Gigaset

2015

ANNUAL REPORT

COMBINED MANAGEMENT REPORT FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2015

1 Basic principles of the Group

1.1 Business model

Gigaset AG is a corporate group with telecommunications operations all around the world. The Company, with its headquarters in Munich and its main production site in Bocholt, is a leading brand in Western Europe with the cordless telephones it develops and manufactures based on the „Digital Enhanced Cordless Telecommunications" (DECT) standard. As a premium vendor, Gigaset commands a predominantly extensive market presence in approximately 70 countries with around 1,300 employees in 2015.

The Group covers a broad market base with his core business in the the three segments Consumer Products, Business Customers, Home Networks, 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 can be attributed to the Consumer Products segment and therefore to the Cordless Voice Telecommunications business.

1.1.1 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 made a key contribution to shaping 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. The Company's proprietary products are manufactured predominantly in the highly automated Bocholt plant, which has won several awards.

1.1.2 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. The constantly growing portfolio of Gigaset pro products is geared to the needs of the SME's. 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 pro is to become a second pillar of the Company in this growing SME market over the coming years and is already making a significant contribution to revenues.

1.1.3 Home Networks

With „Gigaset elements", Gigaset introduced a modular, sensor-based "Connected Living" system for private households to the market. Gigaset elements 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. In fiscal year 2015 the existing sensors were expanded by a controllable electrical outlet and a wireless push button switch. The bluetooth product „G-tag" introduced 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.

1.2 Goals and strategies

The consumer goods industry in the information and communication (IuC) environment in Europe continues to present a highly dynamic development. This also applies to the market for cordless telephones, which continues to be characterized by market erosion in the core region of Europe. The market as a whole for cordless telephones in Europe declined by just under 2% in 2015 based on sales revenue in the markets observed by Gigaset.[1] In this difficult market environment, Gigaset plans to secure and expand its strong position in the cordless telephone market in Europe and worldwide without relinquishing its premium position.

The Executive Board drew up a three-point plan with the following measures so that Gigaset can enjoy healthy growth again in the long term:

- Strengthening core business,
- Adjusting production and administrative capacities, and
- Improving transparency.

Strengthening core business

Gigaset will systematically strengthen its three established operating segments Customer Products, Business Customers, and Home Networks and thereby further develop its core business. Corresponding levers for growth on which Gigaset will focus were identified in all segments. These include the new Gigaset GO series in the Private Customer segment, which benefits from the technology transition to IP telephony, as well as the likewise new Gigaset HX series, which offers a premium alternative in the growing hand-set market and should help the company win market share in the future.

In the Business Customers segment, Gigaset is likewise relying on IP technology and the success of its premium business phone Maxwell 10. Expansion of the Maxwell product line and a broader range of telecommunications systems for enterprises are intended to further boost the Company's revenue, which has been growing recently at a double-digit rate.

In the Home Networks segment, customer growth is to be achieved primarily by means of an intensified and focused marketing strategy. Home Networks offers security solutions for the home that can be customized quickly and easily. In addition to high-quality sensors, cameras and sirens from Gigaset, third-party devices and lights can also be controlled from the smartphone using the solutions – even while on the go.

1. The data were 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: January - December 2015; Basis GfK Panel Market

Adjusting production and administrative capacities

Gigaset's new Executive Board will simplify administration of the Company, remove out-of-date administrative structures, restructure research efforts and adjust production capacities to reflect the market's needs. Gigaset GO and Gigaset HX prove that its products are state-of-the-art in terms of technology. With focused research and development activities, Gigaset will further increase its technology and quality and thus create growth.

Improving transparency

In the future, the Company will strive to present its prospects clearly and transparently to shareholders, analysts, journalists, and employees. Transparency creates trust – trust that Gigaset needs from its investors, customers and employees. In the future, Gigaset will clearly demonstrate how its business model works, where there are risks, and of course where its opportunities lie.

1.3 Control systems

The management has analyzed and managed the development of the Group on a monthly basis using various key indicators. The Gigaset Group is oriented worldwide based on regional segments. The observation of sales revenue and the development of profit margins as well as EBITDA by region and the free cash flow at the Group level played an important role in monitoring the operating business. Operating costs were analyzed and managed in detail based on cost categories and the department in which the costs are incurred. In particular the effects of the restructuring measures were analyzed and measured based on budgeted amounts as part of the monthly reporting. Integrated financial planning (income statement, balance sheet, financial plan) is implemented group-wide for the reliable analysis of changes in liquidity. In addition, risk management is an integral part of business processes and decisions. The management of Gigaset AG as an individual company is carried out in the fiscal year 2015 based on EBITDA.

In connection with the change in the Executive Board at Gigaset AG in mid-December 2015, the presentation of the statement of profit or loss was adjusted as of the reporting date December 31, 2015. 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. Please refer to our detailed comments in the Notes.

The key indicator EBITDA is no longer shown separately in the changed structure of the statement of profit or loss. The reconciliation to the key indicator EBITDA is presented below:

Result of the core business before depreciation and amortization
+ Additional ordinary income
+ Additional ordinary expenses
+ Personnel expenses from restructuring
+ Exchange rate gains
+ Exchange rate losses
+ Result from investments accounted for by the equity method
+ Impairments
= EBITDA

1.4 Research and development

Gigaset's research and development program focuses primarily on developing products and services for the Consumer Products, Business Customers, and Home Networks segments. Research and development are taking on a key role in the area of innovation with a focus on the technical aspects, whereby Internet services (cloud solutions) are becoming increasingly important.

Research activities also include participating in the standardization of relevant market technologies, for example, network connections or wireless technologies such as DECT. In order to support this, Gigaset makes contributions to standardization in the European Telecommunications Standards Institute (ETSI) and is represented in relevant standard-setting bodies; for example, in the DECT Forum and the ULE Alliance, an international organization of manufacturers, network operators, and other companies with the goal of further developing the DECT standard and its „Ultra Low Energy" expansion.

One area of focus of the development work in the fiscal year just ended was on the further conversion of the product portfolio to IP-networked products and the resulting integration of the classic DECT products in the Gigaset elements cloud. In the area of hardware and software development, the platform should optimize product costs by reusing components in multiple product points. In this manner, development and maintenance expenses can be distributed over the widest range of products possible and costs per product significantly reduced. The Internet-based service platform created with Gigaset elements was significantly further developed and is now the basis for value-added services, differentiating product features, and the first contributions to sales with services, which overall contributes to market differentiation and customer loyalty. With this solution, Gigaset has entered into the new market for the Internet of things (IoT), for which high rates of growth are being forecasted in the next few years.

In fiscal year 2015, Gigaset incurred expenses for research and development in the amount of EUR 14,7 million and capitalized a total of EUR 11.0 million in development costs under other intangible assets. The resulting capitalization rate amounts to 74.8%. In the fiscal year the scheduled depreciation on internal production capitalized amounts EUR 10.953 thousand (prior year: EUR 12.323 thousand).

2 Significant events in fiscal 2015

2.1 Gigaset ushers in the next phase of its business transformation

Due to declining market trends, the Gigaset Group will fully reorient the cordless telephone segment for private customers in the coming three years. In this context, the Company plans, among other things, to reduce the current 1,300 jobs worldwide by up to 550 gradually by the end of 2018. With completion of the company reorganization, the measures allow Gigaset to save a two digit million Euro figure. That should make the cordless telephone segment for private customers sustainably profitable once again. The restructuring program for the German companies required the agreement of the responsible employee representatives. With signing of a special collective agreement and a social plan the constructive discussions about the reduction of 325 employees in Germany have been completed successfully in March 2016.

2.2 Gigaset Group reorganizes its brand and domain portfolio

On June 25, 2015, a contract over the disposal of Gigaset Communication GmbH's brand and domain portfolio was signed with Goldin Brand Ltd., Singapore, a subsidiary of Goldin Fund Pte. Ltd., Singapore. The brand portfolio included in particular the „Gigaset" brand and the „Gigaset Elements" brand. Goldin Brand Ltd. has not currently exercised its rights arising from the existing contractual agreements for the acquisition of brands and domains and not paid the purchase price. The trademark rights and domains remain the property of Gigaset Communications GmbH, a wholly owned subsidiary of Gigaset AG, until the purchase price is paid. Therefore, the proceeds from the sale of the brand has not been recognized in the annual financial statements 2015.

2.3 Gigaset received numerous awards in fiscal 2015

Even before their official introduction on the market, three Gigaset devices received the coveted „Plus X Award". An important seal of quality, innovative capacity, and design. Both the SL450 as well as the E550 and the CL750 (also known as Sculpture) received the Plus X Award, an international prize for innovation. However, the Plus X Award is not simply awarded, but instead is based on the overall impression made by the respective product and that certain „extra" something In addition, the Plus X Award's jury gives the SL450 the award for „DECT Telephone of the Year" as well as the seal of quality for „Best Product of 2015/2016".

The G-tag received a prize for innovation in Spain. The Spanish magazine Gadget awarded the Bluetooth Beacon for its innovative capacity during its „Gadget 2015 Awards". Every year the well-known magazine selects the best products from various categories. Cameras, PCs, smartphones, TV devices, and gadgets are also in the running. In addition to design and technology, the innovative capacity of the individual products is also assessed and awarded.

Good news from Italy. The Gigaset E310(A) was voted the best telephone by the Italian magazine Altroconsumo – one of the most famous magazines in Italy. The Altroconsumo also refers to the decision on the part of the Italian consumer association – a special honor for the ergonomic telephone. The models A130 and AS120 landed in second and fourth place – they satisfied in particular as a result of their high value for price paid.

2.4 Gigaset connects the cellular network with the classic DECT telephony with its new „MobileDock" solution

The first „MobileDocks" were delivered in the third quarter. MobileDock links up to two smartphones with the fixed-line network and gives the users the possibility of optimally taking advantage of the full comfort of fixed-line reception and fixed-line speech quality. The first reviews on Amazon reflect the product's positive image.

2.5 Gigaset launches the first universal handset with the new „HX" series

The well-known handsets S850H and SL450H were redesigned as S850HX and SL450HX. These handsets now function not only as before with Gigaset base stations, but also with base stations from other vendors and routers with integrated cordless telephony. Thus, the customer has the advantage of being able to use these handsets universally. Today on its Gigaset base station and tomorrow on a corresponding router.

2.6 Elements achieves solid results with an orientation on security solutions

Following a comprehensive market analysis for the „Smart Home" segment, the positioning of Gigaset elements was once again clearly focused on the topic of security solutions in the fourth quarter of 2015. This relates both to the further development of the products, including the services, as well as the distribution and marketing activities. The interest in the product „Gigaset elements" increased and the commercial success of this orientation was already obvious in the fourth quarter. Customer satisfaction also clearly increased once again based on clear product positioning and the associated customer expectations. Based on this, the positioning is being further reinforced with the introduction of new functions, product variations, and an appropriately adapted communication.

2.7 TP-LINK forms a distribution partnership with Gigaset

TP-LINK has worked together with Gigaset in the German market since 2015. The two market leaders support each other in the distribution of their devices, the Gigaset mobile devices for IP cordless telephony, and the All-in-One routers of the VR series, Archer VR 200v and Archer VR 900v from TP-LINK, which optimally exploit the new functional possibilities of all-IP connections thanks to best possible technical compatibility. Consumers thus have a complete solution for all-IP and an alternative to the network operator products. With an IP-based connection, all data is transmitted via the Internet (Internet Protocol, IP) and services such as telephony and television are provided over the Internet.

2.8 Legal dispute with Evonik Degussa GmbH settled

Gigaset AG's legal dispute with Evonik Degussa GmbH regarding a purchase price adjustment of EUR 12.0 million was settled in exchange for a payment of EUR 4.8 million on March 4, 2015. Net profit for the current year is not impacted, because the Company had set aside sufficient provisions in prior years.

2.9 Changes in the structure of the Group

The reorientation and streamlining of Gigaset AG was further accelerated. IVMP AG, Baar, Switzerland, was liquidated on March 18, 2015.

Furthermore, Gigaset Mobile Europe GmbH, Düsseldorf, was sold effective immediately with a contract assigning the equity interest dated March 25, 2015, and transferred to Gigaset Mobile Pte. Ltd. Singapore.

Gigaset Communications Argentina S.R.L., Buenos Aires, Argentina, was also sold for a symbolic purchase price to Argentinian investor with a share purchase agreement dated March 30, 2015.

Gigaset Mobile Pte. Ltd., Singapore, was included in Gigaset's consolidated financial statements until December 31, 2014, using equity method accounting. 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 amounts to 12.35% with a voting rights share of 14.98%. Gigaset Mobile Pte. Ltd., Singapore, was subsequently deconsolidated and the shares in the company are now shown under non-current financial assets. On November 18, 2015, Gigaset Mobile Pte. Ltd., Singapore, informed its shareholder GIG Holding GmbH that Goldin Digital Pte. Ltd., Singapore, converted its 12,019,032 preference shares in Gigaset Mobile Pte. Ltd., Singapore, into ordinary shares with a declaration dated October 31, 2015. As a consequence of this conversion, Goldin Digital Pte. Ltd., Singapore, now holds 12,019,032 shares and voting rights in Gigaset Mobile Pte. Ltd., Singapore. GIG Holding GmbH, a Group company of Gigaset AG, continues to hold 1,800,000 shares and voting rights.

Gigaset Communication Inc., Dallas, U.S.A., which no longer operates, was deconsolidated effective December 31, 2015, for reasons of immateriality.

2.10 Changes in the Executive Board

In its meeting held on May 28, 2015, the Supervisory Board of Gigaset AG appointed Yang Yuefeng, Hongbin He and Du Guoyu to the Gigaset AG's Executive Board effective June 1, 2015, until December 31, 2017. Yang Yuefeng, who was appointed to Gigaset AG's Executive Board on June 1, 2015, retired from the board for personal reasons effective immediately with a letter dated August 6, 2015. In its meeting held on August 11, 2015, the Supervisory Board of Gigaset AG appointed Mr. Hongbin He as a member of Gigaset AG's Executive Board effective September 1, 2015, with a term ending December 31, 2017.

In its meeting on December 15, 2015, the Supervisory Board of Gigaset AG appointed Klaus Weßing and Hans-Henning Doerr effective immediately as CEO and CFO of Gigaset AG's new Executive Board. Charles Fränkl and Kai Dorn were removed as members of the Executive Board on the same date.

3 Economic report

3.1 General economic and industry-specific operating environment

3.1.1 General economic environment

After global production picked up some momentum in the second half of 2014, it accelerated more slowly with rates of 0.7% in each of the first three quarters of 2015. Thus, the growth rate of global production stabilized at a low level in the summer months. The global economy did not collapse as was feared at times. Nevertheless, with a rate of only 3.1%, global gross domestic product will exhibit the lowest growth since the crisis year 2009.

The economy in the United States continues to appear relatively robust. The increase in gross domestic product in the third quarter may have weakened noticeably from 1.0% to 0.6%. Not least the development on the labor market, where more than 200,000 new jobs were once again created in November and the unemployment rate has meanwhile fallen to 5.0%, points to a sustained economic upward trend. In the United Kingdom as well, the upswing appears to be intact, even though the gross domestic product did not expand quite as rapidly as before in the summer half-year. The economy in the euro zone once again expanded moderately in the third quarter and thus registered the tenth quarter in a row with rising economic output.

The first half-year of 2015 was characterized by a distinct slowing of the economy in the emerging markets. While the recession worsened in Russia and Brazil, numerous indicators signaled a striking slowdown of expansion for China, which in light of the dramatic losses in the equity markets led to worries that the Chinese economy could be plunged into a crisis-ridden process of adjustment. So far it is not happened. In Russia there are signs that production has begun to stabilize; apparently, the gross domestic product barely fell at all in the third quarter. In contrast, the situation in Latin America remains poor. Gross domestic product in Mexico and individual smaller countries increased somewhat, but the recession in Brazil continued at its unchanging high pace right up to the end of the year.[2]

Despite the more difficult international environment, the economy in Germany grew by a total of 1.7% in the past year. Unemployment is at its lowest level since the reunification. Real gross wages and salaries per employee recorded the highest growth in more than two decades in the past year. The government budgets at the federal, state, and local level as well as for social security were nearly balanced in 2015 for the fourth year in a row. On the basis of this fundamentally favorable position, the German federal government is continuing its economic and financial policies, which are geared toward investment and sustainable growth. The digitalization is playing a key role in this. The upward momentum of the German economy weakened somewhat in the second half of the past year. The slowing of growth in the emerging markets led to less dynamic exports and corporate investments. However, industrial demand picked up momentum again at the end of the year. At the same time, the mood in companies improved.[3] The economic momentum continued to be supported by the clear increases in employment and in salaries. The further declining crude oil prices provided relief for the budgets of private households. Increased government spending in the course of the refugee migration and a comparatively weak euro exchange rate also played a role.[4]

3.1.2 Telecommunications market

Consumer Products market

The European market for cordless telephones continued to decline considerably in the past year both with respect to sales revenue as well as units sold. The global financial and sovereign debt crisis clouded in particular the consumer climate in

2. Kiel Institute for the World Economy, Economic Outlook No. 13 (2015/Q4))
3. German Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie), 2016 Annual Economic Report
4. Deutsche Bundesbank Monthly Report December 2015

Southern and Eastern European regions. The continuing practice of replacing landline telephones with smartphones or other text-based forms of communications (for example, e-mail, instant messaging, or social networks),continued to reinforce this trend. This applies in particular to the relatively saturated European markets. The market as a whole for cordless telephones in Europe declined by just under 2.0% in 2015 based on sales revenue in the markets observed by Gigaset. This picture was seen in all of the observed markets. At the same time, Gigaset was able to maintain a steady share of European markets overall compared to the previous year with respect to units sold. The market trend in Western Europe points to continued consolidation with an overall stable price level. The largest European markets are in Germany, France, and the United Kingdom.[5]

Business Customer market

The market as a whole for newly sold telephone extensions in Europe declined considerably year-on-year by 10% in the period from Q4/2014 to Q3/2015. The market segment for IP-based telephone extensions declined less sharply by 8% in this period. The decrease affected in particular the division of business with more than 100 extensions. The market segment of less than 100 extensions only decreased by 7%.[6] Similar to the private customer market, fixed-line telephony is being replaced with cellular radio and there is a growing trend toward cloud-based solutions.

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 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.[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 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]

3.2 Basis of the Group

3.2.1 Consumer Products

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 21% (prior year: 25%).[5]

As a result of the cooperation with the router manufacturer TP-LINK, the HX handsets are now also available on the router shelf and Gigaset benefits from cross-marketing campaigns.

The AS150 and AS250 were the first devices of the best value Gigaset Basic Phones – Made in Germany – to be delivered to Italy. This device is also easy to place into operation and operate.

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5. The data was taken from the surveys by the Retail Panels for cordless telephones of GfK Retail and Technology GmbH in the countries of Germany, France, UnitedKingdom, Italy, the Netherlands, and Spain; collection period January - December 2015; price premium calculated from the average market price excluding Gigaset; Basis GfK Panel Market
6. Source: MZA – PBX-IP – Quarterly Q3/2015-2015
7. Source:Strategy Analytics – Smart Home Systems and Services Forecast Western Europe, Q4 2014
8. Bitkom - Smart Home in Deutschland, Dezember 2014

3.2.2 Business Customers

Sales revenue in the Business Customers segment grew by around 24% year-on-year in 2015. This growth was driven in particular by the regions Germany, France, and Italy. Percentage growth was strongest in the region Spain, where in addition to a recovery of the general economic situation a new sales orientation was noticeable.

With respect to products, the main area of the Gigaset pro line – IP-based DECT solutions – was further expanded. The business with corded table telephones provided clear growth impulses, in particular as a result of the introduction of the Android-based Maxwell 10 on the market. We will continue to press ahead with the revision of the product range, which will also lead to further product introductions in fiscal 2016.

The first successes were recorded in the Business Customers segment in Turkey, where Gigaset entered the market in the third quarter of 2015. The Gigaset pro product line was well-received on the market and the first sales have already been generated. Clear growth is expected in the business with Turkey for the current fiscal year. The regional expansion of the Business Customer segment will also be further advanced in fiscal 2016.

3.2.3 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, Norway, Finland, and the Czech Republic.

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, separate door and window sensors, a controllable electrical outlet and a wireless push button switch are also available. 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). Since the third quarter of 2015, the camera has also been available for customers who don't have a functioning Gigaset elements system. A dedicated mobile application is available specifically for this purpose. Customers can easily upgrade to a complete Gigaset elements system. A controllable electrical outlet and wireless push button switch have also been available since the third quarter of 2015. A smoke detector is also planned for the 2016 fiscal year. The central software platform of the cloud is also being successively equipped with new functions. The rule manager, which allows end customers to create their own rules in order to adapt the system's behavior based on their own preferences, was made available at the same time as the wireless push button switch. 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, tracks them down, and keeps tabs on them. 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 fourth quarter, the product G-tag was integrated into the cloud so that it can now offer considerably more utility successive with the common use of G-tags.

3.2.4 Marketing

A number of marketing campaigns were rolled out to support the sale of Gigaset products in fiscal year 2015.

Gigaset is increasingly accommodating the changing behavior of consumers with its marketing activities. For instance, the Company is noticeably shifting its marketing activities away from classic forms of advertising in long-standing channels in favor of an increasing presence online and in social media, whereby it is focusing more and more on platforms such as Facebook, Twitter, and YouTube.

Gigaset was once again represented at the IFA trade show in Berlin in 2015. The Company took advantage to launch the new smartphone line. On September 1, Gigaset presented its first smartphone line to the trade press and invited guests. The presentation took place at the WECC in Berlin, a perfect location to set the stage accordingly and host the major event with more than 300 guests, journalists, bloggers, and partners.

Journalists from the German-speaking area were informed about the new Gigaset GO product range on March 17 during a press report.

With its new Gigaset GO product series, Gigaset presents cordless phones that add new qualities to fixed-line telephony in conjunction with smartphones and Internet-based services. The IP phones are especially suited for Deutsche Telekom's new IP-based fixed-line connections, which will become more and more important in connection with the network conversion throughout Germany.

On January 22, 2015, Gigaset presented the innovative new product G-tag to the public during PREVIEW 2015 in Munich. PREVIEW takes place twice a year, respectively before the CeBIT and IFA trade shows and offers numerous journalists the opportunity to get acquainted with innovations in an informal setting before the actual trade shows.

3.2.5 Environment

Gigaset AG observes the principles of sustainable conservation of the environment and the natural resources on which mankind depends. Gigaset's products are manufactured according to the highest environmental protection and quality standards in the production facility in Bocholt. Gigaset obtained certification according to the DIN ISO 14001 standard for its environmental management system as early as 2007 and undergoes an annual review. Our commitment to protecting the environment is reflected both in the development and production of energy-efficient Gigaset ECO DECT cordless telephone as well as in the consumption of energy at the production site in Bocholt.

Gigaset has helped to reduce waste by continuing to apply the HTV®-Life strategy. The HTV®-Life mark of excellence manifests a product that does not contain measures for the intentional reduction of product lifetime (planned obsolescence) and thus is durable.

EcoVadis assessed Gigaset in fiscal 2015 with regard to Corporate Social Responsibility (CSR) and gave it a Silver Status rating. CSR is about companies that take long-term responsibility for their actions and environmental issues and take social equity issues into account in their business operations.

3.2.6 Employees

The size of Gigaset's workforce further decreased in 2015 compared to the previous year. Fifty-nine employees left the Company at the end of the year on December 31, 2015, as a result of early retirement, natural fluctuation, and the expiration of contracts of limited duration. In addition, 25 employees of the Company departed in connection with a voluntary program. Thus, a total of 84 employees left Gigaset over the course of 2015. The number of employees in the subsidiaries was reduced from 275 to 265 as of the reporting date December 31, 2015.

Gigaset is positioning itself on the market as an international communications company with clar strengths in the area of technology and products. The international orientation of all its locations puts Gigaset in a very good position in the competition for the best employees. The fluctuation rate increased to 4.7% in the German Group companies due to resignations and termination agreements as a result of the voluntary program to reduce personnel started at the beginning of 2015. Based on resignations and termination agreements not related to the voluntary program, the fluctuation rate for 2015 was 2.3%, which roughly corresponds to the previous year's amount.

Owing to the Company's vertical depth, spanning development, marketing and distribution as well as production and logistics, Gigaset has a need for employees with a wide range of skills. This need is covered in part by its own employees (key talents, apprentices/trainees) as well as through external recruitment (in particular through job exchanges and recruitment agencies). The Company also relied on temporary workers primarily for semi-skilled activities to provide the Company with the necessary flexibility in a highly seasonal sales market.

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

3.3.1 Financial performance

The Executive Board of Gigaset AG adjusted the structure 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. Please refer to our detailed comments in the Notes.

In the 2015 fiscal year just ended, the Gigaset Group generated **sales revenue** in the total amount of EUR 305.3 million (prior year: EUR 326.1 million) in a difficult economic environment. Sales revenue results from the core Gigaset business and is subject to the typical seasonal fluctuations in the consumer business. The 6.4% year-on-year decrease in sales revenue can be explained in particular by the declining market in the segment Consumer Products. Whereas **sales revenue** in Germany compared to the previous year was increased in particular as a result of the positive developments in the Gigaset pro segment, sales in Europe and the rest of the world declined. With the exception of Italy, the declining market for DECT telephones can be observed in all countries in Europe. In the Rest of World segment, in particular the changed consumer behavior in China is responsible for the decline in sales revenue. Sales revenues by region can be broken down as follows:

Sales revenue in € millions	2015	2014	Change
Germany	160.3	152.4	5.2%
Europe	113.4	131.4	-13.7%
Rest of the world	31.6	42.3	-25.3%
Gigaset Total	**305.3**	**326.1**	**-6.4%**

The trend in the individual business segments varied greatly. Whereas sales in the Consumer Products business decreased by EUR 23.1 million to EUR 249.7 million, sales in the Business Customer segment increased from EUR 37.6 million to EUR 46.6 million. Thus, the business with the Gigaset pro product line is already making a significant contribution to sales. Sales revenue from the Home Networks segment was also increased, whereby in particular the new sensors and the expansion of functionalities in the intelligent Cloud provided for an increase of 12.1%. In contrast, Mobile Products decreased by EUR 7.1 million to EUR 5.3 million. The crucial factor for this was in particular the delayed market entry for the Gigaset smartphone portfolio.

Sales revenues can be broken down as follows:

Sales revenue in € millions	2015	2014	Change
Consumer Products	249.7	272.8	-8.5%
Business Customers	46.6	37.6	23.9%
Home Networks	3.7	3.3	12.1%
Mobile Products	5.1	12.4	-57,3%
Gigaset Total	**305.3**	**326.1**	**-6.4%**

The **cost of materials** for raw materials, merchandise, finished goods, and purchased services was EUR 156.8 million – a decrease of EUR 3.8 million from EUR 160.6 million in the previous year. The cost of materials rate increased from 48.8% to 51.3%, including changes in inventories. This was precipitated in particular by the decline in the average price of the U.S. dollar from EUR 1.33 to EUR 1.11.

Gross profits, comprising sales revenue less the cost of material and including the 11.7% change in inventories of finished goods and work in progress decreased to EUR 147.6 million in the reporting period.

Other own work capitalized in the amount of EUR 11.9 million (prior year: EUR 11.4 million) mainly includes costs related to the development of innovative products. In fiscal year 2015, investments were made in particular in the further development of Gigaset Maxwell and the development of the "Go" and "HX" series. In the Gigaset elements segment, in particular the sensors "plug" and "button" as well as a standalone "camera" solution were activated. Investments in the future are at a relatively high level and were even increased slightly compared to the previous year.

Other income from core business amounts to EUR 9.3 million and thus increased EUR 1.7 million year-on-year. The main item include income from cost transfers to the Gigaset Mobile Group in the amount of EUR 6.3 million (prior year: EUR 0.2 million).

Personnel expenses before restructuring for wages, salaries, social security contributions and old age pensions amount to EUR 94.4 million, representing a year-on-year decrease of EUR 3.1 million. The decline reflects in particular the decrease in headcount. Under a voluntary program, employees were able to take advantage of a termination agreement under certain circumstances. Compared to the previous year, the workforce was reduced by 96 people.

Other expenses from the core business in the amount of EUR 63.8 million were incurred in the reporting period (prior year: EUR 76.8 million). These include in particular marketing costs (EUR 21.8 million; prior year: EUR 23.7 million), general administrative expenses (EUR 12.2 million; prior year: EUR 13.0 million), transport costs (EUR 7.3 million; prior year: EUR 7.8 million), advisory fees (EUR 3.7 million; prior year: EUR 5.8 Mio.), expenses for land and buildings (EUR 3.3 million; prior year: EUR 3.2 million), and expenses for the loaning of employees (EUR 3.8 million; prior year: 3.2 million). The cost-saving measures begun in the previous year are being consistently implemented.

Result from core business before scheduled depreciation amounts to a total of EUR 10.6 million (prior year: EUR 11.8 million), given depreciation and amortization charges in the amount of EUR -20.6 million (prior year: EUR -25.0 million) a Result from core business after scheduled depreciation amounts to a total of EUR -10.0 (prior year: EUR -13.2 million).

The **additional ordinary result** in the amount of EUR -6.2 million (prior year: EUR 1.7 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 EUR 4.8 million decrease in **additional ordinary income** to EUR 12.7 million can be mainly attributed to the EUR 5.6 million decrease in income from deconsolidation. This is offset by a claim against a former investee Oxi Holding GmbH in the amount of EUR 3.5 million, resulting from a contractual arrangement to settle a long-standing legal dispute. Furthermore, there are income from the reversal of liabilities in the amount of EUR 1.1 million (previous year: EUR 2.1 million). The EUR 2.5 million decrease in **additional ordinary expenses** can be mainly attributed to a decrease in allocations to provisions compared to the previous year. In fiscal year 2014, provisions still were set aside in the amount of EUR 4.6 million for unexpired risks. **Personnel-related restructuring expenses** in fiscal 2015 include in the amount of EUR 19.5 million in particular to reduce the size of the workforce by up to 550 of the currently around 1,300 employees in the Gigaset Group by the end of 2018. In the previous year, this item included in particular the expected costs in the amount of EUR 4.8 million for the decrease in the size of the workforce under the voluntary program for 2014. Compared to the previous year, exchange rate effects increased by EUR 6.0 million. On a net basis, the exchange rate gains and exchange rate losses for fiscal year 2015 result in a positive contribution to earnings of EUR 3.8 million. The **impairment losses** recognized in the previous year in the amount of EUR 3.0 million related to impairment losses on capitalized expenses for the implementation of new ERP software that, according to expectations, can no longer be used.

Taking into account **net investment income** in the amount of EUR 0.0 million (prior year: EUR 1.0 million) leads to an **operating result** in the amount of EUR -16.3 million (prior year: EUR -10.5 million). The result in conjunction with **net financial income** in the amount of EUR -3.3 million (prior year: EUR -2.3 million) is a **result from ordinary activities** in the amount of EUR -19.5 million (prior year: EUR -12.8 million).

The **consolidated net loss for the fiscal year** as of December 31, 2015, amounts to EUR -22.0 million (prior year: EUR -16.6 million).

This results in **earnings per share** of EUR -0.17 (basic/diluted) (prior year: EUR -0.15 (basic/diluted)).

3.3.2 Cash flows

Cash flow

Cash flow can be broken down as follows:

€ millions	2015	2014
Cash flows from operating activities	4.7	19.9
Cash flows from investing activities	-14.4	-32.0
Free cash flow	-9.7	-12.1
Cash flows from financing activities	-0.1	3.7

In fiscal year 2015, the Gigaset Group recorded a **cash inflow from continuing operations** in the amount of EUR 4.7 million (prior year: EUR 19.9 million). Cash flows from operating activities, which decreased compared to the previous year, result in particular from the decrease in trade payables, other liabilities and other provisions as well as a smaller decrease in trade receivables and a decrease in depreciation, amortization, and impairment losses. This is offset by an increase in cash flows from operating activities as a result of the increase in other balance sheet items and lower deconsolidation gains.

Cash outflows from investing activities amount to EUR -14.4 million and thus fall clearly short of the previous year's level of EUR -32.0 million. At EUR 11.9 million (prior year: EUR 11.4 million), the majority of capital expenditures relate to the decrease in cash resources resulting from the own work capitalized for the development of innovative products and solutions. In addition to the investments in fixed assets, in particular the cash outflows of EUR 18.0 million arising from the transitional consolidation for the interest in Gigaset Mobile Pte. Ltd., Singapore, were reported in 2014. The interest in this company is now shown under non-current financial assets.

Free cash flow in the amount of EUR -9.7 million (prior year: EUR -12.1 million) reflects the continued substantial investments in new products and solutions.

The **cash outflow from financing activities** amounts to EUR -0.1 million (prior year: cash inflow of EUR 3.7 million). This was offset in the previous year by the decrease in cash resources from the successful repayment of the syndicated loan in the amount of EUR 30.2 million as well as the cash inflow from the issue of mandatory convertible bonds in the amount of EUR 9.3 million and from the capital increase in the amount of EUR 24.6 million.

Cash and cash equivalents amounted to EUR 41.0 million as of December 31, 2015 (prior year: EUR 50.5 million).

The cash flow includes changes in exchange rates in the amount of EUR 0.2 million (prior year: EUR 1.8 million).

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

3.3.3 Financial position

The Gigaset Group's **total assets** as of December 31, 2015, amounted to around EUR 221.1 million and thus decreased by approximately 12.0% compared to the previous year.

Non-current assets decreased slightly by EUR 9.0 million to EUR 97.0 million compared to December 31, 2014. Depreciation and amortization and the disposals exceed capital expenditures in intangible assets and property, plant and equipment; consequently, intangible assets decreased by EUR 2.2 million to EUR 35.3 million and property, plant and equipment by EUR 3.8 million to EUR 29.9 million. Furthermore, Gigaset Mobile Pte. Ltd., Singapore, was included in Gigaset's consolidated financial statements until December 31, 2014, using equity method accounting. 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. As a result of the necessary remeasurement of the interest, the carrying amount of the investment decreased by EUR 2.9 million as of December 31, 2014.

Current assets represent 56,1% of total assets. These decreased by EUR 21.1 million compared to the prior year and now amount to EUR 124.1 million. At EUR 24.3 million (prior year: EUR 28.2 million), inventories were considerably lower after the Christmas shopping season than in the previous year. Whereas the portfolio of finished goods, merchandise and completed services decreased by EUR 4.7 million, an increase was recorded with respect to raw materials, consumables and supplies. Trade receivables decreased by EUR 7.6 million to EUR 30.5 million, which can be mainly attributed to the general decline in sales and a round of factoring carried out considerably later than in the previous year. Furthermore, the portfolio of cash and cash equivalents decreased year-on-year from EUR 50.5 million to now EUR 41.0 million. Please refer to the statement of cash flows in the notes for a breakdown of changes in cash and cash equivalents.

Total liabilities amount to EUR 203.2 million (prior year: EUR 210.1 million), 44.7% of which are current. The Group's total debt was reduced by an additional EUR 6.9 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 17.9 million as of December 31, 2015, and is EUR 23.3 million lower than at the beginning of the year. Correspondingly, equity as a percentage of assets amounts to 8.1% compared to 16.4% as of December 31, 2014. Due to the 0.2% increase in the discount rate to 2.3% for the recognized pension obligations, net actuarial gains of EUR 2.8 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 -2.2 million. Furthermore, changes in exchange rates were recognized directly in equity in the amount of EUR -2.7 million. The newly introduced cash flow hedging results in gains of EUR 0.8 million that were recognized directly in equity. In addition, equity was impacted by the consolidated net loss for the fiscal year of EUR 22.0 million.

Non-current liabilities mainly include pension obligations, restructuring provisions and deferred tax liabilities as well as long-term provisions for personnel expenses and provisions for guarantees. The increase in non-current liabilities of EUR 3.5 million to EUR 90.8 million mainly results primarily from the addition of the long-term part of restructuring provision of EUR 14.4 million. This is partly offset by the decrease in deferred tax liabilities of EUR 3.9 million to EUR 0.6 million and the development of non-current provisions for personnel and warranty expenses. Provisions for personnel expenses and warranty provision decreased by EUR 0.6 million. In addition, non-current liabilities are impacted by the development of pension provisions, which decreased by EUR 1.0 million in particular due to an increase in the discount rate from 2.1% on December 31, 2014, to 2.3% on December 31, 2015.

At EUR 112.4 million, **current liabilities** are around 8.4% lower than reported in the annual financial statements as of December 31, 2014. Current provisions are characterized mainly by the increase of restructuring provisions to EUR 6.2 million and the offsetting effect of the complete utilization of provisions for legal disputes with Evonik Degussa GmbH (prior year: EUR 4.8 million) and by the decrease of povisions for warranties from EUR 2.2 million to EUR 5.7 million.. Trade payables decreased by EUR 16.9 million to EUR 45.8 million as a result of the optimized procurement and production process adjusted to declining sales revenue. The Increase in tax liabilities by EUR 8.1 million to EUR 14.0 million relates solely income tax liabilities and results of EUR 12.8 million (previous yuar: EUR 4.7 million) from the Gigaset Communications GmbH and its subsidiaries.

3.3.4 General assessment of the Group's economic situation

As with in the previous year, fiscal 2015 was characterized by a declining telecommunications market. The Company is countering the decline in sales of 6.4% in particular by expanding operations in Germany. Whereas the Company had to accept considerable declines in sales revenue in the regions Europe and Rest of World, an increase in sales was meanwhile realized in Germany in the mid-single-digit percentage range. The successful expansion of the Business Customers segment continues to bear fruit. In fiscal year 2015, sales with telephone systems and business telephones from the product line Gigaset pro brand recorded growth of 23.9% to now EUR 46.6 million. Even with the segment Home Networks a revenue increase of 12.1% was realized. In the Mobile Products segment, delays in introducing the smartphone portfolio to the market led to a year-on-year decrease in sales revenue. The Group's liquidity position is secured. The Company continues to be free of bank debt. Whereas the Result from core business before scheduled depreciation fluctuated at the previous year's level of EUR 10.6 million (prior year: EUR 11.8 million) at the end of the year, the operating result – at EUR -16.3 million – was EUR 5.8 million lower than at the end of the previous year, in particular due to expenses for the restructuring program.

Overall, business performance in 2015 fluctuated somewhat below the forecast given in the outlook of the 2014 Annual Financial Statements. Sales decreased by 6.4% and were therefore slightly better than the high single-digit to lower double-digit percentage range. EBITDA ((Result from core business before scheduled depreciation plus additional result minus Impairments plus result from investments)) decreased from EUR 17.5 million to EUR 4.3 million and fell short of the forecasted lower double-digit euro amount. The crucial factor for the deviation from the 2014 forecast is in particular expenses incurred for the restructuring program set up in fiscal 2015. Free cash flow in the amount of EUR -9.7 million (prior year: EUR -12.1 million) was slightly below the expected negative lower double-digit millions.

3.3.5 Key indicators of financial performance, cash flows and the financial position

	2015	2014
Equity ratio	8.1%	16.4%
Ratio of non-current assets to total assets	37.8%	36.8%
Debt capital structure[9]	55.3%	58.4%
Return on sales	negative	negative
Return on equity	negative	negative
Return on investment	negative	negative

3.3.6 Presentation and explanation of corporate management

The Executive Board analyzes and manages the development of the Group on a monthly basis using various key indicators. The observation of sales revenue and the development of profit margins as well as EBITDA by region plays an important role in monitoring the operating business. Operating costs are analyzed and managed in detail based on cost categories and the department in which the costs are incurred. Significant effects are analyzed and measured based on budgeted amounts as part of the monthly reporting. Integrated financial planning (income statement, balance sheet, financial plan) is implemented group-wide for the reliable analysis of changes in liquidity. In addition, risk management is an integral part of business processes and decisions. The management of Gigaset AG as an individual company is carried out based on EBITDA.

In connection with the change in the Executive Board at Gigaset AG in mid-December 2015, the presentation of the statement of profit or loss was adjusted as of the reporting date December 31, 2015. 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. Please refer to our detailed comments in the Notes.

The key indicator EBITDA is no longer shown separately in the changed structure of the statement of profit or loss. The reconciliation to the key indicator EBITDA is presented below:

Result of the core business before depreciation and amortization
\+ Additional ordinary income
\+ Additional ordinary expenses
\+ Personnel expenses from restructuring
\+ Exchange rate gains
\+ Exchange rate losses
\+ Result from investments accounted for by the equity method
\+ Impairments
= EBITDA

9. Debt capital structure = current liabilities/total liabilities

3.3.7 Non-financial performance indicators

The primary non-financial performance indicators for Gigaset are

- Research and development
- Environment
- Employees

Due to the high priority of these factors for the Gigaset Group, they are presented in detail in Sections 1.4, 3.2.5, and 3.2.6.

