Gigaset AG
Annual Report 2022

KEY FIGURES

EUR millions	2018	2019	2020	2021	2022
Consolidated revenues	280.3	257.9	214.2	217.1	**241.3**
EBITDA (Earnings before interest, taxes, depreciation and amortization)	22.1	28.5	1.9	17.4[1]	**17.9**
EBIT (Earnings before interest and taxes)	8.5	13.7	-13.0	2.7[1]	**1.8**
Consolidated profit or losses for the year	3.4	11.3	-10.5	0.5	**-5.6**
Free cashflow	-24.1	1.2	9.2	-14.2	**1.0**
Earnings per share (diluted) in EUR	0.03	0.09	-0.08	0.00	**-0.04**
Total assets	213.1	222.6	204.5	192.2	**191.5**
Consolidated equity	25.0	18.5	1.9	8.0	**24.6**
Equity ratio (in %)	11.7	8.3	0.9	4.2	**12.9**
Number of employees	888	895	893	868	**857**

[1] The comparison figures as of 12/31/2021 were adjusted due to the changed presentation of interest expense from pension obligations in financial year 2022 (For further details, see the Notes to the Consolidated Financial Statements)

KEY FACTS

"In recent years, Gigaset has held its own in a situation that was challenging overall. However, it has not been possible to realize substantial growth and profitability on the earnings side.

Realigning the Company is the key to future growth. But these changes won't happen overnight. We are pursuing a 3-stage plan for focus, change and growth right through to 2025."

Dr. Magnus Ekerot, CEO Gigaset AG

"In 2022, we were very preoccupied with the aftereffects of the coronavirus pandemic, geopolitical tensions and exchange rate fluctuations.

In view of these circumstances, we achieved a solid overall result in the past year. Clearly, however, our challenge in the coming years is to scale up our business model. I am looking forward to tackling this task together with Dr. Ekerot and the whole team."

Thomas Schuchardt, CFO Gigaset AG

TABLE OF CONTENTS

TO OUR SHAREHOLDERS

The most elegant 5G rugged smartphone

The Gigaset GX6 is a rugged smartphone "Made in Germany" with outstanding performance characteristics.

Featuring an elegant and robust design, ultra-fast 5G, a powerful removable battery, wireless fast charging, a 120 Hz display, Wi-Fi 6 and a dual camera system with optical image stabilization (OIS), the smartphone is also dust and water protected and ruggedized to military standard.

Gigaset has redefined rugged smartphones with the GX6. After the resounding success of the GX290, this device sets new standards with second-to-none hardware and clever features.

The GX6 was launched on the market in September 2022. To experience the GX6 firsthand, watch the cinematic trailer here.

LETTER TO THE SHAREHOLDERS

1.1 Letter from the Chairman of the Executive Board

Dear shareholders,

It gives me great pleasure to introduce myself to you in the context of the 2022 Annual Report and so lead into the remarks on the following pages. A few words about me: I am 54 years old and a native of Sweden. I am married and have two grown daughters. During my career I have had the privilege of working in senior management positions at international IT and technology companies in various locations around the world, gaining extensive valuable experience in the process.

When I decided to join Gigaset AG it was because I was convinced of three things: the strong and well-known Gigaset brand, the innovative German-made products and solutions, and the company's long-standing and close customer relationships. I saw great potential in this combination from the very start, and am now pursuing a plan to leverage this very potential to lead Gigaset to profitable growth. My beliefs were confirmed when I met my new colleagues in person. They are motivated, committed, and 100-percent dedicated to each other and to the company. It is very fortunate indeed and a great opportunity to have such a team at your side.

In my first 100 days as CEO and Chairman of the Executive Board, I have made it my business to get to know the management team and the company and to initiate them into our new strategy. This strategy is to continue building on Gigaset's proven strengths while demonstrating a clear focus on research and development and on our market access. We are aware that Gigaset's financial resources are not unlimited. This is why we have to make economically astute and profitable decisions in order to manage the company successfully and sustainably – rather like a delicate bridge between the present and the future. In short, our arrows have to hit their targets, and I am here to make that happen.

Our goal is to generate substantial revenue growth for the company and thus also for you as shareholders by the end of 2025 and to achieve better margins and profitability as a result. We know that this change will not happen overnight. That is why we are pursuing a three-year plan whose cornerstones are based on a changed way of working, future-proof products and solutions tailored to customer needs, and an optimized market launch process, and which calls for focus in 2023, technological differentiation in 2024, and significant growth in 2025.

I believe we are on the right track. Since January, together with my esteemed Executive Board colleague Thomas Schuchardt, CFO of Gigaset AG, and the management team, we have begun to turn the company in the direction of growth while successfully operating with greater dynamism in a constantly changing market environment. The digitization and interconnectedness of our world is advancing inexorably, and we at Gigaset strive to offer our customers the best solutions for their individual needs by increasingly integrating the significance of software into our products and solutions.

I would like to cordially invite you as shareholders to join me and the entire Gigaset team on this journey. Your confidence and patience are crucial at this time. Let us work together to move the company forward and expand its position as a leading provider of communications solutions. I am certain that together we will be successful and that we can achieve the goals we have set for ourselves.

Respectfully,

Dr. Magnus Ekerot
CEO and Chairman of the Board, Gigaset AG

1.2 Executive summary by the Executive Board

Gigaset can look back on a successful year. Most recently, we were able to achieve and even exceed our revenue and earnings expectations as adjusted in November 2022. Compared to the previous year, revenues increased by around 11 percent to EUR 241.3 million, driven by the Phones, Professional, and Smartphones segments. The Phones segment was particularly strong in the second half of the year, additionally profiting from a successful Christmas season. The Smart Home segment remained stable at the previous-year level. Thanks to consistent cost controls and efficient management of working capital, we not only optimized our cash situation but also increased operating earnings (EBITDA) to EUR 17.9 million (PY: EUR 17.4 million).

The encouraging trend in the Phones segment is primarily due to stabilization of cordless-phone sales. Despite a declining European market for cordless phones, Gigaset succeeded in maintaining or expanding its market leadership in its core European market (EU6), for example in the United Kingdom, Germany, France, and Italy.

Even though smartphone market growth has generally slowed in recent years, with the launch of the new rugged models GX4 and GX6 we have created a promising product line specifically for outdoor activities that is opening up additional customer fields, particularly in the OEM and B2B segments. In the Smart Home segment we are pursuing a B2B strategy to expand our market share, and are successfully cooperating with renowned partners such as Bosch, Stadtritter, and BeHome.

The positive trend in the Professional segment is attributable on the one hand to catch-up effects and on the other to new projects and rising demand for mobile and home office workstation equipment. Combined with technologies such as DECT, Wi-Fi, and Bluetooth, this has stabilized sales in many segments. Bucking the global trend, we recorded a modest increase in the business DECT segment in Germany, Europe's largest DECT market.

In the past financial year we brought numerous innovative products to market, covering the entire spectrum of telephony and smart-home applications. The launch of the hearing aid-compatible DESK 400, the COMFORT 500 with its timeless and elegant design, and the Gigaset GS5 senior are just a few examples of our constant focus on innovation and customer needs. The launch of further DESK models by mid-2023 and the GL7 Internet-enabled 4G flip phone demonstrate our commitment to always staying on the cutting edge and offering our customers a varied portfolio. The new Gigaset Fusion combines the functionality of a desk phone, a DECT base station, a mini telephone system, and a Smart Home base, making it the ideal solution for small offices, medical practices, law firms, agencies, and sophisticated home offices.

Last year, Gigaset signed successful collaboration deals with well-known partners such as Deutsche Bahn, Home Connect Plus, and the German Broadband Association (BREKO), strengthening our position in the market and extending our reach.

Our innovative strength and outstanding products were recognized with prestigious awards last year, such as the Plus X Award as "Best Retail Brand of the Year" and the 2022 iF Design Award in four categories, underlining our high level of customer focus and quality.

As Albert Einstein said, "I'm more interested in the future than in the past, because the future is where I intend to live," and it's in the same spirit that we at Gigaset keep our sights facing forward. We have successfully mastered the challenges of recent years and want to drive our development forward on the basis of a strong vision to successfully implement our ideas for the future of Gigaset. Our goal is substantial growth and increased profitability. The realignment of the company should be completed by the end of 2025.

In this endeavor we rely on the commitment of our employees, who again performed outstandingly in the past year. Our thanks go to them and to you, our shareholders, for the trust you have placed in us.

Together we look forward to blazing new trails and playing a key role in shaping the world of tomorrow's telecommunications!

With kind regards,

Dr. Magnus Ekerot	Thomas Schuchardt
CEO	CFO

FAIR FOR FUTURE

We need to talk about the world of tomorrow today. Over the coming years and decades, we and subsequent generations want to live well, without any worries. That's why Gigaset focuses not only on today's important tasks, but also those of the future. The need for action is great: climate change and a shortage of resources are huge challenges. Measures to protect the environment cannot be postponed any longer. Change in our society also plays an important role: demographic changes, the protection of personal rights and the fight against social inequality.

Gigaset has decades of experience in producing high-quality communications solutions and technologies. Gigaset production is in central Germany, and that is how it should stay. Long product life, short distribution channels and social responsibility are important to us. This is also what we stand for with the quality seal "Made in Germany". Our "Fair for Future" seal of attentiveness and the corresponding website document our efforts and successes in tackling the important challenges of the future.

Fairness

Actually, it's quite simple: treat others the way you would wish to be treated. Responsibility, prudence, trust and reliability are fundamental values of society; they are our driving force. After all, we can only do well if things are going well for our fellow human beings and the environment too.

At Gigaset, we believe in treating customers, business partners and colleagues fairly. This begins in our own ranks: we create optimum working conditions for our colleagues and an open, prejudice-free working environment in accordance with the standards of the "Diversity Charter". They are also guaranteed fair wages in accordance with the IG Metall collective labor agreement and equal opportunities for all.

With our "Business Conduct Guideline", we have laid down clear rules for dealing with partners and customers. Gigaset stands for fair conditions, personal support, reliability and communication on equal terms for suppliers and sales partners. This pays off – for everyone: many national and international partnerships have been in place for decades.

We attach great importance to fairness for our customers, standing for high-quality, long-lasting products at reasonable prices. Products that are simple to use, allowing everyone to participate in communication – even older people or people with limitations. Our German-speaking customer service team is contactable round the clock. In many cases, we carry out repairs quickly and on site, or we dispose properly of devices that cannot be repaired. We take the confidentiality of personal data very seriously. This is why the cloud for Gigaset Smart Home products, for example, is operated on highly secured German servers from the Frankfurt am Main site.

Gigaset is also fair to the region, creating attractive jobs and training apprentices in a wide range of professions. Our production process includes employees from a local workshop for the disabled. We support local events and initiatives and encourage regional sports. And of course we pay our taxes in Germany.

Sustainability

At Gigaset, we have been committed to sustainability and fair treatment of the environment for a long time. We are keen to improve constantly, protecting the environment and the climate, conserving resources and paying attention to quality, recycling and a regional focus. Environmental protection and profitability need not be mutually exclusive. For example, for many decades now we have made a conscious decision to locate our production in the heart of Germany, in Bocholt in Westphalia. The plant runs on green electricity, uses recycled or recyclable plastic and paper and as little water as possible, while also emitting as little carbon as possible. We also choose not to use natural gas in our production process. Short transport routes to our suppliers and sales partners as well as flexible delivery volumes likewise reduce emissions, thus protecting the environment and the climate.

The devices we manufacture are also resource-saving: in addition to recycled plastic, we primarily use pure plastic granulate, which is completely recyclable and can be fed back into the cycle. To save electricity, we have introduced energy-saving mains adapters for DECT phones as well as an ECO mode with reduced transmission power.

Sustainable products last for a long time. Using products for as long as possible improves the ecological balance. Gigaset devices are built to a high quality so that you can enjoy them for many years to come. Important components such as batteries, displays and cameras are interchangeable in many of our devices. Customers can send us their old or broken devices free of charge with the Gigaset take-back program. We check individual parts for re-usability and dispose of all other parts properly through our certified partners. To make disposing of old devices in an environmentally friendly manner even more attractive, customers receive a voucher towards their next purchase in the Gigaset online store.

We care not only about our products, but also about how they are transported. In order to use less paper to protect products during transport, Gigaset's packaging is made from more than 90% recycled materials. We have largely banned plastic from our product packaging, replacing it with paper tapes or sleeves made from tissue paper in an environmentally friendly manner. We have also optimized our packaging sizes, adapting them to our products, so they are no larger than they need to be. Also, new Gigaset packaging will be gradually converted to be carbon neutral.

At Gigaset, how we handle sustainable topics internally also undergoes external certification. We have met the standards of sustainability management set by EcoVadis for the third time in a row. Gigaset also currently holds the EcoVadis gold seal. When it comes to environmental protection, too, regular checks are carried out by the TÜV: Gigaset's environmental management system is certified according to ISO 14001.

As part of the Carbon Disclosure Project (CDP), we determine the quality of our climate protection measures on a regular basis. In 2022, we achieved a CDP Climate Change Score of "B". As part of checking the climate protection measures, the Corporate Carbon Footprint for Scope 1, 2 and 3 is calculated.

Detailed information is available in the consolidated non-financial report.

Future

No one knows what the future will bring. But what we do know is that if we protect our environment, conserve resources and take our fellow human beings into consideration, the years and decades ahead will be better. Despite its commitment to the cause, at Gigaset we still have a long way to go before we reach our destination. We can and must become even better, constantly questioning ourselves. For example, Gigaset is the only European company that manufactures innovative phones, smart home systems and smartphones in Germany. In order to manufacture our products, however, we still have to purchase components such as microchips and storage media from the Far East or from other regions of the world. It is not always possible to fully monitor their manufacturing processes and supply chains. Gigaset therefore strives to make the preliminary stages transparent and to optimize them further.

"Fair for Future" also means that we are constantly optimizing our workflows. Among other things, we are keen to reduce the use of hazardous substances and further optimize energy consumption. Noise and carbon emissions are also to be reduced further, for example through a gradual switch to electric drives in the factory. Further prevention of waste and even greater use of recycled products are also on the agenda. Last but not least, our wish is also for our environmental and social standards to be extended to our suppliers and partners. Because the more "Fair for Future" takes hold, the better it is. More information is available on the Gigaset homepage.

FUSION: AN INNOVATION OF SHAPE

Gigaset Fusion is the new all-in-one phone system for SOHOs and SMEs. It is intuitive to use and can be connected to a wide range of other devices thanks to a large number of integrated interfaces.

Fusion is more than just a business phone. It is a combination of a desk phone, a DECT base station, a mini telephone system and a Smart Home base all in one device. All settings and functions can be configured via a web-based user interface.

It can be connected to a network, to laptops and computers, headsets and handsets, smartphones and Gigaset Smart Home sensors via LAN, WLAN, USB-C, Bluetooth, DECT and DECT ULE. The integrated mini-PBX is designed for up to 20 extensions, regardless of whether mobile devices or permanently installed desk phones are connected to the system. You can rest assured that your SIP connection is secured via SRTP/SIPS/TLS, LDAP(S) and HTTPS.

Via the DECT base station, likewise integrated, up to 8 mobile devices can be connected and up to 4 calls can be held in parallel. You can also access your Google and Microsoft 365 contacts.

A special highlight is the function as a Smart Home base station for up to 64 Gigaset ONE X sensors. You can use the Gigaset elements app to set rules, switch alarms on and off, change sensor settings and access notifications on the go. With the Easy Alarm Mode switch, you can switch on alarm mode directly on the display when leaving your desk.

The use of premium materials gives the Fusion an elegant feel, making it a conversation piece in any office. The 5-inch HD touch-and-swipe display makes it easier for you to access all phone functions and ensures that caller information is always at your fingertips. The interactive voice menu (IVR) allows for taking calls conveniently and efficiently.

The huge range of functions offered by Gigaset Fusion makes it the ideal solution for small offices, medical practices, law firms, agencies and sophisticated home offices.

CAPITAL MARKET AND SHARE

Financial markets 2022: Poor development of historical proportions

2022 will go down in history as an exceptionally poor year on the stock markets – not just for shares, but also for bonds. It is extremely unusual to see years where shares and bonds develop so negatively. It has only happened seven times since 1926. The main burden on the financial markets was the specter of inflation. Contrary to the prediction made by the central banks at the beginning of the year, the inflationary trend proved anything but temporary.

Firstly, inflation caused by the supply chain problems in the wake of the pandemic proved more stubborn than expected. Secondly, the Russian invasion of Ukraine in February triggered an energy crisis that exacerbated the upward price spiral. This resulted in double-digit inflation. In March, the US Federal Reserve responded by launching an aggressive cycle to raise base interest rates, catapulting rates from almost zero at the time to 4.50% most recently. The ECB followed suit in the summertime. Increasing fears emerged of stagflation – a stagnating economy combined with high inflation rates. These concerns proved toxic for the stock markets. The return on 10-year German government bonds rose from -0.12% at the beginning of the year to just over 2.56% at present. At the same time, the DAX lost more than 12% over the course of the year. The TecDAX even dropped 25.5% in value. Wall Street experienced the weakest development since 2008, with tech index Nasdaq Composite losing more than 33%. Meanwhile, the losses for blue chips on the Dow Jones were smaller, down 8.8%.

Sectors sensitive to interest rate fluctuation suffered most, above all real estate and tech stocks, which fell by more than 40% and almost 30% respectively over the year as a whole. On the other hand, higher interest rates benefited the interest margins of companies in the banking and finance sector and also improved investment options for insurers, whose European subindex slid just 3% in value. Oil prices rose sharply, up 8.5% over the course of the year. On the back of the energy crisis, this development favored shares from the oil and gas sectors, whose prices increased by up to 25%.

The euro lost ground spectacularly against the US dollar, which was experiencing a rapid rise in value. There were times in the second half of the year when the euro had dropped below parity to USD 0.9536 as the annual low. The appreciation of the US dollar put pressure on the price of gold, which lost almost 7% and plummeted to USD 1,615.00. Thanks to a marked recovery, however, gold was able to make up almost all the losses in the end, returning to a price of USD 1,824.00.

Gigaset share holds its own

The Gigaset share was likewise unable to perform at its best during this historically poor year on the stock exchange in 2022. Nevertheless, at the beginning of the year the outlook still seemed positive, with the share gaining more than 8% to rise to EUR 0.32 in the first trading weeks of the year. The share price benefited from the fresh liquidity from investors that typically characterizes the stock markets at the beginning of the year.

Investors also responded with initial optimism to hopes that the pandemic was coming to an end. However, the unexpected outbreak of the war in Ukraine at the end of February destroyed any such investor confidence. What followed next on the stock markets were the biggest losses since the beginning of the pandemic in 2020. The Gigaset share price collapsed to EUR 0.26 at the beginning of March in this context, but it rallied as the year went on to regain a price level of EUR 0.30 at times.

Intensifying supply chain problems caused by the war in Ukraine coupled with a noticeable rise in inflation added to uncertainty on the financial markets and kept prices on a downward trajectory. The Gigaset share developed weakly against this backdrop, falling to EUR 0.22 over the summer months.

Fears of recession and concerns about inflation and interest rates peaked in September. This was reflected in major share price losses on the stock markets. Despite reassuring company results for the first half of the year, the Gigaset share also came under pressure, falling to its annual low of EUR 0.18 in September.

This heavily reduced share price encouraged investors to reinvest, prompting the share price to rise again as a consequence. The share had returned to a level of EUR 0.25 by the end of October, buoyed by the positive mood on the stock markets. However, it was unable to remain at this level until the end of the year. Challenging market conditions made it necessary to adjust the Company's forecast in November.

Although the share price was surprisingly stable at that time, it did drop again over the rest of the year. Portfolio adjustments at year end meant that it was not possible to counter this trend, as a result of which the Gigaset share closed trading at EUR 0.20 in 2022.

Dividend

A resolution was passed that no dividend would be paid to shareholders for the 2022 financial year.

Shareholder structure

An institutional investor according to the definition of Deutsche Börse AG, Goldin Fund Pte. Ltd. of Singapore, holds 72.32% of the shares of Gigaset AG. In compliance with the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the reportable trades of the top executives of Gigaset AG are published on the Company's website. Detailed information on the shares and options held by members of the Executive Board and Supervisory Board, as well as their reportable securities trades, can be found in the section of the management report entitled "Corporate Governance Statement for Gigaset AG and the Group".

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REPORT OF THE SUPERVISORY BOARD

The Supervisory Board closely followed the Company and its Executive Board again in all significant transactions in 2022.

The 2022 financial year continued to be impacted by the coronavirus pandemic. There was a positive effect from the increasing easing of restrictions. In the spring, however, a renewed rise in incidence rates arising from the spread of new variants, especially Omicron, had a knock-on effect on retail. Gigaset was unable to completely avoid these COVID-19-related fluctuations. There were massive supply chain problems as a result of the pandemic. Gigaset was also affected by rising material costs due to the depreciation of the euro against the U.S. dollar, as well as inflationary effects, which had a negative impact on the cost side. The Company's order volumes remained sound, however, and Gigaset managed to increase its revenues in the previous financial year to EUR 241.3 million. The operating result (EBITDA) also improved, to EUR 17.9 million. Despite these challenges, the employees of the Gigaset Group again delivered exceptional work in the 2022 financial year.

Successful collaborations with well-known partners such as Deutsche Bahn and the German Broadband Association (BREKO) strengthened Gigaset's position in the market in the past financial year.

Collaboration with the Executive Board

The Supervisory Board collaborated intensively and constructively with the members of the Executive Board over the entire course of the 2022 financial year. The Supervisory Board discharged all its duties as required by law and the Articles of Association and monitored and also advised the Executive Board in its work.

One focal point of the Supervisory Board's activities in the 2022 financial year was again its trusting cooperation with the Executive Board within the context of the COVID-19 pandemic, which saw the Executive Board provide it with regular, timely and comprehensive information on any issues relevant to the Company, particularly on planning matters, business development and the risk situation. Furthermore, the Executive Board regularly provided the Supervisory Board with a comprehensive overview of the development of the business, in particular sales revenues and the position of the Company since the last report, in the form of reports as stipulated under Section 90(1) no. 3 of the German Stock Corporation Act (Aktiengesetz, AktG). The Supervisory Board required the Executive Board to provide precise and clear presentations detailing the Company's performance, the current situation, and the reasons for this, including an appropriate analysis of the associated figures. The Supervisory Board also discussed and scrutinized the budgets in order to evaluate the transactions, the financial situation, the Company's financial performance and liquidity, the market situation and the specifics regarding business performance as well as the risks to future development, particularly with regard to material bottlenecks. To the extent necessary, the Executive Board reported on important occasions directly to the Chair and Vice Chairs of the Supervisory Board outside of the regular meetings. The Supervisory Board was directly involved in all decisions of fundamental importance for the Company at an early stage of the decision-making process and discussed these decisions with the Executive Board in detail and at length.

Other regular topics of discussion included compliance, the risk position and risk management, the early risk identification system, the development of liquidity and the budget, and basic questions regarding corporate policy and strategy.

Activity of the Supervisory Board

The Supervisory Board performed its duties in virtual and face-to-face meetings held on a regular basis.

One focus of the Supervisory Board's activities of particular significance for the past financial year was the selection and appointment of Dr. Magnus Ekerot to succeed Klaus Weßing as the Company's new CEO. In exercising its personnel judgment, the Supervisory Board was particularly impressed by Dr. Ekerot's leadership qualities, his relevant expertise in the technology and IT industry, and his strong analytical skills, which meant that he could be expected to quickly familiarize himself with all the issues involved in chairing the Company's Executive Board. Based on his previous professional experience, which includes several CEO positions as well as listed companies, the Supervisory Board sees a reasonable expectation that Dr. Ekerot will successfully continue to drive the transformation process and cultural change at Gigaset and provide the desired impetus.

In its meetings, the Supervisory Board also routinely dealt with the Executive Board's reports on finances, investment and personnel planning, and corporate strategy, including the resulting medium- and long-term growth opportunities. In addition, the Supervisory Board discussed the financing of the Company and financing opportunities in 2022. The Supervisory Board also dealt with the Company's liquidity situation and the clarification and elimination of risks to the Company. The Supervisory Board also met regularly without the Executive Board.

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

Supervisory Board meetings in 2022

The Supervisory Board convened for a total of six regular meetings and four extraordinary meetings in the 2022 financial year. These took place on January 26 (extraordinary meeting), February 17, April 5 (extraordinary meeting), April 20, May 19, July 13 (extraordinary meeting), July 27 (extraordinary meeting), October 5, November 16 and December 15. These meetings were all attended by all Supervisory Board members.

The meetings on April 20, October 5, and December 15 were held in hybrid format, i.e., both face-to-face and videoconferencing. The remaining meetings were held as videoconferences.

The auditor selected by the Annual General Meeting, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was also present at the meeting to adopt the financial statements for the 2021 financial year held on April 20, 2022.

The Supervisory Board convened on a regular basis, including sometimes without the Executive Board.

The Supervisory Board formed an Audit Committee, a Personnel Committee and a Strategy and Financing Committee. The members of the Audit Committee were Ulrich Burkhardt (Chair), Helvin Wong and Paolo Di Fraia in the reporting year. Flora Shiu was likewise a member of the Audit Committee until she stepped down from the Supervisory Board. The members of the Personnel Committee were Barbara Münch (Chair), Helvin Wong, Paolo Di Fraia and Jenny Pan in the reporting year. The members of the Strategy and Financing Committee were Paolo Di Fraia (Chair), Helvin Wong and Barbara Münch in the reporting year.

Activity of the Audit Committee

The Audit Committee convened in preparation for the Supervisory Board meeting to adopt the financial statements on April 20, as well as on May 20, September 27, and November 15. All members of the Committee participated in each of these meetings in 2022. With the exception of the April 20 meeting, which was held in hybrid format, the meetings were conducted as videoconferences.

The Audit Committee additionally had the Executive Board provide a report at all meetings and the auditor provide a report at the meeting to prepare for the meeting to discuss the financial statements on April 20, and critically reviewed the Company's interim and quarterly financial reports. In general, the Audit Committee dealt in great depth with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, and the internal auditing system, compliance as well as the audit of the financial statements. The activities of the Audit Committee in connection with the audit comprised in particular the interim audit of the annual financial statements (and the consolidated financial statements) as well as the management report (and the Group management report), including the validity and usefulness of the annual, half-yearly, and quarterly financial reports. Furthermore, the Audit Committee also addressed the accounting process per se, including the principles and methods of accounting and the relevant precautionary measures. With regard to the monitoring of the internal control system, the risk management system and the internal auditing system, the Audit Committee monitored the effectiveness of these systems and inspected whether the Executive Board had installed corresponding systems, whether the nature and concept of the systems set up by the Executive Board were adequate, and whether these systems were in fact completed in such a manner that they perform their intended functions. Regarding compliance, the Audit Committee monitored the effectiveness of the Compliance Management System for the responsible business behavior of Gigaset Group employees and reviewed the work of the Compliance Committee and compliance matters in general. Furthermore, the Audit Committee carried out a preparatory review of the separate consolidated non-financial report pursuant to Section 315b of the German Commercial Code (Handelsgesetzbuch, HGB). Moreover, the Audit Committee monitored the auditor with respect to its independence, discussed the areas of audit emphasis and major audit topics, and issued the audit engagement for the annual financial statements and consolidated financial statements for the financial year ending December 31, 2022. At its meeting on April 20, the Audit Committee assessed the quality of the audit.

Via the Chair of the Committee, each member of the Audit Committee can obtain information directly from the heads of the Company divisions that are responsible for the tasks concerning the Audit Committee pursuant to Section 107 (3) sentence 2 AktG. The Chair of the Committee is required to share the information obtained with all members of the Audit Committee. Any information obtained must be reported to the Executive Board without delay.

Activity of the Personnel Committee

The Personnel Committee met on February 25, March 15, March 30, April 13, April 29, May 10, June 3, June 30, July 13, July 27, September 1, September 8 and December 1. All members of the Committee participated in each of these meetings. All meetings were conducted as video conferences.

The Personnel Committee's responsibilities include the preparation of personnel decisions, insofar as they are reserved for plenary meetings due to the prohibition on the delegation of duties, in particular the submission of recommendations regarding the appointment and dismissal of members of the Executive Board and regarding the remuneration components of the employment contracts to be formed or already concluded with the Executive Board members. In addition, the Personnel Committee prepares the proposals on the respective appointments.

One focus of the Personnel Committee's activities in the 2022 financial year was the succession planning described above for Klaus Weßing, whose scheduled retirement from the Company's Executive Board due to age would have taken place no later than June 30, 2023. The Personnel Committee was responsible for preparing the appointment of a successor. After conducting a careful selection process, the Personnel Committee voted in favor of the appointment of Dr. Magnus Ekerot, which was subsequently approved by the full Supervisory Board on the basis of this recommendation.

Other focal points related to holding consultations on Executive Board remuneration and variable remuneration components. This included consultations on the remuneration system for Executive

Board members pursuant to Section 87a AktG together with drawing up employment contracts for Executive Board members in accordance therewith.

Activity of the Strategy and Financing Committee

The Strategy and Financing Committee did not convene in the 2022 financial year.

By resolution of the Supervisory Board on October 5, 2022, the purpose and direction of the existing 'Finance Committee' were amended and its tasks and responsibilities extended in view of strategic topics. In addition, new bylaws were passed for the new committee, now referred to as the 'Strategy and Financing Committee'.

Corporate governance

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

On February 28, 2023, the Executive Board and Supervisory Board of Gigaset AG submitted the declaration of conformity with the German Corporate Governance Code in the versions dated December 16, 2019 (which entered into force on March 20, 2020) and April 28, 2022 (which entered into force on June 27, 2022), as required annually under Section 161 AktG, and then made it permanently available to the shareholders on the Company's website (www.gigaset.com).

In this declaration, the Executive Board and Supervisory Board of Gigaset AG declare that they have complied with the recommendations made by the "Government Commission of the German Corporate Governance Code" (version of the Code dated December 16, 2019) published by the Federal Ministry of Justice in the official part of the Federal Gazette on March 20, 2020 as well as the recommendations made by the "Government Commission of the German Corporate Governance Code" (version of the Code dated April 28, 2022) published by the Federal Ministry of Justice in the official part of the Federal Gazette on June 27, 2022, with seven exceptions.

Separate consolidated non-financial report pursuant to Section 315b HGB

The Executive Board submitted the consolidated non-financial report prepared separately by the Company in accordance with Section 315b HGB to the Supervisory Board in due time, and the Supervisory Board reviewed it. In preparation for the review and decision on the part of the Supervisory Board, the Chair of the Audit Committee and then the Audit Committee first studied the aforementioned documents in detail. The Executive Board explained the separate consolidated non-financial report pursuant to Section 315b HGB to the Audit Committee in detail at the meeting of the Audit Committee on April 26, 2023. Furthermore, Committee members' questions were answered. The Audit Committee assured itself that the separate consolidated non-financial report was properly prepared. It concluded that this report fulfills the legal requirements. The Audit Committee recommended to the Supervisory Board not to raise any objections to the separate consolidated non-financial report pursuant to Section 315b HGB.

The Supervisory Board performed its final review at its meeting on April 26, 2023, with due regard to the recommendation of the Audit Committee. The Executive Board also participated in this meeting, its participation having been deemed necessary. It explained the separate consolidated non-financial report and answered the questions of the Supervisory Board members. Based on this review and the report presented by the Audit Committee, the Supervisory Board assured itself that the separate consolidated non-financial report pursuant to Section 315b HGB was properly prepared and reviewed. In particular, it concluded that the report fulfills the legal requirements. The Supervisory Board checked the separate consolidated non-financial report particularly for completeness and accuracy. No reasons for objections were found in this review. Based on the recommendation of the Audit Committee and the final result of the review conducted by the

Supervisory Board, no objections are to be raised against the separate consolidated non-financial report pursuant to Section 315b HGB.

Risk management

The Audit Committee and the Supervisory Board dealt with the issue of risk in detail in 2022, in particular with the risk management system. The Executive Board reported extensively on the risk situation and key individual risks. The structure and function of Gigaset AG's control and risk management system were reviewed in accordance with Section 315(4) HGB and confirmed by the auditor. The result was discussed with the Supervisory Board.

Personnel matters of the Executive Board

Dr. Magnus Ekerot was initially appointed Deputy Chairman of the Company's Executive Board with effect from November 1, 2022. To ensure a smooth transition, a two-month transition period followed, at the end of which Klaus Weßing resigned as a member and Chairman of the Company's Executive Board with effect from December 31, 2022. Dr. Magnus Ekerot then also assumed the office of Chairman of the Company's Executive Board with effect from January 1, 2023.

Since January 1, 2023 the Executive Board has thus consisted of Dr. Magnus Ekerot (Chair of the Executive Board) and Mr. Thomas Schuchardt. The current Executive Board members represent the Company in accordance with the Articles of Incorporation and are authorized to carry out legal transactions in the name of the Company with themselves as the representatives of a third party.

Personnel matters of the Supervisory Board

The members of the Supervisory Board in the reporting period were: Mr. Hau Yan Helvin Wong (Chair since February 28, 2019, re-elected on June 8, 2021), Mr. Ulrich Burkhardt, Mr. Paolo Vittorio Di Fraia,), Ms. Flora Ka Yan Shiu (until June 30, 2022), Jenny Pan and Ms. Barbara Münch (Vice Chair since August 14, 2019, re-elected on June 8, 2021). All aforementioned Supervisory Board members, with the exception of Ms. Münch (who joined in 2019) and Ms. Pan (who joined in 2021), joined the Supervisory Board in 2013 or 2014 and were active members of the Supervisory Board until the regular Annual General Meeting in 2021. Their appointments were (re)confirmed by the Company's regular Annual General Meeting on June 8, 2021.

Flora Ka Yan Shiu resigned from her office as a member of the Supervisory Board of the Company effective June 30, 2022. Due to the resulting shortfall in the number of members of the Supervisory Board in accordance with the Articles of Association, the Executive Board requested a court-ordered addition in accordance with Section 104 (2) AktG in a letter dated October 31, 2022. By order of the Local Court of Coesfeld dated January 19, 2023, Rainer-Christian Koppitz was appointed to the Supervisory Board of the Company pursuant to this request.

