

OUR FACTS AND FIGURES FROM THE FIRST QUARTER

Who we are

AG NFON, headquartered in Munich, is a European provider of integrated business communications from the cloud. The listed company (Frankfurt Stock Exchange, Prime Standard), with over 3,000 partners in 15 European countries and seven branches, counts more than 50,000 companies. With its core product Cloudya, the smart cloud communication platform, NFON offers voice calls, easy video conferences and smooth integration of CRM and collaboration tools for small and medium-sized enterprises. The NFON portfolio consists of four areas: business communication with Cloudya, customer contact, integration and enablement. All NFON cloud services are operated in certified computer centres in Germany, with all energy coming from renewable sources. NFON accompanies companies with intuitive communication solutions into the future of business communication.

corporate.nfon.com/en

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Key performance indicators

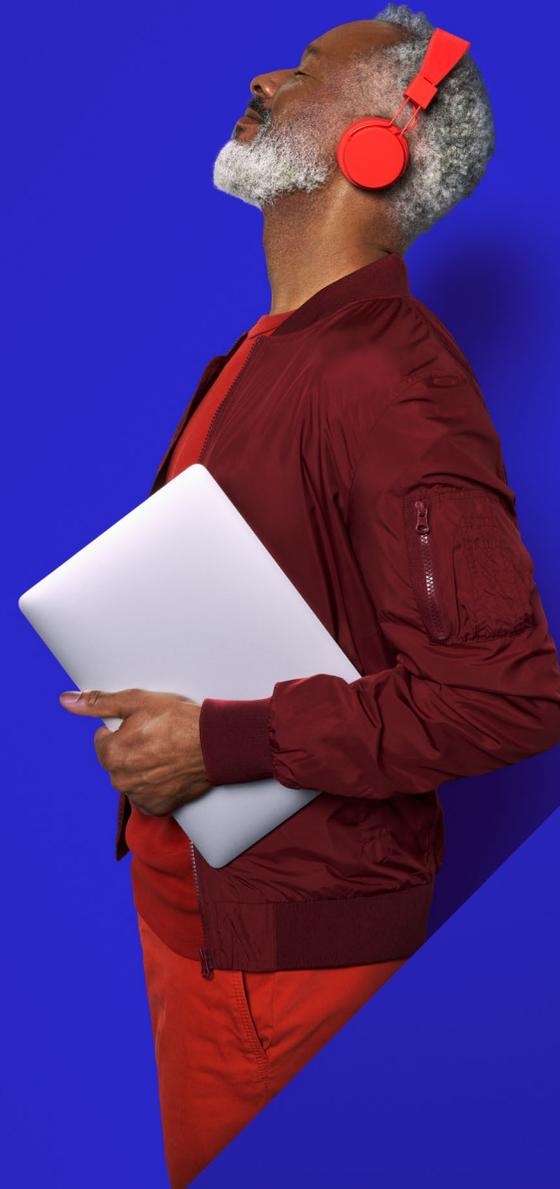
EUR million	3M 2022	3M 2021	Change in %
Total revenue	20.3	18.9	7.3
Recurring revenue	18.4	16.8	9.2
Recurring revenue as a share of total revenue (in %)	90.7	89.1	
Non-recurring revenue	1.9	2.1	-8.2
Non-recurring revenue as a share of total revenue (in %)	9.3	10.9	
ARPU blended (in EUR)	9.98	10.19	-2.1
Seat growth	605,651	541,973	11.7
Adjusted EBITDA	0.5	1.8	-72.2

List of abbreviations

- AOC Active Ownership Fund
- PBX Private Branch Exchange (Telefonanlage)
- CCaaS Contact Center as a Service
- UCaaS Unified Communications as a Service
- SaaS Software as a Service
- VoIP Voice over IP
- IP Internet Protocol
- Seats Extensions, Licenses

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Dear shareholders, dear readers!

We are consistently pursuing our growth path. The first quarter of 2022 that just ended confirms the successes we have achieved: With seat growth of 11.7%, we increased the number of extensions (seats) installed at customers to 605,651 compared to 31 March 2021, thus exceeding the threshold of 600,000 seats. The seats are the basis for our sustainable recurring revenues. These rose by 9.2% compared to the same quarter in 2021. This equates to a very high share of 90.7% of our total revenue. Due in particular to the continued high volume of voice minutes, we also succeeded in maintaining the average revenue per user (blended ARPU) at a stable level of around EUR 10 over the last few quarters. Blended ARPU was EUR 9.98 in the first quarter of 2022.

