. Revenues in this segment are projected to rise from USD 4.5 billion in 2012 and USD 6.6 billion in 2013 to USD 14 billion in 2018. In Germany alone, the market is anticipated to expand from USD 1.6 billion in 2013 to USD 3.2 billion in 2018.[6] By 2018, 25% of German households are expected to have at least one type of smart home system installed.

The added value experienced by the resident and the gain in quality of life are important factors in the acceptance of devices and services for intelligent living. Key roles in this regard are played by plug-&-play capability, reliability and ease of operation.

Since new-build homes in Germany are practically non-existent compared with the stock of older properties, the market in Germany can be conquered with affordable, cable-free upgrade packages for existing buildings in particular. Consumer surveys indicate that additional spending on smart home solutions is certainly acceptable for around 15% of respondents.[7]

2. 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, and Russia. Collection period: July - September 2014; Basis GfK Panel Market
3. MZA Shipment Review 1H 2013 – published September 2013
4. PBX/IP PBX - Quarterly Reporting - Q2 2014
5. Smart Home Systems and Service Forecast Western Europe, July 2013
6. Smart Home Systems and Service Forecast Germany, June 2013
7. electroboerse – smarthouse.de, July 16, 2013

2.3 Mobile Products

In the third quarter of 2014, Strategy Analytics expects global smartphone shipments to grow 20% from the year-ago quarter. Smartphone growth worldwide continues to be driven by consumer and business demand for 4G technology, faster computing power, and bigger displays. The bigger-screen phablet category of smartphones is particularly active, with display sizes above 5 inches becoming very popular. Mobile users prefer larger screens because they deliver a richer experience for Internet browsing, video consumption, and other data-centric activities.[8]

3 Business Developments

3.1 Consumer Products

The goals of Gigaset' sales strategy are to defend the price premium enjoyed by the Gigaset brand on the market and to further increase market share in Europe. Gigaset once again defended its strong position against its competitors in its core markets in a difficult environment for retailers and operators overall. This success was aided in particular by participating in large-scale invitations to tender on the part of retailers and telecommunication providers. The company's performance varied depending on the region and country. All in all, Gigaset succeeded in maintaining its leading market position in Europe and Germany in terms of units sold.[9]

In order to strengthen its offer in the entry-level segment, Gigaset rolled out the A540 in the third quarter. The A540 is a functional and simultaneously inexpensive telephone with an attractive design. Several different colors can be selected for the large, high-contrast display. This makes it possible for users to configure their own, personal telephones. The large, high-contrast 1.8" display with 96x64 pixels and choice of four color tones together with selected VIP calls with individual ringtone and personal display color underscore the individualistic concept of this new designer phone.

3.2 Business Customers

The revenues of the Business Customers segment increased by 12% over the equivalent quarter last year. This growth is spread equally between the OEM business and direct distribution under Gigaset's proprietary pro brand. From a regional perspective, Germany, Sweden, Italy and the UK in particular have enjoyed strong growth. Furthermore, the regional expansion of the sales activities has progressed: a pilot project has been launched in Russia and Turkey with a view to evaluating the local market opportunities for Gigaset business customer products.

On the product side, the segment rolled out a new software version for the N720 IP Pro multi-cell solution. The update supports new functionalities, including the complete data backup of the entire configuration and the option to restore the whole system. This greatly increases the security of operation, especially for larger installations. In addition, a visualization tool was launched to cover every aspect of installation. This notably serves to monitor the stability of the connection between the cells and constantly enhance operating stability.

8. Source: Strategy Analytics, September 2014
9. The data are taken from surveys of the retail panel for cordless phones of GfK Retail and Technology GmbH in Belgium, Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, Spain, Russia and Turkey. Survey period: January/April to March/June 2014; Basis GfK Panel Market.

3.3 Home Networks

Gigaset started selling Gigaset elements starter kits through the German retail network and online in Germany in September 2013 and shortly thereafter also in France. Gigaset has a particularly dense sales network in France. The system has also been available in Switzerland, Austria, the Netherlands, and Sweden since April of this year.

The starter kit forms the foundation for the multifaceted possibilities of Gigaset elements. It consists of two intelligent DECT ULE-based sensors – a door sensor and a motion detector – as well as a base station and an app for smartphones. Gigaset elements is supported by an intelligent, adaptable and secure cloud that acts as an interface between home and smartphone. The system can be expanded on a modular basis. An alarm is also available together with door and window sensors.

In September of this year, Gigaset rolled out in France an innovative, HD-based camera for the elements system that is now also available in Germany. Equipped with the latest features, "camera" enables real-time, WLAN-based video transmission in HD quality. The one-megapixel, 0.25" CMOS image sensor with automatic white balance, the 30 infrared LEDs with an illumination range of up to 15 meters and a field of view of 80° in the horizontal and 45° in the vertical deliver flawless picture quality, even in night-vision mode. Audio data too is, of course, recorded and transmitted thanks to the built-in microphone. Starting in December 2014, users will have the chance to buy additional options to go with "camera" in the form of various packages. The Freemium package, which provides basic features, is already included in "camera." To give users an overview of the functions offered by the different packages – Safety, Smart and Director's Cut – users have the option of testing all functions in a Welcome package for a price of EUR 0.89 within the first three months of purchase. After this test phase, users then decide individually which package they would like to subscribe to. They can choose between monthly and annual services. The monthly packages offer the greatest possible flexibility, while the annual versions are offered at a substantially reduced price. Users can buy the individual packages using in-app purchases billed via iTunes (iOS) or the Play Store (Google).

Furthermore, the market launch of an intelligent socket and an intelligent smoke detector is also planned. The central software platform of the cloud will similarly be kitted out successively with new functionalities. To enable new segments to be addressed, Gigaset is relying in the cloud upon machine learning and open interfaces (APIs) that make it easier for partners to connect devices and services. This is intended to make Gigaset elements even more attractive overall.

3.4 Mobile Products

In December 2013, Gigaset entered the expanding market for tablets with two Android-based models in 8" and 10.1" format. This represented the next step in the implementation of the Gigaset 2015 strategy. The market roll-out focused first on Germany, although distribution of the tablets was also expanded successively to other European countries. Gigaset is currently working on the development of a smartphone portfolio to be created in conjunction with Goldin Fund Pte. Ltd., Singapore.

4 The Gigaset Share

The European stockmarkets were negatively affected by geopolitical conflicts during the third quarter. Whereas their North American counterparts continued their rise in July of this year to record new all-time highs, indexes like the DAX, MDAX and TecDAX remained well off such levels. The DAX lost 4.3%, the MDAX 6.1% and the TecDAX 7.0%.[10] The bear run was caused primarily by the geopolitical situation and the tensions between Western Europe and Russia. European economic data and the performance of the stockmarkets were impacted to an ever greater extent by the worsening tensions in July together with the geographical proximity of the conflict. While the Dow Jones and S&P 500 recorded new highs, for instance, the DAX fell to its lowest level since October 2013 on August 8 at 8,903.50 points, more than 10% off its all-time high.[11] Investors used any interim easing of the political situation to buy, leading to short-lived market recoveries. ECB President Mario Draghi again helped prices on the markets to recover: at the gathering of prominent central bankers in Jackson Hole, USA, he stated that he would employ all means at his disposal to ensure price stability (the inflation rate in the eurozone was 0.3% in August compared with the equivalent period last year) and declared his willingness to adjust the monetary policy stance, if necessary. This resulted in historically low bond yields and the euro weakening to below USD 1.32. The German stockmarket profited from his comments to recover strongly from its monthly low by the end of the month.

