Gigaset

INTERIM REPORT

FOR THE 1ST HALF YEAR FROM JANUARY 1, TO JUNE 30,

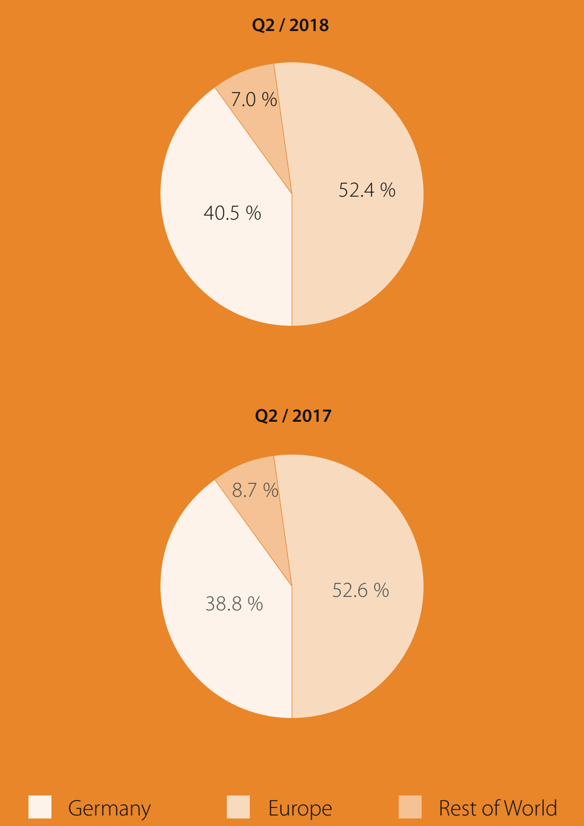
Creating best in class communications solutions for your life!

OVERVIEW OF KEY FIGURES

EUR millions	1/1 - 6/30/2018	1/1 - 6/30/2017
Consolidated revenues	121.0	128.3
Earnings from core business activities before depreciation and amortization (EBITDA)	7.7	7.9
Earnings before interest and income taxes (EBIT)	0.9	0.5
Consolidated loss for the year	-0.1	-1.3
Free cash flow	-23.1	-24.2
Earnings per share (diluted in EUR)	0.0	0.0
	6/30/2018	**12/31/2017**
Total assets	210.5	226.9
Consolidated equity	23.6	24.1
Equity ratio (in %)	11.2	10.6
Number of employees	855	930

The Gigaset Share	Q2 / 2018	Q2 / 2017
Closing price in EUR (at the end of the period)	0.60	0.79
Peak price in EUR (in the period)	0.79	0.85
Lowest price in EUR (in the period)	0.54	0.71
Number of shares in circulation (at the end of the period)	132,455,896	132,455,896
Market capitalization in EUR million (at the end of the period)	80.17	104.64

Sales broken down by region



Note

The quarterly report is not audited. This report is not an interim financial report in accordance with IAS 34 or financial statements in accordance with IAS 1. It was prepared based on the accounting policies applied for the most recent consolidated financial statements. Comparative information with respect to financial year 2017 was not adjusted for new accounting standards; see Section 4 „Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9".

The quarterly report includes statements and information regarding Gigaset AG relating to future periods.

The statements regarding the future represent estimates that were made based on all information available when the report was prepared. If the assumptions underlying the forecasts should prove inaccurate, the actual developments and results can deviate from current expectations. The Company does not accept any responsibility to update the statements included in this report outside of the provisions governing publication stipulated under the law.

Amounts included in tables and percentages (monetary units, percentages) can differentiate from the mathematically correct values due to rounding differences.

1 BUSINESS MODEL

Gigaset AG is a global enterprise operating in the area of telecommunications. The Company, with its headquarters in Munich, main production site in Bocholt, and software development in Wroclaw, Poland, is the market leader in Europe with its specially-developed and manufactured cordless telephones based on the Digital Enhanced Cordless Telecommunications (DECT) Standard. As a premium vendor, the Company has a market presence in approximately 70 countries. As of June 30, 2018, Gigaset has roughly 855 employees.

As part of the introduction of a new family brand architecture with a stronger market focus, Gigaset is renaming its business segments with the 2018 half-yearly financial statements:

- "Consumer Products" is now "Phones",
- "Business Customers" is now "Professional",
- "Home Networks" is now "Smart Home", and
- "Mobile Devices" is now "Smartphones".

The Group is broadly positioned on the market with operations in the four segments: Phones, Professional, Smart Home and Smartphones. The core business is established in the Phones segment and focuses on DECT cordless telephones. In this context, the Gigaset brand stands for high-quality, functional, and visually attractive telecommunications products.

Observed on a global basis, the Company is divided into regional segments. Most of its revenues are generated in Europe, in particular in Germany, France, Italy, and the Netherlands.

1.1 Phones

Gigaset is Europe's market leader in the area of DECT telephony. DECT is worldwide the most successful telecommunications standard for cordless telephones. Gigaset had made a key contribution to shaping this standard in the 1990s. Since then, the Company has held on to its position as the largest vendor in the European market. High market penetration is a key factor behind the Company's success. Nearly all of the Company's products are manufactured in the highly automated plant in Bocholt, Germany.

1.2 Smartphones

Gigaset has also been active in the segment for mobile devices since the end of 2016. The Company has since then positioned itself in the entry-level segment for smartphones and taken up prices from EUR 119.00 to EUR 299.00 over various product points. The goal of the current product strategy is to approach the market successively from the entry-level segment and to win over the trust and interest of customers with feature-rich smartphones at attractive prices (value-for-money products). An important part of this strategy is the promise of the familiar Gigaset quality also with smartphones. With the introduction of the GS185 in May 2018 – the first smartphone that is produced in Germany – the Company has taken a major step in this direction and created a new unique selling point for its product offering.

1.3 Smart Home

Gigaset entered the Smart Home market already in 2012. Security and alarm solutions are developed and marketed for private households in the Smart Home segment. Gigaset relies on a modular, sensor-based system that enables users to maintain a constant connection with their home via smartphone and supported by the cloud. The system makes it possible to react immediately to unforeseen events, for example burglaries, fire, or water damage. The portfolio of sensors is continuously expanded, while on the software side progress is being made with the integration of third-party systems such as Philips Hue, Amazon Echo, or Google Assistant in order to increase the users' comfort.

1.4 Professional

The Professional segment offers business customers a range of corded desk telephones and mobile components. The operations are focused on small and medium-sized enterprises (SMEs). The level of consultation for commercial products requires that they be distributed exclusively over systems vendors (value-added resellers, VaR). Gigaset's professional solutions are marketed exclusively in European markets. Here as well, Germany, France, Italy, and the Netherlands represent the most important sales markets. The Professional segment is the Company's second-largest sales pillar.

2 MARKET AND INDUSTRY ENVIRONMENT

2.1 General economic environment

According to the Economic Outlook of the Kiel Institute for the World Economy, the recovery of the global economy lost momentum at the beginning of the year. The moderate pace of expansion at the beginning of the year can be attributed in particular to special factors and underscores the underlying economic dynamic; consequently, the institute expects a more robust increase in production again for the second half of the year. In the advanced economies, an increased utilization of capacities can be observed with this pace of expansion. Thus, the increase in prices in the advanced economies will accelerate not only temporarily due to the sharp rise in the price of oil, but also in its underlying trend, because core inflation is likely to rise gradually. Risks for the global economy arise in particular from two dimensions: On the one hand from the trade disputes with the United States, where it could come to a spiral of action and reaction that noticeably puts the brakes on global activities, while on the other hand from the political uncertainties in the euro zone, to which the change of government in Italy in particular has contributed. Ultimately, the risk remains that the capital markets could suddenly become unsettled in the course of the impending normalization of monetary policy with the consequence of episodic adjustments in asset prices, returns, and exchange rates[1]. The increase in global production, calculated on the basis of purchasing power parities, will decrease slightly from 3.9 percent to 3.8 percent in 2018. In 2019, the growth rate is expected to again decrease somewhat to 3.6 percent.

2.2 Telecommunications market

2.2.1 Phones Market

Germany

The market for cordless telephones in Germany decreased by 4.7% with respect to unit volume in the first half of 2018 compared with the first half of 2017. Based on revenues, the market decrease amounts to 2.8% year-on-year. Gigaset increased its very good share of this market to 45.1% in terms of units.

France

The market for cordless telephones in France decreased by 9.4% with respect to revenues in the first half of 2018 compared with the first half of 2017. However, Gigaset held on to its position in this difficult environment by increasing its market share by 5.9% in the first half of 2018 compared with the first half of 2017.

EU4 Region

The market in the most important European markets observed by Gigaset (Germany, France, Italy, and the Netherlands) shrank by 5.7% with respect to revenues in the first half of 2018 compared with the first half of 2017. Overall, Gigaset defended its market share in terms of units and revenues and - at 40.8% and 42.9% respectively - remains the European market leader. The expansion of the HX portfolio on the basis of IP technology as well as addressing demographic issues (aging society) by means of a corresponding portfolio for people in the second half of their life under the Signet "life series" are of particular importance for Gigaset.

1 (Source: European Information Technology Observatory (EITO); gfu)

2.2.2 Smartphones Market[2]

GfK's point-of-sales data revealed global sales volume totaling 1.46 billion smartphones for the full year 2017[3]. For 2018, GfK expects stagnation. In the first quarter of 2018, worldwide demand fell by 2% to 347 million units. However, an increase of 21% with respect to the average sales price in the same period provided for strong revenue growth[4].

2.2.3 Smart Home Market

The global market for Smart Home systems and services showed total revenue of just under EUR 23 billion in 2017. Global annual revenue grew by 33%, so that total worldwide revenue is forecast to be EUR 71 billion for 2021. The Smart Home market is divided into the categories of Home Automation, Home Entertainment, Assisted Living, Energy Management, and Building Security. The market for Assisted Living is particularly important. According to a current study, an annual growth rate of over 56% by 2021 is forecast[5].

2.2.4 Professional Market

The telecommunications market for business customers is characterized by a persistent trend in favor of IP-based communications and telephony, given a simultaneous increase in cloud-based communications systems. In the long term, it is expected that successive crowding out of traditional transmission technologies will take place by 2022 and the use of IP or cloud-based systems will increase to approximately 72% based on a total volume of around 130 million terminals[6]. The market for multi-cell communications systems on the basis of VoWLAN (Voice over Wireless LAN) is also of special interest. Over the course of time, an anticipated market value of EUR 34 million will be reached in 2022[7]. This positive development also opens up opportunities for Gigaset to increase the range of implementation possibilities for the portfolio with future product offerings.

