Gigaset

INTERIM REPORT

January - June | Q2

2021

KEY FIGURES

EUR millions	1/1 - 6/30/2021	1/1 - 6/30/2020
Consolidated revenues	102.0	75.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	4.2	-8.0
Earnings before interest and taxes (EBIT)	-3.1	-15.7
Consolidated net loss for the year	-3.0	-11.3
Free cashflow	-16.5	-6.6[1]
Earnings per share (diluted in EUR)	-0.02	-0.09
	6/30/2021	**12/31/2020**
Total assets	185.5	204.5[1]
Consolidated equity	5.2	1.9
Equity ratio (in %)	2.8	0.9[1]
Number of employees	869	893

The Gigaset Share	Q2 2021	Q2 2020
Closing price in EUR (at the end of the period)	0.40	0.26
Highest price in EUR (in the period)	0.48	0.34
Lowest price in EUR (in the period)	0.27	0.26
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)	53.0	34.4

[1] The year-ago comparison figures were adjusted to account for the changed presentation of restricted cash as of June 30, 2021 in order to ensure comparability. For details on this subject, please refer to Chapter 3 Change in the accounting treatment of restricted cash in the notes to the consolidated financial statements

KEY FACTS

- Consolidated revenues increased by 35 % over the first half of last year
- EBITDA clearly positive again
- All operating segments exhibited a positive year-on-year development in Q2

"After the crisis-plagued year 2020, we are very pleased with the solid results for the first half of 2021. They prove that we took the right measures and made the right decisions in the face of the unprecedented coronavirus pandemic, laying the foundation for the company's further positive development. Thanks to continuous investments in innovative new products and the closely related trend of digitalization, as well as the successful conclusion of long-term cooperation agreements, we are positioned to perform very well in the market – of that I am convinced."

Klaus Wessing, CEO of Gigaset AG

"We too have not yet overcome the impacts of the coronavirus pandemic. It is therefore all the more gratifying to report that all operating segments of Phones, Smartphones, Smart Home and Professional exhibited a positive year-on-year development in the second quarter of 2021, which is indeed a great success in these difficult times. All things considered, therefore, we look to the future with confidence. We intend to seize the opportunities presented by accelerated digitalization in people's private and professional lives to consistently drive the growth of our business; nonetheless, we must also face the challenge of the changes affecting the availability of key materials."

Thomas Schuchardt, CFO of Gigaset AG

1 BUSINESS MODEL

Gigaset AG is an internationally active enterprise operating in the area of communications technology. The company's headquarters is located in Bocholt, Germany, where the company's highly automated production is also carried out. The company maintains other locations in Munich, Germany, Wroclaw, Poland, and in 11 other countries. As of the reporting date of June 30, 2021, the company had 869 employees and conducted distribution activities in 51 countries.

On the operating level, Gigaset conducts business worldwide in the segments of Phones, Smartphones, Smart Home and Professional. The regional segments of the Gigaset Group are Germany, Europe (excluding Germany) and Rest of World. The most important markets for Gigaset, where it generates the highest revenues, are Germany and the other European markets of France, Italy, Switzerland, the Netherlands and Spain (EU6).

1.1 Phones

The Phones segment is focused on the production and distribution of DECT cordless telephones and DECT/CAT-iq handsets (Gigaset HX portfolio). Nearly all DECT products for the Phones segment are produced in the company's own production facility in Bocholt. For this reason, the company's products bear the label "Made in Germany".

Gigaset offers its customers a broad product portfolio at different price points. Great potential is seen particularly for the handset portfolio comprising HX mobile handsets that can be operated on different routers and the segment of "easy-use" telephones subsumed under the label Gigaset life series. These products address the demographic transformation of Western societies and are aimed at older persons or persons with special physical needs.

1.2 Smartphones

Since 2016, the company has operated in the Smartphones segment offering products in the low to medium price range at prices of currently up to EUR 350. The strategic goal is to further increase brand familiarity and market share in this segment. The GS3 and GS4 models of the current fifth smartphone generation were introduced in 2020. The Gigaset GX290plus, a new version of the robust, dust-proof and water-proof outdoor mobile phone with an enlarged working memory, was introduced in February 2021.

Like the earlier models, the GS4 boasts the unique selling proposition "Made in Germany" and is a prominent feature of the current Gigaset advertising campaign for smartphones launched in early 2021 with the well-known singer and entertainer Sasha as brand ambassador. Thanks to its production facility in Germany, moreover, Gigaset is capable of offering its customers highly individualized products even in very small batch sizes. Models with individualized technical and design features, as well as adapted software, are offered to professional customers as well.

1.3 Smart Home

Gigaset has been active in the Smart Home segment since 2012. At the present time, the company offers products and solutions in the areas of security, convenience, energy and nursing care in support of older persons and those in need of assistance. The portfolio is primarily aimed at users in private households.

Gigaset's sensor-based system enables users to tailor the products to their individual needs. The software-based cloud approach makes it possible for customers to remain in constant contact with their homes and to be informed of various occurrences and events. Thanks to its comprehensive approach, Gigaset offers a multifaceted and tailored complete solution. The sensors and actuators, as well as the cloud and app, are fully integrated and adapted to each other. The system is under constant further development, ensuring security, new applications and cooperation ventures with third parties such as Amazon, Philips and Google. New video-based products including a smart doorbell with a video function and a new indoor surveillance camera were introduced in 2021.

1.4 Professional

Gigaset's Professional segment has served B2B customers since 2011. The products in this segment include DECT-IP single-cell and multi-cell systems, as well as DECT-based stationary and mobile telephones. Gigaset distributes its products under its own PRO product line, but also directly via OEMs (Original Equipment Manufacturers). The exclusive agreement with Unify Software and Solutions GmbH & Co. KG, which was announced in December 2020, is a recent example highlighting the importance of OEM production. Under this agreement, Unify will exclusively purchase the next-generation family of desktop telephones developed by Gigaset. Gigaset expects to deliver the first product in 2022. In total, the company expects to supply more than 5 million telephones to Unify and Gigaset's direct customers.

Whereas the B2B market for telephone systems is developing rather quickly and cloud solutions are increasingly replacing conventional telephone systems, the terminal device infrastructure is relatively constant. Thanks to the high level of interoperability, Gigaset's DECT-IP solutions can be used with numerous telephone systems. In the continuing effort to expand its customer base, Gigaset has developed new single-cell and multi-cell variants that can be scaled for up to 20,000 terminal devices in a single company, whether centralized or decentralized. With systems of this magnitude, Gigaset also addresses the enterprise sector.

2 GENERAL ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

2.1 General economic conditions

According to a study by the International Monetary Fund (IMF)[1] from April 2021, worldwide economic output is expected to grow by 6.0 % in 2021, that being half a percentage point more than predicted in January. The upgrade reflects the additional financial exertions of some major economies to combat the effects of the coronavirus pandemic, the economic recovery in the second half of the year that is expected to result from large-scale vaccinations, and the ongoing adaptation of economic activity to the continuing mobility restrictions. This forecast is fraught with considerable uncertainty regarding the further course of the pandemic, the success of government efforts to restore a semblance of normalcy by way of vaccinations, and the development of general financial conditions. For 2021, the IMF anticipates economic growth of 5.1 % for industrialized nations and 4.4 % for eurozone countries. In the most important European markets for Gigaset, the IMF predicts economic growth of 3.6 % for Germany, 5.8 % for France, 6.4 % for Spain, 3.5 % for Switzerland, and 4.2 % for Italy. The economic output of the Netherlands is expected to grow by 3.5 % in 2021.[2]

[1] International Monetary Fund (2021) - World Economic Outlook 2021

[2] International Monetary Fund (2021) - Global Prospects and Policies (pp. 9 and 35)

2.2 Telecommunications market

2.2.1. Phones market

Germany

Based on units sold, the market for cordless telephones in Germany contracted by 10.9 % in the first half of 2021 compared to the first half of 2020.[3] Based on revenues, the market shrank by 9.1 % compared to the first half of last year. Unlike the first half of 2020, Gigaset could not increase its market share – measured by units sold – in the current reporting period; instead, its market share declined by 18.5 % to now 47 %.[4] Measured by revenues, Gigaset's market share shrank by 17.5 % to 48 %. This decline is mainly attributable to the renormalizing level of demand after the pronounced demand spike during the lockdown resulting in a high number of people working from home in 2020, as well as disruptions in the availability of components that have affected all manufacturers, leading to a reduced availability of goods.

France

Based on revenues, the market for cordless telephones in France expanded by 6.9 % in the first half of 2021 compared to the first half of 2020.[5] Gigaset performed well in the French market, increasing its market share as measured by units sold by 5.7 % to now 37.2 % in the first half of 2021 compared to

[3] GfK Cordless Phones EU6 – HY1 2021 Presentation for Gigaset, Excerpt 3

[4] GfK (2021) – GfK-Country Report HUB GER Q2 2021, Excerpts 1 and 2

[5] GfK Cordless Phones EU6 – HY1 2021 Presentation for Gigaset, Excerpt 3

the first half of 2020.[6] Based on revenues, Gigaset increased its market share to 45 %, representing a 12.1 % increase over the first half of 2020.

EU-6 region

Based on revenues, the market for cordless telephones in the most important markets in Europe monitored by Gigaset (Germany, France, Switzerland, Italy, Spain and the Netherlands) registered a 0.6 % decline in the first half of 2021 compared to the first half of 2020.[7] Gigaset's market share in this region declined both in terms of units sold (-8 %) and revenues generated (-6 %), but the Group is still the clear European market leader with a market share of 37 % and 39 %, respectively.[8]

Also in 2021, Gigaset continued to place a special emphasis on addressing demographic trends (e.g. the ageing of society) with an appropriate portfolio (Gigaset life series) aimed at persons in the second half of their lives and by continually developing and maintaining the products of the universal handset portfolio (Gigaset HX).

