Gigaset

Gigaset AG

Annual Report 2021

KEY FIGURES

EUR millions	2017	2018	2019	2020	2021
Consolidated revenues	293.3	280.3	257.9	214.2	217.1
EBITDA (Earnings before interest, taxes, depreciation and amortization)	25.3[a]	22.1	28.5	1.9	16.5
EBIT (Earnings before interest and taxes)	12.2[b]	8.5	13.7	-13.0	1.7
Consolidated profit or losses for the year	7.9	3.4	11.3	-10.5	0.5
Free cashflow	2.0	-24.1	1.2	9.2[c]	-14.2
Earnings per share (diluted) in EUR	0.06	0.03	0.09	-0.08	0.00
Total assets	226.9	213.1	222.6	204.5[c]	192.2
Consolidated equity	24.1	25.0	18.5	1.9	8.0
Equity ratio (in %)	10.6	11.7	8.3	0.9[c]	4.2
Number of employees	930	888	895	893	868

[a] Earnings from core business activities before depreciation and amortization

[b] Operating result

[c] The comparison figures as of 12/31/2020 were adjusted due to the changed presentation of restricted cash in financial year 2021

(For further details, see Section C Change in the accounting treatment of restricted cash in the Notes to the Consolidated Financial Statements)

KEY FACTS

"We were faced with an increasingly challenging situation last year. We had been well on the way to making 2021 a very good year.
The order books were completely filled and the effects of the coronavirus pandemic on trends such as new work, work from home and digitalization had fueled an appreciable increase in the demand for our products and solutions. Beginning in the third quarter, however, the snowballing semiconductor supply problems and substantially higher prices for raw materials threw a wrench in the works. Nonetheless, we increased our revenues and especially our EBITDA on a full-year basis, as I am pleased to announce."

Thomas Schuchardt, CFO of Gigaset AG

"Even though our 2021 results are respectable on the whole, the massive semiconductor supply bottlenecks cost Gigaset a truly excellent year.
Ultimately, the lost production caused by the semiconductor crisis could not be made up. Already since 2020, we have been working to make our supply chains more resilient in order to secure our chip supply as well as possible, but the challenges are great."

Klaus Wessing, CEO of Gigaset AG

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TO OUR SHAREHOLDERS

Hard innovation

That is what you get with the Gigaset GX290 PRO outdoor and industrial smartphone. Whether for professional or private use, special equipment is needed for extreme conditions.

Thanks to the metallic frame and reinforced two-component injection-molded TPU case, the smartphone is not only waterproof, but also dirt-resistant and shock-resistant. The optimized display guarantees good visibility even in direct sunlight or when wet, while the long-lasting battery and powerful processor ensure absolute reliability even in harsh conditions.

Externally, the GX290 PRO is characterized by its ergonomic design and excellent grip, making it a perfect companion for outdoorsmen, nature lovers or people who work in harsh conditions.

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

most of us probably assumed in the summer of 2021 that the coronavirus pandemic would be over by the end of the year. This positive view held by all of us was supported by the lifting in mid-April of the lockdown ordered in the previous year, the progressive loosening of coronavirus rules for vaccinated and recovered persons in early May, free vaccinations for everyone beginning in early June, and the steadily falling case numbers. Beginning in the autumn, however, everything changed when the new coronavirus variants emerged, especially the Omicron variant. Case numbers rose again, physical contact restrictions in retail shops and restaurants were re-imposed, vaccine opponents and coronavirus deniers staged protests, and the universal vaccination requirement was the subject of heated debates.

Although an end to the pandemic appears to be in sight, the rising incidence of infections, the rapid spread of the Omicron variant and fears of new variants are still creating uncertainty. According to a survey conducted by the opinion research institute YouGov, nearly 80 percent of Germans no longer believe that life will return to normal in 2022. Not only travel agencies and tour operators, but also event organizers, hotels and restaurants feel especially threatened by this prospect.

Neither was Gigaset completely immune to the general ups and downs of the coronavirus pandemic last year. Although the order book is still well filled and the company was able to increase its revenues and earnings on a full-year basis, businesses across the world had to contend with supply chain problems caused by the pandemic, beginning in the third quarter. Gigaset too was and is still affected by these problems. Shortages of materials and especially semiconductors caused a nearly 10 percent decline in the company's revenues in the third quarter and the company was even forced to downgrade its full-year forecast. Gigaset expects that these bottlenecks will last for a while yet.

Despite all the coronavirus restrictions, Gigaset achieved a modest increase in revenues and generated a positive EBITDA of EUR 16.5 million in the past financial year. The performance of the Smartphones and Professional segments was especially heartening. On the other hand, the demand for landline telephone systems, which had recently risen to above-average levels, is gradually returning to normal levels again.

The behavior and attitudes of many people changed over the course of the pandemic. As a result of the lockdowns and physical contact restrictions, many people spent much more time talking on the phone in 2020, the first year of the coronavirus pandemic. The situation is now reverting to something that can be described as somewhat normal. According to the network operator Telefónica, the average mobile phone call connected via the O2 network lasted about 2 minutes and 40 seconds in August and September, whereas the average mobile phone call lasted 30 to 60 seconds longer in the months affected by the lockdown since the beginning of the pandemic. In January, however, there was a slight increase in the number of people working from home in Germany. According to a survey of companies conducted by the economic research institute Ifo, 28.4 percent of employees worked from home at least part of the time in January, as compared to 27.9 percent in December. And according to a YouGov survey, more than two thirds of employees in Germany who worked from home during the coronavirus pandemic want to continue working from home in the future. According to the same survey, the main reason for the growing popularity of working from home is the time saved by not commuting to work.

Gigaset also reacted to the changes in lifestyle habits and markets in the past financial year. In mid-June, the company introduced the web-connected video doorbell "Smart Doorbell" featuring a two-way intercom system for the Gigaset smart home alarm systems. Equipped with a full HD camera, microphone and loudspeaker, this device revolutionizes conventional doorbells by transmitting high-resolution video to the owner's smartphone. In late June, Gigaset also introduced a new smoke detector to the market. The new version of the Gigaset smoke sensor known as the Gigaset Smoke Sensor 2.0 offers more security and convenience than ever for every smart home.

Gigaset also launched new telephony products last year. In November 2021, Gigaset added the N870E IP PRO to its multi-cell DECT portfolio. The new system, which features two removable external antennae, offers an outstanding range even in challenging environments. The latest Gigaset smartphone "Made in Germany," the GS5, introduced in mid-October, offers twice as much internal memory, an energy-saving processor, a powerful rechargeable battery, an even sleeker design and the best camera ever installed in a Gigaset smartphone to date. Gigaset introduced the new R700H PRO in mid-September. The handset is a robust, shock-resistant, dustproof and waterproof DECT handset operating under the IP65 standard in the Gigaset Professional portfolio. And the Gigaset GS4 senior introduced in mid-July is specifically designed to meet the needs of older users.

Gigaset also made strides in its cooperation ventures last year. It was announced in October 2021 that Sasha will continue to work for Gigaset for another year. The well-known singer and entertainer is the face of the advertising campaign for the new GS5 smartphone. Shortly before that, Gigaset reached an exclusive cooperation agreement with Minol Home. As a housing industry partner, Minol will distribute Gigaset's smart home and ambient assisted-living solutions in addition to its own smart building services. The new portfolio offered under the name Minol Home - powered by Gigaset comprises smart alarm systems, smart thermostats, smart power outlets and smart assistance systems for older persons and other persons requiring assistance. Moreover, Gigaset supplied Deutsche Bahn with a total of 6,000 smartphones. Gigaset won the contract in a public tender. Besides meeting the requirements catalog of Deutsche Bahn (DB), the current Gigaset GS4 model also offered an excellent price-performance ratio. Gigaset's mobile devices will become an integral part of DB's smartphone-only strategy in its railway infrastructure areas and ensure that its sales reps can communicate better.

Again in 2021, the second year of the coronavirus pandemic, much was demanded of our employees. Displaying great patience and motivation, they worked tirelessly day in and day out to ensure that Gigaset made it through the pandemic unscathed. We thank them most sincerely for that! And we also wish to thank you, our shareholders, for the trust you have placed in us. Let us continue on the path we have chosen and shape the future of telecommunications together!

Sincerely yours,

Klaus Weßing	Thomas Schuchardt
CEO	CFO

INNOVATION "MADE IN GERMANY"

More often than not, innovation is a confusing buzzword. While managers and executives agree that it is important, it is not always well understood.

If you look up the word "innovation" on the Internet, you will get more than 300 million hits and thousands of definitions, which is anything but helpful. Traditional sources such as the Oxford Dictionary state that innovation means "making changes to a proven approach, particularly by the introduction of new methods, ideas or products."

Innovation is deeply rooted in Gigaset's history and tradition as an enterprise. And even though we are guided by a rich tradition of innovation, we repeatedly ask ourselves questions such as "What does innovation mean for us?," "What mistakes can you make when you talk about innovation?" and "How can an enterprise perceive innovation not as a rigid cage, but as an incentive for continuous improvement?"

Tradition comes with an obligation

As mentioned before, Gigaset has a long history of innovation reaching back to the invention of the first pointer telegraph in 1846. This was followed by other trailblazing inventions in 1881 with the first public telephone line in Berlin, in 1993 with the development of the first DECT telephone, in 2008 the introduction of the ECO-DECT, and so on. Thus, innovation paired with tradition was never a straitjacket for us, but always a guide and aspiration to develop products and solutions that simplify, enrich or improve the lives of our customers. This was also the context for our smart home developments in 2012 and our first smartphone, which we introduced in 2016. Gigaset entered the smart care market and introduced the first smartphone "Made in Germany" in 2018.

A site disadvantage becomes a competitive advantage

Gigaset has always manufactured its products in the heart of Germany, or in Bocholt to be precise. The 220 millionth Gigaset telephone was produced there in 2020. The first smartphone "Made in Germany" was developed and manufactured there. It is where the thinkers and doers who make innovation possible at Gigaset ply their trade. And so, "Made in Germany" or "Made in Bocholt" means much more to us than just a seal of quality that adorns our products; instead, it is the most important element of our innovation strategy and by extension, our competition and sustainability strategy as well.

While thousands of companies have moved their development and production to lower-cost foreign countries, Gigaset has always stood by its site in Germany. This was long seen by others as a competitive disadvantage. But now, thanks to digitalization, IoT, consumers' wish for greater sustainability, and the growing trend of deglobalization in the context of the coronavirus pandemic and international tensions, our base in Germany has proved to be an advantage after all.

Thanks to our site in the German state of North Rhine-Westphalia, we are close to our regional suppliers and customers, benefit from short delivery routes to all parts of Europe, and can keep our CO_2.emissions low. Our packaging materials have been made of more than 90% recycled materials for many years. Thanks to its mechanical properties, corrugated cardboard protects sensitive devices like smartphones and can be easily recycled. And our newest smartphone, the GS5, also comes in completely climate-neutral packaging, for which we pursue certified CO_2 offsetting. Packaging sizes are constantly being reduced to conserve raw materials. We avoid plastic as much as possible, and have replaced cable ties and bags with paper wraps. Like our packaging, even the paper we use for our operating instructions is FSE-certified and also bears the Blue Angel seal.

We use 100 % zero-CO_2 electricity at our main plant and we go to great lengths to operate with the highest possible energy efficiency. Here in the heart of Germany, we manufacture our products in an ultra-modern factory with minimal environmental impacts. Gigaset repairs all its devices in its own workshop so that consumers do not need to immediately buy a new device. Our ultra-modern production methods make it possible to manufacture products at the same level of cost as in Asia, where most of our competitors' products are made. As we at Gigaset understand it, sustainable business means not only environmental and climate protection, but also long-term commercial success, which protects roughly 900 jobs within our company, as well as many other jobs with business partners and supplies, and strengthens local industry and therefore also the surrounding region. These are many small measures, countless adjustments, that together produce major benefits for the environment and for Germany as a place to do business. And this is yet another example of innovation at Gigaset.

Award-winning innovation: Gigaset ION

The invention of DECT technology made Gigaset the European market leader for cordless landline telephones. To this day, the DECT cordless standard guarantees perfect voice quality and interference-free connections. It was the foundation from which we developed the company's latest innovation in 2021: the first DECT handset for Unified Communications solutions such as Swyx, Circuit, Teams, Zoom and WebEx. In recognition of this innovative solution, Gigaset was named Innovator of the Year 2021 by the German business association DDW.

As mentioned above, Gigaset makes not only telephones, but also smartphones, smart home systems, and communication solutions for professional applications. Gigaset has always remained true to DECT technology. It is used in the company's own smart speakers and smart home sensors. It opens the door to many new possibilities and functions. By making the transition to IP telephony also for household use, Gigaset has created considerable value-added for its customers in the last few years, particularly in the form of web-based services that can be accessed from the company's landline telephones, such as smart call block, which protects against unwanted calls, and access to all entries in the company's "Phone Book" digital directory.

The coronavirus pandemic at the latest focused attention on the advantages of professional VoIP communication solutions. With call forwarding, millions of people working from home can be reached at their regular office number and communicate with others directly from their laptops using one of the many Unified Conferencing Communication applications available in the market. Gigaset has yet again proved its ability to adapt to the changing needs of its customers. For example, the Gigaset ION offers the best HD voice quality and is the perfect alternative for small telephone conferences and users who prefer a hands-free handset to a headset. ION combines the convenience of a DECT handset with broad connectivity to existing Unified Communications solutions like Swyx, Circuit, Teams and Zoom. The sleek, portable device works with any PC/UC client via USB. With the DECT dongle, it can be used nearly anywhere. Besides excellent voice quality, DECT offers a range of up to 300 meters, considerably broadening the radius of movement compared to normal headsets. On the desktop, the ION becomes a conference telephone; beside a PC or in its charging base, it becomes a premium hands-free solution; placed against the ear, it switches automatically to handset mode, operating like a normal cordless phone without need of pressing a button, thanks to the built-in proximity sensor.

Even after more than 70 years of rolling out innovations to the benefit of our customers, we refuse to let up. In our Development Department in Bocholt, Gigaset is incubating new ideas that will culminate in new products and above all digital services in the coming years. Our experts appreciate the Innovator of the Year 2021 Award as a tremendous recognition of their successes to date.

CAPITAL MARKET AND SHARE

Financial markets 2021: Market conditions shaped by coronavirus pandemic and fiscal policy

Financial markets were again influenced by the coronavirus pandemic, which particularly affected volatility in the stock markets in 2021. Notwithstanding the rising case numbers driven by the "Delta" virus mutation, financial markets initially continued to set new records, buoyed by the nascent coronavirus vaccination campaigns and the prospect of economic stimulus programs to be enacted by the new U.S. administration. However, the extension of lockdown measures in the spring temporarily spooked the stock markets, which retreated from their highs. But then market sentiment was brightened again by convincing economic data and equity prices recovered quickly again on the strength of consistently high liquidity. After going through the worst economic crisis since World War II, companies began to take a more optimistic view of the future again, thanks in part to strong corporate profits. Although the economic recovery was somewhat hampered by shortages of key materials, businesses were able to handle these problems to a better than expected degree. In response to the encouraging economic outlook, oil prices also rallied, reaching the highest levels in seven years in the autumn of 2021. And stock markets resumed their upward march, repeatedly marking fresh record highs in the last two months of the year. Encouraged by the progress made in the coronavirus vaccination campaign, investors increasingly bet on an economic recovery in the later course of the year. Technology stocks benefitted the most from the ultra-lax monetary policy of central banks around the world. The positive performance of these stocks was only slowed for a while by a temporary increase in bond yields and the generally high level of valuations. In the summer months, during which equity prices were supported by economic optimism and the progress made in vaccination campaigns, investors were unsettled by the rapid increase in producer and consumer prices, which fueled fears of inflation. Moreover, the robust state of the U.S. economy stoked fears of an imminent tightening of monetary policy by the U.S. Federal Reserve, putting pressure on equity markets towards the end of the year. And the global supply chain problems that became apparent during the year resulted in renewed production bottlenecks. The worsening of the coronavirus pandemic caused by the emergence of a new variant called "Omicron" also made investors nervous. The general sense of anxiety was also reflected in the worsening results of economic surveys and forecasts, which tarnished stock market sentiment considerably in December. Nonetheless, investors became increasingly convinced that the rapid administration of booster shots and the wider availability of medicines to treat coronavirus infections would probably contain the pandemic and its consequences. These hopes triggered a renewed rise in the level of equity prices in the final trading days of the year.

Weighed down by the re-strengthened U.S. dollar, the European single currency lost more than 9% of its value in 2021. The price of gold declined by more than 3.6% as it failed to benefit from its quality as a hedge against inflation. Moreover, the performance of crypto-currencies, which have become increasingly attractive and accepted, should not be overlooked. The price of Bitcoin, for example, rose by nearly 60% despite extreme volatility. Finally, equity markets ended this highly turbulent year with impressive gains, led by the TecDax Index representing technology stocks with 22%, the S&P 500 Index with more than 27%, and the Nasdaq Composite with 21%. The DAX, MDAX and SDAX racked up gains of 15.8%, 14% and 11.2%, respectively, while the Dow Jones Industrial Index rose by more than 18%.

Gigaset share ends the year on a positive note

The Gigaset share faced a demanding and challenging environment in 2021. Companies generally still had to contend with the effects and consequences of the coronavirus pandemic, which unexpectedly lasted longer than originally thought. The Gigaset share got off to a good start to 2021, rocketing up to EUR 0.41 in early February. After that, however, investors were rattled by the tightening of coronavirus restrictions in the spring, which triggered share price corrections across the board. The pandemic had also left its mark on Gigaset AG, which reported disappointing numbers for the year

2020. That put pressure on the Gigaset share, which fell to EUR 0.29 by early May. In the further course of the year, growing optimism brightened stock market sentiment appreciably, causing equity prices to rise again. Shortly after that, the publication of Gigaset's first-quarter numbers helped the company's share to further strong gains. In early June, the share price reached EUR 0.48, which was not only the high for the year, but also the highest level since July 2019. Amid growing inflation fears, however, the share price declined steadily over the summer months. These worries hardened further, leading to further share price losses. By mid-September, the Gigaset share had fallen back to EUR 0.30, where it had been in the middle of May. Convincing results for the second quarter prompted an appreciable recovery, with the share price rising to as high as EUR 0.39. After that move, however, the higher share price was used as an occasion for profit-taking again. In the final third of the year, the growing supply chain problems affecting many companies and a new coronavirus variant named "Omicron" made financial markets nervous again, as reflected by falling prices. Supply bottlenecks also hampered the growth of Gigaset AG in the third quarter, making it necessary to adjust the company's outlook for 2021. This weighed on the share price, which tended to be weak during this time and fell to its low for the year of EUR 0.27 at the end of November. After a modest recovery in the final trading days of the year, the share ended the year on a positive note after all, the closing price of EUR 0.31 reflecting a 2.3% increase during 2021.

Dividend

It was resolved not to pay a dividend to shareholders for the 2021 financial year.

Shareholder structure

An institutional investor according to the definition of Deutsche Börse AG, Goldin Fund Pte. Ltd. of Singapore, has held 73.5% of the shares of Gigaset AG since the end of 2017. This shareholding percentage is unchanged from the previous year. 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 2021.

The 2021 financial year continued to be impacted by the coronavirus pandemic. Although the lifting of the lockdown in April, which had been in place since the previous year, and the increasing easing of rules for people who had been vaccinated against COVID-19 or recovered from a COVID-19 infection had positive impacts, the emergence of new coronavirus variants, especially Omicron, drove up infection rates again in autumn, resulting in fresh contact restrictions in retail stores. Gigaset was unable to completely avoid these COVID-19-related fluctuations. The Company's order volumes remain sound and Gigaset managed to increase its revenues and results in the previous financial year. However, massive supply chain problems started to emerge in the third quarter of the year as a result of the pandemic. These problems impacted, and continue to impact, many companies – and Gigaset is no exception. The Company's revenues fell by almost 10% as a result of material bottlenecks, especially in the area of semi-conductors. Despite these challenges, the employees of the Gigaset Group again delivered exceptional work in the 2021 financial year.

The cooperative partnership with famous singer and entertainer Sasha is set to continue, meaning that Sasha will continue to be the face of the campaign for the new GS5 smartphone. In addition, Gigaset benefited greatly from the overwhelming success of its public tender, leading to it supplying 6,000 smartphones to Deutsche Bahn. These Gigaset devices will become part of the Deutsche Bahn's smartphone-only strategy.

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 2021 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 2021 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 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.

In addition, the Supervisory Board finalized and resolved a clear, understandable system on the remuneration of Executive Board members pursuant to section 87a AktG in the 2021 financial year, taking into account the German Law on the Implementation of the Second Shareholder Rights Directive (ARUG II) and the new German Corporate Governance Code, and then presented it to the Annual General Meeting for approval in June. The Annual General Meeting approved this system with a majority of 99.88%.

Activity of the Supervisory Board

The Supervisory Board discharged its duties at regular virtual meetings. At these meetings, the Supervisory Board routinely dealt with the reports of the Executive Board on finance and investment and human resource planning, as well as corporate strategies and the resulting intermediate and long-term opportunities for growth. In addition, the Supervisory Board provided advice on the financing of the Company and financing possibilities in 2021. Special emphasis was placed on implementing the remuneration system. Furthermore, the Supervisory Board continued to work on the Company's liquidity situation and on clarifying and eliminating the Company's risks. The Supervisory Board convened on a regular basis, including 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 2021

The Supervisory Board convened for a total of six regular meetings and the constitutive meeting in the 2021 financial year. These took place on February 24, April 20, May 19, June 8 (constitutive meeting), August 18, November 23 and December 15. These meetings were all attended by all Supervisory Board members.

The auditor selected by the Annual General Meeting, PricewaterhouseCoopers AG Wirtschafts-prüfungsgesellschaft, Frankfurt am Main, was also present at the meeting to adopt the financial statements for the 2020 financial year held on April 20, 2021.

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 Finance Committee. The members of the Audit Committee are Ulrich Burkhardt (Chair), Helvin Wong, Paolo Di Fraia and Flora Shiu. These members were re-elected at the constitutive meeting on June 8, 2021, together with the Chair. The members of the Personnel Committee are Barbara Münch (Chair), Helvin Wong, Paolo Di Fraia and, since June 8, 2021, Jenny Pan. These members were re-elected (or, in the case of Jenny Pan, newly elected) at the constitutive meeting on June 8, 2021, together with the Chair. The members of the Finance Committee are Paolo Di Fraia (Chair), Helvin Wong and Barbara Münch. These members were re-elected at the constitutive meeting on June 8, 2021, together with the Chair.

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 19, September 15, and November 23. All members of the Committee participated in each of these meetings in the year 2021, with the exception of Flora Shiu, who was unable to attend on September 15. 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, 2021. At its meeting on April 20, the Audit Committee assessed the quality of the audit.

Each member of the Audit Committee can obtain information on the way via the Chair of the Committee 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 January 21, February 17, February 26, April 28, July 21, September 23, October 7, November 10 and December 23. All members of the Committee participated in each of these meetings.

The Personnel Committee's responsibilities include the preparation of personnel decisions, insofar as they are reserved for plenary meetings due to the prohibition on the delegation of duties, in particular the submission of recommendations regarding the appointment and dismissal of members of the Executive Board and regarding the remuneration components of the employment contracts to be formed or already concluded with the Executive Board members. In addition, the Personnel Committee prepares the proposals on the respective appointments. The focal points in the 2021 financial year related to succession planning and 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 Finance Committee

The Finance Committee convened on November 4 in the 2021 financial year.

During this meeting, external financing possibilities over and above the existing bank financing as well as potential future M&A strategies were discussed.

Corporate governance

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

On February 17, 2022, the Executive Board and Supervisory Board of Gigaset AG submitted the declaration of conformity with the German Corporate Governance Code in the version dated December 16, 2019 (which entered into force on March 20, 2020), as required annually under section 161 AktG, and then made it permanently available to the shareholders on the Company's website (www.gigaset.com).