We want to become the leading provider of integrated business communication in Europe. This is our clearly formulated goal. Consequently, we continued our growth investments in the first quarter of 2022. Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) thus amounted to EUR 0.5 million in the first quarter of 2022, compared to EUR 1.8 million the previous year. We will also continue to invest, with a focus on the further and new development of products in the area of unified communications and contact center solutions. With the introduction of Cloudya Meet & Share, our platform now includes a full-fledged UC suite in addition to cloud telephony and the integration of CRM solutions. Furthermore, with the

omni-channel product Contact Center Hub, which is available throughout Europe, NFON has an attractive offer for the fast-growing CCaaS market in its portfolio. We also continue to invest in the implementation of our partner programme NGAGE and it is showing initial important results. For example, we were able to convince 1&1 Versatel, the operator of the largest and most powerful fibre optic network in Germany, to become a partner of NFON. The telecommunications company offers more than 50,000 corporate customers high-speed Internet as well as solutions to drive the digitalisation of Germany. We will market our product portfolio with 1&1 Versatel in Germany in the future. This means that three of the four major providers in Germany are among our wholesale partners.

NFON continues to develop and is now more than just a provider of cloud telephone systems. What began with three founding partners in 2007 has since grown considerably: today we serve customers in over 50,000 companies in 15 European countries. We design cloud-based business communication and network teams in Europe. This clearly distinguishes us from the competition. Growth, state-of-the-art alternatives to conventional telecommunication products and our proximity to partners and customers have been reflected in our new market presence since April 2022 with a new umbrella brand and new product brands in completely new colours.

Through our strategic orientation, we have laid the foundation for developing NFON into the leading provider of integrated business communication in Europe. Our successes to date confirm that we are on the right track, and we intend to continue on this path together with you.

We are NFON. A company active throughout Europe. We make business communication smart.

Sincerely yours,

Dr. Klaus von Rottkay und Jan-Peter Koopmann



Interim Group Management Report

Revenue

On the back of recurring income, the trend in revenue growth remained positive overall as against the previous year. Revenue growth in the first three months of 2022 primarily resulted from the acquisition of new customers and a rise in the number of installed seats within the existing customer base. In addition, some of the revenue growth resulted from the intensified sales of the expanded product portfolio among both new customers and the existing customer base.

NFON divides its revenue into recurring and non-recurring revenue. Recurring revenue includes monthly fees for all products and solutions as well as ongoing call charges and SDSL¹ monthly fees. By contrast, non-recurring revenue is one-off revenue from the sale of hardware, set-up fees for the cloud PBX and other products, set-up fees for SDSL or cloud services.

The cumulative effect in relation to seats yet to be gained over the year, is evident from the trend in the recurring revenue generated in the individual quarters. In comparison with the previous-year quarterly figure, recurring revenue rose by 9.2%.

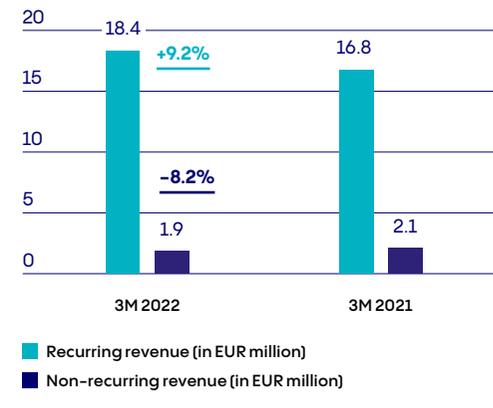
At 90.7% of total revenue (previous year: 89.1%), the share of recurring revenue meets the forecast announced for 2022 as a whole (min. 88%).

+9.2%

Growth in recurring revenue compared to the same quarter in 2021.

