

NFON AG, Munich

Munich Local Court, HRB 168022

Balance Sheet for Fiscal 2021

Assets				
	31 Dec. 2021		31 Dec. 2020	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	253,480.82		276,664.82	
2. Goodwill	123,750.00		138,750.00	
3. Prepayments	0.00	377,230.82	76,518.49	491,933.31
II. Tangible assets				
1. Technical equipment and machinery	2,021,781.00		1,767,095.00	
2. Other equipment, operating and office equipment	466,890.20		476,474.00	
3. Payments on account and assets under construction	45,257.39	2,533,928.59	367,970.00	2,611,539.00
III. Long-term financial assets				
1. Investments in affiliated companies	29,825,708.50		29,825,708.48	
2. Loans to affiliated companies	5,793,482.97		4,137,970.77	
3. Equity investments	624,990.00	36,244,181.47	0.00	33,963,679.25
		39,155,340.88		37,067,151.56

B. Current assets

I. Inventories

1. Merchandise	10,416.91		20,004.81	
2. Prepayments	204,768.47	215,185.38	78,195.20	98,200.01

II. Receivables and other assets

1. Trade receivables	7,008,637.60		5,236,995.30	
2. Receivables from affiliated companies	0.00		0.00	
3. Other assets	234,408.95	7,243,046.55	221,737.14	5,458,732.44

III. Bank balances

23,347,670.44		21,097,880.72
30,805,902.37		26,654,813.17

C. Deferred income

1,472,700.79		1,079,206.72
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71,433,944.04		64,801,171.45
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Equity and liabilities

	31 Dec. 2021	31 Dec. 2020
	EUR	EUR
A. Equity		
I. Subscribed capital	16,561,124.00	15,055,569.00
II. Capital reserves	109,274,874.14	84,052,574.64
III. Net loss	-73,494,538.05	-56,113,039.11
– thereof retained profits/accumulated losses brought forward from the previous year		
EUR -56,113,039.11 (PY: EUR -47,388,546.78) –		
	52,341,460.09	42,995,104.53
B. Provisions		
1. Tax provisions	0.00	0.00
2. Other provisions	3,569,269.59	2,535,171.26
	3,569,269.59	2,535,171.26
C. Liabilities		
1. Bonds	0.00	0.00
2. Liabilities to banks	0.00	8,966,641.01
3. Trade payables	2,682,112.99	3,058,757.39
4. Liabilities to affiliated companies	11,292,849.78	5,690,336.99
5. Other liabilities	1,381,584.91	1,138,493.63
– thereof taxes		

EUR 495,422.58 (PY: EUR 463,921.98) –

– thereof social security

EUR 25,493.57 (PY: EUR 31,048.95) –

15,356,547.68

18,854,229.02

D. Deferred income

166,666.68

416,666.64

71,433,944.04

64,801,171.45

Income Statement for Fiscal 2021

		2021		2020	
		EUR	EUR	EUR	EUR
1.	Sales		48,114,769.26		44,366,765.92
2.	Other operating income		260,211.19		726,063.46
3.	Cost of materials				
	a) Cost of purchased merchandise	-1,577,145.29		-2,073,327.85	
	b) Cost of purchased services	-5,000,747.70	-6,577,892.99	-4,410,050.22	-6,483,378.07
4.	Personnel expenses				
	a) Wages and salaries	-17,717,374.28		-16,886,637.74	
	b) Social security, post-employment and other employee benefit costs	-3,052,945.80	-20,770,320.08	-2,634,305.09	-19,520,942.83
	– thereof in respect of old age pensions				
	EUR 29,482.03 (PY: EUR 31,346.74) –				
5.	Amortisation of intangible assets and depreciation of tangible assets		-1,084,747.85		-844,993.43
6.	Other operating expenses		-37,191,877.99		-26,656,870.63
7.	Income from other investments and long-term loans		187,865.94		223,206.41
	– thereof from affiliated companies				
	EUR 187,865.94 (PY: EUR 223,206.41) –				
8.	Interest and similar income		4,761.79		9,138.96
9.	Interest and similar expenses		-318,724.24		-537,214.75
	– thereof to affiliated companies				
	EUR 154,772.89 (PY: EUR 143,573.31) –				
10.	Income taxes		-0.06		1.83
11.	Profit/loss after taxes		-17,375,955.03		-8,718,223.13

12. Other taxes	-5,543.91	-6,269.20
13. Net loss for the year	-17,381,498.94	-8,724,492.33
14. Accumulated losses brought forward from the previous year	-56,113,039.11	-47,388,546.78
15. Net loss	-73,494,538.05	-56,113,039.11

Notes for Fiscal 2021

I. General information on the annual financial statements

The annual financial statements for fiscal 2021 were prepared in accordance with the relevant provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the applicable provisions of the of the *Aktiengesetz* (AktG – German Stock Corporation Act) and the company's Articles of Association.

