

Gigaset



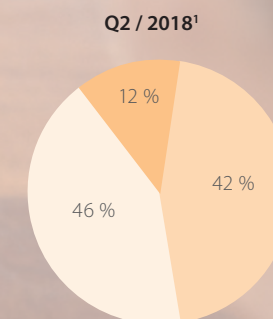
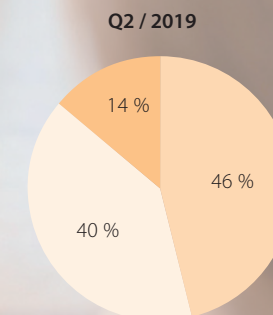
INTERIM REPORT FOR THE 1ST HALF YEAR FROM JANUARY 1, TO JUNE 30, 2019

KEY FIGURES

EUR millions	1/1 - 6/30/2019	1/1 - 6/30/2018
Consolidated revenues	107.1	121.0
Earnings before interest, taxes, depreciation, amortization and impairment losses (EBITDA)	6.7	7.7
Earnings before interest and taxes (EBIT)	-0.3	0.9
Consolidated profit/loss for the year	0.5	-0.1
Free cash flow	-6.8	-23.0
Earnings per share (diluted in EUR)	0.00	0.00
	6/30/2019	12/31/2018
Total equity and liabilities	201.0	213.1
Consolidated equity	15.5	25.0
Equity ratio (in %)	7.7	11.7
Number of employees	918	888

Information on the Gigaset share	Q2 / 2019	Q2 / 2018
Closing price in EUR (at the end of the period)	0.40	0.60
Peak price in EUR (in the period)	0.53	0.79
Lowest price in EUR (in the period)	0.27	0.54
Number of shares in circulation (at the end of the period)	132,455,896	132,455,896
Market capitalization in EUR million (at the end of the period)	52.98	80.17

Sales broken down by region



Germany
 Europe
 Rest of World

Note

This interim financial report is not certified. The interim financial report includes statements and information regarding Gigaset AG relating to future periods. These statements regarding the future represent estimates that were made based on all information available when the interim financial report was prepared. If the assumptions underlying the forecasts should prove inaccurate, the actual developments and results can deviate from current expectations. The Company does not accept any responsibility

to update the statements included in this interim financial report outside of the provisions governing publication stipulated under the law.

Amounts included in tables and percentages in this interim financial report (monetary units, percentages) can differ from the mathematically correct values due to rounding differences.

¹ The prior-year figures differ from the 2018 half-yearly Report, as the segment classification was changed. The Europe segment previously included both countries that are members of the EU as well as other countries in Europe. The Rest of World segment includes countries that are in Europe but which are not EU members and other countries in the world (third countries).

1 BUSINESS MODEL

Gigaset AG is a global enterprise operating in the area of telecommunications. The Company is headquartered in Munich and has a highly automated production site in Bocholt, Germany. Gigaset engaged in sales activities in 53 countries in the first half of 2019. As of June 30, 2019, the Company had 918 employees.

The Group is broadly positioned on the international market with its operations in the four segments Phones, Smartphones, Smart Home and Professional. Observed on a regional basis, the Company is divided into the segments Germany, Europe (excluding Germany), and Rest of World, whereby most of its revenues are generated in Europe, in particular in the most important European markets for the Company (EU6): Germany, France, Italy, the United Kingdom, Spain, and the Netherlands.

1.1 Phones

Gigaset's core business in the Phones segment focuses on the production and distribution of DECT cordless telephones. DECT is the most successful telecommunications standard for cordless telephones worldwide. In this area, Gigaset is the market leader in the most important European markets. High market penetration is a key factor behind the Company's success. Nearly all of the Company's products are manufactured in the highly automated plant in Bocholt.

1.2 Smartphones

Gigaset has also been active in the segment for mobile devices since financial year 2015. The Company has since then positioned itself in the entry-level segment for smartphones and taken up price points between EUR 119.00 and EUR 279.00 over various products. The goal of the current product strategy is to develop the market successively over the entry-level segment and to win over the trust and interest of customers with feature-rich smartphones at attractive prices. An important part of this strategy is the promise of the familiar Gigaset quality also with smartphones. With the introduction of the GS185 in May 2018 – the first smartphone manufactured in Germany – the Company has taken a major step in this direction and created a unique selling point for its product offering.

1.3 Smart Home

Security and alarm solutions are developed and marketed for private households in the Smart Home segment. The solutions from the Smart Security, Smart Comfort, and Smart Care business lines concentrate on the protection of condominiums and houses, more comfort in one's own home, and assistive systems for the elderly. In the third quarter of 2018, Gigaset began advertising special Smart Care products (assistive systems for the elderly). Gigaset relies on a modular, sensor-based system that enables users to maintain a constant connection with their home via smartphone and supported by the cloud. The portfolio of sensors is continuously expanded, while on the software side progress is being made with the integration of third-party systems in order to increase the users' comfort.

- 1 Business model**
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

1.4 Professional

The Professional segment offers business customers a broad range of desk telephones and mobile components for SMEs with up to 250 users. Due to the high level of consultation for commercial products, these are distributed solely over systems vendors (value added resellers) and primarily in European markets. Here as well, Germany, France, Italy, and the Netherlands represent the most important sales markets. The Professional segment is the Company's second-largest revenue pillar.

CONTENT

- 1 Business model**
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

2 MARKET AND INDUSTRY ENVIRONMENT

2.1 General economic environment

In the view of the Kiel Institute for the World Economy (IfW), the German economy is experiencing a downturn. According to the current Economic Outlook of the Kiel Institute for the World Economy, economic momentum slowed further in the past few months and German companies are considerably more pessimistic about the future. The high level of uncertainty with regard to economic policy around the world also may have contributed to this. A decrease in gross domestic product is even becoming evident for the second quarter. Against this backdrop, the experts at the IfW now expect a lower rate of growth of 0.6% in the current year (spring forecast: 1%) and 1.6% in the coming year (spring forecast: 1.8%) than they had forecasted in the spring. Aggregate production will likely be on the rise again in the second half of the year, albeit at a moderate pace. The fact that private consumption will likely increase again noticeably with further sharply rising income after having taken a breather in the second quarter in light of the very high rate of growth at the beginning of the year speaks in favor of this. Exports, which recently lagged clearly behind the very robust global economic expansion, should also gradually bounce back again. In contrast, in light of the clouded prospects for sales and earnings, the IfW no longer expects any major stimulus from business investments. The slower economic trend will also have an effect on the labor market. In particular, more and more companies in manufacturing industries plan to reduce the number of employees.²

2.2 Telecommunications market

2.2.1 Phones market

Germany

The market for cordless telephones in Germany declined by 5.6% with respect to unit volume in the first half of 2019 compared with the first half of 2018. Based on revenues, the market decline amounts to 2.2% year-on-year. Gigaset further increased its share of this market to 47.2% in terms of units.

France

The market for cordless telephones in France declined with respect to revenues by 14.9% in the first half of 2019 compared with the first half of 2018. Gigaset held on to its position in this difficult environment and increased its market share by 1.1% in the first half of 2019 compared with the first half of 2018.

EU6 Region

The market in the most important European markets observed by Gigaset (Germany, France, Italy, the United Kingdom, Spain, and the Netherlands) shrank by 7.6% with respect to revenues in the first half of 2019 compared with the first half of 2018. Overall, Gigaset defended its market share in terms of units and revenues and remains the European market leader at 35.9% and 36.7% respectively. The expansion of the HX portfolio on the basis of IP technology as well as addressing demographic issues (aging of society) by means of a corresponding portfolio for people in the second half of their life under the Signet "life series" are of particular importance for Gigaset.

CONTENT

- 1 Business model
- 2 Market and industry environment**
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

² IfW 2019: Economic Outlook of the Kiel Institute for the World Economy No. 56 (2019/Q2) (<https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2019/deutsche-konjunktur-im-sinkflug-0/>)

2.2.2 Smartphones market³

According to the market research institute GfK, global smartphone revenues remained solid in 2018, as the premium trend continued to boost growth. In numbers, that corresponds to an increase of 5% to USD 522 billion. However, demand for smartphones fell by 3% to 1.44 billion devices sold worldwide in 2018 compared with the previous year. The majority of total expenditures in the global market for technical consumer goods can be attributed to smartphones in the past year. For 2019, the experts at GfK expect only minor growth of around 1%.⁴ In the first half of the year, Gigaset observed relatively steady demand for its own products.

