Gigaset

ANNUAL REPORT
2020

KEY FIGURES

EUR millions	2016	2017	2018	2019	2020
Consolidated revenues	281.9	293.3	280.3	257.9	214.2
EBITDA (Earnings before interest, taxes, depreciation and amortization)	25.0[1]	25.3[1]	22.1	28.5	1.9
EBIT (Earnings before interest and taxes)	12.8[2]	12.2[2]	8.5	13.7	-13.0
Consolidated profit or losses for the year	4.3	7.9	3.4	11.3	-10.5
Free cashflow	7.2	2.0	-24.1	1.2	8.2
Earnings per share (diluted) in EUR	0.03	0.06	0.03	0.09	-0.08
Total assets	221.7	226.9	213.1	222.6	204.9
Consolidated equity	17.8	24.1	25.0	18.5	1.9
Equity ratio (in %)	8.0	10.6	11.7	8.3	0.9
Number of employees	1,061	930	888	895	893

1 Earnings from core business activities before depreciation and amortization

2 Operating result

KEY FACTS

" We can truly be proud of our annual result and of what we have accomplished in the overall context of the coronavirus pandemic.

Revenues of approximately EUR 214 million and a very solid cash cushion of EUR 42.0 million, well above the level of the previous year, all while continuing to invest in the future of our product portfolio by maintaining the same high level of R&D expenditures and entering into high-volume, work-intensive cooperation agreements. Especially important to me is also the fact that we did not have to lay off a single employee for operational reasons. "

Thomas Schuchardt, CFO of Gigaset AG

" We reacted well and above all quickly to the coronavirus pandemic, but we will still have to contend with the crisis in the new financial year.

We anticipate that the trend of working from home and remote working as a result of the crisis will lead to a wide-reaching overhaul and adjustment of IT and telecommunications structures in business and private life. The number of Internet-capable devices in private households will increase further in the coming years and Gigaset can and will profit from this trend. "

Klaus Weßing, CEO of Gigaset AG

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TO OUR SHAREHOLDERS

Gigaset CL390-series
Talking on the phone is a great delight. The new CL390 is for everyone who loves design and enjoys good conversations. For all those who like things to be simple and beautiful. This designer telephone stands upright in the charging tray. Its eye-catching shape for the modern living space matches your personal style in four exquisite colors.

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The year 2020 was unusually challenging. The prolonged coronavirus pandemic and its global repercussions are without precedent in recent history. Overcoming this crisis is a Herculean task for government, business and society, demanding great sacrifices of everyone. In their efforts to curb the spread of the virus, governments all over the world are continually adapting their strategies to the course of the pandemic, provoking great uncertainty in the population and necessitating more flexibility on the part of businesses.

It was also a tough year for Gigaset. The Europe-wide closure of retail shops led to unexpected revenue losses in all segments in the first half of the year. Immediately after the onset of the crisis, Gigaset's management implemented three key measures to ensure the company's survival while also prioritizing its social responsibility for the protection of its employees. These three measures were liquidity management, cash management and a focus on e-commerce. The company also implemented the hygiene measures recommended by the Robert Koch Institute and the German federal government.

The economic recovery after the lockdowns were lifted and the attendant normalization of everyday life fueled strong revenue growth in the third quarter, especially in the Phones and Smartphones segments, partially making up the declines in the first half of the year. Thanks to the continuation of the company's rigorous optimization and cost-saving measures, the company generated a positive consolidated result in the third quarter and achieved a level of liquidity that was higher than in the third quarter of last year. For the full year 2020, Gigaset generated solid overall revenues of EUR 214.2 million.

Living, learning and working from home has become the "new normal." We anticipate that the trend of working from home and remote working will lead to a wide-ranging overhaul and adjustment of IT and telecommunications structures in business and private life. The German engineering association TÜV Rheinland is convinced that smart homes will be standard in the future. According to its estimates, every private household will be equipped with roughly 500 devices, products, applications and components that are either Internet-capable or already connected to the Internet by the year 2025. [1]

Gigaset can and will profit from this trend in the future. We deliberately chose not to cut back on our research and development expenditures in 2020 and consistently pursued the further development of our portfolio. New products were brought to market in all segments. In key segments such as the smartphone market, for example, we launched our best smartphone to date, the GS4,[2] while also paving the way for key product innovations in 2021, despite the coronavirus pandemic and short-time work.

The cooperation agreement with Unify Software and Solutions GmbH & Co. KG concluded last year is especially important for Gigaset. Under this agreement, Unify will purchase the next family of desktop terminal devices exclusively from Gigaset. In connection with this agreement, Gigaset purchased key software licenses and will be able to use the newly developed devices in its own portfolio.

This is one of the biggest and most important projects of the last decade. We expect sales of approximately five million devices to result from the cooperation with Unify and the use of the new

[1] TÜV Rheinland (2021) – "Around 500 Interconnected Devices in Every Household in Five Years"

[2] CHIP (2020) – GS4 Test

devices in the company's own portfolio in the next few years. The initiation of this important project was likewise planned, executed and successfully concluded during the time of the coronavirus pandemic.

We can all be proud of what we achieved under last year's extremely difficult conditions. Naturally, we had different plans for 2020 when the year began. We started the year with many ideas and abundant potential from 2019. We wanted to grow, develop and scale our business. Instead, we made it possible for our employees to work from home in March to protect their health and took all necessary measures to address the crisis.

We optimized our cash management and focused on payment runs and receivables management. We negotiated extensive tax deferments between April and September, optimized our working capital and evinced general cost excellence. We availed ourselves of the government's short-time work benefit for our employees and Gigaset's senior management took salary cuts. Indeed, finance was an all-important issue in 2020, as it always is in a crisis. At the same time, our research and development, production and sales operations focused on their strengths, found new ways of doing things and accomplished a great deal, as described above.

As we said before, no one knew what was coming at the start of 2020. Commercial enterprises across the world were equally caught off guard. Even today, the world continues to struggle with this unprecedented situation. Considering the exceptional circumstances, the following results can be described as very solid: revenues of EUR 214.2 million, EBITDA of roughly EUR 1.9 million, equity of EUR 1,9 million and cash and cash equivalents in the impressive amount of EUR 42.0 million, despite research and development expenditures of EUR 16.1 million. But what is perhaps most important is the fact that we did not have to lay off a single employee for operational reasons.

And you, our employees, deserve our special gratitude in these difficult times. Despite the adverse circumstances, you have worked day in and day out with great dedication to ensure Gigaset's success.

We also wish to thank you, the shareholders, as well as our partners, suppliers and customers, for the trust you have placed in us in these difficult times and for your continued trust in the future.

Last year, we all experienced the importance of telecommunications precisely in a crisis: Rarely has a conversation been as valuable as in 2020. Therefore, we continue to firmly believe that our market has a highly promising future, which we as Gigaset will help to shape.

Sincerely yours,

Klaus Weßing	Thomas Schuchardt
CEO	CFO

AT GIGASET, RESPONSIBILITY IS GREEN

At Gigaset, we strive to interconnect the world more closely with our innovations in a manner that is sustainable. Our strategic goal for 2025 is to progress further in the direction of an interconnected eco-system and enrich the lives of millions of customers with our products every year – and to do this with a good conscience. Our sustainability agenda is a key driver in the implementation of this corporate vision.

At Gigaset, we enable our customers to make a daily contribution to a healthier world with the knowledge that Gigaset's products are designed to be sustainable from the outset and to also remain especially long-lived, sustainable and environmentally friendly throughout their lives as a result of clever innovations. We actively take measures to continuously reduce our company's impact on the environment while also ensuring that we contribute to the protection of healthy eco-systems.

Innovative for humanity and the environment

Gigaset produces its products in a modern and clean factory in Bocholt, in the heart of Germany. We produced our 220 millionth telephone there in 2020. "Made in Germany" means much more to us than just a seal of quality. It is possibly the most important building block of our sustainability strategy.

"Made in Germany" as part of Gigaset's sustainability efforts

Thanks to our location in the German state of North Rhine-Westphalia, we are close to our regional suppliers and customers, have short delivery routes to all parts of Europe, and cut down on CO_2 emissions. To ensure that our products make it to customers in good condition, they need to be packaged, and our packaging has consisted of more than 90% recycled materials for many years. Thanks to its mechanical properties, corrugated paperboard protects sensitive devices such as smartphones and can be easily recycled. In 2020, we gave our Gigaset GS4 smartphone the world's first completely climate-neutral packaging, for which we pursue certified CO_2 offsetting. Over the years we have repeatedly reduced the packaging size to conserve raw materials. To avoid plastic as much as possible, we have replaced cable ties and bags with paper wraps. We only use mineral oil-free and low-migration inks for printing. Like our packaging, even the paper we use for our operating instructions is FSE-certified and also bears the Blue Angel seal. These are many small measures, countless adjustments, that combine to produce their full effect for the environment.

Sustainability = business success + occupational safety + environmental protection

We see sustainability in three dimensions: Environmental and climate protection goes hand in hand with economic success and social stability. For Gigaset, sustainability encompasses not only ecological responsibility, but also the occupational safety of our employees and the production of inspiring products that excite people and lead to a booming business. We can best make decisions where we have always worked: in Germany. Here we know the possibilities and are able to extend boundaries, optimize processes and evolve beyond ourselves. Also for this reason, "Made in Germany" is an essential aspect of our corporate strategy. "Made in Germany" gives us control over all areas of business:

- In Bocholt we decided to tap the growing Smart Home segment.
- In Bocholt we decided to produce our own smartphones: our fifth model, the Gigaset GS4, was brought to market in the autumn of 2020.

- In Bocholt we decided to replace mercury vapor lamps with LED lights, which only use a fraction of the electricity, in our production operations.

- In Bocholt we developed the especially energy-saving ECO-DECT technology for our telephones, repair all our products in our own service center, only use CO_2-free electricity and conserve water to a great extent.

- In Bocholt we employ more than 500 people and order materials from numerous partners and suppliers in the region. Here we train young women and men and help them start their careers.

For Gigaset, therefore, "Made in Germany" is the basis and prerequisite for environmental protection, long-term economic success and the social stability of our employees: the three above-mentioned dimensions of sustainability.

CAPITAL MARKET AND SHARE

Financial markets 2020: roller coaster ride

Equity markets were extremely turbulent in 2020. The year began on a promising note. After a good run in 2019, markets continued to climb at first. But already in February, stock markets slammed on the brakes as a novel coronavirus that first emerged in China rapidly spread across the world, forcing governments everywhere to take drastic measures such as contact restrictions and stay-at-home orders. The economy collapsed and global supply chains broke down.

The German lead index, the DAX, had initially reached a new record high of 13,795 points in early February before collapsing by nearly 40% in March with sometimes historical daily losses. Uncertainty regarding the severity of the pandemic and its long-term effects on the economy and society prompted investors to run for cover. Even presumably "safe-haven" investments such as gold and bonds came under intense pressure. The persistent economic worries also impacted the oil markets, sending futures contracts for U.S. WTI to an historic low of minus USD 40 per barrel in late April.

Already weighed down by increasing demand weakness and full inventories, oil prices could not completely make up the losses by the end of the year despite a strong recovery. Economic data painted a gloomy picture in the second quarter, with globally negative growth rates and employment losses. In the United States, the unemployment rate shot up to 14.7%, the highest level since records were kept in 1948. The unemployment rate in Germany rose to over 6 %. German gross domestic product (GDP) shrank by 10.1%, while U.S. GDP suffered an even more drastic decline of 31.4%. Thanks to resolute monetary and fiscal policy measures, equity prices quickly recovered from their spring lows. Equity markets were buoyed in the summer by declining coronavirus infection numbers, encouraging economic data and high liquidity.

The economy in Germany proved to be incredibly robust, with manufacturing in particular experiencing an unexpectedly fast recovery. After sliding to as low as 8,255 points in March, the DAX regained the level of 13,000 already in mid-July and even surpassed it at times. In August, stock markets had one of their best months since the 1980s, led by U.S. tech stocks with gains of up to 40%. In October, however, the anticipated correction of overheated stock markets handed tech stocks their biggest losses since the collapse in March. Fast-rising numbers of coronavirus infections coupled with other stress factors such as the Brexit negotiations and the U.S. election campaign amplified the risk aversion of investors. In addition, the economic growth curve flattened markedly, as reflected by deteriorating sentiment indicators.

The approval of the first vaccines against the Covid-19 virus at the end of the year rekindled investors' hopes for a faster economic recovery. Support was provided by solid corporate results, which suggested that companies were recovering from the coronavirus crisis much more quickly than had been expected. On top of that, central banks continued to pump liquidity into the markets, lifting stock markets to new record highs. The positive trend was also reflected in German GDP, which registered an 8.2% gain. In the United States, economic output actually increased by 33% in Q3 after the drastic decline in the second quarter.

In the home stretch, the long-fruitless Brexit negotiations were finally concluded on Christmas Eve In the United States, a multi-billion-dollar coronavirus aid package was finally enacted after months of wrangling. Investor confidence was also reflected in the positive full-year performance of key stock market indices. In Germany, the SDAX was the clear leader with a gain of 18%, followed by the MDAX and the TecDAX with gains of 8.77% and 6.56%, respectively. By contrast, the DAX "only" gained 3.55%. U.S. indices posted even stronger gains, especially the tech-heavy NASDAQ, which gained more than 43%. The broad-based S&P 500 Index rose by 16.3% and the Dow Jones Industrial Index by 7.25%. The price of gold also benefited, rising by a total of 25% to USD 1,898.

End-of-year rally for the Gigaset share

The year 2020 was extraordinary in every respect and the share of Gigaset AG also experienced heightened volatility. Benefitting initially from the positive stock market environment, it climbed to EUR 0.37 in early February. But the Gigaset share was also hit by the sell-off in global financial markets caused by the spreading coronavirus pandemic and gave up its previous gains in March. In this environment, the positive ad-hoc announcement on March 17, 2020 that an increase in the EBITDA forecast for 2019 was to be expected fell on deaf ears, unfortunately.

Due to the market effects described above, the share price had fallen to EUR 0.20 in mid-March, after which it recovered considerably from its lows. The share improved to EUR 0.35 again with some volatility. The coronavirus-burdened results for the first quarter pushed the share down again to as low as EUR 0.22 in early June. A sustained recovery did not yet materialize and the share price settled at around the level of EUR 0.25 over the summer months.

The second quarter results, which was still weighed down by the coronavirus pandemic, coupled with an uncertain outlook for the rest of the year prompted investors to sell Gigaset shares in late September, pushing the share price down to as low as EUR 0.17. The share was also afflicted by the weak stock market environment, with potential buyers staying out of the market.

Later in the year, the announcement of the cooperation agreement with Unify Software and Solutions GmbH & Co. KG revived buying interest in the Gigaset share, from which it benefited appreciably. After steady share price gains in November, the share regained the level of EUR 0.30 and rose to as high as EUR 0.33 in early December. In the final trading weeks of the year, the share defended this level and ended the year at EUR 0.30.

Dividend

It was decided not to pay a dividend to shareholders for the 2020 financial year.

Shareholder structure

According to the definition of Deutsche Börse AG, 73.5% of the shares of Gigaset AG have been held by an institutional investor, Goldin Fund Pte. Ltd. of Singapore, since the end of 2017. In compliance with the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the reportable trades of top executives of Gigaset AG are published on the company's website. Detailed information on the shares and options held by members of the Executive Board and Supervisory Board, as well as their reportable securities trades, can be found in the section of the management report entitled "Corporate governance statement for Gigaset AG and the Group" and in the section entitled "Shareholdings of the Executive Board and Supervisory Board" in Chapter "F. Other information" of the notes to the consolidated financial statements in the present annual report.

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REPORT OF THE SUPERVISORY BOARD

The Supervisory Board closely followed the Company and its Executive Board in all significant transactions in 2020. This can be seen in the number of meetings held, which exceeds the requirements set forth under section 110(3) of the German Stock Corporation Act (Aktiengesetz, AktG).

The 2020 fiscal year was heavily impacted by the coronavirus pandemic, which had significant repercussions for the global economy. In the first quarter of the fiscal year, as well as at the end of the year, Germany and Europe were subject to massive restrictions, with businesses and borders closed and stay-at-home orders imposed. This led to unpredictable developments in consumer sentiment and impacted international logistics and supply chains and sales potential in the traditional retail sector, and thus also the Gigaset Group. The employees of the Gigaset Group delivered exceptional work in the 2020 fiscal year. Despite the appreciable effects of the coronavirus pandemic, Gigaset recorded strong operations performance.

Sustainability, too, once again played a key role for Gigaset – the last few years have seen the introduction of new, smaller systems packaging, which has partly replaced two other packaging sizes. In addition, Gigaset began to switch to product packaging meeting the high "FSC Recycled" sustainability standard, as well as to make this packaging climate-neutral.

In August 2020, the Supervisory Board extended the term of Klaus Weßing as CEO of the Company prematurely in order to honor his accomplishments and ensure a sense of continuity within the Company in these unstable times marked by a great pressure for change.

Collaboration with the Executive Board

The Supervisory Board collaborated intensively and constructively with the members of the Executive Board over the entire course of the 2020 fiscal year. The Supervisory Board discharged all its duties as required by law and the Articles of Association and monitored and also advised the Executive Board in its work.

One focal point of the Supervisory Board's activities in the 2020 fiscal year was its trusting cooperation with the Executive Board within the context of the coronavirus pandemic, which saw the Executive Board provide it with regular, timely and comprehensive information on any issues relevant to the Company, particularly on planning matters, business development and the risk situation. Furthermore, the Executive Board regularly provided the Supervisory Board with a comprehensive overview of the development of the business, in particular sales revenues and the position of the Company since the last report, in the form of reports as stipulated under section 90(1) no. 3 AktG. The Supervisory Board required the Executive Board to provide precise and clear presentations detailing the Company's performance, the current situation, and the reasons for this, including an appropriate analysis and the associated figures. The Supervisory Board also discussed and scrutinized the budgets in order to evaluate the transactions, the financial situation, the Company's financial performance and liquidity, the market situation and the specifics regarding business performance as well as the risks to future development. To the extent necessary, the Executive Board reported on important occasions directly to the Chair and Vice Chairs of the Supervisory Board outside of the regular meetings. The Supervisory Board was directly involved in all decisions of fundamental importance for the Company at an early stage of the decision-making process and discussed these decisions with the Executive Board in detail and at length.

Other regular topics of discussion included compliance, the risk position and risk management, the early risk identification system, the development of liquidity and the budget, and basic questions regarding corporate policy and strategy. In addition, the Supervisory Board began to develop a clear, understandable system on the remuneration of Executive Board members pursuant to section 87a AktG in the 2020 fiscal year.

Activity of the Supervisory Board

The Supervisory Board discharged its duties at regular (sometimes virtual) meetings and update conferences. At these meetings, the Supervisory Board routinely dealt with the reports of the Executive Board on finance and investment and human resource planning, as well as the implementation of corporate strategies and the resulting intermediate and long-term opportunities for growth. In addition, the Supervisory Board provided advice on the financing of the Company and its growth in 2020. Special emphasis was placed on concluding the exclusive contract on the acquisition of the next end-device family for desk telephones between Gigaset Communications GmbH and Unify Software and Solutions GmbH & Co. KG. The Company's liquidity situation and strategic and personnel approaches were also discussed. Furthermore, the Supervisory Board continued to work on clarifying and eliminating the Company's risks. The appointment of personnel to the Executive Board formed a further focal point of the Supervisory Board's activities in the reporting year. Klaus Weßing was once again appointed as CEO of the Company.

The Supervisory Board questioned the Executive Board critically regarding its reports, current developments, and pending decisions. The documents presented by the Executive Board were reviewed and scrutinized. Moreover, periodic meetings were held between the Chair and Vice Chairs of the Supervisory Board and the members of the Executive Board. At these meetings, the Management was questioned about current developments and risks, pending decisions were discussed in detail, and resolutions of the Supervisory Board were prepared.

Supervisory Board meetings in 2020

The Supervisory Board convened for a total of eight regular meetings and one extraordinary meeting in fiscal year 2020. These took place on February 27, April 21, May 28, July 6 (extraordinary meeting), July 15, August 20, October 28, November 19 and December 15. These meetings were all attended by all Supervisory Board members, with the exception of Mr. Xiaojian Huang, who did not attend the regular meeting on October 28. Four additional update conferences also took place with the Executive Board to discuss the current impacts of the coronavirus pandemic and the corresponding measures taken by the Executive Board. These conferences were all attended by all Supervisory Board members, with the exception of Mr. Paolo Di Fraia, who did not attend one of the conferences.

The auditor selected by the Annual General Meeting, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was also present at the meeting to adopt the financial statements for the 2019 fiscal year held on April 21, 2020.

The Supervisory Board convened on a regular basis, including sometimes without the Executive Board. At these meetings, they addressed agenda items that concerned either the Executive Board itself or internal Supervisory Board matters.

The Supervisory Board formed an Audit Committee, a Personnel Committee and a Finance Committee.

Activity of the Audit Committee

The Audit Committee convened in preparation for the Supervisory Board meeting to adopt the financial statements on April 21, as well as on May 28, September 24, and November 19. All members of the Committee participated in each of these meetings. The Audit Committee additionally had the Executive Board provide a report at all meetings and the auditor provide a report at the meeting to prepare for the meeting to discuss the financial statements on April 21, and critically reviewed the Company's interim and quarterly financial reports. In general, the Audit Committee dealt in great depth with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, and the internal auditing system, compliance as well as the audit of the financial statements. The activities of the Audit Committee in connection with the audit comprised in particular the interim audit of the annual financial statements (and the consolidated financial statements) as well as the management report (and the Group management report), including the validity and usefulness of the annual, half-yearly, and quarterly financial reports. Furthermore, the

Audit Committee also addressed the accounting process per se, including the principles and methods of accounting and the relevant precautionary measures. With regard to the monitoring of the internal control system and the risk management system, the Audit Committee monitored the effectiveness of these systems and inspected whether the Executive Board had installed corresponding systems, whether the nature and concept of the systems set up by the Executive Board were adequate, and whether these systems were in fact completed in such manner that they perform their intended functions. Regarding compliance, the Audit Committee monitored the effectiveness of the Compliance Management System for the responsible business behavior of Gigaset Group employees and reviewed the work of the Compliance Committee. Furthermore, the Audit Committee carried out a preparatory review of the separate non-financial Group report pursuant to section 315b of the German Commercial Code (HGB). Moreover, the Audit Committee monitored the auditor with respect to its independence, discussed the areas of audit emphasis and major audit topics, and issued the audit engagement for the annual financial statements and consolidated financial statements for the fiscal year ending December 31, 2020. At its meeting on April 21, the Audit Committee assessed the quality of the audit.

Activity of the Personnel Committee

The Personnel Committee convened on March 12 and December 10. All members of the Committee participated in each of these meetings.

The Personnel Committee's responsibilities include the preparation of personnel decisions, insofar as they are reserved for plenary meetings due to the prohibition on the delegation of duties, in particular the submission of recommendations regarding the appointment and dismissal of members of the Executive Board and regarding the remuneration components of the employment contracts to be formed or already concluded with the Executive Board members. In addition, the Personnel Committee prepares the proposals on the respective appointments. The focal points in the 2020 fiscal year were preparing the re-appointment of Mr. Klaus Weßing as CEO and Chair of the Executive Board and preparing the corresponding employment contract extension, and holding consultations on Executive Board remuneration and remuneration components. This included consultations on the remuneration system for Executive Board members pursuant to section 87a AktG.

Activity of the Finance Committee

The Finance Committee convened on February 28 in fiscal year 2020.

During this meeting, the evaluation of further options for external financing over and above the existing bank financing as well as potential future M&A strategies were discussed.

Corporate Governance

The Supervisory Board, together with the Executive Board, was responsible for the application and further development of the standards for sound and responsible management in accordance with the AktG and the German Corporate Governance Code.

On February 24, 2021, the Executive Board and Supervisory Board of Gigaset AG submitted the declaration of conformity with the German Corporate Governance Code in the version dated December 16, 2019 (which entered into force on March 20, 2020), as required annually under section 161 AktG, and then made it permanently available to the shareholders on the Company's website (www.gigaset.com).

The Executive Board and Supervisory Board of Gigaset AG therein declare that, with few exceptions, they have complied with the recommendations made by the Commission of the Code, as published in the electronic Federal Gazette, regarding the management and supervision of the enterprise (version of the Code dated February 7, 2017) since the last declaration of conformity was submitted on February 27, 2020, and that they will comply with the recommendations made by the "Government Commission of the German Corporate Governance Code" (version of the Code dated December 16,

2019) published in the official part of the Federal Gazette on March 20, 2020, except for four exceptions.

Separate non-financial Group report pursuant to section 315b HGB

The Executive Board submitted the non-financial report prepared separately by the Company in accordance with section 315b HGB to the Supervisory Board in due time and the Supervisory Board reviewed it. In preparation for the review and decision on the part of the Supervisory Board, the Audit Committee first studied the aforementioned documents in detail. The Executive Board explained the separate non-financial Group report pursuant to section 315b HGB to the Audit Committee in detail at the meeting of the Audit Committee on April 20, 2021. Furthermore, Committee members' questions were answered. The Audit Committee assured itself that the separate non-financial report was properly prepared. It concluded that this report fulfills the legal requirements. The Audit Committee recommended to the Supervisory Board not to raise any objections to the separate non-financial Group report pursuant to section 315b HGB.

The Supervisory Board performed its final review at its meeting of April 20, 2021, with due regard to the recommendation of the Audit Committee. The Executive Board also attended this meeting, explained the separate non-financial Group report and answered the questions of the Supervisory Board members. Based on this review and the report presented by the Audit Committee, the Supervisory Board assured itself that the separate non-financial Group report pursuant to section 315b HGB was properly prepared and reviewed. In particular, it concluded that the report fulfills the legal requirements. The Supervisory Board checked the separate non-financial Group report particularly for completeness and accuracy. No reasons for objections were found in this review. Based on the recommendation of the Audit Committee and the final result of the review conducted by the Supervisory Board, no objections are to be raised against the separate non-financial Group report pursuant to section 315b HGB.

Risk management

The Audit Committee and the Supervisory Board dealt with the issue of risk in detail in 2020, in particular with the risk management system. The Executive Board reported extensively on the risk situation and key individual risks. The structure and function of Gigaset AG's control and risk management system were reviewed in accordance with section 315(4) HGB and confirmed by the auditor. The result was discussed with the Supervisory Board.

Personnel matters of the Executive Board

Since August 13, 2019 the Executive Board has consisted of Mr. Klaus Weßing (Chair of the Executive Board) and Mr. Thomas Schuchardt. The term of office of Mr. Klaus Weßing was extended to mid-2022 on August 20. The current Executive Board members represent the Company in accordance with the Articles of Association and are authorized to carry out legal transactions in the name of the Company with themselves as the representatives of a third party.

Personnel matters of the Supervisory Board

The members of the Supervisory Board in the reporting period were: Mr. Hau Yan Helvin Wong (Chair since February 28, 2019), Mr. Ulrich Burkhardt, Mr. Paolo Vittorio Di Fraia, Prof. Xiaojian Huang, Ms. Flora Ka Yan Shiu and Ms. Barbara Münch (Vice Chair since August 14, 2019). All aforementioned Supervisory Board members, with the exception of Ms. Münch, joined the Supervisory Board in 2013 or 2014 and were active members of the Supervisory Board until the regular Annual General Meeting in 2019. Their appointments were (re)confirmed by the Company's regular Annual General Meeting on August 14, 2019.

The members of the Supervisory Board are themselves responsible for performing the training and further education tasks necessary for their work, such as on changes to legal framework conditions, and are appropriately supported by the Company in this regard. For example, the Supervisory Board was informed of important issues and upcoming changes to legislation at an early stage and received the relevant documentation. In addition, members of the Supervisory Board received information on events covering special topics.

Comments on the management report

With respect to the comments regarding the management report in accordance with section 171 AktG, please refer to the disclosures in the management report regarding sections 289(4), 315(4) HGB. Information related to the Company's subscribed capital, the provisions governing the appointment and removal of members of the Executive Board, the amendment of the Articles of Association, the authorizations of the Executive Board, and shares to be issued or redeemed can be found in the combined management report of the Company.

Audit of the annual and consolidated financial statements

The Executive Board presented the Supervisory Board with the prepared annual financial statements, the consolidated financial statements, and the Group management report combined with the management report as well as its proposal on the losses carried forward on April 13 and 14, 2021.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which was appointed as the auditor and Group auditor ("auditor") by the Annual General Meeting for fiscal year 2020 upon recommendation by the Audit Committee and in accordance with the election proposal of the entire Supervisory Board, audited the annual financial statements as of December 31, 2020, as well as the consolidated financial statements as of December 31, 2020, including the respective management reports, and issued an unqualified auditors' report in each case.

The Audit Committee and the Supervisory Board both reviewed the annual financial statements at length and provided advice at their respective meetings to adopt the financial statements held on April 20, 2021.

Prior to the adoption of a resolution by the Audit Committee regarding its recommendation to the Supervisory Board with respect to the election proposal to the Annual General Meeting, the auditor declared there are no business, financial, personal, or other relationships between the auditor and its governing bodies and chief auditors on the one hand and the Company and the members of its governing bodies on the other hand that could justify doubts regarding its independence. In connection with this, the Audit Committee examined the independence of the auditor and the additional services carried out by the auditor. The auditor also confirmed to the Audit Committee as well as to the Supervisory Board at their meetings to adopt the financial statements held on April 20, 2021 that there are no circumstances that would raise concerns about a lack of impartiality on its part. In this context, it also presented information regarding services rendered in addition to the audit services. The Audit Committee reported to the Supervisory Board at its meeting held on April 20, 2021 on its monitoring of the auditor's independence in consideration of the non-audit-related services rendered and its assessment that the auditor continues to possess the requisite independence.

The auditor presented the Supervisory Board with its report regarding the nature and scope as well as the result of its audit (long-form audit report). The aforementioned financial statement documents, the auditor's long-form audit report, and the Executive Board's proposal on the losses carried forward were all promptly provided to the Supervisory Board members.

The Supervisory Board for its part reviewed the documents presented by the Executive Board and the auditor's long-form audit report.

In preparation for the review and decision on the part of the Supervisory Board, the Audit Committee first studied the aforementioned documents in detail.

At its meeting held on April 20, 2021, the Audit Committee heard detailed comments by the Executive Board regarding the annual financial statements, the consolidated financial statements, and the combined management report and Group management report as well as its proposal on the losses carried forward. Furthermore, Committee members' questions were answered. In addition, the auditor, who also participated in the meeting, reported on its audit, in particular the areas of audit emphasis agreed with the Audit Committee and the Supervisory Board and the significant results of the audit and commented in detail on its long-form audit report. No material weaknesses of the internal control system, the risk management system, or the accounting process were identified by the auditor. The members of the Audit Committee acknowledged the long-form audit report and the auditors' report, critically reviewed them, and also discussed them with the auditor as with the audit, which included questions regarding the nature and scope of the audit as well as the results of the audit. The Audit Committee assured itself that the audit and the long-form audit report had been properly prepared. It was satisfied in particular that the long-form audit report – as also the audit performed by the auditor – complied with the legal requirements. The Audit Committee shares the auditor's assessment that the internal controls and the risk management system, in particular also with respect to the accounting process, do not exhibit any material weaknesses. The Audit Committee recommended that the Supervisory Board approve the results of the auditor's audit and – since in its opinion there are no objections to be raised against the documents presented by the Executive Board – also endorse the annual financial statements, the consolidated financial statements, and the combined management report and Group management report and endorse the Executive Board's proposal on the losses carried forward.

The Supervisory Board's final review of the annual financial statements, consolidated financial statements, and the combined management report and Group management report as well as the Executive Board's proposal on the losses carried forward was conducted during the Supervisory Board meeting held on April 20, 2021, under consideration of the Audit Committee's report and recommendations as well as the auditor's long-form audit report. The Executive Board participated in this meeting, commented on the documents it presented and answered the Supervisory Board members' questions. The auditor also participated in this meeting and reported on its audit as well as the significant results of the audit, explained its long-form audit report and answered the Supervisory Board members' questions, in particular regarding the nature and scope of the audit and the audit results. Through this and on the basis of the report issued by the Audit Committee, the Supervisory Board satisfied itself of the propriety of the audit and the long-form audit report. Following the recommendation of the Audit Committee, the Supervisory Board approved the results of the auditor's audit.

Based on the final result of the review conducted by the Supervisory Board of the annual financial statements, consolidated financial statements, and the combined management report and Group management report as well as the Executive Board's proposal on the losses carried forward, there are no objections to be raised; that also pertains to the declaration of conformity and indeed also insofar as it is not to be audited by the auditor. Following the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements and the consolidated financial statements.

The annual financial statements are deemed to be adopted with the Supervisory Board's endorsement.

In its assessment of the position of the Company and the Group, the Supervisory Board concurs with the Executive Board's assessment in its combined management report and Group management report and, following the Audit Committee's recommendation, also endorsed these reports.

As a result of the review of the Executive Board's proposal on the losses carried forward conducted at the Audit Committee meeting and at the Supervisory Board meeting held on April 20, 2021, which included a discussion with the auditor at both meetings, the Supervisory Board – following the recommendation of the Audit Committee – approved and endorsed the Executive Board's proposal on the losses carried forward. The proposal includes:

"The net loss for fiscal year 2020 amounts to EUR -1,871,580.73. Including the losses carried forward in the amount of EUR -186,191,274.85, this results in a net accumulated loss of EUR -188,062,855.58, which will be carried forward to a new account."

Report of the Executive Board on relationships with affiliated companies

The Executive Board presented the report it prepared on relationships with affiliated companies in fiscal year 2020 (dependent company report) to the Supervisory Board in a timely manner.

The auditor audited the dependent company report and issued the following auditors' report:

"Based on our mandatory audit and assessment, we confirm that

1. the report's factual statements are accurate,

2. the consideration paid by the Company with respect to the transactions listed in the report was not inappropriately high."

The auditor presented the long-form audit report to the Supervisory Board. The dependent company report and the long-form audit report were promptly provided to all members of the Supervisory Board.

For its part, the Supervisory Board reviewed the Executive Board's dependent company report and the auditor's long-firm audit report.

In preparation for the review and decision on the part of the Supervisory Board, the Audit Committee first studied the aforementioned documents in detail. At its meeting held on April 20, 2021, the Audit Committee heard comments from the Executive Board on its dependent company report. Furthermore, Committee members' questions were answered. In addition, the auditor, who also participated in the meeting, reported on its audit, in particular the areas of audit emphasis and the significant results of the audit and commented in detail on its long-form audit report. The members of the Audit Committee acknowledged the long-form audit report and the auditors' report, critically reviewed them, and also discussed them with the auditor as with the audit, which included questions regarding the nature and scope of the audit as well as the audit findings. The Audit Committee assured itself that the audit and the long-form audit report had been properly prepared. It was satisfied in particular that the long-form audit report – as also the audit performed by the auditor – complied with the legal requirements. The Audit Committee recommended that the Supervisory Board approve the results of the auditor's audit and – since in its opinion there are no objections to be raised against the Executive Board's explanation of the dependent company report – adopt a resolution on a corresponding opinion.

The Supervisory Board performed its final review at its meeting of April 20, 2021, with due regard to the recommendation of the Audit Committee and to the auditor's long-form audit report. The Executive Board also participated in this meeting, commented on the dependent company report and answered the Supervisory Board members' questions. The auditor also participated in this meeting, reported on its audit of the dependent company report and the significant results of the audit, commented on its long-form audit report, and answered questions posed by the Supervisory Board members, in particular regarding the nature and scope of the audit of the dependent company report and the audit results. Through this and on the basis of the report issued by the Audit Committee, the Supervisory Board satisfied itself of the propriety of the audit of the dependent company report and the long-form audit report. It was satisfied in particular that the long-form audit report – as also the audit performed by the auditor – complied with the legal requirements. The Supervisory Board reviewed the dependent company report in particular with respect to its completeness and accuracy, whereby it satisfied itself that the group of affiliated companies had been determined with the requisite diligence and that the precautions necessary for the identification of reportable transactions and measures had been taken. No indications suggesting a reason to object to the dependent company report became apparent in this audit. Following the recommendation of the Audit Committee, the Supervisory Board approved the results of the auditor's audit of the dependent company report. Based on the final result of the review conducted by the Supervisory Board of the report on relationships with affiliated companies (dependent company report), there are no objections to be raised against the Executive Board's explanation at the end of the report on relationships with affiliated companies (dependent company report).

The Supervisory Board would like to express its thanks to the Executive Board members active in 2020 and to all the employees for their outstanding commitment in fiscal year 2020.

Bocholt, April 2021

Hau Yan Helvin Wong

Chairman of the Supervisory Board

COMBINED MANAGEMENT REPORT OF THE GIGASET GROUP

Gigaset GS4

The new GS4 is timelessly elegant and a real eye-catcher! Its classy body of tempered and polished glass with frameless integrated cameras feels particularly good in the hand and provides for a smooth, stylish surface. The GS4 is the fifth smartphone generation to be manufactured in Germany and therefore bears the "Made in Germany" seal of quality.

1 BASIC PRINCIPLES OF THE GROUP AND OF GIGASET

1.1 Business model

Gigaset AG is a global enterprise operating in the area of telecommunications. The Company is headquartered in Bocholt, Germany, which is also where the Company's highly automated production site is located. There are additional branch offices in Munich, Germany, and Wroclaw, Poland, as well as in eleven other countries. As of the reporting date December 31, 2020, the Company had 893 employees and distribution operations in 56 countries.

Gigaset carries out business operations in the Phones, Smartphones, Smart Home, and Professional segments. From a regional standpoint, the Company operates in Germany, Europe (excluding Germany), and the rest of the world, whereby in addition to Germany its most important and best revenue-generating markets are the European markets of France, Italy, Switzerland, the Netherlands and Spain (EU6).

1.1.1. Phones

The Phones segment is tasked with the production and distribution of corded and cordless DECT telephones for private customers. Nearly all DECT products for the Phones segment are made in Gigaset's own production facility in Bocholt. Gigaset offers its customers a broad portfolio with various price points and different features. The products from the HX portfolio and the devices in the life series are particularly important. HX mobile components can be operated both directly on DECT as well as on CAT-iq routers and are therefore extremely versatile. Gigaset's life series products serve the customer group of elderly people as well as people with special physical requirements.

1.1.2. Smartphones

The Company has operated the lower to mid-price Smartphones segment since 2016 with prices up to EUR 350. The strategic goal is to further increase its level of recognition and market share in this segment. The models GS3 and GS4 of the current fifth generation of smartphones were introduced in 2020. The GS4 once again features the unique selling point "Made in Germany" and is part of Gigaset's advertising campaign for smartphones that is being executed with the famous singer and entertainer Sasha as a brand ambassador. In addition, the production in Germany makes it possible for Gigaset to offer its customers highly individualized products in very small lot sizes. The high level of flexibility also makes it possible to provide smartphones with individual features and design characteristics as well as special software features for B2B customers.

1.1.3. Smart Home

Gigaset has operated in the Smart Home segment since 2012. The Company currently offers solutions in the areas of security, comfort, energy, and care for the support of the elderly and people in need of assistance. The portfolio is directed primarily at private users. Gigaset relies on a modular, sensor-based system that enables consumers to use the products based on their individual needs. The software-based cloud approach makes it possible to stay informed about various incidents and events at home via smartphone. Security and comfort are best ensured through the continuous further development of the system as well as by hosting the servers in Germany.

1.1.4. Professional

Gigaset has served B2B corporate customers with its Professional segment since 2011. The products in this area include DECT-IP single and multi-cell systems as well as DECT-based stationary and mobile telephones. On the one hand, Gigaset sells its products under the PRO product line, and on the other hand directly through OEMs (Original Equipment manufacturer). While the B2B market in the area of telephone systems is advancing relatively quickly and cloud solutions are increasingly crowding out traditional telephone systems, the infrastructure in the area of consumer devices remains relatively constant. Gigaset's DECT-IP solutions can be used behind numerous telephone systems due to the high level of interoperability. Furthermore, Gigaset aims to expand its customer base. New variations of the single and multi-cells were presented accordingly already in 2019. These enable scaling to up to 20,000 consumer devices in a company, regardless of whether centralized or decentralized. Thus, Gigaset also addresses the enterprise segment with this magnitude.