EUR million	3M 2022	3M 2021	Change in %
Revenue	20.3	18.9	7.3
Cost of materials	3.8	3.6	2.9
Gross profit	16.5	15.2	8.4
Other operating income	0.2	0.2	n/a
Staff costs	9.2	8.0	15.5
Other operating expenses	7.9	6.0	32.0
EBITDA	-0.4	1.6	n/a
Adjusted EBITDA	0.5	1.8	-38.5
Depreciation, amortisation and write-downs	1.3	1.5	-11.3
EBIT	-1.7	0.1	n/a
Net interest expense	0.0	0.1	n/a
Net tax expense	0.1	0.0	n/a
Consolidated loss	-1.8	-0.1	n/a

Development of recurring and non-recurring revenues



1. Symmetric Digital Subscriber Line is a DSL access technology to a public digital network

+11.7%

Growth of the Seat base compared to 31 March 2021.

9.98 EUR

The Blended ARPU has stabilized slightly over the past few months.

Seats

Seat development attests to the growing demand for cloud telephone systems among business customers. At the same time it underlines the high level of satisfaction felt by NFON's very loyal customers as the new seats are offset by only a low number of terminations.

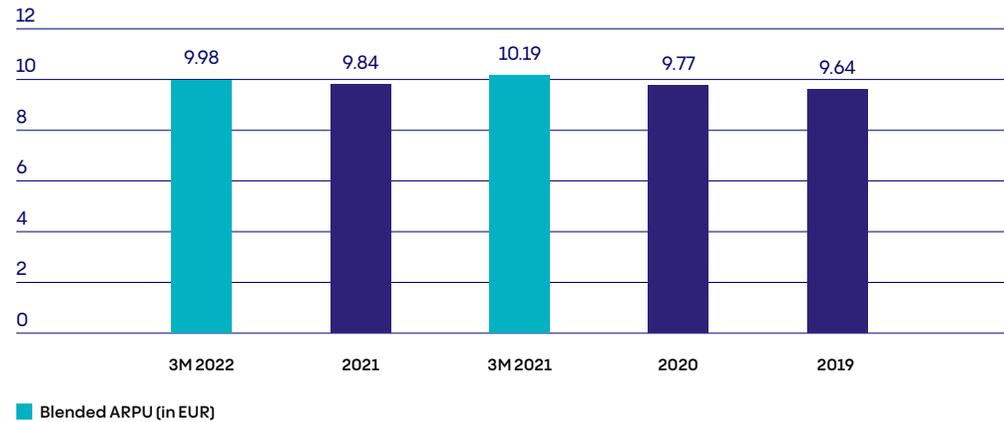
Further growing seat base



Blended ARPU (Average revenue per user)

NFON uses the average recurring revenue across all services, sales channels and countries per user (seat), referred to as average revenue per user (ARPU), to measure operating performance per seat. Due particularly to ongoing high volume of voice minutes, there was considerable ARPU stabilisation in recent years. Moving forward, the ARPU development continue to be supported by growing sales of premium solutions, with which NFON can generate additional ARPU contributions.

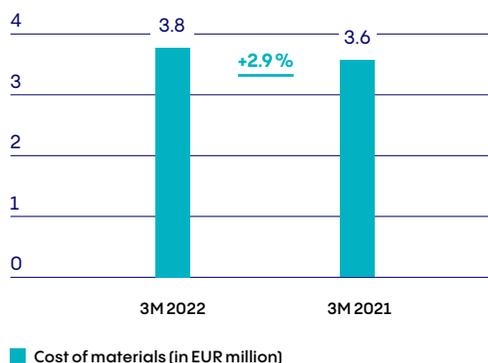
Blended ARPU stabilises



Cost of materials

In the reporting period, the cost of materials was only slightly above the level of the previous year. The stronger revenue upturn resulted in a lower cost of materials ratio for the first three months than in the previous year of 18.5% (3M 2021: 19.3%). This falls within the regular range of fluctuation, in line with planning. The positive development reflects firstly the economies of scale achieved, and secondly the high share of recurring revenue, which has a much higher margin than non-recurring revenue.