2 (Source: European Information Technology Observatory (EITO); gfu)
3 GfK SE (2018) – Press Report April 24, 2018
4 GfK SE (2018) – Press Report April 25, 2018
5 Statista October 2016 – Digital Market Outlook (page: 20)
6 MZA 2017 - Hosted Cloud Business Telephony 2017 (Powerpoint Page 27)
7 MZA Onsite Business Voice Mobility Forecast 2017 - Gigaset – Excel (Table1/Chart 1)

3 COURSE OF BUSINESS

3.1 Phones

Gigaset was able to defend its premium position over the competition. In the EU4 market, the targets for the first half of 2018 were met. Gigaset's market share was 42.9%. The average sales price of the product portfolio in the first half of 2018 was on average EUR 2.00 higher than that of the competitors.

Gigaset addressed the market for DECT cordless telephones in particular in the areas of IP telephony (HX portfolio) and an expanded offering for people in the second half of their life (Gigaset life series). With both product ranges, the Company is addressing infrastructural and social changes in Germany and in Europe. The goal is to gain additional market share vis-à-vis the competition and to expand the position on the market.

3.2 Smartphones

Revenues with smartphones increased to EUR 5.46 million in the first half of 2018 compared with the first half of the previous year. In Germany, the smartphone models GS270 and GS370 are available in nearly all network operator-independent distribution channels. The devices were likewise introduced to Europe's other core markets. Gigaset expects a positive impact on revenues in the second half of 2018 with the introduction of the new models GS100, GS180, and GS185 in May of this year as well as the announcement that the model GS185 is the first smartphone to be manufactured in Germany.

3.3 Smart Home

Revenues in the first half of 2018 rose by 19% compared with the first half of 2017[8].

Since May 2018, Gigaset addressed the Smart Home market with four new product bundles each at a price of EUR 79.00. The goal is to attract new customers and to increase the number of users of the cloud. The four bundles serve different scenarios covering home comfort and security. The bundle campaign will last until September 2018 and is receiving extensive communications support. Numerous dealers and retailers have also added the new bundles to their inventory.

3.4 Professional

Revenues in the Professional segment increased by a total of around 12% in the first half of 2018 compared with the first half of the previous year. The sales volume of DECT-based cordless consumer devices for professional use increased slightly in the first half of the year. For example, revenues posted an increase of around 1.8% compared with the first half of 2017. The rising sales volume of IP-based single and multi-cell systems (N series) contributed more clearly to the positive revenue trend based on a product-related increase in revenues of approximately 43% compared with the first half of 2017. The greatest contributions to revenues in the first half of 2018 were made by the regions of Germany, France, and Italy[8].

8 Gigaset (2018) - Board

9 Finace Report: 20180716_NSR per Segment per Hub and Product class Q2

4 THE GIGASET SHARE

The first half of the year showed an overall encouraging trend for shares of Gigaset AG. Although the share price ended the first day of the year still at EUR 0.552, it hit the ground running on the next day. Supported by positive corporate reports, the share climbed to its all-time high of EUR 0.79 at the beginning of February. However, the Gigaset share had difficulty avoiding the strong turbulence on the stock market over the further course of the month and the price level decreased again to EUR 0.632. After the uneasiness on the financial markets had calmed, shares of Gigaset AG also rose again and once again reached a value of EUR 0.774 in March. The share price eventually stabilized at the level of EUR 0.70. The increasing uncertainty of stock market participants was reflected in the final third of the reporting period in the increased volatility, which also affected the Gigaset share. Consequently, it ended the first half of 2018 nearly unchanged at EUR 0.605. After the remarkable development in the comparison period 2017, the average Xetra daily volumes decreased from 28,304 shares in the first half of 2017 to 24,789 shares in 2018. At 26.49%, there was no change with respect to free float according to the definition provided by Deutsche Börse AG. Due to the low free float, the Gigaset share is subject to greater price fluctuations, even due to smaller transactions.

5 FINANCIAL PERFORMANCE, CASH FLOWS AND FINANCIAL POSITION

5.1 Financial performance

The Gigaset Group had generated revenues of EUR 121.0 million in the first six months of financial year 2018 (prior year: EUR 128.3 million) in an industry environment that continues to be challenging. This constitutes a decrease in revenues of 5.6%, whereby revenues from core business activities were subject to the usual seasonal fluctuations in the consumer business.

The decrease in revenues in the first half of 2018 can be attributed to a further decrease of EUR 12.3 million or 12.5% to EUR 85.8 million in the Phones segment. In the Professional segment, revenues of EUR 28.4 million were realized in the first half of 2018. This corresponded to an increase of 12.0% in revenues compared with the previous year. Revenues in the Smart Home segment increased year-on-year by 19.0% to EUR 1.4 million. At EUR 5.4 million, revenues in the Smartphones segment in the first half of the year clearly exceeded sales for the first half of the previous year (prior year: EUR 3.7 million). The margin quality improved across all segments, despite a decrease in revenues of 5.6%.

Revenues in € millions	H1 2018	H1 2017	Change
Phones	85.8	98.1	-12.5 %
Professional	28.4	25.4	12.0 %
Smartphones	5.4	3.7	44.5 %
Smart Home	1.4	1.1	19.0 %
Gigaset Total	**121.0**	**128.3**	**-5.6 %**

The decrease in revenues in the Phones segment followed the general market trend in Europe. However, Gigaset increased its market share by 3.8% in terms of units and by 1.6% based on revenues in the market for cordless telephones in the EU4 area, whereby the market share was increased by 6.7% in terms of units and by 5.9% based on revenues in France. Gigaset also expanded its share of the market in Italy (by 6.4% in terms of units and by 5.3% based on revenues). In the Netherlands, the market share increased by 4.7% in terms of units and by 2.0% based on revenues. Thus, Gigaset also continued to underscore its premium position in the EU4 area with a market share of 40.8% in terms of units and 42.9% based on revenues.

Growth in the Smartphones segment continued in the first half of 2018. Gigaset intends to further expand its position in the smartphone market in financial year 2018.

A positive trend was recorded in the Smart Home segment compared with the previous year. The market for Smart Home systems & services in Western Europe is still considered to be promising.

The Professional segment posted a positive performance, whereby in particular the increase in revenues in Italy, Spain, and Germany had a significant influence on this with a total increase of EUR 2.7 million. The focus currently lies on further expanding the market position by expanding the product portfolio.

Revenues by sales region developed as follows:

Revenues in € millions	H1 2018	H1 2017	Change
Germany	63.4	67.4	-5.8%
Europe (excluding Germany)	49.1	49.8	-1.5%
Rest of World	8.5	11.1	-23.4%
Gigaset Total	**121.0**	**128.3**	**-5.6%**

The decrease in revenues in Germany can be attributed largely to the negative market growth in the Phones segment. Nevertheless, the solid performance in the Professional segment attenuated the effects. The market decline in the Phones segment is also being felt all over Europe. The other segments are being further expanded in order to offset the decline in this segment.

Revenues by geographical region developed as follows:

Revenues in € millions	H1 2018	H1 2017	Change
Germany	50.9	56.2	-9.4%
Europe (excluding Germany)	62.4	64.0	-2.5%
Rest of World	7.7	8.1	-4.9%
Gigaset Total	**121.0**	**128.3**	**-5.6%**

The **cost of materials** for raw materials, merchandise, finished goods and purchased services was EUR 61.1 million in the first half of 2018 – a decrease of 4.5% compared with the prior-year comparative value of EUR 64.0 million. The cost of materials rate decreased from 49.8% to 48.4%, including changes in inventories.

Gross profit, comprising revenues less the cost of material and including the change in the portfolio of finished work and work in progress decreased compared with the previous year from EUR 64.4 million to EUR 62.5 million. The gross profit margin increased in the first half of 2018 to 51.6% compared with 50.2% in the first half of the previous year.

At EUR 5.2 million, other **own work capitalized** exceeded the previous year's level by EUR 0.5 million and mainly included costs related to the development of new products.

Other operating income amounts to EUR 6.3 million (prior year: EUR 7.9 million).

At EUR 30.9 million, personnel expenses for wages, salaries, social security contributions and old age pensions were down 10.7% compared with the first half of 2017 (EUR 34.6 million.). The decrease could be attributed to the restructuring initiated at the end of 2015. The personnel cost rate decreased to 25.6% (prior year: 27.0%).

Other operating expenses increased to EUR 35.4 million in the first half of 2018 after amounting to EUR 34.5 million in the first half of 2017. The increase resulted mainly from the higher marketing and hospitality expenses in the amount of EUR 2.0 million and increased expenses from the loaning of employees in the amount of EUR 0.5 million to be seen alongside reduced tax expenses of EUR 0.4 million, EUR 0.4 million less in license fees and lower consulting fees in the amount of EUR 0.3 million.

At EUR 7.7 million, **earnings before interest, taxes, depreciation, amortization and impairment losses (EBITDA)** were slightly lower than in the first half of 2017 (EUR 7.9 million). Taking into account depreciation and amortization in the amount of EUR 6.8 million (prior year: EUR 7.3 million), **earnings before interest and taxes (EBIT)** amounted to EUR 0.9 million (prior year: EUR 0.5 million).

EBIT in connection with **net financial income** in the amount of EUR -0.4 million (prior year: EUR -0.5 million) led to a r**esult from ordinary activities** of EUR 0.5 million (prior year: EUR 0.0 million).

The **consolidated loss for the year** amounted to EUR -0.1 million as of June 30, 2018 (prior year: EUR -1.3 million).

This resulted in earnings per share of EUR 0.00 (basic/diluted) (prior year: EUR -0.01 (basic/diluted)).

5.2 Cash flows

Cashflow in € millions	H1 2018	H1 2017
Cash flows from operating activities	-17.1	-18.6
Cash flows from investing activities	-6.1	-5.5
Free cash flow	-23.1	-24.2
Cash flows from financing activities	5.0	0.0

In the first half of the year, the Gigaset Group had to record a cash **outflow from continuing operations** in the amount of EUR -17.1 million (prior year: EUR -18.6 million). The cash outflow typical for the first half of the year was characterized by the seasonal business. Whereas the decrease in cash resources was greatest in the first quarter due to the repayment of liabilities to suppliers resulting from the Christmas shopping season, cash requirements are lower in the second quarter. Net cash inflows are traditionally generated in the second half of the year during the Christmas shopping season. The lower cash outflows from continuing operations compared with the first half of the previous year was characterized in particular by the increase in the factoring volume.

