FACTS AND FIGURES FROM THE THIRD QUARTER

QUARTERLY REPORT FOR 3 / 2022

NFON AG

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

Table of key figures

In EUR million	9M 2022	9M 2021	Change in %	Q3 2022	Q3 2021	Change in %
Total revenue	**60.4**	**56.5**	**6.9**	**20.3**	**18.7**	**9.1**
Recurring revenue	55.0	50.6	8.7	18.4	16.9	8.8
Share of recurring revenues in total revenue (%)	90.9	89.5	n/a	90.5	90.7	n/a
Non-recurring revenue	5.5	5.9	-8.0	1.9	1.7	11.5
Non-recurring revenue as a share of total revenue (%)	9.1	10.5	n/a	9.5	9.3	n/a
Seats (as at 30 Sep.)	**622.785**	**573,069**	**8.7**	**622,785**	**573,069**	**8.7**

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List of abbreviations

API	Application Programming Interface
CCaaS	Contact Center as a Service
CRM	Customer Relationship Management
CTI	Computer-Telephone-Intergration
ERP	Enterprise Resource Planning
PBX	Abbreviation for Private Branch Exchange. German: Telefonanlage
PSTN	Public Switched Telephone Network
SaaS	Software as a Service
SDK	Software Development Kits
SDSL	Symmetric Digital Subscriber Line is a DSL access technology to a public digital network
UCC	Unified Communications & Collaboration
UCCaaS	Unified Communications & Collaboration as a Service
CPaaS	Comunication Platform as a Service

CONTENTS

Dear shareholders, dear readers!

The cloud communications market is on the move. Company managers are implementing holistic enterprise-wide cloud strategies and increasingly looking for integrated enterprise communications solutions. Consequently, where we once saw the migration of on-premise PBXs to cloud PBXs, companies are now starting to migrate their users to integrated communications and collaboration (UCC) solutions.

We have recognized these changing market requirements at an early stage, which is why we have purposefully driven our realignment as a provider of integrated business communications. The investments in growth we have made thus form the foundation for positioning NFON as a leader in the European market. We have successfully expanded our team of developers and made our further development clearly visible through the rebranding of the NFON brand. Our focus is now on profitable growth. In line with this repositioning as a provider of integrated business communications, our product roadmap is also clearly defined. At the same time, we are developing our partner network even further and expanding our presence in markets that are particularly important to us, including Germany and Austria, but also the UK, Italy and Poland. Based on more than 3,000 partners serving more than 50,000 companies across Europe, we will strive to grow profitably within our current customer base through up-selling and cross-selling activities as well as by verticalising our customer base.

At the beginning of the second half of the year, we started implementing measures aimed at increasing our profitability. For example, we recorded positive adjusted EBITDA of EUR 0.7 million for the quarter (Q3 2022). At the same time, the number of extensions (seats) installed at customers' premises increased by a further 9% to around 623,000 by 30 September 2022 compared to 30 September 2021. We generate our recurring revenue from our stable, continuously growing seat base. With a still very low churn rate of around 6% per year, we were able to increase our recurring revenue by around 9% year-on-year to EUR 55.0 million in the first 9 months of 2022. This equates to a continued high share of 91% of recurring revenue in total revenues.

EUR 0.7 million

adjusted EBITDA

Our performance in recent months reflects the generally prevailing economic uncertainty, however. As in previous quarters, a wide variety of factors had a negative impact on the macroeconomic environment in the third quarter of 2022. Overall high market volatility, rising energy and raw material prices as a result of the Russia-Ukraine war, and the increasing impact of the interest rate turnaround that has been initiated continue to pose major challenges for companies worldwide and are leading to restraint in corporate investment behaviour in markets of importance to NFON. This is a development that has not left us unscathed. In this environment, sales cycles have lengthened as investment decisions are being made more slowly.

In light of these developments, we have adjusted our forecast for the full year 2022. We now expect a growth rate of between 7% and 8% for seats and between 8% and 9% for recurring revenue. In addition, the share of recurring revenue in total revenues is being adjusted to at least 90%.

Our clear objective is to balance investments in growth and profitability and to finance organic growth from our own resources in the future. We want to become the leading provider of integrated business communications in Europe. We have laid the foundations for this. Accordingly, we will continue to pursue the opportunities and growth potential available to us in the future. We look forward to continuing our journey into the future together.