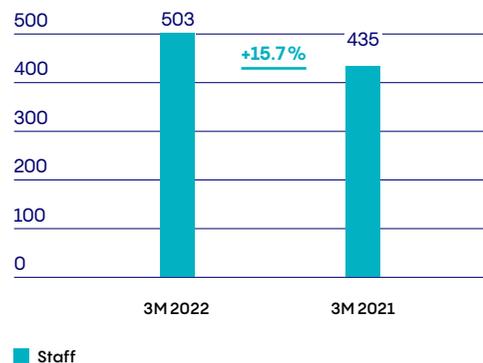
Cost of materials only slightly increased



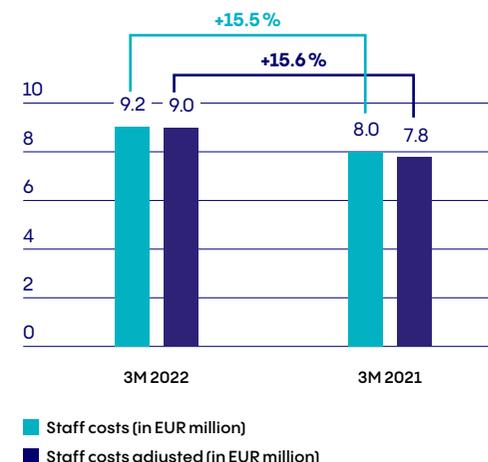
Staff costs

Staff costs have also risen in line with the increase in average headcount. This increase was brought about by ongoing strategic recruitment. Staff costs are adjusted for non-recurring effects. As in the comparative period of the previous year, the adjustments in the reporting period include EUR 0.2 million in stock option programme expenses.

Average number of employees



Staff costs¹



¹ Adjusted cost ratio 44.5% (3M 2021: 41.4%)

+15.7%

The average number of employees has increased noticeably compared to the same period of the previous year.

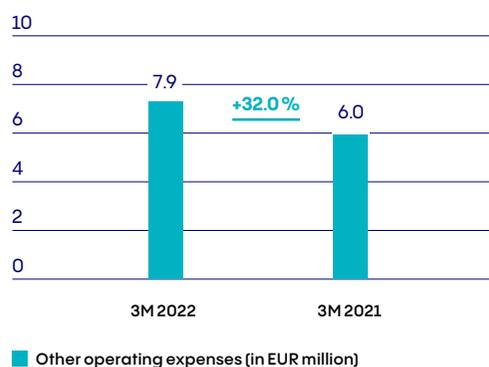
Other operating expenses

Other operating expenses in the reporting period are significantly above the level of the previous year. Several reasons led to this development. In the same period of the previous year, marketing expenses were disproportionately lower in the first quarter, partly due to postponements in the wake of the corona-related lock-down situation at the time. In addition, sales expenses rose as a result of the increased sales volume. In addition, increased consulting expenses, which have to be adjusted, have to be taken into account in the reporting period. As a result, the adjusted cost/income ratio, measured against turnover, increased from 31.3% to 35.8%.

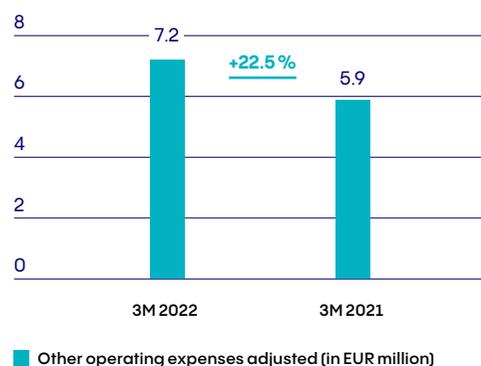
+67.7%

The implementation of the growth strategy has led to a significant increase in marketing expenses.

Other operating expenses



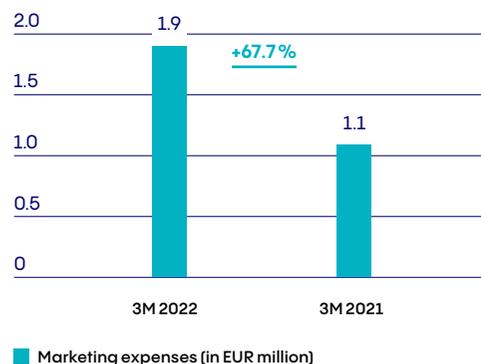
Other operating expenses adjusted for non-recurring effects



1 Adjusted cost ratio: 35.8% (3M 2021: 31.3%)

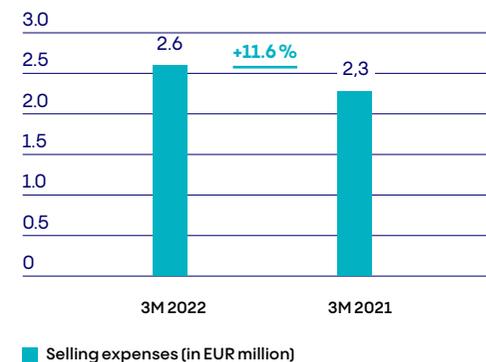
Within operating expenses, due to the planned growth strategy marketing expenses were up considerably year on year.

