Gigaset

QUARTERLY STATEMENT FOR THE 1ST QUARTER FROM JANUARY 1 TO MARCH 31, 2016

KEY FIGURES

€ millions	01/01/-03/31/2016	01/01/-03/31/2015
Consolidated revenues	61.9	70.1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	2.6	8.8
Earnings before interest and taxes (EBIT)	-1.9	3.7
Consolidated profit or loss for the fiscal year	-2.6	0.8
Free cash flow	-15.2	-18.2
Earnings per share (diluted in EUR)	-0.02	0.01

€ millions	03/31/2016	12/31/2015
Total assets	209.9	221.1
Consolidated equity	7.1	17.9
Equity ratio (in %)	3.4	8.1
Number of employees	1,223	1,270

The Gigaset Share	Q1 2016	Q1 2015
Closing rate in EUR (at the end of the period)	0.50	0.84
Peak price in EUR (in the period)	0.65	1.30
Lowest price in EUR (in the period)	0.45	0.64
Number of shares in circulation (at the end of the period)	132,455,896	121,500,221
Market capitalization in EUR million (at the end of the period)	66.6	102.1

Financial Calendar	
May 20, 2016	1st quarterly statement of 2016
August 11, 2016	Half-yearly report for 2016
August 12, 2016	Annual General Meeting in Munich
November 19, 2016	3rd quarterly statement of 2016

The quarterly statement is not audited and was not part of an audit review. It was prepared based on the accounting policies applied for the most recent consolidated financial statements.
The quarterly statement includes statements and information regarding Gigaset AG relating to future periods. The statements regarding the future represent estimates that were made based on all information available when the statement was prepared. If the assumptions underlying the forecasts should prove inaccurate, the actual developments and results can deviate from current expectations. The Company does not accept any responsibility to update the statements included in this statement outside of the provisions governing publication stipulated under the law. Amounts included in tables and percentages (monetary units, percentages) can differentiate from the mathematically correct values due to rounding differences.

STATEMENT FOR THE 1ST QUARTER FROM JANUARY 1 TO MARCH 31, 2016

1 General economic environment

Germany

The market for cordless telephones in Germany declined by 5.6% in units in Q1 2016 compared to the amount for the previous year. The market decline amounts to 3.6% in value compared to the first quarter of 2015. Gigaset defended its very good market share of more than 40% in terms of unit volume and value with a clear edge over the competition.

France

The market for cordless telephones in France declined by 10.6% in Q1 2016 in terms of units and 8.1% in terms of value compared to the first quarter of 2015. Gigaset expanded its market position here by just under 5 percentage points in terms of units and by 4 percentage points in terms of value.

EU6

The European markets observed by Gigaset shrank by 11.5% in terms of units and by 9.5% in terms of sales compared to the first quarter of 2015. Gigaset expanded its market share in terms of units by just under one percentage point and recorded a slight increase in terms of sales.[1]

2 Business performance

Consumer Products market

Gigaset was able to defend its clear premium position over the competition and further expanded its market share by 0.2% to 33.2% (value). However, the Consumer division is suffering under the sharp 9.5% decline in the market,[2] which Gigaset is countering by consistently marketing the HX handsets – now also on the shelf next to routers – in order to develop new customer groups and gain further significance in this growth segment.

Business Customer market

Sales revenue in the Business Customers segment decreased by 16.5% year-over-year in the first quarter. The decrease can be attributed to the reorganization of the largest German customer's corporate group as well as to seasonal shifts in project orders, which had a positive impact on the result in the first quarter of the previous year.

The revision of the product portfolio continues and will lead to the introduction of additional new products in fiscal year 2016 that were not yet available in the first quarter.

Home Networks

Sales revenue in 2015 was supported by intensive Go-to-Market activities that led to seasonal sales peaks. The first quarter of this year was dominated by the reorganization and consolidation of the segment; the marketing strategy was revised,

1. 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 during the period of Jan - Mar 2016
2. 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 during the period of Jan - Mar 2016

among other things. The concentration on the main sales markets will lead to increasing sales revenue in the coming months.