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

Comments on the management report

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

Audit of the annual and consolidated financial statements

The Executive Board presented the Supervisory Board with the prepared annual financial statements, the consolidated financial statements, and the Group management report combined with the management report as well as its proposal on the losses carried forward on April 14 and 20, 2023.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which was appointed as the auditor and Group auditor ("auditor") by the Annual General Meeting for the 2022 financial year upon recommendation by the Audit Committee and in accordance with the election proposal of the entire Supervisory Board, audited the annual financial statements as of December 31, 2022, as well as the consolidated financial statements as of December 31, 2022, including the respective management reports, and issued an unqualified auditors' report in each case.

The Audit Committee and the Supervisory Board both reviewed the annual financial statements at length and provided advice at their respective meetings to adopt the financial statements held on April 26, 2023. The Executive Board took part in these meetings, its participation having been deemed necessary by both the Audit Committee and the Supervisory Board.

Prior to the adoption of a resolution by the Audit Committee regarding its recommendation to the Supervisory Board with respect to the election proposal to the Annual General Meeting, the auditor declared there are no business, financial, personal, or other relationships between the auditor and its governing bodies and chief auditors on the one hand and the Company and the members of its governing bodies on the other hand that could justify doubts regarding its independence. In connection with this, the Audit Committee examined the independence of the auditor and the additional services carried out by the auditor. The auditor also confirmed to the Audit Committee as well as to the Supervisory Board at their meetings to adopt the financial statements held on April 26, 2023 that there are no circumstances that would raise concerns about a lack of impartiality on its part. In this context, it also presented information regarding services rendered in addition to the audit services, which were limited to the formal audit of the Compensation Report in accordance with Section 162 (3) AktG. The Audit Committee reported to the Supervisory Board at its meeting held on April 26, 2023 on its monitoring of the auditor's independence in consideration of the aforementioned additional services rendered and its assessment that the auditor continues to possess the requisite independence.

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

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

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

At its meeting held on April 26, 2023, the Audit Committee heard detailed comments by the Executive Board regarding the annual financial statements, the consolidated financial statements, and the combined management report and Group management report as well as its proposal on the losses carried forward. Furthermore, Committee members' questions were answered. In addition, the auditor, who also participated in the meeting, reported on its audit, in particular the areas of audit emphasis agreed with the Audit Committee and the Supervisory Board and the significant results of the audit and commented in detail on its long-form audit report. No material weaknesses of the internal control system, the risk management system, or the accounting process were identified by the auditor. The members of the Audit Committee acknowledged the long-form audit report and the auditors' report, critically reviewed them, and also discussed them with the auditor as with the audit, which included questions regarding the nature and scope of the audit as well as the results of the audit. The Audit Committee assured itself that the audit and the long-form audit report had been properly prepared. It was satisfied in particular that the long-form audit report

– as also the audit performed by the auditor – complied with the legal requirements. The Audit Committee shares the auditor's assessment that the internal controls and the risk management system, in particular also with respect to the accounting process, do not exhibit any material weaknesses. The Audit Committee recommended that the Supervisory Board approve the results of the auditor's audit and – since in its opinion there are no objections to be raised against the documents presented by the Executive Board – also endorse the annual financial statements, the consolidated financial statements, and the combined management report and Group management report and endorse the Executive Board's proposal on the losses carried forward.

The Supervisory Board's final review of the annual financial statements, consolidated financial statements, and the combined management report and Group management report as well as the Executive Board's proposal on the losses carried forward was conducted during the Supervisory Board meeting held on April 26, 2023, under consideration of the Audit Committee's report and recommendations as well as the auditor's long-form audit report. The Executive Board participated in this meeting, commented on the documents it presented and answered the Supervisory Board members' questions. The auditor also participated in this meeting and reported on its audit as well as the significant results of the audit, explained its long-form audit report and answered the Supervisory Board members' questions, in particular regarding the nature and scope of the audit and the audit results. Through this and on the basis of the report issued by the Audit Committee, the Supervisory Board satisfied itself of the propriety of the audit and the long-form audit report. Following the recommendation of the Audit Committee, the Supervisory Board approved the results of the auditor's audit.

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

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

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

As a result of the review of the Executive Board's proposal on the losses carried forward conducted at the Audit Committee meeting and at the Supervisory Board meeting held on April 26, 2023, which included a discussion with the auditor at both meetings, the Supervisory Board – following the recommendation of the Audit Committee – approved and endorsed the Executive Board's proposal on the losses carried forward. The proposal includes:

"The net loss for the 2022 financial year amounts to EUR -2,517,608.79. Including the losses carried forward in the amount of EUR -190,869,485.34, this results in a net accumulated loss of EUR -193,387,094.13, which will be carried forward to a new account."

Report of the Executive Board on relationships with affiliated companies

The Executive Board presented the report it prepared on relationships with affiliated companies in the 2022 financial year (dependent company report) to the Supervisory Board in a timely manner.

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

"Based on our mandatory audit and assessment, we confirm that the report's factual statements are accurate."

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

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

In preparation for the review and decision on the part of the Supervisory Board, the Audit Committee first studied the aforementioned documents in detail. At its meeting held on April 26, 2023, the Audit Committee heard comments from the Executive Board on its dependent company report. Furthermore, Committee members' questions were answered. In addition, the auditor, who also participated in the meeting, reported on its audit, in particular the areas of audit emphasis and the significant results of the audit and commented in detail on its long-form audit report. The members of the Audit Committee acknowledged the long-form audit report and the auditors' report, critically reviewed them, and also discussed them with the auditor as with the audit, which included questions regarding the nature and scope of the audit as well as the audit findings. The Audit Committee assured itself that the audit and the long-form audit report had been properly prepared. It was satisfied in particular that the long-form audit report – as also the audit performed by the auditor – complied with the legal requirements. The Audit Committee recommended that the Supervisory Board approve the results of the auditor's audit and – since in its opinion there are no objections to be raised against the Executive Board's explanation of the dependent company report – adopt a resolution on a corresponding opinion.

The Supervisory Board performed its final review at its meeting of April 26, 2023, with due regard to the recommendation of the Audit Committee and to the auditor's long-form audit report. The Executive Board also participated in this meeting, commented on the dependent company report and answered the Supervisory Board members' questions. The auditor also participated in this meeting, reported on its audit of the dependent company report and the significant results of the audit, commented on its long-form audit report, and answered questions posed by the Supervisory Board members, in particular regarding the nature and scope of the audit of the dependent company report and the audit results. Through this and on the basis of the report issued by the Audit Committee, the Supervisory Board satisfied itself of the propriety of the audit of the dependent company report and the long-form audit report. It was satisfied in particular that the long-form audit report – as also the audit performed by the auditor – complied with the legal requirements. The Supervisory Board reviewed the dependent company report in particular with respect to its completeness and accuracy, whereby it satisfied itself that the group of affiliated companies had been determined with the requisite diligence and that the precautions necessary for the identification of reportable transactions and measures had been taken. No indications suggesting a reason to object to the dependent company report became apparent in this audit. Following the recommendation of the Audit Committee, the Supervisory Board approved the results of the auditor's audit of the dependent company report. Based on the final result of the review conducted by the Supervisory Board of the report on relationships with affiliated companies (dependent company report), there are no objections to be raised against the Executive Board's explanation at the end of the report on relationships with affiliated companies (dependent company report).

The Supervisory Board would like to express its thanks to the Executive Board members active in 2022 and to all the employees for their outstanding commitment in the 2022 financial year.

Bocholt, April 2023

Hau Yan Helvin Wong
Chair of the Supervisory Board

COMBINED MANAGEMENT REPORT

All-in-one for small offices, home offices, and medium-sized enterprises

Gigaset is expanding the boundaries of business telephony with the innovative desktop telephone “Fusion”.

Fusion is a combination of desktop telephone, DECT base station, PBX telephone system, and smart home base. Thanks to the wide variety of functions, this device is ideal for small offices, medical practices, law firms, agencies, and sophisticated home offices.

Integrated interfaces allow for maximum flexibility in connecting external devices.

Even before it was launched, the Gigaset Fusion together with the specially developed Web UI received the iF Design Award 2022 in May 2022.

The market launch was in November 2022. Scenic details are provided in the Product Trailer.

1 BASIC PRINCIPLES OF THE GROUP AND OF GIGASET AG

1.1 Business model

Gigaset AG is a global enterprise operating in the area of telecommunications. The Company is headquartered in Bocholt, Germany, which is also where the Company's highly automated production site is located. There are additional branch offices in Munich, Germany, in Wroclaw, Poland (development facility), as well as in ten other countries. As of the reporting date December 31, 2022, the Company had 857 employees and conducted distribution operations in 53 countries.

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

1.1.1. Phones

The Phones segment is tasked with the production and distribution of corded and cordless DECT telephones for private customers. Nearly all DECT products for the Phones segment are made in Gigaset's own production facility in Bocholt, Germany. Gigaset offers its customers a broad portfolio with various price points and different features.

1.1.2. Smartphones

Gigaset has been active in the smartphone business since 2016. It has since positioned itself in the market with various products for business and personal use in the mid-range price segment. Thanks to the flexible production possibilities of the factory in Bocholt, the Company is increasingly targeting B2B customers to extend the smartphone business beyond the boundaries of the traditional B2C portfolio. According to a survey conducted by Telecom Handel, Gigaset is now ranked as the 7th-best smartphone manufacturer in Germany.

1.1.3. Smart Home

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

1.1.4. Professional

Gigaset has served B2B corporate customers with its Professional segment since 2011. The products in this area include DECT-IP single and multi-cell systems as well as DECT-based stationary and mobile telephones. On the one hand, Gigaset sells its products under the PRO product line, and on the other hand directly through OEMs (Original Equipment Manufacturers). Thanks to the high degree of interoperability, Gigaset's DECT IP solutions can be used in many different telephone systems, spanning the entire unified communications market from the smallest installations to large-scale enterprise solutions.

1.2 Goals and strategies

The goal of the Executive Board is to expand the Company into an integrated hardware, software and service provider on a fully-integrated solution basis within an ecosystem. Defending the Company's market shares in the core business of Phones is an essential aspect of this strategy, while also striving to generate substantial, profitable, medium-term growth in the Smartphones, Smart Home and Professional segments.

1.3 Control systems

The performance of the Group and Gigaset AG was analyzed and managed by the management on a monthly basis in 2022 with the help of various financial performance indicators. The Gigaset Group is oriented worldwide based on regional points of sale. The analysis of revenues, EBITDA (earnings before interest, taxes, depreciation, amortization and impairment losses) as well as free cashflow at the Group level played an important role in monitoring the operating business in the Group. Operating costs were analyzed and managed in detail based on cost categories and the cost centers in which the costs are incurred. Integrated financial planning (income statement, balance sheet, cashflow) is implemented group-wide to facilitate a reliable analysis of changes in liquidity. In addition, risk management is an integral part of business processes and decisions. Gigaset AG was managed as a separate company based on the result under German generally accepted commercial accounting principles.

The primary non-financial performance indicators for Gigaset remain unchanged:

- Research and development
- Environment and sustainability
- Employees

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

1.3.1. Research and development

Gigaset's research and development program focuses in particular on the further development and improvement of the products and services in the four different product segments. Research and development take on a key role in the area of product innovation, with a focus on technical aspects. Within the Gigaset portfolio, with increasing trends towards digitalization, the Company's operating focus is shifting increasingly from a pure hardware manufacturer to a provider of integrated solutions for home, work and on-the-go.

In the 2022 financial year, Gigaset incurred expenses for research and development in the amount of EUR 24.8 million, that being about 25% more invested in future products and technologies than in the previous year. Total development costs of EUR 17.0 million were capitalized as Other intangible assets (EUR 16.1 million) or Property, plant and equipment (EUR 1.0 million). The resulting capitalization rate amounts to 68.6%. Amortization of capitalized development costs amounted to EUR 8.0 million in the past financial year. In its function as a holding company, Gigaset AG did not itself report any research and development expenses in the financial year.

1.3.2. Environment and sustainability

Gigaset observes the principles of sustainable conservation of the environment and the natural resources on which humankind depends. The Company's products are manufactured in the production facility in Bocholt based on current environmental protection and quality standards. Gigaset's commitment to protecting the environment is also reflected in the consumption of energy at the production site in Bocholt, which has been running on green electricity since 2020. With respect to economy, the Company ensures compliance with environmentally based (ISO 14001) standards in the value chain, selecting suppliers based on the required qualifications.

The Company is taking various measures to further reduce its environmental footprint. These mainly include: recycling, reducing CO_2, offsetting CO_2, climate-neutral packaging for some products, reforestation projects, moving increasingly away from using plastic and offering a repair service for all products.

The Company has published a Corporate Social Responsibility Report since 2017, thereby meeting the requirement for sustainability reporting under the German Sustainability Code. The report is prepared based on GRI standards (Global Reporting Initiative Standards), which represent an internationally recognized sustainability practice worldwide for companies to report various economic, ecological, and social factors.

1.3.3. Employees

In 2022, a total of 56 employees left the Gigaset Group, 25 of whom as a result of early retirements, dismissal by the employer, termination agreements, termination of employment due to occupational disability payments, and the expiration of limited duration contracts. In addition, 8 employees left the Company following their passive phase in the Company as part of an individual partial retirement agreement.

Another 20 employees left the Company of their own volition and three employees died. In total, Gigaset recruited 45 new employees to the Company. The number of employees in the national subsidiaries fell from 230 to 215 employees as of the reporting date December 31, 2022. At year-end 2022, Gigaset had a total of 857 employees.

Gigaset is positioning itself in the market as an international communications company with clear strengths in the area of technology, products, and digital services. The international orientation of all its locations puts Gigaset in a very good position in the competition for the best employees. Observing only the leavers that voluntarily departed from the Group, the turnover rate for 2022 is 5.4%. In the previous year it was 3.2%.

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

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

2 EVENTS IN FINANCIAL YEAR 2022

April 2022:

Gigaset is named Best Retail Brand of the Year

Gigaset announced on April 20, 2022 that it received the prestigious Plus X Award in the category "Best Retail Brand of the Year 2022." The Plus X Award is the world's biggest innovation prize for technology, sports and lifestyle. The special designation "Best Retail Brand of the Year" is given to companies that have earned particular merit in their collaboration with retailers.

May 2022:

Gigaset receives iF Design Awards 2022 in four categories

Gigaset announced on May 2 that it received four iF Design Awards. The awards were given to the new Comfort 500 series, the UC handset ION, an innovative multifunctional desktop telephone introduced to the market at the end of 2022, and the user interface Gigaset OS. The iF Design Award is one of the world's most prestigious design awards. It is awarded by the International Forum Design in Germany, which has evaluated the world's most innovative products since 1953 with a particular focus on the successful combination of esthetic and functional aspects, as reflected also in the composition of the jury for this year's iF Design Award.

July 2022:

Dr. Magnus Ekerot is appointed CEO and Chairman of the Executive Board

Gigaset AG announced on July 27, 2022 that the Supervisory Board of Gigaset AG elected Dr. Magnus Ekerot (53) as the new CEO and Chairman of the Company's Executive Board for a three-year term. Dr. Ekerot began his role as CEO on November 1, 2022. He took over the role of Executive Board Chairman from Klaus Weßing on January 1, 2023.

October 2022:

Gigaset receives award for highest customer satisfaction

Gigaset announced on October 6, 2022 that it had received the Plus X Award in the category of "Highest Customer Satisfaction 2022" in recognition of its customer-centric service.

November 2022:

Forecast adjusted

Gigaset AG announced on November 18, 2022 that due to changed information and an updated assessment of business performance in 2022, the Executive Board of Gigaset AG had decided to adjust its previous corporate forecast. After originally predicting a modest increase in revenues and EBITDA over the respective figures for the previous year and a moderately positive free cashflow, the adjusted forecast called for a revenue increase of between EUR 235 million and EUR 250 million (2021:

EUR 217.1 million). The adjustment was prompted by the recently improved availability of materials and the first positive effects of selling price adjustments. In the adjusted forecast, EBITDA was expected to come out below the level of the previous year in a range of EUR 6 million to EUR 15 million (2021: EUR 16.5 million). This adjustment was made in consideration of rising material costs due to the depreciation of the euro against the U.S. dollar. The Company's cost situation has also been adversely affected by inflation. The expectation of a moderately positively free cashflow in 2022 was reaffirmed without changes. Specifically, the Executive Board expected free cashflow of between EUR 0.1 million and EUR 3 million (2021: minus EUR 14.2 million).

3 ECONOMIC REPORT

3.1 General economic and industry-specific framework conditions

3.1.1. General economic conditions

The original expectation of an economic recovery from the effects of the coronavirus pandemic in 2022 was dashed by Russia's attack on Ukraine. In response to the Western sanctions, Russia drastically curtailed the supply of affordable natural gas to Europe, which caused energy and food prices to soar across Europe and drove inflation in Germany to slightly over 10 percent in the fourth quarter, according to Statista. That was the highest inflation since the early 1980s. This development stifled demand generally and brought an unexpectedly abrupt end to the low interest rate policies of central banks.

Although the effects of the pandemic have receded in most countries, continuing waves of infection are still hampering economic activity, especially in China. Shortages of raw materials and intermediate products continue to weigh on global economic growth. According to an estimate of the International Monetary Fund (IMF) in January 2023, global economic output expanded by only 3.4% in the full year 2022, after 6.2% in 2021. The developed economies generated growth of 2.7%, half as much as in 2021 (previous year: 5.4%). Emerging-market and developing economies expanded by 3.9% in total (previous year: 6.7%), while the EU economy expanded by 3.7%, after 5.5% in the previous year.

Besides Germany, Gigaset's most important markets are still France, Italy, the Netherlands, Spain and Switzerland (EU6). According to an IMF estimate, the heavily export-dependent German economy grew by only 1.9% last year, after the previous year when gross domestic product (GDP) grew by 2.6% despite the influence of the coronavirus pandemic. The economic environment was heavily influenced by the war in Ukraine and the associated challenges, especially with regard to energy supplies. Despite supply chain bottlenecks, trade and economic sanctions against Russia, and finally the halting of Russian natural gas deliveries in late August, the German economy proved to be resilient on the whole, according to the macroeconomic assessment of the German Council of Economic Experts. According to the IMF, France's economy grew by 2.6% (previous year: 6.8%), Italy's by 3.9% (previous year: 6.7%), and Spain's by 5.2% (previous year: 5.5%). According to statistics of the Austrian Federal Economic Chamber (WKO), the Dutch economy expanded by 4.4% (previous year: 4.9%) and the Swiss economy by 2.2%, after 4.2% in 2021.

3.1.2. Telecommunications market

3.1.2.1. Phones

Observing the six countries Germany, France, Italy, the Netherlands, the United Kingdom, and Spain in 2022, the European market for cordless telephones shrank by 24.3% in terms of unit volumes and by 17.7% in terms of revenues compared with 2021, according to GfK. Based on unit sales, Gigaset successfully increased its market shares to 43% in the standard phones segment and 48% in the easy-to-use phones segment. In the design phones segment, Gigaset increased its market share based on unit sales to 58%.

3.1.2.2. Smartphones

According to a projection by Statista, about 1.24 billion smartphones were sold worldwide in 2022, which would mark a decline of around 8.82% from the 1.36 billion devices sold in 2021. In Germany also, unit sales declined from 22.2 million units in 2021 to 21.6 million in 2022.

3.1.2.3. Smart Home

Statista sees further growth potential for smart home products and systems through 2025, both worldwide and in Germany. Worldwide revenues are expected to reach EUR 182.4 billion in 2025. Smart home revenues in Germany as the relevant market for Gigaset are expected to reach EUR 9.6 billion in 2025. Statista subdivides the overall trend of the potential market into six categories: Home Entertainment, Smart Appliances, Energy Management, Control and Connectivity, Comfort and Lighting, and Security. Gigaset is represented in three of these categories in the broadest sense, offering products in the categories Security, Energy Management, and Comfort and Lighting. Thus, potential expected growth in the market segments addressed by Gigaset will fall to EUR 57.4 billion worldwide and EUR 3.4 billion in Germany through the year 2025. Statista also anticipates that 478.2 million households worldwide and 23.2 million households in Germany will be using smart home solutions in 2025.

3.1.2.4. Professional

Growing demand for mobile and remote workplace equipment, paired with technology such as DECT, Wi-Fi and Bluetooth, has resulted in stable revenues in many areas. According to an analysis of MZA Consultants, the trend towards cloud-based facilities is also rising, resulting in a noticeable increase in independent SIP end devices compared with the previous year. In the 2022 financial year, a shortage of semiconductors as a result of the COVID-19 pandemic and the war in Ukraine again resulted in supply constraints in almost all economic sectors, leading to worldwide delivery delays and price adjustments, which also impacted Gigaset.

3.2 Business performance of the Group

3.2.1. Phones

The market for the Phones segment, which has continued to decline, was additionally burdened by the problems encountered with the sourcing of needed materials in 2022. In this market environment, the revenues of the Phones segment increased by 13.2% to EUR 158.7 million in 2022. Gigaset continued to successfully defend its market leadership position in the European core market (EU6). According to GfK data, Gigaset's share of the EU6 market at end of 2022 was 45% on the basis of revenues (previous year: 39%) and 44% on the basis of unit sales (previous year: 38%). Based on unit sales, Gigaset increased its market shares further in the United Kingdom, Germany, France and Italy.

3.2.2. Smartphones

Gigaset broadened its product assortment by launching the two new rugged models GX4 und GX6 in Q4 2022. With these products, the Company has opened up a new customer segment, particularly OEMs and B2B customers, to complement the target group for the two standard models GS5 and GS5 Lite. As a result, Gigaset increased its revenues by 3.3% to EUR 18.8 million in 2022.

3.2.3. Smart Home

Smart Home revenues stabilized at the level of EUR 1.5 million in financial year 2022 (previous year: EUR 1.5 million). Revenues were mainly generated in the core markets of Germany, Switzerland and the Netherlands. Gigaset also increased the revenues generated on direct sales in the Gigaset eShop by around 8% over the level of the previous year.

Gigaset entered into further cooperation agreements with B2B partners in the past year. For example, the Company is now a partner on the Home Connect Plus platform operated by Bosch. The Company also entered into a partnership with Stadtritter, the professional alarm system service provider. In the segment of age-appropriate assistance systems, the Company signed an agreement with a new sales partner, BeHome. Therefore, Gigaset will be able to address customers in cooperation with major B2B2C partners in addition to the established B2C sales channel in the future.

3.2.4. Professional

The global economic situation in the 2022 financial year had only a minor impact on the dominance of DECT multi-cell technology as the preferred choice for cordless business telephony in Western Europe, which declined by 3% from the first half of 2021 in terms of the number of devices in use. Germany as the biggest DECT market in Europe bucked the market trend by achieving a modest increase in sales of business DECT products. In the same period, Gigaset stabilized the second-largest market share of 25% in Western Europe as a supplier of DECT multi-cell cordless telephones, according to data from MZA Consultants. Accounting for the largest share of revenues, the German market is still the most important for Gigaset, followed by France, Italy, and the Netherlands. The Professional segment generated total revenues of EUR 62.3 million (previous year: EUR 57.2 million) last year, equating to growth of 8.9%.

3.3 Financial performance, cashflows and financial position of the Group

3.3.1. Repercussions of the Ukraine conflict

Since the start of Russia's invasion of Ukraine in February 2022, Gigaset has been impacted by the conflict both indirectly (availability of energy supplies and materials, sharp rise in inflation) and directly from the side of the Russian Group company. In view of the minor importance for the Gigaset Group of the revenues and earnings generated there, the conflict is not expected to have significant effects on the Group's financial performance, financial position and cashflows.

3.3.2. Financial performance

The Gigaset Group generated total revenues of EUR 241.3 million in financial year 2022 (previous year: EUR 217.1 million). The 11.1% or EUR 24.2 million increase in revenues over the previous year resulted from a modest easing of shortages of input materials combined with the market price increases implemented by Gigaset. Therefore, the revenue increase was significantly higher than the original forecast of a modest increase over the level of 2021.

Whereas supplies of input materials and especially semiconductors were still tight in the first half, the availability of materials improved in the second half of 2022. In this environment, first-half revenues were 1.4% higher than in the first half of last year and third-quarter revenues were 8.5% higher than in the third quarter of last year. In fourth quarter of 2022, the Christmas shopping season helped increase revenues by 29.1% over the fourth quarter of last year. Total revenue growth in 2022 was positive, at 11.1% over the previous year.

The main driver of the positive performance in the second half of the year was the core segment Phones. Although revenues in this segment had been down 10.0% year-over-year in the first half, the segment's revenue growth was above average at 31.3% in the third quarter and 40.4% in the fourth quarter of 2022. The performance of the Phones segment in financial year 2022 was largely influenced by the availability of input materials. As the supply of materials improved in the second half of the year, the Company was able to work off the backlog that had accumulated in the first half.

By contrast, the revenues of the Smartphones segment increased by 17.2% year over year in the first half of 2022, thanks in large part to solid B2B project business. Compared to the respective year-ago quarters, revenues dropped sharply by 35.8% in the third quarter, but rose by 10.4% in the fourth quarter thanks to the new product launches.

In the first half of the financial year, revenues in the Smart Home segment were 15.3% lower than in the corresponding period of the previous year. Revenues increased by 21.3% and 10.3% in the third and fourth quarters, respectively. Gigaset was able to exert a positive influence on the performance of this segment in the second half of the year, particularly with targeted activities on the subject of the "Energy Savings Campaign."

Revenues in the Professional segment exhibited strong year-on-year growth of 31.3% especially in the first half of the year. This growth resulted from the fact that production and units sales were concentrated in the Professional segment to work off back orders from the previous year. In the third quarter of the past financial year, revenues fell by 19.5% from the unusually high figure for the third quarter of the previous year, before rising again by 8.8% in the fourth quarter.

Revenue in EUR millions	2022	2021	Change in %
Phones	158.7	140.2	13.2
Smartphones	18.8	18.2	3.3
Smart Home	1.5	1.5	0.0
Professional	62.3	57.2	8.9
Gigaset Total	**241.3**	**217.1**	**11.1**

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

Revenues based on receiving units represent the revenues invoiced in the respective regions – independent of the registered office of the invoicing unit. For example, if a German company issues an invoice in the Netherlands, this revenue is allocated to the region of "EU - European Union (excluding Germany)" in the presentation based on receiving units. The regional breakdown of revenues by receiving entity is presented in the table below:

Revenue in EUR millions	2022	2021	Change in %
Germany	120.8	105.6	14.4
EU (excluding Germany)	85.6	80.7	6.1
Rest of World	34.9	30.8	13.3
Gigaset Total	**241.3**	**217.1**	**11.1**

The allocation to the individual geographical areas for the current segment reporting in the Group is also still based on the country in which the respective legal unit is domiciled. For example, if a German company issues an invoice in the Netherlands, such revenues are allocated to the region of Germany in the presentation based on country of domicile.

The first of Gigaset's sales and marketing companies domiciled in foreign countries were converted to the direct sales model in financial year 2022. The complete conversion will then be rolled out successively in financial year 2023. As a result of this change, the German Gigaset Communications GmbH will sell directly to end customers in foreign countries so that the foreign sales and marketing companies will be converted to a sales brokerage model and will therefore not generate direct revenues on sales of telecommunications products. Consequently, revenues are being assigned increasingly to the Germany region as the country of domicile, which limits the comparability of the new figures with those from the previous year. Revenues based on country of domicile can be broken down as follows for the individual regions:

Revenue in EUR millions	2022	2021	Change in %
Germany	168.9	129.6	30.3
EU (excluding Germany)	51.4	63.3	-18.8
Rest of World	21.0	24.2	-13.2
Gigaset Total	**241.3**	**217.1**	**11.1**

The changes in inventories of finished and unfinished goods amounted to EUR 4.4 million in financial year 2022 (previous year: EUR -2.3 million). As in the previous year, the changes resulted primarily from inventories of finished goods.

The cost of raw materials, merchandise, finished goods and purchased services was EUR 131.6 million, which amounted to an increase of EUR 29.5 million from the previous-year figure of EUR 102.1 million. At 53.6%, the cost of materials rate was considerably higher than in the previous year (previous year: 47.5%), taking into account the change in inventories. The key figure is derived as the quotient of material expense and the total of revenues and the change in inventories of finished goods and work in progress. The main drivers of the higher costs of materials were higher purchases of materials in line with the increased production and sales quantities and substantially higher prices of materials in many categories due to inflation and currency effects.

Gross profit, comprising revenues less the cost of material and including the change in inventories of finished goods and work in progress, rose by 1.2% to EUR 114.1 million in the reporting period.

Other own work capitalized in the amount of EUR 17.9 million (previous year: EUR 12.0 million) mainly includes costs related to the development of new products for all segments.

Other operating income amounted to EUR 16.5 million and was thus down EUR 1.5 million year-on-year. Exchange rate gains in the amount of EUR 5.9 million (previous year: EUR 4.3 million) and income from the reversal of provisions in the amount of EUR 2.9 million (previous year: EUR 1.2 million) were realized in the past financial year. In the previous year, government assistance to companies affected by the coronavirus pandemic had been granted in the amount of EUR 3.4 million, whereas such income was only collected in the amount of EUR 0.2 million in financial year 2022.

Personnel expenses for wages, salaries, social insurance contributions, and old-age provisions amounted to EUR 58.2 million and therefore declined by EUR -0.2 million year-on-year. As of the reporting date December 31, 2022, the number of employees had declined to 857 (previous year: 868).

Other operating expenses were incurred in the amount of EUR 72.4 million (previous year: EUR 67.3 million) in the reporting period. This figure particularly included marketing and representation expenses (EUR 19.6 million, previous year: EUR 21.4 million), costs of temporary employees (EUR 10.0 million, previous year: EUR 7.5 million) and general administrative costs (EUR 9.1 million, previous year: EUR 8.3 million), as well as transport costs (EUR 8.0 million, previous year: EUR 7.2 million). This item also included expenses for exchange rate losses (EUR 6.2 million, previous year: EUR 4.9 million), consulting and auditing expenses (EUR 4.3 million, previous year: EUR 3.1 million), patent and license fees (EUR 3.2 million, previous year: EUR 5.1 million), allocations to warranty provisions (EUR 2.1 million, previous year: EUR 2.1 million), maintenance work (EUR 1.9 million, previous year: EUR 1.8 million) and expenses for land and buildings (EUR 1.0 million, previous year: EUR 1.0 million).

Thus, earnings before interest, taxes, depreciation, amortization and impairment losses (EBITDA) amounted to EUR 17.9 million for the 2022 financial year (previous year: EUR 17.4 million) and was thus in line with the original forecast of a slight increase. Taking into account depreciation and amortization charges for the current year in the amount of EUR 15.8 million (previous year: EUR 14.7 million) as well as impairment losses in the amount of EUR 0.4 million (previous year: EUR 0.0 million), earnings before interest and taxes (EBIT) amounted to EUR 1.8 million (previous year: EUR 2.7 million).

Taking into account the financial result in the amount of EUR -2.7 million (previous year: EUR -2.3 million), the result from ordinary activities amounted to EUR -0.9 million (previous year: EUR 0.4 million). The financial result was impacted significantly by interest expenses for pensions in the 2022 financial year (EUR 1.4 million, previous year: EUR 0.9 million).

Consolidated loss/profit for the year amounts to EUR -5.6 million for the 2022 financial year (previous year: EUR 0.5 million).

This results in earnings per share of EUR -0.04 (undiluted/diluted) (previous year: EUR 0.00 (undiluted/diluted)).

3.3.3. Cashflows

Cashflow can be broken down as follows:

Cashflow in EUR millions	2022	2021
Cash inflow (+) /outflow (-) from operating activities	21.9	5.3
Cash inflow (+)/outflow (-) from investing activities	-20.9	-19.5
Free Cashflow	1.0	-14.2
Cash inflow (+)/outflow (-) from financing activities	-2.4	-3.6

In the 2022 financial year, the Gigaset Group recorded a cash inflow from operating activities in the amount of EUR 21.9 million (previous year: EUR 5.3 million). The increase in cashflow from operating activities from the previous year resulted mainly from higher trade payables, other liabilities and other provisions, and lower trade receivables, other receivables and other assets.

The cash outflow from investing activities amounts to EUR -20.9 million, after EUR -19.5 million in the previous financial year. The payments in the amount of EUR 17.9 million (previous year: EUR 12.0 million) relate primarily to cash outflows resulting from own work capitalized for the development of new innovative products and solutions.

The free cashflow was positive at EUR 1.0 million and significantly better than the EUR -14.2 million generated in the previous year. Thus, the forecast for financial year 2022 of a moderately positive free cashflow was achieved mainly as a result of changes in operating cashflow.

There was a cash outflow from financing activities in the amount of EUR -2.4 million in financial year 2022 (previous year: EUR -3.6 million). An amount of EUR 0.8 million was paid for repayments of the bank loan and supplier loans (previous year: EUR 2.0 million) and an amount of EUR 1.7 million (previous year: EUR 1.8 million) for repayments of lease liabilities in 2022. Cash inflows were generated from an additional supplier loan of EUR 1.5 million in 2022.

Cash and cash equivalents amounted to EUR 21.5 million as of December 31, 2022 (previous year: EUR 23.1 million).

The change in cash and cash equivalents includes changes in exchange rates in the amount of EUR -0.2 million (previous year: EUR -0.3 million).

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

3.3.4. Financial position

The Gigaset Group's total equity and liabilities amounted to EUR 191.5 million as of December 31, 2022, representing a slight decrease compared with the previous year (EUR 192.2 million).

At EUR 92.8 million, noncurrent assets decreased by EUR 5.9 million from the corresponding figure at December 31, 2021. This effect is primarily due to the reduction of deferred tax assets from EUR 12.2 million to EUR 0.8 million at December 31, 2022 due to measurement effects in pension obligations. Intangible assets increased from EUR 55.8 million as of December 31, 2021 to EUR 62.7 million as a result of the capitalization of development activities for projects designed to enhance and diversify the product portfolio.

Current assets constituted 51.5% of total assets. They increased by EUR 5.2 million year-on-year to EUR 98.7 million. At EUR 37.8 million (previous year: EUR 29.9 million), inventories were significantly higher than in the previous year. Stocks of raw materials, consumables and supplies increased by EUR 1.1 million, and advance payments by EUR 1.1 million. Unfinished goods and services rose by EUR 1.0 million to EUR 1.9 million due to an acceleration of production schedules. Inventories of finished goods, merchandise, and finished services increased by EUR 4.7 million compared with the previous year, due to orders that were delivered to customers only at the start of the new financial year. At EUR 19.3 million as of the balance sheet date, trade receivables were well above the previous year's level of EUR 16.0 million. Compared with the previous year, the level of cash and cash equivalents fell from EUR 23.1 million to EUR 21.5 million. Please refer to the statement of cashflows for a breakdown of changes in cash and cash equivalents.