Cash outflows from investing activities amounted to EUR -6.1 million and thus exceeded the previous year's level of EUR -5.5 million. The clear majority of the payments in the current and past fiscal year constituted capital expenditures in noncurrent assets.

Thus, **free cash flow** amounted to EUR -23.1 million compared to EUR -24.2 million in the previous fiscal year.

Cash inflows from financing activities amounted to EUR 5.0 million as of June 30, 2018 (prior year: EUR 0.0 million). Cash inflows included the first payment of a credit facility made on June 28, 2018. Gigaset signed a new credit facility in the amount of up to EUR 20.0 million in April 2018.

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

The cash flow included changes in exchange rates in the amount of EUR -0.1 million (prior year: EUR -0.1 million).

Cash and cash equivalents amounted to EUR 30.8 million as of June 30, 2018 (prior year: EUR 23.2 million).

5.3 Financial position

The Gigaset Group's **total assets** amounted to EUR 210.5 million as of June 30, 2018, and therefore decreased by 7.2% compared with December 31, 2017.

Noncurrent assets increased by EUR 0.2 million to EUR 85.1 million compared with December 31, 2017. Depreciation and disposals exceeded capital expenditures in property, plant and equipment; as a result, property, plant and equipment decreased by EUR 1.4 million to EUR 21.9 million. In contrast, intangible assets increased by EUR 0.7 million to EUR 30.8 million, since the investment volume exceeded amortization charges. Deferred tax assets amounted to EUR 14.0 million as of the reporting date June 30, 2018, after amounting to EUR 13.1 million on December 31, 2017.

Current assets represented 59.6% of total assets. Compared with December 31, 2017, they decreased by EUR 16.5 million and amounted to EUR 125.4 million. Inventories increased by EUR 8.5 million to EUR 35.2 million. Gigaset's warehouses are normally at their lowest level at year-end after the Christmas shopping season and are consequently restocked over the course of the year. Trade receivables decreased by EUR 0.8 million to EUR 39.1 million. Other assets decreased by EUR 5.7 million to EUR 19.9 million. The portfolio of cash and cash equivalents decreased from EUR 49.1 million to now EUR 30.8 million compared with December 31, 2017. Please refer to the statement of cash flows in the notes for a breakdown of changes in cash and cash equivalents.

The Gigaset Group's **equity** amounted to around EUR 23.6 million as of June 30, 2018, and is thus EUR 0.5 million lower than at the beginning of the year. This corresponded to an equity ratio of 11.2%. Due to the decrease in the discount rate from 1.85% to now 1.83% for the pension obligations accounted for, a net actuarial loss of EUR -0.7 million was recognized directly in equity. Furthermore, changes in exchange rates in the amount of EUR -0.5 million were recognized directly in equity. Cash flow hedging resulted in gains of EUR 1.4 million that were recognized directly in equity. In addition, equity was impacted by the consolidated net loss of EUR -0.1 million for the financial year.

Total liabilities amounted to EUR 186.9 million and therefore were EUR 15.9 million lower than at the beginning of the year and 49.0% of which are current.

Noncurrent liabilities mainly included pension obligations, financial liabilities, and deferred tax liabilities as well as noncurrent provisions for personnel expenses and provisions for guarantees. Noncurrent liabilities increased by EUR 6.6 million to EUR 95.3 million. The increase in noncurrent liabilities could be attributed mainly to the drawdown of the credit facility in the amount of EUR 5.0 million.

At EUR 91.6 million, **current liabilities** were around 19.7% lower than at the end of the year on December 31, 2017. The decrease in **provisions** of EUR 4.6 million resulted primarily from lower provisions for volume discounts in the amount of EUR 1.5 million and the reduction of provisions for licenses in the amount of EUR 1.2 million. **Trade payables** decreased seasonally from EUR 56.1 million to EUR 44.0 million.

6 REPORT ON OPPORTUNITIES AND RISKS AS OF JUNE 30, 2018

As a general rule, all entrepreneurial activities involve risk. This includes 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 policy consists of taking advantage of existing opportunities and limiting the associated risks with the use of appropriate instruments.

Detailed information regarding Gigaset's opportunities and risks is presented in Gigaset's 2017 Annual Report. There were no significant changes in the first half of 2018.

The process of the Group-wide, systematic risk management system is described in detail in Gigaset AG's combined management report in the 2017 Annual Report.

7 SIGNIFICANT EVENTS AFTER JUNE 30, 2018

There were no significant events after June 30, 2018 to report.

INHALT

8 OUTLOOK

8.1 General economic development

The Kiel Institute for the World Economy (IfW) is downgrading its outlook and expects a slightly weakened expansion of the global economy. The increase in global production, calculated based on purchasing power parities, is estimated to be 3.6 percent. Thus, the forecasts for 2018 and 2019 were each lowered by 0.2 percentage points.

Furthermore, the institute expects that the utilization of capacities in the advanced economies will increase. The economy in the United States should also pick up momentum, whereas the upswing in the euro zone will continue at a slower pace. In the European context, the economy in the United Kingdom will be burdened by Brexit-related uncertainty. Internationally, a gradual decline in production growth is expected for China. The economic recovery in the remaining emerging markets continues, while the risks are simultaneously increasing. The largest risk for the global economy remains trade policy risks due to an increasing agitation characterized by protectionism in important economies.

8.2 Development of the industry

Phones

The Group expects that the market for DECT cordless telephones will continue to decline worldwide in the future due to increased competition and as a result of the growing share of mobile communication. It is likewise assumed that the price level will decrease on the whole over the next few years.

Smartphones

Gigaset expects further rising sales volume for its products. This is also indicated in a current study of expected smartphone sales volumes until 2021 by Statista. The statistic provides a forecast until 2021, according to which the sales volume should be around 1.71 billion devices in 2021[10].

Smart Home

Gigaset expects that Smart Home applications will develop more modestly than forecasted also in the foreseeable future. Nevertheless, individual studies and forecasts impart confidence. Current statistics from Statista show a forecast for revenues in the Smart Home Building Security segment in Germany until 2022. According to these statistics, revenues in this segment, which represents the majority of the portfolio of Gigaset's solutions, will be around EUR 474 million in Germany in 2018 and increase to around EUR 904 million by 2022[11].

Professional

Gigaset expects a further increase in significance for IP and cloud-based telephony in the area of business customer telephony. In Europe, the share of IP connections will grow steadily on the basis of installed telephony systems and further crowd out traditional transmission technology. Traditional (TDM-based) connections are expected to only constitute around 31% in 2021[12]. In addition to the stationary IP systems, in particular cloud-based telecommunication solutions are recording clear growth in the installed basis. Forecasts show a growth of these telecommunication solutions in the European context. In 2021, the installed basis will amount to an estimated 32.3 million IP connections[13].

10 Statista 2018 – IDC: Forecast regarding the sales volume of smartphones worldwide from 2010 to 2021 (in millions of units)

11 Statista 2018 – Digital Market Outlook: Forecast for revenue in the Building Security segment in Germany in the years 2016 to 2022 (in millions of euros)

12 Source: MZA Hosted-Cloud Business Telephony - Total Europe 2017 – Powerpoint, Page 27

13 Source: MZA Hosted-Cloud Business Telephony 2017 - Europe – Excel (Table2)

8.3 Expected development of revenues and earnings

The market as a whole for cordless telephones in Europe further declined in the first half of 2018 by just under 5.7% based on revenues in the markets observed by Gigaset. This trend is expected to continue also in the coming years, because experts assume that the market in the area of cordless telephony will further decline. However, the goal is to stabilize the business with cordless telephones for Gigaset and to secure it also over the next few years as a source of revenues.

As planned, the development of Gigaset in the first half of the year was characterized both by a decrease in revenues in the Phones segment as well as by the successful expansion of the Professional, Smart Home and Smartphones segments. These segments should offset the loss of revenues in the Phones segment and generate new growth also in the future.

The overall plan is to broaden the Company's operating base. The Professional segment has grown continuously in recent years. Distribution and in particular distribution partnerships are to be further intensified in 2018. In the Smart Home segment, focused marketing strategies that should help to generate further revenue growth are planned for the second half of 2018. In addition, new customer groups and sales opportunities should be developed thanks to the expansion of the portfolio into new areas. The youngest segment, Smartphones, has likewise already become an important source of revenues for Gigaset. The production of smartphones in Germany presented in June/July 2018 aroused widespread interest on the part of the press, customers, and partners. The goal is to intensify the operations also here and to develop new sources of sales.

The restructuring, which was largely completed in 2017, led to a further reduction of personnel and overhead costs in the first half of 2018 compared with the previous year. At the same time, Gigaset systematically hired more employees in the first half of the year. Thanks to the investment security achieved in the first half of the year with the successful raising of financing for capital expenditures, Gigaset will further expand the costs for the development of marketing in the second half of the year in order to press ahead with the introduction of a new series of products. In total, a slight increase in personnel expenses as well as other expenses is expected for the second half of the year.

Gigaset hedged a large part of the U.S. dollar risk for 2018. In addition, the forecast is based on a USD/EUR exchange rate of 1.17. As a rule, this hedged exchange rate was slightly exceeded in the first half of the year as a result of the currency market trend.

8.4 Expected development of cash flow, liquidity and capital expenditures

The Company currently finances itself primarily from its operating business. Until May 31, 2018, Gigaset was free from financial liabilities. In May 2018, Gigaset Communications GmbH, Bocholt, a subsidiary of Gigaset AG, entered into a loan agreement with a German regional bank as the syndicate manager with a term of 4.5 years and a total commitment of up to EUR 20 million. This financing is intended to be used to expand the product portfolio in order to develop new revenue potential. At the end of June 2018, already 5 million euros in investment funds had been drawn down.

The Company's strategy to secure its financial stability remains conservative. According to its planning, Gigaset expects that a sizable, positive portfolio of cash and cash equivalents will be available, even taking into account all outstanding payment obligations at the end of the year.

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

Gigaset is placing its focus on the reorientation of the Company also in 2018. This means gaining market share in the Phones business, expanding revenues in the Professional segment, further expanding the Company's own smartphone business in the Smartphones segment and the expansion of Smart Home. Expenditures in the area of marketing and for capital expenditures will play a key role again also in 2018. The Group therefore expects the following for the financial year:

- An increase in revenues compared with 2017 in the high single-digit millions through the smartphone business and the expansion of the new business segments, whereby the expectation is for an increase in revenues in the mid-to-high millions in the Germany segment, declining revenues in the mid-millions in Europe, and an increase in the mid-to-high millions in the 'Rest of World' segment.
- The Company expects earnings from core business activities before depreciation and amortization of between EUR 20 million and EUR 28 million. The operating performance is characterized by further declining gross profits in the Phones segment, rising gross profits in the Professional and Smart Home segments, and an expansion of expenses for development and marketing.
- Due to the substantial capital expenditures and subsequent expenditures for the social compensation plan and amounts set aside for risks arising from prior-year tax audits, the Company expects a negative free cash flow in the mid-single-digit millions.

