

Press Release

Gigaset consolidates its leading position in the market and completes its orientation toward telecommunications business

- **Leading position in core business strengthened despite continuing decline in the market.**
- **Focus on telecommunications business completed with the sale of SME.**
- **Consolidated revenue from continuing operations in the first quarter: €65.0 million (Q1/2013: €86.7 million).**
- **EBITDA from continuing operations in the first quarter: minus €7.6 million (Q1/2013: €4.6 million).**
- **New components and features for Gigaset elements and own ecosystem able to connect various product categories announced at CeBIT.**
- **CEO Charles Fränkl: “Our company’s reorganization is still a vital necessity and is making swift headway. As the announcements for CeBIT indicated, we’re expanding our portfolio in our core business and our new product lines to continue growing profitably in future.”**

Munich, May 22, 2014. Despite the continuing decline in the market in its core business of cordless phones, Gigaset was able to increase its market share in Europe year on year by a total of 1 percentage point in terms of units sold in the first quarter of 2014. The overall market for cordless phones in Europe declined in the months January to March 2014 by almost 13 percent in terms of revenue in the markets observed by Gigaset. The picture was the same in almost all the observed markets.¹

In January, Gigaset AG announced the sale of SM Electronic. As a result, the company has sold the last business segment it had identified as not being continued as part of its strategic realignment and related transformation from an equity investment company to a pure telecommunications company.

Mainly as a result of the continuing market decline, the Gigaset Group’s revenue from continuing operations fell from €86.7 million in the first quarter of the previous year to €65.0 million. Other contributory factors to this drop were the withdrawal from, and reorganization of sales models in a number of unprofitable countries. However, these changes are expected to help increase profitability in the medium term. EBITDA in the first quarter of the year was consequently minus €7.6 million compared with €4.6 million the year before. The figure also includes exchange rate effects of €1.6 million which likewise had a negative impact on earnings.

Gigaset’s **CEO, Charles Fränkl**, says: “Our company’s reorganization is still a vital necessity and is making swift headway. As the announcements for CeBIT indicated, we’re expanding our portfolio in our core business and our new product lines to continue growing profitably in future. The efficiency program which we announced at the annual press conference which aims to cut costs by €17.5 million by September, will further improve our profitability. Successful placement of the capital measures significantly strengthened our capital base last year. However, further financing steps are necessary.”

The data is taken from surveys by the Retail Panel for Cordless Phones of GfK Retail and Technology GmbH in Belgium, Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, Spain, Russia and Turkey. Survey period: January to March 2014; base: GfK Panel Market.

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At CeBIT 2014 Gigaset announced, among other things, a camera, an intelligent socket and a smart smoke detector for Gigaset elements, the system for connected living. The company also explained its path to creating its own ecosystem. Via the cloud system, which has been introduced in the meantime, various product categories will be increasingly interlinked.

Gigaset AG's figures in the first quarter of 2014 (continuing operations):

- Consolidated revenue: €65.0 million (Q1/2013: €86.7 million)
- EBITDA: EUR –7.6 million (Q1/2013: €4.6 million)
- Consolidated net loss: € –12.2 million (Q1/2013: € –3.3 million)
- Free cash flow: EUR –28.0 million (Q1/2013: € –23,9 million)

As already announced, management is currently concretizing further steps to fund the growth objectives for the new business segments and the company's further reorganization. The general conditions have improved substantially since Goldin Group has taken a stake in the company. The syndicated loan is to be replaced by cheaper financing instruments. As part of that, a temporary deferral of the syndicated loan, which as expected was called in effective April 30, 2014, has been agreed with the banks, initially until the end of May 2014. The Gigaset Group is engaged in a constructive dialog with the syndicate banks in order to agree on the further approach.

Outlook confirmed

Gigaset AG maintains the outlook provided with the annual report published March 26, 2014:

The measures required to ensure long-term growth were initiated in 2012. To counter the continuing difficult trend in the company's core market, investments in establishing new, promising business segments and product groups are also still required. In 2014, the new business segments will make additional contributions to revenue, but these will not yet be able to compensate fully for the market-related decline in cordless phones. Gigaset therefore expects in the current fiscal year in the Business Units Consumer Products, Business Customers and Home Networks (excluding tablets and mobile):

- A decline in revenue from continuing operations in a high single-digit to low double-digit percentage range.
- EBITDA to improve sharply year on year and to be positive again and an EBITDA margin in the upper single-digit percentage range thanks to the positive impact expected from the efficiency programs.
- A negative free cash flow in the low double-digit million range, among other things due to the investments required in further establishment of the new business segments and restructuring of the company.

In addition, Gigaset expects additional revenues from tablet and smartphone business; however, they are difficult to predict due to the early stage of the joint activities with Goldin Fund Pte. Ltd., Singapore.

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Overview of development of the Business Units

Consumer Products

Gigaset's sales strategy is still geared toward maintaining the Gigaset brand's price premium in the market and further expanding its market share in Europe.