The Gigaset Group's equity amounted to EUR 24.6 million as of December 31, 2022, and is EUR 16.6 million higher than at the beginning of the year. This corresponds to an equity ratio of 12.9% compared with 4.2% as of December 31, 2021. Taking into account deferred taxes, actuarial gains were recognized in equity in the amount of EUR 23.6 million (previous year: EUR 5.6 million). This development resulted from the increase in the actuarial interest rate from 1.14% at December 31, 2021 to 3.72% at December 31, 2022. The equity was influenced by changes in exchange rates in the amount of EUR -0.3 million in the 2022 financial year. Taking into account deferred taxes, cashflow hedging led to a negative effect of EUR 1.1 million recognized directly in equity. The financial year net loss of EUR -5.6 million reduced the Group's equity by the same amount. The equity investment in Gigaset Mobile Pte. Ltd., Singapore, was completely sold in financial year 2022. The carrying amount of this investment had already been written down to zero by measurement at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9.5.7.5.

Total liabilities amounted to EUR 166.8 million (previous year: EUR 184.2 million), 56.9% of which are current. Total debt in 2022 fell by EUR 17.3 million compared with the previous year. Noncurrent liabilities fell by EUR 31.4 million, primarily as a result of lower pension obligations. Current liabilities rose mainly as a result of the EUR 9.7 million increase in trade payables.

Noncurrent liabilities include primarily pension obligations, financial liabilities, lease liabilities, other noncurrent provisions for personnel expenses, provisions for guarantees and deferred tax liabilities. The decline in noncurrent liabilities amounts to EUR 27.9 million year-on-year; as a result, these liabilities now amount to EUR 72.0 million as of the reporting date. This reduction is primarily the result of positive valuation effects with respect to pension obligations, which were reported at EUR 62.4 million as of the reporting date.

At EUR 94.8 million, current liabilities are around 12.5% higher than reported as of the prior-year reporting date. Trade payables rose significantly from EUR 45.0 million in the previous year to EUR 54.7 million as of the reporting date of December 31, 2022. Moreover, current financial liabilities declined by EUR 2.1 million to EUR 11.0 million and Other liabilities rose by EUR 2.7 million to EUR 14.5 million.

3.3.5. General assessment of the Group's economic situation

Gigaset was confronted with new global developments in financial year 2022. Whereas the coronavirus pandemic became increasingly less relevant in Europe, the shortage of materials from China triggered by the country's zero-Covid policy continued to impede the procurement market for input materials. The problems affecting the availability of materials only eased over the course of the second half of the year, making it possible to successively work off back orders. At the beginning of the financial year, Russia's attack on Ukraine stoked global uncertainties that led to high inflation and fast-rising prices in all sectors and industries. This situation also affected the costs of materials, forcing Gigaset to adjust its selling prices. Gigaset's Russian subsidiary and activities in the Russian market have been directly affected by the repercussions of the attack although it was still possible to make deliveries during the course of the financial year. Due to the minor importance of the revenues and earnings generated in the Russian market, the Gigaset Group has not been particularly harmed by the conflict overall.

In view of the worldwide uncertainties, inflation fears and related signs of an impending recession, a high priority was placed on liquidity management again in the 2022 financial year. The Group generated a positive free cashflow of EUR 1.0 million in the reporting period, in line with the original forecast of a moderately positive free cashflow.

Revenues increased substantially by EUR 24.2 million or 11.1% to EUR 241.3 million, exceeding the previous year's forecast of a modest increase over the previous year. However, the gross profit was only EUR 1.4 million higher than the corresponding figure for the previous year due to higher prices of purchased materials.

Gigaset generated an EBITDA of EUR 17.9 million in the past financial year, in line with the forecast of an EBITDA at the level of the previous year, which was EUR 17.4 million. The expectation of a modest EBITDA increase had been expressed in the previous year. This earnings figure was also considerably weighed down by inflationary effects on the cost side. The earnings performance was also impacted by exchange rate developments resulting from uncertainties in the capital markets.

Please refer to the detailed comments on our expectations in Section 8 (Forecast report and outlook) for more information on the course of business in 2023.

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

Key indications (in %)	2022	2021
Equity ratio	12.9	4.2
Ratio of noncurrent assets to total assets	48.0	45.0
Debt capital structure	56.9	45.8
Return on sales	negative	0.2
Return on equity	negative	5.8
Return on investment	negative	1.1

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

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

3.4.1. Financial performance

Revenues in the amount of EUR 935 thousand (previous year: EUR 914 thousand) comprised exclusively services rendered for affiliated companies in Germany.

Other operating income increased slightly from EUR 764 thousand in the previous year to EUR 801 thousand. This item mainly includes income from the internal recharging of costs in the amount of EUR 336 thousand (previous year: EUR 501 thousand) and income from the reversal of provisions in the amount of EUR 95 thousand (previous year: EUR 226 thousand).

Income of EUR 334 thousand was generated in financial year 2022 from a recourse claim in relation to the final distribution in the insolvency proceedings of OXY Holding GmbH. In this matter, Gigaset AG received an amount of EUR 1,753 thousand in respect of a claim for an amount of EUR 1,350 thousand. Of this total, an amount of approximately EUR 70 thousand was to be paid by Gigaset AG to Omega One Holding GmbH in connection with an agreement on participation in the insolvency proceedings. The excess amount increased the stated value of Other operating income in the reporting period.

Personnel expenses decreased slightly from EUR 1,189 thousand in the previous year to EUR 1,109 thousand.

Other operating expenses were incurred in the 2022 financial year in the amount of EUR 2,537 thousand (prior year: EUR 2,627 thousand). There were primarily expenses for the compensation of Supervisory Board members in the amount of EUR 630 thousand (previous year: EUR 570 thousand), legal and advisory fees in the amount of EUR 468 thousand (previous year: EUR 591 thousand) and cost allocations from Gigaset Communications GmbH in the amount of EUR 338 thousand (previous year: EUR 365 thousand). Furthermore, expenses for insurance policies were incurred in the amount of EUR 382 thousand (previous year: EUR 516 thousand) as well as business consulting costs in the amount of EUR 115 thousand (previous year: EUR 31 thousand).

The item other interest and similar income mainly includes income from interest charged on loans to affiliated companies in the amount of EUR 57 thousand (previous year: EUR 57 thousand).

Interest and similar expenses amounted to EUR 639 thousand (previous year: EUR 498 thousand) and included primarily interest effects from internal clearing transactions in the amount of EUR 472 thousand (previous year: EUR 418 thousand) and additions from interest in connection with allocations to provisions in the amount of EUR 166 thousand (previous year: EUR 80 thousand).

A net loss in the amount of EUR -2,518 thousand (previous year: net loss of EUR -2,807 thousand) was generated in the 2022 financial year.

3.4.2. Cashflows

Cashflow can be broken down as follows:

Cashflow in kEUR	**2022**	**2021**
Cash inflow (+) /outflow (-) from operating activities	-1,867	-2,518
Cash inflow (+)/outflow (-) from investing activities	487	-132
Free Cashflow	-1,380	-2,650
Cash inflow (+)/outflow (-) from financing activities	-59	-1,371

In the 2022 financial year, Gigaset AG recorded a cash outflow from continuing operations in the amount of EUR -1,867 thousand (previous year: EUR -2,518 thousand). The cash outflows can be explained primarily by Gigaset AG's periodic expenses payable in the form of personnel expenses and the compensation of Supervisory Board members, legal and advisory fees, and cost allocations for services rendered by Group companies. The cashflow from operating activities was positively influenced by receipt of the payment of EUR 1,753 thousand from the final distribution in the insolvency proceedings of OXY Holding GmbH.

Gigaset AG generated cash inflows from investing activities of EUR 487 thousand in the past financial year (previous year: cash outflows EUR -132 thousand) from the redemption of cash investments in the course of short-liquidity operations.

Cash outflows from financing activities in the current financial year amounted to EUR -59 thousand (previous year: EUR -1,371 thousand), which were characterized primarily by the decrease in liabilities to Group companies.

Cash and cash equivalents amounted to EUR 588 thousand (previous year: EUR 2,027 thousand) as of December 31, 2022.

3.4.3. Financial position

Gigaset AG's total assets amounted to EUR 118,573 thousand as of December 31, 2022 (previous year: EUR 121,707 thousand), and therefore fell by 2.6% year-on-year. This is mainly due to a decrease in Other assets and liquid funds.

Noncurrent assets fell by EUR 8 thousand to EUR 115,532 thousand (previous year: EUR 115,532 thousand), which can be attributed to the amortization of intangible assets.

Current assets amounted to EUR 3,049 thousand (previous year: EUR 6,175 thousand) and, in addition to prepaid expenses, include mainly receivables from affiliated companies as well as other assets and bank deposits. Compared with the previous year, receivables from affiliated companies decreased by EUR 338 thousand to EUR 2,431 thousand. Furthermore, cash in banks decreased by EUR 1,439 thousand to EUR 588 thousand.

On the liability side, the reduction in total equity and liabilities is due on the one hand to a decrease in liabilities to affiliated companies in the amount of EUR 735 thousand and on the other to the net loss for the year in the amount of EUR 2,518 thousand, and had the effect of reducing equity.

The equity ratio came to 81.6%, unchanged from the previous year.

In the financial year just ended, noncurrent liabilities on the part of Gigaset AG increased from EUR 879 thousand to EUR 1,149 thousand and primarily included provisions for pensions in the amount of EUR 1,015 thousand (previous year: EUR 852 thousand) and other noncurrent provisions in the amount of EUR 134 thousand (previous year: EUR 27 thousand).

Current liabilities, provisions and deferred income decreased to EUR 20,583 thousand (previous year: EUR 21,469 thousand). Current liabilities include liabilities to affiliated companies in the amount of EUR 19,691 thousand (previous year: EUR 20,426 thousand). Current provisions include other provisions in the amount of EUR 502 thousand (previous year: EUR 746 thousand). Furthermore, other liabilities were recognized in the amount of EUR 62 thousand (previous year: EUR 50 thousand).

3.4.4. General assessment of the Group's economic situation

The net loss for the financial year amounted to EUR 2,518 thousand, which exceeded the forecast from the previous year of a loss in the mid-single-digit millions.

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

Key figures of Gigaset AG	2022	2021
Noncurrent assets (in kEUR)	115,524	115,533
current assets (in kEUR)	3,049	6,175
Equity (in kEUR)	96,841	99,359
Noncurrent liabilities (in kEUR)	1,149	879
current liabilities (in kEUR)	20,583	21,469
Equity ratio (in %)	81.6	81.6
Return on equity (in %)	negative	negative
Return on investment (in %)	negative	negative

4 OPPORTUNITIES AND RISK REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

As a general rule, all entrepreneurial activities involve risk. This includes the risk that corporate goals will not be achieved due to external or internal events as well as a result of actions and decisions; in extreme cases, a company's ability to continue as a going concern can be jeopardized. Gigaset's risk management system aims to identify and measure risks and opportunities as early as possible as well as to take advantage of opportunities and limit risks through appropriate actions.

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

Potential impact of risks based on expected values	Risk measurement
≤ EUR 1.0 million	low
> EUR 1.0 million ≤ EUR 5.0 million	medium
> EUR 5.0 million	high

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

Category/Sub-category	Risk management
Market and industry risks	
Products | Patents | Certificates	low
Legal operating environment	low
Customers	medium
Business and litigation risks	
Procurement	medium
Sales | Marketing	low
Personnel	low
Special events	low
Financial risk	
Liquidity	high
Foreign currency	low
Taxes	low
Liability risks	
Guaranties | Contingent liabilities	low
Board liability	low
Litigation	low

4.1 Market and industry risks and opportunities

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

With regard to sales channels, a shift from stationary store sales to online and e-commerce sales was observed again in 2022. Gigaset must respond to the risk of the declining importance of stationary stores and extend its online presence to an appropriate degree.

Above all, Gigaset had to contend with worsening shortages of intermediate products and raw materials in 2022. Gigaset is not only facing higher purchase prices, but also bottlenecks in the semiconductor segment in particular, which are also making planning difficult. Consequently, Gigaset was continually faced with the risk of not being able to fully utilize its production capacity in 2022. This risk remains in effect in 2023, at least at first, considering that whereas the pandemic situation is easing in Europe and the United States, the effects of the new coronavirus policy in Asia (China) – away from zero-Covid – cannot yet be foreseen. In addition, geopolitical flashpoints will continue to stoke uncertainties regarding the stability of supplies, supply chains, etc., in 2023.

As a result of the concentration on the area of telecommunications and accessories, the Company is also particularly dependent on overall developments in this industry, in which Gigaset continues to be exposed to intense competition. In addition to the aforementioned dependency on how the situation with commodities and materials develops, there is also the risk of new, aggressive competitors entering the market. Rapidly changing consumer behavior in the area of telecommunications – particularly with regard to the use of software compared with hardware – also poses a risk for the Company's business model.

More and more landlines are being replaced by cell phone connections, depending on the rate plans offered by network operators, and by cloud solutions in the Professional segment. The increased use of multifunctional smartphones is leading to a change in consumer communications behavior. Moreover, Gigaset faces the challenge of establishing itself in a smartphone market that is highly competitive and mature. And in the smart home market, the future remains highly uncertain.

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

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

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

Due to potential import restrictions as well as inflation and exchange rate risks, Gigaset continually reviews its market development strategies and makes appropriate preparations.

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

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

Despite the precautionary measures that have been taken, the general risk of non-compliance with basic laws and regulations cannot be entirely ruled out; nonetheless, this risk is deemed to be low.

From the Company's point of view, there are entrepreneurial opportunities in all growth areas. In the Professional segment, Gigaset has established an additional customer segment on top of the traditional business-to-consumer (B2C) business in the form of a specific product portfolio for business-to-business (B2B) customers. As a specialist provider of telephone systems in the areas of on-premise, hybrid and cloud PBX solutions, Gigaset's portfolio covers the entire DECT and IP desktop portfolio as well as USB devices. This product portfolio is used by "Small Offices and Home Offices" (SOHOs for short), "Small and Medium-Sized Enterprises" (SMEs for short), and major corporations. In the Company's view, uniquely positioning itself as the only manufacturer of smartphones "Made in Germany" creates potential growth for the future, especially thanks to the Company's intensive focus on the topic of sustainability, which is currently very much in demand among its customers.

The Company counters the risk of default on receivables by purchasing trade credit insurance policies, strict management of receivables, and consistent dunning. The risk of default on receivables can be regarded as medium on the basis of historical data. In the event of an economic turndown, there is the risk that trade credit insurance policies could reduce or completely cancel insurance coverage for individual customers, which would increase the risk of default on receivables.

4.2 Business and litigation risks

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

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

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

We are countering this risk by implementing group-wide security guidelines and current information security technology, which is in turn constantly further developed. Gigaset has taken measures to prevent unauthorized access to data or systems resulting in the reduction or loss of confidentiality, integrity, or readiness so as to reduce possible economic risks resulting from an attack on the IT systems.

Gigaset could be exposed to additional risks, particularly liability risks.

Unanticipated events such as malware attacks on Gigaset products linked to the Internet could negatively impact the Company's reputation and possibly lead to warranty claims.

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

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

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

Defects in Gigaset's products can lead to reputational damage, warranty and product liability claims and other claims, as well as the loss of revenues, which could impact Gigaset's results. Gigaset purchases commodities and materials predominantly from at least two suppliers. The Company tries to avoid dependency on specific suppliers with respect to prices, volumes, and innovations through a wide-ranging collaboration. Supply constraints affecting components could lead to supply constraints affecting Gigaset products. With respect to products purchased from third parties, such as smartphones, there is a latent risk as a result of the platform-related concentration of purchasing each given product from a single supplier. In order to put the smartphone business on a safer footing, an additional supplier will be established that can take over the business if the primary supplier falls through. Regular control mechanisms will nevertheless be continued; for example, the observation of the markets, key financial figures, and the tracking of deliveries to avoid an interruption of supply. The current global shortage of semiconductors is negatively impacting Gigaset's potential production capacities and as such could periodically jeopardize sales goals. The resulting high level of orders and the uncertainty as to when which products will be available are critically impacting the management of Gigaset's international orders. This situation, which is currently affecting all key industries worldwide, is not expected to change in the short term and, as such, it should be expected that the supply chains in the semiconductor industry will continue to be disrupted over the coming months. The resultant risk of detrimental effects on the Group's revenues and earnings is classified as medium.

The sales risks associated with the conversion to the direct sales model of the Gigaset Group's sales and marketing companies domiciled in foreign countries are deemed to be low.

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

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

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

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

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

The Gigaset Group's existing insurance policies could prove insufficient for various risks associated with the Company's activities. Gigaset may also not be able to purchase sufficient insurance coverage at reasonable prices in the future. In addition, insurance protection against a potential default on the part of individual customers or entire distribution regions can be reduced or entirely eliminated as a result of reduction in economic activity.

4.3 Financial risk

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

The business activities are financed both through own funds as well as through bank borrowings that were raised in the 2018 financial year. In April 2018, Gigaset Communications GmbH entered into a loan agreement in order to finance capital expenditures in new lines of business. It is expected that the loan can be paid off in accordance with the terms of the contract. Furthermore, within the scope of the assistance provided by the French government in connection with the COVID-19 pandemic, Gigaset Communications France SAS obtained a loan backed by a government guarantee in June 2020. For the 2023 financial year as well as for the 2024 financial year, the Company has sufficient liquid funds at its disposal based on its internal budgeting. This expectation of sufficient liquidity is dependent on the planned cashflow from operating activities and the planned availability of loan funds under the loan agreement, as well as other funding instruments currently in use and being planned. If any limitations arise in these funding sources, the Group may not be able to meet its liquidity needs.

Gigaset AG has no external loans payable. Even if Gigaset AG is not a recipient of the financing raised by Gigaset Communications GmbH and guaranteed by a State government, it is nevertheless jointly and severally liable in addition to the borrower in accordance with Section 421 of the German Civil Code (Bürgerliches Gesetzbuch, BGB) for all present and future claims on the part of the lender. However, in exchange, the loan agreement enables Gigaset Communications GmbH to compensate Gigaset AG for its expenses with an annual lump-sum payment. In accordance with this opportunity, Gigaset has sufficient liquid funds at its disposal for the 2023 financial year as well as for the 2024 financial year based on its internal budgeting.

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

The Group uses various financing instruments in order to hedge cashflow risks and to ensure the liquidity of the Group. Gigaset uses factoring to obtain access to payments received from the receivables portfolio at shorter notice. If it should be necessary to renegotiate the terms of the sale of receivables (factoring) agreed to by Gigaset Group companies due to expiration or termination, Gigaset is financially dependent on the currently available terms and conditions and a new arrangement may not be agreed. Gigaset also applies the customary payment terms of its suppliers. In this regard, there is a risk that trade credit insurers may introduce risk-reducing measures owing to changes to creditworthiness criteria, and may no longer be prepared to insure Gigaset's risks to the same extent, which may lead to less favorable payment conditions for Gigaset.

The loan agreement entered into in April 2018 stipulates compliance with various contractual duties until the loan funds are fully repaid. Noncompliance entitles the lender to give notice of termination of the loan agreement for cause and to call in the loan principal, which would lead to an uncovered need for liquidity. Among other things, the contractual duties include compliance with key financial figures. Gigaset did not comply with the agreed key financial figures for the 2022 financial year and obtained a promise from the financing banks not to declare the outstanding loan balance immediately due and payable in financial year 2022. In March 2023, an agreement was reached to temporarily suspend the repayment of loan repayments up to and including June 2023. The suspension of repayments is intended to financially mitigate the consequences of the lack of availability of chipsets, the effects of the significant increase in inflation and the adverse development of the USD exchange rate for Gigaset.

In addition, the loan agreement specifies various contractual duties that Gigaset must adhere to as the borrower and which can cause the loan principal to be called in if violated.

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

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

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

In the Gigaset Group, income arises and expenses are also incurred in foreign currencies, e.g. for the procurement of numerous components for production that are paid for in U.S. dollars. As a rule, the associated currency risk is hedged by financing international activities in matching currencies or by using derivative financial instruments to hedge foreign currency exposures and therefore only presents a low risk for the Group.

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

Gigaset AG receives tax advice on an ongoing basis in order to identify any risks in advance. The last tax audit of the Company concluded with the final meeting held in 2021 and the tax audit reports issued in 2022. The years covered by the audit were 2014 to 2018. The next tax audit will begin in the summer of 2023. The exact date has not yet been set. Thanks to the prompt submission of the 2022 tax returns, this tax audit will cover the years 2019 to 2022, thus minimizing the tax risks that are always associated with a tax audit of years long past.

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

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

4.4 Liability risks

4.4.1. Gigaset AG guarantees

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

4.4.2. Liability of directors and officers

Despite the organizational and supervisory measures taken, the possibility that employees or top executives could commit violations of law, criminal acts, or administrative offenses cannot be entirely ruled out. Such violations could entail disadvantages for the Company such as fines and civil claims. The risk associated with such matters is deemed to be low.

4.4.3. Legal disputes involving Gigaset AG

Gigaset AG is involved in various legal disputes in connection with its general operations, in particular processes and arbitration proceedings, as well as official administrative proceedings, or such proceedings could be initiated or claims asserted against the Company in the future. Even if the outcome of individual proceedings cannot be predicted with certainty due to the imponderables with which legal disputes are always fraught, there will not be any significant negative impacts on the Group's financial performance in excess of the risks reflected in the financial statements as liabilities or provisions according to current assessments. The following legal dispute involving Gigaset AG was pending in the 2022 financial year:

Evonik in the matter of Oxxynova

In the legal dispute with Evonik Operations GmbH (formerly Evonik Degussa GmbH) over a contractual penalty in the amount of EUR 12.0 million, a court of arbitration had ordered Gigaset AG to pay EUR 3.5 million plus interest to Evonik in November 2013 while dismissing the rest of the suit. On March 4, 2015, Gigaset paid the principal amount of EUR 3.5 million plus interest to Evonik. Due to the amounts paid under the guarantee, Gigaset now has taken recourse against the principal debtor, OXY Holding GmbH and the additional indemnification debtor, StS Equity Holding UG. After failing to reach an agreement out of court, Gigaset filed a lawsuit against the principal debtor OXY Holding GmbH as well as StS Equity Holding UG as the indemnifying party for reimbursement of this amount in a request for arbitration and payment order dated June 29, 2015. Insolvency proceedings were subsequently opened against the assets of both OXY Holding GmbH as well as StS Equity Holding UG. Gigaset was the principal creditor in both proceedings. In the meantime, the disposition of the insolvency estates has been completed and the final distributions have been made. Gigaset had already received EUR 2.0 million in the second quarter of 2016 in the form of a preliminary distribution of the liquid insolvency assets in the insolvency proceedings over the assets of OXY Holding GmbH and around EUR 0.2 million in the fourth quarter of 2018 from the final distribution in the insolvency proceedings over the assets of StS Equity Holding UG. An additional amount of approximately EUR 1.75 million has been paid to the Company as part of the final distribution in the insolvency proceedings of OXY Holding GmbH in financial year 2022. From this additional payment, Gigaset AG was required to pay an amount of approximately EUR 70,000 to a special-purpose vehicle in accordance with the terms of an agreement on the participation in the insolvency proceedings, including the limited guaranty of December 16, 2015. This payment was also made in 2022. The final distribution marks the conclusion of the insolvency proceedings in respect of the assets of OXY Holding GmbH.

4.4.4. Legal disputes involving Gigaset AG subsidiaries

The following material legal dispute involving a subsidiary of Gigaset AG is currently pending/took place in the 2022 financial year:

The Spanish subsidiary of Gigaset Communications GmbH, Gigaset Communications Iberia S.L. based in Madrid, was issued with an administrative fine of EUR 2.0 million on the basis that the Spanish tax authorities objected to one of its tax assessments. The Spanish subsidiary was advised on the matter of the contested tax assessment by a notable auditor. It believes that there are no reasonable grounds to contest the assessment which could also justify the imposition of an administrative fine. Against this background, the Spanish subsidiary has taken legal action against the decision. The Spanish subsidiary was granted an intra-group loan, initially to pay for the administrative fine. At a later point in time, the loan was converted to equity. The appeal lodged by the Spanish subsidiary was dismissed by judgment of December 1, 2022. The Spanish subsidiary has initiated further legal steps.

4.5 Overall assessment of the report on opportunities and risks

Gigaset's primary opportunities are in the forward-looking and high-margin market segments, whose revenue potential is to be tapped by means of the new products and cooperation agreements of the Professional, Smart Home, and Smartphones segments.

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

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

The availability of materials is still an uncertainty factor, the impact of which on Gigaset's business is difficult to predict.

5 RISK MANAGEMENT OBJECTIVES AND MEASURES

The main features of the internal control and risk management system with respect to the accounting process of Gigaset AG and the Gigaset Group (Section 289 (2) no. 1a and (4) as well as Section 315 (2) no. 1a and (4) HGB)

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

The internal control system in the Gigaset Group includes all principles, processes, and measures that were implemented with the goal of safeguarding the profitability, compliance, and effectiveness of the accounting process and ensuring compliance with all legal provisions. The measures to be taken should minimize the risk of misstatements so that investors can make investment decisions on the basis of reliable information.

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

The basis for this is the prompt availability of reliable and consistent information. Safeguarding the data base is the responsibility of the relevant Finance departments, in particular Controlling, Accounting, Tax, and Treasury, of the holding company as well as the individual Group entities. These departments and entities consult closely with each other in order to assess potential effects on the accounting process.

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

The preparation and analysis of the information from the Group entities take place at Gigaset primarily in the Accounting, Global Controlling, and Treasury departments as well as in the central Risk Management department of Gigaset Communications GmbH. The completeness and accuracy of accounting data are periodically reviewed. To this end, regular consultations are held with the above-mentioned departments with the goal of ensuring data quality and verifying the plausibility of the data. In addition, risks are continually assessed and suitable hedging strategies are evaluated. The effectiveness of the hedging transactions employed for this purpose is reviewed at regular intervals of time. The Company's other governing bodies such as the Supervisory Board are likewise included in the Gigaset Group's control environment with their prescribed activities based on their function.

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

The members of the Executive Board of Gigaset AG issue a responsibility statement for the external reports for the first half of 2022 and the full year 2022, in which they confirm that the applicable accounting principles were observed and that the financial statements give a true and fair view of the actual situation and that the principal opportunities and risks of the Group's anticipated future development are accurately described.

5.2 Structural information

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

In those cases in which Shared Service Center services are provided in Bocholt, transactional processes are handled centrally for the subsidiaries. This information is incorporated into the separate financial statements, which are in turn included in the consolidated financial statements on a monthly basis. The companies for which accounting is not handled centrally in Bocholt perform their own accounting and report directly to Group Accounting on a monthly basis.

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

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

5.3 Process and controlling information

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

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

The auditor performs an audit function as a process-independent instrument within the scope of their statutory audit engagement.

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

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

5.4 Group-wide, systematic risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.5 Appropriateness and effectiveness of the internal control system and risk management system[1]

The Gigaset Group complies with Recommendation A.5 of the German Corporate Governance Code. On this subject, it issued its declaration pursuant to Section 161 AktG (https://www.gigaset.com/de_de/cms/gigaset-ag/investor-relations/unternehmen/corporate-governance.html) in February 2023 on the following basis:

The Gigaset Group has instituted an internal control system and risk management system within the meaning of the German Corporate Governance Code.

The internal control system encompasses all basic principles, directives and measures designed to ensure

- The effectiveness and economic efficiency of business activities
- The legal compliance of the accounting function
- Compliance with the laws and regulations applicable to the Gigaset Group

The internal control system consists of the accounting-related internal control system, the internal control system for selected non-financial key indicators, the Internal Control System (ICS in the narrower sense), the Compliance Management System (CMS), and Internal Audit.

[1] The statements made in this section do not belong to the management report and have therefore not been subjected to a substantive audit by the independent auditor.

The Risk Management System (RMS) encompasses all organizational arrangements and measures taken to identify, assess, manage and communicate risks, including system monitoring.

The ICS (in the narrower sense), the RMS and the CMS are audited by Internal Audit independently and with a risk orientation on the basis of the three-lines-of-defense model. This audit activity also includes regular reports to the Executive Board and the Supervisory Board.

Particular attention was given to the size, structure and complexity of the Gigaset Group in the design and implementation of the Group's internal control system and risk management system. The purpose of this system is to identify, manage, and master potential risks. Despite the comprehensive analysis of risks, however, any internal control and management system is subject to inherent limitations so that the occurrence of risks cannot be ruled out under all circumstances.

On this basis, the Executive Board is not aware of any circumstances that would cast doubt on the appropriateness and effectiveness of the systems. In particular, no material violations or systemic deficiencies that would contradict the assumption of appropriateness and effectiveness have been identified.

5.6 Disclaimer

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

6 ACQUISITION-RELATED DISCLOSURES

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

The subscribed capital of Gigaset AG as of December 31, 2022 amounts to EUR 132,455,896 and is divided into 132,455,896 no-par value bearer shares with a notional value of EUR 1.00 per share. Each share grants the same rights and one vote.

As a general rule, the shares can be freely transferred in accordance with the law. The voting rights of the shares can be limited under the provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and other laws. For instance, shareholders are barred from voting under certain conditions (Section 136 AktG). In addition, the Company is not entitled to any rights from treasury shares, including voting rights (Section 71b AktG). The Executive Board is not aware of any contractual limitations with respect to voting rights or the transfer of shares of the Company. However, please note that the Executive Board, employees and other people who have access to insider information are restricted by the Company's Policy on Insider Law and the corresponding legal requirements.

Goldin Fund Pte. Ltd., Singapore, notified the Company on June 17, 2022that it now holds 95,796,613 shares of the Company that grant the same number of voting rights. This corresponds to a share of 72.32% of the 132,455,896 voting rights. As far as the Executive Board is aware, the shareholder therefore held a share of 72.32% of the voting rights as of December 31, 2022.

Otherwise, the Company has received no new notifications of shareholdings that exceed ten percent of voting rights.

As of the date of this report, there are no shares that confer special control rights.

There are no rules related to the coordinated exercise of voting rights on the part of employees invested in the Company.

Rules governing the appointment and dismissal of members of the Executive Board are set forth under Sections 84 et seq. AktG. In accordance with Art. 5 (1) of the Articles of Association, the Supervisory Board only determines the exact number of Executive Board members. The responsibility and requirements to alter the Articles of Association are oriented on Sections 179-181 AktG. Additional rules in the Company's Articles of Association that go beyond these provisions are currently not considered necessary. Other statutory rules and regulations can be found in the German Stock Corporation Act; the relevant provisions under the Articles of Association can be found in part II (Executive Board) and part III (Supervisory Board) and Art. 16 of the Articles of Association.

Authorized Capital 2020 (Art. 4 (3) of the Articles of Association)

The Annual General Meeting held on August 12, 2016 authorized the Executive Board to issue, with the consent of the Supervisory Board, authorized capital amounting to up to EUR 44,200,000.00 up to August 11, 2021 and agreed to amend Art 4 (5) of the Articles of Association accordingly (Authorized Capital 2016). This authorization has not been made use of to date. The authorization would have expired on August 11, 2021.

The Annual General Meeting held on August 14, 2019 further authorized the Executive Board to issue, with the consent of the Supervisory Board, authorized capital in the amount of EUR 22,000,000.00 up to August 13, 2024, and adopted a corresponding supplement to Art 4 (3) of the Articles of Association (Authorized Capital 2019). This authorization has also not been made use of to date. Both authorized capitals available to the Company only took advantage of some of the legal possibilities for authorized capital. In order to provide the Company with the greatest possible flexibility with respect to financing, including with regard to increases in capital in kind, a newly Authorized Capital 2020 was to be created with the possibility of disapplying subscription rights, subject to the cancelation of the Authorized Capitals 2016 and 2019, with the Articles of Association to be amended correspondingly. Against this background, the Annual General Meeting resolved on June 4, 2020 to create a new Authorized Capital 2020 with the possibility of disapplying subscription rights and to correspondingly amend the Articles of Association.

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

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

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

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

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

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

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

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

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

The Supervisory Board is further authorized to amend the current version of the Articles of Association in accordance with the respective amount of the capital increase from the Authorized Capital 2020.

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

3. In light of this, the Annual General Meeting resolved on June 4, 2020 to delete Art. 4 (5) from the Articles of Association entirely.

4. The Annual General Meeting also resolved to rescind Art. 4 (3) of the Articles of Association and to reword it as follows:

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

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

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

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

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

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

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

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

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

The amendment of the Articles of Association took effect upon being entered in the Commercial Register on July 20, 2020. The authorization has so far not been utilized.

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

Bonds with warrants and/or convertible bonds can be significant instruments for ensuring an adequate equity base as a critical cornerstone for corporate development. The Company mostly accrues debt capital at low interest rates that it later retains as equity under certain circumstances. To issue such bonds, the corresponding authorization is required as well as the creation of contingent capital.

The Annual General Meeting held on August 12, 2016, authorized the Executive Board to issue bonds with warrants and/or convertible bonds and created a related Contingent Capital in the amount of up to EUR 29,700,000.00 in Art. 4 (9) of the Articles of Association (Contingent Capital 2016). This authorization would have expired on August 11, 2021. This authorization has not been made use of to date.

The Annual General Meeting held on August 14, 2019, further authorized the Executive Board to issue bonds with warrants and/or convertible bonds and created a related Contingent Capital in the amount of up to EUR 35,000,000.00 until August 13, 2024 in Art. 4 (4) of the Articles of Association (Contingent Capital 2019). This authorization has also not been made use of to date.