The month of September started off with a surprise. On September 4, ECB President Draghi reduced the interest rate on the main refinancing operations by a further 10 basis points to a historical low of 0.05% and cut the interest rate on the deposit facility to minus 20 basis points. Prior to that, there had been an easing of tension in the Ukraine crisis. At the same time, weak labor market data from the United States provided a fillip to European stockmarkets. The expanded sanctions imposed on Russia and the Scottish referendum were downside factors.[12]

The Gigaset share was unable to avoid the repercussions of these events, meaning that it suffered a negative performance in the third quarter of 2014. The highest price in the period – EUR 1.02 – was recorded on the first day of the quarter. By mid-July, the share was moving in a corridor between EUR 1.00 and EUR 0.985, with both the 100- and 200-day average line running at this latter level at that point in time. This line was broken on the downside on July 18 and not reached again at any point. A small rally was seen on July 24 following the announcement regarding the restructuring of the funding base and repayment of all bank debt. By the end of July, the figure of EUR 0.88 provided a good guideline, although the price fell sharply upon publication of the figures for the second quarter on August 7, 2014 and on the following day. The guideline amount was now EUR 0.77. Another rally took place on August 20, up to EUR 0.87, albeit without the Company having made any announcements. The EUR 0.75 level formed a very good guideline throughout September. The share tried several times to breach the 38-day line, which was falling slowly to EUR 0.82, EUR 0.81 and EUR 0.80, but without success on any occasion. The share closed the third quarter at a price of EUR 0.77, representing a markdown of 23.3% since the end of the previous quarter.[13]

10. Equinet Bank AG via BrandON IR I Monthly report Gigaset AG August 2014
11. Equinet Bank AG via BrandON IR I Monthly report Gigaset AG August 2014
12. Equinet Bank AG via BrandON IR I Monthly report Gigaset AG September 2014
13. Equinet Bank AG

5 Financial Performance, Cash Flows and Financial Position

5.1 Financial Performance

The Gigaset Group generated **sales revenue** in the amount of EUR 218.9 million (previous year: EUR 264.9 million) in the first nine months of fiscal 2014. After the sale of the SM Electronic Group in December 2013, no sales revenues are attributed to discontinued operations (previous year: EUR 4.7 million). Sales revenues from continuing operations result from the core Gigaset segment and are subject to the typical seasonal fluctuations in the consumer business. The 17.4% year-on-year decrease in sales revenues can be explained in particular by the declining market in the core business Consumer Products. Overall, sales revenues in Europe fell by 9.7% to EUR 208.1 million compared to the first nine months of 2013. The decrease in the Americas 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 revenues 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	Q3 2014	Q3 2013	Change
Europe	208.1	230.4	-9.7 %
America	1.9	12.4	-84.7 %
Asia-Pacific / Middle East	8.9	17.4	-48.9 %
Gigaset Total	218.9	260.2	-15.9 %
Other	0.0	4.7	-100.0 %
Total	**218.9**	**264.9**	**-17.4 %**
of which continuing operations	218.9	260.2	-15.9 %
of which discontinued operations	0.0	4.7	-100.0 %

Other own work capitalized in the amount of EUR 8.8 million (previous year: EUR 14.3 million) mainly includes costs related to the development of innovative products. The investments decreased significantly compared to the first nine months of 2013, in some cases due to postponements that are expected to be partially made up in the course of 2014 as a result of delays in planned projects.

Other operating income amounts to EUR 18.8 million and is thus EUR 1.0 million lower than in the third quarter of 2013. The main items include exchange rate gains in the amount of EUR 4.9 million (previous year: EUR 5.7 million), income from the reversal of other value adjustments and the derecognition of liabilities in the amount of EUR 4.4 million (previous year: EUR 3.5 million), income from the reversal of provisions in the amount of EUR 4.4 million (previous year: EUR 7.2 million), and income from derivative financial instruments in the amount of EUR 1.8 million (previous year: EUR 0.2 million).

The **cost of materials** for raw materials, merchandise, finished goods, and purchased services was EUR 106.8 million – a decrease of EUR 28.1 million from EUR 134.9 million in the previous year. Including changes in inventory, the cost of materials rate improved from 49.9% to 47.9%.

Personnel expenses for wages, salaries, social security contributions and old age pensions were EUR 74.2 million and were thus down 3.4% from the previous year's amount of EUR 76.8 million for the first three months. The decrease reflects the continuing implementation of 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 60.3 million were incurred in the reporting period (previous year: EUR 78.4 million). This includes marketing costs, general administrative expenses, and exchange rate losses (EUR 6.7 million; previous year: EUR 8.0 million) as well as transport costs and advisory fees. The lower other operating expenses reflect the savings of goods and services in connection with the cost-savings program.

EBITDA as of September 30, 2014, amounts to EUR 7.1 million (previous year: EUR 11.6 million).

The results can be broken down as follows:

EBITDA in € millions	Q3 2014	Q3 2013	Change
Europe	14.4	17.6	-18.2 %
America	-1.5	-2.8	46.4 %
Asia-Pacific / Middle East	-0.1	0.9	-111.1 %
Gigaset Total	12.8	15.7	-18.5 %
Holding	-5.7	-0.9	-533.3 %
Other	0	-3.2	100.0 %
Total	**7.1**	**11.6**	**-38.8 %**
of which continuing operations	7.1	14.8	-52.0 %
of which discontinued operations	0	-3,2	100.0 %

Depreciation and amortization in the current reporting period amounted to EUR 18.0 million (previous year: EUR 20.1 million) and result entirely from continuing operations. The previous year's impairment losses amounting to EUR 1.9 million represent impairment reversals on assets held for sale at SM Electronic GmbH that resulted from the measurement at net realizable value less costs to sell the disposal group as well as the disposal group's associated liabilities.

EBIT can be broken down as follows:

EBIT in € millions	Q3 2014	Q3 2013	Change
Europe	-3,6	-2.5	-44.0 %
America	-1,5	-2.8	46.4 %
Asia-Pacific / Middle East	-0,1	0.9	-111.1 %
Gigaset Total	-5,2	-4.4	-18.2 %
Holding	-5,7	-1.0	-470.0 %
Other	0,0	-1.2	100.0 %
Total	**-10,9**	**-6.6**	**-65.2 %**
of which continuing operations	-10,9	-5.4	-101.9 %
of which discontinued operations	0,0	-1.2	100.0 %

Compared to the previous year, **net financial income** increased from EUR -2.4 million to EUR -0.4 million. The main drivers include the positive net investment income of EUR 1.0 million from Gigaset Mobile Pte. Ltd., Singapore, as well as lower interest expenses with the repayment in full of of the syndicated loan as of July 24, 2014.

The **consolidated net loss for the fiscal year** after non-controlling interests amounts to EUR 11.2 million as of September 30, 2014, and can be mainly attributed to the negative EBIT in the amount of EUR 10.9 million and the net loss with respect to the financial result amounting to EUR 0.4 million. This is offset by positive income taxes recorded in the amount of EUR 0.2 million. In the third quarter of 2013, a consolidated net loss after non-controlling interests was generated in the amount of EUR 17.7 million.

This results in **earnings per share** of EUR -0.10 (previous year: EUR -0.35). .

5.2 Cash Flows

Cash flows in € million	Q3 2014	Q3 2013
Cash flow from operating activities	0.7	-41.2
Cash flow from investing activities	-20.0	-4.8
Free cash flow	-19.3	-46.0
Cash flow from financing activities	3.7	8.5

In the nine months just ended for the fiscal year, the Gigaset Group recorded a **cash inflow from continuing operations** of EUR 0.7 million, whereas there was a cash outflow of EUR 41.2 million in the first nine months of 2013. The cash outflow typical for the first half of the year is characterized by the seasonal business. Net cash inflows are traditionally generated in the second half of the year during the Christmas shopping season. The considerable increase in cash flow from continuing operations compared to the third quarter of the previous year can be explained in particular by the higher cash inflow from trade receivables and other assets as well as by the lower cash outflow from trade payables.