The company is a large corporation as defined in section 267(3) HGB.

The structure of the balance sheet and the income statement complies with section 266(2) and (3) and section 275 HGB, with the income statement prepared in line with the nature of expense method.

Legally required disclosures on individual items of the balance sheet and income statement are generally provided in the notes.

The fiscal year is the calendar year.

II. Accounting policies

Purchased **intangible fixed assets** are recognised at cost less amortisation and any write-downs. The intangible assets mainly consist of lease rights and software. Intangible assets are amortised on a straight-line basis over an amortisation period of between three and five years.

For internally generated intangible fixed assets, there is a capitalisation option in accordance with section 248(2) HGB. The company exercises this option such that there is no capitalisation, but instead the expenses incurred for this are recognised in profit or loss.

Indirectly acquired **goodwill** is amortised on a straight-line basis over its expected use over a period of 10 years. It is assumed that the indirectly acquired goodwill will be fully amortised in this period.

Tangible assets are measured at cost less use-based depreciation and any necessary write-downs. The depreciation period is between three and 23 years.

If the reasons for a write-down cease to apply in full or in part, the write-down is reversed in accordance with section 253(5) HGB.

Immovable items of tangible assets are generally depreciated on a straight-line basis.

Depreciation on movable items of tangible assets is recognised using the straight-line depreciation method.

For assets acquired in the fiscal year with a cost of up to EUR 800 (not including VAT), recognition under commercial law follows the procedure for low-value assets in tax law due to a lack of materiality, meaning that they are written off in full in the year of their acquisition. Assets with a cost of more than EUR 800 are depreciated over their useful life.

Financial assets are measured at cost, taking account of any necessary depreciation. If there are indications of permanent impairment, they are written down to their lower fair value. For impairment that is not expected to be permanent, the option under section 253(3) sentence 6 HGB is exercised and no write-downs are recognised. If the reasons for a write-down cease to apply, the lower carrying amounts are not retained. The book values of investments are tested for impairment once a year. Specific valuation allowances are recognised for credit risks entailed by loans.

Inventories are measured at cost including incidental expenses or at their market prices if lower. For poorly marketable merchandise and other (sales) risks, specific valuation allowances are recognised to the necessary extent. An additional downward adjustment in the form of a global valuation allowance is recognised for other general risks.

Receivables and other assets are recognised at their nominal amounts. Specific and global valuation allowances are recognised for possible credit risks.

Cash funds are accounted for at their nominal value.

Prepaid expenses and deferred income are recognised for transitory items. The amount of both prepaid expenses and deferred income is based on the payment amount and the ratio of services received/performed by the end of the reporting period to outstanding consideration. Items of prepaid expenses and deferred income that extend over several fiscal years are not discounted.

Deferred taxes are calculated in line with the "temporary concept", considering only the differences between commercial and tax carrying amounts of assets and liabilities. Loss carryforwards are taken into account only to the extent that they can be used within five years.

Deferred taxes are measured using the tax rates that will be applicable when the difference is reversed. If these tax rates are not known, the individual tax rates at the end of the reporting period are to be used. Deferred taxes are not discounted. The option to offset deferred tax assets against deferred tax liabilities is utilised. The option to capitalise any remaining asset surplus after offsetting is not exercised.

Provisions take account of all discernible risks and uncertain obligations in an appropriate amount. They are recognised at their settlement amount, taking account of future changes in prices and costs. Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven years in line with the remaining term.

Liabilities are recognised at their settlement amount.

Assets and liabilities denominated in foreign currencies were translated at the middle rate as of the end of the reporting period. If the remaining term was more than one year, the realisation principle (section 252(1) no. 4, 2nd half of sentence HGB) and the historical cost convention (section 253(1) sentence 1 HGB) were observed.

Share-based payment Expenses for share options are accumulated pro rata over the vesting period. They are measured at the commitment date in line with the value recognised in the consolidated financial statements in accordance with IFRS 2 “Share-based Payment” and are accumulated in the capital reserves. The options represent remuneration for work that has yet to be performed, which is why the capital reserves are to be accumulated pro rata over the period in which the employees perform this work (consideration). The offsetting item is personnel expenses.

Sales are recognised in line with the underlying contractual and other agreements at the time when the contractually agreed service was performed.

III. Balance sheet disclosures

1. Fixed assets

Information on the development of individual fixed asset items in fiscal 2021 is shown separately in the statement of changes in fixed assets in the annex to the notes, with depreciation and amortisation also disclosed.