The constantly rising number of registered elements users in our "cloud" is gratifying, as is the 20% increase in the first quarter 2016 compared to the end of 2015.

3 Financial performance, cash flows and financial position of the Group

3.1 Financial performance

The Executive Board of Gigaset AG adjusted the structure - as detailed in the Annual Report 2015 - of the income statement in Gigaset AG's consolidated financial statements compared to the previous year. The new presentation is intended to provide users of the financial statements with more relevant decision-making information. This is to be achieved by separately presenting profit and loss items that do not necessarily result from the core business and thereby providing additional information for the users of the annual financial statements. Thus, the change relates to the presentation of the income statement, with no resulting impact on profit or loss or changes in other components of the financial statements.

The Gigaset Group generated total **sales revenue** in the amount of EUR 61.9 million (prior year: EUR 70.1 million) in the first three months of fiscal year 2016 in a difficult economic environment.

Sales revenue from the core business was subject to the usual seasonal fluctuations in the consumer business. The decrease of 11.7% in sales revenue compared to the first three months of the previous year can be explained in particular by the declining market in the Consumer Products segment. Whereas **sales revenue** in Germany and Europe compared to the first three months of the previous year was characterized in particular by the declining business in the Consumer Products segment, sales revenue in the rest of the world fluctuated around the previous year's level. Sales revenue by region developed as follows:

Sales revenue in € millions	Q1 2016	Q1 2015	Change
Germany	33.1	38.5	-14.0%
Europe	23.5	26.2	-10.3%
Rest of World	5.3	5.4	-1.9%
Gigaset Total	**61.9**	**70.1**	**-11.7 %**

An overall decline was recorded in the individual segments in the first three months of 2016. Whereas sales in the Consumer Products business fell by EUR 3.1 million to EUR 51.8 million, sales revenue in the Business Customer business decreased by 16.2% to EUR 8.8 million. While the decrease in sales revenue in the Consumer Products segment is related to the general decline in the market, the decrease in sales revenue in the Business Customers segment can be attributed to the reorganization of the largest German customer's corporate group as well as by seasonal shifts in project orders that had a positive impact on the result in the first quarter of the previous year.

Sales revenue from the Home Networks segment also decreased by EUR 0.7 million, whereby the first quarter was dominated by the reorganization and consolidation of the business segment; the marketing strategy was revised, among other things. A decrease of EUR 2.7 million to EUR 0.6 million was recorded for Mobile Products; here, the sell-off of tablets in the first quarter of 2015 is compared to sales from the smartphone business, which is currently ramping up.

Sales revenue in € millions	Q1 2016	Q1 2015	Change
Consumer Products	51.8	54.9	-5.5%
Business Customers	8.8	10.5	-16.2%
Home Networks	0.7	1.4	-50.0%
Mobile Products	0.6	3.3	-81.8%
Gigaset Total	**61.9**	**70.1**	**-11.7%**

The **cost of materials** for raw materials, merchandise, finished goods and purchased services was EUR 30.9 million – a decrease of EUR 7.0 million compared to EUR 37.9 million in the previous year. The cost of materials rate fell from 53.6% to 51.1%, including changes in inventories. This can be primarily attributed to the sales revenue trend, changes in inventories of finished goods and work in progress, and the USD exchange rate trend.

Gross profits, comprising sales revenue less the cost of materials and including the 6.7% change in inventories of finished goods and work in progress decreased to EUR 30.3 million in the reporting period.

Other own work capitalized in the amount of EUR 2.3 million (prior year: EUR 2.5 million) mainly includes costs related to the development of new products.

Other operating income from the core business amounts to EUR 1.1 million and is thus EUR 2.6 million lower than in the first quarter of the previous year. The decrease can be primarily attributed to the recharging of services to the Gigaset Mobile Group, which were down EUR 1.1 million year-over-year.

Personnel expenses before restructuring for wages, salaries, social security contributions and old age pensions amount to EUR 21.2 million, representing a year-over-year decrease of EUR 2.9 million. The decrease reflects in particular the lower number of employees.