3.4 Financial performance, cash flows and financial position of Gigaset AG

Key figures of Gigaset AG	2015	2014
Non-current assets	EUR 192.5 million	EUR 230.0 million
Current assets	EUR 18.1 million	EUR 22.0 million
Equity	EUR 183.9 million	EUR 223.1 million
Non-current liabilities	EUR 0.9 million	EUR 10.1 million
Current liabilities	EUR 25.7 million	EUR 18.8 million
Equity ratio	87.3%	88.6%
Return on equity	negativ	negativ
Return on investment	negativ	negativ

3.4.1 Financial performance

Sales revenues in the amount of EUR 5.4 million (prior year: EUR 4.7 million) comprise almost exclusively advisory services rendered for associated companies in Germany.

Other operating income increased from EUR 2.2 million to EUR 6.2 million. This results mainly from the recognition of a claim against a former investee in the amount of EUR 3.5 million as well as increased income from the reversal of provisions in the amount of EUR 2.4 million (prior year: EUR 1.0 million). Furthermore, the reversal of an allowance had an impact of EUR 0.2 million on a loan receivable.

Personnel expenses decreased year-on-year from EUR 6.5 million to EUR 6.4 million fluctuated at the previous year's level.

Other operating expenses were incurred in fiscal 2015 in the amount of EUR 5.7 million (prior year: EUR 8.6 million). Expenses were incurred primarily for business consulting in the amount of EUR 1.5 million (prior year: EUR 1.1 million) as well as cost allocations from Gigaset Communications GmbH, Düsseldorf, in the amount of EUR 1.2 million (prior year: EUR 1.4 million). Furthermore, expenses were recorded for legal and advisory costs in the amount of EUR 0.8 million (prior year: EUR 1.6 million) as well as expenses for the remuneration of Supervisory Board members in the amount of EUR 0.5 million (prior year: EUR 0.5 million). Moreover, other operating expenses include travel expenses in the amount of EUR 0.4 million (prior year: EUR 0.3 million) as well as expenses for insurance policies in the amount of EUR 0.4 million (prior year: EUR 0.4 million).

The line item **interest and similar income** mainly includes interest income from interest charged on loans to associates in the amount of EUR 0.4 million (prior year: EUR 0.4 million).

Depreciation on financial assets and marketable securities relate solely to a depreciation of the shares in the GIG Holding GmbH, Münich of EUR 37.6 million.

Interest and similar expenses amount to EUR 1.2 million and mainly include additions from interest related to allocations to provisions in the amount of EUR 0.7 million, interest effects from the convertible bond in the amount of EUR 0.3 million, and other interest expenses in the amount of EUR 0.2 million.

The Company did not realize any income **from the disposal of non-current financial assets** in the fiscal year. In the previous year, a gain of EUR 1.9 million was reported from the sale of the 4.1% equity interest in GIG Holding GmbH, Munich, to Gigaset Communications Switzerland GmbH, Solothurn.

The Company's **extraordinary expenses** in the amount of EUR 0.9 million relate exclusively to the allocation to restructuring provisions. In the previous year, the extraordinary result was characterized by the accrual of Gigaset Asset GmbH & Co. KG, Munich, to Gigaset AG, Munich, and the merger of Gigaset Beteiligungsverwaltungs GmbH, Munich, with Gigaset AG, Munich.

Taxes on income in the amount of EUR 0.8 million (prior year: EUR 0.1 million) mainly include corporate income and trade tax payments resulting from the German portion of the tax audit for the assessment period 2006-2008.

Other taxes in the previous year included subsequent value added tax payments and allocations to provisions for subsequent value added tax payments in the amount of EUR 2.9 million for the assessment period 2009-2011.

In fiscal year 2015, a **net loss for the fiscal year** was incurred in the amount of EUR 40.7 million (prior year: EUR 23.2 million).

3.4.2 Cash flow

Cash flow can be broken down as follows:

€ millions	2015	2014
Cash flows from operating activities	-11.8	-10.6
Cash flows from investing activities	6.7	-19.3
Free cash flow	-5.1	-29.9
Cash flows from financing activities	-0.1	22.5

In fiscal year 2015, Gigaset AG recorded a **cash outflow from continuing operations** in the amount of EUR -11.8 million (prior year: EUR -10.6 million). This can be explained primarily by Gigaset AG's current expenses from personnel expenses and the remuneration of Supervisory Board members, legal and advisory fees, and cost allocations for services rendered by Group companies. In addition, a payment of EUR 4.8 million was made in the current year as a result of the end of the legal dispute with Evonik Degussa GmbH.

Cash flows from investing activities amount to EUR 6.7 million after EUR -19.3 million in the previous year. As in the previous year, investing activities in the current fiscal year mainly include financing extended to subsidiaries and/or the repayment of financing and/or the provision of funds as part of the short-term financial management of subsidiaries.

Thus, **free cash flow** amounted to EUR -5.1 million compared to EUR -29.9 million in the previous fiscal year.

The **cash outflow from financing activities** amounts to EUR 0.1 million and can be attributed to payments in connection with the conversion of mandatory convertible bonds. In the previous year, there was a cash inflow from financing activities in the amount of EUR 22.5 million based primarily on the successful placement of the capital increase and the issuance of the convertible bonds as well as the repayment of the syndicated loan.

Cash and cash equivalents amount to EUR 0.4 million (prior year: EUR 5.6 million) as of December 31, 2015.

3.4.3 Financial position

Gigaset AG's **total assets** amount to EUR 210.5 million as of December 31, 2015 (prior year: EUR 252.0 million), and thus decreased approximately 16.4% year-on-year. This can be mainly attributed to the amortization of shares of GIG Holding GmbH, Munich and to the decrease in receivables from associated companies and is offset by an increase recorded under other assets. Gegenläufig ist eine Erhöhung der sonstigen Vermögensgegenstände zu verzeichnen.

The **non-current assets** decreased by EUR 31.2 million and amount to EUR 192.5 million (prior year: 230.0 million). Mainly for the decrease in long-term assets is a write down on the shares of GIG Holding GmbH, Munich in the amount of EUR 37.6 million. The non-current assets includes shares in associated companies in the amount of EUR 177.4 million (prior year: EUR 215.0 million) and a long-term loan to Gigaset Communications GmbH, Düsseldorf, including interest in the amount of EUR 15.0 million (prior year: EUR 14.7 million).

Current assets decreased to EUR 18.1 million (prior year: EUR 22.0 million) and represent 7.3% of total assets. They mainly include receivables from associated companies, other assets, cash held at banks, and trade receivables. Other assets increased by EUR 3.1 million. This results primarily from the recognition of a receivable from a former investee in the amount of EUR 3.5 million and is reduced in part by a EUR 0.2 million decrease in input tax claims and the EUR 0.2 million reduction of a receivable from an escrow account. Receivables from associated companies decreased year-on-year by EUR 2.5 million to EUR 13.7 million. This decrease relates to the refund of the customs deposit with Gigaset Communications GmbH, Düsseldorf, in the amount of EUR 1.5 million and the EUR 2.1 million decrease in internal clearing transactions between the Company and Gigaset Communications GmbH, Düsseldorf. This is offset by the EUR 1.0 million increase in receivables from internal clearing transactions with Gigaset Elements GmbH, Düsseldorf. Trade receivables in the amount of EUR 0.4 million relate to advisory services rendered in Germany for Gigaset Mobile Europe GmbH, Düsseldorf.

On the liabilities side of the balance sheet, the decrease in **total equity and liabilities** can be seen mainly in the decrease in equity because of the negative result of the period and in other provisions and pension provisions. This is offset by an increase in liabilities to associated companies.

The EUR 39.2 million decrease in Gigaset AG's **equity** can be attributed in particular to the net loss for the period in the amount of EUR 40.7 million. The redemption of the unconverted debt securities in the amount of EUR 1.5 million had an offsetting impact on equity. Equity as a percentage of assets decreased due to the decrease in total assets from 88.6% to 87.3%.

Non-current liabilities decreased from EUR 10.1 million to EUR 0.9 million and mainly include mainly other provisions in the amount of EUR 0.5 million (prior year: EUR 0.5 million) and pension provisions in the amount of EUR 0.4 million (prior year: EUR 0.5 million). The contributions made in the amount of EUR 9.5 million and reported under non-current liabilities in the previous year for the acquisition of mandatory convertible bonds were reclassified to current liabilities due to their maturity on January 23, 2016.

In the fiscal year just ended, Gigaset AG's **current liabilities** increased by EUR 6.9 million to EUR 25.7 million (prior year: EUR 18.8 million). The contributions made in the amount of EUR 9.5 million and reported under non-current liabilities in the previous year for the acquisition of mandatory convertible bonds were reclassified to current liabilities due to their maturity on January 23, 2016. Current provisions include other provisions in the amount of EUR 8.2 million (prior year: EUR 14.3 million). Other provisions were set aside in particular for subsequent value added tax payments, bonus payments, and outstanding salaries as well as for legal disputes and settlements related to restructuring measures. Furthermore, liabilities to associated companies in the amount of EUR 5.6 million (prior year: EUR 1.4 million) and provisions for taxes in the amount of EUR 1.1 million (prior year: EUR 1.1 million) were recognized. Other liabilities were also reported in the amount of EUR 0.7 million (prior year: EUR 0.6 million). Furthermore, trade payables mainly relating to liabilities from outstanding invoices were recognized in the amount of EUR 0.6 million (prior year: EUR 0.0).

4 Opportunities and risk report as of December 31, 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.

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:

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

4.1 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. As a result of 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 Gigaset's entry into the business with mobile consumer devices, the Company is undertaking the marketing of new product groups. This market entry is fraught with risks, as Gigaset is a new competitor on an existing market. With Gigaset's entry into the business with products for home networking, the Company is undertaking the marketing of new product groups. This entry is fraught with risks, because Gigaset is entering a new market whose future trend is still subject to significant uncertainty.

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 segment for mobile devices is fraught with the same risks that are always associated with entry into a new market. In particular, there is a risk that the new products will not achieve the desired level of acceptance on the market, that the new market participant is no match for the competitive pressure of established market participants, or that the existing sales organization is either not capable of launching the product on the market or not capable of doing so as expected.

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 repeatedly distinguished product design as well as with the development of new segments such as Gigaset pro.

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 overseas countries as well as in Russia and the bordering Commonwealth of Independent States and is undertaking corresponding preparations.

4.2 Entrepreneurial opportunities

From the Company's point of view, there are 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. It is expected that the average growth of approximately 15% realized in past years can be continued. 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 security solutions in the domestic environment and are to be further expanded in the future to address topics such as comfort, independent aging, energy management, and other areas.

In addition, the Company sees other opportunities thanks to the introduction of the HX series to the market, which can be operated by the use of cat-IQ 2.1 technology on current WLAN routers with integrated DECT functionality. Such WLAN routers are brought to the market in particular by network operators such as Deutsche Telekom and Swisscom. Thus, with the new HX series, Gigaset can participate in the trend of so-called All-IP connections and the disconnection of the ISDN network. If the realization of entrepreneurial opportunities cannot be realized to the desired degree, there will be an earnings risk of weaker sales figures.

The mutual operations with Goldin Fund Pte. Ltd., Singapore, regarding the development and expansion of the smartphone business also represent an opportunity. 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.

4.3 Company-specific risks

4.3.1 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 and 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, it cannot be ruled out that the information system can fail in individual cases or that it may not be operated correctly by the relevant employees, and therefore negative economic developments in a region are not reported promptly.

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

4.3.2 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 into new markets is fraught with special risks. This applies in particular to the already completed entry into the smartphone market, where Gigaset as an importer of the devices may be obligated to pay copyright fees in the respective regional markets depending on local laws. Gigaset has recognized corresponding provisions for this risk at the level of its subsidiaries based on case-by-case legal assessments. 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 might not be in a position to continue developing innovative products or to react promptly to technical advances and the resulting changes in requirements.

Gigaset could be unable to sufficiently protect its own intellectual property and know-how.

Even if Gigaset has a significant amount of industrial property rights – including in the area of cell phones – a violation of third-party intellectual property on the part of Gigaset or the necessity of paying for the use of third-party intellectual property cannot be ruled out. This applies in particular in the area of 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 a collaboration.

Outside of the segment for mobile devices there is a latent risk as a result of 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 on the part of individual Gigaset companies from Group companies if the debtor company cannot repay the debt. With the exception of important facts and circumstances listed under "Risks from contingent liabilities and legal disputes" in Section 4.6, 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 onto sufficiently qualified managers and technical employees.

The announced worldwide restructuring program with a reduction of personnel by up to 550 employees could have a negative impact on customers, suppliers, and the workforce. If the planned cuts cannot be implemented at reasonable costs or the restructuring cannot be carried out to the required extent, the resulting developments could jeopardize Gigaset as a going concern. Maintaining the Group's solvency depends in particular on the achievement of revenue and liquidity goals as well as the cost-saving measures already implemented to secure liquidity. If these targets are not met, the Company could be jeopardized as a going concern. On the other hand, there are opportunities for a profitable future and a turnaround for Gigaset if the restructuring can be successfully executed.

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.

4.4 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.

4.4.1 Liquidity of the Gigaset Group

The operations are financed with the Company's own funds. The Company has been completely free of bank debt since repaying the syndicated loan liabilities in July 2014.

For fiscal 2016, the Company is fully financed even without the sale of the brand and domain portfolio and not dependent on additional liquidity. According to current calculations, the adopted savings will exceed the costs for the anticipated restructuring measures already in the first year. The ability to maintain the Group's solvency is dependent upon the achievement of revenue and liquidity targets, the already initiated cost-cutting measures aimed at security of liquidity and a due-date of subsequent tax payments not before April 2018 as appropriate. Should these aims are not achieved, a risk of insolvency might appear. Thus, the Company is not strictly dependent on income from the reorganization of the brand and domain portfolio. Any possible sales proceeds and/or current income from the brand and license agreement could even increase the Company's financial flexibility beyond the planned level.

The factoring of trade receivables that began on October 1, 2008, continues to serve as a short-term financing instrument and has been extended for the long term.

4.4.2 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 fiscal year 2016. The ability to maintain the Group's solvency is dependent upon the achievement of revenue and liquidity targets, the already initiated cost-cutting measures aimed at security of liquidity and a due-date of subsequent tax payments not before April 2018 as appropriate. Should these aims are not achieved, a risk of insolvency might appear.

4.4.3 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 by using derivative financial instruments to hedge foreign currency exposures.

The sustained strength of the U.S. dollar increases the costs for a large part of the components used in production. The Company has undertaken corresponding precautionary measures and is basing its calculations on consistently high gross profit margins.

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.

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

4.5 Tax risks

4.5.1 Tax risks in Gigaset AG

Gigaset AG receives tax advise on an ongoing basis in order to identify any risks in advance. The tax audits for the years 2006 to 2008 were completed in the fiscal year 2015. Provisions were recognized and expensed on the income statement as of December 31, 2015, for the additional tax payments resulting from the tax audit.

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. There is a certain risk arising from the the Gigaset Group's acquisition of Siemens in 2008 that can trigger the subsequent payment of substantial taxes. Gigaset is currently discussing this risk with the tax administration auditing this period.

4.5.2 Other risks in 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 risk 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.

4.6 Risks from contingent liabilities and legal disputes

4.6.1 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.

4.6.2 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. In all other respects, the action against the fine was rejected. 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 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 for reimbursement of the antitrust fine paid by Gigaset 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. The lower court suspended the appeal until the action on the part of SKW (see above) now pending before the European Court of second instance is completed. A final decision has so far not been handed down in these proceedings; consequently, the appeal is also still pending.

Evonik in the matter of Oxxynova:

In the legal dispute with Evonik Degussa GmbH over a contractual penalty in the amount of EUR 12.0 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. On March 4, 2015, Gigaset paid the principal amount of EUR 3.5 million plus interest to Evonik. Since adequate provisions had been recognized for this expense in previous years, the outflow of cash resources did not impact earnings for 2015. Because the amounts were paid under a previously issued guarantee, Gigaset now asserted a claim against the principal debtor OXY Holding GmbH and the other indemnifying party StS Equity Holding UG. 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 party for reimbursement of this amount in a request for arbitration and payment order dated June 29, 2015. Insolvency proceedings were subsequently opened against the assets of both OXY Holding GmbH as well as StS Equity Holding UG. Gigaset is the principal creditor in both proceedings and, after reviewing the case files, assumes that a significant portion of the claim it has raised will be satisfied based on the existing insolvency assets.

4.7 Report on opportunities and risks 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.

4.8 Overall statement regarding the report on opportunities and risks

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 liquidity risk was already reduced in 2014 thanks to the successfully executed capital measures. Nevertheless, the Company is forced to cut costs as a result of declining sales revenue. The cost-savings program Gigaset has set up is expected to save considerably more costs already in the first year than are necessary to implement the restructuring measures. Therefore, the Company is not dependent on an inflow of cash resources from a reorganization of the brand and domain portfolio. If a reorganization should nevertheless prove necessary, additional income that would once again clearly increase the Company's operational flexibility would flow to the Company the same as in the case of unplanned cash inflows from the existing brand and license agreement with Gigaset Mobile Pte. Ltd., Singapore.

The declining revenue trend in the current core business represents a lower risk than recently after implementing the savings program. The Company accordingly expects to be securely positioned for the future even in the case of decreasing sales. Possible additional sales with the smartphone business could even open up unplanned opportunities to increase sales revenue. The sustained strength of the U.S. dollar increases the costs for a large part of the components used in production. Here, too, the Company is sufficiently secured in 2016 and does not expect any negative unplanned impacts. In contrast, risks can arise from past and future tax issues.

5 Description of the main features of the internal control and risk management system with respect to the accounting process of Gigaset AG and the Gigaset Group (section 289(5) and section 315(2) no. 5 HGB).

5.1 Internal control and management through the group-wide planning and reporting process

The internal control system in the Gigaset Group includes all principles, processes, and measures that were implemented with the goal of safeguarding the profitability, compliance, and effectiveness of the accounting and ensuring compliance with all legal provisions.

As the group parent, it is particularly important for Gigaset to continuously and consistently monitor and manage the development and risks in the individual subsidiaries. This takes place within the scope of a regular planning and reporting process as well as on the basis of group-wide, uniform accounting guidelines (Gigaset accounting manual).

The basis for this is the prompt availability of reliable and consistent information. Safeguarding the data base is the responsibility of the Finance and Controlling departments of the holding company as well as the individual subsidiaries. Corresponding processes and monitoring measures both integrated and independent from the processes are adapted and implemented as necessary depending on the situation and industry affiliation of the respective company. Quick access to the information needed to manage the Group is ensured through this process.

The preparation and analysis of information from the subsidiaries takes place at Gigaset primarily in the Finance department in the areas of subsidiary controlling, financial accounting and reporting, liquidity management, and risk controlling. The completeness and accuracy of accounting data are periodically reviewed. The group auditors and other auditing bodies are included in the control environment of the Gigaset Group with auditing activities that are independent of the process. In particular the audit of consolidated financial statements by the group auditors and the audit of the financial statements of consolidated Group companies represent the primary process-independent monitoring measures with respect to the group accounting process.

The Supervisory Board of Gigaset AG, in particular the Audit Committee, is also integrated in Gigaset's internal monitoring system with process-independent audit activities.

5.2 Strukturinformationen

- The accounting is carried out in the Gigaset Group both locally in the subsidiaries as well as centrally in the Shared Service Center in Bocholt. The separate financial statements are prepared in accordance with local accounting regulations and adjusted to the specifications of International Financial Reporting Standards (IFRS) as they are applied in the EU as well as to the supplementary commercial law provisions under section 315a(1) of the German Commercial Code (Handelsgesetzbuch, HGB) as necessary for the group accounting.

- The uniformity of the accounting and measurement in the Group is ensured on the one hand through the Gigaset accounting manual as well as on the other hand through the financial accounting and preparation of final accounts carried out in part centrally.

- Accounting processes are recorded using individually selected professional accounting systems that are adapted as needed, such as SAP or DATEV.

5.3 Process and controlling information

- Central and local duties and responsibilities are defined.
- Accounting control mechanisms, such as the principle of review by a "second set of eyes", validation by the systems, manual inspections, and documentation of changes are implemented.
- Deadline and process plans for separate and consolidated financial statements are prepared and distributed or are made generally accessible.
- Analysis and – if necessary – adjustment of the reporting packages presented by the Group companies.
- Plausibility check of the systems at the Group level.
- Single-step consolidation process with a professional consolidation system.
- Use of standardized and complete sets of forms.
- Use of experienced, trained employees.
- The auditors perform a check function as a process-independent instrument within the scope of their statutory audit engagement.

Special evaluations and ad hoc analyses are prepared promptly as needed. The Executive Board can always directly approach employees from the Controlling and Finance departments as well as the respective local management.

The Gigaset planning and reporting process is based on a professional, standardized consolidation and reporting system in which the data are entered manually or over automatic interfaces. A qualitative analysis and means of supervision are ensured by internal reports and a user-friendly interface.

5.4 Group-wide, systematic risk management

Risk management at Gigaset is an integral part of corporate management and corporate planning. The task of risk management is to achieve the goals set under a business strategy such that risks at all levels and in all units are identified, recorded, reported, and managed systematically at an early stage in order to avoid developments that threaten the Company's existence and be in a position to best take advantage of entrepreneurial opportunities.

The overall approach to risk management and the risk management process are specified, coordinated, and monitored at the Group level and in the holding company and implemented in the individual operating units. Risks are identified, systematically recorded, and measured and measures are defined wherever the greatest expertise and potential for assessment is available.

Uniform standards for risk identification, documentation, and monitoring are summarized for the entire corporate group in the Gigaset risk management handbook. The central risk manager monitors compliance with the specifications.

R2C_risk to chance provides Gigaset with a systematic, web-based risk management system with which all risks can be recorded group-wide and presented in consolidated form for each company or from the perspective of the Group. The individual risks can be efficiently managed at the company level on this basis and a current and complete view of the risk situation in the Group can be supplied at the same time. The compliance and monitoring of the risk strategies established by the Executive Board for the Gigaset Group is thereby optimally ensured.

The central risk manager is tasked with continually further developing and improving the system, as well as with monitoring and coordinating Group-wide risk management and reporting to corporate management.

In addition to instruction, checklists and a so-called "risk atlas" are provided for the systematic identification of risks. The risk atlas shows the areas to which risks can be typically assigned at Gigaset according to the following structure.

- Market risk (economy/industry/competition, products/patents/certificates, legal environment, customers)
- Company/process risks (research/development, procurement, production, sales/marketing, delivery/after sales, accounting/finance/controlling, organization/auditing/IT, personnel, insurance, unanticipated events, acquisition/operations/exit)
- Financial risks (result, liquidity, debt/financing, equity, taxes, other financial risks)
- Contingent liabilities (guarantees/contingent liabilities, other financial obligations, legal disputes, D&O liability)

Risk assessment is carried out quantitatively on the basis of a 4x4 matrix for the factors probability of occurrence and severity of loss and is related to the potential impact of a negative event on results along a 12 month time horizon. In addition to substantiating the assessment, suitable measures to mitigate or avoid the risk as well as the person responsible for the risk are to be indicated for every individual risk. The severity of loss is measured after measures have been carried out, but before planned measures are implemented. The results of the classification are presented in tabular form in a so-called 'risk map' or visualized in a portfolio.

The Executive Board is presented with regular reports on the current situation for all major Group companies.

Risks are completely updated quarterly; in addition, new significant risks or the occurrence of existing significant risks are recorded immediately and reported to the Executive Board independent from the normal reporting interval. The Executive Board in turn regularly informs the Supervisory Board of the risk situation and risk management.

Business responsibility for the risk management process resides at the operational units at the subsidiary level and/or the Group parent company's staff positions. Operational risk management is correspondingly anchored in these units. In addition, every employee is responsible for identifying and managing risks in his/her immediate area of responsibility. The management of each subsidiary is responsible for coordinating and recording risk. Risks and information to be regarded as significant from a risk perspective must be reported to management immediately, as well as the Group Executive Board and the central risk manager if necessary.

Further measures under risk management include the Executive Board's regular visits to the subsidiaries to gather information about current developments as well as the integration of risk assessment in the annual planning discussions.

Monthly target/actual comparisons are conducted as part of subsidiary controlling to supplement the risk process and the current forecast is promptly adjusted if necessary. Liquidity management is based on weekly observation periods. Necessary measures can be prepared and implemented on short notice by providing the Executive Board with up-to-date information. In certain cases, Gigaset hedges against currency risk arising as a result of third-party transactions denominated in foreign currency using derivative financial instruments with a hedging horizon of up to 12 months, for which purpose Gigaset employs in particular forward exchange deals and currency options.

5.5 Disclaimer

The internal control and risk management system enables the complete identification, preparation, and evaluation of facts and circumstances related to the Company as well as their presentation in group accounting. However, personal discretionary decisions, flawed controls, and other mistakes or circumstances cannot normally be entirely ruled out; their occurrence can limit the effectiveness of the implemented control and risk management system.

6 Report pursuant to sections 289(4), 315(4) of the German Commercial Code (HGB)

Sections 289(4) no. 1, 315(4) no. 1 HGB: The subscribed capital of Gigaset AG as of December 31, 2015, amounts to EUR 122,979,286 and is divided into 122,979,286 no-par value bearer shares with a notional value of EUR 1.00 per share. Each share grants the same rights and one vote. These include 267 shares that were created over the course of fiscal year 2015 by act of law from the conversion of the convertible bond, but the correcting entries had not yet been made as of December 31, 2015. For this reason, the commercial register showed a subscribed capital of EUR 122,979,019.00 as of December 31, 2015, divided into 122,979,019 shares that convey 122,979,019 voting rights.

Sections 289(4) no. 2, 315(4) no. 2 HGB: As a general rule, the shares can be freely transferred in accordance with the law. The voting rights of the shares can be limited under the provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and other laws. For instance, shareholders are barred from voting under certain conditions (section 136 AktG). In addition, the Company is not entitled to any rights from treasury shares, including voting rights (section 71b AktG). The Executive Board is not aware of any contractual limitations with respect to voting rights or the transfer of shares of the Company. However, please note that the Executive Board, employees and other people who have access to insider information are restricted by the Company's insider policy.

Sections 289 (4), 315 (4) (3) HGB: As of the date of this report, the Company has received the following notifications regarding shareholdings in excess of ten percent of the voting rights:

After the end of the fiscal year, Goldin Fund Pte. Ltd., Singapore, informed the Company on January 15, 2016, on behalf of Pan Sutong, Hong Kong, in a statement of holdings in accordance with section 41(4f) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) that Mr. Pan's share of voting rights was 79.16% on November 26, 2015, based on a total of 122,979,286 voting rights. Of these voting rights, 71.57% (88,019,854 voting rights) are derived from shares (DE0005156004). An additional 7.59% (9,337,935 voting rights) result from instruments as defined under section 25(1) no. 2 WpHG (mandatory convertible bond, maturing on January 23, 2016). To clarify the aforementioned disclosures, the Company notes that in connection with the aforementioned notification the instruments, whose exercise leads to new voting rights, are not yet included in the basic set of voting rights. When the instruments are exercised, new voting rights arise; consequently, the total volume of voting rights is correspondingly increased and it is necessary to recalculate the share of voting rights.

After the end of the fiscal year, the total number of voting rights increased on January 23, 2016, as a result of the final maturity of the cited mandatory convertible bond to 132,455,896, of which Mr. Pan now holds 73.50% (97,357,789 voting rights). As a consequence of the conversion of instruments (section 25(1) WpHG) into voting rights (sections 21, 22 WpHG), there was a shift within the shareholder's reportable share of voting rights in accordance with section 25a WpHG with a simultaneous increase in the total number of voting rights, which caused the shareholder to passively fall below the threshold. The Company received a notification on this in accordance with section 26 WpHG on January 27, 2016, and an corrected notification in accordance with section 26 WpHG on January 28, 2016.

Sections 289 (4), 315 (4) (4) HGB: As of the date of this report, there are no shares that confer special control rights.

Sections 289 (4), 315 (4) (5) HGB: There are no rules related to the coordinated exercise of voting rights on the part of employees invested in the Company.

Sections 289 (4), 315 (4) (6) HGB: Rules governing the appointment and dismissal of members of the Executive Board are set forth under sections 84 et seq. AktG. In accordance with Art. 5(1) of the Articles of Association, the Supervisory Board only determines the exact number of Executive Board members. The responsibility and requirements to alter the Articles of Association are oriented on sections 179-181 AktG. Additional rules in the Company's Articles of Association that go beyond these provisions are currently not considered necessary. Other statutory rules and regulations can be found in the German Stock Corporation Act; the relevant provisions under the Articles of Association can be found in part II (Executive Board) and part III (Supervisory Board) and Art. 16 of the Articles of Association.

Sections 289 (4), 315 (4) (7) HGB

Contingent Capital 2011 (Art. 4.3 of the Articles of Association)

The annual shareholders' meeting held on July 3, 2008, created the possibility of a stock option plan with "Contingent Capital 2008/I". The Stock Option Plan 2008 and the related Contingent Capital 2008/I were annulled by resolution of the annual shareholders' meeting held on June 10, 2011, and a Contingent Capital 2011 was created for the introduction of a Stock Option Plan 2011.

According to this resolution, the share capital of the Company is conditionally increased by up to nominal EUR 1,300,000.00 through the issue of up to 1,300,000 new no-par value bearer shares ("Contingent Capital 2011"). The conditional increase of capital serves exclusively the granting of subscription rights ("options") to members of the Company's Executive Board and selected employees of the Company as well as members of the management and selected employees of affiliated companies ("individuals eligible for subscription") under the Gigaset AG Stock Option Plan 2011 ("Stock Option Plan") that are issued as specified under the resolution by the annual shareholders' meeting dated June 10, 2011. The conditional capital increase may only be carried out to the extent that options are issued under the Stock Option Plan, individuals eligible for subscription exercise these options, and the Company does not settle the options by granting treasury shares or paying cash compensation. The new shares participate in earnings from the beginning of the fiscal year in which they are are issued.

The annual shareholders' meeting held on June 10, 2011, authorized the Supervisory Board insofar to issue options to the members of the Company's Executive Board under the Stock Option Plan until December 31, 2014. The Executive Board is authorized with the approval of the Supervisory Board to issue options to the other individuals eligible for subscription under the Stock Option Plan until December 31, 2014. To the extent that members of the management and employees of affiliated companies are affected, this is carried out in coordination with the executive bodies responsible for remunerating these individuals eligible for subscription.

Other key points under the Stock Option Plan include:

1. Contents of options: Each option authorizes the acquisition of a share of Gigaset AG ("Gigaset share").

2. Group of individuals eligible for subscription: Individuals eligible for subscription include members of the Company's Executive Board and selected employees of the Company as well as members of the management and selected employees of affiliated companies. A total of up to 1,300,000 options can be issued for all groups combined until December 31, 2014 ("total volume"). The options can be broken down to the individual groups of individuals eligible for subscription as follows:

   (a) a maximum of 600,000 options for members of the Company's Executive Board (consequently up to approximately 46%),

   (b) a maximum of 500,000 options for selected employees of the Company or an affiliated company (consequently up to approximately 38.5%),

(c) a maximum of 200,000 options for members of the management of affiliated companies (consequently up to approximately 15.5%).

3. Acquisition periods: Options may be allotted once or in multiple tranches each within 45 (forty five) days following the date on which the results of the fiscal year just ended are announced, or each within 45 (forty five) days following the date on which the results of the first, second, or third quarter of the current fiscal year are announced, but no later than two weeks before the end of the respective current quarter. The allotment date of the options should be the same for the tranches and is determined by the Supervisory Board if members of the Executive Board are affected and otherwise by the Executive Board.

4. Term of options, blocking periods: Options have a total term of seven years from the allotment date and can only be exercised after the expiration of a vesting period. The vesting period comprises a minimum of four years from the allotment date. Options that are not exercised before the expiration of their term are forfeited without entitlement to substitution or compensation. Options may not be exercised during the period of 15 calendar days before the end of every quarter or fiscal year up to and including the first trading day after publication of the quarterly results or results for the year ("blocking periods"). In addition, individuals eligible for subscription must adhere to the limitations ensuing from general legal provisions, such as the German Securities Trading Act (provisions governing insider information).

5. Performance targets and strike price

(a) Performance targets: The performance target is determined based on the unweighted opening price of the Gigaset share in the XETRA trading system (or a comparable successor system) of the Frankfurt Stock Exchange on the option's exercise date or with respect to the relative performance target as well as to the status of the TecDAX (or a comparable successor index) on the allotment date and on the option's exercise date.

The options may only be issued

- if the opening price of the Gigaset share in the XETRA trading system (or a comparable successor system) of the Frankfurt Stock Exchange on the option's exercise date exceeds the strike price by at least 15% ("absolute performance target") and

- if the price of the Gigaset share in the XETRA trading system (or a comparable successor system) of the Frankfurt Stock Exchange between the allotment date and option's exercise date has performed better than the TecDAX (or a comparable successor index) in the same period ("relative performance target").
  If the absolute and relative performance targets have been reached, every option can be exercised within its term in compliance with the provisions of the Gigaset AG Stock Option Plan 2011.

(b) Strike price: The strike price for a Gigaset share when the option is exercised corresponds to the unweighted average of the opening price of the Gigaset share on the Frankfurt Stock Exchange in the XETRA trading system (or a comparable successor system) on the ten trading days of the Frankfurt Stock Exchange before the option's respective allotment date. The lowest issue price within the meaning of section 9(1) AktG shall be paid as the strike price.

6. Capital and structural measures, anti-dilution provisions: If the Company increases its capital during the term of the option, thereby granting a direct or indirect subscription right to the shareholders, the strike price will be reduced according to the option terms. The strike price is not reduced if the individual eligible for subscription receives a direct or indirect subscription right for new shares that puts them in the position as if they had already exercised the options from the Stock Option Plan. The option terms can provide adjustment rules for other cases of capital, structural, or

comparable measures. Section 9 AktG remains unaffected. The option terms must establish an appropriate upper limit for option gains in the event of extraordinary developments. This also applies if option gains would result in an inappropriate total compensation of the individual eligible for subscription.

7. Non-transferability: The options may not be transferred and as a general rule must be exercised by the individuals eligible for subscription. However, the options may be inherited. The option terms can specify that the heir or heirs of the individual eligible for subscription rights must exercise the options within three months after the inheritance, but no earlier than the expiration of the vesting period.

8. Fulfillment of the options: The Company can choose to offer the individuals eligible for subscription treasury shares of the Company or cash compensation instead of issuing Gigaset shares from the Contingent Capital 2011 created for this purpose. The decision regarding which alternative to offer to the individuals eligible for subscription is made by the Supervisory Board if the individuals eligible for subscription are members of the Company's Executive Board; otherwise, the Executive Board shall decide. In reaching their decision, the Executive Board and Supervisory Board must exclusively be guided by the interest of the shareholders and of the Company. The option terms must be designed such that the Company has this option. The cash compensation should equal the difference between the strike price and the opening price of the Gigaset share in the XETRA trading system (or a comparable successor system) on the option's exercise date.

9. Additional rules: Other details for the granting and fulfillment of options and the other exercise terms are established by the Supervisory Board if members of the Company's Executive Board are affected. These terms and details are established by the Executive Board for other individuals eligible for subscription – in coordination with the executive bodies responsible for remunerating the eligible individuals if members of the management or employees of affiliated companies are affected. The additional rules include in particular:

   (a) The establishment of options for individuals eligible for subscription or groups of individuals eligible for subscription,

   (b) the establishment of provisions governing the execution of the Stock Option Plan,

   (c) the procedure for granting and exercising options,

   (d) the determination of holding periods beyond the minimum vesting period of four years, in particular the determination of graduated holding periods for some options, as well as the alteration of holding periods within the scope of statutory provisions in special cases, such as the change of control over the Company,

   (e) the rules governing the treatment and exercise of options in special cases, such as the retirement of the eligible individual from the service of the Company, change of control over the Company, or the execution of a squeeze out process.

10. Taxation: The individuals eligible for subscription are responsible for paying all taxes due upon the allotment or exercise of options or upon the sale of Gigaset shares by the individuals eligible for subscription.

11. Duty to report: The Executive Board and the Supervisory Board shall report on the utilization of the Stock Option Plan and options granted to the eligible individuals for every fiscal year respectively in the segment report.

The authorization in Art. 4.3 of the Articles of Association regarding "Contingent Capital 2011" has so far not been utilized. It became irrelevant on December 31, 2014, through the passage of time.

Contingent Capital 2012 (Art. 4.4 of the Articles of Association)

In the annual shareholders' meeting held on June 12, 2012, the Executive Board was authorized to issue bonds with warrants and/or convertible bonds with the approval of the Supervisory Board. The Executive Board utilized this authorization with the approval of the Supervisory Board in 2013 by issuing a convertible bond ("Convertible Bond 2013") of up to EUR 23,500,000. In total, 23,340,289 convertible bonds were issued that can be converted into 23,340,289 shares with a calculated nominal value of EUR 23,340,289. The portion of the Contingent Capital 2012 remaining for other future capital measures thus amounts to an calculated value of EUR 159,711.

A total of 21,812,534 new shares were issued under the Convertible Bond 2013 by the end of fiscal 2013 with a calculated nominal value of EUR 21,812,534; consequently, the Executive Board was still authorized to issue bonds with warrants and/or convertible bonds under the Contingent Capital 2012 (Art. 4.4 of the Articles of Association) with a nominal value of EUR 1,687,466.00 as of December 31, 2013; however, EUR 1,527,755 had already been reserved for the conversion of convertible bonds issued under the Convertible Bond 2013 that had not yet been converted.

Over the course of fiscal year 2014, an additional 46,828 new shares were issued under the Convertible Bond 2013 with a computed nominal value of EUR 46,828; consequently, the Executive Board was still authorized to issue bonds with warrants and/or convertible bonds under the Contingent Capital 2012 (Art. 4.4 of the Articles of Association) as of December 31, 2014, with a nominal value of EUR 1,640,638.

In fiscal year 2015, Convertible Bond 2013 finally matured. An additional 1,480,927 new shares with a computed nominal value of EUR 1,480,927 were issued for the redemption of the convertible bond; consequently, the Executive Board was theoretically still authorized to issue bonds with warrants and/or convertible bonds under Contingent Capital 2012 (Art. 4.4 of the Articles of Association) as of December 31, 2015, in the nominal amount of EUR 159,711.

Authorized Capital 2014 (Art. 4 para. 6 of Articles of Association)

The Authorized Capital 2013 originally contained in Art. 4(6) (old version) of the Articles of Association was largely depleted in 2013 as a result of the exercise of the authorization and only remained in the amount of EUR 98,509.00. The original Authorized Capital 2013 was then utilized in the amount of an additional EUR 51,279.00 in connection with the subscription rights issue carried out by the Company in the early summer of 2014. This left a remaining calculated amount of EUR 47,230.00 not yet utilized under Art. 4 para. 6 (old version) of the Articles of Association. Art. 4 para. 6 (old version) of the Articles of Association related to the Authorized Capital 2013 was canceled in its entirety during the annual shareholders' meeting held on August 12, 2014.

In the annual shareholders' meeting held on August 12, 2014, the Executive Board was authorized under a new Art. 4 para. 6 of the Articles of Association to increase the subscribed capital in the period until August 11, 2019, with the approval of the Supervisory Board one time or in partial amounts by up to a total of EUR 22,000,000.00 by issuing up to 22,000,000 new no-par value bearer shares entitled to receive a share of the profits beginning with the fiscal year in which they are issued in exchange for cash contributions (Authorized Capital 2014). The shareholders are entitled to subscription rights. The new shares can also be underwritten by one or more credit institutions with the requirement that they be offered to the shareholders (indirect subscription right). The Executive Board is authorized with the approval of the Supervisory Board to decide on the contents of the share rights and the terms under which the shares are issued as well as the details of the execution of the capital increase.

This authorization has so far not been utilized.

Contingent Capital 2013/II (Art. 4 para. 7 of the Articles of Association)

In the annual shareholders' meeting held on June 12, 2012, the Executive Board was authorized to issue bonds with warrants and/or convertible bonds with the approval of the Supervisory Board. The Executive Board utilized this authorization with the approval of the Supervisory Board in 2013 to issue a convertible bond over EUR 23,340,289.00. Thus, the Executive Board was only authorized to issue bonds with warrants and/or convertible bonds in the remaining amount of EUR 159,711.00 under the authorization from 2012 (see above regarding Art. 4.4 of the Articles of Association).

In order for the Company to retain the requisite flexibility to use this important financing instrument also in the future, the extraordinary general meeting held on December 19, 2013, adopted a new resolution authorizing the issue of bonds with warrants and/or convertible bonds a well as a new Contingent Capital 2013 and to correspondingly amend the Articles of Association. This resolution was the subject of a challenge under section 246 AktG that had meanwhile been legally rejected. In a decision handed down on April 4, 2014, the higher regional court (Oberlandesgericht) of Munich had previously found under section 246a AktG that there was no cause to challenge an entry of the resolution in the commercial register and that defects in the resolution of the annual shareholders' meeting had no impact on the effect of the entry.