2.2.3 Smart Home market

Revenues in the global Smart Home market amounted to around EUR 49.6 billion in 2018. According to a forecast by Statista, revenues will increase in the current year to EUR 65 billion and reach a market volume of just under EUR 136 billion in 2023. That corresponds to revenue growth of 20.1% for the year (CAGR 2019-2023). The penetration rate will be 7.7% in 2019 and is expected to reach 18.1% in 2023. The average proceeds for each existing Smart Home currently amount to EUR 110.87. In a global comparison, it can be seen that most revenues are generated in the U.S.A. (roughly EUR 25 billion in 2019).⁵

2.2.4 Professional market

The telecommunications market for business customers is characterized by a persistent trend in favor of IP-based communications and telephony, given a simultaneous increase in cloud-based communications systems. In the long term, it is expected that successive crowding out of traditional transmission technologies will take place by 2023 and the use of IP or cloud-based systems will increase to approximately 75% based on a total volume of around 131 million terminals.⁶ The market for multi-cell communications systems on the basis of VoWLAN (Voice over Wireless LAN) is also of special interest. Over the course of time, an anticipated market value of EUR 33 million will be reached in 2023.⁷ This positive development also opens up opportunities for Gigaset to increase the range of implementation possibilities for its portfolio with future product offerings.

CONTENT

- 1 Business model
- 2 Market and industry environment**
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

³ (Source: European Information Technology Observatory (EITO); gfu)

⁴ GfK Press release dated 2/22/2019 (<https://www.gfk.com/de/insights/press-release/globale-smartphone-umsaetze-erreichungen-522-milliarden-usd-im-jahr-2018/>)

⁵ Statista – Smart Home market (<https://de.statista.com/outlook/279/100/smart-home/weltweit>)

⁶ MZA 2018 - Hosted Cloud Business Telephony (Excel Table 2/Chart 2)

⁷ MZA - OSBVM Forecasts 2018 – Gigaset

3 THE GIGASET SHARE

In the first half of 2019, shares of Gigaset AG scored a price gain of 33%. Starting at an opening price of EUR 0.30, the share trended considerably better than the market as a whole in the first few weeks of 2019 and reached its peak for the reporting period with a closing price of EUR 0.53 on February 8, 2019. In the second quarter, the share eventually fluctuated between EUR 0.32 and EUR 0.49 and closed the last trading day of June 28, 2019, at EUR 0.40. The DAX rose by 17.42% in the first half of 2019, while the SDAX even rose by 19.65%. The Gigaset share's average Xetra daily volumes increased considerably in the first half of 2019 to 54,575 shares compared with the first half of the previous year (24,789 shares). Due to the low free float, the Gigaset share is subject to greater price fluctuations, even due to smaller transactions.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share**
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

4 FINANCIAL PERFORMANCE, CASHFLOWS AND FINANCIAL POSITION

4.1 Financial performance

The Gigaset Group's revenues amounted to EUR 107.1 million in the first six months of financial year 2019 (prior year: EUR 121.0 million) in an industry environment that continued to be challenging. This corresponds to a decrease in revenues of -11.5% compared with the previous year, whereby revenues from core business activities were subject to the usual seasonal fluctuations in the consumer business.

The decrease in revenues in the first half of 2019 can be attributed to a further decrease of EUR 9.4 million or 11.0% to EUR 76.4 million in the Phones segment. In the Professional segment, revenues amounted to EUR 24.9 million in the first half of 2019. This corresponded to a 12.3% decrease in revenues year-on-year. Revenues in the Smart Home segment increased year-on-year by 14.3% to EUR 1.6 million. At EUR 4.2 million, revenues in the Smartphones segment in the first half of the year fell short of revenues for the first half of the previous year (prior year: EUR 5.4 million).

Revenues in EUR millions	H1 2019	H1 2018	Change
Phones	76.4	85.8	-11.0%
Smartphones	4.2	5.4	-22.2%
Smart Home	1.6	1.4	14.3%
Professional	24.9	28.4	-12.3%
Gigaset Total	107.1	121.0	-11.5%

The decrease in the Phones segment followed the general market trend in Europe. However, Gigaset increased its market share by 2.0% in terms of units and by 0.6% based on revenues in the market for cordless telephones in the EU6 area, whereby the market share was increased by 1.1% in terms of units and by 1.1% based on revenues in France. Gigaset also expanded its share of the market in Italy (by 2.9% in terms of units and by 3.5% based on revenues). In the Netherlands, the market share increased by 4.1% in terms of units and by 3.6% based on revenues. Thus, Gigaset also continued to underscore its premium position in the EU6 area with a market share of 35.9% in terms of units and 36.7% based on revenues.

The Smartphones segment declined in the first half of 2019 with a decrease in revenues of EUR 1.2 million. Gigaset intends to further expand its position in the smartphone market in financial year 2019.

Compared with the first half of the previous year, the Smart Home segment exhibited a further positive trend. The market for Smart Home systems & services in Western Europe is still considered to be promising.

The Business Customers segment exhibited a negative trend compared with the first half of the previous year. In particular the decreases in revenues in France, Italy, Spain, and Switzerland influenced the decrease with a total of EUR 4.3 million, offset by increases in Germany and Austria with a total of EUR 1.1 million. The focus currently lies on further expanding the market position by expanding the product portfolio.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position**
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

Revenues by sales region developed as follows:

Revenues in EUR millions	H1 2019	H1 2018 ⁸	Change
Germany	48.9	50.9	-3.9%
Europe (excluding Germany)	43.3	55.4	-21.9%
Rest of World	14.9	14.7	+1.0%
Gigaset Total	107.1	121.0	-11.5%

The decrease in revenues in Germany can be attributed largely to the negative market trend in the Phones segment. The market decline in the Phones segment was likewise felt all over Europe. The remaining areas will be further expanded to offset the decline in this segment.

Revenues by geographical region developed as follows:

Revenues in EUR millions	H1 2019	H1 2018 ⁸	Change
Germany	55.9	59.6	-6.3%
Europe (excluding Germany)	40.6	49.1	-17.3%
Rest of World	10.6	12.3	-13.6%
Gigaset Total	107.1	121.0	-11.5%

The change in the **portfolio of finished goods and work in progress** amounted to EUR -3.0 million as of June 30, 2019 (prior year: EUR +2.6 million). The changes can be attributed mainly to the reduction in finished goods as of the reporting date. The cost of materials for raw materials, merchandise, finished goods and purchased services was EUR 50.0 million in the first half of 2019, decreasing by 18.2% compared with the prior-year comparative value of EUR 61.1 million. The cost of materials rate fell from 49.5% to 48.1%, including changes in inventories.

Gross profit, comprising revenues less the cost of materials and including the change in the portfolio of finished work and work in progress decreased compared with the previous year from EUR 62.5 million to EUR 54.0 million. The gross profit margin with respect to revenues decreased to 50.5% in the first half of 2019 compared with 51.6% in the first half of the previous year.

At EUR 3.3 million, **other own work capitalized** fell EUR 1.8 million short of the previous year's level and mainly included costs related to the development of new products.

Other operating income amounted to EUR 9.3 million. (prior year: EUR 6.3 million). In 2019, the legal dispute regarding the SKW anti-trust law investigation was concluded with a positive outcome, resulting in other operating income in the amount of EUR 3.3 million. There are no more liability risks associated with this individual matter. For further comments, please refer to the report on opportunities and risk in the management report.

At EUR 29.3 million, **personnel expenses** for wages, salaries, social security contributions and old age pensions were down 5.4% compared with the first half of 2018 (EUR 30.9 million). The decrease can be attributed mainly to lower expenses for pensions. The personnel cost rate increased to 27.3% (prior year: 25.6%).