Neither of the authorizations available to the Company to issue bonds with warrants and/or convertible bonds with the related Contingent Capitals exhausted the legal possibilities. In order to provide the Company with the greatest possible flexibility with respect to financing within the scope of the legal possibilities for using this important financial instrument in the future, also with respect to non-cash contributions, the Annual General Meeting resolved on June 4, 2020 to create a new authorization to issue bonds with warrants and/or convertible bonds as well as an accompanying new Contingent Capital 2020, thus cancelling the previous authorizations. The Executive Board was also authorized to disapply the subscription rights of shareholders to the bonds with warrants and/or convertible bonds with the consent of the Supervisory Board. The Annual General Meeting therefore resolved on June 4, 2020 to correspondingly amend the Articles of Association:

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

a) Authorization period, nominal amount, number of shares

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

- to issue bearer or registered bonds with warrants and/or convertible bonds with or without a limited term in a total nominal amount of up to EUR 300,000,000.00 ("bonds") through the Company or through companies which have a direct or indirect majority stake in the Company ("subordinated Group companies") and to assume the guarantee for such bonds issued by subordinate Group companies, and
- to assume the guarantee for such bonds issued by subordinated Group companies and
- to grant warrant rights and/or conversion rights to the holders or creditors of bonds for a total of up to 64,700,000 no-par value bearer shares of the Company with a proportional share in the share capital of up to EUR 64,700,000.00 after further specification of the individual terms and conditions of the bonds.

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

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

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

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

b) Subscription right, exclusion of a subscription right

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

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

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

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

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

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

c) Warrant or conversion price, dilution protection

aa) The warrant or conversion price must not exceed 80% of the price of the Gigaset share in the XETRA trading system (or in a comparable successor system). The average closing price on the ten stock exchange trading days prior to the final decision of the Executive Board on the submission of an offer to subscribe bonds or on the statement of acceptance by the Company following a public request to issue subscription offers shall prevail. For subscription rights trading, the days on which the subscription rights trading occurs, with the exception of the last two trading days, are decisive, unless the Executive Board has already set a warrant and/or conversion price prior to the subscription rights trading.

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

Section 9(1) and Section 199 AktG shall remain unaffected thereby.

d) Further terms and conditions

The Executive Board is authorized, with the consent of the Supervisory Board, to independently establish the further details of the issuance and features of the bonds and their terms while complying with the foregoing requirements, or to establish them by mutual consent with the governing bodies of the subordinate Group company issuing the bonds, in particular the warrant or conversion price, interest rate, issue price, maturity period and trading units, establishment of a warrant or conversion requirement, setting an additional cash payment, compensation for or pooling of fractional shares, cash payment in lieu of the delivery of shares, delivery of treasury shares in lieu of issuing new shares, anti-dilution protection provisions, and the warrant and/or conversion period.

2. Contingent capital increase

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

3. The authorization of the Executive Board decided by the Annual General Meeting on August 12, 2016, to issue bonds with warrants and/or convertible bonds and the related Contingent Capital 2016 pursuant to Art. 4.9 of the Articles of Association as well as the authorization of the Executive Board to issue bonds with warrants and/or convertible bonds and the related Contingent Capital 2019 pursuant to Art. 4.4 of the Articles of Association, adopted by the Annual General Meeting held on August 14, 2019, are rescinded effective at the time of entry of the following proposed amendments to the Articles of Association under Article 4 and Article 5 into the Commercial Register.

4. In light of this, the Annual General Meeting resolved to delete Art. 4 paragraph 9 from the Articles of Association entirely.

5. The Annual General Meeting also resolved to rescind Art. 4 paragraph 4 of the Articles of Association and to reword it as follows:

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

The amendment of the Articles of Association took effect upon being entered in the Commercial Register on July 20, 2020. The authorization has so far not been utilized.

There are no material agreements with the parent company as of December 31, 2022, subject to the condition of a change in control as a consequence of a takeover offer.

No compensation agreements have been entered into between the Company and the members of the Executive Board or employees in the event of a takeover offer.

7 DECLARATION ON CORPORATE GOVERNANCE AT GIGASET AG & THE GROUP[2]

7.1 Corporate Governance – Declaration of Conformity

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

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

On February 28, 2023, the Executive Board and Supervisory Board of Gigaset AG submitted the Declaration of Conformity with the German Corporate Governance Code, as required under Section 161 AktG, and then made it permanently and publicly available to the shareholders on the Company's website (http://www.gigaset.com/de_de/cms/gigaset-ag/investor-relations/unternehmen/corporate-governance.html). In this declaration, the Executive Board and Supervisory Board of Gigaset AG declare that they have complied with the recommendations made by the "Government Commission of the German Corporate Governance Code" in the version of December 16, 2019 published by the Federal Ministry of Justice in the official part of the Federal Gazette on March 20, 2020 and the recommendations made by the "Government Commission of the German Corporate Governance Code" in the version of April 28, 2022 published by the Federal Ministry of Justice in the official part of the Federal Gazette on June 27, 2022, with seven exceptions. The declaration is as follows:

1. The Executive Board and the Supervisory Board of Gigaset AG declare that Gigaset AG complied with the recommendations of the German Corporate Governance Code in the version of December 16, 2019 ("GCGC 2020") in the period of time from the submission of the last Declaration of Conformity on February 17, 2022 to the submission of the present Declaration of Conformity, with the following exceptions:

a. In deviation from Recommendation C.5 of the GCGC 2020, Mr. Rainer-Christian Koppitz is a member of the Management Board of KATEK SE and Chairman of the Supervisory Boards of NFON AG and CENIT AG in addition to his seat on the Supervisory Board of Gigaset AG. The Executive Board and the Supervisory Board of Gigaset AG are of the opinion that the aforementioned activities of Mr. Rainer-Christian Koppitz are compatible with his activity as a member of the Supervisory Board of Gigaset AG.

b. In deviation from Recommendation C.15 Sentence 2 of the GCGC 2020, the application for the judicial appointment of Mr. Rainer-Christian Koppitz to the Supervisory Board of Gigaset AG is not term-limited to the next Annual General Meeting. In view of the fact that the election of Supervisory Board members is set to be on the agenda of the Annual General Meeting 2023 by

[2] The statements made in this section have not been subjected to a substantive audit by the independent auditor.

regular rotation anyway, it was not necessary to limit the term of the application for judicial completion to safeguard the rights of shareholders.

c. In deviation from Recommendation D.5 of the GCGC 2020, a Nomination Committee has not been formed. The Supervisory Board formed committees pursuant to the recommendations of Section D.II.2. of the GCGC 2020, namely an Audit Committee, a Personnel Committee, and a Strategy and Finance Committee. In addition, the current composition of the Supervisory Board, which with six members is a manageable size, and the meetings held facilitate an efficient work process and intensive discussions on strategic topics, as well as points of detail; as such forming additional committees is not expected to boost efficiency further. With regard to the Nomination Committee, another factor is that the Supervisory Board exclusively consists of shareholder representatives.

d. In deviation from Recommendation F.2 of the GCGC 2020, the consolidated financial statements and the Group management report, as well as interim financial information, were and will not be made publicly accessible within the stipulated periods of time since, owing to its listing on the Prime Standard and by law, the Company is already obligated to produce these documents within short spaces of time and make these available to the public (two months for quarterly reports, three months for the half-yearly report and four months for the consolidated and annual financial statements). Shortening these deadlines would place additional time pressure on producing and inspecting the documents in question, and the Company wants to avoid this. The Executive Board and Supervisory Board are of the view that the public is kept informed in a sufficiently timely manner under the current approach and that efforts taken to comply with the deadlines would not notably increase transparency.

e. The Supervisory Board passed a resolution on the compensation system for Executive Board members, which was approved by the Annual General Meeting in 2021. The system, which applies to all Executive Board contracts that are concluded, amended or extended after a period of two months has passed after the compensation system is approved by the Annual General Meeting for the first time, meets statutory requirements as well as all recommendations of Section G. of the GCGC 2020, with the following exceptions:

aa. In deviation from Recommendation G.10 sentence 1 of the GCGC 2020, Executive Board members' variable compensation is not granted as share-based compensation and the Executive Board members are also not required to predominantly invest variable compensation into Company shares. The planned share ownership guideline establishes the requirement for Executive Board members to acquire and retain shares in the Company, measured on the basis of their fixed compensation (5% of the gross amount of the annual fixed compensation) and applying across the entire duration of their appointment as member of the Executive Board. In the Supervisory Board's view, this is sufficient to ensure that the interests of Executive Board members and shareholders are harmonized.

bb. In deviation from Recommendation G.12 of the GCGC 2020, payment of the still outstanding variable compensation components of Mr. Klaus Weßing on the occasion of his resignation from the Executive Board was not done at the due dates specified in the Executive Board employment contract. In the interest of an orderly departure, Mr. Klaus Weßing was promised early payment of the LTI tranches committed to him at the date of termination of his Executive Board employment contract.

cc. In deviation from Recommendation G.17 of the GCGC 2020, the higher time commitments for chairs of Supervisory Board committees are not yet taken into account separately in the compensation in light of the Company's situation.

2. The Executive Board and the Supervisory Board of Gigaset AG declare that Gigaset AG complied with and will continue to comply with the recommendations of the German Corporate Governance Code in the version of April 18, 2022 ("GCGC 2022") in the period of time from June 27, 2022 to the submission of the present Declaration of Conformity, with the following exceptions:

a. Recommendation C.5 of the GCGC 2020 is identical to Recommendation C.5 of the GCGC 2022 and therefore reference is made to the foregoing remarks.

b. Recommendation C.15 Sentence 2 of the GCGC 2020 is identical to Recommendation C.15 Sentence 2 of the GCGC 2022 and therefore reference is made to the foregoing remarks.

c. Recommendation D.5 of the GCGC 2020 is identical to Recommendation D.4 of the GCGC 2022 and therefore reference is made to the foregoing remarks.

d. Recommendation F.2 of the GCGC 2020 is identical to Recommendation F.2 of the GCGC 2022 and therefore reference is made to the foregoing remarks.

e. Recommendation G.10 Sentence 1 of the GCGC 2020 is identical to Recommendation G.10 Sentence 1 of the GCGC 2022 and therefore reference is made to the foregoing remarks.

f. Recommendation G.12 of the GCGC 2020 is identical to Recommendation G.12 of the GCGC 2022 and therefore reference is made to the foregoing remarks.

g. Recommendation G.17 of the GCGC 2020 is identical to Recommendation G.17 of the GCGC 2022 and therefore reference is made to the foregoing remarks.

Bocholt, February 28, 2023

Gigaset AG
Executive Board and Supervisory Board

7.2 Compensation Report

The Executive Board and Supervisory Board of Gigaset AG have drawn up a clear, understandable report on the compensation granted and owed to every individual current or former member of the Executive Board and Supervisory Board over the last financial year. This has been made publicly available on Gigaset AG's website as follows, together with the auditor's report pursuant to Section 162 AktG and the applicable compensation system pursuant to Section 87a (1) and (2) sentence 1 AktG, pursuant to the decision of the Annual General Meeting on the approval of the prepared and audited compensation report:

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

7.3 Relevant disclosures regarding governance practices

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

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

7.4 Report on corporate governance

7.4.1. Functioning and composition of the Executive Board

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

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

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

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

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

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

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

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

The Personnel Committee of the Supervisory Board takes into account the diversity plan described above when selecting candidates in order to ensure a diverse range of members within the Executive Board. In the view of the Supervisory Board, the composition of the Executive Board was in line with the defined diversity plan as of December 31, 2022. The Executive Board members possess different, but complementary professional, educational and life experiences. The profiles of the Executive Board members, which can be compared with the provisions of the diversity plan, can be viewed on the Company's website: https://www.gigaset.com/de_de/cms/gigaset-ag/investor-relations/unternehmen/vorstand.html

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

7.4.2. Functioning and composition of the Supervisory Board

The Supervisory Board is tasked with supervising and advising the Executive Board. It was only composed of five members at the end of the reporting period because Flora Shiu resigned from her position as member of the Supervisory Board with effect at the close of June 30, 2022. A judicial completion of the Supervisory Board pursuant to Section 104 (2) AktG was applied for, but had not yet been completed at the end of the reporting period. The Supervisory Board is directly involved in decisions of fundamental importance for the Company; it also agrees on the Company's strategic orientation with the Executive Board and discusses the progress achieved on implementing the business strategy with the Executive Board. The Supervisory Board appoints members of the Executive Board and is responsible for allocating duties. From the viewpoint of the Supervisory Board, the main suitability criteria for the selection of candidates for a position on the Executive Board particularly include – as mentioned above – personality, integrity, outstanding leadership qualities, the professional qualifications for the function in question, an international understanding, previous achievements, good knowledge of the communications and industrial sectors and the area to be covered, as well as the ability to adapt business models and processes in an ever-changing, increasingly digitalized world. The Chair of the Supervisory Board coordinates the board's work and chairs its meetings. The Executive Board keeps the Supervisory Board informed at all times about the Company's policies, planning and strategy as part of a regular exchange of views. The Supervisory Board checks the annual plan and adopts the separate annual financial statements of Gigaset AG and the consolidated financial statements of the Gigaset Group, together with the combined management report, taking into account the reports submitted by the independent auditors. The Supervisory Board also reviews the dependent company report, which the Executive Board presents to the Supervisory Board after it is signed together with auditor's report and opinion. The Supervisory Board reviews the dependent company report independently and comprehensively just as it reviews the completeness of the statements made therein. In addition, it reviewed the separate consolidated non-financial report in accordance with Section 315b HGB. The Supervisory Board continues, together with the Executive Board, to draw up annually a clear, understandable report on the compensation granted and owed over the last financial year to every individual current or former member of the Executive Board and Supervisory Board of the Company and of companies from the same Group (Section 290 HGB). In addition, the Supervisory Board has begun an open, dialog-oriented self-assessment, which will be carried out on a continuous basis over the longer term, to determine the effectiveness of the Supervisory Board as a whole and its committees. The main aim is to ascertain specific ways to further develop its composition and working methods. This self-assessment was last performed in the 2021 financial year in cooperation with an external consulting firm, ECBE - European Center for Board Efficiency GmbH. For this purpose, an online self-assessment was conducted by the Supervisory Board from October to November 2021, the results of which were discussed with ECBE in December 2021 together with recommended actions.

The Supervisory Board is to set out specific goals pertaining to its composition and draw up a competency profile for the full Board, taking diversity into account. The competency profile for the Supervisory Board should also include expertise in sustainability issues of significance for the Company. Proposals put forward by the Supervisory Board to the Annual General Meeting should take these goals into account, as well as strive to fulfill the competency profile for the full Board. The status of implementation is to be published in the form of a qualifications matrix accompanying the Declaration on Corporate Governance. In this regard, the Supervisory Board has decided that the Board shall be composed such that, on the whole, its members possess the knowledge, skills and experience required to properly discharge their duties. At the same time, this describes the concept designed to ensure diversity among the members of the Supervisory Board (diversity plan). Here, a distinction is to be made between the requirements for individual members of the Supervisory Board and the requirements for the composition of the Board as a whole.

Requirements for individual members of the Supervisory Board

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

Good corporate management

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

Availability and restriction on the number of mandates

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

English-language skills

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

Independence

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

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

- Integrity and ethical behavior
- Understanding of business or operations
- Strong drive
- Social skills

- Sound negotiating and debating skills
- Analytical skills and long-sightedness
- Openness to innovative thinking and new ideas

Requirements for the Supervisory Board as a whole

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

Innovation, research and development

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

Sector

Experience and expertise in the sector in which Gigaset operates, particularly including extensive experience in the telecommunications and software industry, both in terms of sales and development; knowledge of international markets, customers and competitors; product know-how

Accounting and auditing

Expertise in the fields of accounting and auditing.

Expertise in the field of accounting should consist of particular knowledge and experience in the application of accounting principles, internal control systems and risk management systems and expertise in the field of auditing should consist of particular knowledge and experience in the auditing of financial statements. Expertise in accounting and auditing also includes expertise in sustainability reports and the auditing of such reports.

At least one member of the Supervisory Board should have expertise in the field of accounting and at least one other member of the Supervisory Board should have expertise in the field of auditing.

Finance

Experience and expertise in corporate planning, corporate finance and capital market matters; experience with commercial processes and their optimization.

Legal expertise

Advanced legal knowledge in the fields relevant for Gigaset.

Strategy

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

Internationality

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

Sustainability

Experience and expertise in sustainability issues of significance for Gigaset.

Proposals put forward by the Supervisory Board to the Annual General Meeting take these goals into account, as well as strive to fulfill the competency profile for the full Board.

The status of implementation of the competency profile at the end of the reporting period is indicated in the following qualifications matrix:

	Helvin Wong	Barbara Münch	Ulrich Burkhardt	Paolo Di Fraia	Jenny Pan
Innovation, Research and Development	B	C	C	B	B
Sector	B	B	B	A	B
Accounting and Auditing	B	C	A	A	B
Finance	A	A	A	A	A
Legal	A	A	B	B	C
Strategy	A	B	C	B	A
Internationality	A	C	C	A	A
Sustainability	C	B	A	B	B

Core competency	A
Secondary competency	B
Tertiary / no competence	C

In the Supervisory Board's opinion, its composition is in line with the defined competency profile and the diversity plan. The five members have different, yet complementary knowledge, skills, educational, professional and life experiences and family backgrounds. The profiles of the Supervisory Board members can be viewed on the Company's website.

In the view of the shareholder representatives on the Supervisory Board, the Supervisory Board had an appropriate number of independent shareholder representatives with the four Supervisory Board members Mr. Helvin Wong, Ms. Barbara Münch, Mr. Ulrich Burkhardt, and Mr. Paolo Di Fraia in the reporting period.

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

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

7.4.3. Supervisory Board committees

Audit Committee:

Since June 8, 2021 , the Audit Committee has been composed of Messrs. Wong, Di Fraia and Burkhardt (Chairman). Ms. Shiu had also been a member of the Audit Committee from June 8, 2021 to her resignation effective at the close of June 30, 2022.

Pursuant to Section 107 (4) sentence 3 AktG in conjunction with Section 100 (5) AktG, at least one member of the Audit Committee should have expertise in the field of accounting and at least one other member of the Audit Committee should have expertise in the field of auditing; the members of the Audit Committee as a whole should have expertise in the sector in which the Company operates.

Expertise in the field of accounting should consist of particular knowledge and experience in the application of accounting principles, internal control systems and risk management systems and expertise in the field of auditing should consist of particular knowledge and experience in the auditing of financial statements. Expertise in accounting and auditing also includes expertise in sustainability reports and the auditing of such reports. The Chairman of the Audit Committee should have expertise in at least one of these two fields.

In accordance with the legal requirements and recommendations of the German Corporate Governance Code, the Supervisory Board has resolved that the Audit Committee should be composed in such a way that its members as a whole have the necessary knowledge, skills and experience to perform their duties properly.

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

The Chair of the Audit Committee, Mr. Burkhardt, has worked as an auditor and tax consultant on the management teams of various auditing and tax consulting firms in Germany and has over 35 years' professional experience in the areas of auditing, tax consultation and business consulting.

The Audit Committee member Mr. Di Fraia has worked in several senior management positions, including Chief Financial Officer, at various international enterprises and has more than 30 years' professional experience particularly in the telecommunications sector.

Among other things, the Audit Committee's duties include reviewing the Company's accounts, the annual and consolidated financial statements prepared by the Executive Board, the combined management report, the proposal for the utilization of Gigaset AG's unappropriated net profit, and the Gigaset Group's quarterly reports and interim management reports. The accounts include in particular the consolidated financial statements and the Group management report, the separate consolidated non-financial report, interim financial information and the separate financial statements pursuant to the HGB. The Audit Committee draws up proposals for the approval of the annual financial statements by the Supervisory Board on the basis of the independent auditors' report on the audit of Gigaset AG's separate annual financial statements and the Gigaset Group's consolidated financial statements and combined management report. The Audit Committee is also responsible for the Company's relations with the independent auditors. The committee submits to the Supervisory Board a proposal regarding the election of the independent auditors, suggests areas of audit emphasis, sets the fees paid to the auditors and engages the independent auditors elected by the Annual General Meeting. The Audit Committee discusses the assessment of audit risk, the audit strategy, the audit plan and the audit results with the independent auditor. The Chairman of the Audit Committee regularly discusses the progress of the audit with the independent auditor and reports the results of these discussions to the Audit Committee. The Audit Committee consults with the independent auditor also without the participation of the Executive Board. Furthermore, the committee monitors the independence, qualification, rotation, and efficiency of the auditors of the annual financial statements. Here, the Audit Committee also regularly assesses the quality of the audit. In addition, the Audit Committee handles the review of the separate consolidated non-financial report in accordance with Section 315b HGB and addresses the Company's internal control system, the procedures used to record, control and manage risk, the internal audit system and compliance. Each member of the Audit Committee can obtain information via the committee chair directly from the heads of the Company divisions that are responsible for the tasks concerning the Audit Committee pursuant to the provisions of the AktG.

Personnel Committee:
The Personnel Committee is directly responsible for dealing with all personnel matters of the Executive Board to the extent permitted under the law. The Personnel Committee's responsibilities include in particular preparing for the appointment of Executive Board members and preparing personnel decisions, insofar as they are reserved for plenary meetings due to the prohibition on the delegation of duties. In addition, the Personnel Committee prepares matters and decisions concerning Executive Board compensation for the Supervisory Board.

Since June 8, 2021, the Personnel Committee has comprised Mr. Wong, Mr. Di Fraia, Ms. Münch (Chair), and Ms. Pan.

Strategy and Finance Committee:
The Strategy and Finance Committee deals with complex financial issues. In this regard it deals with financing and investment principles, including the capital structure of Group companies, as well as with the principles underlying the acquisition and divestment policies, including the acquisition and divestment of individual investments of strategic importance.

Since June 8, 2021, the Strategy and Finance Committee has comprised Mr. Wong, Ms. Münch, and Mr. Di Fraia (Chair).

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

7.4.4. Disclosures regarding the share of women

On May 19, 2022, the Supervisory Board established targets for the share of women – namely 33.33% on the Supervisory Board by June 30, 2025, and 0% on the Executive Board by June 30, 2025. These targets are met by the current composition of the Supervisory Board and the Executive Board. The target of a 0% share of women on the Executive Board was carefully considered and established on the basis of the specific composition of the Executive Board and the underlying structural conditions.

Given the fact that there are no longer any management levels beneath the level of the Executive Board at Gigaset AG, it was not necessary to establish targets for such management levels

7.4.5. Extensive reporting

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

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

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

The Company did not receive any notifications in accordance with Art. 19 of the Market Abuse Regulation (EU) No. 596/2014 (MAR) in the 2022 financial year.

8 FORECAST REPORT AND OUTLOOK

8.1 General economic development

The raising of interest rates by major central banks to combat inflation and Russia's war on Ukraine continue to impede economic activity. The rapid spread of COVID-19 in China dampened growth in 2022 but the latest reopening has cleared the way for a faster-than-expected recovery. The International Monetary Fund (IMF) expects that global inflation will fall from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, which would still be higher than the pre-coronavirus level of about 3.5 percent. Accordingly, the IMF expects global economic output to increase by 2.9% in 2023 in a continuation of the slowing trend (2022: 3.4%). Moreover, the developed economies are expected to grow by only 1.2% (2022: 2.7%), although emerging-market and developing countries are expected to grow by 4.0%, after 3.9% in 2022. According to the IMF, the EU economy will only generate very modest growth of 0.7% in 2023 (2022: 3.7%).

According to the IMF's estimates, the growth of the German economy will likewise slow considerably in 2023 with only a minimal gain of 0.1% (2022: 1.9%). Growth of 0.7% (2022: 2.6%) is expected for France, 0.6% (2022: 3.9%) for Italy, and 1.1% (2022: 5.2%) for Spain. According to WKO statistics, the Dutch economy should expand by 0.9% after 4.4% in 2022 and the Swiss economy by 0.8% after 2.2% in 2022.

Due to the fluid nature of developments, the degree to which the ongoing war in Ukraine and the related Western sanctions will impact Gigaset's business performance going forward is hard to predict at the present time. There is a certain risk for Gigaset that it will not be able to continue its business in Russia and the Balkan countries in the same way as before. Moreover, the shortages of intermediate products could worsen further.

The energy crisis in Europe also poses a risk to consumer sentiment and the economy in general. The uncertain development of energy prices and supplies could lead to limit manufacturing and therefore to supply shortages. All things considered, there are clear risks of a weakening global economy.

8.2 Development of the industry

8.2.1. Phones

According to an assessment by Statista, the global market trend for fixed-line telephony will be slightly positive over the next few years. Revenues in this segment should increase accordingly from around EUR 8.08 billion in 2023 to EUR 8.48 billion in 2027. For Europe as a whole, Statista is forecasting revenues of around EUR 1.69 billion for 2023 with an increase to EUR 1.74 billion by 2027. Gigaset does not entirely share this positive prediction and is therefore taking a more defensive calculation approach. Gigaset assumes that the market trend for fixed-line telephony in Europe and worldwide will continue to decline due to the growing share of mobile communication. In absolute terms, Gigaset expects the price level of the market for cordless fixed-line telephony to continue to decline. Nevertheless, Gigaset intends to defend and further expand its market share in the Phones segment against competition.

8.2.2. Smartphones

According to Statista, the outlook for the worldwide smartphone market through 2026 is positive. Unit sales are expected to reach an astounding 1.39 billion units, nearly matching the record number from 2016. The smartphone has long been regarded as a digital all-rounder and it is a completely indispensable device particularly in the age group of 14-to-49 year-olds, more than 95 percent of whom use a smartphone today. But the main reason for the popularity of smartphones is that they are so much more than portable telephones. They are used for listening to music, taking photographs, navigation and much more. In full appreciation of this fact, Gigaset took the step in 2022 of entering into cooperation agreements with partners in the logistics sector such as Nimmsta, a manufacturer of innovative scan wearables which when combined with Gigaset smartphones could replace heavy barcode scanners.

8.2.3. Smart Home

According to a forecast by Statista, revenues in the German Smart Home market will be around EUR 7.1 billion in 2022. By 2025, Statista expects a further increase in market volume to EUR 9.6 billion. That would correspond to revenue growth of 36.5%.

According to Statista, revenues in the worldwide Smart Home market will amount to around EUR 142.8 billion in 2023 and reach a market volume of EUR 182.4 billion by 2025. That would correspond to revenue growth of 27.8%.

Due to the fact that it addresses different product segments, Gigaset sees itself as having a strong position in the smart home market and anticipates further growth. For this reason, Gigaset is seeking out cooperation arrangements with new partners, as described in Chapter 3.1.2.3, in order to serve both the B2C market and the B2B2C market.

8.2.4. Professional

According to MZA Consultants, the importance of IP telephony to business telephony customers is expected to rise, especially in Western Europe, due to the shift from traditional TDM telephony to all-IP and hybrid solutions. Based on this trend, Gigaset expects to grow its revenues by expanding its portfolio to include open SIP desktop telephones in the Professional segment.

With its business customer solutions, Gigaset successfully evolved out of the SME segment into the enterprise business. This new market segment can now be successfully addressed and holds promising potential for growth analogous to the overall growth of the industry, including through the use of AML (Alarm, Messaging and Location) solutions used by large companies, hospitals, authorities and many other institutions.

In this context, the exclusive partnership with Unify Software and Solutions GmbH & Co. KG is particularly important. As part of this partnership, Gigaset is developing the next table telephone family and will also implement it in its own portfolio based on acquired software licenses. The first devices for Unify were delivered in 2022. A total of around five million devices from the new table telephone series is expected to be sold in the subsequent years.

8.3 Development of the Gigaset Group

8.3.1. Financial performance

The macroeconomic and geopolitical environment is under great strain from a number of different factors. As only one of many examples, the war in Ukraine leads to shortages and rising prices of energy and coveted raw materials, in addition to human suffering. Other adverse factors are the high rates of inflation which are constricting demand and forcing central banks to pursue increasingly more restrictive monetary policies.

The economic environment in financial year 2023 will still be impacted by various exogenous factors to which Gigaset can react only to a limited degree. The main drivers will be the further repercussions of the Ukraine war on capital markets and the development of exchange rates. In particular, the Group's financial performance will be heavily influenced by inflation and rising prices in all sectors. The business performance of the Gigaset Group in 2023 will be impacted by the corresponding effects of these developments on consumer behavior, which cannot be planned at the present time. Substantial shortages of raw materials will presumably play a lesser role in the coming year.

A large part of U.S. dollar risk in 2023 has already been hedged. Moreover, the forecast is based on an exchange rate of USD 1.05 per euro. This forecast takes the macroeconomic and sector-specific developments described above into account. From the Company's viewpoint, there is a risk that exchange rates could fluctuate too widely, thus beyond the projected corridor. Such a development could adversely affect the Company's operating result.

As in the past, Gigaset will react promptly and purposefully to new exogenous factors with the goal of minimizing or preventing effects on the Company's financial performance. Existing factors will be managed as before.

In its operating business, Gigaset will focus on increasing its revenues with new products and cooperation arrangements to boost the performance of its existing operating segments. The long-term trend of market decline in the Phones segment will continue, but will be compensated for by the positive performance observed in the other segments.

In order to meet its objectives, Gigaset will continue to practice strict cost management and invest with sound judgment depending on the revenue trend and other economic risk factors in 2023.

8.3.2. Cashflows

The Group currently funds its business primarily from its operating activities and will continue to focus on optimal liquidity management while taking advantage of all available and – in the overall context – sensible funding opportunities, in consideration of the prevailing uncertainties. The Company's strategy with respect to securing financial stability remains conservative in order to preserve the Group's operational and strategic flexibility. As of the end of 2022, Gigaset had cash and cash equivalents of EUR 21.5 million at its disposal. In addition to the operational requirements, the cash and cash equivalents must also cover repayments in connection with the external financing. According to its planning, Gigaset expects that a sizable, positive portfolio of cash and cash equivalents will be available at the end of the 2023 financial year, even taking into account its payment obligations.

8.3.3. The Executive Board's overall assessment of the outlook for 2023

Despite the challenges described above, Gigaset is confident of its growth prospects. The Company will focus on its core competencies and meet the needs of customers with precisely tailored products. Effective immediately, moreover, the Company will target its research and investments with the goal of gaining market relevance after the strategic realignment.

Barring an abrupt worsening of exchange rate effects, the supply chain situation, the war in Ukraine, further geopolitical tensions or a new, detrimental development of the pandemic situation, the Company therefore anticipates the following development of financial position, cashflows and financial performance in financial year 2023. The stated forecasts are expressed in relation to the actual results for 2022.

forecasted key figures	2023	Fiscal Year 2022
Revenues	medium increase	241.3
EBITDA	significant increase	17.9
Free Cashflow	significant increase	1.0

8.4 Development of Gigaset AG

8.4.1. Financial performance

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

As a holding company, Gigaset AG's performance is influenced by the development of its operating subsidiaries. For the 2023 financial year, no dividend income is planned at Gigaset AG.

8.4.2. Cashflows

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

9 CONSOLIDATED NON-FINANCIAL REPORT

Publication in accordance with Section 315b(3) HGB

In accordance with Section 315b (1) in conjunction with (3) HGB, Gigaset AG is exempt from the duty to expand the Group management report to include a non-financial group statement, since Gigaset AG has prepared a separate consolidated non-financial report for the 2022 reporting period in addition to the combined management report. In compliance with Section 315b (3) no. 2 b) HGB, Gigaset AG will make the separate consolidated non-financial report public and publish it on Gigaset AG's website at:

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

10 DEPENDENT COMPANY REPORT

Goldin Fund Pte. Ltd., Singapore, holds a majority interest. In accordance with Section 312 of the German Stock Corporation Act (Aktiengesetz, AktG), we prepared a report on April 4, 2023, regarding our relationships with associates that closes with the following statement: "We declare that the Company did not undertake any transactions requiring reporting or take or refrain from taking any measures with affiliated companies in the 2022 financial year."

Bocholt, April 4, 2023

The Executive Board of Gigaset AG

Dr. Magnus Ekerot	Thomas Schuchardt
CEO	CFO

CONSOLIDATED FINANCIAL STATEMENTS

A tried-and-tested product made even better

COMFORT 500 is the new range of DECT all-rounders from Gigaset.

Featuring a timeless and elegant design, perfect ergonomics and an array of convenient functions, COMFORT 500 is the ideal phone for all home environments, from homes to home offices.

Thanks to the headset connection and integrated hands-free function, you can make and receive calls in HD quality while keeping your hands free. The dynamic call blocking list protects users from unwanted calls.

Gigaset COMFORT 500 is available with or without an answering machine and in bundles of up to three mobile handsets that can be connected directly to a DECT-capable router or as an IP DECT telephone system.

The market launch took place in March 2022.

CONSOLIDATED INCOME STATEMENT

EUR'000	Notes	01/01 - 12/31/2022	01/01 - 12/31/2021[1]
Revenues	E.1	241,318	217,133
Change in inventories of finished and unfinished goods		4,413	-2,291
Purchased goods and services	E.2	-131,604	-102,093
Gross profit		**114,127**	**112,749**
Other own work capitalized	E.3	17,889	12,010
Other operating income	E.4	16,477	17,951
Personnel expenses	E.5	-58,181	-58,013
Other operating expenses	E.6	-72,374	-67,316
EBITDA		**17,938**	**17,381**
Depreciation and amortization	E.7	-15,793	-14,725
Impairments	E.7	-370	0
EBIT		**1,775**	**2,656**
Other interest and similar income	E.8	120	355
Interest and similar expenses	E.9	-2,805	-2,661
Financial result		**-2,685**	**-2,306**
Result from ordinary activities		**-910**	**350**
Income taxes	E.10	-4,660	113
Consolidated net loss / income the year		**-5,570**	**463**
Earnings per share	E.11		
– Undiluted (Basic) in EUR		-0.04	0.00
– Diluted in EUR		-0.04	0.00

[1] The comparison figures of the previous year were adjusted to account for the changed presentation of net interest expense included in pension obligations (see section Changes in the Presentation of Interest Expense from Pension Obligations).
The consolidated statement of comprehensive income contains subtotals not defined in IFRS..