1.2 Goals and strategy

Gigaset's overall strategic goal remains to expand the Company into an integrated hardware, software and service provider on a fully-integrated solution basis within an ecosystem. In addition to the stabilization of the core business with Phones by crowding out competitors in important core markets in Europe, the Company's existing product range is being further expanded and given a broader base via the product segments of Smartphones, Smart Home and Professional.

In the long term, Gigaset wants to offer its customers a freely customizable, scalable ecosystem of products from all of the aforementioned segments. This system therefore integrates existing product components as well as new hardware and software-based solution components that support, assist and connect our customers in all living situations, from private to professional.

1.3 Control systems

The performance of the Group and Gigaset AG was analyzed and managed by the management on a monthly basis in 2020 with the help of various financial performance indicators. The Gigaset Group is oriented worldwide based on regional points of sale. The analysis of revenues and earnings before interest, taxes, depreciation, amortization and impairment losses (EBITDA) by region as well as free cashflow at the Group level played an important role in monitoring the operating business in the Group. Operating costs were analyzed and managed in detail based on cost categories and the cost centers in which the costs are incurred. Integrated financial planning (income statement, statement of financial position, financial plan) is implemented group-wide for the reliable analysis of changes in liquidity. In addition, risk management is an integral part of business processes and decisions. Gigaset AG was managed as a separate company in 2020 based on the result under German generally accepted accounting principles.

The primary non-financial performance indicators for Gigaset remain:

- Research and development
- Environment
- Employees

Due to the high priority of these factors for the Gigaset Group and Gigaset AG, they are presented in detail in the Sections "Research and development", "Environment" and "Employees" below.

1.3.1. Research and development

Gigaset's research and development program focuses in particular on the further development and improvement of the products and services in the various product segments. Research and development take on a key role in the area of product innovation, whereby the focus is placed on technical aspects. Online services (cloud solutions) are becoming increasingly important in the Gigaset portfolio and underscore the shift in the Company's operating orientation from a pure hardware manufacturer to a provider of integrated solutions for home, work and on-the-go.

In financial year 2020, the Group incurred expenses for research and development in the amount of EUR 17.7 million and capitalized a total of EUR 11.2 million in development costs, EUR 10.4 million of which under other intangible assets and EUR 0.8 million under property, plant and equipment. The resulting capitalization rate was 63.1%. Amortization of capitalized development costs amounted to EUR 8.1 million in the financial year. In its function as a holding company, Gigaset AG did not itself report any research and development expenses in the financial year.

1.3.2. Environment

As a global enterprise, Gigaset observes the principles of sustainable conservation of the environment and the natural resources on which mankind depends. Gigaset's products are manufactured in the production facility in Bocholt based on current environmental protection and quality standards. Our commitment to protecting the environment is reflected both in the development and production of the energy-efficient Gigaset ECO DECT cordless telephone as well as in the consumption of energy at the production site in Bocholt, which has been supplied with green electricity since 2020.

With respect to economy, the Company ensures compliance with environmentally-based (ISO 14001) standards in the value chain with the corresponding selection of suppliers based on the required qualifications.

The issue of sustainability and the environment is a component of Gigaset's strategy. The Company pursues various measures in order to further reduce its ecological footprint and to be able to offer environmentally conscious customers products that meet their expectations. The most important measures include: recycling, compensation for CO_2 emissions, climate-neutral packaging for first products, reforestation projects and moving increasingly further away from the use of plastic.[3]

In addition, the Company has published a Corporate Social Responsibility Report since 2017, thereby meeting the requirement for sustainability reporting under the German Sustainability Code. The report is prepared based on GRI standards (Global Reporting Initiative Standards). GRI Standards represent the best practice worldwide for companies to publicly report various economic, ecological, and social effects. Sustainability reporting based on such standards informs relevant interest groups of an organization's positive and negative contributions in its sustainable development.

1.3.3. Employees

In 2020, a total of 41 employees left the Company, 12 of which as a result of early retirements, termination agreements, termination of employment due to occupational disability payments, and the expiration of limited duration contracts. In addition, 16 employees moved from their active time in the Company to a passive phase as part of an individual partial retirement agreement.

Another 12 employees left the Company of their own volition and one employee passed away. In total, Gigaset recruited 39 new employees to the Company. The number of employees in the subsidiaries fell from 256 to 244 as of the reporting date December 31, 2020. At year-end 2020, Gigaset had a total of 893 employees.

Gigaset is positioning itself in the market as an international communications company with clear strengths in the area of technology, products, and digital services. The international orientation of all its locations puts Gigaset in a very good position in the competition for the best employees. Observing

[3] Gigaset (2021) - Sustainability

only the leavers that voluntary departed from the Group, the turnover rate for 2020 is 1.9%. In the previous year it was 1.7%.

The need for employees varies based on the corporate strategy as well as due to the expansion of business activities in the Phones, Smartphones, Professional, and Smart Home segments and also as a result of the shifting of distribution channels in the online area. These needs can be covered in individual cases by the Company's own employees (key talents or apprentices/trainees).

But additional personnel must also be attracted by means of external recruitment (in particular through job exchanges and recruitment agencies). The Company also relied on temporary workers primarily for semi-skilled activities to provide the Company with the necessary operational flexibility in a highly seasonal sales market.

2 SIGNIFICANT EVENTS IN FINANCIAL YEAR 2020

March 2020:

Gigaset exceeds EBITDA forecast

During an ad hoc report on March 17, 2020, the Executive Board of Gigaset came to the conclusion that the forecast in which EBITDA was expected to remain at the previous year's level for 2019 had to be adjusted upwards. Despite decreasing consolidated revenues, EBITDA increased year-on-year.

April 2020:

Gigaset implemented a short-time working scheme

Gigaset reacted to the store closings in March 2020 and the associated sharp drop in demand by introducing a short-time working scheme for all employees in Germany, which was ended in February 2021.

August 2020:

Klaus Weßing's CEO mandate extended ahead of time

Gigaset reported in a press conference on August 20, 2020, that the Supervisory Board of Gigaset AG extended Klaus Weßing's mandate as CEO of the Company in advance by an additional two years.

December 2020:

Gigaset entered into an exclusive agreement with Unify

Gigaset Communications GmbH, a subsidiary of Gigaset AG, entered into an exclusive agreement with Unify Software and Solutions GmbH & Co. KG.

Under this agreement, Unify will exclusively purchase the next family of consumer devices for table telephones developed by Gigaset. In order to support this new partnership, Gigaset also acquired the requisite licenses for the software components and interfaces for EUR 15 million to be paid out in the years 2020 and 2021. Gigaset can also use the acquired licenses in its own portfolio.

The required approval for the effectiveness of the agreement on the part of the existing financing partner, based on an audited financing concept, was granted on December 2, 2020. The agreement has a minimum term of five years beginning with the delivery of the first product in 2022 and Gigaset expects a total of more than 5 million telephones to be delivered to Unify and Gigaset direct customers.

3 ECONOMIC REPORT

3.1 General economic and industry-specific operating environment

3.1.1. General economic environment

According to a preliminary assessment on the part of the International Monetary Fund (IMF) from October 2020,[4] global economic output decreased by 4.4% in 2020 (2019: +2.8%). Both the developed economies (from +1.7% in 2019 to -5.8% in 2020) as well as emerging economies (from +3.7% in 2019 to -3.3% in 2020) posted a sharp drop in growth.

With the exception of the People's Republic of China, for whom the experts of the IMF expect an increase of 1.9% in gross domestic product for 2020, growth in all major developed economies collapsed: The United States recorded an expected decrease of 4.3% after an increase of 2.2% in 2019. According to the IMF's assessment, the decrease amounted to -8.3% (2019: +1.3%) in the euro area and -6.0% (2019: +0.6%) in Germany. Economic output decreased by 9.8% (2019: +1.5%) in the United Kingdom and by 5.3% (2019: +0.7%) in Japan.

The primary cause of the global economic collapse was the Covid-19 pandemic. It was a shock for economies all over the world and had grave economic and social consequences. Ongoing international trade disputes, numerous continuing geopolitical global tensions and the hard Brexit that had been impending for a long time as well as natural disasters took a back seat as growth inhibitors compared with the pandemic.

In addition to Germany, Gigaset's most important sales markets continue to be France, Italy and the Netherlands as well as Spain and Switzerland (EU6). The economy in these countries developed similar as described above: According to the IMF's assessment, France's economic growth decreased by 1.5% in 2019 to -9.8% in 2020, while Italy's economy even contracted by 10.6% (2019: +0.3%). For the year 2020, a decrease of 5.4% (2019: +1.7%) is expected for the Netherlands.[5] Spain fell sharply from +2.0% in 2019 to -12.8% in 2020 and Switzerland likewise had to accept a drop from 1.2% in 2019 to -5.3% in 2020.[6]

3.1.2. Telecommunications market

3.1.2.1. Phones

When observing the six countries of Germany, France, Italy, the Netherlands, the United Kingdom, and Spain, the most important European market for cordless telephones shrank by 2% in terms of unit volume in 2020 even though revenues increased by 1% compared with 2019.[7] Whereas the unit volume and revenues with respect to cordless phones without an answering machine decreased (-8%), the market for individual mobile components trended positively (+10% in terms of unit volume).[8] Gigaset performed better in the EU6 area than the market as a whole (+3% in unit volume

[4] IMF (2020) – World Economic Outlook October 2020

[5] EU Komission (2021) - Economic forecast for the Netherlands
[6] IMF (2020) – World Economic Outlook October 2020
[7] GfK (2020) - Cordless Phones 2019 Europe 6 (Page 24)
[8] GfK (2020) - Cordless Phones 2019 Europe 6 (Page 29)

compared with -2% and +2% in revenues compared with +1%)[9], increasing its market share (in terms of unit volume) to 39%.[10]

3.1.2.2. Smartphones

According to Statista, global sales of smartphones amounted to approximately 1.29 billion units in 2020, signaling a decline of 5.8% compared with the previous year (2019: around 1.37 billion units).[11] In Germany, the sales volume fell by around 10% from 21.9 million units (2019) to 19.7 million units in 2020.[12] However, experts expect the market to stabilize again in the coming years; Statista accordingly forecasts a worldwide sales volume of 1.47 billion units per 2024.[13]

3.1.2.3. Smart Home

Statista assumed constant growth in a current projection for the Smart Home market as a whole until 2025. Total revenues for 2020 are estimated to be around EUR 69 billion and is expected to grow to EUR 155.9 billion by the year 2025.[14] Statista subdivides the overall trend into six categories: Home Entertainment, Smart Appliances, Energy Management, Control and Connectivity, Comfort and Lighting, and Security.[15] Gigaset is represented in three of the categories and office products for Energy Management (thermostat, plug, and button), Comfort and Lighting (plug and button as well as the integration of Google, Amazon, and Philips) and Security (remaining portfolio).

In a further projection, it is assumed that revenues per Smart Home system will decrease in the future. Specifically, this means that: Whereas the Smart Home market as a whole will continue to grow and more and more people will use a Smart Home application, the users of Smart Home systems will at the same time spend less money for their applications in the system. In the categories occupied by Gigaset, users spent around EUR 63 for Energy Management and Comfort and Lighting and EUR 182 for Security. In 2025, these amounts will decrease to EUR 43 and/or EUR 153.[16]

This relationship between rising total revenues but reduced spending per system shows that growth is of particular importance. In perspective, far more people with Smart Homes must still be addressed and attracted for systems. Gigaset intends to also participate in this trend and continues to further develop its existing portfolio

3.1.2.4. Professional

In the 2020 financial year just ended, the major delays and cancellations of projects triggered by the Covid-19 pandemic, in particular in the health industry, had a clearly noticeable impact. Global revenues in the Professional segment fell by 27.5% year-on-year, whereby revenues in the domestic German market fell somewhat less by 23.2% on a percentage basis.[17]

[9] GfK (2020) - Cordless Phones 2019 Europe 6 (Page 39) and GfK (2021) - Performance Gigaset
[10] GfK (2021) - Cordless Phones
[11] IDC (2021) - Smartphone sales volume worldwide 2020
[12] IDC (2020) - Smartphone sales volume Germany 2020
[13] Statista (2021) Smartphone sales volume forecast worldwide to 2024
[14] Statista (2021) - Revenues Smart Home worldwide
[15] Statista (2021) - Revenues Smart Home worldwide
[16] Statista (2021) - Revenues per Smart Home worldwide
[17] Gigaset (2021) - Sales Professional 2020 (20210216) – HUBs

3.2 Business performance of the Group

3.2.1. Phones

In a market that continued to decline overall and which was also characterized in the past year by limitations in stationery retail stores as a result of the Covid-19 pandemic as well as additional difficulties in the procurement of raw materials, Gigaset's revenues in the Phones segment in 2020 fell by 10.8% to EUR 157.3 million. Nevertheless, Gigaset defended its market leadership in the core market of Europe (EU6). Gigaset's market share at the end of 2020 was 41% in terms of revenues and 39% in terms of unit volume. In the United Kingdom, the Netherlands and Spain, Gigaset increased its market share in terms of revenues by double digits on a percentage basis.[18]

3.2.2. Smartphones

With the GS3 and GS4, Gigaset presented two new smartphone models in 2020 and received very positive feedback from both the media[19] as well as end customers[20] with features such as replaceable batteries, replaceable colorful rear shells and wireless charging. The fact that the GS4 once again bears the "Made in Germany" seal is another differentiating feature.

Regardless of these developments, revenues in this segment were dramatically influenced by the pandemic and lockdown situation. For example, Gigaset was asked by its trading partners to take back devices in the first two quarters; as a result, at EUR 13.3 million 37.3% revenues in 2020 ultimately fell short of the previous year's level (EUR 21.2 million).

Concommitant with the changes in consumer behavior during the pandemic, sales in the Gigaset online shop increased noticeably. At EUR 1.4 million, revenues with smartphones over this direct distribution channel nearly doubled compared with 2019.

[18] GfK (2021) - Cordless Phones EU6

[19] CHIP (2020) – Gigaset GS4 Test

[20] Gigaset (2021) – Customer reviews on the website

3.2.3. Smart Home

In the financial year just ended revenues with Smart Home products fell by 32.4%. Revenues were realized primarily in the core markets of Germany, Switzerland, and the Netherlands. On the other hand, the business had a positive influence in particular on the collaboration with Swisscom AG in Switzerland, which now offers Gigaset Smart Home in all of its retail shops.

The collaboration is groundbreaking for Gigaset. After all, it is regarded as evidence of the potential not only to address customers directly via B2C in the future, but also to be noticed via B2B2C with major partners. The Company endeavors to establish additional partnerships in this area.

On the product side, Gigaset is focusing on the topic of video. The portfolio was expanded and/or updated to include two new cameras.[21] Using the new outdoor camera[22] it is now possible to monitor and secure the exterior of your home without limitation.

3.2.4. Professional

The global economic situation in financial year 2020 did not have a significant impact on the dominance of DECT multi-cell technology as the preferred choice for cordless business telephony in Western Europe, which had a market share of 91% the first half of 2020 (-1% compared with the first half of 2019).[23] In the same period, Gigaset realized the second-largest market share of 24% in Western Europe as a supplier of DECT multi-cell cordless telephones.[24]

[21] Gigaset (2020) – New Smart Home camera

[22] Gigaset (2020) - Gigaset outdoor camera

[23] MZA Consultants (2020) - On Site Business Voice Mobility Shipment Review 1H 2020 - Western Europe - Total Multi-Cellular Handset Market

[24] MZA Consultants (2020) - On Site Business Voice Mobility Shipment Review 1H 2020 - Western Europe - DECT Manufacturer Market Shares

With a 56% share of revenues, the German market remains in first place, followed by France with 16%, Italy with 8%, and the Netherlands with 5%. The share of revenues of the European market as a whole amounted to 98% and therefore exceeded the previous year's level by +1%.[25]

Overall the Professional segment recorded a decrease in revenues of 27.4% and generated total revenues of EUR 41.1 million (previous year: EUR 56.6 million). The first nine months of the year turned out to be relatively low-key as a result of the Covid-19 pandemic and the postponement or temporary suspension of numerous projects. Revenues in this segment amounted to EUR 9.6 million in the first quarter, EUR 8.0 million in the second quarter, and EUR 9.5 million in the third quarter. Despite the challenging situation, new projects were concluded in the final quarter of 2020 and revenues were increased to EUR 14.0 million.

The most successful products in the Professional segment that posted double-digit increases in revenues in the 2020 reporting period were the single-cell system (+45.2%) and the multi-cell system (+18.8%) of the latest generation of the N-series.[26]

In the context of a market environment that remained difficult and the even more vibrant competition as a result of competitors from the Far East,[27] revenues in the area of nonproprietary IP table telephones decreased by 32.4% year-on-year.[28]

[25] Gigaset (2021) - Sales Professional 2020 (20210216) - HUBs

[26] Gigaset (2021) - Sales Professional 2020 (20210216) - N-Class

[27] MZA Consultants (2020) - Business Phones Competitive Market - Western Europe – Non-Proprietary SIP Phones Market Shares

[28] Gigaset (2021) - Sales Professional 2020 (20210216) - Product Class

3.3 Financial performance, cashflows and financial position of the Group

3.3.1. Financial performance

The Gigaset Group generated total revenues in financial year 2020 (previous year: EUR 257.9 million) in the amount of EUR 214.2 million and therefore clearly fell short of the plan due to the effects of the Covid-19 pandemic. The decrease in revenues of 16.9% and/or EUR 43.7 million compared with the previous year can be attributed in particular to the Covid-19 pandemic which began in the spring of 2020 in Europe.

The first and second quarters of 2020 were negatively impacted by the measures taken by the governments and the associated lockdowns in Europe. Due to the closing of the retail industry in the first half of the year, the Gigaset Group recorded a decrease in revenues of 29.3% in the first quarter year-on-year and of 29.2% in the second quarter of the year compared with the previous year. With an increase in revenues of 14.5% in the third quarter of 2020 compared with the previous year, Gigaset made up for the revenues lost in the preceding quarters as the lockdown measures were eased and owing to the low pandemic figures in the summer. As a result of the strong third quarter, revenues fell 19.6% year-on-year in the last quarter of 2020, as many distributors and retailers had already stocked up their warehouses in preparation for the Christmas shopping season and a rising number of store closings in Europe made it impossible for retail stores to sell the products at the end of the financial year due to the once again rising infection figures. Happily, the sales figures in the e-commerce distribution channels were increased considerably over the course of the Covid-19 pandemic, which is expected to lead to a sustained increase in online business for Gigaset. The considerable increase in online sales figures at least partially offset the collapse in retail revenues.

In the 2020 financial year just ended, the Gigaset Group had to absorb a decrease in revenues in all four of its operating segments as a consequence of the Covid-19 pandemic. At 10.8%, the core segment Phones recorded the smallest decrease due to rising demand as a result of the increased use of fixed-line telephony during the pandemic. The Smartphones segment had to deal with a wave of returns on the part of distributors at the beginning of the pandemic and therefore generated 37.3% less revenues than in the previous year. Demand for Smart Home products fell sharply by 32.4% compared with 2019 due to the pandemic, as the necessity for alarm systems decreases with the rising presence at home during lockdowns and limitations on personal contact. In the Professional segment revenues fell 27.4% year-on-year, because here as well many companies postponed or canceled projects due to the pandemic.

Revenue in EUR millions	**2020**	**2019**	**Change in %**
Phones	157.3	176.4	-10.8
Smartphones	13.3	21.2	-37.3
Smart Home	2.5	3.7	-32.4
Professional	41.1	56.6	-27.4
Gigaset Total	**214.2**	**257.9**	**-16.9**

Revenues are reported by country as part of 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 generated in the United Kingdom were assigned to the Europe - EU segment until the end of January 2020 due to its membership in the European Union. In contrast, these revenues have been assigned to the Rest of World segment since February 2020 as a consequence of Brexit. The prior-year figures of the United Kingdom's new segment assignment were adjusted for the purpose of comparison.

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, this revenue is allocated to the region of "EU - European Union (excluding Germany)" in the presentation based on receiving units. Revenues based on receiving units can be broken down as follows for the individual regions:

Revenue in EUR millions	**2020**	**2019[1]**	**Change in %**
Germany	94.7	121.3	-21.9
EU (excluding Germany)	85.2	98.1	-13.1
Rest of World	34.3	38.5	-10.9
Gigaset Total	**214.2**	**257.9**	**-16.9**

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. Revenues based on country of domicile can be broken down as follows for the individual regions:

Revenue in EUR millions	**2020**	**2019[1]**	**Change in %**
Germany	117.6	141.3	-16.8
EU (excluding Germany)	70.0	85.5	-18.1
Rest of World	26.6	31.1	-14.5
Gigaset Total	**214.2**	**257.9**	**-16.9**

[1] The prior-year figures were reclassified to Rest of World for the purpose of comparison as a consequence of the United Kingdom's exit from the EU.

The **cost** of raw materials, merchandise, finished goods and purchased services was EUR 103.7 million, which amounted to a year-on-year decrease from EUR 130.9 million by EUR 27.2 million. The purchased goods and services ratio, including change in inventory, remained steady at 50.1% (previous year: 50.2%). The key figure is derived as the quotient of material expense and the total of revenues and the change in inventories of finished goods and work in progress.

Gross profit, comprising revenues less the cost of material and including the change in inventories of finished goods and work in progress, fell by 20.6% to EUR 103.2 million in the reporting period.

Other **own work capitalized** in the amount of EUR 10.2 million (previous year: EUR 9.2 million) primarily includes the cost associated with the development of new products for all segments.

Other operating income amounted to EUR 10.9 million and was therefore down EUR 7.6 million compared with the previous year. In the previous year, nonrecurring effects in the amount of EUR 3.3 million owing to the positive outcome of the legal dispute with SKW as well as the reversal of liabilities for a completed tax audit in the amount of EUR 3.8 million led to an increase in other operating income. Other operating income in the financial year just ended was in line with the previous year's level adjusted for these nonrecurring effects.

The key components include income from exchange gains in the amount of EUR 3.9 million (previous year: EUR 2.8 million) and the reversal of provisions in the amount of EUR 1.5 million (previous year: EUR 1.4 million). Miscellaneous other operating income relates mainly to income from rents in the amount of EUR 1.2 million (previous year: EUR 1.4 million).

Personnel expenses for wages, salaries, social insurance contributions, and old-age provisions amount to EUR 58.5 million and therefore fell by EUR 0.9 million year-on-year. As of the reporting date December 31, 2020, the number of employees compared with the previous year remained nearly constant at 893 (previous year: 895 employees). The decrease in personnel expenses in the 2020 financial year just ended was made possible by the short-time work regime introduced in Germany in the spring of 2020. This step was necessary as a consequence of the Covid-19 pandemic in response to the collapse in demand on the part of consumers.

Other operating expenses amounted to EUR 63.9 million (previous year: EUR 69.7 million) in the reporting period. This includes in particular marketing costs (EUR 20.1 million; previous year: EUR 26.3 million), general administrative expenses (EUR 9.9 million; previous year: EUR 10.1 million) and costs for employee leasing (EUR 7.8 million; previous year: EUR 8.4 million) as well as transport costs (EUR 7.6 million; previous year: EUR 6.3 million). Furthermore, this also includes expenses for exchange losses (EUR 5.0 million; previous year: EUR 2.8 million), advisory and audit fees (EUR 2.8 million; previous year: EUR 3.1 million), additions to warranty provisions (EUR 2.1 million; previous year: EUR 2.0 million), maintenance (EUR 1.6 million; previous year: EUR 1.8 million) and patent and license fees (EUR 1.5 million; previous year: EUR 2.3 million) as well as expenses for land and buildings (EUR 0.8 million; previous year: EUR 1.9 million.

Thus, **earnings before interest, taxes, depreciation, amortization and impairment losses** (EBITDA) amounted to EUR 1.9 million for the 2020 financial year (previous year: EUR 28.5 million) and therefore clearly fell short of the plan due to the effects of the Covid-19 pandemic. Taking into account depreciation and amortization charges for the current year as well as impairment losses in the amount of EUR 15.0 million (previous year: EUR 14.8 million), earnings before interest and taxes (EBIT) amounted to EUR -13.0 million (previous year: EUR 13.7 million.

Taking into account the **financial result** in the amount of EUR -0.9 million (previous year: EUR 0.8 million), the **result from ordinary activities** was EUR -14.0 million (previous year: EUR 14.5 million). The financial result was influenced by nonrecurring effects in the previous year due to the positive outcome of the legal dispute with SKW (EUR 1.3 million) as well as from tax audits (EUR 1.0 million).

Consolidated profit or loss for financial year 2020 amounted to EUR -10.5 million (previous year: EUR 11.3 million).

This results in earnings per share of EUR EUR -0.08 (undiluted/diluted) (previous year: EUR 0.09 undiluted/diluted).

3.3.2. Cashflows

Cashflow can be broken down as follows:

Cashflow in EUR millions	2020	2019
Cashflows from operating activities	29.6	17.2
Cashflows from investing activities	-21.5	-16.1
Free Cashflow	8.2	1.2
Cashflows from financing activities	-2.3	-1.6

In financial year 2020, the Gigaset Group recorded a **cash inflow from continuing operations** in the amount of EUR 29.6 million (previous year: cash inflow of EUR 17.2 million). The year-on-year increase in cashflows from operating activities can be attributed primarily to the decrease in trade receivables and the reduction of inventories.

The **cash outflow from investing activities** amounted to EUR -21.5 million, after EUR -16.1 million in the previous year. The payments relate in the amount of EUR 10.2 million (previous year: EUR 9.2 million) primarily to cash outflows in connection with own work capitalized for the development of innovative products and solutions as well as payments in the amount of EUR 6.6 million in connection with the collaboration agreement with Unify.

At EUR 8.2 million, **free cashflow** increased by EUR 7.0 million year-on-year and considerably exceeds the amount planned for financial year 2020.

In financial year 2020, there was a **cash outflow from financing activities** in the amount of EUR -2.3 million (previous year: EUR -1.6 million). In 2020, the repayment of the credit facility received in 2018 in the amount of EUR 1.2 million began and EUR 1.8 million (previous year: EUR 1.4 million) was paid out for the repayment of principal from leasing liabilities. In 2020, a government-approved loan in the amount of EUR 2.0 million generated cash inflow in the French subsidiary in the course of combating the coronavirus.

On December 31, 2020, cash and cash equivalents amounted to EUR 42.0 million (previous year: EUR 36.6 million).

The cashflow includes exchange rate fluctuations in the amount of EUR -0,3 million (previous year: EUR 0,1 million).

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

3.3.3. Financial position

The Gigaset Group's **total assets** amounted to EUR 204,9 million as of December 31, 2020, and therefore decreased compared with the previous year (EUR 222,6 million).

At EUR 96.3 million, **noncurrent assets** increased compared with December 31, 2019, by EUR 17.8 million. This effect can be attributed primarily to the increase in intangible assets resulting from the capitalization of intellectual property in connection with the partnership with Unify.

Current assets constituted 53.0% of total assets. They decreased year-on-year by EUR 35.5 million and amounted to EUR 108.7 million. At EUR 23.5 million (previous year: EUR 35.2 million), inventories were lower than in the previous year. Inventory levels of raw materials, consumables and supplies were reduced by EUR 2.9 million, work in progress and services by EUR 0.3 million, and inventories of finished goods, merchandise, and finished services by EUR 8.3 million year-on-year. Advance payments to suppliers decreased by EUR 0.3 million. At EUR 24.6 million as of the balance sheet date, trade receivables were clearly below the previous year's level of EUR 45.4 million. Compared with the previous year, the level of cash and cash equivalents increased considerably from EUR 36.6 million to EUR 42.0 million. Please refer accordingly to the statement of cashflows for a breakdown of changes in cash and cash equivalents.

The Gigaset Group's **equity** amounted to EUR 1.9 million as of December 31, 2020, and is EUR 16.6 million lower than at the beginning of the year. This corresponds to an equity ratio of 0.9% compared with 8.3% as of December 31, 2019. The financial investment in Gigaset Mobile Pte. Ltd. in the amount of EUR 7.7 million was written off in full in the financial year over other comprehensive income. The equity was influenced by changes in exchange rates in the amount of EUR -0.8 million and by first-time consideration of investment property by EUR 1.7 million. Taking into account deferred taxes, actuarial losses were recognized in the amount of EUR 1.0 million in equity. Taking into account deferred taxes, cashflow hedging led to a negative effect of EUR 0.3 million recognized directly in equity. The consolidated loss for the year amounted to EUR 10.5 million and had a corresponding negative effect on the consolidated equity.

Total liabilities amounted to EUR 203.0 million (previous year: EUR 204.1 million), 43.1% of which are current. Total debt in 2020 decreased by EUR 1.0 million compared with the previous year. Trade liabilities in the amount of EUR 6.2 million and tax liabilities in the amount of EUR 3.2 million decreased. Noncurrent liabilities in the amount of EUR 5.8 million increased primarily due to higher pension obligations. The decrease in debt relates primarily to current liabilities as a result of decreasing trade liabilities.

Noncurrent liabilities include primarily pension obligations, financial liabilities, other noncurrent provisions for personnel expenses and provisions for guarantees as well as leasing liabilities and deferred tax liabilities. The increase in noncurrent liabilities amounted to EUR 6.4 million year-on-year; as a result, these liabilities now amount to EUR 115.6 million as of the reporting date. The increase resulted from negative valuation effects with respect to pension obligations, which led to an increase to EUR 98.3 million as of the balance sheet date.

At EUR 87.4 million, **current liabilities** are around 7.8% lower than reported as of the prior-year reporting date. Compared with the previous year, trade liabilities decreased by EUR 6.2 million. The amount of financial liabilities shown is EUR 1.9 million lower as a result of adjusted payment deadlines. Current provisions were EUR 1.7 million lower compared with the previous year, whereby the decrease can be primarily attributed to the reversal of provisions for customer rebates and license costs. Tax liabilities decreased in the reporting period from EUR 4.9 million to EUR 1.8 million mainly due to payments previously made to local tax offices. The increase in other liabilities from EUR 16.6 million to EUR 22.1 million is based primarily on a purchase price liability under a collaboration agreement in the amount of EUR 10.4 million, which must be seen alongside a decrease in liabilities for import VAT in the amount of EUR 5.8 million.

3.3.4. General assessment of the Group's economic situation

Financial year 2020 was characterized by the global spread of the coronavirus and the associated government measures to combat the pandemic. Having begun in the spring of 2020 with rising infection rates in Europe, this led to total lockdowns, which temporarily ceased all public activities. Gigaset was hit hard and abruptly by this, as the entire stationary retail industry had to be closed on short notice and it was therefore no longer possible to sell the products through the primary distribution channel. This resulted in a dramatic loss in revenues to which Gigaset reacted very quickly with targeted measures in order to adapt to the crisis. A short-time work regime was introduced for the German locations in order to react to the sharp drop in demand, various financial deferral and government measures were utilized in order to secure liquidity, and the cost-saving measures already in place were further intensified. For the safety of the workforce, all employees able to work from a home office were sent home from one day to the next and systematic hygiene and social distancing concepts were introduced at the sites in order to counter the risk of infection as best as possible.

The general coronavirus situation eased somewhat as summer approached, all sales channels were once again available, and sales over the online channels were considerably expanded in the course of the lockdowns. Beginning in summer, customers partly made up for being forced to forgo consumption in the first half of the year, which ended in a strong third quarter for Gigaset. Stronger demand for cordless telephones was also observed, because people were spending more time at home due to limitations on personal contact and communication by means of fixed line telephony experienced a certain renaissance as a result. The rate of infection with the coronavirus rose again sharply in the fourth quarter and at the beginning of winter in Europe and the feared second wave set in. This ended in renewed lockdowns and store closings at the close of the financial year, which had a negative impact in particular on the Christmas shopping season. In addition, the strong third quarter had a positive impact on distributors' revenues in the final quarter of the year as a result of consumer spending brought forward.

Therefore, emphasis was placed on the safeguarding of liquidity throughout the entire financial year, and these efforts were very successful thanks to the numerous actions taken. Despite the sharp drop in revenues and earnings in crisis year 2020, the operating cashflow of EUR 29.6 million was increased by 72.1% or EUR 12.4 million compared with the pre-crisis period of 2019. Cash and cash equivalents were also increased by EUR 5.5 million to EUR 42.0 million as of December 31, 2020, compared with the previous year.

At EUR 214.2 million, annual revenues in the 2020 reporting period were EUR 43.7 million lower than in the previous year and fell short of all plans drafted prior to the crisis due to the pandemic.
It its management report for the 2019 Annual Report, Gigaset had still based its planning on a small to medium-sized decrease in revenues in the Phones segment as well as a slight increase in revenues in the Smartphones, Smart Home, and Professional segments. Whereas the reduction in revenues in the Phones segment decreased as forecasted despite the effects of the coronavirus, the other segments not only did not realize the anticipated increases in revenues as a result of the pandemic, they had to absorb considerable decreases in revenues.

The crisis likewise had a negative impact on EBITDA, which at EUR 1.9 million in the 2020 financial year clearly fell short of the previous year's amount of EUR 28.5 million. The EBITDA forecasted in the previous year (less any nonrecurring effects in excess of EUR 7 million) was clearly not met. In contrast, at EUR 8.2 million for 2020 (previous year: EUR 1.2 million), the amounts planned for free cashflow were considerably exceeded. Free cashflow was expected to be at the previous year's level, but the numerous steps taken to secure liquidity in reaction to the Covid-19 crisis made a positive contribution to the result.

Please refer to the detailed comments on our expectations in Section 8 (Forecast Report and Outlook) for more information on the course of business in 2021.

3.3.5. Key indicators of financial performance, cashflows and the financial position

Key indications (in %)	**2020**	**2019**
Equity ratio	0.9	8.3
Ratio of noncurrent assets to total assets	39.3	31.0
Debt capital structure	43.1	46.5
Return on sales	negative	4.4
Return on equity	negative	61.0
Return on investment	negative	5.8

3.4 Financial performance, cashflows and financial position of Gigaset AG (single-entity HGB financial statements)

As in previous years, Gigaset AG is operating as a management holding company for the Gigaset Group.

3.4.1. Financial performance

Revenues in the amount of EUR 883 million (previous year: EUR 515 million) comprised exclusively services rendered for associated companies in Germany.

Other operating income decreased from EUR 7,295 thousand to EUR 1,024 thousand. This line item primarily includes income from the pure recharging of costs. In the previous year, reversals of provisions in the amount of EUR 2,867 thousand and a gain as a result of the outcome of compensation litigation in the amount of EUR 3,312 thousand were key components of other operating income.

Personnel expenses increased from EUR 577 thousand to EUR 1,012 thousand compared with the previous year.

Other operating expenses were incurred in the amount of EUR 2,357 thousand (previous year: EUR 3,177 thousand) in financial year 2020. There were primarily expenses for the remuneration of Supervisory Board members in the amount of EUR 532 thousand (previous year: EUR 623 thousand), legal and advisory fees in the amount of EUR 427 thousand (previous year: EUR 499 thousand) and cost allocations from Gigaset Communications GmbH in the amount of EUR 337 thousand (previous year: EUR 665 thousand). Furthermore, expenses for insurance policies were incurred in the amount of EUR 318 thousand (previous year: EUR 304 thousand) as well as business consulting costs in the amount of EUR 159 thousand (previous year: EUR 51 thousand).

The line item **other interest and similar income** mainly includes income from interest charged on loans to affiliated companies in the amount of EUR 34 thousand (previous year: EUR 65 thousand). The amount of income in the previous year was influenced primarily by interest income from compensation litigation in the amount of EUR 1,288 thousand as well as from the reversal of provisions for interest expenses for tax audit in the amount of EUR 749 thousand.

Interest and similar expenses amounted to EUR 480 thousand (previous year: EUR 629 thousand) and included primarily interest effects from internal clearing transactions in the amount of EUR 417 thousand (previous year: EUR 443 thousand) and additions from interest in connection with allocations to provisions in the amount of EUR 61 thousand (previous year: EUR 75 thousand).

A **net loss** was generated for financial year 2020 in the amount of EUR -1,872 thousand (previous year: net profit for the financial year of EUR 5,315 thousand).

3.4.2. Cashflows

Cashflow can be broken down as follows:

Cashflow in EUR millions	2020	2019
Cashflows from operating activities	-1.5	2.0
Cashflows from investing activities	-0.2	0.0
Free Cashflow	-1.7	2.0
Cashflows from financing activities	4.2	0.5

In financial year 2020, Gigaset AG recorded a **cash outflow from continuing operations** in the amount of EUR -1,541 thousand (previous year: cash inflow of EUR 1,993 thousand). Cash outflows can be explained primarily by Gigaset AG's periodic expenses payable in the form of personnel expenses and the remuneration of Supervisory Board members, legal and advisory fees, and cost allocations for services rendered by Group companies.

Cashflows from investing activities amounted to EUR -176 thousand in the current financial year, after EUR -36 thousand in the previous year.

Thus, the **free cashflow** amounted to EUR -1,717 thousand compared with EUR 1,957 thousand in the previous year.

Cash inflows from financing activities in the current financial year amounted to EUR 4,192 thousand, which were characterized primarily by the increase in liabilities to Group companies. In the previous year, there **were cash inflows from financing activities** as a result of the repayment of a loan extended by a Group company in the amount of EUR 505 thousand.

Liquid assets amounted to EUR 6,048 thousand (previous year: EUR 3,573 thousand) as of December 31, 2020.

3.4.3. Financial position

Gigaset AG's **total assets** amounted to EUR 125,396 thousand as of December 31, 2020 (previous year: EUR 122,871 thousand), and therefore increased approximately 2.1% year-on-year. This was mainly due to the increase in liquid assets.

Noncurrent assets fell by EUR 1,103 thousand to EUR 115,615 thousand (previous year: EUR 116,718 thousand), which can be attributed primarily to the reduction in interest in associated companies due to restructuring within the Group.

Current assets amounted to EUR 9,781 thousand (previous year: EUR 6,153 thousand), representing 7.8% of the total assets. They primarily included receivables from affiliated companies as well as other assets and bank deposits. Compared with the previous year, receivables from affiliated companies increased by EUR 1,299 thousand to EUR 2,375 thousand. The increase can be attributed primarily to the internal sale of a loan to a Group company. Furthermore, cash in banks increased by EUR 2,475 thousand.

On the liability side, the increase in **total equity and liabilities** can be seen mainly in the increase of liabilities to affiliated companies in the amount of EUR 4,631 thousand and an increase of provisions for pensions to EUR 719 thousand (previous year: EUR 659 thousand). In contrast, the net loss for the financial year of EUR 1,872 thousand (previous year: net profit for the financial year of EUR 5,315 thousand) had the effect of reducing equity.

The equity ratio fell from 84.7% to 81.5%.

In the financial year just ended, **noncurrent liabilities** on the part of Gigaset AG increased from EUR 784 thousand to EUR 845 thousand and primarily included provisions for pensions in the amount of EUR 719 thousand (previous year: EUR 659 thousand) and other provisions in the amount of EUR 126 thousand (previous year: EUR 125 thousand).

Current **liabilities, provisions, and deferred income** increased to EUR 22,385 thousand (previous year: EUR 18,050 thousand). Current liabilities included liabilities to affiliated companies in the amount of EUR 21,392 thousand (previous year: EUR 16,761 thousand). Current provisions included provisions in the amount of EUR 768 thousand (previous year: EUR 485 thousand). Furthermore, other liabilities were recognized in the amount of EUR 43 thousand (previous year: EUR 73 thousand).

3.4.4. General assessment of the Group's economic situation

The net loss for the financial year amounted to EUR 1,872 thousand, which exceeded the forecast from the previous year with a loss in the mid-single-digit millions.

