

NFON **AG**

Annual General Meeting

24 August 2022

Speech of the Board of Directors

The spoken word shall prevail.

Courtesy translation

Good morning, ladies and gentlemen, and dear shareholders!

A little over a year ago, we all had hopes that by now, August 2022, the world had not only left corona behind it, but also shaken off the economic consequences of the pandemic. While corona has faded into the background, we are all now feeling the economic effects of the ongoing war in Ukraine. These have made themselves felt not least in the form of considerable pressure on the stock markets – including our own share.

In situations of great uncertainty, it's good to be in contact and to seek exchange. After all, the economic climate might have gotten worse, but even in these times, there are still opportunities to be seized and positive developments that we can report on. That is why I welcome the opportunity to present NFON's development to you in detail today at our Annual General Meeting and would like to welcome you, dear shareholders, to this year's Annual General Meeting, also on behalf of my C-Level colleagues.

Our company has grown considerably over the past 15 years since NFON was founded: Today, we serve around 55,000 European companies, have a partner network of close to 3,500 partners and have more than 500 employees in the NFON Group. Our new brand identity reflects growth, digitalization and our proximity to partners and customers. We are different from the competition. And we want to pursue a clear mission: We want to become the leading provider of integrated business communication in Europe.

Over the next 30 minutes, my colleague Jan-Peter Koopmann and I will explain the strategic progress we have made over the past year and in the first few months of this year.

Let's start with the topic of integrated business communication.

The working world is being forced to rethink and reimagine things in many areas. Technological disruptions are no longer a rarity. New technologies spread around the world within a very short time and quickly become routine.

The working world is also experiencing a similar phenomenon with cloud services. The number of hybrid and virtual forms of work is multiplying at a rapid pace, and with it the volume of cloud services available. Company managers who think that their company is immune to these dynamics is mistaken. Those who do not act quickly enough will simply be overtaken.

We thus find ourselves in a permanent process of innovation. Communication is one key aspect of this process, not just inside companies and between them, but also between companies and their customers.

Communication is of vital importance for all of us. Three things are crucial here:

Speed,

quality and

security.

Nothing is older than yesterday's news. This saying has never been as true as it is today. We could probably almost say: Nothing is older than the news from just a moment ago. Changes need to be communicated and processed quickly. Innovation cycles are becoming shorter and shorter. Customer needs and requirements are changing as a result. We as a company need to develop the ability to anticipate future developments. This would set standards – for companies and their communication. Customers are not willing to wait – neither for products nor for product innovations or responses.

Speed isn't everything, however. The quality of the information also has to be good. The information communicated needs to be accurate and comprehensible. It must be available at all times and constantly be updated. That is the condition for its effectiveness. Companies can only respond appropriately to their customers' needs if they have accurate and complete information.

And finally: Information, especially customer information, is extremely security-sensitive and invaluable. That is why information cannot be lost, either through improper storage or theft.

Speed, quality and security are therefore critical parameters for functioning communication and thus guarantors of long-term company success. Digitalization and automation of internal processes and workflows are the key factors in meeting these communication requirements. I know this doesn't sound easy, and it isn't.

Digital transformation continues to pose a challenge for many organizations. Simply transferring utilities to the cloud and digitally replicating processes does not suffice, however. Organizations must link their cloud strategy with their company strategy. This is exactly where the potential of integrated business communication unfolds. After all, digitalized processes and automation only achieve the aforementioned parameters of speed, quality and security if various workflows and communication streams are coordinated and

networked with each other – in other words, integrated. Integrated business communication basically comprises telephony, video and chat. In addition, there are programs for cooperation – i.e. collaboration, the organization of work or customer data – known as ERP or customer relations systems, and the exchange of information via application interfaces, so-called APIs. In summary, this means that the market for integrated business communication is emerging from the intersection of communication solutions and business applications.

But technology is only one aspect of integrated business communication. Another key aspect of digitalization and integration definitively also needs to be considered: People as users of digital technologies. Complexity, flooding and unavailability are key factors in the psychological stress users experience. If these phenomena become more prevalent, the best intentions turn into their opposite: speed, quality and security turn into a drop in performance, demotivation and a lack of concentration.