Other operating expenses fell to EUR 30.7 million in the first half of 2019 after amounting to EUR 35.4 million in the first half of 2018. The reduction in expenses can be attributed primarily to cost reductions of EUR 1.8 million for marketing expenses, EUR 1.4 million in foreign exchange losses, EUR 0.6 million in rents for buildings, EUR 0.6 million in expenses from the loaning of employees and EUR 0.5 million in freight and transport expenses.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position**
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

8 The prior-year figures differ from the 2018 half-yearly Report, as the segment classification was changed. The Europe segment previously included both countries that are members of the EU as well as other countries in Europe. The Rest of World segment includes countries that are in Europe but which are not EU members and other countries in the world (third countries).

At EUR 6.7 million, **earnings before interest, taxes, depreciation, amortization and impairment losses** (EBITDA) were slightly lower than in the first half of 2018 (EUR 7.7 million). Taking into account scheduled depreciation and amortization charges in the amount of EUR 7.0 million (prior year: EUR 6.8 million), **earnings before interest and taxes** (EBIT) amounted to EUR -0.3 million (prior year: EUR 0.9 million).

EBIT in conjunction with the **financial result** of EUR 0.6 million (prior year: EUR -0.4 million) led to a **result from ordinary activities** of EUR 0.3 million (prior year: EUR 0.5 million).

The **consolidated profit/loss for the year** amounted to EUR 0.5 million as of June 30, 2019 (prior year: EUR -0.1 million).

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

4.2 Cashflows

Cashflow

Cashflow in EUR millions	H1 2019	H1 2018
Cashflows from operating activities	-0.2	-16.9
Cashflows from investing activities	-6.6	-6.1
Free cashflow	-6.8	-23.0
Cashflows from financing activities	-1.3	4.8

In the first half of the year, the Gigaset Group had to record a **cash outflow from operating activities** in the amount of EUR -0.2 million (prior year: EUR -16.9 million). The cash outflow typical for the first half of the year was characterized by the seasonal business. Whereas the decrease in cash resources was greatest in the first quarter due to the repayment of liabilities to suppliers resulting from the Christmas shopping season, cash requirements were lower in the second quarter. Net cash inflows are traditionally generated in the second half of the year during the Christmas shopping season. The outflow of cash resources from operating activities, which was lower than in the first half of the previous year, was characterized in particular by smaller disbursements for trade payables.

Cash outflow from investing activities amounted to EUR -6.6 million and thus exceeded the previous year's level of EUR -6.1 million. The clear majority of the payments in the current and past financial year constituted capital expenditures in noncurrent assets.

Thus, **free cashflow** amounted to EUR -6.8 million compared with EUR -23.0 million in the first half of the previous year.

The **cash outflow/inflow from financing activities** amounted to EUR -1.3 million as of June 30, 2019 (prior year: EUR 4.8 million). In the previous year, cashflows from financing activities included the first disbursement from a credit facility, which led to positive cash inflows. In the current reporting period, the interest paid for the new credit facility as well as the initial application of IFRS 16 led to a negative cashflow from financing activities. Due to the introduction of IFRS 16 in 2019, all leases are capitalized in the balance sheet and therefore a lease liability is also recognized. For the first time, interest attributable to lease liabilities paid had a negative impact of EUR -0.6 million on cashflows from financing activities in 2019.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position**
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

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

Cashflow included changes in exchange rates in the amount of EUR -0.0 million (prior year: EUR -0.1 million).

Cash and cash equivalents amounted to EUR 28.9 million as of June 30, 2019 (prior year: EUR 30.8 million).

4.3 Financial position

The Gigaset Group's **total assets** amounted to EUR 201.0 million as of June 30, 2019, and therefore decreased by 5.7% compared with December 31, 2018.

Noncurrent assets increased by EUR 9.4 million to EUR 82.6 million compared with December 31, 2018. Capital expenditures in property, plant and equipment slightly exceeded depreciation and amortization and disposals; as a result, property, plant and equipment increased by EUR 0.3 million compared with December 31, 2018. In contrast, intangible assets remained nearly constant at a value of EUR 31.0 million compared with December 31, 2019. Due to the initial application of IFRS 16 on January 1, 2019, all leases are shown in the statement of financial position; as a result, right-of-use assets were accounted for in the amount of EUR 4.5 million. Capitalized lease obligations are recognized at present value in consideration of depreciation charges.

Financial assets fell by EUR 0.7 million from EUR 8.7 million to EUR 8.0 million. The determination of the fair value of the financial investment in Gigaset Mobile Pte. Ltd. led to an impairment loss. In accordance with the provisions of IFRS 9, Gigaset Mobile Pte. Ltd. represents a financial investment in equity instruments

whose fair value changes are recognized through other comprehensive income (FVOCI measurement category with no recycling) directly in equity.

Deferred tax assets amounted to EUR 15.5 million as of the reporting date June 30, 2019, after amounting to EUR 10.2 million on December 31, 2018. The increase can be explained by a change in the interest rate for the measurement of pension obligations as of June 30, 2019.

Current assets represented 58.9% of total assets. Compared with December 31, 2018, they decreased by EUR 21.5 million and amounted to EUR 118.5 million. Inventories increased by EUR 0.4 million to EUR 33.1 million. Gigaset's warehouses are normally at their lowest level at year-end after the Christmas shopping season and are consequently restocked over the course of the year. Trade receivables decreased by EUR 8.6 million to EUR 32.2 million. Other assets decreased by EUR 5.2 million to EUR 23.8 million. The portfolio of cash and cash equivalents decreased from EUR 36.9 million to now EUR 28.9 million compared with December 31, 2018. Please refer to the statement of cashflows in the notes for a breakdown of changes in cash and cash equivalents.

The Gigaset Group's **equity** amounted to around EUR 15.5 million as of June 30, 2019, and is thus EUR 9.5 million lower than at the beginning of the year. This corresponds to an equity ratio of 7.7%. Due to the decrease in the discount rate from 1.83% to now 1.19% for pension obligations accounted for, a net actuarial loss of EUR -8.8 million was recognized directly in equity. Furthermore, changes in exchange rates were recognized directly in equity in the amount of EUR -0.1 million. Cashflow hedging resulted in a loss of EUR 0.4 million that was recognized directly in equity. A negative effect of EUR 0.7 million resulted from the fair-value measurement of the financial instruments held by the Gigaset Group as of the reporting date June 30, 2019. The consolidated profit of EUR 0.5 million for the year had the effect of increasing equity.

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position**
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

Total liabilities, 44% of which were current, amounted to EUR 185.5 million and therefore turned out to be EUR 2.6 million less than at the beginning of the year.

Noncurrent liabilities mainly included pension obligations, financial liabilities, and deferred tax liabilities as well as noncurrent provisions for personnel expenses and provisions for guarantees. This also included lease liabilities recognized for the first time under the IFRS 16 Standard to be newly applied in 2019. Noncurrent liabilities increased by EUR 12.4 million to EUR 104.5 million. The increase in noncurrent liabilities can be attributed mainly to the increased pension obligations as well as to lease obligations that were recognized for the first time.

At EUR 80.9 million, current liabilities were around 15.6% lower than at the end of the year on December 31, 2018. The decrease in provisions of EUR 4.2 million resulted primarily from lower **provisions** for volume discounts in the amount of EUR 2.2 million and the reduction of provisions for licenses in the amount of EUR 0.9 million. **Trade payables** decreased seasonally from EUR 47.4 million to EUR 39.0 million. The current portion of the credit facility raised in 2018 is shown under financial liabilities as of June 30, 2019. The loan was entirely noncurrent in nature as of December 31, 2018, and was therefore shown under noncurrent liabilities. The line item Lease liabilities includes the current portion of leases accounted for under IFRS 16 for the first time in 2019. **Tax liabilities** decreased by EUR 5.7 million in the current financial year from EUR 15.0 million to EUR 9.3 million. The reduction in liabilities can be attributed to payments on corporate income and trade taxes. **Other liabilities** as of June 30, 2019, amounted to EUR 13.6 million (prior year: EUR 15.2 million) and comprise mainly liabilities for wages and salaries, value added tax and other liabilities.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position**
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

5 REPORT ON OPPORTUNITIES AND RISKS AS OF JUNE 30, 2019

As a general rule, all entrepreneurial activities involve risk. This includes the risk that corporate goals will not be achieved due to external or internal events as well as a result of actions and decisions; in extreme cases, a company's ability to continue as a going concern can be jeopardized. Gigaset's risk policy consists of taking advantage of existing opportunities and limiting the associated risks with the use of appropriate instruments.