3.4.5. Key indicators of financial performance, cashflows and the financial position

Key figures of Gigaset AG	2020	2019
Noncurrent assets (in EUR millions)	115.6	116.7
current assets (in EUR millions)	9.8	6.2
Equity (in EUR millions)	102.2	104.0
Noncurrent liabilities (in EUR millions)	0.8	0.8
current liabilities (in EUR millions)	22.4	18.1
Equity ratio (in %)	81.5	84.7
Return on equity (in %)	negative	5.1
Return on investment (in %)	negative	3.8

4 OPPORTUNITIES AND RISK REPORT FOR THE YEAR ENDED DECEMBER 31, 2020

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 management system aims to identify and measure opportunities and risks as early as possible as well as to take advantage of opportunities and limit risks through appropriate actions.

Risk is measured quantitatively for the factors 'probability of occurring' and 'severity of loss'. These factors are multiplied to produce an expected value, which is aggregated by risk sub-category below.

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

The possible short-term effect on earnings, or only the effect on cashflow for liquidity risk, for the Gigaset Group is shown below in the individual risk categories:

Category/Sub-category	**Risk management**
Market and industry risks	
Products | Patents | Certificates	*
Legal operating environment	*
Customers	**
Business and litigation risks	
Personnel	*
Financial risk	
Liquidity	***
Foreign currency	*
Equity	*
Taxes	**
Liability risks	
Guarantees | Contingent liabilities	*
Litigation	*

4.1 Market and industry risks

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

The measures taken by governments across Europe to tackle the Covid-19 pandemic have led to restrictions on public life and brick-and-mortar trading. This has caused a considerable shift in consumer purchasing behavior and retailers' distribution channels. Gigaset has responded to this shift by continuing to expand its online business, which it expects to open up opportunities for growth. However, it is difficult to anticipate the impact of the extent and duration of the predominantly short-term restrictions put in place to fight the Covid-19 pandemic on Gigaset's business.

Market and industry risks are risks that affect a certain market or a certain manufacturing sector. As a result of the concentration on the area of telecommunications and accessories, there is a special dependency on the development in this industry, whereby Gigaset is exposed to intense competition. Generally, there are also dependencies here on the development of commodities prices and the risk of the entry of new, aggressive competitors. Furthermore Gigaset is subject to the influence of a change in consumer behavior in the area of telecommunications and information.

More and more landlines are being replaced by cell phone connections, depending on the rate plans offered by network operators. However, Germany also saw an increase in the use of fixed-line telephony in 2020, which is likely due to the restrictions connected with the Covid-19 pandemic and increased remote working activities. The increased use of multifunctional smartphones is also leading to a change in consumer behavior. With Gigaset's entry into the business with mobile consumer devices, the Company undertook the marketing of new product groups. This entry is fraught with risks, as Gigaset is a new competitor in an existing market. With Gigaset's business with products for home networking, the Company has entered a market whose future development is fraught with uncertainty.

The products of the Gigaset Group are widely distributed and are valued by their retailer, operator/internet service provider (ISP), and distributor customers due to the strong brand name, high quality, and the innovative product portfolio. The excellent market position reflects not lastly this high degree of product acceptance. Since, as a rule, these are continuous, long-term partnerships, the dependency on individual retailers, operators/ISPs, and distributors is generally low. However, there can be a greater dependency on individual customers when entering into new markets, in particular in the beginning. The entry into the segment for mobile devices is fraught with the same risk that is always associated with entry into a new market. In particular, there is a risk that the new products will not achieve the desired level of acceptance on the market, that the new market participant is no match for the competitive pressure of established market participants, or that the existing sales organization is not capable of launching the product on the market as expected.

New products such as smartphones continued to require new distribution structures. In connection with this, new distribution channels, collaborative partners, and sales models must be established and correspondingly serviced.

Due to the falling market trend of DECT telephones in some target markets, there is a basic risk of general price decline for the product range as well as decreasing market volume. These risks are being countered with consistent cost management, the crowding out of smaller competitors by means of an innovative product portfolio in a repeatedly distinguished product design, and the further development of existing segments such as Professional.

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

Due to potential import restrictions as well as inflation and exchange rate risks, Gigaset is reviewing its market development strategies in overseas countries as well as in Turkey, Russia and the bordering former Commonwealth of Independent States and is undertaking corresponding preparations. From the Company's perspective, political developments in countries or regions such as Russia, the Middle East, Africa, China and Turkey are leading to the destabilization of established markets.

The economic, legal, and political operating environment in Germany and the markets served by Gigaset have direct effects on Gigaset's business. Under certain circumstances, noncompliance with the relevant regulations may lead to legal risks. To prevent such risks as far as possible, Gigaset monitors developments in the legal situation through its core departments, which also provide support in the implementation of corresponding processes and controls. The entry of Gigaset into new markets is fraught with special risks. This applies in particular to the entry into the smartphone market – which has already been achieved – where Gigaset as an importer of the devices is obligated to pay copyright fees in diverse regional markets depending on local laws. Gigaset has recognized corresponding provisions for this risk at the level of its subsidiaries where necessary based on case-by-case legal assessments.

Within the Phones business, the portfolio was supplemented by a new E-class and a new C-class product in 2020. The business with so-called easy to use (big button) telephones is continuing to grow within the Phones business.

The expansion of the smartphone business is another measure. The Company is trying to establish a foothold in the smartphone segment with a low-risk approach and slowly expand the business further. The high brand awareness and trust in the brand name as well as distribution access to the most important target markets are a good foundation. In 2020, another two models were launched (GS3 and GS4), one of which bears the label "Made in Germany". This approach gives Gigaset logistical advantages over its competitors due to its close physical proximity to customers and allows the Company to respond to customer wishes flexibly, e.g. by applying own logos in small volumes or printing very small batches.

In the Smart Home segment, Gigaset introduced a modular, sensor-based security system to the market back in 2012, since which time the hardware and software have been continuously expanded. The products and services serve a broad field of security-relevant scenarios in the private residential environment. In 2020, new versions of individual products (indoor camera and smart wall socket) in the system were introduced to the market, as well as a new product (outdoor camera).

From the Company's point of view, there are entrepreneurial opportunities in the Professional segment with a specific product portfolio. In addition to the traditional Phones segment, the Company is addressing an additional customer segment – "Small Offices and Home Offices" (in short: SOHO) as well as SME customers (small and medium-sized enterprises) – with Professional and is developing the corresponding revenue potential.

The Company counters the risk of default on receivables by purchasing trade credit insurance policies, strict management of receivables, and consistent dunning. The risk of default on receivables can be regarded as low on the basis of historical data. If, once the protective shield measures for trade credit insurance policies put in place by the German government during the Covid-19 pandemic have come to an end after June 30, 2021, the insurance coverage for individual customers is reduced or cancelled in its entirety, this could increase the risk of default on receivables.

4.2 Business and litigation risks

Reliable and consistent information systems and reporting structures capable of providing useful information are necessary in order to monitor and manage the Group and the development of subsidiaries. Gigaset has a professional bookkeeping, controlling, information, and risk management system at its disposal and has established a company-wide, regular controlling and risk management system. The technical ability to function is ensured by means of corresponding IT support, supported by and depending on corresponding service providers. The Executive Board is periodically and promptly informed of long-term developments in the countries and regions.

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

A distinct integration of the processes as well as Gigaset's global orientation require a high degree of digitalization in all business segments. The constant professionalization of cybercrime is leading to a steadily worsening threat situation for IT security with potential consequences for relevant corporate processes.

We are countering this risk by implementing group-wide security guidelines and current information security technology, which is in turn constantly further developed. Nevertheless, as a general rule, unauthorized access to data or systems resulting in the reduction or loss of confidentiality, integrity, or readiness cannot be ruled out even in our Company. To reduce economic risks resulting from an attack on the IT systems, Gigaset concluded a cyber risk insurance policy in 2020.

Despite the arrangements put in place, it is not possible to completely eliminate the general risk of breaches of rules and laws, or the risk of willful fraud.

Gigaset could be exposed to additional risks in the Smart Home segment, in particular liability risk.

Gigaset could process someone's data in an unauthorized manner or otherwise violate specifications regarding data protection and therefore be exposed to risk associated with laws governing data protection.

Gigaset might not be in a position to continue developing innovative products or to react promptly to technical advances and the resulting changes in requirements.

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

Gigaset could violate the intellectual property of third parties or be obligated to pay for the use of third-party intellectual property. This applies in particular in the area of smartphones, where there are uncertainties with respect to licensing requirements and important market participants are therefore involved in major legal disputes.

Defects in Gigaset's products can lead to warranty and product liability claims as well as the loss of revenues, which could impact Gigaset's results. Gigaset purchases commodities and materials predominantly from at least two suppliers. The Company tries to avoid dependency on specific suppliers with respect to prices, volumes, and innovations through a wide-ranging collaboration. With respect to products purchased from third parties, such as smartphones, there is a latent risk as a result of the platform-related concentration of purchasing each given product from a single supplier. In order to put the smartphone business on safer footing, now at least one additional supplier has been established that can take over the business if the primary supplier falls through. Regular control mechanisms will nevertheless be continued; for example, the observation of the markets, key financial figures, and the tracking of deliveries to avoid an interruption of supply.

Outside of the spectrum of third-party products, there is a latent risk as a result of the concentration of production at a single production site (Bocholt). A loss of production at that site could have a significant negative impact on the Company's operations. Gigaset has taken the risk of a business interruption as a consequence of a fire or another form of elementary loss into consideration in its property insurance. In contrast to a business interruption following a property insurance claim, the insurer is not obliged to pay out should the business have to close as a result of a pandemic.

The normally small order backlog of just a few weeks, which is typical for the industry, makes it more difficult to plan revenues and can result in Gigaset not being able to meet an increased demand for specific products on short notice and, vice-versa, manufacturing too many of certain products. Gigaset could be forced to recognize impairment losses on inventories. Obligations as a result of environmental regulations or the causation or discovery of any soil or land contamination could lead to significant costs.

Individual Gigaset companies are exposed to default risks with respect to existing receivables from Group companies if the debtor company cannot repay the debt. With the exception of important facts and circumstances listed under “Liability risks" in Section 4.4 below, there are no identifiable facts or circumstances that could lead to Gigaset AG having to pay for liabilities on the part of subsidiaries.

The future success of Gigaset also depends on qualified managers and employees. If the Gigaset Group cannot attract or hold onto sufficiently qualified managers and employees, it could have a negative effect on the development of the Group.

The worldwide reorientation of the Group has not yet been fully completed. The changes to the sales channels with growing shares in online business in particular mean that further structural changes are needed. These are not necessarily linked to personnel reduction measures, however.

The Gigaset Group's existing insurance policies could prove insufficient for various risks associated with the Company's activities. Gigaset may also not be able to purchase sufficient insurance coverage at reasonable prices in the future. In addition, insurance protection against a potential default on the part of individual customers or entire distribution regions can be reduced or entirely eliminated as a result of reduction in economic activity. Furthermore, insurance coverage for individual customers may be reduced or cancelled in its entirety once the protective shield measures for trade credit insurance policies put in place by the German government during the Covid-19 pandemic have come to an end after June 30, 2021.

4.3 Financial risk

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

The business activities are financed both through own funds as well as through bank borrowings that were raised in financial year 2018. In April 2018, Gigaset Communications GmbH entered into a loan agreement in order to finance capital expenditures in new lines of business. The loan amount as at December 31, 2020 amounts to EUR 14.7 million after commencement of repayments. According to the terms of the contract, the loan can be paid off in installments. Furthermore, within the scope of the assistance provided by the French government in connection with the Covid-19 pandemic, Gigaset Communications France SAS obtained a loan backed by a government guarantee in June 2020 in the amount of EUR 2.0 million. For financial year 2021 as well as for financial year 2022, the Company has sufficient liquid funds at its disposal based on its internal budgeting.

Gigaset AG has no external loans payable. Even if Gigaset AG is not a recipient of the financing raised by Gigaset Communications GmbH and guaranteed by a State government, it is nevertheless jointly and severally liable in addition to the borrower in accordance with section 421 of the German Civil Code (Handelsgesetzbuch, HGB) for all present and future claims on the part of the lender. However, in exchange, the loan agreement enables Gigaset Communications GmbH to compensate Gigaset AG for its expenses with an annual lump-sum payment. In accordance with this opportunity, Gigaset has sufficient liquid funds at its disposal for financial year 2021 as well as for financial year 2022 based on its internal budgeting.

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

The Group uses various financing instruments in order to hedge cashflow risks and to ensure the liquidity of the Group. Gigaset uses factoring to obtain access to payments received from the receivables portfolio at shorter notice. If it should be necessary to renegotiate the terms of the sale of receivables (factoring) agreed to by Gigaset Group companies due to expiration or termination, Gigaset is financially dependent on the currently available terms and conditions and a new arrangement may not be agreed. Gigaset also applies the customary payment terms of its suppliers. In this regard, there is a risk that trade credit insurers may introduce risk-reducing measures as the German government's protective shield measures put in place during the Covid-19 pandemic come to an end or owing to changes to creditworthiness criteria, and may no longer be prepared to insure Gigaset's risks to the same extent, which may lead to less favorable payment conditions for Gigaset. The loan agreement entered into in April 2018 stipulates compliance with various contractual duties until the loan funds are fully repaid. Noncompliance entitles the lender to give notice of termination of the loan agreement for cause and to call in the loan principal, which would lead to an uncovered need for liquidity. Among other things, the contractual duties include compliance with key financial figures.

In addition, the loan agreement specifies various contractual duties that Gigaset must adhere to as the borrower and which can cause the loan principal to be called in if violated. A violation of these contractual duties for which Gigaset is at fault is not likely at this time.

A change in control at Gigaset AG in which the current majority shareholder Goldin Fund Pte. Ltd., Singapore, transfers 50% or more of its interest in the Company to one or more third parties represents an exception to this. Such a change in control can likewise entail a termination of the loan agreement for cause, but cannot be influenced by the Executive Board of Gigaset AG.

Early repayment of the loan in full if the lender exercises its right to termination for cause is not possible using the Company's own liquid funds based on currently available information.

The price of the Gigaset AG share is currently listed on the Frankfurt Stock Exchange for less than EUR 1.00 per share, which corresponds to the notional share in the share capital. In principle, Gigaset may not issue any shares at a price below the notional share in the share capital. As such, Gigaset may not initiate a capital increase by issuing new shares while the price of the share is below EUR 1.00. This reduces the opportunities for raising capital available to Gigaset.

In the Gigaset Group, income arises and expenses are also incurred in foreign currencies, e.g. for the procurement of numerous components for production that are paid for in U.S. dollars. As a rule, the associated currency risk is hedged by financing international activities in matching currencies or by using derivative financial instruments to hedge foreign currency exposures and thus does not present a specific risk for the Group.

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

Gigaset holds a financial investment in Gigaset Mobile Pte. Ltd. as a noncurrent asset. When measuring the financial assets, the determination of the fair value of this financial investment led again to an impairment loss. As of September 30, 2020, the impairment of the investment was adjusted again as a result of the fair value. On the basis of the findings available as of the balance sheet date, the impairment of this financial asset could no longer be justified, meaning that, in addition to the exchange-rate-related fair value adjustment of EUR 0.3 million, an additional impairment of EUR 7.4 million was recognized directly in equity via other comprehensive income.

Gigaset AG receives tax advice on an ongoing basis in order to identify any risks in advance. In 2020, the Company received an audit order in the area of value added tax and income tax for financial years 2014 to 2018. The German Federal Central Tax Office (Bundeszentralamt für Steuern (BZSt)) also took part in the audit, which was postponed owing to the pandemic and is expected to be resumed in April 2021. Furthermore, an external income tax audit was carried out at the Company for 2017 and 2018. The audit was completed in November 2020, with all taxes arising therefrom laid down in assessment notices and largely settled. In addition, an audit was carried out by a social security body (Deutsche Rentenversicherung Bund) in the last quarter of 2020 for the years 2017 to 2019. This audit was also completed, with any additional payments owed paid to the social security body.

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

Transfer pricing documentation is prepared annually under the leadership of an external tax consulting firm that specializes in transfer pricing and which is familiar with Gigaset in order to limit any potential tax risk arising from intragroup clearing transactions with and between foreign companies.

4.4 Liability risks

4.4.1. Gigaset AG guarantees

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

4.4.2. Legal disputes involving Gigaset AG

Gigaset AG is involved in various legal disputes in connection with its general operations, in particular processes and arbitration proceedings, as well as official administrative proceedings, or such proceedings could be initiated or claims asserted against the Company in the future. Even if the outcome of individual proceedings cannot be predicted with certainty due to the imponderabilities with which legal disputes are always fraught, there will not be any significant negative impacts on the Group's financial performance in excess of the risks reflected in the financial statements as liabilities or provisions according to current assessments. The following legal disputes involving Gigaset AG are currently pending/took place in the 2020 financial year:

Cartel cases involving SKW

In July 2009, the European Commission imposed a total administrative fine of EUR 61.1 million on various European companies in the calcium carbide sector in connection with an investigation under anti-trust laws. An administrative fine totaling EUR 13.3 million was imposed jointly and severally against SKW Stahl-Metallurgie GmbH, which was directly involved in the cartel, as well as its parent company SKW Stahl-Metallurgie Holding AG (hereinafter both together "SKW"). As the group parent company at the time, Gigaset AG is now also joint and severally liable for this administrative fine by order of the European Commission because it formed an "entrepreneurial unit" with SKW. The portion of the fine attributable to Gigaset AG in the amount of EUR 6.7 million was paid on a preliminary basis in 2009 to 2010 (i.e. for the duration of the appeal proceedings) to the European Commission. Concurrently, Gigaset also filed an appeal against the assessment of the administrative fine. In its decision handed down on January 23, 2014, the European court of first instance (European General Court) partially upheld the action brought by Gigaset AG (formerly: ARQUES Industries AG) against the fine imposed by the European Commission in the cartel case involving SKW and reduced Gigaset AG's administrative fine by EUR 1.0 million. The action brought by SKW was refused, i.e. the administrative fine imposed on it was not reduced. SKW has filed an appeal against this judgment, which was rejected by the European Court of Justice in a decision handed down on June 16, 2016. Parallel to the legal dispute that has been decided, Gigaset AG filed a suit against SKW in a civil court for reimbursement of the antitrust fine paid by Gigaset on the grounds that SKW alone should bear the administrative fine as the originator of the cartel and consequently should reimburse Gigaset AG for the portion of the administrative fine it has already paid. In the litigation on this matter between Gigaset and SKW, Gigaset considers its position to have been affirmed by the judgment of the Federal Court of Justice dated November 18, 2014, which has remanded the case to the lower court for renewed arguments and decision. The higher regional court now once again responsible then suspended Gigaset's legal dispute against SKW at the beginning of 2015 until the European Court of Justice's decision regarding the existence (or non-existence) of the fine imposed on SKW. The reimbursement by means of recourse to parties joint and severally liable desired by Gigaset depends on the logical preliminary question of whether (and to what extent) SKW and Gigaset are at all joint and severally liable, and consequently on whether the administrative fines imposed on Gigaset and SKW become finally enforceable. This preliminary question was decided in favor of Gigaset with the decision handed down by the European Court of Justice on June 16, 2016 (see above). The higher regional court of Munich thereupon reopened the proceedings. With a resolution dated September 28, 2017, the Local Court of Munich (Amtsgericht) issued an order temporarily establishing personal management in addition to protective shield proceedings in accordance with section 270a (1) of the German Insolvency Code (Insolvenzordnung, InsO) with respect to SKW Stahl-Metallurgie Holding AG and opened insolvency proceedings with another resolution dated December 1, 2017. This led to a suspension of these civil proceedings in accordance with section 240 sentence 1 of the Code of Civil Procedure (Zivilprozessordnung, ZPO) with respect to SKW Stahl-Metallurgie Holding AG, but not with respect to SKW Stahl-Metallurgie GmbH. In the meantime, Gigaset AG has resumed the legal dispute suspended in accordance with section 240 ZPO in relation to SKW Stahl-Metallurgie Holding AG. On April 11, 2019, the higher regional court of Munich resolved that SKW Stahl-Metallurgie Holding GmbH is obliged to pay Gigaset AG a total amount of approximately EUR 4.8 million (EUR 3.6 million plus interest). To avoid an ongoing legal dispute, Gigaset and SKW agreed on a compromise to bring the legal dispute to a definitive close, consisting of, in addition to a waiver of the right to appeal, a short-term payment obligation on the part of SKW amounting to a total of EUR 4.6 million. Gigaset received the settlement payment in due time in two installments made in May and June 2019. Gigaset AG also received an additional EUR 145 thousand in October 2020 for the costs of the legal dispute. With this payment, the dispute is now definitively concluded.

Evonik in the matter of Oxxynova

In the legal dispute with Evonik Degussa GmbH over a contractual penalty in the amount of EUR 12.0 million, a court of arbitration had ordered Gigaset AG to pay EUR 3.5 million plus interest to Evonik in November 2013 while dismissing the rest of the suit. On March 4, 2015, Gigaset paid the principal amount of EUR 3.5 million plus interest to Evonik. Due to the amounts paid under the guarantee, Gigaset now has taken recourse against the principal debtor, OXY Holding GmbH and the additional indemnification debtor, StS Equity Holding UG. After failing to reach an agreement out of court, Gigaset filed a lawsuit against the principal debtor OXY Holding GmbH as well as StS Equity Holding UG as the indemnifying party for reimbursement of this amount in a request for arbitration and payment order dated June 29, 2015. Insolvency proceedings were subsequently opened against the assets of both OXY Holding GmbH as well as StS Equity Holding UG. Gigaset is the principal creditor in both proceedings. In the meantime, the distribution of the insolvency assets has been largely completed; Gigaset expects – not least based on an agreement with the insolvency administrator regarding the matter – to receive up to EUR 3.5 million from the insolvency assets. EUR 2.0 million of this amount already flowed to the Company in the second quarter of 2016 by means of a preliminary distribution of the liquid insolvency assets in the insolvency proceedings over the assets of OXY Holding GmbH as well as around EUR 0.2 million in the fourth quarter of 2018 from the final distribution in the insolvency proceedings over the assets of StS Equity Holding UG. The Company expects an additional sum of around EUR 1.3 million as part of the final distribution in the insolvency proceedings of OXY Holding GmbH. In the final result, the Company will incur a net loss of EUR 1.3 million, primarily representing the interest paid to Evonik from the principal amount.

4.4.3. Legal disputes involving Gigaset AG subsidiaries

The following material legal disputes involving a subsidiary of Gigaset AG are currently pending/took place in the 2020 financial year:

The Spanish subsidiary of Gigaset Communications GmbH, Gigaset Communications Iberia S.L. based in Madrid, was issued with an administrative fine of EUR 2.0 million on the basis that the Spanish tax authorities objected to one of its tax assessments. The Spanish subsidiary was advised on the matter of the contested tax assessment by a notable auditor. It will continue to be assumed that there are no reasonable grounds to contest the assessment which could also justify the imposition of an administrative fine. Against this background, the Spanish subsidiary has taken legal action against the decision and is applying for the fine to be revoked. The Spanish subsidiary was granted an intra-group loan, initially to pay for the administrative fine. At a later point in time, the loan was converted to equity. As per the opinion of the Spanish subsidiary's representative, the Company believes it highly likely that the fine will be revoked and therefore that the amount paid will be reimbursed.

4.5 Overall statement regarding the report on opportunities and risks

Gigaset's primary opportunities in the forward-looking and high-margin market segments, whose potential is to be tapped through the further expansion and development of the Professional, Smart Home, and Smartphones segments.

If the realization of entrepreneurial opportunities and the development of the associated revenue potential cannot be achieved to the desired degree, there will be a risk of weaker sales figures due to the declining core business.

Gigaset is dependent on a sufficient supply of liquidity. In addition to the planned inflow of liquid funds from the operating business, such a supply of funds also depends on the planned availability of financing under the loan agreement as well as the other instruments used for refinancing. Limitations in this regard could lead to an uncovered need for liquidity.

Measures taken by governments and local authorities to contain the Covid-19 pandemic, particularly when these are taken at short notice or last for an unexpectedly long time, still constitute an uncertainty factor, making it difficult to anticipate their impact on Gigaset's business.

5 DESCRIPTION OF THE RISK MANAGEMENT OBJECTIVES AND MEASURES

and the main features of the internal control and risk management system with respect to the accounting process of Gigaset AG and the Gigaset Group (section 289 (2) no. 1a and (4) as well as section 315 (2) no. 1a and (4) of the German Commercial Code (Handelsgesetzbuch, HGB).

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

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

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

The basis for this is the prompt availability of reliable and consistent information. Safeguarding the data base is the responsibility of the relevant Finance departments, in particular Controlling, Accounting, Tax, and Treasury, of the holding company as well as the individual Group entities.

Corresponding processes and monitoring measures both integrated and independent from the processes are implemented in accordance with the situation and industry affiliation of the respective company. Quick access to the information needed to manage the Group is ensured through this process.

The preparation and analysis of the information from the Group entities take place at Gigaset primarily in the Accounting, Global Controlling, and Treasury departments as well as in the central Risk Management department of Gigaset Communications GmbH. The completeness and accuracy of accounting data are periodically reviewed. The Company's other governing bodies such as the Supervisory Board are likewise included in the Gigaset Group's control environment with their prescribed activities based on their function.

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

5.2 Structural information

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

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

Accounting processes are recorded and consolidation takes place using individually selected professional IT systems that are adapted as needed.

5.3 Process and controlling information

The implemented processes and related controlling instruments include the following key aspects, among other things:

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

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

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

5.4 Group-wide, systematic risk management

Risk management at Gigaset is an integral part of corporate management and corporate planning.

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

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

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

R2C_GRC provides Gigaset with a systematic, web-based risk management system with which all risks can be recorded group-wide and presented in consolidated form for each company or from the perspective of the Group.

The individual risks can be efficiently managed at the company level on this basis and a current and complete view of the risk situation in the Group can be supplied at the same time. The compliance and monitoring of the risk strategies established by the Executive Board for the Gigaset Group are thereby optimally ensured.

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

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

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

Risk assessment is carried out quantitatively on the basis of a 4x4 matrix for the factors probability of occurrence and severity of loss and is related to the potential impact of a negative event on results, or on the possible effect on cashflow for liquidity risks, along a 12-month time horizon. In addition to substantiating the assessment, suitable measures to mitigate or avoid the risk as well as the person responsible for the risk are to be indicated for every individual risk.

The severity of loss is measured after steps have been taken, but before planned measures are implemented. The results of the classification are presented in tabular form in a so-called "risk map" or visualized in a portfolio.

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

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

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

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

Monthly target/actual comparisons are conducted as part of Global Controlling to supplement the risk process and the current forecast is promptly adjusted if necessary. Liquidity management is based on weekly observation periods. Necessary measures can be prepared and implemented on short notice by providing the Executive Board with up-to-date information.

In certain cases, Gigaset hedges against currency risk arising as a result of transactions with third parties denominated in foreign currency using derivative financial instruments, for which purpose Gigaset employs in particular forward exchange deals and currency options and records this by means of corresponding hedge accounting.

5.5 Disclaimer

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

6 ACQUISITION-RELATED DISCLOSURES

Supplementary Disclosures pursuant to Sections 289a and/or 315a HGB

Sections 289a no. 1 HGB, 315a no. 1 HGB: The subscribed capital of Gigaset AG as of December 31, 2020, amounts to EUR 132,455,896 and is divided into 132,455,896 no-par value bearer shares with a notional value of EUR 1.00 per share. Each share grants the same rights and one vote.

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

Sections 289a no. 3, 315a no. 3 HGB: As of the date of this report, the Company has received no new notifications regarding shareholdings in excess of ten percent of the voting rights.

Goldin Fund Pte. Ltd., Singapore, notified the Company on January 27, 2016 (with a correction on January 28, 2016), that it now holds 97,357,789 shares of the Company that grant the same number of voting rights. This corresponds to a share of 73.50% of the 132,455,896 voting rights. As far as the Executive Board is aware, the shareholder therefore held a share of 73.5% of the voting rights also in financial year 2020.

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

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

Sections 289a no. 6, 315a no. 6 HGB: Rules governing the appointment and dismissal of members of the Executive Board are set forth under sections 84 et seq. AktG. In accordance with Art. 5 (1) of the Articles of Association, the Supervisory Board only determines the exact number of Executive Board members. The responsibility and requirements to alter the Articles of Association are oriented on sections 179-181 AktG. Additional rules in the Company's Articles of Association that go beyond these provisions are currently not considered necessary. Other statutory rules and regulations can be found in the German Stock Corporation Act; the relevant provisions under the Articles of Association can be found in part II (Executive Board) and part III (Supervisory Board) and Art. 16 of the Articles of Association.

Sections 289a no. 7, 315a no. 7 HGB:

<u>Authorized Capital 2020 (Art. 4 (3) of Articles of Association)</u>

The annual shareholders' meeting held on August 12, 2016 authorized the Executive Board to issue, with the consent of the Supervisory Board, authorized capital amounting to up to EUR 44,200,000.00 up to August 11, 2021 and agreed to amend Art 4 (5) of the Articles of Association accordingly. This authorization was not made use of to date. The authorization would have expired on August 11, 2021.

The annual shareholders' meeting held on August 14, 2019 further authorized the Executive Board to issue authorized capital in the amount of EUR 22,000,000.00 through August 13, 2024, with the consent of the Supervisory Board and adopted a corresponding supplement to Art 4 (3) of the Articles of Association. This authorization was also not made use of to date. Both authorized capitals available to the Company only take advantage of some of the legal possibilities for authorized capital. In order to provide the Company with the greatest possible flexibility with respect to financing, also regarding non-cash capital increases a newly Authorized Capital 2020 with the possibility of disapplying subscription rights will be created while rescinding the Authorized Capitals 2016 and 2019, and the Articles of Association will be amended accordingly. Against this background, the annual shareholders' meeting resolved on June 4, 2020 to create a new Authorized Capital 2020 with the possibility of disapplying subscription rights and to correspondingly amend the Articles of Association.

1. The Executive Board is authorized to increase the share capital, with the consent of the Supervisory Board, by up to a total of EUR 66,200,000.00, once or in partial amounts, by issuing new no-par value bearer shares qualifying for dividends as of the beginning of the financial year in which they are issued, in exchange for cash and/or non-cash contributions, in the time until June 3, 2025 (Authorized Capital 2020). The shareholders are generally entitled to a subscription right.

The new shares can also be underwritten by one or more credit institutions with the requirement that they be offered to the shareholders (indirect subscription right).

The Executive Board is authorized with the approval of the Supervisory Board to decide on the contents of the share rights and the terms under which the shares are issued as well as the details of the execution of the capital increase.

Furthermore, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in the following cases:

a) In the case of capital increases in exchange for cash contributions, provided that the issue price of the new shares is not significantly less than the stock exchange price at the time of the final determination of the issue price, and provided that the shares issued by virtue of letter a) of this authorization under disapplication of subscription rights in exchange for cash contributions do not exceed a total of 10% of the share capital either on June 4, 2020, or at the time when the present authorization takes effect, or when it is exercised;

b) If the shares are issued against non-cash contributions in order to acquire companies, investments in companies (also in the context of business combinations), portions of companies, or other assets, including rights and receivables;

c) To the extent that it is necessary in order to grant to the holders or creditors of convertible bonds or warrant-linked bonds issued by the Company or by subordinated Group companies a subscription right for new shares for an amount to which they would be entitled after exercising the warrant right or conversion right or after fulfilling the conversion obligation;

d) In order to eliminate fractional amounts from the subscription right.

In each case, the proportional amount of share capital attributable to shares that are issued in the period from June 4, 2020, to the end of the term of the authorization under disapplication of subscription rights by direct or analogous application of section 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz, AktG) is to be applied against the limit of 10% of the share capital in accordance with letter a) of this authorization. Furthermore, the proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against this limit, insofar as the underlying bond was issued during the term of the present authorization under disapplication of subscription rights in accordance with section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on June 4, 2020, based on an authorization to utilize treasury shares in accordance with sections 71 (1) no. 8 sentence 5, 186(3) sentence 4 AktG under disapplication of subscription rights is to be applied to the aforementioned limit.

The Supervisory Board is also authorized to adapt the version of the Articles of Association in line with the respective amount of the capital increase from the Authorized Capital 2020.

2. The existing authorization of the Executive Board to increase the share capital pursuant to Art. 4 (3) of the Articles of Association (Authorized Capital 2019) as well as the existing authorization of the Executive Board to increase the share capital pursuant to Art. 4 (5) of the Articles of Association (Authorized Capital 2016) are rescinded effective at the time of entry of the following proposed amendments to the Articles of Association under No. 3 and No. 4 into the Commercial Register.

In light of this, the annual shareholders' meeting resolved on June 4, 2020, to delete Art. 4 (5) from the Articles of Association entirely and that Art. 4 (3) of the Articles of Association is repealed and amended to read as follows:

"The Executive Board is authorized to increase the share capital, with the consent of the Supervisory Board, by up to a total of EUR 66,200,000.00, once or in partial amounts, by issuing new no-par value bearer shares qualifying for dividends as of the beginning of the financial year in which they are issued, in exchange for cash or non-cash contributions, in the time until June 3, 2025 (Authorized Capital 2020). The shareholders are generally entitled to a subscription right.

The new shares can also be underwritten by one or more credit institutions with the requirement that they be offered to the shareholders (indirect subscription right).

The Executive Board is authorized with the approval of the Supervisory Board to decide on the contents of the share rights and the terms under which the shares are issued as well as the details of the execution of the capital increase.

Furthermore, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in the following cases:

a) In the case of capital increases in exchange for cash contributions, provided that the issue price of the new shares is not significantly less than the stock exchange price at the time of the final determination of the issue price, and provided that the shares issued by virtue of letter a) of this authorization under disapplication of subscription rights in exchange for cash contributions do not exceed a total of 10% of the share capital either on June 4, 2020, or at the time when the present authorization takes effect, or when it is exercised;

b) If the shares are issued against non-cash contributions in order to acquire companies, investments in companies (also in the context of business combinations), portions of companies, or other assets, including rights and receivables;

c) To the extent that it is necessary in order to grant to the holders or creditors of convertible bonds or warrant-linked bonds issued by the Company or by subordinated Group companies a subscription right for new shares for an amount to which they would be entitled after exercising the warrant right or conversion right or after fulfilling the conversion obligation;

d) In order to eliminate fractional amounts from the subscription right.

In each case, the proportional amount of share capital attributable to shares that are issued in the period from June 4, 2020, to the end of the term of the authorization under disapplication of subscription rights by direct or analogous application of section 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz, AktG) is to be applied against the limit of 10% of the share capital in accordance with letter a) of this authorization. Furthermore, the proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against this limit, insofar as the underlying bond was issued during the term of the present authorization under disapplication of subscription rights in accordance with section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on June 4, 2020, based on an authorization to utilize treasury shares in accordance with sections 71 (1) no. 8 sentence 5, 186(3) sentence 4 AktG under disapplication of subscription rights is to be applied to the aforementioned limit."

This authorization has so far not been utilized.

Contingent Capital 2020 (Art. 4 (4) of the Articles of Association)

Bonds with warrants and/or convertible bonds can be important instruments for ensuring appropriate capital resources as a decisive basis for business development. The Company mostly accrues debt capital at low interest rates that it later retains as equity under certain circumstances. To issue such bonds, the corresponding authorization is required as well as the creation of contingent capital.

The annual shareholders' meeting held on August 12, 2016, authorized the Executive Board to issue bonds with warrants and/or convertible bonds and created a related Contingent Capital in the amount of up to EUR 29,700,000.00 in Art. 4.9 of the Articles of Association (Contingent Capital 2016). This authorization would have expired on August 11, 2021. This authorization was not made use of to date.

The annual shareholders' meeting held on August 14, 2019, further authorized the Executive Board to issue bonds with warrants and/or convertible bonds and created a related Contingent Capital in the amount of up to EUR 35,000,000.00 until August 13, 2024 in Art. 4.4 of the Articles of Association (Contingent Capital 2019). This authorization was also not made use of to date.

Both of the authorizations available to the Company to issue bonds with warrants and/or convertible bonds with the related Contingent Capitals did not exhaust the legal possibilities. In order to provide the Company with the greatest possible flexibility with respect to financing within the scope of the legal possibilities for using this important financial instrument in the future, also with respect to non-cash contributions, the annual shareholders' meeting resolved on June 4, 2020 to create a new authorization to issue bonds with warrants and/or convertible bonds as well as an accompanying new Contingent Capital 2020. The Executive Board was also authorized to disapply the subscription rights of shareholders to the bonds with warrants and/or convertible bonds with the consent of the Supervisory Board. The annual shareholders' meeting therefore resolved on June 4, 2020 to correspondingly amend the Articles of Association:

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

a) Authorization period, nominal value, number of shares

The Executive Board is authorized to do the following, with the consent of the Supervisory Board, up to June 3, 2025, on one or more occasions

- to issue bearer or registered bonds with warrants and/or convertible bonds with or without a limited term in a total nominal amount of up to EUR 300,000,000.00 ("bonds") through the Company or through companies which have a direct or indirect majority stake in the Company ("subordinated Group companies") and to assume the guarantee for such bonds issued by subordinate Group companies, and

- to assume the guarantee for such bonds issued by subordinated Group companies and

- to grant holders or creditors of bonds warrant rights and/or conversion rights on up to 64,700,000 Company bearer shares with a proportional amount of the share capital of up to EUR 64,700,000.00, subject to the relevant terms and conditions underlying the bonds.

The individual issuances can be divided into equal partial debentures and are to be issued in exchange for cash performance.

Upon the issuance of bonds with warrants, one or more warrants will be added to each partial debenture entitling the holder or creditor to acquire Gigaset shares, subject to the terms and conditions of the bond and/or warrant.

The warrants concerned can be separable from the partial debentures in question. The terms and conditions of the bond and/or warrant may stipulate that the warrant price can also be paid through the transfer of partial debentures or possibly through a cash payment. The proportional amount of share capital attributable to the shares to be acquired per partial debenture must not be higher than the nominal amount of the bond with warrant or an issue price lower than the nominal amount.

Upon the issuance of convertible bonds, the holder or creditor will have the right or be required to convert their convertible bonds into Gigaset shares subject to the terms and conditions of the convertible bonds. The conversion ratio is determined by dividing the nominal amount or the lower issue price of a partial debenture by the set conversion price for a Company bearer share. The conversion ratio will be rounded to the fourth decimal. The bond terms may require a cash payment or stipulate that fractional amounts that cannot be converted be merged and/or settled in cash. The bond terms can also stipulate a conversion obligation. The proportional amount of share capital attributable to shares to be acquired per partial debenture must not exceed the nominal amount of the partial debenture or an issue price lower than the nominal amount.

b) Subscription right, exclusion of a subscription right

The shareholders are generally entitled to a subscription right on the bonds; the bonds can also be underwritten by one or more credit institutions with the requirement that they be offered to the shareholders (indirect subscription right). However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders to bonds:

- in the case of issuance of bonds in exchange for cash performance, provided the issue price is not significantly less than the theoretical market price of the bonds calculated in accordance with recognized actuarial methods; however, this only applies to the extent that the share of the share capital of the shares to be issued for the purpose of servicing warrant and/or conversion rights or conversion obligations conferred by the issuance of bonds does not exceed 10% of the share capital either on June 4, 2020, or when the present authorization takes effect, or when this authorization is exercised;

- to eliminate fractional amounts arising as a result of the subscription ratio from the shareholders' subscription right on the bonds;

- to grant holders or creditors of warrant or conversion rights or conversion obligations subscription rights to compensate for dilution to the extent that they would be entitled after exercising these rights and/or fulfilling these obligations; or

- where bonds are issued against non-cash performance, insofar as the value of the non-cash performance is reasonably proportional to the market value of the bonds calculated according to this letter b. (first point).