Kind regards,

Dr Klaus von Rottkay and Jan-Peter Koopmann

approx.

623.000

Seats

Interim Group Management Report

Revenue

On the back of recurring income, the trend in revenue growth remained positive overall as against the previous year. Nevertheless, existing and new customers are exercising restraint in their investment decisions and communication spending. This reticence is likely primarily the result of economic repercussions and uncertainties following Russia's invasion of Ukraine.

Revenue growth in the first nine 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 higher sales of the expanded product portfolio among both new customers and the existing customer base.

90.9%

Share of recurring revenues in total revenue in the first nine months 2022.

EUR million	9M 2022	9M 2021	Change in %	Q3 2022	Q3 2021	Change in %
Revenue	**60.4**	**56.5**	**6.9**	**20.3**	**18.7**	**9.1**
Cost of materials	10.8	10.7	0.8	3.6	3.4	5.9
Gross profit	**49.6**	**45.8**	**8.3**	**16.8**	**15.3**	**9.8**
Other operating income	0.7	0.4	71.8	0.3	0.1	n/a
Staff costs	28.7	23.3	22.8	8.9	7.4	21.1
Other operating expenses	26.4	21.0	26.0	8.7	7.8	11.1
EBITDA	**-4.7**	**2.0**	**n/a**	**-0.6**	**0.2**	**n/a**
Adjusted EBITDA	**-0.8**	**2.8**	**n/a**	**0.7**	**0.5**	**n/a**
Depreciation, amortisation and write-downs	4.0	5.6	-28.6	1.3	1.8	-23.5
EBIT	**-8.7**	**-3.6**	**n/a**	**-1.9**	**-1.5**	**24.9**
Net interest expense	-0.2	-0.4	-58.9	-0.1	-0.2	-53.2
Tax expense	-3.7	-0.2	n/a	-3.5	-0.1	n/a
Consolidated loss	**-12.5**	**-4.3**	**n/a**	**-5.5**	**-1.8**	**n/a**

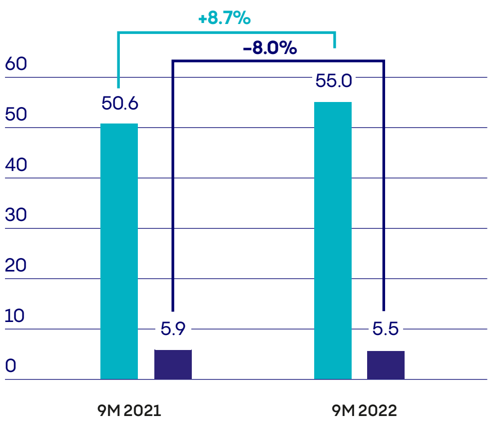
+8.7%

Increase in recurring revenues compared to the same period of the previous year

NFON distinguishes between recurring and non-recurring revenues. Recurring revenues include monthly fees for all products and solutions as well as ongoing call charges and SDSL monthly fees[1]. 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 first nine months of 2021, recurring revenue rose by 8.7%.

Development of recurring and non-recurring revenues

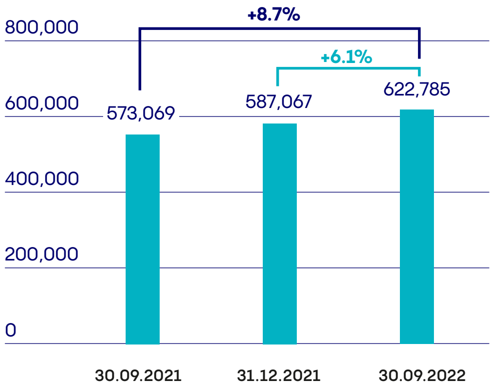


At 90.9% of total revenue (previous year: 89.5%), the share of recurring revenue meets the forecast announced for 2022 as a whole (min. 88%).