Munich, August 22, 2018

Gigaset AG
Executive Board

Klaus Weßing Stephan Mathys

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2018

€ thousands	1/1 - 6/30/2018	1/1 - 6/30/2017
Revenues	121,031	128,263
Change in inventories of finished goods and work in progress	2,583	95
Cost of materials	-61,129	-63,996
Gross profit	**62,485**	**64,362**
Other own work capitalized	5,165	4,704
Other operating income	6,347	7,949
Personnel expenses	-30,938	-34,639
Other operating expenses	-35,400	-34,498
EBITDA	**7,659**	**7,878**
Depreciation and amortization	-6,794	-7,337
EBIT	**865**	**541**
Other interest and similar income	157	31
Interest and similar expenses	-555	-554
Net financial income	**-398**	**-523**
Result from ordinary activities	**467**	**18**
Income taxes	-612	-1,271
Consolidated net loss for the financial year	**-145**	**-1,253**
Earnings per ordinary share		
- undiluted in EUR	0.00	-0.01
- diluted in EUR	0.00	-0.01

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

INCOME STATEMENT FOR THE PERIOD FROM APRIL 1 - JUNE 30, 2018

€ thousands	4/1 - 6/30/2018	4/1 - 6/30/2017
Revenues	69,911	69,835
Change in inventories of finished goods and work in progress	1,111	1,040
Cost of materials	-34,946	-36,898
Gross profit	**36,076**	**33,977**
Other own work capitalized	2,646	2,391
Other operating income	3,454	3,170
Personnel expenses	-15,994	-16,383
Other operating expenses	-20,169	-18,844
EBITDA	**6,013**	**4,311**
Depreciation and amortization	-3,479	-3,357
EBIT	**2,534**	**954**
Other interest and similar income	8	27
Interest and similar expenses	-283	-296
Net financial income	**-275**	**-269**
Result from ordinary activities	**2,259**	**685**
Income taxes	-879	-423
Consolidated net profit for the financial year	**1,380**	**262**
Earnings per ordinary share		
- undiluted in EUR	0.01	0.00
- diluted in EUR	0.01	0.00

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2018

€ thousands	1/1 - 6/30/2018	1/1 - 6/30/2017
Consolidated net loss for the financial year	**-145**	**-1,253**
Items that may subsequently be reclassified to profit or loss		
Currency translation differences	-467	-195
Cash flow hedges	1,997	-3,997
Income taxes recognized on these items	-629	1,239
Items that will not subsequently be reclassified to profit or loss		
Revaluation effect, net liability under defined benefit plans	-1,009	4,609
Income taxes recognized on this item	321	-1,466
Total changes recognized in other comprehensive income	**213**	**190**
Total recognized income and expense	**68**	**-1,063**

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM APRIL 1 - JUNE 30, 2018

€ thousands	4/1 - 6/30/2018	4/1 - 6/30/2017
Consolidated net profit for the financial year	**1,380**	**262**
Items that may subsequently be reclassified to profit or loss		
Currency translation differences	-242	-173
Cash flow hedges	1,501	-2,524
Income taxes recognized on these items	-478	782
Items that will not subsequently be reclassified to profit or loss		
Revaluation effect, net liability under defined benefit plans	-1,009	4,251
Income taxes recognized on this item	321	-1,352
Total changes recognized in other comprehensive income	**93**	**984**
Total recognized income and expense	**1,473**	**1,246**

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2018

€ thousands	6/30/2018	12/31/2017
ASSETS		
Noncurrent assets		
Intangible assets	30,790	30,083
Property, plant and equipment	21,865	23,313
Financial assets	18,386	18,386
Deferred tax assets	14,040	13,137
Total noncurrent assets	**85,081**	**84,919**
Current assets		
Inventories	35,218	26,733
Trade receivables	39,096	39,921
Other assets	19,935	25,678
Tax refund claims	351	513
Cash and cash equivalents	30,845	49,097
Total current assets	**125,445**	**141,942**
Total equity & liabilities	**210,526**	**226,861**

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2018

€ thousands	6/30/2018	12/31/2017
EQUITY & LIABILITIES		
Equity		
Subscribed capital	132,456	132,456
Share premium	86,076	86,076
Retained earnings	68,979	68,979
Accumulated other comprehensive income	-263,876	-263,423
Total equity	**23,635**	**24,088**
Noncurrent liabilities		
Pension obligations	82,587	81,432
Provisions	4,552	5,609
Financial liabilities	5,000	0
Other liabilities	1	9
Deferred tax liabilities	3,188	1,663
Total noncurrent liabilities	**95,328**	**88,713**
Current liabilities		
Provisions	17,728	22,291
Trade payables	44,030	56,114
Tax liabilities	14,039	17,166
Other liabilities	15,766	18,489
Total current liabilities	**91,563**	**114,060**
Total equity & liabilities	**210,526**	**226,861**

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

CHANGE IN CONSOLIDATED EQUITY AS OF JUNE 30, 2018

	€ thousands	Subscribed capital	Share premium	Revenue reserves	Accumulated other comprehensive income	Consolidated equity
	December 31, 2016	132,456	86,076	68,979	-269,669	17,842
1	Consolidated loss 2017	0	0	0	-1,253	-1,253
2	Currency translation differences	0	0	0	-195	-195
3	Cash flow hedges	0	0	0	-2,758	-2,758
4	Revaluation effects, net liability under defined benefit plans	0	0	0	3,143	3,143
5	Total changes recognized in other comprehensive income	0	0	0	190	190
6	**Total net income (1+5)**	**0**	**0**	**0**	**-1,063**	**-1,063**
	June 30, 2017	**132,456**	**86,076**	**68,979**	**-270,732**	**16,779**
	December 31, 2017	**132,456**	**86,076**	**68,979**	**-263,423**	**24,088**
	Adjustments IFRS 9 / IFRS 15	0	0	0	-521	-521
	January 1, 2018	**132,456**	**86,076**	**68,979**	**-263,944**	**23,567**
1	Consolidated loss 2018	0	0	0	-145	-145
2	Currency translation differences	0	0	0	-467	-467
3	Cash flow hedges	0	0	0	1,368	1,368
4	Revaluation effects, net liability under defined benefit plans	0	0	0	-688	-688
5	Total changes recognized in other comprehensive income	0	0	0	213	213
6	**Total net income (1+5)**	**0**	**0**	**0**	**68**	**68**
	June 30, 2018	**132,456**	**86,076**	**68,979**	**-263,876**	**23,635**

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2018

€ thousands	1/1 - 6/30/2018	1/1 - 6/30/2017
Result from ordinary activities	**467**	**18**
Depreciation of property, plant and equipment and amortization of intangible assets	6,794	7,337
Increase (+)/decrease (-) in pension provisions	146	1,000
Gain (-)/loss (+) from the sale of noncurrent assets	2	-29
Gain (-)/loss (+) from currency translation	172	421
Net interest income	398	523
Interest received	137	7
Interest paid	-188	-181
Income taxes paid	-3,611	-2,057
Increase (-)/decrease (+) in inventories	-8,485	-5,512
Increase (-)/decrease (+) in trade receivables and other receivables	8,044	-7,933
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	-20,782	-12,105
Increase (+)/decrease (-) in other items of the statement of financial position	-187	-125
Cash inflow (+)/outflow (-) from continuing operations (net cash flow)	**-17,093**	**-18,636**
Proceeds from the disposal of noncurrent assets	0	29
Disbursements for capital expenditures in noncurrent assets	-6,055	-5,567
Cash inflow (+)/outflow (-) from investing activities	**-6,055**	**-5,538**

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2018

€ thousands	1/1 - 6/30/2018	1/1 - 6/30/2017
Free cash flow	**-23,148**	**-24,174**
Cash inflow from the raising of noncurrent financial liabilities	5,000	0
Cash inflow (+)/outflow (-) from financing activities	**5,000**	**0**
Cash and cash equivalents at the beginning of the period	44,542	39,993
Changes due to exchange rate differences	-104	-148
Cash and cash equivalents at the beginning of the period measured at the closing rate of the prior year	44,646	40,141
Increase (-)/decrease (+) in restricted cash	927	2,497
Change in cash and cash equivalents	-18,148	-24,174
Cash funds at the end of the period	**27,321**	**18,316**
Restricted cash	3,524	4,852
Cash and cash equivalents reported on the statement of financial position	**30,845**	**23,168**

The new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied since January 1, 2018. The prior-year figures have not been adjusted. For more information please refer to Section 3 Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018

1. GENERAL INFORMATION REGARDING ACCOUNTING POLICIES

The preparation of Gigaset AG's consolidated financial statements as of June 30, 2018, and the presentation of comparative figures from the prior year was carried out in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and their interpretation by the Standard Interpretations Committee (SIC) and International Financial Reporting Standards Interpretations Committee (IFRS IC) as they apply in the EU. Accordingly, this unaudited and unreviewed Interim Financial Report as of June 30, 2018, was prepared in accordance with IAS 34. All Standards applicable as of June 30, 2018, whose application is mandatory were taken into account and provide a true and fair view of the Gigaset Group's financial position, financial performance and cash flows.

The notes to the 2017 consolidated financial statements apply accordingly in particular with respect to the significant accounting policies adopted. Material changes as a result of the newly applicable standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are explained separately in Section 3, Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9. The consolidated financial statements are prepared under the premise that the Company will continue as a going concern.

In addition, the following standards and interpretations, which were amended or newly issued by the IASB, had to be applied beginning with the 2018 fiscal year:

- IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and Clarifications to IFRS 15 Revenue from Contracts with Customers

See Section 3, Changes in accounting treatment as a result of the first-time application of IFRS 15 and IFRS 9.

- IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 include clarifications regarding three regulatory areas:

- Measurement of cash-settled share-based payment transactions (future measurement of cash-settled share-based payment transactions in compliance with the provisions governing the measurement of equity-settled share-based payment transactions)
- Classification of share-based payments subject to tax withholding (classification in the event of tax withholding as cash-settled share-based payment transactions or equity-settled share-based payment transactions and/or a classification when both circumstances apply (accounted for separately))
- Modification of a share-based payment so as to change its classification from cash-settled to equity-settled (measurement at the time of transition as well as the treatment of any measurement difference).