In each case, the proportional amount of share capital attributable to shares that are issued in the period from June 4, 2020, to the end of the term of the authorization under disapplication of subscription rights by direct or analogous application of section 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz, AktG) is to be applied against the aforementioned limit of 10% of the share capital. Furthermore, the proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against this limit, insofar as the underlying bond was issued during the term of the present authorization under disapplication of subscription rights in accordance with section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on June 4, 2020, based on an authorization to utilize treasury shares in accordance with sections 71 (1) no. 8 sentence 5, 186 (3) sentence 4 AktG under disapplication of subscription rights is to be applied to the aforementioned limit.

c) Warrant or conversion price, dilution protection

aa) The warrant or conversion price must not exceed 80% of the price of the Gigaset share in the XETRA trading system (or in a comparable successor system). For this, the average closing price of the ten trading days prior to the definitive decision of the Executive Board regarding the issue of an offer to subscribe to the bonds and/or regarding the Company's declaration of acceptance of a public invitation to submit subscription offers will be taken. For subscription rights trading, the days on which the subscription rights trading occurs, with the exception of the last two trading days, are decisive, unless the Executive Board has already set a warrant and/or conversion price prior to the subscription rights trading.

bb) Notwithstanding section 9 (1) of the German Stock Corporation Act (Aktiengesetz, AktG), owing to a dilution protection clause and in accordance with the terms and conditions of the warrant or conversion price, the warrant and/or conversion price can be reduced or cash components amended or subscription rights granted if the Company increases the share capital before the expiry of the warrant or conversion deadline by granting a subscription right to its shareholders or issues or guarantees additional bonds without granting the holders of warrant rights and/or the creditors of conversion bonds a subscription right to the extent to which they would be entitled after exercising their warrant or conversion rights and/or conversion obligations. The same also applies to other measures which may lead to a dilution of the value of the warrant and/or conversion rights and/or conversion obligations. In any case, however, the proportional amount of share capital attributable to shares to be acquired per partial debenture must not exceed the nominal amount of the partial debenture or a lower issue price.

Sections 9 (1) and 199 of the AktG shall remain unaffected.

d) Other structuring possibilities

The Executive Board is authorized, with the consent of the Executive Board and taking into account existing requirements, to establish further details of the issue and features of the bonds and their terms and conditions itself or in agreement with the bodies of the subordinated Group companies issuing the bonds, in particular warrant and conversion price, interest rate, issue price, term and denomination, creation of a warrant or conversion obligation, determination of a cash payment, merging or settlement of fractional amounts, cash payment instead of delivery in shares, delivery of existing shares instead of issue of new shares, dilution protection and warrant and/or conversion period.

2. Contingent capital increase

The share capital is conditionally increased by up to EUR 64,700,000.00 through the issuance of up to 64,700,000 new bearer shares qualifying for dividends from the beginning of the financial year in which they were issued. The contingent capital increase serves the purpose of issuing shares to the holders or creditors of bonds with warrants and/or convertible bonds that were issued by the Company or a subordinate Group company in exchange for cash and/or non-cash performance in the time until June 3, 2025, by virtue of the authorization of the annual shareholders' meeting of June 4, 2020. New shares are issued respectively at the warrant or conversion price specified under the aforementioned authorization. The contingent increase in capital may only be carried out to the extent that warrant rights and/or conversion rights arising from the bonds are exercised and/or conversion requirements from the bonds are met and to the extent that cash contributions are not paid or treasury shares are not offered for subscription. The Executive Board is authorized with the consent of the Supervisory Board to establish the further details applicable to the conduct of the contingent capital increase (Contingent Capital 2020).

3. The authorization of the Executive Board decided by the annual shareholders' meeting of August 12, 2016, to issue bonds with warrants and/or convertible bonds and the related Contingent Capital 2016 pursuant to Art. 4.9 of the Articles of Association as well as the authorization of the Executive Board to issue bonds with warrants and/or convertible bonds and the related Contingent Capital 2019 pursuant to Art. 4.4 of the Articles of Association, adopted by the annual shareholders' meeting held on August 14, 2019, are rescinded effective at the time of entry of the following

proposed amendments to the Articles of Association under Article 4 and Article 5 into the Commercial Register.

In light of this, the annual shareholders' meeting resolved to delete Art. 4 paragraph 9 from the Articles of Association entirely, to rescind Art. 4 paragraph 4 of the Articles of Association and to reword it as follows: "

"The share capital is conditionally increased by up to EUR 64,700,000.00 through the issuance of up to 64,700,000 new bearer shares qualifying for dividends from the beginning of the financial year in which they were issued. The contingent capital increase serves the purpose of issuing shares to the holders or creditors of bonds with warrants and/or convertible bonds that were issued by the Company or a subordinate Group company in exchange for cash and/or non-cash performance in the time until June 3, 20205, by virtue of the authorization of the annual shareholders' meeting of June 4, 2020. New shares are issued respectively at the warrant or conversion price specified under the aforementioned authorization. The contingent increase in capital may only be carried out to the extent that warrant rights and/or conversion rights arising from the bonds are exercised and/or conversion requirements from the bonds are met and to the extent that cash contributions are not paid or treasury shares are not offered for subscription. The Executive Board is authorized with the consent of the Supervisory Board to establish the further details applicable to the conduct of the contingent capital increase (Contingent Capital 2020)."

This authorization has so far not been utilized.

Sections 289a no. 8, 315a no. 8 HGB: There are no material agreements with the parent company as of December 31, 2020, subject to the condition of a change in control as a consequence of a takeover offer.

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

7 STATEMENT ON CORPORATE GOVERNANCE AT GIGASET AG & THE GROUP

7.1 Corporate Governance - Declaration of conformity

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

With only a few exceptions, Gigaset AG complies with the German Corporate Governance Code (the "Code").

On February 24, 2021, the Executive Board and Supervisory Board of Gigaset AG submitted the declaration of conformity with the German Corporate Governance Code in the version dated December 16, 2019 (which entered into force on March 20, 2020), as required under section 161 AktG, and then made it permanently and publicly available to the shareholders on the Company's website (http://www.gigaset.com/de_de/cms/gigaset-ag/investor-relations/unternehmen/corporate-governance.html). The Executive Board and Supervisory Board of Gigaset AG therein declare that, with few exceptions, they have complied with the recommendations made by the Commission of the Code, as published in the electronic Federal Gazette, regarding the management and supervision of the enterprise (version of the Code dated February 7, 2017) since the last declaration of conformity was submitted on February 27, 2020, and that they will comply with the recommendations made by the "Government Commission of the German Corporate Governance Code" (version of the Code dated December 16, 2019) published in the official part of the Federal Gazette on March 20, 2020, except for four exceptions.

7.2 Relevant disclosures regarding governance practices

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

The Gigaset Business Conduct Guidelines are the core rules and standards of Gigaset AG's compliance system. In addition, a Compliance Committee comprising three members who meet regularly advises and supports the Executive Board in all questions related to the lawful governance of the Company, compliance with statutory provisions and official instructions, and adherence to associated internal guidelines. The Compliance Committee's responsibilities include, among other things, continuously monitoring compliance and conducting training courses for the employees, clarifying suspicious cases and formulating recommended actions for the Executive Board as well as managing an information and reporting center for compliance violations ("whistleblower hotline"). Employees and third parties can direct information regarding potential compliance violations by telephone using the whistleblower hotline, by email, or anonymously by submitting a report form to the Compliance Committee.

7.3 Report on corporate governance

7.3.1. Functioning and composition of the Executive Board

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

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

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

Acting together with the Executive Board, the Supervisory Board ensures long-term succession planning. From the Supervisory Board's perspective, the main suitability criteria for selecting candidates include in particular personality, integrity, outstanding leadership qualities, the professional qualifications for the function in question, previous achievements, good knowledge of the communications and industrial sectors and the area to be covered, as well as the ability to adapt business models and processes in an ever-changing, increasingly digitalized world.

The Supervisory Board also takes diversity into account. When considering diversity in its decision-making processes, the Supervisory Board looks in particular to select candidates with complementary profiles and professional and life experiences, including international experience, educational and professional background, different personalities, appropriate representation of all genders and an adequate mix of ages. For this purpose, the Supervisory Board has adopted the following diversity plan for the composition of the Executive Board. This plan also takes into account the recommendations of the German Corporate Governance Code:

The Supervisory Board's decision on which person to appoint for a specific position on the Executive Board should be in the interests of the Company and taken by weighing up all of the relevant circumstances.

Members of the Executive Board should have many years of management experience and, where possible, bring experience from different occupational areas to the table. The Supervisory Board also takes into account the following aspects in particular:

- At least one member should have international management experience.
- At least one member of the Executive Board should have a vocational qualification in business/commerce.
- The full Executive Board should have many years of experience in the areas of development, production, sales, finance and personnel processes.

On the whole, the Executive Board should have sound knowledge in the areas of industry and digitalization.

The Personnel Committee of the Supervisory Board takes into account the diversity plan described above when selecting candidates in order to ensure a diverse range of members within the Executive Board. In the view of the Supervisory Board, the composition of the Executive Board was in line with the defined diversity plan as of December 31, 2020. The Executive Board members possess different, but complementary professional, educational and life experiences. The profiles of the Executive Board members, which can be compared with the provisions of the diversity plan, can be viewed on the Company's website.

The Supervisory Board has defined a maximum age of 65 for members of the Executive Board.

7.3.2. Functioning and composition of the Supervisory Board

The Supervisory Board is tasked with supervising and advising the Executive Board. It comprises six members. The Supervisory Board is directly involved in decisions of fundamental importance for the Company; it also agrees on the Company's strategic orientation with the Executive Board and discusses the progress achieved on implementing the business strategy with the Executive Board. The Supervisory Board appoints members of the Executive Board and is responsible for allocating duties. The Chair of the Supervisory Board coordinates the board's work and chairs its meetings. The Executive Board keeps the Supervisory Board informed at all times about the Company's policies, planning and strategy as part of a regular exchange of views. The Supervisory Board checks the annual plan and adopts the separate annual financial statements of Gigaset AG and the consolidated financial statements of the Gigaset Group, together with the combined management report, taking into account the reports submitted by the independent auditors. As in the prior year, the Supervisory Board also reviewed the dependent company report, which the Executive Board will present to the Supervisory Board after it is signed together with auditor's report and opinion. As in the prior year, the Supervisory Board reviewed the dependent company report insofar independently and comprehensively just as it reviewed the completeness of the statements made therein. In addition, it reviewed the separate consolidated non-financial report in accordance with section 315b HGB. In addition, the Supervisory Board has begun an open, dialog-oriented self-assessment, which will be carried out on a continuous basis over the longer term, to determine the effectiveness of the Supervisory Board as a whole and its committees. The main aim is to ascertain specific ways to further develop its composition and working methods. The Supervisory Board started by analyzing and discussing the number, duration and content of its meetings, the working methods and division of labor, the appointment of committees and tasks carried out by these committees and the provision of information, on the basis of which it derived and implemented individual measures. It continues to analyze and discuss the provision of information, the working methods, the division of labor and the tasks carried out by the committees.

The Supervisory Board is to set out specific goals pertaining to its composition and draw up a profile of required skills for the full Board, taking diversity into account. Proposals put forward by the Supervisory Board to the annual shareholders' meeting should take these goals into account, as well as strive to fulfill the profile of required skills for the full Board. In this regard, the Supervisory Board has decided that the Board shall be composed such that, on the whole, its members possess the knowledge, skills and experience required to properly discharge their duties. At the same time, this describes the concept designed to ensure diversity among the members of the Supervisory Board (diversity plan). Here, a distinction is to be made between the requirements for individual members of the Supervisory Board and the requirements for the composition of the Board as a whole.

Requirements for individual members of the Supervisory Board

Members of the Supervisory Board must be both professionally and personally qualified to monitor the Executive Board and advise it on the management of a global telecommunications company.

Good corporate management

Each member of the Supervisory Board should possess knowledge of what constitutes good corporate governance within a company focused on capital markets, as is required to properly discharge their duties. This includes knowledge of the principles of accounting, risk management, internal control mechanisms and compliance, as well as regulatory and legal issues.

Availability and restriction on the number of mandates
Each Supervisory Board member should have sufficient time to dedicate to ensuring the proper discharge of their Supervisory Board mandates and take into account the restriction on the number of mandates recommended by the German Corporate Governance Code. Assuming six regular meetings per year, new members' duties are generally expected to take up 18 to 36 days per year. This includes preparation and follow-up time for meetings of the Supervisory Board and relevant decisions, time for studying reports to the Supervisory Board and time for reviewing the separate and consolidated financial statements and taking part in the annual shareholders' meeting. It should be noted that the time requirement also depends on membership in any other Supervisory Board committees.

English-language skills
As meetings are held in English, with the documents used to prepare for these meetings also drafted in English, each member of the Supervisory Board should have sound knowledge of the English language.

Independence
Members of the Supervisory Board should be independent within the meaning of the German Corporate Governance Code. A Supervisory Board member is considered independent if they do not have a personal or business relationship with the Company, its Executive Board, a controlling shareholder or a company affiliated therewith that may cause a material and not only temporary conflict of interest. More than half of the shareholder representatives should be independent from the Company and the Executive Board. At least one shareholder representative should be independent from the controlling shareholder. Persons who exercise a governing body or consulting function with important competitors of Gigaset or who directly or indirectly hold more than 3% of the voting capital in such a competitor should not be members of the Supervisory Board.

Legal expertise
At least one member should have advanced legal expertise.

Financial expertise
At least one member of the Supervisory Board should be independent and possess particular knowledge and experience in the application of financial reporting principles and internal control procedures, as well as be familiar with the audit of financial statements.

Each member of the Supervisory Board should also fulfill the following general requirements pertaining to their person:

- Integrity and ethical behavior
- Understanding of business or operations
- Strong drive
- Social skills
- Sound negotiating and debating skills
- Analytical skills and long-sightedness
- Openness to innovative thinking and new ideas

Supervisory Board skills
On the whole, the Supervisory Board should possess the company-specific and professional qualifications highlighted in the profiles of requirements listed below by way of example. Not every member of the Supervisory Board needs to possess all of the skills listed. Rather, the individual members of the Supervisory Board should collectively possess the knowledge, skills and professional experience listed. The following profile of requirements should therefore be fulfilled:

Innovation, research and development
Experience and expertise in research and development in telecommunications and software, as well as in the area of digitalization; knowledge of structured innovation processes

Sector
Sound experience in the telecommunications and software industry, both in terms of sales and development; knowledge of international markets, customers and competitors; product know-how

Finance
Experience and expertise in accounting and auditing; knowledge of corporate planning, corporate finance and capital market matters; experience with commercial processes and their optimization

Strategy
Experience in corporate strategy development and implementation, as well as in change management and M&A processes

Internationality
Gigaset operates all around the world. The Supervisory Board as a whole should therefore have knowledge of and experience in regions that are key for Gigaset. The Supervisory Board should have an appropriate number of members who, as a result of their background, education or professional experience, have a special connection to international markets of relevance for Gigaset.

Proposals put forward by the Supervisory Board to the annual shareholders' meeting take these goals into account, as well as strive to fulfill the profile of required skills for the full Board. In the Supervisory Board's opinion, its composition is in line with the defined profile of skills and the diversity plan. The six members have different, yet complementary knowledge, skills, educational, professional and life experiences and family backgrounds. The profiles of the Supervisory Board members can be viewed on the Company's website.

In the view of the shareholder representatives on the Supervisory Board, the Supervisory Board has an appropriate number of independent shareholder representatives with the five Supervisory Board members Mr. Helvin Wong, Ms. Barbara Münch, Mr. Ulrich Burkhardt, Mr. Paolo Di Fraia and Mr. Xiaojian Huang

The Supervisory Board has set the following maximum age for members of the Supervisory Board:

When selecting members of the Supervisory Board, only persons who have not yet completed their 70th year of life should be put forward as a matter of principle.

7.3.3. Supervisory Board committees

Audit Committee:
Since March 27, 2019, the Audit Committee has comprised Mr. Wong, Mr. di Fraia, Mr. Burkhardt (Chair), and Ms. Shiu.

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

Among other things, the Audit Committee's duties include reviewing the Company's accounts, the annual and consolidated financial statements prepared by the Executive Board, the combined management report, the proposal for the utilization of Gigaset AG's unappropriated net profit, and the Gigaset Group's quarterly reports and interim management reports. The accounts include in particular the consolidated financial statements and the group management report (including CSR report), interim financial information and the separate financial statements pursuant to the HGB. The Audit Committee draws up proposals for the approval of the annual financial statements by the Supervisory Board on the basis of the independent auditors' report on the audit of Gigaset AG's separate annual financial statements and the Gigaset Group's consolidated financial statements and combined management report. The Audit Committee is also responsible for the Company's relations with the independent auditors. The committee submits to the Supervisory Board a proposal regarding the election of the independent auditors, suggests areas of audit emphasis, sets the fees paid to the auditors and engages the independent auditors elected by the annual shareholders' meeting.

Furthermore, the committee monitors the independence, qualification, rotation, and efficiency of the auditors of the annual financial statements. Here, the Audit Committee also regularly assesses the quality of the audit. In addition, the Audit Committee handles the review of the separate consolidated non-financial report in accordance with section 315b HGB and addresses the Company's internal control system, the procedures used to record, control and manage risk, the internal audit system and compliance.

Personnel Committee:

The Personnel Committee is directly responsible for dealing with all personnel matters of the Executive Board to the extent permitted under the law. Since March 27, 2019, the Personnel Committee has comprised Mr. Wong, Mr. di Fraia, and Ms. Münch (Chair).

Finance Committee:

The Finance Committee deals with complex financial issues. Since March 27, 2019, the Finance Committee has comprised Mr. Wong, Ms. Münch, and Mr. di Fraia (Chair).

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

7.3.4. Disclosures regarding the share of women

On July 24, 2017, the Supervisory Board established targets for the share of women – namely 16.66% on the Supervisory Board by June 30, 2022, and 0% on the Executive Board by June 30, 2022. These targets were hit during financial year 2018. In addition, the Executive Board established targets on August 9, 2017, for the share of women in the two management levels below the Executive Board – namely, 10% for the first management level and 30% for the second management level by June 30, 2022. As only four employees are employed at Gigaset AG, these targets have not yet been met.

7.3.5. Extensive reporting

In order to ensure a high level of transparency, we notify our shareholders, financial analysts, media and other interested parties at regular intervals regarding the position of the Company and key commercial developments. We disclose information about the development of our business and the Company's financial position, financial performance andcashflows together with the associated risks. The members of the Company's Executive Board affirm that to the best of their knowledge, and in accordance with the applicable reporting principles, the consolidated and separate annual financial statements give a true and fair view of the financial position, financial performance and cashflows of the Group and of the Company, and the combined 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 and of the Company as well as a description of the significant opportunities and risks associated with the expected development of the Group and of the Company. The separate annual financial statements of Gigaset AG, the consolidated financial statements of the Gigaset Group, and the combined management report will be prepared within three months of the end of the respective financial year and subsequently published. Shareholders and third parties are also informed during the course of the year by means of a half-yearly financial report and quarterly financial reports after the end of the first and third quarters. In addition, Gigaset AG releases information in press and analyst conferences. Gigaset AG also uses the Internet as a means of publishing current information. The Gigaset website (www.gigaset.com) provides access to timetables for the key publications and events, including the annual reports, quarterly and half-yearly financial reports, and the annual shareholders' meeting, as well as all information on the Gigaset share and share price. In line with the principle of fair disclosure, we treat all shareholders and key target groups alike when providing information. We use appropriate media channels to make information about important new circumstances promptly available to the general public. In addition to the regular reports, we release ad hoc reports regarding relevant facts and circumstances that could significantly affect the price of the Gigaset share were they to be disclosed.

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

Members of the Executive Board and the Supervisory Board as well as their related parties are obligated in accordance with Art. 19 of the Market Abuse Regulation (EU) No. 596/2014 (MAR), to report to Gigaset AG and the German Federal Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) transactions involving shares or debt instruments of Gigaset AG, associated derivatives or other associated financial instruments conducted by persons discharging managerial responsibilities ("managers' transactions"), if the value of the transactions reaches or exceeds EUR 20,000 in a calendar and/or financial year. Gigaset AG publishes information regarding such transactions immediately on its webpage and notifies BaFin accordingly by supporting documents; the information is communicated to the commercial register for archiving.

The Company did not receive any notifications in accordance with Art. 19 of the Market Abuse Regulation (EU) No. 596/2014 (MAR) in financial year 2020.

7.5 Main features of the compensation system for Gigaset AG's governing bodies (compensation report)

7.5.1. Compensation paid to members of the Executive Board

The duties and contribution of the respective Executive Board member are taken into account when determining their compensation. The compensation granted in the 2020 financial year comprised both a fixed salary as well as variable compensation components. There are variable compensation components for the members of the Executive Board based on company and/or performance-based bonus agreements. The goals were discussed with the Supervisory Board and/or the Chair of the Company's Audit Committee and with the Executive Board members at the beginning of the financial year. The Supervisory Board decides on the achievement of the respective goals based on the individual agreements.

Details of the components:

- The fixed compensation is paid as a monthly salary in 12 equal instalments
- The variable compensation is based on company- and/or performance-based bonus agreements for members of the Executive Board

The compensation granted to the members of the Executive Board for financial year 2020 breaks down as follows:

Compensation granted to Executive Board members, in EUR	Klaus Weßing Chief Executive Officer (CEO, Chairman) since December 16, 2015				Thomas Schuchardt Chief Financial Officer (CFO) since August 13, 2019			
	2019 (100%)	2020 (100%)	2020 (Min)	2020 (Max)	2019 (100%)	2020 (100%)	2020 (Min)	2020 (Max)
Fixed compensation	433,872	402,235			93,750	214,218		
Fringe benefits	36,815	36,092			13,465	33,577		
Total fixed compensation components	**470,687**	**438,327**			**107,215**	**247,795**		
Single-year variable compensation	57,000	50,000	0	75,000	57,000	50,000	0	75,000
Multi-year variable compensation	0	0	0	0	0	0	0	0
Total fixed and variable compensation	**527,687**	**488,327**	**438,327**	**513,327**	**164,215**	**297,795**	**247,795**	**322,795**
Pension expenses	3,274	0	0	0	275	246	246	246
Total compensation	**530,961**	**488,327**	**438,327**	**513,327**	**164,490**	**298,041**	**248,041**	**323,041**

The variable compensation for the previous financial year was only granted following a resolution by the Supervisory Board and publication of the annual report, and is therefore recognized as an expense in the current financial year. The table pertaining to benefits granted for the previous year was adjusted accordingly to take into account the one-year variable compensation.

The income accruing to the members of the Executive Board for financial year 2020 breaks down as follows:

Total inflow to Executive Board members, in EUR	Klaus Weßing Chief Executive Officer (CEO, Chairman) since December 16, 2015		Thomas Schuchardt Chief Financial Officer (CFO) since August 13, 2019	
	2020	2019	2020	2019
Fixed compensation	402,235	433,872	214,218	93,750
Fringe benefits	36,092	36,815	33,577	13,465
Total fixed compensation components	438,327	470,687	247,795	107,215
Single-year variable compensation	37,000	50,000	57,000	0
Total fixed and variable compensation	475,327	520,687	304,795	107,215
Pension expenses	0	3,274	0	275
Total compensation	**475,327**	**523,961**	**304,795**	**107,490**

Executive Board member Klaus Weßing converted part of his entitlement to variable compensation, i.e. an amount of EUR 20,000.00, into pension entitlements, meaning that no disbursements were made for this portion in the 2020 financial year.

No further compensation was granted to the Executive Board members for their work in subsidiaries or associated companies. The allocations from the total compensation of the Executive Board amounted to EUR 0.8 million in the financial year (prior year: EUR 0.6 million).

7.5.2. Compensation paid to members the Supervisory Board

As a result of a resolution adopted by the Extraordinary General Meeting held on December 19, 2013, the compensation scheme below, which was amended in a resolution adopted by the annual shareholders' meeting on August 17, 2017, regarding the compensation of the Supervisory Board members in Section 1 "Base compensation" as well as with respect to its period of validity, is applied retroactively as of August 15, 2013. The entire compensation scheme is as follows:

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

1. Base compensation. Every member of the Supervisory Board receives a fixed salary of EUR 5,000.00 ("base compensation") for every month or partial month of their term of office ("accounting month"). The beginning and end of every accounting month are determined based on sections 187 (1), 188 (2) of the German Civil Code (Bürgerliches Gesetzbuch, BGB). The claim to base compensation arises at the end of the accounting month.

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

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

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

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

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

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

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

The resolved amendment of the base compensation takes effect on August 18, 2017, and applies for the first time for accounting months beginning after August 18, 2017. It remains in effect until the annual shareholders' meeting adopts a new resolution."

These resolutions are being implemented by the Company.

For the detailed breakdown of the compensation of the Supervisory Board, please refer to our comments in the Notes to the consolidated financial statements.

8 FORECAST REPORT AND OUTLOOK

8.1 General economic development

According to its assessment published in October 2020, the International Monetary Fund (IMF) expects global economic output to increase by 5.2% in 2021.[29] The IMF emphasizes that the forecasts are fraught with a relatively high level of uncertainty. Weaker demand on the part of consumers, the sharp drop in tourism, and the incalculable further course of the COVID-19 pandemic in individual countries make it difficult to predict the further development.

According to this assessment, emerging markets and developing countries, which should grow at a rate of 6% (2020: -3.3%), will do particularly well. In contrast, the increase in growth forecasted for developed economies in 2021 will only reach 3.9% after - 5.8% in 2020.

According to the IMF's assessment, growth in the eurozone will amount to 5.2% (2020: -8.3%), while the German economy will expand at a slightly lower rate of 4.2% (2020: -6.0%). The experts at the IMF expect an increase of 6.0% for France and 5.2% for Italy. The economy of the Netherlands[30] is expected to grow at a rate of 2.2% after -5.3% in 2020.

[29] IMF (2020) - World Economic Outlook Edition 2020

[30] EU Commission (2021) - Economic forecast for the Netherlands

8.2 Development of the industry

8.2.1. Phones

According to an assessment by Statista, the global market trend for fixed-line telephony will be slightly positive over the next few years. Revenues in this segment should increase accordingly from around EUR 7.0 billion in 2021 to EUR 7.6 billion in 2025.[31] For Europe as a whole, Statista is forecasting revenues of around EUR 1.5 billion for 2021 with an increase to EUR 1.6 billion by the year 2025.[32] Gigaset does not entirely share this positive prediction and is calculating rather defensively. The Group assumes that the market trend for fixed-line telephony in Europe and worldwide will continue to decline due to the growing share of mobile communication. Gigaset also expects the price level of the market for cordless fixed-line telephony to decline. Nevertheless, Gigaset intends to defend and further expand its market share in the Phones segment against the competition.

8.2.2. Smartphones

Following a decrease in the year 2020 due to the coronavirus, smartphone sales volume will increase worldwide by an average of 2.9% over the next five years in the opinion of market researchers.[33] This can be attributed to technological innovations such as the 5G transmission

standard, which will likely boost the use of mobile devices thanks to its potential for rapid transmission. Market researchers expect an increase to around 1.47 billion devices by the year 2024.[34]

[31] Statista (2021) – Revenue of fixed-line telephony worldwide

[32] Statista (2021) – Revenue of fixed-line telephony in Europe

[33] Statista (2021) – Revenue of mobile phones worldwide

[34] Statista (2021) – Smartphone sales volume forecast worldwide to 2024

Owing to this overall positive outlook, Gigaset is basing its planning on the assumption that it is properly positioned and can generate growth in the Smartphones segment with its dual strategy, which on the one hand offers smartphones for cost-sensitive customers in the lower to mid-price segment and on the other hand differentiates it from the competition with "Made in Germany" while offering B2B customers greater opportunities for individualization.

8.2.3. Smart Home

According to a forecast by Statista, revenues in the German Smart Home market will be around EUR 5.5 billion in 2021.[35] By the year 2025, Statista expects a further increase in market volume to EUR 8.5 billion. That would correspond to an annual rate of growth in revenues of 11.8% (CAGR[36] 2021-2025). According to a current representative study by Splendid Research, 40% of Germans already use at least one Smart Home-capable application and an additional 38% show an interest in such applications.[37]

According to Statista, revenues in the worldwide Smart Home market will amount to around EUR 88.2 billion in 2021 and reach a market volume of EUR 155.9 billion by the year 2025. That would correspond to an annual rate of growth in revenues of 15.3%. Hence, the Smart Home market is one of the markets with the highest rates of growth.[38]

Gigaset considers itself to be well-positioned in the Smart Home segment thanks to its efforts to address the four topics of security, comfort, energy, and care and in perspective expects the Smart Home trend to be positive. However, the Company also continues to expect development to be slower than forecasted in the studies. The real revenue figures across the entire industry have not been able to consistently keep up with the forecasts in recent years. However, this does not mean that the progressive growth expected by the entire industry will not manifest itself in the near-term after all. It is a matter of being ideally positioned with the right products, solutions, and partners. Therefore, Gigaset continues to rely on follow-on investments in this area, to integrate new sensors into the system, to replace outdated sensors, and to consistently develop the Smart Home app.

8.2.4. Professional

The Group continues to expect an increase in the importance of IP telephony for the business customer telephony segment, in particular in Western Europe, triggered by the transformation from traditional TDM telephony to all-IP telephony and hybrid solutions.[39] In this regard, the Professional segment expects a future increase in revenues in consideration of the previously announced partnership with Unify for the exclusive manufacture of the next table telephone family.[40]

As a result of these developments, Gigaset expects the significance of IP telephony to increase in the area of business customer telephony, in particular in Europe. With its business customer solutions, Gigaset successfully evolved out of the SME segment into the Enterprise business. This new market segment can now be successfully addressed and comprises a promising potential for growth analogous to the overall growth of the industry. In this context, the exclusive partnership with Unify Software and Solutions GmbH & Co. KG is also particularly important. As part of this partnership, Gigaset will develop the next table telephone family for Unify and also implement it in its own portfolio based on acquired software licenses. The devices will be delivered beginning in 2022 and a total of around five million devices from the new table telephone series is expected to be sold in subsequent years.

[35] Statista (2021) - Smart Home revenue in Germany
[36] Compound Annual Growth Rate
[37] Splendid Research (2021) - Smart Home market Germany 2021
[38] Statista (2021) - Revenues Smart Home worldwide
[39] MZA Consultants (2020) - Business Phones Competitive Environment 2020 - Western Europe - Business Phones - Market Trends
[40] Gigaset (2020) – Ad hoc announcement Unify

8.3 Performance of the Gigaset Group

8.3.1. Financial performance

Financial year 2020 was heavily influenced by the COVID-19 pandemic and was an exceptional year with respect to both revenues as well as earnings. Gigaset expects that the coronavirus crisis will level off in 2021 and that n the course of expanding vaccinations recoveries will gradually emerge in all areas of life and the economy. Under this premise, a slight increase in revenues and sales volume is expected in all four segments compared with 2020, so that over time it will be possible to continue the development achieved prior to the crisis. However, the long-term trend of market decline in the Phones segment will continue.

In order to achieve its objectives, Gigaset will continue its cost management measures also in 2021 and, depending on the revenue trend and other economic risk factors, invest with sound judgment.

Gigaset expects the earnings situation to stabilize in 2021 in line with the revenue trend. Therefore, financial year 2021 is to be considered a year of transition, also taking into account the exclusive agreement with Unify entered into in December 2020 and the desired readiness to deliver the next consumer device family for table telephones in the year 2022.

Gigaset hedged the majority of its U.S. dollar risk in 2021. In addition, the forecast is based on a USD/EUR exchange rate of 1.213. This forecast is based on the described general economic and industry-specific trends.

8.3.2. Cashflows

The Company currently finances itself primarily from its operating business and will continue to focus on the optimum management of liquidity while taking advantage of all available and – in the overall context – sensible funding opportunities, in consideration of the pandemic, which has not been completely overcome. The Company's strategy with respect to securing financial stability remains conservative in order to preserve the Group's operational and strategic flexibility. As of the end of 2020, Gigaset had a portfolio of cash funds in the amount of EUR 42.0 million at its disposal. In addition to the operating requirements and the payment obligations resulting from the acquisition of licenses for the necessary software components and interfaces for the development of the next consumer device family for table telephones for Unify, this portfolio of liquid assets will provide the funds needed for the repayment of external financing. According to its planning, Gigaset expects that a sizable, positive portfolio of cash and cash equivalents will be available at the end of financial year 2021, even taking into account its payment obligations.

8.4 Performance of Gigaset AG

8.4.1. Financial performance

As the holding company of the Gigaset Group, Gigaset AG generates revenue and other operating income from services provided to associated companies. Gigaset AG's earnings are also determined primarily based on personnel costs and other expenses for the Executive Board. Since the revenue from the group allocations will not cover all of its expenses, Gigaset AG is expected to generate a net loss for the financial year in the mid-single-digit millions.

As a holding company, Gigaset AG's performance is heavily influenced by the development of its subsidiaries, particularly the operating Gigaset Communications Group. For financial year 2021, no dividend income is planned at Gigaset AG.

8.4.2. Cashflows

Gigaset AG has access to the subsidiaries' liquid funds as a result of its integration into the Group. In addition, the Company will continue to finance itself by charging Group subsidiaries for services.

8.5 General assessment of the Group's expected performance

Outlook for 2021

Gigaset AG's outlook reflects the views of the Executive Board regarding the coming 2021 financial year in relation to material opportunities and risks. The report contains forward-looking statements that are based on the expectations and assessments of Gigaset AG. These assumptions are subject to a certain degree of uncertainty, which may lead in full or in part to the forecast business performance deviating from the actual business performance. Material factors include political and economic conditions over which the Company has no influence.

Fundamental assumptions

The assumptions in this outlook are based on the set-up and composition of Gigaset AG as a Group remaining unchanged. The outlook takes into account all of the knowledge available at the time in which it was prepared that could have an impact on the Company's course of business.

Economic outlook

In its most recent World Economic Outlook, the IMF adjusted its forecast for global economic growth in 2021 upwards by 0.3 percentage points. For 2021, the IMF accordingly expects an increase of 5.5% in global economic output. The situation does not look as good for the euro zone, as the IMF revised its assessment downward by 1% to now 4.2%. However, the IMF emphasizes that the forecasts continue to be fraught with a relatively high level of uncertainty. Although the most recent vaccination approvals awakened the hope for a trend reversal with respect to the pandemic, nascent waves of infection and new variations of the virus would be a new cause for concern. The strength of the recovery is expected to vary substantially from country to country, whereby the pace at which national economies recover is determined by various factors, for example, the approval of vaccinations and the effectiveness of the political measures to combat the pandemic.[41]

Pandemic risk

The statements recently made by the IMF illustrate the high level of forecast uncertainty for 2021. Only the vaccination approvals provide truly positive signals. So-called "Lockdown Light" restrictions as implemented in Germany at the turn of the year from 2020 to 2021 are limited in their effectiveness.[42] However, strict lockdowns cannot be enforced in the long run (perspectively until mid-2021 or longer) and in any case would have too strong of an impact on the mental health of the country's citizens.[43] Accordingly, vaccinations are the only long-term solution. However, they must be seen alongside virus mutations that develop relatively quickly.

[41] Statista (2021) – This is how the global economy could exit the crisis
[42] Tagesspiegel (2021) – Is the lockdown too light
[43] Tagesspiegel (2021) – Depression on the rise in the pandemic

Impact on Gigaset AG

The year 2021 is by no means showing a clear path or allowing forecasts with respect to the general recovery of economic output. The greatest risk for Gigaset continues to be a strict lockdown in which stores in Germany and Europe remain closed, during which project business such as may occur from time to time in the Professional segment is not possible. This must be seen alongside very positive developments in Gigaset e-commerce: be it on the Company's own homepage, via Amazon or other e-tailer or marketplaces.

Accordingly, there remains a high level of uncertainty also for 2021 as to what the actual intermediate and long-term effects of the pandemic will look like in this year. In light of this projection, Gigaset considers itself to continue to be highly dependent on external factors on which it has no influence. For example, decisions on the part of governments with respect to curfews and business and border closings as well as the duration and further development of the pandemic. The utilization of production capacities is possibly not guaranteed as a result of existing shortages on the procurement market, for example with respect to chip sets.

General assessment of the Executive Board for 2021

Considering the assumptions described in the outlook and excluding the possibility of a sudden, significant worsening of the Covid-19 pandemic, Gigaset expects the following performance with respect to financial position, financial performance and cashflows for the 2021 financial year:

1. A slight increase in revenues and EBITDA in comparison with the year 2020, which was heavily influenced by the coronavirus

2. A positive free cashflow at the pre-coronavirus level, taking into account the planned operating business and necessary capital expenditures

9 CONSOLIDATED NON-FINANCIAL REPORT

Publication in accordance with section 315b(3) hgb

In accordance with section 315b(1) in conjunction with (3) HGB, Gigaset AG is exempt from the duty to expand the group management report to include a non-financial group statement, since Gigaset AG has prepared a separate consolidated non-financial report for the 2020 reporting period in addition to the combined management report. In compliance with section 315b(3) no. 2 b) HGB, Gigaset AG will make the separate consolidated non-financial report public and publish it on Gigaset AG's website under:

https://www.gigaset.com/de_de/cms/gigaset-ag/investor-relations/unternehmen/nichtfinanzieller-konzernbericht.html

10 DEPENDENT COMPANY REPORT

Goldin Fund Pte. Ltd., Singapore, holds a majority interest. In accordance with section 312 of the German Stock Corporation Act (Aktiengesetz, AktG), we prepared a report on March 26, 2021, regarding our relationships with associates that closes with the following statement: "We declare that the Company received appropriate consideration for each transaction listed in the report on relationships with affiliated companies in financial year 2020 based on the circumstances known to us at the time when the transactions were entered into."

Bocholt, March 26, 2021

The Executive Board of Gigaset AG

Klaus Weßing	Thomas Schuchardt
CEO	CFO

CONSOLIDATED FINANCIAL STATEMENTS

Gigaset outdoor camera und camera 2.0

Even more security for the smart home. Camera surveillance is on the rise given that the mere presence of cameras effectively deters potential criminals. Gigaset has overhauled and expanded its camera portfolio. The new outdoor camera is the company’s first outdoor camera and camera 2.0 is already the third generation of indoor cameras.