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR'000	01/01 - 12/31/2022	01/01 - 12/31/2021
Consolidated net loss /income for the year	**-5,570**	**463**
Items that may be reclassified to profit and loss statement at a later time		
Currency translation differences	-296	-569
Cashflow hedges	-1,662	914
Income taxes recognized on this item	530	-291
Items that will not be reclassified to profit and loss statement at a later time		
Revaluation effect, net debt of defined benefit pension plans before income taxes	33,360	8,652
Income taxes recognized on this item	-9,716	-3,070
Total changes not recognized in profit or loss	**22,216**	**5,636**
Total income and expenses recognized	**16,646**	**6,099**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	Notes	12/31/2022	12/31/2021
ASSETS			
Noncurrent assets			
Intangible assets	F.1	62,731	55,842
Property, plant and equipment	F.2	20,341	20,939
Right of use assets	F.3	2,198	2,990
Investment property	F.4	6,700	6,700
Deferred tax assets	F.14	826	12,209
Total noncurrent assets		**92,796**	**98,680**
Current assets			
Inventories	F.5	37,755	29,854
Trade receivables	F.6	19,287	16,009
Other assets	F.7	19,906	24,344
Tax refund claims	F.8	258	186
Cash and cash equivalents	F.9	21,456	23,080
Total current assets		**98,662**	**93,473**
Total assets		**191,458**	**192,153**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	Notes	12/31/2022	12/31/2021
EQUITY AND LIABILITIES			
Equity	F.10		
Subscribed capital		132,456	132,456
Additional paid-in capital		86,076	86,076
Retained earnings		68,979	68,979
Accumulated other comprehensive equity		-262,870	-279,516
Total equity		**24,641**	**7,995**
Noncurrent liabilities			
Pension obligations	F.11	62,358	93,796
Provisions	F.12	965	1,373
Financial liabilities	F.13	5,483	2,847
Lease liabilities	F.3	971	1,561
Other liabilities	F.17	601	0
Deferred tax liabilities	F.14	1,601	265
Total noncurrent liabilities		**71,979**	**99,842**
Current liabilities			
Provisions	F.12	12,720	11,995
Financial liabilities	F.13	11,041	13,131
Lease liabilities	F.3	1,301	1,541
Trade payables	F.15	54,714	44,978
Tax liabilities	F.16	541	844
Other liabilities	F.17	14,521	11,827
Total current liabilities		**94,838**	**84,316**
Total equity and liabilities		**191,458**	**192,153**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EUR'000	Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive equity	Consolidated equity
	December 31, 2020	**132,456**	**86,076**	**68,979**	**-285,615**	**1,896**
1	Consolidated net income	0	0	0	463	463
2	Currency translation differences	0	0	0	-569	-569
3	Cashflow hedges	0	0	0	623	623
4	Revaluation effects, net liability from defined benefit pension plans	0	0	0	5,582	5,582
5	Total changes not recognized in profit or loss	0	0	0	5,636	5,636
6	Total net income (1+5)	**0**	**0**	**0**	**6,099**	**6,099**
	December 31, 2021	**132,456**	**86,076**	**68,979**	**-279,516**	**7,995**
1	Consolidated net loss	0	0	0	-5,570	-5,570
2	Currency translation differences	0	0	0	-296	-296
3	Cashflow hedges	0	0	0	-1,132	-1,132
4	Revaluation effects, net liability from defined benefit pension plans	0	0	0	23,644	23,644
5	Total changes not recognized in profit or loss	0	0	0	22,216	22,216
6	Total net income (1+5)	**0**	**0**	**0**	**16,646**	**16,646**
	December 31, 2022	**132,456**	**86,076**	**68,979**	**-262,870**	**24,641**

CONSOLIDATED STATEMENT OF CASHFLOWS

EUR'000	01/01 - 12/31/2022	01/01/ - 12/31/2021[1]
Result from ordinary activities	**-910**	**350**
Depreciation and amortization of property, plant and equipment and intangible assets	15,793	14,725
Impairments	370	0
Increase (+) / decrease (-) in pension provisions	538	3,281
Gain (-) / loss (+) on the sale of noncurrent assetes	240	-34
Gain (-)/ loss (+) from deconsolidations	-53	0
Gain (-) / loss (+) from currency translation	-505	-370
Net interest income	2,685	2,306
Interest received	52	7
Income taxes paid	-1,511	853
Increase (-) / decrease (+) in inventories	-7,890	-6,341
Increase (-) / decrease (+) in trade receivables and other assets	-502	-5,196
Increase (-) / decrease (+) in trade payables, other liabilities and other provisions	13,484	-3,977
Increase (-) / decrease (+) in other items of the statement of financial position	77	-295
Cash inflow (+) /outflow (-) from operating activities (net cashflow)	**21,868**	**5,309**
Proceeds from the sale of noncurrent assets	0	43
Payments for investments in noncurrent assets	-20,892	-19,562
Cash inflow (+)/outflow (-) from investing activities	**-20,892**	**-19,519**
Free cashflow	**976**	**-14,210**
Proceeds from the borrowing of current financial liabilities	1,500	0
Cash outflows for repayment of current financial liabilities	-772	-1,989
Proceeds from the borrowing of noncurrent financial liabilities	0	1,590
Payments for lease liabilities	-1,686	-1,750
Interest paid	-1,489	-1,427
Cash inflow (+)/outflow (-) from financing activities	**-2,447**	**-3,576**
Cash and cash equivalents at beginning of period	22,927	40,866
Changes due to exchange rate differences	-153	-258
Cash and cash equivalents at beginning of period, measured at prior-year closing exchange rate	23,080	41,124
Change in cash and cash equivalents	-1,471	-17,786
Cash and cash equivalents at end of period (as per statement of financial position)	**21,456**	**23,080**

[1] The comparison figures of the previous year were adjusted to account for the changed presentation of net interest expense included in pension expenses (see section Changes in the Presentation of Interest Expense from Pension Obligations).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Business activities

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

Gigaset AG is a global enterprise operating in the area of telecommunications. The Company has its headquarters and a highly automated production site in Bocholt, Germany. The Gigaset Group has 857 employees and had sales activities in 53 countries in the 2022 financial year.

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

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

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

Presentation of the consolidated financial statements

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

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

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

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

The consolidated statement of financial position is organized in accordance with the maturity structure of the constituent items. Assets and liabilities are considered current if they are payable within one year. Accordingly, assets and liabilities are considered non-current if they remain within the Group for more than one year. Trade payables, trade receivables, and inventories are presented as current items as they are all payable within one year. Deferred tax assets and liabilities are presented as non-current items.

The consolidated financial statements of Gigaset AG are prepared on the assumption of a going concern given that the Executive Board of the Gigaset Group assumes a positive going-concern forecast based on the existing budget plan calculations.

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

Accounting principles

The consolidated financial statements of Gigaset for the 2022 financial year and the prior-year figures presented have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRS IC), as applicable in the European Union.

Furthermore, the German commercial regulations to be applied additionally in accordance with Section 315e (1) of the German Commercial Code (HGB) have been observed. All the Standards in effect and applicable in the 2022 financial year have been observed.

In addition, application of the following amended and newly issued Standards and Interpretations of the IASB was mandatory starting with the 2022 financial year:

- IFRS 3, Business Combinations

The reference to assets and liabilities was adjusted to the revised framework from 2018. These amendments must be applied for financial years beginning on or after January 1, 2022. These amendments had no effect on the consolidated financial statements.

- IAS 16, Property, Plant and Equipment

The revision clarifies the treatment of revenues in the context of test runs for property, plant and equipment placed in operating condition. In principle, these revenues must be directly recognized in net income and not in acquisition and production costs. These amendments must be applied for financial years beginning on or after January 1, 2022. These amendments had no effect on the consolidated financial statements.

- IAS 37, Provisions

The amendments to IAS 37 Provisions included specifics regarding the costs of performing onerous contracts. All performance costs directly attributable to the contract must be recognized when determining whether the contract is onerous pursuant to IAS 37. These amendments must be applied for financial years beginning on or after January 1, 2022. These amendments had no effect on the consolidated financial statements.

- Annual improvements to the 2018-2020 (IFRS 1, IFRS 9, IFRS 16, IAS 41)

The revision of IFRS 1 First-time Adoption of International Financial Reporting Standards contains adjustments regarding currency translation differences when a subsidiary becomes a first-time adopter later than the parent company.

The revision of IFRS 9 Financial Instruments contains clarifying amendments as to which fees a company includes when it applies the 10% test of IFRS 9 in assessing whether a financial liability should be derecognized. A company only recognizes fees that were paid or received between the company (the borrower) and the lender, including fees that were paid or received either by the company or the lender in the name of the other party.

The revision of IFRS 16 Leases contains clarifications on tenant incentives in Example 13 of IFRS 16.

The revision of IAS 41 Agriculture includes adjustments regarding tax cashflows to adjust the regulations to IFRS 13 Fair Value Measurement.

These amendments must be applied for financial years beginning on or after January 1, 2022. These amendments had no effect on the consolidated financial statements.

Application of the following revised and newly issued Standards and Interpretations already adopted by the IASB was not yet mandatory in the 2022 financial year:

Standards	Interpretations	Application mandatory for Gigaset from	Adopted by the EU Commission
IAS 1	IAS 1 Amendments: Classification of Liabilities as Current or Noncurrent	01/01/2024	Yes
IAS 1	IAS 1 Amendments: Classification of receivables depending on financial ratios as current or non-current	01/01/2024	No
IAS 1/ IAS 8	IAS 1 Presentation of Financial Statements, including amendments to Practice Statement 2 "Making Materiality Judgements" / IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	01/01/2023	Yes
IAS 12	IAS 12 Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	Yes
IFRS 16	IFRS 16 Amendments: On lease liabilities in sale and leaseback transactions	01/01/2024	No
IFRS 17	Insurance Contracts	01/01/2023	Yes
IFRS 17	Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	01/01/2023	Yes

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

For the amendments with initial application starting in 2023 resulting from the changes to IAS 1 (Presentation of Financial Statements), IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), IAS 12 (Income Taxes), and IFRS 17 (Insurance Contracts), the Company assumes that they will not have any material effects.

The effects of the first-time application of the other revised or newly issued Standards and Interpretations that are to be applied only starting with the 2024 financial year cannot be reliably estimated at the present time.

Scope and method of consolidation

The present consolidated financial statements at December 31, 2022 include the separate financial statements of the parent company Gigaset AG prepared for consolidation purposes, as well as for its subsidiaries, including special purpose entities where appropriate.

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

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

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

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

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

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

Besides the parent company, 17 (PY: 18) subsidiaries – consisting of 6 (PY: 6) domestic and 11 (PY: 12) foreign companies – were included in the consolidated financial statements of Gigaset as at December 31, 2022. The liquidation process for CFR Holding GmbH i.L., Munich, Germany, was completed in the 2022 financial year and the company was deleted from the Commercial Register. This company was already deconsolidated in the 2021 financial year due to its subordinate significance and is thus no longer included in the consolidated financial statements.

In March 2022, Gigaset Communications Sweden AB (i.L.), Stockholm, Sweden, was deleted from the Commercial Register due to completed liquidation; the company was deconsolidated from the Gigaset Group in the course of this process.

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

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

Currency translation

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

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

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

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

In June of the 2022 financial year, Turkey with its local currency, the Turkish lira, was classified as a hyperinflationary country for accounting purposes, meaning that IAS 29 Financial Reporting in Hyperinflationary Economies had to be applied for the first time to Gigaset's Turkish subsidiary with the Turkish lira as its functional currency.

The Gigaset Group includes its Turkish affiliated company in the consolidated financial statements of Gigaset AG. According to IAS 21.43, this requires that the financial statements of the Turkish affiliated company be adjusted to the development of inflation pursuant to IAS 29, and the balance sheet items and the income statement are subsequently translated into the euro, the functional currency of the consolidated financial statements. The comparative figures in the consolidated financial statements will not be adjusted retroactively in accordance with the requirements of IAS 29.

The historical acquisition or production costs are adjusted retrospectively in line with the effects of inflation as of the reporting date using the current prices of the Consumer Price Index issued by the Turkish Statistical Office (TURKSTAT). The value of the index used as of the reporting date of the financial statements is 1,128.5 (December 31, 2021: 687.0 / December 31, 2020: 504.8).

The net profit from the monetary items is EUR 193 thousand, while a loss of EUR 27 thousand results from the non-monetary items. The net effects for the hyperinflationary accounting of the Turkish affiliated company are not material for the Group.

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

		Closing exchange rate[a]		Average exchange rate[a]	
		12/31/ 2022	12/31/ 2021	2022	2021
Argentina	ARS	187.6419	116.2496	136.3595	112.2680
Switzerland	CHF	0.9850	1.0334	1.0054	1.0814
China	CNY	7.3782	7.1891	7.0900	7.6349
Czech	CZK	24.1435	24.8605	24.5592	25.6475
Denmark	DKK	7.4364	7.4368	7.4396	7.4370
United Kingdom	GBP	0.8868	0.8399	0.8526	0.8601
Hong Kong	HKD	8.3215	8.8265	8.2521	9.1992
Japan	JPY	140.6629	130.2986	138.0276	129.8645
Norway	NOK	10.5032	9.9885	10.0990	10.1649
Poland	PLN	4.6850	4.5940	4.6857	4.5648
Russia	RUB	76.5506	84.9736	73.6547	87.2389
Sweden	SEK	11.0781	10.2557	10.6270	10.1451
Singapore	SGD	1.4309	1.5278	1.4521	1.5897
Turkey	TRY	19.9834	15.1385	17.3862	10.4813
USA	USD	1.0676	1.1318	1.0539	1.1835

[a] Equivalent for EUR 1

B. PRINCIPAL ACCOUNTING AND VALUATION METHODS

As in previous years, the consolidated financial statements are based on the separate financial statements of the consolidated companies in accordance with uniform accounting and valuation principles. The consolidated financial statements are prepared in accordance with the principle of historical acquisition or production cost. Where it was necessary to deviate from this due to applicable regulations, this is explained as relevant in the following sections in the explanation of the material accounting policies that were used in preparing the present consolidated financial statements.

Recognition of income and expenses

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

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

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

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

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

Research and development expenditures

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

Government grants

Government grants are recognized when it can be assumed with a fair degree of certainty that the conditions attached to the grant will be fulfilled. Income subsidies are allocated to the periods in which the related costs occur and deducted from the corresponding expenses. In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), subsidies for capital investments are deferred in the statement of financial position on the liabilities side and recognized as other operating income in the income statement pro rata temporis over the useful life of the asset.

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

Financial result

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

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

In contrast to previous years (see section Changes in the Presentation of Interest Expense from Pension Obligations), net interest expense from pension obligations is recognized as interest expense in the financial result according to IAS 19.134.

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

Income taxes

The corporate tax rate in the reporting period was 32% (PY: 32%).

A uniform rate of 15.0% for corporate income tax plus a solidarity surcharge of 5.5% is applied to distributed and retained profits for calculating current taxes in Germany. Local trade tax is levied on profits generated in Germany, as is corporate income tax. The local trade tax rate averages 16.1%.

The profits generated by international Group subsidiaries are determined on the basis of local tax law and are taxed at the applicable rate in the country of domicile. The applicable country-specific income tax rates vary between 15.0% (PY: 15.8%) and 32.0% (PY: 32.0%).

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

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

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

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

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

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

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

Earnings per share

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

Purchased intangible assets

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

The following estimated useful lives are applied:

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

- Brands, company logos, ERP software, and Internet domain names: 5-10 years
- Customer relationships/lists: over the expected useful life, but generally between 2-5 years
- Licensed software: 3 years

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

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

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

Internally generated intangible assets

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

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

Property, plant and equipment

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

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

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

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

Investment property

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

Borrowing costs

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

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

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

Impairments of non-financial assets

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

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

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

Leases

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

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

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

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

In subsequent periods, rights-of-use assets are measured at amortized cost. The depreciation of right-of-use assets is applied on a straight-line basis over the period of the contractual relationship. For low-value leases (with an underlying fair value of less than EUR 5,000.00) and for short-term leases (less than twelve months), the application simplifications are used and the payments are recognized as expenses within EBITDA on the income statement.

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

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

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

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

Inventories

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

Trade receivables

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

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

Factoring

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

The remaining late payment risk due to purchase price retentions and the remaining interest rate risk are recognized as "continuing involvement" within trade receivables. This continuing involvement is offset by a corresponding other liability covering the additional risk of a potential loss of the receivables from the factor arising from the purchase price retentions. This is presented under current other liabilities.

Additional purchase price retentions are agreed with the factor to account for legal validity and revenue deduction risk, which have been recognized as other assets. Barring problems in the payment flows, these retentions will be due and payable after a period of limitation.

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

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

Cash and cash equivalents

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

Financial assets

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

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

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

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

Financial assets measured at amortized cost (AC)

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

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

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

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

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

Financial assets (hedge accounting)

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

Derivative financial instruments

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

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

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

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

Equity

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

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

Provisions

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

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

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

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

Employee Benefits

Pension obligations

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

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

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

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

The pension provisions for the Company's pension plan are measured in accordance with the projected unit credit method prescribed in IAS 19 (Employee Benefits). They are measured anew by independent actuaries at each reporting date. Under this expectancy cash value method, the pension provisions are calculated on the basis of the known pensions and the vested pension rights as of the reporting date and the anticipated future increases in salaries and pensions. The revaluation effects of the net obligation are recognized separately in equity under the item "Accumulated other comprehensive income." Revaluation effects result from changes in the present value of the defined benefit obligation due to experience adjustments (effects of the deviation between earlier actuarial assumptions and actual developments) and the effects of changes to actuarial assumptions. Gigaset's pension plan assets consist of the special funds, fixed-interest securities, stocks, and other assets which meet the definition of plan assets according to IAS 19. Past service cost must be recognized immediately in the income statement in the full amount, regardless of any vesting conditions. Differently than in previous years, the net interest expense included in pension expenses is no longer presented as personnel expenses, but rather in the financial result (see section Changes in the Presentation of Interest Expense from Pension Obligations).

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

Termination benefits

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

Other long-term employee benefits

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

Profit-sharing and bonus plans

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

Liabilities

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

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

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

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

Segment report

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

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

The reportable segments of the Gigaset Group are the following:

- Gigaset
    - Germany
    - EU
    - Rest of World
- Holding company
    - This segment comprises the activities of Gigaset AG, GIG Holding GmbH, GOH Holding GmbH and Hortensienweg Management GmbH, as well as Gigaset Industries GmbH and CFR Holding GmbH until the time of their deconsolidation in 2021..

Legal disputes and claims for damages

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

Assumptions and estimates made for accounting and valuation purposes

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

The assumptions and estimates made in the course of preparing the consolidated financial statements are based on existing knowledge and the best available information in the period from preparation of the consolidated financial statements until their publication. Risks arise from the currently uncertain development of the Ukraine conflict with Russia, the further course of the coronavirus pandemic, and climate change. These items are checked on an ongoing basis and applied to the assumptions and estimates made. The resulting significant effects may concern the volatility of exchange rates, interest rate developments, inflation, and the availability of natural resources.

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

Estimates made in connection with impairment tests

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

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

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

Leases

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

Investment property

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

Income taxes

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

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

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

Furthermore, uncertainties are inherent in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due particularly to the wide-ranging international activities of the corporate group, any differences between the actual profits or losses generated and the Management's assumptions in this regard or future changes to these assumptions may lead to different tax results in future periods.

Provisions

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

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

Contingent liabilities

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

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

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

C. CHANGES IN THE PRESENTATION OF INTEREST EXPENSE FROM PENSION OBLIGATIONS

Gigaset adjusted the presentation of interest from pension obligations in the reporting year. Up through the 2021 financial year, net interest included in the pension expenses was presented on the income statement in personnel expenses. Starting with the 2022 financial year, the option under IAS 19.134 is exercised, according to which the presentation of net interest from pension expenses may also be shown in the financial result. Separate presentation of the interest component from the pensions in the financial result reflects a more appropriate presentation on the income statement corresponding to how they arose, for which reason the accounting methods pursuant to IAS 8.14 were adjusted. Due to the volatility of pension interest rates in the past several years, significant differences and fluctuations in interest expense associated with pension obligations occur that have an influence on the personnel expenses shown. In addition, this change is expected to achieve better comparability.

Interest expense presented in personnel expenses in the 2021 financial year amounted to EUR 0.9 million. In the 2022 financial year, net interest expense amounts to EUR 1.4 million. Therefore, taking into account the volatile interest rate levels in previous and future periods, significant fluctuations in interest expense can be expected.

The change in the presentation of interest expense has no effects on the undiluted and diluted earnings per share, since this change is purely a reclassification within the result from ordinary activities.

The figures from the previous year on the income statement were adjusted accordingly and are shown in the following summary:

EUR'000	**01/01 - 12/31/2021**	**change in disclosure**	**01.01.- 31.12.2021**
Revenues	217,133		217,133
Change in inventories of finished and unfinished goods	-2,291		-2,291
Purchased goods and services	-102,093		-102,093
Gross profit	**112,749**		**112,749**
Other own work capitalized	12,010		12,010
Other operating income	17,951		17,951
Personnel expenses	-58,929	916	-58,013
Other operating expenses	-67,316		-67,316
EBITDA	**16,465**		**17,381**
Depreciation and amortization	-14,725		-14,725
EBIT	**1,740**		**2,656**
Other interest and similar income	355		355
Interest and similar expenses	-1,745	-916	-2,661
Financial result	**-1,390**		**-2,306**
Result from ordinary activities	**350**		**350**
Income taxes	113		113
Consolidated income	**463**		**463**

The figures from the previous year were adjusted as follows in the statement of cashflows, for better comparability within operating cashflow:

EUR'000	01/01/ - 12/31/2021	change in disclosure	01/01/ - 12/31/2021
Result from ordinary activities	**350**		**350**
Depreciation and amortization of property, plant and equipment and intangible assets	14,725		14,725
Increase (+) / decrease (-) in pension provisions	4,197	-916	3,281
Gain (-) / loss (+) on the sale of noncurrent assetes	-34		-34
Gain (-) / loss (+) from currency translation	-370		-370
Net interest income	1,390	916	2,306
Interest received	7		7
Income taxes paid	853		853
Increase (-) / decrease (+) in inventories	-6,341		-6,341
Increase (-) / decrease (+) in trade receivables and other assets	-5,196		-5,196
Increase (-) / decrease (+) in trade payables, other liabilities and other provisions	-3,977		-3,977
Increase (-) / decrease (+) in other items of the statement of financial position	-295		-295
Cash inflow (+) /outflow (-) from operating activities (net cashflow)	**5,309**		**5,309**

D. NOTES ON FINANCIAL INSTRUMENTS

Definitions of classes pursuant to IFRS 9

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

Financial assets – categories per IFRS 9
At fair value through profit or loss (FVPL)
At fair value through other comprehensive income (FVOCI)
At amortized cost (AC)
Other financial assets (hedge accounting)

Financial liabilities – categories per IFRS 9
At amortized cost (AC)
At fair value through profit or loss (FVPL)
Other financial liabilities (hedge accounting)

Significance

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

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

Original financial assets primarily comprise cash and cash equivalents, receivables, and non-current financial assets. Derivative financial assets include derivatives with a positive market value. Original financial liabilities consist primarily of liabilities measured at amortized costs. Derivative financial liabilities contain derivatives with negative fair values.

Financial risk factors

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

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

Credit risk/default risk

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

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

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

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

Balance sheet items	**Measurement category**	**Maximum default risk (carrying amount)**	**Collateral held**		**Mathematical risk**
12/31/2022		**EUR'000**	**EUR'000**	**%**	**EUR'000**
Current assets					
Trade receivables	AC	6,848	6,052	88.4%	796
Trade receivables	FVPL	12,439	6,897	55.4%	5,542
Other assets	AC	11,500	0	0.0%	11,500
Other assets	Hedging	27	0	0.0%	27
Cash and cash equivalents	AC	21,456	0	0.0%	21,456
Total		**52,270**	**12,949**	**24.8%**	**39,321**

Balance sheet items	**Measurement category**	**Maximum default risk (carrying amount)**	**Collateral held**		**Mathematical risk**
12/31/2021		**EUR'000**	**EUR'000**	**%**	**EUR'000**
Current assets					
Trade receivables	AC	11,720	8,822	75.3%	2,898
Trade receivables	FVPL	4,289	2,566	59.8%	1,723
Other assets	AC	12,737	0	0.0%	12,737
Other assets	Hedging	502	0	0.0%	502
Cash and cash equivalents	AC	23,080	0	0.0%	23,080
Total		**52,328**	**11,388**	**21.8%**	**40,940**

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

Financial assets	12/31/2022		12/31/2021	
	EUR'000	%	EUR'000	%
Germany	34,333	65.7	31,907	61.0
Europe (excluding Germany)	12,812	24.5	12,511	23.9
Rest of World	5,125	9.8	7,910	15.1
Total	**52,270**	**100.0**	**52,328**	**100.0**

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

Liquidity risk

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

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

Due to the dynamic nature of the business environment, the operating business is for the most part financed by way of an optimized working capital approach under which financing is procured from factoring.

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

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

The loan is denominated in euros and bears interest at a fixed, effective annual interest rate of 5.16% and is measured at amortized cost. Therefore, it has no effect on the Group's exposure to foreign currency and interest rate risks.

Because it could be foreseen at an early stage that the agreed covenants for 2020 could not be fulfilled due to the coronavirus pandemic, an agreement was reached with the financing banks in September 2020 under which they will not exercise the associated loan termination options. The negotiations were concluded in the first quarter of 2021 and the "net gearing ratio" was agreed upon as a covenant. Gigaset did not comply with the "net gearing ratio" covenant for financial year 2021 and agreed with the financing banks to a waiver of the right of termination and an adjustment of the repayment of loan installments in March 2022. It was agreed upon with the financing banks that starting in March 2022, a suspension of repayment for 6 months will occur, but then the originally established repayments for financial year 2022 must be paid with correspondingly higher repayments starting in the fourth quarter of 2022. The suspension of repayment is intended to financially cushion the consequences of the coronavirus pandemic and the insufficient availability of chipsets. Due to the circumstance that the covenant as of December 31, 2021, was not complied with, the loan had to be recognized in its entirety as current in the balance sheet as of December 31, 2021, in accordance with the currently applicable IFRS regulations, despite the agreement made in March 2022.

It was already foreseeable before the end of the year that the agreed covenants could not be fulfilled due to increasing material costs resulting from the devaluation of the euro against the US dollar, as well as the costs impacted by inflationary effects. Gigaset therefore concluded a covenant agreement with the lenders on December 29, 2022, stipulating that the right of notice set forth in the credit agreement will be waived. In March 2023, moreover, the suspension of repayment was agreed with the financing banks through June 2023. Starting in July 2023, repayment will be resumed and the suspended repayment amounts will be repaid in a lump sum at the due date in October 2024, taking into account any proceeds from the sale of non-operating assets that would be repaid pro rata in June 2023. The agreement in March 2023 also includes a revision of the covenants relating to absolute EBITDA.

The loan balance as of December 31, 2022 is EUR 12.1 million (PY: EUR 12.8 million) and breaks down into a maturity of less than one year in the amount of EUR 8.3 million (PY: EUR 12.8 million), and a maturity of greater than one year and less than five years in the amount of EUR 3.8 million (PY: EUR 0.0 million).

The loan is secured by the Company in the full amount by land and buildings, other non-current assets and machinery, the assignment of goods stored in the warehouse, and the pledge of intangible assets held at the time of concluding the loan.

As part of the government measures to combat the economic effects of the coronavirus pandemic, the French national subsidiary received an interest-free liquidity assurance loan for EUR 2.0 million with a term of 12 months in June 2020. This was originally to be repaid in full after the passage of 12 months. Due to the continuing coronavirus pandemic, however, the loan was renegotiated. It now has a term until June 2026. Only interest had to be paid until June 2022; the loan then only had to be repaid since July 2022 in equal installments. Due to the modification of the loan terms, an adjustment was made to the carried values based on the effective interest method. This led to a positive financial result in the amount of EUR 0.2 million in financial year 2021.

The loan balance as of December 31, 2022 is EUR 1.6 million (PY: EUR 1.8 million) and breaks down into a maturity less than one year in the amount of EUR 0.4 million (PY: EUR 0.2 million), and a maturity of more than one year and less than five years in the amount of EUR 1.2 million (PY: EUR 1.6 million). The fixed-interest loan is granted in euros and has an effective annual interest rate of 4.17%; it is measured at amortized cost. Accordingly, it has no effect on the Group's position with respect to foreign currency and interest rate risks.

To strengthen liquidity, loan agreements were concluded with two suppliers in financial year 2021 in connection with orders to be fulfilled. A loan agreement in the amount of EUR 0.8 million has a term until December 2024. The other loan agreement in the amount of USD 1.0 million has a term until June 2024. Both loans are non-interest bearing and repayable at the nominal value. Upon initial recognition, the loan was measured at fair value in accordance with IFRS 9 and the loans were presented as financial liabilities. In subsequent periods, the loan will be measured at amortized cost.

The balance of these loans as of December 31, 2022, is EUR 1.3 million (PY: 1.4 million) and breaks down into a maturity less than one year in the amount of EUR 0.8 million (PY: EUR 0.2 million) and a maturity of more than one year and less than five years in the amount of EUR 0.5 million (PY: EUR 1.2 million). The loan denominated in euros has no effect on the Group's position with respect to foreign currency and interest rate risks. The loan denominated in U.S. dollars has an effect on the Group's position with respect to foreign currency risks, but not interest rate risks.

A further supplier loan in the amount of EUR 2.5 million was granted in the 2022 financial year. The loan is denominated in EUR, and EUR 1.0 million was already repaid in the 2022 financial year according to plan. The remaining amount of EUR 1.5 million will be repaid upon final maturity as of March 31, 2023. The load is measured at amortized costs using an effective annual interest rate of 3.71%. The valuation of goods received was performed at fair value pursuant to IFRS 9 and recognized as a financial liability. The loan is denominated in euros and consequently has no effect on the Group's position with respect to foreign currency and interest rate risks.

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

12/31/2022 in EUR'000	Carrying amount	Total outflow	< 1 year	1 - 5 years	> 5 years
Non-derivative financial liabilities	71,284	71,803	66,172	5,631	0
Financial liabilities	16,524	17,043	11,412	5,631	0
Trade payables	54,714	54,714	54,714	0	0
Other liabilities	46	46	46	0	0
Derivative financial liabilities	1,765	1,765	1,765	0	0
Lease liabilities	2,271	2,364	1,368	986	10
Total	75,320	75,932	69,305	6,617	10

12/31/2021 in EUR'000	Carrying amount	Total outflow	< 1 year	1 - 5 years	> 5 years
Non-derivative financial liabilities	61,196	62,830	59,863	2,967	0
Financial liabilities	15,978	17,109	14,142	2,967	0
Trade payables	44,978	45,481	45,481	0	0
Other liabilities	240	240	240	0	0
Derivative financial liabilities	0	0	0	0	0
Lease liabilities	3,102	3,256	1,632	1,620	4
Total	64,298	66,086	61,495	4,587	4

A more detailed presentation of trade payables in the maturity range "< 1 year" is provided in the note on Explanations of trade payables.

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

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

Financial liabilities	12/31/2022		12/31/2021	
	EUR'000	%	EUR'000	%
Germany	28,846	39.5	27,117	44.3
Europe (excluding Germany)	13,477	18.4	14,878	24.3
Rest of World	30,726	42.1	19,201	31.4
Total	73,049	100.0	61,196	100.0

Market price risk

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

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

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

Foreign currency risk

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

Of the financial instruments presented for the Group, an amount of EUR 12,830 thousand (PY: EUR 18,963 thousand) consisted of financial assets denominated in foreign currencies and an amount of EUR 35,199 thousand (PY: EUR 22,294 thousand) consisted of financial liabilities denominated in foreign currencies.

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

	12/31/2022		12/31/2021	
Financial assets in	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	5,332	41.6	9,918	52.4
TRY (Turkish lira)	2,670	20.8	1,204	6.3
RUB (Russian ruble)	1,197	9.3	2,712	14.3
PLN (Polish zloty)	1,136	8.9	2,091	11.0
CHF (Swiss franc)	928	7.2	1,140	6.0
GBP (British pound)	837	6.5	1,397	7.4
CNY (Chinese renminbi yuan)	402	3.1	0	0.0
SEK (Swedish krona)	186	1.4	309	1.6
NOK (Norwegian krone)	71	0.6	62	0.3
DKK (Danish krone)	51	0.4	106	0.6
JPY (Japanese yen)	20	0.2	24	0.1
Total	**12,830**	**100.0**	**18,963**	**100.0**

	12/31/2022		12/31/2021	
Financial liabilities in	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	32,755	92.4	20,892	93.7
CNY (Chinese renminbi yuan)	1,580	4.5	0	0.0
CHF (Swiss franc)	505	1.4	524	2.4
PLN (Polish zloty)	238	0.7	201	0.9
JPY (Japanese yen)	144	0.4	187	0.8
GBP (British pound)	98	0.3	182	0.8
TRY (Turkish lira)	56	0.2	178	0.8
RUB (Russian ruble)	33	0.1	105	0.5
CZK (Czech crowns)	9	0.0	0	0.0
Other	2	0.0	25	0.1
Total	**35,420**	**100.0**	**22,294**	**100.0**

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

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

Result of the currency sensitivity analysis:

If the relative value of the euro against the foreign currencies in which the Gigaset Group operates had been 10% higher or 10% lower as of December 31, 2022, the equity presented in the functional currency would have been EUR 2,033 thousand higher or EUR 2,485 thousand lower, respectively (PY: EUR 303 thousand higher or EUR 369 thousand lower).

The hypothetical effect on profit or loss (after taxes) of EUR 2,033 thousand (PY: EUR 303 thousand) or EUR -2,485 thousand (PY: EUR -369 thousand), respectively, is broken down in the table below on the basis of the corresponding currency sensitivities:

	2022		2021	
EUR'000	**+10%**	**-10%**	**+10%**	**-10%**
EUR/USD	2,493	-3,047	998	-1,219
EUR/CNY	107	-131	0	0
EUR/JPY	11	-14	15	-18
EUR/CZK	1	-1	1	-1
EUR/DKK	-5	6	-10	12
EUR/NOK	-6	8	-6	7
EUR/SEK	-17	21	-27	33
EUR/CHF	-38	47	-56	68
EUR/GBP	-67	82	-110	135
EUR/PLN	-82	100	-172	210
EUR/RUB	-106	129	-237	290
EUR/TRY	-238	291	-93	114
Total	**2,053**	**-2,509**	**303**	**-369**

To hedge risks arising from expected future transactions in foreign currencies, the Company regularly enters into foreign currency derivatives in the context of its risk management strategy. Short-term and medium-term company planning and the Group's liquidity planning constitute the basis for concluding hedging transactions. In principle, the incoming and outgoing payments determined per foreign currency are netted individually, taking the maturity structure into account, and hedged in one sum as a net item. Generally, up to 80% of the expected net item is hedged. Therefore, the planned procurement transactions are classified as highly probable. Fee-based hedge transactions and hedges with a hedge ratio above 80% are only concluded with prior coordination and approval of the Management. In the 2022 financial year and in the previous year, foreign currency derivatives were concluded primarily to hedge purchases in U.S. dollars (EUR/USD).