2.2.2. Smartphones market

According to Statista,[9] worldwide sales of smartphones declined by 6.8 % to 1.28 billion devices in 2020. However, sales are expected to rise again to as much as 1.43 billion devices by 2022. According to Statista, the revenues generated on smartphone sales in Germany[10] will be around EUR 7.8 billion in the current year. They are forecast to rise to EUR 8.3 billion in 2025. This would translate to annual revenue growth of 1.48 % (CAGR[11] 2021-2025). Despite lower unit sales in the last few years, the revenues generated on smartphone sales have continued to rise. Despite the strained availability of materials, Gigaset generated revenues of EUR 3.6 million and EUR 4.6 million on smartphone sales in the first and second quarter of 2021, respectively, for a total of EUR 8.2 million in the first half of the year (H1 2020: EUR 0.2 million).

2.2.3. Smart Home market

Revenues in the global Smart Home market amounted to approx. EUR 67 billion in 2019 and a little less than EUR 79 billion in 2020.[12] According to a forecast by Statista, revenues will rise to EUR 102 billion in the current year and reach a market volume of EUR 162 billion in 2024. This translates to annual revenue growth of 19.4 %. The revenue forecast was adjusted to account for the expected effects of the coronavirus pandemic. The penetration rate was 10.6 % in 2020 and is expected to reach 18.4 % in 2024 (CAGR[11] 2020-2024). In the Smart Home segment, Gigaset generated revenues of EUR 0.8 million in the first half of 2021, as compared to EUR 1.3 million in the first half of last year. The apparent revenue decline is attributable to a one-time, large-scale order from Swisscom AG in 2020. After this one-time outlier, revenues have now reverted to a more normal level.

2.2.4. Professional market

Modest catch-up effects were observed in the first half of 2021 after the massive postponements and cancellations of projects triggered by the prolonged coronavirus pandemic in the 2020 financial year. Western European revenues in the Professional segment were slightly higher than in the first half of last year.[13] An especially important development was the complete renewal of mobile handsets in the Professional segment. The existing portfolio was replaced with new models, including the devices ION, SL800H PRO, SL750H PRO and the S700H PRO. Customers benefit from enhanced convenience and interoperability, while Gigaset benefits from positive effects in price and profit margin structures.

[6] GfK (2021) – GfK-Country Report HUB FRA Q2 2021, Excerpts 1 and 2
[7] GfK Cordless Phones EU6 – HY1 2021 Presentation for Gigaset, Excerpt 1
[8] GfK Cordless Phones EU6 – HY1 2021 Presentation for Gigaset, Excerpt 2
[9] Statista (2021) – Forecast of Worldwide Smartphones Sales 2010 to 2022
[10] Statista (2021) - Consumer Electronics, Smartphones Germany
[11] Compound Annual Growth Rate
[12] Statista (2021) – Forecast Smart Home Revenues 2017 to 2025
[13] MZA Consultants (2021) – Forecast 2017-2025

Nonetheless, the company is also confronted with challenges. Given the difficulties that all manufacturers are currently encountering in the procurement of semiconductor components,[14] the company is exposed to the risk of a revenue decline in the second half of the 2021 financial year despite the expectation of continued stronger demand. In the Professional segment, Gigaset generated revenues of EUR 22.7 million in the first half of 2021, that being 29.0 % or EUR 5.1 million higher than in the year-ago comparison period (H1 2020: EUR 17.6 million).

[14] ct (2021) – Issue 14, pp. 114 ff.

3 GIGASET SHARE

The rally in global equity markets continued unabated in the first half of 2021, with markets posting a fifth consecutive quarter of gains. The globally most important equity indices have risen by more than 25 % above their record highs from before the coronavirus pandemic. Progress in worldwide coronavirus vaccinations and strong corporate profit growth also provided ample support for the prolonged rally.

In the current market rally, fears of inflation and a pull-back from expansive monetary policy by central banks have been largely disregarded, but these issues remain relevant for the second half of the year. The currently very positive market environment has lifted the most important worldwide equity indices to fresh highs. The DAX rose by more than 13 %, the S&P 500 by almost 14.5 % in the first six months of 2021, while the lead U.S. index, the Dow Jones Industrials, gained 12.7 %, the tech-heavy Nasdaq Composite Index 12.5 %.

The Gigaset share also performed very well in this positive environment, rising 38 % in the first half of 2021 from an opening price of EUR 0.29 on January 4, 2021 to EUR 0.40 on June 30, 2021. Due to the low level of widely held shares, the Gigaset share is generally more exposed to wider price fluctuations even on smaller trades. The company’s market capitalization as of the reporting date of June 30, 2021 was EUR 53.0 million.

4 FINANCIAL PERFORMANCE, CASHFLOWS AND FINANCIAL POSITION

4.1 Financial performance

The Gigaset Group generated total **revenues** of EUR 102.0 million in the first half of 2021 (PY: EUR 75.8 million), representing a substantial increase of 34.6 % or EUR 26.2 million over the first half of 2020. Benefitting from the strong demand for telecommunications products during the coronavirus pandemic, Gigaset generated considerably higher unit sales compared to last year, when the crisis initially curtailed consumer spending to a great degree. Online sales, which have continued to grow at a rapid rate during the prolonged coronavirus pandemic, increased by 40.5 % over the first half of last year, partially offsetting the decrease in sales in brick-and-mortar retail outlets during the Europe-wide lockdowns in the first half of 2021. In addition, revenues are affected by the customary seasonal fluctuations in the consumer business.

The Phones segment generated revenues of EUR 70.3 million in the first half of 2021, representing an increase of 24.0 % or EUR 13.6 million over the comparable year-ago figure. This increase was mainly driven by higher sales of cordless telephones.

The Smartphones segment generated revenues of EUR 8.2 million in the period from January to June 2021, that being EUR 8.0 million higher than in the first half of last year (PY: EUR 0.2 million). In the first quarter of last year, Smartphone revenues were severely impacted by returns of devices by distributors due to the emergence of the coronavirus pandemic. The latest GS3 and GS4 smartphones contributed a large share of the revenue growth in the current reporting period.

The Smart Home segment generated revenues of EUR 0.8 million in the first half of the year (PY: EUR 1.3 million). In the first quarter of last year, a partnership with Swisscom AG contributed to a sharp increase in revenues, which did not lead to sustained revenue gains over the course of the coronavirus pandemic. The revenues of EUR 0.4 million generated in the second quarter of the current financial year (PY: EUR 0.1 million) were nearly constant given that revenues of EUR 0.4 million were likewise generated in the first quarter (PY: EUR 1.2 million).

The Professional segment generated revenues of EUR 22.7 million in the first half of 2021, reflecting a very strong gain of 29.0 % over the year-ago figure of EUR 17.6 million. Segment revenues benefitted from deferral and catch-up effects both in the first quarter of 2021, with revenues of EUR 11.2 million (PY: EUR 9.6 million), and in the second quarter, with revenues of EUR 11.5 million (PY: EUR 8.0 million). Many projects and orders that had initially been deferred or paused last year were realized in the current financial year, creating a positive effect for the company.

In summary, revenues are broken down by **product segment** in the table below:

Revenues in EUR millions	**Q1 - Q2 2021**	**Q1 - Q2 2020**	**Change in %**
Phones	70.3	56.7	24.0
Smartphones	8.2	0.2	> 500.0
Smart Home	0.8	1.3	-38.5
Professional	22.7	17.6	29.0
Gigaset Total	**102.0**	**75.8**	**34.6**

The breakdown of revenues by country in the segment report is based on both the receiving entities and the domicile of each company ("country of domicile"). Additional information on the segment report is presented in Section 14 Segment Report of the notes to the consolidated financial statements.

The regional breakdown of revenues by **receiving entity** is presented in the table below:

Revenues in EUR millions	Q1 - Q2 2021	Q1 - Q2 2020	Change in %
Germany	48.8	32.6	49.7
EU (excluding Germany)	39.4	30.7	28.3
Rest of World	13.8	12.5	10.4
Gigaset Total	**102.0**	**75.8**	**34.6**

The regional breakdown of revenues by **country of domicile** is presented in the table below:

Revenues in EUR millions	Q1 - Q2 2021	Q1 - Q2 2020	Change in %
Germany	60.2	40.3	49.4
EU (excluding Germany)	30.1	26.0	15.8
Rest of World	11.7	9.5	23.2
Gigaset Total	**102.0**	**75.8**	**34.6**

The **change in inventories of finished and unfinished goods** as of June 30, 2021 amounted to EUR -1.1 million (PY: EUR -1.7 million). The change resulted mainly from the reduction of finished goods as of the reporting date.

Purchased goods and services, including raw materials, merchandise, finished goods and services, amounted to EUR 46.7 million, that being EUR 8.9 million higher than the year-ago figure of EUR 37.8 million. This increase is primarily attributable to the higher production volume in 2021. Including the change in inventories, the ratio of purchased goods and services to the total operating performance[15] came to 46.3 %, which was significantly lower than the comparable year-ago ratio (PY: 51.0 %).

[15] This ratio is calculated as purchased goods and services divided by the sum of revenues and the change in inventories of finished and unfinished goods.

The **gross profit** calculated as revenues plus the change in inventories of finished and unfinished goods minus purchased goods and services rose by 49.2 % to EUR 54.2 million. The gross profit margin[16] of 53.7 % was significantly higher than the comparable year-ago margin of 49.0 %. The higher gross profit margin resulted mainly from changes in the product mix.

The **other internal production capitalized** increased from EUR 4.1 million in the year-ago period to EUR 5.4 million in the first half of 2021, due to costs for the development of new products. The increase in internal production capitalized is mainly attributable to the ongoing developments related to the cooperation with Unify.

The **other operating income** of EUR 5.4 million in the first half of 2021 was less than the year-ago comparison figure of EUR 6.0 million. Please refer to the comments in Chapter 10 Other operating income of the notes to the consolidated financial statements for detailed information on this subject.

Personnel expenses for wages, salaries, social security and pensions amounted to EUR 31.0 million, that being EUR 1.5 million higher than the comparable year-ago figure. This increase was largely driven by higher wage and salary payments. In the year-ago comparison period, short-time work was introduced in April 2020 as a result of the coronavirus pandemic. This program was terminated at the end of February 2021. Thanks to significantly higher revenues, the personnel expenses ratio[17] came to 30.7 % (PY: 39.8 %).

The **other operating expenses** of EUR 29.9 million in the first half of 2021 were significantly higher than the comparable year-ago figure (PY: EUR 25.0 million). For additional details, please refer to the description in Section 12 Other operating expenses of the notes to the consolidated financial statements.

