Gigaset

REPORT FOR THE 2ND QUARTER 2015

KEY FIGURES

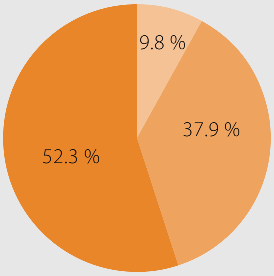
EUR million	01/01/-06/30/2015	01/01/-06/30/2014
Consolidated revenues	142.6	**147.0**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1.7	**2.3**
Earnings before interest and taxes (EBIT)	-8.5	**-9.9**
Consolidated profit/loss	-9.0	**-10.9**
Free cash flow	-24.0	**-26.9**
Earnings per share (diluted in EUR)	-0.07	**-0.11**

EUR million	06/30/2015	31.12.2014
Total assets	207.9	**251.2**
Consolidated equity	33.3	**41.2**
Equity ratio (%)	16.0	**16.4**

The Gigaset Share	Q2 / 2015	Q2 / 2014
Closing rate in EUR (at the end of the period)	0.76	1.00
Peak price in EUR (in the period)	0.94	1.03
Lowest price in EUR (in the period)	0.76	0.97
Number of shares in circulation (at the end of the period)	122,979,019	96,446,813
Market capitalization in EUR million (at the end of the period)	93.464	96.254

Sales broken down by region

Q2 / 2015

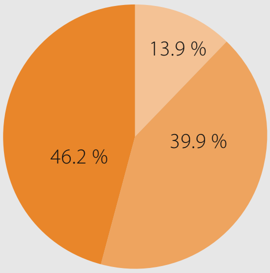


Germany

European Union

Rest of World

Q2 / 2014



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Dear Shareholders,

With respect to the development of the current business trend, Gigaset got off to a good start in the first quarter. Sales revenue in the second quarter increased by 7.9% year-on-year. We were even able to report a slightly positive net consolidated profit in the amount of EUR 0.8 million not least of all thanks to the successful hedging of our exposure to the exchange rate between the euro and the U.S. dollar. Unfortunately, this positive trend did not continue in the second quarter. Similar to prior years, revenues once again decreased by 12%. The seasonally weak free cash flow trend was also negatively impacted by further effects such as the outflows of a voluntary program to reduce personnel costs and payments from the settlement with Evonik. The consequence of these developments was that all earnings figures once again clearly slipped into negative territory in the second quarter. This report provides further information on these specific details below. This development unmistakably shows that it remains necessary to continue full steam ahead with the reorientation of the Company. On the one hand, this means investment in the development of new business segments and on the other, the adjustment of the cost structures vigorously pursued by us. As a consequence, we are essentially standing by our outlook for the current fiscal year, despite the expected non-recurring effects from the reorientation of the brand and domain rights; but we are updating the outlook as follows:

The Company continues to expect the market in the business with cordless telephones to continue declining this year. Therefore, Gigaset continues to invest in the development of new and promising segments and product groups. These investments will result in additional contributions to sales revenue that, however, will not be able to completely compensate the decline in the cordless telephone business this year. Therefore, Gigaset expects the following for the current fiscal year in Consumer Products, Business Customers, and Home Networks segments (excluding the business with mobile consumer devices):

› Decreasing sales revenue in continuing operations in the high single digit to lower double digit percentage range.

› Once again positive EBITDA in the lower double-digit millions. However, due to the decrease in sales revenue, the necessary investments in the establishment of new segments, and the accelerated restructuring of the Company, EBITDA is expected to fall short of the previous year's result. The EBITDA margin is expected to be in the lower to mid-single-digit range.

› Non-recurring effects will clearly increase free cash flow in the current fiscal year. However, the free cash flow expected from the operating business remains unchanged. Due to the extensive capital investments in the new segments, Gigaset AG expects that free cash flow excluding non-recurring effects will be negative in the high single-digit to lower double-digit millions.

In addition, Gigaset expects positive contributions to earnings from the business with mobile consumer devices, in particular from the future smartphone business. However, these figures will only become clear after we enter the market.

In this context, the Gigaset Group is about to make one of the most important product announcements in its history. Gigaset Mobile Pte. Ltd., Singapore (in short: Gigaset Mobile), which is jointly managed by Goldin and Gigaset, will present a portfolio of smartphones at the IFA consumer electronics trade show in September 2015. This will fundamentally change the dynamics of the Gigaset Group's business, as we will thereby be entering a market that is many times larger than is the case with our core business with DECT telephones. The entry into this new business segment was only made possible by our strategic Investor Goldin. Thanks to Goldin, Gigaset now has access to a larger group and is in a position to open the doors to this new and exciting segment. In order to be able to structure the market entry and entire production as efficiently as possible, we are pleased that Du Guoyu and Yang Yuefeng will further round out the team of executive directors as Chief Marketing Officer and Chief Operating Officer, respectively. We welcome both colleagues to our group.

The devices that will soon appear on the market were developed in a joint effort by a team of highly skilled individuals from all over the Gigaset Group. They are manufactured in China, as is also the case at many of our competitors. We assure you that the products will be of very high quality and fully live up to the high standard that consumers expect from the premium brand. The necessary funds for product development and marketing were provided in particular by Goldin, which bears the key entrepreneurial risk of the market entry. In contrast, Gigaset AG's risk is limited to the EUR 18 million in capital invested in Gigaset Mobile back in 2014. However, Gigaset will profit from the smartphone business as a result of its sales commissions, service agreements, and potential profit shares from its interest in Gigaset Mobile.

Gigaset Mobile is currently doing everything possible to structure the launch successfully. The sponsorships of the British horse racing track in Ascot and the prestigious "Royal Ascot" race as well as the involvement with FC Bavaria Munich are the first signs of the impending, large scale campaign. The recently announced realignment of the brand and domain rights should also be seen in this context. The marketing budget necessary for entry to the market far exceeds the previously available funds of Gigaset AG and Gigaset GmbH and will therefore be shouldered by Gigaset Mobile. It is entirely understandable that Goldin does not wish to carry out these investments in a product that does not legally belong to it. Therefore, we have transferred the trademark rights to the Goldin Brand for a very reasonable purchase price, but not without securing the rights of use to the brand for our segments "Cordless Telephones", "pro" and "Gigaset elements" permanently, free of charge, and largely exclusively. Consequently, nothing will change for the Gigaset Group's long-standing business segments except for the fact that we are receiving a total of EUR 35 million thanks to the agreement, which we will invest in the future security of the Company. In addition, it is important that the brand will be jointly managed in the future. Gigaset also secured a preemptive right in the event that Goldin should one day unexpectedly wish to separate itself from the brand.

As you can see, all the key elements for Gigaset Mobile's entry into the smartphone business has been successfully put into place. A new era for the Gigaset brand can now begin!

Sincerely,

The Executive Board

IMPORTANT EVENTS IN Q2 2015

A new era begins: Gigaset enters the smartphone market

Gigaset expands its portfolio so that it can concentrate in the future on the most important growth markets for Smart Home solutions and mobile devices. As the most important step, Gigaset is introducing a new smartphone portfolio just in time for the IFA consumer electronics trade show in Berlin. The elegant and timeless design that has become characteristic for the traditional brand over the decades as well as German engineering ingenuity are fundamental factors in the development of the new device. In the course of a successful strategic reorientation of the brand, the Company transformed itself by 2015 from a pure hardware vendor to a supplier of fully integrated digital solutions that provides a cloud-based eco-system with a comprehensive range of services and devices.

Gigaset sponsors a charity polo match of royal magnitude

Gigaset Mobile sponsors a charity polo match as part of the "Gloucestershire Festival of Polo". In the exciting match between the Piaget team and the Royal Salute Team led by Prince Harry, the Royal Salute Team prevailed with a score of 5 to 4. The donations collected in connection with the event benefited the organizations chosen by the Princess "Irish Guards Appeal", "Household Cavalry Appeal", and "England and Wales Mountain Rescue".

Gigaset is the official partner of Ascot and Royal Ascot

Gigaset is the new official partner of the world famous Ascot Racecourse in the United Kingdom and the prestigious Royal Ascot race. As a premium partner of Ascot Racecourse Limited, the brand is presented year-round at both flat track races as well as show jumping tournaments. The partnership agreed between Ascot Racecourse Limited and Gigaset Mobile, which also bears the sponsoring costs, runs until the end of 2019. An exciting development in the world of sports: The Ascot Racecourse Limited race track announces the leading consumer electronics group Gigaset as its official partner and 'Official Consumer Electronics Partner'.

Gigaset AG expands its Executive Board

In its meeting held on May 28, 2015, the Supervisory Board of Gigaset AG appointed Yang Yuefeng and Du Guoyu to the Company's Executive Board effective June 1, 2015, until December 31, 2017. Mr. Yang has decades of experience in telecommunications markets and will take over the role of Chief Operating Officer (COO) at Gigaset. Mr. Du, who previously worked in a similar role at another reputable company, will be responsible for the area of Sales and Marketing as Chief Marketing Officer (CMO).

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2015

1 Business model

Gigaset AG is a corporate group with telecommunications operations all around the world. The Company, with its headquarters in Munich, a production center in Düsseldorf, and its main production site in Bocholt, is the leading brand in Western Europe measured on total sales with the cordless telephones it develops and manufactures based on the "Digital Enhanced Cordless Telecommunications" (DECT) standard. Measured on the number of base stations sold, Gigaset is in second place worldwide. The premium vendor has a market presence in approximately 70 countries and employed nearly 1,350 people in 2014.

The Group covers a broad market base with its Consumer Products, Business Customers, Home Networks (Gigaset elements), and Mobile Products segments. Gigaset is renowned for its high quality and forward looking telecommunications products.

The Gigaset Group divides its global operations into regional segments. Most of its sales revenue is generated in Europe, in particular in Germany and France. The majority of total sales are made in the Consumer Products segment and thus from the Cordless Voice Telecommunications business. Gigaset markets its products through a direct as well as indirect distribution structure.

1.1 Consumer Products

Gigaset is the European market and technology leader in DECT telephony. DECT stands for Digital Enhanced Cordless Telecommunications and is the most successful telecommunications standard for cordless telephones in the world. Gigaset contributed significantly to shape the DECT standard in the 1990s. Since then, the Company has maintained its position as a premium vendor in the European market and as the technology leader for DECT telephony. High market penetration is a key factor behind the Company's success. In 2013, one out of every four homes in Europe had a Gigaset phone and one in every two in Germany. According to a study from 2012, Gigaset enjoys a brand awareness of over 80% in Germany. The Company's proprietary products are manufactured predominantly 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 segment has created an attractive range of corded telephones, telephone systems (so called "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 speech 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 consultation required for commercial products, Gigaset only distributes the pro line through value-added resellers (VARs). The Gigaset pro product line is currently only sold in European markets, whereby the most important markets are Germany, France, Italy, and the Netherlands. Gigaset has greatly expanded its product range with Gigaset pro, enabling it to tap new customer groups. The Company markets a product line which, in addition to the private customers that it has traditionally served with great success, now also includes small offices and home offices (known as the SOHO market) and the fast-growing, high-potential SME market for professional IP telephone systems. The intention is to turn Gigaset pro into a second pillar of the Company in this growing SME market over the coming years that will contribute a significant proportion of revenues in the future.

1.3 Home Networks

With “Gigaset elements”, Gigaset launched a modular, sensor-based “Connected Living” system for private households. It enables the user to maintain a permanent connection to Gigaset elements in their home via smartphone. The starter kit offers customers the possibility of receiving relevant information about their house at all times and everywhere, and enables the user to react immediately to unforeseen events. The portfolio of sensors is continually expanding. Meanwhile, a siren, a window sensor, and a camera can be purchased to supplement the starter kit. The Bluetooth product “G-tag” available starting in February 2015 also underscores the current focus on increased comfort through “Connected Living”, by helping customers stay in contact with their personal things. The system is ready for additional applications regarding issues such as energy or assistance for the elderly and corresponding sensors or actuators can be added at any time.