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

The forward exchange contracts existing as of December 31, 2022, for which hedge accounting was used, satisfy the requirements of IFRS 9 for cashflow hedges. The risk management strategies and the hedging documentation are harmonized with the regulations of IFRS 9. Effectiveness was assessed at the time of designation of the hedging relationships based on a prospective effectiveness test. This test led to the result that the defined hedging relationships were to be considered effective.

As of the reporting date, an accumulated amount of EUR -874 thousand (PY: EUR 257 thousand) was recognized in equity, taking deferred taxes relating to foreign currency derivatives into account. The effect from cashflow hedges, which were recognized in equity in the current period, is EUR -1,662 thousand (PY: EUR 914 thousand). Income taxes of EUR 530 thousand (PY: EUR 291 thousand) were recognized on this amount.

As of the reporting date, the Group held 38 (PY: 18) foreign currency derivatives to hedge the exchange rate of the U.S. dollar against the euro, for a total notional amount of USD 60.25 million (PY: EUR 12.75 million) with various terms until December 2023.

38 (PY: 18) USD foreign currency derivatives are designed as "plain vanilla" forward exchange contracts.

The regulations of hedge accounting are used as of the reporting date for 38 (PY: 18) foreign currency derivatives to hedge USD transactions. The volume of these forward contracts amounts to USD 60.25 million (PY: USD 12.75 million). The weighted average hedging rate for the USD amounts to 1.08 EUR/USD in the reporting year, and 1.14 EUR/USD in the previous reporting period.

As of the reporting date, the terms of the forward foreign exchange contracts run from January 2023 to December 2023 (PY: January 2022 to June 2023). The following hedging transactions were concluded for the listed U.S. dollar amounts for the individual months:

USD hedging transactions in million USD/ Period until month	2023	2022 / 2023
January	5.00	1.00
February	5.00	1.00
March	5.13	1.13
April	5.00	1.00
May	5.00	1.00
June	5.13	1.13
July	5.00	1.00
August	5.00	1.00
September	5.00	1.13
October	5.00	1.00
November	5.00	1.00
December	5.00	1.13
March 2023	0.00	0.13
June 2023	0.00	0.13
Total	**60.25**	**12.75**

As of the reporting date, the derivatives were measured at their fair value of EUR -1,738 thousand (PY: EUR 502 thousand), and are recognized under Other current assets at EUR 27 thousand (PY: EUR 502 thousand) and under Other current liabilities at EUR 1.765 thousand (PY: EUR 0 thousand).

The currency sensitivity analysis for the US dollar derivatives existing as of the reporting date yielded the result that a devaluation of the U.S. dollar by 10% would have led to a reduction in the fair value of EUR -5,585 thousand (PY: EUR -1,117 thousand), and an appreciation of the U.S. dollar by 10% would have led to an increase in the fair value of EUR 5,585 thousand (PY: EUR 1,117 thousand). Thus, equity (disregarding deferred taxes) would have been reduced by EUR 5,585 thousand (PY: EUR 1,117 thousand), if the U.S. dollar exchange rate had been 10% higher, and increased by EUR 5,585 thousand (PY: EUR 1,117 thousand), if the U.S. dollar exchange rate had been 10% lower.

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

EUR'000	12/31/2022	12/31/2021
Carrying amount, derivatives hedging with positive carrying amount	27	502
Balance sheet item in which derivatives with a positive carrying amount are shown	Other assets (current)	Other assets (current)
Carrying amount, derivatives hedging with negative carrying amount	1,765	0
Balance sheet item in which derivatives with a negative carrying amount are shown	Other liabilities (current)	Other liabilities (current)
Change in fair value as basis for determining ineffectiveness	-1,738	502
Change in fair value, underlying transaction	1,738	-502
Cumulative amount recorded in equity for cashflow hedges (factoring in deferred taxes)	-874	257
Nominal value of the hedging transactions in USD	60,250	12,750

Interest rate risks

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

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

Non-current financial liabilities with fixed interest rates exist as of the reporting date. A theoretical fair value risk arises for the non-current liabilities insofar as the loan carried at amortized cost could be redeemed prematurely at market value. The calculated fair value of the loans based on the current interest rate level as of the reporting date is EUR 16,322 thousand for a loan balance of EUR 16,524 thousand (PY: EUR 16,229 thousand for a loan balance of EUR 15,978 thousand). In case of an increase in the interest rate level by 10%, the fair value would decline by EUR 23 thousand (PY: EUR 17 thousand), while in case of a decrease in the interest rate level by 10%, the fair value would increase by EUR 23 thousand (PY: EUR 17 thousand).

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

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

Other price risks

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

Classification

The individual valuation classes and categories of IFRS 9, along with the corresponding carrying amounts and fair values of the financial instruments, are presented in the table below. The lease liabilities are additionally included in the summary. The following table shows the summary as of 12/31/2022:

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2022	Fair value 12/31/2022	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Assets									
current assets									
Trade receivables	AC	F.6	6,848	6,848	6,848	0	0	0	0
	FVPL	F.6	12,439	12,439	0	0	12,439	0	0
Other assets	AC, FVPL	F.7	11,527	11,527	11,500	0	0	27	0
Cash and cash equivalent	AC	F.9	21,456	21,456	21,456	0	0	0	0
Liabilities									
Noncurrent liabilities									
Financial liabilities	AC	F.13	5,483	5,122	5,483	0	0	0	0
Lease liabilities	Leases	F.3	971	0	0	0	0	0	971
Current liabilities									
Financial liabilities	AC	F.13	11,041	11,200	11,041	0	0	0	0
Lease liabilities	Leases	F.3	1,301	0	0	0	0	0	1,301
Trade payables	AC	F.15	54,714	54,714	54,714	0	0	0	0
Other liabilities	AC, FVPL	F.17	1,811	1,811	46	0	0	1,765	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2022	Fair value 12/31/2022	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Thereof aggregated by measurement categories in EUR'000									
Financial assets									
At amortized cost (AC)			39,804	39,804	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)			12,439	12,439	0	0	0	0	0
Financial assets (hedging)			27	27	0	0	0	0	0
Financial liabilities									
At amortized cost (AC)			71,284	71,082	0	0	0	0	0
At fair value through profit or loss (FVPL)			0	0	0	0	0	0	0
Financial liabilities (hedging)			1,765	1,765	0	0	0	0	0

In the previous period as of 12/31/2021, the measurement classes and categories of IFRS 9 break down as follows:

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2021	Fair value 12/31/2021	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Assets									
Current assets									
Trade receivables	AC	F.6	11,720	11,720	11,720	0	0	0	0
	FVPL	F.6	4,289	4,289	0	0	4,289	0	0
Other assets	AC, FVPL	F.7	13,239	13,239	12,737	0	0	502	0
Cash and cash equivalents	AC	F.9	23,080	23,080	23,080	0	0	0	0
Liabilities									
Noncurrent liabilities									
Financial liabilities	AC	F.13	2,847	2,734	2,847	0	0	0	0
Lease liabilities	Leases	F.3	1,561	0	0	0	0	0	1,561
Current liabilities									
Financial liabilities	AC	F.13	13,131	13,495	13,131	0	0	0	0
Lease liabilities	Leases	F.3	1,541	0	0	0	0	0	1,541
Trade payables	AC	F.15	44,978	44,978	44,978	0	0	0	0
Other liabilities	AC, FVPL	F.17	240	240	240	0	0	0	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2021	Fair value 12/31/2021	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Thereof aggregated by measurement categories in EUR'000									
Financial assets									
At amortized cost (AC)			47,537	47,537	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)			4,289	4,289	0	0	0	0	0
Financial assets (hedging)			502	502	0	0	0	0	0
Financial liabilities									
At amortized cost (AC)			61,196	61,447	0	0	0	0	0
At fair value through profit or loss (FVPL)			0	0	0	0	0	0	0
Financial liabilities (hedging)			0	0	0	0	0	0	0

An indication of fair value is not required for current financial assets and liabilities pursuant to IFRS 7.29 as long as the carrying amount is a reasonable approximate value. Gigaset indicates the fair values in the preceding summaries for completeness and better understanding by the readers of the annual financial statements, but does not carry out separate measurement of the fair values, since the carrying amounts are used as reasonable approximate values. A separate determination is carried out only for the current portion of the non-current financial liabilities from the loan, since the effect is material. Therefore, there is also no separate presentation of the other items in the following table, which breaks down the determined fair values for the financial assets and liabilities according to hierarchy levels for financial year 2022 as supplemental information:

12/31/2022		Hierarchy level			
EUR'000	Category	1	2	3	Total
Financial assets					
Derivative financial instruments	Hedging	0	27	0	27
Financial liabilities					
Noncurrent and current financial liabilities	AC	0	0	16,322	16,322
Derivative financial instruments	FVPL/ Hedging	0	1,765	0	1,765

12/31/2021		Hierarchy level			
EUR'000	Category	1	2	3	Total
Financial assets					
Derivative financial instruments	Hedging	0	502	0	502
Financial liabilities					
Noncurrent and current financial liabilities	AC	0	0	16,229	16,229
Derivative financial instruments	FVPL/ Hedging	0	0	0	0

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

Liabilities under leases do not fall within the scope of IFRS 9 and are therefore presented separately. The non-current financial assets included the carrying amount for the investment in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category "At fair value through other comprehensive income (FVOCI)". Since the shares in Gigaset Mobile Pte. Ltd. are equity instruments, Gigaset exercised the option pursuant to IFRS 9.5.7.5 and irrevocably assigned this financial asset to the category "At fair value through other comprehensive income (FVOCI)". New information was available from Gigaset Mobile Pte. Ltd. in both the 2018 and 2019 financial years. Due to the circumstance that no current planning was provided, Gigaset had decided to measure the fair value based on the Company's most recent audited annual financial statements and the derived claim to proportional equity. Due to the circumstance that this is a company operating in a foreign currency, the effects of changed exchange rates consequently also had to be factored in. Based on new information regarding the Group's share of equity in financial year 2020, an impairment was recognized in the full amount of the balance remaining at that time of EUR 7,410 thousand, which was recognized directly in other comprehensive income due to its classification as FVOCI. No new knowledge was obtained in financial year 2022 and the shares were sold.

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

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

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

Net gains or losses from financial instruments

	From Interest	From subsequent measurement			From disposal	Net gain or loss
2022 in EUR'000		**At fair value**	**Currency translation**	**Value adjustment**		**2022**
Financial assets						
AC	21	0	586	-221	0	386
FV	-530	0	0	0	0	-530
Financial liabilities						
AC	-708	0	-915	0	89	-1,534
Derivative financial instruments						
FV	0	0	0	0	0	0
Hedging (affecting profit or loss)	0	0	0	0	-576	-576
Hedging (with no effect on profit or loss)	0	-1,662	0	0	0	-1,662
2021 in EUR'000						**2021**
Financial assets						
AC	7	0	-1,713	-137	0	-1,843
FV	-306	0	0	0	0	-306
Financial liabilities						
AC	-1,002	0	1,069	0	8	75
Derivative financial instruments						
FV	0	0	0	0	0	0
Hedging (affecting profit or loss)	0	0	0	0	427	427
Hedging (with no effect on profit or loss)	0	914	0	0	0	914

Interest from financial instruments is presented within other interest and similar income and interest and similar expenses (see the Notes Explanation of Other interest and similar income and Interest and similar expenses). In particular, this item includes interest income on loans extended, interest income and expenses resulting from the application of the effective interest method, interest expenses for receivables from factoring and interest expenses for liabilities to banks and other financial liabilities. No interest income was generated in 2022 or the previous year on financial assets in which impairment losses had been recognized ("unwinding"). In the 2022 financial year, the interest result was primarily influenced by interest effects from the application of the effective interest rate method for financing, as well as factoring and leasing. In addition, interest from pension obligations will be shown as interest expense in the financial result starting with the reporting year, amounting to EUR 1.4 million in 2022 after EUR 0.9 million in interest expense in the previous year.

The income and expenses recognized for derivatives for which the regulations of hedge accounting were used were recognized in purchased goods and services. In the current year, they increased purchased goods and services by EUR 576 thousand (PY: decreased purchased goods and services by EUR 427 thousand). In the current financial year as well as in the previous financial year, hedge accounting rules were applied to all derivatives.

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

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

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

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

Capital management

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

The managed capital encompasses all current and non-current liabilities, as well as equity components. Changes in the capital structure over the course of time and the associated change in the dependency on external lenders are measured with the aid of the gearing ratio. The gearing ratio is calculated as of the reporting date, with due consideration given to book equity. The presented gearing ratio improved considerably compared to the previous year as a result of the increased equity. The decline in non-current liabilities relates mainly to pension obligations due to a changed discount factor. However, pension obligations are long-term in nature due to the possibility of making pension payments from pension plan assets and do not give rise to a cash outflow at the present time.

Change in the gearing ratio

EUR'000	2022	2021
Noncurrent liabilities	71,979	99,842
Current liabilities	94,838	84,316
Liabilities	166,817	184,158
Equity	**24,641**	**7,995**
Gearing Ratio	**6.8**	**23.0**

E. NOTES TO THE INCOME STATEMENT

1. Revenues

Operating revenues of the Group resulted primarily from contracts with customers for the sale of telecommunications products and break down as follows:

EUR'000	2022	2021
Trade revenues	14,916	16,896
Production revenues	226,402	200,237
Total	**241,318**	**217,133**

Operating revenues are distributed over the following business areas:

EUR'000	**2022**	**2021**
Phones	158,750	140,228
Smartphones	18,781	18,169
Smart Home	1,502	1,509
Professional	62,285	57,227
Total	**241,318**	**217,133**

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

in EUR'000	Germany		France		Europe (excluding Germany and France)		Rest of World		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Phones	70,228	54,694	22,353	22,496	51,122	51,729	15,048	11,309	158,751	140,228
Smartphones	14,458	13,473	319	1,112	4,003	3,584	1	0	18,781	18,169
Smart Home	696	851	24	14	753	613	29	31	1,502	1,509
Professional	35,444	36,564	6,220	6,391	18,919	13,549	1,701	723	62,284	57,227
Total	**120,826**	**105,582**	**28,916**	**30,013**	**74,797**	**69,475**	**16,779**	**12,063**	**241,318**	**217,133**

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

2. Purchased goods and services

EUR'000	2022	2021
Raw materials and supplies	-117,191	-87,843
Purchased goods	-11,591	-11,667
Other	-2,822	-2,583
Total	**-131,604**	**-102,093**

Purchased goods and services increased by EUR 29.5 million compared to the previous year. This is attributable in particular to increased production and the related higher amount of product sales. Furthermore, significant price increases were seen in the 2022 financial year for all materials relevant to production. Both effects led to an increase in raw materials, consumables and supplies of EUR 29.3 million, from EUR 87.8 million in the previous year to EUR 117.2 million in the reporting year. The other purchased goods and services consisted mainly of energy supply costs and depreciation of inventories. Raw materials and supplies included negative effects of hedges of materials purchases in foreign currencies compared to the previous year in the amount of EUR 0.6 million (PY: positive effects of EUR 0.4 million). Please refer to section Notes on Financial Instruments for details on this subject.

3. Other own work capitalized

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

4. Other operating income

EUR'000	2022	2021
Exchange rate gains	5,943	4,262
Reversal of provisions	2,869	1,235
Income from the reversal of value adjustments	45	3
Costs charged to others	4	4
Disposal of noncurrent assets	0	65
Miscellaneous operating income	7,616	12,382
Other operating income	**16,477**	**17,951**

The exchange rate gains of EUR 5.9 million (PY: EUR 4.3 million) included income from realized and unrealized foreign currency gains.

Analogously to the previous year, reversals of provisions primarily contain reversals of customer bonus provisions in the amount of EUR 0.6 million (PY: EUR 0.5 million), as well as reversals for license cost provisions in the amount of EUR 0.3 million (PY: EUR 0.0 million) and marketing activities in the amount of EUR 1.6 million (PY: EUR 0.0. million) in the reporting year.

Miscellaneous other operating income declined by EUR 4.8 million compared to the previous year. This is fundamentally due to the subsidies received in the previous year in the form of coronavirus interim aid in the amount of EUR 3.4 million, which amounted to only EUR 0.2 million in 2022. Rental income in the amount of EUR 1.4 million (PY: EUR 1.3 million) is shown in other operating income for the 2022 financial year.

In the 2022 financial year, Gigaset received a research allowance in the amount of EUR 1.1 million for several projects, which will be recognized in profit or loss on a pro rata temporis basis over the useful lives of the capitalized development services. EUR 0.4 million was recognized in other operating income on this basis as well in the reporting period.

5. Personnel expenses

EUR'000	2022	2021
Wages and salaries	-48,479	-47,934
Social security, pension expenses and other benefit expenses	-9,702	-10,079
Total	-58,181	-58,013

At EUR 48.5 million, expenses for wages and salaries are slightly higher than the previous year level (PY: EUR 47.9 million). This development is primarily due to higher expenses for special payments in the amount of EUR 5.2 million (PY: EUR 4.1 million).

At EUR 9.7 million, social security, pension expenses and other benefit expenses in 2022 were EUR 0.4 million less than the previous year (PY: EUR 10.1 million). This primarily results from valuation effects from the CTA assets for covering the pension obligations.

The presentation of net interest from pension obligations was changed in the 2022 financial year. The information from the previous year was adjusted accordingly. See section Changes in the Presentation of Interest Expense from Pension Obligations for further explanations.

6. Other operating expenses

EUR'000	**2022**	**2021**
Marketing and entertainment expenses	-19,607	-21,364
Employee leasing	-9,981	-7,510
Administrative expenses	-9,068	-8,345
Outgoing freight / transport costs	-8,016	-7,247
Exchange rate changes	-6,249	-4,905
Advisory and audit fees	-4,266	-3,087
Patent and licensing fees	-3,193	-5,117
Addition to warranty provisions	-2,136	-2,100
Maintenance of technical equipment, machinery, operational and office equipment	-1,901	-1,846
Research and development expenses	-1,317	-1,124
Expenses for land/buildings (including rent)	-1,013	-1,046
Other taxes	-373	-359
Miscellaneous other operating expenses	-5,254	-3,266
Other operating expenses	**-72,374**	**-67,316**

The increase in other operating expenses results primarily from the increase in expenses for employee leasing at EUR 10.0 million (PY: EUR 7.5 million) in line with the increased employment of contract employees. Moreover, exchange rate losses of EUR 6.2 million (PY: EUR 4.9 million) result from exchange rate fluctuations in 2022, particularly attributable to the realized exchange rate losses in the amount of EUR 4.4 million (PY: EUR 2.4 million). In addition, higher advisory and audit fees of EUR 4.3 million (PY: EUR 3.1 million) were incurred, mostly including IT advisory fees for implementing a new SAP S/4 HANA system. Miscellaneous other operating income increased, primarily due to externally purchased services in the amount of EUR 4.1 million (PY: EUR 2.4 million).

In contrast, marketing costs declined by EUR 1.8 million to EUR 19.6 million, as did patent and licensing fees by EUR 1.9 million to EUR 3.2 million.

7. Depreciation, amortization and impairments

EUR'000	2022	2021
Amortization of intangible assets	-9,774	-8,772
Depreciation of property, plant and equipment	-4,457	-4,327
Depreciation of right of use assets	-1,562	-1,626
Impairments	-370	0
Total	**-16,163**	**-14,725**

In the 2022 financial year, unplanned depreciation (impairment) had to be applied to capitalized development costs in the context of an impairment review. A future economic use of the technology developed in a project is no longer expected since it can no longer be supported or developed further.

8. Other interest and similar income

In financial year 2022, the Other interest and similar income in the amount of EUR 0.1 million (PY: EUR 0.4 million) resulted primarily from the discounting of loan liabilities as well as non-current provisions. In the previous year, the interest income came from the discounting of loan liabilities.

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

9. Interest and similar expenses

Interest and similar expenses in the amount of EUR 2.8 million (PY: EUR 2.7 million) primarily comprised net interest for pension obligations at EUR 1.4 million (PY: EUR 0.9 million), expenses from interest expenses for loan financing in the amount of EUR 0.6 million (PY: EUR 0.7 million) and interest expenses for factoring in the amount of EUR 0.5 million (PY: EUR 0.3 million). The interest expenses from factoring reduce the net result of the category "At fair value through profit or loss".

The presentation of net interest from pension obligations was changed in the 2022 financial year. The information from the previous year was adjusted accordingly. See section "Changes in the Presentation of Interest Expense from Pension Obligations" for further particulars.

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

10. Income taxes

EUR'000	2022	2021
Current tax expenses (-) / income (+)	-1,134	309
Deferred tax expenses (-) / income (+)	-3,526	-196
Total income tax expenses (-) / income (+)	**-4,660**	**113**

The following reconciliation statement shows the differences between actual income tax expenses (-) / income (+) and expected income tax expenses (-) / income (+). The expected income tax expenses (-) / income (+) are calculated as the product of the result before taxes multiplied by the expected income tax rate. The total expected income tax rate, which is composed of the German corporate income tax, the solidarity surtax and local trade tax, came to 32.0% (PY: 32.0%). The changes in non-periodic deferred taxes in the reporting year result from new knowledge based on completed operating audits.

EUR'000	2022	2021
Result before income taxes	-910	350
Applicable income tax rate	32%	32%
Expected income tax expenses (-) / income (+)	291	-112
Tax rate changes	-19	-183
Tax rate differences	315	196
Tax-exempt income	595	97
Non-deductible tax expenses	-1,020	-355
Change in value adjustment on deferred tax assets and non-recognized deferred tax assets for tax loss carry-forwards	-760	-365
Non-period deferred taxes	-3,430	0
Non-period current taxes	-642	856
Other effects	10	-21
Stated income tax expenses (-) / income (+)	**-4,660**	**113**
Effective tax rate	-512.1%	-32.3%

11. Earnings per share

The basic and diluted earnings per share amounted to EUR -0.04 in financial year 2022 (PY: EUR 0.00), as per the following calculation:

EUR'000	2022	2021
PROFIT/LOSS		
Basis for basic earnings per share (share of period profit/loss attributable to shareholders of the parent company)	-5,570	463
Effect of potentially diluting common shares: Stock options	0	0
Basis for the diluted earnings per share	-5,570	463
NUMBER OF SHARES		
Weighted average common shares outstanding, for calculating basic earnings per share	132,455,896	132,455,896
Effect of potentially diluting common shares: Stock options	0	0
Weighted average common shares outstanding, for calculating diluted earnings per share	132,455,896	132,455,896
Basic earnings per share (in EUR)	-0.04	0.00
Diluted earnings per share (in EUR)	-0.04	0.00

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

12. Dividend proposal

No dividend was paid to shareholders in 2022 for financial year 2021.

The net loss of Gigaset AG calculated in accordance with the German Commercial Code (GCC) amounted to EUR -2.5 million (PY: net loss of EUR -2.8 million). Taking the loss carry-forward of EUR 190.9 million into account, this resulted in an accumulated loss of EUR 193.4 million. In their proposal for the utilization of the accumulated loss, the Executive Board and the Supervisory Board will propose to the annual shareholders' meeting that the Company carry forward this amount to new account.

F. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Intangible assets

EUR'000	Franchises, intellectual property rights and similar rights and licenses	Other intangible assets	Advance payments	Total
Acquisition costs, 01/01/2022	**39,155**	**110,262**	**902**	**150,319**
Currency translation	-4	0	0	-4
Acquisitions	33	16,069	930	17,032
Disposals	-266	0	0	-266
Transfers	0	0	0	0
Balance as of 12/31/2022	**38,918**	**126,331**	**1,832**	**167,081**
Amortization, 01/01/2022	**-16,618**	**-77,859**	**0**	**-94,477**
Currency translation	4	0	0	4
Acquisitions	-1,726	-8,047	0	-9,773
Impairments	0	-370	0	-370
Disposals	266	0	0	266
Balance as of 12/31/2022	**-18,074**	**-86,276**	**0**	**-104,350**
Net carrying amount 12/31/2022	**20,844**	**40,055**	**1,832**	**62,731**
Net carrying amount 12/31/2021	**22,537**	**32,403**	**902**	**55,842**
Acquisition costs, 01/01/2021	**39,522**	**122,868**	**3,549**	**165,939**
Currency translation	-1	0	0	-1
Acquisitions	105	12,662	480	13,247
Disposals	-563	-25,268	-3,035	-28,866
Transfers	92	0	-92	0
Balance as of 12/31/2021	**39,155**	**110,262**	**902**	**150,319**
Amortization, 01/01/2021	**-15,474**	**-96,063**	**-3,035**	**-114,572**
Currency translation	1	0	0	1
Acquisitions	-1,708	-7,064	0	-8,772
Impairments	0	0	0	0
Disposals	563	25,268	3,035	28,866
Balance as of 12/31/2021	**-16,618**	**-77,859**	**0**	**-94,477**
Net carrying amount 12/31/2021	**22,537**	**32,403**	**902**	**55,842**
Net carrying amount 12/31/2020	**24,048**	**26,805**	**514**	**51,367**

The item of **franchises, intellectual property rights and similar rights** was composed as follows:

EUR'000	12/31/2022	12/31/2021
Brand names	8,399	8,399
Franchises	12,445	14,138
Total	20,844	22,537

The brand names acquired in connection with the respective business transactions were capitalized, provided that a future benefit for the Company was ascribed to the brand. In making the determination of useful life, an indefinite useful life was assumed for these brands on the basis of past experience data and the estimations of the Management regarding the future development of these brands. The factors considered in making this determination included the anticipated usage of the brand, typical product life cycles, possible commercial obsolescence, competition, the industry environment, the level of brand maintenance expenditures, legal or similar usage restrictions and the influence of the Company's other assets on the useful life of the brand in question.

At the reporting date, the brand name Gigaset was presented in the amount of EUR 8.4 million (PY: EUR 8.4 million). The brand name "Gigaset" is assigned to Gigaset Communications GmbH and its subsidiaries, as the smallest cash-generating unit. The brand name was subjected to an impairment test as of December 31, 2022 on the basis of the fair value less costs to sell. The calculation was conducted on the basis of a three-year cashflow plan (PY: three-year plan). The planning was prepared using the established planning process and is based both on historical information and on estimates regarding future developments. It is not possible to reconcile it with external information. For the planning period, EBIT margins from operations were calculated as being between 3.0% p.a. and 5.4% p.a. (PY: 4.1% p.a. and 5.6% p.a.). For the period after the detailed planning period, the plan figures were extrapolated over a convergence phase of another five years towards a settled state, plus an appropriate growth rate, in order to reflect the operational development of the segments. The applied discount factor after taxes was 7.6% p.a. (PY: 6.9% p.a.). The discount rate was calculated based on current market data using a risk surcharge based on Gigaset's peer group. Based on the detailed business plan, the growth discount was set at 0.5% (PY: 0.5%). In accordance with IFRS 13, the calculation of the achievable value is assigned to Level 3 of the measurement categories for the determination of fair values. Based on this calculation, there was no need to recognize an impairment loss. The calculations showed that realistically assumable changes in the underlying assumptions would not lead to any impairment losses.

Franchises in the amount of EUR 12.4 Mio (PY: EUR 14.1 Mio) consist of purchased licenses.

Capitalized development expenses are presented within the item of other intangible assets in the amount of EUR 40.1 million (PY: EUR 32.4 million). They were allocated exclusively to Gigaset Communications GmbH. The development activities of the Gigaset Group represent capitalized product developments. In the 2022 financial year, unplanned depreciation (impairment) had to be applied to capitalized development costs in the context of an impairment review. A future economic use of the technology developed in a project is no longer expected since it can no longer be supported or further developed.

Advance payments recognized as assets in financial year 2022, as also in the previous year, consisted mainly of the costs for the implementation of a new ERP software in the Gigaset Group.

Research and development expenses of EUR 1.3 million (PY: EUR 1.1 million) were recognized as expenses in the 2022 financial year at Gigaset Communications GmbH.

No capitalized goodwill existed as of the reporting date.

In addition, borrowing costs of EUR 0.5 million (PY: EUR 0.4 million) were capitalized in the reporting year. The underlying interest rate is 2.39% (PY: 2.62%).

Under the terms of a blanket assignment, the subsidiary Gigaset Communications GmbH assigned all intangible assets existing at the time when the loan was taken out as security for the credit facility concluded in 2018. The amount of the blanket assignment depends on the given maximum outstanding loan liability.

2. Property, plant and equipment

EUR'000	Land, leasehold rights	Buildings, including buildings on non-owned land	Technical equipment, plant and machinery	Other equipment, operational and office equipment	Advance payments and assets under construction	Total
Acquisition costs, 01/01/2022	**4,025**	**11,070**	**3,970**	**33,731**	**1,276**	**54,072**
Currency translation	0	0	-2	-12	0	-14
Acquisitions	0	61	233	3,147	419	3,860
Disposals	0	0	-101	-310	0	-411
Transfers	0	0	-61	1,219	-1,156	2
Balance as of 12/31/2022	**4,025**	**11,131**	**4,039**	**37,775**	**539**	**57,509**
Depreciation, 01/01/2022	**0**	**-10,116**	**-3,211**	**-19,806**	**0**	**-33,133**
Currency translation	0	0	1	10	0	11
Acquisitions	0	-283	-143	-4,030	0	-4,456
Disposals	0	0	101	310	0	411
Transfers	0	0	71	-72	0	-1
Balance as of 12/31/2022	**0**	**-10,399**	**-3,181**	**-23,588**	**0**	**-37,168**
Net carrying amount 12/31/2022	**4,025**	**732**	**858**	**14,187**	**539**	**20,341**
Net carrying amount 12/31/2021	**4,025**	**954**	**759**	**13,925**	**1,276**	**20,939**
Acquisition costs, 01/01/2021	**4,025**	**10,956**	**3,962**	**40,505**	**50**	**59,498**
Currency translations	0	0	-1	-2	0	-3
Acquisitions	0	120	261	4,692	1,274	6,347
Disposals	0	-6	-252	-11,512	0	-11,770
Transfers	0	0	0	48	-48	0
Balance as of 12/31/2021	**4,025**	**11,070**	**3,970**	**33,731**	**1,276**	**54,072**
Depreciation, 01/01/2021	**0**	**-9,259**	**-3,262**	**-28,033**	**0**	**-40,554**
Currency translation	0	0	1	0	0	1
Acquisitions	0	-857	-199	-3,271	0	-4,327
Disposals	0	0	249	11,498	0	11,747
Transfers	0	0	0	0	0	0
Balance as of 12/31/2021	**0**	**-10,116**	**-3,211**	**-19,806**	**0**	**-33,133**
Net carrying amount 12/31/2021	**4,025**	**954**	**759**	**13,925**	**1,276**	**20,939**
Net carrying amount 12/31/2020	**4,025**	**1,697**	**700**	**12,472**	**50**	**18,944**

Leased assets are recognized as right-of-use assets pursuant to IFRS 16 and disclosed separately. See section Right-of-use assets and lease liabilities.

As in the previous year, no impairments were recognized in property, plant and equipment and no borrowing costs were capitalized in property, plant and equipment in financial year 2022.

Under the terms of a blanket assignment, the subsidiary Gigaset Communications GmbH assigned all property, plant and equipment as security for the credit facility concluded in 2018. The amount of the blanket assignment depends on the given maximum outstanding loan liability.

3. Right of use assets and liabilities under leases

The following items are presented in the statement of financial position in connection with leases pursuant to IFRS 16:

EUR'000	12/31/2022	12/31/2021
Right of use asset buildings	1,523	1,865
Right of use asset other plant and office equipment	675	1,125
Total	**2,198**	**2,990**
Lease liabilities - current	1,301	1,541
Lease liabilities - noncurrent	971	1,561
Total	**2,272**	**3,102**

In the previous year, Rights of use for real estate were presented that were reclassified in the 2022 financial year as "Rights of use - buildings," since this presentation is more appropriate. The previous year's figures for Rights of use - real estate, and amortization of Rights of use - real estate were accordingly likewise reclassified from real estate to buildings.

The additions to the right-of-use assets during the 2022 financial year amounted to EUR 1.0 million (PY: EUR 1.2 million).

Gigaset made use of the transitional regulations of IFRS 16 and did not carry out new assessments of existing agreements as to whether they satisfy the definition of a lease under IFRS 16. The existing lease assessments are continued. As a rule, the right-of-use assets are capitalized in the amount of the corresponding lease liability resulting from the initial application of IFRS 16 at Gigaset. The lease liabilities were measured using the incremental borrowing rate of 3.98% relevant to Gigaset at the time of initial application.

The income statement shows the following expenses in connection with leases.

EUR'000	2022	2021
Depreciation of right of use assets - buildings	-932	-966
Depreciation of right of use assets - plant and office equipment	-630	-660
Total depreciation of right of use assets	**-1,562**	**-1,626**
Interest expenses on lease liabilities	114	135
Lease expenses for low-value assets	2	1
Lease expenses for short-term assets	62	55
Payments for recognized lease liabilities in the current period	1,797	1,903

The Gigaset Group concludes lease contracts for the use of office space for various foreign companies as well as domestic German companies. In addition, the vehicle fleet and the warehouse vehicles for internal company logistics are leased.

Gigaset acts as a lessor of real estate and has entered into operating leases with external third parties. The Group expects to generate rental income of EUR 1.2 million in financial year 2023 on buildings leased as investment property over the non-cancellable basic term. Rental income of EUR 1.3 million is reliably expected for the subsequent financial years.

4. Investment property

Gigaset leases business properties to third parties under operating leases. In this framework, certain building spaces were reclassified in 2020 and are now recognized as real estate held as a financial investment since these building spaces should be continuously leased to non-company third parties and thus lease income should be earned.

The substantial lease is exclusively for office space on Gigaset's plant premises in Bocholt. As a rule, the relevant lease has been concluded for an initial non-cancellable basic lease term and is then extended on a month-to-month basis.