Therefore, the annual shareholders' meeting resolved to conditionally increase the share capital by up to EUR 9,500,000.00 through the issuance of up to 9,500,000 new no-par bearer shares qualifying for dividends from the beginning of the fiscal year in which they are issued. The contingent capital increase serves the purpose of granting shares to the bearers or creditors of bonds with warrants and/or convertible bonds issued by the Company or a subordinate group company until December 18, 2018, against cash compensation, on the basis of the authorization by the shareholders' meeting of December 19, 2013. New shares are issued respectively at the option or conversion price specified under the aforementioned authorization. The conditional increase in capital may only be carried out to the extent that option rights and/or conversion rights arising from the debt securities are exercised and/or conversion requirements from the debt securities are met and to the extent that cash compensation is not paid or treasury shares are not offered for subscription. The Executive Board is authorized with the approval of the Supervisory Board to establish the other details regarding the execution of the conditional increase in capital (Contingent Capital 2013).

In detail, the annual shareholders' meeting specified the following in this regard:

1. Authorization of the Executive Board to issue bonds with warrants and/or convertible bonds

a) Authorization period, par value, number of shares

The Executive Board is authorized with the approval of the Supervisory Board until December 18, 2018, once or multiple times

- to issue no-par value bearer or registered bonds with warrants and/or convertible bonds with or without a maturity cap in the total nominal value of up to EUR 150,000,000.00 ("debt securities") by the Company or companies in which the Company holds a direct or indirect majority interest ("subordinate group companies"), and
- to furnish the guarantee for such debt securities issued by subordinate group companies of the Company, and
- to grant the bearers and/or creditors of debt securities option rights and/or conversion privileges for a total of up to 9,500,000 no-par value bearer shares of the Company with a proportionate share in the share capital of up to EUR 9,500,000.00 in accordance with the specific terms of the respective debt securities.

The individual issues can be divided into bonds with equal rights for all bond holders and are to be issued in exchange for cash payment.

The affected warrants can be separated from the respective bonds. The terms of the bond or option can specify that the option price can also be paid through the transfer of bonds with an additional cash payment if necessary. The proportionate share in the share capital of the shares to be subscribed for each bond may not exceed the nominal value and/or the issue price of the bond with warrants, which lies below the nominal value.

In the event that convertible bonds are issued, the bearers or creditors receive the right and/or are obligated to convert their convertible bonds into shares of Gigaset based on the terms of the convertible bonds. The conversion ratio is derived by dividing a bond's nominal value or lower issue price by the specified conversion price for a no-par value bearer share of the Company. The conversion ratio is rounded to four decimal places. The bond terms can provide for an additional cash payment and specify that fractional amounts that cannot be converted be consolidated and/or settled in cash. The bond terms can also specify a conversion requirement. The proportionate share in the share capital of the shares to be subscribed for each bond may not exceed the nominal value and/or the issue price of the convertible bond, which lies below the nominal value.

b) Subscription rights, exclusion of pre-emptive rights

The shareholders are entitled to pre-emptive subscription rights for the bonds; the bonds may also be underwritten by a bank or bank consortium with the requirement that they be offered to the shareholders for subscription. However, the Executive Board is authorized with the consent of the Supervisory Board to exclude shareholders' pre-emptive right to subscribe the bonds,

- -Insofar as the issue price is not significantly lower than the theoretical market value of the bonds as determined by recognized financial-mathematical methods; this shall apply, however, only insofar as the shares to be issued to satisfy the option and/or conversion rights or conversion requirements thus established do not exceed a total of 10% of the share capital, either at December 19, 2013, or at the effective date or at the date of exercise of this authorization. The proportionate amount of share capital attributed to shares that are issued or sold in the time from December 19, 2013, to when this authorization expires while excluding shareholders' pre-emptive rights directly or indirectly pursuant to Section 186 (3) (4) AktG must be applied toward this amount of 10% of the share capital. Furthermore, the proportionate amount of the share capital for the shares that were issued to settle option and/or conversion rights or conversion requirements or can still be issued if the underlying bonds were issued during the term of this authorization on the basis of another authorization while excluding the shareholders' pre-emptive rights pursuant to Section 186 (3) (4) AktG must also be applied toward this amount,
- In order to remove fractional amounts resulting from the subscription ratio from the shareholders' pre-emptive rights, or
- In order to grant to the bearers or creditors of options or conversion rights or conversion requirements subscription rights, so as to compensate for dilution, to the extent to which they would be entitled after the exercise of those rights or the satisfaction of those obligations.

c) Option or conversion price, protection from dilution

aa) The option or conversion price may not be less than 80% of the stock exchange price of Gigaset stock in the Xetra trading system (or in a comparable successor system). This price is to be determined as the average closing price on the ten trading days before the Executive Board's final decision to publish an offer for the subscription of bonds or to declare the Company's acceptance after a public invitation to tender offers. In the case of trading of subscription rights, the price is to be determined on the basis of the trading days for subscription rights excluding the last two trading days for the subscription rights, if the Executive Board has not already set a final option or conversion price before trading in the subscription rights begins.

bb) Without prejudice to Section 9(1) AktG, the option or conversion price may be reduced under an antidilution clause as provided for in further detail in the bond terms and conditions, or cash components may be amended, or subscription rights may be granted if the Company increases the share capital before the expiration of the option or conversion term while granting pre-emptive subscription rights to its shareholders, or if it issues or guarantees additional bonds without granting the bearers of option rights and/or the creditors of convertible bonds a subscription right equivalent to the right to which they would be entitled after exercising their option or conversion rights or conversion requirements. The same will also apply to other measures that may result in a dilution of the value of the option and/or conversion rights or conversion requirements. In any case, however, the proportionate amount of the share capital for the shares to be subscribed for each bond may not exceed the nominal amount of the bond or the lower issue price.

Sections 9(1) and 199 AktG remain unaffected.

d) Further structuring alternatives

The Executive Board is authorized with the consent of the Supervisory Board and subject to the above requirements to establish the other details regarding the issuance and features of the bonds and their terms and conditions, either itself or in agreement with the governing bodies of the subordinate group company issuing the bonds, as the case may be, particularly including the option or conversion price, the interest rate, the issue price, the term and denomination, the basis for an option or conversion requirement, the establishment of an additional cash payment, settlement or pooling of fractional amounts, cash payment in lieu of delivery of shares, delivery of existing shares in lieu of issuing new shares, anti-dilution protection and the option or conversion period.

In view of the above, the shareholders' meeting resolved to add the following new para. 7 to Art. 4 of the Articles of Association:

"7. The share capital is conditionally increased by up to EUR 9,500,000.00 through the issuance of up to 9,500,000 new no-par bearer shares qualifying for dividends in the time from the beginning of the fiscal year in which they are issued. The contingent capital increase serves the purpose of granting shares to the bearers or creditors of bonds with warrants and/or convertible bonds issued by the Company or a subordinate group company until December 18, 2018, against cash compensation, on the basis of the authorization by the shareholders' meeting of December 19, 2013. New shares are issued respectively at the option or conversion price specified under the aforementioned authorization. The conditional increase in capital may only be carried out to the extent that option rights and/or conversion rights arising from the debt securities are exercised and/or conversion requirements from the debt securities are met and to the extent that cash compensation is not paid or treasury shares are not offered for subscription. The Executive Board is authorized with the approval of the Supervisory Board to establish the other details regarding the execution of the conditional increase in capital (Contingent Capital 2013)."

In 2014, the Executive Board utilized this authorization with the consent of the Supervisory Board to issue a convertible bond ("Convertible Bond 2014"). In total, 9,476,877 convertible bonds were issued that can be converted into 9,476,877 shares with a calculated nominal value of EUR 9,476,877.

No new shares were issued under this Convertible Bond 2014 in the time until December 31, 2014.

Over the course of fiscal year 2015, 267 shares were issued in the nominal value of EUR 267.00. Therefore, the Contingent Capital 2013 still formally existed on December 31, 2015, in the amount of EUR 9,500,000; however, EUR 9,476,610 of this amount was still reserved for the capital repayment of convertible bonds under the Convertible Bond 2014 that had been issued, but not yet converted.

At the final maturity of the Convertible Bond 2014 on January 23, 2016, 9,476,610 shares were issued in the nominal value of EUR 9,476,610.00. Thus, the Convertible Bond 2014 is repaid in full through the issue of shares. The imputed freely available balance of Contingent Capital 2013 amounted to EUR 23,123 as of December 31, 2015.

Contingent Capital 2014 (Article 4 para. 8 of the Articles of Association)

Because the authorization of the Executive Board set out in Article 4.4 of the Articles of Association to issue bonds with warrants and/or convertible bonds, and the Contingent Capital 2012 created for that purpose, and the authorization of the Executive Board set out in Article 4.7 of the Articles of Association to issue bonds with warrants and/or convertible bonds, and the Contingent Capital 2013 created for that purpose were largely depleted, the annual shareholders' meeting of August 12, 2014, resolved a new, additional authorization to issue bonds with warrants and/or convertible bonds, and a new Contingent Capital 2014 for this purpose, and amended the Articles of Association accordingly.

By virtue of this authorization, the share capital is conditionally increased by up to EUR 35,000,000.00 through the issuance of up to 35,000,000 new bearer shares qualifying for dividends from the beginning of the fiscal year in which they were issued. The contingent capital increase serves the purpose of issuing shares to the holders or creditors of bonds with warrants and/or convertible bonds that were issued by the Company or a subordinate group company in exchange for cash performance in the time until August 11, 2019, by virtue of the authorization of the annual shareholders' meeting of August 12, 2014. New shares are issued respectively at the option or conversion price specified under the aforementioned authorization. The conditional increase in capital may only be carried out to the extent that option rights and/or conversion rights arising from the debt securities are exercised and/or conversion requirements from the debt securities are met and to the extent that cash compensation is not paid or treasury shares are not offered for subscription. The Executive Board is authorized with the approval of the Supervisory Board to establish the other details regarding the execution of the conditional increase in capital (Contingent Capital 2014).

Accordingly, the annual shareholders' meeting resolved to add a new Article 4 para. 8 to the Articles of Association, which reads as follows:

"8. The share capital is conditionally increased by up to EUR 35,000,000.00 through the issuance of up to 35,000,000 new bearer shares qualifying for dividends from the beginning of the fiscal year in which they were issued. The contingent capital increase serves the purpose of issuing shares to the holders or creditors of bonds with warrants and/or convertible bonds that were issued by the Company or a subordinate group company in exchange for cash performance in the time until August 11, 2019, by virtue of the authorization of the annual shareholders' meeting of August 12, 2014. New shares are issued respectively at the option or conversion price specified under the aforementioned authorization. The conditional increase in capital may only be carried out to the extent that option rights and/or conversion rights arising from the debt securities are exercised and/or conversion requirements from the debt securities are met and to the extent that cash compensation is not paid or treasury shares are not offered for subscription. The Executive Board is authorized with the consent of the Supervisory Board to establish the further details applicable to the conduct of the contingent capital increase (Contingent Capital 2014)."

The main points of the authorization to issue bonds with warrants and/or convertible bonds are as follows:

a) Authorization period, nominal amount, number of shares

The Executive Board is authorized with the consent of the Supervisory Board on one or more occasions until August 11, 2019,

- to issue no-par value bearer or registered bonds with warrants and/or convertible bonds with or without a maturity cap in the total nominal value of up to EUR 150,000,000.00 ("debt securities") by the Company or companies in which the Company holds a direct or indirect majority interest ("subordinate group companies"), and
- to furnish the guarantee for such debt securities issued by subordinate group companies of the Company, and
- to grant the bearers and/or creditors of debt securities option rights and/or conversion privileges for a total of up to 35,000,000 no-par value bearer shares of the Company with a proportionate share in the share capital of up to EUR 35,000,000.00 in accordance with the specific terms of the respective debt securities.

The individual issues can be divided into bonds with equal rights for all bond holders and are to be issued in exchange for cash payment.

In the event that bonds with warrants are issued, one or more warrants will be attached to each bond that entitle the bearer or creditor to subscribe to shares of Gigaset based on the terms of the bond or option.

The affected warrants can be separated from the respective bonds. The terms of the bond or option can specify that the option price can also be paid through the transfer of bonds with an additional cash payment if necessary. The proportionate share in the share capital of the shares to be subscribed for each bond may not exceed the nominal value and/or the issue price of the bond with warrants, which lies below the nominal value.

In the event that convertible bonds are issued, the bearers or creditors receive the right and/or are obligated to convert their convertible bonds into shares of Gigaset based on the terms of the convertible bonds. The conversion ratio is derived by dividing a bond's nominal value or lower issue price by the specified conversion price for a no-par value bearer share of the Company. The conversion ratio is rounded to four decimal places. The bond terms can provide for an additional cash payment and specify that fractional amounts that cannot be converted be consolidated and/or settled in cash. The bond terms can also specify a conversion requirement. The proportionate amount of the share capital for the shares to be subscribed for each bond may not exceed the nominal value or issue price, if the issue price is less than the nominal value, of the convertible bond.

b) Pre-emptive subscription right

As a general rule, the shareholders are entitled to pre-emptive subscription rights for the bonds; the bonds may also be underwritten by a bank or bank consortium with the requirement that they be offered to the shareholders for subscription.

c) Option or conversion price, protection from dilution

aa) The option or conversion price may not be less than 80% of the stock exchange price of Gigaset stock in the Xetra trading system (or in a comparable successor system). This price is to be determined as the average closing price on the ten trading days before the Executive Board's final decision to publish an offer for the subscription of bonds or to declare the Company's acceptance after a public invitation to tender offers. In the case of trading of subscription rights, the price is to be determined on the basis of the trading days for subscription rights excluding the last two trading days for the subscription rights, if the Executive Board has not already set a final option or conversion price before trading in the subscription rights begins.

bb) Without prejudice to Section 9(1) AktG, the option or conversion price may be reduced under an antidilution clause as provided for in further detail in the bond terms and conditions, or cash components may be amended, or subscription rights may be granted if the Company increases the share capital before the expiration of the option or conversion term while granting pre-emptive subscription rights to its shareholders, or if it issues or guarantees additional bonds without granting the bearers of option rights and/or the creditors of convertible bonds a subscription right equivalent to the right to which they would be entitled after exercising their option or conversion rights or conversion requirements. The same will also apply to other measures that may result in a dilution of the value of the option and/or conversion rights or conversion requirements. In any case, however, the proportionate amount of the share capital for the shares to be subscribed for each bond may not exceed the nominal amount of the bond or the lower issue price.

Sections 9(1) and 199 AktG remain unaffected.

d) Further structuring alternatives

The Executive Board is authorized with the consent of the Supervisory Board and subject to the above requirements to establish the other details regarding the issuance and features of the bonds and their terms and conditions, either itself or in agreement with the governing bodies of the subordinate group company issuing the bonds, as the case may be, particularly including the option or conversion price, the interest rate, the issue price, the term and denomination, the basis for an option or conversion requirement, the establishment of an additional cash payment, settlement or pooling of fractional amounts, cash payment in lieu of delivery of shares, delivery of existing shares in lieu of issuing new shares, anti-dilution protection and the option or conversion period."

The Company has not yet utilized the authorization granted in Article 4 para. 8 of the Articles of Association.

Sections 289 (4) no. 8, 315 (4) no. 8 HGB: There are no material agreements with the parent company as of December 31, 2015, subject to the condition of a change in control as a consequence of a takeover offer.

Sections 289 (4) no. 9, 315 (4) no. 9 HGB: No compensation agreements have been formed between the Company and the members of the Executive Board or employees in the event of a takeover offer.

7 German Corporate Governance Code

7.1 Statement on corporate governance at Gigaset AG

7.1.1 Declaration of conformity

Corporate governance is an issue that Gigaset AG takes very seriously. The Executive Board and Supervisory Board understand corporate governance to be a process that is continuously further developed and improved.

With only a few exceptions, Gigaset AG complies with the German Corporate Governance Code (the "Code"), which was issued in 2002 and most recently revised on May 5, 2015.

The Executive Board and Supervisory Board of Gigaset AG submitted the declaration of conformity with the German Corporate Governance Code in March 2016 in the version dated May 5, 2015, as required under section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) and made it permanently available to the shareholders on the Company's website (http://www.gigaset.com/de_de/cms/gigaset-ag/investor-relations/unternehmen/corporate-governance.html). The Executive Board and Supervisory Board of Gigaset AG thereby declare that, with few exceptions, they have complied and will comply in the future with the Code Commission's recommendations regarding the management and supervision of the enterprise published in the electronic Federal Gazette in the current version.

7.1.2 Report on corporate governance

7.1.2.1 Functioning of the Executive Board

The Executive Board manages the Company under its own responsibility with the goal of permanently increasing the Company's value and achieving the corporate objectives that have been defined. It conducts business in accordance with the relevant statutory provisions, the Company's Articles of Association, and the Executive Board's by-laws, and collaborates with the other executive bodies in a relationship based on trust.

The Executive Board defines the goals and strategies for the corporate group, its subgroups, and subsidiaries and sets the guidelines and principles for the corporate policy derived therefrom. It coordinates and controls the activities, specifies the portfolio, develops and deploys managers, distributes the resources, and decides upon the corporate group's financial management and reporting.

Since more than one person is appointed to the Executive Board, the members of the Executive Board have joint responsibility for managing the Company as a whole. Irrespective of the overall responsibility of all members of the Executive Board, the individual members each have personal responsibility for managing the areas assigned to them under the relevant Executive Board resolutions. The Executive Board in its entirety decides upon all matters of fundamental and essential significance and upon all cases specified by law or other means. Executive Board meetings are held at regular intervals and are convened by the Chairman of the Executive Board. In addition, any member may call for a meeting to be convened. Where the law does not require unanimity, the Executive Board adopts resolutions upon a simple majority of the votes cast. The Executive Board represents the Company and corporate group vis-a-vis third parties and the workforce in matters that affect more than just parts of the Company or the corporate group. In addition, it has special responsibility for certain Corporate Center units and their areas of activity.

7.1.2.2 Supervisory Board: Guidance and supervision

The Supervisory Board is tasked with supervising and advising the Executive Board. It comprises six members. The Supervisory Board is directly involved in decisions of fundamental importance for the Company; it also agrees on the Company's strategic orientation with the Executive Board and discusses the progress achieved on implementing the business strategy with the Executive Board. The Chairman of the Supervisory Board coordinates the board's work and chairs its meetings. The Executive Board keeps the Supervisory Board informed at all times about the Company's policies, planning and strategy as part of a regular exchange of views. The Supervisory Board approves the annual plan and the financial framework, and adopts the annual financial statements of Gigaset AG and the consolidated financial statements of the Gigaset Group, together with the combined management report, taking into account the reports submitted by the independent auditors. As in the prior year, the Supervisory Board also reviewed the dependent company report, which the Executive Board – together with the report by the auditors – will present to the Supervisory Board together with the auditors' report on the dependent company report after it is signed. As in the prior year, the Supervisory Board reviewed the dependent company report insofar independently and comprehensively just as it reviewed the completeness of the statements made therein.

7.1.2.3 Supervisory Board committees

Audit Committee: Since September 23, 2015, the Audit Committee has comprised the members Riedel, di Fraia, Burkhardt (Chairman), and Shiu. Previously, it comprised the members of the Supervisory Board; Supervisory Board member Hersh stepped down from the Audit Committee at the same time that he retired from the Supervisory Board.

The members of the Supervisory Board who also served on the Audit Committee in the fiscal year meet the statutory requirements of independence and expertise in the areas of accounting or auditing that members of the Supervisory Board and Audit Committee must fulfill.

Among other things, the Audit Committee's duties include reviewing the Company's accounts, the annual and consolidated financial statements prepared by the Executive Board, the combined management report, the proposal for the utilization of Gigaset AG's unappropriated net profit, and the Gigaset Group's quarterly reports and interim management reports. The Audit Committee draws up proposals for the approval of the annual financial statements by the Supervisory Board on the basis of the independent auditors' report on the audit of Gigaset AG's annual financial statements and the Gigaset Group's consolidated financial statements and combined management report. The Audit Committee is also responsible for the Company's relations with the independent auditors. The committee submits to the Supervisory Board a proposal regarding the election of the independent auditors, prepares the engagement of the independent auditors elected by the annual shareholders' meeting, suggests areas of audit emphasis and sets the fees paid to the auditors. Furthermore, the committee monitors the independence, qualification, rotation, and efficiency of the auditors of the annual financial statements. In addition, the Audit Committee addresses the Company's internal control system, the procedures used to record, control and manage risk, and the internal audit system.

Capital Market Committee: The Supervisory Board had also formed a Capital Market Committee pursuant to section 107(3) AktG that discharged the duties and exercised the authority of the Supervisory Board under Articles 4.4 and 4.5 of the old version of the Company's Articles of Association as well as its additional powers of authority under Article 11 of the Articles of Association. The corresponding responsibilities of the Supervisory Board Merchandise were transferred to the Capital Market Committee to be decided and exercised independently. Since August 14, 2013, the Capital Market Committee has comprised the Supervisory Board members Hersh, Prof. Judis, and Münch. After all members of the Capital Market Committee stepped down from the Supervisory Board after the end of the annual shareholders' meeting held on December 19, 2013, the committee was not restaffed. The committee was dissolved in accordance with the resolution that had established it during the 2015 annual shareholders' meeting.

Personnel Committee: The Personnel Committee is directly responsible for dealing with all personnel matters of the Executive Board to the extent permitted under the law. The Supervisory Board newly elected in the 2015 annual shareholders' meeting confirmed Supervisory Board members Riedel, di Fraia, and Wong, all of whom had previously sat on the committee, as members of the Personnel Committee.

The Report of the Supervisory Board provides details on the activities of the Supervisory Board and its committees.

7.1.2.4 Disclosures regarding the share of women

Gigaset AG employs a total of 13% female managers at the levels of the Supervisory Board, Executive Board, and the two management levels below the Executive Board. The Company intends to not fall below this quota. However, the quota could change due to the impending restructuring measures.

7.1.2.5 Share transactions involving members of the Executive Board and Supervisory Board

Under section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), members of the Executive and Supervisory Boards as well as their related parties are obligated to disclose the purchase or sale of shares of Gigaset AG if the total value of such transactions reaches or exceeds EUR 5,000 in a given calendar year. Gigaset AG publishes information regarding such transactions immediately on its webpage and notifies the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) in writing accordingly; the information is communicated to the commercial register for archiving.

The Company did not receive any notifications as required under section 15a WpHG in fiscal year 2015.

7.1.2.6 Corporate compliance

Our commercial activities are oriented on the legal systems of various countries and regions, which give rise to diverse obligations and duties for the Gigaset Group and its employees at home and abroad. Gigaset always conducts its operations responsibly and in compliance with the statutory provisions and official regulations applicable in the countries where Group companies operate. Gigaset expects all of its employees to demonstrate proper legal and ethical behavior in their day-to-day activities. Indeed, every single employee influences the Company's reputation with his or her professional behavior. A constant dialog and close monitoring lay the foundation for conducting our business activities responsibly and in compliance with the applicable laws.

7.1.2.7 Extensive reporting

In order to ensure a high level of transparency, we notify our shareholders, financial analysts, media and other interested parties at regular intervals regarding the position of the Company and key commercial developments. Gigaset AG regularly informs its shareholders about the development of its business and the Company's financial position, financial performance and cash flows together with the associated risks. In accordance with their statutory obligation, the members of the Company's Executive Board confirm that – to the best of their knowledge – the respective half-yearly or annual financial statements, the consolidated financial statements, and the combined management report provide a true and fair view of the Company. The annual financial statements of Gigaset AG, the consolidated financial statements of the Gigaset Group, and the combined management report will be prepared within 120 days of the end of the respective fiscal year and subsequently published. Shareholders and third parties are also informed during the course of the year by means of a half-yearly financial report and quarterly financial reports after the end of the first and third quarters. In addition, Gigaset AG releases information in press and analyst conferences. Gigaset AG also uses the Internet as a means of publishing current information. This provides access to timetables for the key publications and events, including the annual reports, quarterly financial reports, and the annual shareholders' meeting. In line with the principle of fair disclosure, we treat all shareholders and key target groups alike when providing information. We use appropriate media channels to make information about important new circumstances promptly available to the general public. In addition to the regular reports, we release ad hoc reports regarding relevant facts and circumstances that could significantly affect the price of the Gigaset share were they to be disclosed.

7.2 Main features of the remuneration system for Gigaset AG's governing bodies (Remuneration report)

7.2.1 Remuneration paid to members of the Executive Board

The duties and contribution of the respective Executive Board member are taken into account when determining their remuneration. The remuneration granted in fiscal 2015 comprised both fixed annual salary and performance-based components. The variable components consist of bonus agreements for all members of the Executive Board employed during the reporting period which are tied to the increase in value of a virtual share portfolio (dependent on the Company's performance) as well as to the fulfillment of certain goals established for the area respectively assigned to the board member (dependent on the success of that area).

The remuneration of the Executive Board comprises separate fixed and variable components. The fixed remuneration is paid in the form of a monthly salary. The variable remuneration comprises a special bonus, the amount of which is determined based on the increase in value of a virtual stock portfolio and, on the other hand, on an individual bonus agreement.

The basis for calculating the variable remuneration with respect to the virtual stock portfolio is a specific number of shares in Gigaset AG ("virtual stock portfolio") valued at a specific share price ("initial value"). The amount of variable remuneration is calculated in each case from the possible increase in value of the virtual stock portfolio over a specific period, i.e. relative to a pre-determined future date ("valuation date"). The amount of variable remuneration is derived from the difference between the value of the virtual stock portfolio measured at the share price on the valuation date and its initial value ("increase in value"). The general policy is to settle the increase in value in cash, converted at the share price on the valuation date.

The possible granted total compensation of the members of the Executive Board for financial year 2015 break down in Anlehnung an die as follows in accordance with the requirements of the German Corporate Governance Code (effective May 2015), Sample Table 1 for Number 4.2.5 Paragraph 3:

Payments granted to Executive Board members, in EUR		Fixed compensation	Fringe benefits	Total of fixed compensation components	Single year variable compensation	Multi-year variable compensation	Total of fixed and variable compensation	Pension expense	Total compensation
Executive Board members collectively	2014	1,450,000	34,900	1,484,900	609,600	0	2,094,500	0	2,094,500
	2015	1,028,751	29,150	1,057,901	950,000	0	2,007,901		2,007,901
	2015 (Min)				0	0	1,057,901	0	1,057,901
	2015 (Max)				1, 400,000	0	2,457,901	0	2,457,901

The inflows to the members of the Executive Board for financial year 2015 break down as follows in accordance with the requirements of the German Corporate Governance Code (effective May 2015), Sample Table 2 for Number 4.2.5 Paragraph 3:

Inflow to Executive Board members collectively, in EUR	2015	2014
Fixed compensation	1,028,751	1,450,000
Fringe benefits	21,434	31,300
Total of fixed compensation components	1,050,185	1,481,300
Single year variable compensation	609,600	62,437
Multi-year variable compensation	0	
Total of fixed and variable compensation	1,659,785	1,543,737
Pension expense	0	0
Total compensation	**1,659,785**	**1,543,737**

No further compensation was granted to the Executive Board members for their work in subsidiaries or affiliated companies.

The inflows from the total compensation of the Executive Board amounted to EUR 1,660 thousand in the reporting year (PY: EUR 1,544 thousand).

7.2.2 Remuneration of the Supervisory Board

By resolution of the shareholders' meeting held on August 14, 2013, in the version of the resolution adopted by the extraordinary shareholders' meeting held on December 19, 2013, the following remuneration scheme applies effective as of August 15, 2013:

"In accordance with section 113 of the German Stock Corporation Act (Aktiengesetz, AktG) and article 12(2) of the Company's Articles of Association, the annual shareholders' meeting approves the following remuneration for the members of Gigaset AG's Supervisory Board:

1. Base remuneration. Every member of the Supervisory Board receives a fixed salary of EUR 3,000.00 ("base remuneration") for every month or partial month of their term of office ("accounting month"). The beginning and end of every accounting month are determined based on sections 187(1), 188(2) of the German Civil Code (Bürgerliches Gesetzbuch, BGB). Remuneration that the respective member of the Supervisory Board has already received for the same accounting month is to be offset against claims for base remuneration, regardless of the legal basis. The claim to base remuneration arises at the end of the accounting month.

2. Remuneration for participating in meetings. Every member of the Supervisory Board receives a compensation of EUR 1,000.00 for participating in a Supervisory Board or committee meeting convened in accordance with the Articles of Association. Telephonic participation in the meeting as well as submission of a vote in writing in accordance with article 9(3) sentence 2 of the Articles of Association is equivalent to participating in the meeting. Multiple meetings of the same body on the same day are compensated as one meeting. The claim to compensation for attending a meeting arises when the minutes of the meeting are *signed by the Chairman or Committee Chairman. The basis for the claims can only be proven by the minutes of the meeting in accordance with section 107(2) AktG.*

3. Remuneration for adopting a resolution outside of meetings. Every member of the Supervisory Board receives a salary of EUR 1,000.00 for submitting their vote during the adoption of a resolution in writing, by fax, by telephone, by e-mail, or by other means of telecommunication or data transmission outside of a meeting in accordance with article 9(4) of the Articles of Association ordered in any particular case by the Chairman. Multiple resolutions adopted outside of a meeting on the same day will be compensated as a single claim. The claim to compensation for adopting a resolution arises when the minutes of the resolution are signed by the Chairman or Committee Chairman. The basis for the claims can only be proven by the minutes of the resolution.

4. Remuneration of the Chairman. The Chairman of the Supervisory Board receives an additional 100% and the Vice Chairman of the Supervisory Board receives an additional 50% of all remuneration specified in articles 1 to 3.

5. Reimbursement of expenses. The Company reimburses the Supervisory Board members for expenses and any value added tax on remuneration or expenses incurred while performing the duties of their office. The claim to reimbursement of expenses arises when the expenses are personally paid by the Supervisory Board member.

6. Origination of claim and due date. All payment claims are due 21 days after the Company receives an invoice satisfying the requirements of a proper invoice. If a claim is asserted for the reimbursement of expenses, copies of receipts for the expenses must be attached to the invoice. The Company is authorized to make payments in advance of the due date.

7. Insurance. The Company must take out a D&O insurance policy for the benefit of Supervisory Board members that covers the statutory liability relating to their activities on the Supervisory Board.

8. Duration. This remuneration scheme takes effect retroactively as of August 15, 2013, and remains in force until replaced by an annual shareholders' meeting. This remuneration scheme replaces the remuneration scheme resolved by the annual shareholders' meeting on August 14, 2013, which is at the same time retroactively annulled. If compensation has already been paid based on the annulled remuneration scheme, such compensation must be applied against claims to payment under the new scheme."

These resolutions are being implemented by the Company.

For a detailed breakdown of the remuneration of the Supervisory Board, please refer to our disclosures.

8 Events after the reporting date

On January 23, 2016, the convertible bonds still outstanding from the convertible bonds that were issued in 2014 were converted according to the conversion requirements and the interest accruing up to that date in the amount of EUR 428 thousand, which also includes interest of EUR 2 thousand from January 2016, was paid.

The Gigaset Group signed a social plan and reconciliation of interests on March 16, 2016. At the same time, a separate collective bargaining agreement was completed for the Gigaset Group by the metalworkers union IG Metall and the Federation of German Employers' Associations in the Metal and Electrical Engineering Industries (Gesamtmetall). The primary effects of this agreement are as follows:

- Gigaset will lay off 325 employees in Germany within two years and will also offer 35 employees the possibility of leaving the Company by means of partial retirement agreements.
- The employees will leave the Company in four waves from June 30, 2016, to December 31, 2017.
- Upon retirement, the employees will be offered the possibility of expanding their qualifications in a transitional company. Experience from previous restructuring shows that more than 75% of the employees have found a new job with such a qualification.
- The employees receive a severance payment when they retire from Gigaset.
- The resulting restructuring costs of EUR 19.7 million incurred by Gigaset Group were set aside in the 2015 consolidated financial statements.
- An agreement to forgo up to 9% of salary components was reached with the employees under a separate collective bargaining agreement for the years 2016 to 2018.

9 Forecast report and outlook

9.1 General economic development

The German Institute for Economic Research (Institut für Wirtschaftsforschung e.V.) forecasts a growth of the global economy in the rate of 3.6% for 2016. For 2017, DIW Berlin even expects a growth rate of 3.9%. The global economy may have weakened somewhat recently, but in Russia and Brazil an end of the recessions is becoming evident, China is orienting its economy on greater consumption so far without any major disruptions, and the economic trend in the USA and in the United Kingdom remains robust. Even in the euro zone the economy continues to trend moderately upwards[10]

The German federal government expects an average annual increase in real German gross domestic product of 1.7% for 2016. Together with noticeably rising incomes, the continuing increase in the number of jobs forms the foundation for the sustained momentum in Germany. For the time being, the high inflow of refugees is only having a minor impact on the labor market. However, the influx is presenting new challenges.[11]

10. DIW Wochenbericht no. 51+52.2015
11. German Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie), 2016 Annual Economic Report

9.2 Development of the industry

Market for cordless telephones[12]

According to experts, the global market for cordless telephony will shrink at an annual rate anticipated in the mid-single-digit to lower double-digit range by 2018 due to increasing competition from mobile communications. Within this market, the DECT-IP 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 continue to be the most important market, followed by North America and Asia Pacific.

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

Der europäische Telekommunikationsmarkt für Geschäftskunden wird sich voraussichtlich zu Gunsten der IP- Telefonie The European telecommunications market for corporate customers is expected to transform itself in favor of IP telephones. The market, broken down into the "cloud" and "on-premise" will increase to approximately 2.6 million extensions in 2016 and generate an end customer value of more than EUR 720 million for the cloud business. The cloud business will grow to EUR 1,200 million by 2020. The market for IP-PBX will comprise approximately 8.2 million extensions next year, corresponding to an end customer value of EUR 809 million. The end customer value should grow to EUR 949 million by 2020. Demand for IP devices – corded and cordless – will also grow significantly over this period.[13]

The Company is focusing on the segment of small and medium-sized enterprises (SME) with the sub-brand Gigaset pro. This segment will constitute approximately 66% of the entire IP-based business by 2020. The market expansion will be driven by new products and product categories as well as replacement purchases.

Market for Smart Home

According to a market analysis by Deutsche Telekom, the number of households around the world with a Smart Home solution will have exceeded 100 million at the end of 2015. The number of these households is expected to more than triple within the next ten years. In 2025, more than 300 million households are expected to own a Smart Home system. Expenditures for Smart Home products and services worldwide are forecasted to be around EUR 90 billion by 2018. The number is expected to increase to around EUR 125 billion by 2020. However, at this point in time, not more than 25% of households with a broadband connection have purchased a Smart Home product. Therefore, the study is based on the assumption of further growth possibilities.[14]

Market for Mobile Devices

According to a study by the IT research and consulting firm Gartner, 2.4 billion devices (PCs, tablets, ultramobiles, and cell phones) will be sold worldwide in fiscal year 2016. That corresponds to an increase of 1.9% compared to 2015.[15] According to a Bitkom forecast, the smartphone boom in Germany will also continue in 2016. For example, 28.2 million devices are expected to be sold in fiscal 2016. That is an increase of 7.5% compared to 2015, whereby sales should amount to around EUR 10.4 billion.[16]

12. Source: MZA World – Consumer Cordless Telephony market – 2013 Forecast Edition (published October 2013)
13. Source: MZA, Forecast H2-2015
14. Market analysis by Deutsche Telekom: Growth opportunities for companies in the smart home market
15. Gartner Press Release Egham, UK, January 20, 2016
16. Bitkom Pressemitteilung vom 16. Februar 2016: Umsatz mit Smartphones knackt 10-Milliarden-Marke

9.3 Development of the Gigaset Group

9.3.1 Financial performance

The market as a whole for cordless telephones in Europe declined by just under 2.0% in 2015 based on sales revenue in the markets observed by Gigaset. This trend is also expected to continue in the market in 2016. The business segments Business Customers, Home Networks, and Mobile Products are not expected to be able to compensate for the loss of sales revenue in the core business.[5]

The trend in fiscal year 2016 will depend significantly on the looming and further forecasted decline of the classic telecommunications market, but also on the successful expansion of the Business Customers, Home Networks, and Mobile Products segments. The experts are assuming that the market for cordless telephony will continue to decline. Gigaset will not be able to avoid this trend . However, the goal is to stabilize the cordless telephone business in the next few years and to secure it as an important source of sales revenue.

The product variance in the core business, with product types varying based on customer group and functionality, is an important factor for success. The Company should increase its market share in the future with the new Gigaset GO series and the likewise new Gigaset HX series, which offers a premium alternative in the growing market for mobile devices for routers.

At the same time, the plan is to further expand the Business Customers segment with the Gigaset PRO brand, which has grown continuously in the past two years. Distribution and in particular distribution partnerships are to be further intensified. Expansion of the Maxwell product line and a broader range of telecommunications systems for enterprises are intended to further boost the Company's revenue, which has been growing recently at a double-digit rate.

Intensified and focused marketing strategies are planned in the Home Networks segment in order to generate further sales growth.

The newly established smartphone business will be further developed by Gigaset Mobile Pte. Ltd. in fiscal 2016. On the one hand, Gigaset will participate in the growth potential as a result of its 15% equity interest in Gigaset Mobile Pte. Ltd., Singapore, and on the other hand through the distribution of smartphones in Europe. The first Gigaset smartphone "Gigaset ME" was introduced at the end of 2015. Gigaset ME's design and quality live up to the standards of a Gigaset premium product. On February 11, 2016, the second smartphone, "Gigaset ME Pro", was delivered to German retailers. However, the mutual activities of Gigaset and Goldin in the smartphone market are still in an early phase; consequently, it is difficult to make specific predictions.

The reorganization of the business will be accelerated in the coming years with the initiated restructuring program. It is planned to cut around 550 employees by 2018. This will account for the declining sales revenue in the core business. The goal is to return to profitable growth.

Due to the invoicing primarily in U.S. dollars on the procurement markets, a strong U.S. dollar will have a sustained negative impact on the Group's profitability.

This forecast is based on the described general economic and industry-specific trends. The forecast is not based on inorganic growth through acquisitions. In addition, the forecast is based on a USD/EUR exchange rate of 1.10.

5. The data was taken from the surveys by the Retail Panels for cordless telephones of GfK Retail and Technology GmbH in the countries of Germany, France, UnitedKingdom, Italy, the Netherlands, and Spain; collection period January - December 2015; price premium calculated from the average market price excluding Gigaset; Basis GfK Panel Market

9.3.2 Cash flows

The Company currently finances itself primarily by way of the implemented factoring program. As of December 31, 2015, Gigaset is free from financial liabilities. The Company's current budgets do no provide for the raising of any loans. The plan is for the payments under the restructuring program in 2016 to be financed by the savings in personnel expenses. Maintaining the Group's solvency depends on the achievement of revenue and liquidity goals as well as the cost-saving measures already implemented to secure liquidity and a due-date of subsequent tax payments not before April 2018 as appropriate. If these targets are not met, the Company could be jeopardized as a going concern. 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.

9.4 Development of Gigaset AG

9.4.1 Financial performance

As the Gigaset Group's holding company, Gigaset AG does not generate any noteworthy sales revenues. Gigaset AG's earnings are thus determined primarily based on personnel costs and other expenses for the management, the Legal & Tax department, Audit, Corporate Communications, Group Brand Communications, Business Development, and Investor Relations. Since the income from the group allocations is not expected to cover all expenses, Gigaset AG is expected to generate an operating loss (EBITDA) in the mid-to-high single-digit millions.

As a holding company, Gigaset AG's performance is heavily influenced by the development of its subsidiaries, particularly the operating Gigaset Communications Group. For fiscal year 2016, no dividend income is planned in Gigaset AG.

9.4.2 Cash flows

Gigaset AG has access to the subsidiaries' cash as a result of its integration in the Group cash pooling scheme. In addition, the Company will continue to finance itself by charging Group subsidiaries for services. The ability to maintain the Group's solvency is dependent upon the achievement of revenue and liquidity targets, the already initiated cost-cutting measures aimed at security of liquidity and a due-date of subsequent tax payments not before April 2018 as appropriate.

9.5 General assessment of the Group's expected performance

The strategic reorientation of the Company will be consistently continued. The Company expects the market decline in its core business to slow down a little this year. Since the downward trend in the cordless telephone business nevertheless 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 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 as a result of substantial investments in the new segments.

In addition, Gigaset expects supplementary sales revenue from the business with mobile consumer devices, in particular from the smartphone business. However, these figures will only become clear in 2016 after the production and marketing of smartphones have gathered momentum.

Furthermore, Goldin Brand Ltd. has so far not yet exercised its rights based on the contract formed in 2015 regarding the acquisition of brands and domains, nor has it paid the purchase price. The brand rights and domains remain the property of Gigaset until the purchase price is paid. Since the purchased objects have not yet been transferred to the buyer, Gigaset does not show any proceeds from the brand transaction for the 2015 fiscal year. The proceeds will be accordingly recognized in the period in which both contracting parties have exercised their rights and fulfilled their obligations.