Seats

Seat development attests to the 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

Continued growth of the seat base



622,785

Number of seats as of 30 Sep. 2022

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

+9.76

Stabilised ARPU during the reporting period

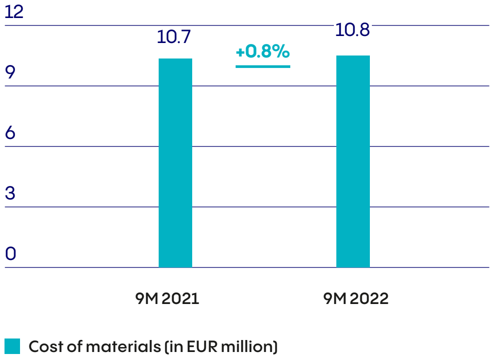
Blended ARPU (Average revenue per user)

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 high volume of voice minutes, there was considerable ARPU stabilisation in recent years. The 2021 comparative period was shaped by particularly successful revenue performance at Deutsche Telefon Standard. Moving forward, this trend will continue to be supported by growing sales of premium solutions, with which NFON can generate additional ARPU contributions.

Cost of materials

In the reporting period, the cost of materials was only slightly above the level of the previous year. The revenue upturn resulted in a lower cost of materials ratio for the first nine months than in the previous year of 17.9% (9M 2021: 19.0%). 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.

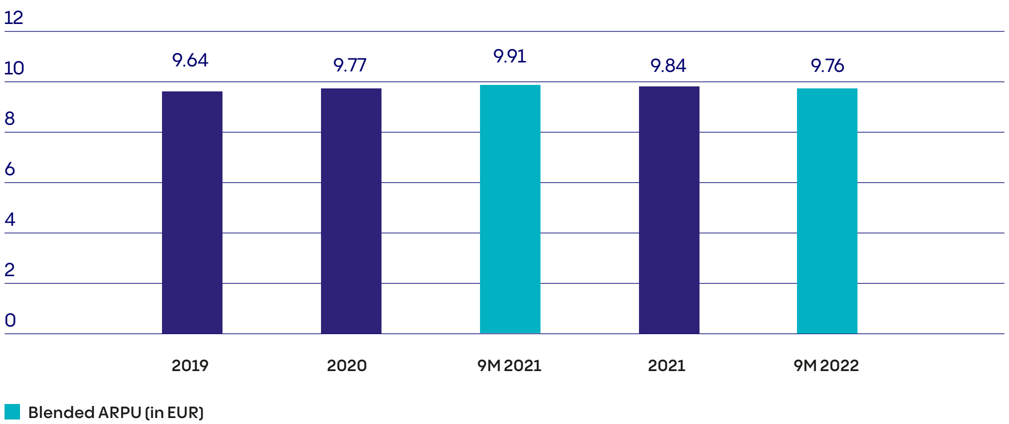
Cost of materials increased only slightly



Staff costs

Staff costs have also risen in line with the increase in average headcount. This increase was brought about by the strategic recruitment drive in the areas relevant to the growth strategy at NFON. 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 0.5 million in stock option programme expenses and EUR 0.2 million in expenses for refocussing on our core countries.

Blended ARPU stabilises



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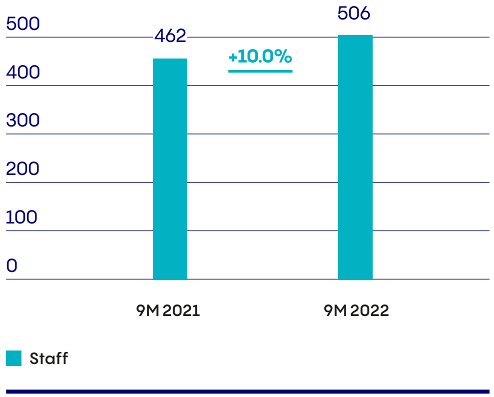
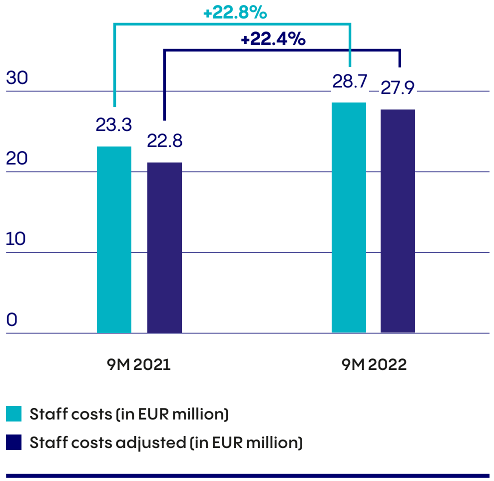
NFON employed a total of
reporting period