Earnings before interest, taxes, depreciation, amortization and impairments (EBITDA) amounted to EUR 4.2 million in the first six months of the current year, that being EUR 12.2 million

[16] The gross profit margin is calculated as the gross profit divided by revenues plus inventory changes.
[17] The personnel expenses ratio is calculated as personnel expenses divided by revenues plus changes in inventories.

higher than the comparable year-ago figure of EUR -8.0 million. After deducting depreciation, amortization and impairments in the amount of EUR 7.4 million (PY: EUR 7.7 million), **earnings before interest and taxes** (EBIT) came to EUR -3.1 million in the first half of 2021, as compared to EUR -15.7 million in the year-ago comparison period.

Including the **financial result** of EUR -0.5 million (PY: EUR -0.4 million), the **result from ordinary activities** amounted to EUR -3.7 million (PY: EUR -16.2 million).

The **consolidated net loss** for the period from January 1 to June 30, 2021 amounted to EUR -3.0 million (PY: EUR -11.3 million).

On this basis, **earnings per share** came to EUR -0.02 (undiluted/diluted) (PY: EUR -0.09 (undiluted/diluted)).

4.2 Cashflows[18]

The **cashflows** are presented in the table below:

Cashflows in EUR millions	Q1 - Q2 2021	Q1 - Q2 2020
Cashflow from operating activities	-9.0	-1.1
Cashflow from investing activities	-7.5	-5.4
Free cashflow	-16.5	-6.6
Cashflow from financing activities	-0.9	-0.1

The Gigaset Group generated a **cash outflow from operating activities** in the amount of EUR -9.0 million in the first half of 2021, (PY: EUR -1.1 million). The biggest drivers were the declines in trade payables, other liabilities, and other provisions totaling EUR -10.4 million (PY: EUR -28.2 million), and the increase in inventories in the amount of EUR -4.1 million (PY: decrease in the amount of EUR 0.4 million). The customary cash outflow in the first half of the year is attributable to the seasonal pattern of the company's business. The company traditionally generates cash inflows in the second half of the year due to the Christmas season.

The **cash outflow from investing activities** amounted to EUR -7.5 million, after EUR -5.4 million in the comparable period of last year. The greater part of investments both in the current period and in the year-ago period related to internal production capitalized for the development of new products and solutions.

At EUR -16.5 million, the **free cashflow** generated in the first half of 2021 was considerably more negative than in the first half of last year (PY: EUR -6.6 million). In the year-ago period, however, free cashflow was positively influenced by the many deferral and liquidity conservation measures implemented in response to the coronavirus pandemic, which are no longer in effect or not to the same extent in the current financial year. In addition, the heightened demand for telecommunications products necessitated higher-than-usual funds to prefinance production, leading to capital tie-up and liquidity outflows.

The **cash outflow from financing activities** amounted to EUR -0.9 million in the reporting period (PY: EUR -0.1 million). The cash outflow resulted mainly from principal and interest payments on the existing credit facilities. Cash inflows resulted from the vendor financing extended in connection with the partnership with Unify in the first half of 2021. In the year-ago period, cash inflows resulted from the financial assistance granted in connection with the coronavirus pandemic.

Please refer to the statement of cashflows for a detailed account of changes in **cash and cash equivalents**. The cashflows include exchange rate changes in the amount of EUR -0.1 million

[18] The year-ago comparison figures were adjusted to account for the changed presentation of restricted cash as of June 30, 2021 in order to ensure comparability. For details on this subject, please refer to Chapter 3 Change in the accounting treatment of restricted cash in the notes to the consolidated financial statements.

(PY: EUR -0.2 million). Cash and cash equivalents amounted to EUR 23.7 million as of June 30, 2021 (PY: EUR 27.8 million).

4.3 Financial position[19]

The Gigaset Group's **balance sheet total** amounted to EUR 185.5 million as of June 30, 2021, that being significantly less than the corresponding figure as of December 31, 2020 (EUR 204.5 million). On the assets side, the decline is attributable to the decrease in cash and cash equivalents, which declined by EUR 17.5 million to EUR 23.7 million as of June 30, 2021. On the equity and liabilities side, the decrease in the balance sheet total as of the reporting date was largely driven by the reduction of pension obligations, which declined by EUR 7.9 million to EUR 90.3 million, and the repayment of trade payables, which declined by EUR 10.0 million to EUR 35.0 million.

Compared to December 31, 2020, **noncurrent assets** declined by EUR 1.9 million to EUR 94.3 million as of June 30, 2021. The decrease resulted mainly from the reversal of deferred tax assets in the amount of EUR 2.4 million in respect of temporary differences as of June 30, 2021. Moreover, an increase in internal production capitalized led to a EUR 1.4 million increase in intangible assets. By contrast, property, plant and equipment (EUR 0.4 million) and capitalized right-of-use assets (EUR 0.5 million) were both lower than the respective figures as of December 31, 2020 because depreciation and amortization and disposals exceeded total investments as of June 30, 2021.

Current assets represent 49.1 % of total assets. Compared to the corresponding figure at the end of last year, they declined by EUR 17.1 million to EUR 91.2 million. The biggest driver of this significant reduction, accounting for EUR 17.5 million, was the outflow of cash and cash equivalents. Please refer to the statement of cashflows for a detailed account of changes in cash and cash equivalents. In addition, trade receivables were lower by EUR 2.8 million and the tax refund claims of EUR 1.0 million were likewise lower than the corresponding figures as of December 31, 2020. As of June 30, 2021, inventories increased by EUR 4.1 million to cover the need for raw materials and supplies in production.

The **equity** of the Gigaset Group amounted to EUR 5.2 million as of June 30, 2021, that being EUR 3.3 million higher than at the start of the year. This corresponds to an equity ratio of 2.8 %, as compared to 0.9 % as of December 31, 2020. The Group's equity was reduced by the consolidated net loss of EUR 3.0 million in the first half, while the positive change in the discount rate applied for calculating pension obligations increased the Group's equity by EUR 6.1 million. The discount rate was changed from 0.70 % as of December 31, 2020 to 1.10 % as of June 30, 2021. The Group's equity position as of June 30, 2021 was also influenced by exchange rate changes of EUR -0.1 million and cashflow hedging effects of EUR 0.3 million.

Total liabilities amounted to EUR 180.3 million (December 31, 2020: EUR 202.6 million). Current liabilities represent 40.3 % of total liabilities.

Noncurrent liabilities, which mainly consist of pension obligations and financial liabilities, amounted to EUR 107.7 million as of the reporting date of June 30, 2021 (December 31, 2020: EUR 115.4 million). The decrease resulted mainly from the reduction of pension obligations from EUR 7.9 million to EUR 90.3 million, mainly due to the lower discount rate applied as of the reporting date and the measurement of plan assets in the first half of 2021. Noncurrent financial liabilities increased by EUR 0.6 million, including EUR 2.7 million in new vendor financing and financial assistance granted in connection with the coronavirus pandemic.

[19] The year-ago comparison figures were adjusted to account for the changed presentation of restricted cash as of June 30, 2021 in order to ensure comparability. For details on this subject, please refer to Chapter 3 Change in the accounting treatment of restricted cash in the notes to the consolidated financial statements.

The **current liabilities** of EUR 72.7 million were about EUR 14.6 million less than as of December 31, 2020. The decline resulted mainly from the decrease in trade payables from EUR 45.0 million to EUR 35.0 million as of June 30, 2021, due to the payment at the beginning of the year of trade payables incurred during the Christmas season. The EUR 1.2 million decrease in current provisions resulted primarily from lower additions to customer bonus provisions. As of June 30, 2021, Other liabilities amounted to EUR 19.3 million, that being EUR 2.8 million less than at the beginning of the financial year. In accordance with the licensing agreement for the cooperation with Unify Software and Solutions GmbH & Co. KG, a license fee liability of EUR 3.6 million fell due in June 2021. The payment of this license fee was a major factor contributing to the decrease in Other liabilities. Otherwise, the Other liabilities consisted mainly of liabilities for wages and salaries, sales tax liabilities and miscellaneous liabilities.

5 REPORT ON OPPORTUNITIES AND RISKS AS OF JUNE 30, 2021

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

Risks are assessed on a quantitative basis for the factors of probability of occurrence and extent of losses. The multiplication of these factors yields an expected value, which is aggregated by risk sub-categories in the table below.

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

The potential short-term earnings effects, as well as only the cashflow effect in the case of liquidity risks, on the Gigaset Group in the individual risk categories are presented in the table below:

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

A detailed description of Gigaset's opportunities and risks is presented in the 2020 Annual Report. Changes in the risk situation that occurred in the first half of 2021 are described in the following.

The heightened risk of losses on receivables owed by our customers at the end of the 2020 financial year due to the seasonal revenue spike eased in the first half of 2021.

The currently limited availability of semiconductors throughout the world has impaired Gigaset's potential production capacities and for this reason its sales targets could be periodically jeopardized. Above all, Gigaset's global order management is extremely stressed by jeopardized customer orders and the now very high order backlog. It cannot be expected that this situation, which is currently impacting all key industries throughout the world, will change in the medium term and it is currently predicted that supply chains in the semiconductor industry will continue to be disrupted until at least the middle of 2022.

The development of corporate bond yields observed in the capital market led to an increase in the discount factor applied to calculate pension obligations according to IFRS in the first half of 2021, causing a decrease in recognized pension obligations and a positive effect on equity.

The Group-wide, systematic risk management system is described in detail in the combined management report in Gigaset's 2020 Annual Report.

6 SIGNIFICANT EVENTS AFTER JUNE 30, 2021

In July 2021, Gigaset raised cash and cash equivalents of EUR 2.0 million from a short-term working capital loan.

On July 28, 2021, Gigaset AG, Bocholt, as the sole shareholder of CFR Holding GmbH, Munich, resolved to liquidate CFR Holding GmbH with effect as of August 1, 2021 and record the liquidation in the Commercial Register. Gigaset AG was appointed as the liquidator. The liquidation was initiated as part of the further optimization of the corporate structure of the Gigaset Group. The company no longer conducts operating activities or any other activities for the Gigaset Group.