Significantly higher marketing expenses



As a result of the higher revenue volume, sales expenses were also higher.

Selling expenses rise with sales



Selling expenses as a percentage of revenue amounted to 12.9% in the first three months of 2022, only slightly up on the 12.4% in the same period of the previous year. This was due primarily to higher partner revenue.

88%

We expect to see a consistently high share of recurring revenue over the course of the year.

EBITDA, EBIT, consolidated profit/loss

In line with its strategy, NFON continues to plan higher investment in growth.

EUR million	3M 2022	3M 2021
EBITDA	-0.4	1.6
Adjustments in staff costs:		
Stock Options	0.2	0.2
Adjustments in other operating expenses:		
Consulting expenses	0.6	0.1
Total adjustments	0.9	0.3
Adjusted EBITDA	0.5	1.8
EBIT	-1.7	0.1
Consolidated loss	-1.8	-0.1
Adjusted consolidated loss	-0.9	0.2

Financial position

In the reporting period, investments were made in particular in capitalised development costs and the implementation and customisation of the new business support system. The capitalised development costs relate to new products and new features for existing products.

Supplementary report

There were no events after 31 March 2022 that could have a significant impact on the company's financial position or financial performance.

Forecast

Forecast for 2022

Growth rate of seats	Between 10% and 12%
Growth rate of recurring revenue	Between 10% and 12%
Non-recurring revenue	Min. 88%

The planning is based on the information available as at 19 May 2022, taking the opportunities and risks of the NFON Group as presented into account. Thus, deviations can occur between the planning data published in the annual report as at 31 December 2021 and the figures actually achieved at the end of 2022. This also applies to the assumptions regarding general economic conditions. In this connection, please also refer to the comments in the report on risks and opportunities in the financial report as at 31 December 2021. These apply unchanged as at 31 March 2022.

Consolidated statement of financial position

as at 31 March 2022

EUR thousand	31 Mar. 2022	31 Dec. 2021
Non-current assets		
Property, plant and equipment	10,686	8,166
Intangible assets	31,508	29,999
Investments in associates	643	643
Deferred tax assets	2,501	2,381
Other non-financial assets	209	197
Total non-current assets	45,547	41,385
Current assets		
Inventories	156	155
Trade receivables	9,576	10,900
Other financial assets	390	390
Other non-financial assets	3,030	3,007
Cash and cash equivalents	25,300	27,670
Total current assets	38,452	42,122
Total assets	83,999	83,507

EUR thousand	31 Mar. 2022	31 Dec. 2021
Equity		
Issued capital	16,561	16,561
Capital reserves	108,788	108,600
Net loss	-64,625	-62,822
Currency translation reserve	860	892
Total equity	61,584	63,231
Non-current liabilities		
Non-current financial liabilities	5,696	3,327
Other non-current liabilities	75	217
Deferred tax liabilities	1,326	1,333
Total non-current liabilities	7,097	4,877
Current liabilities		
Trade payables	5,676	6,083
Current provisions	1,736	2,172
Current income tax liabilities	591	452
Current financial liabilities	1,898	1,694
Other non-financial liabilities	5,417	4,998
Total current liabilities	15,317	15,399
Total equity and liabilities	83,999	83,507

Consolidated income statement and consolidated statement of comprehensive income for the period 01.01. to 31.03.2022

EUR thousand	3M 2022	3M 2021
Revenue	20,263	18,875
Other operating income	236	163
Cost of materials	-3,754	-3,648
Staff costs	-9,233	-7,996
Depreciation	-1,316	-1,484
Other operating expenses	-7,903	-5,987
Impairment losses on receivables	13	156
Other tax expense	-5	-5
Result from continuing operations before net interest income and incomes taxes	-1,700	76
Interest and similar income	0	3
Interest and similar expenses	-28	-131
Net interest expense	-28	-129
Earnings before income taxes	-1,727	-53
Income tax expense	-193	-108
Deferred tax expense	117	78
Net loss	-1,803	-83