1.4 Mobile Products

Based on 160 years’ experience in the communications industry, the newest Gigaset division – “Mobile Products” – will, alongside the existing divisions, form an important cornerstone for the growth and profitability of the company. At the IFA electronics fair in September 2015, Gigaset Mobile Pte. Ltd., Singapore (jointly managed by Goldin and Gigaset) will introduce a portfolio of smartphones.

2 Market and industry environment

2.1 General economic environment

After an unexpectedly weak first quarter of 2015, the global economic trend should once again pick up momentum over the course of the year. In the industrial countries, the increases in production in the euro zone and in Japan only partially compensated a decline in economic output in the U.S.A., where special factors led to a decrease in gross domestic product at the start of the year. The emerging markets also got off to a weak start in 2015. In addition to a recent economic downturn, growth in these markets has been slowing for the past few years. However, the global economy’s pace of expansion should accelerate slightly over the further course of the year. In the U.S.A., the economy should pick up again, while growth in the euro zone and in Japan remains robust.[1]

The economic upswing in Germany continued at the beginning of 2015. The primary driver remains the extraordinarily favorable consumer climate that – in line with the labor market situation, which remains very good – is manifest in confident income expectations as well as a high propensity to buy on the part of private households and is also tangibly reflected in retail sales. In contrast, the industrial economy has so far only expanded modestly. Nevertheless, incoming orders recently rose once again, and the latest results of a survey on business and export expectations by the DIHK (Deutscher Industrie- und Handelskammertag e.V.), the central organization of the German Chambers of Commerce and Industry, suggest that the industry could soon shift into a higher gear.[2] For the current year, the Kiel Institute for the World Economy (IfW) expects an increase of 1.8% in gross domestic product. Consumer spending continues to boom, even though it won’t increase quite as much as in the preceding quarters, since temporary stimulating factors gradually no longer apply. The investment upturn is consolidating appreciably. Exports are holding their ground in an international environment that remains difficult and are additionally stimulated by the depreciation of the euro. Inflation is picking up once again, after being meanwhile

1. DIW Wochenbericht no. 26.2015
2. Deutsche Bundesbank Monthly Report June 2015

noticeably moderated by the decline in the price of oil. Employment continues to increase, although there are initial signs that the introduction of the minimum wage has already led to job losses.[3] The scope of registered unemployment in June remained at May's low level with a seasonally adjusted 2.79 million people, after the downward trend had increasingly leveled off in the preceding months. The unemployment rate remained at 6.4%. Compared to the prior year, there were 122,000 fewer unemployed people and the unemployment rate had decreased by 0.3%.[4]

2.2 Telecommunications market

2.2.1 Consumer Products Market

The market as a whole for cordless telephones in the markets observed by Gigaset in Europe recovered slightly in the first quarter of 2015 measured on sales revenues and units. For example, the market in Q1 2015 decreased by only 0.5% year-on-year in unit volume while it remained stable in value. Gigaset may have lost some of its market share in Europe compared to the prior year, but it was able to maintain its position in the top 3 of the market. As expected by the Company, the market trend in Western Europe points to continued consolidation with an overall stable price level.[5]

2.2.2 Business Customers Market

The European market for telecommunication solutions for corporate customers declined by approximately 4.0% over the past 12 months (April 1, 2014, to March 30, 2015). A differentiation is made within the overall market between extensions with classic "TDM" technologies (time-division multiplexing) (i.e. ISDN) and extensions with Voice-over-IP technologies (VoIP). In the VoIP market segment addressed by Gigaset pro, the market trend remained steady, i.e. the market decline only affected the TDM market. Similar to the market for private customers, a substitution of fixed-line telephony in favor of cell phones can be observed, whereby this substitution is considerably slower in the corporate customer segment than in the market for private customers. Gigaset pro only addresses the relatively expanding VoIP market in the VoIP environment with VoIP systems and so-called hybrid VoIP systems. The share of VoIP in the market as a whole expanded slightly to 52%. This market segment is expected to continue to grow and increasingly crowd out the classic TDM technologies.[6]

2.2.3 Home Networks Market

The market for Smart Home Systems & Services (SHSS) in Western Europe is considered to be extremely promising. The number of Smart Home households should increase from around 20 million in 2014 to approximately 25 million in 2015 and to approximately 50 million by the end of 2019. Since the DECT-ULE standard is being implemented in the Smart Home area by an increasing number of Western European vendors, the market research institute Strategy Analytics expects sales revenue to more than double in this segment between 2014 and 2019 in Western Europe.

Based on an estimate by Strategy Analytics, approximately 11% of Western European households could be referred to as "smart" in 2014. Sales revenue in this area is expected to increase from EUR 6.0 billion in 2014 to EUR 7.2 billion in 2015 and to EUR 12.4 billion in 2019. In Germany alone, the market is expected to increase from EUR 1.4 billion in 2014 to EUR 2.8 billion in 2019.[7]

By 2019, an expected 33% of German households will have at least one type of Smart Home system installed. Added value that is recognizable by the inhabitants and which increases the quality of living is important for the acceptance of the devices and services for intelligent home living. Plug & Play capability, reliability, and simple operation play a key role. Since the share

3. Kiel Institute Economic Outlook No. 8 (2015|Q2) – German Economy
4. Bundesbank Monthly Report July 2015
5. The data was taken from surveys by the Retail Panel for cordless telephones of GfK Retail and Technology GmbH in the countries of Germany, France, the United Kingdom, Italy, the Netherlands, and Spain. Collection period: Jan - Mar 2015; Basis GfK Panel Market
6. MZA - PBX-IP PBX - Quarterly Q1 2015 - Excel Tables - Rolling Annual Totals, MZA Consultants, June 5, 2015
7. Smart Home Systems and Service Forecast Germany, 2014

of newly constructed buildings compared to existing properties in Germany is negligible, the market in Germany can be conquered in particular with affordable, cable-free upgrade packages for existing buildings. According to consumer surveys, Smart Home solutions are already used by every seventh German resident (age 14 and older) and are now considered to be indispensable for 8 out of 10 users.[8]

2.3 Mobile Products

For 2015, Strategy Analytics expects global smartphone market volume to grow by 11% year-on-year. The reasons for the persistent demand on the part of consumers and corporate customers include in particular greater bandwidth thanks to new LTE networks, faster processors, and larger displays. In particular devices with large screens of more than 5 inches in size – so-called phablets – are in high demand according to market researchers. The majority of cell phone users prefer larger screens in particular because they ensure a clearer overview of websites, videos displayed in larger formats, and other data-centric applications.[9]

3 Business performance

3.1 Consumer Products

Gigaset's sales strategy still aims to maintain the price premium of the Gigaset brand name on the market and to hold the large market share in the European area.

Gigaset was able to defend its clear premium position over the competition and realized an average sales price with its portfolio that exceeded that of its competitors by 20.0% . In the crucial European core markets, Gigaset also maintained its large market share based on sales revenue (32.5%) and unit volume (28.4%) in the second quarter of 2015.[10]

In the second quarter, the CL750 (Sculpture), a modern design telephone, was first introduced to the French market. This market is best developed in France; the telephone will be introduced to other countries in the third quarter. The new Gigaset Sculpture is the perfect alliance of design, technology, and user-friendliness. Its unique sculptural shape, ergonomic lines and flawless surfaces make for a stunning addition to your contemporary home interior. The phone's stand-alone base station allows you to position the handset and its charger unit anywhere you wish, giving you absolute flexibility, while Gigaset's High Sound PerformanceTM technology delivers brilliant sound quality even during hands-free calls so you and your family can enjoy every landline phone conversation to the fullest.

The A540 CAT handset, certified according to CAT-iq 2.0, is the perfect supplement for DECT routers that use the CAT-iq standard. The handset in proven Gigaset "Made in Germany" quality, which received the reddot Design Award, enables telephoning and hands-free calls in excellent audio quality (HD Voice) as well as the proven convenience telephony. Call numbers and/or names are shown in the display for incoming calls (CLIP/CNIP). In addition, Gigaset A540 CAT recognizes call lists and the central telephone book in the router and thereby enables direct callbacks from this list and/or the telephone book. Of course, an answering machine can also be used, whether it be implemented in the network or in the router. The high-contrast handset display and high-quality keypad enable simple operation. The CAT-iq A540 CAT telephone is marketed, among other things, together with the router manufacturer TP-LINK. Gigaset opted for this new approach, because CAT-iq telephones are explicitly developed to work together with routers. TP-LINK is the worldwide largest manufacturer of broadband equipment.

8. Bitkom, Smart Home in Germany, December 2014
9. Strategy Analytics, July 2014
10. The data was taken from surveys by the Retail Panel for cordless telephones of GfK Retail and Technology GmbH in the countries of Germany, France, the United Kingdom, Italy, the Netherlands, and Spain. Collection period: Jan - Mar 2015; Basis GfK Panel Market

3.2 Business Customers

Sales revenue in the Business Customers segment grew by around 9% in the second quarter of 2015 compared to the same period in the prior year (second quarter of 2014). This growth was driven in particular by the business under the "Gigaset pro" brand originated in particular in the regions of Germany, France, the United Kingdom, and the Netherlands. Overall, the first half of 2015, which was characterized by clear sales growth year-on-year, was very successful for the Business Customers segment.

The newly introduced product Maxwell 10 contributed significantly to this development and will also provide for further growth. We will continue to press ahead with the newly defined product portfolio, which will also lead to further product introductions in this fiscal year.

The regional expansion will be further promoted – various regions are currently being evaluated with regard to expanding the market presence in order to also enable further scaling regionally.

3.3 Home Networks

Gigaset distributes its "Gigaset elements" products over the retail network and online shops. The sensors can now be purchased in Germany, France, Switzerland, Austria, the Netherlands, Sweden, and the Czech Republic. The market introduction in other countries is currently being prepared.

The Starter kit forms the basis for Gigaset elements' manifold possibilities. It consists of two intelligent DECT ULE-based sensors – a door sensor and a motion detector – as well as the base station and an app for smartphones. Gigaset elements is supported by an intelligent, adaptable, and secure cloud as an interface between your home and smartphone. The system can be expanded modularly. A siren as well as separate door and window sensors can also be purchased. Furthermore, Gigaset came out with an innovative, HD-based camera for the elements system that can be purchased in all Gigaset elements countries. "camera" enables users to acquire additional options in the form of various packages. The Freemium package, which provides basic features, is already included in camera's range of functions. In order to get acquainted with the range of functions of the various packages "Safety", "Smart", and "Director's Cut", users had the opportunity to test all functions in the first three months after purchase in the so-called "Welcome Package" for the price of EUR 0.89. The individual packages can be easily acquired by means of in-app purchases billed over the Apple App Store (iOS) or the Google PlayStore (Android). In the third quarter of 2015, the camera will also be made available to customers who do not yet have a functioning Gigaset elements system. A dedicated mobile application will be made available specifically for this purpose. Customers can easily upgrade to a complete Gigaset elements system.

Furthermore, the Company plans to introduce additional elements to the market. For instance, the sensor family will be supplemented by a controllable electrical outlet and a wireless push button switch this year. Then a smoke detector is also planned for the beginning of 2016. The central software platform of the cloud is also being successively equipped with new functions. In order to address new segments, Gigaset is focusing on machine learning and open interfaces for the cloud – so-called Application Programming Interfaces (API´s) that facilitate the connection of devices and services for partners. Overall, this should further increase the attractiveness of Gigaset elements.