7 OUTLOOK

Gigaset performed very well in the first half of 2021 considering that its business was affected by the coronavirus pandemic during most of the first half of 2021. The first quarter of 2021 was dominated by high numbers of infections accompanied by massive restrictions of daily life. Nonetheless, Gigaset continued to benefit from strong online sales and new retail concepts (e.g., online platforms and services such as "click and collect"), which offset the adverse effects of the pandemic. In the second quarter, moreover, the coronavirus crisis eased considerably as vaccination campaigns throughout Europe progressed and the spring and summer season began in Europe.

Despite having been successful under these conditions in the first half of 2021, Gigaset still faces an uncertain future. The general economic recovery predicted by notable economic research institutions is contingent on the assumption that the coronavirus pandemic can be quickly and effectively curbed. However, the constantly rising case numbers driven by the spread of the delta variant throughout Europe in the summer paints a different picture. The general course of events and particularly the course of the economic recovery in 2021 remain uncertain.

Moreover, a new challenge has arisen as a further consequence of the coronavirus pandemic, one that has steadily worsened in the last few months and could have a serious adverse effect on the company's performance in the second half of 2021.

This challenge threatens the stability of production processes in Asia and supply chains throughout the world. Supply chains have been severely disrupted by the initial pandemic and the continual rise of new variants causing local outbreaks. Entire industries from the automotive industry to entertainment electronics and telecommunications are impacted by these supply chain disruptions.

Gigaset therefore sees itself exposed to the following two risks in the further course of the year:

1. A relatively strong dependence on external factors outside of its control such as the further course of the pandemic and the corresponding government decisions and measures.

2. An existing and currently worsening shortage of chip sets and other components in the procurement market. As a result, adequate utilization of Gigaset's production capacities is potentially not assured. The company is counting on its longtime, established business relationships with suppliers to counter this challenge.

7.1 General economic development

The International Monetary Fund (IMF) generally anticipates a positive scenario. According to the study from April 2021, however, the IMF[20] forecast for global economic output in 2021 and 2022 is fraught with considerable uncertainties due to the ongoing pandemic. The IMF predicts global economic growth of 6.0 % in 2021, but an only moderate increase of 4.4 % in 2022. According to the forecast, industrialized nations should experience economic growth of 5.1 % in 2021 and 3.6 % in 2022. For the eurozone countries, the IMF predicts economic growth of 4.4 % in 2021 and 3.8 % in the following year. In the most important European markets for Gigaset (EU6), the IMF predicts the following economic growth rates in 2021: +3.6 % in Germany (2022: +3.4 %), +5.8 % in France (2022: +4.2 %), +4.2 % in Italy (2022: +3.6 %), +3.5 % in the Netherlands (2022: +3.0 %), +6.4 % in Spain (2022: +4.7 %), and +3.5 % in Switzerland (2022: +2.8 %).

[20] International Monetary Fund (2021) - Global Prospects and Policies (pp. 9 and 35)

7.2 Development of the industry

Phones

Although the market did not shrink as much during the coronavirus pandemic in 2020 and in the first half of 2021 as in the preceding years, the company expects that the worldwide market for DECT cordless telephones will continue to shrink in the future due to factors such as a saturated market, intense predatory competition, and the continually increasing number of alternative communication technologies. For this reason, Gigaset will develop alternative telephony concepts and combination solutions and modernize and expand its IP product portfolio in the coming years.

Smartphones

After rapid growth in the years following 2010, the rate of growth in the smartphone market has slowed considerably in the last few years, according to Statista.[21] Thus, 2019 was the fourth year in a row of modestly declining sales numbers in Germany. According to Statista, 22.1 million smartphones were sold in Germany in 2020, this number being unchanged from the previous year despite the coronavirus crisis. Sales of 22.1 million devices are likewise expected in the current year. According to a study by Canalys,[22] worldwide sales will recover after three years of declines and reach 1.4 billion devices in 2021, for a 12 % increase over 2020. The market researchers of Canalys also anticipate growth, albeit at more moderate rates, in the period from 2022 to 2024. Due to the consequences of the coronavirus pandemic, sales plummeted by 7 % last year. Gigaset was able to produce the planned smartphone quantities despite worldwide material shortages. The share of smartphones sold in the B2B segment increased considerably. Gigaset anticipates further, double-digit percentage increases in smartphone sales.

[21] Statista (2021) – Sales of Smartphones in Germany in the Years 2009 to 2021

[22] Canalys (2021) - Global Smartphone Market 2021 Forecast

Smart Home

Gigaset expects that smart home applications will develop more slowly than forecast also in the foreseeable future. A recent forecast by Statista[23] shows the expected development of revenues in the smart home segment of building security in Europe through the year 2024. According to this forecast, revenues in this segment, which accounts for the greater part of Gigaset's smart home portfolio, in Europe will be around EUR 3 billion in 2021 and will rise to EUR 4.7 billion by 2024. Also in this regard, however, the actual market development could differ as a result of the long-term effects of the coronavirus pandemic, which has altered the investment priorities of consumers. The home is becoming the new center of life, where a growing proportion of work is performed. Before the coronavirus pandemic, workstations used for working at home accounted for about 4 % of all workstations in Germany. In January 2021, this proportion had risen to 24 %. A shift in investments from other sectors (tourism, mobility, etc.) to smart technology for use at home is to be expected. However, this trend cannot yet be statistically proven.

Professional

In the segment of professional customers, Gigaset expects that the importance of IP telephony will continue to grow, especially in Western Europe, driven by the shift from traditional TDM telephony to all-IP and hybrid solutions with significantly growing numbers of integrated UC applications.[24] The Professional segment anticipates significant growth in the coming years thanks to the partnership with Unify for the exclusive production of the next generation of desktop telephones.[25/26] The trend described above has been accelerated by the coronavirus pandemic, which has put a stronger emphasis on working from home and intensified the use of teleconferencing, UCC solutions and virtual meetings as communication instruments. This worldwide and probably lasting trend towards working from home[27] and the resulting increase in demand for telecommunications devices that

[23] Statista (2021) – Forecast Smart Home Sales 2017 to 2025

[24] MZA Consultants (2021) - Competitive Environment 2021 Edition

[25] Gigaset (2020) - Gigaset Enters into Exclusive Agreement with Unify

[26] MZA Consultants (2021) - Calendar Year Analysis – 2021 Edition

[27] MZA Consultants (2021) - Competitive Environment 2021 Edition

facilitate flexible collaboration present opportunities and new applications for Gigaset in the segment of professional customers.

7.3 Expected development of revenues and earnings

After the turbulent, pandemic-driven crisis in 2020, Gigaset was still affected by lockdowns and government countermeasures to combat the pandemic at the start of 2021. In the second quarter of the current financial year, the situation eased with the start of the spring and summer season, allowing for normal sales volumes in physical retail outlets and enabling the company to report very solid results for the first half of 2021. As demand and consumer behavior stabilized in 2021, the Gigaset Group was able to generate revenues of EUR 102.0 million in the first half, which were considerably higher than the EUR 75.8 million in revenues generated in the first half of last year. The trend of considerably higher online purchases by consumers that was already in evidence in the previous year increased further in the reporting period. In addition to the generally higher demand for telecommunications products, the company's revenues and earnings also benefited from pent-up demand effects.

For the second half of 2021, Gigaset anticipates a development in line with the planned trend, which should make it possible for the company to meet its originally announced revenue and earnings targets. However, the company's ability to meet its plan targets is highly dependent on the further course of the coronavirus pandemic and especially the supply chain situation described above (above all, the availability of semiconductor chips). Thus, the development of revenues and earnings is subject to considerable uncertainties.

To achieve its targets, Gigaset will continue to engage in strict cost management in the second half and invest with caution in dependence on the development of revenues and other economic risk factors.

Gigaset has already hedged a significant portion of its U.S. dollar risk for 2021. The current forecast to the end of the year is based on the present exchange rate of USD 1.19 per euro. While Gigaset also anticipates a volatile development of the exchange rate in the time until the end of the year, it believes that it can successfully hedge the exchange rate risk over the next 12 months, based on the current exchange rate.

7.4 Expected development of cashflows, liquidity and capital expenditures

Gigaset funds it operations largely from operating cashflow. Given that the pandemic has not yet been completely overcome, the company will continue to focus on optimal liquidity management utilizing all available funding options deemed to be advisable in the context of the company's overall business. The Group continues to pursue a conservative strategy to safeguard its financial stability and ensure its operational and strategic flexibility.

As of June 30, 2021, Gigaset disposes of cash and cash equivalents equal to EUR 23.7 million. These funds must cover not only the company's operational requirements and payment obligations resulting from the acquisition of licenses for the necessary software components and interfaces to develop the next family of desktop telephones for Unify, but also debt service on external financing. Based on its budget, Gigaset expects to have a clearly positive cash position at the end of the 2021 financial year also after fulfilling its payment obligations.

7.5 Executive Board's overall assessment of the Group's expected development

Barring a sudden, substantial worsening of the coronavirus pandemic, Gigaset expects the following development of financial position, cashflows and financial performance in the 2021 financial year:

1. A modest increase in revenues and EBITDA over 2020, when the company's performance was heavily impacted by the coronavirus;

2. A positive free cashflow at the pre-coronavirus level with due regard to the planned development of operating activities and necessary investments.