The new provisions apply for fiscal years beginning on or after January 1, 2018. The amendments had no effect on the consolidated financial statements.

- IAS 40 Investment Property – Transfers of Investment Property

  The amendment of IAS 40 serves to clarify the cases in which the classification of property as "investment property" begins or ends if the property is still under construction or in development. Due to the exhaustive nature of the list previously shown in the standard, the classification of properties under construction was previously not clearly governed. The list is not explicitly non-exhaustive, so that now properties under construction can be subsumed under the regulation. The new provisions apply for fiscal years beginning on or after January 1, 2018. The amendments had no effect on the consolidated financial statements.

- Annual Improvements to IFRSs 2014–2016 Cycle

  The Annual Improvements (2014–2016 Cycle) relate to clarifications within the following standards:

  - IFRS 1 First-time Adoption of International Financial Reporting Standards (deletion of short-term exemptions that are no longer relevant)

  - IAS 28 Investments in Associates and Joint Ventures (clarification that interest in associated companies that are held by a venture capital organization or another qualifying entity can be measured differently for each investment)

  The new provisions apply for fiscal years beginning on or after January 1, 2018. The amendments had no effect on the consolidated financial statements.

- IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

  Until the effective date of the new standard for insurance contracts, IFRS 17 Insurance Contracts, the amendments to IFRS 4 include two possible voluntarily applicable methods of avoiding certain balance sheet consequences that arise from the divergence of the date of first-time application of IFRS 9 and IFRS 17 (postponement of the first-time application of IFRS 9 or a transition process that leads to an analogous presentation of amounts to be reported in profit or loss as if the previously applicable provisions of IAS 39 had been applied). The new provisions apply for fiscal years beginning on or after January 1, 2018. The amendments had no effect on the consolidated financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

  The interpretation clarifies how to determine the date of a transaction for the purpose of determining the exchange rate to use when translating transactions in foreign currencies that include advance payments paid or received. The exchange rate for the underlying asset, income or expense is determined accordingly based on the date on which the asset or liability resulting from the advance payment is recognized for the first time. The new provisions apply for fiscal years beginning on or after January 1, 2018. The amendments had no effect on the consolidated financial statements.

The following standards and interpretations already adopted, revised, or newly issued by the IASB were not yet required to be applied in fiscal year 2018:

Standards		Application requirement for Gigaset starting	Adopted by EU Commission
Various	Yearly Improvements to International Financial Reporting Standards (2015–2017 Cycle) (Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs)	1/1/2019	No
IFRS 16	Leases	1/1/2019	Yes
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1/1/2019	Yes
IAS 28	Long-term Interests in Associates and Joint Ventures	1/1/2019	No
IAS 19	Employee Benefits – Plan Amendment, Curtailment or Settlement	1/1/2019	No
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1/1/2020	No
IFRS 17	Insurance Contracts	1/1/2021	No
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	undetermined	No
Interpretations			
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/2019	No

In October 2015, the EFRAG (European Financial Reporting Advisory Group) announced that the European Commission would not recommend the adoption of IFRS 14 Regulatory Deferral Accounts into EU law. The reason for its non-adoption is the strictly limited group of entities to which this interim standard applies. For Gigaset, compliance with IFRS 14 - which would have had to be applied beginning on January 1, 2016 -would not have had any effect on the accounting treatment.

Due to an ongoing research project, the mandatory first-time application of the amendments to IFRS 10 and IAS 28 with respect to the sale or contribution of assets between an investor and its associate or joint venture was postponed indefinitely by the standard setter. Therefore, the endorsement was also postponed indefinitely.

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 (see Gigaset AG's 2017 Annual Report, Notes to the consolidated financial statements, Note 31 Other financial obligations). These relate mainly to rental, lease, and service agreements. There are exemptions for short-term leases and contracts of low value. Therefore, the extent to which assets or liabilities result from the other financial obligations cannot be estimated at this time, nor can the extent to which this would impact the income statement and/or cash flow statement.

The Company will not apply the new standard IFRS 16 early, but instead will take it into account accordingly beginning with the date of mandatory first-time application.

The effects of the first-time application of the other revised and/or new standards and interpretations whose application is not required until fiscal year 2019 or later cannot be reliably estimated at this time.

Further information regarding published, but not yet applicable standards, interpretations and amendments as well as disclosures regarding the recognition and measurement of items of the statement of financial position as well as regarding discretionary decisions and estimation uncertainties can be found on page 87 ff. in the Section entitled "Accounting principles" in the Notes to the consolidated financial statements in the 2017 Annual Report.

2. ADJUSTMENT OF COMPARATIVE INFORMATION IN THE CONSOLIDATED FINANCIAL STATEMENTS

The classification of the income statement was changed compared with the previous year. The previously presented breakdown of the operating result in earnings from core business activities before and/or after depreciation and amortization and an additional ordinary result was omitted. With the subtotals EBITDA (earnings before interest, taxes, depreciation, amortization and impairment losses) and EBIT (earnings before interest and taxes) now shown, the classification is adjusted by the omission of the breakdown described above to a more conventional hierarchical structure, thereby increasing the comparability with other financial statements.

	€ (000)	1/1-6/30/2017 Structure in the published 2017 half-yearly financial report
1	Revenues	128,263
2	Change in inventories of finished goods and work in progress	95
3	Cost of materials	-63,996
	Gross profit	**64,362**
4	Other own work capitalized	4,704
5	Other income from core business activities	1,754
6	Personnel expenses before restructuring	-34,639
7	Other expenses from core business activities	-30,438
	Earnings from core business activities before depreciation and amortization/EBITDA	**5,743**
8	Depreciation and amortization	-7,337
	Earnings from core business activities after depreciation and amortization	**-1,594**
9	Additional ordinary income	3,390
10	Additional ordinary expenses	-1,253
11	Personnel expenses from restructuring	0
12	Exchange rate gains	2,805
13	Exchange rate losses	-2,807

	€ (000)	1/1-6/30/2017 New structure in the 2018 half-yearly financial report
1	Revenues	128,263
2	Change in inventories of finished goods and work in progress	95
3	Cost of materials	-63,996
	Gross profit	**64,362**
4	Other own work capitalized	4,704
5, 9, 12	Other operating income	7,949
6, 11	Personnel expenses	-34,639
7, 10, 13	Other operating expenses	-34,498
	EBITDA	**7,878**
8	Depreciation and amortization	-7,337

€ (000)	1/1-6/30/2017 Structure in the published 2017 half-yearly financial report
14 Impairment losses	0
Additional ordinary result	2,135
Operating result	**541**
15 Other interest and similar income	31
16 Interest and similar expenses	-554
Net financial income	**-523**
Result from ordinary activities	**18**
17 Income taxes	-1,271
Consolidated net profit for the financial year	**-1,253**
Earnings per ordinary share	
- undiluted in EUR	-0.01
- diluted in EUR	-0.01

€ (000)	1/1-6/30/2017 New structure in the 2018 half-yearly financial report
14 Impairment losses	0
EBIT	**541**
15 Other interest and similar income	31
16 Interest and similar expenses	-554
Net financial income	**-523**
Result from ordinary activities	**18**
17 Income taxes	-1,271
Consolidated net profit for the financial year	**-1,253**
Earnings per ordinary share	
- undiluted in EUR	-0.01
- diluted in EUR	-0.01

The current line item Other operating income (EUR 7,949 thousand) includes the previously presented line items Other income from core business activities (EUR 1,754 thousand), Additional ordinary income (EUR 3,390 thousand) and Exchange rate gains (EUR 2,805 thousand). The line item Personnel expenses (EUR -34,639 thousand) includes the previous Personnel expenses before restructuring (EUR -34,639 thousand) as well as Personnel expenses from restructuring (EUR 0 thousand). The line item Other operating expenses (EUR -34,498 thousand) consolidates the previous line items Other expenses from core business activities (EUR -30,438 thousand), Additional ordinary expenses (EUR -1,253 thousand) and Exchange rate losses (EUR -2,807 thousand).

3. CHANGES IN ACCOUNTING TREATMENT AS A RESULT OF THE FIRST-TIME APPLICATION OF IFRS 15 AND IFRS 9

Accounting treatment of revenues in accordance with IFRS 15

The new accounting standard IFRS 15, Revenue from Contracts with Customers, has been applied since January 1, 2018. IFRS 15 replaces the standards IAS 11 and IAS 18 as well as the interpretations IFRIC 13, 15, 18 and SIC-31. Gigaset makes use of the opportunity to apply IFRS 15 based on a modified retrospective approach in which it is not necessary to adjust prior year values. Such amounts continue to be presented in adherence to the standards IAS 11 and IAS 18 (for further details see the Notes to the consolidated financial statements part A "General information and presentation of the consolidated financial statements" of the 2017 Annual Report). The cumulative effect of the first-time application of IFRS 15 was recorded in equity in the amount of EUR 0.6 million as of January 1, 2018.

In the case of discount agreements, the new provisions of IFRS 15 result in the application of variable consideration at the time in which the price concession is expected to be taken advantage of. Marketing activities that represent consideration as defined in IFRS 15 to be paid by the customer are shown as an expense. Gigaset is obligated to remit copyright levies to the Central Organisation for Private Recording Rights (Zentralstelle für Private Überspielungsrechte) (ZPÜ). Since the amounts in question were collected in the interest of third parties, they are not to be included in the transaction price. Therefore, the copyright levy amounts are no longer to be shown in revenues. Based on the business model, the majority of payment obligations relate to a specific time.

Accounting treatment of financial instruments in accordance with IFRS 9

The new accounting standard IFRS 9, Financial Instruments, has been applied since January 1, 2018, and replaces the previous regulations regarding financial instruments. The Group makes use of the exception in which comparative information for prior periods with respect to changes in classification and measurement (including impairment) does not have to be adjusted (for further details see the Notes to the consolidated financial statements part A "General information and presentation of the consolidated financial statements" of the 2017 Annual Report).

The first-time application of this standard has an effect on group companies that make use of factoring. Trade receivables that are not sold are assigned to the category Fair Value Through Profit or Loss (FVPL) since the majority of the receivables in these subportfolios are sold; consequently there can be no presumption of an intention to hold, nor of the utilization of a business model involving a mix of holding and sales. This does not lead to any effects from the fair value measurement, since the receivables are current and it can be assumed that the market value and the nominal value correspond as a rule. Significant changes in value due to defaults would naturally reduce the market value, but any such impacts have already been recognized through profit or loss as impairment losses. The effect of the first-time application of IFRS 9 results from the reversal of impairment losses recognized on a group basis as of December 31, 2017, for the group companies that use factoring. The trade receivables not subject to factoring are measured at amortized cost. The impairments are determined using an impairment model based on a simplified approach in which it is not necessary to assign levels. However, in contrast to the previous accounting treatment, expected credit losses are also anticipated under IFRS 9 and risk provisions can be correspondingly recognized. The effects on hedge accounting are immaterial, since the prospective effectiveness of the hedging relationships for currency risk is given. The investment in Gigaset Mobile Pte. Ltd. is measured at fair value through other comprehensive income (FVOCI without recycling) under the rules of IFRS 9.