As at 20 December 2019, the Group agreed with Onwerk GmbH, Mannheim (Onwerk), that various assets and contractual relationships and in particular the existing employment contracts (including the employment contracts of the two managing partners) would be transferred from Onwerk to NFON for a cash purchase price of EUR 150 thousand. The transfer date was 1 April 2020. Goodwill of EUR 150 thousand was capitalised in this context. As of 31 December 2021, this goodwill amounted to EUR 124 thousand after amortisation.

Loans to affiliated companies of EUR 5,793 thousand (previous year: EUR 4,138 thousand) relate to the companies NFON Italia S.r.l., Italy, NFON France SAS, France, NFON IBERIA S.L., Spain, NFON developments Lda., Portugal, NFON Polska SPOLKA Z Organiczona, Poland, and Deutsche Telefon Standard GmbH, Germany.

Effective 23 June 2021, NFON AG acquired an interest of 24.9% in Meetecho S.r.l., Naples, Italy (Meetecho) for a purchase price of EUR 625 thousand. Meetecho focuses on the development and marketing of real-time multimedia applications, in particular in the area of WebRTC technology. Meetecho is included in the consolidated financial statements of the NFON Group as an associate as at 31 December 2021, as the transaction granted NFON significant influence over the company.

2. Inventories

Inventories of EUR 215 thousand comprise stocks of merchandise of EUR 10 thousand (2020: EUR 20 thousand) and payments on account of EUR 205 thousand (2020: EUR 78 thousand).

3. Receivables and other assets

Receivables and other assets break down as follows:

in EUR thousand	31 Dec. 20 21	31 Dec. 20 20
Trade receivables	7,009	5,237
(thereof due after more than one year)	0	0
Receivables from affiliated companies	0	0
(thereof due after more than one year)	0	0
(thereof trade receivables)	0	0
Other assets	234	222
(thereof due after more than one year)	53	53
(thereof from shareholders)	0	0
Total	7,243	5,459
(thereof due after more than one year)	53	53
(thereof from shareholders)	0	0

As of the end of the reporting period, tax receivables from other countries and input taxes deductible in subsequent periods of EUR 18 thousand (previous year: EUR 48 thousand) are reported under other assets.

4. Cash funds

The “Cash funds” item consists entirely of bank balances of EUR 23,348 thousand (previous year: EUR 21,098 thousand).

Of this amount, EUR 390 thousand (previous year: EUR 390 thousand) is subject to restricted access in that it includes rights of recourse of banks for direct debits from customers.

Cash comprises cash on hand and bank balances. All highly liquid investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

5. Prepaid expenses

Prepaid expenses amounted to EUR 1,473 thousand (previous year: EUR 1,079 thousand) and chiefly consisted of prepaid expenses for licence payments in the reporting year.

6. Equity

Subscribed capital and ordinary shares

As of 31 December 2021, NFON AG had issued 16,561,124 (as of 31 December 2020: 15,055,569) ordinary bearer shares with a notional interest in the share capital of EUR 1.00. Subscribed capital totalled EUR 16,561 thousand as of 31 December 2021 (31 December 2020: EUR 15,056 thousand).

Each ordinary share entitles the bearer to one vote at the Annual General Meeting and to receive a dividend in the event of a distribution. Ordinary shares are not subject to any restrictions.

All issued and outstanding shares are fully paid in as at 31 December 2021 and 2020.

Capital reserves

Capital reserves amounted to EUR 109,464 thousand as of 31 December 2021 (previous year: EUR 84,053 thousand) and contained the premium from issued shares, expenses from the employee share option programme recognised as personnel expenses, and the equity component of the warrant bond issued in 2019. Capital reserves increased by EUR 24,842 thousand in connection with the capital increase performed in the reporting year. The corresponding expenses from the employee share option programme amounted to EUR 381 thousand in 2021.

Authorised capital

In accordance with the resolution of the Annual General Meeting on 24 June 2021, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of NFON AG on one or more occasions in one or more tranches by up to EUR 4,140,281 by issuing new bearer shares in exchange for cash or non-cash contributions until 23 June 2026 (Authorised Capital 2021). As far as the law allows, deviating from this and from section 60(2) AktG, the Management Board, with the approval of the Supervisory Board, can stipulate that the new shares can participate in profits from the start of a fiscal year that is already over for which there had not yet been a resolution by the Annual General Meeting on the appropriation of net profits at the time that they were issued. Shareholders have pre-emption rights. The new shares can also be acquired by one or more banks with the obligation to offer them to shareholders for subscription (indirect pre-emption rights). The Management Board is authorised, with the approval of the Supervisory Board, to decide the content of share rights and the terms for issuing shares, and to determine the details of the capital increase and, with the approval of the Supervisory Board, to disapply shareholder pre-emption rights in the following cases:

- to avoid fractional shares;
- if shares are issued in return for non-cash contributions to acquire companies, investments in companies, parts of companies or other assets, including rights and receivables, and the new shares for which shareholders' pre-emption rights have been disapplied do not exceed 20% of the share capital as at 24 June 2021, at the time this authorisation becomes effective or at the time it is exercised;
- to the extent necessary, to grant pre-emption rights to new shares to bearers/creditors of convertible bonds or bonds with warrants that are or have been issued by the company or subordinate Group companies in the amount they would be owed after exercising their option/conversion rights or fulfilling the conversion obligation;
- if the capital is increased in return for cash contributions, the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is finalised, and the new shares for which shareholders' pre-emption rights have been disapplied do not exceed 10% of the share capital as at 24 June 2021, at the time this authorisation becomes effective or at the time it is exercised.

Authorised Capital 2019 was cancelled by way of resolution of the Annual General Meeting on 24 June 2021.

Contingent capital

On the basis of the authorisation of the Annual General Meeting on 9 April 2018 in order to secure the pre-emption rights from stock options (pre-emption rights as referred to by section 192(2) no. 3 AktG) issued between 9 April 2018 and 8 April 2023, the share capital of NFON AG was contingently increased by up to EUR 964,015 against the issue of up to 964,015 new bearer shares (Contingent Capital II). Contingent Capital II was reduced to EUR 708,229 by way of resolution of the Annual General Meeting on 24 June 2021.

The Annual General Meeting on 24 June 2021 authorised the Supervisory Board and the Management Board (with the approval of the Supervisory Board) until the end of 23 June 2026, but not before Contingent Capital 2021 becomes effective on being entered in the commercial register (which occurred on 28 June 2021), to grant up to 947,883 stock options with pre-emption rights to shares in the company with a term of up to 10 years in one or more tranches to be issued annually in accordance with the following provisions (2021 stock option plan, Contingent Capital 2021/1). The stock options are exclusively intended for members of the Management Board of the company and employees of the company, as well as the members of management and employees of affiliated companies as referred to by sections 15 and 17 AktG.

The Contingent Capital I created by the Annual General Meeting on 9 April 2018 was cancelled in full by way of resolution of the Annual General Meeting on 24 June 2021 and amounts to EUR 0 as at 31 December 2021 (31 December 2020: EUR 2,892,045). Contingent Capital II amounted to EUR 708,229 as of 31 December 2021 (31 December 2020: EUR 964,015). The new Contingent Capital 2021/1 created in the reporting year amounts to EUR 947,883 as at 31 December 2021.

Development of net accumulated losses

	in EUR thousand 2021	in EUR thousand 2020
Net loss/income for the year	-17,	-8,
Accumulated losses brought forward from the previous year	-56,	-47,
31 December	-73,	-56,

Voting rights

In 2021, NFON AG received the following notifications in accordance with section 20(1) or (4) AktG or section 33(1) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) and published them on the Group’s website in accordance with section 20(6) or section 38(1) and section 40 WpHG:

Type of notification	Date of report	Date of change	Name of reporting party/shareholder	Relevant threshold/total number of voting rights	Details of voting rights held	Share of voting rights
Section 41(2) WpHG	30 March 2021		NFON AG	16,561,124		
Section 41(1) WpHG	30 March 2021	30 March 2021	NFON AG	16,561,124		
Section 40(1) WpHG	6 July 2021		Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt/Main, Germany	Voluntary group notification due to a subsidiary reaching a threshold: Universal-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen 3.02%		4.83%
Section 40(1) WpHG	3 August 2021		Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt/Main, Germany	Universal-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen 3.25%	Attributed as per section 34 WpHG	5.06%

Type of notification	Date of report	Date of change	Name of reporting party/shareholder	Relevant threshold/total number of voting rights	Details of voting rights held	Share of voting rights
Section 40(1) WpHG	1 September 2021		Montagu Private Equity LLP, London, UK	5%	Attributed as per section 34 WpHG	5.06%
Section 40(1) WpHG	2 September 2021		Montagu Private Equity LLP, London, UK	No longer attributed through subsidiaries following a declaration of independence in accordance with section 35 WpHG	Attributed as per section 34 WpHG	0%
Section 40(1) WpHG	3 September 2021		Morgan Stanley & Co. LLC	3%	Attributed as per section 34 WpHG	3.17%
Section 40(1) WpHG	14 October 2021		Morgan Stanley & Co. LLC	5%	Attributed as per section 34 WpHG	Share of voting rights: 4.18% Share of instruments: 1.10% Total number of voting rights: 5.27%
Section 40(1) WpHG	26 November 2021		Morgan Stanley	Voluntary group notification due to a subsidiary reaching a threshold	Attributed as per section 34 WpHG	Share of voting rights: 4.06%