10 Dependent company report

Goldin Fund Pte. Ltd., Singapore, holds a majority interest. In accordance with section 312 AktG, we issued a report on April 18, 2016, regarding our relationships with associates that closes with the following statement: „We declare that the Company, for every transaction and measure during the fiscal year 2015 listed in the Report on relationships with related parties and based on the circumstances that were known to us at the time in which the transactions were executed or the measures were taken or omitted, received appropriate consideration and that the Company was not disadvantaged by the measures being taken or omitted. For transactions which were executed before 1 June 2015 and for measures which have been taken or omitted before this point in time, we declare the above on the basis of the circumstances which were – as far as we could determine this – known to the Executive Board in charge until this point in time."

Munich, April 18, 2016

The Executive Board of Gigaset AG

Klaus Wessing Hans-Henning Doerr

Guoyu Du Hongbin He

FINANCIAL STATEMENTS & NOTES

Consolidated Income Statement for the period from January 1 to December 31, 2015[1]

EUR'000	Note	01/01 – 12/31/2015	01/01/ – 12/31/2014
Revenues	1	305,347	326,078
Change in inventories of finished and unfinished goods		-986	1,632
Purchased goods and services	2	-156,789	-160,623
Operating Margin		**147,572**	**167,087**
Other internal production capitalized	3	11,901	11,371
Other income from core business	4	9,333	7,654
Personnel expenses before restructuring	5	-94,413	-97,496
Other expenses from core business	6	-63,813	-76,828
Result from core business before scheduled depreciation[1]	**8**	**10,580**	**11,788**
Scheduled depreciation[2]	7	-20,601	-24,962
Result from core business after scheduled depreciation[1]	**8**	**-10,021**	**-13,174**
Additional other income[2]	4	12,723	17,543
Additional other expenses[2]	6	-3,211	-5,747
Restructuring costs for personnel[2]	5	-19,540	-4,848
Exchange rate gains[2]	4	16,240	10,137
Exchange rate losses[2]	6	-12,451	-12,393
Impairments[2]	7	0	-3,035
Additional result[1]	**8**	**-6,239**	**1,657**
Result from investments accounted for by the equity method	16	0	1,015
Result from investments		**0**	**1,015**
Earnings before interest and taxes		**-16,260**	**-10,502**
Other interest and similiar income	9	207	183
Interest and similiar expenses	10	-3,488	-2,471
Net financial result		**-3,281**	**-2,288**
Income from ordinary activities		**-19,541**	**-12,790**
Income taxes	11	-2,468	-3,833
Consolidated profit / loss for the year		**-22,009**	**-16,623**
Earnings per share	**12**		
undiluted in EUR		-0.17	-0.15
diluted in EUR		-0.17	-0.15

1. The income statement includes key figures that are not defined in the IFRS
2. The item personnel expenses, other operating income / expenses, depreciation and amortization are discussed with their totals in the notes.

Statement of Comprehensive Income from January 1 to December 31, 2015

EUR'000	01/01 – 12/31/2015	01/01/ – 12/31/2014
Consolidated loss for the year	**-22,009**	**-16,623**
Items that may be reclassified subsequently to net income/loss		
Currency translation differences	-2,652	4
Other income from investments accounted for by the equity method	-2,183	2,183
Cashflow Hedges	1,215	0
Recognized income taxes for this item	-427	0
Items that will not be reclassified to net income/loss		
Revaluation effects, net debt from defined benefit plans	4,338	-23,944
Recognized income taxes for this item	-1,585	7,300
Total changes not recognized in the income statement	**-1,294**	**-14,457**
Total comprehensive income and expenses	**-23,303**	**-31,080**

Consolidated Statement of Financial Position at December 31, 2015

EUR'000	Note	12/31/2015	12/31/2014
ASSETS			
Non-current assets			
Intangible assets	14	35,313	37,485
Property, plant and equipment	15	29,906	33,685
Financial assets	16	0	21,251
Evaluation At Equity	17	18,386	0
Deferred tax assets	27	13,361	13,568
Total non-current assets		**96,966**	**105,989**
Current assets			
Inventories	18	24,299	28,158
Trade receivables	19	30,470	38,097
Other assets	20	27,591	27,329
Current tax assets	21	799	1,174
Cash and cash equivalents	22	40,963	50,484
Total current assets		**124,122**	**145,242**
Total assets		**221,088**	**251,231**

Consolidated Statement of Financial Position at December 31, 2015

EUR'000	Note	12/31/2015	12/31/2014
EQUITY AND LIABILITIES			
Equity	23		
Subscribed capital		132,456	132,456
Additional paid-in capital		86,076	86,076
Retained earnings		68,979	68,979
Accumulated other comprehensive income		-269,655	-246,352
Total equity		**17,856**	**41,159**
Non-current liabilities			
Convertible bonds	24	0	396
Pension obligations	25	70,020	71,012
Provisions	26	20,189	12,098
Deferred tax liabilities	27	616	3,857
Total non-current liabilities		**90,825**	**87,363**
Current liabilities			
Convertible bonds	24	426	66
Provisions	26	28,248	28,826
Trade payables	28	45,783	62,649
Current tax liabilities	29	13,981	5,869
Other liabilities	30	23,969	25,299
Total current liabilities		**112,407**	**122,709**
Total equity and liabilities		**221,088**	**251,231**

Consolidated Statement of Changes in Equity at December 31, 2015

	EUR'000	Subscribed capital	Additional paid-in capital	Retained earnings
	January 1, 2014	97,928	87,042	68,979
1	Capital increase	34,528	-966	0
2	Consolidated loss of the year 2014	0	0	0
3	Currency translation differences	0	0	0
4	Other income from investments accounted for by the equity method	0	0	0
5	Cashflow Hedges	0	0	0
6	Actuarial effects	0	0	0
7	Total changes not recognized in the income statement	0	0	0
8	**Total net income (2+7)**	**0**	**0**	**0**
	December 31, 2014	132,456	86,076	68,979
1	Capital increase	0	0	0
2	Consolidated loss of the year 2015	0	0	0
3	Currency translation differences	0	0	0
4	Other income from investments accounted for by the equity method	0	0	0
5	Cashflow Hedges	0	0	0
6	Actuarial effects	0	0	0
7	Total changes not recognized in the income statement	0	0	0
8	**Total net income (2+7)**	**0**	**0**	**0**
	December 31, 2015	**132,456**	**86,076**	**68,979**

Consolidated Statement of Changes in Equity at December 31, 2015

Accumulated other comprehensive income	Consolidated equity		
-215,272	38,677	January 1, 2014	
0	33,562	Capital increase	1
-16,623	-16,623	Consolidated loss of the year 2014	2
4	4	Currency translation differences	3
2,183	2,183	Other income from investments accounted for by the equity method	4
0	0	Cashflow Hedges	5
-16,644	-16,644	Actuarial effects	6
-14,457	-14,457	Total changes not recognized in the income statement	7
-31,080	**-31,080**	**Total net income (2+7)**	**8**
-246,352	41,159	December 31, 2014	
0	0	Capital increase	1
-22,009	-22,009	Consolidated loss of the year 2015	2
-2,652	-2,652	Currency translation differences	3
-2,183	-2,183	Other income from investments accounted for by the equity method	4
788	788	Cashflow Hedges	5
2,753	2,753	Actuarial effects	6
-1,294	-1,294	Total changes not recognized in the income statement	7
-23,303	**-23,303**	**Total net income (2+7)**	**8**
-269,655	**17,856**	**December 31, 2015**	

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2015[2]

EUR'000	01/01/ – 12/31/2015	01/01/ – 12/31/2014
Earnings before taxes (EBT)	-19,541	-12,790
Depreciation and amortization of property, plant and equipment and intangible assets	20,601	24,962
Impairment losses	0	3,035
Increase (+)/decrease (-) in pension provisions	3,346	2,481
Gain (-)/loss (+) on the sale of non-current assets	-383	-162
Gain (-)/loss (+) on deconsolidation	-1,549	-7,845
Gain (-)/loss (+) on currency translation	-3,298	2,186
Result out of At Equity evaluation	682	-1,015
Other non-cash income and expenses	0	0
Net interest income	3,281	2,288
Interest received	34	27
Interest paid	-826	-1,967
Income taxes paid	-2,316	-751
Increase (-)/ decrease (+) in inventories	3,859	-654
Increase (-)/ decrease (+) in trade receivables and other receivables	6,884	13,132
Increase (+)/ decrease (-) in trade payables, other liabilities and other provisions	-12,521	300
Increase (+)/ decrease (-) in other balance sheet items	6,436	-3,263
Cash inflow (+)/ outflow (-) from operating activities (net cash flow)	**4,689**	**19,964**
In connection with the change of consolidation to At Equity invested cash	0	-18,000
Proceeds from the sale of shares in companies	25	0
Cash transferred with the sale of shares in companies	-107	-130
Proceeds from the sale of non-current assets	384	203
Payments for investments in non-current assets	-14,650	-14,107
Cash inflow (+)/ outflow (-) from investing activities	**-14,348**	**-32,034**
Free cash flow	**-9,659**	**-12,070**

2. Previous year's figures have been adjusted. See Section A. General information – adjustment of the comparative information in the consolidated financial statements

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2015[2]

EUR'000	01/01/ – 12/31/2015	01/01/ – 12/31/2014
Cash flows from the borrowing of non-current financial liabilities	0	-30,201
Convertible bonds	-66	9,305
Capital increase	0	24,629
Cash inflow (+)/ outflow (-) from financing activities	**-66**	**3,733**
Net funds at beginning of period	45,722	56,159
Changes due to exchange rate differences	204	1,834
Net funds at beginning of period, measured at prior-year exchange rate	45,518	54,325
Increase (-)/ decrease (+) in restricted cash	-506	-2,304
Change in cash and cash equivalents	-9,725	-8,337
Net funds at end of period	**35,491**	**45,518**
Restricted cash	5,472	4,966
Cash and cash equivalents	**40,963**	**50,484**

2. Previous year's figures have been adjusted. See Section A. General information – adjustment of the comparative information in the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2015

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Business activities

Gigaset AG (or the "Company") is a stock corporation under German law, has its head office and principal place of business in Munich as set forth in its Articles of Incorporation, and is filed in the Commercial Register kept by Munich Local Court under entry no. HRB 146911. The Company's offices are located at Seidlstrasse 23, in 80335 Munich.

Gigaset AG is a corporate group active worldwide in the area of telecommunications. With the cordless telephones that it develops and manufactures based on the "Digital Enhanced Cordless Telecommunications" ("DECT") standard, the Company is a leading brand in western Europe. Its headquarters are located in Munich and its primary production site is in Bocholt. A premium supplier, Gigaset has a generally strong market presence in about 70 countries and had about 1,300 employees in 2015.

The worldwide Gigaset Group is divided into regional segments for internal controlling purposes. Germany is by far the largest individual market. Gigaset sells its products using a direct and an indirect sales structure.

Please see the group management report for further details on Gigaset's business activities.

The Company's shares are traded on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

Presentation of the consolidated financial statements

The consolidated financial statements are denominated in euros (EUR), the functional currency of the parent company, Gigaset AG. To enhance clarity, figures are shown in thousands of euros (EUR'000), unless stated otherwise.

The presentation of the consolidated financial statements complies with the regulations of IAS 1 (Presentation of Financial Statements). The consolidated statement of comprehensive income is prepared in accordance with the cost summary method.

The consolidated statement of financial position is organized in accordance with the maturity structure of the constituent items. Assets and liabilities are considered current if they are payable within one year. Accordingly, assets and liabilities are considered non-current if they remain within the Group for more than one year. Trade payables, trade receivables, and inventories are presented as current items as they are all payable within one year. Deferred tax assets and liabilities are presented as non-current items. Non-controlling interests held by shareholders outside the Group are presented as a separate item within shareholders' equity.

The consolidated financial statements of Gigaset are prepared on the assumption of a going concern. The ability to maintain the Group's solvency is dependent upon the achievement of revenue and liquidity targets, the already initiated cost-cutting measures aimed at security of liquidity and a due-date of subsequent tax payments not before April 2018 as appropriate.

Hereinafter, "Gigaset" or "Gigaset Group" always refers to the entire corporate group. The name "Gigaset Group" always refers to the operations of the division with the same name. When the separate financial statements of "Gigaset AG" are intended, this is explicitly stated in the text.

Accounting principles

The consolidated financial statements of Gigaset for fiscal 2015 and the prior-year figures presented have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the Standard Interpretations Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRS IC), as applicable in the European Union.

Furthermore, the German commercial regulations to be applied additionally in accordance with Section 315a (1) of the German Commercial Code (HGB) have been observed. All the standards in effect and applicable to fiscal 2012 have been observed.

Application of the following standards and interpretations revised and newly issued by the IASB was obligatory starting from fiscal 2015:

› Annual improvement cycle to International Financial Reporting Standards (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 significance of the standards to be applied – particularly in the case of new standards that are permitted to be applied early)
- IFRS 3, Business Combinations (clarification on the exception to the scope of application for joint venture companies)
- IFRS 13, Fair Value Measurement (clarification on the scope of application of the so-called "portfolio exception" in the interaction with IAS 39)
- IAS 40, Investment Property (clarification that the regulations of IFR 3 govern the answer to the question of whether the acquisition of real estate held as an investment in financial assets represents a business combination)

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

› IFRIC 21, Levies
The new interpretation of IFRIC 21, Levies, contains regulations on the recognition of obligations to pay public levies that do not represent levies within the meaning of IAS 12, Income Taxes. The interpretation contains more extensive guidelines on identifying the obligating event leading to recognition of an obligation to pay a levy, as well as the time of entry for the obligation. The new provisions apply for financial years beginning on or after January 1, 2015. The amendments had no effect on the consolidated financial statements.

Application of the following revised and newly issued standards and interpretations already adopted by the IASB was not yet obligatory in fiscal 2015:

Standards		**Application mandatory for Gigaset from**	**Adopted by EU Commission**
Various	Annual improvement cycle to International Financial Reporting Standards (2010-2012 cycle)	1/1/2016	Yes
IAS 19	Employee benefits – Defined benefit plans: Employee contributions	1/1/2016	Yes
IFRS 11	IFRS 11, Joint Arrangements – Acquisition of Shares in Joint Venture Activities	1/1/2016	Yes
IAS 16 / IAS 38	Clarification of acceptable depreciation methods in IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets	1/1/2016	Yes
IAS 16 / IAS 41	Recognition of certain biological assets pursuant to IAS 41, Agriculture, according to the provisions of IAS 16, Property, Plant and Equipment	1/1/2016	Yes
IAS 27	Equity Method in Separate Financial Statements	1/1/2016	Yes
Various	Annual improvement cycle to International Financial Reporting Standards (2012-2014 cycle)	1/1/2016	Yes
IAS 1	Adjustments to IAS 1, Presentation of Financial Statements, as a consequence of the initiative to improve disclosure obligations	1/1/2016	Yes
IFRS 10 / IFRS 12 / IAS 28	Investment Entities: Application of the Consolidation Exception	1/1/2016	No
IAS 12	IAS 12, Income Taxes – recognition of deferred tax assets on unrealized losses	1/1/2017	No
IAS 7	IAS 7, Statement of Cash Flows – Levies Initiative	1/1/2017	No
IFRS 15	Revenue from Contracts with Customers	1/1/2018	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
IFRS 16	Leasing	1/1/2019	No
IFRS 10 / IAS 28	Sale of an investor's assets to or contribution to his affiliated company or joint venture company	unspecified	No
Interpretations			
-	-	-	-

In October 2015, the EFRAG (European Financial Reporting Advisory Group) announced that the European Commission will not recommend inclusion of IFRS 14, Regulatory Accrual Items, in EU law. The reason for non-inclusion is the very limited group of companies that would apply this interim standard. Complying with IFRS 14, effective as of January 1, 2016, would have had no effects on Gigaset's accounting policies.

IFRS 9 has led to changes with respect to the classification of financial assets and financial liabilities. In addition, the previous impairment model is changing from the incurred loss model to the expected loss model and new provisions governing hedge accounting are being introduced. The Company is currently reviewing the effects on the consolidated financial statements. However, the analysis was not yet completed when this report was published.

Due to an ongoing research project, the required initial application of the amendments to IFRS 10 and IAS 28 regarding the sale of an investor's assets to or contribution to his affiliated company or joint venture company was deferred by the standard setter for an undetermined period. Therefore, the endorsement is also deferred for an undetermined period.

IFRS 15, Revenue from Contracts with customers, was adopted in May 2014. The Company is currently engaged in investigating the effects of the new standard, which must be applied starting 1/1/2018, on the consolidated financial statements. However, the analysis had not yet been concluded at the publication date.

IFRS 16 will replace the previous standard IAS 17. As a general rule, assets must be capitalized in the future in the lessee's statement of financial position for the acquired usage rights for all leases and liabilities are to be recognized for the payment obligations. Previously, operating leases were only disclosed in the notes. There are exemptions for short-term leases and contracts of low value.

The effects of the first-time application of the other revised or newly issued standards and interpretations, which are to be applied only starting with financial year 2017, 2018 and 2019, cannot be reliably estimated at the present time.

As for the amendments resulting from the annual improvement cycle for 2010-2012 (adjustments to IFRS 2, IFRS 3, IAS 16 and IAS 38, IFRS 8 and IAS 24), the annual improvement cycle for 2012-2014 (adjustments to IFRS 5, IFRS 7, IAS 19 and IAS 34), the adjustments to IAS 19 (employee contributions), IFRS 11 (acquisition of shares in joint venture activities), IAS 16 / IAS 38 (depreciation methods), IAS 16 / IAS 41 (recognition of certain biological assets), IAS 27 (equity method in separate financial statements), IFRS 10 / IFRS 12 / IAS 28 (Investment entities: applying the consolidation exception) as well as the adjustments to IAS 1 (initiative to improve disclosure obligations), the Company assumes that they will not have any material effects.

Scope and method of consolidation

The present consolidated financial statements at December 31, 2015 include the separate financial statements of the parent company, Gigaset, and its subsidiaries, where appropriate together with special purpose entities.

Subsidiaries are all companies in which the Company holds control over the individual company. This is generally the case with a share of voting rights in excess of 50%. However, additional circumstances such as the existence and effect of potential voting rights, for instance, are also taken into account when determining whether such control exists. Here, the existing regulations do not provide for automatic addition of potential voting rights; instead, they make it clear that all relevant facts and circumstances must be taken into account. Substantial potential voting rights may provide the holder with the opportunity to currently steer the activity of the other company. Rights are substantial when the actual possibility of exercising the rights exists. The management must assess whether potential voting rights are substantial. In this process, the terms and conditions of the instrument must be factored in, specifically, among other things, whether exercise would be advantageous for the holder and whether the instruments can be exercised when decisions on material activities must be made. Thus the exact circumstances must be taken into account on a case-by-case basis.

Subsidiaries are included in the consolidated financial statements from the date on which control passes to the Group (full consolidation). They are deconsolidated from the date on which such control ends. Structured units for which the Group does not hold a majority or any of the voting rights are nevertheless included in the group of subsidiaries when the Group has control.

Capital consolidation of the subsidiaries is carried out in accordance with IFRS 10 (Consolidated Financial Statements) in conjunction with IFRS 3 (Business Combinations) by offsetting the carrying amount of the investment from the parent's share of equity in the subsidiary, which is remeasured at the date of acquisition (remeasurement method).

Acquisition cost is measured as the fair value of the assets transferred, the equity instruments issued, and the liabilities created or assumed on the date of exchange. Incidental acquisition costs must be recognized as an expense. For initial consolidation, the assets, liabilities, and contingent liabilities that can be identified as part of a business combination are measured at fair value at the date of acquisition, without regard to any non-controlling interests. The excess of the acquisition cost over the Group’s share of the net assets measured at fair value is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of comprehensive income after conducting an additional review.

The effects of all significant intra-group transactions are eliminated. This involves offsetting income, expenses, receivables, and liabilities between Group companies. Intercompany profits and losses arising from intra-group sales of assets that are not yet sold on to third parties are eliminated. The deferred taxes required by IAS 12 (Income Taxes) are recognized for temporary differences arising from consolidation.

The profits or losses of the subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the time when the Group's control over the subsidiary began to the time when it ended. Intercompany transactions, balances, and unrealized gains and losses on transactions between Group companies are eliminated. In the event of unrealized losses, the transferred assets are tested for impairment.

Companies in which Gigaset has a significant influence on financial policy and business policy decisions are included in the consolidated financial statements according to the equity method pursuant to IAS 28 Investments in Associates and Joint Venture Companies. When applying the equity method, the investment is initially recognized at cost of purchase. This recognition is then adjusted by any changes in Gigaset's share in the net assets of the investee company. Gigaset’s profit or loss includes the share in the profit or loss as well as the other comprehensive income (changes recognized in equity) of the investee company. The financial statement information to be included is adjusted to the extent necessary to match Gigaset’s accounting principles.

Besides the parent company, 20 subsidiaries – consisting of 7 domestic and 13 foreign companies – were included in the consolidated financial statements of Gigaset at December 31, 2015.

Compared to December 31, 2014, four companies were deconsolidated due to liquidation. In addition, two companies were sold. No company acquisitions occurred in fiscal 2015.

One company still included in the consolidated financial statements according to the equity method in the prior year was no longer included in the consolidated financial statements according to the equity method as a consequence of the loss of significant influence at December 31, 2015. Therefore, there were no longer any companies included in the consolidated financial statements according to the equity method at December 31, 2015, while one company was included in the consolidated financial statements according to the equity method at December 31, 2014.

As in the prior year, there were no subsidiaries with an immaterial effect on the Company's financial position, financial performance, and cash flows as of December 31, 2015, that were not included in the consolidated financial statements.

Details of the subsidiaries that belong to the consolidation group are included in the list of shareholdings (Section 313 (4) German Commercial Code (HGB)), which is presented as an annex to the consolidated financial statement at the end of the notes.

The financial statements of the subsidiaries are prepared at December 31, which is the reporting date for the consolidated financial statements of the parent company, Gigaset AG.

Currency translation

The annual financial statements of foreign Group companies are translated into the reporting currency of the Gigaset Group. For the most part, their functional currency is the respective local currency, although the functional currency differs from the local currency in a few cases. The euro is both the functional currency and the reporting currency of the parent company and hence of the consolidated financial statements.

Gigaset translates the assets and liabilities of foreign Group companies whose functional currency is not the euro at the exchange rate applicable at the reporting date. In contrast, income, expenses, profits, and losses are translated at the average exchange rate. All currency translation differences are recognized in a separate item within equity.

Should a foreign Group company be sold, any resulting currency translation differences, plus the changes in equity that had previously been recognized in the reserve for currency translation differences, are recognized in the statement of comprehensive income as part of the gain or loss on the sale.

Foreign currency transactions are translated to the functional currency at the exchange rates in effect on the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency to the functional currency at the exchange rate on the reporting date are recognized in the statement of comprehensive income. Currency translation differences in non-monetary items for which changes in fair value are recognized in income are included as part of the profit or loss from measurement at fair value. On the other hand, currency translation differences in non-monetary items for which changes in fair value are recognized in equity are included in equity.

The following table shows the exchange rates used to translate the key currencies listed.

		Exchange rate at *)		Average exchange rate *)	
		12/31/2015	12/31/2014	2015	2014
United Arab Emirates	AED	4.0008	4.4646	4.0766	4.8816
Argentina	ARS	14.2039	10.4058	10.2290	10.7329
Brazil	BRL	4.2590	3.2394	3.6876	3.1229
Switzerland	CHF	1.0820	1.2023	1.0677	1.2146
China	CNY	7.1548	7.5442	6.9817	8.1912
Denmark	DKK	7.4621	7.4452	7.4585	7.4549
United Kingdom	GBP	0.7350	0.7788	0.7260	0.8065
Hong Kong	HKD	8.4427	9.4264	8.6035	10.3063
Japan	JPY	131.1294	145.0400	134.3009	140.3853
Norway	NOK	9.6026	9.0242	8.9442	8.3604
Poland	PLN	4.2640	4.2805	4.1835	4.1847
Russia	RUB	80.4248	72.0790	67.9972	51.0198
Sweden	SEK	9.1820	9.3982	9.3536	9.0967
Singapore	SGD	1.5397	1.6059	1.5253	1.6832
Turkey	TRL	3.1816	2.8292	3.0219	2.9068
USA	USD	1.0892	1.2155	1.1098	1.3290

*) Equivalent for EUR 1

Adjustment of the Comparative Information in the Consolidated Financial Statements

Gigaset AG has adjusted the structure of the income statement in the consolidated financial statements in order to provide readers of the financial statements with information that is more relevant to decision making. The adjustment of the structure of the income statement is a change in an accounting method within the meaning of IAS 8.14. Consequently, the prior-year figures must be adjusted according to the provisions of IAS 8 and IAS 1.40A or IAS 1.41 and explained.

The following table and the accompanying explanations illustrate the changes made. For fiscal 2014, only the sum of the individual items was presented since no values were to be assigned to the discontinued operations in 2014. The number in the column "Contained in 2014 No." refers to the numbers which are assigned to the individual items of the income statement in column "2014 No." As can be seen in this representation, all items can be allocated directly to an item in the new structure with the exception of No. 4, Other ordinary income, No. 6, Personnel expense, and No. 7, Other expenses. The totals items were not numbered since they are derived by adding the individual items and the relevant subtotals.

01/01-12/31/2014			01/01-12/31/2014		
2014 No.	**Structure in 2014 Annual Report**	**EUR'000**	**Contained in 2014 No.**	**Structure in 2015 Annual Report**	**EUR'000**
1	Revenues	326,078	1	Revenues	326,078
2	Change in inventories of finished and semi-finished goods	1,632	2	Change in inventories of finished and semi-finished goods	1,632
3	Other internal production capitalized	11,371	5	Purchased goods and services	-160,623
4	Other operating income	35,334		**Gross profit**	**167,087**
5	Purchased goods and services	-160,623	3	Other internal production capitalized	11,371
6	Personnel expenses	-102,344	4	Other income from the core business	7,654
7	Other operating expenses	-94,968	6	Personnel expenses	-97,496
8	Income/expenses from companies accounted for by the equity method	1,015	7	Other expenses from the core business	-76,828
	EBITDA	**17,495**		**Result from core business before scheduled depreciation**	**11,788**
9	Amortization	24,962		Scheduled depreciation	-24,962
10	Impairments	-3,035	9	**Result from core business after scheduled depreciation**	**-13,174**
				Additional ordinary income	17,543
			4	Additional ordinary expenses	-5,747
			7	Restructuring costs for personnel	-4,848
			6	Exchange rate profits	10,137
			4	Exchange rate losses	-12,393
			7	Impairments	-3,035
			10	**Additional ordinary income**	**1,657**
				Income/expenses from companies accounted for by the equity method	1,015
			8	**Net investment income**	**1,015**
	EBIT	**-10,502**		**Operating profit/loss**	**-10,502**
11	Other interest and similar income	183		Other interest and similar income	183
12	Interest and similar expenses	-2,471	11	Interest and similar expenses	-2,471
	Net financial income/expenses	**-2,288**	12	**Net financial income/expenses**	**-2,288**
	Income/expenses from ordinary activities	**-12,790**		**Income/expenses from ordinary activities**	**-12,790**
13	Income taxes	-3,833		Income taxes	-3,833
	Consolidated net loss for the year	**-16,623**	13	**Consolidated net loss for the year**	**-16,623**

In the new structure of the income statement, No. 4, Other income from the core business, in the amount of EUR 35,334 thousand, was allocated to the following items:

- Other income from the core business, EUR 7,654 thousand
- Additional ordinary income, 17,543
- Exchange rate profits, 10,137

In the new structure of the income statement, No. 6, Personnel expenses, in the amount of EUR -102,344 thousand, was allocated to the following items:

- Personnel expenses before restructuring, EUR -97,496 thousand
- Restructuring costs for personnel, -4,848

In the new structure of the income statement, No. 7, Other expenses from the core business, in the amount of EUR -94,968 thousand, was allocated to the following items:

- Other expenses from the core business, EUR -76,828 thousand
- Additional ordinary expenses, EUR -5.747 thousand
- Exchange rate losses, EUR -12,393 thousand

More detailed explanations regarding the circumstances contained in the new items of the income statement can be found in the Notes under 4, 5, 6, 7 and 8. to the Consolidated Financial Statements.

As this merely involves an adjustment to the structure of the income statement, and therefore the other components of the annual report of Gigaset AG (statement of comprehensive income, statement of financial position, consolidated statement of shareholders' equity, consolidated cash flow statement) are not affected, they are not presented separately once again.

Gigaset AG has adjusted the structure of the consolidated cash flow statement in order to provide readers of the financial statements with information that is more relevant to decision making. The adjustment of the structure of the consolidated cash flow statement is a change in an accounting method within the meaning of IAS 8.14. Consequently, the prior-year figures must be adjusted according to the provisions of IAS 8 and IAS 1.40A or IAS 1.41 and explained.

On the one hand, the capitalized internal production reflects the development of new products in the core business as well as the development of new business areas (particularly "elements"). In the opinion of the Executive Board, these investments are intended to ensure the long-term survival of the Company by earning future income and cash flows, and the Executive Board thus understands this as an investment in the future of the enterprise. Starting in financial year 2015, capitalized internal production is therefore disclosed in the consolidated cash flow statement under investment cash flow ("Cash inflow (+)/ outflow (-) from investment activities"). The prior-year figures for 2014 will be adjusted accordingly. Capitalized internal production relates to the development costs for the innovative products that can be capitalized. Since they will be used in the future to obtain an economic benefit, the Company believes that recognition as a cash outflow from investment activities provides more adequate information for the readers of the annual report.

The following table illustrates the changes made. The capitalized internal production disclosed waren in the item "Other non-cash income and expense" will be presented in the future in Cash outflow from investment activities. Neither free cash flow nor the changes in cash and cash equivalents in fiscal 2014 will change due to this.

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2014

EUR'000	01/01-12/31/2014	Reclass-ification	01/01 - 12/31/2014 Adjusted
Results from ordinary business activities before income taxes	-12,790		-12,790
Depreciation and amortization of property, plant and equipment and intangible assets	24,962		24,962
Impairments	3,035		3,035
Increase (+)/decrease (-) in pension provisions	2,481		2,481
Gain (-)/loss (+) on the sale of non-current assets	-162		-162
Gain (-)/loss (+) on deconsolidation	-7,845		-7,845
Gain (-)/loss (+) on currency translation	2,186		2,186
Income/expenses from companies accounted for by the equity method	-1,015		-1,015
Other non-cash income and expenses	-11,371	11,371	0
Net interest income/expenses	2,288		2,288
Interest received	27		27
Interest paid	-1,967		-1,967
Income taxes paid	-751		-751
Increase (-)/ decrease (+) in inventories	-654		-654
Increase (-)/ decrease (+) in trade receivables and other receivables	13,132		13,132
Increase (+)/ decrease (-) in trade payables, other liabilities and other provisions	300		300
Increase (+)/ decrease (-) in other statement of financial position items	-3,263		-3,263
Cash inflow (+)/ outflow (-) from operating activities (net cash flow)	**8,593**	**11,371**	**19,964**
Cash transferred in the context of transitional consolidation to the equity method	-18,000		-18,000
Cash transferred with the sale of shares in companies and negative purchase prices	-130		-130
Proceeds from the sale of non-current assets	203		203
Payments for investments in non-current assets	-2,736	-11,371	-14,107
Cash inflow (+)/ outflow (-) from investing activities	**-20,663**	-11,371	**-32,034**
Free cash flow	**-12,070**	**0**	**-12,070**

EUR'000	01/01-12/31/2014	Reclass-ification	01/01 - 12/31/2014 Adjusted
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	-30,201		-30,201
Mandatory convertible bond	9,305		9,305
Capital increase	24,629		24,629
Cash inflow (+)/ outflow (-) from financing activities	**3,733**	**0**	**3,733**
Net funds at beginning of period	56,159	0	56,159
Changes due to exchange rate differences	1,834		1,834
Net funds at beginning of period, measured at prior-year exchange rate	54,325		54,325
Increase (-)/ decrease (+) in restricted cash	-2,304		-2,304
Change in cash and cash equivalents	-8,337	0	-8,337
Cash and cash equivalents at end of period	**45,518**	**0**	**45,518**
Restricted cash	4,966		4,966
Cash and cash equivalents according to the statement of financial position	**50,484**	**0**	**50,484**

B. SUMMARY OF PRINCIPAL ACCOUNTING AND VALUATION METHODS

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation principles, which were also applied when determining the prior-year comparison values. The consolidated financial statements are prepared in accordance with the principle of historical acquisition or production cost. Where it was necessary to deviate from this principle due to applicable regulations, this is explained as relevant in the following sections in the explanation of the material accounting policies that were used in preparing the present financial statements.

Recognition of income and expenses

Revenue is recognized as the fair value of the consideration received or to be received in the future. It represents the amounts that are receivable for goods and services in the ordinary course of business. Discounts, sales taxes, and other sales-related taxes are deducted from revenue. Sales taxes and other taxes are only deducted from revenue when Gigaset is not the economic tax debtor, in which case the taxes are merely a transitory item. Gigaset recognizes revenue on the sale of goods when substantially all the risks and rewards of ownership of the goods have been transferred to the customer and the Company no longer holds a right of disposal of the kind that is customarily associated with ownership, nor any other effective right of disposal over the goods, and when the revenues and the related expenses incurred or still to be incurred can be measured reliably and it is considered sufficiently probable that economic benefits will flow to the Company as a result of the transaction. Revenue from services is recognized when the service is rendered, provided it is considered sufficiently probable that economic benefits will flow to the Company as a result of the transaction and the amount of the revenue can be reliably measured. Sales revenues are recognized net or gross depending on whether the recognizing company is acting as an agent or on its own account in generating the revenue. Operating expenses are recognized as costs when the service is rendered or when they occur. Expenditures for research activities are recognized as costs. An internally generated intangible asset produced as a result of the Group's development activities is only recognized as an asset if the criteria of IAS 38 are met. If an internally generated intangible asset cannot be recognized according to the criteria set out in IAS 38, the development costs are recognized as expenses in the period in which they occur.

The "income from the reversal of negative goodwill arising from capital consolidation" is presented within Additional ordinary income and is therefore part of the Additional regular profit/loss Profits or losses from deconsolidation are presented in Other ordinary income or Additional ordinary expenses and are therefore part of the Additional regular profit/loss.

Research and development expenditures

Expenditures for research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in full as an expense. On the other hand, expenditures for development, which is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products and processes, are capitalized. Recognition is permitted if the entity can demonstrate its ability to measure reliably the development expenditures and that the product or process is technically and economically feasible and will generate probable future economic benefits. In addition, Gigaset must have the intention and the resources available to complete the development and to use or sell the asset. The capitalized expenses cover the cost of materials, direct labor costs, and the directly allocable general overhead, provided these are used to make the asset available for use, and borrowing costs to be capitalized pursuant to IAS 23 unless they are immaterial. The capitalized costs are recognized under internally generated intangible assets. Other development expenditures are recognized immediately in profit or loss when they arise. Capitalized development expenditures are disclosed at production cost, less cumulative amortization and impairments.

Government grants

Government grants are recognized when it can be assumed with a fair degree of certainty that the conditions attached to the grant will be fulfilled. Income subsidies are allocated to the periods in which the related costs occur and deducted from the corresponding expenses. In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), subsidies for capital investments are deducted from the acquisition cost of the corresponding assets, thereby reducing the basis for depreciation.

Net financial income/expenses

Interest income and expenses are recognized as they accrue by applying the effective interest method, based on the outstanding loan amount and the applicable interest rate. The applicable interest rate is exactly the rate by which the estimated future cash inflows over the term of the financial asset can be discounted to the net carrying amount of the asset.

Dividend income from financial assets is recognized when the shareholder acquires a legally grounded claim for payment of the dividend.

Income taxes

The corporate tax rate totaled 33.0% in the reporting period (PY: 33.0%).

A uniform rate of 15.0% for corporate income tax plus a solidarity surcharge of 5.5% is applied to distributed and retained profits when calculating current taxes in Germany. Local trade tax is levied on profits generated in Germany, as is corporate income tax. The local trade tax charge ranges from 15.9% (PY: 15.2%) to 17.2% (PY: 17.2%).

The profit generated by international Group subsidiaries is determined on the basis of local tax law and is taxed at the rate relevant for the country of domicile. The applicable country-specific income tax rates vary between 19.0% (PY: 19.0%) to 33.3% (PY: 35.0%).

Deferred tax assets and liabilities are recognized for all temporary differences between the values stated in the tax balance sheet and in the IFRS financial statements and for consolidation effects. The liability method oriented to the statement of financial position is applied. Deferred tax assets are recognized where it is considered probable that they will be utilized. When deferred tax assets and liabilities are calculated, tax rates are assumed that are applicable when the asset is realized or the liability settled.

Recognition of deferred tax surpluses is subject to the following rules:

- In the case of company acquisitions, deferred tax assets are not normally recognized on tax loss carryforwards and temporary differences at the acquisition date, except in amounts up to the amount of deferred tax liabilities that have been recognized, provided that netting is permissible.

- In the case of companies that have a history of generating losses instead of profits, deferred tax assets are recognized at least to the amount required to offset deferred tax liabilities, and above that amount insofar as use of the loss carryforwards is probable based on positive planning.

- In the case of companies that have a history of generating profits with an expectation of positive results in the future, any existing tax loss carryforwards and deferred tax assets on temporary differences are likewise recognized.

Impairment losses are recognized for deferred tax assets that are no longer expected to be realized within a plannable period. Unrecognized deferred tax assets are reviewed and capitalized to the extent to which it has become probable for them to be utilized on account of taxable income generated in the future. A period of four years was used as the planning period for recognizing deferred tax assets. This is the period upon which the Group's budget is based.

Deferred tax assets and liabilities relating to items recognized directly in equity are disclosed in equity. Deferred tax assets and liabilities are offset if there is an enforceable claim to offset the current tax refund claims against current tax liabilities. In addition, the deferred tax assets and liabilities must relate to income taxes regarding the same taxable entity that are payable to the same tax authority.

Earnings per share

Earnings per share are calculated in accordance with IAS 33 (Earnings per Share) by dividing the consolidated net profit by the average weighted number of shares in circulation during the financial year. Diluted earnings per share exist when equity or debt instruments were also issued from capital stock besides ordinary and preferred shares, which could lead to an increase in the number of shares in the future. This diluting effect is determined and disclosed accordingly.

Other intangible assets

Purchased intangible assets are capitalized at their acquisition cost and, where they have defined useful lives, amortized over their expected useful lives.

The following estimated useful lives are applied:

- Patents, utility designs, trademarks, publishing rights, copyrights and performance rights: 3-5 years

- Brands, company logos, ERP software, and Internet domain names: 5-10 years

- Customer relationships/lists: over the expected useful life, but generally between 2-5 years

- Licensed software: 3 years

If an impairment is identified in addition to the amount of regular amortization, the intangible asset is written down to the recoverable amount.

Purchased intangible assets with indefinite useful lives are not subject to scheduled amortization but are tested for impairment once a year in accordance with IAS 36. If the recoverable amount is less than the carrying amount, the impairment is recognized as an expense in the statement of comprehensive income.

If customer lists, customer relationships, and favorable contracts are capitalized in connection with the purchase price allocation process pursuant to IFRS 3, they are amortized over their estimated useful lives. When there are indications of impairment, these assets are tested for impairment and written down to the lower recoverable amount in accordance with IAS 36.

Internally generated intangible assets

Internally generated intangible assets produced as a result of the Group's development activities are only recognized as an asset if the criteria of IAS 38 are met. Production cost includes all directly allocable costs plus appropriate portions of the production-related overhead costs and borrowing costs to be capitalized pursuant to IAS 23, unless they are immaterial. If internally generated intangible assets cannot be recognized according to the criteria set out in IAS 38, the development costs are recognized as expenses in the period in which they occur. Expenditures for research activities are always recognized as costs.

Internally generated intangible assets are amortized over the period in which they are expected to generate economic benefits for the Company. If the development work has not yet been completed at the reporting date, the capitalized assets are tested for impairment compliant with IAS 36; upon completion of the development phase, an impairment test is only conducted when there is any indication of impairment.

Property, plant and equipment

All items of property, plant and equipment are measured at their historical acquisition or production cost, less accumulated depreciation. Acquisition cost includes the transaction cost directly allocable to the purchase; production cost includes all directly allocable costs plus appropriate portions of the production-related overhead costs and borrowing costs to be capitalized pursuant to IAS 23, unless they are immaterial. Significant components of an item of property, plant or equipment are recognized and depreciated separately. Subsequent acquisition or production costs are only added to the cost of the asset if it is probable that future economic benefits will flow to the Group and the costs can be reliably measured. All other repair and maintenance expenses are recognized as expenses in the statement of comprehensive income for the financial year in which they occur.