Disclosures required under IFRS 7 and IFRS 13 made in connection with the introduction of IFRS 9 are presented in Section 6 Financial assets and liabilities.

Changes in valuation allowances result from the reclassification of receivables from the IAS 39 category Loans and Receivables (LaR) to the IFRS 9 category Fair Value through Profit and Loss (FVPL); as a result, the valuation allowance on January 1, 2018, is EUR 60 thousand lower than the amount shown on December 31, 2017.

Gigaset uses the modified retrospective approach of IFRS 15, whereby it is not necessary to adjust the prior-year figures; however, the effects on the income statement of the previous year are explained to achieve a better understanding. In accordance with IFRS 9, the exception is applied according to which comparative information for preceding periods regarding changes in classification and measurement (including impairment) is not to be adjusted. Reclassifications and adjustments from the first-time application of IFRS 15 and IFRS 9 are therefore recognized in the opening balance sheet as of January 1, 2018. The following table shows the adjustments for every individual line item.

Balance 7/19/2018 in € (000)	12/31/2017 according to the 2017 Annual Report	IFRS 9	IFRS 15	1/1/2018 in consideration of IFRS 9 and IFRS 15
ASSETS				
Noncurrent assets				
Intangible assets	30,083			30,083
Property, plant and equipment	23,313			23,313
Financial assets	18,386			18,386
Deferred tax assets	13,137			13,137
Total noncurrent assets	**84,919**	**0**	**0**	**84,919**
Current assets				
Inventories	26,733			26,733
Trade receivables	39,921	60	-581	39,400
Other assets	25,678			25,678
Tax refund claims	513			513
Cash and cash equivalents	49,097			49,097
Total current assets	**141,942**	**60**	**-581**	**141,421**
Total assets	**226,861**	**60**	**-581**	**226,340**

Balance 7/19/2018 in € (000)	12/31/2017 according to the 2017 Annual Report	IFRS 9	IFRS 15	1/1/2018 in consideration of IFRS 9 and IFRS 15
EQUITY & LIABILITIES				
Equity				
Subscribed capital	132,456			132,456
Share premium	86,076			86,076
Retained earnings	68,979			68,979
Accumulated other comprehensive income	-263,423	60	-581	-263,944
Total equity	**24,088**	**60**	**-581**	**23,567**
Noncurrent liabilities				
Pension obligations	81,432			81,432
Provisions	5,609			5,609
Other liabilities	9			9
Deferred tax liabilities	1,663			1,663
Total noncurrent liabilities	**88,713**	**0**	**0**	**88,713**
Current liabilities				
Provisions	22,291			22,291
Trade payables	56,114			56,114
Tax liabilities	17,166			17,166
Other liabilities	18,489			18,489
Total current liabilities	**114,060**	**0**	**0**	**114,060**
Total equity & liabilities	**226,861**	**60**	**-581**	**226,340**

Income statement for the period from January 1 - June 30, 2018

Under IFRS 15, accounting early for the price concession in the expected amount of EUR 0.3 million and EUR 0.1 million in copyright levies not to be included in the transaction price has the effect of reducing revenues. The marketing activities, which represent consideration to be paid by the customer within the meaning of IFRS 15, are shown in the amount of EUR 0.2 million and thus have the effect of increasing revenues. In accordance with IFRS 9, trade receivables not subject to factoring are determined using a simplified approach on the basis of an impairment model. The application of this model resulted in a postive effect of EUR 0.1 million as of June 30, 2018, for the Group companies that do not use factoring. The following table provides an overview of the aforementioned effects on the income statement and the consolidated statement of comprehensive income from the first-time application of the standards IFRS 9 and IFRS 15.

Income statement in € (000)	1/1-6/30/2018 before application of IFRS 9 and IFRS 15	IFRS 9	IFRS 15	1/1-6/30/2018 before application of IFRS 9 and IFRS 15
Revenues	121,286		-255	121,031
Change in inventories of finished goods and work in progress	2,583			2,583
Cost of materials	-61,129			-61,129
Gross profit	**62,740**	**0**	**-255**	**62,485**
Other own work capitalized	5,165			5,165
Other operating income	6,347			6,347
Personnel expenses	-30,938			-30,938
Other operating expenses	-35,391	78	-87	-35,400
EBITDA	**7,923**	**78**	**-342**	**7,659**
Depreciation and amortization	-6,794			-6,794
EBIT	**1,129**	**78**	**-342**	**865**
Other interest and similar income	157			157
Interest and similar expenses	-555			-555
Net financial income	**-398**	**0**	**0**	**-398**
Result from ordinary activities	**731**	**78**	**-342**	**467**
Income taxes	-696	-25	109	-612
Consolidated net profit for the financial year	**35**	**53**	**-233**	**-145**
Earnings per ordinary share				
- undiluted in EUR	0.00	0.00	0.00	0.00
- diluted in EUR	0.00	0.00	0.00	0.00

Consolidated statement of comprehensive income for the period from January 1 - June 30, 2018

in € (000)	1/1-6/30/2018 before application of IFRS 9 and IFRS 15	IFRS 9	IFRS 15	1/1-6/30/2018 before application of IFRS 9 and IFRS 15
Consolidated profit/loss for the year	**35**	**53**	**-233**	**-145**
Items that may subsequently be reclassified to profit or loss				
Currency translation differences	-467			-467
Cash flow hedges	1,997			1,997
Income taxes recognized on this item	-629			-629
Items that will not subsequently be reclassified to profit or loss				
Revaluation effects, net liability under defined benefit plans	-1,009			-1,009
Income taxes recognized on this item	321			321
Total changes recognized in other comprehensive income	**213**	**0**	**0**	**213**
Total recognized income and expense	**248**	**53**	**-233**	**68**

4. SEASONAL EFFECTS

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

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

5. RESTRUCTURING

The ongoing restructuring was continued as planned in the first half of 2018. The cash outflow by the end of the second quarter of 2018 as a result of these restructuring measures amounted to EUR 2.3 million (prior year: EUR 5.0 million) primarily due to the payment of settlements. EUR 0.2 million of the provisions was reversed to profit or loss. We expect an overall positive cash effect from the restructuring by the end of 2018, mainly due to savings from personnel costs.

6. FINANCIAL ASSETS AND LIABILITIES

As a result of the amended provisions of IFRS 9, additional disclosures are made in the following tables regarding the reconciliation of the values shown in the statement of financial position and measurement categories on December 31, 2017, in accordance with IAS 39 and the values shown in the statement of financial position and measurement categories on January 1, 2018, in accordance with IFRS 9.

There were no changes as a result of the assignment of financial liabilities to the measurement categories of IFRS 9. The description of measurement categories was updated to the wording of new standard. The reconciliation for the financial assets can be found in the following tables.

The analysis of the valuation allowances to be recognized shows that there are no significant differences between the previous method of calculation and the newly applicable provisions of IFRS 9 for trade receivables that remain in the category of amortized cost (AC) and consequently an adjustment was not to be recognized at the time of the transition to IFRS 9. This also applies to the valuation allowances determined for cash and cash equivalents.

€ (000) as of 6/30/2018	Measurement categories under IFRS 9	Carrying amount 2018	Fair value 2018	Amortized cost	Fair value directly in equity without subsequent reclassification to the income statement	Fair value directly in equity with subsequent reclassification to the income statement	Fair value through profit or loss	Hedge accounting	Amount stated statement of financial position IAS 17
Assets									
Noncurrent assets									
Financial assets	FVOCI	18,386	18,386		18,386				
Current assets									
Trade receivables	AC	16,706	16,706	16,706					
	FVPL	22,390	22,390				22,390		
Other assets	AC, FVPL	11,583	11,583	9,876			330	1,377	
Cash and cash equivalents	AC	30,845	30,845	30,845					

€ (000) as of 6/30/2018	Measurement categories under IFRS 9	Carrying amount 2018	Fair value 2018	Amortized cost	Fair value directly in equity without subsequent reclassification to the income statement	Fair value directly in equity with subsequent reclassification to the income statement	Fair value through profit or loss	Hedge accounting	Amount stated statement of financial position IAS 17
EQUITY & LIABILITIES									
Noncurrent liabilities									
Financial liabilities	AC	5,000	5,000	5,000					
Current liabilities									
Trade payables	AC	44,030	44,030	44,030					
Other liabilities	AC, FVPL	38	38	28				10	
Of which aggregated based on measurement categories under IAS 39									
Financial assets									
At amortized cost (AC)		57,427	57,427						
At fair value through other comprehensive income (FVOCI)		18,386	18,386						
At fair value through profit or loss (FVPL)		22,720	22,720						
Financial assets (hedging)		1,377	1,377						
Financial liabilities									
At amortized cost (AC)		49,058	49,058						
At fair value through profit or loss (FVPL)		0	0						
Financial liabilities (hedging)		10	10						

			Measurement base under IAS 39				
€ (000) as of 12/31/2017	Measurement categories under IAS 39	Carrying amount 2017	Fair value 2017	(Amortized) cost	Fair value directly in equity	Fair value through profit or loss	Hedge accounting
ASSETS							
Noncurrent assets							
Financial assets	AfS	18,386	n/a	18,386	0	0	0
Current assets							
Trade receivables	LaR	39,921	39,921	39,921	0	0	0
Other assets	LaR, FA-HfT	16,337	16,337	16,336	0	1	0
Cash and cash equivalents	LaR	49,097	49,097	49,097	0	0	0
EQUITY & LIABILITIES							
Current liabilities							
Trade payables	FL-AC	56,114	56,114	56,114	0	0	0
Other liabilities	FL-AC, FL-HfT, Hedging	2,408	2,408	266	0	459	1,683
Of which aggregated based on measurement categories under IAS 39							
Financial assets							
Loans and receivables (LaR)		105,354	105,354				
Financial assets available for sale (Afs)		18,386	n/a				
Financial assets held for trading (FA-HfT)		1	1				
Derivatives (hedging)		0	0				
Financial liabilities							
Measured at amortized cost (FL-AC)		54,605	54,605				
Financial liabilities held for trading (FL-HfT)		459	459				
Derivatives (hedging)		1,683	1,683				