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, with four 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 20, 2022. 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 of April 20, 2022, 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 2021, in particular with the risk management system. The Executive Board reported extensively on the risk situation and key individual risks. The structure and function of Gigaset AG's control and risk management system were reviewed in accordance with section 315(4) HGB and confirmed by the auditor. The result was discussed with the Supervisory Board.

Personnel matters of the Executive Board

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

Personnel matters of the Supervisory Board

The members of the Supervisory Board in the reporting period were: Mr. Hau Yan Helvin Wong (Chair since February 28, 2019, re-elected on June 8, 2021), Mr. Ulrich Burkhardt, Mr. Paolo Vittorio Di Fraia, Prof. Xiaojian Huang (until June 8, 2021), Ms. Flora Ka Yan Shiu, Jenny Pan (new member since June 8, 2021) 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, 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.

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 12, 2022.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which was appointed as the auditor and Group auditor ("auditor") by the Annual General Meeting for the 2021 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, 2021, as well as the consolidated financial statements as of December 31, 2021, including the respective management reports, and issued an unqualified auditors' report in each case.

The Audit Committee and the Supervisory Board both reviewed the annual financial statements at length and provided advice at their respective meetings to adopt the financial statements held on April 20, 2022. 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 20, 2022 that there are no circumstances that would raise concerns about a lack of impartiality on its part. In this context, it also presented information regarding services rendered in addition to the audit services. The Audit Committee reported to the Supervisory Board at its meeting held on April 20, 2022 on its monitoring of the auditor's independence in consideration of the non-audit-related services rendered and its assessment that the auditor continues to possess the requisite independence.

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

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

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

At its meeting held on April 20, 2022, the Audit Committee heard detailed comments by the Executive Board regarding the annual financial statements, the consolidated financial statements, and the combined management report and Group management report as well as its proposal on the losses carried forward. Furthermore, Committee members' questions were answered. In addition, the auditor, who also participated in the meeting, reported on its audit, in particular the areas of audit emphasis agreed with the Audit Committee and the Supervisory Board and the significant results of the audit and commented in detail on its long-form audit report. No material weaknesses of the internal control system, the risk management system, or the accounting process were identified by the auditor. The members of the Audit Committee acknowledged the long-form audit report and the auditors' report, critically reviewed them, and also discussed them with the auditor as with the audit, which included questions regarding the nature and scope of the audit as well as the results of the audit. The Audit Committee assured itself that the audit and the long-form audit report had been properly prepared. It was satisfied in particular that the long-form audit report – as also the audit performed by the auditor – complied with the legal requirements. The Audit Committee shares the auditor's assessment that the internal controls and the risk management system, in particular also with respect to the accounting process, do not exhibit any material weaknesses. The Audit Committee recommended that the Supervisory Board approve the results of the auditor's audit and – since in its opinion there are no objections to be raised against the documents presented by the Executive Board – also endorse the annual financial statements, the consolidated financial statements, and the combined management report and Group management report and endorse the Executive Board's proposal on the losses carried forward.

The Supervisory Board's final review of the annual financial statements, consolidated financial statements, and the combined management report and Group management report as well as the Executive Board's proposal on the losses carried forward was conducted during the Supervisory Board meeting held on April 20, 2022, under consideration of the Audit Committee's report and recommendations as well as the auditor's long-form audit report. The Executive Board participated in this meeting, commented on the documents it presented and answered the Supervisory Board members' questions. The auditor also participated in this meeting and reported on its audit as well as the significant results of the audit, explained its long-form audit report and answered the Supervisory Board members' questions, in particular regarding the nature and scope of the audit and the audit results. Through this and on the basis of the report issued by the Audit Committee, the Supervisory Board satisfied itself of the propriety of the audit and the long-form audit report. Following the recommendation of the Audit Committee, the Supervisory Board approved the results of the auditor's audit.

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

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

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

As a result of the review of the Executive Board's proposal on the losses carried forward conducted at the Audit Committee meeting and at the Supervisory Board meeting held on April 20, 2022, 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 2021 financial year amounts to EUR – 2,806,629.76. Including the losses carried forward in the amount of EUR – 188,062,855.58 this results in a net accumulated loss of EUR – 190,869,485.34 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 2021 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 20, 2022, the Audit Committee heard comments from the Executive Board on its dependent company report. Furthermore, Committee members' questions were answered. In addition, the auditor, who also participated in the meeting, reported on its audit, in particular the areas of audit emphasis and the significant results of the audit and commented in detail on its long-form audit report. The members of the Audit Committee acknowledged the long-form audit report and the auditors' report, critically reviewed them, and also discussed them with the auditor as with the audit, which included questions regarding the nature and scope of the audit as well as the audit findings. The Audit Committee assured itself that the audit and the long-form audit report had been properly prepared. It was satisfied in particular that the long-form audit report – as also the audit performed by the auditor – complied with the legal requirements. The Audit Committee recommended that the Supervisory Board approve the results of the auditor's audit and – since in its opinion there are no objections to be raised against the Executive Board's explanation of the dependent company report – adopt a resolution on a corresponding opinion.

The Supervisory Board performed its final review at its meeting of April 20, 2022, 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 2021 and to all the employees for their outstanding commitment in the 2021 financial year.

Bocholt, April 2022

Hau Yan Helvin Wong

Chair of the Supervisory Board

COMBINED MANAGEMENT REPORT

High-performance innovation

Good design is more than just a nice cover. The GS5 is proof of this – this smartphone is not only an eye-catcher, but also feels good.

With its tempered glass casing and elegant chrome frame, it fits particularly comfortably in the hand and boasts an elegant color scheme that will stand the test of time.

This smartphone's impressive qualities also go beneath the surface. This high-performance device offers optimal features, such as a large internal memory, an energy-saving processor, a powerful replaceable battery and a camera that tops anything seen previously.

On top of all of this, the GS5 is manufactured locally in Bocholt, Germany.

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, 2021, the Company had 868 employees and distribution operations in 54 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. Gigaset offers its customers a broad portfolio with various price points and different features. The products from the HX portfolio and the devices in the life series are particularly important. HX mobile components can be operated both directly on DECT as well as on CAT-iq routers and are therefore extremely versatile. Gigaset's life series products serve the customer group of elderly people as well as people with special physical requirements.

1.1.2. Smartphones

Gigaset has been active in the smartphone business since 2016, and continued its efforts to establish itself in the market in 2021. It still targets the mid-range price segment of up to EUR 350, introducing a new model, the GS5, at the end of 2021. The device's replaceable battery and unique selling point "Made in Germany" were particularly well received. The Gigaset advertising campaign with famous singer Sasha as a brand ambassador for smartphones was extended and also used to advertise the GS5. As part of its efforts to include more business customers among its clientele, Gigaset added opportunities to customize its extremely flexible, locally manufactured smartphones to its USPs, winning over major customers such as Deutsche Bahn.

1.1.3. Smart Home

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

1.1.4. Professional

Gigaset has served B2B corporate customers with its Professional segment since 2011. The products in this area include DECT-IP single and multi-cell systems as well as DECT-based stationary and mobile telephones. On the one hand, Gigaset sells its products under the PRO product line, and on the other hand directly through OEMs (Original Equipment manufacturer). While the B2B market in the area of telephone systems is advancing relatively quickly and cloud solutions are increasingly crowding out traditional telephone systems, the infrastructure in the area of consumer devices remains relatively constant. Gigaset's DECT-IP solutions can be used behind numerous telephone systems due to the high level of interoperability. Furthermore, Gigaset aims to expand its customer base. New variations of the single and multi-cells were presented accordingly back in 2019. A license approving the expansion of the single cell to a fully-fledged multi-cell was obtained in 2020. The Gigaset DECT N-series is therefore suitable for customers of all sizes, from a few users in one location to companies with 20,000 end devices and multiple locations. Thus, Gigaset also addresses the enterprise segment with this magnitude. By integrating the multi-cell into professional alarm servers, a development achieved last year, Gigaset is expanding its potential customer base to include companies with enhanced security requirements in terms of alarm, messaging and location solutions. The new Gigaset handsets have been optimized for this purpose to include new features designed to meet these requirements. The Gigaset mini multi-cell, designed as an extension of the single cell, was also launched in 2021, bridging the gap between small and very small installations by offering the quality of a real multi-cell and the option to expand the system up to use in enterprises.

1.2 Goals and strategies

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

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

1.3 Control systems

The performance of the Group and Gigaset AG was analyzed and managed by the management on a monthly basis in 2021 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) by region as well as free cashflow at the Group level played an important role in monitoring the operating business in the Group. Operating costs were analyzed and managed in detail based on cost categories and the cost centers in which the costs are incurred. Integrated financial planning (income statement, 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 in 2021 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
- Employees

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

1.3.1. Research and development

Gigaset's research and development program focuses in particular on the further development and improvement of the products and services in the 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 2021 financial year, the Group incurred expenses for research and development in the amount of EUR 19.8 million and capitalized a total of EUR 13.8 million in development costs, EUR 12.7 million of which under other intangible assets and EUR 1.1 million under property, plant and equipment. The resulting capitalization rate amounts to 69.6%. Amortization of capitalized development costs amounted to EUR 7.1 million in the financial year. In its function as a holding company, Gigaset AG did not itself report any research and development expenses in the financial year.

1.3.2. Environment and sustainability

As a global enterprise, Gigaset observes the principles of sustainable conservation of the environment and the natural resources on which humankind depends. Gigaset'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 and meet customers' growing need for sustainable products. These mainly include: recycling, reducing CO_2, offsetting CO_2, climate-neutral packaging for first products, reforestation projects, moving increasingly away from using plastic and offering an extensive repairs service for all products.

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

1.3.3. Employees

In 2021, a total of 48 employees left the Gigaset Group, 17 of which 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 21 employees left the Company of their own volition and two employees died. In total, Gigaset recruited 23 new employees to the Company. The number of employees in the subsidiaries fell from 244 to 230 employees as of the reporting date December 31, 2021. At year-end 2021, Gigaset had a total of 868 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 2021 is 3.2%. In the previous year it was 1.9%.

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 2021

April 2021:

Gigaset publishes 2020 Annual Report

The Executive Board of Gigaset AG presented a solid operating result (EBITDA) and significantly increased cash balance compared with the previous year on April 22, 2021, despite decreasing consolidated revenues as a result of pandemic-related lockdowns.

June 2021:

New Supervisory Board member elected

Jenny Pan was elected to the Supervisory Board of Gigaset AG for the first time at the annual general meeting on June 8, 2021. Ms. Pan is a businesswoman and CEO at SLOAN ESTATE, Rutherford, CA, USA. She replaced Prof. Xiaojian Huang, who had been a member of the Supervisory Board since 2013 and did not stand for election again.

November 2021:

Revenue expectations and free cashflow adjusted

The Executive Board of Gigaset AG adjusted its revenues and free cashflow forecast for the 2021 financial year in an ad hoc notification on November 22, 2021. The adjustment was the result of ongoing supply bottlenecks affecting semi-conductors.

3 ECONOMIC REPORT

3.1 General economic and industry-specific framework conditions

3.1.1. General economic conditions

Developments in the global economy in 2021 continued to be shaped by the impacts of the pandemic, despite increasing recovery. Ongoing pandemic-related restrictions and diverse bottlenecks in the global supply chains continued to affect economic growth. In addition to supply-side shortages, the global economic recovery was accompanied by hikes in the costs of raw materials and energy, resulting in sharp rises in consumer price inflation.

According to estimates by experts from the International Monetary Fund (IMF) in January 2022, global economic output nevertheless grew by 5.9% in the 2021 financial year, following a 3.1% decline the year previously. This significant upswing observed in 2021 was driven primarily by solid consumer spending and an upturn in investments – supported by comprehensive economic packages and an extremely relaxed monetary policy – with trade in goods even exceeding pre-crisis levels. Developed economies saw growth of 5.0% in 2021 after recording -4.5% in the previous year. Emerging and developing countries recorded growth of 6.5% (previous year: -2.0%). According to IMF estimates, considerable growth of 5.2% was also observed in the EU in the reporting period, following a decline of 6.4% in the previous year. The EU economy returned to its growth course in 2021, with containment measures gradually being eased, the low interest rate policy continued and a strong upswing in the most important export countries, particularly in China and the United States.

In addition to Germany, Gigaset's most important sales markets continue to be France, Italy and the Netherlands as well as Spain and Switzerland (EU6). The German economy was hit particularly hard by the pandemic-related protective measures and global supply problems and is highly dependent on exports. It therefore increased by just 2.7% overall in 2021, following a 4.6% decline in gross domestic product in 2020. By contrast, France's economy recovered significantly, recording growth of 6.7% (previous year: -8.0%). Meanwhile, Italy grew by 6.2% (previous year: -8.9%) and Spain by 4.9% (previous year: -10.8%). According to Statista, the Netherlands' economy rose by 3.8% (previous year: -3.8%), while the State Secretariat for Economic Affairs SECO expects the Swiss economy to rise by 3.3% following -2.5% in 2020.

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 2021, according to GfK the key European market for cordless telephones shrank by 14.2% in terms of unit volume and by 10.7% in terms of revenues compared with 2020. While revenues declined by 12.7% in the market segment Standard Phones, a 2.1% increase was observed in the market segment for Easy Use Phones. Gigaset increased its market share in terms of unit volume to 51% in the market segment Design Phones.

3.1.2.2. Smartphones

According to Statista, global smartphone sales rose slightly from 1.28 billion units in the previous year to 1.37 billion units in 2021, corresponding to an increase of 7%. In Germany, meanwhile, sales remained stable at 22.1 million units. For the next two years, Statista forecasts further global growth up to a level of 1.5 billion units in 2023.

3.1.2.3. Smart Home

Statista assumes further growth in a current projection for the Smart Home market as a whole until 2025. Total revenues are estimated at around EUR 102 billion for 2021. Revenues are expected to grow to up to EUR 182.4 billion by 2025. Statista subdivides the overall trend 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, offering products in the categories Security, Energy Management, and Comfort and Lighting.

In a further projection of Statista, it is assumed that revenues per Smart Home system will decrease in the future. Specifically, this means that: Whereas the Smart Home market as a whole will continue to grow and more and more people will use a Smart Home application, the users of Smart Home systems will at the same time spend less money on their applications in the system. According to Statista, in the categories occupied by Gigaset, users spent around EUR 82 on Energy Management and Comfort and Lighting and EUR 144 on Security in the 2021 financial year. In 2025, these amounts will decrease to EUR 52 and EUR 95, respectively.

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

3.1.2.4. Professional

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 by 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 2021 financial year, a shortage of semi-conductors as a result of the COVID-19 pandemic resulted in supply constraints in almost all economic sectors, leading to delivery delays and price adjustments.

3.2 Business performance of the Group

3.2.1. Phones

In a market that continued to decline overall and which was also characterized in the past year by limitations in stationary retail stores as a result of the COVID-19 pandemic as well as additional difficulties in the procurement of raw materials, Gigaset's revenues in the Phones segment fell by 10.9% to EUR 140.2 million in 2021. Nevertheless, Gigaset defended its market leadership in the core market of Europe (EU6). According to GfK, Gigaset's market share at the end of 2021 was 39% in terms of revenues and 38% in terms of unit volume. In the United Kingdom, the Netherlands and Spain, as well as Italy, Gigaset further increased its market share in terms of revenues.

3.2.2. Smartphones

The GS3 and GS4 smartphones launched at the end of 2020 drove smartphone business in 2021. Another device, the GS5, was brought to market at the end of the year, achieving good results due to its similar appearance to the GS4 and key USPs such as replaceable battery and "Made in Germany" seal. At EUR 18.2 million, revenues increased by more than a third (+36.8%) compared with the previous year (EUR 13.3 million). At EUR 1.6 million, online business in the Gigaset web shop also rose, up by 10.0% year-on-year.

3.2.3. Smart Home

In the previous financial year, revenues in the Smart Home segment declined by 40.0% to EUR 1.5 million (previous year: EUR 2.5 million). Revenues were realized primarily in the core markets of Germany, Switzerland, and the Netherlands. A further increase in revenues in the Gigaset eShop marked a pleasing development. Here, revenues were up around 32% in the core Smart Security business compared with 2020. The Amazon platform is another important sales channel. Following the cooperative partnership with Swisscom AG established in the previous year, Gigaset entered into a further partnership with Minol, a housing industry service provider, in the 2021 financial year. For Gigaset, this is regarded as evidence of the potential not only to address customers directly via B2C in the future, but also to be noticed via B2B2C with major partners. The Company endeavors to establish additional partnerships in this area. In addition to known camera models for the housing and outdoor sectors, an additional camera product was successfully launched. The Smart Doorbell allows users to monitor what is happening in the entrance area and as such complements the Smart Home portfolio.

3.2.4. Professional

The global economic situation in the 2021 financial year had a positive impact on the dominance of DECT multi-cell technology as the preferred choice for cordless business telephony in Western Europe, which had a market share of over 90% of the cordless office communication segment in the first half of 2021 (+5% compared with the first half of 2020). In the same period, Gigaset realized the second-largest market share of 23% in Western Europe as a supplier of DECT multi-cell cordless telephones according to statistics of MZA Consultants. With a 64% share of revenues, the German market remains in first place, followed by France with 11%, Italy with 6%, and the Netherlands with 5%. The Professional segment therefore achieved total revenues of EUR 57.2 million (previous year: EUR 41.1 million) last year, equating to growth of 39.2%.

Owing to the COVID-19 pandemic and the postponement or temporary suspension of numerous projects in the 2021 financial year, very positive developments were seen in 2021: Revenues amounted to EUR 11.2 million in the first quarter, EUR 11.5 million in the second quarter, and EUR 18.0 million in the third quarter. Despite the challenging situation in the semi-conductor market, new projects were concluded in the final quarter of 2021 and revenues increased to EUR 16.5 million (previous year: EUR 14.0 million). The most successful products in the Gigaset Professional segment, which posted the highest increases in revenues in the 2021 reporting year, were the single and multi-cell systems of the latest generation of the N-series. In the context of a market environment that remained difficult and the even more vibrant competition as a result of competitors from the Far East, revenues in the area of nonproprietary IP table telephones decreased by 15% year-on-year.

3.3 Financial performance, cashflows and financial position of the Group

3.3.1. Financial performance

The Gigaset Group generated revenues in the total amount of EUR 217.1 million (previous year: EUR 214.2 million) in the 2021 financial year just ended, thus up on the previous year despite the delivery-related challenges faced by upstream suppliers, particularly in the area of semi-conductors. The 1.4% or EUR 2.9 million increase in revenues compared with the previous year can be explained in particular by increased demand following a slump in 2020 owing to the onset of the COVID-19 pandemic in Europe.

Revenues rose considerably in the first half of 2021, up by 34.6% or EUR 26.2 million compared with the same period in the previous year. Here, Gigaset benefited from the strong demand for telecommunications products in the times of the COVID-19 pandemic. Sales via over-the-counter retail trade were hampered during the Europe-wide lockdown in the first half of 2021, but this was compensated for by the sharp increase in online business, which grew by 40.5%. In the third quarter of 2021, Gigaset's revenues declined by 9.8%, due mainly to material bottlenecks in production. In the same quarter in the previous year, Gigaset increased its revenue volume as lockdown measures were eased and pandemic figures fell over the summer. Revenues continued to decline in the fourth quarter of 2021, by 21.7% compared with the same quarter in the previous year. This development is predominantly influenced by the strain placed on upstream suppliers' ability to deliver, which impacted the supply of semi-conductors in particular.

In the 2021 financial year just ended, the Gigaset Group benefited from considerably increased revenues in the Smartphones and Professional segments. Nevertheless, the core Phones segment could not escape the market trend, with Gigaset's revenues in this area falling by 10.9%. The market in the EU6 countries declined according to GfK by 14.2% in terms of units and 10.7% in terms of value in 2021. After dealing with a wave of returns on the part of distributors at the start of the pandemic in the previous year, the Smartphones segment generated considerably higher revenues of 36.8% in the

2021 financial year. As in the previous year, demand for Smart Home products fell sharply, by 40.0% compared with 2020, due to the pandemic, as the necessity for alarm systems decreases with the rising presence at home during lockdowns and limitations on personal contact. In the Professional segment, revenues were up by a considerable 39.2% compared with the previous year, owing to it being possible in the 2021 financial year to catch up on many projects from the previous year. Overall, the slight increase in revenues compared with the previous year was in line with the original forecast.

Revenue in EUR millions	2021	2020	Change in %
Phones	140.2	157.3	-10.9
Smartphones	18.2	13.3	36.8
Smart Home	1.5	2.5	-40.0
Professional	57.2	41.1	39.2
Gigaset Total	**217.1**	**214.2**	**1.4**

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	2021	2020	Change in %
Germany	105.6	94.7	11.5
EU (excluding Germany)	80.7	85.2	-5.3
Rest of World	30.8	34.3	-10.2
Gigaset Total	**217.1**	**214.2**	**1.4**

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

Revenue in EUR millions	2021	2020	Change in %
Germany	129.6	117.6	10.2
EU (excluding Germany)	63.3	70.0	-9.6
Rest of World	24.2	26.6	-9.0
Gigaset Total	**217.1**	**214.2**	**1.4**

The cost of raw materials, merchandise, finished goods and purchased services was EUR 102.1 million, which amounted to a year-on-year decrease from EUR 103.7 million by EUR 1.6 million. At 47.5%, the cost of materials rate fell considerably compared with the previous year (previous year: 50.1%), taking into account the change in inventories. This was due primarily to the considerable increase in revenues in the Professional segment. The key figure is derived as the quotient of material expense and the total of revenues and the change in inventories of finished goods and work in progress.

Gross profit, comprising revenues less the cost of material and including the change in inventories of finished goods and work in progress, rose by 9.3% to EUR 112.7 million in the reporting period. Changes in inventories in the amount of EUR -7.3 million had a significant impact on gross profit in the previous year.

Other own work capitalized in the amount of EUR 12.0 million (previous year: EUR 10.2 million) mainly includes costs related to the development of new products for all segments.

Other operating income amounted to EUR 18.0 million and was thus up EUR 7.0 million year-on-year. In the 2021 financial year, state aid for companies affected by the COVID-19 pandemic totaling EUR 3.4 million led to an increase in other operating income.

Other key components include income from exchange gains in the amount of EUR 4.3 million (previous year: EUR 3.9 million) and the reversal of provisions in the amount of EUR 1.2 million (previous year: EUR 1.5 million). Miscellaneous other operating income relates mainly to income from rents in the amount of EUR 1.3 million (previous year: EUR 1.2 million).

Personnel expenses for wages, salaries, social insurance contributions, and old-age provisions amounted to EUR 58.9 million and therefore rose by EUR 0.5 million year-on-year. As of the reporting date December 31, 2021, the number of employees had declined from 893 in the previous year to 868. The increase in personnel expenses in the 2021 financial year is due to the termination of the short-time work regime in Germany in the previous year.

Other operating expenses were incurred in the amount of EUR 67.3 million (previous year: EUR 63.9 million) in the reporting period. This includes in particular marketing costs (EUR 21.4 million; previous year: EUR 20.1 million), general administrative expenses (EUR 8.3 million; previous year: EUR 9.9 million) and costs for employee leasing (EUR 7.5 million; previous year: EUR 7.8 million) as well as transport costs (EUR 7.2 million; previous year: EUR 7.6 million). This item also includes patent and license fees (EUR 5.1 million; previous year: EUR 1.5 million), expenses from exchange losses (EUR 4.9 million; previous year: EUR 5.0 million), advisory and auditing costs (EUR 3.1 million; previous year: EUR 2.8 million), additions to warranty provisions (EUR 2.1 million; previous year: EUR 2.1 million), maintenance work (EUR 1.8 million; previous year: EUR 1.6 million), and expenses for land and buildings (EUR 1.0 million; previous year: EUR 0.8 million).