Cash outflow from investing activities amounts to EUR -20.0 million and thus clearly exceeds the previous year's level of EUR -4.8 million. Whereas all cash payments in the third quarter of the previous year were utilized for investments in non-current assets, cash payments for non-current assets in the current fiscal period decreased to EUR 2.1 million. The majority of the cash outflow from investing activities comprises the cash resources disbursed on the part of Gigaset Mobile Pte. Ltd., Singapore, 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 -19.3 million compared to EUR -46.0 million in the previous fiscal year.

The **cash inflow from financing activities** amounts to EUR 3.7 million as of September 30, 2014 (previous year: EUR 8.5 million). This is offset by the decrease in cash resources from the successful repayment of the syndicated loan in the amount of EUR 30.2 million as well as the cash inflow from the issue of mandatory convertible bonds in the amount of EUR 9.3 million and from the capital increase in the amount of EUR 24.6 million.

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 (previous year: EUR 0.7 million) and is presented in detail in the notes. Furthermore, cash flow includes EUR 1.2 million in exchange rate gains (previous year: loss of EUR 0.9 million).

Cash and cash equivalents amounted to EUR 42.6 million as of September 30, 2014 (previous year: EUR 16.9 million).

5.3 Financial Position

The Gigaset Group's **total assets** as of September 30, 2014, amounted to around EUR 251.6 million and thus decreased by approximately 5.8% compared to December 31, 2013.

Non-current assets increased slightly by EUR 18.5 million to EUR 120.3 million compared to December 31, 2013. The increase can be attributed mainly to the EUR 17.9 million increase in the equity-accounted investment in Gigaset Mobile Pte. Ltd., Singapore (previous year: EUR 0.0 million), which was still 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 due to 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 4.5 million to EUR 35.1 million. A decrease of EUR 2.6 million was also recorded for intangible assets.

Current assets account for 52.2% of total assets. Compared to the 2013 annual financial statements, they fell by EUR 34.0 million and now amount to EUR 131.3 million. Inventories increased by EUR 2.4 million to EUR 29.9 million, since the Group traditionally prepares for the coming Christmas shopping season in the third quarter. Trade receivables decreased by EUR 14.6 million to EUR 35.6 million, which can be attributed mainly to the lower sales revenues in the third quarter and a round of factoring that was postponed at the beginning of the year due to the Christmas holidays. The EUR 28.5 million decrease in other assets to EUR 21.8 million resulted primarily from the lower factoring receivables and is to be regarded in connection with the lower sales revenues. The portfolio of cash and cash equivalents decreased since the beginning of the year from EUR 57.0 million to EUR 42.6 million. This development is to be regarded in particular in light of the EUR 18.0 million in cash resources transferred as part of the transitional consolidation of shares of Gigaset Mobile Pte. Ltd., Singapore. A detailed development of cash and cash equivalents is presented in the statement of cash flows in the notes.

Total liabilities amount to EUR 198.0 million, 43.6% of which are current. The Group's total debt was reduced by an additional EUR 30.4 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 53.6 million as of September 30, 2014, and is EUR 15.0 million higher than at the beginning of the year. Correspondingly, equity as a percentage of assets amounts to 21.3% compared to 14.5% as of December 31, 2013. The capital increase carried out in July 2014 increased the equity by EUR 33.9 million. In contrast, in particular the net loss for the fiscal year of EUR 11.2 million and the increase in actuarial losses from the measurement of pensions of EUR 9.5 million including deferred taxes significantly reduced the equity. The increased actuarial losses can be attributed in particular to the lower discount rates.

Non-current liabilities mainly include pension obligations and deferred tax liabilities as well as long-term provisions for personnel expenses and provisions for guarantees. The EUR 17.2 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 from 3.40% as of December 31, 2013, to 2.50% as of September 30, 2014.

At EUR 109.6 million, **current liabilities** are around 30.3% lower than reported in the annual financial statements as of December 31, 2013. Current provisions are characterized mainly by the EUR 6.8 million decrease in other provisions to EUR 13.7 million, lower provisions for restructuring in the amount of EUR 0.5 million (previous year: EUR 2.7 million), the EUR 2.2 million decrease in provisions for outstanding sales invoices to EUR 2.1 million and the EUR 2.2 million decrease in provisions for expected losses to EUR 0.4 million. The decrease in other provisions comprises in particular the reclassification of a foreign subsidiary's provisions for taxes, which are now shown under other liabilities due to the meanwhile concretization. Current financial liabilities, which were still reported in the previous year in the amount of EUR 30.2 million, have been reduced to zero in the current fiscal year by means of the cash outflows connected with the capital increase. Trade payables decreased seasonally from EUR 71.5 million to EUR 57.5 million. This is offset by a EUR 9.7 million increase in other liabilities, which is essentially related to the decrease in other provisions.

6 Opportunities and Risk Report as of September 30, 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 Report for the Second Quarter of 2014 and Annual Report for 2013. There were significant changes in terms of financial risks in the third quarter of 2014. As announced, Gigaset AG has used the proceeds from the capital-raising measures carried out in July 2014 to repay all financial liabilities including outstanding interest. This has served to structurally ease the company's liquidity requirements and the associated risks.

The process of the Group-wide, systematic risk management system is described in detail in the Combined Management Report of Gigaset AG as of December 31, 2013.

7 Events after the Reporting Date

The shareholder Ludic GmbH has started legal action against two resolutions adopted by the annual shareholders' meeting on August 12, 2014. The petition was received by the court on September 15, 2014. The action was raised against the resolutions adopted under agenda items 2 (Resolution regarding approval of the actions of the members of the Executive Board) and 3 (Resolution regarding approval of the actions of the members of the Supervisory Board). The plaintiff has asked for the resolutions listed above to be declared null and void. The Company was notified of the action on November 5, 2014 and the petition is being dealt with by the Munich District Court I (Chamber for Commercial Matters) under file reference 5 HKO 17752/14. The court has first ordered preliminary written proceedings. A date for the oral proceedings has not yet been set.

8 Outlook

8.1 Industry developments

Cordless telephones market[14]

According to experts, the global market for cordless telephony will shrink at an annual rate of -5.5% as a result of increasing competition from smartphones and cell phones in the years 2013 to 2018. Within this market, the DECT standard is playing an increasingly important role, while the analog standard and other digital standards are de-

14. MZA World - Consumer Cordless Telephony Market – 2013 Forecast Edition (published October 2013).

creasing in significance. The DECT standard had a share of approximately 70% of the worldwide installed basis in 2012, whereas this number is expected to reach 90% by 2018.

According to experts, Western Europe will remain the most important market with a share of 35% in 2018, followed by North America with 24% and the Asia-Pacific region with 18%. The sharpest decrease is expected in North America in the years from 2013 to 2018 with an annual rate of -8.6%.

A lower price level is becoming apparent across all standards for the coming years, whereby the price decline with respect to the analog standard and other digital standards will be particularly significant.

Market for business customers[15]

Demand for hybrid IP systems already constitutes just under 90% of total demand and will further increase in the next four years. Similar trends are expected in the market for IP terminals. The number of IP terminals sold in Europe is forecasted to grow by nearly 18% by 2018, whereas the market for digital and analog terminals will decline. Gigaset pro offerings include not only consumer devices but also serve the sharply rising demand for telephone networks – so-called "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.