An innovative new product has been available from Gigaset since February 2015: "G-tag". The G-tag is a Bluetooth -based beacon of the latest generation that searches for objects equipped with it, keeps tabs on them, and tracks them down.

In addition to its core function of finding, the innovation in the Bluetooth market offers additional useful functions suitable for daily use. A location function with whose help, for instance, a parked car can be easily found. A list function that reminds users to take all important items for work when they leave the house. Or an alarm function that sounds as soon as a tagged object leaves the smartphone's Bluetooth range. All of the G-tag's functionalities are enabled by the free Gigaset G-tag app, which is easy to install on all mobile devices with Android 4.3 or iOS 7 and above and is easy to operate. The basis for this is Bluetooth 4.0, which permanently maintains a connection with any number of G-tags. The built-in battery lasts up to one year thanks to the low energy consumption of this Bluetooth generation, after which it can be easily exchanged – other than with many competitive products on the market. In the third quarter, the product G-tag will be integrated into the cloud so that it can offer considerably more utility through the "Community Lost & Found" and common use of G-tags.

3.4 Mobile Products

As the most important step, Gigaset is introducing a new smartphone portfolio at the IFA consumer electronics trade show in September 2015. The elegant and timeless design that has become characteristic for the traditional brand over the decades forms a basis for the development of the new devices. The series of smartphones was developed by a mixed team of German and Chinese experts. The smartphones will contain Gigaset DNA and will be of very high quality and highly competitive. The devices will be made in China as is normally the case. The issue of quality is more important than where they are manufactured. The customers will find the smartphones to be made with German engineering ingenuity and Gigaset quality standards.

In order to kick-off this new era, the Gigaset brand was introduced in May as the official partner of the Ascot and Royal Ascot horse races. The partnership will last for five years from 2015 until the end of 2019. The mutual passion for tradition and the preservation of important fundamental values without neglecting continuous further development makes both the technology company as well as the host of the elite horse race leading visionaries that can look back on a long history. At the same time, the partnership also affords Ascot new possibilities, as Gigaset is its first partner from the electronics industry.

4 The Gigaset Share

After the Gigaset share started in the market better than the TecDax at the beginning of the year, the security's price trend largely tracked the reference index, which moved primarily sideways in the second quarter. The share only managed to break away from the TecDax trend at the end of the period. The publication of surprisingly good figures for the first quarter on April 1, 2015, had little impact on the price trend. The Gigaset share reached its highest level for the second quarter on June 3, 2015, with EUR 0.94. The lowest level for the period was reached on June 29 with EUR 0.76. The 52 week high of January 20, 2015 (EUR 1.30), was no longer reached. Compared to the prior years, the number of shares traded is declining. This could be due to the fact that the number of shares in free float decreased sharply following the investment of the new strategic investor Goldin Fund Pte Ltd. together with Mr. Pan Sutong. The free float currently amounts to approximately 23% as defined by Deutsche Börse AG.

5 Financial performance, cash flows and financial position

5.1 Financial performance

The Gigaset Group generated sales revenue in the amount of EUR 142.6 million (prior year: EUR 147.0 million) in the first six months of fiscal year 2015. Sales revenue results from the core operating segment "Gigaset" and is subject to the typical seasonal fluctuations in the consumer business. The first half of 2015 fluctuated largely at the level of the prior year's results. The slight decrease of 3.0% in sales revenue compared to the first half of the previous year can be explained in particular by the declining market in the core business Consumer Products. Due to the ongoing optimizations in connection with operating activities, the segment reporting was adjusted based on the internal reporting in the first quarter of 2015. The holding company continues to be presented separately from Gigaset's operating activities. Within the operating activities, the geographic areas between the regions "Germany", "EU", and "Rest of World" will be differentiated in the future. For further details, please refer to our comments on segment reporting in the Notes.

The results can be broken down as follows:

Sales revenue in € millions	Q2 2015	Q2 2014	Change
Germany	74.5	67.8	9.9%
Europe	54.1	58.7	-7.8%
Rest of World	14.0	20.5	-31.7%
Gigaset Total	**142.6**	**147.0**	**-3.0%**

Other own work capitalized in the amount of EUR 4.9 million (previous year: EUR 5.7 million) mainly includes costs related to the development of innovative products. Capital expenditures decreased year-on-year, in some cases due to postponements that will be made up in the course of 2015 due to delays in planned projects.

Other operating income amounts to EUR 20.2 million and is thus EUR 12.6 million higher than in the first quarter of 2014. The significant line items include exchange rate gains in the amount of EUR 8.6 million (prior year: EUR 2.4 million), income from derivative financial instruments in the amount of EUR 4.3 million (prior year: EUR 0.7 million), deconsolidation gains in the amount of EUR 2.0 million (prior year: EUR 0.0 million), and income from cost transfers in the amount of EUR 2.0 million (prior year: EUR 0.0 million.). Income from derivatives results from extensive currency hedging transactions, since the last currency hedging transactions expired in December 2014. As of the reporting date, there are 34 foreign currency derivatives to hedge the US Dollar exchange rate against the euro over a notional volume of USD 95.9 million and 1 currency derivative to hedge the exchange rate of the Polish zloty over a notional volume of PLN 0.4 million. In the reporting period, income in the amount of EUR 4.3 million is included from the measurement of the aforementioned foreign currency derivatives, whereas income in the amount of EUR 0.1 million results from the valuation of interest rate swaps. In the second quarter of the prior year, this item included income from the valuation of interest rate swaps in the amount of EUR 0.3 million as well as expenses and income from foreign currency derivatives that had an overall impact of EUR 0.2 million on earnings.

The **cost of materials** for raw materials, merchandise, finished goods and purchased services was EUR 77.5 million – an increase of EUR 8.7 million from EUR 68.8 million in the previous year. The cost of materials rate increased from 47.2% to 53.6%, including changes in inventories. This can be mainly attributed to the negative U.S. dollar exchange rate trend.

Personnel expenses for wages, salaries, social security contributions and old age pensions were EUR 47.9 million and were thus down 3.6% from the previous year's amount of EUR 49.7 million for the first three months. The decrease reflects the implementation of the restructuring program that was initiated in fiscal year 2012 and continued in stages in fiscal year

2013 and 2014. The expenses for wages and salaries, which decreased by EUR 2.6 million compared to the first half of the prior year to EUR 39.0 million are offset in particular by expenses for pensions and partial retirement obligations, which increased by EUR 0.8 million.

Other operating expenses in the amount of EUR 40.9 million were incurred in the reporting period (prior year: EUR 38.6 million. These include in particular marketing expenses (EUR 11.0 million; prior year: EUR 10.5 million), general administrative expenses (EUR 8.0 million; prior year: EUR 5.5 million), exchange rate losses (EUR 6.4 million; prior year: EUR 4.0 million), transport costs (EUR 3.6 million; prior year: EUR 3.5 million), and advisory fees (EUR 1.5 million; prior year: EUR 3.6 million) . Moreover there are expenses for financial derivatives (EUR 1.2 million; prior year: EUR 0.0 million) included..

EBITDA as of June 30, 2015, amounts to EUR 1.7 million (prior year: EUR 2.3 million).

The results can be broken down as follows:

EBITDA in EUR million	Q2 2015	Q2 2014	Change
Germany	0.8	5.1	-84.3%
Europe	0.4	2.0	-80.0%
Rest of World	0.6	-0.2	> 100.0%
Gigaset Total	**1.8**	**6.9**	**-73.9%**
Holding	-0.1	-4.6	97.8%
Total	**1.7**	**2.3**	**-26.1%**

Depreciation and amortization for the current reporting period amount to EUR 10.2 million (prior year: EUR 12.2 million.).

EBIT can be broken down as follows:

EBIT in EUR million	Q2 2015	Q2 2014	Change
Germany	-9.3	-7.0	-32.9%
Europe	0.3	1.9	-84.2%
Rest of World	0.6	-0.2	> 100.0%
Gigaset Total	**-8.4**	**-5.3**	**-58.5%**
Holding	-0.1	-4.6	97.8%
Total	**-8.5**	**-9.9**	**14.1%**

Net financial income in the amount of EUR -0.8 million (prior year: EUR 1.3 million) mainly includes interest and similar expenses. As a result of the full repayment of the syndicated loan in the summer of 2014 interest expense in the first half of 2015 was significantly reduced.

The **consolidated net loss for the fiscal year** as of June 30, 2015, amounts to EUR 9.0 million and can be mainly explained by the negative development of the USD/EUR exchange rate. In comparison, the consolidated net loss for the first six months of the prior year amounted to EUR 10.9 million.

This results in **earnings per share** of EUR -0.07 (prior year: EUR -0.11).

5.2 Cash flows

Cash flow

EUR million	Q2 2015	Q2 2014
Cash flows from operating activities	-23.4	-7.4
Cash flows from investing activities	-0.6	-19.5
Free cash flow	-24.0	-26.9
Cash flows from financing activities	0.0	-2.3

In the previous fiscal year, the Gigaset Group recorded a **cash outflow from continuing operations** of EUR 23.4 million (previous year: EUR 7.4 million). The cash outflow typical for the first half of the year is characterized by the seasonal business. The decrease in cash resources is greatest in the first quarter due to the repayment of liabilities to suppliers resulting from the Christmas shopping season, whereas cash requirements are lower in the second quarter. Net cash inflows are traditionally generated in the second half of the year during the Christmas shopping season. The significantly higher cash outflow of cash resources from continuing operations compared to the first half of the prior year can be explained in particular by the increase in cash outflows due to the repayment of trade payables and the higher level of inventories built up compared to the first half of the prior year. Furthermore, the payment of the contractual penalty to Evonik Degussa in the amount of EUR 4.8 million had a negative impact on cash flows from continuing operations.

Cash outflows from investing activities amount to EUR -0.6 million and thus fall clearly short of the previous year's level of EUR -19.5 million. Whereas the majority of payments in the current fiscal year can be attributed to capital expenditures in non-current assets, the majority of cash outflows from investing activities in the first half of the prior year comprised the cash resources transferred on the part of Gigaset Mobile Pte. Ltd. in the amount of EUR 18.0 million in connection with the transitional consolidation to equity method accounting.

Thus, **free cash flow** amounted to EUR -24.0 million compared to EUR -26.9 million in the first quarter of 2014.

The **cash inflow from financing activities** amounts to EUR -0.0 million as of June 30, 2015 (previous year: EUR -2.3 million), whereas the cash outflow in the first half of the prior year included in particular the repayment of financial liabilities.

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 includes changes in exchange rates in the amount of EUR 0.5 million (prior year: EUR -0.4 million).

Cash and cash equivalents amounted to EUR 27.0 million as of June 30, 2015 (previous year: EUR 27.4 million).

5.3 Financial position

The Gigaset Group's **total assets** as of June 30, 2015, amounted to around EUR 207.9 million and thus decreased by approximately 17.3% compared to December 31, 2014.

Non-current assets decreased by EUR 8.0 million to EUR 98.0 million compared to December 31, 2014, whereby Gigaset Mobile Pte. Ltd., Singapore, was included in Gigaset's consolidated financial statements using equity method accounting until December 31, 2014. Due to the conversion of a loan extended by Goldin Digital Pte. Ltd., Singapore, in the amount of USD 88.0 million into preference shares of the company effective at the beginning of fiscal year 2015, the shareholdings were further diluted. As a result, the economic ownership interest only amounts to 12.4% with a voting rights share of 15.0%. Due to this further reduction, the company will be recognized in the future under non-current financial assets in accordance with IAS 39 Financial Instruments.

Depreciation and the disposals from property, plant and equipment exceeded the capital expenditures in property, plant and equipment; as a result, property, plant and equipment decreased by a total of EUR 1.9 million to EUR 31.8 million. A decrease of EUR 2.7 million to EUR 34.8 million was also recorded for intangible assets.