Land is not subject to scheduled depreciation. All other assets are depreciated to their residual carrying amounts on a straight-line basis over the expected useful lives of the assets, which are as follows:

- Buildings: 10 - 50 years
- Technical plant and machinery: 5 - 15 years
- Operational and business equipment: 2 - 10 years

The residual carrying amounts and economic lives are reviewed every year on the reporting date and adjusted as necessary. If the carrying amount of an asset exceeds its estimated recoverable amount, it is immediately written down in accordance with IAS 36 to the latter value. Profits or losses on the disposal of assets of property, plant and equipment are calculated as the difference between proceeds on disposal and the residual carrying amount and are recognized in the statement of comprehensive income.

Companies accounted for by the equity method

Companies in which Gigaset has a significant influence on financial policy and business policy decisions are included in the consolidated financial statements according to the equity method pursuant to IAS 28 Investments in Associates and Joint Venture Companies. Significant influence generally exists in case of indirect or direct voting rights shares of 20% to 50%, but other situations and circumstances may lead to significant influence existing even at different investment shares.

The equity method is applied starting on the date on which Gigaset acquires significant influence and terminated starting on the date on which the significant influence over the investee company ends.

In the equity method, the investment is first recognized at cost of purchase and then a difference is calculated based on the proportionate newly valuated net assets. The financial statement information to be included is adjusted to the extent necessary to match Gigaset's accounting principles. The valuation base of the investment is then adjusted by any changes in Gigaset's share in the net assets of the investee company (e.g., capital increases, dividends, or capital reductions). Gigaset's profit or loss, which is disclosed in the income statement, includes the share in the profit or loss of the investee company. The share of the profit or loss of other comprehensive income (changes not affecting net income) of the investee company is also recognized at Gigaset in other comprehensive income (changes recognized in equity).

Unrealized profits and losses on transactions between Group companies and associated companies are eliminated in proportion to the Group's share of equity in the subsidiary. In the event of unrealized losses, the transferred assets are tested for impairment.

At each reporting date, Gigaset reviews whether there are objective indications of impairment of the share in the affiliated company. If such indications exist, Gigaset calculates the impairment need as the difference between the recoverable amount and the carrying amount of the affiliated company.

Borrowing costs

Borrowing costs must be recognized as part of acquisition and production costs when the asset:

- is a qualifying asset and
- the borrowing costs to be capitalized are material.

A qualifying asset is an asset for which a considerable period is necessary in order to bring it to its intended usable or salable condition. This may be property, plant and equipment, intangible assets during the development phase, or customer-specific inventories.

Non-current assets held for sale

Non-current assets (and groups of assets) classified as held for sale are measured at the lower of amortized cost or fair value, less the costs to sell. Non-current assets and groups of assets, including the liabilities directly allocable to these groups, are classified as held for sale if they are earmarked for disposal. This condition is only considered to be met if the sale is highly likely and the asset (or group of assets held for sale) is available for immediate sale in its current condition.

Impairment of non-financial assets

Assets with indefinite useful lives are not subject to scheduled depreciation but are tested for possible impairment annually and when there are indications of possible impairment. Assets qualifying for scheduled depreciation are tested for possible impairment when certain events or changed circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher amount of the asset's value in use and its fair value minus its costs to sell. For the impairment test, assets are aggregated at the lowest level at which cash flows can be identified separately (cash-generating units).

If an impairment loss is later reversed, the carrying amount of the asset (or cash-generating unit) is increased to the newly estimated recoverable amount. The increase in the carrying amount is limited to the amortized value that would have resulted if no impairment loss had been recognized in prior years for the asset (or cash-generating unit). Reversals of impairment losses are recognized immediately in profit or loss for the period.

There were intangible assets with indefinite useful lives in the year under review. These assets were tested for impairment compliant with IAS 36.

Leases

Leases are classified as finance leases when, by virtue of the leasing conditions, essentially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Lease payments under an operating lease are recognized as expenses in the statement of comprehensive income on a straight-line basis over the lease term, unless another systematic approach better reflects the period of use for the lessee.

Inventories

Inventories are measured at the lower of acquisition/production cost or the net realizable value. Production cost includes direct material costs and, where applicable, direct production costs, as well as overhead costs allocable to production, based on normal levels of production capacity utilization. Acquisition or production cost is measured in accordance with the weighted average cost method. The net realizable value represents the estimated selling price less the estimated costs of completion and the cost of marketing, sale, and distribution. When necessary, valuation allowances are charged to account for overstocking, obsolescence, and reduced salability. The moving average price method was used as a measurement simplification procedure for measuring the inventory.

Trade receivables

Trade receivables are measured at amortized cost less impairment losses. An impairment loss is recognized in trade receivables when there are objective indications that the amounts due cannot be collected in full. The amount of the impairment loss is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable, discounted by the effective interest rate. The impairment loss is recognized in profit or loss. If the reasons for the impairment losses recognized in prior periods no longer exist, the impairment losses are reversed accordingly.

Factoring

Some companies of the GIGASET Group assign a portion of their trade receivables to financing companies (known as factors). In accordance with IAS 39, sold trade receivables are eliminated from the statement of financial position only when significant portions of the risks associated with the receivables have been transferred to the buyer of the receivables. Under existing contractual agreements, significant portions of the risk of customer insolvency (del credere risk) are transferred to the factor. Gigaset still bears a portion of the interest and del credere risk of these receivables and therefore recognizes the receivables in the amount of the remaining commitments ("continuing involvement"). These receivables are offset by a liability measured in such a way that the net balance of assets and liabilities reflects the remaining claims or obligations. In accordance with the requirements of IAS 39, the sold receivables are therefore partially eliminated from the statement of financial position on the reporting date, although the portion that remains as the continuing involvement is low compared with the total amount of sold receivables. The purchase price retentions withheld initially by the factor as security are recognized separately under the category of other assets. They are due as soon as the customer's payment is received.

Interest and del credere risk due to purchase price retentions are recognized as trade receivables, classified as "continuing involvement." This continuing involvement is offset by a corresponding other liability covering the additional risk of a potential loss of the receivables from the factor arising from the purchase price retentions.

Additional purchase price retentions are agreed with the factor to account for legal validity and revenue deduction risk, which have been recognized as other assets. Barring problems in the payment flows, these retentions will be due and payable after a period of limitation.

The purchase price is paid by the factor either when the factor receives payment of the receivables or at the request of the assigning company, against payment of interest; the unpaid portion of the purchase price is recognized as an other asset.

The interest expenses resulting from the sale of receivables are recognized in the net financial income/expenses. Administrative fees are recognized as other expenses from the core business.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and other short-term, highly fungible financial assets with an original term of no more than three months, which are not subject to the risk of a change in value. They are recognized at fair value. Used overdraft facilities are recognized as liabilities due to banks under current liabilities.

Financial assets

Financial assets are divided into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose for which the respective financial assets were acquired. Management determines the classification of the financial assets at the time of initial recognition and reviews the classification at every reporting date.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the determination of fair value, the counterparty credit risk has to be taken into consideration.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets classified as held for trading from the outset and financial assets classified at fair value through profit or loss from the outset. A financial asset is assigned to this category if it was purchased with the intention of selling it immediately or in the near term or if it was so designated by management. Derivatives also belong to this category if they are not part of a cash flow hedge relationship. Assets in this category are presented as current assets if they are either held for trading or are expected to be recovered within 12 months of the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise if the Group provides money, goods, or services directly to the borrower without the intention of trading this receivable. They are presented as current assets as long as their due date is not more than 12 months after the reporting date and as non-current assets if their due date is more than 12 months after the reporting date. Loans and receivables are presented in the statement of financial position under trade receivables and other receivables. Loans and receivables are measured at amortized cost calculated in accordance with the effective interest method.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed terms, which Group management has the intention and ability to hold to maturity.

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently at amortized cost calculated in accordance with the effective interest method, less any impairments. If loans are due in more than 12 months, they are presented as non-current assets. They are presented as current assets when they are due in not more than 12 months of the reporting date or, if they should be due in more than 12 months, when they are normally recovered in the ordinary course of business. Financial assets held to maturity are recognized at amortized cost calculated in accordance with the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have either been assigned to this category or have not been assigned to any other category. They are presented as non-current assets if management does not intend to sell them within 12 months of the reporting date.

All purchases and sales of financial assets are recognized at the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets that are not carried at fair value through profit or loss are measured initially at their fair value plus transaction costs. They are derecognized when the rights to payment have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and assets at fair value through profit and loss are measured at fair value.

Realized and unrealized profits and losses resulting from changes in the fair value of assets carried at fair value through profit or loss are recognized in the statement of comprehensive income for the period in which they occur. Unrealized profits and losses from changes in the fair value of non-monetary securities classified as financial assets available for sale are recognized in equity. If securities classified as financial assets available for sale are sold or impaired, the accumulated fair value adjustments previously recognized in equity are recognized in the statement of comprehensive income as profits or losses from financial assets.

The fair values of exchange-listed shares are based on the current offering prices of those shares. If there is no active market for financial assets or the assets are not listed on an organized exchange, the fair value is determined by means of appropriate methods, including reference to recent transactions between parties in an arm's length transaction, the current market prices of other assets that are essentially similar to the asset in question, discounted cash flow methods, or option price models that take the specific circumstances of the issuer into account.

If a contract contains one or more embedded derivatives that IAS 39.11 requires to be recognized separately, such derivatives are measured at fair value both at initial recognition and in subsequent periods. Gains or losses from changes in fair value are normally recognized immediately in the statement of comprehensive income.

An impairment test is conducted at every reporting date to determine whether objective indications point to an impairment of a financial asset or group of financial assets. In the case of equity instruments classified as available-for-sale financial assets, a significant or lasting decrease in the fair value below the historical acquisition cost of such equity instruments is taken into account for the purpose of determining the extent to which equity instruments are impaired. If such an indication exists in the case of assets available for sale, the total accumulated loss – measured as the difference between the historical acquisition cost and the current fair value, less previous impairment losses recognized in earlier periods – is eliminated from equity and recognized in the statement of comprehensive income. After impairment losses in equity instruments have been recognized in the statement of comprehensive income, they can no longer be reversed.

Derivative financial instruments

In accordance with IAS 39, derivative financial instruments are measured at fair value at the reporting date, if the fair value can be reliably measured. The Company recognizes the change in the fair value of the derivative financial instruments either in the consolidated statement of comprehensive income or, if cash flow hedges are involved, in equity in the item "accumulated other comprehensive income" after factoring in deferred income taxes."

Cash flow hedges. The effective portion of the change in the fair value of the derivative instruments that are classified as cash flow hedges is recognized in the item "accumulated other comprehensive income" after factoring in deferred income taxes. The ineffective portion is recognized immediately in profit or loss in the consolidated statement of comprehensive income. The amounts accumulated in equity are recognized in the consolidated statement of comprehensive income in the same periods in which the underlying transaction is reflected in the consolidated statement of comprehensive income. In the reporting period, the Company recognized cash flow hedges exclusively for hedges of planned foreign currency transactions.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the determination of fair value, the counterparty credit risk has to be taken into consideration.

Shareholders' equity

Shares are classified as equity. Costs directly allocable to the issuance of new shares or options are recognized in equity as a deduction from the issue proceeds.

If a Group company purchases company shares (treasury shares), the value of the consideration paid, including the directly allocable additional costs (factoring in any taxes) are deducted from the shareholders' equity until such time as the shares are withdrawn, re-issued, or resold. When such shares are subsequently re-issued or sold, the consideration received is recognized in shareholders' equity after deduction of directly allocable transaction costs and the corresponding income taxes.

Provisions

Provisions are established to account for a present legal or constructive obligation resulting from a past event, if it is likely that the settlement of the obligation will lead to an outflow of economic resources and it is possible to reliably determine the amount of the provisions. In the event of several similar obligations, the likelihood of an outflow of economic resources is assessed with reference to the overall group of obligations.

Provisions for warranties are recognized when the goods concerned are sold or the service is performed. The required amount of the provision is determined on the basis of historic values and an appraisal of the probability of occurrence in the future. In accordance with IAS 37, and in conjunction with IFRS 3 in the case of newly acquired companies, restructuring provisions are only established if a detailed restructuring plan exists.

The Gigaset Group recognizes provisions for onerous contracts identified as part of purchase price allocations, especially in the case of company acquisitions.

Non-current provisions are discounted to present value if the effect is significant. The discount rate applied for this purpose is the interest rate before taxes that best reflects the current market environment and the risks of the obligation.

Employee Benefits

Pension obligations

There are various pension plans in effect within Gigaset, including both defined benefit and defined contribution plans. Defined contribution plans are plans for post-employment benefits under which the Company pays defined contributions to an independent entity (pension fund or insurance carrier) and has neither a legal nor a constructive obligation to pay further contributions if the pension fund does not have sufficient assets to cover all the benefits relating to the employees' services in the reporting period or earlier periods. A defined benefit plan is any plan that is not a defined contribution plan.

The agreements underlying the defined benefit plans provide for different benefits in Gigaset, depending on the subsidiary concerned. These benefits essentially comprise the following:

- Retirement pensions when the respective pension age is reached

- Disability pensions in the event of disability or reduced working capacity

- Surviving dependent pensions
- Non-recurring payments upon termination of the employment contract

The provision for defined benefit plans recognized in the consolidated statement of financial position is based on the present value of the pension obligation less the fair value of the pension plan assets at the reporting date. If an asset should result from the netting of the defined benefit obligation and the fair value of the plan assets, then it is fundamentally limited to the future economic benefit in the form of refunds from the plan or reductions in future contribution payments to the plan.

The pension provisions for the Company's pension plan are measured in accordance with the projected unit credit method prescribed in IAS 19 (Employee Benefits). They are measured anew by independent actuaries at each reporting date. Under this expectancy cash value method, the pension provisions are calculated on the basis of the known pensions and the vested pension rights at the reporting date and the anticipated future increases in salaries and pensions. The revaluation effects of the net obligation are recognized separately in equity under the item "Accumulated other comprehensive income." Revaluation effects result from changes in the cash value of the defined benefit obligation due to experience adjustments (effects of the deviation between earlier actuarial assumptions and actual developments) and effects of changes to actuarial assumptions. Gigaset's pension plan assets consist of the special funds, fixed-interest securities, stocks, and other assets which meet the definition of plan assets according to IAS 19. Past service cost must be recognized immediately in the income statement in the full amount, regardless of any vesting conditions. The net interest expense included in pension expenses is carried as personnel expense.

Payments under a defined contribution pension plan are recognized as personnel expenses in the statement of comprehensive income.

Share-based payment

Gigaset AG introduced a stock option plan in financial year 2005. Due to its discontinuation, this plan was replaced with a new stock option plan in 2008. The model adopted in 2008 was replaced with a new stock option plan in 2011 due to the change in the business model. Existing stock option contracts were not modified by the new stock option plan. The Company has the right to settle the options by issuing shares from the Contingent Capital 2011 created for this purpose, by repurchasing treasury shares, or by cash settlement. The settlement type must be selected by the Supervisory Board or the Executive Board in the interests of the shareholders and the Company. Fundamentally, however, the plan was to service the claims arising from the 2011 stock option plan using shares from the Contingent Capital 2011 created for this purpose. No stock options were issued under this stock option plan in 2015, as in the previous year, and no further stock options were outstanding at the reporting date. Due to expiration of the time limitation, a new decision must be made in the context of the next Annual Shareholders' Meeting regarding the Contingent Capital 2011 and consequently on the design of a possible stock option plan. For stock options, the fair value of the services rendered by the employees in exchange for the granting of options is recognized as an expense in accordance with IFRS 2. The total cost, which is recognized as an expense over the vesting period, is measured as the fair value of the options (likely to be) exercisable. The fair value of the options is measured once by means of a Monte Carlo simulation at the respective grant dates. Non-market-based barriers to exercising options are reflected in the assumptions concerning the anticipated number of options to be exercised. The estimated number of options that can be exercised is reassessed at each reporting date. The effects of any changes made to the original estimates are recognized in the statement of comprehensive income and by making a corresponding adjustment in equity over the time remaining until the shares become vested.

Some members of Gigaset's Executive Board receive the appreciation in a "virtual share portfolio" as a variable component of their compensation. The basis for calculating the variable compensation based on the "virtual share portfolio" is a specific number of shares of Gigaset AG (the "virtual share portfolio"), measured at a certain share price ("initial value"). The amount of variable compensation is calculated in every case from the possible appreciation of the virtual share portfolio over a certain period of time, that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual share portfolio measured at the share price at the valuation date and the initial value ("capital appreciation") yields the amount of variable compensation. As a general policy, the capital appreciation amount (converted at the share price at the valuation date) is settled in cash. The obligations existing due to this agreement are measured and recognized at fair value at each reporting date by means of a Monte Carlo simulation, since they are "cash settled" options pursuant to IFRS. Changes in the fair value of such financial instruments are recognized in profit or loss.

Termination benefits

Termination benefits are provided when the Group terminates an employee's employment before the normal retirement date or when the employee leaves voluntarily in exchange for those benefits. The Group recognizes termination benefits when it has a demonstrable and unavoidable obligation to terminate the employment of current employees on the basis of a detailed formal plan that cannot be retracted or if it has a demonstrable obligation to pay such benefits when the employee has voluntarily accepted the termination of his employment. Benefits that fall due more than 12 months after the reporting date are discounted to present value. Termination benefits payable are presented with the personnel provisions.

Other long-term employee benefits

Other long-term employee benefits are all employee benefits, except for benefits to employees that are due in the short term, post-employment benefits (particularly pension funds), benefits at termination of an employment relationship. This includes the obligations arising from semi-retirement arrangement agreements, for instance. The Group recognizes provisions when it is demonstrably and unavoidably obligated to provide these benefits. Benefits that fall due more than 12 months after the reporting date are discounted to present value. Termination benefits payable are presented with the personnel provisions.

Profit-sharing and bonus plans

For bonus and profit-sharing payments, the Group recognizes a liability in the statement of financial position and an expense in the statement of comprehensive income on the basis of a measurement procedure that takes into account the profit to which the Group shareholders are entitled, after certain adjustments. The Group recognizes a provision when it has a contractual obligation or a constructive obligation based on past business practices.

Liabilities

Financial liabilities are composed of liabilities and derivative financial instruments with negative fair values. Liabilities are measured at amortized cost. This means that current liabilities are measured at the amounts required to repay or settle the underlying obligations, while non-current liabilities and long-term debts are measured at amortized cost in accordance with the effective interest method.

In accordance with IAS 39, derivative financial instruments are measured at fair value at the reporting date, if the fair value can be reliably measured. The Company recognizes the change in the fair value of the derivative financial instruments either in the consolidated statement of comprehensive income or, if cash flow hedges are involved, in equity in the item "accumulated other comprehensive income" after factoring in deferred income taxes."

Cash flow hedges The effective portion of the change in the fair value of the derivative instruments that are classified as cash flow hedges is recognized in the item "accumulated other comprehensive income" after factoring in deferred income taxes. The ineffective portion is recognized immediately in profit or loss in the consolidated statement of comprehensive income. The amounts accumulated in equity are recognized in the consolidated statement of comprehensive income in the same periods in which the underlying transaction is reflected in the consolidated statement of comprehensive income. In the reporting period, the Company recognized cash flow hedges exclusively for hedges of planned foreign currency transactions.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the determination of fair value, the counterparty credit risk has to be taken into consideration. The Company's own credit risk must also be factored into the measurement when determining fair value.

Segment reporting

In accordance with IFRS 8, operating segments are recognized on the basis of the Company's internal organization and reporting structure. An operating segment is defined as a "component of an entity" that engages in business activities from which it may earn income and incur expenses, whose financial performance is reviewed regularly by the responsible corporate instance to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The responsible corporate instance is the Executive Board of the Company.

In segment reporting, the Group's operating divisions are structured according to the geographical regions of the Gigaset Group.

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's operating segments are:

› Gigaset
  • Germany
  • EU
  • Rest of world

› Holding

The comparison figures for fiscal 2014 were adjusted accordingly to the new structure.

Legal disputes and claims for damages

Gigaset companies are involved in various litigation and administrative proceedings in connection with their ordinary business, or it is possible that such litigation or administrative proceedings could be commenced or asserted in the future. Even if the outcome of the individual proceedings cannot be predicted with certainty, considering the imponderability of legal disputes, it is the current estimation of management that the matters in question will not have a significant adverse effect on the financial performance of the Group beyond the risks that have been recognized in the financial statements in the form of liabilities or provisions.

Assumptions and estimates made for accounting and valuation purposes

When preparing the consolidated financial statements, it was necessary to make certain assumptions and estimates that have a bearing on whether, and to what extent, assets and liabilities, income and expenses, and contingent liabilities accruing in the reporting period are recognized in the statement of financial position. Such assumptions and estimates relate mainly to the recognition and measurement of intangible assets, the adoption of uniform group-wide economic lives for property, plant and equipment and intangible assets, and the recognition and measurement of provisions. Furthermore, the tax planning of future profits and losses, which serves as the basis for the recognition of deferred tax assets, also relies on estimates, insofar as the deferred tax assets exceed the deferred tax liabilities that have been recognized. The assumptions and estimates made in these respects are based on the current status of available information. In particular, the expected course of business developments in the future was assessed on the basis of the circumstances known at the time when the consolidated financial statements were prepared and realistic assumptions regarding the future development of the operating environment. If the basic operating conditions that are not subject to management's control would differ from the assumptions made, the actual performance figures may differ from the original estimates.

Our estimates are based on experience and other assumptions that are considered realistic under the given circumstances. The actual values may differ from the estimated values. The estimates and assumptions are continually reviewed. The true-and-fair-view principle is maintained without restriction, even when estimates are used. Management has not made any significant discretionary judgments beyond estimates and assumptions when applying accounting policies.

Estimates made in connection with impairment tests

In accordance with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), intangible assets with unspecified useful lives must be tested for possible impairment at least once a year, or on an ad-hoc basis if events or changed circumstances indicate the possibility of impairment of an asset. For purposes of the impairment tests, the net carrying amounts of each individual cash-generating unit within Gigaset is compared with the recoverable amount, defined as the higher of the fair value less costs to sell or the value in use. In accordance with the relevant definition, the smallest identifiable business units for which there are independent cash flows are normally considered to be cash-generating units.

If the carrying amount of the cash-generating unit is higher than the recoverable amount, an impairment loss is recognized in the amount of the difference. The impairments determined in this amount that are to be recognized in profit or loss are distributed proportionally to their carrying amounts over the assets of the individual strategic business unit insofar as they fall within the scope of application of IAS 36 and the value of the individual asset is not less than the individual fair value less costs to sell.

The recoverable amount is calculated as the present value of the future cash flows expected to result from the continued use by the strategic business unit, plus the value upon disposal at the end of the asset's useful life. The future cash flows are estimated on the basis of Gigaset's current business plans. The cost of capital at Gigaset is calculated as the weighted average cost of capital (WACC), based on each business unit's share of total capital. The cost of equity capital is determined as the expected return on capital for each business unit, based on an appropriate peer group. Gigaset uses the average cost of debt capital of each business unit, based on bonds with an average residual maturity of at least 20 years, to calculate the cost of debt capital.

Income taxes

The Group is required to pay income taxes in various countries based on different tax base measurement rules. The worldwide provision for accrued taxes is determined on the basis of profits calculated in accordance with local tax regulations and the applicable local tax rates. Nonetheless, there are many business transactions for which the final taxation cannot be determined conclusively in the regular course of business.

The amount of tax provisions and tax liabilities is based on estimates of whether and in what amount income taxes will be payable. Provisions of an adequate amount have been established to account for the risk of tax treatment that is different from that expected. Gigaset has not established a provision for gains on the sale of shares in subsidiaries or other associated companies because such gains should be regarded not as short-term trading gains, but rather as the restructuring profits resulting from the Group's entrepreneurial activities and thus are tax exempt in Germany. If the final taxation of these business transactions differs from the previously assumed tax exemption for gains on disposal, this difference will have an impact on the current and accrued taxes for the period in which the final taxation is determined.

In addition, estimates are required in order to assess whether it is necessary to recognize impairment losses in deferred tax assets. Such an assessment depends on an estimate of the probability of taxable profits (taxable income) being generated in the future.

Furthermore, uncertainties are inherent in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due particularly to the wide-ranging international activities of the corporate group, any differences between the actual profits or losses generated and management's assumptions in this regard, or future changes to these assumptions, may lead to different tax results in future periods.

Provisions

When determining the amount of provisions to be recognized, assumptions must be made concerning the probability of a future outflow of economic resources. These assumptions represent the best possible estimate of the underlying situation, but are nonetheless subject to a certain degree of uncertainty as a result of the assumptions applied for this purpose. Assumptions must also be made when determining the amount of provisions to be recognized regarding the amount of the possible outflow of economic resources. A change in these assumptions could lead to a change in the amount of provisions to be recognized. Here as well, the assumptions made for this purpose give rise to uncertainties.

The determination of the net obligation from defined benefit plans depends essentially on the choice of discount rate to be applied and the underlying actuarial assumptions, which are determined anew at the end of each financial year. The underlying discount rate used is the interest rate paid by high-grade corporate bonds denominated in the currency in which the benefits are paid and the maturity of which matches the due date of the pension obligations. Changes in these interest rates can lead to significant changes in the amount of the pension obligations.

Contingent liabilities

The recognition and measurement of provisions and contingent liabilities in connection with pending lawsuits or other outstanding claims from settlement, mediation, arbitral tribunal, or government proceedings are linked to a considerable degree to estimates made by Gigaset AG. Thus the assessment of the probability that a pending proceeding will be successful or a liability will be created, or the quantification of the possible amount of the payment obligation, is based on the estimation of the individual circumstances. Moreover, provisions for anticipated losses from contractual commitments are created wherever a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this assessment, the actual losses may differ from the original estimates and thus from the provision amount. The calculation of provisions for taxes and legal risks also involves considerable estimates, which may change due to new information. When obtaining new information, Gigaset AG primarily uses the services of internal experts as well as the services of external consultants such as actuaries or lawyers. Changes in the estimates of these anticipated losses from contractual commitments may have a considerable effect on future earnings.

All identifiable risks were taken into account in the underlying assumptions and estimates when the consolidated financial statements were prepared.

C. NOTES ON FINANCIAL INSTRUMENTS

Significance

The purpose of the disclosures required by IFRS 7 is to provide decision-relevant information concerning the amount, timing and probability of future cash flows resulting from financial instruments and to assess the risks of such financial instruments.

A financial instrument is a contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Aside from cash and cash equivalents, financial assets also mainly include uncertificated receivables such as trade receivables, loans and advances and certificated receivables such as checks, bills of exchange and debentures. The definition of financial assets also encompasses financial instruments held to maturity and derivatives held for trading. Financial liabilities, on the other hand, usually constitute a contractual obligation to deliver cash or another financial asset. They include trade payables, liabilities due to banks, loans, liabilities under accepted bills of exchange and the issuance of the Company's own bills of exchange, as well as options written and derivative financial instruments with negative fair values.

Financial risk factors

The use of financial instruments exposes the Group to specific financial risks, the nature and extent of which are disclosed in the notes to the financial statements. Such risks typically include credit risk, liquidity risk and market price risk and particularly exchange rate risk, interest rate risk and other price risks.

The Group's comprehensive risk management program is focused on the unpredictability of developments in the financial markets and is aimed at minimizing the potentially negative consequences of those developments on the Group's cash flows. The Group employs derivative financial instruments to hedge certain risks. Risk management is performed by the central finance department (Corporate Finance) on the basis of the guidelines adopted by the Executive Board. Corporate Finance identifies, assesses and hedges financial risks in close cooperation with the operating units of the Group. The Executive Board issues written directives setting out both the principles for Group-wide risk management and guidelines for certain areas, such as the manner of dealing with foreign currency risk, interest rate and credit risk, the use of derivative and non-derivative financial instruments and the investment of surplus liquidity. In the course of the reporting year, the Company began to apply hedge accounting rules for hedging transactions with regard to the foreign currency risk for planned materials procurement.

Credit risk/default risk

The Gigaset Group supplies customers in all parts of the world. Default risks can arise with respect to trade receivables, loans and other receivables when customers do not meet their payment obligations.

To counter default risks and the credit rating and liquidity risks possibly associated with them, the Group arranges to have a trade credit insurance company conduct credit checks of its customers, issue credit limits, and cover a portion of the possible losses on receivables. As an alternative to the credit checks conducted by trade credit insurance companies, those customers that cannot be insured by such companies furnish security deposits (deposits, credit note retentions), which would be applied against unpaid receivables. Furthermore, the option of up-front payment or cash on delivery is given to those customers that cannot be insured or are not insured by reason of other circumstances.

As part of the credit check process, the Group employs adequate credit management systems (including credit scoring systems to categorize the risks of customer receivables) to limit default risk. An internal rating and an internal credit limit are established for every customer on the basis of detailed, ongoing credit assessments.

Of the portfolio of loans and receivables carried in the Group at year-end 2015 in the amount of EUR 46,421 thousand (PY: EUR 54,611 thousand), EUR 15,729 or 33,9% (PY: EUR 21,902 or 40.1%) is hedged. Trade credit insurance has been used as the security instrument for most of the receivables. In addition, other forms of security exist in the form of letters of credit, customer deposits and bank guaranties.

The default risk in the carrying amounts of the recognized loans and receivables (EUR 46,421 thousand, PY: EUR 54,611 thousand) is reduced by trade credit insurance, letters of credit, and other credit improvements to a maximum default risk of EUR 30,692 thousand (PY: EUR 32,709 thousand).

2015 in EUR'000	Carrying amount	Maximum default risk	Secured portion	2015[1] %
Total	**46,421**	**30,692**	**15,729**	**33.9**
Trade receivables	30,470	14,741	15,729	33.9
Other receivables	15,951	15,951	0	0.0

2014 in EUR'000	Carrying amount	Maximum default risk	Secured portion	2014[1] %
Total	**54,611**	**32,709**	**21,902**	**40.1**
Trade receivables	38,097	16,195	21,902	40.1
Other receivables	16,514	16,514	0	0.0

1 With reference to the entire carrying amount

The breakdown of loans and receivables by region yields the following risk concentrations:

	12/31/2015		12/31/2014	
	EUR'000	%	EUR'000	%
Total	**46,421**	**100.0**	**54,611**	**100.0**
Germany	19,222	41.4	18,567	34.0
Europe - EU	20,183	43.5	28,440	52.1
Europe - Other	3,197	6.9	2,889	5.3
Rest of world	3,819	8.2	4,715	8.6

As a rule, valuation allowances are charged in adequate amounts to account for discernible default risks in the receivables portfolio. The changes in valuation allowances on trade receivables are presented in tabular format in Note 19 Trade receivables.

Liquidity risk

In the Gigaset Group, liquidity risk is defined as the risk of not being able to settle the payment obligations resulting from the categories of trade payables, financial liabilities and other liabilities when they are due.

Therefore, prudent liquidity management dictates that the Group keep an adequate reserve of cash and marketable securities, secure adequate financing options in the form of committed credit facilities and maintain the ability to issue securities in the market.

Due to the dynamic nature of the business environment, the operating business is for the most part financed using optimized working capital, whose cornerstone is financing using factoring. The factoring finance lines are adequately set up and secured for the long term by banks and factoring companies.

In the table below, the financial liabilities are broken down by term to maturity, based on undiscounted cash flows:

2015 in EUR'000	Carrying amount	Total outflow	< 1 year	1-5 years	> 5 years
Non-derivative financial liabilities	46,513	46,515	46,515	0	0
Trade payables	45,783	45,783	45,783	0	0
Other financial liabilities	426	428	428	0	0
Other liabilities	304	304	304	0	0
Derivative financial liabilities	844	844	844	0	0
Total	**47,357**	**47,359**	**47,359**	**0**	**0**

2014 in EUR'000	Carrying amount	Total outflow	< 1 year	1-5 years	> 5 years
Non-derivative financial liabilities	63,111	63,142	62,715	427	0
Trade payables	62,649	62,649	62,649	0	0
Financial liabilities	462	493	66	427	0
Derivative financial liabilities	108	108	108	0	0
Total	**63,219**	**63,250**	**62,823**	**427**	**0**

A more detailed presentation of trade payables in the maturity range "< 1 year" is provided in Note 28 "Trade payables".

As in the prior year, the Company had no obligations arising from finance lease agreements at the reporting date.

Of the portfolio of financial liabilities carried in the Group at year-end 2015 in the amount of EUR 47,357 thousand (PY: EUR 63,219 thousand), EUR 1,751 or 3.7% (PY: EUR 7,902 or 12.5%) is hedged. The security items are broken down in the table below:

2015 in EUR'000	Intangible assets	Land and buildings	Other property, plant and equipment	Invento-ries	Trade receiv-ables	Other security	in%
Trade payables	0	0	0	1,751	0	0	3,7

2014 in EUR'000	Intangible assets	Land and buildings	Other property, plant and equipment	Invento-ries	Trade receiv-ables	Other security	in%
Trade payables	0	0	0	2,874	5,028	0	12.5

In addition to the collateral provided, most of the Gigaset companies receive goods under country-specific retentions of title.

The breakdown of financial liabilities by region yields the following risk concentrations:

	12/31/2015		12/31/2014	
	EUR'000	%	EUR'000	%
Total	**47,357**	**100.0**	**63,219**	**100.0**
Germany	11,065	23.3	42,204	66.8
Europe - EU (excluding Germany)	11,936	25.2	10,826	17.1
Europe - Other	604	1.3	453	0.7
Rest of world	23,752	50.2	9,736	15.4

Market price risk

By reason of the international orientation of the Group, certain assets and liabilities are exposed to market risk in the form of exchange rate risks, interest rate risks and commodity price risks.

The exchange rate risks relate to the receivables and liabilities denominated in foreign currencies, as well as future cash flows in foreign currencies that are expected to result from transactions.

The loans presented under financial liabilities are subject to a theoretical interest rate risk. Price risks exist primarily in the context of procuring raw materials and manufacturing materials.

Foreign currency risk

By reason of the Group's international operations, it is subject to foreign currency risk, based on changes in exchange rates of various foreign currencies. Foreign currency risks arise with respect to expected future transactions, the assets and liabilities recognized in the statement of financial position and the net investments in foreign business operations. To hedge such risks arising from expected future transactions and from the assets and liabilities recognized in the statement of financial position, the Group companies employ forward exchange deals, as needed, in coordination with Corporate Finance.

Of the financial instruments presented for the Group, an amount of EUR 24,356 thousand (PY: EUR 43,638 thousand) consisted of financial assets denominated in foreign currencies and an amount of EUR 24,302 thousand (PY: EUR 30,894 thousand) consisted of financial liabilities denominated in foreign currencies. The risk concentrations based on foreign currencies are presented in the table below:

	12/31/2015		12/31/2014	
Financial assets in	**EUR'000**	**%**	**EUR'000**	**%**
USD (U.S. dollars)	6,840	28.0	23,022	52.8
CHF (Swiss francs)	4,546	18.6	2,977	6.8
TRL (Turkish lira)	3,790	15.4	3,341	7.7
GBP (British pounds)	2,709	11.0	5,402	12.4
RUB (Russian rubles)	2,399	9.8	2,150	4.9
PLN (Polish zloty)	1,211	4.9	1,712	3.9
SEK (Swedish krona)	1,085	4.4	1,091	2.5
CNY (Chinese renminbi yuan)	770	3.1	3,417	7.8
NOK (Norwegian krone)	423	1.7	271	0.6
JPY (Japanese yen)	415	1.7	0	0.0
DKK (Danish krone)	347	1.4	163	0.4
Other	1	0.0	92	0.2
Total	**24,536**	**100.0**	**43,638**	**100.0**

	12/31/2015		12/31/2014	
Financial liabilities in	**EUR'000**	**%**	**EUR'000**	**%**
USD (U.S. dollars)	20,579	84.7	25,577	82.8
CNY (Chinese renminbi yuan)	2,096	8.6	2,535	8.2
GBP (British pounds)	489	2.0	823	2.7
TRL (Turkish lira)	346	1.4	628	2.0
CHF (Swiss francs)	265	1.1	224	0.7
JPY (Japanese yen)	257	1.1	420	1.4
SEK (Swedish krona)	134	0.6	288	0.9
PLN (Polish zloty)	105	0.4	224	0.7
Other	31	0.1	175	0.6
Total	**24,302**	**100.0**	**30,894**	**100.0**

For the purpose of presenting market risks, IFRS 7 requires the use of sensitivity analyses to assess the effects of hypothetical changes in relevant risk variables on the entity's financial performance and equity. In addition to currency risks, the Gigaset Group is subject to interest rate risks and price risks. The periodic effects are determined by applying the hypothetical changes in risk variables to the portfolio of financial instruments at the reporting date. For that purpose, it is assumed that the portfolio at the reporting date is representative of the full year.

At the reporting date, the Gigaset Group was subject to currency risks, which are reflected in the items of trade receivables, loan receivables, other receivables and trade payables, liabilities to banks and loan liabilities.

Result of the currency sensitivity analysis:

If the relative value of the euro against the foreign currencies in which the Gigaset Group operates had been 10% higher or 10% lower at December 31, 2015, the equity presented in the functional currency would have been EUR -20 thousand lower or EUR 27 thousand higher, respectively (PY: EUR -1,161 thousand lower or 1,416 thousand higher).

	2015		2014	
EUR'000	**+10%**	**-10%**	**+10%**	**-10%**
EUR/USD	1,249	-1,527	232	-284
EUR/CNY	121	-147	-80	98
EUR/JPY	-14	17	38	-47
EUR/DKK	-31	38	-12	14
EUR/NOK	-38	47	-23	28
EUR/SEK	-86	106	-73	89
EUR/PLN	-101	123	-135	165
EUR/GBP	-202	247	-416	509
EUR/RUB	-216	264	-188	229
EUR/TRL	-313	383	-247	301
EUR/CHF	-389	476	-250	306
EUR/SGD	0	0	-1	1
EUR/ARS	0	0	-6	7
Total	**-20**	**27**	**-1,161**	**1,416**

The hypothetical effect on profit or loss (after taxes) of EUR -20 thousand (PY: EUR -1,161 thousand) or EUR 27 thousand (PY: EUR 1,416 thousand), respectively, is broken down in the table below on the basis of the corresponding currency sensitivities:

To hedge risks arising from expected future transactions in foreign currencies, the Company regularly enters into foreign currency derivatives in the context of its risk management strategy. Short-term and medium-term company planning and the Group's liquidity planning constitute the basis for concluding hedging transactions. In principle, the incoming and outgoing payments determined per foreign currency are netted individually, taking the maturity structure into account, and hedged in one sum as a net item. Generally, up to 80% of the expected net item is hedged. Therefore, the planned procurement transactions must be classified as most likely. Concluding fee-based hedge transactions as well as a hedge ratio above 80% only occurs with prior coordination and approval of the management. In fiscal 2015, foreign currency derivatives were concluded exclusively to hedge purchases in U.S. dollars (EUR/USD).

In fiscal 2015, the Executive Board resolved that the regulations of hedge accounting will be used for foreign currency hedging in the Group starting October 1, 2015. Until September 30, 2015, the derivatives and the transactions to be hedged were recorded separately. Representing the foreign currency hedging using the rules for hedge accounting is intended to achieve more adequate disclosure within the income statement. Thus in the future, essentially no income or expenses from the measurement of the derivatives will be disclosed in the exchange rate gains or losses; instead, the hedge transactions will be factored in accordingly in the context of goods purchased.

Since future goods purchases in U.S. dollars will be hedged in the context of the hedge relationship based on existing planning, this is a cash flow hedge. To the extent that the relevant hedging activity is achieved with high probability, the changes in the value of the derivatives will be recognized in equity until the expected transaction is performed. Once the transaction has been performed, the effects arising from the hedge transactions will be factored into the materials to be procured.

Until the hedge accounting was implemented, the income and expenses of the foreign currency derivatives were recognized in the income statement. Until September 30, 2015, income from derivatives was recognized in exchange rate gains in the amount of EUR 2,556 thousand, and expenses from derivatives in exchange rate losses in the amount of EUR 1,546 thousand. The regulations of hedge accounting have been used since October 1. On the reporting date, an amount of EUR 788 thousand was recognized in equity, taking deferred taxes into account.

The assessment of effectiveness occurred at the time of designation based on a prospective effectiveness test. This test led to the result that the defined hedging relationships were to be considered effective. The retrospective effectiveness test on the reporting date, which was determined using the dollar offset procedure ("hypothetical derivative"), likewise led to the result that the hedging relationships were to be considered effective.

At the reporting date, the Group held 29 foreign currency derivatives to hedge the exchange rate of the U.S. dollar against the euro, for a total notional amount of USD 89.6 million. Of these derivatives, 22 were designed as "bonus-eventual" currency futures contracts, 6 derivatives as foreign currency options, and 1 derivative as a "plain vanilla" forward foreign exchange contract. At the prior year reporting date, the Group held no foreign currency derivatives.

As of the reporting date, the terms of the forward foreign exchange contracts run from January to November 2016. The following hedging transactions were concluded for the listed U.S. dollar amounts for the individual months:

USD Hedging transactions in million USD period until month	2016
January	10.4
February	9.5
March	12.4
April	7.2
May	8.0
June	7.5
July	7.5
August	6.0
September	7.1
October	7.0
November	7.0
	89.6

These derivatives were measured at their fair value of EUR +2,189 thousand and EUR 844 thousand at the reporting date, and are recognized under other current assets or other current liabilities.