Digital working is the “New Normal” and it has to feel like it. This is reflected in our products and our brand identity. Driven by this idea, we are working on products that are quick to understand and intuitive to use. We want to make work smarter, not more complicated. Our aspiration is to design cloud systems for the user. We provide answers before users even start asking questions. And we transform ideas into secure solutions that inspire our partners and customers.

This is how we differentiate ourselves from the competition. This puts us in a position to become the leading provider in Europe.

We are pursuing a clear strategy in order to achieve this mission. It defines our approach in the areas of

- Technology,
- Go-to-Market and
- Inorganic growth.

But before I provide you with further details on how we go to market and our inorganic growth – also in the context of the consolidated financial statements for the year and the first half of the year – I would like to hand over to my esteemed colleague and Chief Technology Officer Jan-Peter Koopmann.

Thank you, Klaus!

Dear shareholders, dear viewers on the screens!

The market for communication has been set in motion once again over the past two years. The focus of business communication has shifted at breakneck speed: video, chatting, collaboration and networking are the buzzwords that accompany each and every one of us. In this situation, we need to take a closer look at our positioning and invest our resources in the right activities.

We see growth in the cloud-only telephony market slowing and shifting to other, more integrated areas of communication. Competing against the hyperscalers like Microsoft or Zoom with an identical approach in an identical market doesn't make sense for us. In this respect:

'If you don't like what's being said, change the conversation.'¹

What began in 2007 with three founding partners and pure telephony has changed considerably. Cloud telephony is increasingly becoming a building block of integrated communications. Our goal in the area of product development is to offer cloud-based business communication in Europe and to network teams in such a way that they can communicate quickly, with outstanding quality and high security with a focus on their efficiency using integrated communication solutions.

This results in three lines of action for us: firstly, focusing on our customers' efficiency, and secondly, integrating from and into other solutions and systems. In this context, our guiding principle is the customer benefit in addition to meeting the requirements for speed, quality and security:

- Our customers should be able to organize themselves easily and concentrate on their work with our products.
 - Our products and services must be geared precisely to the customer's needs. They have to be easy to use and help our customers do their everyday work.
 - Our platform needs to support smart workflows, even in complex environments.
- Make one out of many.

We have achieved important milestones in the areas of Unified Communications & Collaboration and Contact Center Solutions in 2022. With Cloudya Meet & Share, we offer a comprehensive UC suite, and with the omnichannel product Contact Center Hub, available across Europe, we have an attractive offering for the high-growth CCaaS market in our

¹ Mad Man, Don Draper

portfolio. New desktop apps for improved system integration and further integration of Cloudya and Contact Center Hub are also on the agenda.

Integration is definitely the hot topic: with CRM Connect, we added functionality to Cloudya this year that makes it possible to integrate Cloudya with CRM and ERP systems with minimal effort. This approach adds value for the customer that goes far beyond the actual communication: improving the efficiency of workflows. We believe that this integration capability will be a key differentiator in an increasingly mature market and will continue to expand this strongly, including into specific vertical segments.

In addition, Cloudya's integration with Microsoft Teams is also keeping us busy.

Back in January of this year, Microsoft announced that its collaboration platform Microsoft Teams is now used by more than 270 million users per month. A remarkable growth rate!²

We all know that the change in working conditions has once again significantly accelerated the spread of MS Teams. In addition, Microsoft has also put significant development resources into the platform. MS Teams now includes all the features expected of a collaboration application: Instant messaging, voice conferencing and video meetings.

However, Microsoft has a clear focus on collaboration – and thus also offers room for additional business for us in the area of traditional PSTN telephony. PSTN stands for Public Switched Telephone Network and refers to the entirety of the world's circuit-switched telephone networks operated by national, regional or local carriers. So PSTN is what we have always used to make phone calls. Hence, if users want to use telephony the way they are used to, they are looking for full PSTN telephony solutions. Less than 5 percent of the total Teams user base is using the Microsoft Teams solution holistically with Teams Phone. Or to put it differently, according to market researchers at Cavell Group, more than 95 percent of MS Teams users turn to third-party telephony service providers when they need professional telephony capabilities. And Microsoft enables this, either through direct routing, application integration or operator connect.