Thus, earnings before interest, taxes, depreciation, amortization and impairment losses (EBITDA) amounted to EUR 16.5 million for the 2021 financial year (previous year: EUR 1.9 million), thus considerably up on the original forecast, which predicted a slight increase. Taking into account depreciation and amortization charges for the current year as well as impairment losses in the amount of EUR 14.7 million (previous year: EUR 15.0 million), earnings before interest and taxes (EBIT) amounted to EUR 1.7 million (previous year: EUR -13.0 million).

Taking into account the financial result in the amount of EUR -1.4 million (previous year: EUR -0.9 million), the result from ordinary activities amounted to EUR 0.4 million (previous year: EUR -14.0 million). The financial result was impacted significantly by interest expenses from the compounding of liabilities (EUR -0.6 million) in the 2021 financial year.

Consolidated profit/loss for the year amounts to EUR 0.5 million for the 2021 financial year (previous year: EUR -10.5 million).

This results in earnings per share of EUR 0.00 (undiluted/diluted) (previous year: EUR -0.08 (undiluted/diluted)).

3.3.2. Cashflows

The previous-year figures have been adjusted due to the change in the recognition of restricted cash. See Notes of the consolidated financial statements, Section C , Change in the accounting of restricted cash.

Cashflow can be broken down as follows:

Cashflow in EUR millions	2021	2020
Cashflows from operating activities	5.3	30.6
Cashflows from investing activities	-19.5	-21.5
Free Cashflow	-14.2	9.2
Cashflows from financing activities	-3.6	-2.3

In the 2021 financial year, the Gigaset Group recorded a cash inflow from operating activities in the amount of EUR 5.3 million (previous year: cash inflow of EUR 30.6 million). Cashflows from operating activities, which were down compared with the previous year, resulted primarily from lower cash inflows from the change in trade receivables, other receivables and other assets as well as an increase in inventories. Trade payables, other liabilities and other provisions resulted in a negative cashflow in the 2021 financial year.

The cash outflow from investing activities amounts to EUR -19.5 million, after EUR -21.5 million in the previous financial year. The payments in the amount of EUR 12.0 million (previous year: EUR 10.2 million) relate primarily to cash outflows resulting from own work capitalized for the development of new innovative products and solutions.

At EUR -14.2 million, the free cashflow fell by EUR -23.4 million compared with the previous year, falling considerably short of the forecast for the 2021 financial year. This is due predominantly to supply bottlenecks affecting semi-conductors, resulting in inventories not being reduced and the change in trade receivables not generating any positive cash effects.

In the 2021 financial year, there was a cash outflow from financing activities in the amount of EUR -3.6 million (previous year: EUR -2.3 million). In 2021, EUR 2.0 million went towards the repayment of the credit facility received in 2018 and supplier loans granted and EUR 1.8 million (previous year: EUR 1.8 million) towards the repayment of lease liabilities. Cash inflows in the amount of EUR 1.6 million were generated by suppliers' credits linked to the partnership with Unify in 2021. In the previous year, a government-approved loan in the amount of EUR 2.0 million was granted to the French subsidiary in the course of combating COVID-19.

Cash and cash equivalents amounted to EUR 23.1 million as of December 31, 2021 (previous year: EUR 41.1 million).

The change in cash and cash equivalents includes changes in exchange rates in the amount of EUR -0.3 million (previous year: EUR -0.4 million).

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

3.3.3. Financial position

The previous-year figures have been adjusted due to the change in the recognition of restricted cash. See Notes of the consolidated financial statements, Section C , Change in the accounting of restricted cash.

The Gigaset Group's total equity and liabilities amounted to EUR 192.2 million as of December 31, 2021, representing a decrease compared with the previous year (EUR 204.5 million).

At EUR 98.7 million, noncurrent assets increased compared with December 31, 2020, by EUR 2.4 million. This effect is primarily due to the increase in intangible assets resulting from the capitalization of development activities for projects designed to enhance and diversify the product portfolio.

Current assets constituted 48.6% of total assets. They decreased by EUR 14.8 million year-on-year and amounted to EUR 93.5 million. At EUR 29.9 million (previous year: EUR 23.5 million), inventories were significantly higher than in the previous year, owing to the purchase of additional raw materials, consumables and supplies needed in anticipation of better chipset availability. The portfolio of raw materials, consumables and supplies increased by EUR 9.2 million, and advance payments by EUR 1.0 million. Unfinished goods and services remained virtually constant. Inventories of finished goods, merchandise, and finished services fell by EUR 3.8 million compared with the previous year. At EUR 16.0 million as of the balance sheet date, trade receivables were clearly below the previous year's level of EUR 24.6 million. Compared with the previous year, the level of cash and cash equivalents fell considerably from EUR 41.1 million to EUR 23.1 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 8.0 million as of December 31, 2021, and is EUR 6.1 million higher than at the beginning of the year. This corresponds to an equity ratio of 4.2% compared with 0.9% as of December 31, 2020. Taking into account deferred taxes, actuarial gains were recognized in the amount of EUR 5.6 million in equity. The equity was influenced by changes in exchange rates in the amount of EUR -0.6 million in the 2021 financial year. Taking into account deferred taxes, cashflow hedging led to a positive effect of EUR 0.6 million recognized directly in equity. Consolidated profit for the year amounted to EUR 0.5 million and led to a corresponding increase in consolidated equity. In the previous year, the first-time consideration of investment property in the amount of EUR 1.7 million had a positive effect on equity, whereas the financial investment in Gigaset Mobile Pte. Ltd. in the amount of EUR 7.7 million was written off in full over other comprehensive income.

Total liabilities amounted to EUR 184.2 million (previous year: EUR 202.6 million), 45.8% of which are current. Total debt in 2021 fell by EUR 18.5 million compared with the previous year. Other liabilities declined by EUR 10.3 million, and tax liabilities by more than EUR 0.9 million, falling as a result of the settlement of a purchase price liability. Noncurrent liabilities fell, primarily as a result of lower pension obligations amounting to EUR 4.5 million and a change in the recognition of part of a loan originally classified as noncurrent owing to noncompliance with agreed covenants as of the reporting date. This part of the loan has been reclassified as current in line with currently applicable international accounting standards. An agreement on the non-exercise of the acceleration of the loan was concluded with the banks in March 2022.

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 15.6 million year-on-year; as a result, these liabilities now amount to EUR 99.8 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 93.8 million as of the reporting date, and the recognition of a loan as current.

At EUR 84.3 million, current liabilities are around 3.3% lower than reported as of the prior-year reporting date. Trade liabilities remained virtually unchanged year-on-year. Financial liabilities were EUR 9.3 million higher owing to the recognition of the loan to be fully classified as current, adjusted payment deadlines and new suppliers' credits taken out. Current provisions fell by EUR 0.9 million compared with the previous year. Reversals of provisions for customer rebates were accompanied by additions to provisions for license costs. Tax liabilities fell from EUR 1.8 million to EUR 0.8 million in the reporting period, mainly due to the reversal of accrued taxes. The decrease in other liabilities from EUR 22.1 million to EUR 11.8 million resulted primarily from the settlement of a purchase price liability under a collaboration agreement in the amount of EUR 10.4 million.

3.3.4. General assessment of the Group's economic situation

The 2021 financial year continued to be characterized by the global spread of new variants of the coronavirus and associated government measures taken to combat the pandemic.
Though measures were eased in stationary retail stores, customers remained cautious. As such, the Company continued to step up its online business in 2021 so as to compensate for losses in revenues to the extent possible. To protect the workforce, working from home remained possible in 2021 wherever possible. The hygiene and social distancing concepts at the Gigaset locations were continued. The general coronavirus situation eased somewhat as summer approached, but was shaped by increasing challenges faced by the sourcing market for intermediate products in the second half of the year. The costs of numerous materials such as plastic and paper rose, while key products in the semi-conductor area (chips) were only in limited supply. The COVID-19 pandemic situation came to a head again at the end of the year with the spread of the new, aggressive Omicron variant, which drove up cases and resulted in measures being tightened again.

Emphasis continued to be placed on the safeguarding of liquidity throughout the entire financial year. Revenues grew slightly and the performance indicators considerably compared with the 2020 crisis year. By contrast, the operating cashflow at EUR 5.3 million fell by -82.7%, or EUR -25.3 million, compared with the same period in the previous year. The portfolio of cash and cash equivalents fell by EUR -18.0 million to EUR 23.1 million as of December 31, 2021 compared with the previous year.

At EUR 217.1 million, annual revenues in the 2021 reporting period were EUR 3.0 million higher than in the previous year, despite the semi-conductor delivery challenges encountered, and thus were in line with the planning figures. In its management report for the 2020 Annual Report, Gigaset had forecast a slight increase in revenues.

The more positive revenue development compared with the previous year likewise had an impact on EBITDA, which at EUR 16.5 million in the 2021 financial year clearly exceeded the previous year's amount of EUR 1.9 million. The forecast EBITDA (slight increase) was significantly exceeded. By contrast, at EUR -14.2 million for 2021 (previous year: EUR 9.2 million), the amounts planned for free cashflow were not met. Free cashflow was expected to be positive and hit pre-COVID-19 levels. This objective was not met owing to a lack of the quantities needed for production, as a result of upstream suppliers, particularly in the area of semi-conductors, not being able to deliver to the extent required.

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 2022.

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

Key indications (in %)	2021	2020
Equity ratio	4.2	0.9
Ratio of noncurrent assets to total assets	45.0	39.3
Debt capital structure	45.8	43.1
Return on sales	0.2	negative
Return on equity	5.8	negative
Return on investment	1.1	negative

3.4 Financial performance, cashflows and financial position of Gigaset AG (single-entity HGB (German Commercial Code; Handelsgesetzbuch) 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 914 thousand (previous year: EUR 883 thousand) comprised exclusively services rendered for affiliated companies in Germany.

Other operating income decreased from EUR 1,024 thousand to EUR 764 thousand. This item mainly includes income from the pure recharging of costs in the amount of EUR 501 thousand (previous year: EUR 833 thousand) and income from the reversal of provisions in the amount of EUR 226 thousand (previous year: EUR 0 thousand).

Personnel expenses increased from EUR 1,012 thousand to EUR 1,189 thousand compared with the previous year.

Other operating expenses were incurred in the 2021 financial year in the amount of EUR 2,627 thousand (previous year: EUR 2,357 thousand). There were primarily expenses for the compensation of Supervisory Board members in the amount of EUR 570 thousand (previous year: EUR 532 thousand), legal and advisory fees in the amount of EUR 591 thousand (previous year: EUR 427 thousand) and cost allocations from Gigaset Communications GmbH in the amount of EUR 365 thousand (previous year: EUR 337 thousand). Furthermore, expenses for insurance policies were incurred in the amount of EUR 516 thousand (previous year: EUR 318 thousand) as well as business consulting costs in the amount of EUR 31 thousand (previous year: EUR 159 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 34 thousand).

Interest and similar expenses amounted to EUR 498 thousand (previous year: EUR 480 thousand) and included primarily interest effects from internal clearing transactions in the amount of EUR 418 thousand (previous year: EUR 417 thousand) and additions from interest in connection with allocations to provisions in the amount of EUR 80 thousand (previous year: EUR 61 thousand).

A net loss in the amount of EUR -2,807 thousand (previous year: net loss of EUR -1,872 thousand) was generated in the 2021 financial year.

3.4.2. Cashflows

Cashflow can be broken down as follows:

Cashflow in kEUR	2021	2020
Cashflows from operating activities	-2,518	-1,541
Cashflows from investing activities	-132	-176
Free Cashflow	-2,650	-1,717
Cashflows from financing activities	-1,371	4,192

In the 2021 financial year, Gigaset AG recorded a cash outflow from continuing operations in the amount of EUR -2,518 thousand (previous year: EUR -1,541 thousand). 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.

Cash outflows from financing activities in the current financial year amounted to EUR -1,371 thousand (previous year: cash inflow of EUR 4,192 thousand), which were characterized primarily by the decrease (previous year: increase) in liabilities to Group companies.

Cash and cash equivalents amounted to EUR 2,027 thousand (previous year: EUR 6,048 thousand) as of December 31, 2021.

3.4.3. Financial position

Gigaset AG's total assets amounted to EUR 121,707 thousand as of December 31, 2021 (previous year: EUR 125,396 thousand), and therefore fell by 2.9% year-on-year. This is mainly due to a decrease in liquid funds.

Noncurrent assets fell by EUR 83 thousand to EUR 115,532 thousand (previous year: EUR 115,615 thousand), which can be attributed primarily to the reduction in interest in affiliated companies due to restructuring within the Group.

Current assets amounted to EUR 6,175 thousand (previous year: EUR 9,781 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 increased by EUR 394 thousand to EUR 2,769 thousand. Furthermore, cash in banks decreased by EUR 4,021 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 966 thousand and on the other to the net loss for the year in the amount of EUR 2,807 thousand, and had the effect of reducing equity.

The equity ratio increased from 81.5% to 81.6%.

In the financial year just ended, noncurrent liabilities on the part of Gigaset AG increased from EUR 845 thousand to EUR 879 thousand and primarily included provisions for pensions in the amount of EUR 852 thousand (previous year: EUR 719 thousand) and other provisions in the amount of EUR 27 thousand (previous year: EUR 126 thousand).

Current liabilities, provisions and deferred income decreased to EUR 21,469 thousand (previous year: EUR 22,385 thousand). Current liabilities include liabilities to affiliated companies in the amount of EUR 20,426 thousand (previous year: EUR 21,392 thousand). Current provisions include other provisions in the amount of EUR 746 thousand (previous year: EUR 768 thousand). Furthermore, other liabilities were recognized in the amount of EUR 50 thousand (previous year: EUR 43 thousand).

3.4.4. General assessment of the Group's economic situation

The net loss for the financial year amounted to EUR 2,807 thousand, which exceeded the forecast from the previous year with a loss in the mid-single-digit millions.

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

Key figures of Gigaset AG	2021	2020
Noncurrent assets (in kEUR)	115,533	115,615
current assets (in kEUR)	6,175	9,781
Equity (in kEUR)	99,359	102,166
Noncurrent liabilities (in kEUR)	879	845
current liabilities (in kEUR)	21,469	22,385
Equity ratio (in %)	81.6	81.5
Return on equity (in %)	negative	negative
Return on investment (in %)	negative	negative

4 OPPORTUNITIES AND RISK REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

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	low
Business and litigation risks	
Procurement	high
Personnel	low
Special events	low
Financial risk	
Liquidity	high
Foreign currency	medium
Equity	low
Taxes	low
Liability risks	
Guaranties | Contingent liabilities	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.

The pandemic situation remained relentless, with European governments continuously responding to developments with different measures. Revenues from stationary retail stores continued to fall. During the reporting year, consumer purchasing behavior and retailers' distribution channels continued to move towards online shopping and e-commerce. Gigaset responded by continuing to expand its online business and considers this to be an important investment for the future. It is still not possible to foresee when the pandemic will end, making it hard for Gigaset to clearly forecast its business activities.

On top of the pandemic situation itself, the situation relating to intermediate products and raw materials worsened significantly during the 2021 financial year. Gigaset is not only facing higher purchase prices – such as for plastics and paper – but bottlenecks in the semi-conductor segment in particular, which are negatively impacting different sectors of industry worldwide, are also making planning difficult. There is the risk of not being able to fully utilize production capacity, which would have a direct negative impact on revenues.

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. The increased use of multifunctional smartphones is leading to a change in consumer communications behavior. Gigaset also has to compete with multinational corporations on the smartphone market. Moreover, Gigaset entered the market relatively late. With Gigaset's business with products for home networking, the Company remains in a market whose future development continues to be fraught with uncertainty.

The products of the Gigaset Group are widely distributed and are valued by their retailer, operator/internet service provider (ISP), and distributor customers due to the strong brand name, high quality, and the innovative product portfolio. The excellent market position reflects not lastly this high degree of product acceptance. Since, as a rule, these are continuous, long-term partnerships, the dependency on individual retailers, operators/ISPs, and distributors is generally low. However, there can be a greater dependency on individual customers when entering into new markets, in particular in the beginning. 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 penetration of new 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 is reviewing its market development strategies in overseas countries as well as in Turkey, Russia and the bordering former Commonwealth of Independent States and is undertaking corresponding preparations. From the Company's perspective, political developments in countries or regions such as Russia, the Middle East, Africa, China and Turkey are leading to the destabilization of established markets. Gigaset does not currently expect the current Ukraine conflict to have any direct material negative impacts on the Company, since this region is not of particular significance to the Company in terms of sourcing or sales. Nevertheless, it is not possible to predict the further course of this conflict, which means that indirect negative impacts on the Company cannot be fundamentally ruled out.

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

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" (in short: SOHO) as well as SME customers (small and medium-sized enterprises) up to major customers. 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. Lastly, there is still the possibility of "hockey stick", or exponential growth in the Smart Home market. Should this happen, Gigaset intends to benefit from this opportunity with its broad portfolio.

The Company counters the risk of default on receivables by purchasing trade credit insurance policies, strict management of receivables, and consistent dunning. The risk of default on receivables can be regarded as low on the basis of historical data. 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.

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

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

Unanticipated events, such as malware attacks on Gigaset products linked to the Internet, such as smartphones, could negatively impact the reputation of Gigaset's products and the Gigaset brand, as well as 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.

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

Defects in Gigaset's products can lead to reputational damage, warranty and product liability claims as well as the loss of revenues, which could impact Gigaset's results. Gigaset purchases commodities and materials predominantly from at least two suppliers. The Company tries to avoid dependency on specific suppliers with respect to prices, volumes, and innovations through a wide-ranging collaboration. 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 safer footing, now at least one additional supplier has been established that can take over the business if the primary supplier falls through. Regular control mechanisms will nevertheless be continued; for example, the observation of the markets, key financial figures, and the tracking of deliveries to avoid an interruption of supply. The current global shortage of semi-conductors is negatively impacting Gigaset's potential production capacities and as such could periodically jeopardize sales goals. In particular, jeopardized customer orders and a now very high order backlog 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 semi-conductor industry will continue to be disrupted over the coming months.

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

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

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

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

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

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

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. The loan amount as of December 31, 2021 amounts to EUR 12.8 million taking into account the repayment. According to the terms of the contract, the loan can be paid off in installments. Furthermore, within the scope of the assistance provided by the French government in connection with the COVID-19 pandemic, Gigaset Communications France SAS obtained a loan backed by a government guarantee in June 2020 in the amount of EUR 2.0 million. For the 2022 financial year as well as for the 2023 financial year, the Company has sufficient liquid funds at its disposal based on its internal budgeting.

Gigaset AG has no external loans payable. Even if Gigaset AG is not a recipient of the financing raised by Gigaset Communications GmbH and guaranteed by a State government, it is nevertheless jointly and severally liable in addition to the borrower in accordance with section 421 of the German Civil Code (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 2022 financial year as well as for the 2023 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 2021 financial year and agreed with the financing banks on March 16, 2022 to forego its right to termination and suspend repayment on loan instalments.

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.

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

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

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

Gigaset AG receives tax advice on an ongoing basis in order to identify any risks in advance. In 2020, the Company received an audit order in the area of value added tax and income tax for financial years 2014 to 2018. The German Federal Central Tax Office (Bundeszentralamt für Steuern (BZSt)) also took part in the audit, which was completed after the final meeting held on October 18, 2021.

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

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

4.4 Liability risks

4.4.1. Gigaset AG guarantees

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

4.4.2. Legal disputes involving Gigaset AG

Gigaset AG is involved in various legal disputes in connection with its general operations, in particular processes and arbitration proceedings, as well as official administrative proceedings, or such proceedings could be initiated or claims asserted against the Company in the future. Even if the outcome of individual proceedings cannot be predicted with certainty due to the imponderabilities with which legal disputes are always fraught, there will not be any significant negative impacts on the Group's financial performance in excess of the risks reflected in the financial statements as liabilities or provisions according to current assessments. The following legal dispute involving Gigaset AG is currently pending/took place in the 2021 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 is the principal creditor in both proceedings. In the meantime, the distribution of the insolvency assets has been largely completed; Gigaset expects – not least based on an agreement with the insolvency administrator regarding the matter – to receive up to EUR 3.5 million from the insolvency assets. EUR 2.0 million of this amount already flowed to the Company in the second quarter of 2016 by means of a preliminary distribution of the liquid insolvency assets in the insolvency proceedings over the assets of OXY Holding GmbH as well as around EUR 0.2 million in the fourth quarter of 2018 from the final distribution in the insolvency proceedings over the assets of StS Equity Holding UG. The Company expects an additional sum of around EUR 1.3 million as part of the final distribution in the insolvency proceedings of OXY Holding GmbH. In the final result, the Company will incur a net loss of EUR 1.3 million, primarily representing the interest paid to Evonik from the principal amount.

4.4.3. Legal disputes involving Gigaset AG subsidiaries

The following material legal dispute involving a subsidiary of Gigaset AG is currently pending/took place in the 2021 financial year:

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

4.5 Overall statement regarding the report on opportunities and risks

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

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

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

The impacts of the COVID-19 pandemic on retail trade and the availability of materials still constitute uncertainty factors, making it difficult to anticipate their impact on Gigaset's business.

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) of the German Commercial Code (Handelsgesetzbuch, HGB)

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

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

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

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

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

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

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

5.2 Structural information

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

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

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

5.3 Process and controlling information

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

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

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

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

5.4 Group-wide, systematic risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.5 Disclaimer

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

6 ACQUISITION-RELATED DISCLOSURES

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

The subscribed capital of Gigaset AG as of December 31, 2021, 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.

As of the date of this report, the Company has received no new notifications regarding shareholdings in excess of ten percent of the voting rights.

Goldin Fund Pte. Ltd., Singapore, notified the Company on January 27, 2016 (with a correction on January 28, 2016), that it now holds 97,357,789 shares of the Company that grant the same number of voting rights. This corresponds to a share of 73.5% of the 132,455,896 voting rights. As far as the Executive Board is aware, the shareholder therefore held a share of 73.5% of the voting rights also in the 2021 financial year.

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.

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

This authorization has so far not been utilized.

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

Bonds with warrants and/or convertible bonds can be 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 AktGt 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.

   In light of this, the Annual General Meeting resolved to delete Art. 4 paragraph 9 from the Articles of Association entirely, to rescind Art. 4 paragraph 4 of the Articles of Association and to reword it as follows:

   "The share capital is conditionally increased by up to EUR 64,700,000.00 through the issuance of up to 64,700,000 new bearer shares qualifying for dividends from the beginning of the financial year in which they were issued. The contingent capital increase serves the purpose of issuing shares to the holders or creditors of bonds with warrants and/or convertible bonds that were issued by the Company or a subordinate Group company in exchange for cash and/or non-cash performance in the time until June 3, 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)."

   This authorization has so far not been utilized.

There are no material agreements with the parent company as of December 31, 2021, 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

7.1 Corporate Governance - Declaration of conformity

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

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

On February 17, 2022, the Executive Board and Supervisory Board of Gigaset AG submitted the declaration of conformity with the German Corporate Governance Code in the version dated December 16, 2019 (which entered into force on March 20, 2020), as required under section 161 AktG, and then made it permanently and publicly available to the shareholders on the Company's website (http://www.gigaset.com/de_de/cms/gigaset-ag/investor-relations/unternehmen/corporate-governance.html). 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, with four exceptions. The declaration is as follows:

Pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), 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 since the last declaration of conformity was submitted on February 24, 2021, and will continue to do so. Deviations from any recommendations in individual cases are explained below.

In deviation from recommendation D.5 of the German Corporate Governance Code, a Nomination Committee has not been formed. The Supervisory Board formed committees pursuant to recommendations D.2 to D.4 of the German Corporate Governance Code, namely an Audit Committee, a Personnel Committee and a 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.

In deviation from recommendation F.2 of the German Corporate Governance Code, 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.

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.I. of the German Corporate Governance Code, with the following exception: In deviation from recommendation G.10 sentence 1 of the German Corporate Governance Code, 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.

In deviation from recommendation G.17 of the German Corporate Governance Code, 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.

Bocholt, February 17, 2022

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.