Reconciliation of financial assets from IAS 39 to IFRS 9 in € (000)	Carrying amount 12/31/2017 (IAS 39)	Reclassifications[1]	Reclassifications to other comprehensive income	Remeasurements[2]	Carrying amount 1/1/2018 (IFRS 9)	Effect to be recognized in profit carried forward 1/1/2018	Balance value adjustments other comprehensive income 1/1/2018
At fair value through profit or loss (FVPL)							
Closing balance IAS 39	1				1		
Additions/disposals for IFRS 9 – At fair value through profit or loss (FVPL)							
Additions from IAS 39 – Loans and receivables (LaR)		19,565		-60	19,505	-60	
					19,506	**-60**	**0**
At fair value through other comprehensive income (FVOCI)							
Closing balance IAS 39	18,386				18,386		
Additions/disposals for IFRS 9 – At fair value through other comprehensive income (FVOCI)							
					18,386	**0**	**0**
At amortized cost (AC)							
Closing balance IAS 39	105,354				105,354		
Additions/disposals for IFRS 9 – At fair value through profit or loss (FVPL)							
Disposals from IAS 39 – Loans and receivables (LaR)		-19,565			-19,565		
					85,789	**0**	**0**
Total	**123,741**	**0**	**0**	**-60**	**123,681**	**-60**	**0**

1 Carrying amount under IAS 39 that was reclassified from an IAS 39 category to a new IFRS 9 category.

2 Resulting difference from the remeasurement of an IAS 39 instrument under the new IFRS 9 category.

Classes financial instruments under IFRS 9 in € (000)	Measurement categories under IAS 39	Measurement categories under IFRS 9	Carrying amount 12/31/2017 IAS 39	Carrying amount 1/1/2018 IFRS 9	Difference
ASSETS					
Noncurrent assets					
Financial assets	AfS	FVOCI	18,386	18,386	0
Current assets					
Trade receivables	LaR	AC	39,921	20,356	-19,565
		FVPL		19,505	19,505
Other assets	LaR	AC	16,336	16,336	0
	HfT	FVPL	1	1	0
Cash and cash equivalents	LaR	AC	49,097	49,097	0
EQUITY & LIABILITIES					
Current liabilities					
Trade payables	FL-AC	AC	56,114	56,114	0
Other liabilities	FL-AC	AC	266	266	0
	FL-HfT	FVPL	459	459	0
	Hedge Accounting	Hedge Accounting	1,683	1,683	0

Financial assets – Categories under IAS 39

Loans and receivables (LaR)
Financial assets available for sale (AfS)
Financial assets held for trading (FA-HfT)
Financial assets (hedge accounting)

Financial liabilities – Categories under IAS 39

Measured at amortized cost (FL-AC)
Financial liabilities held for trading (FL-HfT)
Other financial liabilities (hedge accounting)

Financial assets – Categories under IFRS 9

At fair value through profit or loss (FVPL)
At fair value through other comprehensive income (FVOCI)
At amortized cost (AC)
Financial assets (hedge accounting)

Financial liabilities – Categories under IFRS 9

Measured at amortized cost (AC)
At fair value through profit or loss (FVPL)
Other financial liabilities (hedge accounting)

The fair values of financial assets and liabilities as of June 30 essentially correspond to the carrying amounts. Changes were made compared with December 31 of the previous year with respect to current financial assets and current financial liabilities due to the expiration of currency hedging transactions as well as the conclusion of new currency hedging transactions. However, the fair values of these items do not differ materially from their carrying amounts. At the end of June, a long-term loan was raised that was disbursed in the amount of EUR 5,000 thousand on June 30, 2018. No changes were made to financial assets and liabilities existing at this time compared with the end of the year with respect to measurement and the fair value hierarchy.

On the reporting date, foreign currency derivatives were presented under Other current assets with a fair value of EUR 1,707 thousand and under Other current liabilities with a fair value of EUR 10 thousand. As of December 31, 2017, the foreign currency derivatives were presented under Other current assets with a fair value of EUR 1 thousand and under Other current liabilities with a fair value of EUR 2,142 thousand.

As discussed in the 2017 consolidated financial statements, Gigaset applies the rules governing hedge accounting for the hedging of future purchases of merchandise. The currency futures contracts existing at this time for which hedge accounting was applied satisfy the requirements of IFRS 9 for cash flow hedges. The risk management strategies and hedging documentation are adapted to the provisions of IFRS 9. Thus, the hedging relationships existing at the end of 2017 are regarded as continuing hedging relationships. The effectiveness was assessed when the hedging relationships were designated on the basis of a prospective test of effectiveness. This led to the finding that the defined hedging relationships are to be regarded as effective.

In the current period, EUR 1,368 thousand (prior year: EUR -2,758 thousand) was recognized in equity taking deferred taxes into account.

As of the reporting period, there were 77 (December 31, 2017: 25) foreign currency derivatives, of which 50 (December 31, 2017: 24) foreign currency derivatives with a notional volume of USD 72.5 million (December 31, 2017: USD 68.5 million) were used to hedge the U.S. dollar exchange rate vis-à-vis the euro. For the hedging of the Turkish lira, there were 6 (December 31, 2017: 1) foreign currency derivatives with a notional volume of TRY 2.3 million (December 31, 2017: TRY 0.3 million). For the hedging of the Swiss franc, there were 17 (December 31, 2017: 0) foreign currency derivatives with a notional volume of CHF 8.0 million (December 31, 2017 CHF 0.0 million.). Of the existing foreign currency derivatives for the hedging of the U.S. dollar exchange rate, 50 (December 31, 2017: 18) were structured as "plain vanilla" currency forwards, 2 (December 31, 2017: 4) derivatives as "bonus eventual" currency forwards and 2 (December 31, 2017: 2) derivatives as TARF currencies forwards. The currency forwards for the hedging of the Swiss franc and the Turkish lira were structured as "plain vanilla" currency forwards.

The following tables present the fair values determined for the financial assets and liabilities based on hierarchy levels for the reporting date as well as for the comparison period in consideration of IFRS 9:

6/30/2018	Level			
€ (000)	1	2	3	Total
Financial assets				
Noncurrent financial assets	0	0	18,386	18,386
Derivative financial instruments	0	1,707	0	1,707
Financial liabilities				
Financial liabilities	0	5,000	0	5,000
Derivative financial instruments	0	10	0	10

1/1/2018	Level			
€ (000)	1	2	3	Total
Financial assets				
Noncurrent financial assets	0	0	18,386	18,386
Derivative financial instruments	0	1	0	1
Financial liabilities				
Derivative financial instruments	0	2,142	0	2,142

The fair value of derivative financial instruments was calculated using present value and option pricing models. To the extent possible, the relevant market prices and interest rates observed on the balance sheet date that were taken from generally accepted external sources were used as input parameters for these models. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 2 of the fair value hierarchy.

Obligations under finance leases do not fall under the scope of application of IAS 39 and are therefore disclosed separately. However, as in the previous year, there were no liabilities under finance leases as of the reporting date. Thus, there are also no separate disclosures.

Noncurrent financial assets include the carrying amount of the interest in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category At fair value through other comprehensive income (FVOCI). Based on the information available for the valuation, a multiple approach was used. Since no special peer group could be defined for Gigaset Mobile Pte. Ltd., Gigaset's peer group was applied. The fair value of Gigaset's 14.98% interest was determined based on a revenue multiple of 0.33 and average revenues for the years 2014 to 2017, whereby revenues for 2017 are not based on the Company's actual figures, but instead on the recently available values from the planning figures for Gigaset Mobile Pte. Ltd. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 3 of the fair value hierarchy.

Cash and cash equivalents, trade receivables, and current financial assets have short remaining terms. Therefore, the carrying amounts as of the balance sheet date approximate the fair value.

Trade payables and current financial liabilities are due in full within one year. Therefore, the nominal value or repayment amount approximates the fair value.

The fair values of other non-current financial assets and liabilities with remaining terms of more than one year correspond to the present values of the payments associated with the assets and liabilities under consideration of the respectively current interest parameters, which reflect the currency, interest rate and partner-related changes in terms and conditions. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 2 of the fair value hierarchy.

7. PENSION OBLIGATIONS AND DEFERRED TAX ASSETS

The pension obligations were adjusted on the basis of the current relevant interest rate level as of June 30, 2018, using an approximation method. Due to a decrease in the relevant interest rate level from 1.85% on December 31, 2017, to 1.83% on June 30, 2018, there was an increase in pension obligations from this effect in the amount of EUR 1,009 thousand and an increase in deferred tax assets in the amount of EUR 321 thousand.

8. PROVISIONS

Current provisions decreased compared with December 31, 2017, from EUR 22,291 thousand to EUR 17,728 thousand, which can be attributed mainly to the decrease of around EUR 2.5 million in restructuring provisions, the decrease of EUR 1.4 million in provisions for customer discounts, and the decrease of EUR 0.3 million in provisions for license fees. Noncurrent provisions decreased primarily as a result of the decrease of EUR 1.1 million in the noncurrent portion of provisions for partial retirement obligations from EUR 5,609 thousand to EUR 4,552 thousand.

9. FINANCIAL LIABILITIES

In April 2018, the Group signed a new credit facility in the amount of up to EUR 20.0 million. The funds available as a result are to be used both for financing capital expenditures as well as for covering the Company's financing needs. The first disbursement was received on June 28, 2018, in the amount of EUR 5.0 million. Beginning in January 2020, repayment of the outstanding loan amount will commence in 34 monthly installments. Interest payments are to be made at the end of each month. Accordingly, the current loan balance of EUR 5.0 million exhibits a time-to-maturity of over one year and less than five years.

The credit bears interest at a fixed rate, is denominated in euros, and is measured at amortized cost. Correspondingly, it has no effect on the position of the Group with respect to currency risk and the risk of changing interest rates.

10. REVENUES

Revenues are generated in the four segments: Phones, Professional, Smart Home, and Smartphones. The core business is established in the Phones segment and focuses on DECT cordless telephones. The Professional segment includes the corporate customer segment with an extensive offering of corded desk telephones and mobile components. The customers are small and medium-sized enterprises (SMEs). These commercial products are distributed exclusively over systems vendors (value-added resellers, VaR). The Smart Home segment sells security and alarm solutions for private households that enable users to maintain a constant connection with their home via smartphone and supported by the cloud. The Smartphone segment for mobile devices comprises a product portfolio ranging from the entry-level segment to feature-rich smartphones. Observed on a global basis, revenues are broken down by geographic segments that can be found in the segment reporting. Revenues are normally realized in the short term and the payment obligations relate to a specific time based on the current business model.