Current assets account for 52.9% of total assets. Compared to the 2014 annual financial statements, they fell by EUR 35.3 million and now amount to EUR 109.9 million. Inventories increased by EUR 2.4 million to EUR 30.6 million since the beginning of the year. Gigaset's warehouses are normally at their lowest level at year-end after the Christmas shopping season and are consequently restocked over the course of the year. Trade receivables decreased seasonally by EUR 8.8 million to EUR 29.3 million. A considerable decrease was also recorded for other assets as well as cash and cash equivalents. The decrease in other assets amounts to EUR 5.0 million and can be attributed in particular to the EUR 3.4 million decrease in factoring receivables as well as the EUR 2.2 million decrease in receivables from derivatives. In contrast, an increase of EUR 0.8 million in tax claims was recorded. The portfolio of cash and cash equivalents has decreased since the beginning of the year from EUR 50.5 million to EUR 27.0 million. A detailed development of cash and cash equivalents is presented in the statement of cash flows in the notes.

Total liabilities amount to EUR 174.6 million, 53.2% of which are current. The Group's total debt was reduced by an additional EUR 35.5 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 33.3 million as of June 30, 2015, and is EUR 7.9 million lower than at the beginning of the year. Correspondingly, equity as a percentage of assets amounts to 16.0% compared to 16.4% as of December 31, 2014. Due to the 0.3% increase in the discount rate to 2.4% for the recognized pension obligations, actuarial gains of EUR 5.0 million were recognized in equity. Furthermore, changes from the deconsolidation of Gigaset Mobile Pte. Ltd., Singapore, were recognized directly in equity in the total amount of EUR -3.9 million. In addition, equity was impacted by the consolidated net loss for the fiscal year of EUR 9.0 million.

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 5.6 million decrease in non-current liabilities resulted mainly from changes in pension provisions, which decreased as a result of an increase in the discount rate from 2.1% as of December 31, 2014, to 2.4% as of June 30, 2015.

At EUR 92.8 million, **current liabilities** are around 24.3% lower than reported in the annual financial statements as of December 31, 2014. Current provisions decreased mainly as a result of the complete utilization of a provision for legal disputes with Evonik Degussa GmbH (prior year: EUR 4.8 million) as well as due to the decrease in provisions for value adjustments of sales-based bonus payments to customers (EUR 1.7 million; prior year: EUR 2.9 million. Trade payables decreased seasonally from EUR 62.6 million to EUR 43.2 million. The decrease of EUR 3.2 million in other liabilities to EUR 22.1 million can be primarily attributed to the EUR 1.0 million decrease in personnel-related liabilities as well as the EUR 1.0 million decrease in other tax liabilities.

6 Opportunities and risk report as of June 30, 2015

As a general rule, all entrepreneurial activities involve risks. These include the risk that corporate goals will not be achieved due to external or internal events as well as a result of actions and decisions; in extreme cases, a company's ability to continue as a going concern can be jeopardized. Gigaset's risk management system aims to identify and measure risks and opportunities as early as possible as well as to take advantage of opportunities through appropriate actions.

The process of the Group-wide, systematic risk management system is described in detail in Gigaset AG's combined management report as of December 31, 2014.

Risks are measured quantitatively for the factors 'probability of occurring' and 'severity of loss'. These factors are multiplied to produce an expected value.

Potential impact on earnings based on expected values	Risk measurement
< EUR 1.0 million	*
> EUR 1.0 million ≤ EUR 5.0 million	**
> EUR 5.0 million	***

The possible short-term effect on earnings is shown below in the individual risk categories:

Category/Sub-category	Risk measurement
Market risk	
Economy | Industry | Competition	*
Products | Patents | Certificates	*
Legal operating environment	*
Customers	*
Business and litigation risks	*
Financial risks	
Liquidity	*
Taxes	***
Foreign exchange rate	*
Contingent liabilities	
Guaranties | Contingent liabilities	**
Legal disputes	*

6.1 Market-related risks

The general economic development in Germany, the EU, and around the world has many and varied influences on the Company's business development. For instance, demand for Gigaset's products depends heavily on the general economic situation.

Industry risks are risks that affect a certain market or a certain manufacturing sector. Due to the concentration on the area of telecommunications and accessories, there is a special dependency on the development in this industry, whereby Gigaset is exposed to intense competition. Generally, there are also dependencies here on the development of commodities prices and the risk of the entry of new, aggressive competitors. Furthermore Gigaset is subject to the influence of a change in consumer behavior in the area of telecommunications and information. More and more landlines are being replaced by cell phone connections, depending on the rate plans offered by network operators. The increased use of multifunctional smartphones is also leading to a change in consumer behavior. With the Company's entry in the Business with mobile devices, Gigaset is committing to marketing new product groups. This market entry is fraught with risks, as Gigaset is a new competitor on an existing market.

The products of the Gigaset Group are widely distributed and are valued by their retailer and distributor customers due to the strong brand name and the innovative product portfolio. The excellent market position reflects not lastly this high degree of product acceptance. Since, as a rule, these are continuous, long-term partnerships, the dependency on individual retailers and distributors is generally low. However, there can be a greater dependency on individual customers when entering into new markets, in particular in the beginning. The entry into the mobile devices segment is exposed to those risks that are always associated with entering a new market. In particular, there is the risk that the new products will fail to achieve the targeted market acceptance, that the new market participant is not able to cope with the competitive pressure from the established market participants or that the existing sales organization is not capable of placing the products on the market, or not doing so in the expected form.

Due to the falling market trend of DECT telephones in some target markets, there is a basic risk of general price decline for the product range as well as decreasing market volume. This is being countered with consistent cost management and an innovative product portfolio in a strong, distinguished product design.

Waning consumer trust in the technical quality and security (safety from wiretapping, radiation) of Gigaset's products could have a negative impact on the development of the business. The DECT standard used by Gigaset in its products could be superseded by other technologies for speech or data transmission. As a result of the integration of functions from DECT telephones in other devices, demand for DECT telephones could fall.

Due to potential import restrictions as well as inflation and exchange rate risks, Gigaset is reviewing its market development strategies in countries overseas as well as in Russia and neighboring former CIS countries and is undertaking corresponding preparations.

6.2 Entrepreneurial opportunities

The Company sees entrepreneurial opportunities in the new Mobile Products segment. Gigaset gathered its first experience in the tablet market with the marketing of the first devices and is also planning to launch other new products in the Mobile segment in the future. The mutual operations with Goldin Fund Pte. Ltd., Singapore, regarding the market entry into the smartphone business represent an opportunity to do so. The high brand awareness and trust in the brand name as well as distribution access to the most important target markets are a good starting position. The global smartphone market will grow at a single or double digit percentage rate based on units sold in the next few years.[11]

From the Company's point of view, there are additional entrepreneurial opportunities in the Business Customers segment and Gigaset pro product portfolio. In addition to the traditional Consumer segment, the Company is addressing an additional customer segment, "Small Offices and Home Offices" (in short: SOHO) as well as SME customers (small and medium-sized enterprises), with Gigaset pro and is developing the corresponding sales potential. The corresponding organizational adjustments have already been implemented. Gigaset pro is developing into another pillar of the Gigaset Group.

With its new Home Networks segment, Gigaset introduced a modular, intelligent system named "Gigaset elements" to the market. The products and services will initially cover the area of convenience solutions in the domestic environment and is to be further expanded in the future to address topics such as energy management and other areas.

In addition, the Company sees further opportunities in the better development of regional markets using the established Gigaset brand and existing worldwide distribution network. Gigaset has the corresponding know-how to meet the market's increasing technical requirements in the area of research & development and launch product innovations in the market.

The targeted expansion of the market presence by offering new products and solutions is a central requirement for participating in future growth potential. The Group conducted a comprehensive analysis of the market opportunities in the previous year and has already implemented corresponding measures targeted to bolster and expand its market position. If the consolidation of the market presence and acceptance cannot be realized to the desired degree, there will be an earnings risk of weaker sales figures.

6.3 Company-specific risks

6.3.1 Information systems and reporting structure

Reliable and consistent information systems and reporting structures capable of providing useful information are necessary in order to monitor and manage the Group as well as the development of subsidiaries. Gigaset has a professional bookkeeping, controlling, information, and risk management system at its disposal and has established a company-wide, regular subsidiary controlling and risk management system. Technical functionality is ensured through corresponding IT support. The Executive Board is periodically and promptly informed of long-term developments in the countries and regions.

Nevertheless, the failure of the information system in a specific situation cannot be ruled out, nor can its improper use by the relevant employees such that negative economic developments in a specific region are not promptly reported.

Gigaset's compliance and risk management systems could fail to prevent or uncover violations of legal provisions, identify all relevant risks for Gigaset, or measure and implement suitable countermeasures.

11. Strategy Analytics, 2014

6.3.2 Other company-specific risks

The economic, legal, and political operating environment in Germany and the markets served by Gigaset have direct effects on Gigaset's business. The planned entry of Gigaset in new markets is fraught with special risks. Dies gilt insbesondere für den Markteintritt in den Tablet-Markt und für die Vorbereitungen des geplanten Markteintritts in den Smartphone-Markt. Gigaset could be exposed to additional risks in its new Home Networks segment, in particular liability risks.

The expansion of operations in collaboration with business partners, for example in the Mobile Products segment, is fraught with special entrepreneurial risks that arise for cultural or linguistic reasons or due to differing business practices and could negatively impact the development of the business segment and therefore also the development of Gigaset.

Gigaset could be unable to continue to develop innovative products or to react in a timely manner to technical advances and the resulting changing requirements.

Gigaset could be unable to sufficiently protect its own intellectual property and know-how. The fact that Gigaset could violate the intellectual property of third parties or be obligated to pay for the use of third-party intellectual property can also not be ruled out.

Gigaset could be unable to sufficiently protect its own intellectual property and know-how. Even though Gigaset holds a large portfolio of its own intellectual properties rights, including in the wireless segment, the possibility of Gigaset violating the intellectual property rights of third parties or being obligated to pay for the use of third-party intellectual property cannot be ruled out. This is particularly the case with tablets and smartphones, where important market participants are involved in major legal disputes.

Defects in Gigaset's products can lead to warranty and product liability claims as well as the loss of sales revenue, which could impact Gigaset's results. Gigaset purchases commodities and materials predominantly from at least two suppliers. The Company tries to avoid dependency on specific suppliers with respect to prices, volumes, and innovations through wide-ranging collaboration.

Besides the mobile devices Business there is a latent risk through the concentration of production in a single production site in Bocholt. A loss of production at that site could have a significant negative impact on the Company's operations. The normally very small order backlog of just a few weeks makes it more difficult to plan sales and can result in Gigaset not being able to meet an increased demand for specific products on short notice and, vice-versa, manufacturing too many of certain products. Gigaset could be forced to recognize write-downs of inventories. Obligations as a result of environmental regulations or the causation or discovery of any soil or land contamination could lead to significant costs.

The Company counters the risk of default on receivables by purchasing trade credit insurance policies, strict management of receivables, and consistent dunning. The risk of default on receivables can be regarded as low on the basis of historical data.

There is a risk of default for existing receivables of individual Gigaset companies from Group companies if the respective debtor company cannot repay the debt. With the exception of important facts and circumstances listed under "Risks from contingent liabilities and legal disputes" in the Section entitled "Opportunities and risk report as of December 31, 2012", there are no identifiable facts or circumstances that could lead to Gigaset AG having to pay for liabilities on the part of subsidiaries.

The future success of Gigaset depends on qualified managers and technical employees. The development of the Gigaset Group could be negatively impacted if it cannot attract or hold on to sufficiently qualified managers and technical employees.

The Gigaset Group's existing insurance policies could prove insufficient for various risks associated with the Company's activities. Gigaset may also not be able to purchase sufficient insurance coverage at reasonable prices in the future.