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

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

Acting together with the Executive Board, the Supervisory Board ensures long-term succession planning. From the Supervisory Board's perspective, the main suitability criteria for selecting candidates include in particular personality, integrity, outstanding leadership qualities, the professional qualifications for the function in question, 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, 2021. 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 comprises six members. The Supervisory Board is directly involved in decisions of fundamental importance for the Company; it also agrees on the Company's strategic orientation with the Executive Board and discusses the progress achieved on implementing the business strategy with the Executive Board. The Supervisory Board appoints members of the Executive Board and is responsible for allocating duties. The Chair of the Supervisory Board coordinates the board's work and chairs its meetings. The Executive Board keeps the Supervisory Board informed at all times about the Company's policies, planning and strategy as part of a regular exchange of views. The Supervisory Board checks the annual plan and adopts the separate annual financial statements of Gigaset AG and the consolidated financial statements of the Gigaset Group, together with the combined management report, taking into account the reports submitted by the independent auditors. 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 profile of required skills for the full Board, taking diversity into account. 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 profile of required skills for the full Board. In this regard, the Supervisory Board has decided that the Board shall be composed such that, on the whole, its members possess the knowledge, skills and experience required to properly discharge their duties. At the same time, this describes the concept designed to ensure diversity among the members of the Supervisory Board (diversity plan). Here, a distinction is to be made between the requirements for individual members of the Supervisory Board and the requirements for the composition of the Board as a whole.

Requirements for individual members of the Supervisory Board

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

Good corporate management

Each member of the Supervisory Board should possess knowledge of what constitutes good corporate governance within a company focused on capital markets, as 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.

Legal expertise

At least one member should have advanced legal expertise.

Financial expertise

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

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

- Integrity and ethical behavior
- Understanding of business or operations

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

Supervisory Board skills

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

Innovation, research and development

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

Sector

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

Finance

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

Strategy

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

Internationality

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

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

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

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

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

7.4.3. Supervisory Board committees

Audit Committee:

Since June 8, 2021, the Audit Committee has comprised Mr. Wong, Mr. di Fraia, Mr. Burkhardt (Chair), and Ms. Shiu.

The members of the Supervisory Board who also served on the Audit Committee in the financial year meet the statutory requirements of independence and expertise in the areas of accounting or auditing that members of the Supervisory Board and Audit Committee must fulfill. The Chair of the Audit Committee 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' experience in the areas of auditing, tax consultation and business consulting.

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. 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 about 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.

Finance Committee:

The 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 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 July 24, 2017, the Supervisory Board established targets for the share of women – namely 16.66% on the Supervisory Board by June 30, 2022, and 0% on the Executive Board by June 30, 2022. These targets were hit during the 2018 financial year and with regard to the Supervisory Board even exceeded in subsequent periods. 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. The Executive Board established targets on August 9, 2017, for the share of women in the two management levels below the Executive Board – namely, 10% for the first management level and 30% for the second management level by June 30, 2022. As only four employees are now employed at Gigaset AG, it was not possible to meet these targets.

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 2021 financial year.

8 FORECAST REPORT AND OUTLOOK

8.1 General economic development

The pace of growth in the global economy – in particular in China, the USA and the EU – had already slowed down again considerably by the end of 2021, with the impacts of monetary and fiscal policy incentives gradually decreasing and major disruptions impacting supply chains.

Increasing inflation pressure in many economies poses an additional risk to recovery. In addition, global economic recovery is also being impacted by new waves of COVID-19 infections, ongoing challenges in the labor market and continued supply chain problems. Following growth of 5.9% in 2021, the IMF expects global economic output to rise by just 4.4% for 2022. Developed economies are expected to grow by 3.9% (2021: 5.0%), and emerging and developing countries by 4.8% after 6.5% in 2021. The EU economy is expected to grow by 3.9% (2021: 5.2%).

According to IMF experts, the German economy, meanwhile, is likely to grow more strongly than in 2021 (+2.7%), with an increase of 3.8%. Growth of 3.5% (2021: 6.7%) is expected for France, 3.8% (2021: 6.2%) for Italy and 5.8% (2021: 4.9%) for Spain. According to Statista, the Netherlands' economy will grow by 3.2% (2021: 3.8%), while the State Secretariat for Economic Affairs SECO expects the Swiss economy to rise by 3.0% following 3.3%.

The onset of the conflict between Russia and Ukraine and the resulting sanctions imposed by the West are expected to lead to a further economic downturn. However, it is not possible to forecast the impacts exactly owing to the dynamic nature of these events. For Gigaset, there is a certain risk that business in Russia and the Balkans will not be able to be continued as usual, and the situation regarding the delivery of intermediate products could worsen further. It cannot be ruled out that further sanctions could hamper access to the assets of the Russian subsidiary.

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 6.2 billion in 2021 to EUR 7.1 billion in 2026. For Europe as a whole, Statista is forecasting revenues of around EUR 1.4 billion for 2021 with an increase to EUR 1.5 billion by 2026. Gigaset does not entirely share this positive prediction and is therefore taking a more defensive calculation approach. The Group assumes that the market trend for fixed-line telephony in Europe and worldwide will continue to decline due to the growing share of mobile communication. 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, global smartphone sales bottomed out in 2020 owing to the pandemic, and by 2023 are already expected to near the record level seen in 2016 (1,469 billion units) with sales of 1,465 billion units. Gigaset already managed to gain some ground again in the 2021 financial year and believes that it is well positioned for further growth. It continues to target customers in the consumer environment with smartphones in the low to mid-range price segment and develop special segment solutions for older target groups, for example. In the business environment, the flexibility brought by the Company's local manufacturing processes will continue to pay off and win customers over to the Gigaset brand.

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 an annual rate of growth in revenues of 10.6% (CAGR 2021-2025). According to a representative study by Splendid Research, 40% of Germans already use at least one Smart Home-capable application and an additional 38% show an interest in such applications.

According to Statista, revenues in the worldwide Smart Home market will amount to around EUR 122.9 billion in 2022 and reach a market volume of EUR 182.4 billion by 2025. That would correspond to an annual rate of growth in revenues of 14.1%. Hence, the Smart Home market is one of the markets with the highest rates of growth.

Gigaset considers itself to be well positioned in the Smart Home segment thanks to its efforts to address the four topics of security, comfort, energy, and care and expects the Smart Home trend to continue to be positive. However, the Company also continues to expect development to be slower than forecasted in the studies. The real revenue figures across the entire industry have not been able to consistently keep up with the forecasts in recent years. However, this does not mean that the progressive growth expected by the entire industry will not manifest itself in the near-term after all. Gigaset wants to ensure that it is ideally positioned for this with the correct products, solutions and partners.

For this reason, Gigaset continues to focus on follow-on investments, to integrate new system components and to continuously develop the Smart Home app. In addition, Gigaset is already preparing the portfolio for the new Smart Home standard "Matter".

8.2.4. Professional

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

Gigaset therefore also expects IP telephony to grow in importance in the Professional segment in Europe. With its business customer solutions, Gigaset successfully evolved out of the SME segment into the Enterprise business. This new market segment can now be successfully addressed and comprises 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 also particularly important. As part of this partnership, Gigaset will develop the next table telephone family for Unify and also implement it in its own portfolio based on acquired software licenses. The devices will start to be delivered this year and a total of around five million devices from the new table telephone series is then expected to be sold in subsequent years.

8.3 Performance of the Gigaset Group

8.3.1. Financial performance

The 2021 financial year continued to be affected by the COVID-19 pandemic, with global supply bottlenecks affecting all products and materials over the course of the year. Following sharp declines in revenues and sales in 2020 as a result of the pandemic, the situation eased in 2021. The drop in demand seen in the previous year resulted in a significant pent-up demand effect, accompanied by a higher demand for telecommunications products in general. Gigaset was affected by a shortage of semi-conductor products as a result of the global supply bottlenecks affecting all materials, preventing the Company from meeting demand in the second half of 2021 in particular. The loss of output will continue into 2022, with the sourcing situation expected to gradually ease over the course of the year. The Gigaset Group expects a slightly positive development in revenues and EBITDA in the 2022 financial year. Overall, its aim for the 2022 financial year is for its revenues to hit pre-COVID-19 levels, allowing it to continue along the growth course pursued before the pandemic. The long-term trend of market decline in the Phones segment will continue to endure, but will be compensated for by the positive performance observed in the other segments.

In order to meet its objectives, Gigaset will consistently continue its cost management in 2022 and invest with sound judgment depending on the revenue trend and other economic risk factors.

Gigaset expects the earnings situation to stabilize in 2022 in line with the revenue trend, which will form the basis on which Gigaset will drive forward planned changes.

Gigaset hedged the majority of its U.S. dollar risk in 2022. In addition, the forecast is based on a USD/EUR exchange rate of 1.18. This forecast is based on the described general economic and industry-specific trends.

8.3.2. Cashflows

The Company currently finances itself primarily from its operating business and will continue to focus on the optimum management of liquidity while taking advantage of all available and – in the overall context – sensible funding opportunities, in consideration of the pandemic, which has not been completely overcome. The Company's strategy with respect to securing financial stability remains conservative in order to preserve the Group's operational and strategic flexibility. As of the end of 2021, Gigaset had a portfolio of cash funds in the amount of EUR 23.1 million at its disposal. In addition to the operational requirements, this cash portfolio is also to 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 2022 financial year, even taking into account its payment obligations.

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 mid-single-digit millions.

As a holding company, Gigaset AG's performance is influenced by the development of its operating subsidiaries. For the 2022 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.

8.5 General assessment of the Group

2022 outlook

Gigaset AG's outlook reflects the views of the Executive Board regarding the coming 2022 financial year in relation to material opportunities and risks. The report contains forward-looking statements that are based on the expectations and assessments of Gigaset AG. These assumptions are subject to a certain degree of uncertainty, which may lead in full or in part to the forecast business performance deviating from the actual business performance. Material factors include political and economic conditions over which the Company has no influence.

Fundamental assumptions

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

Impact on Gigaset

According to IMF experts, the global economy got off to a weaker start in 2022 than expected. With the spread of the new COVID-19 variant Omicron, many countries, including Germany, reintroduced movement restrictions. Access restrictions and requirements to work from home have affected production, the service industry and retail. At the same time, enhanced hygiene regulations and the need to implement digitalization measures more quickly are creating huge additional costs for some companies. The sharp increase in online business as a result of the COVID-19 pandemic also poses a risk, as it goes hand in hand with sometimes dramatic losses in revenues from brick-and-mortar shops. The emergence of new COVID-19 variants could prolong the pandemic and disrupt the economy in new ways that are difficult to predict. Recent hikes in energy prices and supply disruptions have already massively driven up inflation. Should this development continue, this will also result in risks for companies. Likewise, risks may emerge from the increasing geopolitical tensions and ongoing climate change impacts. Gigaset, too, is subject to some of these risks.

In addition to the risks described above arising from the ongoing COVID-19 crisis and the new uncertainty caused by the Ukraine-Russia crisis, the main risks for Gigaset in the 2022 financial year are linked to global supply chain problems and current shortages in the sourcing market, particularly the shortage of chips, which could negatively impact its production processes and thus product availability and therefore prevent it from fully utilizing its production capacities. The situation is exacerbated by the increasing complexity of logistics processes, particularly in terms of free cargo capacity and associated costs. The Company is also exposed to risks related to developments in the costs of intermediate products and production materials as well as energy, which are driving up production costs but cannot readily be allocated to customers. This would reduce margin quality and thus negatively impact various key indicators.

General assessment of the Executive Board for 2022

In light of the assumptions described in the outlook and excluding a sudden significant worsening of the pandemic or supply chain situation, Gigaset expects its financial position, cashflows and financial performance to develop as follows in the 2022 financial year:

1. A slight increase in revenues and EBITDA
2. A moderately positive free cashflow

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 2021 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 March 25, 2022, 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 2021 financial year."

Bocholt, March 25, 2022

The Executive Board of Gigaset AG

Klaus Weßing	Thomas Schuchardt
CEO	CFO

CONSOLIDATED FINANCIAL STATEMENTS

Smart Innovation

The Gigaset Smart Home System has been offering smart innovation for many years. Two new components prove Gigaset's inventiveness.

The Smart Doorbell is much more than a traditional doorbell. It sends highest-quality HD images and video recordings to your smartphone. The integrated intercom functionality allows you to speak directly with the person at the door, and the proximity sensors indicate whether someone is approaching the entrance area. That's real comfort for your home.

Smoke 2.0 gives reliable warnings in case of smoke from fires, making it a real lifesaver. Whether at night or when no one is home, you can depend on this smart smoke alarm: It sounds an alarm at 85 decibels and also sends a report to the Gigaset elements app. That's real security for your family.

CONSOLIDATED INCOME STATEMENT

EUR'000	Notes	01/01 - 12/31/2021	01/01 - 12/31/2020
Revenues	E.1	217,133	214,153
Change in inventories of finished and unfinished goods		-2,291	-7,320
Purchased goods and services	E.2	-102,093	-103,683
Gross profit		**112,749**	**103,150**
Other internal production capitalized	E.3	12,010	10,227
Other operating income	E.4	17,951	10,916
Personnel expenses	E.5	-58,929	-58,470
Other operating expenses	E.6	-67,316	-63,894
EBITDA		**16,465**	**1,929**
Depreciation and amortization	E.7	-14,725	-14,967
EBIT		**1,740**	**-13,038**
Other interest and similar income	E.8	355	431
Interest and similar expenses	E.9	-1,745	-1,375
Financial result		**-1,390**	**-944**
Result from ordinary activities		**350**	**-13,982**
Income taxes	E.10	113	3,499
Consolidated income/ net loss the year		**463**	**-10,483**
Earnings per share	E.11		
– Undiluted (Basic) in EUR		0.00	-0.08
– Diluted in EUR		0.00	-0.08

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR'000	**01/01 - 12/31/2021**	**01/01 - 12/31/2020**
Consolidated income/ net loss for the year	**463**	**-10,483**
Items that may possibly be reclassified to profit or loss at a later time		
Currency translation differences	-569	-833
Cashflow hedges	914	-432
Income taxes recognized on this item	-291	137
Items that will not be reclassified to profit or loss at a later time		
Fair value investment property	0	2,440
Income taxes recognized on this item	0	-776
Revaluation effect, net debt of defined benefit pension plans before income taxes	8,652	-4,114
Income taxes recognized on this item	-3,070	5,100
Financial instruments at fair value through other comprehensive income (FVOCI)	0	-7,686
Total changes not recognized in profit or loss	**5,636**	**-6,164**
Total income and expenses recognized	**6,099**	**-16,647**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	Notes	12/31/2021	12/31/2020[a]	01/01/2020[a]
ASSETS				
Noncurrent assets				
Intangible assets	F.1	55,842	51,367	33,757
Property, plant and equipment	F.2	20,939	18,944	23,284
Right of use assets	F.3	2,990	3,463	4,331
Investment property	F.4	6,700	6,700	0
Financial assets	F.5	0	0	7,686
Deferred tax assets	F.15	12,209	15,806	9,374
Total noncurrent assets		**98,680**	**96,280**	***78,432***
Current assets				
Inventories	F.6	29,854	23,513	35,246
Trade receivables	F.7	16,009	24,619	45,417
Other assets	F.8	24,344	17,598	27,628
Tax refund claims	F.9	186	1,398	293
Cash and cash equivalents	F.10	23,080	41,124	34,638
Total current assets		**93,473**	**108,252**	***143,222***
Total assets		**192,153**	**204,532**	***221,654***

[a] The comparison figures as of 12/31/2020 were adjusted to account for the changed presentation of restricted cash in financial year 2021 and the changed opening values were presented as of 01/01/2020. For further details, see Section C Change in the accounting treatment of restricted cash in the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	Notes	12/31/2021	12/31/2020[a]	01/01/2020[a]
EQUITY AND LIABILITIES				
Equity	F.11			
Subscribed capital		132,456	132,456	132,456
Additional paid-in capital		86,076	86,076	86,076
Retained earnings		68,979	68,979	68,979
Accumulated other comprehensive equity		-279,516	-285,615	-268,968
Total equity		**7,995**	**1,896**	***18,543***
Noncurrent liabilities				
Pension obligations	F.12	93,796	98,251	92,501
Provisions	F.13	1,373	2,149	2,389
Financial liabilities	F.14	2,847	12,659	10,176
Lease liabilities	F.3	1,561	2,071	2,827
Deferred tax liabilities	F.15	265	276	760
Total noncurrent liabilities		**99,842**	**115,406**	***108,653***
Current liabilities				
Provisions	F.13	11,995	12,861	14,403
Financial liabilities	F.14	13,131	3,793	5,724
Lease liabilities	F.3	1,541	1,659	1,563
Trade payables	F.16	44,978	45,032	51,247
Tax liabilities	F.17	844	1,773	4,945
Other liabilities	F.18	11,827	22,112	16,576
Total current liabilities		**84,316**	**87,230**	***94,458***
Total equity and liabilities		**192,153**	**204,532**	***221,654***

[a] The comparison figures as of 12/31/2020 were adjusted to account for the changed presentation of restricted cash in financial year 2021 and the changed opening values were presented as of 01/01/2020. For further details, see Section C Change in the accounting treatment of restricted cash in the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EUR'000	Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive equity	Consolidated equity
	December 31, 2019	**132,456**	**86,076**	**68,979**	**-268,968**	**18,543**
1	Consolidated net loss	0	0	0	-10,483	-10,483
2	Currency translation differences	0	0	0	-833	-833
3	Fair value investment property	0	0	0	1,664	1,664
4	Cashflow hedges	0	0	0	-295	-295
5	Financial instruments measured at fair value through other comprehensive income (FVOCI)	0	0	0	-7,686	-7,686
6	Revaluation effects, net liability from defined benefit pension plans	0	0	0	986	986
7	Total changes not recognized in profit or loss	0	0	0	-6,164	-6,164
8	Total net income (1+7)	**0**	**0**	**0**	**-16,647**	**-16,647**
	December 31, 2020	**132,456**	**86,076**	**68,979**	**-285,615**	**1,896**
1	Consolidated net income	0	0	0	463	463
2	Currency translation differences	0	0	0	-569	-569
3	Fair value investment property	0	0	0	0	0
4	Cashflow hedges	0	0	0	623	623
5	Financial instruments measured at fair value through other comprehensive income (FVOCI)	0	0	0	0	0
6	Revaluation effects, net liability from defined benefit pension plans	0	0	0	5,582	5,582
7	Total changes not recognized in profit or loss	0	0	0	5,636	5,636
8	Total net income (1+7)	**0**	**0**	**0**	**6,099**	**6,099**
	December 31, 2021	**132,456**	**86,076**	**68,979**	**-279,516**	**7,995**

CONSOLIDATED STATEMENT OF CASHFLOWS

EUR'000	01/01 - 12/31/2021	01/01/ - 12/31/2020[a]
Result from ordinary activities	**350**	**-13,982**
Depreciation and amortization of property, plant and equipment and intangible assets	14,725	14,967
Increase (+) / decrease (-) in pension provisions	4,197	1,636
Gain (-) / loss (+) on the sale of noncurrent assetes	-34	-24
Gain (-) / loss (+) from currency translation	-370	905
Net interest income	1,390	944
Interest received	7	185
Income taxes paid	853	-3,193
Increase (-) / decrease (+) in inventories	-6,341	11,733
Increase (-) / decrease (+) in trade receivables and other assets	-5,196	30,605
Increase (-) / decrease (+) in trade payables, other liabilities and other provisions	-3,977	-11,730
Increase (-) / decrease (+) in other items of the statement of financial position	-295	-1,417
Cash inflow (+) /outflow (-) from operating activities (net cashflow)	**5,309**	**30,629**
Proceeds from the sale of noncurrent assets	43	18
Payments for investments in noncurrent assets	-19,562	-21,468
Cash inflow (+)/outflow (-) from investing activities	**-19,519**	**-21,450**
Free cashflow	**-14,210**	**9,179**
Cashflows from the repayment (-) of current financial liabilities	-1,989	-1,163
Cashflows from the borrowing of noncurrent financial liabilities	1,590	1,950
Payments for lease liabilities	-1,750	-1,841
Interest paid	-1,427	-1,289
Cash inflow (+)/outflow (-) from financing activities	**-3,576**	**-2,343**
Cash and cash equivalents at beginning of period	40,866	34,288
Changes due to exchange rate differences	-258	-350
Cash and cash equivalents at beginning of period, measured at prior-year closing exchange rate	41,124	34,638
Change in cash and cash equivalents	-17,786	6,836
Cash and cash equivalents at end of period (as per statement of financial position)	**23,080**	**41,124**

[a] The comparison figures as of 12/31/2020 were adjusted to account for the changed presentation of restricted cash in financial year 2021 and the changed opening values were presented as of 01/01/2020. For further details, see Section C Change in the accounting treatment of restricted cash in the Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Business activities

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

Gigaset AG is a global enterprise operating in the area of telecommunications. The Company has its headquarters and a highly automated production site in Bocholt, Germany. Gigaset has 868 employees and had sales activities in 54 countries in the 2021 financial year.

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

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

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

Presentation of the consolidated financial statements

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

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

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

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

The consolidated statement of financial position is organized in accordance with the maturity structure of the constituent items. Assets and liabilities are considered current if they are payable within one year. Accordingly, assets and liabilities are considered 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. Non-controlling interests held by shareholders outside the Group are presented as a separate item within equity.

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. The 2021 financial year continued to be characterized by the ongoing coronavirus pandemic. In addition, the worsening supply bottleneck situation over the course of the year had a significant effect on the revenue and earnings situation. The availability of semiconductor products as well as the significant price increases for all production materials had a correspondingly negative effect on the sales and earnings targets for financial year 2021. Compared to the previous year 2020, however, it was possible to slightly increase revenues and significantly increase earnings so that the cash and cash equivalents at the reporting date again turned out to be significantly positive. Considering its planning, Gigaset sees itself as able to always service ongoing principal repayment and payment obligations on time.

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

Accounting principles

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

Furthermore, the German commercial regulations to be applied additionally in accordance with Section 315e(1) of the German Commercial Code (HGB) have been observed. All the Standards in effect and applicable in the 2021 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 2021 financial year:

- IFRS 16, amendments to IFRS 16: Covid-19-Related Rent Concessions beyond June 30, 2021.

This amendment to IFRS 16 enables lessees to extend the for the accounting treatment of Covid-19-related rent concessions. Based on this amendment, changes to lease agreements with a direct connection to the coronavirus pandemic can be presented in simplified form and not as a lease modification within the meaning of IFRS 16. To date, lessees can apply an optional simplification to the accounting treatment of such rent concessions in so far as the rent concessions relate to lease payments that were originally due up to June 30, 2021. This period is now being extended until June 30, 2022 due to the continuing pandemic. These amendments must be applied for annual periods beginning on or after April 1, 2021. This adjustment had no effect on the consolidated financial statements.

- IFRS 9 / IAS 39 / IFRS 7, amendments due to the reform of benchmark interest rates (the "IBOR reform") in IFRS 9, Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts, as well as IFRS 16, Leases - Phase 2.

The amendments in Phase 2 of the IASB project for the reform of benchmark interest rates provide for simplifications in the accounting treatment of contractual payment flows and hedging relationships that became necessary in connection with the IBOR reform, i.e., that are necessary as a direct result of the IBOR reform and in which the new and old basis for the determination of the contractual payment flows is economically balanced. In detail, in the following material changes result:

- Presentation of the changes in payment flows from financial instruments (as well as activation of fallback clauses) in the course of updating the effective interest rate (IFRS 9.B5.4 5 and IAS 39 AG7).
- Changes to future lease payments must be presented by way of remeasurement pursuant to IFRS 16.42.
- Necessary changes to designation and documentation do not lead to termination of a hedging relationship.
- No recycling of the cashflow hedge reserve in the course of a change in the contractual payment flows.
- The "separately identifiable" criterion is deemed satisfied for new benchmark interest rates when it is expected that they will be separately identifiable within 24 months.

Insofar as a company is affected by these adjustments, additional disclosures of the relevant circumstances must be provided in the notes. The amendments are applicable in financial years beginning on or after January 1, 2021. This adjustment had no effect on the consolidated financial statements.