Revenues in € millions	H1 2018	H1 2017	Change
Phones	85.8	98.1	-12.5%
Professional	28.4	25.4	12.0%
Smartphones	5.4	3.7	44.5%
Smart Home	1.4	1.1	19.0%
Gigaset Total	**121.0**	**128.3**	**-5.6%**

For further information regarding the individual product areas, please refer to the comments in the group management report.

11. OTHER OPERATING INCOME

Other operating income amounts to EUR 6,347 thousand after EUR 7,949 thousand in the previous year. Other operating income includes mainly realized and unrealized foreign currency gains in the amount of EUR 2,426 thousand (prior year: EUR 2,805 thousand), income from the reversal of provisions in the amount of EUR 1,412 thousand (prior year: EUR 1,810 thousand), income from recharging in the amount of EUR 689 thousand (prior year: EUR 1,221 thousand) and income from the reversal of valuation allowances in the amount of EUR 192 thousand (prior year: EUR 833 thousand). The EUR 1.6 million decrease in other operating income can be attributed mainly to EUR 0.5 million less in income from recharging, EUR 0.3 million less in income from the cancellation of liabilities, and EUR 0.6 million less than the previous year in income from the reversal of valuation allowances.

12. PERSONNEL EXPENSES

Personnel expenses decreased to EUR 30,938 thousand after EUR 34,639 thousand in the comparison period of the previous year due to the ongoing restructuring program in the first half of 2018.

13. OTHER OPERATING EXPENSES

Other operating expenses amount to EUR 35,400 thousand after EUR 34,498 thousand in the previous year. The increase of EUR 902 thousand in expenses compared with the previous year results primarily from the increase of EUR 1,951 thousand in marketing and hospitality expenses and an increase of EUR 477 thousand in expenses from the loaning of employees as well as lower expenses resulting from guarantee and service costs in the amount of EUR 523 thousand, lower other taxes in the amount of EUR 419 thousand and lower license fees in the amount of EUR 353 thousand.

14. SEGMENT REPORTING

The presentation of segment reporting is based on geographic segments corresponding to the internal reporting. The holding company is presented separately from Gigaset's operating activities. Within the operating activities, the regions "Germany", "EU", and "Rest of World" are differentiated for the geographic areas. The reportable EU segment includes several geographic areas that were aggregated into this segment, including the geographic area "France" as a reportable segment. The individual segments were aggregated into the EU segment, because the products and services sold, the customer structures, the distribution structures, and the regulatory environment are comparable. With respect to economic criteria, the aggregation was carried out based on comparable gross margins in the individual geographic areas.

The geographic regions of Gigaset, whose main activities lie in the area of communications technology, include the following:

- Germany

  The geographic area "Germany" includes the operating activities in Germany.

- EU

  The geographic area "EU" includes the operating activities in Poland, United Kingdom, Austria, France, Italy, the Netherlands, Spain, and Sweden.

- Rest of World

  The geographic area "Rest of World" includes the operating activities in Switzerland, Turkey, Russia, and China.

Transfer pricing between the segments corresponds to the prices that are also realized with third parties. The cost of administrative services is passed on by means of cost allocation.

The relevant net segment income was earnings from core business activities before depreciation and amortization until the end of May 2018. Beginning in June 2018, the relevant net segment income is EBITDA. Both performance metrics are presented due to the change in the current year.

Revenues are reported by country as part of internal segment reporting based both on the receiving units as well as on the registered office of the respective companies (i.e. country of domicile).

Revenues based on receiving units represent the revenues invoiced in the respective regions – independent of the registered office of the invoicing unit). For example, if a German company issues an invoice in the Netherlands, such revenues are allocated to the region of "Europe - EU (excluding Germany)" in the presentation based on receiving units. As described in the preceding paragraph, revenues in the following table are classified based on the regions of the receiving units as defined in IFRS 8.33 a) and are presented as follows for the current financial year and the comparison period:

€ (000)	1/1-6/30 2018	1/1-6/30 2017
Germany	50,899	56,182
Europe - EU (excluding Germany)	55,408	53,869
Europe - Other	7,030	10,157
Rest of World	7,694	8,055
Total	**121,031**	**128,263**

The allocation to the individual geographical areas for the current segment reporting in the Group is also still based on the country in which the respective legal unit is domiciled. For example, if a German company issues an invoice in the Netherlands, such revenues are allocated to the region of Germany in the presentation based on country of domicile. The following tables present revenues based on the country of domicile. The relevant net segment income (earnings from core business activities before depreciation and amortization) is determined based on the results of the respective legal unit (country of domicile).

Until May 2018, the segment reporting was carried out analogous to the end of financial year 2017 in the following form (before the structure of the income statement was adjusted in the preparation period):

€ (000) January 1 – June 30, 2018	Germany	EU	Rest of World	Gigaset Total	Holding	Group
Revenues	59,672	49,059	12,300	121,031	0	121,031
Earnings from core business activities before depreciation and amortization	**8,248**	**-1,621**	**652**	**7,279**	**-1,690**	**5,589**
Depreciation and amortization	-6,740	-44	-10	-6,794	0	-6,794
Earnings from core business activities after depreciation and amortization	1,508	-1,665	642	485	-1,690	-1,205
Additional ordinary result	**1,558**	**185**	**163**	**1,906**	**164**	**2,070**
Operating result	**3,066**	**-1,480**	**805**	**2,391**	**-1,526**	**865**
Other interest and similar income						157
Interest and similar expenses						-555
Net financial income						**-398**
Result from ordinary activities						**467**
Income taxes						-612
Consolidated net loss for the financial year						**-145**

€ (000) January 1 – June 30, 2017	Germany	EU	Rest of World	Gigaset Total	Holding	Group
Revenues	64,368	49,589	14,306	128,263	0	128,263
Earnings from core business activities before depreciation and amortization	**8,235**	**-350**	**136**	**8,021**	**-2,278**	**5,743**
Depreciation and amortization	-7,289	-37	-11	-7,337	0	-7,337
Earnings from core business activities after depreciation and amortization	946	-387	125	684	-2,278	-1,594
Additional ordinary result	**790**	**1,011**	**224**	**2,025**	**110**	**2,135**
Operating result	**1,736**	**624**	**349**	**2,709**	**-2,168**	**541**
Other interest and similar income						31
Interest and similar expenses						-554
Net financial income						**-523**
Result from ordinary activities						**18**
Income taxes						-1,271
Consolidated net loss for the financial year						**-1,253**

Due to the change in the structure of the income statement in the preparation phase of the consolidated financial statements for the half-year, the future segment reporting will be adjusted accordingly. For a better understanding of the financial statement data, it will be presented below already based on the new structure of the income statement.

€ (000) January 1 – June 30, 2018	Germany	EU	Rest of World	Gigaset Total	Holding	Group
Revenues	59,672	49,059	12,300	121,031	0	121,031
Net segment income/EBITDA	**9,808**	**-1,436**	**814**	**9,186**	**-1,527**	**7,659**
Depreciation and amortization	-6,740	-44	-10	-6,794	0	-6,794
EBIT	**3,068**	**-1,480**	**804**	**2,392**	**-1,527**	**865**
Other interest and similar income						157
Interest and similar expenses						-555
Net financial income						**-398**
Result from ordinary activities						**467**
Income taxes						-612
Consolidated net loss for the financial year						**-145**

€ (000) January 1 – June 30, 2017	Germany	EU	Rest of World	Gigaset Total	Holding	Group
Revenues	64,368	49,589	14,306	128,263	0	128,263
Net segment income/EBITDA	**9,024**	**661**	**361**	**10,046**	**-2,168**	**7,878**
Depreciation and amortization	-7,289	-37	-11	-7,337	0	-7,337
EBIT	**1,736**	**624**	**349**	**2,709**	**-2,168**	**541**
Other interest and similar income						31
Interest and similar expenses						-554
Net financial income						**-523**
Result from ordinary activities						**18**
Income taxes						-1,271
Consolidated net loss for the financial year						**-1,253**

15. CASH FLOW STATEMENT

The cash inflows from financing activities amount to EUR 5,000 thousand, resulting from a new credit facility. The financing activities do not include any non-cash transactions. There were also no changes in the basis of consolidation or currency effects that would have to be reflected in the cash inflows from financing activities.

16. RELATED PARTY DISCLOSURES

In accordance with IAS 24, Related Party Disclosures, business relationships with Gigaset Mobile Pte. Ltd., Singapore, and its subsidiaries were to be shown as related party transactions starting in 2014. From the perspective of the Group, the transactions and/or net balances with the Gigaset Mobile Group comprised the following for the reporting period and/or as of the reporting date:

in € (000)	Expenses 1/1-6/30/2018	Sales/revenues 1/1-6/30/2018	Receivables 6/30/2018	Liabilities 6/30/2018
Gigaset	0	0	1,309	0
Gigaset Mobile-Group	0	0	0	1,309

in € (000)	Expenses 1/1-6/30/2017	Sales/revenues 1/1-6/30/2017	Receivables 6/30/2017	Liabilities 6/30/2017
Gigaset	283	0	2,459	1,144
Gigaset Mobile-Group	0	283	1,144	2,459

In accordance with IAS 24, Related Party Disclosures, the business relationships with Guangzhou Cyber Digital Technology Company Limited, Guangzhou/China, are to be stated as business relationships with related parties starting in 2014. This company represents an Other related party in accordance with IAS 24.19 (g). From the perspective of the Group, no transactions were entered into for the reporting period:

in € (000)	Expenses 1/1-6/30/2018	Sales/revenues 1/1-6/30/2018	Receivables 6/30/2018	Liabilities 6/30/2018
Gigaset	0	0	1,397	347
Guangzhou Cyber Digital Technology Company Limited	0	0	347	1,397

	Expenses 1/1-6/30/2017	Sales/revenues 1/1-6/30/2017	Receivables 6/30/2017	Liabilities 6/30/2017	Liabilities 6/30/2018
Gigaset	0	0	1,397	347	
Guangzhou Cyber Digital Technology Company Limited	0	0	347	1,397	

Valuation allowances were recognized for the existing receivables. There was no collateral for the respective receivables.

There were no other significant transactions between the Group and its related parties other than the facts and circumstances described.

17. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to the comments in the group management report regarding significant events after the reporting date.

18. RESPONSIBILITY STATEMENT

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

Munich, August 22, 2018

The Executive Board of Gigaset AG

Klaus Weßing Stephan Mathys

INTERIM REPORT

FOR THE 1ST HALF YEAR FROM JANUARY 1, TO JUNE 30, 2018

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