6.4 Financial risks

The management of liquidity risk and the review of liquidity planning and the financing structure is carried out locally in coordination with the subsidiaries by the central Finance department.

6.4.1 Liquidity of the Gigaset Group

The operations are financed with the Company's own funds.

As a result of the capital measures executed in October 2013 and July 2014, the Company's liquidity requirements have relaxed. The Company is completely free of bank debt after repaying the syndicated loan liabilities in July 2014.

The Company is fully funded for the current fiscal year and does not require any additional liquidity. In order to invest in the continued future security of the Company, Gigaset also reorganized its brand and domain portfolio in June 2015, as a result of which EUR 29.0 million will flow to the Company in September 2015 and an additional EUR 6.0 million in January 2016. The purchase price inflows improve the financial flexibility of Gigaset Communications GmbH and increase its independence from external debt financing.

The factoring of trade receivables that began on October 1, 2008, continues to serve as a short-term financing instrument.

6.4.2 Debt and liquidity of Gigaset AG

Thanks to the capital increase and the issuance of the convertible bond in fiscal year 2014, Gigaset AG's liquidity position was considerably improved. Gigaset AG has been free of bank debt since repaying the syndicated loan in July 2014. The Company has sufficient cash and cash equivalents at its disposal for the current fiscal year.

6.4.3 Interest rate, currency and liquidity risks

The Group constantly optimizes its group financing and limits its financial risk with the goal of ensuring the security of its financial independence. Financial risk is a part of the risk management system and is also monitored as part of liquidity management.

In the Gigaset Group, income arises and expenses are also incurred in foreign currencies, e.g. for the procurement of numerous components for production that are paid for in U.S. dollars. As a rule, the associated currency risk is hedged by financing international activities in matching currencies or in individual cases by using derivative financial instruments to hedge foreign currency exposures.

The turmoil observed in Russia's currency markets in the past has largely settled down. The financial risks in this market – just as in the Greek market, which is limited by restrictions on capital movements – are sharply reduced for the Company.

The sustained strength of the U.S. dollar increases the costs for a large part of the components used in production. Since a trend reversal is not foreseeable at this time, this will lead to an increase in manufacturing costs, despite extensive currency hedging in the medium term. However, in contrast to its competitors from Asia, Gigaset's manufacturing costs are not entirely determined by the dollar. As a result, Gigaset is under little pressure with respect to its sales prices from its customers, who are primarily located in Europe; however, it must pass the increased procurement prices on to its customers. The effects of exchange rate fluctuations on market prices are still not entirely foreseeable at this time.

Changes in capital market rates can result in changes in plan assets to cover pension obligations.

In individual cases, Gigaset enters into typical banking transactions to hedge interest rate risk.

The Group uses various instruments to refinance and hedge its receivables portfolio, such as factoring or loan default insurance, in order to hedge cash flow risks and to ensure the liquidity of the Group.

If it should be necessary to refinance existing liabilities or renegotiate the terms of factoring agreed to by Gigaset Group companies as a result of the expiration or termination of corresponding agreements, Gigaset is financially dependent on the currently available terms and conditions.

Interest rate, currency, and liquidity risks are managed in coordination with the corporate Finance department.

6.5 Tax risks

6.5.1 Tax risks of Gigaset AG

Gigaset AG receives tax advise on an ongoing basis in order to identify any risks in advance.

Several topics are being discussed with the tax authorities at Gigaset AG in the ongoing tax audit of the years 2006 to 2008.

As a result of the change in control (change of control clause) due to the investment made by Goldin Fund Pte. Ltd., Singapore, the tax loss on the part of Gigaset AG – and thus the possibility of offsetting future profits with losses – was completely forfeited. Thus, the full amount of Gigaset AG's future taxable profits will lead to a tax expense.

6.5.2 Other risks of the Gigaset Group

Like all other operating risks at the level of the individual companies, tax risks are isolated and are not, for example, accumulated at the level of the Company by means of a consolidated tax group or group taxation scheme.

Transfer pricing documentation is prepared annually together with a tax consulting firm in order to limit any potential tax risks arising from intragroup clearing transactions with and between foreign companies.

Other potential tax risks at the level of subsidiaries result from the business acquisition of Gigaset Communications Group in 2008.

6.6 Risks arising from contingent liabilities and legal disputes

6.6.1 Guarantees on the part of the parent company

In the past, Gigaset AG issued various guarantees and warranties in connection with business purchases and disposals. The group parent also assumed financial guarantees for subsidiaries in the past. The latent risks from these warranties and guarantees were further reduced in the past fiscal year, not lastly due to their expiration. The Executive Board estimates that the likelihood of Gigaset AG being required to make payments based on such guarantees or warranties is getting smaller and smaller.

6.6.2 Legal disputes involving Gigaset AG

Gigaset AG is involved in various legal disputes in connection with its general operations, in particular processes and arbitration proceedings, as well as official administrative proceedings, or such proceedings could be initiated or claims asserted against the Company in the future. Even if the outcome of individual proceedings cannot be predicted with certainty due to the imponderabilities with which legal disputes are always fraught, there will not be any significant negative impacts on the Group's financial performance in excess of the risks reflected in the financial statements as liabilities or provisions according to current assessments. The following legal disputes involving Gigaset AG are currently pending:

Cartel cases involving SKW:

In July 2009, the European Commission imposed a total administrative fine of EUR 61.1 million on various European companies in the calcium carbide sector in connection with an investigation under anti-trust laws. An administrative fine totaling EUR 13.3 million was imposed jointly and severally against SKW Stahl-Metallurgie GmbH, which was directly involved in the cartel, as well as its parent company SKW Stahl-Metallurgie Holding AG (hereinafter both together "SKW"). As the group parent company at the time, Gigaset AG is now also joint and severally liable for this administrative fine by order of the European Commission because it formed an "entrepreneurial unit" with SKW.

Gigaset AG provisionally paid an amount of EUR 6.65 million to the European Commission toward the fine in the years 2009 to 2010 (i.e. for the duration of the appeal) while simultaneously defending itself against the fine by filing a suit. In its decision handed down on January 23, 2014, the European court of first instance (European General Court) partially upheld the action brought by Gigaset AG (formerly: ARQUES Industries AG) against the fine imposed by the European Commission in the cartel case involving SKW and reduced Gigaset AG's administrative fine by EUR 1.0 million. The action was otherwise dismissed. The judgment against Gigaset AG is final. The action brought by SKW was refused, i.e. the administrative fine imposed on it was not reduced. SKW has filed an appeal against this judgment.

Based on a preliminary legal assessment, Gigaset expects a portion of the fine that has been already been paid to be reimbursed as a result of the judgment. Parallel to the legal dispute that has been decided, Gigaset AG filed a suit against SKW in a civil court on the grounds that SKW alone should bear the administrative fine as the originator of the cartel and consequently should reimburse Gigaset AG for the administrative fine it has already paid. Gigaset continues to hold the view that, as a direct participant in the cartel, SKW alone should bear the cost of the fine internally. In the legal dispute between Gigaset and SKW regarding this, Gigaset considers itself confirmed insofar by the decision handed down by the Federal Court of Justice on November 18, 2014, which referred the matter back to the lower court for renewed negotiation and a decision.

Evonik in the matter of Oxxynova:
In the legal dispute with Evonik Degussa GmbH over a contractual penalty in the amount of EUR 12 million, a court of arbitration had ordered Gigaset AG to pay EUR 3.5 million plus interest to Evonik in November 2013 while dismissing the rest of the suit. After Gigaset AG had paid the principal amount plus interest in the amount of EUR 1.3 million to Evonik on March 4, 2015, it turned to the principal debtor OXY Holding as well as StS Equity Holding UG as the indemnifying debtor party. After failing to reach an agreement out of court, Gigaset filed a lawsuit against the principal debtor OXY Holding GmbH as well as StS Equity Holding UG as the indemnifying debtor party for reimbursement of this amount in a request for arbitration and payment order dated June 29, 2015. Since adequate provisions had been set aside for this in prior years, the payment had no impact on net profit for the first half of fiscal 2015.

6.7 Opportunities and risk report with respect to discontinued operations

Opportunities and risks from equity investments that have already been sold were reflected in the consolidated financial statements until they were deconsolidated. As a rule, the opportunities and risks related to the operating activities of equity investments that have been sold were entirely eliminated by the respective sale.

In individual cases, sureties, guaranties, or warranties were granted to an appropriate extent. The Executive Board estimates the likelihood that such claims will be asserted as low or very low; as a result, Gigaset is not aware of any risks that could justify claims against the Company for liabilities on the part of the disposed equity investments.

6.8 General statement to the opportunities and risk report

Gigaset's significant opportunities lie in the further development of the promising Business Customer and Gigaset elements segments. The mutual operations with Goldin Fund Pte. Ltd., Singapore, regarding the market entry in the smartphone business also represent an opportunity. The business with smartphones will be carried out as much as possible over the minority interest of Gigaset Mobile Europe GmbH erfolgen. However, the financing for this is provided by Goldin Fund Pte. Ltd. and for Gigaset the risk is limited to their investment in Gigaset Mobile Pte. Ltd., Singapore. However, the intensive investment in the Gigaset brand by Gigaset Mobile Europe GmbH, in which Gigaset AG no longer holds a majority interest, represents an opportunity for Gigaset Communications GmbH to also benefit from a general increase in awareness of the Gigaset brand in the core business. Furthermore, there is the possibility of billing various services over Service Level Agreements on the part of Gigaset Mobile Europe GmbH, thereby reducing the Company's costs.

Liquidity risk was considerably reduced by the capital measures successfully completed in 2014; consequently, there are no longer any risks to the Company as a going concern. In order to invest in the continued future security of the Company, Gigaset also reorganized its brand and domain portfolio in June 2015. The purchase price inflows in the amount of EUR 35 million improve the financial flexibility of Gigaset Communications GmbH and increase its independence from external debt financing.

In contrast, the declining sales trend in the current core business represents a risk if the expected sales growth in the segments with potential for growth cannot offset the decline in sales in the core business in the medium term. Furthermore, the persistent strength of the U.S. dollar, which has risen approximately 20% against the euro since the summer of 2014, increases the costs for a majority of the components purchased for production. The long-term effects on the market with respect to the price structure are still not entirely foreseeable at this time. In addition, risks can result from past and future tax issues.

7 Significant events after June 30, 2015

Gigaset Group reorganizes brand and domain portfolio

On June 25, 2015, a contract to sell the brand and domain portfolio of Gigaset Communication GmbH was signed with Goldin Brand Ltd., a subsidiary of Goldin Fund Pte. Ltd. The brand portfolio specifically comprises the brand "Gigaset" and the brand "Gigaset elements". The conditions for closing the contract occurred at the beginning of July, so that the brand portfolio transferred to the purchaser in July for a purchase price of EUR 29 million. However, Gigaset is permitted to continue to use the brands.

Effective January 8, 2016, Gigaset Communications GmbH will additionally sell and transfer a number of Internet domains to Goldin Brand Ltd., including the domain Gigaset.com. The purchase price for the domains is EUR 6 million. This transaction is subject to the condition of a separate agreement still to be made between the parties regarding joint use of the domain and joint brand use.

Gigaset: Plantinum Partner of FC Bayern Munich

The Brand Gigaset is an official platinum partner of the FC Bayern Munich football club, effective immediately and is the exclusive partner for the segment of smartphones, tablets, and wearables. The expenses for the sponsoring are beared by Gigaset Mobile Pte. Ltd., Singapore. The agreement announced in Munich today will initially run for three years. With more than 400 million fans worldwide, FC Bayern Munich is an ideal platform for Gigaset to further increase its brand awareness. The contract was concluded in the immediate run-up to the kickoff of a portfolio of initial smartphone for the IFA consumer electronics trade fair in Berlin. In this context, Gigaset is currently developing international cooperative agreements. Following the official partnership with the traditional and legendary Ascot racetrack in the UK and the world-renowned Royal Ascot race, which was announced in May, FC Bayern Munich football club adds an additional international sports brand that is just as high-caliber and traditional.