CONSOLIDATED INCOME STATEMENT[44]

EUR'000	Notes	1/1 - 12/31/2020	1/1 - 12/31/2019
Revenues	D.1	214,153	257,863
Change in inventories of finished and unfinished goods		-7,320	2,879
Purchased goods and services	D.2	-103,683	-130,897
Gross profit		**103,150**	**129,845**
Other internal production capitalized	D.3	10,227	9,201
Other operating income	D.4	10,916	18,538
Personnel expenses	D.5	-58,470	-59,397
Other operating expenses	D.6	-63,894	-69,685
EBITDA		**1,929**	**28,502**
Depreciation and amortization	D.7	-14,967	-14,771
EBIT		**-13,038**	**13,731**
Other interest and similar income	D.8	431	2,344
Interest and similar expenses	D.9	-1,375	-1,559
Financial result		**-944**	**785**
Result from ordinary activities		**-13,982**	**14,516**
Income taxes	D.10	3,499	-3,209
Consolidated net loss/ income for the year		**-10,483**	**11,307**
Earnings per share	D.11		
– Undiluted (Basic) in EUR		-0.08	0.09
– Diluted in EUR		-0.08	0.09

[44] The consolidated income statement includes key figures that are not defined under IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR'000	1/1 - 12/31/2020	1/1 - 12/31/2019
Consolidated net loss/ income for the year	**-10,483**	**11,307**
Items that may possibly be reclassified to profit or loss at a later time		
Currency translation differences	-833	-11
Cashflow hedges	-432	-1,603
Income taxes recognized on this item	137	510
Items that will not be reclassified to profit or loss at a later time		
Fair value investment property	2,440	0
Income taxes recognized on this item	-776	0
Revaluation effect, net debt of defined benefit pension plans before income taxes	-4,114	-16,939
Income taxes recognized on this item	5,100	1,258
Financial instruments at fair value through other comprehensive income (FVOCI)	-7,686	-1,000
Total changes not recognized in profit or loss	**-6,164**	**-17,785**
Total income and expenses recognized	**-16,647**	**-6,478**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	Notes	12/31/2020	12/31/2019
ASSETS			
Noncurrent assets			
Intangible assets	E.1	51,367	33,757
Property, plant and equipment	E.2	18,944	23,284
Right of use assets	E.3	3,463	4,331
Investment property	E.4	6,700	0
Financial assets	E.5	0	7,686
Deferred tax assets	E.15	15,806	9,374
Total noncurrent assets		**96,280**	**78,432**
Current assets			
Inventories	E.6	23,513	35,246
Trade receivables	E.7	24,619	45,417
Other assets	E.8	17,081	26,670
Tax refund claims	E.9	1,398	293
Cash and cash equivalents	E.10	42,045	36,557
Total current assets		**108,656**	**144,183**
Total assets		**204,936**	**222,615**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	Notes	12/31/2020	12/31/2019
EQUITY AND LIABILITIES			
Equity	E.11		
Subscribed capital		132,456	132,456
Additional paid-in capital		86,076	86,076
Retained earnings		68,979	68,979
Accumulated other comprehensive equity		-285,615	-268,968
Total equity		**1,896**	**18,543**
Noncurrent liabilities			
Pension obligations	E.12	98,251	92,501
Provisions	E.13	2,363	2,983
Financial liabilities	E.14	12,659	10,176
Lease liabilities	E.3	2,071	2,827
Deferred tax liabilities	E.15	276	760
Total noncurrent liabilities		**115,620**	**109,247**
Current liabilities			
Provisions	E.13	13,051	14,770
Financial liabilities	E.14	3,793	5,724
Lease liabilities	E.3	1,659	1,563
Trade payables	E.16	45,032	51,247
Tax liabilities	E.17	1,773	4,945
Other liabilities	E.18	22,112	16,576
Total current liabilities		**87,420**	**94,825**
Total equity and liabilities		**204,936**	**222,615**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EUR'000	Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive equity	Consolidated equity
	December 31, 2018	**132,456**	**86,076**	**68,979**	**-262,490**	**25,021**
1	Consolidated net income	0	0	0	11,307	11,307
2	Currency translation differences	0	0	0	-11	-11
3	Fair value investment property	0	0	0	0	0
4	Cashflow hedges	0	0	0	-1,093	-1,093
5	Financial instruments measured at fair value through other comprehensive income (FVOCI)	0	0	0	-1,000	-1,000
6	Revaluation effects, net liability from defined benefit pension plans	0	0	0	-15,681	-15,681
7	Total changes not recognized in profit or loss	0	0	0	-17,785	-17,785
8	**Total net income (1+7)**	**0**	**0**	**0**	**-6,478**	**-6,478**
	December 31, 2019	**132,456**	**86,076**	**68,979**	**-268,968**	**18,543**
1	Consolidated net loss	0	0	0	-10,483	-10,483
2	Currency translation differences	0	0	0	-833	-833
3	Fair value investment property	0	0	0	1,664	1,664
4	Cashflow hedges	0	0	0	-295	-295
5	Financial instruments measured at fair value through other comprehensive income (FVOCI)	0	0	0	-7,686	-7,686
6	Revaluation effects, net liability from defined benefit pension plans	0	0	0	986	986
7	Total changes not recognized in profit or loss	0	0	0	-6,164	-6,164
8	**Total net income (1+7)**	**0**	**0**	**0**	**-16,647**	**-16,647**
	December 31, 2020	**132,456**	**86,076**	**68,979**	**-285,615**	**1,896**

CONSOLIDATED STATEMENT OF CASHFLOWS

EUR'000	1/1 - 12/31/2020	1/1/ - 12/31/2019
Result from ordinary activities	**-13,982**	**14,516**
Depreciation and amortization of property, plant and equipment and intangible assets	14,967	14,771
Increase (+) / decrease (-) in pension provisions	1,636	2,105
Gain (-) / loss (+) on the sale of noncurrent assetes	-24	2
Gain (-) / loss (+) from currency translation	905	-500
Net interest income	944	-785
Interest received	185	1,549
Income taxes paid	-3,193	-8,811
Increase (-) / decrease (+) in inventories	11,733	-2,526
Increase (-) / decrease (+) in trade receivables and other assets	29,955	-3,858
Increase (-) / decrease (+) in trade payables, other liabilities and other provisions	-12,092	1,324
Increase (-) / decrease (+) in other items of the statement of financial position	-1,417	-575
Cash inflow (+) /outflow (-) from operating activities (net cashflow)	**29,617**	**17,212**
Proceeds from the sale of noncurrent assets	18	49
Payments for investments in noncurrent assets	-21,468	-16,105
Cash inflow (+)/outflow (-) from investing activities	**-21,450**	**-16,056**
Free cashflow	**8,167**	**1,156**
Cashflows from the repayment (-) of current financial liabilities	-1,163	0
Cashflows from the borrowing of noncurrent financial liabilities	1,950	2,400
Payments for lease liabilities	-1,841	-1,423
Interest paid	-1,289	-2,585
Cash inflow (+)/outflow (-) from financing activities	**-2,343**	**-1,608**
Cash and cash equivalents at beginning of period	33,867	33,912
Changes due to exchange rate differences	-336	70
Cash and cash equivalents at beginning of period, measured at prior-year closing exchange rate	34,203	33,842
Increase (-)/ decrease (+) in restricted cash	1,001	743
Change in cash and cash equivalents	5,824	-452
Cash and cash equivalents at end of period	**40,692**	**34,203**
Restricted cash	1,353	2,354
Cash and cash equivalents per statement of financial position	**42,045**	**36,557**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Business activities

Gigaset AG (or hereinafter called the "Company") is a stock corporation under German law, has its head office and principal place of business in Bocholt as set forth in its Articles of Incorporation, and is filed in the Commercial Register kept by Coesfeld Local Court under entry no. HRB 19015. The Company's offices are located at Frankenstraße 2, 46395 Bocholt.

Gigaset AG is a global enterprise operating in the area of telecommunications. The Company has its headquarters and a highly automated production site in Bocholt, Germany. Gigaset has 893 employees and had sales activities in 56 countries in the 2020 financial year.

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

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

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

Presentation of the consolidated financial statements

The consolidated financial statements are denominated in euros (EUR), the functional currency of the parent company, Gigaset AG. To enhance clarity, figures in the consolidated financial statements are shown in tables in thousands of euros (EUR'000) and in the running text, unless stated otherwise, in millions of euros (EUR mn). In chapters with relatively lower figures, they may also be stated in the running text in thousands of euros (EUR'000) for easier understanding.

In individual cases, rounding may lead to values in this report not adding up exactly to the specified total and percentages not resulting exactly from the presented values.

The consolidated financial statements of Gigaset AG are also available as an English translation, which can be viewed and downloaded along with the German report at the website of Gigaset (http://www.gigaset.ag). In case of any substantive differences and/or different numerical data, the German version takes precedence in case of doubt.

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

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

The consolidated financial statements of Gigaset are prepared on the assumption of a going concern given that the Executive Board of the Gigaset Group assumes a positive going-concern forecast. The 2020 financial year was difficult for Gigaset due to the conditions of the coronavirus pandemic and the Group's financial performance suffered from the significantly negative effects of the measures imposed by governments. Due to the global lockdowns and the related closures of retail outlets, the Group's products could not be sold in physical stores for several months. Fortunately, this decline was partially made up by the expansion of online sales channels. Despite the consolidated net loss of EUR -10.5 million in 2020, Gigaset bolstered its liquidity reserves. In the year of the pandemic, the Group generated a positive free cashflow of EUR 8.2 million, significantly higher than in the pre-crisis year 2019 (EUR 1.2 million). As a result, freely disposable liquidity rose to EUR 40.7 million in 2020 (PY: EUR 34.2 million). Consequently, Gigaset sees itself able to service ongoing principal repayment and payment obligations on time.

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

Accounting principles

The consolidated financial statements of Gigaset for the 2020 financial year and the prior-year figures presented have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRS IC), as applicable in the European Union.

Furthermore, the German commercial regulations to be applied additionally in accordance with Section 315e (1) of the German Commercial Code (HGB) have been observed. All the Standards in effect and applicable in the 2020 financial year have been observed.

In addition, application of the following amended and newly issued Standards and Interpretations of the IASB was mandatory starting with the 2020 financial year:

- IFRS 9, IAS 39 and IFRS 7 IBOR Reform

The IBOR reform refers to the market-wide replacement of an existing benchmark interest rate with an alternative interest rate, which will be implemented in two phases. The implementation of Phase 1 resulted in amendments to IFRS 9, IAS 39 and IFRS 7. The effect of the amendments is to allow the continuation and continued designation of hedge accounting relationships despite the expected upcoming replacement of various benchmark rates. The amendments are applicable in financial years beginning on or after January 1, 2020. This adjustment had no effect on the consolidated financial statements.

- IFRS 3, Definition of a Business

The amendments to IFRS 3 clarify the definition of a business. The purpose is to resolve the difficulties that arise in the determination of whether a reporting entity has acquired a business or a group of assets (to which the regulations of IFRS 3 are not applicable). The new regulations also include an optional "concentration test" that permits a simplified assessment of whether a business has been acquired. The amendments are applicable in financial years beginning on or after January 1, 2020. This adjustment had no effects on the consolidated financial statements.

- IAS 1, IAS 8 Definition of Materiality

The definition of the term "material" was extended and specified. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that the reference to obscuring information refers to situations in which the effects are similar to omitting or misstating such information. They also state that an entity should assess materiality in the context of the financial statements as a whole. The amendments are applicable in financial years beginning on or after January 1, 2020. This adjustment had no effects on the consolidated financial statements.

- Revisions of the Conceptual Framework for the Preparation and Presentation of Financial Statements

The Conceptual Framework is not an IFRS Standard and does not override any Standards. However, the revised Conceptual Framework will be used in the development of new Standards and Interpretations in the future. It adds some new concepts and provides updated definitions and recognition criteria for assets and liabilities. No technical changes are currently made to existing IFRSs. The Conceptual Framework also helps preparers of financial statements develop accounting policies for matters for which there are currently no IFRS regulations. The amendments are applicable in financial years beginning on or after January 1, 2020. This adjustment had no effects on the consolidated financial statements.

Application of the following revised and newly issued Standards and Interpretations already adopted by the IASB was not yet mandatory in the 2020 financial year:

Standards		**Application mandatory for Gigaset from**	**Adopted by the EU Commission**
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1/1/2021	Yes
IFRS 16	Amendments to IFRS 16: Covid-19-Related Rent Concessions	1/1/2021	Yes
IFRS 9 / IAS 39 / IFRS 7	Amendments resulting from the Reform of Benchmark Interest Rates ("IBOR-Reform") in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases - Phase 2	1/1/2021	Yes
Miscellaneous	Annual Improvements Project 2018 (IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets)	1/1/2022	No
IAS 1	IAS 1 Amendments: Classification of Liabilities as Current or Noncurrent	1/1/2023	No
IAS 1/ IAS 8	IAS 1 Presentation of Financial Statements, including amendments to Practice Statement 2 "Making Materiality Judgements" / IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1/1/2023	No
IFRS 17	Insurance Contracts	1/1/2023	No
Interpretations			

Due to an ongoing research project, the required initial application of the amendments to IFRS 10 and IAS 28 regarding the sale or contribution of an investor's assets to its associated company or joint venture was postponed by the standard setter for an indefinite period of time. Therefore, adoption has also been postponed for an indefinite period.

For the amendments with initial application starting in 2021 resulting from the change of IFRS 16 Leases, IFRS 4 Insurance Contracts and the changes based on the reform of benchmark interest rates (IBOR reform, Phase 2) (IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16), the Company assumes that they will not have any material effects. The amendments to IFRS 16 Leases, Covid-19-Related Rent Concessions, were not applied early.

The effects of the first-time application of the other revised or newly issued Standards and Interpretations that are to be applied only starting with the 2022 financial year cannot be reliably estimated at the present time.

Scope and method of consolidation

The present consolidated financial statements at December 31, 2020 include the separate financial statements of the parent company Gigaset AG and its subsidiaries, including special purpose entities where appropriate.

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

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

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

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

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

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

Besides the parent company, 20 (PY: 20) subsidiaries – consisting of 7 (PY: 7) domestic and 13 (PY: 13) foreign companies were included in the consolidated financial statements of Gigaset at December 31, 2020.

As in the previous year, there were no subsidiaries with an immaterial effect on the Company's financial position, financial performance, and cashflows at December 31, 2020, that were not included in the consolidated financial statements.

Details of the subsidiaries that belong to the consolidation group are included in the list of shareholdings (Section 313 (2) German Commercial Code (HGB)), which is presented as an annex to the consolidated financial statement at the end of the notes.

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

Currency translation

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

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

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

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

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

		Closing exchange rate[1]		Average exchange rate[1]	
		12/31/2020	12/31/2019	2020	2019
Argentina	ARS	103.1235	66.9490	80.5886	53.6960
Switzerland	CHF	1.0811	1.0855	1.0702	1.1128
China	CNY	7.9839	7.8166	7.8713	7.7418
Denmark	DKK	7.4401	7.4710	7.4543	7.4660
United Kingdom	GBP	0.8992	0.8499	0.8891	0.8774
Hong Kong	HKD	9.5151	8.7424	8.8508	8.7731
Japan	JPY	126.4968	121.8913	121.7650	122.0656
Norway	NOK	10.4577	9.8657	10.7246	9.8520
Poland	PLN	4.5566	4.2598	4.4431	4.2978
Russia	RUB	91.7582	69.8364	82.6240	72.4703
Sweden	SEK	10.0252	10.4445	10.4886	10.5866
Singapore	SGD	1.6218	1.5105	1.5735	1.5274
Turkey	TRY	9.1131	6.6804	8.0399	6.3585
USA	USD	1.2273	1.1227	1.1411	1.1197

[1] Equivalent for EUR 1

Since Gigaset has a subsidiary with registered offices in the UK and also maintains purchasing and sales relationships with business partners in the UK, Brexit and its effects on Germany will also have effects on the Group. After the conclusion of negotiations and the UK's departure from the EU as of January 1, 2021, no significant effects on the Gigaset Group can be discerned. However, Gigaset is fundamentally affected to a limited extent by currency fluctuations, customs regulations, and tax changes.

B. PRINCIPAL ACCOUNTING AND VALUATION METHODS

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

Recognition of income and expenses

Gigaset recognizes operating revenues goods produced in-house as well as trading goods when the power to dispose of goods or services that can be delimited passes to the customer, that is, when the customer has the ability to determine the use of the transferred goods or services and primarily obtains the remaining benefit from them. The prerequisite for this is that a contract with enforceable rights and obligations exists and receipt of consideration, among other things, is likely, taking into account the customer's credit rating. The operating revenues correspond to the transaction price that Gigaset is expected to be entitled to. Variable consideration, such as bonus and cash discount clauses, is included in the transaction price when it is highly probably that no significant change in the operating revenues will occur as soon as the uncertainty in conjunction with the variable consideration no longer exists. The amount of the variable consideration is determined either according to the expectation method or using the most likely amount depending on which value most accurately estimates the variable consideration. The most likely value is determined for cash discount agreements. If the period between the transfer of the goods and services and the payment date exceeds twelve months and a significant benefit results for the customer or Gigaset from the financing, the consideration is adjusted by the net present value of the funds. If a contract comprises multiple goods or services that can be delimited, the transaction price is subdivided across the payment obligations based on the relative individual sale prices. If individual sale prices cannot be directly observed, Gigaset estimates them in a reasonable amount. Operating revenues are recognized for each payment obligation either at a specific time or over a specific period. The revenues of the Gigaset Group are for the most part collected at a point in time, whereby a share of business volume relating to a period of time is expected to increase in the future due to the Smart Home area. Long payment terms are usually not agreed when revenues are recognized at a point in time.

Gigaset has made agreements with customers regarding marketing activities that are carried out for Gigaset. For these activities, customers receive remuneration in the form of advertising cost subsidies. The marketing activities represent consideration to be paid by the customer within the meaning of IFRS 15. If the customer provides a service (marketing service) in return for the payment made, this is a service provided by the customer. In this case, the consideration to be paid to the customer is not to be recognized as a revenue deduction item, but rather as an expense item. Flat-rate advertising cost subsidies that are not matched to any specific actions will continue to be recognized as a revenue deduction.

Gigaset is obligated to pay copyright levies to the Zentralstelle für Private Überspielungsrechte (ZPÜ - Central Office for Private Copying Rights). IFRS 15 fundamentally provides that sums collected in the interests of third parties are not to be included in the transaction price. The copyright levy payments are therefore not recognized as part of the operating revenues.

Operating expenses are recognized as expenses when the service is rendered or when they occur. Expenditures for research activities are recognized as expenses. An internally generated intangible asset produced as a result of the Group's development activities is only recognized as an asset if the criteria of IAS 38 are met. If an internally generated intangible asset cannot be recognized according to the criteria set out in IAS 38, the development costs are recognized as expenses in the period in which they occur.

“Income from the reversal of negative goodwill arising from capital consolidation” is presented within other operating income and is part of the EBITDA. Gains or losses from deconsolidation are presented in other operating income or other operating expenses and are also part of the EBITDA.

Research and development expenditures

Expenditures for research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in full as an expense. On the other hand, expenditures for development, which is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products and processes, are capitalized. Recognition is permitted if the entity can demonstrate its ability to measure reliably the development expenditures and that the product or process is technically and economically feasible and will generate probable future economic benefits. In addition, Gigaset must have the intention and the resources available to complete the development and to use or sell the asset. The ability to capitalize intangible assets is determined using a milestone plan that precisely defines from which milestone on capitalization can be applied. The capitalized expenses cover the cost of materials, direct labor costs, and the directly allocable general overhead, provided these are used to make the asset available for use, and borrowing costs to be capitalized pursuant to IAS 23 unless they are not immaterial. The capitalized costs are recognized under internally generated intangible assets. Other development expenditures are recognized immediately in profit or loss when they arise. Capitalized development expenditures are measured at production cost, less accumulated scheduled amortization and impairments.

Government grants

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

Government grants in the form of government guarantees of bank loans are taken into consideration in determining the fair value of the loan.

Financial result

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

Interest paid for leases is recognized in accordance with the regulations of IFRS 16 Leases.

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

Income taxes

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

A uniform rate of 15.0% for corporate income tax plus a solidarity surcharge of 5.5% is applied to distributed and retained profits for calculating current taxes in Germany. Local trade tax is levied on profits generated in Germany, as is corporate income tax. The local trade tax rate ranges from 16.0% (PY: 16.0%) to 17.2% (PY: 17.2%).

The profits generated by international Group subsidiaries are determined on the basis of local tax law and are taxed at the applicable rate in the country of domicile. The applicable country-specific income tax rates vary between 15.8% (PY: 17.4%) and 33.0% (PY: 33.3%).

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

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

- In the case of company acquisitions, deferred tax assets are normally recognized on tax loss carry-forwards and temporary differences at the acquisition date in accordance with the general regulations; however, insofar as reorganization cases are acquired, deferred tax assets are not recognized except in amounts up to the amount of deferred tax liabilities that have been recognized, provided that offsetting is permissible.

- In the case of companies that have a history of generating losses instead of profits, deferred tax assets are recognized at least in the amount required to offset deferred tax liabilities, and above that amount only if use of the loss carry-forwards is probable based on positive plans.

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

Impairment losses are recognized for deferred tax assets that are no longer expected to be realized within a plannable period. Unrecognized deferred tax assets are reviewed and capitalized to the extent to which it has become probable for them to be utilized on account of taxable income generated in the future. For the first time as of the 2020 financial year, a planning period of 5 years was used as the planning period for recognizing deferred tax assets. A planning period of 4 years had been applied in the previous years. The extension of the planning period reflects the development of the business model. The period for the Group's budget is three years (PY: three years), but the most recent budget year of the individual company is updated without change for the impairment test of the deferred tax assets.

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

Earnings per share

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

Purchased intangible assets

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

The following estimated useful lives are applied:

- Patents, utility designs, trademarks, publishing rights, copyrights and performance rights: Over the expected useful life, but usually from 3 to 10 years

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

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

- Licensed software: 3 years

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

Purchased intangible assets with indefinite useful lives are not subject to scheduled amortization but are tested for impairment once a year in accordance with IAS 36. If the recoverable amount is less than the carrying amount, the impairment is recognized in profit or loss.

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

Internally generated intangible assets

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

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

Property, plant and equipment

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

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

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

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

Investment property

Investment property refers to land and/or buildings or parts of buildings held to earn rentals or for capital appreciation. In the year of acquisition, such properties are measured at cost, including transaction costs incurred. If a previously self-used property is to be used as investment property in the future ("change in use"), it is reclassified to investment property. Gigaset applies the fair value model to account for investment properties. When existing properties are reclassified, any revaluation effects resulting from measurement at fair value are recognized directly in equity, including deferred taxes. Upon subsequent measurement, current changes in the fair value of investment properties are recognized in profit or loss. Investment properties measured at fair value are not depreciated.

Borrowing costs

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

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

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

Noncurrent assets held for sale

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

Impairments of non-financial assets

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

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

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

Leases

A lease is a contract that conveys the right to control the use of an identified asset for a specific period against payment of consideration. As a lessee, the Group fundamentally recognizes right-of-use assets for the leased objects ("Right-of-use assets" in the statement of financial position) and liabilities at present values for the payment obligations entered into ("Lease liabilities" balance sheet item under both current and noncurrent liabilities) for all leases. The lease liabilities include the following lease payments:

- Fixed payments less any lease incentives to be received,
- Variable payments linked to an index or interest rate and that are measured initially using the index or (interest) rate applicable on the commencement date (e.g., payments that are linked to a reference interest rate such as the LIBOR),
- Expected residual value payments from residual value guarantees,
- The exercise price of a purchase option if such exercise was considered to be sufficiently certain, and
- Contractual penalties for termination of the lease if its term factors in the fact that a termination option will be exercised by which such exercise is indicated.

Lease payments are discounted using the interest rate implicit in the lease insofar as it can be determined. Otherwise, discounting is applied at the incremental borrowing rate that factors in the term of the individual contract, the economic environment, and the contract currency. Right-of-use assets are measured at cost of purchase, which breaks down as follows:

- Lease liability (as described above in this section),
- Lease payments made upon or before commencement,
- less lease incentives received,
- plus initial direct costs, and
- the estimated costs to be incurred by the lessee for dismantling and removal of the underlying asset, restoration of the location, or restoration of the underlying asset to the state required in the lease agreement (restoration obligations).

In subsequent periods, rights-of-use assets are measured at amortized cost. The depreciation of right-of-use assets is applied on a straight-line basis over the period of the contractual relationship. For low-value leases (with an underlying fair value of less than EUR 5,000.00) and for short-term leases (less than twelve months), the application simplifications are used and the payments are recognized as expenses within EBITDA on the income statement. Furthermore, the new regulations are not applied to leases of intangible assets.

The capitalized right-of-use assets under leases are depreciated over the relevant useful life (contract term or economic life upon expected transfer of ownership) and thus reduce the Group EBIT. The portion of interest allocable to the leases according to the effective interest method is presented after the EBIT within the income statement and likewise influences consolidated earnings.

In case of contracts that include non-lease components along with lease components, the option of foregoing a separation of these two components is used when such a separation is not immediately apparent from the contract. In addition, internal Group leases are not presented according to the provisions of IFRS 16 Leases – in accordance with internal management pursuant to IFRS 8 – but rather presented through operating results analogously to low-value leases and short-term leases due to the circumstance that effects from them are eliminated within the framework of consolidation.

Lease contracts for real estate generally include extension and termination options. Such contract conditions offer the Group the greatest possible flexibility. When determining the contract periods, all facts and circumstances are taken into account that offer an economic incentive to exercise extension options or not to exercise termination options. Changes in the periods arising from the exercise or non-exercise of such options are only factored into the contract period when they are sufficiently certain.

Insofar as reassessments such as a changed assessment regarding exercise of an extension option or change in a lease payment or even modification of the lease agreement occur during the period of lease agreements, this circumstance is taken into account accordingly at the time of the reassessment or modification and a corresponding change is applied to the right-of-use asset and the lease liability. Please see "Assumptions and estimates made for accounting and valuation purposes" below for further information on uncertainties and discretionary judgments relating to the recognition of leases.

Inventories

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

Trade receivables

Trade receivables are measured at amortized cost less value adjustments unless they are subject to factoring. A value adjustment is charged against trade receivables if the determination based on lifetime expected loss indicates such an adjustment. The value adjustment is recognized in profit or loss. If the reasons for the value adjustments charged in prior periods no longer exist, the value adjustments are reversed accordingly.

Trade receivables that are subject to a factoring agreement are carried at fair value through profit or loss and are allocated to the category "fair value through profit or loss" (FVPL) within financial assets.

Factoring

Some companies of the Gigaset Group assign a portion of their trade receivables to financing companies (known as factors). In accordance with IFRS 9, sold trade receivables are derecognized only when significant portions of the risks associated with the receivables have been transferred to the buyer of the receivables. Under existing contractual agreements, significant portions of the risk of customer insolvency (del credere risk) are transferred to the factor. Gigaset still bears a portion of the interest and late payment risk of these receivables and therefore recognizes the receivables in the amount of the remaining commitments ("continuing involvement"). These receivables are offset by a liability of an amount that reflects the obligations remaining with Gigaset. In accordance with the requirements of IFRS 9, the sold receivables are therefore partially derecognized as of the reporting date, although the portion that remains as the continuing involvement is low compared with the total amount of sold receivables. The purchase price retentions withheld initially by the factor as security are recognized separately under the category of other assets. They are due as soon as the customer's payment is received.

The remaining late payment risk due to purchase price retentions and the remaining interest rate risk are recognized as "continuing involvement" within trade receivables. This continuing involvement is offset by a corresponding other liability that reflects the risks remaining with Gigaset, which is recognized under current other liabilities.

Additional purchase price retentions are agreed with the factor to account for legal validity and revenue deduction risk, which have been recognized as other assets.

Barring problems in the payment flows, these retentions will be due and payable after a period of limitation.

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

The interest expenses resulting from the sale of receivables are recognized in financial result. Administrative fees are recognized as other operating expenses.

Cash and cash equivalents

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

Financial assets

The categorization of the financial assets depends on Gigaset's individual business model for managing the financial assets and the characteristics of the contractual payment flows. The individual business models differ between "collect", "hold and collect", and "other". The characteristics of the contractual payment flows are checked to see whether they are "solely payments of principal and interest" - SPPI. The financial assets are subdivided into the following categories at Gigaset depending on the business model and the characteristics of the contractual payment flows:

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

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

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

Financial assets measured at amortized cost (AC)

Financial assets that match both the "collect" business model as well as the "SPPI" criterion for the contractual payment flows are assigned to this category. At Gigaset, this primarily includes trade receivables, loans and other financial receivables and assets, as well as cash and cash equivalents. They are presented as current assets as long as their due date is not more than 12 months after the reporting date and as noncurrent assets if their due date is more than 12 months after the reporting date. The subsequent measurement of these assets is carried out by applying the effective interest method. Value adjustments for financial assets that are carried at amortized cost must normally be determined according to a three-step model (Step 1: expected loss for 12 months Step 2 in case of a significant increase in credit risk: lifetime expected loss, Step 3: individual measurement based on an expected default). An exception to this applies to trade receivables for which determination of a possible impairment is carried out based on the lifetime expected loss model for reasons of simplification.

Financial assets measured at fair value through profit or loss (FVPL)

This category includes financial assets that are not to be allocated to any other category and those that were categorized from the beginning at fair value through profit or loss based on the fair value option. They are presented as current assets as long as their due date is not more than 12 months after the reporting date and as noncurrent assets if their due date is more than 12 months after the reporting date. The subsequent measurement for these assets occurs at fair value with recognition of the impairments in profit or loss. Derivative financial instruments also belong to this category. Please see the discussion in this section under "Derivative financial instruments".

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets that match both the "collect" business model as well as the "SPPI" criterion for the contractual payment flows are assigned to this category. Equity instruments for which Gigaset uses the option of subsequent measurement with no effect on income are also disclosed in this category. The subsequent measurement of these financial instruments is carried out at fair value with recognition of the value fluctuations in other comprehensive income (OCI). Upon disposal of financial assets whose changes in value were previously recorded in other comprehensive income (OCI), the cumulative changes in value must be reclassified to the profit or loss for the period ("recycling") insofar as these assets were also classified in this way beforehand. This does not apply to equity instruments under IFRS 9 for which no recycling is planned, where the measurement effects remain in equity.

Financial assets (hedge accounting)

Insofar as financial assets – in Gigaset's case, foreign currency derivatives – are recognized within the framework of the regulations of hedge accounting pursuant to IFRS 9, they must be carried according to the regulations for hedge accounting. Please see the following discussion under "Derivative financial instruments" regarding the treatment of derivative financial instruments within the framework of a hedge.

Derivative financial instruments

In accordance with IFRS 9, derivative financial instruments are measured at fair value as of the reporting date if the fair value can be reliably measured. The Company recognizes the change in the fair value of the derivative financial instruments either in the consolidated income statement or, if cashflow hedges are involved, in equity in the item of "Accumulated other comprehensive income" after consideration of deferred income taxes.

Cashflow hedges: The effective portion of the change in the fair value of the derivative instruments that are classified as cashflow hedges is recognized in the item of "Accumulated other comprehensive income" after consideration of deferred income taxes. The ineffective portion is recognized immediately in the consolidated income statement. The amounts accumulated in equity are recognized in the consolidated income statement in the same period in which the underlying transaction is recognized in the consolidated income statement. In the reporting period, the Company recognized cashflow hedges exclusively for hedges of planned foreign currency transactions. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the determination of fair value, the counterparty credit risk has to be taken into consideration.

If a contract contains one or more embedded derivatives that IFRS 9 requires to be recognized separately, such derivatives are measured at fair value both at initial recognition and in subsequent periods. Gains or losses from changes in fair value are normally recognized immediately in profit or loss.

Equity

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

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

Provisions

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

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

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

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

Employee Benefits

Pension obligations

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

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

- Retirement pensions when the respective pension age is reached
- Disability pensions in the event of disability or reduced working capacity
- Surviving dependent pensions
- Non-recurring payments upon termination of the employment contract

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

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

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

Termination benefits

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

Other long-term employee benefits

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

Profit-sharing and bonus plans

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

Liabilities

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

In accordance with IFRS 9, derivative financial instruments are measured at fair value as of the reporting date if the fair value can be reliably measured. The Company recognizes the change in the fair value of the derivative financial instruments either in the consolidated income statement or, if cashflow hedges are involved, in equity in the item of "Accumulated other comprehensive income" after consideration of deferred income taxes.

Cashflow hedges: The effective portion of the change in the fair value of the derivative instruments that are classified as cashflow hedges is recognized in the item of "Accumulated other comprehensive income" after consideration of deferred income taxes. The ineffective portion is recognized immediately in the consolidated income statement. The amounts accumulated in equity are recognized in the consolidated income statement in the same period in which the underlying transaction is recognized in the consolidated income statement. In the reporting period, the Company recognized cashflow hedges exclusively for hedges of planned foreign currency transactions.

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

Segment report

In accordance with IFRS 8, operating segments are recognized on the basis of the Company's internal organization and reporting structure. An operating segment is defined as a "component of an entity" that engages in business activities from which it generates income and expenses, whose financial performance is reviewed regularly by the chief operating decision maker for purposes of performance assessment and resource allocation, and for which discrete financial information is available. The chief operating decision maker is the Executive Board of the Company.

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

The reportable segments of the Gigaset Group are the following:

- Gigaset
  - Germany
  - EU
  - Rest of World
- Holding company
  - This segment comprises the activities of Gigaset AG, Gigaset Industries GmbH, CFR Holding GmbH, GIG Holding GmbH, GOH Holding GmbH and Hortensienweg Management GmbH.

Legal disputes and claims for damages

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

Assumptions and estimates made for accounting and valuation purposes

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

Gigaset was adversely impacted by the coronavirus pandemic, both commercially and economically, in the financial year 2020 although the impact was softened by certain effects of the wide-ranging measures implemented by the Company and governments, including financial assistance. The Group's business activity, operating environment and particularly also the purchasing behavior of consumers were influenced by the measures implemented to combat the pandemic. In view of the continuing worldwide pandemic, forecasts and planning assumptions are fraught with considerable risks given that the duration and extent of the further course of the coronavirus pandemic can affect Gigaset's assets, liabilities, results and cashflows. The estimates and assumptions made in preparing the consolidated financial statements were based on the knowledge and best possible information available at the time. In its business planning, Gigaset has assumed that the effects of the coronavirus pandemic will not be long term in nature and that conditions will gradually improve in all areas. Gigaset therefore assumes that the effects will not be material or grave. Coronavirus-related effects may continue to manifest in the form of interest rate adjustments, volatile foreign exchange rates, worsening credit ratings, payment defaults or delays, delays in order execution, contract cancellations, changing cost structures, volatility in commodity and financial markets, and difficulties in predicting and forecasting the amounts and timing of cashflows.

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

Estimates made in connection with impairment tests

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

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

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

Leases

The measurement of the capitalized right-of-use assets is subject to estimates and assumptions that are recognized based on option exercise rights in the lease contracts. The options result primarily from extension and/or termination options for leases. This gives the Company a certain flexibility to react to changing circumstances. The assessment of the probability of exercising the option requires a high level of discretionary decisions, which, however, are only considered to be exercisable and thus recognized if it is highly probable that it will be exercised. In case of changes regarding the assumptions, the resulting effects immediately enter into the measurement of the leases so that they always reflect the best possible current level of knowledge.

Investment property

The fair value of investment property is regularly reviewed and assessed on the basis of expert appraisals. In assessing the fair value, the expert appraiser applies various assumptions and estimates, as well as standard market information. These assumptions and estimates also relate to forward-looking appraisal parameters, which can naturally give rise to uncertainties.

Income taxes

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

The amount of tax provisions and tax liabilities is based on estimates of whether and in what amount income taxes will be payable.

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

Furthermore, uncertainties are inherent in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due particularly to the wide-ranging international activities of the corporate group, any differences between the

actual profits or losses generated and the Management's assumptions in this regard or future changes to these assumptions may lead to different tax results in future periods.

Provisions

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

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

Contingent liabilities

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

Changes in the estimates of these risks may have a considerable effect on the future financial performance.

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

C. NOTES ON FINANCIAL INSTRUMENTS

Definitions of classes pursuant to IFRS 9

Specific measurement categories for financial assets and financial liabilities were introduced due to the implementation of IFRS 9 Financial Instruments. In this section, the categories are labeled using the abbreviations shown in parentheses below, particularly in tables.

Financial assets – categories per IFRS 9

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

Financial liabilities – categories per IFRS 9

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

Significance

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

A financial instrument is a contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Aside from cash and cash equivalents, financial assets also mainly include uncertificated receivables such as trade receivables, loans and advances and certificated receivables such as checks, bills of exchange and debentures. Likewise, the term financial assets is also understood to include financial investments and derivatives held with positive market values. Financial liabilities, on the other hand, usually constitute a contractual obligation to deliver cash or another financial asset. They include trade payables, liabilities due to banks, lease liabilities, loans, liabilities under accepted bills of exchange and the issuance of the Company's own bills of exchange, as well as options written and derivative financial instruments with negative fair values.

Financial risk factors

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

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

Credit risk/default risk

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

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

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

The following summaries present the financial assets by measurement categories along with any collateral received for them.

Balance sheet items	**Measurement category**	**Maximum default risk (carrying amount)**	**Collateral held**		**Mathematical risk**
12/31/2020		**EUR'000**	**EUR'000**	**%**	**EUR'000**
Noncurrent assets					
Financial assets	FVOCI	0	0	n/a	0
Current assets					
Trade receivables	AC	17,750	13,024	73.4%	4,726
Trade receivables	FVPL	6,869	3,242	47.2%	3,627
Other assets	AC	12,442	0	0.0%	12,442
Other assets	Hedging	0	0	n/a	0
Cash and cash equivalents	AC	42,045	0	0.0%	42,045
Total		**79,106**	**16,266**	**20.6%**	**62,840**

Balance sheet items	Measurement category	Maximum default risk (carrying amount)	Collateral held		Mathematical risk
12/31/2019		**EUR'000**	**EUR'000**	**%**	**EUR'000**
Noncurrent assets					
Financial assets	FVOCI	7,686	0	0.0%	7,686
Current assets					
Trade receivables	AC	21,944	15,878	72.4%	6,066
Trade receivables	FVPL	23,473	13,360	56.9%	10,113
Other assets	AC	15,394	0	0.0%	15,394
Other assets	Hedging	0	0	n/a	0
Cash and cash equivalents	AC	36,557	0	0.0%	36,557
Total		**105,054**	**29,238**	**27.8%**	**75,816**

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

Financial assets	12/31/2020		12/31/2019	
	EUR'000	%	EUR'000	%
Germany	45,493	57.5	65,485	62.3
Europe (excluding Germany)	21,300	26.9	27,848	26.5
Rest of World	12,313	15.6	11,721	11.2
Total	**79,106**	**100.0**	**105,054**	**100.0**

As a rule, value adjustments are charged in adequate amounts to account for discernible default risks in the receivables portfolio. The changes in value adjustments on trade receivables are presented in tabular format in Note E.6, Trade payables.

Liquidity risk

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

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

Due to the dynamic nature of the business environment, the operating business is for the most part financed by way of an optimized working capital approach under which financing is procured from factoring. The financing through factoring as currently practiced is also not endangered in the long term.

The Group concluded a credit facility for up to EUR 20.0 million in 2018. The loan taken out had a value of EUR 15.9 million as of December 31, 2019. Since the tax liabilities turned out to be less than originally planned, Gigaset was not forced to completely draw down the loan. The maximum credit volume, originally up to EUR 20.0 million, was frozen at EUR 15.9 million, but at the same time, the term of the loan was extended by two years in order to alleviate Gigaset's liquidity.

Repayment of the loan began initially in January 2020, but due to the coronavirus situation a repayment suspension was agreed from March to and including August 2020 to protect the liquidity of the Gigaset Group during the pandemic. The amended repayment agreement left the loan term unchanged with monthly installments up to October 2024. The monthly repayment installments from September 2020 to December 2021 were reduced to 50% of the original repayment amounts. The repayment installments for the periods beginning in January 2022 will be increased accordingly. Due to the modification of loan terms, the accounting values were adjusted on the basis of the effective interest method. This adjustment generated a positive financial result of EUR 0.2 million in financial year 2020.

As of December 31, 2020, the loan balance was EUR 14.5 million, divided into an amount of EUR 1.7 million due in less than one year and an amount of EUR 12.8 million due in more than one year and less than five years. The loan is denominated in euros and bears interest at a fixed, effective annual interest rate of 5.16% and is measured at amortized cost. Therefore, it has no effect on the Group's exposure to foreign currency and interest rate risks.

Because it could be foreseen at an early stage that the agreed covenants for 2020 could not be fulfilled due to the coronavirus pandemic, an agreement was reached with the financing banks in September under which they will not exercise the associated loan termination options. An adjustment of the covenants for the subsequent period was negotiated with the banks and a new definition of the covenants to be fulfilled ("net gearing ratio") was agreed for the subsequent periods in the first quarter of 2021. The loan is secured by the Company in the full amount by land and buildings, other noncurrent assets and machinery, the assignment of goods stored in the warehouse, and the pledge of intangible assets held at the time of concluding the loan.

As part of the government measures to combat the economic effects of the coronavirus pandemic, the French national subsidiary received an interest-free liquidity assurance loan for EUR 2.0 million with a term of 12 months in June 2020. This loan must be repaid in full at the end of this term. Upon initial recognition, the loan was measured at fair value in accordance with IFRS 9 and presented as a current financial liability. In subsequent periods, the loan will be measured at amortized cost.

In the table below, the financial liabilities are broken down by term to maturity. The non-derivative financial liabilities are measured at amortized cost as in the previous year. Lease liabilities are presented in addition to the other financial liabilities. The undiscounted cashflows are shown:

12/31/2020 in EUR'000	Carrying amount	Total outflow	< 1 year	1 - 5 years	> 5 years
Non-derivative financial liabilities	**72,585**	**74,506**	**60,787**	**13,719**	**0**
Financial liabilities	16,452	18,076	4,357	13,719	0
Trade payables	45,032	45,032	45,032	0	0
Other liabilities	11,101	11,398	11,398	0	0
Derivative financial liabilities	**839**	**839**	**839**	**0**	**0**
Lease liabilities	**3,730**	**3,940**	**1,777**	**2,163**	**0**
Total	**77,154**	**79,285**	**63,403**	**15,882**	**0**

12/31/2019 in EUR'000	Carrying amount	Total outflow	< 1 year	1 - 5 years	> 5 years
Non-derivative financial liabilities	**67,268**	**68,449**	**57,653**	**10,796**	**0**
Financial liabilities	15,900	17,081	6,285	10,796	0
Trade payables	51,247	51,247	51,247	0	0
Other liabilities	121	121	121	0	0
Derivative financial liabilities	**128**	**128**	**128**	**0**	**0**
Lease liabilities	**4,390**	**4,623**	**1,696**	**2,925**	**1**
Total	**71,786**	**73,200**	**59,477**	**13,721**	**1**

A more detailed presentation of trade payables in the maturity range "< 1 year" is provided in Note E.16 Trade payables.