Type of notification	Date of report	Date of change	Name of reporting party/shareholder	Relevant threshold/total number of voting rights	Details of voting rights held	Share of voting rights
						Share of instruments: 1.10% Total number of voting rights: 5.16%

7. Provisions

Provisions break down as follows:

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Tax provisions	0	0
Other provisions		
Personnel provisions	1,371	1,368
Outstanding incoming invoices	1,109	180
Remuneration for partner commission	578	428
Provision for financial statements and auditing	346	251
Other	162	308
Total	3,569	2,535

Personnel provisions mainly include provisions for bonuses of EUR 765 thousand (previous year: EUR 645 thousand) and vacation of EUR 505 thousand (previous year: EUR 451 thousand).

8. Liabilities

Liabilities break down as follows:

in EUR thousand	31 Dec. 2021	with a remaining term of			thereof secured by liens and similar rights	Type and form of collateral
		up to one year	more than one year	thereof: more than five years		
Liabilities to banks	0	0			No	
Bonds	0	0			No	
Trade payables	2,682	2,682			Yes	General retention of title
Liabilities to affiliated companies	11,293	11,293			No	
Other liabilities	1,382	1,338	43		Yes	Rent guarantees have been concluded as collateral
thereof taxes	495					
thereof social security	25					
Total	15,357	15,313	43			

With regard to liabilities to banks, minimum liquidity of EUR 12,000 thousand must be maintained in accordance with the credit agreement between NFON and the bank. The loan has been granted to the company until further notice and is shown with a maturity of up to one year, as the company expects that it can be settled within this period.

Trade payables to affiliated companies mainly result from net transfers to NFON UK Ltd. (EUR 4,633 thousand, previous year: EUR 3,643 thousand), NFON Italia (EUR 2,264 thousand, previous year: EUR 661 thousand), NFON France (EUR 1,837 thousand, previous year: EUR 54 thousand) and NFON GmbH (EUR 1,429 thousand, previous year: EUR 1,033 thousand).

in EUR thousand	31 Dec. 2020	with a remaining term of			thereof secured by liens and similar rights	Type and form of collateral
		up to one year	more than one year	thereof: more than five years		
Liabilities to banks	8,967	8,967			No	General retention of title
Bonds	0	0			No	
Trade payables	3,059	3,059			Yes	Rent guarantees have been concluded as collateral
Liabilities to affiliated companies	5,690	5,690			No	
Other liabilities	1,138	1,052	86		Yes	
thereof taxes	464					
thereof social security	31					
Total	18,854	18,768	86			

Other liabilities break down as follows:

in EUR thousand	31 Dec. 2021	31 Dec. 2020
Collateral received	315	323
Creditors with debit balances	293	128
VAT liabilities	190	167
Deferral for rent-free period	86	129
Loan collateral	30	
Credit card liabilities	0	4
Wage liabilities:		
Wage and church tax	305	297
Other	162	91
Total	1,382	1,138

9. Deferred income

Deferred income amounted to EUR 167 thousand and related to deferrals as of the end of the reporting period for income in subsequent periods.

10. Deferred taxes

The temporary differences between the commercial and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income were determined in the fiscal year. The findings from this lead to a potential capitalisation option for deferred tax assets. The option under section 274(1) sentence 2 HGB not to capitalise deferred tax assets is exercised.

11. Contingent liabilities and commitments

In April 2017, a parent company guarantee agreement was concluded whereby NFON AG, as the guarantor, guarantees to one of its partners, British Telecommunications plc, all payments that become payable by its subsidiary NFON UK. Occurrence of the guaranteed event is considered unlikely, as NFON UK is profitable.

In June 2021, NFON AG provided a directly enforceable guarantee for BT Germany GmbH & Co. oHG, Munich, which covers all the creditor's receivables from DTS (subsidiary of the guarantor). Due to the stable economic situation at DTS and the positive forecast, the risk of utilisation is considered low.

An equity substitution loan has been granted to a subsidiary in order to avoid over-indebtedness. As this subsidiary's equity amounted to negative EUR 860 thousand as of 31 December 2021 and there were corresponding receivables from this subsidiary, the potential obligation of NFON AG as of 31 December 2021 amounted to EUR 860 thousand. Due to the positive forecast, the risk of utilisation is considered low.