8 Outlook

8.1 General economic development

Based on the weak performance at the beginning of the year, global production should once again pick up momentum according to the summer report by the Kiel Institute for the World Economy (IfW). However, there is not yet any evidence of a clearly stronger general trend with respect to the global economy compared to the past two years. The increase in global production is expected to expand noticeably stronger in the coming year than in 2015, but it is not likely to tangibly exceed the medium-term growth rate of around 3.8%. Global trade will also continue to be lackluster. Growth rates of 3 and 4.5% are expected, respectively, for 2015 and 2016.

The economy in Germany also continues its upward trend. For the current year, the IfW expects gross domestic product to increase by 1.8%. In the coming year, the pace of expansion should accelerate to 2.1%. Consumer spending continues to boom, even though it won't increase quite as much as in the preceding quarters, since temporary stimulating factors gradually no longer apply. The upswing in investment is consolidating visibly and is even expected to become the most important economic driver in the coming year – even in light of the sustained loose monetary policies.

8.2 Development of the industry

Market for cordless telephones

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 decreasing 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. 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 corporate customers

According to market studies, development in the European telecommunications market is leaning heavily in the direction of IP telephony. The market for extensions with IP technology should expand from 8.3 million in 2014 to 11.8 million in 2018, whereas by comparison Eastern Europe will clearly make up the leeway and expand to 16% of the market as a whole. It can also be clearly foreseen that the market for IP technology in the segment for smaller enterprises of less than 100 employees on which the Company is focusing with the Gigaset pro brand will grow considerably from 36% of the market as a whole in 2014 to 41% in 2018.

Market for Home Networks

The market for Smart Home Systems & Services (SHSS) in Western Europe is considered to be extremely promising. The number of Smart Home households will increase from 20 million at the beginning of 2014 to approximately 25 million in 2015 and to approximately 50 million by the end of 2019. In 2012, it was still only 5.8 million households. This corresponds to sales revenue of USD 6.6 billion in 2013 and an expected sales revenue of USD 14.2 billion in 2018. The market research institute Strategy Analytics expects the potential for hardware sales to triple in the coming years, which represents the largest component at 60%.

According to a study by VDI/VDE Innovation + Technik GmbH, the cumulative sales revenue from Smart Home alone in the German market will reach EUR 19.0 billion by 2025. The average value added by German suppliers is estimated to be EUR 11.4 billion, whereby the German industry scores in the global growth markets, among other things, with expertise in the areas of system integration and embedded systems.

Market for Mobile Devices

The global smartphone market once again grew in 2014. Since the unit volumes will continue to rise in the coming years based on these forecasts, worldwide sales revenues will also continue to increase. However, growth rates will slow down to the lower single-digit range, whereby falling prices will increasingly compensate the growth in volume. Strategy Analytics assumes that the smartphone market will expand up to around 250 million smartphones Europe-wide by 2020. 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 over 80% of all smartphone sales in Western Europe in 2014, whereby two-thirds of the smartphone market can be attributed to Android alone.

8.3 Expected development of sales revenue and earnings

The market as a whole for cordless telephones in Europe declined by around 12% in 2014 measured on sales. This trend is also expected to continue in the market in 2015.

The market as a whole for cordless telephones in Europe declined by around 6% in 2014 measured on sales. A reversal of the market trend has not been observed, even though the year-on-year decrease (13% in 2013) is significantly weaker. Gigaset's sales in the first half of 2015 fell by around 3% year-on-year. Thus, the performance in the first half of the year lies within our expectations, whereby the new business segments were not yet able to fully compensate the loss in sales in the core business.

The trend in the 2015 fiscal year will depend significantly on the forecasted decline in the traditional telecommunications market as well as on the successful expansion of the growing business segments Business Customers, Home Networks, and Mobile Products. The experts are assuming that the market for cordless telephony will continue to decline. Gigaset will not be able to avoid this trend, even if it continues to expand its share of the market. Therefore, Gigaset also expects its sales revenue to continue decreasing in this business segment in 2015. 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. 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. However, Gigaset will also continue to focus in 2015 on the further development of a proprietary ecosystem with which it should be possible to integrate as many Gigaset products and services as possible.

Sales and in particular sales partnerships for the Gigaset pro brand should 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 should lead to an increase in the sales of desktop, PBX and base stations.

The solutions in the Smart Home area are also gaining in significance. According to a current study by Fittkau & Maß Consulting, 78% of consumers in Germany alone are interested in a Smart Home solution. According to surveys by Strategy Analytics, international consumer interest is just as strong. A market potential of around USD 14 billion is expected for 2018 in Western Europe alone. In this dynamic environment, Gigaset elements is Gigaset's solution for networked home living. 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” 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 computer-aided handling of alarms. These types of solutions are to be further developed, both functionally as well as through additional partnerships.

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

Gigaset will also continue to expand its portfolio of mobile products through the participation of Gigaset Mobile Pte. Ltd., Singapore, 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. Other 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. The focus for fiscal year 2015 is on the introduction of smartphones to the market, and as a result there are no follow-on products planned for the existing product portfolio of tablets.

In light of this, Gigaset expects a further decline in sales revenue for fiscal year 2015 (excluding Mobile Products). Additional sales revenue from the mobile business are expected for the Gigaset Group. However, the common activities with Goldin Fund Pte. Ltd., Singapore, to expand this segment are still in the beginning phase; as a result, specific predictions are difficult to make.

Thanks to the consistently implemented savings program and successful currency hedging, the operating result (EBITDA) increased year-on-year from EUR -11.2 million to EUR -9.0 million in the first half of 2015. Due to the invoicing primarily in US dollar on the procurement markets, a strong US dollar could have a negative impact on the Group’s profitability.

This forecast is based on the described general economic and industry-specific trends. The forecast is not based on inorganic growth through acquisitions.

8.4 Expected development of cash flow, capital expenditures and liquidity

The Company currently finances itself primarily by way of the implemented factoring program. As of June 30, 2015, Gigaset is free from financial liabilities.

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 market shares as well as to secure and expand competitive advantages. Additional investments will also be made in new product categories and growth segments that should permanently secure the Company’s existence and competitiveness. As a result of the sale of the “Gigaset” brand to the Goldin Group, EUR 29.0 million in liquidity will flow to the Company in the second half of 2015. Furthermore, an additional EUR 6.0 million will flow to Gigaset at the beginning of 2016 from the sale of the domains.

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

The strategic reorientation of the Company will be consistently continued. The Company expects the market decline in its core business to continue this year. Since the downward trend in the cordless telephone business continues, Gigaset continues to invest in the establishment of new, promising segments and product groups. These investments will result in additional contributions to sales revenue that, however, will not be able to completely compensate the decline in the cordless telephone business this year. Therefore, Gigaset expects the following for the current fiscal year in Consumer Products, Business Customers, and Home Networks segments:

› Decreasing sales revenue in continuing operations in the high single digit to lower double digit percentage range.

› Once again positive EBITDA in the lower double-digit millions. However, due to the decrease in sales revenue, the necessary investments in the establishment of new segments, and the accelerated restructuring of the Company, EBITDA is expected to fall short of the previous year's result. The EBITDA margin is expected to be in the lower to mid-single-digit range.

› Non-recurring effects will clearly increase free cash flow in the current fiscal year. However, the free cash flow expected from the operating business remains unchanged. Due to the extensive capital investments in the new segments, Gigaset AG expects that free cash flow excluding non-recurring effects will be negative in the high single-digit to lower double-digit millions.

In addition, Gigaset expects positive contributions to earnings from the business with mobile consumer devices, in particular from the future smartphone business. However, these figures will only become clear after we enter the market.

Munich, August 3, 2015

The Executive Board of Gigaset AG

Kai Dorn   Charles Fränkl   Du Guoyu   Yang Yuefeng

INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2015

Consolidated income statement for the period from January 1 to June 30, 2015

EUR'000	01/01/ – 06/30/2015	01/01/ – 06/30/2014
Revenues	142,611	146,989
Change in inventories of finished and unfinished goods	1,060	-592
Other internal production capitalized	4,857	5,729
Other operating income	20,215	7,600
Purchased goods and services	-77,533	-68,771
Personnel expenses	-47,880	-49,687
Other operating expenses	-40,914	-38,624
Result from investments accounted for by the equity method	-682	-310
EBITDA	**1,734**	**2,334**
Depreciation and amortization	-10,226	-12,228
EBIT	**-8,492**	**9,894**
Impairment losses	0	0
Other interest and similar income	6	30
Interest and similar expenses	-843	-1,327
Net financial expenses	**-837**	**1,297**
Income from ordinary activities	**-9,329**	**-11,191**
Income taxes	316	260
Consolidated loss for the year	**-9,013**	**-10,931**
Earnings per common share		
- Basic earnings per share, in EUR	-0.07	-0.11
- Diluted earnings per share, in EUR	-0.07	-0.11

Consolidated income statement for the period from April 1 to June 30, 2015

EUR'000	04/01/ – 06/30/2015	04/01/ – 06/30/2014
Revenues	72,522	82,024
Change in inventories of finished and unfinished goods	713	-1,253
Other internal production capitalized	2,316	3,583
Other operating income	-1,796	5,426
Purchased goods and services	-39,596	-37,569
Personnel expenses	-23,827	-24,793
Other operating expenses	--17,433	-17,150
Result from investments accounted for by the equity method	0	-278
EBITDA	**-7,101**	**9,990**
Depreciation and amortization	-5,089	-5,994
EBIT	**-12,190**	**3,996**
Impairment of financial assets	0	11
Other interest and similar income	1	15
Interest and similar expenses	-282	-629
Net financial expenses	**-281**	**-603**
Income from ordinary activities	**-12,471**	**3,393**
Income taxes	2,638	-2,090
Consolidated loss/profit for the period	**-9,833**	**1,303**
Earnings per common share		
- Basic earnings per share, in EUR	-0.07	0.01
- Diluted earnings per share, in EUR	-0.07	0.01

Consolidated statement of financial position as of June 30, 2015

EUR'000	06/30/2015	12/31/2014
ASSETS		
Non-current assets		
Intangible assets	34,814	37,485
Property, plant and equipment	31,817	33,685
Financial assets accounted for by the equity method	0	21,251
Financial assets	18,386	0
Deferred tax assets	12,938	13,568
Total non-current assets	97,955	105,989
Current assets		
Inventories	30,561	28,158
Trade receivables	29,301	38,097
Other assets	22,353	27,329
Current tax assets	717	1,174
Cash and cash equivalents	26,965	50,484
Total current assets	109,897	145,242
Total assets	**207,852**	**251,231**

Consolidated statement of financial position as of June 30, 2015

EUR'000	06/30/2015	12/31/2014
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	132,456	132,456
Additional paid-in capital	86,076	86,076
Retained earnings	68,979	68,979
Accumulated other comprehensive income	-254,243	-246,352
Total equity	**33,268**	**41,159**
Non-current liabilities		
Convertible bond	0	396
Pension obligations	65,435	71,012
Provisions	11,719	12,098
Deferred tax liabilities	4,586	3,857
Total non-current liabilities	**81,740**	**87,363**
Current liabilities		
Convertible bond	410	66
Provisions	20,660	28,826
Financial Liabilities	18	0
Trade payables	43,221	62,649
Current tax liabilities	6,471	5,869
Other liabilities	22,064	25,299
Total current liabilities	**92,844**	**122,709**
Total equity and liabilities	**207,852**	**251,231**