- IFRS 4, Insurance Contracts

With the amendments to IFRS 4, Insurance Contracts, the obligatory application date of the successor standard, IFRS 17, Insurance Contracts, was shifted backwards by two years, to January 1, 2023. In addition, the existing rules relating to the temporary application of IFRS 9 in connection with IFRS 4 were likewise extended by this period. The amendments are applicable in financial years beginning on or after January 1, 2021. This adjustment had no effects on the consolidated financial statements.

Application of the following revised and newly issued Standards and Interpretations already adopted by the IASB was not yet mandatory in the 2021 financial year:

Standards		Application mandatory for Gigaset from	Adopted by the EU Commission
IAS 1	IAS 1 Amendments: Classification of Liabilities as Current or Noncurrent	01/01/2023	No
IAS 1/ IAS 8	IAS 1 Presentation of Financial Statements, including amendments to Practice Statement 2 "Making Materiality Judgements" / IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	01/01/2023	No
IAS 12	IAS 12 Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	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	No
Interpretations			

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

For the amendments with initial application starting in 2022 resulting from the changes within the framework of the 2018 annual improvement project (IFRS 3, Business Combinations, IAS 16, Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets), the Company assumes that they will not have any material effects. The amendments to IFRS 16 Leases, Covid-19-Related Rent Concessions, were not applied or not applied early.

The effects of the first-time application of the other revised or newly issued Standards and Interpretations that are to be applied only starting with the 2023 financial year cannot be reliably estimated at the present time.

Scope and method of consolidation

The present consolidated financial statements at December 31, 2021 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, 18 (PY: 20) subsidiaries – consisting of 6 (PY: 7) domestic and 12 (PY: 13) foreign companies were included in the consolidated financial statements of Gigaset at December 31, 2021. In February 2021, Gigaset Industries GmbH, Vienna, Austria, was liquidated. CFR Holding GmbH i.L., Munich, Germany, is in liquidation proceedings, as is Gigaset Communications Sweden AB, Stockholm, Sweden. Due to its subordinate importance for the consolidated financial statements at the reporting date of December 31, 2021, CFR Holding GmbH i.L., Munich, Germany, was deconsolidated from the Gigaset Group. For Gigaset Communications Sweden AB, Stockholm, Sweden, deconsolidation is expected at the time of successful liquidation in financial year 2022.

Except for CFR Holding GmbH i.L., Munich, Germany, there were no subsidiaries with an immaterial effect on the Company's financial position, financial performance, and cashflows at December 31, 2021, that were not included in the consolidated financial statements.

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

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

Currency translation

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

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

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

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

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

		Closing exchange rate[a]		**Average exchange rate**[a]	
		12/31/ 2021	12/31/ 2020	**2021**	**2020**
Argentina	ARS	116.2496	103.1235	112.2680	80.5886
Switzerland	CHF	1.0334	1.0811	1.0814	1.0702
China	CNY	7.1891	7.9839	7.6349	7.8713
Denmark	DKK	7.4368	7.4401	7.4370	7.4543
United Kingdom	GBP	0.8399	0.8992	0.8601	0.8891
Hong Kong	HKD	8.8265	9.5151	9.1992	8.8508
Japan	JPY	130.2986	126.4968	129.8645	121.7650
Norway	NOK	9.9885	10.4577	10.1649	10.7246
Poland	PLN	4.5940	4.5566	4.5648	4.4431
Russia	RUB	84.9736	91.7582	87.2389	82.6240
Sweden	SEK	10.2557	10.0252	10.1451	10.4886
Singapore	SGD	1.5278	1.6218	1.5897	1.5735
Turkey	TRY	15.1385	9.1131	10.4813	8.0399
USA	USD	1.1318	1.2273	1.1835	1.1411

[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 within the meaning of IFRS 15. If the customer provides a service (marketing service) in return for the payment made, this is a service provided by the customer. In this case, the consideration to be paid to the customer is not to be recognized as a revenue deduction item, but rather as an expense item. Flat-rate advertising cost subsidies that are not matched to any specific actions will continue to be recognized as a revenue deduction.

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

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

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

Research and development expenditures

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

Government grants

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

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

Financial result

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

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

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

Income taxes

The corporate tax rate in the reporting period was 32% (PY: 33%).

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 15.8% (PY: 15.8%) and 32.0% (PY: 33.0%).

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. Furthermore, the new regulations are not applied to leases of intangible assets.

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

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

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

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

Inventories

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

Trade receivables

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

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

Factoring

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

The remaining late payment risk due to purchase price retentions and the remaining interest rate risk are recognized as "continuing involvement" within trade receivables. This continuing involvement is offset by a corresponding other liability 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. The net interest expense included in pension expenses is presented as personnel expenses.

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

Termination benefits

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

Other long-term employee benefits

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

Profit-sharing and bonus plans

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

Liabilities

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

Gigaset was adversely impacted by the coronavirus pandemic, both commercially and economically, in financial year 2021 although to a lesser extent than in financial year 2020, while the impact was softened by certain effects of the wide-ranging measures implemented by the Company and governments, including financial assistance. The Group's business activity, operating environment and particularly also the purchasing behavior of consumers were influenced by the measures implemented to combat the pandemic. In view of the continuing worldwide pandemic, forecasts and planning assumptions are fraught with considerable risks given that the duration and extent of the further course of the coronavirus pandemic can affect Gigaset's assets, liabilities, results and cashflows. The estimates and assumptions made in preparing the consolidated financial statements were based on the knowledge and best possible information available in the period from the preparation of the consolidated financial statements through its publication. In its business planning, Gigaset has assumed that the effects of the coronavirus pandemic will not be long term in nature and that conditions will gradually improve in all areas. Gigaset therefore assumes that the effects will not be material or grave. Coronavirus-related effects may continue to manifest in the form of interest rate adjustments, volatile foreign exchange rates, worsening credit ratings, payment defaults or delays, delays in order execution, contract cancellations, changing cost structures, volatility in commodity and financial markets, and difficulties in predicting and forecasting the amounts and timing of cashflows.

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

Estimates made in connection with impairment tests

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

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

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

Leases

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

Investment property

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

Income taxes

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

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

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

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

Provisions

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

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

Contingent liabilities

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

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

C. CHANGE IN THE ACCOUNTING TREATMENT OF RESTRICTED CASH

The accounting treatment of restricted cash was adjusted in the Gigaset Group in the present financial year. The adjustment was made with the goal of transparent presentation. This is not a material change in the consolidated financial statements.

Restricted cash was presented in the annual report and consolidated financial statements as of December 31, 2020 in the amount of EUR 1.4 million (January 1, 2020: EUR 2.4 million), which previously had been presented within the Cash and cash equivalents balance sheet item. The values previously presented as restricted cash consist of escrowed funds in a trust account for partial-retirement obligations, bank guarantee lines, rent deposit insurance, as well as balances in the clearing accounts of the PayPal payment service provider.

The presentation as of December 31, 2021 in the balance sheet is partially adjusted for the various components of restricted cash. This does not result in any effect on the consolidated profit/loss. The adjustment is made in the individual consideration of the respective item as well as in the presentation on the balance sheet.

The assets in a trust account for partial-retirement obligations previously presented within restricted cash serve to cover, with insolvency protection, the obligations owed to employees who have acquired a claim against Gigaset under partial-retirement agreements. These assets amounted to EUR 0.7 million as of December 31, 2020 (January 1, 2020: EUR 1.7 million). The share relating to the settlement arrears is directly offset against the provision for partial retirement included on the liabilities side of the balance sheet so that the net value of the obligation is recognized. This share amounted to EUR 0.4 million at the reporting date of December 31, 2020 (January 1, 2020: EUR 1.0 million). The remaining assets of EUR 0.3 million (January 1, 2020: EUR 0.7 million) that cannot be offset are presented as other assets.

In addition, bank guarantee lines for the escrow of contractual obligations were previously recognized as restricted cash. The volume amounted to EUR 0.6 million as of December 31, 2020 (January 1, 2020: EUR 0.6 million). Bank guarantees with an original term greater than three months will be presented in the future as other assets, which corresponded to a value of EUR 0.2 million at the reporting date of December 31, 2020 (January 1, 2020: EUR 0.2 million). All other current items for bank guarantees are carried as cash and cash equivalents since in principle it is possible to dispose of these items in the shortest of times. The value amounted to EUR 0.4 million as of the comparison date of December 31, 2020 (January 1, 2020: EUR 0.4 million).

Escrowed funds for lease deposit insurance are reclassified from restricted cash to other assets analogously to the procedure for the other security deposits. The balances in clearing accounts of PayPal, the payment service provider, are reclassified from restricted cash to cash and cash equivalents since these funds are equivalent to cash in banks. This merely results in a change within cash and cash equivalents and does not result in any change in the presentation on the balance sheet.

The comparative figures were retrospectively adjusted for all items in the consolidated balance sheet as of December 31, 2020 as well as January 1, 2020, to ensure comparability with the figures in these consolidated financial statements.

The reconciliation of the balance sheet items from the change in presentation of restricted cash is presented in the following tables:

	12/31/2020		01/01/2020	
EUR'000	**Before the presentation adjustment**	**After the presentation adjustment**	**Before the presentation adjustment**	**After the presentation adjustment**
ASSETS				
Noncurrent assets				
Intangible assets	51,367	51,367	33,757	33,757
Property, plant and equipment	18,944	18,944	23,284	23,284
Right of use assets	3,463	3,463	4,331	4,331
Investment property	6,700	6,700	0	0
Financial assets	0	0	7,686	7,686
Deferred tax assets	15,806	15,806	9,374	9,374
Total noncurrent assets	**96,280**	**96,280**	**78,432**	**78,432**
Current assets				
Inventories	23,513	23,513	35,246	35,246
Trade receivables	24,619	24,619	45,417	45,417
Other assets	17,081	17,598	26,670	27,628
Tax refund claims	1,398	1,398	293	293
Cash and cash equivalents	42,045	41,124	36,557	34,638
Total current assets	**108,656**	**108,252**	**144,183**	**143,222**
Total assets	**204,936**	**204,532**	**222,615**	**221,654**

EUR'000	12/31/2020 Before the presentation adjustment	12/31/2020 After the presentation adjustment	01/01/2020 Before the presentation adjustment	01/01/2020 After the presentation adjustment
EQUITY AND LIABILITIES				
Equity				
Subscribed capital	132,456	132,456	132,456	132,456
Additional paid-in capital	86,076	86,076	86,076	86,076
Retained earnings	68,979	68,979	68,979	68,979
Accumulated other comprehensive equity	-285,615	-285,615	-268,968	-268,968
Total equity	**1,896**	**1,896**	**18,543**	**18,543**
Noncurrent liabilities				
Pension obligations	98,251	98,251	92,501	92,501
Provisions	2,363	2,149	2,983	2,389
Financial liabilities	12,659	12,659	10,176	10,176
Lease liabilities	2,071	2,071	2,827	2,827
Deferred tax liabilities	276	276	760	760
Total noncurrent liabilities	**115,620**	**115,406**	**109,247**	**108,653**
Current liabilities				
Provisions	13,051	12,861	14,770	14,403
Financial liabilities	3,793	3,793	5,724	5,724
Lease liabilities	1,659	1,659	1,563	1,563
Trade payables	45,032	45,032	51,247	51,247
Tax liabilities	1,773	1,773	4,945	4,945
Other liabilities	22,112	22,112	16,576	16,576
Total current liabilities	**87,420**	**87,230**	**94,825**	**94,458**
Total equity and liabilities	**204,936**	**204,532**	**222,615**	**221,654**

The following table shows the effects of the change in disclosure of restricted cash on the 2020 statement of cashflows:

EUR'000	01/01 - 12/31/2020 Before the presentation adjustment	After the presentation adjustment
Result from ordinary activities	**-13,982**	**-13,982**
Depreciation and amortization of property, plant and equipment and intangible assets	14,967	14,967
Increase (+) / decrease (-) in pension provisions	1,636	1,636
Gain (-) / loss (+) on the sale of noncurrent assets	-24	-24
Gain (-) / loss (+) from currency translation	905	905
Net interest income	944	944
Interest received	185	185
Income taxes paid	-3,193	-3,193
Increase (-) / decrease (+) in inventories	11,733	11,733
Increase (-) / decrease (+) in trade receivables and other assets	29,955	30,605
Increase (-) / decrease (+) in trade payables, other liabilities and other provisions	-12,092	-11,730
Increase (-) / decrease (+) in other items of the statement of financial position	-1,417	-1,417
Cash inflow (+) /outflow (-) from operating activities (net cashflow)	**29,617**	**30,629**
Proceeds from the sale of noncurrent assets	18	18
Payments of investments in noncurrent assets	-21,468	-21,468
Cash inflow (+)/outflow (-) from investing activities	**-21,450**	**-21,450**
Free cashflow	**8,167**	**9,179**
Cashflows from the borrowing (+)/ repayment (-) of current financial liabilities	-1,163	-1,163
Cashflows from the borrowing of noncurrent financial liabilities	1,950	1,950
Payments for lease liabilities	-1,841	-1,841
Interest paid	-1,289	-1,289
Cash inflow (+)/outflow (-) from financing activities	**-2,343**	**-2,343**
Cash and cash equivalents at beginning of period	33,867	34,288
Changes due to exchange rate differences	-336	-350
Cash and cash equivalents at beginning of period, measured at prior-year closing exchange rate	34,203	34,638
Increase (-)/ decrease (+) in restricted cash	1,001	0
Change in cash and cash equivalents	5,824	6,836
Cash and cash equivalents at end of period	**40,692**	**41,124**
Restricted cash	1,353	0
Cash and cash equivalents per statement of financial position	**42,045**	**41,124**

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.

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

Financial risk factors

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

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

Credit risk/default risk

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

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

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

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

Balance sheet items	Measurement category	Maximum default risk (carrying amount)	Collateral held		Mathematical risk
12/31/2021		**EUR'000**	**EUR'000**	**%**	**EUR'000**
Noncurrent assets					
Financial assets	FVOCI	0	0	n/a	0
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**

Balance sheet items	Measurement category	Maximum default risk (carrying amount)	Collateral held		Mathematical risk
12/31/2020		**EUR'000**	**EUR'000**	**%**	**EUR'000**
Noncurrent assets					
Financial assets	FVOCI	0	0	n/a	0
Current assets					
Trade receivables	AC	17,750	13,024	73.4%	4,726
Trade receivables	FVPL	6,869	3,242	47.2%	3,627
Other assets	AC	12,937	0	0.0%	12,937
Other assets	Hedging	0	0	n/a	0
Cash and cash equivalents[a]	AC	41,124	0	0.0%	41,124
Total		**78,680**	**16,266**	**20.7%**	**62,414**

[a] The comparison figures as of 12/31/2020 were adjusted due to the changed presentation of restricted cash in financial year 2021. For further details, see Section C Change in the accounting treatment of restricted cash.

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

Financial assets	12/31/2021		12/31/2020	
	EUR'000	%	EUR'000	%
Germany	31,907	61.0	45,067[a]	57.3
Europe (excluding Germany)	12,511	23.9	21,300	27.1
Rest of World	7,910	15.1	12,313	15.6
Total	**52,328**	**100.0**	**78,680**	**100.0**

[a] The comparison figures as of 12/31/2020 were adjusted due to the changed presentation of restricted cash in financial year 2021. For further details, see Section C Change in the accounting treatment of restricted cash.

As a rule, value adjustments are charged in adequate amounts to account for discernible default risks in the receivables portfolio. The changes in value adjustments on trade receivables are presented in tabular format in Note F.7, Trade payables.

Liquidity risk

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

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

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

The Group concluded a credit facility for up to EUR 20.0 million in 2018. 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 must 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. The loan balance as of December 31, 2021 is EUR 12.8 million (PY: EUR 14.5 million) and breaks down into a maturity less than one year in the amount of EUR 12.8 million (PY: EUR 1.7 million), and a maturity of more than one year and less than five years in the amount of EUR 0.0 million (PY: EUR 12.8 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 must be paid until June 2022; the loan will then only 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, 2021 is EUR 1.8 million (PY: EUR 2.0 million) and breaks down into a maturity less than one year in the amount of EUR 0.2 million (PY: EUR 2.0 million), and a maturity of more than one year and less than five years in the amount of EUR 1.6 million (PY: EUR 0.0 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, 2021, is EUR 1.4 million and breaks down into a maturity less than one year in the amount of 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. 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.

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:

12/31/2021 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**

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

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

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

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

Financial liabilities	12/31/2021		12/31/2020	
	EUR'000	%	EUR'000	%
Germany	27,117	44.3	43,938	59.8
Europe (excluding Germany)	14,878	24.3	15,052	20.5
Rest of World	19,201	31.4	14,434	19.7
Total	**61,196**	**100.0**	**73,424**	**100.0**

Market price risk

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

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

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

Foreign currency risk

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

Of the financial instruments presented for the Group, an amount of EUR 18,963 thousand (PY: EUR 29,167 thousand) consisted of financial assets denominated in foreign currencies and an amount of EUR 22,294 thousand (PY: EUR 17,272 thousand) consisted of financial liabilities denominated in foreign currencies.

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

	12/31/2021		12/31/2020	
Financial assets in	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	9,918	52.4	12,856	44.1
RUB (Russian ruble)	2,712	14.3	1,873	6.4
PLN (Polish zloty)	2,091	11.0	1,132	3.9
GBP (British pound)	1,397	7.4	3,307	11.3
TRY (Turkish lira)	1,204	6.3	2,193	7.5
CHF (Swiss franc)	1,140	6.0	4,318	14.8
SEK (Swedish krona)	309	1.6	262	0.9
DKK (Danish krone)	106	0.6	201	0.7
NOK (Norwegian krone)	62	0.3	225	0.8
JPY (Japanese yen)	24	0.1	848	2.9
CNY (Chinese renminbi yuan)	0	0.0	1,952	6.7
Total	**18,963**	**100.0**	**29,167**	**100.0**

	12/31/2021		12/31/2020	
Financial liabilities in	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	20,892	93.7	13,765	79.7
CHF (Swiss franc)	524	2.4	578	3.3
PLN (Polish zloty)	201	0.9	155	0.9
JPY (Japanese yen)	187	0.8	81	0.5
GBP (British pound)	182	0.8	127	0.7
TRY (Turkish lira)	178	0.8	331	1.9
RUB (Russian ruble)	105	0.5	98	0.6
CNY (Chinese renminbi yuan)	0	0.0	2,107	12.2
Other	25	0.1	30	0.2
Total	**22,294**	**100.0**	**17,272**	**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, 2021, the equity presented in the functional currency would have been EUR 303 thousand higher or EUR 369 thousand lower, respectively (PY: EUR 1,080 thousand lower or EUR 1,322 thousand higher).

The hypothetical effect on profit or loss (after taxes) of EUR 303 thousand (PY: EUR -1,080 thousand) or EUR -369 thousand (PY: EUR 1,322 thousand), respectively, is broken down in the table below on the basis of the corresponding currency sensitivities:

	2021		2020	
EUR'000	**+10%**	**-10%**	**+10%**	**-10%**
EUR/USD	998	-1,219	83	-101
EUR/JPY	15	-18	-70	85
EUR/CZK	1	-1	0	0
EUR/NOK	-6	7	-20	25
EUR/DKK	-10	12	-18	22
EUR/SEK	-27	33	-21	26
EUR/CHF	-56	68	-340	416
EUR/TRY	-93	114	-169	207
EUR/GBP	-110	135	-289	353
EUR/PLN	-172	210	-89	109
EUR/RUB	-237	290	-161	197
EUR/CNY	0	0	14	-17
Total	**303**	**-369**	**-1,080**	**1,322**

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 2021 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, 2021, 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 257 thousand (PY: EUR -366 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 914 thousand (PY: EUR -432 thousand). Income taxes of EUR 291 thousand (PY: EUR 137 thousand) were recognized on this amount.

As of the reporting date, the Group held 18 (PY: 9) foreign currency derivatives to hedge the exchange rate of the U.S. dollar against the euro, for a total notional amount of USD 12.75 million (PY: USD 20.65 million) with various terms until June 2023.

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 18 (PY: 9) foreign currency derivatives to hedge USD transactions. The volume of these forward contracts amounts to USD 12.75 million (PY: USD 20.65 million). The weighted average hedging rate for the USD amounts to 1.14 EUR/USD in the reporting year, and 1.23 EUR/USD in the previous reporting period.

As of the reporting date, the terms of the forward foreign exchange contracts run from January 2022 to June 2023 (PY: January 2021 to December 2021). 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	**2022/ 2023**	**2021**
January	1.00	8.35
February	1.00	2.05
March	1.13	1.25
April	1.00	1.00
May	1.00	1.00
June	1.13	1.00
July	1.00	1.00
August	1.00	1.00
September	1.13	1.00
October	1.00	1.00
November	1.00	1.00
December	1.13	1.00
March 2023	0.13	0.00
June 2023	0.13	0.00
Total	**12.75**	**20.65**

As of the reporting date, the derivatives were measured at their fair value of EUR 502 thousand (PY: EUR -839 thousand), and are recognized under Other current assets (PY: Other current liabilities).

The currency sensitivity analysis for the US dollar derivatives existing as of the reporting date yielded the result that a devaluation of the U.S. dollar by 10% would have led to a reduction in the fair value of EUR -1,117 thousand (PY: EUR -1,498 thousand), and an appreciation of the U.S. dollar by 10% would have led to an increase in the fair value of EUR 1,117 thousand (PY: EUR 1,566 thousand). Thus, equity (disregarding deferred taxes) would have been reduced by EUR 1,117 thousand (PY: EUR 1,498 thousand) if the U.S. dollar exchange rate had been 10% higher, and increased by EUR 1,117 thousand (PY: EUR 1,566 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	12/31/2021	12/31/2020
Carrying amount, derivatives hedging with positive carrying amount	502	0
Balance sheet item in which derivatives with a positive carrying amount are shown	Other assets (current)	Other assets (current)
Carrying amount, derivatives hedging with negative carrying amount	0	839
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	502	-839
Change in fair value, underlying transaction	-502	839
Cumulative amount recorded in equity for cashflow hedges (factoring in deferred taxes)	257	-366
Nominal value of the hedging transactions in USD	12,750	20,650

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 16,229 thousand for a loan balance of EUR 15,978 thousand (PY: EUR 15,046 thousand for a loan balance of EUR 14,502 thousand). In case of an increase in the interest rate level by 10%, the fair value would decline by EUR 17 thousand (PY: EUR 24 thousand), while in case of a decrease in the interest rate level by 10%, the fair value would increase by EUR 17 thousand (PY: EUR 24 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 12/31/2021:

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									
Noncurrent assets									
Financial assets	FVOCI	F.5	0	0	0	0	0	0	0
current assets									
Trade receivables	AC	F.7	11,720	11,720	11,720	0	0	0	0
	FVPL	F.7	4,289	4,289	0	0	4,289	0	0
Other assets	AC, FVPL	F.8	13,239	13,239	12,737	0	0	502	0
Cash and cash equivalent	AC	F.10	23,080	23,080	23,080	0	0	0	0
Liabilities									
Noncurrent liabilities									
Financial liabilities	AC	F.14	2,847	2,734	2,847	0	0	0	0
Lease liabilities	Leases	F.3	-	0	0	0	0	0	1,561
Current liabilities									
Current financial liabilities	AC	F.14	13,131	13,495	13,131	0	0	0	0
Current lease liabilities	Leases	F.3	-	0	0	0	0	0	1,541
Trade payables	AC	F.16	44,978	44,978	44,978	0	0	0	0
Other liabilities	AC, FVPL	F.18	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 reclassification 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

In the previous period as of 12/31/2020, 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 12/31/2020	Fair value 12/31/2020	Amortized cost	Fair value recognized in equity without subsequent reclassifi-cation Into the income statement	Fair value thorough profit and loss	Hedge Accounting	Statement of financial position measurement method per IFRS 16
Assets									
Noncurrent assets									
Financial assets	FVOCI	F.5	0	0	0	0	0	0	0
Current assets									
Trade receivables	AC	F.7	17,750	17,750	17,750	0	0	0	0
	FVPL	F.7	6,869	6,869	0	0	6,869	0	0
Other assets[a]	AC, FVPL	F.8	12,937	12,937	12,937	0	0	0	0
Cash and cash equivalents[a]	AC	F.10	41,124	41,124	41,124	0	0	0	0
Liabilities									
Noncurrent liabilities									
Financial liabilities	AC	F.14	12,659	12,680	12,659	0	0	0	0
Lease liabilities	Leases	F.3	-	0	0	0	0	0	2,071
Current liabilities									
Current financial liabilities	AC	F.14	3,793	4,316	3,793	0	0	0	0
Current lease liabilities	Leases	F.3	-	0	0	0	0	0	1,659
Trade payables	AC	F.16	45,032	45,032	45,032	0	0	0	0
Other liabilities	AC, FVPL	F.18	11,940	11,940	11,101	0	0	839	0

Carrying amounts, measurement methods and fair values by measurement category in EUR'000	Measurement categories per IFRS 9	Notes	Carrying amount 12/31/2020	Fair value 12/31/2020	Amortized cost	Fair value recognized in equity without subsequent reclassification 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)[a]			71,811	71,811	0	0	0	0	0
At fair value through other comprehensive income (FVCOI)			0	0	0	0	0	0	0
At fair value through profit or loss (FVPL)			6,869	6,869	0	0	0	0	0
Financial assets (hedging)			0	0	0	0	0	0	0
Financial liabilities									
At amortized cost (AC)			72,585	73,129	0	0	0	0	0
At fair value through profit or loss (FVPL)			0	0	0	0	0	0	0
Financial liabilities (hedging)			839	839	0	0	0	0	0

[a] The comparison figures as of 12/31/2020 were adjusted due to the changed presentation of restricted cash in financial year 2021. For further details, see Section C Change in the accounting treatment of restricted cash.