Average number of employees



Staff costs

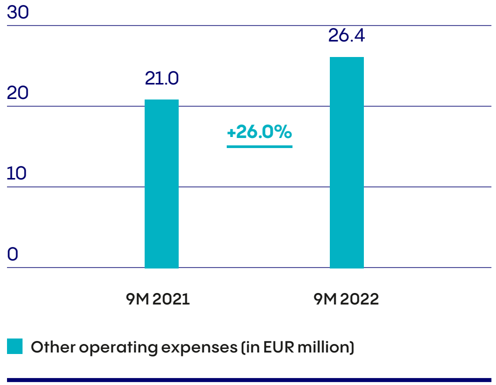


Other operating expenses

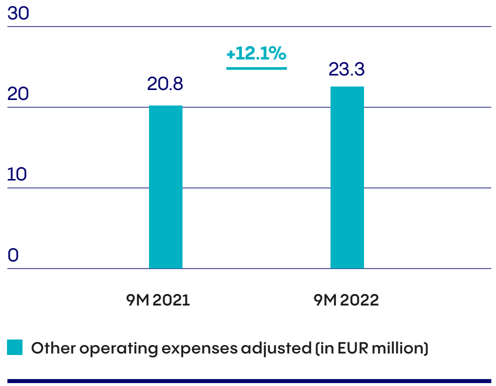
Other operating expenses in the reporting period are significantly above the level of the previous year. The rise in other operating expenses in the first nine months of 2022 compared to the same periode of 2021 chiefly reflects higher consulting expenses of EUR 2.5 million (previous year: EUR 1.1 million), of which EUR 1.3 million (previous year: EUR 0.2 million) was adjusted.

Overall, the cost ratio of adjusted other operating expenses (measured by revenue) in the nine-month reporting period increased from 36.8% in the previous year to 38.6%.

Other operating expenses



Other operating expenses adjusted for non-recurring effects



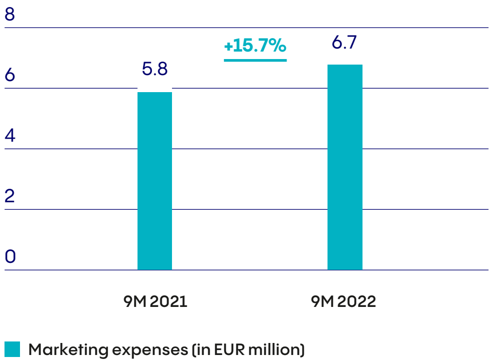
(Adjusted cost ratio: 38.6% (9M 2021: 36.8%)

Within operating expenses, marketing expenses were up considerably year on year, partially a result of catch-up effects. While marketing investments were initially curbed in the previous year due to the economic uncertainties triggered by the Covid-19 pandemic and Europe-wide lockdowns, sensible investment here resumed again at the start of this year.

EUR –0.8 million

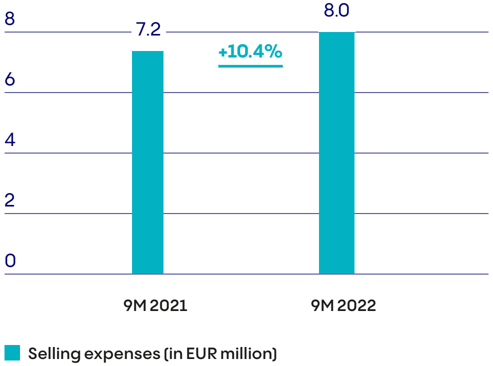
Adjusted EBITDA

Significantly increased marketing effort



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

Further increase in sales expenses



Selling expenses as a percentage of revenue amounted to 13.2% in the first nine months of 2022, only slightly up on the 12.8% in the same period of the previous year. This was due primarily to higher partner revenue.