Other expenses from the core business in the amount of EUR 11.3 million (prior year: EUR 17.5 million) were incurred in the reporting period. These include in particular marketing costs (EUR 3.7 million; prior year: EUR 5.5 million), general administrative expenses (EUR 2.1 million; prior year: EUR 3.7 million), transport costs (EUR 1.6 million; prior year: EUR 1.9 million), advisory fees (EUR 0.5 million; prior year: EUR 0.6 million), expenses for land and buildings (EUR 0.7 million; prior year: EUR 0.9 million), and expenses for the loaning of employees (EUR 0.9 million; prior year: 0.0 million). The decrease in other expenses from the core business of EUR 6.3 million can be attributed to cost-savings.

Earnings from the core business before depreciation and amortization thus amount to EUR 1.2 million (prior year EUR -2.8 million). Taking into account depreciation and amortization in the amount of EUR 4.5 million (prior year: EUR 5.1 million), earnings after depreciation and amortization amount to EUR -3.3 million (prior year: EUR -7.9 million).

The **additional ordinary result** in the amount of EUR 1.4 million (prior year: EUR 11.6 million) includes the profit and loss items that do not necessarily result from the core business. The development of the additional ordinary result is characterized by additional ordinary income and additional ordinary expenses as well as restructuring expenses and the exchange rate trend. The **additional ordinary income** and **additional ordinary expenses** nearly compensate each other. Reversals from provisions and/or allowances on receivables in the first quarter of 2016 are offset by expenses as well as income from deconsolidations. The **exchange rate effects** decreased by EUR 10.3 million compared to the first quarter of the previous year. The main reason for this was the introduction of hedge accounting in October 2015. On a net basis, the exchange rate gains and exchange rate losses for the first quarter of 2016 result in a positive contribution to earnings of EUR 0.3 million.

This led to an **operating result** of EUR -1.9 million (prior year: EUR 3.7 million). In conjunction with **net financial income** in the amount of EUR -0.4 million (prior year: EUR -0.6 million) the **result from ordinary activities** amounts to EUR -2.2 million (prior year: EUR 3.1 million).

The **consolidated net loss** for the fiscal year amounts to EUR -2.6 million (prior year: net profit of EUR 0.8 million) as of March 31, 2016.

This results in earnings per share of EUR -0.02 (basic/diluted) (prior year: EUR 0.01 (basic/diluted)).

3.2 Cash flows

Cash flow

Cash flow can be broken down as follows:

€ millions	Q1 2016	Q1 2015
Cash flows from operating activities	-12.8	-15.4
Cash flows from investing activities	-2.4	-2.8
Free cash flow	-15.2	-18.2
Cash flows from financing activities	-0.4	0.0

In the quarter just ended, the Gigaset Group recorded **cash outflows from continuing operations** in the amount of EUR -12.8 million (prior year: EUR -15.4 million). The negative free cash flow in the first quarter can be attributed to seasonal fluctuations. Free cash flow increased compared to the previous year, despite 12% lower sales revenue. This can be attributed in particular to the lower decrease in inventories as well as in trade payables, other liabilities, and other provisions.

Cash outflows from investing activities amount to EUR -2.4 million and thus fall marginally short of the previous year's level of EUR -2.8 million. The majority of capital expenditures relates in the amount of EUR 2.3 million (prior year: EUR 2.5 million) to the cash outflows for the development of innovative products and solutions in connection with own work capitalized.

The change in **free cash flow** from EUR 18.2 million to EUR -15.2 million compared to the first quarter of the previous year is characterized by the change in cash flows from operating activities.

The **cash outflow from financing activities** amounts to EUR -0.4 million (prior year: EUR 0.0 million) and results from the payment of interest on the convertible bond, which was converted in the first quarter.

Cash flows include changes in exchange rates in the amount of EUR -0.1 million (prior year: EUR 0.6 million).

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

3.3 Financial position

The Gigaset Group's **total assets** as of March 31, 2016, amounted to around EUR 209.9 million and thus decreased by approximately 5.0% compared to December 31, 2015.