Statement of comprehensive income for the Period from January 1 to June 30, 2015

EUR'000	01/01/ – 06/30/2015	01/01/ – 06/30/2014
Consolidated loss for the year	-9,013	-10,931
Items that may be reclassified subsequently to net income/loss		
Currency translation differences	-1,646	-550
Other income from investments accounted for by the equity method	-2,183	151
Recognized income taxes for this item	0	0
Items that will not be reclassified to net income/loss		
Revaluation effects, net debt from defined benefit plans	7,176	-6,356
Recognized income taxes for this item	-2,225	1,977
Total changes not recognized in the income statement	1,122	-4,778
Total comprehensive income and expenses	-7,891	-15,709

Statement of comprehensive income for the Period from April 1 to June 30, 2015

EUR'000	04/01/ – 06/30/2015	04/01/ – 06/30/2014
Consolidated loss/profit for the year	-9,833	1,303
Items that may be reclassified subsequently to net income/loss		
Currency translation differences	-300	-541
Other income from investments accounted for by the equity method	0	151
Recognized income taxes for this item	0	0
Items that will not be reclassified to net income/loss		
Revaluation effects, net debt from defined benefit plans	22,964	-3,751
Recognized income taxes for this item	-7,119	1,167
Total changes not recognized in the income statement	15,545	-2,974
Total comprehensive income and expenses	5,712	-1,671

Change in consolidated equity as of June 30, 2015

	EUR'000	Subscribed capital	Share premium	Revenue reserves	Accumulated other comprehensive income	Consolidated equity
	January 1, 2014	**97,928**	**87,042**	**68,979**	**-215,272**	**38,677**
1	Capital increase	0	0	0	0	0
2	Consolidated loss 2014	0	0	0	-10,931	-10,931
3	Currency translation differences	0	0	0	-550	-550
4	Other income from investments accounted for by the equity method	0	0	0	151	151
5	Revaluation effects net debt from defined benefit obligations	0	0	0	-4,379	-4,379
6	Total changes not recognized in the income statement	0	0	0	-4,778	-4,778
7	Total net income (2+6)	0	0	0	-15,709	-15,709
	June 30, 2014	**97,928**	**87,042**	**68,979**	**-230,981**	**22,968**
	January 1, 2015	**132,456**	**86,076**	**68,979**	**-246,352**	**41,159**
1	Capital increase	0	0	0	0	0
2	Consolidated loss 2015	0	0	0	-9,013	-9,013
3	Currency translation differences	0	0	0	-1,646	-1,646
4	Other income from investments accounted for by the equity method	0	0	0	-2,183	-2,183
5	Revaluation effects net debt from defined benefit obligations	0	0	0	4,951	4,951
6	Total changes not recognized in the income statement	0	0	0	1,122	1,122
7	Total net income (2+6)	0	0	0	-7,891	-7,891
	June 30, 2015	**132,456**	**86,076**	**68,979**	**-254,243**	**33,268**

Consolidated cash flow statement for the period from January 1 to June 30, 2015

EUR'000	01/01/ - 06/30/ 2015	01/01/ - 06/30/ 2014
Result from ordinary activities before taxes on income (EBT)	**-9,329**	**-11,191**
Depreciation of property, plant and equipment and amortization of intangible assets	10,226	12,228
Addition (+)/ decrease (-) in pension provisions	1,599	749
Gain (-)/ loss (+) from the sale of non-current assets	-349	14
Gain (-)/ loss (+) from deconsolidations	-828	453
Gain (-)/ loss (+) from currency translation	-2,309	1,795
At equity valuation result	682	310
Other non-cash items	-4,857	-5,729
Net interest income	837	1,297
Interest received	5	12
Interest paid	-459	-1,550
Income taxes paid	-727	-790
Increase (-)/ decrease (+) in inventories	-2,403	3,047
Increase (-)/ decrease (+) in trade receivables and other receivables	12,255	12,764
Increase (+)/ decrease (-) in trade payables, other liabilities and other provisions	-31,022	-19,125
Increase (+)/ decrease (-) in other balance sheet items	3,268	-1,710
Cash inflow (+)/outflow (-) from continuing operations (net cash flow)	**-23,411**	**-7,426**
Derecognized cash due to the change of consolidation method from full consolidation to the equity method	0	-18,000
Proceeds from the sale of shares from companies	25	0
Cash transferred with the sale of shares in companies and negative purchase price	-107	-130
Proceeds from the sale of non-current assets	349	0
Payments for investments in non-current assets	-830	-1,360
Cash inflow (+)/ outflow (-) from investing activities	**-563**	**-19,490**
Free cash flow	**-23,974**	**-26,916**

Consolidated cash flow statement for the period from January 1 to June 30, 2015

EUR'000	01/01/ - 06/30/ 2015	01/01/ - 06/30/ 2014
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	18	-2,266
Convertible bond	-66	-12
Cash inflow (+)/ outflow (-) from financing activities	**-48**	**-2,278**
Net funds at beginning of period	46,021	53,935
Changes due to exchange rate differences	503	-390
Net funds at beginning of period, measured at prior-year exchange rate	45,518	54,325
Increase (-)/ decrease (+) in restricted cash	-406	-698
Change in cash and cash equivalents	-24,022	-29,194
Net funds at end of period	**21,593**	**24,043**
Restricted cash	5,372	3,360
Cash and cash equivalents presented in the balance sheet	**26,965**	**27,403**

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2015

1 General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of June 30, 2015, and the presentation of comparative figures from the prior year was carried out in compliance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) adopted and published by the International Accounting Standards Board (IASB) and their interpretation by the Standard Interpretations Committee (SIC) and International Financial Reporting Standards Interpretations Committee (IFRIC) as they apply in the EU. Accordingly, this unaudited and unreviewed Interim Financial Report as of March 31, 2015, was prepared in accordance with IAS 34. All Standards applicable as of June 30, 2015, 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 2014 consolidated financial statements apply accordingly in particular with respect to the significant accounting policies adopted. The consolidated financial statements are prepared under the premise that the Company will continue as a going concern.

In addition, the following standards and interpretations, which were amended or newly issued by the IASB, had to be applied beginning with the 2015 fiscal year:

› Annual Improvements to IFRSs 2011–2013 Cycle

The Annual Improvements (2011–2013 Cycle) relate to clarifications within the following standards:

› IFRS 1 First-time Adoption of International Financial Reporting Standards (clarification on the meaning of the applicable standards – in particular in the case of new standards that can already be early applied)

› IFRS 3 Business Combinations (clarification on the scope exception for joint ventures)

› IFRS 13 Fair Value Measurement (clarification on the scope of the portfolio exception in the interplay with IAS 39)

› IAS 40 Investment Property (clarification that the rules set forth in IFRS 3 apply to answer the question of whether the acquisition of investment property represents a business combination)

The new provisions apply for fiscal years beginning on or after January 1, 2015. The amendments had no effect on the consolidated financial statements.

› IFRIC 21, Levies

The new interpretation IFRIC 21, Levies, includes rules for the accounting treatment of obligations to pay public levies that do not represent levies as defined under IAS 12, Income Taxes. The interpretation includes further guidelines regarding the identification of the obligating event that leads to the recognition of a liability to pay a levy as well as the timing of the recognition of the liability. The new provisions apply for fiscal years beginning on or after January 1, 2015. The amendments had no effect on the consolidated financial statements.

The following standards and interpretations already adopted, revised, or newly issued by the IASB were not yet required to be applied in fiscal year 2015:

Standards		**Application requirement for Gigaset starting**	**Adopted by EU Commission**
Various	Annual Improvements to IFRSs 2010–2012 Cycle	1/1/2016	Yes
IAS 19	Employee Benefits – Defined Benefit Plans: Employee Contributions	1/1/2016	Yes
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 amortization in IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets	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 an Investor and its Associate or Joint Venture	1/1/2016	No
IAS 27	Equity Method in Separate Financial Statements	1/1/2016	No
Various	Annual Improvements to IFRSs 2012–2014 Cycle	1/1/2016	No
IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception	1/1/2016	No
IAS 1	Adjustments IAS 1 Presentation of Financial Statements as a consequence of the initiative to improve disclosure requirements	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
Interpretations			
-	-	-	-

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 not yet completed when this report was published.

The effects of the first-time application of the other revised and/or new standards and interpretations whose application is not required until fiscal year 2016 cannot be reliably estimated at this time. However, the Company assumes that these standards and interpretations will not have a material impact.

2 Seasonal effects

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

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

3 Restructuring

The restructuring measures approved in the fourth quarter of 2014 were begun as planned in the first quarter of 2015. Up to the end of the second quarter of 2015, there was a cash outflow of EUR 1.2 million as a result of these restructuring measures.

4 Entities accounted for based on the equity method

Gigaset Mobile Pte. Ltd., Singapore, was included in the consolidated financial statements of Gigaset as of 12/31/2014 according to the equity method. Due to the conversion of a loan of USD 88.0 million granted by Goldin Digital Pte. Ltd., Singapore, into preferred stock of the Company effective at the beginning of fiscal year 2015, the shareholdings were further diluted. Therefore, the economic share of equity is only 12.35%, compared to a voting rights share of 14.98%. Due to this further reduction, the Company will be carried on the balance sheet in the future as a long-term financial asset assigned to the category "available-for-sale financial assets" (AFS) in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

Since Gigaset Mobile Pte. Ltd. is neither listed, nor was sufficient other information available, such as dependably computable future cash flows to measure the remaining share of equity, for instance, the fair value was calculated using the share of equity as well as the claims to profits from fiscal 2014 to which it is entitled, taking the already reduced share of equity into account. The fair value approximated by applying this method was calculated to be EUR 18,386 thousand. This value likewise represents the cost of purchase for the financial asset within the meaning of IAS 39.

The termination of the equity method requires on the one hand the effects from the measurement at fair value as well as, on the other hand, release of items previously recognized in equity with no effect on income, now affecting net income. This resulted in an overall adjustment to net income for the period of EUR -682 thousand, which is shown in the item Profit or loss from companies accounted for using the equity method.

Since neither a fair value from a stock exchange or market price nor future cash flows that can be reliably determined by discounting can be derived, this equity item is measured at cost of purchase at the closing date.

5 Financial assets and liabilities

The fair values of financial assets and liabilities as of June 30, 2015, essentially correspond to the carrying amounts. There were significant changes in current financial assets and current financial liabilities compared to December 31 of the prior year. However, there is no significant difference between the fair values and the carrying amounts for these items. 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.

Significant changes in the financial assets occurred in the second quarter compared to 12/31/2014 due to the two following circumstances:

- Termination of the equity method and recognition of a financial asset for Gigaset Mobile Pte. Ltd. (please see the discussion in the preceding section for details).
- Conclusion of foreign currency hedging transactions in the first half of 2015.

In the first months of 2015, Gigaset carried out extensive foreign currency hedging transactions, as the last foreign currency hedging transactions had expired in December 2014. At the reporting date, Gigaset held 34 foreign currency derivatives to hedge the exchange rate of the US-dollar against the euro, for a total notional amount of USD 95.9 million, and 1 foreign currency derivative to hedge the exchange rate of the Polish zloty for a notional amount of PLN 0.4 million.

At the reporting date, the foreign currency derivatives as well as the existing interest rate swap were measured at a fair value of EUR 3,048 thousand (12/31/2014: EUR 0 thousand) and EUR -39 thousand (12/31/2014: EUR -108 thousand). They are carried under Other current assets in the amount of EUR 4,202 thousand (12/31/2014: EUR 0 thousand) or under Other current liabilities in the amount of EUR 1,193 thousand (12/31/2014: EUR 108 thousand).