The currency sensitivity analysis for the derivatives existing at the reporting date yielded the result that if the U.S. dollar exchange rate had been 10% higher, the fair value would have been lower by EUR 2,316 thousand, and if the U.S. dollar exchange rate had been 10% lower, the fair value would have been higher by EUR 4,696 thousand. Thus the equity (disregarding deferred taxes) would have been reduced by EUR 2,316 thousand if the U.S. dollar exchange rate had been 10% higher, and increased by EUR 4,696 thousand if the U.S. dollar exchange rate had been 10% lower.

Interest rate risks

The sensitivity analysis conducted for interest rate risks yields the effect of a change in market interest rates on interest income and interest expenses, on trading profits and trading losses and on equity. Interest rate risk comprises both a fair value risk for fixed-income financial instruments and a cash flow risk for variable-yield financial instruments.

No non-current financial assets or liabilities with variable or fixed interest rates existed at the reporting date.

Both fixed interest rates and variable interest rates have been stipulated for current financial assets and liabilities, insofar as they bear interest. Market interest rate risks of non-derivative financial instruments with fixed interest rates can have an effect on profit or loss only when they are measured at fair value. Accordingly, all financial instruments with fixed interest rates that are measured at amortized cost are not subject to interest rate risks according to the definition of IFRS 7. Market interest rate changes of primary financial instruments with variable interest have an effect on the cash flows of these financial instruments.

Since possible effects for the existing current assets and liabilities can be classified as immaterial due to the current low market interest rates and the short terms, no sensitivity analysis was performed.

Other price risks

For the purpose of presenting market risks, IFRS 7 also requires disclosures concerning the effects of hypothetical changes in risk variables on the prices of financial instruments. Stock market prices in particular represent a relevant risk variable. At the reporting date, however, the Gigaset Group did not hold shares in other exchange-listed companies that are not fully consolidated.

Classification

The reconciliation of the items presented in the statement of financial position with the classes and categories of IAS 39, along with the corresponding carrying amounts and fair values of financial instruments, are presented in the table below:

Carrying amounts, measurement methods and fair values by measurement category

EUR'000	Note	Measurement category per IAS 39	Carrying amount 2015	Fair value 2015
		Measurement method per IAS 39		
Assets				
Noncurrent assets				
Financial assets	20	AfS	18,386	n/a
Current assets				
Trade receivables	22	LaR	30,470	30,470
Other assets	23	LaR, Hedging	18,140	18,140
Cash and cash equivalents	25	LaR	40,963	40,963
Liabilities				
Non-current liabilities				
Financial liabilities	27	FL-AC	0	0
Current liabilities				
Current financial liabilities	27	FL-AC	426	426
Trade payables	31	FL-AC	45,783	45,783
Other liabilities	33	FL-AC, FL-HfT, Hedging	1,148	1,148
Thereof aggregated by measurement category according to IAS 39:				
Financial assets				
Loans and receivables (LaR)			87,384	87,384
Available-for-sale financial assets (AfS)			18,386	n/a
Derivatives (hedging)			2,189	2,189
Financial liabilities				
Measured at amortized cost (FL-AC)			46,513	46,513
Derivatives (hedging)			844	844
Financial liabilities held for trading (FL-HfT)			0	0

Measurement method per IAS 39			Hedge Accounting	
Amortized cost	Fair value recognized in equity	Fair value through profit and loss		EUR'000
				Assets
				Noncurrent assets
18,386	0	0	0	Financial assets
				Current assets
30,470	0	0	0	Trade receivables
15,951	0	0	2,189	Other assets
40,963	0	0	0	Cash and cash equivalents
				Liabilities
				Non-current liabilities
0	0	0	0	Financial liabilities
				Current liabilities
426	0	0	0	Current financial liabilities
45,783	0	0	0	Trade payables
304	0	0	844	Other liabilities
				Thereof aggregated by measurement category according to IAS 39:
				Financial assets
				Loans and receivables (LaR)
				Available-for-sale financial assets (AfS)
				Derivatives (hedging)
				Financial liabilities
				Measured at amortized cost (FL-AC)
				Derivatives (hedging)
				Financial liabilities held for trading (FL-HfT)

Carrying amounts, measurement methods and fair values by measurement category

	Note	Measurement method per IAS 39		
EUR'000		Measurement category per IAS 39	Carrying amount 2014	Fair value 2014
Assets				
Noncurrent assets				
Financial assets	20	AfS	0	0
Current assets				
Trade receivables	22	LaR	38,097	38,097
Other assets	23	LaR, Hedging	16,514	16,514
Cash and cash equivalents	25	LaR	50,484	50,484
Liabilities				
Non-current liabilities				
Financial liabilities	27	FL-AC	396	406
Current liabilities				
Current financial liabilities	27	FL-AC	66	66
Trade payables	31	FL-AC	62,649	62,649
Other liabilities	33	FL-AC, FL-HfT, Hedging	108	108
Thereof aggregated by measurement category according to IAS 39:				
Financial assets				
Loans and receivables (LaR)			105,095	105,095
Available-for-sale financial assets (AfS)			0	0
Derivatives (hedging)			0	0
Financial liabilities				
Measured at amortized cost (FL-AC)			63,111	63,121
Derivatives (hedging)			0	0
Financial liabilities held for trading (FL-HfT)			108	108

A statement of fair value is not required for current financial assets and liabilities pursuant to IFRS 7.29 as long as the carrying amount is a reasonable approximate value. Gigaset provides the fair values in the preceding summaries for completeness and better understanding by the readers of the annual financial statements, but does not carry out separate measurement of the fair values, since the carrying amounts are used as reasonable approximate values. Therefore, there is also no separate presentation of these items in the following table, which breaks down the determined fair values for the financial assets and liabilities according to hierarchy levels for fiscal 2015 as supplemental information.

Measurement method per IAS 39			Hedge Accounting	
Amortized cost	Fair value recog-nized in equity	Fair value through profit and loss		EUR'000
				Assets
				Noncurrent assets
0	0	0	0	Financial assets
				Current assets
38,097	0	0	0	Trade receivables
16,514	0	0	0	Other assets
50,484	0	0	0	Cash and cash equivalents
				Liabilities
				Non-current liabilities
396	0	0	0	Financial liabilities
				Current liabilities
66	0	0	0	Current financial liabilities
62,649	0	0	0	Trade payables
0	0	108	0	Other liabilities
				Thereof aggregated by measurement category according to IAS 39:
				Financial assets
				Loans and receivables (LaR)
				Available-for-sale financial assets (AfS)
				Derivatives (hedging)
				Financial liabilities
				Measured at amortized cost (FL-AC)
				Derivatives (hedging)
				Financial liabilities held for trading (FL-HfT)

2015		Hierarchy level		
EUR'000	1	2	3	Total
Financial assets				
Derivative financial instruments	0	2,189	0	2,189
Financial liabilities				
Financial liabilities	0	426	0	426
Derivative financial instruments	0	844	0	844

2014		Hierarchy level		
EUR'000	1	2	3	Total
Financial assets				
Derivative financial instruments	0	0	0	0
Financial liabilities				
Financial liabilities	0	406	0	406
Derivative financial instruments	0	108	0	108

In financial year 2015, the category of other assets included current derivative financial assets in the amount of EUR 2,189 thousand (PY: EUR 0 thousand). The other liabilities include current derivative liabilities in the amount of EUR 844 thousand (PY: EUR 108 thousand).

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 7, the calculation of these fair values is assigned to Level 2 of the measurement categories for the determination of fair values.

Liabilities under finance leases do not fall within the scope of IAS 39 and are therefore presented separately. As in the previous year, however, there were no liabilities under finance leases at the closing date. Therefore, there is also no separate presentation of these items.

The non-current financial assets include the valuation base for the investment in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category of available-for-sale financial assets. Since this company 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 represents the cost of the financial asset as defined in IAS 39.This value likewise represents the cost of purchase for the financial asset within the meaning of IAS 39. 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. Additional information on these circumstances can also be found in Notes 16 "Companies accounted for by the equity method" and 20 "Financial assets." There is no active market for these corporate bonds and a sale of the bonds is to be regarded as unlikely from a current perspective, since they represent a strategic investment.

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.

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 7, the calculation of these fair values is assigned to Level 2 of the measurement categories for the determination of fair values.

Net gains or losses under financial instruments

EUR'000	From interest	From subsequent measurement			From disposal	
2015		At fair value	Currency translation	Value adjustment		Net gain or loss
Financial assets						
Loans and receivables	-729	0	5,061	32	0	4,364
Financial liabilities						
Measured at amortized cost	-32	0	-2,578	0	1,117	-1,493
Derivative financial instruments						
Held for trading	0	1,010	0	0	0	1,010
2014						
Financial assets						
Loans and receivables	-596	0	627	1,340	0	1,371
Financial liabilities						
Measured at amortized cost	-1,183	0	-930	0	601	-1,512
Derivative financial instruments						
Held for trading	0	-69	0	0	0	-69

The interest from financial instruments is presented as part of other interest and similar income as well as interest and similar expenses (see Notes 9 and 10). In particular, this item includes interest income on loans extended, interest expenses for receivables from factoring and interest expenses for liabilities to banks and other financial liabilities. No interest income was generated in 2015 or 2014 on financial assets in which impairment losses had been recognized ("unwinding").

Profit-related effects from currency translation as well as from measurement of derivatives are presented under exchange rate gains or exchange rate losses in the income statement.

The other components of the net gain or loss are recognized as other income from the core business and expenses from the core business (see Notes 4 and 6).

Net gains or losses on loans and receivables include changes in impairments, gains or losses on currency translation, gains on disposal and payments recovered and reversals of earlier impairments in loans and receivables.

Net gains or losses on financial liabilities at amortized cost are composed of interest expenses, income and expenses from currency translation and income from the waiver of amounts owed to suppliers.

Net gains or losses on financial instruments held for trading included income and expenses from changes in market values in the amount of EUR 1,010 thousand (PY: EUR -69 thousand)

Capital management

Gigaset's business model provides for both consolidation in the area of home-based telecommunications solutions, further development of sensor-based intelligent home networking, and expansion of the business client area. The original goal of capital management is securing the survival of Gigaset as a going concern. Management of the Gigaset Group's capital structure is carried out at the parent company. On the Group level, capital management is monitored by means of a regular reporting process and is supported and optimized when necessary. Decisions on dividend payments or capital measures are made individually on the basis of the internal reporting system and in agreement with the Gigaset Group.

The managed capital encompasses all current and non-current liabilities, as well as equity components. Changes in the capital structure over the course of time and the associated change in the dependency on external lenders are measured with the aid of the gearing ratio. The gearing ratio is calculated at the reporting date, with due consideration given to book equity.

Change in the gearing ratio:

EUR'000	2015	2014
Non-current liabilities	90,825	87,363
Current liabilities	112,407	122,709
Liabilities	**203,232**	**210,072**
Equity	**17,856**	**41,159**
Gearing Ratio	11.4	5.1

D. NOTES TO THE INCOME STATEMENT

1. Revenues

The operating revenues of the Group in the amount of EUR 305,347 thousand (PY: EUR 326,078 thousand) result primarily from the sale of goods.

The total revenues break down as follows:

EUR'000	2015	2014
Trading revenues	5,094	12,389
Production revenues	300,253	313,689
Total	**305,347**	**326,078**

Trading revenues in 2015 relate primarily to revenues from tablets and smart phones. In the prior year, trading revenues related primarily to the sale of tablets.

For a breakdown of revenues by geographic regions, please refer to the notes on the segment report.

2. Purchased goods and services

EUR'000	2015	2014
Raw materials and supplies	-124,823	-123,251
Purchased goods	-27,442	-35,855
Purchased services	0	-19
Other	-4,524	-1,498
Total	**-156,789**	**-160,623**

The individual items of purchased goods derived exclusively from the Gigaset Group.

The other purchased goods and services consisted mainly of impairments on inventories and energy supply costs.

3. Other internal production capitalized

The internal production capitalized consisted of capitalized development costs and the recognition of internally generated intangible and tangible assets. All internal production capitalized continues to come from the Gigaset Group, as in the prior year.

4. Other income from the core business, additional other income and Exchange rate gains

EUR'000	2015	2014
Other income from core business	9,333	7,654
Additional other income	12,723	17,543
Exchange rate gains	16,240	10,137
Total	**38,296**	**35,334**

The other income from the core business breaks down as follows:

EUR'000	2015	2014
On-debiting	6,258	193
Disposal of non-current assets	380	189
Miscellaneous income from the core business	2,695	7,272
Total	**9,333**	**7,654**

The on-debiting relates to Gigaset Mobile Pte. Ltd., Singapore, in the amount of EUR 3,581 thousand, and to Gigaset Mobile Europe, Düsseldorf, in the amount of EUR 2,372 thousand.

Additional ordinary income can be broken down as follows:

EUR'000	2015	2014
Reversal of provisions	5,028	4,826
Income from recourse claims	3,500	0
Income from deconsolidation	2,701	8,292
Charge off of liabilities	1,117	2,081
Income the reversal of impairment losses	377	2,279
Miscellaneous additional ordinary income	0	65
Total	**12,723**	**17,543**

EUR 1,979 thousand of the deconsolidation gain results from the liquidation of IVMP AG, Baar/Switzerland, with EUR 721 thousand from the liquidation of Gigaset Communications Inc., Dallas/U.S.A. and EUR 1 thousand from the sale of Gigaset Communications Gigaset Mobile Europe GmbH, Germany. Please refer to Note 33, Sales of companies and other deconsolidations, for details on deconsolidations in the current year. Income from deconsolidations in the previous year amounts to EUR 8,292 thousand and results from the disposal of Gigaset Equipamentos de Comunicação Ltda, Sao Paulo/Brazil.

EUR 3,500 thousand in income from recourse claims relates to the former investment in Oxi Holding GmbH. This recourse claim is a result of the contractual arrangement to settle a long-running legal dispute.

Gains on exchange of EUR 16,240 thousand (prior year: EUR 10,137 thousand) comprise income from derivative financial instruments in the amount of EUR 2,556 thousand (prior year: EUR 39 thousand) and realized as well as unrealized foreign currency gains in the amount of EUR 13,684 thousand (prior year: EUR 10,098 thousand).

5. Personnel expenses before restructuring and Restructuring costs for personnel

EUR'000	2015	2014
Personnel expenses before restructuring	-94,413	-97,496
Restructuring costs for personnel	-19,540	-4,848
Total	**-113,953**	**-102,344**

Restructuring costs for personnel break down as follows:

EUR'000	2015	2014
Wages and salaries	-77,590	-81,681
Social security, pension and other benefit costs	-16,823	-15,815
Total	**-94,413**	**-97,496**

The largest single amounts in the item of Personnel expenses before restructuring derived from the following companies of the Group:

EUR'000	2015	2014
Gigaset Group	-87,494	-90,865
Holding company	-6,919	-6,631
Total	**-94,413**	**-97,496**

The wages and salaries contained compensation of EUR 0 thousand reducing expenses (PY: EUR 33 thousand) for share-based payments. This amount is derived from the development of the liabilities arising from the cash-settled share-based compensation of the Executive Board.

Personnel expenses from restructuring programs are recognized under Restructuring costs for personnel. Due to declining market trends, the Gigaset Group will fully reorient the cordless telephone segment for private customers in the coming three years. In this context, the Company plans to gradually reduce the number of employees worldwide by around 550 from currently 1,300 by the end of 2018, among other things. The negotiations with the employee representatives were successfully concluded in March 2016 and in light of this restructuring provisions for an employment and qualification company and for settlements were recognized in the amount of EUR 19,540 thousand. In the previous year, restructuring expenses were recognized in the amount of EUR -4,848 thousand.

6. Other expenses from the core business, additional other expenses and Exchange rate losses

EUR'000	2015	2014
Other expenses from the core business	-63,813	-76,828
Additional other income	-3,211	-5,747
Exchange rate losses	-12,451	-12,393
Total	**-79,475**	**-94,968**

The other expenses from the core business break down as follows:

EUR'000	2015	2014
Marketing and representation expenses	-21,777	-23,717
Administrative expenses	-12,212	-13,024
Outgoing freight/transport costs	-7,303	-7,758
Consulting expenses	-3,198	-5,223
Personnel leasing	-3,760	-3,210
Expenses for land/buildings (including rent)	-3,315	-3,197
Addition to warranty provisions	-1,033	-6,395
Maintenance of technical equipment, machinery and operational and office equipment	-1,446	-1,886
Patent and licensing fees	-991	-980
Other taxes	-484	-862
Write-offs on receivables and losses on receivables	-344	-939
Addition to provision for anticipated losses	-33	-1,170
Miscellaneous operating expenses from the core business	-7,917	-8,467
Total	**-63,813**	**-76,828**

The amount of other taxes in the prior year has declined from EUR -3,937 thousand to EUR -862 thousand, since the additions to the provisions for income taxes will be presented separately from now on under Additional ordinary expenses in the modified presentation of the income statement due to an external audit.

Additional ordinary expenses can be analyzed as follows:

EUR'000	2015	2014
Losses on deconsolidation	-1,834	-447
Consultancy costs with regard to restructuring	-1,143	-725
legal and consulting fees	-234	-1,500
Sales tax provision for external audit	0	-3,075
Total	**-3,211**	**-5,747**

The deconsolidation loss derives from the sale of Gigaset Communications Argentina S.R.L., Buenos Aires In the amount of EUR 1.152 Thousand and the effect in the amount of 682 Thousand related to Gigaset Mobile Pte., Singapore. The entity is still included in the consolidated financial statements but no longer according to the equity method. Please see Note 33, Sales of companies and other deconsolidations, for details on deconsolidations in the current year. The deconsolidation loss in the prior year derived primarily from the entry of Goldin Fund Pte. Ltd., Singapore, and the majority ratios that are therefore changed in Gigaset Mobile Pte. Ltd., Singapore, and the sale of AT Operations 1 GmbH, Austria, and AT Operations 2 GmbH, Austria.

The expenses for consulting fees with regard to restructuring accrued at Gigaset AG and Gigaset Communications GmbH and relate to costs in connection with the restructuring and reorientation of the Group at EUR -1,143 thousand (PY: EUR -725 thousand) and the costs for lawsuits arising from the business model as a financial investor under Arques Industries AG at EUR -234 thousand (PY: EUR -1,500 thousand).

The expenses for the sales tax provision result from ongoing external audits of Gigaset AG and Gigaset Communications GmbH.

The exchange rate losses of EUR -12,451 thousand (PY: EUR -12,393 thousand) comprise expenses from derivative financial instruments of EUR -1,546 thousand (PY: EUR -108 thousand) and realized as well as unrealized foreign currency losses of EUR -10,905 thousand (PY: EUR -12,285 thousand).

7. Scheduled depreciation and Impairments

EUR'000	2015	2014
Scheduled depreciation	-20,601	-24,962
Impairments	0	-3,035
Total	**-20,601**	**27,997**

In financial year 2015, no impairment losses were recognized. In the prior year, impairment losses were recognized in the Gigaset Group in the amount of EUR 3,035 thousand. The depreciation and amortization related in the full amount to the accrued expenses for implementation of new software previously recognized under advance payments, which, however, ultimately were not used.

8. Additional ordinary result

In order to increase transparency, Gigaset shows the item additional ordinary result separately from net operating income before depreciation and amortization. The goal is to provide the users of the financial statements with information that is relevant for making decisions. This is to be achieved by separately presenting profit and loss items that are not necessarily related to the core business in their nature or timing, thereby providing additional information for the users of the annual financial statements. For example, all expenses and income resulting from legal disputes are recognized in the additional ordinary result. The expenses and income from tax-related risks are also recognized under this line item to the extent that they do not relate to taxes on income. Furthermore, income is recognized if it results from the fact that parameters were estimated in prior periods or that there were uncertainties with respect to the amounts or timing of cash outflows and which emerged over time in the form of estimation errors. In addition, expenses and income unrelated to the accounting period, but related to changes in plant operations or restructuring programs, are recognized in the additional ordinary result. In addition, effects from changes in the basis of consolidation and effects from changes in exchange rates are presented in profit or loss to the extent that they are not included in hedging relationships.

9. Other interest and similar income

Other interest and similar income in the amount of EUR 207 thousand (PY: EUR 183 thousand) consisted mainly of interest on loans extended, current account balances and term deposits, which are assigned to the category of loans and receivables.

All interest income resulting from financial assets and financial liabilities was calculated by application of the effective interest method.

10. Interest and similar expenses

Interest and similar expenses in 2015 primarily comprised interest expenses for income taxes remaining to be paid in the amount of EUR -2.641 thousand (PY: EUR -400 thousand) and the interest expenses for factoring in the amount of EUR -681 thousand (PY: EUR -730 thousand). The interest expenses from factoring reduce the net result of the loans and receivables category. In the prior year, an additional material portion of the interest expenses related to interest payments to financial institutions for loans received, which were completely repaid in 2014.

The interest expense arising from the compounding of provisions amounted to EUR -38 thousand (PY: EUR -114 thousand).

All interest expenses resulting from financial assets and financial liabilities were calculated by application of the effective interest method.

11. Income taxes

The income tax expense in the amount of EUR -2.468 thousand (PY: EUR -3,833 thousand) break down as follows:

EUR'000	2015	2014
Current tax expenses/income	-7,499	-4,848
Deferred tax expenses (-)/income (+)	5,031	1,015
Total income tax expenses (-)/income (+)	**-2,468**	**-3,833**

The following reconciliation statement shows the differences between actual income tax expenses and expected income tax expenses. The expected income tax expenses are calculated as the product of the profit before taxes multiplied by the expected income tax rate. The total expected income tax rate, which is composed of the German corporate income tax, the solidarity surtax and local trade tax, came to 33.0% (PY: 33.0%).

EUR'000	2015	2014
Profit/loss before income taxes	-19,541	-12,790
expected income tax rate	33.00%,	33.0%
expected income tax expenses (-)/income (+)	6,428	4,221
Tax rate changes	-246	2
Tax rate differences	-158	261
Tax-exempt income	-333	66
Non-deductible expenses	-411	-5,834
Change in valuation allowance for deferred tax assets and unrecognized deferred tax assets in respect of tax loss carry-forwards	-1,288	-6,336
Current taxes for different periods	-6,617	-2,635
Tax credits	0	-35
Other effects	157	6,457
Income tax expenses (-) / income (+) recognized in the income statement	**-2,468**	**-3,833**
Effective tax rate	-12.6%	-30.0%

12. Earnings per common share

The basic and diluted earnings per share amounted to EUR -0.17 in financial year 2015 (PY: EUR 0.15), as per the following calculation:

EUR'000	2015	2014
PROFIT/LOSS		
Basis for the basic earnings per share (share of period profit or loss attributable to shareholders of the parent company)	-22,009	-16,623
Effect of potentially diluting common shares: Stock options	0	0
Basis for the diluted earnings per share	-22,009	-16,623
NUMBER OF SHARES		
Weighted average common shares for the basic earnings per share	132,455,896	113,149,830
Effect of potentially diluting common shares: Stock options	0	0
Weighted average common shares for the diluted earnings per share	132,455,896	113,149,830
Basic earnings per share (in EUR)	-0.17	-0.15
Diluted earnings per share (in EUR)	-0.17	-0.15

There were no diluting effects in the current financial year, so that the undiluted earnings per share corresponds to the diluted earnings per share.

13. Dividend proposal

No dividend was distributed to shareholders in 2015 for financial year 2014.

The 2015 financial year net loss calculated in accordance with the German Commercial Code (GCC) amounted to EUR -40,698 thousand. The Executive Board and the Supervisory Board will propose to the Annual Shareholders' Meeting that the Company add the financial year net loss of Gigaset AG of EUR -56,145 thousand from 2014 and carry forward the remaining net loss for the year of EUR -96.843 thousand to new account.

E. NOTES TO THE STATEMENT OF FINANCIAL POSITION

14. Intangible assets

EUR'000	Franchises, intellectual property rights, and similar rights and licenses	Other intangible assets	Advance payments	Total
Acquisition cost at 1/1/2015	25,537	91,788	3,035	120,360
Foreign currency translation	1	0	0	1
Additions	36	10,177	0	10,213
Disposals	-13	0	0	-13
Transfers	0	0	0	0
Balance at 12/31/2015	**25,561**	**101,965**	**3,035**	**130,561**
Amortization at 1/1/2015	-12,654	-67,186	-3,035	-82,875
Additions	-1,432	-10,953	0	-12,385
Disposals	13	0	0	13
Transfers	-1	0	0	-1
Balance at 12/31/2015	**-14,074**	**-78,139**	**-3,035**	**-95,248**
Net carrying amount at 12/31/2014	12,883	24,602	0	37,485
Net carrying amount at 12/31/2015	11,487	23,826	0	35,313
Acquisition cost at 1/1/2014	25,814	82,691	3,035	111,540
Foreign currency translation	-1	0	0	-1
Additions	5	9,097	0	9,102
Disposals	-280	0	0	-280
Transfers	-1	0	0	-1
Balance at 12/31/2014	**25,537**	**91,788**	**3,035**	**120,360**
Amortization at 1/1/2014	-11,207	-54,863	0	-66,070
Additions	-1,728	-12,323	0	-14,051
Impairments (IAS 36)	0	0	-3,035	-3,035
Disposals	280	0	0	280
Transfers	1	0	0	1
Balance at 12/31/2014	**-12,654**	**-67,186**	**-3,035**	**-82,875**
Net carrying amount at 12/31/2013	14,607	27,828	3,035	45,470
Net carrying amount at 12/31/2014	12,883	24,602	0	37,485

The item of franchises, intellectual property rights and similar rights was composed as follows:

EUR'000	12/31/2015	12/31/2014
Brand names	8,399	8,399
Patents	2,943	4,013
Franchises	145	471
Total	**11,487**	**12,883**

The brand names acquired in connection with business combinations were capitalized on the books of the respective acquiring companies, provided that a future benefit for the Company was ascribed to the brand. In making the determination of useful life, an indefinite useful life was assumed for these brands on the basis of past experience data and the estimations of the management regarding the future development of these brands. The factors considered in making this determination included the anticipated usage of the brand, typical product life cycles, possible commercial obsolescence, competition, the industry environment, the level of brand maintenance expenditures, legal or similar usage restrictions and the influence of the Company's other assets on the useful life of the brand in question.

At the reporting date, the brand name Gigaset was presented in the amount of EUR 8,399 thousand (PY: EUR 8,399 thousand). The brand name "Gigaset" is ascribed to the operating Gigaset Group, as the smallest cash-generating unit. The brand name was subjected to an impairment test at December 31, 2015 on the basis of the fair value less costs to sell. The calculation was conducted on the basis of a four-year cash flow plan. The planning was prepared using the established planning process and is based both on historical information and on estimates regarding future developments. It is not possible to reconcile it with external information. For the planning period, EBIT margins from operations were calculated as being between 1.2% and 8.9% per annum. Appropriate growth rates were applied for the period beyond the detailed planning period. The applied discount factor after taxes was 8.2% per annum (PY: 10.2% per annum).The discount rate was calculated based on current market data using a risk surcharge based on Gigaset's peer group. Based on the detailed business plan, the growth discount was set at 0,5% (PY: 1.0%). Based on this calculation, there was no need to recognize an impairment loss. The calculations showed that realistically assumable changes in the underlying assumptions would not lead to any impairment loss.

The patents presented in the statement of financial position protect certain production processes of the Gigaset Group. They are amortized on a straight-line basis over an average useful life of about 10 years.

The franchises in the amount of EUR 145 thousand (PY: EUR 471 thousand) mainly consisted of software licenses held in the Gigaset Group.

Capitalized development expenses are presented within the item of other intangible assets in the amount of EUR 23,826 thousand (PY: EUR 24,602 thousand). They were allocated exclusively to Gigaset Communications GmbH. The development activities of the Gigaset Group represent capitalized product developments. Research and development expenses of EUR 14,671 thousand (PY: EUR 20,282 thousand) were recognized as expenses in financial year 2015, primarily at Gigaset Communications GmbH.

No capitalized goodwill existed at the reporting date.

No impairment losses were recognized on intangible assets in financial year 2015. In the prior year, on the other hand, impairment losses were recognized in the amount of EUR -3,035 thousand pursuant to IAS 36. The depreciation and amortization related in the full amount to the accrued expenses for implementation of new software recognized under advance payments, which however, will probably not be able to be used.

In addition, borrowing costs of EUR 128 thousand (PY: EUR 372 thousand) were capitalized in the reporting year. The underlying interest rate is 3.06% (PY: 3.06%).

15. Property, plant and equipment

EUR'000	Land, leasehold rights	Buildings, including buildings on non-owned land (excluding finance leases)	Technical equipment, plant and machinery (excluding finance leases)	Other equipment, operational and office equipment (excluding finance leases)	Advance payments and con-struction in progress	Total
Acquisition cost at 1/1/2015	**4,025**	**20,592**	**4,986**	**67,599**	**414**	**97,616**
Companies removed from consolidation group	0	0	0	-4	0	-4
Foreign currency translation	0	14	0	6	0	20
Additions	0	0	157	3,672	612	4,441
Disposals	0	-179	-4,694	-12,174	0	-17,047
Transfers	0	0	0	335	-335	0
Balance at 12/31/2015	**4,025**	**20,427**	**449**	**59,434**	**691**	**85,026**
Amortization at 1/1/2015	0	-8,105	-2,673	-53,153	0	-63,931
Companies removed from consolidation group	0	0	0	4	0	4
Foreign currency translation	0	-13	0	-4	0	-17
Additions	0	-1,153	-539	-6,524	0	-8,216
Disposals	0	179	4,690	12,171	0	17,040
Transfers	0	-1	0	1	0	0
Balance at 12/31/2015	**0**	**-9,093**	**1,478**	**-47,505**	**0**	**-55,120**
Net carrying amount at 12/31/2014	**4,025**	**12,487**	**2,313**	**14,446**	**414**	**33,685**
Net carrying amount at 12/31/2015	**4,025**	**11,334**	**1,927**	**11,929**	**691**	**29,906**
Acquisition cost at 1/1/2014	**4,025**	**20,576**	**4,769**	**63,354**	**48**	**92,772**
Foreign currency translation	0	16	-2	-28	0	-14
Additions	0	0	219	4,433	366	5,018
Disposals	0	0	0	-160	0	-160
Balance at 12/31/2014	**4,025**	**20,592**	**4,986**	**67,599**	**414**	**97,616**
Amortization at 1/1/2014	**0**	**-6,926**	**-2,049**	**-44,161**	**0**	**-53,136**
Foreign currency translation	0	-16	-1	25	0	8
Additions	0	-1,163	-623	-9,126	0	-10,912
Disposals	0	0	0	115	0	115
Transfers	0	0	0	-6	0	-6
Balance at 12/31/2014	**0**	**-8,105**	**-2,673**	**-53,153**	**0**	**-63,931**
Net carrying amount at 12/31/2013	**4,025**	**13,650**	**2,720**	**19,193**	**48**	**39,636**
Net carrying amount at 12/31/2014	**4,025**	**12,487**	**2,313**	**14,446**	**414**	**33,685**

At the reporting date, as in the previous year, the property, plant and equipment did not include leased assets for which the Group was considered to be the beneficial owner by virtue of the underlying lease agreements.

No impairment losses were recognized on property, plant and equipment in 2015. For additional information on impairment losses, please refer to our comments in the section entitled "Impairment losses."

During the year, no borrowing costs were capitalized as property, plant and equipment as well as in the previous year.

16. Investments accounted for by 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 the shareholdings were further diluted. Therefore, the economic share of equity was only 12.35% at the time of conversion, 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.

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 Additional other expenses among the losses of deconsolidation.

This company was accounted for in the consolidated financial statements by the equity method in the prior year since January 16, 2014. Inclusion of the attributable earnings components according to the equity method is carried out for the consolidated financial statements of Gigaset AG using a share of 32.43% with a voting rights ratio of 37.50%, taking potential voting rights into account. Financial assets measured using the equity method showed the following development in the past financial year:

EUR'000	2015	2014
Balance at January 1	21,251	0
Addition	0	18,053
Attributable comprehensive income based on the equity method	0	3,198
Disposal	-21,251	0
Balance at December 31	**0**	**21,251**

In the current financial year, accounting using the equity method was terminated. At the date of termination, the share of Gigaset Mobile Pte. Ltd., Singapore, was accounted for using a value of EUR 18,386 thousand. In the context of termination of the equity method, the values previously recognized in Other comprehensive income in the amount of EUR 2,183 thousand were eliminated and the remaining difference was expensed at fair value in the amount of EUR 682 thousand in the item "Zusätzliche ordentliche Aufwendungen unter den Entkonsolidierungsverlusten."

The comprehensive income of Gigaset Mobile Pte. Ltd., Singapore, in the prior year amounted to EUR 3,198 thousand, of which EUR 1,015 thousand related to the operating results (recognized in the item "Income from investments accounted for using the equity method") and EUR 2,183 thousand relates to other comprehensive income (recognized in the item "Changes not recognized in the income statement in companies included according to the equity method").

The financial information of Gigaset Mobile Pte. Ltd., Singapore, and its subsidiaries showed the following development for the prior reporting period or at the prior reporting date based on the foreign currency translation rates used in the consolidated financial statements for the functional currency of the Company (values shown based on 100% and not on the proportional share):

EUR'000	12/31/2014
Current assets	364,291
Thereof cash and cash equivalents	16,969
Non-current assets	288
Current liabilities	306,554
Thereof financial liabilities (excluding trade payables, other obligations, and provisions)	72,928
Non-current liabilities	0

EUR'000	01/01 - 12/31/2014
Revenues	593,112
Depreciation	17
Interest income	62
Interest expense	-44
Income tax expenses	-938
Profit from continuing operations	3,129
Other comprehensive income	6,732
Total comprehensive income and expenses	**9,861**

In the reporting period as in the prior year, no dividends were distributed by Gigaset Mobile Pte. Ltd. to the shareholders. There were also no discontinued operations.

The reconciliation of the net asset values to the carrying amount shown in the statement of financial position for the prior year is as follows:

EUR'000	2014
Net assets at consolidation date	18,164
Capital increase	30,000
Profit from continued operations	3,129
Other comprehensive income	6,732
Net assets as of 12/31	58,025
Share in share capital	18,000
Share in accumulated other comprehensive income	3,251
Carrying amount	**21,251**

17. Financial assets

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, the shareholdings were further diluted. Therefore, the economic share of equity was only 12.35% at the time of conversion, 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., Singapore, 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 represents the cost of purchase for the financial asset within the meaning of IAS 39.

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.

18. Inventories

The inventories break down as follows:

EUR'000	12/31/2015	12/31/2014
Finished goods, trading stock and finished services	13,831	18,587
Semi-finished goods and services in progress	2,183	1,917
Raw materials, consumables and supplies	8,172	7,401
Advance payments	113	253
Total	**24,299**	**28,158**

Inventories are measured at the lower of acquisition or production cost and the net realizable value less costs to sell at the reporting date. The valuation allowances comprised within purchased goods and services amounted to EUR 4,966 thousand at the reporting date (PY: EUR 3,389 thousand). The valuation allowances were mainly charged to account for slow-moving inventories and insufficient salability.

The amounts presented under inventories derived exclusively from Gigaset Communications GmbH and its subsidiaries.

Inventories in the amount of EUR 1,751 thousand have been pledged as security for financial liabilities (PY: EUR 2,874 thousand). A detailed presentation of security can be found in the notes on financial instruments in the section entitled "Liquidity risk."

19. Trade receivables

EUR'000	12/31/2015	12/31/2014
Receivables before valuation allowances	31,223	38,614
Allowances	-753	-517
Carrying amount of receivables	**30,470**	**38,097**

The valuation allowances charged against trade payables showed the following development:

EUR'000	2015	2014
01/01	517	2,303
Charge	344	106
Utilization	92	156
Release	-187	-2,017
Changes in consolidation group	-13	-31
12/31	**753**	**517**

No interest income was collected in the reporting period on trade payables against which valuation allowances had been charged.

Some companies of the Gigaset Group assigned a portion of their trade receivables to a financing company. The maximum volume of factoring agreements concluded at the reporting date was EUR 42,447 thousand (PY: EUR 46,141 thousand). Receivables in the amount of EUR 42,447 thousand (PY: EUR 46,141 thousand) were sold. As part of the sale it comes to disposal of the trade receivables. Based on the contractual formulation of some factoring agreements, it can neither be assumed that the corresponding receivables were completely transferred, nor that the risks and rewards of the receivables remained completely with the Company. In accordance with IAS 39, therefore, the companies recognized a so-called "continuing involvement" of EUR 197 thousand (PY: EUR 230 thousand), which was composed of the remaining interest rate risk in the amount of EUR 197 thousand (PY: EUR 230 thousand). The expenses in connection with factoring amounted to EUR 1,031 thousand in the financial year (PY: EUR 994 thousand), which includes the factoring fees as well as interest expenses for factoring. There were no cash inflows to the factoring company from the purchase price retentions in connection with the factoring, either in the current year or in the prior year.

In addition, the trade payables also comprised receivables due from the respective factor in connection with the purchase price retentions in the amount of EUR 10,033 thousand (PY: EUR 5,727 thousand).

The age structure of trade receivables at December 31, 2015 is presented in the table below:

EUR'000	2015	2014
Buchwert	30.470	38.097
Davon: zum Abschlussstichtag weder wertgemindert noch überfällig	19.354	31.770
Davon: zum Abschlussstichtag wertgemindert	612	265
Davon: zum Abschlussstichtag nicht wertgemindert und in den folgenden Zeitbändern überfällig	10.504	6.062
Bis 90 Tage überfällig	8.819	5.289
90 Tage bis 180 Tage überfällig	387	550
180 Tage bis 1 Jahr überfällig	714	190
Mehr als 1 Jahr überfällig	584	33

Of the total trade receivables presented in the statement of financial position, an amount of EUR 0 thousand (PY: EUR 5,028 thousand) has been pledged as security for financial liabilities. A detailed presentation of security can be found in the notes on financial instruments in the section entitled "Liquidity risk."

With regard to the receivables that were neither impaired nor past due, there were no indications that payments will not be made when due.

The Gigaset Group received trade credit insurance, letters of credit and other credit improvements in the amount of EUR 15,729 thousand (PY: EUR 21,902 thousand) as security for trade receivables and outstanding invoices in financial year 2015.

The constituent items within trade receivables were allocated primarily to the Gigaset group.

By reason of the international activity of the Gigaset Group, the following receivables denominated in foreign currencies were converted to the Group currency (EUR) at December 31, 2015:

	12/31/2015		12/31/2014	
Foreign currency	EUR'000	%	EUR'000	%
TRL (Turkish lira)	2,421	33.9	2,359	17.5
RUB (Russian rubles)	2,201	30.8	1,865	13.9
GBP (British pounds)	945	13.3	4,147	30.8
USD (U.S. dollars)	389	5.5	2,397	17.8
CNY (Chinese renminbi yuan)	341	4.8	1,480	11.0
SEK (Swedish krona)	338	4.7	279	2.1
PLN (Polish zloty)	326	4.6	567	4.2
Other	168	2.4	357	2.7
Total	**7,129**	**100.0**	**13,451**	**100.0**

20. Other assets

The following amounts were comprised within the item of other assets:

EUR'000	12/31/2015	12/31/2014
Receivables from factoring	10,149	10,034
Tax receivables	4,413	6,352
Recourse receivable	3,500	0
Derivatives	2,189	0
Debit balances in vendor accounts	916	163
Security deposits	784	2,063
Other receivables from related companies	1,357	0
Accruals and deferrals	446	329
Receivables from affiliated companies	0	3,114
Receivables from insurance	0	1,010
Receivables from pension liability insurance	0	551
Current loans	0	20
Other assets	3,837	3,693
Total	**27,591**	**27,329**

The receivables from factoring in 2015 consisted mainly of the outstanding portion of the purchase price receivable still owed to the Gigaset Group, in the amount of EUR 10,149 thousand (PY: EUR 10,034 thousand).

The tax receivables do not include income tax receivables because those are presented separately. The tax receivables presented in this item were mainly composed of sales tax refund claims in the amount of EUR 4,302 thousand (PY: EUR 6,116 thousand) most of which were attributable, in turn, to Gigaset Communications GmbH and its subsidiaries, in the amount of EUR 3,307 thousand (PY: EUR 5,957 thousand).

The recourse receivable relates to a former investment by the Group of EUR 3,500 thousand (PY: EUR 0 thousand).

The other receivables from related companies relate to other receivables from Gigaset Mobile Pte. Ltd., Singapore, and its subsidiaries. In the prior year, the other receivables from Gigaset Mobile Pte. Ltd., Singapore, and its subsidiaries were disclosed under other receivables from related companies. Please see the discussion in Notes 16, Investments accounted for using the equity method, and 17, Financial assets, regarding the changed accounting for Gigaset Mobile Pte. Ltd.