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 2021 as supplemental information.

12/31/2021		Hierarchy level			
EUR'000	Category	1	2	3	Total
Financial assets					
Noncurrent financial assets	FVOCI	0	0	0	0
Derivative financial instruments	Hedging	0	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

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

The fair values of derivative financial instruments 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 remaining balance 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 2021. In accordance with IFRS 13, the calculation of the fair values must be assigned to Level 3 of the measurement categories for the determination of fair values.

The development of the non-current financial assets breaks down as follows:

EUR'000	2021	2020
Value at 01/01	**0**	**7,686**
Impairment (not affecting profit or loss)	0	-7,410
Foreign currency effects (not affecting profit or loss)	0	-276
Value at 12/31	**0**	**0**

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
2021 in EUR'000		At fair value	Currency translation	Value adjustment		2021
Financial assets						
AC	7	0	-1,713	-137	0	-1,843
FV	-306	0	0	0	0	-306
FVOCI (with no effect on profit or loss)	0	0	0	0	0	0
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
2020 in EUR'000						2020
Financial assets						
AC	-12	0	-2,209	827	0	-1,394
FV	-396	0	0	0	0	-396
FVOCI (with no effect on profit or loss)	0	-7,410	-276	0	0	-7,686
Financial liabilities						
AC	-513	0	1,105	0	181	773
Derivative financial instruments						
FV	0	0	0	0	0	0
Hedging (affecting profit or loss)	0	0	0	0	-278	-278
Hedging (with no effect on profit or loss)	0	-432	0	0	0	-432

Interest from financial instruments is presented within other interest and similar income and interest and similar expenses (see Notes E.8 and E.9). In particular, this item includes interest income on loans extended, interest income and expenses resulting from the application of the effective interest method, interest expenses for receivables from factoring and interest expenses for liabilities to banks and other financial liabilities. No interest income was generated in 2021 or the previous year on financial assets in which impairment losses had been recognized ("unwinding"). In the 2021 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 the previous reporting year, the interest result was influenced by exceptional effects from tax audits in the amount of EUR 135 thousand.

The income and expenses recognized for derivatives for which the regulations of hedge accounting were used were recognized in purchased goods and services. In the current year, they reduced purchased goods and services by EUR 427 thousand (PY: increased purchased goods and services by EUR 278 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 Notes E.4 Other operating income and E.6 Other operating expenses).

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

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

Capital management

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

The managed capital encompasses all current and 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 Company is also capable of repaying its bank liabilities when due in accordance with the corresponding agreements. In addition, the Company reduced its current liabilities in the past financial year. The 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	2021	2020
Noncurrent liabilities	99,842	115,406[a]
Current liabilities	84,316	87,230[a]
Liabilities	184,158	202,636[a]
Equity	**7,995**	**1,896**
Gearing Ratio	**23.0**	**106.9**

[a] The comparison figures as of 12/31/2020 were adjusted due to the changed presentation of restricted cash in financial year 2021. For further details, see Section C Change in the accounting treatment of restricted cash.

E. NOTES TO THE INCOME STATEMENT

1. Revenues

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

EUR'000	2021	2020
Trade revenues	16,896	16,562
Production revenues	200,237	197,591
Total	**217,133**	**214,153**

Operating revenues are distributed over the following business areas:

EUR'000	**2021**	**2020**
Phones	140,228	157,327
Smartphones	18,169	13,319
Smart Home	1,509	2,443
Professional	57,227	41,064
Total	**217,133**	**214,153**

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Phones	54,694	63,700	22,496	24,888	51,729	54,538	11,309	14,201	140,228	157,327
Smartphones	13,473	6,875	1,112	568	3,584	5,679	0	197	18,169	13,319
Smart Home	851	971	14	72	613	1,375	31	25	1,509	2,443
Professional	36,564	23,128	6,391	6,681	13,549	10,730	723	525	57,227	41,064
Total	**105,582**	**94,674**	**30,013**	**32,209**	**69,475**	**72,322**	**12,063**	**14,948**	**217,133**	**214,153**

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

2. Purchased goods and services

EUR'000	2021	2020
Raw materials and supplies	-87,843	-90,001
Purchased goods	-11,667	-11,906
Other	-2,583	-1,776
Total	**-102,093**	**-103,683**

The other purchased goods and services consisted mainly of energy supply costs. Raw materials and supplies included positive effects of hedges of materials purchases in foreign currencies compared to the previous year in the amount of EUR 0.4 million (PY: negative effects of EUR 0.3 million). Please refer to Section D Notes on Financial Instruments for details on this subject.

3. Other internal production capitalized

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

4. Other operating income

EUR'000	2021	2020
Exchange rate gains	4,262	3,896
Reversal of provisions	1,235	1,497
Disposal of noncurrent assets	65	18
Costs charged to others	4	66
Income from the reversal of value adjustments	3	885
Miscellaneous operating income	12,382	4,554
Other operating income	**17,951**	**10,915**

The exchange rate gains of EUR 4.3 million (PY: EUR 3.9 million) included income from realized and unrealized foreign currency gains.

Reversals of provisions primarily include the reversal of provisions for audits of EUR 0.6 million (PY: EUR 0.0 million), for customer bonus provisions in the amount of EUR 0.5 million (PY: EUR 0.6 million) and in the previous year for license costs in the amount of EUR 0.5 million.

The miscellaneous other operating income for financial year 2021 includes grants under the coronavirus interim aid program in the amount of EUR 3.4 million (PY: EUR 0.0 million) as well as rents in the amount of EUR 1.3 million (PY: EUR 1.2 million). The grants from the government interim aid program represent government grants according to IAS 20.

5. Personnel expenses

EUR'000	2021	2020
Wages and salaries	-47,934	-45,103
Social security, pension expenses and other benefit expenses	-10,995	-13,367
Total	-58,929	-58,470

At EUR 47.9 million, expenses for wages and salaries are EUR 2.8 million higher than the previous year. Reduced working hours were used in the previous year in the course of the coronavirus pandemic to react to the abrupt collapse of demand due to the closures of businesses. This made it possible to achieve significant savings in wage and salary expenses.

At EUR 11.0 million, social security, pension expenses and other benefit expenses in 2021 were significantly, that is, EUR 2.4 million, less than the previous year (PY: EUR 13.4 million). This primarily results from valuation effects from the CTA assets for covering the pension obligations.

6. Other operating expenses

EUR'000	**2021**	**2020**
Marketing and entertainment expenses	-21,364	-20,110
Administrative expenses	-8,345	-9,899
Employee leasing	-7,510	-7,766
Outgoing freight / transport costs	-7,247	-7,634
Patent and licensing fees	-5,117	-1,523
Exchange rate changes	-4,905	-4,978
Advisory and audit fees	-3,087	-2,816
Addition to warranty provisions	-2,100	-2,113
Maintenance of technical equipment, machinery, operational and office equipment	-1,846	-1,555
Expenses for land/buildings (including rent)	-1,046	-839
Research and development expenses	-1,124	-830
Other taxes	-359	-415
Miscellaneous other operating expenses	-3,266	-3,416
Other operating expenses	**-67,316**	**-63,894**

The marketing and entertainment expenses of EUR 21.4 million (PY: EUR 20.1 million) were primarily incurred at Gigaset Communication GmbH in the amount of EUR 10.9 million (PY: EUR 9.2 million).

Administrative expenses declined in 2021 by EUR 1.6 million to EUR 8.3 million compared to the previous year. This was primarily caused by a penalty of EUR 2.0 million paid by the Spanish subsidiary in the previous financial year. This resulted from the fact that the Spanish tax authority objected to a tax valuation. The Spanish subsidiary has filed an appeal against the penalty notice on the grounds that the valuation is not justifiably objectionable. Gigaset expects that the penalty it paid will be refunded after the penalty notice is repealed.

The item of miscellaneous other operating expenses includes expenses for product permits.

7. Depreciation, amortization and impairments

EUR'000	2021	2020
Amortization of intangible assets	-8,772	-8,362
Depreciation of property, plant and equipment	-4,327	-4,891
Depreciation of right of use assets	-1,626	-1,714
Total	**-14,725**	**-14,967**

As in the previous year, there were no impairments in financial year 2021.

8. Other interest and similar income

The Other interest and similar income in the amount of EUR 0.4 million (PY: EUR 0.4 million) resulted in financial year 2021 primarily from the discounting of loan liabilities. In the previous year, EUR 0.2 million resulted from the discounting of loan liabilities and EUR 0.2 million from tax refund claims.

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

9. Interest and similar expenses

Interest and similar expenses in the amount of EUR -1.7 million (PY: EUR -1.4 million) primarily comprised interest expenses for loan financing in the amount of EUR -0.7 million (PY: EUR -0.7 million) and interest expenses for factoring in the amount of EUR -0.3 million (PY: EUR -0.4 million). The interest expenses from factoring reduce the net result of the category "At fair value through profit or loss". The compounding of loan and purchase price liabilities relates to EUR -0.6 million (PY: EUR 0.0 million) and the interest expenses for leases according to IFRS 16 amounted to EUR -0.1 million in financial year 2021 (PY: EUR -0.2 million).

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

10. Income taxes

EUR'000	2021	2020
Current tax expenses (-) / income (+)	309	1,032
Deferred tax expenses (-) / income (+)	-196	2,467
Total income tax expenses (-) / income (+)	**113**	**3,499**

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: 33.0%).

EUR'000	2021	2020
Result before income taxes	350	-13,982
Applicable income tax rate	32%	33%
Expected income tax expenses (-) / income (+)	-112	4,611
Tax rate changes	-183	-22
Tax rate differences	196	-238
Tax-exempt income	97	12
Non-deductible tax expenses	-355	-574
Change in value adjustment on deferred tax assets and non-recognized deferred tax assets for tax loss carry-forwards	-365	-1,524
Non-period current taxes	856	1,232
Other effects	-21	-25
Stated income tax expenses (-) / income (+)	**113**	**3,499**
Effective tax rate	-32.3%	25.0%

11. Earnings per share

The basic and diluted earnings per share amounted to EUR 0.00 in financial year 2021 (PY: EUR -0.08), as per the following calculation:

EUR'000	2021	2020
PROFIT/LOSS		
Basis for basic earnings per share (share of period profit/loss attributable to shareholders of the parent company)	463	-10,483
Effect of potentially diluting common shares: Stock options	0	0
Basis for the diluted earnings per share	463	-10,483
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)	0.00	-0.08
Diluted earnings per share (in EUR)	0.00	-0.08

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 2021 for financial year 2020.

The net loss of Gigaset AG calculated in accordance with the German Commercial Code (GCC) amounted to EUR -2.8 million (PY: net loss of EUR -1.9 million). Taking the loss carry-forward of EUR 188.1 million into account, this resulted in an accumulated loss of EUR 190.9 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, 01/01/2021	**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
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**
Acquisition costs, 01/01/2020	**23,942**	**112,962**	**3,072**	**139,976**
Currency translation	-13	0	0	-13
Acquisitions	15,557	9,906	514	25,977
Disposals	-1	0	0	-1
Transfers	37	0	-37	0
Balance as of 12/31/2020	**39,522**	**122,868**	**3,549**	**165,939**
Amortization, 01/01/2020	**-15,236**	**-87,947**	**-3,035**	**-106,218**
Currency translation	7	0	0	7
Acquisitions	-246	-8,116	0	-8,362
Disposals	1	0	0	1
Balance as of 12/31/2020	**-15,474**	**-96,063**	**-3,035**	**-114,572**
Net carrying amount 12/31/2020	**24,048**	**26,805**	**514**	**51,367**
Net carrying amount 12/31/2019	**8,706**	**25,015**	**37**	**33,758**

The item of franchises, intellectual property rights and similar rights was composed as follows:

EUR'000	12/31/2021	12/31/2020
Brand names	8,399	8,399
Franchises	14,138	15,649
Total	22,537	24,048

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, 2021 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 4.1% p.a. and 5.6% p.a. (PY: 2.6% p.a. and 5.1% p.a.). For the period after the detailed planning period, the plan figures were extrapolated over a convergence phase of another five years towards a settled state, plus an appropriate growth rate, in order to reflect the operational development of the segments. The applied discount factor after taxes was 6.9% p.a. (PY: 6.9% 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 14.1 Mio (PY: EUR 15.6 Mio) consist of purchased licenses. In addition to the otherwise customary software licenses of the Gigaset Group, rights to use intellectual property in the field of IP and TDM desktop telephony were purchased in financial year 2020 within the scope of the cooperation agreement with Unify.

Capitalized development expenses are presented within the item of other intangible assets in the amount of EUR 32.4 million (PY: EUR 26.8 million). They were allocated exclusively to Gigaset Communications GmbH. The development activities of the Gigaset Group represent capitalized product developments.

Advance payments recognized as assets in financial year 2021, 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 1.1 million (PY: EUR 0.8 million) were recognized as expenses in the 2021 financial year at Gigaset Communications GmbH.

No capitalized goodwill existed as of the reporting date.

In addition, borrowing costs of EUR 0.4 million (PY: EUR 0.2 million) were capitalized in the reporting year. The underlying interest rate is 2.62% (PY: 2.52%).

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, 01/01/2021	**4,025**	**10,956**	**3,962**	**40,505**	**50**	**59,498**
Currency translation	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**
Acquisition costs, 01/01/2020	**4,025**	**19,745**	**3,960**	**40,090**	**45**	**67,865**
Currency translations	0	0	-5	-64	0	-69
Acquisitions	0	0	36	4,739	48	4,823
Disposals	0	0	-29	-4,304	0	-4,333
Transfers	0	-8,789	0	44	-43	-8,788
Balance as of 12/31/2020	**4,025**	**10,956**	**3,962**	**40,505**	**50**	**59,498**
Depreciation, 01/01/2020	**0**	**-12,689**	**-3,043**	**-28,849**	**0**	**-44,581**
Currency translation	0	0	4	53	0	57
Acquisitions	0	-1,099	-252	-3,541	0	-4,892
Disposals	0	0	29	4,304	0	4,333
Transfers	0	4,529	0	0	0	4,529
Balance as of 12/31/2020	**0**	**-9,259**	**-3,262**	**-28,033**	**0**	**-40,554**
Net carrying amount 12/31/2020	**4,025**	**1,697**	**700**	**12,472**	**50**	**18,944**
Net carrying amount 12/31/2019	**4,025**	**7,056**	**917**	**11,241**	**45**	**23,284**

With respect to the presentation of historical acquisition and production costs as well as accumulated depreciation and amortization, the previous year's figures were presented on a gross basis retrospectively starting on January 1, 2020, for better understanding; previously, a netted presentation was applied in part. This has no effect on the net carrying amounts.

There were no leased assets in property, plant and equipment at the reporting date of December 31, 2018. Leased assets are recognized as right-of-use assets pursuant to IFRS 16 starting in the 2019 financial year and disclosed separately. See Section F.3, Right-of-use assets and lease liabilities.

In accordance with the change in use resolved by the Executive Board, leased buildings were reclassified from property, plant and equipment in financial year 2020 and are henceforth treated as investment property according to IAS40 and presented separately in the statement of financial position. As a result, acquisition costs of EUR 8.8 million and accumulated depreciation of EUR 4.5 million were reclassified. See Section F.4 Investment Property for more information on this subject.

As in the previous year, no impairments were recognized in property, plant and equipment and no borrowing costs were capitalized in property, plant and equipment in financial year 2021.

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	12/31/2021	12/31/2020
Right of use asset land	97	113
Right of use asset buildings	1,768	1,949
Right of use asset other plant and office equipment	1,125	1,401
Total	**2,990**	**3,463**
Lease liabilities - current	1,541	1,659
Lease liabilities - noncurrent	1,561	2,071
Total	**3,102**	**3,730**

The additions to the right-of-use assets during the 2021 financial year amounted to EUR 1.2 million (PY: EUR 1.3 million).

Gigaset made use of the transitional regulations of IFRS 16 and did not carry out new assessments of existing agreements as to whether they satisfy the definition of a lease under IFRS 16. The existing lease assessments are continued. As a rule, the right-of-use assets are capitalized in the amount of the corresponding lease liability within the framework of initial application of IFRS 16 at Gigaset. The lease liabilities were measured using the incremental borrowing rate of 3.98% relevant to Gigaset at the time of initial application.

The income statement shows the following expenses in connection with leases.

EUR'000	2021	2020
Depreciation of right of use assets - land	25	14
Depreciation of right of use assets - buildings	941	1,047
Depreciation of right of use assets - plant and office equipment	660	653
Total depreciation of right of use assets	**1,626**	**1,714**
Interest expenses on lease liabilities	135	156
Lease expenses for low-value assets	1	4
Lease expenses for short-term assets	55	66
Payments for recognized lease liabilities in the current period	1,903	1,791

The Gigaset Group concludes lease contracts for the use of office space for various foreign companies as well as domestic German companies. In addition, the vehicle fleet and the warehouse vehicles for internal company logistics are leased.

Gigaset acts as a lessor of real estate and has entered into operating leases with external third parties. The Group expects to generate rental income of EUR 0.8 million in financial year 2022 on buildings leased as investment property over the non-cancellable basic term. Rental income of EUR 2.5 million are reliably expected for the subsequent financial years.

4. Investment property

Gigaset leases business properties to third parties under operating leases. The substantial leases are exclusively for office space on Gigaset's plant premises in Bocholt. As a rule, the relevant leases have been concluded for an initial non-cancellable basic lease term and a subsequent indefinite extension. Six-month cancellation options have been granted for the period after the basic lease term.

Investment property was recognized for the first time in financial year 2020 because the Executive Board of Gigaset decided to no longer use the building space itself, but to lease it permanently to external third parties in order to generate rental income (change in use).

The reconciliation of the carrying amount in financial year 2021 is presented in the table below:

EUR'000	2021	2020
Balance at 01/01/	6,700	0
Reclassifications from property, plant and equipment	0	4,260
Change of fair value	0	2,440
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	2021	2020
Rental income from investment property	731	735
Direct operating expenses (including repairs and maintenance) with which rental income is generated (included in total expenses)	394	399

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 (Immobilienwert-verordnung, ImmoWertV).

Under this approach, the income value is determined on the basis of the net income and the land value. The land value is determined on the basis of the standard land values issued by the Property Valuation Committee of the city of Bocholt. The land value is factored into the market value as an annual net income share capitalized by application of the property rate.

The net income for the building is calculated from the annually achievable rent income (gross income) minus operating costs. Operating costs comprise costs related to ownership of the buildings, repair and administrative expenses, and rental income risk (uncollectable rent arrears or vacancies). The annually achievable rental income is calculated on the basis of normal market prices and comparable prices with due regard to the facilities and condition of the office areas. The net income is capitalized over the remaining useful life of the buildings by application of the property rate.

Due to contamination on the plant premises in Bocholt, a flat-rate discount was deducted from the market value as a decrease in market value.

Signifcant, non-observable inputs

- Estimated market rent per m^2 and month EUR 6.00
- Property rate 5.0% to 6.0%

Relationship between significant, non-observable inputs and valuation at fair value

The estimated fair value of investment property would increase (decrease) if:

- The assumed market rent per m2 and month would be higher (lower),
- The duration fo the assumed rental relationships would be longer (shorter),
- The achievable return would be higher (lower),
- The weighted property rate applied as the capitalization parameter would be lower (higher).

5. Financial assets

The non-current financial assets include the carrying amount for the investment in Gigaset Mobile Pte. Ltd., Singapore, which was assigned to the category "At fair value through other comprehensive income (FVOCI)". Since the shares in Gigaset Mobile Pte. Ltd. are equity instruments, Gigaset exercised the option pursuant to IFRS 9.5.7.5 and irrevocably assigned these financial assets to the category "At fair value through other comprehensive income (FVOCI)". In accordance with IFRS 13, the calculation of the fair values must be assigned to Level 3 of the measurement categories for the determination of fair values.

The equity interest in Gigaset Mobile Pte. Ltd., Singapore, was completely written down in financial year 2020. Based on the knowledge available at the reporting date concerning the Company's share of equity in the company, the recoverability of the non-current financial asset can no longer be proved. Including foreign currency effects of EUR -0.3 million, an impairment totaling EUR -7.4 million was consequently recognized in the previous year directly in other comprehensive income due to the FVOCI classification.

6. Inventories

Inventories break down as follows:

EUR'000	12/31/2021	12/31/2020
Raw materials and supplies	19,735	10,506
Semi-finished goods, semi-finished services	946	994
Finished goods, trading stock and finished services	7,866	11,673
Advance payments	1,307	340
Total	**29,854**	**23,513**

Inventories are measured at the lower of acquisition or production cost and the net realizable value less costs to sell as of the reporting date. Value adjustments needed to be charged against inventories in the amount of EUR 0.5 million at the reporting date, while in the previous year there was no need to report value adjustments. The value adjustments and reversals of value adjustments are mainly recognized to account for slow-moving inventories and insufficient salability.

The amounts presented under inventories derived exclusively from Gigaset Communications GmbH and its subsidiaries.

7. Trade receivables

EUR'000	**12/31/2021**	**12/31/2020**
Receivables before value adjustments	19,194	28,070
Individual value adjustments	-3,185	-3,451
Carrying amount of receivables	**16,009**	**24,619**

The value adjustments charged against trade receivables showed the following development:

EUR'000	**2021**	**2020**
01/01	**3,451**	**4,332**
Addition	137	58
Consumption	-400	-54
Reversal	-3	-885
12/31	**3,185**	**3,451**

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 (PY: EUR 40.0 million) for Germany and France and for Switzerland CHF 2.0 million (PY:

CHF 0.0 million). Factoring in Switzerland, which had ended in the previous year, was implemented once again in the reporting period.

The credit volume includes the purchased receivables less the purchase price retention. Receivables in the amount of EUR 32.0 million (PY: EUR 38.5 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 0.1 million (PY: EUR 0.2 million), which consists of the remaining interest rate risk in the amount of EUR 0.1 million (PY: EUR 0.2 million). The expenses in connection with factoring amounted to EUR 0.3 million in the financial year (PY: EUR 0.4 million), which includes the factoring fees as well as interest expenses for factoring. There were no cash inflows to the factoring company from the purchase price retentions in connection with the factoring, either in the current year or in the previous year.