In what is overall a difficult environment for retailers and operators, Gigaset was again able to maintain its position over the competition. A contributing factor was, in particular, the company's participation in large tenders of retailers and telecommunications providers. Trends varied by region and country.

Gigaset was able to hold its leading market position in Europe and Germany in terms of units sold.² New highlights from all business areas of Gigaset were showcased at the CeBIT 2014 trade show. For example, the company presented the two new Bluetooth headsets ZX530 and ZX830. A further new product was the DECT designer phone Dune, which is to go on sale in May.

The company announced the application "Gigaset Go" as part of its further path toward a single Gigaset ecosystem that is intended to network the entire hardware portfolio of Gigaset over the cloud in future. This application is to enable automatic and smooth transfer of data, such as the phone book, between different Gigaset devices.

Moreover, Gigaset confirmed its intention at CeBIT to launch a smartphone in 2014.

Business Customers

The company was able to expand its own business under the "Gigaset pro" brand slightly in the first quarter of 2014 compared with the previous year. In particular, the regions France and the Netherlands contributed to this growth. However, revenue declined slightly overall compared with the same quarter of the previous year due to a poorer business performance with customized products under the customer's brand name.

Important cooperation deals were concluded with network operators in the first quarter of 2014 and have already generated initial revenue. The number of particularly loyal Silver and Gold Partners increased in the sales regions. The functionality of the multi-cell solution N720 IP Pro was enhanced by a software update, with the result that the system can now be operated easily behind BroadSoft systems.

At CeBIT, the Business Unit aroused great interest with its innovative business customer phone Maxwell, which is equipped with a 10" touch screen and has no keys whatsoever.

Home Networks

In September 2013, Gigaset began marketing the starter kits of "Gigaset elements" through the specialty retailers network as well as online in Germany and then in France shortly afterwards. The system has also been available in Switzerland, Austria, the Netherlands and Sweden since April.

The "safety starter kit," which was launched in 2013, is the foundation for the versatile uses of Gigaset elements. It consists of two intelligent DECT ULE-based sensors – the door sensor "door" and the motion sensor "motion" – as well as the base station "base" and an app for smartphones. An intelligent, learning and secure cloud is behind Gigaset elements, acting as an interface between the home and smartphone. The system can be expanded in a modular manner. Upgrades in the form of a siren and a window sensor are now also available.

² Retail Panel for Cordless Phones of GfK Retail and Technology GmbH in Belgium, Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, Spain, Russia and Turkey. Survey period: January to March 2014; base: GfK Panel Market.



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At CeBIT in March, Gigaset announced it would further expand its hardware portfolio. In 2014, an intelligent socket, a smart smoke detector and a camera are to be launched. In addition, the central software platform in the cloud is to be provided with new functionalities. So as to address the segments of energy and care, a machine learning system is to be created. In addition, Gigaset elements is to be given an open interface (open API) so that partners can be integrated more easily.

Mobile Products

In December 2013, Gigaset entered the rapidly growing market for tablets with two new Android-based models in an 8" and 10.1" format. That marked the completion of the next step in expansion of the Gigaset 2015 strategy. The main focus of this launch was initially Germany; however, the other European countries then began marketing the tablets. The goal is also to offer customers Gigaset's customary pledge of premium products at top-class prices with these tablets. The sales network for tablets was further expanded in the first quarter. Numerous agreements with existing as well as new pan-European resale partners were concluded.

<http://blog.gigaset.com>.

Gigaset AG, Munich, is an internationally operating company in the area of communications technology. The company is Europe's market leader in DECT telephones. With around 1,400 employees and a market presence in about 70 countries the premium provider takes a globally leading role, too.

Gigaset AG is listed on the Prime Standard of Deutsche Börse and thus is subject to the highest requirements for transparency. Its shares are traded on the Frankfurt Stock Exchange under the symbol 'GGS' (ISIN: DE0005156004).

Contact:

Gigaset AG

Corporate Communications & Investor Relations

Stefan Zuber

Phone: +49 (0)89 444456-866

E-mail: info.presse@gigaset.com

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Overview of the figures:

	January 1 – March 31, 2014		January 1 – March 31, 2013	
€ million	Continuing operations	Total	Continuing operations	Total
Consolidated revenue	65.0	65.0	86.7	89.1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-7.6	-7.6	4.6	3.9
Earnings before interest and taxes (EBIT)	-13.9	-13.9	-2.0	-2.1
Consolidated net income/loss	-12.2	-12.2	-3.3	-3.3
Diluted earnings per share in €	-0.12	-0.12	-0.07	-0.07
Free cash flow	-28.0	-28.0	-23.9	-24.4
	March 31, 2014		December 31, 2013	
Total assets	237.4		267.1	
Consolidated equity	24.6		38.7	
Equity ratio in %	10.4		14.5	