Market for tablets and smartphones

The global smartphone market grew once again in 2013, as high-end smartphones, tablets, and subsidies on the part of mobile network operators drove the market to new heights. Since the unit volumes will continue to rise over the next five years based on these forecasts, worldwide sales revenues will also continue to increase. However, the growth rate of the sales volume will slow starting in 2015 and settle in the lower single-digits, because the falling prices and growing volume largely compensate each other. The main reason for the persistent decrease in average sales prices is the development toward robust smartphone volumes in the lower price categories. Strategy Analytics assumes that the smartphone market will grow to over 1.5 billion smartphones worldwide by 2018. The Android and Apple iOS operating systems will continue to dominate the global smartphone market as they have in prior years. These two operating systems accounted for approximately 94% of global smartphone sales in 2013, whereby Android served around 78% of the smartphone market.[16]

15. MZA PBX/IP PBX market – 2013 Forecast Edition (published October 2013)
16. Strategy Analytics: Global Smartphone Sales Forecast by Operating System for 88 Countries: 2007 to 2018

8.2 Expected development of sales revenue and earnings

The market as a whole for cordless telephones in Europe declined by around 14% in 2013 measured on sales. This trend also continued in the market in the first half of 2014, whereby the decrease in sales revenue for continuing operations lies within the communicated expectations. 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. Last December, Gigaset launched its first tablets on the market. However, the new categories were not yet able to compensate the loss in sales in the core business in the previous fiscal year.

Further development in fiscal year 2014 will depend significantly on the looming and further forecasted decline of the classic telecommunications market, but also on the successful expansion of the Business Customers, Home Networks, and Mobile Products segments. 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. However, the goal is to stabilize the cordless telephone business in the next few years and to secure it as an important source of sales revenue. The product variance in the core business, with product types varying based on customer segment and functionality, is an important factor for success. Gigaset intends to address the identifiable consumer needs through specific product offerings. This will express itself, for example, in product designs that are oriented to current lifestyle factors. Gigaset will also continue to focus in fiscal year 2014 on the further development of a proprietary ecosystem with which it should be possible to integrate as many Gigaset products and services as possible.

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 and Italy, whereby addressing local needs will play an increasingly more important role. The focus lies on the distribution of complete solutions. This will 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. 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 fiscal year 2014 in Western Europe alone.[17] 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. The new sensor and cloud-based system connects people with their home. Additional benefits arise as a result of the collaboration with partners, such as the leading security service provider Securitas. Users have been able to take advantage of the premium service "Gigaset elements" monitored by Securitas" since the beginning of 2014 thanks to a development partnership that has united Gigaset and Securitas since the development phase of "Gigaset elements". Securitas intends to ensure that no alarm goes unanswered through the

17. Strategy Analytics, Smart Home systems and Services Forecast: Western Europe, July 2013

computer-aided handling of alarms. These types of solutions are to be further developed, both functionally as well as through additional partnerships.

Following the introduction of the first two models in the rapidly expanding tablet market, Gigaset also intends to continue expanding the portfolio in the future. 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 mobile environment are to follow. Additional price points and therefore also additional target groups are to be addressed with an expanded product range.

In light of this, Gigaset expects a further decline in sales revenue in continuing operations for the current fiscal year (excluding Mobile Products). Additional sales revenue from the Mobile Products business are expected for the Gigaset Group. However, the expansion of the joint business with Goldin Fund Pte. Ltd., Singapore, is still in its start-up phase; consequently, specific predictions are difficult to make.

Thanks to the cost-savings program announced and consistently implemented in fiscal year 2012, the operating result (EBITDA) was also improved considerably in the third quarter of the current fiscal year. The planned and also realized annual savings of EUR 30.0 million will take full effect in 2014. As a result of invoices issued primarily in U.S. dollars on the procurement markets, a strong U.S. 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.

8.3 Expected development of cash flow, capital expenditures and liquidity

The Company is free of financial liabilities and currently finances itself entirely through factoring.

Due to the change in control of the Company as a result of the investment on the part of Goldin, the syndicating banks demanded repayment of all amounts drawn down in a volume of up to EUR 32.9 million of the extended credit line by July 24, 2014, as expected and in accordance with the agreement. Thanks to the capital measures carried out in this year and the increase in the capital base provided by Goldin, the credit line was repaid in accordance with the banks' demands. On October 9, 2014, Mr. Sutong and Goldin notified Gigaset that they meanwhile have access to 75% of the shares of Gigaset AG.

Despite the very positive starting point, Gigaset will continue to focus on liquidity management in the next two 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 and expand market shares and competitive advantages. Additional investments will also be made in new product categories and growth segments that will permanently secure the Company's existence and competitiveness.

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 compensate the decline in our core business. Therefore, Gigaset expects the following for the current fiscal year in continuing operations (excluding Mobile Products):

- further decreasing revenue in the core business in the high single-digit to lower double-digit percentage range
- a once again 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 to middle double-digit millions as a result of necessary investments

In addition, the Gigaset Group expects additional sales revenues from the tablet and smartphone business (Mobile Products), which however are difficult to forecast as a result of the early phase in which the expansion of the business with Goldin Fund Pte. Ltd., Singapore, remains.

Munich, November 7, 2014

Gigaset AG
The Executive Board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Interim financial statements

Income statement for the period from January 1 to September 30, 2014

EUR'000	01/01 – 09/30/2014 Continuing operations	Discontinued operations	Total
Revenues	218,937	0	218,937
Change in inventories of finished and unfinished goods	1,908	0	1,908
Other internal production capitalized	8,787	0	8,787
Other operating income	18,806	0	18,806
Purchased goods and services	-106,807	0	-106,807
Personnel expenses	-74,196	0	-74,196
Other operating expenses	-60,349	0	-60,349
EBITDA	**7,086**	**0**	**7,086**
Depreciation and amortization	-17,972	0	-17,972
Impairment losses	0	0	0
EBIT	**-10,886**	**0**	**-10,886**
At equity valuation result	1,036	0	1,036
Impairment of financial assets	0	0	0
Other interest and similar income	170	0	170
Interest and similar expenses	-1,642	0	-1,642
Net financial expenses	**-436**	**0**	**-436**
Income from ordinary activities	**-11,322**	**0**	**-11,322**
Income taxes	163	0	163
Consolidated loss for the year	**-11,159**	**0**	**-11,159**
Share of consolidated loss attributable to shareholders of Gigaset AG	-11,159	0	-11,159
Earnings per common share			
- Basic earnings per share, in EUR	-0.10	0.00	-0.10
- Diluted earnings per share, in EUR	-0.10	0.00	-0.10

Income statement for the period from January 1 to September 30, 2014

01/01 – 09/30/2013			
Continuing operations	**Discontinued operations**	**Total**	**EUR'000**
260,157	4,747	264,904	Revenues
2,680	0	2,680	Change in inventories of finished and unfinished goods
14,265	0	14,265	Other internal production capitalized
18,571	1,273	19,844	Other operating income
-132,269	-2,627	-134,896	Purchased goods and services
-75,377	-1,425	-76,802	Personnel expenses
-73,248	-5,137	-78,385	Other operating expenses
14,779	-3,169	11,610	EBITDA
-20,120	0	-20,120	Depreciation and amortization
0	1,935	1,935	Impairment losses
-5,341	-1,234	-6,575	EBIT
0	0	0	At equity valuation result
-85	0	-85	Impairment of financial assets
172	0	172	Other interest and similar income
-2,478	-26	-2,504	Interest and similar expenses
-2,391	**-26**	**-2,417**	**Net financial expenses**
-7,732	**-1,260**	**-8,992**	**Income from ordinary activities**
-8,720	43	-8,677	Income taxes
-16,452	**-1,217**	**-17,669**	**Consolidated loss for the year**
-16,452	-1,217	-17,669	Share of consolidated loss attributable to shareholders of Gigaset AG
			Earnings per common share
-0.33	-0.02	-0.35	- Basic earnings per share, in EUR
-0.33	-0.02	-0.35	- Diluted earnings per share, in EUR