In addition, the trade payables also comprised receivables due from factoring companies from clearing accounts in the amount of EUR 1.7 million (PY: EUR 4.1 million).

The age structure of trade receivables as of December 31, 2021 is presented in the table below:

	12/31/2021		12/31/2020	
EUR'000	**Carrying amount**	**Value adjustment**	**Carrying amount**	**Value adjustment**
Carrying amount	**16,009**	**-3,185**	**24,619**	**-3,451**
Not due	14,391	0	21,057	-33
Past due up to 30 days	531	0	2,075	0
Past due > 30 days but < 90 days	208	0	718	0
Past due > 91 days but < 180 days	33	0	115	0
Past due more than 180 days	846	-3,185	654	-3,418

For Group companies that use factoring, the unsold trade receivables will be assigned to the category of fair value through profit or loss (FVTPL) since most of the receivables in these partial stocks are sold and thus it is not possible to assume either a pure intention to hold or a hybrid hold-and-sell business model. This does not result in any effects from the fair value measurement since they are short-term receivables and it can be assumed that the market value and the nominal value are generally the same. Material changes in value caused by defaults would certainly reduce the market value, but are already recognized in profit or loss as value adjustments. The trade receivables not subject to factoring are measured at amortized cost (AC). The value adjustments are determined on the basis of a value adjustment model using the simplified approach that can be done without assignment to levels; expected credit losses are also anticipated and risk provisions are recognized for them. This model measures the trade receivables that are neither individually value-adjusted nor collateralized. The expected value adjustment is calculated using historically observable cumulative receivables from past-due items, actual defaults from past-due items, and past-due receivables that have recovered. This data is used to calculate probabilities of default that are based on a complete adjustment to macroeconomic expectations. Due to the coronavirus pandemic and the potential adverse effects it can have on the Company's credit standing, an additional risk provision was recognized at the reporting date to account for a heightened risk of insolvency in the near future due to the coronavirus pandemic. The receivables without value adjustments and not past due at the reporting date were subjected to only minor value adjustments according to the simplified approach since the measurement model did not result in any significant need for value adjustments, also in consideration of the credit risk provision due to the coronavirus pandemic.

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

2020 in EUR'000	Not past due	Past due 0 days to 30 days	Past due 31 days to 90 days	Past due 91 days to 180 days	Past due more than 180 days	Total
Trade receivables	21,090	2,075	718	115	4,072	28,070
Expected loss (without individual value adjustments)	0	0	0	0	100	100

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 11.4 million (PY: EUR 16.3 million) as security for trade receivables and outstanding invoices in financial year 2021.

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, 2021:

	12/31/2021		12/31/2020	
Foreign currency	**EUR'000**	**%**	**EUR'000**	**%**
RUB (Russian ruble)	2,153	45.3	1,468	17.6
TRY (Turkish lira)	1,120	23.6	1,940	23.2
GBP (British pound)	919	19.4	1,540	18.5
USD (US dollar)	299	6.3	216	2.6
PLN (Polish zloty)	256	5.4	163	2.0
CHF (Swiss franc)	0	0.0	1,727	20.7
CNY (Chinese renminbi yuan)	0	0.0	1,133	13.6
Other	1	0.0	149	1.8
Total	**4,748**	**100.0**	**8,336**	**100.0**

8. Other assets

The following amounts were comprised within the item of other assets:

EUR'000	12/31/2021	12/31/2020
Receivables from factoring	8,574	9,333
Tax receivables	3,526	2,111
Receivable from support aid	3,409	0
Receivables from pension liability insurance	3,110	0
Recourse receivable	1,350	1,350
Accural	641	682
Derivatives	502	0
Security deposits	396	1,737[a]
Debit balances in vendor accounts	350	48
Personnel receivables	10	12
Other asstes	2,476	2,325[a]
Total	**24,344**	**17,598**

[a] The comparison figures as of 12/31/2020 were adjusted due to the changed presentation of restricted cash in financial year 2021. For further details, see Section C Change in the accounting treatment of restricted cash.

The receivables from factoring in 2021 consisted of the outstanding portion of the purchase price receivables in the amount of EUR 8.6 million (PY: EUR 9.3 million).

The tax receivables primarily comprise sales tax refund claims in the amount of EUR 3.5 million (PY: EUR 1.6 million).

The tax receivables do not include income tax receivables because those are presented separately.

The stated receivables from support aid comprise government grants under the coronavirus interim aid program.

The receivables from pension liability insurance represent refund claims from the CTA assets arising from advance payments for pension claims paid in financial year 2021.

The recourse receivable relates to a former investment by the Group in Oxy Holding GmbH in the amount of EUR 1.4 million (PY: EUR 1.4 million).

The decrease from EUR 1.7 million in the previous year to EUR 0.3 million in the 2021 reporting year is attributable to the escrowing obligation arising from the use of a derivative line within the framework of hedging foreign currency risks.

9. Tax refund claims

This item in the amount of EUR 0.2 million (PY: EUR 1.4 million) was composed exclusively of income tax refund claims, including an amount of EUR 0.2 million (PY: EUR 1.4 million) attributable to Gigaset Communications GmbH and its subsidiaries.

10. Cash and cash equivalents

This item comprises cash on hand and cash in banks for deposits that are due in less than three months and amounts to EUR 23.1 million at the reporting date of December 31, 2021 (PY: EUR 41.1 million).

The presentation of restricted cash was changed in financial year 2021 compared to the previous year. Corresponding previous year values were adjusted. For more detailed information, see Section C Change in the accounting treatment of restricted cash of the Notes to the Consolidated Financial Statements.

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 0.8 million (PY: EUR 1.2 million).

11. Equity

Subscribed capital

The Company's share capital totals EUR 132,455,896.00 (PY: EUR 132,455,896.00) and is divided into 132,455,896 (PY: 132,455,896) no par value shares. It has thus remained unchanged from the previous year. The shares are bearer shares. Thus, every no-par share represents EUR 1.00 of the Company's share capital.

No treasury shares were held as of the reporting date of December 31, 2021 and none were held as of December 31, 2020.

Additional paid-in capital

Additional paid-in capital as of December 31, 2021 amounted to EUR 86.1 million and has therefore not changed compared to the additional paid-in capital presented in the previous year.

Retained earnings

Retained earnings were unchanged from the previous year at EUR 69.0 million.

Authorized Capital / Contingent Capital

Authorized Capital 2020

The annual shareholders' meeting of August 12, 2016 authorized the Executive Board to issue Authorized Capital in the amount of up to EUR 44,200,000.00, with the consent of the Supervisory Board, in the time until August 11, 2021 and to amend Article 4.5 of the Articles of Incorporation accordingly. This authorization has not yet been utilized. The authorization would expire on August 11, 2021. The annual shareholders' meeting of August 14, 2019 further authorized the Executive Board to issue Authorized Capital in the amount of EUR 22,000,000.00, with the consent of the Supervisory

Board, in the time until August 13, 2024 and to amend Article 4.3 of the Articles of Incorporation accordingly. This authorization has likewise not yet been utilized. Both capital accounts available to the Company did not exhaust the legal possibilities for authorized capital. In order to give the Company the greatest possible financing flexibility also with respect to non-cash capital contributions, a new Authorized Capital 2020 was to be established after canceling the Authorized Capital 2016 and 2019, with the possibility of excluding the subscription right of existing shareholders, and the Articles of Incorporation were to be amended accordingly. On this basis, the regular annual shareholders' meeting resolved on June 4, 2020 to create a new Authorized Capital 2020 with the possibility of excluding the subscription right of existing shareholders and to amend the Articles of Incorporation accordingly. The Authorized Capital 2016 and the corresponding authorization of the Executive Board according to Article 4.5 of the Articles of Incorporation were canceled and Article 4.5 of the Articles of Incorporation was deleted without replacement. The Authorized Capital 2019 and the corresponding authorization of the Executive Board according to Article 4.3 of the Articles of Incorporation was canceled and the corresponding Article was reformulated. According to the reformulated Article 4.3 of the Articles of Incorporation, the Executive Board is therefore authorized to increase the Company's capital stock by issuing new shares in the time until June 3, 2025, with the consent of the Supervisory Board, by a total of up to EUR 66,200,000.00, all at once or in partial amounts, through the issuance of new bearer shares that qualify for dividends from the beginning of the year of issue, against cash or non-cash capital contributions (Authorized Capital 2020). The existing shareholders are fundamentally entitled to a subscription right, but it can be excluded under certain circumstances. The new shares may also be accepted by one or more financial institutions with the obligation to offer them to the existing shareholders for purchase (indirect subscription right). The Executive Board is authorized to decide upon the content of the stock rights and the terms of the stock issue with the consent of the Supervisory Board and to specify the details of implementation of the capital increase. The Supervisory Board was further authorized to amend the wording of the Articles of Incorporation in accordance with the specific scope of the capital increase from the Authorized Capital 2020. As of December 31, 2021, the Authorized Capital 2020 remained unchanged at EUR 66,200,000.00.

Conditional Capital 2020

Warrant and/or convertible bonds can be essential instruments for ensuring an appropriate capital stock as a decisive basis for the Company's further development. In such cases, the Company raises debt capital at usually favorable interest rates, which could potentially remain available to it in the future in the form of equity. An authorization is required to issue such bonds and establish a Conditional Capital account. The annual shareholders' meeting of August 12, 2016 had authorized the Executive Board to issue warrant and/or convertible bonds and to establish a corresponding Conditional Capital in the amount of up to EUR 29,700,000.00 in Article 4.9 of the Articles of Incorporation (Conditional Capital 2016). This authorization would expire on August 11, 2021. This authorization has not yet been utilized. The annual shareholders' meeting of August 14, 2019 further authorized the Executive Board to issue warrant and/or convertible bonds and to establish a corresponding Conditional Capital in the amount of up to EUR 35,000,000.00 in the time until August 13, 2024 in Article 4.4 of the Articles of Incorporation (Conditional Capital 2019). This authorization has likewise not yet been utilized. Both authorizations available to the Company to issue warrant and/or convertible bonds with the corresponding Conditional Capital accounts did not exhaust the legal possibilities. In order to give the Company the greatest possible financing flexibility within the limits of the legal possibilities to use this important financing instrument in the future, also with respect to non-cash capital contributions, the annual shareholders' meeting of June 4, 2020 resolved to cancel the previous authorizations and grant a new authorization to issue warrant and/or convertible bonds and to establish a corresponding new Conditional Capital 2020. The Executive Board was also authorized to exclude the subscription right of existing shareholders for the warrant and/or convertible bond, with the consent of the Supervisory Board. On this basis, the annual shareholders' meeting resolved to cancel the Conditional Capital 2016 and to authorize the Executive Board according to Article 4.9 of the Articles of Incorporation and to delete Article 4.9 of the Articles of Incorporation without replacement and to cancel the Conditional Capital 2019 and authorize the Executive Board according to Article 4.4 of the Articles of Incorporation and to reformulate the Article. The annual shareholders' meeting therefore resolved on June 4, 2020, that the Company is authorized, with the consent of the Supervisory Board, to issue option bonds and/or convertible bonds once or multiple times until June 3, 2025, with or without limitation of maturities, for a total nominal amount of up to EUR 300,000,000.00 ("bonds") or to grant the bond holders or creditors warrant and/or conversion rights to a total of up to 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, 2021 remained unchanged at EUR 64,700,000.00.

12. Pension obligations

12.1 Description of pension commitments

12.1.1 Geographical distribution of pension commitments

The pension obligations of Gigaset AG and its subsidiaries are distributed over three countries: Germany, Switzerland, and Italy, as well as Austria in the previous year. The pension commitments in Austria no longer exist at the beginning of financial year 2021. 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 12/31/2021 (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
Austria	0	0	0
Total	**128,399**	**34,603**	**93,796**

Pension obligations and plan assets at 12/31/2020 (in EUR'000):

Country	Pension obligation	Plan assets	Net obligation
Germany	132,164	35,404	96,760
Switzerland	3,571	2,246	1,325
Italy	118	0	118
Austria	48	0	48
Total	**135,901**	**37,650**	**98,251**

Because Germany's share of the pension and net obligations is more than 95% 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.

12.1.2 Description of pension commitments in Germany

Because their legal predecessors originally belonged to the Siemens Group, the vast majority of the pension obligations held by Gigaset AG and its German subsidiaries were created based on Siemens promises. Siemens AG converted its guaranteed pension payments from pension benefits to a capital-based system in 2003. All employees who were already employed at a legal predecessor of Gigaset received vested rights in the form of a benefit obligation in the course of this conversion. In addition, all employees can receive contributions to the new capital account plan, if funds are allocated to it by Gigaset. Gigaset can make a new decision on an allocation annually. For 2021, 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: 0.9%).

New pension obligations are thus only generated by inclusion in the capital account plan as well as by vested rights in a death benefit. All other plans are closed to new hires and are no longer being serviced with contribution payments.

12.1.3 Significant risk factors

The primary risk consists of the pension obligations from vested rights, since they constitute about 84% (PY: about 89%) of the total German pension obligations. They are sensitive to the discount rate, inflation, and changes in life expectancy, but not to changes in wages and salaries. Only the death benefit and transitional payments are dependent on wages and salaries. Since this risk is not very significant (about 2% (PY: about 2%) of the pension obligations), however, no calculation was made of the sensitivities to projected salary increases. For all other risks, significant actuarial assumptions and sensitivity analyses are shown in Chapter 12.2 Significant actuarial assumptions and sensitivity analysis.

12.1.3.1 Longevity risk factor

Pension plans such as the vested rights system react sensitively to any change in life expectancy. An increase in life expectancy represents a significant risk to the pension obligation. Since the obligation is distributed over a group of more than 1000 people, as in the previous year, there are no concentration risks. For all other plans, the longevity risks are negligible or do not exist.

12.1.3.2 Inflation risk factor

Pension plans are likewise susceptible to inflation risk through the pension adjustment. A review to determine whether a pension adjustment is necessary is conducted every three years and is based on the consumer price index. All other plans are not subject to inflation risk.

12.1.3.3 Discount rate risk factor

Pension obligations depend very strongly on the discount rate. Since the discount rate is calculated at a reporting date and is based on the capital market, it has been subject to strong fluctuations since the financial crisis occurred. This means that it is very likely that the obligation will change by more than 10% from one year to the next. According to the current IAS 19 as revised in 2011, the actuarial gains and losses occurring (due inter alia to changes in parameters) must be recognized as losses against the Company's equity. While large actuarial losses do not affect cashflow, they can have a negative effect on equity.

12.2 Significant actuarial assumptions and sensitivity analysis

The sensitivity analysis is intended to show the effects of changes in measurement assumptions that could reasonably occur until the next reporting date (IAS 19.145 and IFRS 7).

A Defined Benefit Obligation (DBO) in Germany at 12/31/2021: EUR 122.7 million

B Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 16.4 years as of 12/31/2021

C 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

D Defined Benefit Obligation (DBO) in Germany at 12/31/2020: EUR 132.2 million

E Weighted average duration of the obligation (Macaulay duration based on best-estimate assumptions): 17.7 years as of 12/31/2020

F Significant actuarial assumptions at 12/31/2020

Parameter	Initial value	Sensitivity analysis	DBO in EUR'000
Discount rate	0.70%	+0,50%	121,329
Discount rate	0.70%	-0,50%	144,688
Inflation (pension trend)	1.65%	+0,25%	136,371
Inflation (pension trend)	1.65%	-0,25%	128,176
Longevity	Heubeck 2018 G	+1 Year	137,256
Longevity	Heubeck 2018 G	-1 Year	127,140

The sensitivity analysis above is based on changing one assumption while all other assumptions remain constant. It is improbable for this to occur in reality, and changes in some assumptions may correlate. When calculating the sensitivity of the defined benefit obligation to actuarial assumptions, the same method was used as was used to determine the pension provisions in the statement of financial position (the present value of the defined benefit obligations was calculated using the projected unit credit method at the end of the reporting period).

12.3 Development of pension provisions in the Gigaset Group

Provisions for pensions and similar obligations have been recognized for a total of six (PY: six) Group companies. At the start of the reporting year, the pension obligations in Austria were no longer in effect; instead, this item now comprises the pension obligations of a German company, for which, however, refund rights exist in the same amount. The total amount of the provision decreased by EUR -4.5 million to EUR 93.8 million at the reporting date of 31. Dezember 2021 (PY: EUR 98.3 million). The decrease in the pension provision compared to the previous year resulted mainly from the increase in the weighted interest rate from 0.68% in the previous year to 1.10% in 2021. The parameters for the projected salary increase or projected pension increase remained approximately at the same level.

The revaluation effects from defined benefit plans are recognized in "accumulated other comprehensive income" within equity, while the ongoing change in the period is disclosed separately in the Statement of Changes in Equity.

The projected unit credit value of vested pension benefits under the defined benefit plans of the companies of the Gigaset Group showed the following development:

EUR'000	2021	2020
Balance at 01/01	**135,901**	**130,624**
Current service cost	1,520	1,164
Employee contributions	165	121
Interest expenses	916	1,329
Pension benefits paid	-2,864	-2,584
Actuarial gains/losses from demographic assumptions	1,504	163
Actuarial gains/losses from financial assumptions	-8,608	5,836
Actuarial gains/losses from experience values	-270	-776
Plan curtailments	-48	0
Foreign currency effects	183	24
Balnace at 12/31	**128,399**	**135,901**

The pension expenses recognized in the current financial year were composed of the following elements:

EUR'000	2021	2020
Current service cost	1,520	1,164
Net interest on net liability	677	958
Total pension expenses	**2,197**	**2,122**

Pension expenses are presented as personnel expenses in the item of social security, pension and other benefits. The current income on plan assets was EUR 1.2 million (PY: EUR 1.5 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	2021	2020
Balance at 01/01	**-67,016**	**-62,902**
Revaluation effects in current year	8,652	-4,114
Balance at 12/31	**-58,364**	**-67,016**

The plan assets showed the following development:

EUR'000	2021	2020
Fair value of plan assets at 01/01	**37,650**	**38,123**
Interest income	239	371
Income from plan assets without interest income	991	1,109
Employer contributions	72	68
Employee contributions	172	119
Benefits paid	-2,208	-2,147
Reimbursement of advance payments	-2,417	0
Foreign currency effects	104	7
Fair value of plan asstes at 12/31	**34,603**	**37,650**

The plan assets for the current financial year break down as follows:

EUR'000	2021	2020
Special funds	33,663	35,043
Fixed-income securities	1,378	1,042
Equities	731	524
Real estate and real estate funds	741	524
Miscellaneous	507	517
Reimbursement of advance payments	-2,417	0
Total	**34,603**	**37,650**

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 0.2 million (PY: EUR 0.2 million). The expected benefit payments in the following year are expected to total EUR 3.7 million (PY: EUR 3.4 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 3.9 million) for the Group.

The existing reimbursement rights for Gigaset developed as follows in the financial year:

EUR'000	2021	2020
Fair value of the reimbursement rights at 01/01	**0**	**0**
Acquisitions	406	0
Actuarial gains/losses from financial assumptions	287	0
Fair value of the reimbursement rights at 12/31	**693**	**0**

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 %	2021	2020
Discount rate	1.10	0.68
Salary trend	2.23	2.24
Pension trend	1.66	1.60
Mortality tables:		
Germany	Heubeck 2018 G	Heubeck 2018 G
Switzerland	BVG 2005	BVG 2005
Italy	ISTAT 2018	ISTAT 2017
Austria	n/a	Pagler 2018, Generation Table, Salaried Employees

The provision for pension obligations was measured as follows:

EUR'000	2021	2020
Projected unit credit value of pension obligations	128,399	135,901
- internally financed	3,091	2,732
- externally financed	125,308	133,169
Fair value of plan assets	-34,603	-37,650
Total pension provisions	**93,796**	**98,251**

The provision showed the following development over time:

EUR'000	2021	2020
Pension provision at 01/01	**98,251**	**92,501**
Current service cost	1,520	1,164
Net interst expenses/income	677	958
Actuarial gains/losses from demographic assumptions	1,504	163
Actuarial gains/losses from financial assumptions	-8,608	5,836
Actuarial gains/losses from experience values	-270	-776
Income from plan assets without interest income	-991	-1,109
Pension benefits paid	-656	-437
Employer contributions	-72	-68
Employee contributions	-7	2
Reimbursement of prepayments	2,417	0
plan curtailments	-48	0
Foreign currency effects	79	17
Pension provision 12/31	**93,796**	98,251

14. Provisions

EUR'000	Balance as of 01/01/2021	Utilization	Reversal	Addition	Reclassi-fication	Currency/ Interest effects	Balance as of 12/31/2021
Personnel	831[a]	-643	-29	628	0	0	787
Warranties	2,824	-818	-2	902	0	7	2,913
Onerous contracts	461	-31	-5	426	-425	0	426
Customer bonus	7,170	-6,503	-511	6,051	22	29	6,258
License costs	1,396	-455	-6	771	8	0	1,714
Other	2,328	-1,052	-723	717	0	0	1,270
Total	**15,010**	**-9,502**	**-1,276**	**9,495**	**-395**	**36**	**13,368**

The personnel provisions for the past two financial years break down as follows:

EUR'000	12/31/2021	12/31/2020
Partial early retirement	287	226[a]
Service anniversary bonuses	500	605
Total	**787**	**831**

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 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	12/31/2021	12/31/2020
Noncurrent provisions	1,373	2,149[a]
Current provisions	11,995	12,861[a]
Total	13,368	15,010

Noncurrent provisions, which have a maturity of more than one year, were divided among the various categories as follows:

EUR'000	12/31/2021	31/21/2020
Personnel	628	687[a]
Warranties	476	430
Onerous contracts	0	425
Environmental risks	124	131
Other	145	476
Total	1,373	2,149

[a] The comparison figures as of 12/31/2020 were adjusted due to the changed presentation of restricted cash in financial year 2021. For further details, see Section C Change in the accounting treatment of restricted cash in the Notes to the Consolidated Financial Statements.

15. 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 must 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. The loan balance as of December 31, 2021 is EUR 12.8 million (PY: EUR 14.5 million) and breaks down into a maturity less than one year in the amount of EUR 12.8 million (PY: EUR 1.7 million), and a maturity of longer than one year and less than five years in the amount of EUR 0.0 million (PY: EUR 12.8 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 must be paid until June 2022; the loan will then only 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, 2021 is EUR 1.8 million (PY: EUR 2.0 million) and breaks down into a maturity less than one year in the amount of EUR 0.2 million (PY: EUR 2.0 million), and a maturity of more than one year and less than five years in the amount of EUR 1.6 million (PY: EUR 0.0 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, 2021, is EUR 1.4 million and breaks down into a maturity less than one year in the amount of 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. 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.

Please refer to the discussion under Section D. Notes on Financial Instruments, for further discussion regarding the required statements for financial liabilities.

16. 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	12/31/2021	12/31/2020
Deferred tax assets		
Intangible assets	106	74
Property, plant and equipment	6	4
Inventories	58	76
Receivables and other current assets	171	302
Provisions	19,747	24,095
Liabilities	2,288	185
Derivatives	0	267
Tax loss carry-forwards	4,392	3,950
Total deferred tax assets	**26,768**	**28,953**
thereof current	2,810	677
thereof noncurrent	23,958	28,276
Deferred tax liabilities		
Intangible assets	11,281	9,904
Right of use assets	3	4
Property, plant and equipment	2,207	2,318
Investment Properties	860	776
Inventories	221	276
Receivables and other current assets	81	145
Liabilities	11	0
Derivatives	160	0
Total deferred tax liabilities	**14,824**	**13,423**
thereof current	308	636
thereof noncurrent	14,516	12,787
Net balance of deferred tax assets and liabilities	14,559	13,147
Stated amount of deferred tax assets	**12,209**	**15,806**
Stated amount of deferred tax liabilities	**265**	**276**

No deferred tax assets were recognized in respect of corporate income tax loss carry-forwards totaling EUR 44.3 million (PY: EUR 54.6 million) and trade tax loss carry-forwards totaling EUR 37.6 million (PY: EUR 35.5 million). Of the non-recognized corporate income tax loss carry-forwards, an amount of EUR 6.4 million related to foreign companies (PY: EUR 18,2 million), of which, in turn, EUR 0.0 million (PY: EUR 0.0 million) will expire within 5 to 20 years. Of the total corporate income tax loss carry-forwards of foreign companies in the previous year, an amount of EUR 11.4 million relates to an Austrian subsidiary that was liquidated in the first quarter of 2021. The deferred tax assets for tax loss carry-forwards primarily relate to Gigaset Communications GmbH and the Austrian and Spanish subsidiaries (PY: Austrian and Spanish subsidiaries).