12. Other financial commitments

As of 31 December 2021, there are commitments from long-term rental agreements and leases in the amount of EUR 7,471 thousand (previous year: EUR 4,844 thousand).

Specifically, these result from vehicle leases of EUR 197 thousand (previous year: EUR 219 thousand) and rental agreements for buildings of EUR 6,778 thousand (previous year: EUR 4,625 thousand).

There is an agreement with an associate under which the associate will perform consulting services for NFON for a period of five years. This results in a total obligation on the part of NFON of EUR 495 thousand.

IV. Income statement disclosures

The income statement is prepared in line with the nature of expense method.

1. Sales

Sales break down as follows:

in EUR thousand	2021	2020
Areas of activity:		
Recurring	39,078	34,968
Recurring IC	170	151
Non-recurring	4,178	4,608
Non-recurring IC	4,689	4,641
Total	48,115	44,367

in EUR thousand	2021	2020
Geographically defined markets:		
Germany	41,777	38,239
Germany IC	135	167
European Union	935	1,005
European Union IC	3,346	4,625
Other Europe	543	331
Other Europe IC	1,378	-
Total	48,115	44,367

2. Other operating income

in EUR thousand	2021	2020
Offsetting of remuneration in kind	148	158
Reimbursement under Expenditure Compensation Act	55	24
Miscellaneous other operating income*	27	30
Investment subsidy	21	210
Income from provisions*	9	303
Income from currency translation	0	1
Total	260	726

* = prior-period income

In total, prior-period income of EUR 10 thousand (previous year: EUR 311 thousand) was included in other operating income. This mainly resulted from the reversal of provisions, income from write-ups in connection with receivables written down in previous periods, and commission income.

3. Cost of materials

The cost of materials chiefly comprises the procurement of services in the form of software provision in the amount of EUR 3,290 thousand (previous year: EUR 2,647 thousand) and the procurement of merchandise (hardware) in the amount of EUR 1,578 thousand (previous year: EUR 2,073 thousand) and airtime in the amount of EUR 1,711 thousand (previous year: EUR 1,763 thousand).

4. Personnel expenses

The rise in personnel expenses by EUR 1,493 thousand to EUR 20,770 thousand (previous year: EUR 19,521 thousand) mainly results from the increase in the number of employees. Personnel expenses include expenses in connection with share options issued to employees of subsidiaries in the amount of EUR 132 thousand (previous year: EUR 176 thousand).

In 2019, an employee share option programme was introduced by NFON AG. This provides non-transferable share options that are issued to a precisely defined group of individuals and had the following value at the end of the reporting period.

Determining fair values

Grant date / eligible employees	Number of instruments in thousands	Contractual term of options	Expected turnover in %	Value of option	Value as of 31 December 2021 in EUR thousand	Value over entire term
Options promised to the Management Board						
On 2 January 2019	199	48 months	0	4.04	741	805
On 28 June 2021	180	48 months	0	6.23	70	561
Expired as of 31 December 2021	-45					
Options promised to employees						
On 2 January 2019	423	48 months	17.4	4.07	929	1,240
Forfeited as of 31 December 2020	-11					
Forfeited as of 31 December 2021	-43					
On 9 May 2019	26	48 months	17.4	4.76	47	71
Forfeited as of 31 December 2020	-5					
Forfeited as of 31 December 2021	-3					
On 27 September 2019	47	48 months	17.4	4.35	83	147
Forfeited as of 31 December 2021	-6					
On 20 December 2019	15	48 months	17.4	3.44	21	43
On 12 May 2020	8	48 months	17.4	5.29	-	-
Expired in 2020	-8					
On 16 September 2020	6	48 months	17.4	5.29	-	-
Expired in 2020	-6					
On 1 September 2021	215	48 months	20	7.58	43	590
Forfeited as of 31 December 2021	-20					
Expired as of 31 December 2021	-48.75					

Total share options outstanding as of 31 December 2021	923				1,934	3,457
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88,000 options were forfeited as the corresponding employees had left. 107,750 options expired as the underlying targets were not achieved.

5. Amortisation of intangible assets and depreciation of tangible assets

in EUR thousand	2021	2020
Amortisation of intangible fixed assets	162	122
Depreciation of tangible fixed assets	923	723
Total	1,085	845

Depreciation and amortisation increased as a result of increased acquisitions and corresponding depreciation and amortisation. Amortisation of intangible assets includes EUR 15 thousand in amortisation on the goodwill acquired in 2020.

No impairment losses were recognised in the reporting year. Further information can be found in the statement of changes in fixed assets.