Income statement for the period from July 1 to September 30, 2014

	07/01 – 09/30/2014		
EUR'000	**Continuing operations**	**Discontinued operations**	**Total**
Revenues	71,948	0	71,948
Change in inventories of finished and unfinished goods	2,500	0	2,500
Other internal production capitalized	3,058	0	3,058
Other operating income	11,206	0	11,206
Purchased goods and services	-38,036	0	-38,036
Personnel expenses	-24,509	0	-24,509
Other operating expenses	-21,725	0	-21,725
EBITDA	**4,442**	**0**	**4,442**
Depreciation and amortization	-5,744	0	-5,744
Impairment losses	0	0	0
EBIT	**-1,302**	**0**	**-1,302**
At equity valuation result	1,346	0	1,346
Impairment of financial assets	0	0	0
Other interest and similar income	140	0	140
Interest and similar expenses	-315	0	-315
Net financial expenses	**1,171**	**0**	**1,171**
Income from ordinary activities	**-131**	**0**	**-131**
Income taxes	-97	0	-97
Consolidated loss for the year	**-228**	**0**	**-228**
Share of consolidated loss attributable to shareholders of Gigaset AG	-228	0	-228
Earnings per common share			
- Basic earnings per share, in EUR	0,00	0,00	0,00
- Diluted earnings per share, in EUR	0,00	0,00	0,00

Income statement for the period from July 1 to September 30, 2014

07/01 – 09/30/2013			
Continuing operations	**Discontinued operations**	**Total**	**EUR'000**
76,621	899	77,520	Revenues
11,192	0	11,192	Change in inventories of finished and unfinished goods
3,393	0	3,393	Other internal production capitalized
5,561	140	5,701	Other operating income
-47,734	-449	-48,183	Purchased goods and services
-23,100	-357	-23,457	Personnel expenses
-22,127	-1,281	-23,408	Other operating expenses
3,806	**-1,048**	**2,758**	EBITDA
-6,612	0	-6,612	Depreciation and amortization
0	412	412	Impairment losses
-2,806	**-636**	**-3,442**	EBIT
0	0	0	At equity valuation result
-29	0	-29	Impairment of financial assets
54	0	54	Other interest and similar income
-1,118	-2	-1,120	Interest and similar expenses
-1,093	**-2**	**-1,095**	Net financial expenses
-3,899	**-638**	**-4,537**	Income from ordinary activities
128	0	128	Income taxes
-3,771	**-638**	**-4,409**	**Consolidated loss for the year**
-3,771	-638	-4,409	Share of consolidated loss attributable to shareholders of Gigaset AG
			Earnings per common share
-0,08	-0,01	-0,09	- Basic earnings per share, in EUR
-0,08	-0,01	-0,09	- Diluted earnings per share, in EUR

Statement of Comprehensive Income for the Period from January 1 to September 30, 2014

	01/01 – 09/30/2014		
EUR'000	Continuing operations	Discontinued operations	Total
Consolidated loss for the year	**-11,159**	**0**	**-11,159**
Items that may be reclassified subsequently to net income/loss			
Currency translation differences	541	0	541
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	-13,858	0	-13,858
Foreign currency effects of entities included based on the equity method	1,557	0	1,557
Recognized income taxes for this item	4,310	0	4,310
Total changes not recognized in the income statement	**-7,450**	**0**	**-7,450**
Total comprehensive income and expenses	**-18,609**	**0**	**-18,609**
thereof attributable to minority interests	0	0	0
thereof attributable to shareholders of Gigaset AG	-18,609	0	-18,609

Statement of Comprehensive Income for the Period from January 1 to September 30, 2014

01/01 – 09/30/2013			
Continuing operations	Discontinued operations	Total	EUR'000
-16,452	-1,217	-17,669	Consolidated loss for the year
			Items that may be reclassified subsequently to net income/loss
-38	-4	-42	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	Foreign currency effects of entities included based on the equity method
0	0	0	Recognized income taxes for this item
-38	-4	-42	Total changes not recognized in the income statement
-16,490	-1,221	-17,711	Total comprehensive income and expenses
0	0	0	thereof attributable to minority interests
-16,490	-1,221	-17,711	thereof attributable to shareholders of Gigaset AG

Statement of Comprehensive Income for the Period from July 1 to September 30, 2014

	07/01 – 09/30/2014		
EUR'000	Continuing operations	Discontinued operations	Total
Consolidated loss for the year	-228	0	-228
Items that may be reclassified subsequently to net income/loss			
Currency translation differences	1,091	0	1,091
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	-7,502	0	-7,502
Foreign currency effects of entities included based on the equity method	1,406	0	1,406
Recognized income taxes for this item	2,333	0	2,333
Total changes not recognized in the income statement	-2,672	0	-2,672
Total comprehensive income and expenses	-2,900	0	-2,900
thereof attributable to minority interests	0	0	0
thereof attributable to shareholders of Gigaset AG	-2,900	0	-2,900

Statement of Comprehensive Income for the Period from July 1 to September 30, 2014

07/01 – 09/30/2013			
Continuing operations	**Discontinued operations**	**Total**	**EUR'000**
-3,771	-638	-4,409	Consolidated loss for the year
			Items that may be reclassified subsequently to net income/loss
40	-6	34	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	Foreign currency effects of entities included based on the equity method
0	0	0	Recognized income taxes for this item
40	-6	34	Total changes not recognized in the income statement
-3,731	-644	-4,375	Total comprehensive income and expenses
0	0	0	thereof attributable to minority interests
-3,731	-644	-4,375	thereof attributable to shareholders of Gigaset AG

Consolidated statement of financial position as of September 30, 2014

EUR'000	9/30/2014	12/31/2013
ASSETS		
Non-current assets		
Intangible assets	42,857	45,470
Property, plant and equipment	35,104	39,636
Financial assets accounted for by the equity method	20,646	0
Deferred tax assets	21,691	16,645
Total non-current assets	120,298	101,751
Current assets		
Inventories	29,869	27,504
Trade receivables	35,597	50,200
Other assets	21,816	28,519
Current tax assets	1,442	2,099
Cash and cash equivalents	42,580	56,987
Total current assets	131,304	165,309
Total assets	**251,602**	**267,060**

Consolidated statement of financial position as of September 30, 2014

EUR'000	9/30/2014	12/31/2013
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	132,456	97,928
Additional paid-in capital	86,076	87,042
Retained earnings	68,979	68,979
Accumulated other comprehensive income	-233,881	-215,272
Total equity	**53,630**	**38,677**
Non-current liabilities		
Convertible bonds	390	76
Pension obligations	59,876	44,587
Provisions	11,738	11,043
Other liabilities	0	184
Deferred tax liabilities	16,339	15,232
Total non-current liabilities	**88,343**	**71,122**
Current liabilities		
Convertible bonds	65	0
Provisions	19,846	31,506
Financial liabilities	0	30,201
Trade payables	57,506	71,476
Current tax liabilities	1,005	2,589
Other liabilities	31,207	21,489
Total current liabilities	**109,629**	**157,261**
Total equity and liabilities	**251,602**	**267,060**

Change in consolidated equity as of September 30, 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	Equity-accounted changes not recognized in the income statement	0	0	0
10	Actuarial effects IAS 19	0	0	0
11	Total changes not recognized in the income statement	0	0	0
12	**Total net income (7+11)**	**0**	**0**	**0**
	September 30, 2013	**50,015**	**87,981**	**68,979**
	January 1, 2014	**97,928**	**87,042**	**68,979**
1	**Capital increase**	34,528	-966	**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	Equity-accounted changes not recognized in the income statement	0	0	0
10	Actuarial effects IAS 19	0	0	0
11	Total changes not recognized in the income statement	0	0	0
12	**Total net income (7+10)**	**0**	**0**	**0**
	September 30, 2014	**132,456**	**86,076**	**68,979**