NFON has already been successfully offering Integration for Microsoft Teams since 2020. Now we are also becoming a Microsoft Operator Connect Partner. This means that Microsoft customers who want to use Teams telephony can choose us directly as their operator.

² <https://cavellgroup.com/huge-growth-microsoft-teams-telephony-market/> and <https://view.officeapps.live.com/op/view.aspx?src=https://c.s-microsoft.com/en-us/CMSFiles/TranscriptFY22Q4.docx?version=7c72e1a7-c443-770c-5d0d-f29bf30b8f84>

What does this mean for us?

- We are expanding our business opportunities and taking an important step in terms of integration capabilities.
- We can benefit from Microsoft's broad user base.
- The NFON brand will be seen by all Microsoft Teams customers whenever they want to use PSTN.
- We offer another option for our customers if they want to have telephony integrated with Microsoft Teams.

What I just told you is one way customer-centric integration can work. Our customer no longer has to switch between different applications. We help our customers to use applications easily and in a way that best suits their work. The time and nerve wasters that everyone is familiar with are eliminated. Sentences like "That function is down again" or "I forgot where something is" should now be a thing of the past.

Dear listeners, these are projects that our product management and our developers, who now number around 100, are working on. They are the daily tasks, but also the exciting ideas that we are driving forward.

What exactly Cloudya will look like at the end of the day is still an open question. As a provider of integrated business communication, we are driven by the idea

- that customers can easily organize their work with the help of our products and concentrate on their work.
- that our products and services are precisely aligned with customer benefits, i.e. that they are easy to use and help our customers with their daily work, and
- that our platform supports smart workflows even in complex environments.

With that I will pass the floor back to you, Klaus

Thank you very much, Jan-Peter.

Ladies and gentlemen,

Our growth strategy defines three main areas:

- Technology,
- Go-To-Market and

- Inorganic growth.

You now know a bit more about the implementation of our technological strategy and our goals in the area of product development, but without sales, there would be no revenue. That is why we define Go-To-Market as another strategic area.

In turn, we divide our Go-To-Market strategy into three strands of action:

- Partner development,
- Customer development
- and Market development.

With a few exceptions, we sell our products exclusively via the indirect sales channel. Here, we launched the new NGAGE partner programme at the beginning of the year. The clear goals are:

- Acquisition of new partners and
- Strengthening relationships and developing existing partners into high-revenue partners.

In the meantime, our European partner network has grown to include nearly 3,500 partners. However, at this point, our strategy is no longer aimed solely at expanding the size of the network. Greater emphasis is being placed on the qualification of our partners. Overall, we have therefore significantly optimized the partner acquisition process: After conducting a structured selection process, partners become part of the new, Europe-wide partner program NGAGE. Here, we distinguish between partners with a lot of potential and a customer base and smaller partners who operate very locally, for example. A potential-based approach replaces the One Size Fits All principle.

At the same time, we want to continuously increase the number of Tier One partners from our current partner base by offering appropriate incentives and training. Partners are incentivized according to the number of new customers and seats they acquire and the additional products and services they sell to their customer base. In other words, a partner moves up the ranks according to the size of its customer base and the amount of revenue he generates with these customers.

The strategic objective in the area of partner and customer acquisition therefore runs along two dimensions:

1. Increasing revenues from the current customer base and
2. The acquisition of new customers via the partner network.

We have also sharpened our strategic focus in acquiring new customers. We are now increasingly moving into the enterprise customer segment, i.e. companies with more than 250 employees. This has an impact on the sales cycle. While smaller customers can be activated within weeks, the sales cycle for larger customers is extended to an average of three to six months, and especially large customers even to years. This cycle can still change in time depending on which solution packages we sell. A pure cloud PBX may require less consulting and implementation time than a cloud PBX in combination with Contact Center Hub, for example.