Bocholt, September 16, 2021
The Executive Board of Gigaset AG

Klaus Weßing, CEO Thomas Schuchardt, CFO

8 CONSOLIDATED INCOME STATEMENT[28]

EUR'000	Q2 2021 4/1 - 6/30/2021	Q2 2020 4/1 - 6/30/2020	1st half 2021 1/1 - 6/30/2021	1st half 2020 1/1 - 6/30/2020
Revenues	51,519	43,458	101,971	75,846
Change in inventories of finished and unfinished goods	-1,055	-4,080	-1,082	-1,684
Purchased goods and services	-23,781	-19,278	-46,704	-37,837
Gross profit	**26,683**	**20,100**	**54,185**	**36,325**
Other internal production capitalized	2,788	1,924	5,424	4,142
Other operating income	1,827	2,904	5,444	6,013
Personnel expenses	-15,152	-13,596	-30,966	-29,486
Other operating expenses	-13,493	-11,882	-29,879	-24,981
EBITDA	**2,653**	**-550**	**4,208**	**-7,987**
Depreciation and amortization	-3,546	-3,702	-7,351	-7,725
EBIT	**-893**	**-4,252**	**-3,143**	**-15,712**
Other interest and similar income	189	8	350	190
Interest and similar expenses	-488	-279	-874	-637
Financial result	**-299**	**-271**	**-524**	**-447**
Result from ordinary activities	**-1,192**	**-4,523**	**-3,667**	**-16,159**
Income taxes	158	1,290	703	4,863
Consolidated net loss for the year	**-1,034**	**-3,233**	**-2,964**	**-11,296**
Earnings per share				
– Undiluted (Basic) in EUR	-0.01	-0.03	-0.02	-0.09
– Diluted in EUR	-0.01	-0.03	-0.02	-0.09

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

9 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR'000	Q2 2021 4/1 - 6/30/2021	Q2 2020 4/1 - 6/30/2020	1st half 2021 1/1 - 6/30/2021	1st half 2020 1/1 - 6/30/2020
Consolidated net loss for the year	**-1,034**	**-3,233**	**-2,964**	**-11,296**
Items that may possibly be reclassified to profit or loss at a later time				
Currency translation differences	1	-97	-121	-437
Cashflow hedges	76	-566	395	-53
Income taxes recognized on this item	-25	180	-126	17
Items that will not be reclassified to profit or loss at a later time				
Revaluation effect, net debt of defined benefit pension plans before income taxes	-221	-2,617	8,928	-2,617
Income taxes recognized on this item	70	832	-2,839	832
Financial instruments at fair value through other comprehensive income (FVOCI)	0	-100	0	100
Total changes not recognized in profit or loss	**-99**	**-2,368**	**6,237**	**-2,158**
Total income and expenses recognized	**-1,133**	**-5,601**	**3,273**	**-13,454**

10 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	6/30/ 2021	12/31/ 2020[1]	1/1/ 2020[1]
ASSETS			
Noncurrent assets			
Intangible assets	52,770	51,367	*33,757*
Property, plant and equipment	18,514	18,944	*23,284*
Right of use assets	2,979	3,463	*4,331*
	6,700	6,700	*0*
Financial assets	0	0	*7,686*
Deferred tax assets	13,375	15,806	*9,374*
Total noncurrent assets	**94,338**	**96,280**	***78,432***
Current assets			
Inventories	27,582	23,513	*35,246*
Trade receivables	21,795	24,619	*45,417*
Other assets	17,775	17,598	*27,628*
Tax refund claims	378	1,398	*293*
Cash and cash equivalents	23,651	41,124	*34,638*
Total current assets	**91,181**	**108,252**	***143,222***
Total assets	**185,519**	**204,532**	***221,654***

EUR'000	6/30/ 2021	12/31/ 2020[1]	1/1/ 2020[1]
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	132,456	132,456	*132,456*
Additional paid-in capital	86,076	86,076	*86,076*
Retained earnings	68,979	68,979	*68,979*
Accumulated other comprehensive equity	-282,342	-285,615	*-268,968*
Total equity	**5,169**	**1,896**	***18,543***
Noncurrent liabilities			
Pension obligations	90,318	98,251	*92,501*
Provisions	2,126	2,149	*2,389*
Financial liabilities	13,213	12,659	*10,176*
Lease liabilities	1,642	2,071	*2,827*
Deferred tax liabilities	375	276	*760*
Total noncurrent liabilities	**107,674**	**115,406**	***108,653***
Current liabilities			
Provisions	11,622	12,861	*14,403*
Financial liabilities	3,658	3,793	*5,724*
Lease liabilities	1,555	1,659	*1,563*
Trade payables	35,033	45,032	*51,247*
Tax liabilities	1,530	1,773	*4,945*
Other liabilities	19,278	22,112	*16,576*
Total current liabilities	**72,676**	**87,230**	***94,458***
Total equity and liabilities	**185,519**	**204,532**	***221,654***

[1] The comparison figures as of 12/31/2020 were adjusted to reflect the changed presentation of restricted cash as of June 30, 2021 and the opening balances as of 1/1/2020 were changed accordingly. For details on this subject, please refer to Chapter 3 in the notes to the consolidated financial statements.

11 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EUR'000	Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive equity	Consolidated equity
	December 31, 2019	**132,456**	**86,076**	**68,979**	**-268,968**	**18,543**
1	Consolidated loss 2020	0	0	0	-11,296	-11,296
2	Currency translation differences	0	0	0	-437	-437
3	Cashflow hedges	0	0	0	-36	-36
4	Financial instruments measured at fair value through other comprehensive income (FVOCI)	0	0	0	100	100
5	Revaluation effects from defined benefit pension plans	0	0	0	-1,785	-1,785
6	Total changes not recognized in profit or loss	0	0	0	-2,158	-2,158
7	**Total net income (1+6)**	**0**	**0**	**0**	**-13,454**	**-13,454**
	June 30, 2020	**132,456**	**86,076**	**68,979**	**-282,422**	**5,089**
	December 31, 2020	**132,456**	**86,076**	**68,979**	**-285,615**	**1,896**
1	Consolidated loss 2021	0	0	0	-2,964	-2,964
2	Currency translation differences	0	0	0	-121	-121
3	Cashflow hedges	0	0	0	269	269
4	Financial instruments measured at fair value through other comprehensive income (FVOCI)	0	0	0	0	0
5	Revaluation effects from defined benefit pension plans	0	0	0	6,089	6,089
6	Total changes not recognized in profit or loss	0	0	0	6,237	6,237
7	**Total net income (1+6)**	**0**	**0**	**0**	**3,273**	**3,273**
	June 30, 2021	**132,456**	**86,076**	**68,979**	**-282,342**	**5,169**

12 CONSOLIDATED STATEMENT OF CASHFLOWS

EUR'000	1/1 - 6/30/2021	1/1/ - 6/30/2020[1]
Result from ordinary activities	**-3,667**	**-16,159**
Depreciation and amortization of property, plant and equipment and intangible assets	7,351	7,725
Increase (+) / decrease (-) in pension provisions	995	2,662
Gain (-) / loss (+) on the sale of noncurrent assetes	1	-37
Gain (-) / loss (+) from deconsolidations	6	0
Gain (-) / loss (+) from currency translation	92	751
Net interest income	524	447
Interest received	30	183
Income taxes paid	1,021	-495
Increase (-) / decrease (+) in inventories	-4,069	392
Increase (-) / decrease (+) in trade receivables and other assets	-528	32,607
Increase (-) / decrease (+) in trade payables, other liabilities and other provisions	-10,437	-28,213
Increase (-) / decrease (+) in other items of the statement of financial position	-319	-1,010
Cash inflow (+) /outflow (-) from operating activities (net cashflow)	**-9,000**	**-1,147**
Proceeds from the sale of noncurrent assets	6	18
Payments of investments in noncurrent assets	-7,486	-5,458
Cash inflow (+)/outflow (-) from investing activities	**-7,480**	**-5,440**
Free cashflow	**-16,480**	**-6,587**
Cashflows from the borrowing (+)/ repayment (-) of current financial liabilities	-1,028	-548
Cashflows from the borrowing of noncurrent financial liabilities	1,590	1,950
Payments for lease liabilities	-866	-897
Interest paid	-598	-604
Cash inflow (+)/outflow (-) from financing activities	**-902**	**-99**
Cash and cash equivalents at beginning of period	41,033	34,450
Changes due to exchange rate differences	-91	-188
Cash and cash equivalents at beginning of period, measured at prior-year closing exchange rate	41,124	34,638
Change in cash and cash equivalents	-17,382	-6,686
Cash and cash equivalents at end of period (per statement of financial position)	**23,651**	**27,764**

[1] The comparison figures as of 12/31/2020 were adjusted to reflect the changed presentation of restricted cash as of June 30, 2021 and the opening balances as of 1/1/2020 were changed accordingly. For details on this subject, please refer to Chapter 3 in the notes to the consolidated financial statements.

13 NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2021

1. General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of June 30, 2021, and the presentation of comparative year-ago figures were 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, 2021 was prepared in accordance with IAS 34. The applied accounting standards correspond to the standards that were already applied in the consolidated financial statements for 2020. In addition, the following new and revised standards were applied in the Gigaset group for the consolidated interim financial statements for the period ended June 30, 2021; however, these standards do not have a material influence on the Group's financial position, cashflows or financial performance and provide a true and fair view of the company:

- IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9
- IFRS 16: Amendments to IFRS 16: Covid-Related Rent Concessions
- IFRS 9 / IAS 39 / IFRS 7: Amendments due to the Interest Rate Benchmark Reform ("IBOR Reform") in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases - Phase 2

The notes to the 2020 consolidated financial statements apply accordingly to the present interim financial statements as of June 30, 2021, particularly with respect to the principal recognition and measurement methods and consolidation principles applied. A detailed description of these methods and approaches can be found in the notes to the 2020 consolidated financial statements.[29] The consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern.

2. Changes in the consolidation group

The number of fully consolidated companies in the Gigaset Group changed in the reporting period. Gigaset Industries GmbH in Liqu., Vienna, Austria, was dissolved after the liquidation was completed in February 2021, so that the company was deconsolidated from the Gigaset Group.

[29] The 2020 consolidated financial statements are available in the Internet at https://www.gigaset.com/hq_en/cms/gigaset-ag/investor-relations/publications/annual-reports.html

3. Change in the accounting treatment of restricted cash

As of the reporting date of June 30, 2021 and the preparation of the present interim report, the accounting treatment of restricted cash in the Gigaset Group was adjusted because the previous presentation was not appropriate.

In the annual report and consolidated financial statements as of December 31, 2020, an amount of EUR 1.4 million that had previously been presented within the line item of cash and cash equivalents was presented as restricted cash instead. The amounts presented to date as restricted cash consist of funds deposited in a trust fund for partial early retirement agreements, bank guarantee facilities, rental guarantee insurance, and credit balances in clearing accounts of the payment services provider PayPal.

The presentation of the various components of restricted cash in the statement of financial position as of June 30, 2021 has been partially adjusted. This adjustment has no effect on the consolidated profit/loss. The adjustments were made individually in the affected line items and in the presentation in the statement of financial position. As a result of this correction according to IAS 8.41, the comparison figures were retroactively adjusted in accordance with the provisions of IAS 8.43 ff.