The reconciliation of the carrying amount in financial year 2022 is presented in the table below:

EUR'000	2022	2021
Balance at 01/01/	6,700	6,700
Reclassifications from property, plant and equipment	0	0
Change of fair value	0	0
Balance at 12/31/	**6,700**	**6,700**

The Group recognized the following rental income and related expenses in the past financial year:

EUR'000	2022	2021
Rental income from investment property	1,247	731
Direct operating expenses (including repairs and maintenance) with which rental income is generated (included in total expenses)	503	394

The directly allocable expenses do not include imputed expenses such as maintenance reserves or the like.

Determination of fair values

The fair value of investment property was determined by external, independent real estate appraisers who possess the relevant professional qualifications and up-to-date experience regarding the location and type of properties to be appraised. The fair values are regularly updated and accounted for by the appraisers.

The determination of the fair value of investment property is assignable to Level 3 of the measurement categories for the determination of fair values according to IFRS 13.

Valuation technique

The fair value of investment property was determined as the market value according to Section 194 of the German Building Code (Baugesetzbuch, BauGB) by way of the German income approach according to Sections 17-20 of the German Real Estate Valuation Regulation (Immobilienwertverordnung, ImmoWertV).

Under this approach, the income value is determined on the basis of the net income and the land value. The land value is determined on the basis of the standard land values issued by the Property Valuation Committee of the city of Bocholt. The land value is factored into the market value as an annual net income share capitalized by application of the property rate.

The net income for the building is calculated from the annually achievable rent income (gross income) minus operating costs. Operating costs comprise costs related to ownership of the buildings, repair and administrative expenses, and rental income risk (uncollectable rent arrears or vacancies). The annually achievable rental income is calculated on the basis of normal market prices and comparable prices with due regard to the facilities and condition of the office areas. The net income is capitalized over the remaining useful life of the buildings by application of the property rate.

Due to contamination on the plant premises in Bocholt, a flat-rate discount was deducted from the market value as a decrease in market value.

Signifcant, non-observable inputs

- Estimated market rent per m2 and month EUR 6.00
- Property rate 6.6%

Relationship between significant, non-observable inputs and valuation at fair value

The estimated fair value of investment property would increase (decrease) if:

- The assumed market rent per m2 and month would be higher (lower),
- The duration fo the assumed rental relationships would be longer (shorter),
- The achievable return would be higher (lower),
- The weighted property rate applied as the capitalization parameter would be lower (higher).

5. Inventories

Inventories break down as follows:

EUR'000	12/31/2022	12/31/2021
Raw materials and supplies	20,832	19,735
Semi-finished goods, semi-finished services	1,931	946
Finished goods, trading stock and finished services	12,577	7,866
Advance payments	2,415	1,307
Total	**37,755**	**29,854**

Inventories increased significantly as of December 31, 2022 compared to the previous year's reporting date, with a growth of EUR 7.9 million. The significant increase here is attributable to finished goods, trading stock and finished services at EUR 4.7 million. These are primarily customer orders that were not delivered in the past year, and inventory holdings were reduced accordingly in the new year. In addition, the previous year's figure was significantly lower due to difficult material availability.

Value adjustments needed to be charged against inventories in the amount of EUR 1.2 million at the reporting date; in the previous year the need for value adjustments was EUR 0.5 million. The value adjustments and reversals of value adjustments are mainly recognized to account for slow-moving inventories and insufficient salability.

The amounts presented under inventories derived exclusively from Gigaset Communications GmbH and its subsidiaries.

6. Trade receivables

EUR'000	**12/31/2022**	**12/31/2021**
Receivables before value adjustments	20,799	19,194
Individual value adjustments	-1,512	-3,185
Carrying amount of receivables	**19,287**	**16,009**

The value adjustments charged against trade receivables showed the following development:

EUR'000	**2022**	**2021**
01/01	**3,185**	**3,451**
Addition	229	137
Consumption	-1,857	-400
Reversal	-45	-3
12/31	**1,512**	**3,185**

No interest income was collected in the reporting period on trade payables against which value adjustments had been charged.

Some companies of the Gigaset Group assigned a portion of their trade receivables to a financing company. The maximum volume of factoring agreements concluded at the reporting date was EUR 35.0 million for Germany and France and CHF 2.0 million for Switzerland.

The credit volume includes the purchased receivables less the purchase price retention. Receivables in the amount of EUR 29.5 million were sold. The trade receivables are derecognized upon being sold. Based on the contractual formulation of some factoring agreements, it can neither be assumed that the corresponding receivables were completely transferred, nor that the risks and rewards of the receivables remained completely with the Company. In accordance with IFRS 9, therefore, the companies recognized a so-called "continuing involvement" of EUR 0.3 million, which consists of the remaining interest rate risk in the amount of EUR 0.3 million. The expenses in connection with factoring amounted to EUR 0.5 million in the financial year, which includes the factoring fees as well as interest expenses for factoring. There were no cash inflows to the factoring company from the purchase price retentions in connection with the factoring, either in the current year or in the previous year.

In addition, the trade payables also comprised receivables due from factoring companies from clearing accounts in the amount of EUR 3.1 million.

The age structure of trade receivables as of December 31, 2022 is presented in the table below:

	12/31/2022		12/31/2021	
EUR'000	**Carrying amount**	**Value adjustment**	**Carrying amount**	**Value adjustment**
Carrying amount	**19,287**	**-1,512**	**16,009**	**-3,185**
Not due	16,968	0	14,391	0
Past due up to 30 days	1,080	0	531	0
Past due > 30 days but < 90 days	773	0	208	0
Past due > 91 days but < 180 days	273	0	33	0
Past due more than 180 days	193	-1,512	846	-3,185

For Group companies that use factoring, the unsold trade receivables will be assigned to the category of fair value through profit or loss (FVTPL) since most of the receivables in these partial stocks are sold and thus it is not possible to assume either a pure intention to hold or a hybrid hold-and-sell business model. This does not result in any effects from the fair value measurement since they are short-term receivables and it can be assumed that the market value and the nominal value are generally the same. Material changes in value caused by defaults would certainly reduce the market value, but are already recognized in profit or loss as value adjustments in the financial year. The trade receivables not subject to factoring are measured at amortized cost (AC). The value adjustments are determined on the basis of a value adjustment model using the simplified approach that can be done without assignment to levels; expected credit losses are also anticipated and risk provisions are recognized for them. This model measures the trade receivables that are neither individually value-adjusted nor collateralized. The expected value adjustment is calculated using historically observable cumulative receivables from past-due items, actual defaults from past-due items, and past-due receivables that have recovered. This data is used to calculate probabilities of default that are based on a complete adjustment to macroeconomic expectations. Due to the coronavirus pandemic and the potential adverse effects it can have on the Company's credit standing, an additional risk provision was recognized at the reporting date to account for a heightened risk of insolvency in the near future due to the coronavirus pandemic. The receivables without value adjustments and not past due at the reporting date were subjected to only minor value adjustments according to the simplified approach since the measurement model did not result in any significant need for value adjustments, also in consideration of the credit risk provision due to the coronavirus pandemic.

2022 in EUR'000	Not past due	Past due 0 days to 30 days	Past due 31 days to 90 days	Past due 91 days to 180 days	Past due more than 180 days	Total
Trade receivables	16,968	1,080	773	273	1,705	20,799
Expected loss (without individual value adjustments)	9	0	0	0	0	9

2021 in EUR'000	Not past due	Past due 0 days to 30 days	Past due 31 days to 90 days	Past due 91 days to 180 days	Past due more than 180 days	Total
Trade receivables	14,392	531	208	33	4,030	19,194
Expected loss (without individual value adjustments)	0	0	0	0	51	51

The application of the impairment model is not material for the Gigaset Group since the majority of the portfolio of trade receivables is tendered for sale within the framework of factoring.

With regard to the receivables that were neither impaired nor past due, there were no indications that payments will not be made when due.

The Gigaset Group received trade credit insurance, letters of credit and other credit improvements in the amount of EUR 12.7 million (PY: EUR 11.4 million) as security for trade receivables and outstanding invoices in financial year 2022.

By reason of the international activity of the Gigaset Group, the following receivables denominated in foreign currencies were converted to the Group currency (EUR) as of December 31, 2022:

	12/31/2022		12/31/2021	
Foreign currency	**EUR'000**	**%**	**EUR'000**	**%**
TRY (Turkish lira)	1,692	51.3	1,120	23.6
USD (US dollar)	997	30.3	299	6.3
GBP (British pound)	269	8.2	919	19.4
CNY (Chinese renminbi yuan)	253	7.7	0	0.0
PLN (Polish zloty)	74	2.2	256	5.4
SEK (Swedish crowns)	6	0.2	0	0.0
CHF (Swiss franc)	3	0.1	0	0.0
RUB (Russian ruble)	0	0.0	2,153	45.3
Other	1	0.0	1	0.0
Total	**3,295**	**100.0**	**4,748**	**100.0**

7. Other assets

The following amounts were comprised within the item of other assets:

EUR'000	12/31/2022	12/31/2021
Receivables from factoring	10,307	8,574
Tax receivables	3,121	3,526
Receivables from pension liability insurance	1,808	3,110
Accural	973	641
Security deposits	382	396
Debit balances in vendor accounts	241	350
Personnel receivables	31	10
Derivatives	27	502
Receivable from support aid	0	3,409
Recourse receivable	0	1,350
Other asstes	3,016	2,476
Total	**19,906**	**24,344**

The receivables from factoring in 2022 consisted of the outstanding portion of the purchase price receivables in the amount of EUR 10.3 million (PY: EUR 8.6 million).

The tax receivables primarily comprise sales tax refund claims in the amount of EUR 3.1 million (PY: EUR 3.5 million). The tax receivables do not include income tax receivables because those are presented separately.

The receivables from pension liability insurance represent refund claims from the CTA assets arising from advance payments for pension claims paid in financial year 2022.

The recourse receivable in the previous year relates to a former investment by the Group in Oxy Holding GmbH in the amount of EUR 1.4 million. As regards the final distribution in the insolvency proceedings of OXY Holding GmbH, the receivable was settled in the 2022 financial year in Gigaset's favor.

The receivables carried in the previous year from support aid comprise government subsidy payments in the form of coronavirus interim aid and were disbursed in full in the reporting year.

The escrowing obligation arising from the use of a derivative line within the framework of hedging foreign currency risks amounts to EUR 0.8 million as of December 31, 2022 (PY: EUR 0.3 million).

8. Tax refund claims

This item in the amount of EUR 0.3 million (PY: EUR 0.2 million) was composed exclusively of income tax refund claims, including an amount of EUR 0.3 million (PY: EUR 0.2 million) attributable to Gigaset Communications GmbH and its subsidiaries.

9. Cash and cash equivalents

This item comprises cash on hand and cash in banks for deposits that are due in less than three months and amounts to EUR 21.5 million at the reporting date of December 31, 2022 (PY: EUR 23.1 million).

The portfolio as of the reporting date contains cash balances from subsidiaries in Russia and China that the Gigaset Group cannot readily freely dispose of. Regulatory restrictions have been imposed on the general use of these cash balances in the Group in the amount of EUR 1.3 million (PY: EUR 0.8 million).

10. Equity

Subscribed capital

The Company's share capital totals EUR 132,455,896.00 (PY: EUR 132,455,896.00) and is divided into 132,455,896 (PY: 132,455,896) no par value shares. It has thus remained unchanged from the previous year. The shares are bearer shares. Thus, every no-par share represents EUR 1.00 of the Company's share capital.

No treasury shares were held as of the reporting date of December 31, 2022 and none were held as of December 31, 2021.

Additional paid-in capital

Additional paid-in capital as of December 31, 2022 amounted to EUR 86.1 million and has therefore not changed compared to the additional paid-in capital presented in the previous year.

Retained earnings

Retained earnings were unchanged from the previous year at EUR 69.0 million.

Authorized Capital / Conditional Capital

Authorized Capital 2020

The annual shareholders' meeting of August 12, 2016 authorized the Executive Board to issue Authorized Capital in the amount of up to EUR 44,200,000.00, with the consent of the Supervisory Board, in the time until August 11, 2021 and to amend Article 4.5 of the Articles of Association accordingly. This authorization has not yet been utilized. The authorization would expire on August 11, 2021. The annual shareholders' meeting of August 14, 2019 further authorized the Executive Board to issue Authorized Capital in the amount of EUR 22,000,000.00, with the consent of the Supervisory Board, in the time until August 13, 2024 and to amend Article 4.3 of the Articles of Association accordingly. This authorization has likewise not yet been utilized. Both capital accounts available to the Company did not exhaust the legal possibilities for authorized capital. In order to give the Company the greatest possible financing flexibility also with respect to non-cash capital contributions, a new Authorized Capital 2020 was to be established after canceling the Authorized Capital 2016 and 2019, with the possibility of excluding the subscription right of existing shareholders, and the Articles of Association were to be amended accordingly. On this basis, the regular annual shareholders' meeting resolved on June 4, 2020 to create a new Authorized Capital 2020 with the possibility of excluding the subscription right of existing shareholders and to amend the Articles of Association accordingly. The Authorized Capital 2016 and the corresponding authorization of the Executive Board according to Article 4.5 of the Articles of Association were canceled and Article 4.5 of the Articles of Association was deleted without replacement. The Authorized Capital 2019 and the corresponding authorization of the Executive Board according to Article 4.3 of the Articles of Association was canceled and the corresponding Article was reformulated. According to the reformulated Article 4.3 of the Articles of Association, the Executive Board is therefore authorized to increase the Company's capital stock by issuing new shares in the time until June 3, 2025, with the consent of the Supervisory Board, by a total of up to EUR 66,200,000.00, all at once or in partial amounts, through the issuance of new bearer shares that qualify for dividends from the beginning of the year of issue, against cash or non-cash capital contributions (Authorized Capital 2020). The existing shareholders are fundamentally entitled to a subscription right, but it can be excluded under certain circumstances. The new shares may also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (indirect subscription right). The Executive Board is authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Supervisory Board was further authorized to amend the wording of the Articles of Association in accordance with the specific scope of the capital increase from the Authorized Capital 2020. As of December 31, 2022, the Authorized Capital 2020 remained unchanged at EUR 66,200,000.00.

Conditional Capital 2020

Warrant and/or convertible bonds can be essential instruments for ensuring an appropriate capital stock as a decisive basis for the Company's further development. In such cases, the Company raises debt capital at usually favorable interest rates, which could potentially remain available to it in the future in the form of equity. An authorization is required to issue such bonds and establish a

Conditional Capital account. The annual shareholders' meeting of August 12, 2016 had authorized the Executive Board to issue warrant and/or convertible bonds and to establish a corresponding Conditional Capital in the amount of up to EUR 29,700,000.00 in Article 4.9 of the Articles of Association (Conditional Capital 2016). This authorization would expire on August 11, 2021. This authorization has not yet been utilized. The annual shareholders' meeting of August 14, 2019 further authorized the Executive Board to issue warrant and/or convertible bonds and to establish a corresponding Conditional Capital in the amount of up to EUR 35,000,000.00 in the time until August 13, 2024 in Article 4.4 of the Articles of Association (Conditional Capital 2019). This authorization has likewise not yet been utilized. Both authorizations available to the Company to issue warrant and/or convertible bonds with the corresponding Conditional Capital accounts did not exhaust the legal possibilities. In order to give the Company the greatest possible financing flexibility within the limits of the legal possibilities to use this important financing instrument in the future, also with respect to non-cash capital contributions, the annual shareholders' meeting of June 4, 2020 resolved to cancel the previous authorizations and grant a new authorization to issue warrant and/or convertible bonds and to establish a corresponding new Conditional Capital 2020. The Executive Board was also authorized to exclude the subscription right of existing shareholders for the warrant and/or convertible bond, with the consent of the Supervisory Board. On this basis, the annual shareholders' meeting resolved to cancel the Conditional Capital 2016 and to authorize the Executive Board according to Article 4.9 of the Articles of Association and to delete Article 4.9 of the Articles of Association without replacement and to cancel the Conditional Capital 2019 and authorize the Executive Board according to Article 4.4 of the Articles of Association and to reformulate the Article. The annual shareholders' meeting therefore resolved on June 4, 2020, that the Company is authorized, with the consent of the Supervisory Board, to issue option bonds and/or convertible bonds once or multiple times until June 3, 2025, with or without limitation of maturities, for a total nominal amount of up to EUR 300,000,000.00 ("bonds") or to grant the bond holders or creditors warrant and/or conversion rights to a total of up to 64,700,000 bearer no-par-value shares of the Company with a proportional share of the capital stock of up to EUR 64,700,000.00 according to the terms and conditions of each bond issue. The shareholders are fundamentally entitled to a subscription right. However, it can be excluded under certain circumstances. The new shares may also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (indirect subscription right). The Executive Board was authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Conditional Capital 2020 at December 31, 2022 remained unchanged at EUR 64,700,000.00.

11. Pension obligations

11.1 Description of pension commitments

11.1.1 Geographical distribution of pension commitments

The pension obligations of Gigaset AG and its subsidiaries are distributed over three countries: Germany, Switzerland, and Italy. In addition, plan assets still exist in Germany and Switzerland. The amount of the obligations and the plan assets are broken down by country in the following table:

Pension obligations and plan assets at 12/31/2022 (in EUR'000):

Country	Pension obligation	Plan assets	Net obligation
Germany	84,860	22,589	62,271
Switzerland	3,015	3,501	0
Italy	87	0	87
Total	**87,962**	**26,090**	**62,358**

Pension obligations and plan assets at 12/31/2021 (in EUR'000):

Country	Pension obligation	Plan assets	Net obligation
Germany	122,740	31,575	91,165
Switzerland	5,555	3,028	2,527
Italy	104	0	104
Total	**128,399**	**34,603**	**93,796**

Because Germany's share of the pension and net obligations is more than 96% and 99% in each case (PY: each more than 95%), only the German pension plans and the risk factors for the German obligations will be described in more detail.

11.1.2 Description of pension commitments in Germany

Because their legal predecessors originally belonged to the Siemens Group, the vast majority of the pension obligations held by Gigaset AG and its German subsidiaries were created based on Siemens promises. Siemens AG converted its guaranteed pension payments from pension benefits to a capital-based system in 2003. All employees who were already employed at a legal predecessor of Gigaset received vested rights in the form of a benefit obligation in the course of this conversion. In addition, all employees can receive contributions to the new capital account plan, if funds are allocated to it by Gigaset. Gigaset can make a new decision on an allocation annually. For 2022, as in the previous year, no employer-financed contributions were paid into the capital account plan. Salary conversion also exists, which is likewise capital-based. It has been closed since 2007 and contributions are no longer being paid in. A death benefit is paid, as well as a transitional payment (six months of continued pay in case of an insured event) for some of the employees. A few retirees still receive installment payments according to another closed system for salary conversion (supplementary benefits option). In addition, two vested benefit obligations still exist under another pension plan (GOH). The payments from the capital account plan earn interest at 0.25% (PY: 0.25%).

New pension obligations are thus only generated by inclusion in the capital account plan as well as by vested rights in a death benefit. All other plans are closed to new hires and are no longer being serviced with contribution payments.

11.1.3 Significant risk factors

The primary risk consists of the pension obligations from vested rights, since they constitute about 85% (PY: about 84%) of the total German pension obligations. They are sensitive to the discount rate, inflation, and changes in life expectancy, but not to changes in wages and salaries. Only the death benefit and transitional payments are dependent on wages and salaries. Since this risk is not very significant (about 2% (PY: about 2%) of the pension obligations), however, no calculation was made of the sensitivities to projected salary increases. For all other risks, significant actuarial assumptions and sensitivity analyses are shown in Chapter 11.2 Significant actuarial assumptions and sensitivity analysis.

11.1.3.1 Longevity risk factor

Pension plans such as the vested rights system react sensitively to any change in life expectancy. An increase in life expectancy represents a significant risk to the pension obligation. Since the obligation is distributed over a group of more than 1000 people, as in the previous year, there are no concentration risks. For all other plans, the longevity risks are negligible or do not exist.

11.1.3.2 Inflation risk factor

Pension plans are likewise susceptible to inflation risk through the pension adjustment. A review to determine whether a pension adjustment is necessary is conducted every three years and is based on the consumer price index. All other plans are not subject to inflation risk.

11.1.3.3 Discount rate risk factor

Pension obligations depend very strongly on the discount rate. Since the discount rate is calculated at a reporting date and is based on the capital market, it has been subject to strong fluctuations since the financial crisis occurred. This means that it is very likely that the obligation will change by more than 10% from one year to the next. According to the current IAS 19 as revised in 2011, the actuarial gains and losses occurring (due inter alia to changes in parameters) must be recognized as losses against the Company's equity. While large actuarial losses do not affect cashflow, they can have a negative effect on equity.

11.2 Significant actuarial assumptions and sensitivity analysis

The sensitivity analysis is intended to show the effects of changes in measurement assumptions that could reasonably occur until the next reporting date (IAS 19.145 and IFRS 7).

A Defined Benefit Obligation (DBO) in Germany at 12/31/2022: EUR 84.3 million

B Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 13.2 years as of 12/31/2022

C Significant actuarial assumptions as of 12/31/2022

Parameter	Initial value	Sensitivity analysis	DBO in EUR'000
Discount rate	3.72%	+0,50%	79,264
Discount rate	3.72%	-0,50%	90,041
Inflation (pension trend)	2.00%	+0,25%	86,394
Inflation (pension trend)	2.00%	-0,25%	82,399
Longevity	Heubeck 2018 G	+1 Year	86,421
Longevity	Heubeck 2018 G	-1 Year	82,210

D Defined Benefit Obligation (DBO) in Germany as of 12/31/2021: EUR 122.7 million

E Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 16.4 years at 12/31/2021

F Significant actuarial assumptions at 12/31/2021

Parameter	Initial value	Sensitivity analysis	DBO in EUR'000
Discount rate	1.14%	+0,50%	112,785
Discount rate	1.14%	-0,50%	132,615
Inflation (pension trend)	1.65%	+0,25%	125,739
Inflation (pension trend)	1.65%	-0,25%	118,539
Longevity	Heubeck 2018 G	+1 Year	126,437
Longevity	Heubeck 2018 G	-1 Year	117,665

The sensitivity analysis above is based on changing one assumption while all other assumptions remain constant. It is improbable for this to occur in reality, and changes in some assumptions may correlate. When calculating the sensitivity of the defined benefit obligation to actuarial assumptions, the same method was used as was used to determine the pension provisions in the statement of financial position (the present value of the defined benefit obligations was calculated using the projected unit credit method at the end of the reporting period).

11.3 Development of pension provisions in the Gigaset Group

Provisions for pensions and similar obligations have been recognized for a total of six (PY: six) Group companies. The total amount of the provision decreased by EUR -31.4 Mio to EUR 62.4 Mio at the reporting date of 31. Dezember 20222 (PY: EUR 93.8 Mio). The decrease in the pension provision compared to the previous year resulted mainly from the increase in the weighted interest rate from 1.10% in the previous year to 3.67% in 2022. The parameters for the projected salary increase remained approximately at the same level, while the weighted projected pension increase rose from 1.66% in 2021 to 2.00% in 2022.

The revaluation effects from defined benefit plans are recognized in "accumulated other comprehensive income" within equity, while the ongoing change in the period is disclosed separately in the Statement of Changes in Equity.

The projected unit credit value of vested pension benefits under the defined benefit plans of the companies of the Gigaset Group showed the following development:

EUR'000	2022	2021
Balance at 01/01	**128,399**	**135,901**
Current service cost	846	1,520
Employee contributions	64	165
Interest expenses	1,385	916
Pension benefits paid	-2,995	-2,864
Actuarial gains/losses from demographic assumptions	-16	1,504
Actuarial gains/losses from financial assumptions	-37,272	-8,608
Actuarial gains/losses from experience values	-2,660	-270
Plan curtailments	0	-48
Foreign currency effects	211	183
Balnace at 12/31	**87,962**	**128,399**

The pension expenses recognized in the current financial year were composed of the following elements:

EUR'000	2022	2021
Current service cost	846	1,520
Net interest on net liability	1,007	677
Total pension expenses	**1,853**	**2,197**

Current service cost is presented as personnel expenses in the item of social security, pension and other benefits. In contrast, the net interest arising from the net debt is presented in interest expense since the 2022 financial year (see section "Presentation of Interest Expense from Pension Obligations"). The current income on plan assets was EUR -6.0 million (PY: EUR 1.2 million).

The revaluation effects from defined benefit plans are recognized in the item "accumulated other comprehensive income" within equity. They are presented in the table below:

EUR'000	2022	2021
Balance at 01/01	**-58,364**	**-67,016**
Revaluation effects in current year	33,360	8,652
Balance at 12/31	**-25,004**	**-58,364**

The plan assets showed the following development:

EUR'000	2022	2021
Fair value of plan assets at 01/01	**34,603**	**37,650**
Interest income	378	239
Income from plan assets without interest income	-6,405	991
Employer contributions	75	72
Employee contributions	65	172
Benefits paid	-1,963	-2,208
Reimbursement of advance payments	-811	-2,417
Foreign currency effects	148	104
Fair value of plan asstes at 12/31	**26,090**	**34,603**

The plan assets for the current financial year break down as follows:

EUR'000	2022	2021
Special funds	23,068	33,663
Fixed-income securities	1,560	1,378
Equities	575	731
Real estate and real estate funds	1,075	741
Miscellaneous	623	507
Reimbursement of advance payments	-811	-2,417
Total	**26,090**	**34,603**

The special funds primarily contain bonds, corporate bonds, and stocks. The plan assets must be primarily assigned to measurement category 1, i.e., the plan assets are traded on active markets. Only the real estate and real estate funds are measured at current market value (using the DCF method). The plan assets do not contain any real estate that is used by Gigaset itself.

The item "reimbursement from advance payments" relates to pension payments that were already paid in advance by Gigaset in the current financial year, but will not flow out of the plan assets until the following calendar year in the form of a reimbursement to Gigaset. Due to the reimbursement documents submitted in the current financial year, these funds will no longer be available to cover future pension claims and therefore are recognized on the reporting date as a reduction of plan assets.

The expected contributions to plan assets for the following year totaled EUR 0.1 million (PY: EUR 0.2 million). The expected benefit payments in the following year are expected to total EUR 4.1 million (PY: EUR 3.7 million).

The current employer's contributions to the statutory pension insurance system are recognized as operating expenses in the respective year. In the reporting period, they amounted to EUR 4.2 million (PY: EUR 4.2 million) for the Group.

The existing reimbursement rights for Gigaset developed as follows in the financial year:

EUR'000	2022	2021
Fair value of the reimbursement rights at 01/01	**693**	**0**
Acquisitions	0	406
Actuarial gains/losses from financial assumptions	-183	287
Fair value of the reimbursement rights at 12/31	**510**	**693**

The reimbursement rights relate to claims by Gigaset that Gigaset holds in case of utilization of pension obligations sold in previous periods based on a guarantee by the buyer. The amount of the reimbursement claims is measured in the consolidated financial statements at the corresponding value of the pension obligation. No payments were made in respect of defined-contribution plans, as in the previous year.

The calculation was based on the following weighted actuarial assumptions:

in %	2022	2021
Discount rate	3.67	1.10
Salary trend	2.23	2.23
Pension trend	2.00	1.66
Mortality tables:		
Germany	Heubeck 2018 G	Heubeck 2018 G
Switzerland	BVG 2005	BVG 2005
Italy	ISTAT 2020	ISTAT 2018
Austria	n/a	n/a

The provision for pension obligations was measured as follows:

EUR'000	2022	2021
Projected unit credit value of pension obligations	87,962	128,399
- internally financed	2,486	3,091
- externally financed	85,476	125,308
Fair value of plan assets	-26,090	-34,603
Asset value of reinsurance policy (plan asset)	486	0
Total pension provisions	**62,358**	**93,796**

The provision showed the following development over time:

EUR'000	2022	2021
Pension provision at 01/01	**93,796**	**98,251**
Current service cost	846	1,520
Net interst expenses/income	1,007	677
Actuarial gains/losses from demographic assumptions	-16	1,504
Actuarial gains/losses from financial assumptions	-37,272	-8,608
Actuarial gains/losses from experience values	-2,660	-270
Income from plan assets without interest income	6,405	-991
Pension benefits paid	-1,032	-656
Employer contributions	-75	-72
Employee contributions	-1	-7
Reimbursement of prepayments	811	2,417
plan curtailments	0	-48
Asset value of reinsurance policy (plan asset)	486	0
Foreign currency effects	63	79
Pension provision 12/31	**62,358**	93,796

12. Provisions

EUR'000	Balance as of 01/01/2022	Utilization	Reversal	Addition	Reclassi-fication	Currency/ Interest effects	Balance as of 12/31/2022
Personnel	787	-352	-44	301	0	0	692
Warranties	2,913	-753	-24	846	0	-13	2,969
Onerous contracts	426	-426	0	118	0	0	118
Customer bonus	6,258	-5,335	-558	6,879	-70	48	7,222
License costs	1,714	-664	-329	622	65	0	1,408
Other	1,270	-951	-45	727	325	-50	1,276
Total	**13,368**	**-8,481**	**-1,000**	**9,493**	**320**	**-15**	**13,685**

The personnel provisions for the past two financial years break down as follows:

EUR'000	12/31/2022	12/31/2021
Partial early retirement	346	287
Service anniversary bonuses	346	500
Total	**692**	**787**

The warranty provisions were calculated on the basis of experience values and estimates of future occurrence probabilities and related to legal claims from warranty claims.

The **provisions for onerous contracts** related mainly to disadvantageous purchase agreements.

Customer bonus provisions are made for contractual claims by customers when they achieve certain revenue targets.

Revenue-dependent **licensing costs** accrue for the use of patented third-party technologies that are used in telecommunications products.

Miscellaneous other provisions particularly include costs for copyright levies, external audits, provisions for retention costs, annual shareholders' meeting expenses, and annual report expenses, as well as Supervisory Board compensation and costs for legal disputes.

The maturity structure of provisions is presented in the table below:

EUR'000	12/31/2022	12/31/2021
Non-current provisions	965	1,373
Current provisions	12,720	11,995
Total	13,685	13,368

Non-current provisions, which have a maturity of more than one year, were divided among the various categories as follows:

EUR'000	12/31/2022	31/21/2021
Personnel	495	628
Warranties	191	476
Environmental risks	83	124
Other	196	145
Total	965	1,373

13. Noncurrent and current financial liabilities

In 2018, the Group concluded a credit facility in the amount of up to EUR 20.0 million. Because the tax liabilities proved to be less than originally planned, war Gigaset was not required to draw down the full amount of the loan. The maximum credit volume of originally up to EUR 20.0 million was frozen at EUR 15.9 million, although at the same time the term of the loan was extended by two years to alleviate Gigaset's liquidity.

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

The fixed-interest loan is denominated in euros and has an effective annual interest rate of 5.16%. It is measured at amortized cost. Accordingly, it has no effect on the Group's items with regard to foreign currency and interest rate risks.

Because it could be foreseen at an early stage that the agreed covenants for 2020 could not be fulfilled due to the coronavirus pandemic, an agreement was reached with the financing banks in September 2020 under which they will not exercise the associated loan termination options. The negotiations were concluded in the first quarter of 2021 and the "net gearing ratio" was agreed upon as a covenant. Gigaset did not comply with the "net gearing ratio" covenant for financial year 2021 and agreed with the financing banks to a waiver of the right of termination and an adjustment of the repayment of loan installments in March 2022. It was agreed upon with the financing banks that starting in March 2022, a suspension of repayment for 6 months will occur, but then the originally established repayments for financial year 2022 must be paid with correspondingly higher repayments starting in the fourth quarter of 2022. The suspension of repayment is intended to financially cushion the consequences of the coronavirus pandemic and the insufficient availability of chipsets. Due to the circumstance that the covenant as of December 31, 2021, was not complied with, the loan had to be recognized in its entirety as current in the balance sheet as of December 31, 2021, despite the agreement made in March 2022.

It was already foreseeable in the 2022 financial year that the covenants agreed upon could not fulfilled, due to increasing material costs resulting from the devaluation of the euro against the US dollar as well as the costs impacted by inflationary effects. Gigaset therefore concluded a covenant agreement with the lenders on December 29, 2022, stipulating that the right of notice arising from the credit agreement will be waived. In March 2023, moreover, a suspension of repayment was agreed upon with the financing banks through June 2023. Starting in July 2023, repayment will be resumed and the suspended repayment amounts will be repaid in a lump sum at the due date in October 2024, taking into account any proceeds from the sale of non-operating assets that would be repaid pro rata in June 2023. The agreement in March 2023 also includes a revision of the covenants relating to absolute EBITDA.

The loan balance as of December 31, 2022 is EUR 12.1 million (PY: EUR 12.8 million) and breaks down into a maturity of less than one year in the amount of EUR 8.3 million (PY: EUR 12.8 million), and a maturity of greater than one year and less than five years in the amount of EUR 3.8 million (PY: EUR 0.0 million).

The loan is secured by the Company in the full amount by land and buildings, other non-current assets and machinery, the assignment of goods stored in the warehouse, and the pledge of intangible assets held at the time of concluding the loan.

As part of the government measures to combat the economic effects of the coronavirus pandemic, the French national subsidiary received an interest-free liquidity assurance loan for EUR 2.0 million with a term of 12 months in June 2020. This was originally to be repaid in full after the passage of 12 months. Due to the continuing coronavirus pandemic, however, the loan was renegotiated. It now has a term until June 2026. Only interest had to be paid until June 2022; the loan then only had to be repaid starting in July 2022 in equal installments. Due to the modification of the loan terms, an adjustment was made to the carried values based on the effective interest method. This led to a positive financial result in the amount of EUR 0.2 million in financial year 2021.

The loan balance as of December 31, 2022 is EUR 1.6 million (PY: EUR 1.8 million) and breaks down into a maturity less than one year in the amount of EUR 0.4 million (PY: EUR 0.2 million), and a maturity of more than one year and less than five years in the amount of EUR 1.2 million (PY: EUR 1.6 million). The fixed-interest loan is granted in euros and has an effective annual interest rate of 4.17%; it is measured at amortized cost. Accordingly, it has no effect on the Group's position with respect to foreign currency and interest rate risks.

To strengthen liquidity, loan agreements were concluded with two suppliers in financial year 2021 in connection with orders to be fulfilled. A loan agreement in the amount of EUR 0.8 million has a term until December 2024. The other loan agreement in the amount of USD 1.0 million has a term until June 2024. Both loans are non-interest bearing and repayable at the nominal value. Upon initial recognition, the loan was measured at fair value in accordance with IFRS 9 and presented as a financial liability. In subsequent periods, the loan will be measured at amortized cost.