Detailed information regarding Gigaset's opportunities and risks is presented in Gigaset's 2018 Annual Report. All in all there were no significant changes in the first half of 2019 except for the matter presented in the following paragraph.

However, we would like to point out the following individual matter regarding the SKW anti-trust law investigation. Gigaset AG's legal dispute with SKW Stahl-Metallurgie Holding AG as well as with SKW Stahl-Metallurgie GmbH ended in a settlement on May 21, 2019. Gigaset AG has already received the entire agreed settlement amount of EUR 4.6 million from SKW Stahl-Metallurgie Holding AG. The costs of the legal dispute that were not included in the settlement must still be compensated between the parties.

The process of the Group-wide, systematic risk management system is described in detail in Gigaset AG's combined management report in the 2018 Annual Report.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019**
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

6 SIGNIFICANT EVENTS AFTER JUNE 30, 2019

The Supervisory Board of Gigaset AG has appointed Thomas Schuchardt as CFO and member of the Company's Executive Board, effective as of August 13, 2019. Mr. Schuchardt had previously held the position of financial director at Gigaset Communications GmbH from January 1, 2019 onwards and will now serve on the Executive Board of Gigaset AG. His contract as member of the Executive Board runs for three years until 2022.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019**
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

7 OUTLOOK

7.1 General economic development

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

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

7.2 Development of the industry

Phones

The Group is basing its planning on the assumption that the global market for DECT cordless telephones will further decline in the future due to increased competition and the growing share of mobile communication. The price level should also further decline over the next few years.

Smartphones

Gigaset expects the sales volume of products in this segment to continue rising. This can also be inferred from a current study by Statista of expected smartphone sales volumes until 2023, according to which the worldwide sales volume is expected to rise to around 1.52 billion devices by 2023.⁹

Smart Home

Gigaset expects that Smart Home applications will develop more modestly than forecasted also in the foreseeable future. Nevertheless, individual studies and forecasts impart confidence. Current statistics from Statista show a forecast for revenue in the Smart Home Building Security segment in Germany until 2023. According to the study, revenues in this segment, which represents the majority of Gigaset's Smart Home portfolio, will be around EUR 3.56 billion in Germany in 2019 and increase to just under EUR 7 billion by 2023.¹⁰

Professional

Gigaset expects a further increase in significance for IP and cloud-based telephony in the area of business customer telephony. In Europe, the share of IP connections will grow steadily on the basis of installed telephony systems and further crowd out traditional transmission technology. Traditional (TDM-based) licenses are expected to only constitute around 25% in 2023.¹¹ In addition to the stationary IP systems, in particular cloud-based telecommunication solutions are recording clear growth in the installed basis. Forecasts show a growth of these telecommunication solutions in the European context. In 2023, the installed basis will amount to an estimated 46.9 million IP connections.¹²

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019

7 Outlook

- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

⁹ Statista 2019 – IDC: Forecast regarding the sale of smartphones worldwide from 2010 to 2023 (in millions of units) (<https://de.statista.com/statistik/daten/studie/12865/umfrage/prognose-zum-absatz-von-smartphones-weltweit/>)

¹⁰ Statista 2019 – Digital Market Outlook: Forecast for revenues in the Smart Home segment in Germany in the years 2019 to 2023 (in millions of euros) (<https://de.statista.com/outlook/279/137/smart-home/deutschland>)

¹¹ MZA Hosted-Cloud Business Telephony – Total Europe 2018 – Powerpoint (Page 39)

¹² Hosted-Cloud Business Telephony 2018 – Europe – Excel (Table2)

7.3 Expected development of revenues and earnings

Gigaset continues to operate in a challenging market environment. The core market for telephones is subject to further price erosion. The new business segments must be expanded further before they can rank equally with the core business and completely offset the revenue decline.

This goal is being pursued and consistently implemented as part of the Agenda 2025 program. The intermediate goal of Agenda 2025 is to stabilize Gigaset's cordless phone business and preserve it as a stable source of revenues over the coming years. At the same time, the new business segments Professional, Smart Home and Smartphones will be expanded further and bolstered with investments in order to offset the revenue loss in the long term. The broader portfolio should diversify the company's business while also minimizing strategic risk.

The outlook remains unchanged, and Gigaset takes a positive view of the future and the company's performance in the remainder of the current financial year. However, the company is not immune to the effects of currently extremely volatile stock markets, escalating trade and tariff wars, the weakening of economic output in Germany, as well as fears of a worldwide recession. If the situation worsens further, consumers could be expected to cut back on spending. This would have a direct adverse effect on Gigaset – as part of the consumer goods industry – as well as on numerous other companies.

Gigaset hedged a large part of its U.S. dollar risk for 2019. In addition, the forecast is based on a USD/EUR exchange rate of 1.17 which we have been able to achieve in the current financial year. Based on the current exchange rate, we expect that we will continue to successfully hedge the exchange rate risk over the next year.

7.4 Expected development of cashflow, liquidity and capital expenditures

The Company's strategy to secure its financial stability is conservative. The Company continues to finance itself primarily from its operating business. In May 2018, Gigaset Communications GmbH, Bocholt, a subsidiary of Gigaset AG, entered into a loan agreement with a German regional bank as the syndicate manager with a term of 4.5 years and a total commitment of up to EUR 20 million. This financing is intended to be used to make the necessary investments in developing and expanding new products. At June 30, 2019, a total of EUR 13.5 million in investment funds had already been drawn down. In early August, another EUR 2.4 million was disbursed from the credit facility to finance the operating activities of Gigaset. Based on its planning, Gigaset expects that a positive balance of cash and cash equivalents will be on hand at the end of the year also after deduction of all outstanding payment obligations.

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

In 2019, Gigaset is continuing its operating strategy launched in 2016 without any changes. The entrepreneurial focus lies on expanding the product portfolio while simultaneously securing the Phones business. Research and development expenses will increase accordingly, whereby a portion of the expenses will be offset by strict cost management.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook**
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

With a view to compensating the budgeted market decline in the Phones segment, which will be slowed by gains in market share, the expansion of activities, and the increase in revenues in the Smartphones, Smart Home, and Professional segments, the Company expects the following for the 2019 financial year:

- A slight increase in revenues compared with 2018,
- A considerable improvement in free cashflow, and
- EBITDA at the previous year's level.

Munich, September 25, 2019

The Executive Board of Gigaset AG

Klaus Weßing

Thomas Schuchardt

1	Business model
2	Market and industry environment
3	The Gigaset share
4	Financial performance, cash flows and financial position
5	Report on opportunities and risks as of June 30, 2019
6	Significant events after June 30, 2019
7	Outlook
8	Consolidated income statement
9	Consolidated statement of comprehensive income
10	Consolidated balance sheet
11	Consolidated statement of changes in equity
12	Consolidated statement of cashflows
13	Notes to the interim financial statements for the period ended June 30, 2019

8 INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2019

€ thousands	01/01 - 06/30/2019	01/01 - 06/30/2018
Revenues	107,068	121,031
Change in inventories of finished goods and work in progress	-3,000	2,583
Purchased good and services	-50,026	-61,129
Gross profit	54,042	62,485
Other own work capitalized	3,339	5,165
Other operating income	9,290	6,347
Personnel expenses	-29,268	-30,938
Other operating expenses	-30,742	-35,400
EBITDA	6,661	7,659
Depreciation and amortization	-6,984	-6,794
EBIT	-323	865
Other interest and similar income	1,297	157
Interest and similar expenses	-705	-555
Net financial income	592	-398
Result from ordinary activities	269	467
Income taxes	198	-612
Consolidated profit/loss for the year	467	-145
Earnings per ordinary share		
- undiluted in EUR	0.00	0.00
- diluted in EUR	0.00	0.00