Change in consolidated equity as of September 30, 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
-17,669	0	-17,669	Consolidated loss 2013	5
0	0	0	Minority interests	6
-17,669	0	-17,669	Consolidated loss after minority interests	7
-42	0	-42	Currency translation differences	8
0	0	0	Equity-accounted changes not recognized in the income statement	9
0	0	0	Actuarial effects IAS 19	10
-42	0	42	Total changes not recognized in the income statement	11
-17,711	0	-17,711	Total net income (7+11)	12
-200,338	**0**	**6,637**	**September 30, 2013**	
-215,272	**0**	**38,677**	**January 1, 2014**	
0	0	33,562	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
-11,159	0	-11,159	Consolidated loss 2014	5
0	0	0	Minority interests	6
-11,159	0	-11,159	Consolidated loss after minority interests	7
541	0	541	Currency translation differences	8
1,557	0	1,557	Equity-accounted changes not recognized in the income statement	9
-9,548	0	-9,548	Actuarial effects IAS 19	10
-7,450	0	-7,450	Total changes not recognized in the income statement	11
-18,609	0	-18,609	Total net income (7+10)	12
-233,881	**0**	**53,630**	**September 30, 2014**	

Consolidated statement of cash flows for the period from January 1 - September 30, 2014

EUR'000	Jan. 1 - Sep 30, 2014	Jan. 1 - Sep 30, 2013
Result from ordinary activities before taxes on income (EBT)	**-11,322**	**-8,992**
Depreciation of property, plant and equipment and amortization of intangible assets	17,972	20,120
Impairment losses	0	-1,935
Addition (+)/decrease (-) in pension provisions	1,430	1,409
Gain (-)/loss (+) from the sale of non-current assets	-164	2
Gain (-)/loss (+) from deconsolidations	453	-14
Gain (-)/loss (+) from currency translation	2,418	2,175
At equity valuation result	-1,036	0
Other non-cash items	-8,787	-14,265
Net interest income	1,472	2,332
Interest received	145	38
Interest paid	-1,725	-1,790
Income taxes paid	-628	-4,855
Impairment on financial assets	0	85
Increase (-)/decrease (+) in inventories	-2,365	-1,161
Increase (-)/decrease (+) in trade receivables and other receivables	21,163	7,607
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	-15,450	-42,465
Increase (+)/decrease (-) in other balance sheet items	-2,918	526
Cash inflow (+)/outflow (-) from continuing operations (net cash flow)	**658**	**-41,183**
Payments concerning to an at equity investment, as part of the transitional consolidation	-18,000	0
Cash transferred on the sale of shares	-130	0
Proceeds from the disposal of non-current assets	179	2
Payments for investments in non-current assets	-2,055	-4,839
Cash inflow (+)/outflow (-) from investing activities	**-20,006**	**-4,837**
Free cash flow	**-19,348**	**-46,020**

Consolidated statement of cash flows for the period from January 1 - September 30, 2014

EUR'000	Jan. 1 - Sep 30, 2014	Jan. 1 - Sep 30, 2013
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	-30,201	8,516
Convertible bond	9,306	0
Capital increase	24,629	0
Cash inflow (+)/ outflow (-) from financing activities	**3,734**	**8,516**
Net funds at beginning of period	55,532	52,989
Changes due to exchange rate differences	1,207	-896
Net funds at beginning of period, measured at prior-year exchange rate	54,325	53,885
Increase (-)/ decrease (+) in restricted cash	-1,503	-242
Change in cash and cash equivalents	-15,614	-37,504
Net funds at end of period	**38,415**	**15,243**
Restricted cash	4,165	2,039
Cash and cash equivalents	**42,580**	**17,282**
Cash presented within the balance sheet item of "assets held for sale"	0	334
Cash and cash equivalents presented in the balance sheet	**42,580**	**16,948**

Notes to the Interim Financial Statements as of September 30, 2014

1. General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of September 30, 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 (IFRS IC) as they apply in the EU. Accordingly, this unaudited and unreviewed Interim Financial Report as of September 30, 2014, was prepared in accordance with IAS 34. All Standards applicable as of September 30, 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.

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
IAS 16 / IAS 41	Recognition of certain biological assets based on IAS 41 Agriculture in accordance with provisions set forth under IAS 16 Property, Plant and Equipment	1/1/2016	No
IFRS 10 / IAS 28	Sale or contribution of assets between investors and associates or joint ventures	1/1/2016	No
IAS 27	Equity method of Separate Financial Statements	1/1/2016	No
Div.	Annual improvement to IFRSs 2012-2014	1/1/2016	No
IFRS 15	Revenue from Contracts with Customers	1/1/2017	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
Interpretationen			
IFRIC 21	Levies	1/1/2015	Yes

IFRS 15 Revenue from Contracts with Customers was issued in May 2014. The Company is currently reviewing the effects of this new standard on the consolidated financial statements. However, the analysis was yet completed when this report was published. 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. Equity (capital increase)

The Company's share capital as of the reporting date amounts to EUR 121,498,092.00 (December 31, 2013: EUR 96,399,985.00) and is divided into 121,498,092 (December 31, 2013: 96,399,985) no-par value shares and therefore increased by EUR 25,098,107.00 compared to December 31, 2013. The increase results on the one hand from a capital increase of EUR 25,051,279.00 in July 2014 with a corresponding number of no-par value shares from the authorized capital (Authorized Capital 2013/2) as well as on the other hand from mandatory convertible bonds converted during 2014 (issued in 2013) in the amount of EUR 46,828.00 with a corresponding number of no-par value shares. The shares are bearer shares. Thus, each no-par value share represents a EUR 1.00 portion of share capital.

New shares not subscribed by shareholders that chose not to exercise their subscription rights were acquired by Goldin Fund Pte. Ltd., Singapore (Singapore). In total, around 3.5% of the subscription rights to new shares were exercised; consequently, Goldin Fund Pte. Ltd., Singapore (Singapore) subscribed a total of 24,178,308 new shares.

The subscribed capital amounted to EUR 132,455,896.00 as of the reporting date in accordance with the provisions of IFRS (December 31, 2013: EUR 97,927,740.00) and is therefore EUR 10,957,804.00 (December 31, 2013: EUR 1,527,755.00) higher than the share capital presented under German generally accepted accounting standards, which only reflects the mandatory convertible bonds already converted as of the reporting date.

In contrast to generally accepted accounting standards, the 9,476,877 shares to be issued in connection with the mandatory convertible bonds (December 31, 2013: 23,340,289) were also to be recognized in Gigaset's equity when the mandatory convertible bonds were issued in accordance with IFRS standards. In addition, the costs of issuing the mandatory convertible bonds were to be netted with the share premium and a portion of the mandatory convertible bonds were to be recognized as a financial liability in accordance with IFRS standards. Based on these IFRS provisions, the subscribed capital shown in the consolidated financial statements as of September 30, 2014, amounted to EUR 132,455,896.00 (December 31, 2013: EUR 97,927,740.00). The difference of EUR 10,957,804.00 (December 31, 2013: EUR 1,527,755.00) relates to the mandatory convertible bonds not yet converted from 2013 (1,480,927 shares) and 2014 (9,476,877 shares) as of the reporting date, which are to be serviced from the contingent capital in future periods (Contingent Capital 2012 and Contingent Capital 2013).

3. Convertible bond/mandatory convertible bond

Gigaset AG's extraordinary shareholders' meeting held on December 19, 2013, established the authorization to issue bonds with warrants and/or convertible bonds.

Therefore, the Executive Board decided to issue a convertible bond in the total notional amount of EUR 9,476,877.00 in order to bolster the Company's liquidity. The convertible bond is designed so that the convertible bonds are converted into no-par value shares at the end of the term if they have not already been converted before they mature (mandatory convertible bonds).

In June 2014, Gigaset published the securities prospectus for the public offer to subscribe to a non-subordinated and unsecured convertible bond with a total volume of EUR 9,476,877.00 divided into 9,476,877 equal bearer bonds with a notional amount of EUR 1.00 (mandatory convertible bonds). The mandatory convertible bonds accrue interest at a rate of 3% p.a. due on the conversion date.