6. Other operating expenses

The total amount of other operating expenses came to EUR 37,192 thousand in the reporting year (previous year: EUR 26,657 thousand) and mainly included the items broken down below.

in EUR thousand	2021	2020
Transfer pricing expense	11,622	9,917
Selling costs	5,875	4,491
Freelancers, consulting costs	5,413	2,661
Advertising, media, trade fairs	5,268	3,706
Maintenance, servicing, IT	2,787	1,319
Incidental premises expenses	1,579	1,307
Software use	1,295	827
Personnel recruitment, training	859	509
Administrative costs	596	318
Support costs	406	398
Financial statement and audit costs	385	288
Vehicle fleet including vehicle insurance	322	302
Insurance, not including vehicle insurance	192	176
Travel costs, hospitality, gifts	187	161
Miscellaneous other operating expenses	184	137
Supervisory Board remuneration	189	134
Company event	34	6
Total	37,192	26,657

Other operating expenses include prior-period expenses of EUR 16 thousand (previous year: EUR 35 thousand) resulting from losses on bad debts. Miscellaneous other operating expenses include currency translation expenses of EUR 2 thousand (previous year: EUR 2 thousand).

7. Net interest income

in EUR thousand	2021	2020
Income from other investments and long-term loans	188	223
thereof from affiliated companies	188	223
Other interest and similar income	5	9
Interest and similar expenses	-319	-537
thereof to affiliated companies	-155	-144
Total	-126	-305

"-" = expense

Other interest and similar income chiefly relates to income from disconnection and reminder fees.

Interest expenses decreased by EUR 218 thousand year-on-year to EUR 319 thousand.

8. Other taxes

Vehicle taxes of EUR 6 thousand (previous year: EUR 6 thousand) are reported under other taxes.

V. Other disclosures

1. Total fee for the auditor

KPMG AG WPG audited the annual and consolidated financial statements of NFON AG. Disclosures on the auditor's fees are included in the consolidated financial statements of NFON AG. On the basis of the exempting group clause under section 285 no. 17 HGB, they are not published here.

2. Annual average number of employees

During the fiscal year, an average of 249 people were employed (previous year: 219) in accordance with the determination provisions from section 285 HGB. All of these were salaried employees.

Number	2021	2020
Full-time employees	227	202
Part-time employees	19	17
Total	246	219

3. The Management Board

In the reporting period and the period up until the preparation of the 2021 annual financial statements, the company's Management Board was made up of the following members:

- Dr Klaus von Rottkay, doctorate in physics, Munich,
CEO (Chairman of the Management Board)
- Jan-Peter Koopmann, degree in computer science and business administration,
Nackenheim,
CTO

4. Supervisory Board

During the reporting period and until the preparation of the balance sheet, the company's Supervisory Board was made up of the following members:

- Rainer Christian Koppitz
Chairman of the Supervisory Board
Profession:
CEO of Katek SE, Munich, and Chairman of the Supervisory Board of Cenit AG, Stuttgart.

- Dr Rupert Doehner
Deputy Chairman
Profession:
Lawyer, Managing Director of RECON Rechtsanwaltsgesellschaft mbH, Munich

- Günter Müller
Member
Profession:
Executive Chairman of ASC Technologies AG, Hösbach.

- Florian Schuhbauer
Member
Profession:
Managing Director of Active Ownership Capital S.a.r.l and Active Ownership Corporation S.a.r.l., Grevenmacher, Luxembourg, and Deputy Chairman of the Supervisory Board of vita 34 AG, Leipzig.

5. Total remuneration of members of executive bodies

Pursuant to section 314(1) no. 6 a sentences 1 to 4 HGB as currently amended, the Management Board received remuneration of EUR 1,613 thousand in the reporting year (previous year: EUR 1,062 thousand). This includes the grant values for share-based payments of EUR 561 thousand (2020: EUR 0 thousand). A total of 180,000 stock options were granted in the reporting year. No stock options were granted in the previous year. The 2020 consolidated financial statements included EUR 260 thousand in post-employment remuneration for members of the Management Board who left in 2020.

As of 31 December 2021, there were no loans or advances to members of executive bodies.

No contingent liabilities have been assumed for this group of individuals.