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement**
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

8 INCOME STATEMENT FOR THE PERIOD FROM APRIL 1 - JUNE 30, 2019

€ thousands	04/01 - 06/30/2019	04/01 - 06/30/2018
Revenues	61,252	69,911
Change in inventories of finished goods and work in progress	-1,160	1,111
Purchased good and services	-29,099	-34,946
Gross profit	30,993	36,076
Other own work capitalized	1,842	2,646
Other operating income	6,437	3,454
Personnel expenses	-14,422	-15,994
Other operating expenses	-16,317	-20,169
EBITDA	8,533	6,013
Depreciation and amortization	-3,482	-3,479
EBIT	5,051	2,534
Other interest and similar income	1,290	8
Interest and similar expenses	-348	-283
Net financial income	942	-275
Result from ordinary activities	5,993	2,259
Income taxes	-1,441	-879
Consolidated profit for the year	4,552	1,380
Earnings per ordinary share		
- undiluted in EUR	0.03	0.01
- diluted in EUR	0.03	0.01

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement**
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

9 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2019

€ thousands	01/01 - 06/30/2019	01/01 - 06/30/2018
Consolidated profit/loss for the year	467	-145
Items that may subsequently be reclassified to profit or loss		
Currency changes	-65	-467
Cashflow hedges	-541	1,997
Income taxes recognized on these items	172	-629
Items that will not subsequently be reclassified to profit or loss		
Revaluation effect, net liability under defined benefit plans	-12,945	-1,009
Financial instruments measured at fair value through other comprehensive income (FVOCI)	-700	0
Income taxes recognized on this item	4,117	321
Total changes recognized in other comprehensive income	-9,962	213
Total recognized income and expense	-9,495	68

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income**
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

9 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM APRIL 1 - JUNE 30, 2019

€ thousands	04/01 - 06/30/2019	04/01 - 06/30/2018
Consolidated profit for the year	4,552	1,380
Items that may subsequently be reclassified to profit or loss		
Currency changes	-65	-242
Cashflow hedges	-944	1,501
Income taxes recognized on these items	300	-478
Items that will not subsequently be reclassified to profit or loss		
Revaluation effect, net liability under defined benefit plans	-5,876	-1,009
Financial instruments measured at fair value through other comprehensive income (FVOCI)	-900	0
Income taxes recognized on this item	1,869	321
Total changes recognized in other comprehensive income	-5,616	93
Total recognized income and expense	-1,064	1,473

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income**
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

10 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2019

€ thousands	06/30/2019	12/31/2018
ASSETS		
Noncurrent assets		
Intangible assets	30,952	30,957
Property, plant and equipment	23,591	23,319
Right-of-use assets	4,484	0
Financial assets	7,986	8,686
Deferred tax assets	15,541	10,150
Total noncurrent assets	82,554	73,112
Current assets		
Inventories	33,101	32,720
Trade receivables	32,186	40,816
Other assets	23,820	29,016
Tax refund claims	428	471
Cash and cash equivalents	28,915	36,939
Total current assets	118,450	139,962
Total assets	201,004	213,074 ▼

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet**
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

€ thousands	06/30/2019	12/31/2018
EQUITY & LIABILITIES		
Equity		
Subscribed capital	132,456	132,456
Share premium	86,076	86,076
Retained earnings	68,979	68,979
Accumulated other comprehensive equity	-271,985	-262,490
Total equity	15,526	25,021
Noncurrent liabilities		
Pension obligations	86,313	73,457
Provisions	3,707	3,773
Financial liabilities	11,070	13,500
Lease liabilities	2,079	0
Deferred tax liabilities	1,373	1,440
Total noncurrent liabilities	104,542	92,170
Current liabilities		
Provisions	14,158	18,355
Financial liabilities	2,501	0
Lease liabilities	2,416	0
Trade payables	38,961	47,355
Tax liabilities	9,317	15,005
Other liabilities	13,583	15,168
Total current liabilities	80,936	95,883
Total equity and liabilities	201,004	213,074

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet**
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

11 CHANGE IN CONSOLIDATED EQUITY AS OF JUNE 30, 2019

€ thousands	Subscribed Capital	Share premium	Revenue reserves	Accumulated other comprehensive income	Consolidated equity
December 31, 2017	132,456	86,076	68,979	-263,944	23,567
1 Consolidated loss 2018	0	0	0	-145	-145
2 Currency translation differences	0	0	0	-467	-467
3 Cashflow hedges	0	0	0	1,368	1,368
4 Revaluation effects, net liability under defined benefit plans	0	0	0	-688	-688
5 Total changes recognized in other comprehensive income	0	0	0	213	213
6 Total net income (1+5)	0	0	0	68	68
June 30, 2018	132,456	86,076	68,979	-263,876	23,635
December 31, 2018	132,456	86,076	68,979	-262,490	25,021
1 Consolidated profit for the year	0	0	0	467	467
2 Currency translation differences	0	0	0	-65	-65
3 Cashflow hedges	0	0	0	-369	-369
4 Financial instruments measured at fair value through other comprehensive income (FVOCI)	0	0	0	-700	-700
5 Revaluation effects, net liability under defined benefit plans	0	0	0	-8,828	-8,828
6 Total changes recognized in other comprehensive income	0	0	0	-9,962	-9,962
7 Total net income (1+6)	0	0	0	-9,495	-9,495
June 30, 2019	132,456	86,076	68,979	-271,985	15,526

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity**
- 12 Consolidated statement of cashflows
- 13 Notes to the interim financial statements for the period ended June 30, 2019

12 CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD FROM JANUARY 1 - JUNE 30, 2019

€ thousands	01/01 - 06/30/2019	01/01 - 06/30/2018
Result from ordinary activities	269	467
Depreciation of property, plant and equipment and amortization of intangible assets	6,984	6,794
Increase (+)/decrease (-) in pension provisions	-89	146
Gain (-)/loss (+) from the sale of noncurrent assets	-9	2
Gain (-)/loss (+) from currency translation	-377	172
Net interest income	-592	398
Interest received	1,263	137
Income taxes paid	-6,574	-3,611
Increase (-)/decrease (+) in inventories	-381	-8,485
Increase (-)/decrease (+) in trade receivables and other receivables	13,285	8,044
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	-14,192	-20,782
Increase (+)/decrease (-) in other items of the statement of financial position	242	-187
Cash inflow (+)/outflow (-) from continuing operations (net cashflow)	-171	-16,905
Proceeds from the disposal of noncurrent assets	9	0
Disbursements for capital expenditures in noncurrent assets	-6,592	-6,055
Cash inflow (+)/outflow (-) from investing activities	-6,583	-6,055 ▼

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows**
- 13 Notes to the interim financial statements for the period ended June 30, 2019

€ thousands	01/01 - 06/30/2019	01/01 - 06/30/2018
Free cashflow	-6,754	-22,960
Cashflows from the raising (+)/repayment (-) of current financial liabilities	71	0
Cash inflow from the raising of noncurrent financial liabilities	0	5,000
Payments made for lease liabilities	-648	0
Interest paid	-721	-188
Cash inflow (+)/outflow (-) from financing activities	-1,298	4,812
Cash and cash equivalents at the beginning of the period	33,870	44,542
Changes due to exchange rate differences	28	-104
Cash and cash equivalents at the beginning of the period measured at the closing rate of the prior year	33,842	44,646
Increase (-)/decrease (+) in restricted cash	617	927
Change in cash and cash equivalents	-8,052	-18,148
Cash funds at the end of the period	26,435	27,321
Restricted cash	2,480	3,524
Cash and cash equivalents reported on the statement of financial position	28,915	30,845

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cashflows**
- 13 Notes to the interim financial statements for the period ended June 30, 2019

13 NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

13.1. General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of June 30, 2019, and the presentation of comparative figures from the prior year was carried out in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and their interpretation by the Standard Interpretations Committee (SIC) and International Financial Reporting Standards Interpretations Committee (IFRS IC) as they apply in the EU. Accordingly, this unaudited and unreviewed Interim Financial Report as of June 30, 2019, was prepared in accordance with IAS 34. All Standards applicable as of June 30, 2019, whose application is mandatory were taken into account and provide a true and fair view of the Gigaset Group's financial position, financial performance and cashflows.