Most of the Gigaset companies receive goods under country-specific retentions of title.

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

Financial liabilities	12/31/2020		12/31/2019	
	EUR'000	%	EUR'000	%
Germany	43,938	59.8	26,053	38.7
Europe (excluding Germany)	15,052	20.5	17,005	25.2
Rest of World	14,434	19.7	24,338	36.1
Total	**73,424**	**100.0**	**67,396**	**100.0**

Market price risk

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

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

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

Foreign currency risk

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

Of the financial instruments presented for the Group, an amount of EUR 29,167 thousand (PY: EUR 16,643 thousand) consisted of financial assets denominated in foreign currencies and an amount of EUR 17,272 thousand (PY: EUR 29,141 thousand) consisted of financial liabilities denominated in foreign currencies.

The risk concentrations based on foreign currencies are presented in the table below:

	12/31/2020		12/31/2019	
Financial assets in	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	12,856	44.1	2,413	14.4
CHF (Swiss franc)	4,318	14.8	1,597	9.6
GBP (British pound)	3,307	11.3	2,009	12.1
TRY (Turkish lira)	2,193	7.5	2,950	17.7
CNY (Chinese renminbi yuan)	1,952	6.7	1,779	10.7
RUB (Russian ruble)	1,873	6.4	4,325	26.0
PLN (Polish zloty)	1,132	3.9	1,025	6.2
JPY (Japanese yen)	848	2.9	0	0.0
SEK (Swedish krona)	262	0.9	344	2.1
NOK (Norwegian krone)	225	0.8	99	0.6
DKK (Danish krone)	201	0.7	102	0.6
Total	**29,167**	**100.0**	**16,643**	**100.0**

	12/31/2020		12/31/2019	
Financial liabilities in	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	13,765	79.7	25,005	85.7
CNY (Chinese renminbi yuan)	2,107	12.2	2,020	6.9
CHF (Swiss franc)	578	3.3	691	2.4
TRY (Turkish lira)	331	1.9	491	1.7
PLN (Polish zloty)	155	0.9	179	0.6
GBP (British pound)	127	0.7	253	0.9
RUB (Russian ruble)	98	0.6	138	0.5
JPY (Japanese yen)	81	0.5	294	1.0
Other	30	0.2	70	0.3
Total	**17,272**	**100.0**	**29,141**	**100.0**

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

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

Result of the currency sensitivity analysis:

If the relative value of the euro against the foreign currencies in which the Gigaset Group operates had been 10% higher or 10% lower as of December 31, 2020, the equity presented in the functional currency would have been EUR 1,080 thousand lower or EUR 1,322 thousand higher, respectively (PY: EUR 1,136 thousand higher or EUR 1,389 thousand lower).

The hypothetical effect on profit or loss (after taxes) of EUR -1,080 thousand (PY: EUR 1,136 thousand) or EUR 1,322 thousand (PY: EUR -1,389 thousand), respectively, is broken down in the table below on the basis of the corresponding currency sensitivities:

	2020		2019	
EUR'000	**+10%**	**-10%**	**+10%**	**-10%**
EUR/USD	83	-101	2,054	-2,510
EUR/CNY	14	-17	22	-27
EUR/DKK	-18	22	-7	9
EUR/NOK	-20	25	-9	11
EUR/SEK	-21	26	-27	33
EUR/JPY	-70	85	27	-33
EUR/PLN	-89	109	-77	94
EUR/RUB	-161	197	-381	465
EUR/TRY	-169	207	-224	273
EUR/GBP	-289	353	-160	195
EUR/CHF	-340	416	-82	101
Total	**-1,080**	**1,322**	**1,136**	**-1,389**

To hedge risks arising from expected future transactions in foreign currencies, the Company regularly enters into foreign currency derivatives in the context of its risk management strategy. Short-term and medium-term company planning and the Group's liquidity planning constitute the basis for concluding hedging transactions. In principle, the incoming and outgoing payments determined per foreign currency are netted individually, taking the maturity structure into account, and hedged in one sum as a net item. Generally, up to 80% of the expected net item is hedged. Therefore, the planned procurement transactions are classified as highly probable. Fee-based hedge transactions and hedges with a hedge ratio above 80% are only concluded with prior coordination and approval of the Management. In the 2020 financial year and in the previous year, foreign currency derivatives were concluded primarily to hedge purchases in U.S. dollars (EUR/USD).

The Company uses hedge accounting regulations for foreign currency hedging in the Group. Representing foreign currency hedges based on hedge accounting regulations is intended to achieve more adequate disclosure within the income statement. Therefore, essentially no income or expenses from the measurement of the derivatives will be presented within exchange rate gains or losses for active hedging relationships; instead, the hedge transactions will be included in the purchased goods. Since future goods purchases in U.S. dollars will be hedged in the context of the hedge relationship based on existing plans, this is a cashflow hedge. To the extent that the relevant hedging activity is achieved with a high degree of probability, the changes in the value of the derivatives will be recognized in equity until the expected transaction is performed. Once the transaction has been performed, the effects arising from the hedge transactions will be included in the materials to be procured.

The forward exchange contracts existing as of December 31, 2020, for which hedge accounting was used, satisfy the requirements of IFRS 9 for cashflow hedges. The risk management strategies and the hedging documentation are harmonized with the regulations of IFRS 9. Effectiveness was assessed at the time of designation of the hedging relationships based on a prospective effectiveness test. This test led to the result that the defined hedging relationships were to be considered effective.

As of the reporting date, an accumulated amount of EUR -366 thousand (PY: EUR -71 thousand) was recognized in equity, taking deferred taxes relating to foreign currency derivatives into account. The effect from cashflow hedges, which were recognized in equity in the current period, is EUR -432 thousand (PY: EUR -1,603 thousand). Income taxes of EUR 137 thousand (PY: EUR 510 thousand) were recognized on this amount.

As of the reporting date, the Group held 9 (PY: 36) foreign currency derivatives to hedge the exchange rate of the U.S. dollar against the euro, for a total notional amount of USD 20.65 million (PY: USD 27.0 million) with a term until December 2021. .

Eight USD foreign currency derivatives are designed as "plain vanilla" forward exchange contracts. One USD foreign currency derivative is designed as a structured derivative.

The regulations of hedge accounting are used as of the reporting date for 9 (PY: 36) foreign currency derivatives to hedge USD transactions. The volume of these forward contracts amounts to USD 20.65 million (PY: USD 27.0 million). The weighted average hedging rate for the USD amounts to 1.23 EUR/USD in the reporting year, and 1.12 EUR/USD in the previous reporting period.

As of the reporting date, the terms of the forward foreign exchange contracts run from January 2021 to December 2021 (PY: January 2020 to December 2020). The following hedging transactions were concluded for the listed U.S. dollar amounts for the individual months:

USD hedging transactions in million USD/ Period until month	**2021**	**2020**
January	8.35	2.25
February	2.05	2.25
March	1.25	2.25
April	1.00	2.25
May	1.00	2.25
June	1.00	2.25
July	1.00	2.25
August	1.00	2.25
September	1.00	2.25
October	1.00	2.25
November	1.00	2.25
December	1.00	2.25
Total	**20.65**	**27.00**

As of the reporting date, the derivatives were measured at their fair value of EUR -839 thousand (PY: EUR -128 thousand), and are recognized under Other current liabilities.

The currency sensitivity analysis for the US dollar derivatives existing as of the reporting date yielded the result that a devaluation of the U.S. dollar by 10% would have led to a reduction in the fair value of EUR -1,498 thousand (PY: EUR -2,408 thousand), and an appreciation of the U.S. dollar by 10% would have led to an increase in the fair value of EUR 1,566 thousand (PY: EUR 1,361 thousand). Thus, equity (disregarding deferred taxes) would have been reduced by EUR 1,498 thousand (PY: EUR 2,408 thousand) if the U.S. dollar exchange rate had been 10% higher, and increased by EUR 1,566 thousand (PY: EUR 1,361 thousand) if the U.S. dollar exchange rate had been 10% lower.

This information breaks down as follows for the reporting period with respect to the statements relevant to Gigaset pursuant to IFRS 7.24a and 7.24b:

EUR'000	**12/31/2020**	**12/31/2019**
Carrying amount, derivatives hedging with positive carrying amount	0	0
Balance sheet item in which derivatives with a positive carrying amount are shown	Other assets (current)	Other assets (current)
Carrying amount, derivatives hedging with negative carrying amount	839	128
Balance sheet item in which derivatives with a negative carrying amount are shown	Other liabilities (current)	Other liabilities (current)
Change in fair value as basis for determining ineffectiveness	-839	-128
Change in fair value, underlying transaction	839	128
Cumulative amount recorded in equity for cashflow hedges (factoring in deferred taxes)	-366	-71
Nominal value of the hedging transactions in USD	20,650	27,000

Interest rate risks

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

No noncurrent financial assets or liabilities with variable interest rates existed as of the reporting date.

Noncurrent financial liabilities with fixed interest rates exist as of the reporting date. A theoretical fair value risk arises for the noncurrent liabilities insofar as the loan carried at amortized cost could be redeemed prematurely at market value. The calculated fair value of the loan based on the current interest rate level as of the reporting date is EUR 15,046 thousand for a loan balance of EUR 14,502 thousand (PY: EUR 16,296 thousand for a loan balance of EUR 15,900 thousand.). In case of an increase in the interest rate level by 10%, the fair value would decline by EUR 24 thousand (PY: EUR 14 thousand), while in case of a decrease in the interest rate level by 10%, the fair value would increase by EUR 24 thousand (PY: EUR 14 thousand).

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

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

Other price risks

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

Classification

The individual valuation classes and categories of IFRS 9, along with the corresponding carrying amounts and fair values of the financial instruments, are presented in the table below. The lease liabilities are additionally included in the summary. The following table shows the summary as of 12/31/2020:

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2020	Fair value 12/31/2020	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Assets									
Noncurrent assets									
Financial assets	FVOCI	E.5	0	0	0	0	0	0	0
current assets									
Trade receivables	AC	E.7	17,750	17,750	17,750	0	0	0	0
	FVPL	E.7	6,869	6,869	0	0	6,869	0	0
Other assets	AC, FVPL	E.8	12,442	12,442	12,442	0	0	0	0
Cash and cash equivalent	AC	E.10	42,045	42,045	42,045	0	0	0	0
Liabilities									
Noncurrent liabilities									
Financial liabilities	AC	E.14	12,659	12,680	12,659	0	0	0	0
Lease liabilities	Leases	E.3	-	0	0	0	0	0	2,071
Current liabilities									
Current financial liabilities	AC	E.14	3,793	4,316	3,793	0	0	0	0
Current lease liabilities	Leases	E.3	-	0	0	0	0	0	1,659
Trade payables	AC	E.16	45,032	45,032	45,032	0	0	0	0
Other liabilities	AC, FVPL	E.18	11,940	11,940	11,101	0	0	839	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2020	Fair value 12/31/2020	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Thereof aggregated by measurement categories in EUR'000									
Financial assets									
At amortized cost (AC)			72,237	72,237	0	0	0	0	0
At fair value through other comprehensive income (FVCOI)			0	0	0	0	0	0	0
At fair value through profit or loss (FVPL)			6,869	6,869	0	0	0	0	0
Financial assets (hedging)			0	0	0	0	0	0	0
Financial liabilities									
At amortized cost (AC)			72,585	73,129	0	0	0	0	0
At fair value through profit or loss (FVPL)			0	0	0	0	0	0	0
Financial liabilities (hedging)			839	839	0	0	0	0	0

In the previous period as of 12/31/2019, the measurement classes and categories of IFRS 9 break down as follows:

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2019	Fair value 12/31/2019	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Assets									
Noncurrent assets									
Financial assets	FVOCI	E.5	7,686	7,686	0	7,686	0	0	0
Current assets									
Trade receivables	AC	E.7	21,944	21,944	21,944	0	0	0	0
	FVPL	E.7	23,473	23,473	0	0	23,473	0	0
Other assets	AC, FVPL	E.8	15,394	15,394	15,394	0	0	0	0
Cash and cash equivalents	AC	E.10	36,557	36,557	36,557	0	0	0	0
Liabilities									
Noncurrent liabilities									
Financial liabilities	AC	E.14	10,176	10,126	10,176	0	0	0	0
Lease liabilities	Leases	E.3	-	0	0	0	0	0	2,827
Current liabilities									
Current financial liabilities	AC	E.14	5,724	6,170	5,724	0	0	0	0
Current lease liabilities	Leases	E.3	-	0	0	0	0	0	1,563
Trade payables	AC	E.16	51,247	51,247	51,247	0	0	0	0
Other liabilities	AC, FVPL	E.18	249	249	121	0	0	128	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2019	Fair value 12/31/2019	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Thereof aggregated by measurement categories in EUR'000									
Financial assets									
At amortized cost (AC)			73,895	73,895	0	0	0	0	0
At fair value through other comprehensive income (FVCOI)			7,686	7,686	0	0	0	0	0
At fair value through profit or loss (FVPL)			23,473	23,473	0	0	0	0	0
Financial assets (hedging)			0	0	0	0	0	0	0
Financial liabilities									
At amortized cost (AC)			67,268	67,664	0	0	0	0	0
At fair value through profit or loss (FVPL)			0	0	0	0	0	0	0
Financial liabilities (hedging)			128	128	0	0	0	0	0

An indication of fair value is not required for current financial assets and liabilities pursuant to IFRS 7.29 as long as the carrying amount is a reasonable approximate value. Gigaset indicates the fair values in the preceding summaries for completeness and better understanding by the readers of the annual financial statements, but does not carry out separate measurement of the fair values, since the carrying amounts are used as reasonable approximate values. A separate determination is carried out only for the current portion of the noncurrent financial liabilities from the loan, since the effect is material. Therefore, there is also no separate presentation of the other items in the following table, which breaks down the determined fair values for the financial assets and liabilities according to hierarchy levels for financial year 2020 as supplemental information.

12/31/2020		Hierarchy level			
EUR'000	**Category**	**1**	**2**	**3**	**Total**
Financial assets					
Noncurrent financial assets	FVOCI	0	0	0	0
Derivative financial instruments	Hedging	0	0	0	0
Financial liabilities					
Noncurrent and current financial liabilities	AC	0	0	16,996	16,996
Derivative financial instruments	FVPL/ Hedging	0	839	0	839

12/31/2019		Hierarchy level			
EUR'000	**Category**	**1**	**2**	**3**	**Total**
Financial assets					
Noncurrent financial assets	FVOCI	0	0	7,686	7,686
Derivative financial instruments	Hedging	0	0	0	0
Financial liabilities					
Noncurrent and current financial liabilities[1]	AC	0	0	16,296	16,296
Derivative financial instruments	FVPL/ Hedging	0	128	0	128

[1] Compared to the previous year, the presentation has been changed from Level 2 to level 3. No changes in value.

As in the previous year, the category of other assets included no current derivative financial assets in the 2020 financial year. The other liabilities included current derivative liabilities in the amount of EUR 839 thousand (PY: EUR 128 thousand).

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

Liabilities under leases do not fall within the scope of IFRS 9 and are therefore presented separately.

The noncurrent financial assets include the carrying amount for the investment in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category "At fair value through other comprehensive income (FVOCI)". Since the shares in Gigaset Mobile Pte. Ltd. are equity instruments, Gigaset exercised the option pursuant to IFRS 9.5.7.5 and irrevocably assigned these financial assets to the category "At fair value through other comprehensive income (FVOCI)". New information was available from Gigaset Mobile Pte. Ltd. in both the 2018 and 2019 financial years. Due to the circumstance that no current planning was provided, Gigaset had decided to measure the fair value based on the Company's most recent audited annual financial statements and the derived claim to proportional equity. Due to the circumstance that this is a company operating in a foreign currency, the effects of changed exchange rates consequently also had to be factored in. Based on new information regarding the Group's share of equity in the current financial year, an impairment was recognized in the full amount of the remaining balance of EUR 7,410 thousand (PY: EUR 1,159 thousand), which was recognized directly in other comprehensive income due to its classification as FVOCI. In accordance with IFRS 13, the calculation of the fair values must be assigned to Level 3 of the measurement categories for the determination of fair values. The development of the noncurrent financial assets breaks down as follows:

EUR'000	2020	2019
Value at 1/1	**7,686**	**8,686**
Impairment (not affecting profit or loss)	-7,410	-1,159
Foreign currency effects (not affecting profit or loss)	-276	159
Value at 12/31	**0**	**7,686**

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

Trade payables and additional other current financial liabilities (except for the current portion of the loan obligation) are due in full within one year. Therefore, the nominal amounts or repayment amounts of such items are approximately equal to their fair values.

The fair values of other noncurrent financial assets and liabilities due in more than one year are equal to the present values of the future payments associated with the assets and liabilities, with due consideration given to the up-to-date interest rate parameters in every case, which reflect changes in terms related to currencies, interest rates and counterparties. In accordance with IFRS 7, the calculation of these fair values is assigned to Level 3 of the measurement categories for the determination of fair values.

Net gains or losses from financial instruments

	From Interest	From subsequent measurement			From disposal	Net gain or loss
2020 in EUR'000		At fair value	Currency translation	Value adjustment		2020
Financial assets						
AC	-12	0	-2,209	827	0	-1,394
FV	-396	0	0	0	0	-396
FVOCI (with no effect on profit or loss)	0	-7,410	-276	0	0	-7,686
Financial liabilities						
AC	-513	0	1,105	0	181	773
Derivative financial instruments						
FV	0	0	0	0	0	0
Hedging (affecting profit or loss)	0	0	0	0	-278	-278
Hedging (with no effect on profit or loss)	0	-432	0	0	0	-432
2019 in EUR'000						2019
Financial assets						
AC	4	0	109	-728	0	-615
FV	-463	0	0	0	0	-463
FVOCI (with no effect on profit or loss)	0	-1,159	159	0	0	-1,000
Financial liabilities						
AC	-638	0	-142	0	99	-681
Derivative financial instruments						
FV	0	126	0	0	0	126
Hedging (affecting profit or loss)	0	0	0	0	-566	-566
Hedging (with no effect on profit or loss)	0	-1,603	0	0	0	-1,603

Interest from financial instruments is presented within other interest and similar income and interest and similar expenses (see Notes D.8 and D.9). In particular, this item includes interest income on loans extended, interest income and expenses resulting from the application of the effective interest method, interest expenses for receivables from factoring and interest expenses for liabilities to banks and other financial liabilities. No interest income was generated in 2020 or the previous year on financial assets in which impairment losses had been recognized ("unwinding"). In the 2020 financial year, the interest result was influenced by exceptional effects from tax audits in the amount of EUR 135 thousand and interest expenses for leases in the amount of EUR -156 thousand. In the preceding 2019 financial year, the interest result was influenced by one-time effects from external audit interest at EUR 780 thousand as well as by interest income due to claims for damages in the amount of EUR 1,288 thousand and the interest expenses for leases recognized for the first time in the amount of EUR -169 thousand.

The income and expenses recognized for derivatives for which the regulations of hedge accounting were used were recognized in purchased goods and services. In the current year, they increased purchased goods and services by EUR 278 thousand (PY: EUR 566 thousand). In the past financial year, hedge accounting rules were applied to all derivatives. In the previous year, the effects of measurement of derivatives for which the regulations of hedge accounting were not used were presented within exchange rate gains or exchange rate losses in the income statement and amounted to EUR 126 thousand.

Currency translation effects that are relevant to profit or loss are presented under exchange rate gains or exchange rate losses in the income statement.

The other components of the net gain or loss are recognized in Other operating income and Other operating expenses (see Notes D.4 Other operating income and D.6 Other operating expenses).

Net gains or losses on assets measured at amortized cost (AC) include changes in impairments, gains or losses on currency translation, gains on disposal, and payments recovered and reversals of earlier impairments in loans and receivables.

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

Capital management

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

The managed capital encompasses all current and noncurrent liabilities, as well as equity components. Changes in the capital structure over the course of time and the associated change in the dependency on external lenders are measured with the aid of the gearing ratio. The gearing ratio is calculated as of the reporting date, with due consideration given to book equity. Although the presented gearing ratio worsened considerably as a result of the reduced equity, this has not significantly affected the Company's debt servicing capacity. Besides having increased cash and cash equivalents considerably, the Company is also capable of repaying its bank liabilities when due in accordance with the corresponding agreements. In addition, the Company reduced its current liabilities in the past financial year. The increase in noncurrent liabilities relates mainly to pension obligations due to a changed discount factor. However, pension obligations are long-term in nature due to the possibility of making pension payments from pension plan assets and do not give rise to a cash outflow at the present time.

Change in the gearing ratio

EUR'000	2020	2019
Noncurrent liabilities	115,620	109,247
Current liabilities	87,420	94,825
Liabilities	203,040	204,072
Equity	**1,896**	**18,543**
Gearing Ratio	**107.1**	**11.0**

D. NOTES TO THE INCOME STATEMENT

1. Revenues

Operating revenues of the Group resulted primarily from the sale of goods and break down as follows:

EUR'000	2020	2019
Trade revenues	16,562	22,204
Production revenues	197,591	235,659
Total	**214,153**	**257,863**

Operating revenues are distributed over the following business areas:

EUR'000	2020	2019
Phones	157,327	176,340
Smartphones	13,319	21,238
Smart Home	2,443	3,657
Professional	41,064	56,628
Total	**214,153**	**257,863**

The distribution of the operating revenues by regions can be seen in the following breakdown:

in EUR'000	Germany		France		Europe (excluding Germany and France)		Rest of World		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Phones	63,700	69,876	24,888	30,858	54,538	59,617	14,201	15,989	157,327	176,340
Smartphones	6,875	19,375	568	105	5,679	1,758	197	1	13,319	21,238
Smart Home	971	1,875	72	533	1,375	1,223	25	25	2,443	3,657
Professional	23,128	30,116	6,681	7,052	10,730	18,253	525	1,207	41,064	56,628
Total	**94,674**	**121,242**	**32,209**	**38,548**	**72,322**	**80,851**	**14,948**	**17,222**	**214,153**	**257,863**

There were no unsatisfied performance obligations as of the reporting date.

2. Purchased goods and services

EUR'000	2020	2019
Raw materials and supplies	-90,001	-111,392
Purchased goods	-11,906	-16,538
Other	-1,776	-2,967
Total	**-103,683**	**-130,897**

The other purchased goods and services consisted mainly of energy supply costs. Raw materials and supplies included negative effects of hedges of materials purchases in foreign currencies compared to the previous year in the amount of EUR 0.3 million (PY: EUR 0.6 million). Please refer to Section C Notes on Financial Instruments for details on this subject.

3. Other internal production capitalized

The other internal production capitalized consisted mainly of capitalized development costs and the recognition of internally generated intangible and tangible assets.

4. Other operating income

EUR'000	2020	2019
Exchange rate gains	3,896	2,847
Reversal of provisions	1,497	1,402
Disposal of noncurrent assets	18	58
Costs charged to others	66	0
Income from the reversal of value adjustments	885	2
Miscellaneous operating income	4,554	14,230
Other operating income	**10,916**	**18,538**

The exchange rate gains of EUR 3.9 million (PY: EUR 2.8 million) included income from realized and unrealized foreign currency gains in the amount of EUR 3.9 million (PY: EUR 2.7 million) and derivative financial instruments in the amount of EUR 0.0 million (PY: EUR 0.1 million).

The reversals of provisions primarily include the reversal of provisions for licenses in the amount of EUR 0.5 million (PY: EUR 0.6 million) and for bonus provisions in the amount of EUR 0.6 million (PY: EUR 0.3 million).

The miscellaneous other operating income primarily relates to rents in the amount of EUR 1.2 million (PY: 1.4 million). Significantly higher miscellaneous operating income had been generated in the previous year due to various exceptional effects. In 2019, this item included income from a lawsuit for damages won in the amount of EUR 3.3 million, income from the reversal of liabilities for an external audit in the amount of EUR 3.8 million, and larger reversals of trade payables in the amount of EUR 0.7 million.

5. Personnel expenses

EUR'000	2020	2019
Personnel expenses before restructuring	-58,470	-59,995
Personnel expenses from restructuring	0	598
Total (personnel expenses)	**-58,470**	**-59,397**

In the previous financial year, the item of restructuring expenses for personnel included a reimbursement from the transfer company for funds not claimed.

Total **personnel expenses** break down as follows:

EUR'000	2020	2019
Wages and salaries	-45,103	-46,993
Social security, pension expenses and other benefit expenses	-13,367	-12,404
Total	**-58,470**	**-59,397**

In the course of the coronavirus pandemic in the spring of 2020 and the related store closures, Gigaset reacted quickly to the collapse of demand by imposing short-time work for all employees in Germany. Capacities were temporarily reduced, particularly in production and logistics. Also in other national subsidiaries, the short-time work model was used to react to the collapse of demand caused by the coronavirus pandemic.

The claim to refund of social security contributions is treated as government grants in accordance with IAS 20. This claim is presented on a net basis by deducting it from Social security, pension expenses and other benefit expenses within Personnel expenses. In the past financial year, Gigaset claimed EUR 0.6 million in employer’s social security contributions for lost hours from the German Federal Employment Agency (Bundesagentur für Arbeit).

6. Other operating expenses

EUR'000	2020	2019
Marketing and entertainment expenses	-20,110	-26,292
Administrative expenses	-9,899	-10,067
Employee leasing	-7,766	-8,435
Outgoing freight / transport costs	-7,634	-6,313
Exchange rate changes	-4,978	-2,760
Advisory and audit fees	-2,816	-3,095
Addition to warranty provisions	-2,113	-2,000
Maintenance of technical equipment, machinery, operational and office equipment	-1,555	-1,794
Patent and licensing fees	-1,523	-2,254
Expenses for land/buildings (including rent)	-839	-1,903
Research and development expenses	-830	-1,099
Other taxes	-415	-672
Miscellaneous other operating expenses	-3,416	-3,001
Other operating expenses	**-63,894**	**-69,685**

The marketing and entertainment expenses of EUR 20.1 million (PY: EUR 26.3 million) were primarily incurred at Gigaset Communication GmbH in the amount of EUR 9.2 million (PY: EUR 10.1 million). The decline in marketing expenses compared to the previous year mainly reflected the drop in sales caused by the coronavirus pandemic, as well as delayed product launches and marketing campaigns, in all operating segments

Administrative expenses were sharply lower in 2020 due to the reduced travel activity of Gigaset Group employees during the coronavirus pandemic. This led to savings of EUR 1.4 million compared to the previous year. As a countervailing effect, administrative expenses were increased by a penalty of EUR 2.0 million paid by the Spanish subsidiary in financial year 2020. The penalty was imposed because the Spanish tax authority objected to a tax valuation. The Spanish subsidiary has filed an appeal against the penalty notice on the grounds that the valuation is not justifiably objectionable. Gigaset expects that the penalty it paid will be refunded after the penalty notice is repealed.

The item of miscellaneous other operating expenses includes minor impairments of trade receivables.

7. Depreciation, amortization and impairments

EUR'000	2020	2019
Amortization of intangible assets	-8,362	-7,880
Depreciation of property, plant and equipment	-4,891	-5,370
Depreciation of right of use assets	-1,714	-1,521
Total	**-14,967**	**-14,771**

As in the previous year, there were no impairments in financial year 2020.

8. Other interest and similar income

Other interest and similar income in the amount of EUR 0.2 million (PY: EUR 0.0 million) resulted from the discounting of loan liabilities due to modifications and claimed tax refunds of EUR 0.2 million (PY: EUR 2.3 million) in the past financial year. In the previous year, this item consisted mainly of interest income in the amount of EUR 1.3 million in connection with Gigaset AG's legal dispute with SKW Stahl-Metallurgie Holding AG, as well as from external audits in the amount of EUR 1.0 million.

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

9. Interest and similar expenses

Interest and similar expenses in the amount of EUR -1.4 million (PY:EUR -1.6 million) primarily comprised interest expenses for factoring in the amount of EUR -0.4 million (PY: EUR -0.5 million) and the interest expenses for loan financing in the amount of EUR -0.7 million (PY: EUR -0.6 million). The interest expenses from factoring reduce the net result of the category "At fair value through profit or loss". Interest expenses for leases according to IFRS 16 amounted to EUR -0.2 million in the past financial year, unchanged from financial year 2019 (PY: EUR -0.2 million).

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

10. Income taxes

The income tax income (PY: income tax expenses) of EUR 3.5 million (PY: EUR -3.2 million) breaks down as follows:

EUR'000	2020	2019
Current tax expenses (-) / income (+)	1,032	-1,348
Deferred tax expenses (-) / income (+)	2,467	-1,861
Total income tax expenses (-) / income (+)	**3,499**	**-3,209**

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

EUR'000	2020	2019
Result before income taxes	-13,982	14,516
Applicable income tax rate	33%	33%
Expected income tax expenses (-) / income (+)	4,611	-4,787
Tax rate changes	-22	0
Tax rate differences	-238	275
Tax-exempt income	12	286
Non-deductible tax expenses	-574	-2,586
Change in value adjustment on deferred tax assets and non-recognized deferred tax assets for tax loss carry-forwards	-1,524	1,398
Non-period current taxes	1,232	1,962
Other effects	-25	243
Stated income tax expenses (-) / income (+)	**3,499**	**-3,209**
Effective tax rate	25.0%	22.1%

11. Earnings per share

The basic and diluted earnings per share amounted to EUR 0.08 in financial year 2020 (PY: EUR 0.09), as per the following calculation:

EUR'000	2020	2019
PROFIT/LOSS		
Basis for basic earnings per share (share of period profit/loss attributable to shareholders of the parent company)	-10,483	11,307
Effect of potentially diluting common shares: Stock options	0	0
Basis for the diluted earnings per share	-10,483	11,307
NUMBER OF SHARES		
Weighted average common shares outstanding, for calculating basic earnings per share	132,455,896	132,455,896
Effect of potentially diluting common shares: Stock options	0	0
Weighted average common shares outstanding, for calculating diluted earnings per share	132,455,896	132,455,896
Basic earnings per share (in EUR)	-0.08	0.09
Diluted earnings per share (in EUR)	-0.08	0.09

There were no diluting effects in the reporting period, so that the basic (undiluted) earnings per share corresponds to the diluted earnings per share.

12. Dividend proposal

No dividend was paid to shareholders in 2020 for financial year 2019.

The net loss of Gigaset AG calculated in accordance with the German Commercial Code (GCC) amounted to EUR 1.9 million (PY: profit EUR 5.3 million). In the previous year, the result was primarily influenced by exceptional effects in the form of other operating income in the amount of EUR 3.3 million, as well as interest income in the amount of EUR 1.3 million resulting from the positive outcome of the legal dispute on the SKW anti-trust law investigation.

Taking the loss carry-forward of EUR -186.2 million into account, this resulted in an accumulated loss of EUR -188.1 million. In their proposal for the utilization of the accumulated loss, the Executive Board and the Supervisory Board will propose to the annual shareholders' meeting that the Company carry forward this amount to new account.

E. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Intangible assets

EUR'000	Franchises, intellectual property rights and similar rights and licenses	Other intangible assets	Advance payments	Total
Acquisition costs, 1/1/2020	**23,942**	**112,962**	**3,072**	**139,976**
Currency translation	-13	0	0	-13
Acquisitions	15,557	9,906	514	25,977
Disposals	-1	0	0	-1
Transfers	37	0	-37	0
Balance as of 12/31/2020	**39,522**	**122,868**	**3,549**	**165,939**
Amortization, 1/1/2020	**-15,236**	**-87,947**	**-3,035**	**-106,218**
Currency translation	7	0	0	7
Acquisitions	-246	-8,116	0	-8,362
Disposals	1	0	0	1
Balance as of 12/31/2020	**-15,474**	**-96,063**	**-3,035**	**-114,572**
Net carrying amount 12/31/2020	**24,048**	**26,805**	**514**	**51,367**
Net carrying amount 12/31/2019	**8,706**	**25,014**	**37**	**33,757**
Acquisition costs, 1/1/2019	**23,795**	**102,468**	**3,035**	**129,298**
Currency translation	1	0	0	1
Acquisitions	150	10,474	37	10,661
Disposals	-4	0	0	-4
Transfers	0	20	0	20
Balance as of 12/31/2019	**23,942**	**112,962**	**3,072**	**139,976**
Amortization, 1/1/2019	**-15,142**	**-80,165**	**-3,035**	**-98,342**
Currency translation	-1	0	0	-1
Acquisitions	-97	-7,783	0	-7,880
Disposals	4	0	0	4
Balance as of 12/31/2019	**-15,236**	**-87,948**	**-3,035**	**-106,219**
Net carrying amount 12/31/2019	**8,706**	**25,014**	**37**	**33,757**
Net carrying amount 12/31/2018	**8,654**	**22,303**	**0**	**30,957**

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

EUR'000	12/31/2020	12/31/2019
Brand names	8,399	8,399
Franchises	15,649	307
Total	**24,048**	**8,706**

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

At the reporting date, the brand name Gigaset was presented in the amount of EUR 8.4 million (PY: EUR 8.4 million). The brand name "Gigaset" is assigned to Gigaset Communications GmbH and its subsidiaries, as the smallest cash-generating unit. The brand name was subjected to an impairment test as of December 31, 2020 on the basis of the fair value less costs to sell. The calculation was conducted on the basis of a three-year cashflow plan (PY: three-year plan). The planning was prepared using the established planning process and is based both on historical information and on estimates regarding future developments. It is not possible to reconcile it with external information. For the planning period, EBIT margins from operations were calculated as being between 2.6% p.a. and 5.1% p.a. (PY: 2.8% p.a. and 3.9% p.a.). For the period after the detailed planning period, the plan figures were extrapolated over a convergence phase of another five years towards a settled state, plus an appropriate growth rate, in order to reflect the operational development of the segments. The applied discount factor after taxes was 6.9% p.a. (PY: 6.8% p.a.). The discount rate was calculated based on current market data using a risk surcharge based on Gigaset's peer group. Based on the detailed business plan, the growth discount was set at 0.5% (PY: 0.5%). In accordance with IFRS 13, the calculation of the achievable value is assigned to Level 3 of the measurement categories for the determination of fair values. Based on this calculation, there was no need to recognize an impairment loss. The calculations showed that realistically assumable changes in the underlying assumptions would not lead to any impairment losses.

Franchises in the amount of EUR 15.6 million (PY: EUR 0.3 million) consist of purchased licenses. In addition to the otherwise customary software licenses of the Gigaset Group, rights to use intellectual property in the field of IP and TDM desktop telephony were purchased in financial year 2020 within the scope of the cooperation agreement with Unify. The partnership was formed in December 2020 on the basis of an exclusive contract with Unify Software and Solutions GmbH & Co. KG. This contract provides for the exclusive development and production by Gigaset of the next-generation family of desktop telephones. In this connection, Gigaset also purchased licenses for the necessary software components and interfaces. Gigaset is also permitted to use these licenses in its own portfolio of terminal devices. Under the partnership with Unify, Gigaset will exclusively supply more than five million telephones over a minimum contractual term of five years beginning in 2022.

Capitalized development expenses are presented within the item of other intangible assets in the amount of EUR 26.8 million (PY: EUR 25.0 million). They were allocated exclusively to Gigaset Communications GmbH. The development activities of the Gigaset Group represent capitalized product developments.

Advance payments recognized as assets in financial year 2020 consisted mainly of the costs for the implementation of a new ERP software in the Gigaset Group.

Research and development expenses of EUR 0.8 million (PY: EUR 1.1 million) were recognized as expenses in the 2020 financial year, primarily at Gigaset Communications GmbH.

No capitalized goodwill existed as of the reporting date.

In addition, borrowing costs of EUR 0.2 million (PY: EUR 0.1 million) were capitalized in the reporting year. The underlying interest rate is 2.52% (PY: 2.56%).

Under the terms of a blanket assignment, the subsidiary Gigaset Communications GmbH assigned all intangible assets as security for the credit facility concluded in 2018. The amount of the blanket assignment depends on the given maximum outstanding loan liability.

2. Property, plant and equipment

EUR'000	Land, leasehold rights	Buildings, including buildings on non-owned land	Technical equipment, plant and machinery	Other equipment, operational and office equipment	Advance payments and assets under construction	Total
Acquisition costs, 1/1/2020	**4,025**	**19,745**	**2,265**	**21,602**	**45**	**47,682**
Currency translation	0	0	-5	-64	0	-69
Acquisitions	0	0	36	4,739	48	4,823
Disposals	0	0	-29	-4,304	0	-4,333
Transfers	0	-8,789	0	44	-43	-8,788
Balance as of 12/31/2020	**4,025**	**10,956**	**2,267**	**22,017**	**50**	**39,315**
Depreciation, 1/1/2020	**0**	**-12,689**	**-1,348**	**-10,361**	**0**	**-24,398**
Currency translation	0	0	4	53	0	57
Acquisitions	0	-1,099	-252	-3,541	0	-4,892
Disposals	0	0	29	4,304	0	4,333
Transfers	0	4,529	0	0	0	4,529
Balance as of 12/31/2020	**0**	**-9,259**	**-1,567**	**-9,545**	**0**	**-20,371**
Net carrying amount 12/31/2020	**4,025**	**1,697**	**700**	**12,472**	**50**	**18,944**
Net carrying amount 12/31/2019	**4,025**	**7,056**	**917**	**11,241**	**45**	**23,284**
Acquisition costs, 1/1/2019	**4,025**	**19,652**	**2,487**	**21,253**	**80**	**47,497**
Currency translations	0	0	1	14	0	15
Acquisitions	0	93	171	4,970	6	5,240
Disposals	0	0	-394	-4,772	0	-5,166
Transfers	0	0	0	137	-41	96
Balance as of 12/31/2019	**4,025**	**19,745**	**2,265**	**21,602**	**45**	**47,682**
Depreciation, 1/1/2019	**0**	**-11,610**	**-1,445**	**-11,123**	**0**	**-24,178**
Currency translation	0	0	-1	-12	0	-13
Acquisitions	0	-1,079	-296	-3,995	0	-5,370
Disposals	0	0	394	4,769	0	5,163
Transfers	0	0	0	0	0	0
Balance as of 12/31/2019	**0**	**-12,689**	**-1,348**	**-10,361**	**0**	**-24,398**
Net carrying amount 12/31/2019	**4,025**	**7,056**	**917**	**11,241**	**45**	**23,284**
Net carrying amount 12/31/2018	**4,025**	**8,042**	**1,042**	**10,130**	**80**	**23,319**

There were no leased assets in property, plant and equipment at the reporting date of December 31, 2018. Leased assets are recognized as right-of-use assets pursuant to IFRS 16 starting in the 2019 financial year and disclosed separately. See Section E.3, Right-of-use assets and lease liabilities.

In accordance with the change in use resolved by the Executive Board, leased buildings were reclassified from property, plant and equipment in financial year 2020 and are henceforth treated as investment property according to IAS40 and presented separately in the statement of financial position. As a result, acquisition costs of EUR 8.8 million and accumulated depreciation of EUR 4.5 million were reclassified. See Section E.4 Investment Property for more information on this subject.

As in the previous year, no impairments were recognized in property, plant and equipment and no borrowing costs were capitalized in property, plant and equipment in financial year 2020.

Under the terms of a blanket assignment, the subsidiary Gigaset Communications GmbH assigned all property, plant and equipment as security for the credit facility concluded in 2018. The amount of the blanket assignment depends on the given maximum outstanding loan liability.