The balance of these loans as of December 31, 2022, is EUR 1.3 million (PY: EUR 1.4 million) and breaks down into a maturity less than one year in the amount of EUR 0.8 million (PY: EUR 0.2 million) and a maturity of more than one year and less than five years in the amount of EUR 0.5 million (PY: EUR 1.2 million). The loan denominated in euros has no effect on the Group's position with respect to foreign currency and interest rate risks. The loan denominated in U.S. dollars has an effect on the Group's position with respect to foreign currency risks, but not interest rate risks.

A further supplier loan in the amount of EUR 2.5 million was granted in the 2022 financial year. The loan is denominated in EUR, and EUR 1.0 million was already repaid in the 2022 financial year according to plan. The remaining amount of EUR 1.5 million will be repaid upon final maturity as of March 31, 2023. The load is measured at amortized costs using an effective annual interest rate of 3.71%. The valuation of goods received was performed at fair value pursuant to IFRS 9 and recognized as a financial liability. The loan is denominated in euros and consequently has no effect on the Group's position with respect to foreign currency and interest rate risks.

Please refer to the discussion under the section Notes on Financial Instruments, for further discussion regarding the required statements for financial liabilities.

14. Deferred tax assets and deferred tax liabilities

Deferred taxes result from the different values contained in the IFRS financial statements as compared to the financial statements prepared for tax purposes, and from consolidation measures.

Deferred tax liabilities and assets were recognized in respect of the following items:

EUR'000	12/31/2022	12/31/2021
Deferred tax assets		
Intangible assets	511	106
Property, plant and equipment	11	6
Inventories	30	58
Receivables and other current assets	58	171
Provisions	11,241	19,747
Liabilities	270	2,288
Derivatives	564	0
Tax loss carry-forwards	6,684	4,392
Total deferred tax assets	**19,369**	**26,768**
thereof current	1,058	2,810
thereof noncurrent	18,311	23,958
Deferred tax liabilities		
Intangible assets	13,446	11,281
Right of use assets	10	3
Property, plant and equipment	4,889	2,207
Investment Properties	956	860
Inventories	266	221
Receivables and other current assets	505	81
Provisions	56	0
Liabilities	7	11
Derivatives	9	160
Total deferred tax liabilities	**20,144**	**14,824**
thereof current	781	308
thereof noncurrent	19,363	14,516
Net balance of deferred tax assets and liabilities	18,543	14,559
Stated amount of deferred tax assets	**826**	**12,209**
Stated amount of deferred tax liabilities	**1,601**	**265**

No deferred tax assets were recognized in respect of corporate income tax loss carry-forwards totaling EUR 46.4 million (PY: EUR 44.3 million) and trade tax loss carry-forwards totaling EUR 41.3 million (PY: EUR 37.6 million). Of the non-recognized corporate income tax loss carry-forwards, an amount of EUR 5.6 million related to foreign companies (PY: EUR 6.4 million), of which, in turn, EUR 0.0 million (PY: EUR 0.0 million) will expire within 5 to 20 years. The deferred tax assets for tax loss carry-forwards primarily relate to Gigaset Communications GmbH and the Austrian, Spanish and French subsidiaries (PY: Gigaset Communications GmbH as well as the Austrian and Spanish subsidiaries).

Gigaset did not recognize deferred tax assets on temporary differences in the amount of EUR 0.3 million (PY: EUR 0.3 million).

No deferred taxes were recognized in respect of differences between IFRS and the tax balance sheet related to interests in subsidiaries in the amount of EUR 37.7 million (PY: EUR 74.8 million).

For more information on this subject, please refer to the presentation of accounting and valuation methods and the explanations provided in Income Taxes.

15. Trade payables

Based on the usual payment terms agreed with suppliers and other business partners, the due dates and the corresponding cash outflows of current trade payables are presented in the table below:

EUR'000	12/31/2022	12/31/2021
Carrying amount	**54,714**	**44,978**
thereof due in the following time periods:		
< 30 days	40,693	33,764
30 - 90 days	13,032	9,045
90 - 180 days	989	2,169
180 days - 1 year	0	0

By reason of the international activity of the Gigaset Group, the trade payables at December 31, 2022, included the following amounts denominated in foreign currencies, which have been translated to the euro, as the Group currency:

	12/31/2022		12/31/2021	
Foreign currency	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	32,755	92.4	20,119	93.5
CNY (Chinese renminbi yuan)	1,580	4.5	0	0.0
CHF (Swiss franc)	505	1.4	524	2.4
PLN (Polish zloty)	238	0.7	201	0.9
JPY (Japanese yen)	144	0.4	187	0.9
GBP (British pound)	98	0.3	182	0.9
TRY (Turkish lira)	56	0.2	178	0.8
RUB (Russian ruble)	33	0.1	105	0.5
CZK (Czech crowns)	9	0.0	0	0.0
Other	2	0.0	20	0.1
Total	**35,420**	**100.0**	**21,516**	**100.0**

16. Tax liabilities

This item in the amount of EUR 0.5 million (PY: EUR 0.8 million) was composed exclusively of current income tax liabilities, including an amount of EUR 0.3 million (PY: EUR 0.6 million) attributable to Gigaset Communications GmbH and its subsidiaries.

17. Current other liabilities

EUR'000	12/31/2022	12/31/2021
Other personnel-related liabilities	6,476	4,965
Customs liabilities	3,404	3,419
Derivatives	1,765	0
Other taxes	1,322	1,802
Social security contributions	264	265
Advance payments received	111	131
Wages and salaries	47	240
Miscellaneous other liabilities	1,132	1,005
Total	**14,521**	**11,827**

The other current liabilities did not bear interest in the reporting year. Due to the fact that they are due in less than one year, it can be assumed that the carrying amounts of the liabilities essentially correspond to their fair values. Therefore, the repayment amounts presented in the statement of financial position are equivalent to the market values of the liabilities.

The other personnel-related liabilities were mainly composed of the following items:

EUR'000	12/31/2022	12/31/2021
Profit-based bonuses and other bonuses	2,529	1,519
Vacation leave not taken	1,734	1,669
Work time accounts	979	669
Miscellaneous personnel-related liabilities	1,234	1,108
Total	**6,476**	**4,965**

G. OTHER INFORMATION

1. Segment report

The segment report is based on geographical segments, in accordance with the Group's internal reporting system. The holding company is presented separately from Gigaset's operating activities. Within operating activities, a distinction is made in the geographical regions between "Germany," "EU," and "Rest of World." The reportable segment "EU" contains multiple geographical regions, including the "France" geographical region as an operating segment which has been aggregated to form this segment. The individual segments were aggregated into the "EU" segment because the products and services sold, the customer structures, sales structures and regulatory conditions are comparable. With respect to economic criteria, the individual geographical segments have been aggregated particularly by reason of comparable gross margins.

Gigaset is principally active in the sector of communications technology. The geographical regions in which Gigaset operates are the following:

- "Germany"

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

- "EU"

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

- "Rest of World"

  The "Rest of World" geographical region comprises the operating activities in Great Britain, Switzerland, Turkey, Russia, and China.

The transfer prices charged between the segments are the same as those that could be achieved with third parties. Administrative services are charged to the Group companies as cost allocations.

For purposes of segment reporting, revenues by country are reported both on the basis of the receiving entities and the registered head office of the respective company ("country of domicile").

For purposes of current segment reporting within the Group, the attribution to individual geographical regions is based on the country of domicile of the respective legal entity. If, for example, a German company issues an invoice to a company in the Netherlands, such revenues are assigned to the "Germany" region for purposes of the presentation by country of domicile.

The first sales subsidiaries of the Gigaset Group domiciled abroad were converted to the direct business model in the 2022 financial year. The switchover will be fully completed successively in financial year 2023. In this way, the German company Gigaset Communications GmbH delivers directly to end customers abroad so that the foreign sales companies are converted to a revenue brokering business and therefore no longer earn any direct sales revenues from the sale of telecommunications products. Consequently, the sales revenues are allocated successively to the Germany Region upon assignment by country of domicile, which impairs the comparison to the previous year. Revenue classified by country of domicile is presented in the following tables.

The previous year's figures were adjusted for better comparability due to the changed presentation of pension interest (see section "Changes in the Presentation of Interest Expense from Pension Obligations" for further particulars).

January 1 to December 31, 2022 in EUR'000	Germany	EU	Rest of World	Gigaset Group	Holding company	Group
Revenues	168,948	51,327	21,043	241,318	0	241,318
Segment result / EBITDA	**16,508**	**3,256**	**561**	**20,325**	**-2,387**	**17,938**
Depreciation and amortization	-14,764	-819	-202	-15,785	-8	-15,793
Impairments	-370	0	0	-370	0	-370
EBIT	**1,374**	**2,437**	**359**	**4,170**	**-2,395**	**1,775**
Other interest and similar income						120
Interest and similar expenses						-2,805
Financial result						**-2,685**
Result from ordinary activities						**-910**
Income taxes						-4,660
Consolidated net loss						**-5,570**

January 1 to December 31, 2021 in EUR'000	Germany	EU	Rest of World	Gigaset Group	Holding company	Group
Revenues	129,586	63,309	24,238	217,133	0	217,133
Segment result / EBITDA	**17,254**	**2,306**	**300**	**19,860**	**-2,479**	**17,381**
Depreciation and amortization	-13,637	-856	-224	-14,717	-8	-14,725
Impairments	0	0	0	0	0	0
EBIT	**3,617**	**1,450**	**76**	**5,143**	**-2,487**	**2,656**
Other interest and similar income						355
Interest and similar expenses						-2,661
Financial result						**-2,306**
Result from ordinary activities						**350**
Income taxes						113
Consolidated net income						**463**

Analogously to the previous year, the 10% revenue limit in the B2B category with regard to total revenues was exceeded in relation to an internationally active company. The total revenues with this business partner amounted to EUR 33.9 million for financial year 2022 and are distributed across all geographical segments.

The profit or loss effects of deconsolidations, where they exist, have been assigned to the respective segments.

Please refer to the Revenues section within the chapter Notes to the Income Statement for the breakdown of revenues by operating segment.

Revenues by receiving entities represent the amounts invoiced in the respective regions, regardless of the domicile of the invoicing entity. If, for example, a German company issues an invoice to a company in the Netherlands, such revenues are assigned to the region of "Europe – EU (excluding Germany)" in the presentation by receiving entities. In the table below, revenues are presented according to the regions of the receiving entities pursuant to IFRS 8.33 a), as described in the preceding paragraph, for financial year 2022 and the comparison period:

EUR'000	2022	2021
Germany	120,827	105,581
France	28,915	30,013
Europe (excluding Germany and France)	74,797	69,475
Rest of World	16,779	12,064
Total	**241,318**	**217,133**

In accordance with IFRS 8.33 b), non-current assets were divided among the following regions in financial year 2022 and the comparison period:

EUR'000	2022	2021
Noncurrent assets		
Germany	89,627	83,321
Europe (excluding Germany)	144	159
Rest of World	1	1
Total	**89,772**	**83,481**

2. Cashflow statement

The cashflow statement presents the changes in net funds of the Gigaset Group in the reporting year and in the previous year. Net funds are defined as cash and cash equivalents. As a general rule, items denominated in foreign currencies are translated at average exchange rates for the year. By way of exception, cash and cash equivalents are translated at the exchange rate on the reporting date. The effect of exchange rate changes on net funds is presented separately.

EUR'000	2022	2021
Cashflow statement		
Cash inflow (+)/outflow (-) from operating activities	21,868	5,309
Cash outflow from investing activities	-20,892	-19,519
Free cashflow	976	-14,210
Cash inflow (+)/outflow (-) from financing activities	-2,447	-3,576
Change in cash and cash equivalents	**-1,471**	**-17,786**

In accordance with IAS 7, cashflows are classified as cash inflow / outflow from operating activities, investing activities and financing activities.

The cashflow statement has been prepared in accordance with the indirect method. The changes in items of the statement of financial position considered for this purpose have been adjusted for the effects of changes in the consolidation group, if applicable, and transactions recognized in equity.

The cash outflow from investing activities amounted to EUR 20.9 Mio in 2022, after EUR 19.5 Mio in the previous year, and breaks down over the cash outflows for investments in noncurrent assets as follows:

EUR'000	2022	2021
Cash outflows for investments in noncurrent assets		
Cash outflows for intangible assets	17,033	13,248
Cash outflows for property, plant and equipment	3,859	6,314
Total	**20,892**	**19,562**

In the past financial year, the cash inflow/outflow from financing activities amounted to EUR -2.4 Mio, after EUR -3.6 Mio in the previous year. The interest paid in 2022 amounted to EUR 1.5 million, and EUR 1.4 million in the previous year. As also in the previous year, the interest paid comprises interest on financial liabilities, factoring and leasing. In the reporting year, fund inflows came from short-term borrowings from an additional supplier loan in the amount of EUR 1.5 million, while EUR 0.8 million went for the repayment of short-term borrowings from the credit facility as well as the supplier loan.

In financial year 2022, as also in the previous year, there were no changes in the scope of consolidation that would have to be taken into account in the cashflow statement. The reconciliation of the current and non-current financial liabilities, as well as the current and non-current lease liabilities, is presented in the following table.

2022 in EUR'000	Financial liabilities	Leases
01/01	15,978	3,102
Cash-borrowing	1,500	0
Non cash changes	-182	856
- thereof new additions reporting year	0	955
- thereof disposals reporting year	-229	-100
- thereof foreign currency effects	47	1
Cash repayment	-772	-1,686
12/31	**16,524**	**2,272**

2021 in EUR'000	Financial liabilities	Leases
01/01	16,452	3,730
Cash-borrowing	1,590	0
Non cash changes	-75	1,122
- thereof new additions reporting year	0	1,118
- thereof disposals reporting year	-114	-34
- thereof foreign currency effects	39	38
Cash repayment	-1,989	-1,750
12/31	**15,978**	**3,102**

3. Other financial commitments

The other financial commitments as of the reporting date of December 31, 2022 resulted from service agreements that cannot be terminated until the end of their terms, which have been entered into by the Group and its subsidiaries in the ordinary course of business.

Software and IT commitments exist in this context in the amount of EUR 4.0 million, EUR 3.2 million of which are primarily current (due in less than 1 year). These commitments primarily comprise licensing and maintenance agreements in connection with software used.

In addition, future commitments exist under service agreements entered into for EUR 10.3 million, of which those with a remaining term of less than one year exist in the amount of EUR 5.3 million. The service agreements resulted from maintenance and service agreements for machinery and equipment, and operational and office equipment, as well as services provided by third parties within the framework of operating activities.

The majority of the other financial obligations are allocated to Gigaset Communications GmbH.

As of the reporting date of December 31, 2022, moreover, the Group was subject to one commitment for capital expenditures in the amount of EUR 1.2 million. The capital expenditures relate entirely to property, plant and equipment.

Contingent liabilities

As of the reporting date of December 31, 2022, contingent liabilities related to the following matters:

In connection with sales of subsidiaries in earlier years, the Company issued guarantees, including for the corporate relationships of these subsidiaries. The probability that these guarantees will be utilized is considered to be extremely low.

4. Compensation of Executive Board and Supervisory Board members

The total compensation granted to the members of the Executive Board for the 2022 financial year is presented in the table below:

Compensation granted to Executive Board members in EUR'000	2022	2021
Fixed compensation	776	718
Fringe benefits	68	63
Total fixed compensation components	**844**	**781**
Single-year variable compensation	0	75
Multi-year variable compensation	81	0
Total fixed and variable compensation	**925**	**856**
Pension expenses	0	3
Total compensation	**925**	**859**

The recognized expenses for members of the Executive Board for the 2022 financial year meet the requirements of IAS 24, Related Party Disclosures.

The pension expenses stated in the table above include the service cost for the respective period. The projected unit credit value of the pension commitments to Executive Board members according to the provisions of IAS 19 Employee Benefits amounted to EUR 0.8 million (PY: EUR 0.9 million).

Including the amounts for which provisions had not yet been recognized at the previous reporting date, the total expenses for Executive Board compensation in financial year 2022 amounts to EUR 0.9 million (PY: EUR 0.9 million).

No further compensation was granted to the Executive Board members for their work on the governing bodies of subsidiaries or affiliated companies.

The compensation granted to members of the Supervisory Board of Gigaset AG in the 2022 financial year pursuant to Section 314 (6a) HGB is presented in the table below:

EUR'000	2022	2021
Settled	631	552
Provisions	137	157
Total expenses	**768**	**709**

Accordingly, the total compensation granted to the Supervisory Board according to IAS 24 amounted to EUR 0.8 million (PY: EUR 0.7 million). The outstanding balances as of the reporting date amount to EUR 0.1 million (PY: EUR 0.2 million).

The total compensation granted to the Supervisory Board pursuant to Section 314 (6)(a) of the German Commercial Code (GCC) in subsidiaries of Gigaset AG and according to IAS 24 amount to EUR 6 thousand for Gigaset Communications GmbH, Bocholt, for financial year 2022 (PY: EUR 16 thousand).

No further commitments have been made in the event of termination of mandates. No loans or advances were extended to members of the Executive Board or Supervisory Board of Gigaset AG. No contingent liabilities have been assumed in favor of these persons.

Additional information on the compensation paid to members of the Executive Board and to the members of the Supervisory Board is disclosed in the separately published Compensation Report. Further explanations are provided in the management report in the section Statement on corporate governance at Gigaset AG & the Group.

5. Disclosures concerning dealings with related parties

Disclosures concerning the parent company according to IAS 24.13:

Goldin Fund Pte. Ltd., Singapore, notified Gigaset AG on June 17, 2022, that it now holds 95,796,613 shares in the Company, which convey the same number of voting rights. This would correspond to 72.32% of the 132,455,896 voting rights. To the knowledge of the Executive Board, the shareholder therefore also held 72.32% of voting rights at the end of the 2022 financial year. To the knowledge of the Executive Board, the sole shareholder of Goldin Fund Pte. Ltd. is Goldin Investment (Singapore) Limited. To the knowledge of the Executive Board, the ultimate economic beneficiary or highest-ranking person of Goldin Investment (Singapore) Limited is Mr. Pan Sutong. To the knowledge of the Executive Board, this gentleman holds a broadly diversified portfolio of companies in addition to his investment in Gigaset AG.

In accordance with IAS 24 Related Party Disclosures, the business dealings with Gigaset Mobile Pte. Ltd., Singapore, are to be disclosed as business dealings with related parties. In this context, Gigaset Mobile Pte., Ltd., Singapore, had acted as a supplier to Gigaset. Gigaset in turn had charged contractually agreed services and fees to Gigaset Mobile Pte. Ltd. The business relationship with Gigaset Mobile Pte. Ltd., Singapore, was terminated in the 2022 financial year during the sale of the investment in this company. All receivables and liabilities have been discharged and were written off in the 2022 financial year. From a Group perspective, the transactions and balances for the reporting periods and as of the reporting date break down as follows:

EUR'000	Expenses 01/01 - 12/31/2022	Revenues/ Income 01/01 - 12/31/2022	Receivables 12/31/2022	Liabilities 12/31/2022
Gigaset	0	0	0	0
Gigaset Mobile Pte. Ltd.	0	0	0	0

EUR'000	Expenses 01/01 - 12/31/2021	Revenues/ Income 01/01 - 12/31/2021	Receivables 12/31/2021	Liabilities 12/31/2021
Gigaset	0	0	1,341	0
Gigaset Mobile Pte. Ltd.	0	0	0	1,341

According to IAS 24 Related Party Disclosures, business dealings with Gigaset Digital Technology, Shenzhen, China, must be disclosed as related party transactions since 2016. This company represents another related entity according to IAS 24.19 (g). All receivables and liabilities were written off in the 2022 financial year. From a Group perspective, the transactions and balances for the reporting period and as of the reporting date break down as follows:

EUR'000	Expenses 01/01 - 12/31/2022	Revenues/ Income 01/01 - 12/31/2022	Receivables 12/31/2022	Liabilities 12/31/2022
Gigaset	0	0	0	0
Gigaset Digital Technology	0	0	0	0

EUR'000	Expenses 01/01 - 12/31/2021	Revenues/ Income 01/01 - 12/31/2021	Receivables 12/31/2021	Liabilities 12/31/2021
Gigaset	0	0	345	0
Gigaset Digital Technology	0	0	0	345

The business dealings in the previous year mainly consisted of services provided according to IAS 24.21 (c).

In accordance with IAS 24 Related Party Presentations, the business dealings with Goldin Digital Pte. Ltd., Singapore, are to be presented as business dealings with related parties. This company is another related entity according to IAS 24.19 (g). In the 2022 financial year, Gigaset sold all shares held in in Gigaset Mobile Pte. Ltd., Singapore, to Goldin Digital Pte. Ltd., Singapore. The resulting receivables were adjusted and written off in the 2022 financial year, so that open receivables vis-à-vis Goldin Digital Pte. Ltd. no longer exist as of December 31, 2022.

No significant dealings were conducted between the Group and related parties beyond those listed above.

6. Professional fees of the independent auditor

The following professional fees were incurred for the services of the independent auditor in financial year 2022:

EUR'000	2022	2021
Financial statement audit services	465	392
Other certification services	6	0
Tax advisory services	0	24
Total	**471**	**416**

The financial statement audit services primarily include the fees for the audit of the consolidated financial statements and the audits of Gigaset AG and Gigaset Communications GmbH required by law. The other certification services result from the audit of the 2021 remuneration report since no provision was created for this in the previous year.

7. Employees

	Reporting date		Average	
	12/31/2022	12/31/2021	2022	2021
Salaried employees	833	844	836	850
Apprentice-trainees	24	24	22	22
Total	**857**	**868**	**858**	**872**

The Gigaset Group had an average of 858 employees in financial year 2022 (PY: 872 employees). The number of employees as of the reporting date of December 31, 2022 was 857 (PY: 868 employees).

8. Declaration of Conformity with the German Corporate Governance Code

As required by Section 161 of the Stock Corporations Act (AktG), the Executive Board and Supervisory Board of Gigaset AG issued the Declaration of Conformity with the German Corporate Governance Code in the versions of December 16, 2019 (which entered into force on March 20, 2020) and April 28, 2022 (which entered into force on June 27, 2022), on February 28, 2023, and then made it permanently available to shareholders at the company's website (http://www.Gigaset.com/de_de/cms/Gigaset-ag/investor-relations/unternehmen/corporate-governance.html). In this declaration, the Executive Board and Supervisory Board of Gigaset AG state that the Company will comply with the recommendations of the "Government Commission of the German Corporate Governance Code" in the version of December 16, 2019, published by the Federal Ministry of Justice in the official part of the German Federal Gazette (Bundesanzeiger) on March 20, 2020, and the recommendations of the "Government Commission of the German Corporate Governance Code" in the version of April 28, 2022 published by the Federal Ministry of Justice in the official part of the German Federal Gazette (Bundesanzeiger) on June 27, 2022, with seven exceptions.

The Declaration of Conformity itself and the statements on the exceptions are reproduced verbatim at the specified location.

9. Shareholder structure

No notifications as per Section 33 or Section 38 of the German Securities Trading Act (WpHG) were received by the Company in 2022.

The Group's parent company Goldin Investment (Singapore) Limited, Tortola/British Virgin Islands, registered in the Registry of Corporate Affairs of the British Virgin Islands under the number 1713467, prepares consolidated financial statements for the largest group of companies, in which the separate financial statements of Gigaset AG are expected to be included. These consolidated financial statements are expected not to be published. The consolidated financial statements of Gigaset AG, Bocholt (smallest consolidation group) will be published in the register of companies.

10. Legal disputes and claims for damages

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

In the legal dispute with Evonik Operations GmbH (formerly Evonik Degussa GmbH) regarding a penalty for breach of contract in the amount of EUR 12.0 million, in November 2013 an arbitration tribunal rejected the suit and otherwise sentenced Gigaset AG to pay an amount of EUR 3.5 million plus interest to Evonik. On March 4, 2015, Gigaset paid the amount in the principal matter of EUR 3.5 million plus interest to Evonik. Due to the amounts paid under the guarantee, Gigaset now has taken recourse against the principal debtor, OXY Holding GmbH and the additional indemnification debtor, StS Equity Holding UG. After failing to reach an agreement out of court, Gigaset filed a lawsuit against the principal debtor OXY Holding GmbH and the indemnification debtor StS Holding UG for reimbursement of this amount in a request for arbitration and payment order dated June 29, 2015. In the further course of affairs, insolvency proceedings were commenced on the assets of both OXY Holding GmbH and StS Equity Holding UG. Gigaset was the principal creditor in both these proceedings. In the meantime, the distribution of the insolvency estate was completed and the final distribution was carried out. Gigaset had already received EUR 2.0 million as an advance distribution in the second quarter of 2016 in the insolvency proceedings on the assets of OXY Holding GmbH, as well as about EUR 0.2 million in the fourth quarter of 2018 from the final distribution in the insolvency proceedings on the assets of StS Equity Holding UG. The Company received an additional EUR 1.75 million in the 2022 financial year as part of the final distribution in the insolvency proceedings of OXY

Holding GmbH. Of this sum, an amount of about EUR 70,000 was to be disbursed by Gigaset AG to a special purpose vehicle based on an agreement of December 16, 2015, on participation in the insolvency proceedings along with a limited duty to assume liability, which likewise occurred in 2022. The insolvency proceedings on the assets of OXY Holding GmbH have been concluded with a final distribution.

The following significant legal dispute is currently pending at a subsidiary of Gigaset AG currently and in the 2022 financial year:

The Spanish subsidiary of Gigaset Communications GmbH, Gigaset Communications Iberia S.L. with its registered head office in Madrid, was served a penalty notice for EUR 2.0 million. The penalty was imposed because the Spanish tax authority objected to a tax valuation. The Spanish subsidiary was advised by a prestigious accounting firm on the subject of the contested tax valuation and is of the opinion that the valuation is not justifiably objectionable and certainly cannot justify the imposition of a penalty. Accordingly, the Spanish subsidiary filed an appeal against the penalty notice. A loan was granted to the Spanish subsidiary with which the penalty was initially paid. The loan was converted into equity at a later time. The appeal filed by the Spanish subsidiary in an appeal proceeding was rejected by a ruling dated December 1, 2022. The Spanish subsidiary has initiated further legal steps. No contingent liabilities were recognized for these circumstances.

11. Significant events after the reporting date

Due to non-compliance with the net gearing ratio covenant in the loan agreement of Gigaset Communications GmbH, Gigaset already concluded an agreement with the financing banks in 2022 stipulating that the justified right of termination will not be exercised. In March 2023, an agreement was reached to temporarily suspend the repayment of loan installments through June 2023. This suspension of repayment is intended to financially cushion the consequences of the insufficient availability of chipsets, the effects of the strong increase in inflation and the development of the unfavorable USD exchange rate, which is disadvantageous for Gigaset. For further details, please refer to the comments in section D. Notes on financial instruments.

Starting January 1, 2023, Dr. Magnus Ekerot took over operations as CEO from Klaus Wessing, who resigned from his offices as CEO and chairman of the board as well as all other offices effective December 31, 2022.

Rainer Koppitz became a member of the Supervisory Board of Gigaset AG effective January 31, 2023. Mr. Koppitz replaces Flora Shiu, who resigned from her office at the end of June 30, 2022.

On February 27, 2023, the Executive Board of Gigaset AG increased its corporate forecast, last adjusted on November 18, 2022, and now expects a slight increase in EBITDA over 2021. The company had originally forecast a slight increase in EBITDA year-on-year. Due to increased material costs caused by the devaluation of the euro vis-à-vis the US dollar as well as inflationary effects on costs that negatively affected the cost side, the company most recently reduced its forecast expectation for the 2022 financial year on November 18, 2022, and assumed an EBITDA below the previous year's figures in the range of EUR 6 million to EUR 15 million. However, the above effects were not as severe as expected; and the forecast was readjusted accordingly. A slight increase over 2021 (EBITDA 2021: EUR 16.5 million) is now anticipated again. The adjusted forecasts for revenues and free cashflow of November 18, 2022, remain unchanged.

Two financing agreements were concluded in March and April 2023. This generated a total financing volume of about EUR 5 million, which increases financial flexibility in light of geopolitical challenges.

12. Release for publication of the consolidated financial statements

The present consolidated financial statements of Gigaset AG were released for publication by the Executive Board on April 4, 2023.

Bocholt, April 4, 2023

The Executive Board of Gigaset AG

Dr. Magnus Ekerot	Thomas Schuchardt
CEO	CFO

FURTHER INFORMATION

Switch, measure and save

Plug 2.0 provides an upgrade for Gigaset's Smart Home system.
The next-generation wireless plugs make your home more convenient, safer and more economical.
Integrated in the Gigaset Smart Home system, the new Gigaset Plug 2.0 with its modern design can switch any device on or off and track its electricity consumption, even when you are on the go.
With motion sensors, alarm sirens, smoke alarms, water sensors and cameras for the interior and exterior, Gigaset's Smart Home system makes your home safer and more convenient.
Plug 2.0 was launched on the market in June 2022. For details on the Gigaset Smart Home system, see here.

GIGASET LIST OF SHAREHOLDINGS

	Location		Equity share direct	Equity share indirect	currency '000	Local equity share 2021	Local profit/ loss 2021
Gigaset AG	Bocholt	Germany			EUR	96,841[a]	-2,518[a]
GOH Holding GmbH	Munich	Germany	100%		EUR	283	0
GIG Holding GmbH	Munich	Germany	100%		EUR	50,710	-58
Gigaset Online GmbH	Bocholt	Germany		100%	EUR	14	-2
Gigaset Communications GmbH	Bocholt	Germany		100%	EUR	37,431	-3,222
Gigaset Communications Schweiz GmbH	Solothurn	Switzerland		100%	CHF	2,233	84
Gigaset Communications Polska Sp. z o.o.	Wroclaw	Poland		100%	PLN	5,080	2,408
Gigaset Communications UK Limited	Chester	Great Britain		100%	GBP	948	40
Gigaset İletişim Cihazları A.Ş	Istanbul	Turkey		100%	TRY	18,254	637
OOO Gigaset Communications	Moskow	Russia		100%	RUB	146,671	57,902
Gigaset Communications Austria GmbH	Vienna	Austria		100%	EUR	316	69
Gigaset Communications (Shanghai) Limited	Shanghai	PR China		100%	CNY	-8,352	-5,557
Gigaset Communications France SAS	Courbevoie	France		100%	EUR	8,066	247
Gigaset Communications Italia S.R.L.	Milan	Italy		100%	EUR	958	104
Gigaset Communications Nederland B.V.	Arnhem	Netherlands		100%	EUR	1,344	141
Gigaset Communications Iberia S.L.	Madrid	Spain		100%	EUR	790	150
Gigaset elements GmbH[b]	Bocholt	Germany		100%	EUR	-16,822	0
Hortensienweg Management GmbH	Munich	Germany	100%		EUR	700	7

[a] 2022 figures

[b] Profit/loss transfer agreement since 2016; pre-tax entity losses are not included.

INDEPENDENT AUDITOR'S REPORT

To Gigaset AG, Bocholt

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Gigaset AG, Bocholt, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Gigaset AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

Pension provisions

Our presentation of this key audit matter has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Refererence to further information

Hereinafter we present the key audit matter:

Pension provisions

① In the consolidated financial statements of the Company a total amount of EUR 62.4 million (32.6% of consolidated total assets) is reported under the "Pension obligations" balance sheet item. The pension provisions are calculated as the balance of the present value of the obligations from defined benefit pension plans amounting to EUR 88.0 million and the fair value of plan assets of EUR 25.6 million. Obligations under defined benefit plans are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy and staff turnover. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since sufficient long-term corporate bonds do not exist. The plan assets are measured at fair value, which in turn involves estimation uncertainties.

From our point of view, this matter was of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a large extent on estimates and assumptions made by the Company's executive directors.

② As part of our audit we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts, among other things. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with the standard and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the purposes of our audit of the fair value of plan assets, we obtained bank confirmations.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

③ The Company's disclosures relating to the pension provisions are contained in section F.11 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior to the date of our auditor's report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 7 "Corporate Governance Statement of Gigaset AG & Group" of the group management report

- the section "5.5 Adequacy and Effectiveness of the Internal Control System and Risk Management System".

The other information comprises further

- the separate non-financial report to comply with §§ 289b to 289e HGB and §§ 315b to 315c HGB, which is expected to be made available to us after the date of the auditor's report

- all remaining parts of the annual report, which are expected to be made available to us after the date of the auditor's report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Gigaset_KA_2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 9, 2022. We were engaged by the supervisory board on November 10, 2022. We have been the group auditor of Gigaset AG, Bocholt, without interruption since the financial year 2005.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Thomas Tandetzki.

Düsseldorf, April 14, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Thomas Tandetzki)	(sgd. ppa. Denis Varosi)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT OF THE EXECUTIVE BOARD

The Executive Board of Gigaset AG is responsible for the preparation of the consolidated financial statements and the information contained in the Group management report. This information has been reported in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Committee (IASC), as they are to be applied in the European Union (EU). The Group management report has been prepared in accordance with the provisions of the German Commercial Code.

By implementing Group-wide reporting in accordance with uniform guidelines, using reliable software, selecting and training qualified personnel, and continually optimizing processes in the consolidated companies, we are able to present a true and fair view of the Company's business performance, its current situation, and the opportunities and risks of the Group. To the extent necessary, appropriate and objective estimates have been applied.

In accordance with a resolution adopted at the annual shareholders' meeting, the Audit Committee of the Supervisory Board has engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the consolidated financial statements of the Group in the capacity of independent auditors. The Supervisory Board discussed the consolidated financial statements and the Group management report with the independent auditors during its meeting. The result of this examination is presented in the Report of the Supervisory Board.

Responsibility statement

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

Bocholt, April 4, 2023

The Executive Board of Gigaset AG

FINANCIAL CALENDAR 2023

April 27, 2023	Financial statements press conference 2023
May 25, 2023	Interim financial report for Q1 2023
June 15, 2023	Annual shareholders' meeting 2023
September 28, 2023	Semiannual financial report 2023
November 28, 2023	Interim financial report for Q3 2023

PUBLICATION DETAILS

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Note:

For the sake of readability, we use the generic masculine form in this report. It should be understood as a gender-neutral form applied as a simplification: It is unbiased and does not imply any discrimination against other genders.

2022

ANNUAL REPORT

Gigaset

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