The notes to the 2018 consolidated financial statements apply accordingly in particular with respect to the significant accounting policies adopted. Material changes as a result of the newly applicable standard IFRS 16 Leases are explained separately in Section 2, Änderung der Bilanzierung durch die Erstanwendung von IFRS 16. The consolidated financial statements are prepared under the premise that the Company will continue as a going concern.

13.2. Changes in accounting treatment as a result of the first-time application of IFRS 16

The new accounting standard IFRS 16 Leases has been applied since January 1, 2019. IFRS 16 replaces the previous standard IAS 17 Leases. As a general rule, assets must be capitalized in the future in the lessee's statement of financial position for the acquired usage rights for all leases and liabilities are to be recognized for the payment obligations. Gigaset makes use of the opportunity to apply IFRS 16 based on a modified retrospective approach in which it is not necessary to adjust prior year values. Such amounts continue to be presented in adherence to the old accounting regulations (for further details see the 2018 Annual Report, in particular the section entitled "Accounting principles" under "General information and presentation of the consolidated financial statements" in the Part A of the Notes to the consolidated financial statements). This Standard had no effect on equity when it was initially applied on January 1, 2019. Gigaset elected to use the simplified transition approach in connection with the initial application of the Standard. The new regulations are not applied to leases whose term ends within twelve months after the date of initial application (short-term leases) or to leases with a low value of less than USD 5,000 (low-value leases). These leases are still presented directly within the income statement as an expense. Leases that are capitalized as a right-of-use asset are depreciated over their applicable useful life and consequently decrease the Group's profit or loss. The interest portion to be attributed to the leases is stated in the income statement after EBIT and likewise influences consolidated profit or loss.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

Gigaset makes use of the transitional provisions of IFRS 16 and does not reassess existing arrangements to determine whether they meet the definition of a lease under IFRS 16. The previous determinations regarding leases continue to apply. As a general rule, Gigaset capitalizes right-of-use assets in the amount of the corresponding lease liability in connection with the first-time application of IFRS 16. Lease liabilities were measured using the marginal borrowing rate of 3.98% applicable for Gigaset at the date of first-time application.

The initial application effects of IFRS 16 can be seen in the reconciliation statement from December 31, 2018, to January 1, 2019:

€ millions	Reconciliation from 12/31/2018 to 1/1/2019
Other financial commitments as of 12/31/2018	6.8
Less operating lease commitments that commence after 1/1	-1.8
Minimum lease payments (nominal value) of liabilities under finance leases as of 12/31/2018	0.0
Other financial commitments that do not conform with IFRS 16	-1.4
Gross lease liabilities as of 1/1/2019	3.6
Discounting	-0.5
Net lease liabilities as of 1/1/2019	3.1
Present value of liabilities under finance leases as of 12/31/2018	0.0
Additional lease liabilities as a result of the initial application of IFRS 16 as of 1/1/2019	3.1

As a result of the consideration of IFRS 16 on January 1, 2019, the first-time addition of previously off-balance-sheet leases as of January 1, 2019, only leads to an increase in total assets due to the capitalization of right-of-use assets in noncurrent assets as well as due to the recognition of a matching lease liability.

The effects on Gigaset AG's consolidated statement of financial position as well as on its income statement are presented below as of the reporting date June 30, 2019:

€ millions	Leases in the statement of financial position 06/30/2019
ASSETS	
Noncurrent assets	
Right-of-use assets - land and buildings	3.4
Right-of-use assets - operating and office equipment	1.1
Total	4.5
EQUITY & LIABILITIES	
Noncurrent provisions and liabilities	
Lease liabilities	2.1
Current provisions and liabilities	
Lease liabilities	2.4
Total	4.5

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

€ millions	Leases in the income statement H1 2019
Other operating expenses	
Expenses under current leases	0.8
Expenses under leases of low-value assets	0.0
Depreciation charges	
Depreciation of right-of-use assets	-0.7
Financial result	
Interest expenses under leases	-0.1

The underlying leases relate primarily to rental agreements for properties, logistic infrastructure, and leased company cars.

13.3. Seasonal effects

Gigaset's core business is subject to distinct seasonal fluctuations due to regularly varying consumer behavior over the course of a calendar year. The highest revenues are realized during the Christmas shopping season, which is why the fourth quarter is traditionally very strong. In contrast, the first quarter serves the restocking of warehouses following the Christmas business and in our ex-

perience fluctuates around the same level as the third quarter. Sales for the Christmas season are already affecting inventory levels in the warehouses of distributors and retailers beginning in the third quarter; however, July and August count among the weak summer months with a typically low propensity to spend on the part of consumers. In light of this, the third quarter is normally weaker than the fourth. The second quarter is already characterized by seasonal consumer restraint in the early summer months of May and June; at the same time, distributors and retailers are adjusting their inventory levels to the weak summer months. Therefore, the second quarter is traditionally the weakest revenue quarter of the entire financial year.

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

13.4. Financial assets and liabilities

The overview of financial assets and liabilities is prepared as of June 30, 2019, since the new Standard for lease accounting, IFRS 16, is to be applied beginning with financial year 2019. The line items for lease liabilities were added to the overview.

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

06/30/2019 in € thousands	Measurement categories under IFRS 9	Carrying amount	Fair value	Amortized cost	Fair value directly in equity without subsequent reclassification to the income statement	Fair value through profit or loss	Hedge accounting	Amount shown in statement of financial position IFRS 16
Assets								
Noncurrent assets								
Financial assets	FVOCI	7,986	7,986		7,986			
Current assets								
Trade receivables	AC	4,726	4,726	4,726				
	FVPL	27,460	27,460			27,460		
Other assets	AC, FVPL	20,298	20,298	18,591		0	1,707	
Cash and cash equivalents	AC	28,915	28,915	28,915				
Equity & Liabilities								
Noncurrent liabilities								
Financial liabilities	AC	11,070	11,479	11,070				
Lease liabilities	IFRS 16	2,079						2,079
Current liabilities								
Current financial liabilities	AC	2,501	2,501	2,501				
Lease liabilities	IFRS 16	2,416						2,416
Trade payables	AC	38,961	38,961	38,961				
Other liabilities	AC, FVPL	210	210	116		94	0	

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

Of which aggregated by measurement categories	Carrying amount	Fair value
Financial assets		
At amortized cost (AC)	52,232	52,232
At fair value through other comprehensive income (FVOCI)	7,986	7,986
At fair value through profit or loss (FVPL)	27,460	27,460
Financial assets (hedging)	1,707	1,707
Financial liabilities		
At amortized cost (AC)	52,648	53,057
At fair value through profit or loss (FVPL)	94	94
Financial liabilities (hedging)	0	0
Lease liabilities (IFRS 16)	4,495	n/a

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

01/01/2019 ¹³ in € thousands	Measurement categories under IFRS 9	Carrying amount	Fair value	Amortized cost	Fair value directly in equity without subsequent reclassification to the income statement	Fair value through profit or loss	Hedge accounting	Amount shown in statement of financial position IFRS 16
Assets								
Noncurrent assets								
Financial assets	FVOCI	8,686	8,686		8,686			
Current assets								
Trade receivables	AC	21,208	21,208	21,208				
	FVPL	19,608	19,608			19,608		
Other assets	AC, FVPL	21,027	21,027	18,941			2,086	
Cash and cash equivalents	AC	36,939	36,939	36,939				
Equity & Liabilities								
Noncurrent liabilities								
Financial liabilities	AC	13,500	13,998	13,500				
Lease liabilities	IFRS 16	2,026						2,026
Current liabilities								
Lease liabilities	IFRS 16	1,082						1,082
Trade payables	AC	47,352	47,352	47,352				
Other liabilities	AC, FVPL	258	258	86		127	45	

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

¹³ Line items for lease liabilities added to values as of 12/31/2018 due to the initial application of IFRS 16 on 1/1/2019

Of which aggregated by measurement categories	Carrying amount	Fair value
Financial assets		
At amortized cost (AC)	77,088	77,088
At fair value through other comprehensive income (FVOCI)	8,686	8,686
At fair value through profit or loss (FVPL)	19,608	19,608
Financial assets (hedging)	2,086	2,086
Financial liabilities		
At amortized cost (AC)	60,941	61,439
At fair value through profit or loss (FVPL)	127	127
Financial liabilities (hedging)	45	45
Lease liabilities (IFRS 16)	3,108	n/a

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

With the exception of noncurrent financial liabilities, the fair values of financial assets and liabilities as of June 30 2019 essentially correspond to the carrying amounts. Changes were made compared with December 31 of the previous year with respect to current financial assets and current financial liabilities due to the expiration of currency hedging transactions as well as the conclusion of new currency hedging transactions and the change maturities in the case of existing loans is. However, the fair values of these items do not differ materially from their carrying amounts. No changes were made to financial assets and liabilities existing at this time compared with the end of the year with respect to measurement and the fair value hierarchy.