3. Right of use assets and liabilities under leases

The following items are presented in the statement of financial position in connection with leases pursuant to IFRS 16:

EUR'000	12/31/2020	12/31/2019
Right of use asset land	113	14
Right of use asset buildings	1,949	2,946
Right of use asset other plant and office equipment	1,401	1,371
Total	**3,463**	**4,331**
Lease liabilities - current	1,659	1,563
Lease liabilities - noncurrent	2,071	2,827
Total	**3,730**	**4,390**

The additions to the right-of-use assets during the 2020 financial year amounted to EUR 1.3 million (PY: EUR 1.0 million).

Gigaset made use of the transitional regulations of IFRS 16 and did not carry out new assessments of existing agreements as to whether they satisfy the definition of a lease under IFRS 16. The existing lease assessments are continued. As a rule, the right-of-use assets are capitalized in the amount of the corresponding lease liability within the framework of initial application of IFRS 16 at Gigaset. The lease liabilities were measured using the incremental borrowing rate of 3.98% relevant to Gigaset at the time of initial application.

The income statement shows the following expenses in connection with leases.

EUR'000	12/31/2020	12/31/2019
Depreciation of right of use assets - land	14	41
Depreciation of right of use assets - buildings	1,047	946
Depreciation of right of use assets - plant and office equipment	653	534
Total depreciation of right of use assets	**1,714**	**1,521**
Interest expenses on lease liabilities	156	169
Lease expenses for low-value assets	4	5
Lease expenses for short-term assets	66	788
Payments for recognized lease liabilities in the current period	1,791	1,621

At EUR 0.8 million, the portfolio of current lease contracts in 2019 is significantly higher than what can be expected for future periods due to the initial application of IFRS 16. This is attributable to the residual terms of existing contracts at the time of initial application, which were less than 12 months. Subsequent contracts generally have a longer term, which will subsequently be recognized on the statement of financial position as a right-of-use asset. The number of short-term leases was considerably reduced already in financial year 2020.

The Gigaset Group concludes lease contracts for the use of office space for various foreign companies as well as domestic German companies. In addition, the vehicle fleet and the warehouse vehicles for internal company logistics are leased.

Gigaset acts as a lessor of real estate and has entered into operating leases with external third parties. The Group expects to generate rental income of EUR 0.6 million in financial year 2021 on buildings leased as investment property over the non-cancellable basic term. Rental income of EUR 0.0 million are reliably expected for the subsequent financial years.

4. Investment property

Gigaset leases business properties to third parties under operating leases. The substantial leases are exclusively for office space on Gigaset's plant premises in Bocholt. As a rule, the relevant leases have been concluded for an initial non-cancellable basic lease term and a subsequent indefinite extension. Six-month cancellation options have been granted for the period after the basic lease term.

Investment property was recognized for the first time in financial year 2020 because the Executive Board of Gigaset decided to no longer use the building space itself, but to lease it permanently to external third parties in order to generate rental income (change in use).

The reconciliation of the carrying amount in financial year 2020 is presented in the table below:

EUR'000	12/31/2020	12/31/2019
Balance at January 1	0	0
Reclassifications from property, plant and equipment	4,260	0
Change of fair value	2,440	0
Balance at December 31	**6,700**	**0**

The Group recognized the following rental income and related expenses in the past financial year:

EUR'000	12/31/2020	12/31/2019
Rental income from investment property	735	0
Direct operating expenses (including repairs and maintenance) with which rental income is generated (included in total expenses)	399	0

The directly allocable expenses do not include imputed expenses such as maintenance reserves or the like.

Determination of fair values

The fair value of investment property was determined by external, independent real estate appraisers who possess the relevant professional qualifications and up-to-date experience regarding the location and type of properties to be appraised. The fair values are regularly updated and accounted for by the appraisers.
The determination of the fair value of investment property is assignable to Level 3 of the measurement categories for the determination of fair values according to IFRS 13.

Valuation technique

The fair value of investment property was determined as the market value according to Section 194 of the German Building Code (Baugesetzbuch, BauGB) by way of the German income approach according to Sections 17-20 of the German Real Estate Valuation Regulation (Immobilienwertverordnung, ImmoWertV).

Under this approach, the income value is determined on the basis of the net income and the land value. The land value is determined on the basis of the standard land values issued by the Property Valuation Committee of the city of Bocholt. The land value is factored into the market value as an annual net income share capitalized by application of the property rate.

The net income for the building is calculated from the annually achievable rent income (gross income) minus operating costs. Operating costs comprise costs related to ownership of the buildings, repair and administrative expenses, and rental income risk (uncollectable rent arrears or vacancies). The annually achievable rental income is calculated on the basis of normal market prices and comparable prices with due regard to the facilities and condition of the office areas. The net income is capitalized over the remaining useful life of the buildings by application of the property rate.

Due to contamination on the plant premises in Bocholt, a flat-rate discount was deducted from the market value as a decrease in market value.

Signifcant, non-observable inputs

- Estimated market rent per m^2 and month EUR 6.00
- Property rate 5.0% to 6.0%

Relationship between significant, non-observable inputs and valuation at fair value

The estimated fair value of investment property would increase (decrease) if:

- The assumed market rent per m2 and month would be higher (lower),
- The duration fo the assumed rental relationships would be longer (shorter),
- The achievable return would be higher (lower),
- The weighted property rate applied as the capitalization parameter would be lower (higher).

5. Financial assets

The noncurrent financial assets include the carrying amount for the investment in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category “At fair value through other comprehensive income (FVOCI)”. Since the shares in Gigaset Mobile Pte. Ltd. are equity instruments, Gigaset exercised the option pursuant to IFRS 9.5.7.5 and irrevocably assigned these financial assets to the category “At fair value through other comprehensive income (FVOCI)”.

In accordance with IFRS 13, the calculation of the fair values must be assigned to Level 3 of the measurement categories for the determination of fair values.

The equity interest in Gigaset Mobile Pte. Ltd., Singapore, was completely written down in financial year 2020. Based on the knowledge available at the reporting date concerning the Company’s share of equity in the company, the recoverability of the noncurrent financial asset can no longer be proved. Including foreign currency effects of EUR -0.3 million, an impairment totaling EUR -7.4 million was recognized directly in other comprehensive income due to the FVOCI classification.

6. Inventories

Inventories break down as follows:

EUR'000	12/31/2020	12/31/2019
Raw materials and supplies	10,506	13,373
Semi-finished goods, semi-finished services	994	1,308
Finished goods, trading stock and finished services	11,673	19,931
Advance payments	340	634
Total	**23,513**	**35,246**

Inventories are measured at the lower of acquisition or production cost and the net realizable value less costs to sell as of the reporting date. There was no need to charge value adjustments against inventories at the reporting date (PY: value adjustments of EUR 0.9 million). The value adjustments and reversals of value adjustments are mainly recognized to account for slow-moving inventories and insufficient salability.

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

7. Trade receivables

EUR'000	12/31/2020	12/31/2019
Receivables before value adjustments	28,070	49,749
Individual value adjustments	-3,451	-4,332
Carrying amount of receivables	**24,619**	**45,417**

The value adjustments charged against trade receivables showed the following development:

EUR'000	2020	2019
1/1	**4,332**	**3,763**
Addition	58	730
Consumption	-54	-160
Reversal	-885	-1
12/31	**3,451**	**4,332**

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

Some companies of the Gigaset Group assigned a portion of their trade receivables to a financing company. The maximum volume of factoring agreements concluded at the reporting date was EUR 40.0 million (PY: EUR 40.0 million) for Germany and France. Factoring in Switzerland was ended in the reporting period so that there was no longer any credit volume for factoring in that country (PY: CHF 2.2 million). The credit volume includes the purchased receivables less the purchase price retention. Receivables in the amount of EUR 38.5 million (PY: EUR 53.9 million) were sold. The trade receivables are derecognized upon being sold. Based on the contractual formulation of some factoring agreements, it can neither be assumed that the corresponding receivables were completely transferred, nor that the risks and rewards of the receivables remained completely with the Company. In accordance with IFRS 9, therefore, the companies recognized a so-called "continuing involvement" of EUR 0.2 million (PY: EUR 0.2 million), which was composed of the remaining interest rate risk in the amount of EUR 0.2 million (PY: EUR 0.2 million). The expenses in connection with factoring amounted to EUR 0.4 million in the financial year (PY EUR 0.6 million), which includes the factoring fees as well as interest expenses for factoring. There were no cash inflows to the factoring company from the purchase price retentions in connection with the factoring, either in the current year or in the previous year.

In addition, the trade payables also comprised receivables due from factoring companies from clearing accounts in the amount of EUR 4.1 million (PY EUR 9.2 million).

The age structure of trade receivables as of December 31, 2020 is presented in the table below:

	12/31/2020		12/31/2019	
EUR'000 [1]	**Carrying amount**	**Value adjustment**	**Carrying amount**	**Value adjustment**
Carrying amount	**24,619**	**-3,451**	**45,417**	**-4,332**
Not due	21,057	-33	36,933	-109
Past due up to 30 days	2,075	0	2,604	0
Past due > 30 days but < 90 days	718	0	250	0
Past due > 91 days but < 180 days	115	0	2,090	0
Past due more than 180 days	654	-3,418	3,540	-4,223

[1] The table format has been revised from the previous year in the interest of better clarity. The carrying amount is the nominal amount minus the value adjustment.

For Group companies that use factoring, the unsold trade receivables will be assigned to the category of fair value through profit or loss (FVTPL) since most of the receivables in these partial stocks are sold and thus it is not possible to assume either a pure intention to hold or a hybrid hold-and-sell business model. This does not result in any effects from the fair value measurement since they are short-term receivables and it can be assumed that the market value and the nominal value are generally the same. Material changes in value caused by defaults would certainly reduce the market value, but are already recognized in profit or loss as value adjustments. The trade receivables not subject to factoring are measured at amortized cost (AC). The value adjustments are determined on the basis of a value adjustment model using the simplified approach that can be done without assignment to levels; expected credit losses are also anticipated and risk provisions are recognized for them. This model measures the trade receivables that are neither individually value-adjusted nor collateralized. The expected value adjustment is calculated using historically observable cumulative receivables from past-due items, actual defaults from past-due items, and past-due receivables that have recovered. This data is used to calculate probabilities of default that are based on a complete adjustment to macroeconomic expectations. Due to the coronavirus pandemic and the potential adverse effects it can have on the Company's credit standing, an additional risk provision was recognized at the reporting date to account for a heightened risk of insolvency in the near future due to the coronavirus pandemic. The receivables without value adjustments and not past due at the reporting date were subjected to only minor value adjustments according to the simplified approach since the measurement model did not result in any significant need for value adjustments, also in consideration of the credit risk provision due to the coronavirus pandemic.

2020 in EUR'000	Not past due	Past due 0 days to 30 days	Past due 31 days to 90 days	Past due 91 days to 180 days	Past due more than 180 days	Total
Trade receivables	21,090	2,075	718	115	4,072	28,070
Expected loss (without individual value adjustments)	0	0	0	0	100	100

2019 in EUR'000	Not past due	Past due 0 days to 30 days	Past due 31 days to 90 days	Past due 91 days to 180 days	Past due more than 180 days	Total
Trade receivables	37,041	2,604	250	2,090	7,764	49,749
Expected loss (without individual value adjustments)	0	0	0	3	1	5

The application of the impairment model is not material for the Gigaset Group since the majority of the portfolio of trade receivables is tendered for sale within the framework of factoring.

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

The Gigaset Group received trade credit insurance, letters of credit and other credit improvements in the amount of EUR 16.3 million (PY: EUR 19.7 million) as security for trade receivables and outstanding invoices in financial year 2020.

By reason of the international activity of the Gigaset Group, the following receivables denominated in foreign currencies were converted to the Group currency (EUR) as of December 31, 2020:

	12/31/2020		12/31/2019	
Foreign currency	**EUR'000**	**%**	**EUR'000**	**%**
TRY (Turkish lira)	1,940	23.2	2,712	27.4
CHF (Swiss franc)	1,727	20.7	0	0.0
GBP (British pound)	1,540	18.5	1,393	14.0
RUB (Russian ruble)	1,468	17.6	3,644	36.5
CNY (Chinese renminbi yuan)	1,133	13.6	1,235	12.4
USD (US dollar)	216	2.6	621	6.2
PLN (Polish zloty)	163	2.0	261	2.6
Other	149	1.8	80	0.9
Total	**8,336**	**100.0**	**9,946**	**100.0**

8. Other assets

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

EUR'000	12/31/2020	12/31/2019
Receivables from factoring	9,333	11,476
Security deposits	1,759	421
Tax receivables	2,111	8,083
Recourse receivable	1,350	1,350
Accural	682	539
Debit balances in vendor accounts	48	48
Personnel receivables	12	52
Receivables from pension liability insurance	0	2,147
Other asstes	1,786	2,554
Total	**17,081**	**26,670**

The receivables from factoring in 2020 consisted of the outstanding portion of the purchase price receivables in the amount of EUR 9.3 million (PY: EUR 11.5 million).

The margin requirement associated with the use of a derivatives credit line for hedging foreign currency risks increased from EUR 0.2 million in the previous year to EUR 1.6 million in the 2020 reporting period because more derivatives with negative market values were recognized in the past financial year.

The tax receivables do not include income tax receivables because those are presented separately. The tax receivables presented in this item were mainly composed of value sales tax refund claims in the amount of EUR 1.6 million (PY: EUR 7.7 million).

The recourse receivable relates to a former investment by the Group in Oxy Holding GmbH in the amount of EUR 1.4 million (PY: EUR 1.4 million).

9. Tax refund claims

This item in the amount of EUR 1.4 million (PY: EUR 0.3 million) was composed exclusively of income tax refund claims, including an amount of EUR 1.4 million (PY: EUR 0.3 million) attributable to Gigaset Communications GmbH and its subsidiaries.

10. Cash and cash equivalents

This item comprises cash on hand and cash in banks for deposits that are due in less than three months. The restricted cash consists primarily of funds deposited in an escrow account for partial retirement obligations as well as security for granted credit facilities.

EUR'000	12/31/2019	12/31/2018
Cash in banks	40,692	34,203
Restricted cash	1,353	2,354
Total	**42,045**	**36,557**

11. Equity

Subscribed capital

The Company's share capital totals EUR 132,455,896.00 (PY: EUR 132,455,896.00) and is divided into 132,455,896 (PY: 132,455,896) no par value shares. It has thus remained unchanged from the previous year. The shares are bearer shares. Thus, every no-par share represents EUR 1.00 of the Company's share capital.

No treasury shares were held as of the reporting date of December 31, 2020 and none were held as of December 31, 2019.

Additional paid-in capital

Additional paid-in capital as of December 31, 2020 amounted to EUR 86.1 million and has therefore not changed compared to the additional paid-in capital presented in the previous year.

Retained earnings

Retained earnings were unchanged from the previous year at EUR 69.0 million.

Authorized Capital / Contingent Capital

Authorized Capital 2020

The annual shareholders' meeting of August 12, 2016 authorized the Executive Board to issue Authorized Capital in the amount of up to EUR 44,200,000.00, with the consent of the Supervisory Board, in the time until August 11, 2021 and to amend Article 4.5 of the Articles of Incorporation accordingly. This authorization has not yet been utilized. The authorization would expire on August 11, 2021. The annual shareholders' meeting of August 14, 2019 further authorized the Executive Board to issue Authorized Capital in the amount of EUR 22,000,000.00, with the consent of the Supervisory Board, in the time until August 13, 2024 and to amend Article 4.3 of the Articles of Incorporation accordingly. This authorization has likewise not yet been utilized. Both capital accounts available to the Company did not exhaust the legal possibilities for authorized capital. In order to give the Company the greatest possible financing flexibility also with respect to non-cash capital contributions, a new Authorized Capital 2020 was to be established after canceling the Authorized Capital 2016 and 2019, with the possibility of excluding the subscription right of existing shareholders, and the Articles of Incorporation were to be amended accordingly. On this basis, the regular annual shareholders' meeting resolved on June 4, 2020 to create a new Authorized Capital 2020 with the possibility of excluding the subscription right of existing shareholders and to amend the Articles of Incorporation accordingly. The Authorized Capital 2016 and the corresponding authorization of the Executive Board according to Article 4.5 of the Articles of Incorporation were canceled and Article 4.5 of the Articles of Incorporation was deleted without replacement. The Authorized Capital 2019 and the corresponding authorization of the Executive Board according to Article 4.3 of the Articles of Incorporation was canceled and the corresponding Article was reformulated. According to the reformulated Article 4.3 of the Articles of Incorporation, the Executive Board is therefore authorized to increase the Company's capital stock by issuing new shares in the time until June 3, 2025, with the consent of the Supervisory Board, by a total of up to EUR 66,200,000.00, all at once or in partial amounts, through the issuance of new bearer shares that qualify for dividends from the beginning of the year of issue, against cash or non-cash capital contributions (Authorized Capital 2020). The existing shareholders are fundamentally entitled to a subscription right, but it can be excluded under certain circumstances. The new shares may also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (indirect subscription right). The Executive Board is authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Supervisory Board was further authorized to amend the wording of the Articles of Incorporation in accordance with the specific scope of the capital increase from the Authorized Capital 2020. As of December 31, 2020, the Authorized Capital 2020 remained unchanged at EUR 66,200,000.00.

Conditional Capital 2020

Warrant and/or convertible bonds can be essential instruments for ensuring an appropriate capital stock as a decisive basis for the Company's further development. In such cases, the Company raises debt capital at usually favorable interest rates, which could potentially remain available to it in the future in the form of equity. An authorization is required to issue such bonds and establish a Conditional Capital account. The annual shareholders' meeting of August 12, 2016 had authorized the Executive Board to issue warrant and/or convertible bonds and to establish a corresponding Conditional Capital in the amount of up to EUR 29,700,000.00 in Article 4.9 of the Articles of Incorporation (Conditional Capital 2016). This authorization would expire on August 11, 2021. This authorization has not yet been utilized. The annual shareholders' meeting of August 14, 2019 further authorized the Executive Board to issue warrant and/or convertible bonds and to establish a corresponding Conditional Capital in the amount of up to EUR 35,000,000.00 in the time until August 13, 2024 in Article 4.4 of the Articles of Incorporation (Conditional Capital 2019). This authorization has likewise not yet been utilized. Both authorizations available to the Company to issue warrant and/or convertible bonds with the corresponding Conditional Capital accounts did not exhaust the legal possibilities. In order to give the Company the greatest possible financing flexibility within the limits of the legal possibilities to use this important financing instrument in the future, also with respect to non-cash capital contributions, the annual shareholders' meeting of June 4, 2020 resolved to cancel the previous authorizations and grant a new authorization to issue warrant and/or convertible bonds and to establish a corresponding new Conditional Capital 2020. The Executive Board was also authorized to exclude the subscription right of existing shareholders for the warrant and/or convertible bond, with the consent of the Supervisory Board. On this basis, the annual shareholders' meeting resolved to cancel the Conditional Capital 2016 and to authorize the Executive Board according to Article 4.9 of the Articles of Incorporation and to delete Article 4.9 of the Articles of Incorporation without replacement and to cancel the Conditional Capital 2019 and authorize the Executive Board according to Article 4.4 of the Articles of Incorporation and to reformulate the Article. The annual shareholders' meeting therefore resolved on June 4, 2020, that the Company is authorized, with the consent of the Supervisory Board, to issue option bonds and/or convertible bonds once or multiple times until June 3, 2025, with or without limitation of maturities, for a total nominal amount of up to EUR 300,000,000.00 ("bonds") or to grant the bond holders or creditors warrant and/or conversion rights to a total of up to 29,700,000 bearer no-par-value shares of the Company with a proportional share of the capital stock of up to EUR 64,700,000.00 according to the terms and conditions of each bond issue. The shareholders are fundamentally entitled to a subscription right. However, it can be excluded under certain circumstances. The new shares may also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (indirect subscription right). The Executive Board was authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Conditional Capital 2020 at December 31, 2020 remained unchanged at EUR 64,700,000.00.

12. Pension obligations

12.1 Description of pension commitments

12.1.1 Geographical distribution of pension commitments

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

Pension obligations and plan assets at 12/31/2020 (in EUR'000):

Country	Pension obligation	Plan assets	Net obligation
Germany	132,164	35,404	96,760
Switzerland	3,571	2,246	1,325
Italy	118	0	118
Austria	48	0	48
Total	**135,901**	**37,650**	**98,251**

Pension obligations and plan assets at 12/31/2019 (in EUR'000):

Country	Pension obligation	Plan assets	Net obligation
Germany	127,268	36,167	91,102
Switzerland	3,203	1,956	1,247
Italy	107	0	107
Austria	45	0	45
Total	**130,623**	**38,123**	**92,501**

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

12.1.2 Description of pension commitments in Germany

Because their legal predecessors originally belonged to the Siemens Group, the vast majority of the pension obligations held by Gigaset AG and its German subsidiaries were created based on Siemens promises. Siemens AG converted its guaranteed pension payments from pension benefits to a capital-based system in 2003. All employees who were already employed at a legal predecessor of Gigaset received vested rights in the form of a benefit obligation in the course of this conversion. In addition, all employees can receive contributions to the new capital account plan, if funds are allocated to it by the Company. The Company can make a new decision on an allocation annually. For 2020, as in the previous year, no employer-financed contributions were paid into the capital account plan. Salary conversion also exists, which is likewise capital-based. It has been closed since 2007 and contributions are no longer being paid in. A death benefit is paid, as well as a transitional payment (six months of continued pay in case of an insured event) for some of the employees. A few retirees still receive installment payments according to another closed system for salary conversion (supplementary benefits option). In addition, two vested benefit obligations still exist under another pension plan (GOH). The payments from the capital account plan earn interest at 0.9% (PY: 0.9%).

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

12.1.3 Significant risk factors

The primary risk consists of the pension obligations from vested rights, since they constitute about 89% (PY: about 85%) of the total German pension obligations. They are sensitive to the discount rate, inflation, and changes in life expectancy, but not to changes in wages and salaries. Only the death benefit and transitional payments are dependent on wages and salaries. Since this risk is not very significant (about 2% (PY: about 2%) of the pension obligations), however, no calculation was made of the sensitivities to projected salary increases. For all other risks, significant actuarial assumptions and sensitivity analyses are shown in Chapter 12.2.

12.1.3.1 Longevity risk factor

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

12.1.3.2 Inflation risk factor

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

12.1.3.3 Discount rate risk factor

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

12.2 Significant actuarial assumptions and sensitivity analysis

The sensitivity analysis is intended to show the effects of changes in measurement assumptions that could reasonably occur until the next reporting date (IAS 19.145 and IFRS 7).

A Defined Benefit Obligation (DBO) in Germany at 12/31/2020: EUR 132.2 million

B Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 17.7 years as of 12/31/2020

C Significant actuarial assumptions at 12/31/2020

Parameter	Initial value	Sensitivity analysis	DBO in EUR'000
Discount rate	0,70%	+0,50%	121,329
Discount rate	0,70%	-0,50%	144,688
Inflation (pension trend)	1,65%	+0,25%	136,371
Inflation (pension trend)	1,65%	-0,25%	128,176
Longevity	Heubeck 2018 G	+1 Year	137,256
Longevity	Heubeck 2018 G	-1 Year	127,140

D Defined Benefit Obligation (DBO) in Germany at 12/31/2019: EUR 111.5 million

E Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 20.0 years as of 12/31/2019

F Significant actuarial assumptions at 12/31/2019

Parameter	Initial value	Sensitivity analysis	DBO in EUR'000
Discount rate	1,05%	+0,50%	101,235
Discount rate	1,05%	-0,50%	123,404
Inflation (pension trend)	1,80%	+0,25%	115,506
Inflation (pension trend)	1,80%	-0,25%	107,790
Longevity	Heubeck 2018 G	+1 Year	116,177
Longevity	Heubeck 2018 G	-1 Year	106,933

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

12.3 Development of pension provisions in the Gigaset Group

Provisions for pensions and similar obligations have been recognized for a total of six (PY: six) Group companies. The total amount of the provision rose by EUR 5.8 million to EUR 98.3 million at the reporting date of December 31, 2020 (PY: EUR 92.5 million). The increase in the pension provision compared to the previous year resulted mainly from the reduction in the weighted interest rate from 1.03% in the previous year to 0.68% in 2020. The parameters for the projected salary increase or projected pension increase remained approximately at the same level.

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

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

EUR'000	2020	2019
Balance at 1/1	**130,624**	**113,908**
Current service cost	1,164	1,083
Employee contributions	121	120
Interest expenses	1,329	2,058
Pension benefits paid	-2,584	-2,593
Actuarial gains/losses from demographic assumptions	163	0
Actuarial gains/losses from financial assumptions	5,836	17,135
Actuarial gains/losses from experience values	-776	-961
Transfer of claims	0	-235
Foreign currency effects	24	109
Balnace at 12/31	**135,901**	**130,624**

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

EUR'000	2020	2019
Current service cost	1,164	1,083
Net interest on net liability	958	1,351
Total pension expenses	**2,122**	**2,434**

Pension expenses are presented as personnel expenses in the item of social security, pension and other benefits. The current income on plan assets was EUR 1.5 million (PY: EUR -0.4 million).

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

EUR'000	2020	2019
Balance at 1/1	**-62,902**	**-45,963**
Revaluation effects in current year	-4,114	-16,939
Balance at 12/31	**-67,016**	**-62,902**

The plan assets showed the following development:

EUR'000	2020	2019
Fair value of plan assets at 1/1	**38,123**	**40,599**
Interest income	371	707
Income from plan assets without interest income	1,109	-1,066
Employer contributions	68	67
Employee contributions	119	123
Benefits paid	-2,147	-2,147
Transfer of claims	0	-242
Foreign currency effects	7	82
Fair value of plan asstes at 12/31	**37,650**	**38,123**

The plan assets for the current financial year break down as follows:

EUR'000	2020	2019
Special funds	35,043	35,670
Fixed-income securities	1,042	892
Equities	524	443
Real estate and real estate funds	524	455
Miscellaneous	517	663
Total	**37,650**	**38,123**

The special funds primarily contain bonds, corporate bonds, and stocks. The plan assets must be primarily assigned to measurement category 1, i.e., the plan assets are traded on active markets. Only the real estate and real estate funds are measured at current market value (using the DCF method). The plan assets do not contain any real estate that is used by Gigaset itself.

The expected contributions to plan assets for the following year totaled EUR 0.2 million (PY: EUR 0.2 million). The expected benefit payments in the following year are expected to total EUR 3.4 million (PY: EUR 3.1 million).

The current employer's contributions to the statutory pension insurance system are recognized as operating expenses in the respective year. In the reporting period, they amounted to EUR 3.9 million (PY: EUR 4.4 million) for the Group.

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

The calculation was based on the following weighted actuarial assumptions:

in %	**2020**	**2019**
Discount rate	0.68	1.03
Salary trend	2.24	2.24
Pension trend	1.60	1.75
Mortality tables:		
Germany	Heubeck 2018 G	Heubeck 2018 G
Switzerland	BVG 2005	BVG 2005
Italy	ISTAT 2018	ISTAT 2017
Austria	Pagler 2018, Generation Table, Salaried Employees	Pagler 2018, Generation Table, Salaried Employees

The provision for pension obligations was measured as follows:

EUR'000	**2020**	**2019**
Projected unit credit value of pension obligations	135,901	130,624
- internally financed	2,732	3,069
- externally financed	133,169	127,555
Fair value of plan assets	-37,650	-38,123
Total pension provisions	**98,251**	**92,501**

The provision showed the following development over time:

EUR'000	**2020**	**2019**
Pension provision at 1/1	**92,501**	**73,457**
Current service cost	1,164	1,083
Net interst expenses/income	958	1,351
Actuarial gains/losses from demographic assumptions	163	0
Actuarial gains/losses from financial assumptions	5,836	17,135
Actuarial gains/losses from experience values	-776	-961
Income from plan assets without interest income	-1,109	1,066
Pension benefits paid	-437	-446
Employer contributions	-68	-67
Employee contributions	2	-3
Change in assets not recognized	0	-148
Carryover of claims	0	7
Foreign currency effects	17	27
Pension provision 12/31	**98,251**	**92,501**

13. Provisions

EUR'000	Balance as of 1/1/2020	Utilization	Reversal	Addition	Reclassi-fication	Currency/ Interest effects	Balance as of 12/31/2020
Personnel	2,067	-777	-202	147	0	0	1,235
Warranties	2,754	-614	-22	708	0	-2	2,824
Onerous contracts	471	-30	-15	35	0	0	461
Customer bonus	8,162	-6,949	-840	6,925	7	-134	7,170
License costs	1,756	-768	-475	888	-5	0	1,396
Other	2,544	-1,029	-44	858	-2	0	2,328
Total	**17,753**	**-10,166**	**-1,598**	**9,561**	**0**	**-136**	**15,414**

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

EUR'000	12/31/2020	12/31/2019
Partial early retirement	630	1,370
Service anniversary bonuses	605	697
Total	**1,235**	**2,067**

The **warranty provisions** of EUR 2.8 million (PY: EUR 2.8 million) were calculated on the basis of experience values and estimates of future occurrence probabilities.

The **provisions for onerous contracts** related mainly to disadvantageous usage and service agreements.

Miscellaneous other provisions particularly include costs for external audits, provisions for retention costs, annual shareholders' meeting expenses, and annual report expenses, as well as Supervisory Board compensation and legal disputes.

The maturity structure of provisions is presented in the table below:

EUR'000	12/31/2020	12/31/2019
Noncurrent provisions	2,363	2,983
Current provisions	13,051	14,770
Total	**15,414**	**17,753**

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

EUR'000	12/31/2020	31/21/2019
Personnel	901	1,496
Warranties	430	403
Onerous contracts	425	440
Environmental risks	131	140
Other	476	504
Total	**2,363**	**2,983**

14. Noncurrent financial liabilities

In 2018, the Group concluded a credit facility in the amount of up to EUR 20.0 million. The loan balance at December 31, 2019 was EUR 15.9 million. Because the tax liabilities proved to be less than originally planned, war Gigaset was not required to draw down the full amount of the loan. The maximum credit volume of originally up to EUR 20.0 million was frozen at EUR 15.9 million, although at the same time the term of the loan was extended by two years to alleviate Gigaset's liquidity.

Repayment of the loan initially began in January 2020. Due to the coronavirus situation, however, a repayment suspension from March to and including August 2020 was agreed to conserve the liquidity of the Gigaset Group during the pandemic. The loan term was left unchanged, with monthly installments through October 2024. Therefore, the repayment installments for the periods from September 2020 were increased accordingly. Due to the modification of loan terms, the accounting values were adjusted on the basis of the effective interest method. This adjustment generated a positive financial result of EUR 0.2 million in financial year 2020.

The loan balance at December 31, 2020 was EUR 14.5 million. Of this total, an amount of EUR 1.7 million is due in less than one year and an amount of EUR 12.8 million is due in more than one year and less than five years. The fixed-interest loan is denominated in euros and has an effective annual interest rate of 5.16%. It is measured at amortized cost. Accordingly, it has no effect on the Group's items with regard to foreign currency and interest rate risks.

Because it could be foreseen at an early stage that the agreed covenants for 2020 could not be fulfilled due to the coronavirus pandemic, an agreement was reached with the financing banks in September under which they will not exercise the associated loan termination options. An adjustment of the covenants for the subsequent period was negotiated with the banks and a new definition of the covenants to be fulfilled ("net gearing ratio") was agreed for the subsequent periods in the first quarter of 2021. The loan is secured by the Company in the full amount by land and buildings, other noncurrent assets and machinery, the assignment of goods stored in the warehouse, and the pledge of intangible assets held at the time of concluding the loan.

As part of the government measures to combat the economic effects of the coronavirus pandemic, the French national subsidiary received an interest-free liquidity assurance loan for EUR 2.0 million with a term of 12 months in June 2020. This loan must be repaid in full at the end of this term. Upon initial recognition, the loan was measured at fair value in accordance with IFRS 9 and presented as a current financial liability. In subsequent periods, the loan will be measured at amortized cost.

Please refer to the discussion under Section C. Notes on Financial Instruments, for further discussion regarding the required statements for financial liabilities.

15. Deferred tax assets and deferred tax liabilities

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

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

EUR'000	12/31/2020	12/31/2019
Deferred tax assets		
Intangible assets	74	58
Property, plant and equipment	4	0
Inventories	76	61
Receivables and other current assets	302	53
Provisions	24,095	19,798
Liabilities	185	1,457
Derivatives	267	41
Tax loss carry-forwards	3,950	235
Total deferred tax assets	**28,953**	**21,703**
thereof current	677	1,685
thereof noncurrent	28,276	20,018
Deferred tax liabilities		
Intangible assets	9,904	9,569
Right of use assets	4	6
Property, plant and equipment	2,318	2,411
Investment Properties	776	0
Inventories	276	173
Receivables and other current assets	145	180
Provisions	0	704
Liabilities	0	46
Derivatives	0	0
Total deferred tax liabilities	**13,423**	**13,089**
thereof current	636	1,590
thereof noncurrent	12,787	11,499
Net balance of deferred tax assets and liabilities	13,147	12,329
Stated amount of deferred tax assets	**15,806**	**9,374**
Stated amount of deferred tax liabilities	**276**	**760**

No deferred tax assets were recognized in respect of corporate income tax loss carry-forwards totaling EUR 54.6 million (PY: EUR 54.2 million) and trade tax loss carry-forwards totaling EUR 35.5 million (PY: EUR 36.9 million). Of the non-recognized corporate income tax loss carry-forwards, an amount of EUR 18.2 million related to foreign companies (PY: EUR 15.6 million), of which, in turn, EUR 0.0 million (PY: EUR 0.0 million) will expire within 5 to 20 years. Of the total corporate income tax loss carry-forwards of foreign companies, an amount of EUR 11.4 million relates to an Austrian subsidiary that was liquidated in the first quarter of 2021. With regard to German companies, it should be noted that share transfers of 25% to 50% result in a proportional reduction of existing tax loss carry-forwards, while share transfers of more than 50% fundamentally lead to the complete loss of existing tax loss carry-forwards. The deferred tax assets for tax loss carry-forwards primarily relate to Gigaset Communications GmbH and the Austrian and Spanish subsidiaries (PY: Austrian and Spanish subsidiaries).

Gigaset did not recognize deferred tax assets on temporary differences in the amount of EUR 0.6 million (PY: EUR 4.7 million).

No deferred taxes were recognized in respect of differences between IFRS and the tax balance sheet related to interests in subsidiaries in the amount of EUR 91.1 million (PY: EUR 73.0 million).

For more information on this subject, please refer to the presentation of accounting and valuation methods and the explanations provided in Section D.10 Income Taxes.

16. Trade payables

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

EUR'000	12/31/2020	12/31/2019
Carrying amount	**45,032**	**51,247**
thereof due in the following time periods:		
< 30 days	35,959	38,087
30 - 90 days	9,068	12,641
90 - 180 days	5	39
180 days - 1 year	0	480

By reason of the international activity of the Gigaset Group, the trade payables at December 31, 2020, included the following amounts denominated in foreign currencies, which have been translated to the euro, as the Group currency:

	12/31/2020		12/31/2019	
Foreign currency	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	13,765	79.7	25,005	85.7
CNY (Chinese renminbi yuan)	2,107	12.2	2,020	6.9
CHF (Swiss franc)	578	3.3	691	2.4
TRY (Turkish lira)	331	1.9	491	1.7
PLN (Polish zloty)	155	0.9	179	0.6
GBP (British pound)	127	0.7	253	0.9
RUB (Russian ruble)	98	0.6	138	0.5
JPY (Japanese yen)	81	0.5	294	1.0
Other	30	0.2	70	0.3
Total	**17,272**	**100.0**	**29,141**	**100.0**

17. Tax liabilities

This item in the amount of EUR 1.8 million (PY: EUR 4.9 million) was composed exclusively of current income tax liabilities, including an amount of EUR 1.6 million (PY: EUR 4.7 million) attributable to Gigaset Communications GmbH and its subsidiaries.

18. Current other liabilities

EUR'000	12/31/2020	12/31/2019
Purchase price payable	10,413	0
Other personnel-related liabilities	4,903	5,086
Other taxes	2,131	2,587
Customs liabilities	943	6,745
Derivatives	839	128
Wages and salaries	686	120
Social security contributions	628	508
Advance payments received	115	188
Miscellaneous other liabilities	1,454	1,214
Total	**22,112**	**16,576**

The purchase price liabilities of EUR 10.4 million at the reporting date of December 31, 2020 relate to the payments for purchased intangible assets under the cooperation agreement with Unify, which were fully paid in financial year 2021 and are therefore current. At the reporting date, these purchase price liabilities were measured on the basis of the effective interest method, giving rise to a positive interest result of EUR 0.2 million.

The remaining other current liabilities did not bear interest in the reporting year. Due to the fact that they are due in less than one year, it can be assumed that the carrying amounts of the liabilities essentially correspond to their fair values. Therefore, the repayment amounts presented in the statement of financial position are equivalent to the market values of the liabilities.

The other personnel-related liabilities were mainly composed of the following items:

EUR'000	12/31/2020	12/31/2019
Vacation leave not taken	1,265	1,932
Profit-based bonuses and other bonuses	2,133	1,036
Work time accounts	677	1,176
Miscellaneous personnel-related liabilities	828	942
Total	**4,903**	**5,086**

F. OTHER INFORMATION

1. Segment report

The segment report is based on geographical segments, in accordance with the Group's internal reporting system. The holding company is presented separately from Gigaset's operating activities. Within operating activities, a distinction is made in the geographical regions between "Germany," "EU," and "Rest of World." The reportable segment "EU" contains multiple geographical regions including the "France" geographical region as an operating segment, which have been aggregated to form this segment. The individual segments were aggregated into the "EU" segment because the products and services sold, the customer structures, sales structures and regulatory conditions are comparable. With respect to economic criteria, the individual geographical segments have been aggregated particularly by reason of comparable gross margins.

Due to Brexit occurring on January 31, 2020, the subsidiary Gigaset Communications UK Ltd. has been assigned to the "Rest of World" segment since February 2020. Up to and including January 2020, it had belonged to the "EU" segment due to the affiliation with the European Union. The previous-year figures were adjusted accordingly for comparison purposes.

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

- "Germany"

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

- "EU"

  The "EU" (European Union) geographical region comprises the operating activities in Poland, Austria, France, Italy, the Netherlands, Spain, Sweden, and Great Britain (up to and including January 2021).

- "Rest of World"

  The "Rest of World" geographical region comprises the operating activities in Great Britain (since February 2020), Switzerland, Turkey, Russia, and China.

The transfer prices charged between the segments are the same as those that could be achieved with third parties. Administrative services are charged to the Group companies as cost allocations.

For purposes of segment reporting, revenues by country are reported both on the basis of the receiving entities and the registered head office of the respective company ("country of domicile").

For purposes of current segment reporting within the Group, the attribution to individual geographical regions is based on the country of domicile of the respective legal entity. If, for example, a German company issues an invoice to a company in the Netherlands, such revenues are assigned to the "Germany" region for purposes of the presentation by country of domicile. Revenues classified by country of domicile are presented in the following tables.

There were no significant individual customers, neither in the current year nor in the previous year, whose revenue share reached or exceeded 10% of total revenues.

January 1 to December 31, 2020 in EUR'000	Germany	EU	Rest of World	Gigaset TOTAL	Holding company	Group
Revenues	117,551	69,973	26,629	214,153	0	214,153
Segment result / EBITDA	**4,726**	**-962**	**217**	**3,981**	**-2,052**	**1,929**
Depreciation and amortization	-13,762	-974	-224	-14,960	-7	-14,967
EBIT	**-9,036**	**-1,936**	**-7**	**-10,979**	**-2,059**	**-13,038**
Other interest and similar income						431
Interest and similar expenses						-1,375
Financial result						**-944**
Result from ordinary activities						**-13,982**
Income taxes						3,499
Consolidated net loss						**-10,483**

January 1 to December 31, 2019 in EUR'000	Germany	EU[1]	Rest of World[1]	Gigaset TOTAL	Holding company	Group
Revenues	141,232	85,476	31,155	257,863	0	257,863
Segment result / EBITDA	**21,341**	**2,840**	**802**	**24,983**	**3,519**	**28,502**
Depreciation and amortization	-13,677	-865	-228	-14,770	-1	-14,771
EBIT	**7,664**	**1,975**	**574**	**10,213**	**3,518**	**13,731**
Other interest and similar income						2,344
Interest and similar expenses						-1,559
Financial result						**785**
Result from ordinary activities						**14,516**
Income taxes						-3,209
Consolidated net income						**11,307**

[1] The previous-year figures were reclassified from EU to Rest of World for comparison purposes to account for Great Britain's exit from the EU.