21. Current tax assets

This item in the amount of EUR 799 thousand (PY: EUR 1,174 thousand) was composed exclusively of current income tax assets, including an amount of EUR 614 thousand (PY: EUR 1,098) attributable to the Gigaset Group.

22. Cash and cash equivalents

This item comprises cash on hand, cash in banks for deposits that are due in less than three months, and financial instruments with an original term to maturity of less than three months. Of the total amount presented herein, an amount of EUR 5,472 thousand (PY: EUR 4,966 thousand) has been pledged as security for credit facilities and for currency hedging transactions (restricted cash).

EUR'000	12/31/2015	12/31/2014
Cash on hand, cash in banks and checks	35,491	45,518
Restricted cash	5,472	4,966
Total	**40,963**	**50,484**

23. Equity

Subscribed capital

The Company's share capital totals EUR 122,979,286.00 (PY: EUR 121,498,092.00) and is divided into 122,979,286 (PY: 121,498,092) no par value shares. It has thus increased by EUR 1,481,194.00 compared to the prior year. The increase results on the one hand from the conversion of the convertible bond issued in 2013 in the amount of EUR 1,480,927.00 into a corresponding number of no par value shares, as well as from conversions of the convertible bond issued in 2014 in the amount of EUR 267.00 into a corresponding number of no par value shares. The shares are bearer shares. Thus, every no-par share represents EUR 1.00 of the Company's share capital.

The subscribed capital in accordance with IFRS regulations was EUR 132,455,896.00 at the reporting date (PY: EUR 132,455,896.00), and is thus EUR 9,476,610.00 (PY: EUR 10,957,804.00) higher than the share capital disclosed in accordance with the regulations of commercial law. This merely factors in the debentures that were already converted at the reporting date.

Due to IFRS regulations, the number of shares (9,476,877) to be issued in conjunction with the 2014 mandatory convertible bond were required to be recognized in Gigaset's equity already at the time the mandatory convertible bond was issued, additionally compared to the regulations of commercial law. Supplementally, the costs of issuing the convertible bond had to be offset against the capital reserves, and a portion of the convertible bond had to be recognized as a financial liability pursuant to IFRS regulations. Due to these IFRS provisions, the Subscribed Capital carried in the consolidated financial statements at 12/31/2015 amounts to EUR 132,455,896.00 (PY: 132,455,896.00). The difference of EUR 9,476,610.00 (PY: EUR 10,957,804.00) relates entirely to the mandatory convertible bonds not yet converted from 2014 or in the prior year mandatory convertible bonds from 2013 (1,480,927 bonds) and 2014 (9,476,877 bonds). The mandatory convertible bonds converted from 2013 were serviced from the Contingent Capital 2012, while the converted or still to be converted mandatory convertible bonds from 2014 were or are serviced from the Contingent Capital 2013.

At the reporting date of December 31, 2015, no treasury shares were held, as also at December 31, 2014. By resolution of the Annual Shareholders' Meeting of June 12, 2012, the Company was authorized to acquire up to 10% of the existing capital stock itself. This authorization is valid until June 11, 2017.

Additional paid-in capital

The capital reserve at December 31, 2015, amounts to EUR 86,076 thousand and has thus not changed compared to the capital reserve disclosed in the prior year.

Retained earnings

Retained earnings are unchanged compared to the prior-year reporting data at EUR 68,979 thousand.

Authorized Capital / Contingent Capital

Authorized Capital 2014

The Annual Shareholders' Meeting of August 12, 2014, resolved to create new authorized capital (Authorized Capital 2014). Pursuant to the amended Article 4 (6) of the Articles of Incorporation, the Executive Board is thus authorized to increase the Company's capital stock by issuing new shares in the period through August 11, 2019, with the consent of the Supervisory Board, by a total of up to EUR 22,000,000.00, all at once or in partial amounts, through the issuance of new bearer shares that participate in profits starting at the beginning of the year of issue, against cash or in-kind capital contributions (Authorized Capital 2014). The existing shareholders are fundamentally entitled to a subscription right, but it can be excluded under certain circumstances. The new shares can also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (Indirect Subscription Right). The Executive Board was authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Supervisory Board was further authorized to amend the wording of the Articles of Incorporation in accordance with the specific scope of the capital increase from the Authorized Capital 2014. At December 31, 2015, the Authorized Capital 2014 remained unchanged at EUR 22,000,000.00.

Contingent Capital 2011

The Annual Shareholders' Meeting of June 10, 2011, resolved to annul the Contingent Capital 2008/I and create a new Contingent Capital (Contingent Capital 2011), by means of which the Company's share capital can be increased by up to EUR 1,300,000.00. However, the Contingent Capital serves the exclusive purpose of granting subscription rights ("stock options") to members of the Company's Executive Board and selected employees of the Company or its affiliated companies. The Executive Board is authorized, with the consent of the Supervisory Board, to grant stock options to beneficiaries in connection with the stock option plan in the time until December 31, 2014. The authority of the articles of incorporation relating to the Contingent Capital 2011 was not utilized to date. It became ineffective on 12/31/2014 by passage of time.

Contingent Capital 2012

The Annual Shareholders' Meeting resolved on June 12, 2012, that the Company is authorized, with the consent of the Supervisory Board, to issue warrant-linked and/or convertible bonds once or multiple times, with or without term limits, with a total nominal amount of up to EUR 250,000,000.00 ("bonds") or to grant the holders or creditors of bonds option and/or conversion rights to a total of up to 23,500,000 bearer no-par-value shares of the Company with a proportional share of the capital stock of up to EUR 23,500,000.00 after further specification of the terms and conditions of the individual bonds. The shareholders are fundamentally entitled to a subscription right. However, it can be excluded under certain circumstances. The new shares can also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (Indirect Subscription Right). The Executive Board was authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Annual Shareholders' Meeting of June 12, 2012, likewise resolved to annul the Contingent Capital 2009 and create a new Contingent Capital (Contingent Capital 2012), by means of which the Company's share capital can be increased by up to EUR 23,500,000.00. This contingent capital is intended to be used to grant shares to the holder or creditor of warrant-linked and/or convertible bonds that are issued by the Company. The Management

Board is authorized, with the consent of the Supervisory Board, to determine the other details for carrying out the conditional capital increase. Gigaset used the authority to issue convertible bonds in 2013. A convertible bond was issued in October 2013 with a nominal volume of EUR 23,340,289.00. The convertible bonds with a nominal value of EUR 1.00 must be converted into shares of Gigaset AG no later than the end of the term. The necessary shares were or will be issued from the Contingent Capital 2012 for future conversions. Of the convertible bond from 2013, no units were still outstanding at December 31, 2015, due to the conversion of 1,480,927 shares in 2015, so that the total amount of the Contingent Capital 2012 amounted to EUR 159,711.00 at the closing key date.

Contingent Capital 2013

The Annual Shareholders' Meeting resolved on December 19, 2013, that the Company is authorized, with the consent of the Supervisory Board, to issue warrant-linked and/or convertible bonds once or multiple times until December 18, 2018, with or without term limits, with a total nominal amount of up to EUR 150,000,000.00 ("bonds") or to grant the holders or creditors of bonds option and/or conversion rights to a total of up to 9,500,000 bearer no-par-value shares of the Company with a proportional share of the capital stock of up to EUR 9,500,000.00 after further specification of the terms and conditions of the individual bonds. The shareholders are fundamentally entitled to a subscription right. However, it can be excluded under certain circumstances. The new shares can also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (Indirect Subscription Right). The Executive Board was authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Annual Shareholders' Meeting of December 19, 2013, likewise resolved to create a new Contingent Capital (Contingent Capital 2013), by means of which the Company's share capital can be increased by up to EUR 9,500,000.00. This contingent capital is intended to be used to grant shares to the holder or creditor of warrant-linked and/or convertible bonds that are issued by the Company. The Management Board is authorized, with the consent of the Supervisory Board, to determine the other details for carrying out the conditional capital increase.

Gigaset used the authority to issue convertible bonds in 2014. A convertible bond was issued in June 2014 with a nominal volume of EUR 9,476,877.00. The convertible bonds with a nominal value of EUR 1.00 must be converted into shares of Gigaset AG no later than the end of the term. The necessary shares were or will be issued from the Contingent Capital 2013 for future conversions. Of the convertible bond from 2014, 9,476,610 units were still outstanding for conversion at December 31, 2015, so that the total amount of the Contingent Capital 2013 amounted to EUR 9,499,733.00 at the closing key date.

Contingent Capital 2014

The Annual Shareholders' Meeting resolved on August 12, 2014, that the Company is authorized, with the consent of the Supervisory Board, to issue warrant-linked and/or convertible bonds once or multiple times until August 11, 2019, with or without term limits, with a total nominal amount of up to EUR 150,000,000.00 ("bonds") or to grant the holders or creditors of bonds option and/or conversion rights to a total of up to 35,000,000 bearer no-par-value shares of the Company with a proportional share of the capital stock of up to EUR 35,000,000.00 after further specification of the terms and conditions of the individual bonds. The shareholders are fundamentally entitled to a subscription right. However, it can be excluded under certain circumstances. The new shares can also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (Indirect Subscription Right). The Executive Board was authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Annual Shareholders' Meeting of August 12, 2014, likewise resolved to create a new Contingent Capital (Contingent Capital 2014), by means of which the Company's share capital can be increased by up to EUR 35,000,000.00. This contingent capital is intended to be used to grant shares to the holder or creditor of warrant-linked and/or convertible bonds that are issued by the Company. The Management Board is authorized, with the consent of the Supervisory Board, to determine the other details for carrying out the conditional capital increase. At December 31, 2015, the Contingent Capital 2014 remained unchanged at EUR 22,000,000.00.

Stock options

Gigaset AG introduced a stock option plan in financial year 2005. Because it expired, it was replaced with a new stock option program in 2008. By reason of the changes made to the business model, the stock option plan authorized in 2008 was replaced with a new stock option program in 2011. The new stock option plan does not entail any changes to existing stock option contracts. The Company has the right to settle the options by issuing shares from the Contingent Capital 2011 created for this purpose, by repurchasing treasury shares, or by cash settlement. The settlement type must be selected by the Supervisory Board or the Executive Board in the interests of the shareholders and the Company. In general, however, the Company plans to service the claims arising from the Stock Option Plan 2011 by issuing shares from the Contingent Capital 2011 created for that purpose. No stock options were issued under this stock option plan in 2015, as in the previous year, and no further stock options were outstanding at the reporting date. Due to expiration of the time limitation, a new decision must be made in the context of the next Annual Shareholders' Meeting regarding the Contingent Capital 2011 and consequently on the design of a possible stock option plan.

Cash-settled options were issued in the context of Executive Board agreements. There were no longer any options outstanding at the reporting date. At 12/31/2014, there were still cash-settled options outstanding totaling 110,000 shares of Gigaset AG in 1 tranche. Unlike standard stock options, the subscription rights under this stock option plan or Executive Board agreements were not linked to fixed exercise prices, as a general rule. On any one of up to three delivery dates, the beneficiary could request delivery of a certain number of common shares of Gigaset AG or the payment of the vested claim. The number of shares or the vested claim to be delivered or paid on a given delivery date was determined on the basis of the performance of the Gigaset share since the start date (calculation for the first tranche) or on the final valuation date (i.e., the final exercise date). If the share price decreases during that time, no shares will be delivered and no payments are made. As a general rule, the stock options expired if the employee left the Group before the stock options became vested.

There were no longer any stock options outstanding at the reporting date. At 12/31/2014, 110,000 stock options (all cash settled) were outstanding, of which 110,000 could not yet be exercised. At 12/31/2014, the average weighted exercise price of the outstanding stock options was EUR 0.97. The stock options were measured by means of a Monte-Carlo simulation. For this purpose, a simulation of the lognormal-distributed process was conducted for the price of the Gigaset share in order to measure the performance of the share between two valuation dates. The stock options granted were composed of up to three sub-options. Each sub-option was measured separately in the simulation model. The fair value of each stock option was calculated as the sum of the sub-options.

The cash-settled tranches were measured at 12/31/2014 on the basis of the interest rates calculated on the basis of the yield curves for German government bonds for the individual measurement periods. For measurement purposes, a dividend yield of 0.00% was applied. The measurement based on Monte Carlo simulation was conducted on the basis of historical volatilities. The historical volatility applied was calculated on a weekly basis. The life span of the stock options was applied as the relevant period for determining the historical volatility.

No options were exercised in the reporting year 2015, as in the previous year.

The fair value of the cash-settled stock options to be recognized on a pro-rated basis at 12/31/2014 was EUR 0 thousand. In the reporting year, there were a total of 110,000 (PY: 260,000) expired or forfeited stock options, with an average exercise price of EUR 0.97 (PY: EUR 1.02).

In 2015, as in the prior year, the Group recognized no expenses in connection with share-based payments to be settled with equity instruments and income of EUR 0 thousand (PY: EUR 33 thousand) for cash-settled stock options. The average remaining life of the stock options, based on the first possible exercise date, amounted to 3 months for the cash-settled stock options.

24. Convertible bond

Based on the authorization of the Annual Shareholders' Meeting to issue warrant-linked and/or convertible bonds, convertible bonds were issued in both 2013 and 2014, which are described in detail in the 2014 and 2013 Annual Reports.

IFRS regulations required the mandatory convertible bonds to be divided into an equity component and a debt component, since they represented a composite financial instrument.

The liabilities recognized on the statement of financial position from the mandatory convertible bonds represent the debt component, which is carried using the effective interest method in accordance with IFRS regulations.

Up to December 31, 2015, 267 mandatory convertible bonds were converted to no par value shares from the convertible bond that was issued in 2014. Therefore, 9,476,610 (PY: 9,476,877) of the mandatory convertible bonds issued were still outstanding at the reporting date. Due to its term through January 23, 2016, this liability is recognized in the amount of EUR 426 thousand under current liabilities from convertible bonds. In the prior year, the outstanding liability in the amount of EUR 396 thousand was recognized under non-current liabilities from convertible bonds.

The convertible bond issued in 2013 was completely converted at the end of the term, April 22, 2015. In financial year 2014, EUR 66 thousand in interest was paid in the context of the conversions. At December 31, 2014, 1,480,927 mandatory convertible bonds were still outstanding. In the prior year, the related debt component was recognized under current liabilities from mandatory convertible bonds due to its term.

25. Pension obligations

25.1 Description of the guaranteed pension payments

25.1.1 Geographical distribution of the guaranteed pension payments

The pension obligations of Gigaset AG and its subsidiaries are distributed over four countries: Germany, Switzerland, Italy, and Austria. In addition, plan assets still exist in Germany and Switzerland. The amount of the obligations and the plan assets are broken down by country in the following table:

Pension obligations and plan assets at 12/31/2015 (in EUR'000):

Country	Pension obligation	Plan assets	Net obligation
Germany	108,195	39,838	68,357
Switzerland	2,926	1,902	1,024
Italy	576	0	576
Austria	63	0	63
Total	**111,760**	**41,740**	**70,020**

Pension obligations and plan assets at 12/31/2014 (in EUR'000):

Country	Pension obligation	Plan assets	Net obligation
Germany	109,753	40,184	69,569
Switzerland	2,301	1,512	789
Italy	607	0	607
Austria	47	0	47
Total	**112,708**	**41,696**	**71,012**

Since Germany's share of the pension obligations is about 97% (PY: about 97%) and of the net obligations is about 98% (PY: about 98%), only the German pension plans and the risk factors for the German obligations will be described in more detail.

25.1.2 Description of the pension commitments in Germany

Because their legal predecessors originally belonged to the Siemens Group, the vast majority of the pension obligations held by Gigaset AG and its German subsidiaries (the Gigaset Group) were created based on Siemens promises. Siemens AG converted its guaranteed pension payments from pension benefits to a capital-based system. All employees who were already employed at a legal predecessor of the Gigaset Group received a status of possession in the form of a benefit obligation in the course of this conversion. In addition, all employees can receive contributions to the new capital account plan, if funds are allocated to it by the Company. The Company can make a new decision on an allocation annually. For 2015, as in the prior year, no employer-financed contributions were paid into the capital account plan. Salary conversion also exists, which is likewise capital-based. It has been closed since 2007 and contributions are no longer being paid in. A death benefit is paid, as well as a transitional payment (six months of continued pay in case of an insured event) for some of the employees. A few retirees still receive installment payments according to another closed system for salary conversion (supplementary benefits option). In addition, two vested benefit obligations still exist under another pension plan (GOH). The payments from the capital account plan earn interest at 1.25% (PY: 1.75%).

New pension obligations are thus only generated by inclusion in the capital account plan as well as by vested rights in a death benefit. All other plans are closed to new hires and are no longer being serviced with contribution payments.

25.1.3 Significant risk factors

The primary risk consists of the pension obligations from status of possession, since they constitute about 80% (PY: about 83%) of the total German pension obligations. They are sensitive to the discount rate, inflation, and changes in life expectancy, but not to changes in wages and salaries. Only the death benefit and transitional payments are dependent on wages and salaries. Since this risk is not very significant (about 4% (PY: about 5%) of the pension obligations), however, no calculation was made of the sensitivities to projected salary increases. For all other risks, significant actuarial assumptions and the sensitivity analysis are shown in Chapter 28.2.

25.1.4 Longevity risk factor

Pension plans such as the status of possession system react sensitively to any change in life expectancy. An increase in life expectancy thus represents a significant risk to the pension obligation. Since the obligation is distributed over a group of more than 1000 people, as in the prior year, there are no concentration risks. For all other plans, the longevity risks are negligible or do not exist.

25.1.5 Inflation risk factor

Pension plans are likewise susceptible to inflation risk through the pension adjustment. Review of whether a pension adjustment is necessary occurs every three years and is based on the consumer price index. All other plans are not subject to inflation risk.

25.1.6 Discount rate risk factor

Pension obligations depend very strongly on the discount rate. Since the discount rate is calculated at a reporting date and is based on the capital market, it has been subject to strong fluctuations since the financial crisis occurred. This means that it is very likely that the obligation will change by more than 10% from one year to the next. According to the current IAS 19 accounting regulation as revised in 2011, the actuarial gains and losses occurring (due inter alia to changes in parameters) must be recognized as losses against the Company's equity. While large actuarial losses do not affect cash flow, they can have a negative effect on equity.

25.2 Significant actuarial assumptions and sensitivity analysis

The sensitivity analysis is intended to show the effects of changes in measurement assumptions that could reasonably occur until the next reporting date (IAS 19.145 and IFRS 7). If a particular sensitivity does not occur for a partial obligation and the related DBO (Defined Benefit Obligation) is thus identical to the original DBO, then it is omitted for reasons of space.

A Defined Benefit Obligation (DBO) in Germany at 12/31/2015: EUR 108,195 thousand
B Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 19.5 years
C Significant actuarial assumptions at 12/31/2015

Parameter	Initial amount	Sensitivity analysis	DBO in EUR'000
Discount rate	2.30%	+0.5%	98,806
Discount rate	2,30%	-0,5%	119.055
Inflation (projected pension increase)	2.00%	+0.25%	111,538
Inflation (projected pension increase)	2.00%	-0.25%	105,021
Longevity	Heubeck 2005 G	+1 Year	111,521
Longevity	Heubeck 2005 G	-1 Year	104,837

A Defined Benefit Obligation (DBO) in Germany at 12/31/2014: EUR 109,753 thousand
B Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 21.0 years
C Significant actuarial assumptions at 12/31/2014

Parameter	Initial amount	Sensitivity analysis	DBO in EUR'000
Discount rate	2.10%	+0.5%	99,723
Discount rate	2.10%	-0.5%	121,691
Inflation (projected pension increase)	2.00%	+0.25%	113,192
Inflation (projected pension increase)	2.00%	-0.25%	106,489
Longevity	Heubeck 2005 G	+1 Year	113,192
Longevity	Heubeck 2005 G	-1 Year	106,299

The sensitivity analysis above is based on changing one assumption while all other assumptions remain constant. It is improbable for this to occur in reality, and changes in some assumptions may correlate. When calculating the sensitivity of the defined benefit obligation to actuarial assumptions, the same method was used as was used to determine the pension provisions in the statement of financial position (the present value of the defined benefit obligations was calculated using the projected unit credit method at the end of the reporting period).

25.3 Development of pension provisions in the Gigaset Group

Provisions for pensions and similar obligations have been recognized for a total of seven (PY: seven) Group companies. The total amount of pension provisions was divided up among the following companies:

EUR'000	12/31/2015	12/31/2014
Gigaset Group	69,292	69,925
Holding company	728	1,087
Total	**70,020**	**71,012**

The decrease in the allocation to the provision for pensions compared to the prior year results particularly from the change in the discount rate, which increased from an average of 2.08% in the prior year to an average of 2.26% in the current year.

The revaluation effects from defined benefit plans are recognized in "accumulated other comprehensive income" within equity, while the ongoing change in the period is disclosed separately in the Statement of Changes in Equity.

The projected unit credit value of vested pension benefits under the defined benefit plans of the companies of the Gigaset Group showed the following development:

EUR'000	2015	2014
Balance at 01/01	112,708	85,467
Carryover of claims	0	116
Current service cost	2,077	1,877
Past service cost	0	-4
Employee contributions	110	97
Interest expenses	2,327	2,862
Pension benefits paid	-1,120	-990
Actuarial gains and losses from demographic assumptions	0	0
Actuarial gains and losses from financial assumptions	-4.203	23,370
Actuarial gains/losses from experience	-391	-127
Foreign currency effects	252	40
Balance at 12/31	111,760	112,708

The pension expenses recognized in financial year 2013 were composed of the following elements:

EUR'000	2015	2014
Pension expenses		
Current service cost	2,077	1,877
Past service cost	0	-4
Net interest on net debt	1,469	1,494
Total pension expenses	**3,546**	**3,367**

Pension expenses are presented as personnel expenses before restructuring in the item of social security, pension and other benefits. The actual return on plan assets has been presented as EUR 603 thousand (PY: EUR 667 thousand).

The revaluation effects from defined benefit plans are recognized in the item "accumulated other comprehensive income" within equity.

EUR'000	2015	2014
Revaluation effects, net debt from defined benefit plans in equity		
Balance at 01/01	**-53,989**	**-30,045**
Revaluation effects in current year	4,338	-23,944
Balance at 12/31	**-49,651**	**-53,989**

The plan assets showed the following development:

EUR'000	2015	2014
Plan assets		
Fair value of plan assets at 01/01	41,696	40,880
Carryover of claims	0	116
Expected net interest expense	858	1,368
Deviation between expected net interest expense and actual net interest expense	-255	-701
Employer contributions	72	65
Employee contributions	110	98
Benefits paid	-908	-154
Foreign currency effects	167	24
Fair value of plan assets at 12/31	**41,740**	**41,696**

The plan assets for financial year 2011 break down as follows:

EUR'000	2015	2014
Institutional fund	39,723	39,892
Fixed-income securities	821	637
Equities	629	526
Real estate and real estate funds	381	301
Other	186	340
Total	**41,740**	**41,696**

The special funds primarily contain bonds, corporate bonds, and stocks. The plan assets must be primarily assigned to measurement category 1, i.e., the plan assets are traded on active markets. Only the real estate and real estate funds are measured at current market value (using the DCF method).

The expected contributions to plan assets for the following year totaled EUR 181 thousand (PY: EUR 163 thousand). The expected benefit payments in the following year are expected to total EUR 1,279 thousand (PY: EUR 936 thousand).

The current employer's contributions to the statutory pension insurance system are recognized as operating expenses in the respective year. In financial year 2015, they amounted to EUR 6,326 thousand (PY: EUR 6,568 thousand) for the Group.

No payments were made in respect of defined-contribution plans, as in the prior year.

The calculation was based on the following actuarial assumptions:

IN%	2015	2014
Discount rate	2.26	2.07
Salary trend	2.24	2.25
Pension trend	1.93	1.95
Mortality tables:		
Germany	Heubeck 2005 G	Heubeck 2005 G
Switzerland	BVG 2005	BVG 2005
Italy	SIM2013M, SIM2013F	SIM2012M, SIM2012F
Austria	Pagler 2008 Generation Table, Salaried Employees	Pagler 2008 Generation Table, Salaried Employees

The provision for pension obligations was measured as follows:

Provision in EUR'000	2015	2014
Projected unit credit value of pension obligations	111,760	112,708
- internally financed	5,550	6,178
- externally financed	106,210	106,530
Fair value of plan assets	-41,740	-41,696
Total pension provisions	**70,020**	**71,012**

The provision showed the following development over time:

Pension provision in EUR'000	2015	2014
Pension provision 1/1	71,012	44,587
Current service cost	2,077	1,877
Past service cost	0	-4
Net interest expense/income	1,469	1,494
Actuarial gains and losses from demographic assumptions	0	0
Actuarial gains and losses from financial assumptions	-4,203	23,370
Actuarial gains/losses from experience	-391	-127
Deviation between expected net interest expense and actual net interest expense for plan assets	255	701
Pension benefits paid	-212	-836
Employer contributions	-72	-65
Employee contributions	0	-1
Foreign currency effects	85	16
Pension provision 12/31	**70,020**	**71,012**

26. Provisions

EUR'000	Balance at 01/01/ 2015	Changes in consolida-tion group	Utiliza-tion	Release	Addi-tions	Reclassi-fication	Cur-rency/ interest effects	Balance at 12/31/ 2015
Restrukturierungen	4,795	0	-1,770	-2,018	19,,660	0	0	20,,667
Personnel	8,257	0	-1,706	-1	956	150	0	7,656
Warranties	7,918	0	-7,860	-59	5,719	-43	21	5,696
Onerous contracts	947	0	-53	-30	86	-329	0	621
Environmental remediation	162	0	-8	-2	0	0	8	160
Other	18,845	-520	-12,962	-2,918	10,009	1,137	46	13,637
Total	**40,924**	**-520**	**-24,359**	**-5,028**	**36,430**	**915**	**75**	**48,437**

The restructuring provision comprises severance pay and residual costs in the amount of EUR 20,667 thousand (PY: EUR 4,795 thousand). Provisions for residual costs are expected to be utilized in multiple stages from June 30, 2016, to the end of 2018.

Miscellaneous other provisions include in particular provisions for tax audits, legal disputes, customer bonuses, and for Supervisory board remuneration.

In the prior year, an amount of EUR 4,800 was included in the miscellaneous other provisions for the purchase price adjustment to be paid to Evonik Degussa GmbH, which was paid in 2015.

The warranty provisions of EUR 5,696 thousand (PY: EUR 7,918 thousand) pertained exclusively to the Gigaset Group and were calculated on the basis of experience values and estimates of future occurrence probabilities.

The personnel provisions for the past two financial years break down as follows:

EUR'000	12/31/2015	12/31/2014
Early partial retirement (Altersteilzeit)	6,443	7,018
Service anniversary bonuses	1,213	1,239
Total	**7,656**	**8,257**

The provisions for onerous contracts related mainly to disadvantageous rental, usage and service agreements. They break down as follows:

EUR'000	12/31/2015	12/31/2014
Gigaset Group	100	397
Holding company	521	550
Total	**621**	**947**

The provision for environmental risks in the amount of EUR 160 thousand (PY: EUR 162 thousand) was recognized in respect of a groundwater purification project at the production facility in Bocholt.

The maturity structure of provisions is presented below:

EUR'000	12/31/2015	12/31/2014
Non-current provisions	20,189	12,098
Current provisions	28,248	28,826
Total	**48,437**	**40,924**

The non-current provisions, which have a maturity of more than one year, were divided among the various categories as follows:

EUR'000	12/31/2015	12/31/2014
Restructuring	14,447	0
Personnel	4,716	8,199
Warranties	88	2,047
Onerous contracts	521	551
Environmental risks	150	152
Other	267	1,149
Total	**20,189**	**12,098**

27. Deferred tax assets and deferred tax liabilities

Deferred taxes result from the different values contained in the IFRS financial statements as compared to the financial statements prepared for tax purposes, and from consolidation measures.

Deferred tax liabilities and assets were recognized in respect of the following items:

EUR'000	12/31/2015	12/31/2014
Deferred tax assets		
Intangible assets	25	21
Property, plant and equipment	147	181
Financial assets	177	67
Inventories	51	43
Receivables and other current assets	17,074	11,032
Provisions	9,442	9,515
Tax loss carry-forwards	7,000	4,264
Total deferred tax assets	**33,916**	**25,123**
thereof current	9,746	1,874
thereof non-current	24,170	23,249
Deferred tax liabilities		
Intangible assets	8,695	11,555
Property, plant and equipment	3,080	3,155
Inventories	133	32
Receivables and other current assets	1,653	286
Provisions	7,606	131
Liabilities	4	253
Total deferred tax liabilities	**21,171**	**15,412**
thereof current	9,298	701
thereof non-current	11,873	14,711
Net balance of deferred tax assets and liabilities	20,555	11,555
Deferred tax assets presented in the statement of financial position	**13,361**	**13,568**
Deferred tax liabilities presented in the statement of financial position	**616**	**3,857**

No deferred tax assets were recognized in respect of corporate income tax loss carry-forwards totaling EUR 40,304 thousand (PY: EUR 87,800 thousand) and trade tax loss carry-forwards totaling EUR 32,541 thousand (PY: EUR 20,011 thousand). Of the non-recognized corporate income tax loss carry-forwards, an amount of EUR 15,761 thousand related to foreign companies (PY: EUR 67,919 thousand), of which, in turn, EUR 0 thousand (PY: EUR 1,087) will expire within 5 to 20 years. With regard to German companies, it should be noted that share transfers of 25% to 50% fundamentally result in a proportional reduction of existing tax loss carry-forwards, while share transfers of more than 50% fundamentally lead to the complete loss of existing tax loss carry-forwards.

Gigaset did not recognize deferred tax assets on temporary differences in the amount of EUR 522 thousand (PY: EUR 3,178 thousand).

No deferred tax were recognized in respect of temporary differences related to shares in subsidiaries in the amount of EUR 103,785 thousand (PY: EUR 96,891 thousand).

For more information on this subject, please refer to the presentation of accounting and valuation methods and the explanations provided in Section 11.

28. Trade payables

Based on the usual payment terms agreed with suppliers and other business partners, the due dates and the corresponding cash outflows of current trade payables are presented in the table below:

EUR'000	12/31/2015	12/31/2014
Carrying amount	45,783	62,649
thereof due in the following time periods:		
< 30 days	21,845	31,482
30 – 90 days	2,193	30,461
90 – 180 days	522	614
180 days – 1 year	223	92

Compared to previous year, the decline in account payables based on the early payment of supplier invoices in order to realize cash discount.

The largest amounts of trade payables were owed by the following corporate groups:

EUR'000	12/31/2015	12/31/2014
Gigaset Group	44,929	62,128
Holding company	854	521
Total	**45,783**	**62,649**

By reason of the international activity of the Gigaset Group, the trade payables at December 31, 2015, included the following amounts denominated in foreign currencies, which have been translated to the euro, as the Group currency:

	12/31/2015		12/31/2014	
Foreign currency	**EUR'000**	**%**	**EUR'000**	**%**
USD (U.S. dollars)	20,579	84.7	25,577	82.8
CNY (Chinese renminbi yuan)	2,096	8.6	2,535	8.2
GBP (British pounds)	489	2.0	823	2.7
TRL (Turkish lira)	346	1.4	628	2.0
CHF (Swiss francs)	265	1.1	224	0.7
JPY (Japanese yen)	257	1.1	420	1.4
SEK (Swedish krona)	134	0.6	288	0.9
PLN (Polish zloty)	105	0.4	224	0.7
Other	31	0.1	164	0.6
Total	**24,302**	**100.0**	**30,883**	**100.0**

Of the trade payables presented in the statement of financial position, an amount of EUR 0 thousand (PY: EUR 5,028 thousand) is secured by trade receivables, and an amount of EUR 1,751 thousand (PY: 2,874 thousand) by inventories as security.

29. Tax liabilities

This item in the amount of EUR 13,981 thousand (PY: EUR 5,869 thousand) was composed exclusively of current income tax liabilities, including an amount of EUR 12,783 thousand (PY: EUR 4,740) attributable to Gigaset Communications GmbH and its subsidiaries.

30. Current other liabilities

EUR'000	12/31/2015	12/31/2014
Other personnel-related liabilities	13,780	11,479
Other taxes	2,857	4,256
Customs liabilities	2,603	2,703
Social security contributions	952	889
Derivatives	844	0
Advance payments received	501	724
Wages and salaries	304	249
Miscellaneous other liabilities	2,128	4,999
Total	**23,969**	**25,299**

The other current liabilities did not bear interest in the reporting year. Due to the fact that they are due in less than one year, it can be assumed that the carrying amounts of the liabilities essentially correspond to their fair values. Therefore, the repayment amounts presented in the statement of financial position are equivalent to the market values of the liabilities.

The other personnel-related liabilities were mainly composed of the following items:

EUR'000	12/31/2015	12/31/2014
Profit-based bonuses and other bonuses	5,902	5,160
Work time accounts	2,269	1,783
Vacation leave not yet taken	2,149	2,451
Miscellaneous personnel-related liabilities	3,460	2,085
Total	**13,780**	**11,479**

F. OTHER INFORMATION

31. Segment report

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.” Segments have been aggregated to reportable segment "EU".

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 prior year 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.

The relevant segment result is the result of the core business before scheduled depreciation.

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.

In 2015 the segment reporting was presented, as indicated accordingly in the interim reports, in the following form (before adjusting the structure of the profit and loss in the preparation period):

January 01 to December 31, 2015 in EUR'000	Germany	EU	Rest of world	Gigaset Total	Holding company	Group
Revenues						
External revenues	160,305	113,437	31,605	305,347	0	305,347
Internal	0	0	0	0	0	0
Total revenues	**160,305**	**113,437**	**31,605**	**305,347**	**0**	**305,347**
Segment /EBITDA	**91**	**2,180**	**2,006**	**4,277**	**64**	**4,341**
Depreciation and amortization	-20,463	-118	-20	-20,601	0	-20,601
Impairments	0	0	0	0	0	0
Segment EBIT	**-20,372**	**2,062**	**1,986**	**-16,324**	**64**	**-16,260**
Net interest income/expenses						**-3,281**
Result from ordinary activities						**-19,541**
Income taxes						-2,468
Consolidated net loss for the fiscal year						**-22,009**

January 01 to December 31, 2014 in EUR'000	Germany	EU	Rest of world	Gigaset Total	Holding company	Group
Revenues						
External revenues	152,368	131,411	42,299	326,078	0	326,078
Internal	0	0	0	0	0	0
Total revenues	**152,368**	**131,411**	**42,299**	**326,078**	**0**	**326,078**
Segment /EBITDA	**13,011**	**1,600**	**12,562**	**27,173**	**-9,678**	**17,495**
Depreciation and amortization	-24,785	-159	-17	-24,961	-1	-24,962
Impairments	-3,035	0	0	-3,035	0	-3,035
Segment EBIT	**-14,809**	**1,441**	**12,545**	**-823**	**-9,679**	**-10,502**
Net interest income/expenses						**-2,288**
Result from ordinary activities						**-12,790**
Income taxes						-3,833
Consolidated net loss for the fiscal year						**-16,623**

Due to the change in the structure of the profit and loss account in the preparation phase of the consolidated financial statements the future segment reporting will be adjusted accordingly. For a better understanding of the financial statements information it is already presented on the basis of the new structure of the profit and loss.

January 01 to December 31, 2015 in EUR'000	Germany	EU	Rest of world	Gigaset Total	Holding company	Group
Revenues	160,305	113,437	31,605	305,347	0	305,347
Result from core business before scheduled depreciation	14,792	1,970	50	16,812	-6,232	10,580
Scheduled depreciation	-20,463	-118	-20	-20,601	0	-20,601
Result from core business after scheduled depreciation	**-5,671**	**1,852**	**30**	**-3,789**	**-6,232**	**-10,021**
Additional ordinary income	-14,701	210	1,956	-12,535	6,296	-6,239
Net investment income	0	0	0	0	0	0
Operating profit/loss	**-20,372**	**2,062**	**1,986**	**-16,324**	**64**	**-16,260**
EBITDA (incl. Impairments)	91	2,180	2,006	4,227	64	4,341
Other interest and similar income						207
Interest and similar expenses						-3,488
Net financial income/expenses						**-3,281**
Income/expenses from ordinary activities						**-19,541**
Income taxes						-2,468
Consolidated net loss for the year						**-22,009**

January 01 to December 31, 2014 in EUR'000	Germany	EU	Rest of world	Gigaset Total	Holding company	Group
Revenues	152,368	131,411	42,299	326,078	0	326,078
Result from core business before scheduled depreciation	16,514	1,541	552	18,607	-6,819	11,788
Scheduled depreciation	-24,785	-159	-17	-24,961	-1	-24,962
Result from core business after scheduled depreciation	**-8,271**	**1,382**	**535**	**-6,354**	**-6,820**	**-13,174**
Additional ordinary income	-6,538	59	12,010	5,531	-3,874	1,657
Net investment income	0	0	0	0	1,015	1,015
Operating profit/loss	**-14,809**	**1,441**	**12,545**	**-823**	**-9,679**	**-10,502**
EBITDA (incl. Impairments)	13,011	1,600	12,562	27,173	-9,678	17,495
Other interest and similar income						183
Interest and similar expenses						-2,471
Net financial income/expenses						**-2,288**
Income/expenses from ordinary activities						**-12,790**
Income taxes						-3,833
Consolidated net loss for the year						**-16,623**

The profit or loss effects of deconsolidations have been assigned to the respective segments.

In the table below, the revenues generated in financial year 2015 and in the comparison year 2014 are broken down by the region of the receiving entities:

EUR'000	2015	2014
Germany	127,649	123,622
Europe: EU (excluding Germany)	134,223	148,510
Europe - Other	19,138	20,463
Rest of world	24,337	33,483
Total	**305,347**	**326,078**

In 2015, the operating revenues break down essentially into operating revenues from the Consumer Products segment in the amount of EUR 249,715 thousand (PY: EUR 277,831 thousand) and the Business Customers segment in the amount of EUR 46,613 thousand (PY: EUR 37,643 thousand), as well as the new segments Home Networks and Mobile Products in the amount of EUR 9,019 thousand (PY: EUR 15,604 thousand).

In accordance with IFRS 8.33 b), non-current assets were divided among the following regions in financial year 2015 and the comparison year 2014:

EUR'000	12/31/2015	12/31/2014
Non-current assets		
Germany	64,999	70,971
Europe: EU (excluding Germany)	170	185
Europe - Other	2	3
Rest of world	48	11
Total	**65,219**	**71,170**

32. Cash flow statement

The cash flow statement presents the changes in net funds of the Gigaset Group in the reporting year and in the prior year. Net funds are defined as cash and cash equivalents, less restricted cash. As a general rule, items denominated in foreign currencies are translated at average exchange rates for the year. By way of exception, cash and cash equivalents are translated at the exchange rate on the reporting date. The effect of exchange rate changes on net funds is presented separately.

In accordance with IAS 7, cash flows are classified as cash flow from operating activities, investing activities and financing activities.

EUR'000	2015	2014
Cash flow statement		
Cash inflow (+)/ outflow (-) from operating activities	4,689	19,964
Cash outflow from investment activities	-14,348	-32,034
Free cash flow	**-9,659**	**-12,070**
Cash inflow from financing activities	-66	3,733
Change in cash and cash equivalents	**-9,725**	**-8,337**

The cash flow statement has been prepared in accordance with the indirect method. The changes in items of the statement of financial position considered for this purpose have been adjusted for the effects of changes in the consolidation group, so that only those cash flows attributable to the group are presented in the cash flow statement. For these reasons, the changes in items of the statement of financial position presented in the cash flow statement cannot be reconciled with the statement of financial position.

Impairments are presented in a separate line item of cash flow from operating activities.

No investments in companies were acquired in financial year 2015, as in the previous year. A cash outflow of EUR 82 thousand (PY: 130 thousand) from payments received and from cash transferred upon sale occurred in the context of selling investments in companies.

The cash outflow from investment activities amounted to EUR 14,348 thousand in 2015, following EUR 32,034 thousand in the previous year. Payments for investments in non-current assets amounting to EUR 14,650 distributed as follows:

EUR'000	2015	2014
Payments for investments in non-current assets		
Payments for investments in intangible assets	10,210	9,102
Payments for investments in Property, Plant and Equipment	4,440	5,005
Total	**14,650**	**14,107**

The prior-year cash outflow from investment activities was particularly influenced by the cash transferred in the context of transitional consolidation to the equity method in the amount of EUR 18,000 thousand.

In fiscal 2015, cash outflows from financing activities occurred in the amount of EUR 66 thousand relating to interest on the convertible bonds. The funds inflow from financing activities in the prior year resulted from the capital increase carried out in the amount of EUR 24,629 thousand and issuing the convertible bond in the amount of EUR 9,317 thousand, as well as the repayment of current financial liabilities in the amount of EUR 30,201 thousand and disbursements in connection with the conversion of convertible bonds that were issued in 2013, in the amount of EUR 12 thousand.