On the reporting date, foreign currency derivatives were presented under Other current assets with a fair value of EUR 1,707 thousand and under Other current liabilities with a fair value of EUR 94 thousand. As of December 31, 2018, foreign currency derivatives were presented under Other current assets with a fair value of EUR 2,086 thousand and under Other current liabilities with a fair value of EUR 172 thousand.

As discussed in the 2018 consolidated financial statements, Gigaset applies the rules governing hedge accounting for the hedging of future purchases of merchandise. The currency futures contracts existing at this time for which hedge accounting was applied satisfy the requirements of IFRS 9 for cashflow hedges. The risk management strategies and hedging documentation are adapted to the provisions of IFRS 9. The effectiveness was assessed when the hedging relationships were designated on the basis of a prospective test of effectiveness. This led to the finding that the defined hedging relationships are to be regarded as effective.

In the current period, EUR -369 thousand (prior year: EUR 1,368 thousand) was recognized in equity taking deferred taxes into account.

As of the reporting date there are 36 (December 31, 2018: 58) foreign currency derivatives to hedge the U.S. dollar price against the euro over a nominal volume of USD 43.4 million (December 31, 2018: USD 58.9 million) with a term ending mid-December 2019. As of the reporting date, there are 6 (December 31, 2018: 12) foreign currency derivatives with a notional value of CHF 2.5 million (December 31, 2018: CHF 5.7 million) and a term ending mid-December 2019 for the purpose of hedging the price of the euro against the Swiss franc. 35 foreign currency derivatives denominated in USD or CHF are structured as plain vanilla currency forwards. 1 USD foreign currency derivative is structured as a "TARF" (target redemption forward) currency forward. Hedge accounting rules were applied for the 35 USD foreign currency derivatives that are structured as plain vanilla currency forwards.

In accordance with IFRS 7.29, it is not necessary to indicate the fair value of current financial assets and liabilities if the carrying amount represents a reasonable approximation of the fair value. Gigaset presents the fair values in the preceding overviews for the sake of being thorough and to help the users of the financial statements to better understand the accounting, but it does not provide a separate determination of the fair values, as the carrying amounts are applied as a reasonable approximation of the fair values. Therefore a separate presentation breaking down the fair values determined for the financial assets and liabilities based on hierarchy levels for the first half year of 2019 is not provided for these line items in the following table:

1	Business model
2	Market and industry environment
3	The Gigaset share
4	Financial performance, cash flows and financial position
5	Report on opportunities and risks as of June 30, 2019
6	Significant events after June 30, 2019
7	Outlook
8	Consolidated income statement
9	Consolidated statement of comprehensive income
10	Consolidated balance sheet
11	Consolidated statement of changes in equity
12	Consolidated statement of cash flows
13	Notes to the interim financial statements for the period ended June 30, 2019

06/30/2019		Level			
€ thousands	Category	1	2	3	Total
Financial assets					
Noncurrent financial assets	FVOCI	0	0	7,986	7,986
Derivative financial instruments	Hedging	0	1,707	0	1,707
Financial liabilities					
Noncurrent financial liabilities	AC	0	11,479	0	11,479
Derivative financial instruments	FVPL	0	94	0	94
12/31/2018					
€ thousands	Category	1	2	3	Total
Financial assets					
Noncurrent financial assets	FVOCI	0	0	8,686	8,686
Derivative financial instruments	Hedging	0	2,086	0	2,086
Financial liabilities					
Noncurrent financial liabilities	AC	0	13,998	0	13,998
Derivative financial instruments	FVPL / hedging	0	172	0	172

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

In accordance with IFRS 16, lease liabilities do not fall under the scope of application of IFRS 9 and are therefore disclosed separately.

Noncurrent financial assets include the carrying amount of the interest in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category "At fair

value through other comprehensive income (FVOCI)". Since the shares of Gigaset Mobile Pte. Ltd. are equity instruments, Gigaset has elected in accordance with IFRS 9.5.7.5 to assign these financial assets irrevocably to the category "At fair value through other comprehensive income (FVOCI)". New information on Gigaset Mobile Pte. Ltd. was available in financial year 2019 based on the company's most recent financial statements and the claim to the share of equity derived therefrom. Due to the fact that the Company conducts its operations in a foreign currency, the effects of evolving exchange rates also had to be subsequently taken into account over the course of the year. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 3 of the fair value hierarchy. If the equity of Gigaset Mobile Pte. Ltd. were to change by 10%, the claim to a proportionate share of Gigaset's equity derived therefrom

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

would also change by 10%. The development of noncurrent financial assets can be broken down as follows:

€ thousands	2019
Value on 1/1	8,686
Foreign currency effects (recognized directly in equity)	+100
Impairment (recognized directly in equity)	-800
Value on 6/30	7,986

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

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

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

13.5. Pension obligations and deferred tax assets

The pension obligations were adjusted on the basis of the current relevant interest rate level as of June 30, 2019, using an approximation method. Due to a decrease in the relevant interest rate level from 1.85% on December 31, 2018, to 1.19% on June 30, 2019, there was an increase in pension obligations from this effect in the amount of EUR 12,945 thousand and an associated increase in deferred tax assets in the amount of EUR 4,117 thousand.

13.6. Provisions

Current provisions decreased compared with December 31, 2018, from EUR 18,355 thousand to EUR 14,158 thousand, which can be attributed mainly to the decrease of EUR 2.2 million in provisions for customer discounts, and the decrease of EUR 0.9 million in provisions for license fees. Noncurrent provisions increased mainly as a result of the increase in provisions for pensions.

13.7. Financial liabilities

In April 2018, the Group signed a new credit facility in the amount of up to EUR 20.0 million. The funds available as a result are to be used both for financing capital expenditures as well as for covering the Company's financing needs. EUR 13.5 million of the loan had been paid out by the balance sheet date June 30, 2019. Beginning in January 2020, repayment of the outstanding loan amount will commence in 34 monthly installments. Interest payments are to be made at the end of each month. Accordingly, EUR 2.4 million of the current loan balance exhibits a time-to-maturity of up to one year and EUR 11.1 million a time-to-maturity of more than one year and less than five years.