EBITDA, EBIT, consolidated profit/loss

EUR million	9M 2022	9M 2021
EBITDA	**-4.7**	**2.0**
Adjustments in staff costs:		
Stock Options	0.5	0.5
Refocusing in Sales	0.2	0.0
Retention bonus	0.0	0.1
Adjustments in other operating expenses:		
M&A expenses	1.3	0.2
Rebranding	0.9	0.0
License payments for previous years	0.9	0.0
Total adjustments	**3.9**	**0.8**
Adjusted EBITDA	**-0.8**	**2.8**
EBIT	**-8.7**	**-3.6**
Consolidated loss	**-12.5**	**-4.3**
Adjusted consolidated loss	**-8.6**	**-3.5**

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

No matters arose after 30 September 2022 that could have a material impact on the net assets, financial position and results of operations.

Forecast

Due to the intensifying economic uncertainties in the markets important to NFON in recent months and the associated restraint in our customers' investment behaviour, we are adjusting our forecast for the growth rate of seats as well as for the growth rate of recurring revenues for the full year 2022. In addition, we are concretising the forecast for the share of recurring revenues in total revenues. Compared to the previous forecast, the updated forecast is as follows:

	Forecast new	Forecast old
Growth rate seats	between 7% and 8%	between 10% and 12%
Growth rate recurring revenues	between 8% and 9%	between 10% and 12%
Recurring revenues as share of total revenues	at least 90%	at least 88%

The forecast is based on the state of knowledge up to 17 November 2022, taking into account the opportunities and risks presented for the NFON Group. This means that there may be a deviation between the planning data published with the annual report as at 31 December 2021 and the values that will actually be achieved at the end of 2022. This also applies with regard to the assumptions made for the macroeconomic framework conditions. In this context, we refer to the statements in the risk and opportunity report and in the forecast report in the financial report as at 31 December 2021. These have unchanged validity as at 30 September 2022.

Consolidated statement of financial position

as at 30 September 2022

in EUR thousand	30 Sep. 2022	31 Dec. 2021
Non-current assets		
Property, plant and equipment	9,412	8,166
Intangible assets	34,537	29,999
Investments in associates	643	643
Deferred tax assets	485	2,381
Other non-financial assets	467	197
Total non-current assets	**45,545**	**41,385**
Current assets		
Inventories	157	155
Trade receivables	13,029	10,900
Other financial assets	390	390
Current other non-financial assets	2,519	3,007
Cash and cash equivalents	13,709	27,670
Total current assets	**29,804**	**42,122**
Total assets	**75,349**	**83,507**

in EUR thousand	30 Sep. 2022	31 Dec. 2021
Equity		
Issued capital	16,561	16,561
Capital reserves	109,124	108,600
Net loss	-75,348	-62,822
Currency translation reserve	684	892
Total equity	**51,022**	**63,231**
Non-current liabilities		
Non-current financial liabilities	4,464	3,327
Other non-current liabilities	54	217
Deferred tax liabilities	2,950	1,333
Total non-current liabilities	**7,468**	**4,877**
Current liabilities		
Trade payables	5,164	6,083
Current provisions	2,596	2,172
Current income tax liabilities	434	452
Current financial liabilities	1,772	1,694
Other non-financial liabilities	6,893	4,998
Total current liabilities	**16,859**	**15,399**
Total equity and liabilities	**75,349**	**83,507**

Consolidated income statement and consolidated statement of comprehensive income

for the period 01.01. to 30.09.2022

in EUR thousand	9M 2022	9M 2021
Revenue	60,435	56,531
Other operating income	711	414
Cost of materials	-10,828	-10,742
Staff costs	-28,655	-23,338
Depreciation	-3,993	-5,592
Other operating expenses	-26,437	-20,990
Impairment losses on receivables	95	149
Other tax expense	-12	-14
Result from continuing operations before net interest income and incomes taxes	-8,685	-3,584
Interest and similar income	0	6
Interest and similar expenses	-176	-432
Net interest expense	-176	-427
Earnings before income taxes	-8,860	-4,011
Income tax expense	-151	-668
Deferred tax income	-3,514	426
Net loss	-12,526	-4,252

in EUR thousand	9M 2022	9M 2021
Attributable to:		
Shareholders of the parent company	-12,526	-4,252
Non-controlling interests	0	0
Other comprehensive income	-207	236
Taxes on other comprehensive income	0	0
Other comprehensive income after taxes	-207	236
Total comprehensive income	-12,734	-4,017
Attributable to:		
Shareholders of the parent company	-12,734	-4,017
Non-controlling interests	0	0
Net loss per share, basic (in EUR)	**-0.76**	**-0.26**
Net loss per share, diluted (in EUR)	**-0.75**	**-0.26**