The mandatory convertible bonds can each be converted into a no-par value bearer share with a computed share in the share capital amounting to EUR 1.00 for each no-par value share that entitles the bearer to receive a share of the profits starting in the fiscal year in which they are issued. The mandatory convertible bonds mature on January 23, 2016. On this key date, all outstanding mandatory convertible bonds that have not yet been converted by the bond holder will be converted and the outstanding interest will be paid in accordance with the terms of the mandatory convertible bond.

The Company's shareholders were granted subscription rights. The Company offered to let its shareholders and the holders of the convertible bond from 2014 subscribe to the mandatory convertible bonds at a 3 for 31 subscription ratio, i.e. every 31 subscription rights entitled the subscription of 3 mandatory convertible bonds, whereby each old share and/or convertible bond from 2013 granted one subscription right. Subscription rights were excluded for fractional amounts. There was no plan to allow for the trading of subscription rights on the stock exchange. Mandatory convertible bonds not acquired by shareholders that chose not to exercise their subscription rights were acquired by Goldin Fund Pte. Ltd., Singapore (Singapore). In total, around 1.5% of subscription rights to mandatory convertible bonds were exercised; consequently, Goldin Fund Pte. Ltd., Singapore (Singapore) acquired a total of 9,337,935 mandatory convertible bonds.

In accordance with the provisions of IFRS, the mandatory convertible bonds were to be divided into equity and debt capital components, since they represented a compound financial instrument.

The holders of mandatory convertible bonds have a call right under certain circumstances. This can be exercised in the event of a change of control (except by the anchor investor Pan Sutong and his direct heirs or (legal) persons directly or indirectly controlled by Pan Sutong or his direct heirs), an insolvency on the part of Gigaset AG, the violation of obligations arising from the mandatory convertible bonds and/or violation of contractual duties under the syndicated loan. The occurrence of these conditions is considered to be extremely unlikely. The issuer has a call right if the total notional amount of the outstanding mandatory convertible bonds is 20% or less.

The carrying amount of the debt capital components was calculated to be EUR 385 thousand at the issue date, while that of the equity components was EUR 8,933 thousand, EUR 9,477 thousand of which was allocated to the subscribed capital and EUR -159 thousand of which to the share premium. The carrying amounts were calculated under consideration of the directly allocable costs of the capital measures. The option or obligation to convert represents neither a freestanding derivative nor an embedded derivative that must be separated as defined under IAS 39.

The liability under the mandatory convertible bonds shown in the statement of financial position represents a debt capital component that is recognized using the effective interest method in accordance with the IFRS.

No mandatory convertible bonds were converted into no-par value shares by September 30, 2014. Therefore, all mandatory convertible bonds issued were still outstanding as of the reporting date. Due to the time to maturity, the liability is presented under non-current liabilities from convertible bonds.

As of September 30, 1,480,927 mandatory convertible bonds of the mandatory convertible bond issued in 2013 were still outstanding (December 31, 2013: 1,527,755). The associated debt capital components are presented under current liabilities from mandatory convertible bonds until April 22, 2015, due to the time to maturity.

4. Current financial liabilities

As a result of the capital measures carried out in July 2014 (see 2. Equity (capital increase) and 3. Convertible bond/ mandatory convertible bond), the current financial liabilities still outstanding (December 31, 2013: EUR 30,201 thousand) were repaid in full in July 2014.

5. Pension obligations and deferred tax assets

The pension obligations were adjusted on the basis of the current relevant interest rate level as of September 30, 2014, using an approximation method. Based on a decrease in the relevant interest rate level of around 0.90%, the pension obligations increased from this effect by around EUR 13,858 thousand and deferred tax assets increased by around EUR 4,310 thousand.

6. Provisions and other liabilities

Other provisions as of December 31, 2013, included a provision in the amount of EUR 6.3 million for other tax liabilities for a foreign investment, which concretized after the judgment was served in September 2014. Therefore, the amount previously shown under other provisions was reclassified to other liabilities in the amount of EUR 6.8 million following further additions to the provision totaling EUR 0.5 million over the course of 2014.

7. 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 September; 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.

8. Restructuring

The restructuring begun in the fourth quarter of 2012 was continued as planned. In the first three quarter of 2014, there was a cash outflow of EUR 1.4 million as a result of these restructuring measures. The remaining provision for restructuring as of September 30, 2014 amounts EUR 0,5 million.

9. Financial assets and Liabilities

The fair values of financial assets and liabilities as of September 30 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. Non-current financial liabilities increased by EUR 390 thousand as a result of the mandatory convertible bond issued in July 2014. Since the mandatory convertible bond issued in 2013 matures in April 2015, the liability from this mandatory convertible bond is no longer shown separately in the table due to its current nature. There were 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:

9/30/2014		Level		
€ (000)	1	2	3	Total
Financial assets				
Derivative financial instruments	0	1,373	0	1,373
Financial liabilities				
Financial liabilities (non-current)	0	390	0	390
Derivative financial instruments	0	138	0	138

12/31/2013		Level		
€ (000)	1	2	3	Total
Financial assets				
Derivative financial instruments	0	384	0	384
Financial liabilities				
Financial liabilities (non-current)	0	77	0	77
Derivative financial instruments	0	423	0	423

Other assets include derivative financial assets in the amount of EUR 1,373 thousand (December 31, 2013: EUR 384 thousand). Current derivative liabilities in the amount of EUR 138 thousand (December 31, 2013: EUR 251 thousand) are presented under other liabilities. There are no longer any non-current derivative liabilities as of September 30, 2014 (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.

10. 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 September 30, 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 September 30, 2014; however, they comprised the following items as of September 30, 2013:

€ (000)	Amount prior to impairment 9/30/2013	Impairment under IFRS 5 2013	Amount after impairment 9/30/2013
Assets			
Deferred tax assets	3,247	0	3,247
Inventories	2,346	0	2,346
Current receivables and other assets	10,145	0	10,145
Cash and cash equivalents	334	0	334
Total	16,072	0	16,072

€ (000)	Amount prior to impairment 9/30/2013	Impairment under IFRS 5 2013	Amount after impairment 9/30/2013
Liabilities			
Deferred tax liabilities	3,431	0	3,431
Provisions	240	0	240
Other liabilities	12,936	0	12,936
Total	16,607	0	16,607

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

€ (000)	1/1 - 9/30/2013
Cash inflow (+)/outflow (-) from operating activities	-1,243
Cash inflow (+)/outflow (-) from investing activities	-4
Cash inflow (+)/outflow (-) from financing activities	550
Change in cash and cash equivalents	-697

11. Changes in the consolidated group

In addition to the parent company, 27 group companies were consolidated and included in Gigaset's consolidated financial statements as of September 30, 2014; 7 of which domestic and 20 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 September 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 September 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 18,053 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:

€ (000)	
Assets	
Current assets	18,000
Total	**18,000**
Liabilities	
Liabilities	4,408
Total	**4,408**

AT Operations 1 GmbH, Munich, and AT Operations 2 GmbH, Munich, as well as the wholly owned subsidiary of AT Operations 2 – Arques Beta Beteiligungs GmbH i.L., Vienna/Austria – was sold to an investor on May 26, 2014. The negative purchase price amounted to EUR -130 thousand. The disposed assets amount to EUR 144 thousand, including EUR 0 thousand in cash and cash equivalents, whereas the liabilities amounted to EUR 134 thousand. The deconsolidation loss amounts to EUR 218 thousand under consideration of consolidation effects and other expenses related to the transaction and is presented under Other operating expenses.