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

13.8. Revenues

Revenues are generated in the four segments: Phones, Professional, Smart Home, and Smartphones. The core business is established in the Phones segment and focuses on DECT cordless telephones. The Professional segment includes the corporate customer segment with an extensive offering of corded desk telephones and mobile components. The customers are small and medium-sized enterprises (SMEs). These commercial products are distributed ex-

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

clusively over systems vendors (value-added resellers, VaR). The Smart Home segment sells security and alarm solutions for private households that enable users to maintain a constant connection with their home via smartphone and supported by the cloud. The Smartphone segment for mobile devices comprises a product portfolio ranging from the entry-level segment to feature-rich smartphones. Observed on a global basis, revenues are broken down by geographic segments that can be found in the segment reporting. Revenues are normally realized in the short term and the payment obligations relate to a specific time based on the current business model

Revenues in € millions	H1 2019	H1 2018	Change
Phones	76.4	85.8	-11.0%
Smartphones	4.2	5.4	-22.2%
Smart Home	1.6	1.4	14.3%
Professional	24.9	28.4	-12.3%
Gigaset Total	107.1	121.0	-11.5%

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

13.9. Other operating income

Other operating income amounts to EUR 9,290 thousand after EUR 6,347 thousand in the previous year. Other operating income includes mainly realized and unrealized foreign currency gains in the amount of EUR 1,634 thousand (prior year: EUR 2,426 thousand), income from the reversal of provisions in the amount of EUR 1,027 thousand (prior year: EUR 1,412 thousand), and other operating income in 2019 in the amount of EUR 3,300 thousand as a consequence of the positive outcome of the legal dispute with SKW. Please refer to the 2018 Annual Report of Gigaset AG, Notes to the Consolidated Financial Statements, F. Other information, Note 41 Legal disputes and claims for damages (page 169) for further information regarding the legal dispute.

13.10. Personnel expenses

Personnel expenses decreased by EUR 1,670 thousand to EUR 29,268 thousand in the first half of 2019, which can be attributed primarily to lower expenses for pensions.

13.11. Other operating expenses

Other operating expenses amount to EUR 30,742 thousand after EUR 35,400 thousand in the previous year. The decrease in expenses of EUR 4,658 thousand compared with the previous year can be attributed in particular to cost reductions for marketing expenses in the amount of EUR 1,767 thousand, foreign exchange losses of EUR 1,362 thousand, EUR 602 thousand in rents for buildings, EUR 602 thousand in expenses from the loaning of employees and freight and transport expenses of EUR 464 thousand.

13.12. Net interest income

Net interest income comprises other interest and similar income in the amount of EUR 1,297 thousand (prior year: EUR 157 thousand) and interest and similar expenses of EUR 705 thousand (prior year: EUR 555 thousand).

Interest income in 2019 includes extraordinary interest income in the amount of EUR 1,288 thousand due to the positive outcome of the legal dispute with SKW. Please refer to the 2018 Annual Report of Gigaset AG, Notes to the Consolidated Financial Statements, F. Other information, Note 41 Legal disputes and claims for damages (page 169) for further information regarding the legal dispute.

The increase in interest expenses can be attributed to the interest paid in connection with the credit facility raised in the amount of EUR 307 thousand in 2018. Furthermore, interest expenses have been taken into account since 2019 as a result of the initial application of IFRS 16 Leases, which likewise influenced the interest expenses.

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

13.13. Segment reporting

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

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

- Germany

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

- EU

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

- Rest of World

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

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

The relevant segment result is EBITDA.

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

Revenues based on receiving units represent 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 "Europe - EU (excluding Germany)" in the presentation based on receiving units. As described in the preceding paragraph, revenues in the following table are classified based on the regions of the receiving units as defined in IFRS 8.33 a) and are presented as follows for the current financial year and the comparison period:

€ thousands	01/01 - 06/30/2019	01/01 - 06/30/2018 ¹⁴
Germany	48,900	50,899
France	17,468	22,872
Europe (excluding Germany)	25,825	32,536
Rest of World	14,875	14,724
Total	107,068	121,031

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, this revenue is allocated to the region of Germany in the presentation based on country of domicile. The following tables present revenues based on the country of domicile. The relevant segment result (EBITDA) is determined based on the results of the individual legal units (country of domicile).

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows

13 Notes to the interim financial statements for the period ended June 30, 2019

¹⁴ The prior-year figures differ from the 2018 half-yearly Report, as the segment classification was changed. The Europe segment previously included both countries that are members of the EU as well as other countries in Europe. The Rest of World segment includes countries that are in Europe but which are not EU members and other countries in the world (third countries).

01/01 - 06/30/2019 in € thousands	Germany	EU	Rest of World	Gigaset TOTAL	Holding	Group
Revenues	55,892	40,550	10,626	107,068	0	107,068
Net segment income/EBITDA	3,136	990	386	4,512	2,149	6,661
Depreciation and amortization	-6,485	-400	-99	-6,984	0	-6,984
EBIT	-3,349	590	287	-2,472	2,149	-323
Other interest and similar income						1,297
Interest and similar expenses						-705
Net financial income						592
Result from ordinary activities						269
Income taxes						198
Consolidated profit for the year						467

01/01 - 06/30/2018 in € thousands	Germany	EU	Rest of World	Gigaset TOTAL	Holding	Group
Revenues	59,672	49,059	12,300	121,031	0	121,031
Net segment income/EBITDA	9,808	-1,436	814	9,186	-1,527	7,659
Depreciation and amortization	-6,740	-44	-10	-6,794	0	-6,794
EBIT	3,068	-1,480	804	2,392	-1,527	865
Other interest and similar income						157
Interest and similar expenses						-555
Net financial income						-398
Result from ordinary activities						467
Income taxes						-612
Consolidated loss for the year						-145

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

13.14. Cashflow statement

Cashflows from operating activities improved significantly year-on-year by EUR 16.7 million, which can be explained mainly by a EUR 0.4 million decrease in stockpiled inventories (prior year: EUR 8.5 million decrease), EUR 14.2 million less in payments for liabilities and provisions (prior year: EUR 20.8 million decrease) and a EUR 13.3 million increase in payments from receivables (prior year: EUR 8.0 million increase). This is offset by an increase of EUR 6.6 million in disbursements for income taxes (prior year: EUR 3.6 million increase).

Cashflows from investing activities increased slightly year-on-year by EUR 0.5 million to EUR -6.6 million.

At EUR -1.3 million, cashflows from financing activities were clearly more negative than the previous year's amount of EUR +4.8 million. In the previous year, the cash inflow of EUR 5.0 million from a new credit facility had a clearly positive effect on cashflow. In addition, the new Standard IFRS 16 Leases was also of significance for cashflows from financing activities for the first time, whereby EUR 0.6 million was disbursed for lease liabilities. Furthermore, EUR 0.7 million in interest paid for the new credit facility had a negative effect on cashflow.

13.15. Related party disclosures

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

€ thousands	Expenses 1/1-6/30/2019	Revenues/income 1/1-6/30/2019	Receivables 6/30/2019	Liabilities 6/30/2019
Gigaset	27	0	1,821	0
Gigaset Mobile Group	0	27	0	1,821

€ thousands	Expenses 1/1-6/30/2018	Revenues/income 1/1-6/30/2018	Receivables 6/30/2018	Liabilities 6/30/2018
Gigaset	0	0	1,309	0
Gigaset Mobile Group	0	0	0	1,309

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

€ thousands	Expenses 1/1-6/30/2019	Revenues/income 1/1-6/30/2019	Receivables 6/30/2019	Liabilities 6/30/2019
Gigaset	0	0	1,397	347
Guangzhou Cyber Digital Technology Company Limited	0	0	347	1,397

€ thousands	Expenses 1/1-6/30/2018	Revenues/income 1/1-6/30/2018	Receivables 6/30/2018	Liabilities 6/30/2018
Gigaset	0	0	1,397	347
Guangzhou Cyber Digital Technology Company Limited	0	0	347	1,397

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

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

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows

13 Notes to the interim financial statements for the period ended June 30, 2019

13.16. Significant events after the reporting period

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

13.17. Responsibility statement

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

Munich, September 25, 2019
The Executive Board of Gigaset AG

Klaus Weßing Thomas Schuchardt

CONTENT

- 1 Business model
- 2 Market and industry environment
- 3 The Gigaset share
- 4 Financial performance, cash flows and financial position
- 5 Report on opportunities and risks as of June 30, 2019
- 6 Significant events after June 30, 2019
- 7 Outlook
- 8 Consolidated income statement
- 9 Consolidated statement of comprehensive income
- 10 Consolidated balance sheet
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 13 Notes to the interim financial statements for the period ended June 30, 2019**

2019

INTERIM REPORT FOR THE 1ST HALF YEAR FROM JANUARY 1 TO JUNE 30

Gigaset

Creating best in class communications solutions for your life!