The Supervisory Board remuneration breaks down as follows:

EUR thousand	2021	2020
Supervisory Board remuneration		
Basic remuneration	165	115
Attendance fee	24	19
Total remuneration of members of the Supervisory Board	189	134

6. List of shareholdings

List of shareholdings in accordance with section 285 no. 11 HGB:

NFON GmbH, St Pölten, Austria Net income in 2021: EUR 379 thousand	Share: Equity:	100.00% EUR +1,664 thousand
NFON UK Ltd., Maidenhead, UK Net income in 2021: EUR 304 thousand	Share: Equity:	100.00% EUR +6,108 thousand
NFON Iberia SL, Madrid, Spain Net income in 2021: EUR 59 thousand	Share: Equity:	100.00% EUR -907 thousand
NFON Italia S.R.L, Milan, Italy Net income in 2021: EUR -17 thousand	Share: Equity:	100.00% EUR +564 thousand
NFON France SAS, Paris, France Net income in 2021: EUR -24 thousand	Share: Equity:	100.00% EUR +47 thousand
Deutsche Telefon Standard GmbH, Mainz, Ger-Share: many		100.00%

Net income in 2021: EUR 3,966 thousand	Equity:	EUR 6,616 thousand
NFON developments Lda., Lisbon, Portugal Net income in 2021: EUR 106 thousand	Share: Equity:	100.00% EUR 237 thousand
NFON Polska Sp.z.oo, Warsaw, Poland Net income in 2021: EUR -137 thousand	Share: Equity:	100.00% EUR -136 thousand
Meetecho S.r.l., Naples, Italy Net income in 2021: EUR 104 thousand	Share: Equity:	24.9% EUR 236 thousand

The figures shown for net income and equity are based on the figures from the IFRS reporting packages (HB II) prepared by the subsidiaries for the purposes of preparing the NFON consolidated financial statements as of 31 December 2021.

7. Group relationships

NFON AG, Munich, prepares the consolidated financial statements and the group management report for the NFON Group. The consolidated financial statements and group management report of NFON AG, Munich, are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, published electronically in the *Bundesanzeiger* (German Federal Gazette) and filed with the Munich Local Court (HRB 168022).

8. Events after the end of the reporting period (supplementary report)

In March 2022, NFON AG will move into new premises at its location in Mainz. As part of this move, the space is being rearranged.

The acquisition credit facility of EUR 10,000 thousand in place since 8 January 2019 was terminated at the end of February 2022.

The war in Ukraine had no effect on the annual financial statements as at 31 December 2021. Possible repercussions for NFON AG's business performance are being monitored on an ongoing basis. No material effects have become known to date. An assessment of how this conflict could influence NFON's future business performance is not possible at the current time. For further details, please refer to the comments in the combined management report.

There were no further events with a significant impact on the financial position and financial performance of the company after the end of the reporting period.

9. Declaration on the German Corporate Governance Code in accordance with section 161 AktG

On 31 March 2022, NFON AG will publish the prescribed declaration in accordance with section 161 AktG for 2021 and make this available on its website www.nfon.com under Investor Relations.

10. Appropriation of net profit

The Management Board and Supervisory Board will propose to the Annual General Meeting on 24 June 2021 that the net accumulated loss of EUR -73,495 thousand be carried forward to new account.

Statement of changes in fixed assets in fiscal 2021

Figures in EUR thousand	Cost 1 January 2021	Addi- tions/ Disposals	Reclassifica- tions	Cost 31 Dec. 202 1	Write-downs 1 January 2021	Book value 1 January 2021	Addi- tions Disposals	Reclassifica- tions	Write-downs - write-ups	Book value 31 Dec. 202 1
I. Intangible assets										
1. Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	640	39	88	767	364	277	39	88	150	253
2. Goodwill	150	0		150	11	139	0	0	15	124
3. Prepayments	77	11	-88	0	0	77	11	-88	0	0
Other intangible assets	867	50	0	917	375	492	50	0	165	378
II. Tangible assets										
1. Technical equipment and machinery	4,250	578	368	5,196	2,483	1,767	581	368	694	2,022
2. Other equipment, operating and office equipment	1,466	219		1,685	989	476	219	0	229	467
3. Payments on account and assets under construction	368	45	-368	45	0	368	45	-368	0	45
Total tangible assets	6,084	842	0	6,926	3,472	2,612	845	0	923	2,534
III. Long-term financial assets										
1. Investments in affiliated companies	29,826	0	0	29,826	0	29,826	0	0	0	29,826
2. Loans to affiliated companies	4,138	1,656	0	5,793	0	4,138	1,656	0	0	5,793
3. Equity investments	0	625	0	625	0	0	625	0	0	625

Total long-term financial assets	33,964	2,281	0	36,244	0	33,964	2,281	0	0	36,244
Total	<u>40,915</u>	<u>3,173</u>	<u>0</u>	<u>44,088</u>	<u>3,847</u>	<u>37,068</u>	<u>3,176</u>	<u>0</u>	<u>1,088</u>	<u>39,156</u>

Munich, 31 March 2022

.....
Dr Klaus von Rottkay

.....
Jan-Peter Koopmann