Non-current assets increased by EUR 1.2 million to EUR 98.2 million compared to December 31, 2015. Depreciation and amortization and the disposals exceed capital expenditures in intangible assets and property, plant and equipment; consequently, intangible assets decreased by EUR 0.7 million to EUR 34.6 million and property, plant and equipment by EUR 1.4 million to EUR 28.5 million. The increase of deferred tax assets results from the increase of pension obligations due to a lower interest rate for the valuation of the obligation in comparison to December 31, 2015..

Current assets represent 53.2% of total assets. Compared to December 31, 2015, they decreased by EUR 12.3 million and amount to EUR 111.8 million. Inventories increased slightly by EUR 0.6 million to EUR 24.9 million, since the Company traditionally replenishes its inventories in the first quarter after the Christmas shopping season. Trade receivables increased by EUR 3.6 million to EUR 34.0 million, which can be primarily attributed to a disproportionately strong sell-off at the end of the quarter. Furthermore, the portfolio of cash and cash equivalents decreased from EUR 41.0 million to EUR 25.3 million compared to December 31, 2015, due to seasonal fluctuations. Please refer to the statement of cash flows in the notes for a breakdown of changes in cash and cash equivalents.

The Gigaset Group's **equity** amounted to around EUR 7.1 million as of March 31, 2016, which is EUR 10.8 million less than at the beginning of the year. Correspondingly, equity as a percentage of assets amounts to 3.4% compared to 8.1% as of December 31, 2015. Due to the 0.4% decrease in the discount rate to 1.9% for the recognized pension obligations, net actuarial losses in the amount of EUR 6.3 million were recognized after consideration of deferred taxes in equity. Furthermore, changes in exchange rates were recognized directly in equity in the amount of EUR -0.1 million. The newly introduced cash flow hedging resulted in losses in the amount of EUR 1.8 million after consideration of deferred taxes that were recognized directly in equity. In addition, equity was impacted by the consolidated net loss for the fiscal year of EUR 2.6 million.

Total liabilities amount to EUR 202.9 million (prior year: EUR 203.2 million), 49.1% of which are current. The Group's total debt was reduced by an additional EUR 0.4 million in the current fiscal year following the significant reduction of debt in the preceding fiscal years.

Non-current liabilities mainly include pension obligations, provisions for restructuring, and deferred tax liabilities as well as non-current provisions for personnel expenses and provisions for guarantees. The EUR 8.8 million increase in non-current liabilities to EUR 99.6 million primarily resulted from the increase in pension provisions, which increased correspondingly due to a decrease in the discount rate of 2.3% as of December 31, 2015, to 1.9% on March 31, 2015.

At EUR 103.2 million, **current liabilities** are around 8.1% lower than reported in the annual financial statements as of December 31, 2015. The decrease in **current provisions** can be primarily attributed to the decrease in provisions for volume discounts. Trade payables decreased seasonally from EUR 45.8 million to EUR 38.0 million. The EUR 3.5 million increase in other current liabilities to EUR 27.5 million can be primarily attributed to the EUR 1.2 million increase of derivatives with a negative fair value to EUR 2.1 million as well as the EUR 1.0 million increase in other personnel-related liabilities to EUR 14.7 million.

4 General assessment of the Group's expected performance

Gigaset stands by its statement regarding the Group's expected performance in the annual report for 2015. Gigaset expects the following for the current fiscal year in the 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[3] in the upper single-digit to lower double-digit millions. However, due to the decrease in sales revenue, the necessary capital investments in the establishment of new segments, and the restructuring of the Company, EBITDA is expected to slightly exceed the previous year's result. The EBITDA margin is expected to be in the lower to mid-single-digit range.
- A negative free cash flow in the mid-single-digit millions due to the extensive capital expenditures in the new segments due to substantial investments.