Consolidated statement of cash flows

for the period 01.01. to 30.09.2022

in EUR thousand	9M 2022	9M 2021
1. Cash flow from operating activities		
Profit/loss after taxes	-12,527	-4,252
Adjustments to reconcile profit (loss) to cash provided		
Income taxes	3,666	242
Interest income (expenses), net	176	427
Amortisation of intangible assets and depreciation of property, plant and equipment	3,993	5,592
Impairment losses on receivables	-95	-149
Equity-settled share-based payment transactions	524	513
Other non-cash items	-51	-114
Changes in:		
Inventories	-3	1
Trade and other receivables	-1,816	-667
Trade payables and other liabilities	636	498
Provisions	425	-24
Effects of changes in foreign exchange rates	-207	236
Interest paid	-54	-346
Income tax payments/refunds	-44	-34
Cash flow from operating activities	**-5,375**	**1,921**

in EUR thousand	9M 2022	9M 2021
2. Cash flow from investing activities		
Proceeds from the disposal of property, plant and equipment and intangible assets	56	0
Payments on investments in property, plant and equipment	-1,170	-920
Payments for investments in intangible assets	-5,893	-5,853
Payments for the acquisition of shares in Meetecho S.r.l.	0	-625
Cash flow from investing activities	**-7,007**	**-7,398**
3. Cash flow from financing activities		
Proceeds from the capital increase	0	25,766
Payments for leases (IFRS 16)	-1,557	-1,481
Repayments of bank loans, bonds and similar liabilities	0	-8,967
Other payments	2	-5
Cash flow from financing activities	**-1,555**	**15,312**
Change in cash and cash equivalents	**-13,938**	**9,836**
Effects of movements in exchange rates on cash held	-23	32
Cash and cash equivalents at the beginning of the period	**27,670**	**23,034**
Cash and cash equivalents at the end of the period	**13,709**	**32,902**

As at 30 September 2022, cash and cash equivalents include bank balances of EUR 316 thousand (30 September 2021: EUR 316 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 30 September 2022

in EUR thousand	Attributable to owners of the company						
	Issued capital	Capital reserves	Currency translation reserve	Retained earnings	Total equity	Non-controlling interests	Total
As at 01 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	-12,526	-12,526	0	-12,526
Other comprehensive income for the period	0	0	-207	0	-207	0	-207
Total comprehensive income for the period	**0**	**0**	**-207**	**-12,526**	**-12,734**	**0**	**-12,734**
Transactions with owners of the company							
Equity-settled share-based payment transactions	0	524	0	0	524	0	524
Total transactions with owners of the company	**0**	**524**	**0**	**0**	**524**	**0**	**524**
As at 30 September 2022	**16,561**	**109,124**	**684**	**-75,348**	**51,022**	**0**	**51,022**

Consolidated statement of changes in equity

as at 30 September 2021

	Attributable to owners of the company						
in EUR thousand	Issued capital	Capital reserves	Currency translation reserve	Retained earnings	Total equity	Non-controlling interests	Total
As at 01 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	-4,252	-4,252	0	-4,252
Other comprehensive income for the period	0	0	236	0	236	0	236
Total comprehensive income for the period	**0**	**0**	**236**	**-4,252**	**-4,017**	**0**	**-4,017**
Transactions with owners of the company							
Increase in equity in connection with capital increase performed after deduction of transaction costs	1,506	24,260	0	0	25,766	0	25,766
Equity-settled share-based payment transactions	0	513	0	0	513	0	513
Total transactions with owners of the company	**1,506**	**24,773**	**0**	**0**	**26,279**	**0**	**26,279**
As at 30 September 2021	**16,561**	**108,699**	**741**	**-58,163**	**67,838**	**0**	**67,838**

FINANCIAL CALENDAR 2022

Q4

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Imprint

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