On August 28, 2014, 100% of the interest in Hortensienweg Managment GmbH, Munich, was sold by Gigaset AG, Munich, to Hortensienweg Verwaltungs GmbH, Munich, which is also a wholly owned subsidiary of Gigaset AG. On the same day, Hortensienweg Management GmbH transferred the entirety of its assets to Hortensienweg Verwaltungs GmbH – its sole shareholder – by means of merger through acquisition with a merger agreement dated August 28, 2014, with all rights and obligations, excluding the possibility of liquidation in accordance with section 2 et seqq. and section 46 et seqq. of the German Transformation Act (Umwandlungsgesetz, UmwG). The merger agreement was based on the transferring entity's closing statement of financial position as of July 31, 2014. The acquisition of the transferring legal entity's assets by the acquiring legal entity was carried out internally effective as of the expiry of July 31, 2014, at midnight.

Gigaset Asset Invest GmbH, Vienna, was merged with its 100% parent company Gigaset Industries GmbH, Vienna, with a merger agreement dated August 28, 2014. The merger date was set internally as December 31, 2013. Beginning in 2014, the success of the business will be fully attributed to Gigaset Industries GmbH, Vienna. For the merger, the preferential reorganization tax treatment under Article I of the Austrian Reorganization Tax Act (Umgründungssteuergesetz, UmgrStG) was taken advantage of.

12. 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:

€ (000)	2014
Balance January 1	0
Additions	18,053
Profit or loss attributable based on the equity method	2,593
Balance on September 30	**20,646**

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):

€ (000)	9/30/2014
Current assets	138,302
of which cash and cash equivalents	21,658
Non-current assets	188
Current liabilities	82,329
of which financial liabilities (excluding trade payables, other liabilities, and provisions)	0
Non-current liabilities	0

€ (000)	1/1 - 9/30/2014
Sales revenues	146,783
Depreciation and amortization	4
Interest income	60
Interest expense	0
Income tax expense	-15
Profit from continuing operations	3,195
Other comprehensive income	4,801
Total comprehensive income	7,996

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

13. 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.

The "Other" segment as of 30. September 2014 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 September 30, 2014	Europe	Americas	Asia-Pacific/ Middle East	Gigaset total
Revenues				
External revenues	208,134	1,859	8,944	218,937
Continuing operations	208,134	1,859	8,944	218,937
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	208,134	1,859	8,944	218,937
Continuing operations	208,134	1,859	8,944	218,937
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBITDA	14,387	-1,462	-143	12,782
Continuing operations	14,387	-1,462	-143	12,782
Discontinued operations	*0*	*0*	*0*	*0*
Depreciation and amortization	-17,961	-3	-7	-17,971
Continuing operations	-17,961	-3	-7	-17,971
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	-3,574	-1,465	-150	-5,189
Continuing operations	-3,574	-1,465	-150	-5,189
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 September 30, 2014
				Revenues
0	0	0	218,937	External revenues
0	0	0	218,937	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	218,937	Total revenues
0	0	0	218,937	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
-5,696	0	0	7,086	Segment EBITDA
-5,696	0	0	7,086	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
-1	0	0	-17,972	Depreciation and amortization
-1	0	0	-17,972	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*
-5,697	0	0	-10,886	Segment EBIT
-5,697	0	0	-10,886	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
			1,036	At equity valuation result
			0	Value adjustment on financial assets
			-1,472	Net interest income/expenses
			-11,322	Income/expenses from ordinary activities
			163	Income taxes
			-11,159	**Consolidated net income/loss**
			0	Non-controlling interests
			-11,159	Consolidated net income/loss attributable to shareholders of Gigaset AG

January 1 to September 30, 2013	Europe	Americas	Asia-Pacific/ Middle East	Gigaset total
Revenues				
External revenues	230,378	12,346	17,433	260,157
Continuing operations	230,378	12,346	17,433	260,157
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	230,378	12,346	17,433	260,157
Continuing operations	230,378	12,346	17,433	260,157
Discontinued operations	*0*	*0*	*0*	*0*
Segment EBITDA	17,638	-2,774	861	15,725
Continuing operations	17,638	-2,774	861	15,725
Discontinued operations	*0*	*0*	*0*	*0*
Depreciation and amortization	-20,094	-13	-11	-20,118
Continuing operations	-20,094	-13	-11	-20,118
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	-2,456	-2,787	850	-4,393
Continuing operations	-2,456	-2,787	850	-4,393
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 September 30, 2013
				Revenues
0	4,747	0	264,904	External revenues
0	0	0	260,157	Continuing operations
0	*4,747*	*0*	*4,747*	*Discontinued operations*
0	48	-48	0	Internal revenues
0	0	0	0	Continuing operations
0	*48*	*-48*	*0*	*Discontinued operations*
0	4,795	-48	264,904	Total revenues
0	0	0	260,157	Continuing operations
0	*4,795*	*-48*	*4,747*	*Discontinued operations*
-946	-3,169	0	11,610	Segment EBITDA
-946	0	0	14,779	Continuing operations
0	*-3,169*	*0*	*-3,169*	*Discontinued operations*
-2	0	0	-20,120	Depreciation and amortization
-2	0	0	-20,120	Continuing operations
0	*0*	*0*	*0*	*Discontinued operations*
0	1,935	0	1,935	Impairments
0	0	0	0	Continuing operations
0	*1,935*	*0*	*1,935*	*Discontinued operations*
-948	-1,234	0	-6,575	Segment EBIT
-948	0	0	-5,341	Continuing operations
0	*-1,234*	*0*	*-1,234*	*Discontinued operations*
			0	At equity valuation result
			-85	Value adjustment on financial assets
			-2,332	Net interest income/expenses
			-8,992	Income/expenses from ordinary activities
			-8,677	Income taxes
			-17,669	**Consolidated net income/loss**
			0	Non-controlling interests
			-17,669	Consolidated net income/loss attributable to shareholders of Gigaset AG

14. 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:

€ (000)	Expenses 1/1 - 9/30/2014	Sales revenues/ income 1/1 - 9/30/2014	Receivables 9/30/2014	Liabilities 9/30/2014
Gigaset	5,080	543	1,886	5,914
Gigaset Mobile Pte. Ltd.	543	5,080	5,914	1,886

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.

In accordance with IAS 24, Related Party Disclosures, the business relationships with Guangzhou Cyber Digital Technology Company Limited, Guangzhou/China, are to be listed under business relationships with related parties. 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:

€ (000)	Expenses 1/1 - 9/30/2014	Sales revenues/ income 1/1 - 9/30/2014	Receivables 9/30/2014	Liabilities 9/30/2014
Gigaset	0	623	623	306
Guangzhou Cyber Digital Technology Company Limited	623	0	306	623

The receivables include income from the sales of property in the amount of EUR 0,2 million.

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.

15. Significant events after the reporting period

The shareholder Ludic GmbH has started legal action against two resolutions adopted by the annual shareholders' meeting on August 12, 2014. The petition was received by the court on September 15, 2014. The action was raised against the resolutions adopted under agenda items 2 (Resolution regarding approval of the actions of the members of the Executive Board) and 3 (Resolution regarding approval of the actions of the members of the Supervisory Board). The plaintiff has asked for the resolutions listed above to be declared null and void. The Company was notified of the action on November 5, 2014 and the petition is being dealt with by the Munich District Court I (Chamber for Commercial Matters) under file reference 5 HKO 17752/14. The court has first ordered preliminary written proceedings. A date for the oral proceedings has not yet been set.

Munich, November 7, 2014
The Executive Board of Gigaset AG

Charles Fränkl Dr. Alexander Blum Maik Brockmann

Financial Calendar 2015

March 31, 2015

› Audited Financial Statements for the fiscal year 2014 & Year-End press conference

May 21, 2015

› 1st quarterly report for the fiscal year 2015

August 6, 2015

› 2nd quarterly report for the fiscal year 2015

November 10, 2015

› 3rd quarterly report for the fiscal year 2015

Subject to change

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Gigaset

Report for the 3rd Quarter 2014

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