EUR thousand	3M 2022	3M 2021
Attributable to:		
Shareholders of the parent company	-1,803	-83
Non-controlling interests	0	0
Other comprehensive income	-32	282
Taxes on other comprehensive income	0	0
Other comprehensive income after taxes	-32	282
Total comprehensive income	-1,835	198
Attributable to:		
Shareholders of the parent company	-2,120	198
Non-controlling interests	0	0
Net loss per share undiluted (in EUR)	-0.11	-0.01
Net loss per share diluted (in EUR)	-0.11	-0.01

Consolidated statement of cash flows

for the period 01.01. to 31.03.2022

EUR thousand	3M 2022	3M 2021
1. Cash flow from operating activities		
Profit/loss after taxes	-1,803	-83
Adjustments to reconcile profit (loss) to cash provided		
Income taxes	75	-22
Interest expenses (income), net	28	129
Amortisation of intangible assets and depreciation of property, plant and equipment	1,316	1,484
Impairment losses on receivables	-13	-156
Equity-settled share-based payment transactions	188	169
Other non-cash items	-58	-158
Changes in:		
Inventories	-1	-6
Trade and other receivables	1,302	232
Trade payables and other liabilities	-158	-850
Provisions	-436	-86
Effects of changes in foreign exchange rates	-32	282
Interest paid	0	-4
Income tax refunds/payments	-17	0
Cash flow from operating activities	391	930

EUR thousand	3M 2022	3M 2021
2. Cash flow from investing activities		
Payments for investments in property, plant and equipment	-264	-281
Payments for investments in intangible assets	-1,972	-1,289
Cash flow from investing activities	-2,236	-1,571
3. Cash flow from financing activities		
Proceeds from the capital increase	0	26,026
Payments for leases (IFRS 16)	-539	-487
Other payments	2	0
Cash flow from financing activities	-537	25,539
Change in cash and cash equivalents	-2,382	24,898
Effects of movements in exchange rates on cash held	11	34
Cash and cash equivalents at the beginning of the period	27,670	23,034
Cash and cash equivalents at the end of the period	25,300	47,967

As at 31 March 2022, cash and cash equivalents include bank balances of EUR 316 thousand (31 March 2021: EUR 319 thousand) that the Group cannot access freely as they are security deposits by customers with poor credit ratings. All restrictions on such deposits are short term in nature.

Consolidated statement of changes in equity

as at 31 March 2022

EUR thousand	Attributable to owners of the company					Non-controlling interests	Total
	Issued capital	Capital reserves	Currency translation reserve	Retained earnings	Total equity		
As at 1 January 2022	16,561	108,600	891	-62,822	63,231	0	63,231
Total comprehensive income for the period							
Loss (income) for the period	0	0	0	-1,803	-1,803	0	-1,803
Other comprehensive income for the period	0	0	-32	0	-32	0	-32
Total comprehensive income for the period	0	0	-32	-1,803	-1,835	0	-1,835
Transactions with owners of the company							
Equity-settled share-based payment transactions	0	188	0	0	188	0	188
Total transactions with owners of the company	0	188	0	0	188	0	188
As at 31 March 2022	16,561	108,788	860	-64,625	61,584	0	61,584

Consolidated statement of changes in equity

as at 31 March 2021

EUR thousand	Attributable to owners of the company					Non-controlling interests	Total
	Issued capital	Capital reserves	Currency translation reserve	Retained earnings	Total equity		
As at 1 January 2021	15,056	83,926	506	-53,911	45,576	0	45,576
Total comprehensive income for the period							
Loss (income) for the period	0	0	0	-83	-83	0	-83
Other comprehensive income for the period	0	0	282	0	282	0	282
Total comprehensive income for the period	0	0	282	-83	198	0	198
Transactions with owners of the company							
Increase in equity in connection with capital increase performed after deduction of transaction costs	1,506	24,302	0	0	25,808	0	25,808
Equity-settled share-based payment transactions	0	169	0	0	169	0	169
Total transactions with owners of the company	1,506	24,471	0	0	25,977	0	25,977
As at 31 March 2021	16,562	108,397	787	-53,994	71,751	0	71,751

FINANCIAL CALENDAR 2022

Q3

18.08.2022 Publication Half-Year Financial Statements 2022

August 2022 Annual General Meeting NFON AG

Q4

17.11.2022 Publication Financial Statements 3. Quarter 2022

Imprint

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