Gigaset did not recognize deferred tax assets on temporary differences in the amount of EUR 0.3 million (PY: EUR 0.6 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 74.8 million (PY: EUR 91.1 million).

For more information on this subject, please refer to the presentation of accounting and valuation methods and the explanations provided in Section E.10 Income Taxes.

17. 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	12/31/2021	12/31/2020
Carrying amount	**44,978**	**45,032**
thereof due in the following time periods:		
< 30 days	33,764	35,959
30 - 90 days	9,045	9,068
90 - 180 days	2,169	5
180 days - 1 year	0	0

By reason of the international activity of the Gigaset Group, the trade payables at December 31, 2021, included the following amounts denominated in foreign currencies, which have been translated to the euro, as the Group currency:

	12/31/2021		12/31/2020	
Foreign currency	**EUR'000**	**%**	**EUR'000**	**%**
USD (US dollar)	20,119	93.5	13,765	79.7
CHF (Swiss franc)	524	2.4	578	3.3
PLN (Polish zloty)	201	0.9	155	0.9
JPY (Japanese yen)	187	0.9	81	0.5
GBP (British pound)	182	0.9	127	0.7
TRY (Turkish lira)	178	0.8	331	1.9
RUB (Russian ruble)	105	0.5	98	0.6
CNY (Chinese renminbi yuan)	0	0.0	2,107	12.2
Other	20	0.1	30	0.2
Total	**21,516**	**100.0**	**17,272**	**100.0**

18. Tax liabilities

This item in the amount of EUR 0.8 million (PY: EUR 1.8 million) was composed exclusively of current income tax liabilities, including an amount of EUR 0.6 million (PY: EUR 1.6 million) attributable to Gigaset Communications GmbH and its subsidiaries.

19. Current other liabilities

EUR'000	12/31/2021	12/31/2020
Other personnel-related liabilities	4,965	4,903
Customs liabilities	3,419	943
Other taxes	1,802	2,131
Social security contributions	265	628
Wages and salaries	240	686
Advance payments received	131	115
Purchase price payable	0	10,413
Derivatives	0	839
Miscellaneous other liabilities	1,005	1,454
Total	**11,827**	**22,112**

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	12/31/2021	12/31/2020
Vacation leave not taken	1,669	1,265
Profit-based bonuses and other bonuses	1,519	2,133
Work time accounts	669	677
Miscellaneous personnel-related liabilities	1,108	828
Total	**4,965**	**4,903**

In the previous year, purchase price liabilities existed in the amount of EUR 10.4 million in the context of the cooperative agreement entered into with Unify, which were paid as planned in financial year 2021.

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. Revenues classified by country of domicile are presented in the following tables.

In the B2B category, the 10% revenue limit with regard to total revenues was first exceeded in relation to an internationally active company. The total revenues with this business partner amounted to EUR 27.6 million for financial year 2021 and are distributed across all geographical segments.

January 1 to December 31, 2021 in EUR'000	Germany	EU	Rest of World	Gigaset TOTAL	Holding company	Group
Revenues	129,586	63,309	24,238	217,133	0	217,133
Segment result / EBITDA	**16,340**	**2,306**	**298**	**18,944**	**-2,479**	**16,465**
Depreciation and amortization	-13,637	-856	-224	-14,717	-8	-14,725
EBIT	**2,703**	**1,450**	**74**	**4,227**	**-2,487**	**1,740**
Other interest and similar income						355
Interest and similar expenses						-1,745
Financial result						**-1,390**
Result from ordinary activities						**350**
Income taxes						113
Consolidated net income						**463**

January 1 to December 31, 2020 in EUR'000	Germany	EU	Rest of World	Gigaset TOTAL	Holding company	Group
Revenues	117,551	69,973	26,629	214,153	0	214,153
Segment result / EBITDA	**4,726**	**-962**	**217**	**3,981**	**-2,052**	**1,929**
Depreciation and amortization	-13,762	-974	-224	-14,960	-7	-14,967
EBIT	**-9,036**	**-1,936**	**-7**	**-10,979**	**-2,059**	**-13,038**
Other interest and similar income						431
Interest and similar expenses						-1,375
Financial result						**-944**
Result from ordinary activities						**-13,982**
Income taxes						3,499
Consolidated net loss						**-10,483**

The profit or loss effects of deconsolidations, where they exist, have been assigned to the respective segments.

Please refer to Section E.1 Revenues in Chapter E Notes to the income statement for the breakdown of revenues by operating segment.

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

EUR'000	2021	2020
Germany	105,581	94,675
France	30,013	32,209
Europe (excluding Germany and France)	69,475	72,322
Rest of World	12,064	14,948
Total	**217,133**	**214,154**

In accordance with IFRS 8.33 b), noncurrent assets were divided among the following regions in financial year 2020 and the comparison period:

EUR'000	2021	2020
Noncurrent assets		
Germany	83,321	78,208
Europe (excluding Germany)	159	2,083
Rest of World	1	183
Total	**83,481**	**80,474**

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.

The definition of cash and cash equivalents has changed compared to the previous year from the change in presentation of restricted cash in financial year 2021. Since restricted cash is no longer presented, cash and cash equivalents correspond to the cash and cash equivalents presented in the balance sheet. The figures from the previous year were adjusted accordingly for comparison purposes. Additional explanations can be found in Chapter C Change in the accounting treatment of restricted cash.

EUR'000	2021	2020
Cashflow statement		
Cash inflow (+)/outflow (-) from operating activities	5,309	30,629
Cash outflow from investing activities	-19,519	-21,450
Free cashflow	-14,210	9,179
Cash inflow (+)/outflow (-) from financing activities	-3,576	-2,343
Change in cash and cash equivalents	**-17,786**	**6,836**

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. In financial year 2021, receivables from a customer were offset against purchase price liabilities in relation to this customer for intangible assets in the amount of EUR 8.0 million. For these reasons, the changes in items of the statement of financial position presented in the cashflow statement cannot necessarily be reconciled with the statement of financial position.

As in the previous year, no investments in companies were acquired or sold in the 2021 financial year,.

The cash outflow from investing activities amounted to EUR 19.5 million in 2021, after EUR 21.5 million in the previous year, and breaks down as follows:

EUR'000	2021	2020
Cash outflows for investments in noncurrent assets		
Cash outflows for intangible assets	13,248	17,227
Cash outflows for property, plant and equipment	6,314	4,241
Total	**19,562**	**21,468**

In the past financial year, the cash inflow/outflow from financing activities amounted to EUR -3.6 million, after EUR -2.3 million in the previous year. The interest paid in 2021 amounted to EUR 1.4 million, and EUR 1.3 million in the previous year. As also in the previous year, the interest paid comprises interest on financial liabilities, factoring and leasing. The funds inflow from the issuance of long-term liabilities relates to two vendor loans. The repayments of financial liabilities relate to the current portion of the existing credit facility as well as the current portion of the vendor loans. In the previous year, the funds inflow from the issuance of long-term liabilities amounted to EUR 2.0 million due to a loan granted under coronavirus measures in France. The repayments of financial liabilities in the previous year related to the current portion of the existing credit facility. Please see Section F Notes to the statement of financial position in Chapter 14. Non-current and current financial liabilities, as well as Section D Notes on financial instruments for further details on financial liabilities.

In financial year 2021, 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.

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**

2020 in EUR'000	Financial liabilities[a]	Leases
01/01	15,900	4,390
Cash-borrowing	1,950	0
Non cash changes	-235	1,181
- thereof new additions reporting year	0	1,253
- thereof disposals reporting year	-235	-72
- thereof foreign currency effects	0	0
Cash repayment	-1,163	-1,841
12/31	**16,452**	**3,730**

[a] previous-year figures adjusted due to an editorial error in the Annual Report 2020

3. Other financial commitments

The other financial commitments as of the reporting date of December 31, 2021 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 2.2 million, EUR 1.6 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 9.8 million, of which those with a remaining term of less than one year exist in the amount of EUR 5.2 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, 2021, moreover, the Group was subject to one commitment for capital expenditures in the amount of EUR 0.4 million. The capital expenditures relate entirely to property, plant and equipment.

3.1 Contingent liabilities

As of the reporting date of December 31, 2021, contingent liabilities related to the following matters:

In connection with sales of subsidiaries in earlier years, the Company issued guarantees, including for the corporate relationships of these subsidiaries. The probability that these guarantees will be utilized is considered to be very low.

4. Compensation of Executive Board and Supervisory Board members

The total compensation granted to the members of the Executive Board for the 2021 financial year is presented in the table below:

Compensation granted to Executive Board members in EUR	2021	2020
Fixed compensation	717,848	616,453
Fringe benefits	63,069	69,669
Total fixed compensation components	**780,917**	**686,122**
Single-year variable compensation	75,000	114,000
Total fixed and variable compensation	**855,917**	**800,122**
Pension expenses	3,483	246
Total compensation	**859,400**	**800,368**

The variable compensation for the past financial year was granted only after the corresponding resolution was adopted by the Supervisory Board after the publication of the 2020 Annual Report and has therefore been recognized as expenses in the current financial year. The single-year variable compensation presented in the table detailing the compensation granted for the previous year has been adjusted accordingly.

The recognized expenses for members of the Executive Board for the 2021 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 0.9 million (PY: EUR 0.9 million).

Including the amounts for which provisions had not yet been recognized at the previous reporting date, the total expenses for Executive Board compensation in the past financial year amounted to EUR 0.9 million.

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 2020 financial year pursuant to Section 314(6a) HGB is presented in the table below:

EUR	2021	2020
Settled	551,975	469,915
Provisions	157,000	164,985
Total expenses	**708,975**	**634,900**

Accordingly, the total compensation granted to the Supervisory Board according to IAS 24 amounted to EUR 0.7 million (PY: EUR 0.6 million). The outstanding balances as of the reporting date amount to EUR 0.2 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 16 thousand for Gigaset Communications GmbH, Bocholt, for financial year 2021 (PY: EUR 9 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 January 27, 2016 (corrected on January 28, 2016) that it now holds 97,357,789 shares in the Company, which convey the same number of voting rights. This would correspond to 73.5% of the 132,455,896 voting rights. To the knowledge of the Executive Board, the shareholder therefore also held 73.5% of voting rights in the 2021 financial year. To the knowledge of the Executive Board, the sole shareholder of Goldin Fund Pte. Ltd. is Goldin Investment (Singapore) Limited. To the knowledge of the Executive Board, the ultimate economic beneficiary or highest-ranking person of Goldin Investment (Singapore) Limited is Mr. Pan Sutong. The ultimate economic beneficiary of Goldin Fund Pte. Ltd. is therefore Mr. Pan Sutong. To the knowledge of the Executive Board, this gentleman holds a broadly diversified portfolio of companies in addition to its investment in Gigaset AG.

In accordance with IAS 24 Related Party Disclosures, the business dealings with Gigaset Mobile Pte. Ltd., Singapore, are to be disclosed as business dealings with related parties in 2021. In this context, Gigaset Mobile Pte., Ltd., Singapore, had acted as a supplier to Gigaset. Gigaset in turn had charged contractually agreed upon services and fees to Gigaset Mobile Pte. Ltd. From a Group perspective, the transactions and balances for the reporting periods and as of the reporting date break down as follows:

EUR'000	Expenses 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

EUR'000	Expenses 01/01 - 12/31/2020	Revenues/ Income 01/01 - 12/31/2020	Receivables 12/31/2020	Liabilities 12/31/2020
Gigaset	0	0	1,341	0
Gigaset Mobile Pte. Ltd.	0	0	0	1,341

The receivables were fully written down as already in the previous year.

According to IAS 24 Related Party Disclosures, the business dealings with Gigaset Mobile Europe GmbH i.L., Düsseldorf, must be disclosed as business dealings with related parties since financial year 2016. This company is another related entity according to IAS 24.19 (g). In this context, Gigaset Mobile Europe GmbH, Düsseldorf, had acted as a supplier to Gigaset. Gigaset in turn had charged contractually agreed upon services and fees to Gigaset Mobile Europe GmbH i.L., Düsseldorf. From a Group perspective, the transactions and balances for the reporting periods and as of the reporting date break down as follows:

EUR'000	Expenses 01/01 - 12/31/2021	Revenues/ Income 01/01 - 12/31/2021	Receivables 12/31/2021	Liabilities 12/31/2021
Gigaset	0	0	0	0
Gigaset Mobile Europe GmbH i.L.	0	0	0	0

EUR'000	Expenses 01/01 - 12/31/2020	Revenues/ Income 01/01 - 12/31/2020	Receivables 12/31/2020	Liabilities 12/31/2020
Gigaset	0	0	0	0
Gigaset Mobile Europe GmbH i.L.	0	0	0	0

The business dealings mainly consisted of purchases and sales of goods according to IAS 24.21 b and services according to IAS 24.21 c.

According to IAS 24 Related Party Disclosures, business dealings with Gigaset Digital Technology, Shenzhen, China, must be disclosed as related party transactions since 2016. This company represents another related entity according to IAS 24.19 (g). From a Group perspective, the transactions and balances for the reporting period and as of the reporting date break down as follows:

EUR'000	Expenses 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

EUR'000	Expenses 01/01 - 12/31/2020	Revenues/ Income 01/01 - 12/31/2020	Receivables 12/31/2020	Liabilities 12/31/2020
Gigaset	0	0	345	0
Gigaset Digital Technology	0	0	0	345

The receivables were fully written down as already in the previous year.

The business dealings mainly consist of services provided according to IAS 24.21 (c).

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 2021:

EUR'000	2021	2020
Financial statement audit services	392	355
Other certification services	0	3
Tax advisory services	24	49
Other services	0	14
Total	**416**	**421**

The financial statement audit services primarily include the fees for the audit of the consolidated financial statements and the audits of Gigaset AG and Gigaset Communications GmbH required by law. In the previous year, the other services consisted of consulting services related to the introduction of a software program, which are no longer presented in the reporting period because the implementation was completed. Moreover, expenses for the introduction of a tax compliance management system (TCMS) were incurred in the reporting period; while it was possible to cut them roughly in half in the current financial year due to the progressive implementation of the TCMS.

7. Employees

	Reporting date		Average	
	12/31/2021	12/31/2020	2021	2020
Salaried employees	844	872	850	876
Apprentice-trainees	24	21	22	17
Total	**868**	**893**	**872**	**893**

The Gigaset Group had an average of 872 employees in financial year 2021 (PY: 893 employees). The number of employees as of the reporting date of December 31, 2021 was 868 (PY: 893 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 version of December 16, 2019 (which entered into force on March 20, 2020), on February 17, 2022 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 with four 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 2021.

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 German Federal Gazette (Bundesanzeiger).

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 Degussa GmbH regarding a penalty for breach of contract in the amount of EUR 12.0 million, in November 2013 an arbitration tribunal rejected the suit and otherwise sentenced Gigaset AG to pay an amount of EUR 3.5 million plus interest to Evonik. On March 4, 2015, Gigaset paid the amount in the principal matter of EUR 3.5 million plus interest to Evonik. Due to the amounts paid under the guarantee, Gigaset now has taken recourse against the principal debtor, OXY Holding GmbH and the additional indemnification debtor, StS Equity Holding UG. After failing to reach an agreement out of court, Gigaset filed a lawsuit against the principal debtor OXY Holding GmbH and the indemnification debtor StS Holding UG for reimbursement of this amount in a request for arbitration and payment order dated June 29, 2015. In the further course of affairs, insolvency proceedings were commenced on the assets of both OXY Holding GmbH and StS Equity Holding UG. Gigaset is the principal creditor in both these proceedings. In the meantime, the distribution of the insolvency estate has been largely completed; Gigaset expects – not least based on an agreement with the insolvency administrator regarding the matter – to receive up to EUR 3.5 million from the insolvency estate. Of this amount, EUR 2.0 million of which has already flowed to the Company as an advance distribution in the second quarter of 2016 in the course of an advance distribution in the insolvency proceedings on the assets of OXY Holding GmbH, as well as about EUR 0.2 million in the fourth quarter of 2018 from the final distribution in the insolvency proceedings on the assets of StS Equity Holding UG. The Company expects an additional EUR 1.3 million as part of the final distribution in the insolvency proceedings of OXY Holding GmbH. The extent to which additional (partial) payments can be recovered in the short term is currently uncertain. In the final result, the Company will incur a net loss of EUR 1.3 million, primarily representing the interest paid to Evonik from the principal amount.

The following significant legal dispute is currently pending at a subsidiary of Gigaset AG currently in the 2021 financial year:

The Spanish subsidiary of Gigaset Communications GmbH, Gigaset Communications Iberia S.L. with its registered head office in Madrid, received a penalty notice for EUR 2.0 million. The penalty was imposed because the Spanish tax authority objected to a tax valuation. The Spanish subsidiary was advised by a prestigious accounting firm on the subject of the contested tax valuation and it is still thought that the valuation is not justifiably objectionable and certainly cannot justify the imposition of a penalty. Accordingly, the Spanish subsidiary filed an appeal against the penalty notice and requested that the notice be repealed. A loan was granted to the Spanish subsidiary with which the penalty was initially paid. The loan was converted into equity at a later time. Concurring with the assessment of the legal counsel of the Spanish subsidiary, the Company considers it highly probable that the penalty notice will be repealed and therefore the penalty will also be refunded.

11. Significant events after the reporting date

The continuing scarcity in the chip market could affect the availability of chipsets and consequently also the utilization of production capacities. In addition, it is impossible to exclude the possibility that the continuing coronavirus pandemic may have effects on delivery processes, consumer behavior, the quality of receivables from goods and services, and liquidity management at Gigaset. The potential financial effects cannot yet be estimated at the present time. Gigaset is continually assessing the developments and taking measures to minimize risks.

Due to non-compliance with the net gearing ratio covenant in the loan agreement of Gigaset Communications GmbH, Gigaset reached an agreement with the financing banks on March 16, 2022, not to exercise the justified right of termination and to temporarily suspend the repayment of loan installments. The suspension of repayment is intended to financially cushion the consequences of the coronavirus pandemic and the insufficient availability of chipsets.

The effects on Gigaset of the military dispute between Ukraine and Russia and the related economic sanctions cannot be foreseen at the present time. Gigaset is active in Russia with a subsidiary that performs pure sales and marketing services. The financial effects are estimated to be moderate since this company accounts for less than 3% of total revenues in financial year 2021. Further developments will be monitored in order to be able to take appropriate steps.

Please refer to the description in the Group management report for additional details.

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 March 25, 2022. The Company's shareholders will have the right and option of amending the consolidated financial statements at the annual shareholders' meeting.

Bocholt, March 25, 2022

The Executive Board of Gigaset AG

Klaus Weßing	Thomas Schuchardt
CEO	CFO

FURTHER INFORMATION

Radical innovation

That is what Gigaset delivers in the Professional segment. We present our first solution for the UCC market: the DECT hands-free handset ION.

More than just an alternative to headsets in video conferences, the ION is also a full-featured conference loudspeaker.

The ION is controlled via the DECT USB dongle, which makes it possible to connect the ION with PCs and notebooks and use it with a range of UCC clients, including Microsoft Teams and Swyx.

In recognition of the radical rethinking of telephony embodied in the ION, Gigaset was honored with the "Innovator of the Year 2021" award given out by the German business association DDW ("The Voice of German SMEs").

GIGASET LIST OF SHAREHOLDINGS

	Location		Equity share direct	Equity share indirect	currency '000	Local equity share 2020	Local profit/ loss 2020
Gigaset AG	Bocholt	Germany			EUR	99,359[a]	-2,807[a]
CFR Holding GmbH (i.L.)[b]	Munich	Germany	100%		EUR	1	0
GOH Holding GmbH	Munich	Germany	100%		EUR	284	0
GIG Holding GmbH	Munich	Germany	100%		EUR	50,768	-7,842
Gigaset Online GmbH	Bocholt	Germany		100%	EUR	16	-2
Gigaset Communications GmbH	Bocholt	Germany		100%	EUR	40,653	-10,369
Gigaset Communications Schweiz GmbH	Solothurn	Switzerland		100%	CHF	2,150	-53
Gigaset Communications Polska Sp. z o.o.	Wroclaw	Poland		100%	PLN	3,813	1,141
Gigaset Communications UK Limited	Chester	Great Britain		100%	GBP	908	-61
Gigaset İletişim Cihazları A.Ş	Istanbul	Turkey		100%	TRY	17,617	661
OOO Gigaset Communications	Moskow	Russia		100%	RUB	88,769	12,081
Gigaset Communications Austria GmbH	Vienna	Austria		100%	EUR	247	-10
Gigaset Communications (Shanghai) Limited	Shanghai	PR China		100%	CNY	-2,796	-1,493
Gigaset Communications France SAS	Courbevoie	France		100%	EUR	7,819	-35
Gigaset Communications Italia S.R.L.	Milan	Italy		100%	EUR	854	-36
Gigaset Communications Nederland B.V.	Arnhem	Netherlands		100%	EUR	1,203	-2
Gigaset Communications Iberia S.L.	Madrid	Spain		100%	EUR	640	-2,118
Gigaset Communications Sweden AB	Stockholm	Sweden		100%	SEK	1,004	-1,014
Gigaset elements GmbH[c]	Bocholt	Germany		100%	EUR	-16,822	0
Hortensienweg Management GmbH	Munich	Germany	100%		EUR	693	17

[a] 2021 figures

[b] Deconsolidation as of 12/31/2021

[c] Profit/loss transfer agreement since 2016; pre-tax entity losses are not included.

(i.L.) = in liquidation

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, 2021, 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, 2021, 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, 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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, 2021. 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 93.8 million (48.8% 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 128.4 million and the fair value of plan assets of EUR 34.6 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 note F.12 to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report, as an unaudited part of the group management report.

The other information comprises further

- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 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 or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

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_2021-12-31.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, 2021 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 (10.2021)) 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 has applied the IDW Standard on Quality Management: 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 8, 2021. We were engaged by the supervisory board on October 5, 2021. 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 (longform 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 published in the Federal Gazette – 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 Antje Schlotter.

Düsseldorf, March 25, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Antje Schlotter)	(sgd. ppa. Denis Varosi)
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT OF THE EXECUTIVE BOARD

The Executive Board of Gigaset AG is responsible for the preparation of the consolidated financial statements and the information contained in the Group management report. This information has been reported in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Committee (IASC), as they are to be applied in the European Union (EU). The Group management report has been prepared in accordance with the provisions of the German Commercial Code.

By implementing Group-wide reporting in accordance with uniform guidelines, using reliable software, selecting and training qualified personnel, and continually optimizing processes in the consolidated companies, we are able to present a true and fair view of the Company's business performance, its current situation, and the opportunities and risks of the Group. To the extent necessary, appropriate and objective estimates have been applied.

In accordance with a resolution adopted at the annual shareholders' meeting, the Audit Committee of the Supervisory Board has engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the consolidated financial statements of the Group in the capacity of independent auditors. The Supervisory Board discussed the consolidated financial statements and the Group management report with the independent auditors during its meeting. The result of this examination is presented in the Report of the Supervisory Board.

Responsibility statement

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

Bocholt, March 25, 2022

The Executive Board of Gigaset AG

FINANCIAL CALENDAR 2022

April 26, 2022	Financial statements press conference 2022
May 24, 2022	Interim financial report for Q1 2022
June 9, 2022	Annual shareholders' meeting 2022
September 27, 2022	Semiannual financial report 2022
November 22, 2022	Interim financial report for Q3 2022

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.

2021

ANNUAL REPORT

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