The assets deposited in a trust account for partial early retirement agreements that have been presented within restricted cash serve to protect the corresponding obligations to employees who have vested claims against Gigaset under partial early retirement agreements in case of bankruptcy. As of December 31, 2020, these assets amounted to EUR 0.7 million. In the future, the share of these assets corresponding to the unsettled obligations will be netted directly with the partial early retirement provision so that only the net amount of the obligation will be presented. These assets amounted to EUR 0.4 million as of the reporting date of December 31, 2020. The remaining assets of EUR 0.3 million, which cannot be directly netted, are presented as Other assets.

In addition, bank guarantee facilities to secure contractual obligations have previously been presented as restricted cash. As of December 31, 2020, these facilities amounted to EUR 0.6 million. Bank guarantees with a term longer than three months, which amounted to EUR 0.2 million as of December 31, 2020, will be presented as Other assets in the future. All other current items for bank guarantee facilities will be presented as cash and cash equivalents given that the company can basically dispose of these funds in the shortest time. These items amounted to EUR 0.4 million as of the comparison date of December 31, 2020.

The funds deposited for rental guarantee insurance have been reclassified from restricted cash to Other assets in the same manner as other security deposits. The credit balances in clearing accounts of the payment services provider PayPal have been reclassified from restricted cash to cash and cash equivalents because these funds are equivalent to cash in banks. This adjustment was only made within cash and cash equivalents and has no effect on the presentation in the statement of financial position.

The comparison figures for all these items in the consolidated statement of financial position as of December 31, 2020 and as of January 1, 2020 were retroactively adjusted to ensure the comparability with the figures in the present interim report.

The reconciliation of the items affected by the adjusted presentation of restricted cash is presented in the following tables:

EUR'000	12/31/2020 Before the presentation adjustment	12/31/2020 After the presentation adjustment	1/1/2020 Before the presentation adjustment	1/1/2020 After the presentation adjustment
ASSETS				
Noncurrent assets				
Intangible assets	51,367	51,367	33,757	33,757
Property, plant and equipment	18,944	18,944	23,284	23,284
Right of use assets	3,463	3,463	4,331	4,331
Investment property	6,700	6,700	0	0
Financial assets	0	0	7,686	7,686
Deferred tax assets	15,806	15,806	9,374	9,374
Total noncurrent assets	**96,280**	**96,280**	**78,432**	**78,432**
Current assets				
Inventories	23,513	23,513	35,246	35,246
Trade receivables	24,619	24,619	45,417	45,417
Other assets	17,081	17,598	26,670	27,628
Tax refund claims	1,398	1,398	293	293
Cash and cash equivalents	42,045	41,124	36,557	34,638
Total current assets	**108,656**	**108,252**	**144,183**	**143,222**
Total assets	**204,936**	**204,532**	**222,615**	**221,654**

EUR'000	12/31/2020 Before the presentation adjustment	12/31/2020 After the presentation adjustment	1/1/2020 Before the presentation adjustment	1/1/2020 After the presentation adjustment
EQUITY AND LIABILITIES				
Equity				
Subscribed capital	132,456	132,456	132,456	132,456
Additional paid-in capital	86,076	86,076	86,076	86,076
Retained earnings	68,979	68,979	68,979	68,979
Accumulated other comprehensive equity	-285,615	-285,615	-268,968	-268,968
Total equity	**1,896**	**1,896**	**18,543**	**18,543**
Noncurrent liabilities				
Pension obligations	98,251	98,251	92,501	92,501
Provisions	2,363	2,149	2,983	2,389
Financial liabilities	12,659	12,659	10,176	10,176
Lease liabilities	2,071	2,071	2,827	2,827
Deferred tax liabilities	276	276	760	760
Total noncurrent liabilities	**115,620**	**115,406**	**109,247**	**108,653**
Current liabilities				
Provisions	13,051	12,861	14,770	14,403
Financial liabilities	3,793	3,793	5,724	5,724
Lease liabilities	1,659	1,659	1,563	1,563
Trade payables	45,032	45,032	51,247	51,247
Tax liabilities	1,773	1,773	4,945	4,945
Other liabilities	22,112	22,112	16,576	16,576
Total current liabilities	**87,420**	**87,230**	**94,825**	**94,458**
Total equity and liabilities	**204,936**	**204,532**	**222,615**	**221,654**

The effects of the adjusted presentation of restricted cash on the statement of cashflows are presented in the table below:

	1/1 - 6/30/2020	
EUR'000	Before the presentation adjustment	After the presentation adjustment
Result from ordinary activities	**-16,159**	**-16,159**
Depreciation and amortization of property, plant and equipment and intangible assets	7,725	7,725
Increase (+) / decrease (-) in pension provisions	2,662	2,662
Gain (-) / loss (+) on the sale of noncurrent assetes	-37	-37
Gain (-) / loss (+) from currency translation	751	751
Net interest income	447	447
Interest received	183	183
Income taxes paid	-495	-495
Increase (-) / decrease (+) in inventories	392	392
Increase (-) / decrease (+) in trade receivables and other assets	32,141	32,607
Increase (-) / decrease (+) in trade payables, other liabilities and other provisions	-28,510	-28,213
Increase (-) / decrease (+) in other items of the statement of financial position	-1,010	-1,010
Cash inflow (+) /outflow (-) from operating activities (net cashflow)	**-1,910**	**-1,147**
Proceeds from the sale of noncurrent assets	18	18
Payments of investments in noncurrent assets	-5,458	-5,458
Cash inflow (+)/outflow (-) from investing activities	**-5,440**	**-5,440**
Free cashflow	**-7,350**	**-6,587**
Cashflows from the borrowing (+)/ repayment (-) of current financial liabilities	-548	-548
Cashflows from the borrowing of noncurrent financial liabilities	1,950	1,950
Payments for lease liabilities	-897	-897
Interest paid	-604	-604
Cash inflow (+)/outflow (-) from financing activities	**-99**	**-99**
Cash and cash equivalents at beginning of period	34,015	34,450
Changes due to exchange rate differences	-188	-188
Cash and cash equivalents at beginning of period, measured at prior-year closing exchange rate	34,203	34,638
Increase (-)/ decrease (+) in restricted cash	791	0
Change in cash and cash equivalents	-7,449	-6,686
Cash and cash equivalents at end of period	**27,357**	**27,764**
Restricted cash	1,563	0
Cash and cash equivalents per statement of financial position	**28,920**	**27,764**

4. Seasonal effects

The Gigaset Group's core business is subject to distinct seasonal fluctuations due to consumer behavior that varies regularly 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. Consumer spending is typically weak in the first quarter as consumers tend to pull their purchases forward to the Christmas season. Experience has shown that distributors often use the first quarter to replenish their inventories. Benefitting from the spending restraint exercised in the preceding quarter, sales generally rise again in the second quarter. Sales for the Christmas season begin to affect inventory levels in the warehouses of distributors and retailers 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. For this reason, the third quarter is normally weaker than the fourth. In addition to the traditional general seasonal fluctuations, the company's business is affected by specific seasonal patterns in the various countries and regions such as sales promotions related to specific trade fairs (e.g. CEBIT, IFA), back-to-school activities, and the Chinese New Year.

The purchasing behavior of consumers and distributors was still influenced by the ongoing coronavirus pandemic in the first half of 2021. Although lockdowns and the corresponding shop closures also occurred throughout Europe in the first months of the current financial year, the adverse effects on the company's business performance was almost completely offset by further shifts from retail shop sales to online sales and by new, alternative sales concepts (including "click and collect"). The year-ago comparison is particularly distorted by this effect: Whereas in 2020, the pandemic initially caused a shock with plummeting sales and great uncertainty regarding the future development, purchasing propensity has been significantly less affected so far in 2021. In addition, pent-up demand effects were in evidence in the first half of the year (especially among professional customers).

In summary, the usual seasonal patterns in 2021 and 2020 were additionally influenced by the pandemic developments and altered consumer behavior.

5. Notes on financial instruments

An overview of financial assets and liabilities with supplementary information on carrying amounts and fair values is presented in the table below in a manner analogous to the presentation in the consolidated financial statements for the period ended December 31, 2020.

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Carrying amount 6/30/2021	Fair value 6/30/2021	Amortized cost	Fair value recognized in equity without subsequent reclassification to the income statement	Fair value through profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Assets								
Noncurrent assets								
Financial assets	FVOCI	0	0	0	0	0	0	0
Current assets								
Trade receivables	AC	10,256	10,256	10,256	0	0	0	0
	FVPL	11,539	11,539	0	0	11,539	0	0
Other assets	AC, FVPL	11,222	11,222	11,092	0	59	71	0
Cash and cash equivalent	AC	23,651	23,651	23,651	0	0	0	0
Liabilities								
Noncurrent liabilities								
Financial liabilities	AC	13,213	13,022	13,213	0	0	0	0
Lease liabilities	Leases	-	0	0	0	0	0	1,642
Current liabilities								
Current financial liabilities	AC	3,658	4,211	3,658	0	0	0	0
Current lease liabilities	Leases	-	0	0	0	0	0	1,555
Trade payables	AC	35,033	35,033	35,033	0	0	0	0
Other liabilities	AC, FVPL	7,500	7,500	7,217	0	0	283	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Carrying amount 6/30/2021	Fair value 6/30/2021	Amortized cost	Fair value recognized in equity without subsequent reclassifica-tion to the income statement	Fair value through profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Thereof aggregated by measurement categories in EUR'000								
Financial assets								
At amortized cost (AC)		44,999	44,999	0	0	0	0	0
At fair value through other comprehensive income (FVCOI)		0	0	0	0	0	0	0
At fair value through profit or loss (FVPL)		11,598	11,598	0	0	0	0	0
Financial assets (hedging)		71	71	0	0	0	0	0
Financial liabilities								
At amortized cost (AC)		59,121	59,483	0	0	0	0	0
At fair value through profit or loss (FVPL)		0	0	0	0	0	0	0
Financial liabilities (hedging)		283	283	0	0	0	0	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Carrying amount 12/31/2020[1]	Fair value 12/31/2020[1]	Amortized cost[1]	Fair value recognized in equity without subsequent reclassification to the income statement	Fair value through profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Assets								
Noncurrent assets								
Financial assets	FVOCI	0	0	0	0	0	0	0
Current assets								
Trade receivables	AC	17,750	17,750	17,750	0	0	0	0
	FVPL	6,869	6,869	0	0	6,869	0	0
Other assets	AC, FVPL	12,442	12,442	12,442	0	0	0	0
Cash and cash equivalents	AC	41,124	41,124	41,124	0	0	0	0
Liabilities								
Noncurrent liabilities								
Financial liabilities	AC	12,659	12,680	12,659	0	0	0	0
Lease liabilities	Leases	-	0	0	0	0	0	2,071
Current liabilities								
Current financial liabilities	AC	3,793	4,316	3,793	0	0	0	0
Current lease liabilities	Leases	-	0	0	0	0	0	1,659
Trade payables	AC	45,032	45,032	45,032	0	0	0	0
Other liabilities	AC, FVPL	11,940	11,940	11,101	0	0	839	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Carrying amount 12/31/2020[1]	Fair value 12/31/2020[1]	Amortized cost[1]	Fair value recognized in equity without subsequent reclassification to the income statement	Fair value through profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Thereof aggregated by measurement categories in EUR'000								
Financial assets								
At amortized cost (AC)		71,316	71,316	0	0	0	0	0
At fair value through other comprehensive income (FVCOI)		0	0	0	0	0	0	0
At fair value through profit or loss (FVPL)		6,869	6,869	0	0	0	0	0
Financial assets (hedging)		0	0	0	0	0	0	0
Financial liabilities								
At amortized cost (AC)		72,585	73,129	0	0	0	0	0
At fair value through profit or loss (FVPL)		0	0	0	0	0	0	0
Financial liabilities (hedging)		839	839	0	0	0	0	0