4. Please refer to details in the notes to the annual financial statements as of December 31, 2015, regarding the individual line items of the income statement

Consolidated income statement for the period from January 1 to March 31, 2016[4]

In € thousands	01/01/ – 03/31/2016	01/01/ – 03/31/2015
Sales revenue	61,941	70,089
Change in inventories of finished goods and work in progress	-702	347
Cost of materials	-30,929	-37,937
Gross profit	**30,310**	**32,499**
Other own work capitalized	2,254	2,541
Other income from the core business	1,088	3,708
Personnel expenses before restructuring	-21,168	-24,052
Other expenses from the core business	-11,280	-17,454
Result of the core business before depreciation and amortization	**1,204**	**-2,758**
Depreciation and amortization	-4,507	-5,137
Result of the core business after depreciation and amortization	**-3,303**	**-7,895**
Additional ordinary income	1,162	2,851
Additional ordinary expenses	0	-1,834
Personnel expenses from restructuring	-1	0
Exchange rate gains	2,011	15,452
Exchange rate losses	-1,729	-4,876
Additional ordinary result	**1,443**	**11,593**
Operating result	**-1,860**	**3,698**
Other interest and similar income	2	5
Interest and similar expenses	-355	-561
Net financial income	**-353**	**-556**
Result from ordinary activities	-2,213	3,142
Taxes on income	**-359**	**-2,322**
Consolidated net loss for the fiscal year	**-2,572**	**820**
Earnings per ordinary share		
- undiluted in EUR	-0.02	0.01
- diluted in EUR	-0.02	0.01

4. Please refer to details in the notes to the annual financial statements as of December 31, 2015, regarding the individual line items of the income statement

Consolidated statement of financial position as of March 31, 2016

In € thousands	03/31/2016	12/31/2015
ASSETS		
Non-current assets		
Intangible assets	34,625	35,313
Property, plant and equipment	28,540	29,906
Financial assets	18,386	18,386
Deferred tax assets	16,599	13,361
Total non-current assets	98,150	96,966
Current assets		
Inventories	24,913	24,299
Trade receivables	34,043	30,470
Other assets	26,773	27,591
Current tax assets	780	799
Cash and cash equivalents	25,266	40,963
Total current assets	111,775	124,122
Total assets	**209,925**	**221,088**

Consolidated statement of financial position as of March 31, 2016

In € thousands	03/31/2016	12/31/2015
LIABILITIES		
Equity		
Subscribed capital	132,456	132,456
Share premium	86,076	86,076
Revenue reserves	68,979	68,979
Accumulated other comprehensive income	-280,441	-269,655
Total equity	**7,070**	**17,856**
Non-current liabilities		
Pension obligations	79,703	70,020
Provisions	19,472	20,189
Deferred tax liabilities	**431**	**616**
Total non-current liabilities	**99,606**	**90,825**
Current liabilities		
Convertible bond	0	426
Provisions	24,073	28,248
Trade payables	38,040	45,783
Tax liabilities	13,663	13,981
Other liabilities	27,473	23,969
Total current liabilities	**103,249**	**112,407**
Total equity and liabilities	**209,925**	**221,088**

Change in consolidated equity as of March 31, 2016

	In € thousands	Subscribed capital	Share premium	Revenue reserves
	December 31, 2014	132,456	86,076	68,979
1	**Capital increase**	**0**	**0**	**0**
2	Consolidated net loss for fiscal year 2015	0	0	0
3	Foreign currency gains/losses	0	0	0
4	Changes in entities included based on the equity method and recorded directly in equity	0	0	0
5	Cash flow hedges	0	0	0
6	Remeasurement effects, Net liability under defined benefit plans	0	0	0
7	Total changes recognized in other comprehensive income	0	0	0
8	Total net income (2+7)	0	0	0
	December 31, 2015	132,456	86,076	68,979
1	**Capital increase**	**0**	**0**	**0**
2	Consolidated net loss for fiscal year 2016	0	0	0
3	Foreign currency gains/losses	0	0	0
4	Changes in entities included based on the equity method and recorded directly in equity	0	0	0
5	Cash flow hedges	0	0	0
6	Remeasurement effects, Net liability under defined benefit plans	0	0	0
7	Total changes recognized in other comprehensive income	0	0	0
8	Total net income (2+7)	0	0	0
	March 31, 2016	**132,456**	**86,076**	**68,979**