The net funds at December 31, 2015 amounted to EUR 35,491 thousand (PY: EUR 45,518 thousand). This item comprises immediately available cash in banks, checks and cash on hand. Restricted cash, which has been pledged as security for liabilities and currency hedging transactions, amounted to EUR 5,472 thousand at December 31, 2015 (PY: EUR 4,966 thousand). Thus, the total amount of cash and cash equivalents amounted to EUR 40,963 thousand (PY: EUR 50,484 thousand).

33. Sales of companies and other deconsolidations

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, Düsseldorf, 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 1.7 million, of which EUR 0.1 million were cash and cash equivalents, and the liabilities sold amounted to EUR 0.6 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 from a Group perspective are shown in the table below:

EUR'000	
Assets	
Current receivables and other assets	1,690
Total	**1,690**
Liabilities	
Provisions	520
Liabilities	69
Total	**589**

In the fourth quarter, Gigaset Communications Inc., Dallas, USA, Skymaster Electronic HK Limited, Hong Kong, China, and Gigaset Commercial GmbH, Vienna, Austria, were deconsolidated due to liquidation. No deconsolidation effects arise from Skymaster Electronic HK Limited and Gigaset Commercial GmbH due to the fact that they were not material operating companies. Due to the foreign currency translation effects accruing in the consolidated financial statements from Gigaset Communications Inc. up to the date of liquidation, a profit from deconsolidation resulted at the date of liquidation in the amount of EUR 721 thousand, which is carried under Other operating income.

34. Other financial obligations

The other financial obligations at the reporting date of December 31, 2015 resulted from rental, lease and service agreements which cannot be terminated prior to expiry and have been entered into by the Group and its subsidiaries in the ordinary course of business. In the table below, the total future payments to be made under these agreements are broken down by due dates, as follows:

2015 in EUR'000	Up to 1 year	1-5 years	5 years and over	Total
Rental and lease commitments	2,464	4,504	0	6,968
Other commitments	1,811	239	0	2,050
Total	**4,275**	**4,743**	**0**	**9,018**

2014 in EUR'000	Up to 1 year	1-5 years	5 years and over	Total
Rental and lease commitments	2,815	5,858	0	8,673
Other commitments	1,458	484	0	1,942
Total	**4,273**	**6,342**	**0**	**10,615**

The total rental and lease commitments amounted to EUR 6,968 thousand (PY: EUR 8,673 thousand). Of this amount, rental and lease agreements for land and buildings accounted for EUR 5,589 thousand (PY: EUR 7,373 thousand), rental and lease agreements for other equipment, operational and office equipment accounted for EUR 1,106 thousand (PY: EUR 1,100 thousand) and operating leases for machinery and equipment accounted for EUR 204 thousand (PY: EUR 200 thousand). The total expense for rental and lease commitments in fiscal 2015 amounts EUR 2.859 thousand (PY: EUR 2,476 thousand).

The other financial commitments in the amount of EUR 2,045 thousand (PY: EUR 1,942 thousand) resulted from maintenance and service agreements for machinery and equipment, software and other operational and office equipment.

The Group was not subject to any material firm capital expenditure at the reporting date, December 31, 2015, as in the previous year.

35. Contingent liabilities

The contingent liabilities at the reporting date of December 31, 2015 were related to the following companies and matters:

In connection with the sale of the Jahnel-Kestermann Group, a seller liability (guarantee for corporate relationships) was assumed in the amount of EUR 18.5 million, limited in time until April 11, 2018. The probability of occurrence is considered to be low.

In connection with the sale of the subsidiary Fritz Berger, the customary seller guarantees were issued, also for corporate relationships, among other matters. This liability is limited in time until April 21, 2015 and is currently limited to an amount of EUR 650 thousand. No utilization of this guarantee occurred. A liability for tax matters was agreed for up to 90% of any supplementary tax liabilities. The external audit carried out at the Fritz Berger Group led to an additional tax liability owed to the taxing authorities in a considerable amount. As a result, the purchaser of the Fritz Berger Group demanded that

Gigaset AG pay a total amount of EUR 837.9 thousand. The Company rejected the claim in this amount. During the reporting period, the parties have commenced negotiations on an amicable settlement and the amount of any sum that may have to be paid by the Company. The claim against the Company is secured up to EUR 300 thousand by a trust account. In addition, the Company already created provisions for this purpose in the amount of EUR 900 thousand (PY: EUR 1.5 million) at December 31, 2015.

In connection with the sale of Golf House, a liability of up to EUR 1.7 million was assumed for tax matters. The duration of this liability is determined with reference to the administrative finality of the respective assessments of the tax authorities. There are no indications of possible utilization and therefore the risk is considered to be low.

In connection with the sale of the Anvis Group, Gigaset AG assumed a liability for tax circumstances. The liability under this guarantee will expire six months after presentation of respective, administratively final tax assessments. The probability of occurrence is considered to be extremely low.

The Company assumed a purchase contract guarantee of EUR 405 thousand in connection with the sale of van Netten. The probability of occurrence is considered very low.

In connection with the sales of other subsidiaries in the years 2009 to 2013, the Company issued guarantees for the corporate relationships of these subsidiaries. The probability of occurrence of these guarantees is considered to be very low.

36. Executive Board and Supervisory Board of Gigaset AG

The following persons served on the Executive Board in financial year 2015:

- Klaus Wessing, businessman, Borken (Executive Board Chairman, in charge of Product Development, Supply Chain, M&A, Innovation & Strategy, Communication & Digital) since December 15, 2015
- Hans-Henning Doerr, businessman, Heidelberg (in charge of Finance, IT, Legal, Human Resources and Investor Relations), since December 15, 2015
- Guoyu Du, engineer, London, United Kingdom (in charge of Marketing), since June 1, 2015
- Hongbin He, engineer, Shenzhen, People's Republic of China (in charge of Operations), September 1, 2015
- Charles Fränkl, businessman, Meerbusch (Executive Board Chairman, in charge of Product Development, Supply Chain, M&A, Innovation & Strategy, Communication & Digital), until December 15, 2015
- Kai Dorn, businessman, Pähl (in charge of Finance, IT, Legal, Human Resources and Investor Relations) since Januar 1, 2015 until December 15., 2015
- Yang Yuefeng, engineer, Shenzhen, People's Republic of China (in charge of Operations), since June 1, 2015 until August 6, 2015

The other executive activities of the Executive Board members consisted mainly of serving on the supervisory boards and executive boards and chief executive positions of affiliated companies and subsidiaries of Gigaset AG. Specifically, the

Executive Board members who served on the board in 2015 and in the time until the preparation of the annual financial statements held the following seats on supervisory bodies (starting date and ending date indicated when those dates fall within the reporting period or in the time until the preparation of the annual financial statements).

Mr. Yang Yuefeng was appointed as a member of the Executive Board effective June 1, 2015. Mr. Yuefeng resigned his seat as a member of the Executive Board of the Company effective August 6, 2015. During his activity as an Executive Board member at Gigaset AG, he did not hold seats on supervisory bodies. The company has no information about whether Mr. Yuefeng has additional functions, dressed as Supervisory Board, director or manager.

Mr. Klaus Wessing and Mr. Hans-Henning Doerr were appointed as members of the Executive Board effective December 15, 2015. From this date on, they did not hold seats on supervisory bodies in the time until the preparation of the annual financial statements.

Mr. Guoyu Du was appointed as a member of the Executive Board effective June 1, 2015. From this date on, he did not hold seats on supervisory bodies in the time until the preparation of the annual financial statements.

Mr. Hongbin He was appointed as a member of the Executive Board effective September 1, 2015. From this date on, he did not hold seats on supervisory bodies in the time until the preparation of the annual financial statements.

The Executive Board member Charles Fränkl was recalled as a member of the Executive Board effective December 15, 2015. Until this date, he did not hold seats on supervisory bodies.

Mr. Kai Dorn was appointed as a member of the Executive Board effective January 1, 2015, and recalled as a member of the Executive Board effective December 15, 2015. In this period, he did not hold seats on supervisory bodies.

The Supervisory Board, elected at the annual general meeting on August 11, 2015, consisted of the following persons in the reporting period:

Name	**from**
Ulrich Burkhardt	12/3/2014
Paolo Vittorio Di Fraia	8/14/2013
Helvin (Hau Yan) Wong (deputy chair)	12/19/2013
Prof. Xiaojian Huang	12/19/2013
Bernhard Riedel (Chair)	12/19/2013
Flora (Ka Yan) Shiu	12/19/2013

Consequently, the Supervisory Board at the time this report was prepared consisted of Mr. Bernhard Riedel (Chair), Mr. Hau Yan Helvin Wong (deputy Chair), Mr. Paolo Vittorio Di Fraia, Mr. Ulrich Burkhardt, Prof. Xiaojian Huang, and Ms. Flora Shiu. The term of office for the Supervisory Board is one year and ends at the next Annual General Meeting.

The members of the Supervisory Board listed below held the listed memberships on additional supervisory boards and controlling boards during their term of office on the Supervisory Board of the Company within the reporting timeframe.

Bernhard Riedel, Chairman of the Supervisory Board, attorney, Munich

- Member of the Supervisory Board of Gigaset Communications GmbH since March 29, 2013

Ulrich Burkhardt, tax consultant, independent auditor, Fürstenfeldbruck:

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Paolo Vittorio Di Fraia, Member since August 14, 2013, businessman and corporate consultant, Paris, France

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Hau Yan Helvin Wong, Member and deputy chairman since December 19, 2013

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Flora Ka Yan Shiu, Member since December 19, 2013, member of management as head of Corporate Development, Goldin Real Estate Financial Holdings Limited, Hong Kong, Peoples Republic of China

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Xiaojian Huang, Member since December 19, 2013, managing director, Executive Director at Goldin Financial Holding Ltd., Hong Kong, People's Republic of China

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

37. Compensation of Executive Board and Supervisory Board members

The Compensation Report (pursuant to Section 4.2.5. of the German Corporate Governance Code) explains the principles applied in setting the compensation of Executive Board members and indicates the amount and structure of Executive Board compensation. It also describes the principles applied in setting the compensation of the Supervisory Board members and the amount of that compensation, and discloses the shareholdings of Executive Board and Supervisory Board members.

Compensation of Executive Board members

The responsibilities and contributions of each Executive Board member are taken into account for purposes of setting the compensation. Their compensation in financial year 2015 comprises a fixed annual salary as well as success-related components (bonuses, stock price linked compensation, variable compensation). The individual components are as follows:

- The fixed compensation is paid in the form of a monthly salary in 12 equal parts.
- The stock price oriented compensation consists of a special payment that is calculated according to the increase in value of a "virtual stock portfolio."
- For some members of the Executive Board, the variable compensation is based on a bonus agreement linked to corporate goals in relation to EBITDA; on the other hand, other Executive Board members have bonus agreements linked to companies or goals.

› Personal targets are agreed upon with Executive Board members based on qualitative milestones.

The basis for calculating the variable compensation based on the "virtual share portfolio" for Mr. Brockmann is a specific number of shares of Gigaset AG (the "virtual share portfolio"), measured at a certain share price ("initial value"). The amount of variable compensation is calculated in every case from the possible appreciation of the virtual share portfolio over a certain period of time, that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual share portfolio measured at the share price at the valuation date and the initial value ("capital appreciation") yields the amount of variable compensation. As a general policy, the capital appreciation amount (converted at the share price at the valuation date) is settled in cash.

The virtual share portfolio of Mr. Brockmann expired in financial year 2015. The original share portfolio of Mr. Maik Brockmann comprised 110,000 shares at each delivery date. The valuation dates were March 31, 2013, March 31, 2014 and March 31, 2015. The grant date was September 28, 2012.

The disbursement with regard to the individual tranches was limited to EUR 220,000.00 per tranche. At the grant date, the fair value of the granted stock options amounted to EUR 1,100.00 for the first tranche (expired in 2013), EUR 29,700.00 for the second tranche (expired in 2014) and EUR 33,000.00 for the third tranche (expired in 2015).

Virtual share portfolios/stock options, in units	**Maik Brockmann**
Outstanding at 1/1/2015	110,000
Granted in 2015	0
Forfeited in 2015	0
Exercised in 2015	0
Average share price on exercise date, in EUR	Less than exercise price
Expired in 2015	110,000
Outstanding at 12/31/2015	0
Thereof exercisable	n/a
Range of exercise prices	n/a
Income (+) / expenses (-) recognized in the reporting period as per IFRS, in EUR	127.80

In addition, variable compensation agreements exist for the Executive Board members based on a bonus agreement linked to corporate goals related to EBITDA, company and/or goal-based bonus agreements, and partially also based on personal targets with qualitative milestones. The goals were discussed with the Chairman of the Company's Supervisory Board and with the Executive Board members at the beginning of the financial year or at the beginning of work as an Executive Board member.

Based on a resolution of the Annual Shareholders' Meeting of August 11, 2015, the statements required by Section 285 (9a) Sentences 5 to 8 and Section 314 (1)(6a) Sentences 5 to 8 of the German Commercial Code (Handelsgesetzbuch) will not be made when preparing the separate financial statements of Gigaset AG and the consolidated financial statements. The disclosures are omitted as a result of a resolution on the part of the Annual Shareholders' Meeting by at least three-quarters of the share capital represented when the resolution was adopted in accordance with section 286(5) of the German Commercial Code (Handelsgesetzbuch, HGB) and/or section 314(3) HGB. This resolution applies to the preparation of the separate financial statements of Gigaset AG and the consolidated financial statements for the financial years commencing January 1, 2015, and the next four financial years, but no longer than until August 10, 2020. Therefore, the information relating to compensation of the Executive Board will only be provided in each case with a single sum, without specifying the individual Executive Board members by name.

The possible granted total compensation of the members of the Executive Board for financial year 2015 break down in as follows in accordance with the requirements of the German Corporate Governance Code (effective May 2015), Sample Table 1 for Number 4.2.5 Paragraph 3:

Payments granted to Executive Board members, in EUR		**Fixed compensation**	**Fringe benefits**	**Total of fixed compensation components**	**Single year variable compensation**	**Multi-year variable compensation**	**Total of fixed and variable compensation**	**Pension expense**	**Total compensation**
Executive Board members collectively	2014	1,450,000	34,900	1,484,900	609,600	0	2,094,500	0	2,094,500
	2015	1,028,751	29,150	1,057,901	950,000	0	2,007,901		2,007,901
	2015 (Min)				0	0	1,057,901	0	1,057,901
	2015 (Max)				1, 400,000	0	2,457,901	0	2,457,901

The recognized expenses for members of the Executive Board for financial year 2015 break down as follows in accordance with the requirements of German Financial Accounting Standard (DRS) 17 (Reporting on the Remuneration of Members of Executive Boards, amended 2010) and IAS 24, Related Party Disclosures:

EUR	**Remuneration**		**In-kind benefit**		**Success bonus**		**Stock options[1]**		**Total**	
Financial year	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Executive Board members collectively	1,028,751	1,450,000	22,519	34,900	1,100,000	1,850,000	0	0	2,151,270	3,334,900

1. The stock options refer to those amounts that were disbursed. The wages and salaries in the consolidated financial statements contained compensation of EUR 0 thousand (PY: EUR 33 thousand) for share-based payments, reducing expenses.

Supplementally to the payments from executive activity, EUR 1,357 thousand (PY: EUR 256 thousand) was recognized for Executive Board members at the reporting date as expenses for termination benefits. In addition, EUR 316 thousand (PY: EUR 0 thousand) was reversed, affecting net income, and a portion of the compensation and the imputed income was reversed with no effect on income based on an allocation to provision in the prior year in the amount of EUR 105 thousand (PY: EUR 0 thousand).

Thus the total compensation of the Executive Board under IAS 24 amounts to EUR 3,192 thousand (PY: EUR 3,554 thousand).

The inflows to the members of the Executive Board for financial year 2015 break down as follows in accordance with the requirements of the German Corporate Governance Code (effective May 2015), Sample Table 2 for Number 4.2.5 Paragraph 3:

Inflow to Executive Board members collectively, in EUR	2015	2014
Fixed compensation	1,028,751	1,450,000
Fringe benefits	21,434	31,300
Total of fixed compensation components	1,050,185	1,481,300
Single year variable compensation	609,600	62,437
Multi-year variable compensation	0	
Total of fixed and variable compensation	1,659,785	1,543,737
Pension expense	0	0
Total compensation	**1,659,785**	**1,543,737**

No further compensation was granted to the Executive Board members for their work in subsidiaries or affiliated companies.

The inflows from the total compensation of the Executive Board amounted to EUR 1,660 thousand in the reporting year (PY: EUR 1,544 thousand).

Compensation of the Supervisory Board

The compensation of the Supervisory Board was adopted as follows by resolution dated December 19, 2013, retroactive to August15, 2013:

1. **Base Compensation**. Each member of the Supervisory Board shall receive fixed compensation of EUR 3,000.00 ("Base Compensation") for each started month in office ("Settlement Month"). The beginning and end of each Settlement Month are determined in accordance with Sections 187 (1) and 188 (2) of the German Civil Code (BGB). Any compensation that an individual member of the Supervisory Board has already received for the same Settlement Month, for any legal reason whatsoever, shall be applied to the claim to Base Compensation. The claim to Base Compensation shall arise at the end of the Settlement Month.

2. **Compensation for meeting attendance.** Each member of the Supervisory Board shall receive compensation of EUR 1,000.00 (the "Meeting Fee") for participating in a meeting of the Supervisory Board or a committee thereof (a "Meeting") called in accordance with the Articles of Incorporation. Participation in the meeting by telephone as well as voting in writing pursuant to Article 9 (3)(2) of the Articles of Incorporation shall be equivalent to participating in the meeting. Multiple meetings of the same body on a single day shall be compensated as a single meeting. The claim to a Meeting Fee shall arise when the Chairman or the committee chairman signs the minutes. The prerequisites to making a claim can only be proven by the minutes of the meeting according to Section 107 (2) of the German Stock Corporation Act (AktG).

3. **Compensation for adoption of resolutions outside of meetings.** Each member of the Supervisory Board shall receive compensation of EUR 1,000.00 ("Resolution Fee") for casting his vote in the context of adopting a resolution outside of a meeting according to Article 9 (4) of the Articles of Incorporation ("Adoption of Resolutions Outside of a Meeting") ordered on a case-by-case basis by the Chairman and carried out in writing, by telegraph, telephone, fax, or using other means of telecommunications or data transfer. If multiple resolutions are adopted on the same day outside of meetings, then the claim to the Resolution Fee shall only be established once. The claim to a Resolution Fee shall

arise when the Chairman or the committee chairman signs the minutes on the adoption of resolutions. The prerequisites to making a claim can only be proven by the minutes of the adoption of resolutions.

4. **Compensation of the Chairman.** The Chairman of the Supervisory Board shall receive a bonus of 100% and the Deputy Chairman of the Supervisory Board shall receive a bonus of 50% on all compensation specified in Nos. 1 to 3.

5. **Expense reimbursement.** The Company shall reimburse the Supervisory Board members for the expenses incurred in performing their duties, as well as any sales tax accruing on the compensation and the expense reimbursement. The claim to reimbursement of expenses shall arise as soon as the Supervisory Board member has paid the expenses himself.

6. **Creation and due date of claims.** All payment claims shall be due 21 days after receipt of an invoice by the Company that satisfies the requirements for orderly invoicing. When expense reimbursement is claimed, the invoice must include copies of receipts for the expenses. The Company is entitled to pay advances before the claims are due.

7. **Insurance.** The Company shall conclude public liability insurance for the benefit of the Supervisory Board members that covers statutory liability arising from their activities as Supervisory Board members.

8. **Applicability Period.** This compensation regulation shall enter into force with retroactive effect as of 8/15/2013, and shall remain in force until an Annual Shareholders' Meeting adopts a new regulation. This compensation regulation replaces the compensation regulation adopted by the Annual Shareholders' Meeting on 8/14/2013, which is simultaneously rescinded with retroactive effect. Insofar as compensation was already paid based on the rescinded compensation regulation, such compensation shall be applied to compensation claims under the new regulation."

The compensation granted to members of the Supervisory Board of Gigaset AG in financial year 2015 pursuant to Section 314 (6a) HGB is presented in the table below:

EUR	Settled	Set aside	Total expenses
Bernhard Riedel	102,000.00	0.00	102,000.00
Paolo Vittorio Di Fraia	50,000.00	0.00	50,000.00
Wong Hau Yan Helvin	73,500.00	0.00	73,500.00
Flora Shiu Ka Yan	45,000.00	4,000.00	49,000.00
Huang Xiaojian	39,000.00	4,000.00	43,000.00
Ulrich Burkhardt	47,000.00	0.00	47,000.00
Total	**356,500.00**	**8,000.00**	**364,500.00**

The amount set aside for the member of the Supervisory Board Flora Shiu Ka Yan totaling EUR 4 thousand includes the partial amount of EUR 3 thousand for financial year 2014.

Accordingly, the total compensation granted to the Supervisory Board amounted to EUR 364,500.00 (PY: EUR 498,500.00).

No further commitments have been made in the event of termination of Supervisory Board mandates. No loans or advances were extended to members of the Executive Boards or Supervisory Boards of Gigaset AG. No contingent liabilities have been assumed in favor of these persons.

In the reporting period, the Company had commissioned Dr. Rudolf Meindl, attorney, of Munich to represent it in a lawsuit. According to statements made, the chairman of the Supervisory Board and the commissioned attorney operate their law practices in a joint office. With respect to the Fresenius case law of the Federal Court of Justice, the Supervisory Board nevertheless consented to the commissioning of Dr. Meindl as a precaution pursuant to Section 114 of the German Stock Corporation Act (AktG).

38. Shareholdings of Executive Board and Supervisory Board members

According to their statements, the members of the Executive Board have no shares of Gigaset AG at the reporting date. Gigaset has no information regarding share ownership of Mr. Yang Yuefeng, who was member of the Executive Board in the time from June 1, 2015 till August 6, 2016.

According to their statements, the members of the Supervisory Board together held 3,263 shares of Gigaset AG at the reporting date, representing less than 0.1% of the total shares outstanding.

The shareholdings of Executive Board and Supervisory Board members were divided among the individual members as follows:

	Number of shares at 12/31/2015 or at the resignation date	Number of shares at the date of preparation of the financial statements	Number of options at 12/31/2015 or at the resignation date	Number of options at the date of preparation of the financial statements
Management Board				
Klaus Weßing	0	0	0	0
Hans-Henning Doerr	0	0	0	0
Guoyu Du	0	0	0	0
Hongbin He	0	0	0	0
Charles Fränkl	0	0	0	0
Kai Dorn	0	0	0	0
Yang Yuefeng	no information	no information	no information	no information
Supervisory Board				
Bernhard Riedel	3,033	3,264	231	0
Ulrich Burkhardt	0	0	0	0
Paolo Vittorio Di Fraia	0	0	0	0
Hau Yan Helvin Wong	0	0	0	0
Flora Ka Yan Shiu	0	0	0	0
Xiaojian Huang	0	0	0	0

Disclosures concerning stock option rights and similar incentives

Any stock options of Supervisory Board and Executive Board members presented in the table above are stock options that can be purchased in the open market. Gigaset AG did not grant stock options to the members of the Supervisory Board, nor to members of the Executive Board. Please refer to the comments in the Compensation Report for additional information on the virtual share portfolios of Executive Board members.

39. Disclosures concerning dealings with related parties

Information on the Parent Company in accordance with IAS 24.13:

On January 15, 2016, Goldin Fund Pte. Ltd., Singapore, Republic of Singapore, informed the Company in a statement of holdings in accordance with section 41(4f) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) that its share of Gigaset AG's subscribed capital amounted to 88,019,854 shares on November 26, 2015. Thus, the shareholder holds 71.57% of the share capital and consequently the associated voting rights. Furthermore, it informed the Company on November 26, 2015, that it also held 9,337,935 mandatory convertible bonds DE000A11QXX2 maturing on January 23, 2016, that substantiate the right to acquire an additional 9,337,935 voting rights at any time in accordance with section 25a(1) WpHG. Therefore the Goldin Fund Pte. Ltd., Singapore, Singapore, is to classify as the parent company of Gigaset AG in accordance with IAS 24.13.

To the knowledge of the Executive Board the ultimate beneficial owner of Goldin Fund Pte. Ltd. is therefore Mr. Pan Sutong.

Information on business in accordance with IAS 24.18.:

Pursuant to IAS 24, Related Party Disclosures, the business relationships with Goldin Brand Ltd., Singapur, must be carried out as business relationships with related parties in 2015. Gigaset Communications GmbH sold the word/image logo "Gigaset" as well as the Internet domain gigaset.com, among other things, to Goldin Brand Ltd., a subsidiary of Goldin Fund Pte. Ltd., under an agreement dated June 25, 2015 ("Brand transaction"). The agreed purchase price for brands and domains together amounted to EUR 35 million and is to be paid in cash to the seller quid pro quo in exchange for transfer. The agreement has currently not yet been implemented, because the purchase price has still not been paid. Business relationships mainly comprise transactions as defined under IAS 24.21 (i).

Pursuant to IAS 24, Related Party Disclosures, the business relationships with Gigaset Mobile Pte. Ltd., Singapore, must be carried out as business relationships with related parties in 2015. In this context, Gigaset Mobile Pte, Ltd, Singapore, acts as a supplier to Gigaset. Gigaset in turn charges contractually agreed upon services and fees to Gigaset Mobile Pte. Ltd. From a Group perspective, the transactions and balances for the reporting periods and at the reporting date break down as follows:

EUR'000	Expenses 01/01-12/31/2015	Revenues/Income 01/01-12/31/2015	Receivables 12/31/2015	Liabilities 12/31/2015
Gigaset	4,293	3,581	1,831	1,170
Gigaset Mobile Pte. Ltd.	3,581	4,293	1,170	1,831

EUR'000	Expenses 01/01-12/31/2014	Revenues/Income 01/01-12/31/2014	Receivables 12/31/2014	Liabilities 12/31/2014
Gigaset	11,381	706	3.114	6.679
Gigaset Mobile Pte. Ltd.	706	11,381	6,679	3.114

EUR'000	Expenses 01/01-12/31/2015	Revenues/Income 01/01-12/31/2015	Receivables 12/31/2015	Liabilities 12/31/2015
Gigaset	0	2,372	2,372	0
Gigaset Mobile Europe GmbH	2,372	0	0	2,372

The business relations include mainly business transactions. with accordance to IAS 24.21 (b) + (c).

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 in 2015. 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 01/01-12/31/2015	Revenues/Income 01/01-12/31/2015	Receivables 12/31/2015	Liabilities 12/31/2015
Gigaset	347	685	685	347
Guangzhou Cyber Digital Technology Company Limited	685	347	347	685

EUR'000	Expenses 01/01-12/31/2014	Revenues/Income 01/01-12/31/2014	Receivables 12/31/2014	Liabilities 12/31/2014
Gigaset	0	623	623	306
Guangzhou Cyber Digital Technology Company Limited	623	0	306	623

Business relationships mainly comprise transactions as defined under IAS 24.21 (b). Receivables include income from the sale of equipment in the amount of EUR 0.4 million.

In accordance with IAS 24, Related Party Disclosures, business relationships with Gigaset Digital Technology, Shenzhen/China, are to be shown as related party transactions since 2015. This company represents an Other related party in accordance with IAS 24.19 (g). From the perspective of the Group, the transactions and/or net balances comprised the following for the reporting period and/or as of the reporting date:

EUR'000	Expenses 01/01-12/31/2015	Revenues/Income 01/01-12/31/2015	Receivables 12/31/2015	Liabilities 12/31/2015
Gigaset	0	345	345	0
Gigaset Digital Technology	345	0	0	345

Business relationships mainly comprise transactions as defined under IAS 24.21 (c).

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.

40. Professional fees for the independent auditor

Professional fees in the total amount of EUR 277 thousand (PY: EUR 715 thousand) were incurred for the services of the independent auditor within the meaning of Section 318 HGB in financial year 2015.

EUR'000	2015	2014
Audit services for the annual financial statements	277	339
Other certification services	0	367
Other services	0	9
Total	**277**	**715**

41. Employees

The Gigaset Group had an average of 1,312 employees in financial year 2015 (PY: 1,392 employees). The total number of employees at the reporting date of December 31, 2015, was 1,270 (PY: 1,366 employees).

	Closing date		Average	
EUR'000	12/31/2015	12/31/2014	2015	2014
Salaried employees	1,245	1,327	1,283	1,352
Apprentice-trainees	25	39	29	40
Total	**1,270**	**1,366**	**1,312**	**1,392**

42. Declaration of Conformity with the German Corporate Governance Code

In March 2016, the Executive Board and Supervisory Board of Gigaset AG issued the Declaration of Conformity with the German Corporate Governance Code in its version of May 5, 2015, as required by Section 161 of the Stock Corporations Act (AktG), and made it permanently available to shareholders at the Company's website (www.gigaset.com). In this declaration, the Executive Board and Supervisory Board of Gigaset AG state that the Company was in compliance with the behavioral recommendations of the Code Commission on corporate management and monitoring published in the Federal Gazette, with a few exceptions, and will comply with them in the future. The Declaration of Conformity itself and the statements on the exceptions are reproduced verbatim at the specified location.

43. Shareholder structure

No notifications as per Section 21 or Section 25 of the German Securities Trading Act (WpHG) were received by the Company in 2015.

Gigaset AG is not included in consolidated financial statements of the majority owner.

44. Legal disputes and claims for damages

Gigaset companies are involved in various litigation and administrative proceedings in connection with their ordinary business, or it is possible that such litigation or administrative proceedings could be commenced or asserted in the future. Even if the outcome of the individual proceedings cannot be predicted with certainty, considering the imponderability of legal disputes, it is the current estimation of management that the matters in question will not have a significant adverse effect on the financial performance of the Group beyond the risks that have been recognized in the financial statements in the form of liabilities or provisions.

In July 2009, the European Commission imposed a total fine of EUR 61.1 million on various European companies in the calcium carbide sector in the context of an anti-trust law investigation. In this context, a fine totaling EUR 13.3 million was imposed jointly and severally on SKW Stahl-Metallurgie Holding AG as well as its subsidiary SKW Stahl-Metallurgie GmbH as direct cartel participants. The European Commission held the current Gigaset AG, as the Group parent company at that time, jointly and severally liable on the basis of the assumption that, as the Group parent company, it formed a "corporate unit" with the direct cartel participants. The portion of the fine attributable to Gigaset AG, in the amount of EUR 6.7 million, including interest, was paid in full, subject to reservation of appeal (EUR 1.0 million in 2009, the remainder including accrued interest in 2010). However, Gigaset also filed an appeal against the assessment of the Commission. The European Court of First Instance issued a ruling on January 23, 2014, partially granting the suit by Gigaset AG (formerly Arques Industries AG) against the administrative order of the EU Commission imposing a fine in the SKW cartel case, and reduced the fine imposed on Gigaset AG by EUR 1.0 million. Otherwise, the suit against the fine notice was dismissed. The judgment is final and enforceable against Gigaset AG. SKW's complaint was decided in the negative, i.e., the fine assessed against it was not reduced. SKW has filed an appeal against this judgment. Based on the ruling, Gigaset AG expects to receive reimbursement of a portion of the fine already paid, according to a preliminary legal assessment. In parallel to the decided lawsuit, Gigaset filed suit against SKW with the civil courts for reimbursement of the cartel fine paid by Gigaset based on the justification that SKW would have to pay the fine alone as the direct originator of the cartel, and would consequently have to reimburse the fine already proportionally paid by Gigaset AG. Gigaset continues to assume that SKW must pay the fine alone in internal relations as the company directly involved in the cartel. In the litigation on this matter between Gigaset and SKW, Gigaset considers its position to have been affirmed by the judgment of the Federal Court of Justice dated November 18, 2014, which has remanded the case to the lower court for renewed arguments and decision. This court has suspended the appeal proceedings until conclusion of SKW's suit now pending before the European Court of Second Instance (see above). No final decision has yet been issued in this proceeding, so that the appeal proceeding also remains pending.

In the litigation with Evonik Degussa GmbH regarding a penalty for breach of contract in the amount of EUR 12.0 million, in November 2013 an arbitration tribunal rejected the suit and otherwise sentenced Gigaset AG to pay an amount of EUR 3.5 million plus interest to Evonik. On March 4, 2015, Gigaset paid the amount in the principal matter of EUR 3.5 million plus interest to Evonik. Since adequate provisions were already created in prior years for this case, the payment outflow that occurred did not affect the 2015 net income. Due to the amounts paid under the guarantee, Gigaset now has taken recourse against the principal debtor, OXY Holding GmbH and the additional indemnification debtor, StS Equity Holding UG. Since an out-of-court settlement was not achieved, Gigaset filed a claim in an arbitration complaint or payment order dated June 29, 2015 against the principal debtor OXY Holding GmbH and the indemnification debtor StS Holding UG for reimbursement of this amount through the proceedings. In the further course of affairs, insolvency proceedings were commenced on the assets of both OXY Holding GmbH and StS Equity Holding UG. Following duly diligent assessment of the circumstances, the Company is convinced that EUR 3.5 million will flow to it from the insolvency proceedings on the assets of OXY

Holding GmbH. The context is that Gigaset AG considers its own claim, which it has registered in the amount of EUR 4.8 million, to have a value of EUR 3.5 million. In this context, Gigaset had examined the books of OXY Holding GmbH and the insolvency file and was convinced that the debtor holds considerable assets (cash, investments, real estate). In December 2015, Gigaset became a party to an extensive contract whose subject is the sale of these assets from the debtor's ongoing insolvency proceedings in such a way that, in the opinion of all of the parties, free assets of about EUR 4.2 million will exist at the end of the proceedings. After subtracting the costs of the proceedings and administrator compensation, the assets to be divided are expected to amount to EUR 3.5 million. Since Gigaset is the only insolvency creditor owed considerable amounts, these assets to be divided are expected to be distributed primarily to Gigaset.

45. Significant events after the reporting period

On January 23, 2016, the convertible bonds still outstanding from the convertible bonds that were issued in 2014 were converted according to the conversion requirements and the interest accruing up to that date in the amount of EUR 428 thousand, which also includes interest of EUR 2 thousand from January 2016, was paid.

The Gigaset Group signed a social plan and reconciliation of interests on March 16, 2016. At the same time, a separate collective bargaining agreement was completed for the Gigaset Group by the metalworkers union IG Metall and the Federation of German Employers' Associations in the Metal and Electrical Engineering Industries (Gesamtmetall). The primary effects of this agreement are as follows:

- Gigaset will lay off 325 employees in Germany within two years and will also offer 35 employees the possibility of leaving the Company by means of partial retirement agreements.
- The employees will leave the Company in four waves from June 30, 2016, to December 31, 2017.
- Upon retirement, the employees will be offered the possibility of expanding their qualifications in a transitional company. Experience from previous restructuring shows that more than 75% of the employees have found a new job with such a qualification.
- The employees receive a severance payment when they retire from the transitional company.
- The resulting restructuring costs of EUR 19.7 million incurred by Gigaset Group were set aside in the 2015 annual financial statements.
- An agreement to forgo up to 9% of salary components was reached with the employees under a separate collective bargaining agreement for the years 2016 to 2018.

46. Release for publication of the consolidated financial statements

The Executive Board released the present consolidated financial statements of Gigaset AG for publication on April 18, 2016. The Company's shareholders will have the right and the opportunity to amend the consolidated financial statements at the Annual Shareholders' Meeting.

Munich, April 18, 2016

The Executive Board of Gigaset AG

Klaus Wessing | Hans-Henning Doerr

Guoyu Du | Hongbin He

GIGASET LIST OF SHAREHOLDINGS

	Location		Equity share direct	Equity share indirect
Gigaset AG	Munich	Germany		
CFR Holding GmbH	Munich	Germany	100%	
GOH Holding GmbH	Munich	Germany	100%	
Gigaset Industries GmbH	Vienna	Austria	100%	
GIG Holding GmbH	Munich	Germany	89.9%	10.1%
Gigaset Online GmbH	Düsseldorf	Germany		100%
Gigaset Communications GmbH	Düsseldorf	Germany		100%
Gigaset International Sales & Services GmbH (Gewinnabführungsvertrag)	Munich	Germany		100%
Gigaset Communications Schweiz GmbH	Solothurn	Switzerland		100%
Gigaset Communications Polska Sp. z o.o.	Warsaw	Poland		100%
Gigaset Communications UK Limited	Chester	Great Britain		100%
Gigaset İletişim Cihazlari A.Ş.	Istanbul	Turkey		100%
OOO Gigaset Communications	Moskow	Russia		100%
Gigaset Communications Austria GmbH	Vienna	Austria		100%
Gigaset Communications (Shanghai) Limited	Shanghai	PR China		100%
Gigaset Communications France SAS	Courbevoie	France		100%
Gigaset Communications Italia S.R.L.	Milan	Italy		100%
Gigaset Communications Nederland B.V.	Zoetermeer	Netherlands		100%
Gigaset Communications Iberia S.L.	Madrid	Spain		100%
Gigaset Communications Sweden AB	Stockholm	Sweden		100%
Gigaset elements GmbH	Düsseldorf	Germany		100%
Hortensienweg Management GmbH	Munich	Germany	100%	

*2014 final figures
**incl. trainees

Currency '000	local equity 2015*	local profit/ loss 2015*	Average no. of employes 2015**	
EUR	183,908	-40,698	35	Gigaset AG
EUR	0 *	-1 *	0	CFR Holding GmbH
EUR	311 *	-1 *	0	GOH Holding GmbH
EUR	8,910 *	179 *	0	Gigaset Industries GmbH
EUR	54,060 *	-222 *	0	GIG Holding GmbH
EUR	-24	-1	0	Gigaset Online GmbH
EUR	3,825	-26,141	948	Gigaset Communications GmbH
EUR	322	0	38	Gigaset International Sales & Services GmbH (Gewinnabführungsvertrag)
CHF	1,398 *	469 *	6	Gigaset Communications Schweiz GmbH
PLN	884 *	-550 *	116	Gigaset Communications Polska Sp. z o.o.
GBP	698 *	149 *	7	Gigaset Communications UK Limited
TRL	9,152 *	2,689 *	2	Gigaset İletişim Cihazlari A.Ş.
RUR	10,046 *	15,764 *	10	OOO Gigaset Communications
EUR	-274 *	-128 *	11	Gigaset Communications Austria GmbH
CNY	21,207 *	2,281 *	40	Gigaset Communications (Shanghai) Limited
EUR	5,665 *	490 *	21	Gigaset Communications France SAS
EUR	413 *	201 *	15	Gigaset Communications Italia S.R.L.
EUR	247 *	449 *	14	Gigaset Communications Nederland B.V.
EUR	398 *	-13 *	12	Gigaset Communications Iberia S.L.
SEK	2,151 *	-1,078 *	8	Gigaset Communications Sweden AB
EUR	-10,342 *	-9,332 *	2	Gigaset elements GmbH
EUR	636 *	1,294 *	0	Hortensienweg Management GmbH

* 2014 final figures
**incl. trainees

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Gigaset AG, comprising the statement of financia position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Gigaset AG for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with the IFR Ss, as adopted by the EU , and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFR Ss as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

In accordance with our professional duties, we advise that the continued existence of the corporate group as a going concern is threatened by the risks described in section 4.4.1 "Liquidity of the Gigaset Group" in the Management Report which is combined with the Group Management Report. Here it is stated that the ability to maintain the Group's solvency is dependent upon the achievement of revenue and liquidity targets, the already initiated cost-cutting measures aimed at security of liquidity and a due-date of subsequent tax payments not before April 2018 as appropriate."

Düsseldorf, April 18, 2016

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Antje Schlotter	ppa. Dr. Michael Wittekindt
Wirtschaftsprüferin	Wirtschaftsprüfer

REPORT OF THE EXECUTIVE BOARD

The Executive Board of Gigaset AG is responsible for the preparation of the consolidated financial statements and the information contained in the combined management report. This information has been reported in accordance with the accounting regulations set by the International Accounting Standards Committee. The combined management report has been prepared in accordance with the provisions of the German Commercial Code.

By implementing Group-wide reporting in accordance with uniform guidelines, using reliable software, selecting and training qualified personnel and continually optimizing processes in the consolidated companies, we are able to present a true and fair view of the Company's business performance, its current situation and the opportunities and risks of the Group. To the extent necessary, appropriate and objective estimates have been applied.

In accordance with a resolution adopted at the Annual Shareholders' Meeting, the Supervisory Board has engaged PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, to audit the consolidated financial statements of the Group in the capacity of independent auditors. The Supervisory Board discussed the consolidated financial statements and the combined management report with the independent auditors during its meeting devoted to the financial statements. The results of their review are presented in the Report of the Supervisory Board.

Responsibility statement

"To the best of our knowledge, and in accordance with the required accounting principles, the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and earnings of the Group, and the combined management report provides a true and fair view of the Group's performance and situation, along with a fair description of the principal opportunities and risks of the Group's future development."

Munich, April 18, 2016

The Executive Board of Gigaset AG