[1] The year-ago comparison figures were adjusted to account for the changed presentation of restricted cash as of June 30, 2021 in order to ensure comparability. For details on this subject, please refer to Chapter 3 Change in the accounting treatment of restricted cash.

With the exception of financial liabilities, the fair values of financial assets and liabilities as of June 30, 2021 are mainly equivalent to the carrying amounts. Changes were made to current financial assets and current financial liabilities compared with December 31 of the previous year due to the expiration of currency hedging transactions and the conclusion of new currency hedging transactions. In addition, the term of one loan was changed and two additional financing arrangements were concluded with suppliers in connection with longer-running projects. Compared with the end of the year, there were no changes in the financial assets and liabilities existing at this time with respect to measurement and the fair value hierarchy.

Please refer to the remarks in Chapter 8 Financial liabilities for information on developments and changes relative to financial liabilities as of June 30, 2021.

At the reporting date, foreign currency derivatives were presented under Other current assets with a fair value of EUR 130 thousand and under Other current liabilities with a fair value of EUR 283 thousand. As of December 31, 2019, foreign currency derivatives were presented under Other current assets . As of December 31, 2020, foreign currency derivatives were presented exclusively under Other current liabilities with a fair value of EUR 839 thousand.

As explained in the 2020 consolidated financial statements, Gigaset applies hedge accounting rules to the hedging of future merchandise purchases. The existing currency futures contracts to 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 effectiveness test. Based on this test, it was found that the defined hedging relationships are to be regarded as effective.

Including deferred taxes, an amount of EUR 269 thousand (PY: EUR -36 thousand) was recognized in equity in the current period.

As of the reporting date, there were 15 (December 31, 2020: 9) foreign currency derivatives with terms until June 2023 with a notional value of USD 27.0 million (December 31, 2020: USD 20.7 million) to hedge the exchange rate of the U.S. dollar against the euro. Eight USD foreign currency derivatives are structured as "plain vanilla" currency forwards. Five USD foreign currency derivatives are structured as foreign exchange option contracts and two USD foreign currency derivatives are structured as structured derivatives. The rules governing hedge accounting were applied to 14 USD foreign currency derivatives.

In accordance with IFRS 7.29, it is not necessary to state 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 better understand the accounting treatment, but it does not perform a separate calculation of fair values because the carrying amounts are applied as a reasonable approximation of the fair values. For this reason, a separate presentation is not provided for these items in the table below, in which the fair values determined for the financial assets and liabilities for the first half of 2021 are additionally assigned to hierarchy levels:

6/30/2021		Hierarchy level			
EUR'000	**Category**	**1**	**2**	**3**	**Total**
Financial assets					
Noncurrent financial assets	FVOCI	0	0	0	0
Derivative financial instruments	Hedging	0	189	0	189
Financial liabilities					
Noncurrent and current financial liabilities	AC	0	0	17,233	17,233
Derivative financial instruments	FVPL/ Hedging	0	283	0	283

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

The fair values of derivative financial instruments were calculated using present value and option pricing models. To the extent possible, the relevant market prices and interest rates observed on the reporting date, which are 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.

Lease liabilities do not fall under the scope of application of IFRS 9 and are therefore presented separately.

Noncurrent financial assets include the carrying amount, which has since been corrected in the full amount, of the interest in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category "At fair value through other comprehensive income (FVOCI)". Because the shares of Gigaset Mobile Pte. Ltd. are equity instruments, Gigaset has elected in accordance with IFRS 9.5.7.5 to assign this financial asset irrevocably to the category "At fair value through other comprehensive income (FVOCI)." Based on new knowledge obtained in the 2020 financial year, the carrying amount was completely written off in 2020. In accordance with IFRS 13, the determination of fair value is assignable to Level 3 of the measurement categories applied for the determination of fair values. The development of noncurrent financial assets is presented in the table below:

EUR'000	2021	2020
Value at 1/1	**0**	**7,686**
Impairment (not affecting net income)	0	-7,410
Foreign currency effects (not affecting net income)	0	-276
Value at 6/30/21 and 12/31/20	**0**	**0**

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

Trade payables and current financial liabilities are due within one year in the full amounts. Thus, the nominal value or repayment amount is approximately equal to the fair value.

The fair values of other noncurrent financial assets and liabilities with remaining terms of more than one year are equal to the present values of the payments associated with the assets and liabilities on the basis of the respectively current interest parameters, which reflect the currency, interest rate and partner-related changes in the applicable terms. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 3 of the fair value hierarchy.

6. Pension obligations and deferred tax assets

The pension obligations declined by EUR 7.9 million to EUR 90.3 million as of the reporting date of June 30, 2021. The obligations from pensions were adjusted on the basis of the currently relevant interest rate level as of June 30, 2021 using an approximation method. Due to an increase in the relevant interest rate level from 0.70 % as of December 31, 2020 to 1.10 % as of June 30, 2021, there was a decrease in pension obligations from this effect in the amount of EUR 8.9 million and an associated decrease in deferred tax assets in the amount of EUR 2.8 million. The change in plan assets for the pension obligations led to a decrease of EUR 1.9 million in the reporting period.

7. Provisions

Current provisions decreased from EUR 12.9 million as of December 31, 2020 to EUR 11.6 million, mainly due to the decrease of EUR 1.2 million in provisions for customer discounts. The noncurrent provisions of EUR 2.1 million (December 31, 2020: EUR 2.1 million) were nearly unchanged from the previous year.

8. Financial liabilities

The Gigaset Group entered into a credit facility in 2018, which amounted to EUR 14.5 million as of December 31, 2020. The loan balance as of June 30, 2021 was EUR 13.6 million. Of this total, EUR 3.1 million is due in less than one year and EUR 10.5 million is due in more one year and less than five years. The loan is denominated in euros, bears fixed interest at an effective annual rate of 5.16 %, and is measured at amortized cost. Thus, it has no effect on the Group's position with respect to currency risks and interest rate risks.

According to a new definition of the covenants to be fulfilled for this credit facility agreed with the financing banks in the first quarter of 2021, the determining key ratio in the future will be the net gearing ratio.

Please refer to the notes to the consolidated financial statements in the 2020 Annual Report for additional information on this credit facility.

Various vendor financing loans have been granted to Gigaset to finance the collaboration project with Unify, which was concluded in the 2020 financial year. These are interest-free loans that will be continually repaid over terms until 6/30/2023 and 12/31/2024. The loans were concluded for nominal amounts of EUR 0.75 million and USD 1 million. In accordance with IFRS 9, these loans were measured at fair value upon initial recognition. In subsequent periods, they will be measured at amortized cost.

In connection with the government measures to combat the economic effects of the coronavirus pandemic, the French national subsidiary had received an interest-free liquidity protection loan in the amount of EUR 2 million, with a term of initially 12 months, in the summer of 2020.

In June 2021, the loan was extended by another five years, with repayment beginning after 12 months. Due to the modification of loan terms, the accounting values were adjusted on the basis of the effective interest method. This adjustment generated a positive financial result of EUR 0.2 million in the 2021 reporting period. The loan is denominated in euros and bears interest at a fixed effective annual percentage rate of 4.17 %. It is measured at amortized cost.

9. Revenues

The Group’s revenues are mainly generated from sales of goods in the four operating segments of Phones, Smartphones, Smart Home and Professional.

Observed on a global basis, revenues are broken down by geographic segments as shown in the segment report. Revenues are normally recognized on a short-term basis and the performance obligations are performed at a specific point in time based on the current business model.

The development of revenues in the different operating segments is presented in the table below:

Revenues in EUR millions	Q1 - Q2 2021	Q1 - Q2 2020	Change in %
Phones	70.3	56.7	24.0
Smartphones	8.2	0.2	> 500.0
Smart Home	0.8	1.3	-38.5
Professional	22.7	17.6	29.0
Gigaset Total	**102.0**	**75.8**	**34.6**

Please refer to the remarks in the Group management report for additional information on the individual product segments.

10. Other operating income

Other operating income amounted to EUR 5.4 million in the reporting period, after EUR 6.0 million in the first half of last year. Other operating income mainly includes realized and unrealized foreign exchange gains in the amount of EUR 2.8 million (PY: EUR 1.8 million), income from the reversal of provisions in the amount of EUR 0.3 million (PY: EUR 1.0 million), and income from the reversal of value adjustments charged against trade receivables in the previous year in the amount of EUR 0.8 million.