Other operating income in the reporting period includes income from the measurement of the foreign currency derivatives listed above in the amount of EUR 4,202 thousand and expenses in the amount of EUR 1,154 thousand. Income in the amount of EUR 69 thousand results from measurement of the interest rate swap. In the comparison period in the prior-year quarter, income from the measurement of the interest rate swap in the amount of EUR 275 thousand was included, as were expenses and income from foreign currency derivatives, which led to a negative effect on profits of EUR 151 thousand.

The following tables present the determined fair values for the financial assets and liabilities according to hierarchy levels for the reporting date and for the comparison period:

3/31/2015		Level		
EUR'000	**1**	**2**	**3**	**Summe**
Financial assets				
Derivative financial instruments	0	4,202	0	4,202
Financial liabilities				
Financial liabilities	0	428	0	428
Derivative financial instruments	0	1,193	0	1,193

3/31/2014		Level		
EUR'000	1	2	3	Summe
Financial assets				
Derivative financial instruments	0	0	0	0
Financial liabilities				
Financial liabilities	0	406	0	406
Derivative financial instruments	0	108	0	108

The fair values of derivative financial instruments are calculated by means of present value and option price models. To the extent possible, the relevant market prices and interest rates observed at the reporting date, which are taken from recognized external sources, are applied as the input parameters for these models. In accordance with IFRS 13, the calculation of these fair values is assigned to Level 2 of the measurement categories for the determination of fair values.

Cash and cash equivalents, trade receivables and current financial assets have short terms to maturity. Therefore, the carrying amounts of such items are approximately equal to their fair values at the reporting date.

Trade payables and current financial liabilities are due within one year to the full amount. Therefore, the nominal amount or repayment amount of such items are approximately equal to their fair values.

Since neither a fair value from a stock exchange or market price nor future cash flows that can be reliably determined by discounting can be derived for the equity of Gigaset Mobile Pte. Ltd., Singapore, this equity item is measured at cost of purchase at the closing date.

The fair values of other non-current financial assets and liabilities due in more than one year are equal to the present values of the future payments associated with the assets and liabilities, with due consideration given to the up-to-date interest rate parameters in every case, which reflect changes in terms related to currencies, interest rates and counterparties. In accordance with IFRS 13, the calculation of these fair values is assigned to Level 2 of the measurement categories for the determination of fair values.

6 Pension obligations and deferred tax assets

The pension obligations were adjusted based on the currently relevant interest rate levels as of June 30, 2015, using an approximation procedure. Due to a slight increase in the relevant interest rate level of about 0.34%, a decline in pension obligations of about EUR 7,176 thousand and a decline in deferred tax assets of about EUR 2,225 thousand resulted from this effect.

7 Provisions

As of December 31, 2014, other provisions and accruals included a provision of EUR 4.8 million for a lawsuit with Evonik Degussa GmbH relating to the claimed purchase price adjustment of EUR 12.0 million, which was paid on March 4, 2015.

8 Changes in the basis of consolidation

Besides the parent company, 23 subsidiaries – consisting of 7 domestic and 16 foreign companies – were included in the consolidated financial statements of Gigaset AG at June 30, 2015 based on full consolidation.

No companies were accounted for in the consolidated financial statements by the equity method at June 30, 2015 (one at December 31, 2014). Please see Section 4, Companies accounted for by the equity method, for details.

IVMP AG, Baar, Switzerland, ceased to exist in the first quarter by liquidation. Due to the foreign currency translation effects accruing in the consolidated financial statements up to the date of liquidation, a profit from deconsolidation resulted at the date of liquidation in the amount of EUR 1,979 thousand, which is carried under Other operating income.

On March 25, 2015, Gigaset Mobile Europe GmbH, Germany, was sold to Gigaset Mobile Pte. Ltd., Singapore. The sale price was EUR 25 thousand. The assets sold amounted to EUR 24 thousand, of which EUR 24 thousand were cash and cash equivalents. The company had no debts at the date of sale. The deconsolidation profit amounts to EUR 1 thousand, taking into account consolidation effects as well as other expenses incurred in connection with the transaction, and is carried under other operating income.

By contract of sale dated March 30, 2015, Gigaset Communications Argentina S.R.L., Buenos Aires/ Argentina was sold to Argentine investors for a symbolic purchase price. The assets sold amounted to EUR 1.6 million, of which EUR 0.1 million were cash and cash equivalents, and the liabilities sold amounted to EUR 0.5 million. The deconsolidation loss amounts to EUR 1,152 thousand, taking into account consolidation effects as well as other expenses incurred in connection with the transaction, and is carried under other operating expenses.

The assets and liabilities disposed of for the companies removed in the first half are shown in the table below from a Group perspective:

EUR'000	
Assets	
Current receivables and other assets	1,619
Total	**1,619**
Liabilities	
Provisions	526
Liabilities	30
Total	**556**

9 Other operating income

Other operating income amounts to EUR 20,215 thousand (PY: EUR 7,600 thousand), and is thus EUR 12,615 thousand higher than in the comparison period in the prior year. The significant deviations comprise income from exchange rate profits of EUR 8,591 thousand (PY: EUR 2,429 thousand), income from derivatives of EUR 4,310 thousand (PY: EUR 670 thousand), income from deconsolidation of EUR 1,980 thousand (PY: EUR 0 thousand), and income from charge-backs of EUR 1,978 thousand (PY: EUR 0 thousand). Please see the discussion under Section 5, Financial assets and Liabilities, regarding the income from derivatives. Please see the discussion under Section 8, Changes in consolidation group, for the income from deconsolidation.

10 Segment reporting

Due to ongoing optimization of operating activities, segment reporting was adjusted in the first quarter of 2015 to match internal reporting. As before, the holding company is presented separately from Gigaset's operating activities. Within operating activities, a distinction will be made in the future in the geographical regions between "Germany," "EU," and "Rest of world."

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

› Germany
  The "Germany" geographical region comprises the operating activities in Germany.

› EU
  The "EU" geographical region comprises the operating activities in Poland, Great Britain, Austria, France, Italy, the Netherlands, Spain, and Sweden.

› Rest of World
  The "Rest of world" geographical region comprises the operating activities in Switzerland, Turkey, Argentina, Russia, USA, Brazil, and China.

The comparison figures for the second quarter of 2014 were adjusted accordingly to the new structure.

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.

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 – June 30, 2015 in EUR'000	Germany	EU	Rest of World	Gigaset TOTAL	Holding	Group
Sales revenue						
External sales	74,470	54,150	13,991	142,611	0	142,611
Internal sales	0	0	0	0	0	0
Total sales revenues	74,470	54,150	13,991	142,611	0	142,611
Net segment income/EBITDA	816	356	610	1,782	-48	1,734
Depreciation and amortization	-10,165	-55	-6	-10,226	0	-10,226
Net segment income/EBIT	-9,349	301	604	-8,444	-48	-8,492
Net interest income						-837
Result from ordinary activities						-9,329
Taxes on income						316
Consolidated net profit for the fiscal year						-9,013

January 1 – June 30, 2014 in EUR'000	Germany	EU	Rest of World	Gigaset TOTAL	Holding	Group
Sales revenue						
External sales	67,836	58,701	20,452	146,989	0	146,989
Internal sales	0	0	0	0	0	0
Total sales revenues	67,836	58,701	20,452	146,989	0	146,989
Net segment income/EBITDA	5,127	2,023	-216	6,934	-4,600	2,334
Depreciation and amortization	-12,136	-81	-10	-12,227	-1	-12,228
Net segment income/EBIT	-7,009	1,942	-226	-5,293	-4,601	-9,894
Net interest income						-1,297
Result from ordinary activities						-11,191
Taxes on income						260
Consolidated net profit for the fiscal year						-10,931

The increase in sales revenue in the region of Germany can be mainly attributed to the development in the core business, Consumer Products.

11 Related party disclosures

Pursuant to IAS 24, Related Party Disclosures, business relationships with Gigaset Mobile Pte. Ltd., Singapore, and its subsidiaries had 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 at the reporting date:

EUR'000	Expenses 1/1-3/31/2015	Sales revenue/income 1/1-3/31/2015	Receivables 3/31/2015	Liabilities 3/31/2015
Gigaset	4,169	1,963	177	2,314
Gigaset Mobile	1,963	4,169	2,314	177

EUR'000	Expenses 1/1-3/31/2014	Sales revenue/income 1/1-3/31/2014	Receivables 3/31/2014	Liabilities 3/31/2014
Gigaset	1,265	483	1,886	15,332
Gigaset Mobile	483	1,265	15,332	1,886

Pursuant to IAS 24, Related Party Disclosures, business relationships with Guangzhou Cyber Digital Technology Company Limited, Guangzhou, China, had to be shown as related party transactions starting in 2014. This company represents an other related company pursuant to IAS 24.19 (g). From a Group perspective, the transactions and balances for the reporting period and at the reporting date break down as follows:

EUR'000	Expenses 1/1-3/31/2015	Sales revenue/income 1/1-3/31/2015	Receivables 3/31/2015	Liabilities 3/31/2015
Gigaset	0	368	685	0
Guangzhou Cyber Digital Technology Company Limited	368	0	0	685

In the comparison period in the prior year, no significant business transactions occurred between the Group and Guangzhou Cyber Digital Technology Company Limited, Guangzhou, China.

The receivables include income from fixed asset sales in the amount of EUR 0.2 million.

No valuation adjustments or expenses for uncollectible or doubtful receivables were recorded for existing receivables in the reporting period. In addition, no collateralization exists for the individual receivables.

No significant transactions were conducted between the Group and related parties except for the circumstances listed.

12 Significant events after the reporting period

Gigaset Group reorganizes brand and domain portfolio

On June 25, 2015, a contract to sell the brand and domain portfolio of Gigaset Communication GmbH was signed with Goldin Brand Ltd., a subsidiary of Goldin Fund Pte. Ltd. The brand portfolio specifically comprises the brand "Gigaset" and the brand "Gigaset elements". The conditions for closing the contract occurred at the beginning of July, so that the brand portfolio transferred to the purchaser in July for a purchase price of EUR 29 million. However, Gigaset is permitted to continue to use the brands.

Effective January 8, 2016, Gigaset Communications GmbH will additionally sell and transfer a number of Internet domains to Goldin Brand Ltd., including the domain Gigaset.com. The purchase price for the domains is EUR 6 million. This transaction is subject to the condition of a separate agreement still to be made between the parties regarding joint use of the domain and joint brand use.

Gigaset: Plantinum Partner of FC Bayern Munich

The Brand Gigaset is an official platinum partner of the FC Bayern Munich football club, effective immediately and is the exclusive partner for the segment of smartphones, tablets, and wearables. The expenses for the sponsoring are beared by Gigaset Mobile Pte. Ltd., Singapore. The agreement announced in Munich today will initially run for three years. With more than 400 million fans worldwide, FC Bayern Munich is an ideal platform for Gigaset to further increase its brand awareness. The contract was concluded in the immediate run-up to the kickoff of a portfolio of initial smartphone for the IFA consumer electronics trade fair in Berlin. In this context, Gigaset is currently developing international cooperative agreements. Following the official partnership with the traditional and legendary Ascot racetrack in the UK and the world-renowned Royal Ascot race, which was announced in May, FC Bayern Munich football club adds an additional international sports brand that is just as high-caliber and traditional.

13 Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group, and the group interim management report provides a true and fair view of the development of the business, including the results of operations and the position of the Group as well as a description of the significant opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Munich, August 3, 2015

The Executive Board of Gigaset AG

Kai Dorn   Charles Fränkl   Du Guoyu   Yang Yuefeng

FINANCIAL CALENDAR

August 11, 2015

› Annual Shareholders' Meeting in Munich, Germany

November 10, 2015

› Report for the 3rd Quarter of 2015

IMPRINT

Published by
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Report for the
2nd Quarter 2015

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