Change in consolidated equity as of March 31, 2016

Accumulated other comprehensive income	Consolidated equity		
-246,352	**41,159**	**December 31, 2014**	
0	**0**	**Capital increase**	**1**
-22,009	-22,009	Consolidated net loss for fiscal year 2015	2
-2,652	-2,652	Foreign currency gains/losses	3
-2,183	-2,183	Changes in entities included based on the equity method and recorded directly in equity	4
788	788	Cash flow hedges	5
2,753	2,753	Remeasurement effects, Net liability under defined benefit plans	6
-1,294	-1,294	Total changes recognized in other comprehensive income	7
-23,303	-23,303	Total net income (2+7)	8
-269,655	**17,856**	**December 31, 2015**	
0	**0**	**Capital increase**	**1**
-2,572	-2,572	Consolidated net loss for fiscal year 2016	2
-107	-107	Foreign currency gains/losses	3
0	0	Changes in entities included based on the equity method and recorded directly in equity	4
-1,764	-1,764	Cash flow hedges	5
-6,343	-6,343	Remeasurement effects, Net liability under defined benefit plans	6
-8,214	-8,214	Total changes recognized in other comprehensive income	7
-10,786	-10,786	Total net income (2+7)	8
-280,441	**7,070**	**March 31, 2016**	

Consolidated statement of cash flows for the period from January 1 to March 31, 2016[5]

In € thousands	01/01/ - 03/31/2016	01/01/ - 03/31/2015
Result from ordinary activities before taxes on income	**-2,213**	**3,142**
Depreciation of property, plant and equipment and amortization of intangible assets	4,507	5,137
Addition (+)/decrease (-) in pension provisions	490	746
Gain (-)/loss (+) from the sale of non-current assets	-17	-292
Gain (-)/loss (+) from deconsolidations	0	-828
Gain (-)/loss (+) from currency translation	-187	-451
Net profit or loss attributable to entities accounted for using the equity method	0	682
Net interest income	353	556
Interest received	2	4
Interest paid	-177	-214
Income taxes paid	-465	-282
Increase (-)/decrease (+) in inventories	-614	-3,161
Increase (-)/decrease (+) in trade receivables and other receivables	-5,384	563
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	-9,306	-22,634
Increase (+)/decrease (-) in other balance sheet items	235	1,660
Cash inflow (+)/outflow (-) from continuing operations (net cash flow)	**-12,776**	**-15,372**
Proceeds from the sale of shares in companies	0	25
Cash transferred with the sale of shares in companies and negative purchase prices	0	-107
Proceeds from the disposal of non-current assets	17	292
Payments for investments in non-current assets	-2,453	-3,028
Cash inflow (+)/outflow (-) from investing activities	**-2,436**	**-2,818**
Free Cashflow	**-15,212**	**-18,190**

5. Prior-year amounts were adjusted. For more information, please refer to the annual report for 2015 A. General Information – Adjustment of the comparative information in the consolidated financial statements as of December 31, 2015

Consolidated statement of cash flows for the period from January 1 to March 31, 2016[5]

In € thousands	01/01/ - 03/31/2016	01/01/ - 03/31/2015
Mandatory convertible bond	-428	0
Cash inflow (+)/outflow (-) from financing activities	**-428**	**0**
Cash and cash equivalents at the beginning of the period	35,434	46,125
Foreign exchange rate gains/losses	-57	607
Cash and cash equivalents at the beginning of the period measured at the rate of exchange prevailing at the balance sheet date of the prior year	35,491	45,518
Increase (-)/decrease (+) in restricted cash	7	-254
Change in cash and cash equivalents	-15,640	-18,190
Cash funds at the end of the period	**19,801**	**27,681**
Restricted cash	5,465	5,220
Cash and cash equivalents reported on the statement of financial position	**25,266**	**32,901**

5. Prior-year amounts were adjusted. For more information, please refer to the annual report for 2015 A. General Information – Adjustment of the comparative information in the consolidated financial statements as of December 31, 2015

Gigaset

Quarterly Statement

for the 1st Quarter from

January 1 to March 31, 2016

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