11. Personnel expenses

Personnel expenses rose by EUR 1.5 million to EUR 31.0 million in the first half of 2021. Compared to the first half of last year, expenses for wages and salaries increased by EUR 3.1 million to EUR 25.2 million. The main factors contributing to this increase were higher expenses for special payments and bonuses in the amount of EUR 0.7 million and higher expenses for vacation and flextime provisions in the amount of EUR 1.1 million. In the year-ago figure, moreover, personnel expenses were affected by short-time work related to the coronavirus pandemic, for which reason higher expenses for wages and salaries in the amount of EUR 1.0 million were incurred in the first six months of the current 2021 financial year. The short-time work program was terminated at the end of February 2021. As a countervailing factor, income of EUR 0.3 million (PY: expense of EUR 1.2 million) was generated in connection with the measurement of plan assets for the company’s pensions in the first six months of 2021.

12. Other operating expenses

Other operating expenses amounted to EUR 29.9 million in the 2021 reporting period, after EUR 25.0 million in the year-ago period. The increase in expenses resulted mainly from increased marketing activities in the amount of EUR 2.5 million, higher allocations to warranty provisions in the amount of EUR 0.9 million, increased expenses for licenses in the amount of EUR 0.5 million, higher expenses for temporary workers in the amount of EUR 0.4 million, higher expenses from exchange rate losses in the amount of EUR 0.4 million, and increased transport and freight costs in the amount of EUR 0.3 million.

13. Net interest income

Net interest income comprises other interest and similar income in the amount of EUR 0.4 million (PY: EUR 0.2 million) and interest and similar expenses in the amount of EUR 0.9 million (PY: EUR 0.6 million).

In the first quarter of 2021, interest income resulted from the discounting of loan liabilities in the amount of EUR 0.3 million (PY: EUR 0.0 million).

Interest expenses mainly include interest paid on the credit facility taken out in 2018 in the amount of EUR 0.3 million (PY: EUR 0.4 million), the compounding of loan liabilities in the amount of EUR 0.3 million (PY: EUR 0.0 million), and interest paid in connection with factoring in the amount of EUR 0.2 million (PY: EUR 0.2 million).

14. Segment report

The segment report is based on geographic segments according to the Group's internal reporting system. The holding company is presented separately from Gigaset's operating activities. Within the operating activities, the regions "Germany", "EU" and "Rest of World" are used as geographic regions. The reportable EU segment includes several geographic regions that were aggregated into this segment, including the geographic region of "France" as an operating 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 particularly based on comparable gross margins in the individual geographic regions.

The geographic regions of Gigaset, whose main activity lies in the area of communications technology, are as follows:

- "Germany"

  The geographic region "Germany" comprises the operating activities in Germany.

- "EU"

  The geographic region "EU" (European Union) comprises the operating activities in Poland, Austria, France, Italy, the Netherlands, Spain and Sweden.

- "Rest of World"

  The geographic region "Rest of World" comprises the operating activities in the United Kingdom, Switzerland, Turkey, Russia and China.

The transfer prices between the segments are equal to the prices charged in dealings with third parties. Administrative services are charged by way of cost allocation.

The relevant segment result is EBITDA.

For segment reporting purposes, revenues are reported by country depending on both the receiving entities and the domicile of the respective companies ("country of domicile").

In the B2B segment, the 10 % revenue limit in relation to total revenues was slightly exceeded for the first time in the company's business with an internationally active company. Total revenues with this business partner amounted to EUR 13.3 million in the first half of the year and were generated in all geographic segments.

For segment reporting purposes within the Group, revenues are assigned to the individual geographic regions according to the country of domicile of each legal entity. If, for example, a German company issues an invoice to the Netherlands, the corresponding revenue is assigned to the country of domicile of the "Germany" region. In the tables below, revenues are presented on the basis of the country of domicile.

January 1 to June 30, 2021 in EUR millions	**Germany**	**EU**	**Rest of World**	**Gigaset TOTAL**	**Holding company**	**Group**
Revenues	60.2	30.1	11.7	102.0	0.0	102.0
Segment result / EBITDA	**4.5**	**1.0**	**0.1**	**5.6**	**-1.4**	**4.2**
Depreciation and amortization	-6.7	-0.5	-0.1	-7.3	0.0	-7.3
EBIT	**-2.2**	**0.5**	**0.0**	**-1.7**	**-1.4**	**-3.1**
Other interest and similar expenses						0.4
Interest and similar expenses						-0.9
Financial result						**-0.5**
Result from ordinary activities						**-3.7**
Income taxes						0.7
Consolidated net loss						**-3.0**

January 1 to June 30, 2020 in EUR millions	**Germany**	**EU**	**Rest of World**	**Gigaset TOTAL**	**Holding company**	**Group**
Revenues	40.3	26.0	9.5	75.8	0.0	75.8
Segment result / EBITDA	**-6.3**	**-0.1**	**-0.1**	**-6.5**	**-1.5**	**-8.0**
Depreciation and amortization	-7.1	-0.5	-0.1	-7.7	0.0	-7.7
EBIT	**-13.4**	**-0.6**	**-0.2**	**-14.2**	**-1.5**	**-15.7**
Other interest and similar expenses						0.2
Interest and similar expenses						-0.6
Financial result						**-0.4**
Result from ordinary activities						**-16.2**
Income taxes						4.9
Consolidated net loss						**-11.3**

Any earnings effects of deconsolidations are assigned to the respective segments.

Please refer to Chapter 9 Revenues in the notes to the consolidated financial statements for a breakdown of revenues by operating segment.

Revenues by receiving entities are the revenues invoiced in the respective region, regardless of the domicile of the invoicing entity. If, for example, a German company issues an invoice in the Netherlands, this revenue is assigned to the region of "Europe – EU (excluding Germany)" in the presentation by receiving entities. In the table below, revenues are divided by the region of the receiving entity within the meaning of IFRS 8.33 a), as described in the preceding paragraph. The corresponding revenues for the 2021 financial year and the comparison period are as follows:

Revenues in EUR millions	**Q1 - Q2 2021**	**Q1 - Q2 2020**
Germany	48.8	32.6
France	16.0	10.5
Europe (excluding Germany and France)	31.9	26.8
Rest of World	5.3	5.9
Total	**102.0**	**75.8**

15. Statement of cashflows

The cashflow from operating activities exhibited a negative development, declining from EUR -1.1 million in the year-ago period to EUR -9.0 million in the first six months of the current 2021 financial year. The main drivers of these development were the decreases in trade payables, other liabilities and other provisions totaling EUR -10.4 million (PY: EUR -28.2 million) and the increase in inventories totaling EUR -4.1 million (PY: decrease in inventories totaling EUR 0.4 million). In the first half of last year, moreover, a positive inflow of EUR 32.6 million resulted from the decrease in trade receivables and other assets, while the corresponding development in the current reporting period in 2021 was negative, at EUR -0.5 million. The improvement in the result from ordinary activities from EUR -16.2 million in the year-ago period to EUR -3.7 million in the current reporting period also had a positive effect on operating cashflow. The customary cash outflow in the first half of the year is due to seasonal effects. The company traditionally generates net cash inflows during the Christmas season in the second half of the year.

In June 2021, a portion of outstanding trade receivables equal to EUR 3.6 million was netted with license fees owed by Gigaset under the partnership with Unify Software and Solutions GmbH & Co. KG concluded in 2020 (please refer to the 2020 Annual Report for details on this subject). This netting had no effect on cashflow in the reporting period. The netted trade receivables that would have increased cashflow from operating activities by this amount and the netted license liabilities that would have increased the cashflow from investment activities by the same amount were therefore not applied as cash-effective transactions in the statement of cashflows.

The cash outflows for investments increased from EUR -5.4 million in the year-ago period to EUR -7.5 million in the reporting period. This increase is mainly attributable to the higher cash outflows for investments in noncurrent assets.

The free cashflow of EUR -16.5 million was considerably more negative in the first half of 2021 than in the first half of last year, when it came to EUR -6.6 million. This development was mainly influenced by the cashflow from operating activities.

The cashflow from financing activities decreased from EUR -0.1 million in the year-ago period to EUR -0.9 million in the reporting period. The higher cash outflows resulted mainly from higher repayments on credit facilities in the amount of EUR -1.0 million (PY: EUR -0.5 million). In the year-ago period, moreover, cash inflows of EUR 2.0 million were received in the form of financing assistance granted in connection with the coronavirus pandemic, whereas in the current reporting period cash inflows of EUR 1.6 million were received from the vendor financing loans to finance projects in connection with the collaboration with Unify.

The accounting presentation of restricted cash was changed in the current reporting period. Consequently, the year-ago figures were adjusted retroactively for comparison purposes. For details on the corresponding effects on the statement of cashflows, please refer to Chapter 3 Change in the accounting treatment of restricted cash in the notes to the consolidated financial statements.

16. Disclosures concerning dealings with related parties

The dealings with related parties presented on page 164 ff. of the 2020 annual report are basically unchanged.

No further transactions were conducted with related parties in the reporting period of January to June 2021 and the balances also remain unchanged. No transactions were conducted between the Group and other related parties in the first half of 2021.

17. Significant events after the reporting date

Please refer to the remarks in the Group management report for information regarding events after the reporting date.

18. Responsibility statement

"To the best of our knowledge and in accordance with the required accounting principles, the consolidated financial statements provide a true and fair view of the financial position, cashflow, and financial performance of the Group, and the Group management report provides a true and fair view of the Group's performance and situation, along with a fair description of the principal opportunities and risks of the Group's future development."

Bocholt, September 16, 2021
The Executive Board of Gigaset AG

Klaus Weßing, CEO　　Thomas Schuchardt, CFO

FINANCIAL CALENDAR 2021

(Remaining)[30]

November 25, 2021 Interim financial report for Q3 2021

Notes

This interim financial report is not certified. It contains statements and information from 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.

The amounts and percentages stated in this interim report are rounded to the nearest whole number; consequently, minor rounding differences can arise as a result.

This English interim report of Gigaset AG can be viewed and downloaded just as the report in German on Gigaset AG's homepage (http://www.gigaset.ag). When in doubt in the event of minor differences in the contents as well as differences in the stated figures, the German version is authoritative.

[30] Subject to change

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