This brings me to the results for financial year 2021 and the first half of 2022. With our repositioning away from being a pure cloud telephony provider to being an integrated business communication provider, we have reacted in good time to the changes in the cloud telephony market that are now on the horizon and that I just discussed. Regardless of the impact this repositioning will have on our business, we are also currently feeling and seeing the general effects of the economic climate caused by corona and the Ukraine war. Investments and expansion plans are being critically examined and, if not stopped, often put on hold. An effect that can be seen first and foremost in the development of our seat base – i.e. the extensions installed at our customers' sites.

Whereas we managed to grow at a rate of 12 percent in terms of the seat base in 2021, we have planned for a growth rate in the seat base of between 10 percent and 12 percent for the full year 2022 and expect to achieve this range at the lower end. In this development, we see the hesitant investment behaviour of our customers just mentioned and in parts already the extended sales cycle. At the same time, we note that the blended ARPU – the average recurring revenues across all sales channels and products – remains stable. Although the high volume of voice minutes is decreasing due to the pandemic, at the same time, we see an increase in revenues for our premium solutions – albeit still at a low level. The trend I just described is evident here: cloud telephony is no longer growing as quickly, but solutions for integrated business communication are catching up.

We also see this phenomenon in the development of revenue: At the end of financial year 2021, we were able to increase recurring revenues by 14.4 percent. For 2022, we have

planned for a growth rate of between 10 percent and 12 percent for recurring revenues and, based on current knowledge and the growth rate of 8.6 percent achieved at the half-year point, we assume that we will also achieve the forecast at the lower end here. With total revenue of EUR 76 million in 2021 and EUR 40 million at the half-year point in 2022, we have achieved a share of recurring revenues in total revenue of around 90 and 91 percent, respectively. This shows that we have a sustainable, stable basis that we can use to invest further and grow in the market for integrated business communication.

Regarding this topic, dear shareholders, let me briefly report on the utilisation of an authorisation granted by the Annual General Meeting to issue new shares in the past financial year. I already reported to you on this capital increase in March 2021 due to its proximity to the Annual General Meeting in June 2021. However, since today's Annual General Meeting is dealing with the past financial year 2021, I would like to explain last year's capital increase again for the sake of completeness.

By resolution of 12 December 2019, the Annual General Meeting had authorised the Management Board of NFON AG to increase the share capital in the period up to 11 December 2024, with the approval of the Supervisory Board, once or in partial amounts by a total of up to 3 million euros by issuing new no-par value bearer shares against cash and/or non-cash contributions. The Management Board was also authorised by the Annual General Meeting to exclude shareholders' subscription rights under certain conditions, including in the case of capital increases under the conditions of § 186 para. 3 sentence 4 of the German Stock Corporation Act (AktG).

Based on this authorisation, the Management Board decided on 25 March 2021, with the approval of the Supervisory Board, to issue up to 1,505,555 new no-par value ordinary bearer shares, which corresponds to an increase in the company's current share capital of up to 10 percent. Shareholders' subscription rights were excluded in accordance with the authorisation and pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG).

NFON AG was able to place 1,505,555 shares with institutional investors at a placement price of EUR 17.50 as part of an accelerated placement process, which corresponds to gross issue proceeds of over EUR 26 million. By excluding the subscription rights of shareholders, the capital increase was carried out very quickly on the one hand, and on the

other hand, very high costs were avoided in the process, which would have been incurred in the event of an issue that included subscription rights for shareholders.

Through the registration of the capital increase, the share capital increased in total from EUR 15,055,569.00 to EUR 16,561,124.00.

The net proceeds from the issue will flow into the company's growth, in particular into the further development of the product portfolio through internal development projects or technology investments, the expansion of the partner network and marketing activities.

Overall, however, the task now is to profitably develop the investments made in recent years for NFON and to reap the fruits of the measures already initiated.

This means that profitability clearly takes priority. We will not increase our growth investments in marketing and personnel any further.

At this point, I would like to comment briefly on our profit and loss transfer agreement with Deutsche Telefon Standard GmbH.

Under item 6 of today's agenda, you will find the resolution on the profit and loss transfer agreement between the company and Deutsche Telefon Standard GmbH.

