

Business figures for 2014:

New growth segments picking up momentum – Smartphone envisaged for 2015

- **Consolidated revenue from continuing operations in 2014: €326.1 million (minus 12.1 percent)**
- **EBITDA from continuing operations increased significantly to €17.5 million (€11.0 million in 2013)**
- **Free cash flow from continuing operations improves to € –12.1 million (€ –40.3 million in 2013)**
- **Revenue in the growth segment of Home Networks almost tripled**
- **Revenue in the growth segment of Business Customers increased by around 7 percent**
- **Capital measures increase capital resources and equity ratio to 16.4 percent (14.3 percent in 2013)**
- **Group has no liabilities to banks**
- **CEO Charles Fränkl: “It’s clear yet again just how important and crucial the Gigaset Group’s strategic realignment is. The new business segments are picking up momentum. In the course of fiscal 2015, we’ll also enter the smartphone arena and add a further growth category to our ecosystem.”**

Gigaset AG’s realignment, which was initiated in 2012, continues to bear fruit. On the basis of the group’s audited figures for fiscal 2014, revenue has increased sharply in the growth segments of Home Networks and Business Customers. The Home Networks segment was able to almost triple its revenue year on year. In the Business Customers segment, revenue rose by about seven percent over the previous year. At the level of the group as a whole, the general market trend in the core business of cordless phones and withdrawal from unprofitable markets were responsible for a 12.1 percent decline in revenue.

That means the higher revenue from the new growth segments is not sufficient to compensate for the drop in revenue from core business. The overall market for cordless phones in key European markets declined in 2014 by 8 percent year on year both in terms of revenue and units. Gigaset was able to maintain its clear premium position over the competition and achieved an average sales price with its portfolio which was 25 percent above that of its competitors. In its key European core markets, Gigaset was able to maintain its high market share in terms of sales (35.3 percent) and units (30 percent) in 2014¹.

¹ The data is taken from surveys by the Retail Panel for Cordless Phones (excluding IP phones) of GfK Retail and Technology GmbH in France, Germany, Italy, the Netherlands, Spain and the UK. Survey period: January to December 2014; base: GfK Panel Market (the price premium is calculated from the average market price excluding Gigaset; base: GfK Panel Market).

Thanks to successful implementation of the efficiency programs, the group improved its EBITDA and free cash flow from continuing operations significantly. The company increased its EBITDA from €11.0 million in 2013 to €17.5 million in 2014. The EBITDA margin consequently rose from 3.0 percent in 2013 to 5.4 percent in 2014. The consolidated net loss was more than halved to € –16.6 million in fiscal 2014. The free cash flow remained negative at € –12.1 million, but improved significantly year on year. The free cash flow in 2013 was € –40.3 million.

The group's capital resources improved thanks to the successful capital measures in 2014. The equity ratio rose from 14.3 percent in 2013 to 16.4 percent in 2014. The proceeds from the capital measures enabled the group to repay its bank debts. The group has since had no liabilities to banks.

Overview of the audited figures:

- Consolidated revenue from continuing operations in 2014: €326.1 million (2013: €371.2 million)
- EBITDA from continuing operations in 2014: €17.5 million (2013: €11.0 million)
- Consolidated earnings from continuing operations in 2014: € –16.6 million (2013: € –34.6 million)
- Free cash flow from continuing operations in 2014: € –12.1 million (2013: € –40.3 million)

CEO **Charles Fränkl** commented on the results for the year: "It's clear yet again just how important and crucial the Gigaset Group's strategic realignment is. The new business segments are picking up momentum. In the course of fiscal 2015, we'll also enter the smartphone arena and add a further growth category to our ecosystem."

In the **fourth quarter**, the free cash flow increased to €7.3 million, a sharp improvement over the same quarter of the previous year. The EBITDA climbed to €10.4 million, compared with a loss of € –3.7 million in the fourth quarter of the previous year.

- Consolidated revenue from continuing operations was €107.1 million in Q4/2014 (Q4/2013: €111.0 million)
- EBITDA from continuing operations was €10.4 million in Q4/2014 (Q4/2013: € –3.7 million)
- Consolidated net income from continuing operations was € –5.5 million in Q4/2014 (Q4/2013: € –18.2 million)
- Free cash flow from continuing operations in Q4/2014 was €7.3 million (Q4/2013: €4.5 million).

Outlook

The company will continue its strategic realignment uncompromisingly. It expects the decline in the market for its core business to slow slightly this year. However, cordless phone business is nevertheless still declining and so Gigaset is investing further in establishing new, promising business segments and product

groups. These will make additional contributions to revenue, but they will not yet be able to compensate fully for the market-related decline in cordless phones this year. Gigaset therefore expects in the current fiscal year in the Business Units Consumer Products, Business Customers and Home Networks (excluding business with mobile devices):

- A decline in revenue from continuing operations in a high single-digit to low double-digit percentage range.
- A positive EBITDA once more in the lower double-digit million range. However, the EBITDA is expected to be below that of the previous year due to lower revenue, the investments required in establishing new business segments and restructuring of the company. An EBITDA margin in the low to middle single-digit range is anticipated.
- A negative free cash flow in the high single-digit to low double-digit million range due to considerable investments in the new business segments.