The profit or loss effects of deconsolidations, where they exist, have been assigned to the respective segments.

Please refer to Section D.1 Revenues in Chapter D Notes to the income statement for the breakdown of revenues by operating segment.

Revenues by receiving entities represent the amounts invoiced in the respective regions, regardless of the domicile of the invoicing entity. If, for example, a German company issues an invoice to a company in the Netherlands, such revenues are assigned to the region of "Europe – EU (excluding Germany)" in the presentation by receiving entities. In the table below, revenues are presented according to the regions of the receiving entities within the meaning of IFRS 8.33 a), as described in the preceding paragraph, for financial year 2020 and the comparison period:

EUR'000	2020	2019
Germany	94,675	121,242
France	32,209	38,548
Europe (excluding Germany and France)	72,322	80,851
Rest of World	14,948	17,222
Total	**214,154**	**257,863**

In accordance with IFRS 8.33 b), noncurrent assets were divided among the following regions in financial year 2020 and the comparison period:

EUR'000	2020	2019
Noncurrent assets		
Germany	78,208	56,818
Europe (excluding Germany)	2,083	221
Rest of World	183	2
Total	**80,474**	**57,041**

2. Cashflow statement

The cashflow statement presents the changes in net funds of the Gigaset Group in the reporting year and in the previous year. Net funds are defined as cash and cash equivalents, less restricted cash. As a general rule, items denominated in foreign currencies are translated at average exchange rates for the year. By way of exception, cash and cash equivalents are translated at the exchange rate on the reporting date. The effect of exchange rate changes on net funds is presented separately.

EUR'000	2020	2019
Cashflow statement		
Cash inflow (+)/outflow (-) from operating activities	29,617	17,212
Cash outflow from investing activities	-21,450	-16,056
Free cashflow	8,167	1,156
Cash inflow (+)/outflow (-) from financing activities	-2,343	-1,608
Change in cash and cash equivalents	**5,824**	**-452**

In accordance with IAS 7, cashflows are classified as cash inflow / outflow from operating activities, investing activities and financing activities.

The cashflow statement has been prepared in accordance with the indirect method. The changes in items of the statement of financial position considered for this purpose have been adjusted for the effects of changes in the consolidation group, if applicable, and transactions recognized in equity. For these reasons, the changes in items of the statement of financial position presented in the cashflow statement cannot necessarily be reconciled with the statement of financial position.

As in the previous year, no investments in companies were acquired or sold in the 2020 financial year,.

The cash outflow from investing activities amounted to EUR 21.5 million in 2020, after EUR 16.1 million in the previous year, and break down as follows:

EUR'000	2020	2019
Cash outflows for investments in noncurrent assets		
Cash outflows for intangible assets	17,227	10,661
Cash outflows for property, plant and equipment	4,241	5,444
Total	**21,468**	**16,105**

In the past financial year, the cash inflow/outflow from financing activities amounted to EUR -2.3 million, after EUR -1.6 million in the previous year. The interest paid in 2020 amounted to EUR 1.3 million, and EUR 2.6 million in the previous year. In the previous year, the interest paid from factoring in the amount of EUR -0.5 million was particularly presented in this item, which amounted to EUR -0.4 million in the current reporting year. The cash inflow from the borrowing of noncurrent financial liabilities amounted to EUR 2.0 million in the reporting period due to the loan granted in France as part of the government's coronavirus measures. In the previous year, the cash inflow resulted from the EUR 2.4 million credit facility taken out in 2018. There were no transactions affecting cashflow within financing activities. There were also no changes in the consolidation group or foreign currency effects that would have had to have been recognized in the cash inflow from financing activities.

2020	Financial liabilities	Leases
1/1	15,900	4,390
Cash-borrowing	1,950	0
Non cash addition	0	1,181
- thereof first time adjustments IFRS 16	0	0
- thereof new additions reporting year	0	1,253
- thereof disposals reporting year	0	-72
- thereof foreign currency effects	0	0
Cash repayment	-1,163	-1,841
Non-cash foreign currency effects	0	0
12/31	**16,687**	**3,730**

2019	Financial liabilities	Leases
1/1	13,500	0
Cash-borrowing	2,400	0
Non cash addition	0	5,827
- thereof first time adjustments IFRS 16	0	4,909
- thereof new additions reporting year	0	1,011
- thereof disposals reporting year	0	-107
- thereof foreign currency effects	0	14
Cash repayment	0	-1,423
Non-cash foreign currency effects	0	-14
12/31	**15,900**	**4,390**

Cash and cash equivalents as of December 31, 2020 amounted to EUR 40.7 million (PY: EUR 34.2 million). This item comprises immediately available cash in banks, checks and cash on hand. Restricted cash, which mainly consisted of funds deposited in an escrow account for partial retirement agreements and collateral for granted credit lines, amounted to EUR 1.4 million as of December 31, 2020 (PY: EUR 2.4 million). Thus, the total amount of cash and cash equivalents according to the consolidated statement of financial position amounted to EUR 42.0 million (PY: EUR 36.6 million).

3. Other financial commitments

The other financial commitments as of the reporting date of December 31, 2020 resulted from service agreements that cannot be terminated until the end of their terms, which have been entered into by the Group and its subsidiaries in the ordinary course of business. In the table below, the total future payments to be made under these agreements are broken down by due dates, as follows:

2020 in EUR'000	Up to 1 year	1-5 years	More than 5 years	Total
Other commitments	891	1,146	0	2,037
Total	**891**	**1,146**	**0**	**2,037**

2019 in EUR'000	Up to 1 year	1-5 years	More than 5 years	Total
Other commitments	791	1,179	58	2,028
Total	**791**	**1,179**	**58**	**2,028**

The other financial commitments resulted from maintenance and service agreements for machinery and equipment, software and other operational and office equipment.

As of the reporting date of December 31, 2020, the Group was subject to one commitment for capital expenditures in the amount of EUR 0.3 million (PY: EUR 0.0 million). Of this total, capital expenditures of EUR 0.2 million are planned for intangible assets and EUR 0.1 million for property, plant and equipment.

3.1 Contingent liabilities

As of the reporting date of December 31, 2020, contingent liabilities related to the following matters:

In connection with sales of subsidiaries in earlier years, the Company issued guarantees, including for the corporate relationships of these subsidiaries. The probability that these guarantees will be utilized is considered to be very low.

4. Executive Board and Supervisory Board of Gigaset AG

The following persons served on the Executive Board in the 2020 financial year:

- **Klaus Weßing**, engineer, Borken (Executive Board Chairman, Executive Board member in charge of Product Development, New Business Fields, Supply Chain, Quality, Service Assurance, Sales, Marketing, Strategy & Innovation, Human Resources, Investor Relations, Communication & Digital since August 13, 2019), since December 15, 2015 (reappointed on August 20, 2020).

- **Thomas Schuchardt**, businessman, Dorsten (Executive Board member in charge of Finance, Taxes and Legal) since August 13, 2019.

The other executive activities of the Executive Board members Weßing and Schuchardt mainly consist of serving on the executive boards or chief executive positions of affiliated companies and subsidiaries of Gigaset AG.

In the reporting period, the following persons served on the Supervisory Board that was elected by the annual shareholders' meeting August 14, 2019:

Hau Yan Helvin Wong (Vice Chairman until 02/28/2019, Chairman since February 28, 2019) since December 19, 2013

Ulrich Burkhardt since December 3, 2014

Paolo Vittorio Di Fraia since August 14, 2013

Prof. Xiaojian Huang since December 19, 2013

Barbara Münch (Vice Chairwoman since 08/14/2019) since January 24, 2019

Flora (Ka Yan) Shiu since December 19, 2013

Mr. Rainer Koppitz was elected as a substitute member of the Supervisory Board at the annual shareholders' meeting on August 14, 2019. The Supervisory Board at the time of preparation of these notes consisted of Mr. Hau Yan Helvin Wong (Chairman), Mr. Paolo Vittorio Di Fraia, Mr. Ulrich Burkhardt, and Prof. Xiaojian Huang as well as Ms. Barbara Münch (Vice Chairwoman) and Ms. Flora Shiu. The Supervisory Board members were elected by the 2019 annual shareholders' meeting for the time until the close of the annual shareholders' meeting that will resolve to ratify their actions in the first financial year after the beginning of their terms of office. The financial year during which the term of office began is not counted for this purpose.

Information on the seats held by the Supervisory Board members on additional supervisory boards and similar German and foreign boards during their terms of office on the Supervisory Board of the Company in the reporting period is presented in the following:

Hau Yan Helvin Wong, lawyer, Brisbane, Australia, since February 28, 2019

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Ulrich Burkhardt, tax consultant, auditor, Fürstenfeldbruck

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Paolo Vittorio Di Fraia, businessman and corporate consultant, Paris, France

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Xiaojian Huang, businessman, Beijing, People's Republic of China

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

Barbara Münch, attorney, businesswoman, Managing Director at AssetMetrix GmbH, Munich, Vice Chairwoman since August 14, 2019

- Chairwoman of the Supervisory Board of Gigaset Communications GmbH since April 4, 2019 (member of the Supervisory Board of Gigaset Communications GmbH since March 1, 2019)

Flora Ka Yan Shiu, businesswoman, consultant at Goldin Real Estate Financial Group, Hong Kong, Special Administrative Region, People's Republic of China

- No seats were held on other supervisory boards and similar boards within the meaning of Section 125 (1) AktG.

5. Compensation of Executive Board and Supervisory Board members

The Compensation Report explains the principles applied in setting the compensation of Executive Board members and indicates the amount and structure of Executive Board compensation. It also describes the principles applied in setting the compensation of the Supervisory Board members and the amount of that compensation, and discloses the shareholdings of Executive Board and Supervisory Board members (see the following section).

Compensation of Executive Board members

The responsibilities and contributions of each Executive Board member are taken into account for purposes of setting the compensation. Their compensation in the 2020 financial year comprises a fixed annual salary as well as success-related components (bonuses, variable compensation). The individual components are as follows:

- The fixed compensation is paid in the form of a monthly salary in 12 equal parts.

- The variable compensation of Executive Board members is based on company and/or target bonus agreements.

Thus, variable compensation agreements exist for the Executive Board members based on company and/or target bonus agreements. The goals were discussed with the Company's Supervisory Board or the Chairwoman of the Audit Committee and with the Executive Board members at the beginning of the financial year. The Supervisory Board decides the respective target attainment on the basis of the agreements made with Executive Board members.

In addition to the compensation components described above, a pension claim was also granted to one Executive Board member under the existing pension plan for the overall company. Please refer to our comments in Note E.12 Pension obligations, for details on this subject. The pension claim was granted before the person in question was appointed to the Executive Board and was not separately granted for exercising the position of Executive Board member, but must also be disclosed in the presentation of total compensation according to applicable regulations. The expenses incurred in each financial year are presented within the item of "Pension expenses."

The total compensation granted to the members of the Executive Board for the 2020 financial year is presented in the table below:

Payment granted to Executive Board members, in EUR	Klaus Weßing Chief Executive Officer (CEO, Chairman) since December 16, 2015				Thomas Schuchardt Chief Financial Officer (CFO) since August 13, 2019			
	2019 (100%)	2020 (100%)	2020 (Min)	2020 (Max)	2019 (100%)	2020 (100%)	2020 (Min)	2020 (Max)
Fixed compensation	433,872	402,235			93,750	214,218		
Fringe benefits	36,815	36,092			13,465	33,577		
Total fixed compensation components	**470,687**	**438,327**			**107,215**	**247,795**		
Single-year variable compensation	57,000	50,000	0	75,000	57,000	50,000	0	75,000
Multi-year variable compensation	0	0	0	0	0	0	0	0
Total fixed and variable compensation	**527,687**	**488,327**	**438,327**	**513,327**	**164,215**	**297,795**	**247,795**	**322,795**
Pension expenses	3,274	0	0	0	275	246	246	246
Total compensation	**530,961**	**488,327**	**438,327**	**513,327**	**164,490**	**298,041**	**248,041**	**323,041**

The variable compensation for the past financial year was granted only after the corresponding resolution was adopted by the Supervisory Board after the publication of the Annual Report and has therefore been recognized as expenses in the current financial year. The single-year variable compensation presented in the table detailing the compensation granted for the previous year has been adjusted accordingly.

The recognized expenses for members of the Executive Board for the 2020 financial year meet the requirements of German Financial Accounting Standard (DRS) 17 (Reporting on the Compensation of Members of Governing Bodies) and IAS 24, Related Party Disclosures. They break down as follows:

EUR	Fixed compensation		Fringe benefits		Single year variable compensation		Pension expenses		Total	
Financial year	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Klaus Weßing, Chief Executive Officer (CEO, Chairman)	402,235	433,872	36,092	36,815	50,000	25,000	0	3,274	488,327	498,961
Thomas Schuchardt, Chief Financial Officer (CFO)	214,218	93,750	33,577	13,465	50,000	25,000	246	275	298,041	132,490
All Executive Board members	**616,453**	**527,622**	**69,669**	**50,280**	**100,000**	**50,000**	**246**	**3,549**	**786,368**	**631,451**

The pension expenses stated in the table above include the service cost for the respective period. The projected unit credit value of the pension commitments to Executive Board members according to the provisions of IAS 19 Employee Benefits amounted to EUR 0.9 million (PY: EUR 0.9 million).

Including the amounts for which provisions had not yet been recognized at the previous reporting date, the total expenses for Executive Board compensation in the past financial year amounted to EUR 0.9 million. The variable compensation for the past financial year was granted only after the corresponding resolution was adopted by the Supervisory Board after the publication of the Annual Report and has therefore been recognized as expenses in the current financial year. The single-year variable compensation presented in the table detailing the compensation granted for the previous year has been adjusted accordingly. The total expenses for Executive Board compensation in the previous year amounted to EUR 0.7 million.

The inflows to the members of the Executive Board in financial year 2020 are presented in the table below:

Allocation to Executive Board members collectively, in EUR	Klaus Weßing Chief Executive Officer (CEO, Chairman) since December 16, 2015		Thomas Schuchardt Chief Financial Officer (CFO) since August 13, 2019	
	2020	**2019**	**2020**	**2019**
Fixed compensation	402,235	433,872	214,218	93,750
Fringe benefits	36,092	36,815	33,577	13,465
Total fixed compensation components	438,327	470,687	247,795	107,215
Single-year variable compensation	37,000	50,000	57,000	0
Total fixed and variable compensation	475,327	520,687	304,795	107,215
Pension expenses	0	3,274	0	275
Total compensation	**475,327**	**523,961**	**304,795**	**107,490**

Executive Board member Klaus Weßing converted a portion of his variable compensation claims amounting to EUR 20,000.00 into pension claims and therefore no payments were made for this portion in financial year 2020.

No further compensation was granted to the Executive Board members for their work on the governing bodies of subsidiaries or affiliated companies.

The inflows from the total compensation of the Executive Board amounted to EUR 0.8 million in the reporting year (PY: EUR 0.6 million).

Compensation of Supervisory Board members

By resolution of December 19, 2013, with retroactive effect to August 15, 2013, the compensation of the Supervisory Board was resolved as follows, which was amended by resolution of the annual shareholders' meeting on August 17, 2017, in No. 1, Base Compensation, as well as with regard to its period of validity. The compensation regulation now reads as follows:

1. **Base Compensation**. Each member of the Supervisory Board shall receive fixed compensation of EUR 5,000.00 ("Base Compensation") for each started month in office ("Settlement Month"). The beginning and end of each Settlement Month are determined in accordance with Sections 187 (1) and 188 (2) of the German Civil Code (BGB). The claim to Base Compensation shall arise at the end of the Settlement Month.

2. **Compensation for meeting attendance**. Each member of the Supervisory Board shall receive compensation of EUR 1,000.00 (the "Meeting Fee") for participating in a meeting of the Supervisory Board or a committee thereof (a "Meeting") called in accordance with the Articles of Incorporation. Participation in the meeting by telephone as well as voting in writing pursuant to Article 9 (3)(2) of the Articles of Incorporation shall be equivalent to participating in the meeting. Multiple meetings of the same body on a single day shall be compensated as a single meeting. The claim to a Meeting Fee shall arise when the Chairman or the committee chairman signs the minutes. The prerequisites to making a claim can only be proven by the minutes of the meeting according to Section 107 (2) of the German Stock Corporation Act (AktG).

3. **Compensation for adoption of resolutions outside of meetings**. Each member of the Supervisory Board shall receive compensation of EUR 1,000.00 ("Resolution Fee") for casting his vote in the context of adopting a resolution outside of a meeting according to Article 9 (4) of the Articles of Incorporation ("Adoption of Resolutions Outside of a Meeting") ordered on a case-by-case basis by the Chairman and carried out in writing, by telegraph, telephone, fax, or using other means of telecommunications or data transfer. If multiple resolutions are adopted on the same day outside of meetings, then the claim to the Resolution Fee shall only be established once. The claim to a Resolution Fee shall arise when the Chairman or the committee chairman signs the minutes on the adoption of resolutions. The prerequisites to making a claim can only be proven by the minutes of the adoption of resolutions.

4. **Compensation of the Chairman**. The Chairman of the Supervisory Board shall receive a bonus of 100% and the Deputy Chairman of the Supervisory Board shall receive a bonus of 50% on all compensation specified in Nos. 1 to 3.

5. **Expense reimbursement.** The Company shall reimburse the Supervisory Board members for the expenses incurred in performing their duties, as well as any sales tax accruing on the compensation and the expense reimbursement. The claim to reimbursement of expenses shall arise as soon as the Supervisory Board member has paid the expenses himself.

6. **Creation and due date of claims.** All payment claims shall be due 21 days after receipt of an invoice by the Company that satisfies the requirements for orderly invoicing. When expense reimbursement is claimed, the invoice must include copies of receipts for the expenses. The Company is entitled to pay advances before the claims are due.

7. **Insurance.** The Company shall conclude public liability insurance for the benefit of the Supervisory Board members that covers statutory liability arising from their activities as Supervisory Board members.

8. **Applicability Period.** This compensation regulation shall enter into force with retroactive effect as of August 15, 2013, and shall remain in force until an annual shareholders' meeting adopts a new regulation. This compensation regulation replaces the compensation regulation adopted by

the annual shareholders' meeting on August 14, 2013, which is simultaneously rescinded with retroactive effect. Insofar as compensation was already paid based on the rescinded compensation regulation, such compensation shall be applied to compensation claims under the new regulation.

The amendment to Base Compensation adopted for No. 1 shall become effective on August 18, 2017 and applies only to Settlement Months beginning after August 18, 2017. It shall remain in force until the annual shareholders' meeting adopts a new regulation.

The compensation granted to members of the Supervisory Board of Gigaset AG in the 2020 financial year pursuant to Section 314 (6a) HGB is presented in the table below:

EUR	Settled	Provisions	Total expenses
Hau Yan Helvin Wong	140,250	20,100	160,350
Ulrich Burkhardt	61,825	11,700	73,525
Paolo Vittorio Di Fraia	71,325	27,600	98,925
Barbara Münch	92,340	30,285	122,625
Huang Xiaojian	64,175	5,775	69,950
Flora Shiu Ka Yan	40,000	69,525	109,525
Total	**469,915**	**164,985**	**634,900**

Accordingly, the total compensation granted to the Supervisory Board according to IAS 24 amounted to EUR 634,900.00 (PY: EUR 559,500.00).

The compensation granted to members of the Supervisory Board in subsidiaries of Gigaset AG in the 2020 financial year pursuant to Section 314 (6a) HGB is presented in the table below:

EUR	Settled	Provisions	Total expenses
Barbara Münch	9,000	0	9,000
Total	**9,000**	**0**	**9,000**

Accordingly, the total compensation granted to the Supervisory Board of Gigaset Communications GmbH, Bocholt, according to IAS 24 amounted to EUR 9,000.00 (PY: EUR 32,000.00).

No further commitments have been made in the event of termination of mandates. No loans or advances were extended to members of the Executive Board or Supervisory Board of Gigaset AG. No contingent liabilities have been assumed in favor of these persons.

6. Shareholdings of Executive Board and Supervisory Board members

The Company asked its Executive Board members and Supervisory Board members about the extent to which they hold shares in Gigaset AG.

According to their own statements, the members of the Executive Board held no shares in Gigaset AG at the reporting date. According to their own statements, the members of the Supervisory Board together held 25,000 shares in Gigaset AG at the reporting date. This corresponds to approximately 0.1 per thousand of shares outstanding.

The shareholdings of the Executive Board and Supervisory Board are divided among the individual members of the Executive Board and Supervisory Board as follows:

	Number of shares at 12/31/2020	Number of shares at the date of preparation of the financial statements	Number of options at 12/31/2020	Number of options at the date of preparation of the financial statements
Executive Board				
Klaus Weßing	0	0	0	0
Thomas Schuchardt	0	0	0	0
Supervisory Board	0	0	0	0
Hau Yan Helvin Wong	10,000	10,000	0	0
Paolo Vittorio Di Fraia	15,000	15,000	0	0
Ulrich Burkhardt	0	0	0	0
Flora Ka Yan Shiu	0	0	0	0
Xiaojian Huang	0	0	0	0
Barbara Münch	0	0	0	0

Disclosures concerning stock option rights and similar incentives

Any stock options of Supervisory Board and Executive Board members presented in the table above are stock options that can be purchased in the open market. Gigaset AG did not grant stock options to the members of the Supervisory Board, nor to members of the Executive Board.

7. Disclosures concerning dealings with related parties

Disclosures concerning the parent company according to IAS 24.13:

Goldin Fund Pte. Ltd., Singapore, notified Gigaset AG on January 27, 2016 (corrected on January 28, 2016) that it now holds 97,357,789 shares in the Company, which convey the same number of voting rights. This would correspond to 73.5% of the 132,455,896 voting rights. To the knowledge of the Executive Board, the shareholder therefore also held 73.5% of voting rights in the 2020 financial year. To the knowledge of the Executive Board, the sole shareholder of Goldin Fund Pte. Ltd. is Goldin Investment (Singapore) Limited.

To the knowledge of the Executive Board, the ultimate economic beneficiary or highest-ranking person of Goldin Investment (Singapore) Limited is Mr. Pan Sutong. The ultimate economic beneficiary of Goldin Fund Pte. Ltd. is therefore Mr. Pan Sutong. To the knowledge of the Executive Board, this gentleman holds a broadly diversified portfolio of companies in addition to its investment in Gigaset AG.

In accordance with IAS 24 Related Party Disclosures, the business dealings with Gigaset Mobile Pte. Ltd., Singapore, are to be disclosed as business dealings with related parties in 2020. In this context, Gigaset Mobile Pte., Ltd., Singapore, had acted as a supplier to Gigaset. Gigaset in turn had charged contractually agreed upon services and fees to Gigaset Mobile Pte. Ltd. From a Group perspective, the transactions and balances for the reporting periods and as of the reporting date break down as follows:

EUR'000	Expenses 1/1 - 12/31/2020	Revenues/ Income 1/1 - 12/31/2020	Receivables 12/31/2020	Liabilities 12/31/2020
Gigaset	0	0	1,341	0
Gigaset Mobile Pte. Ltd.	0	0	0	1,341

EUR'000	Expenses 1/1 - 12/31/2019	Revenues/ Income 1/1 - 12/31/2019	Receivables 12/31/2019	Liabilities 12/31/2019
Gigaset	0	0	1,341	0
Gigaset Mobile Pte. Ltd.	0	0	0	1,341

According to IAS 24 Related Party Disclosures, the business dealings with Gigaset Mobile Europe GmbH i.L., Düsseldorf, must be disclosed as business dealings with related parties since financial year 2016. This company is another related entity according to IAS 24.19 (g). In this context, Gigaset Mobile Europe GmbH, Düsseldorf, had acted as a supplier to Gigaset. Gigaset in turn had charged contractually agreed upon services and fees to Gigaset Mobile Europe GmbH i.L., Düsseldorf. From a Group perspective, the transactions and balances for the reporting periods and as of the reporting date break down as follows:

EUR'000	Expenses 1/1 - 12/31/2020	Revenues/ Income 1/1 - 12/31/2020	Receivables 12/31/2020	Liabilities 12/31/2020
Gigaset	0	0	0	0
Gigaset Mobile Europe GmbH i.L.	0	0	0	0

EUR'000	Expenses 1/1 - 12/31/2019	Revenues/ Income 1/1 - 12/31/2019	Receivables 12/31/2019	Liabilities 12/31/2019
Gigaset	0	0	124	0
Gigaset Mobile Europe GmbH i.L.	0	0	0	124

The business dealings mainly consist of purchases and sales of goods according to IAS 24.21 b and services according to IAS 24.21 c.

According to IAS 24 Related Party Disclosures, business dealings with Gigaset Digital Technology, Shenzhen, China, must be disclosed as related party transactions since 2016. This company represents another related entity according to IAS 24.19 (g). From a Group perspective, the transactions and balances for the reporting period and as of the reporting date break down as follows:

EUR'000	Expenses 1/1 - 12/31/2020	Revenues/ Income 1/1 - 12/31/2020	Receivables 12/31/2020	Liabilities 12/31/2020
Gigaset	0	0	345	0
Gigaset Digital Technology	0	0	0	345

EUR'000	Expenses 1/1 - 12/31/2019	Revenues/ Income 1/1 - 12/31/2019	Receivables 12/31/2019	Liabilities 12/31/2019
Gigaset	0	0	345	0
Gigaset Digital Technology	0	0	0	345

The business dealings mainly consist of services provided according to 24.21 (c).

No significant dealings were conducted between the Group and related parties beyond those listed above.

8. Professional fees of the independent auditor

The following professional fees were incurred for the services of the independent auditor in financial year 2020:

EUR'000	2020	2019
Financial statement audit services	355	332
Other certification services	3	0
Tax advisory services	49	0
Other services	14	37
Total	**421**	**369**

The financial statement audit services primarily include the fees for the audit of the consolidated financial statements and the audits of Gigaset AG and Gigaset Communications GmbH required by law. In the previous year and in the reporting period, the other services consisted of consulting services related to the implementation of a software program. Moreover, expenses for the introduction of a tax compliance management system (TCMS) were incurred in the reporting period; these are presented within tax advisory services.

9. Employees

	Reporting date		Average	
EUR'000	12/31/2020	12/31/2019	2020	2019
Salaried employees	872	882	876	879
Apprentice-trainees	21	13	17	8
Total	**893**	**895**	**893**	**887**

The Gigaset Group had an average of 893 employees in financial year 2020 (PY: 887 employees). The number of employees as of the reporting date of December 31, 2020 was 893 (PY: 895 employees).

10. Declaration of Conformity with the German Corporate Governance Code

As required by Section 161 of the Stock Corporations Act (AktG), the Executive Board and Supervisory Board of Gigaset AG issued the Declaration of Conformity with the German Corporate Governance Code in the version of December 16, 2019 (which entered into force on March 20, 2020), on February 27, 2021 and then made it permanently available to shareholders at the company's website (http://www.Gigaset.com/de_de/cms/Gigaset-ag/investor-relations/unternehmen/corporate-governance.html). In this declaration, the Executive Board and Supervisory Board of Gigaset AG state that the Company was in compliance with the conduct recommendations of the Code Commission on corporate management and supervision published in the electronic German Federal Gazette (Bundesanzeiger) in the version of February 7, 2017 since the issuance of the last Declaration of Conformity on February 27, 2020, with a few exceptions, and will comply with the recommendations of the "Government Commission of the German Corporate Governance Code" in the version of December 16, 2019, published by the Federal Ministry of Justice in the Official Part of the German Federal Gazette (Bundesanzeiger) on March 20, 2020 with four exceptions. The Declaration of Conformity itself and the statements on the exceptions are reproduced verbatim at the specified location.

11. Shareholder structure

No notifications as per Section 33 or Section 38 of the German Securities Trading Act (WpHG) were received by the Company in 2020.

The Group's parent company Goldin Investment (Singapore) Limited, Tortola/British Virgin Islands, registered in the Registry of Corporate Affairs of the British Virgin Islands under the number 1713467, prepares consolidated financial statements for the largest group of companies, in which the separate financial statements of Gigaset AG will presumably be included. These consolidated financial statements will presumably not be published. The consolidated financial statements of Gigaset AG, Bocholt (smallest consolidation group) will be published in the German Federal Gazette (Bundesanzeiger).

12. Legal disputes and claims for damages

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

As reported, the European Commission imposed a total administrative fine of EUR 61.1 million on various European companies in the calcium carbide sector in connection with an anti-trust law investigation in July 2009. In this context, a fine totaling EUR 13.3 million was imposed jointly and severally on the parent SKW Stahl-Metallurgie Holding AG as well as its subsidiary SKW Stahl-Metallurgie GmbH (hereinafter collectively "SKW") as direct cartel participants. The European Commission held the current Gigaset AG, as the Group parent company at that time, jointly and severally liable for the fine imposed on SKW on the basis of the assumption that, as the Group parent company, it formed an "entrepreneurial unit" with SKW. By virtue of the administrative order assessing the fine, Gigaset AG paid an amount of EUR 6.7 million in 2009 and 2010 on a provisional basis (i.e. for the duration of the appeal) to the European Commission. Gigaset also filed an appeal against the assessment of the Commission. At the same time, Gigaset AG filed a suit against SKW in a civil court for reimbursement of the antitrust fine paid by Gigaset on the grounds that SKW alone should bear the fine as the originator of the cartel and consequently should reimburse Gigaset AG for the fine it has already proportionally paid.

On April 11, 2019, the Munich Higher Regional Court ruled that SKW Stahl-Metallurgie Holding GmbH is obligated to pay a total amount of approximately EUR 4.77 million (EUR 3.55 million plus interest) to Gigaset AG. To avoid a continuation of the legal dispute, Gigaset und SKW agreed on a settlement to finally end the legal dispute, under which SKW will waive the pursuit of legal remedies and quickly pay a total amount of EUR 4.6 million to Gigaset. Gigaset received the settlement amount in due time in two installments in May and July 2019. The costs of the legal dispute are not covered by the settlement and were settled by the litigants in financial year 2020. Gigaset AG received the still to be settled legal dispute costs of EUR 145 thousand in October 2020. Thus, the legal dispute is definitively settled.

In the legal dispute with Evonik Degussa GmbH regarding a penalty for breach of contract in the amount of EUR 12.0 million, in November 2013 an arbitration tribunal rejected the suit and otherwise sentenced Gigaset AG to pay an amount of EUR 3.5 million plus interest to Evonik. On March 4, 2015, Gigaset paid the amount in the principal matter of EUR 3.5 million plus interest to Evonik. Due to the amounts paid under the guarantee, Gigaset now has taken recourse against the principal debtor, OXY Holding GmbH and the additional indemnification debtor, StS Equity Holding UG. After failing to reach an agreement out of court, Gigaset filed a lawsuit against the principal debtor OXY Holding GmbH and the indemnification debtor StS Holding UG for reimbursement of this amount in a request for arbitration and payment order dated June 29, 2015. In the further course of affairs, insolvency proceedings were commenced on the assets of both OXY Holding GmbH and StS Equity Holding UG. Gigaset is the principal creditor in both these proceedings. In the meantime, the distribution of the insolvency estate has been largely completed; Gigaset expects – not least based on an agreement with the insolvency administrator regarding the matter – to receive up to EUR 3.5 million from the insolvency estate. Of this amount, EUR 2.0 million of which has already flowed to the Company as an advance distribution in the second quarter of 2016 in the course of an advance distribution in the insolvency proceedings on the assets of OXY Holding GmbH, as well as about EUR 0.2 million in the fourth quarter of 2018 from the final distribution in the insolvency proceedings on the assets of StS Equity Holding UG. The Company expects an additional EUR 1.3 million as part of the final distribution in the insolvency proceedings of OXY Holding GmbH. The extent to which additional (partial) payments can be recovered in the short term is currently uncertain. In the final result, the Company will incur a net loss of EUR 1.3 million, primarily representing the interest paid to Evonik from the principal amount.

In addition, the following significant legal disputes are currently pending at a subsidiary of Gigaset AG currently and in the 2020 financial year:

The Spanish subsidiary of Gigaset Communications GmbH, Gigaset Communications Iberia S.L. with its registered head office in Madrid, received a penalty notice for EUR 2.0 million. The penalty was imposed because the Spanish tax authority objected to a tax valuation. The Spanish subsidiary was advised by a prestigious accounting firm on the subject of the contested tax valuation and it is still thought that the valuation is not justifiably objectionable and certainly cannot justify the imposition of a penalty. Accordingly, the Spanish subsidiary filed an appeal against the penalty notice and requested that the notice be repealed. A loan was granted to the Spanish subsidiary with which the penalty was initially paid. The loan was converted into equity at a later time. Concurring with the assessment of the legal counsel of the Spanish subsidiary, the Company considers it highly probable that the penalty notice will be repealed and therefore the penalty will also be refunded.

13. Significant events after the reporting date

It cannot be ruled out that the ongoing coronavirus pandemic will affect Gigaset in terms of delivery processes, consumer behavior, the quality of trade receivables and liquidity management. The current scarcity in the chip market could affect the availability of chipsets and consequently also the utilization of production capacities. The potential financial effects cannot yet be estimated at the present time. Gigaset is continually assessing the developments and taking measures to minimize risks.

In the first quarter of 2021, Gigaset received payments from suppliers that provide financial support to the project being pursued under the cooperation arrangement with Unify. Contractual agreements made with the suppliers provide for the repayment of the liquidity provided by them within the term of the project.

In view of the existing order backlog, the short-time work regime imposed in the German locations in April 2020 was ended in late February 2021.

An agreement was reached with the financing banks on March 22, 2021 to apply the net gearing ratio as the relevant financial covenant in the future.

Please refer to the description in the Group management report for additional details.

14. Release for publication of the consolidated financial statements

The present consolidated financial statements of Gigaset AG were released for publication by the Executive Board on March 26, 2021. The Company’s shareholders will have the right and option of amending the consolidated financial statements at the annual shareholders’ meeting.

Bocholt, March 26, 2021

The Executive Board of Gigaset AG

Klaus Weßing	Thomas Schuchardt
CEO	CFO

FURTHER INFORMATION

Gigaset E720-Serie

Our society is changing and inclusion is an important issue also in reference to older persons or persons with special physical challenges. As a member of the life series family, the E720 provides all-round support and numerous special functions such as hearing device connection, SOS key, speed-dial keys, especially loud ringtones and large keys.

GIGASET LIST OF SHAREHOLDINGS

	Location		Equityshare direct	Equity share indirect	currency '000	Local equity share 2019	Local profit/ loss 2019
Gigaset AG	Bocholt	Germany			EUR	102,166[1]	-1,872[1]
CFR Holding GmbH	Munich	Germany	100%		EUR	2	0
GOH Holding GmbH	Munich	Germany	100%		EUR	284	-11
Gigaset Industries GmbH (in Liqu)	Vienna	Austria	100%		EUR	1,194	-44
GIG Holding GmbH	Munich	Germany	100%		EUR	58,610	-473
Gigaset Online GmbH	Bocholt	Germany		100%	EUR	17	-1
Gigaset Communications GmbH	Bocholt	Germany		100%	EUR	51,023	1,906
Gigaset Communications Schweiz GmbH	Solothurn	Switzerland		100%	CHF	2,203	246
Gigaset Communications Polska Sp. z o.o.	Wroclaw	Poland		100%	PLN	3,795	1,123
Gigaset Communications UK Limited	Chester	Great Britain		100%	GBP	969	90
Gigaset İletişim Cihazları A.Ş	Istanbul	Turkey		100%	TRY	16,956	1,566
OOO Gigaset Communications	Moskow	Russia		100%	RUB	103,999	8,823
Gigaset Communications Austria GmbH	Vienna	Austria		100%	EUR	258	105
Gigaset Communications (Shanghai) Limited	Shanghai	PR China		100%	CNY	-1,302	-143
Gigaset Communications France SAS	Courbevoie	France		100%	EUR	7,853	792
Gigaset Communications Italia S.R.L.	Milan	Italy		100%	EUR	891	105
Gigaset Communications Nederland B.V.	Arnhem	Netherlands		100%	EUR	1,205	137
Gigaset Communications Iberia S.L.	Madrid	Spain		100%	EUR	669	153
Gigaset Communications Sweden AB	Stockholm	Sweden		100%	SEK	2,018	-73
Gigaset elements GmbH[2]	Bocholt	Germany		100%	EUR	-16,822	0
Hortensienweg Management GmbH	Munich	Germany	100%		EUR	676	52

[1] 2020 figures

[2] Profit/loss transfer agreement since 2016; pre-tax entity losses are not included.

INDEPENDENT AUDITOR'S REPORT

To Gigaset AG, Bocholt

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Gigaset AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Gigaset AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020 and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

Pension provisions

Our presentation of this key audit matter has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Refererence to further information

Hereinafter we present the key audit matter:

Pension provisions

① In the consolidated financial statements of the Company a total amount of € 98,3m (47,9 % of consolidated total assets) is reported under the "Pension obligations" balance sheet item. The pension provisions comprise the obligations from defined benefit pension plans amounting to € 135,9m and the plan assets of € 37,6m. Obligations under defined benefit plans are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy and staff turnover. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since sufficient long-term corporate bonds do not exist. The plan assets are measured at fair value, which in turn involves making estimates that are subject to estimation uncertainties.

From our point of view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a large extent on estimates and assumptions made by the Company's executive directors.

② As part of our audit we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with the standard and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the purposes of our audit of the fair value of the plan assets we obtained bank and fund confirmations.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

③ The Company’s disclosures relating to the pension provisions are contained in note E.12 to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor’s report.

The annual report and the separate non-financial report pursuant to § 289b Abs. 3 HGB and

§ 315b Abs. 3 HGB are expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file Gigaset_KA_2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1. January to 31. December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 4 June 2020. We were engaged by the supervisory board on 11 November 2020. We have been the group auditor of the Gigaset AG, Munich, without interruption since the financial year 2005.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Antje Schlotter.

Düsseldorf, 26. March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Antje Schlotter	ppa. Denis Varosi
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT OF THE EXECUTIVE BOARD

The Executive Board of Gigaset AG is responsible for the preparation of the consolidated financial statements and the information contained in the Group management report. This information has been reported in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Committee (IASC), as they are to be applied in the European Union (EU). The Group management report has been prepared in accordance with the provisions of the German Commercial Code.

By implementing Group-wide reporting in accordance with uniform guidelines, using reliable software, selecting and training qualified personnel, and continually optimizing processes in the consolidated companies, we are able to present a true and fair view of the Company's business performance, its current situation, and the opportunities and risks of the Group. To the extent necessary, appropriate and objective estimates have been applied.

In accordance with a resolution adopted at the annual shareholders' meeting, the Audit Committee of the Supervisory Board has engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the consolidated financial statements of the Group in the capacity of independent auditors. The Supervisory Board discussed the consolidated financial statements and the Group management report with the independent auditors during its meeting. The result of this examination is presented in the Report of the Supervisory Board.

Responsibility statement

"To the best of our knowledge and in accordance with the required accounting principles, the consolidated financial statements provide a true and fair view of the cashflows, financial position and financial performance of the Group, and the Group management report provides a true and fair view of the Group's performance and situation, along with a fair description of the principal opportunities and risks of the Group's future development."

Bocholt, March 26, 2021

The Executive Board of Gigaset AG

FINANCIAL CALENDAR 2021

(Remaining)[45]

April 22, 2021	Financial statements press conference 2021
May 20, 2021	Interim financial report for Q1 2021
June 8, 2021	Annual shareholders' meeting 2021
September 16, 2021	Semiannual financial report 2021
November 25, 2021	Interim financial report for Q3 2021

PUBLICATION DETAILS

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[45] Subject to change

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ANNUAL REPORT

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