A so-called profit and loss transfer agreement was concluded between the two companies on 11 July 2022. The approval of today's Annual General Meeting is still required for this profit and loss transfer agreement to become effective.

The objective of the agreement is to establish a fiscal unity between NFON AG and Deutsche Telefon Standard GmbH (DTS for short) for corporation and trade tax purposes. Due to this fiscal unity, the profits and losses of DTS will be directly attributed to NFON AG for tax purposes. Depending on the tax result situation, this can lead to tax advantages that could not be achieved without this agreement. Profits of DTS can be transferred to NFON without any additional tax burden.

Should DTS – contrary to current expectations – incur losses, these would have to be assumed by NFON AG. Apart from this loss assumption obligation, there are no particular consequences from the point of view of the shareholders, in particular because NFON AG is the sole shareholder of DTS and therefore no compensation or settlements are owed to outside shareholders. Therefore, no contract audit or audit report are necessary either.

The profit and loss transfer agreement is printed in full under agenda item 6 in the invitation. The agreement and a detailed joint report of the companies pursuant to § 293a of the German Stock Corporation Act (AktG) have also been available on our company's website since the convening of the Annual General Meeting.

Since the tax advantages from the conclusion of this agreement between the two companies outweigh the tax benefits, I ask you to approve this agreement.

And that, ladies and gentlemen, brings me to the end of our Management Board speech and to the two remaining areas of our growth strategy: market development and market consolidation.

We are seeking to becoming the leading provider of integrated business communication in Europe. Accordingly, we have completely renewed our brand identity. NFON is a pan-European Group that sells different products and solutions. That is why we are now pursuing an umbrella brand strategy. Our Group with its subsidiaries operating throughout Europe is now represented by one corporate brand: NFON AG. At the same time, we have repositioned the corporate brand NFON, making it much more digital and fresh, and we have also radically redesigned its look. We have set ourselves the goal of making communication as simple as possible. Seamless. Intuitive. And that's exactly how we communicate. With our new umbrella brand and corporate brands, we have been confidently presenting ourselves as a provider of integrated business communication in all markets since May 2022.

Our choice of markets is focused. In the interest of adjusting our investment policy, we have also made optimisations here and shifted sales activities from France to Poland. At the same time, in accordance with our acquisition strategy, we are continuously examining appropriate acquisition targets and see a few attractive opportunities in the market.

However, at this point, we are not alone in the market with one realisation: the general economic situation and the resulting uncertainties in the market are not without impact on the capital market and have presented us with new challenges. However, our strategic orientation remains the same:

1. Expansion of our market position in our core markets of Germany and Austria.
2. Intensification of business activities in underpenetrated markets such as Italy and Poland.

3. Selective acquisition of companies to further increase our technological capabilities and/or market share

Ladies and gentlemen, dear shareholders, this brings me to the end of my presentation.

As I said at the beginning: In the field of business communication, what counts is speed, quality and security. These three parameters of good communication are fulfilled by customer-oriented products and solutions. When we develop our products, we think about people. Companies are successful because people communicate with each other. Communication creates trust and openness. It strengthens relationships between people across company boundaries. Personal networks grow. The forms of integrated business communication offered and conceived by NFON therefore make a contribution to the long-term, sustainable success of companies that should not be underestimated.

For us, however, sustainability extends far beyond long-term company growth. Every organisation must commit to certain values and reaffirm them again and again.

That is why we also see it as our task to conserve natural resources and thus protect the climate and the environment. In addition, the social concerns of employees, suppliers and other partners are particularly important to us. Good corporate governance is close to our hearts. We want to do our part to promote respect and teamwork in business life. We take sustainability very personally. Only together will we manage to keep not only the interests and needs of the present generation, but also for future generations, in mind.

We are convinced that, with our strategic orientation, we have laid the foundation for developing NFON into the leading provider of integrated business communication in Europe. This is where we see future growth opportunities for NFON. Opportunities that we would like to exploit together with you. Your trust in us and the company is important to us. We would therefore be delighted if you would continue to accompany us on this path and would like to thank you for the confidence you already place in us today.