Gigaset also expects positive contributions to earnings from business with mobile devices, in particular from its future smartphone business. However, a more precise figure can only be put on that after the company has entered the market.

Overview of the Business Units

Consumer Products

Gigaset is countering the decline in revenue in the markets observed by the company by entering new business segments, as well as expanding its portfolio in the Consumer Products segment. The successful C430 product family was expanded to include an IP phone, the C430IP, in the first quarter. The customer obtains a package comprising the high-quality handset with a base station that has a LAN connection in addition to the usual analog one. That makes the device ideal for accompanying the impending switch to the coming all-IP telephone network.

The CL540 – a classy designer phone – was put on the market in the second quarter. In order to further strengthen the entry-level segment, Gigaset also launched the A540 in the third quarter. The A540 is a functional, yet low-cost phone with an appealing design. The A540-CAT version is a further handset for CAT-iq capable routers. CAT-iq is a special part of the DECT standard and will be used increasingly in routers in future. The first devices have already been supplied to an operator.

Business Customers

Revenue at the Business Customers Business Unit grew by around 7 percent year on year. The Gigaset pro increased its revenue by an above-average 16 percent. There were positive boosts to growth in particular in the regions Italy, the Netherlands, Germany and France. Regional expansion of sales activities also continues to proceed apace. A pilot project was launched in Russia and Turkey in 2014 to evaluate the market

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opportunities for Gigaset business customer products there. However, the political and economic situation in Russia means the focus is currently on entering the Turkish market.

In the 4th quarter of 2014, Gigaset launched its new flagship product Maxwell 10. Maxwell 10, which has won several design and industry awards, is a business phone that is based on the Android operating system and is operated solely from a 10-inch touch display.

Home Networks

In September 2013, Gigaset began marketing the Gigaset elements starter kits through the network of specialty retailers and online in Germany and then in France shortly afterwards. The system has also been available in Switzerland, Austria, the Netherlands and Sweden since April 2014. It has also been available in the Czech Republic since October 2014.

In September 2014, Gigaset launched an innovative, HD-based camera for the elements system in France and it is now also available in all other Gigaset elements countries. Boasting cutting-edge features, “camera” enables real-time, WLAN-based video transfer in HD quality. For the first time, “camera” has enabled users to choose additional options in the form of various packages since December 2014. The Freemium package, which provides basic features, is already included with “camera.” To give users an overview of the functions offered by the different packages – “Safety,” “Smart” and “Director's Cut” – users have the option of testing all functions in a “Welcome” package for the price of €0.89 within the first three months of purchase. After this test phase, users then decide individually which package they would like to subscribe to. They can choose between monthly and annual services. Users can buy the individual packages using in-app purchases billed via the Apple App Store (iOS) or the Google Play Store.

Further “elements” are intended to be put on the market. The central software platform in the cloud is also being provided successively with new functionalities.

Mobile Products

In December 2013, Gigaset entered the growing market for tablets with two Android-based models in an 8” and 10.1” format. That marked the completion of the next step in expansion of the Gigaset 2015 strategy. The main focus of their launch was Germany. Marketing of the tablets was then expanded successively to other European countries. The Gigaset QV1030 has already picked up its first awards. The Spanish magazine “Gadget” has chosen the Gigaset QV1030 as the best product in the category “Tablets.”

At the moment Gigaset is developing a smartphone portfolio in cooperation with Goldin Fund Pte. Ltd., Singapore. The first devices are to be available in 2015.

Overview of the figures:

€ thousand	January 1 – December 31, 2014		January 1 – December 31, 2013	
	Continuing operations	Total	Continuing operations	Total
Consolidated revenue	326,078	326,078	371,153	377,118
Earnings before interest, taxes, depreciation and amortization (EBITDA)	17,495	17,495	11,046	7,486
Earnings before interest and taxes (EBIT)	-10,502	-10,502	-15,117	-16,742
Consolidated net income/loss	-16,623	-16,623	-34,637	-36,080
Diluted earnings per share in €	-0.15	-0.15	-0.59	-0.61
Free cash flow	-12,070	-12,070	-40,262	-42,268
€ thousand	December 31, 2014		December 31, 2013	
Total assets	251,231		267,060	
Consolidated equity	41,159		38,677	
Equity ratio in %	16.4		14.5	

Gigaset AG, Munich, is an internationally operating company in the area of communications technology. It is Europe's market leader in DECT telephones. The premium supplier is likewise the leader worldwide with around 1,400 employees and sales activities in around 70 countries. Under the name Gigaset pro, the company continues to develop and market innovative business telephony solutions for small and medium-sized enterprises. The company also operates in the smart home arena. Cutting-edge, cloud-based products and solutions for the smart home are developed and marketed under the name Gigaset elements.

Gigaset AG is listed on the Prime Standard of Deutsche Börse and is therefore subject to the highest requirements for transparency. Its shares are traded on the Frankfurt Stock Exchange under the symbol 'GGS' (ISIN: DE0005156004).

Gigaset in social media: 

Gigaset corporate blog: <http://blog.gigaset.com>

Gigaset homepage: <http://www.gigaset.com>