

5 June 2019

NFON AG

Annual General Meeting

5 June 2019

Speech by the Management Board



The spoken word applies.

NFON, the new freedom of business communication.

Ladies and gentlemen, dear shareholders, dear guests – freedom is a precious thing in our society, perhaps even the most precious thing in human life. The constant discussions about freedom are more important than ever before: freedom of speech, freedom of the press, freedom of religion, freedom of movement. Here in Western Europe, we use the word very easily, as we take our freedom for granted. But are we sure what freedom actually means?

If I were to ask you directly, you would no doubt tell me that we regard freedom as the opportunity to choose between different alternatives without constraint. In other words, freedom is on a par with autonomy and self-determination.

Protecting this freedom, promoting it and making it possible is a big responsibility. At NFON, we are well aware of this, and we are committed to this in terms of business communication. We give our customers the opportunity to communicate across borders freely, safely and reliably. That is our mission.

It is some 170 or 180 years since exchange of information started to break free of material constraints. The first initial approaches here came from military circles in the mid-19th century. Around the same time, Italian-born theatre mechanic Antonio Meucci developed a telephone line in New York for his wife, who was confined to her room due to a rheumatic condition. Then, in the second half of the 19th century, physics and maths teacher Johann Philipp Reis managed to establish the first telephone connection. He is the one who coined the term “telephone” for “distant” and “sound” or “speech”. A true visionary!

The motivation that all pioneers of telephony had in common was the idea of a fast, easy, flexible connection for talking with other people over long distances.

That is our aim, too: easy, fast and flexible!

Unlike our 19th-century counterparts, we have a completely different options at our disposal. The clock is ticking ever faster. Innovation cycles are getting shorter and shorter. Disruption has replaced evolution as the keyword. The communication market itself is being shaken. More in some countries than in others. But inevitably. And at NFON, we want to and will be an important part of this change.

Our aim is to become the number 1 in cloud telephony in Europe.

With these words, my dear guests, we would like to wish you a very warm welcome to our first Annual General Meeting as a listed company. Before we start, I would like to briefly introduce myself, just in case you don't know who I am: my name is Hans Szymanski. I am here in my role as CEO and CFO of NFON AG, which I have held since 2016.

Over the next sixty minutes, my colleagues and I will present to you the development of NFON in the past financial year, including the first quarter of 2019. In doing this, we will focusing more on the future than the past here.

In the time since our initial listing in the Prime Standard of the Frankfurt Stock Exchange – just one year, three weeks and four days – we have successfully taken major steps in our growth strategy.

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The IPO is our pledge to you that we intend to play an active part in the consolidation of the cloud telephony market.

In March this year, we announced the acquisition of Deutsche Telefon Standard AG. With this move, we further extended our position in Germany and took a further stride towards becoming number 1 in Europe.

We promised that we aim to expand further in Europe.

In March 2019, we officially opened our subsidiary in Italy, and will follow this up in France in June. This makes us the only European cloud telephony company to have a presence in five countries with dedicated subsidiaries, and in 15 European countries in total.

We promised that we aim to enhance our products and services.

Last November, we launched our new core product Cloudya. And we expanded the cloud PBX product range in the mid-market segment and the SIP trunk sector with the acquisition of Deutsche Telefon Standard AG. As a result, we have substantially increased our addressable market again.

We promised that we aim to enhance and expand our customer base.

Compared to the same quarter of the previous year, we now have twice as many customers: over 30,000 companies. This equates to over 390,000 seats operated by our customers, an increase of around 45 percent on the previous year. There are also over 35,000 SIP trunk channels.

We have promised and delivered!

The figures show our success much more clearly. For five consecutive quarters, we have posted continuous growth both in terms of customer base, our seats, and revenue, meeting expectations in full. I think that meeting expectations in full for five quarters in a row is outstanding. And we're keen to do the same in the next five quarters, too.

In 2018, we improved our revenue by 20.7 percent to 43 million euros. Along with the dynamic total growth, it is particularly noticeable that the share of recurring revenue rose more sharply than total revenue. Recurring revenue increased by 24.6 percent to 34.6 million euros in 2018.

At 80.4 percent, recurring revenue's share of total revenue was at the top end of the range of 75 to 80 percent forecast for 2018 as a whole. This development impressively demonstrates the strength of our business model with excellent predictability and scalability.

One key driver of the generated revenue growth is the ever-growing number of seats operated by customers. In 2018, the number of seats rose by 26.6 percent year on year to over 320,000. Consequently, seat growth is well above the expected annual market growth of 16 percent in Europe, underlining the sustainability of the business model and the attractiveness of our products and services.

The scalability of our business model is also reflected in the positive development of our gross margin. For instance, the cost of materials rose by 14.2 percent, at a slower rate than revenue. As a result, our gross margin improved further from 72.1 percent to 74.2 percent.

Of course, our employees are the cornerstone of our company's superb performance. That's why I would like to take this opportunity to expressly thank all our colleagues for their magnificent work. NFON is the sum of the activities and motivation of its workforce. And our successes clearly show what we can achieve together.

I would also like to thank the Supervisory Board, with whom we have an outstanding working relationship, and who have always given us their full support by passing resolutions unanimously.

We are continuing to invest, including in our employee base, as we intend to keep on growing.

Personnel costs rose accordingly in the 2018 financial year, partly due to the steady, strategic increase in staff headcount. In addition, the increase in personnel costs largely stemmed from the non-recurring effects of share-based payment programmes as well as granted bonuses. Adjusted for these non-recurring effects of 5.0 million euros, personnel costs rose by 28.5 percent year-on-year to 17.1 million euros. This represents an adjusted personnel expenses ratio in relation to revenue of 39.6 percent, up from 37.2 percent in the prior year.

In line with our growth strategy, we stepped up our marketing activities again in 2018 with the aim of gaining new market share. For instance, we launched a major marketing campaign in Austria, attracted new partners and introduced our new NFON client Cloudya. Consequently, marketing costs increased in line with planning to 5.5 million euros, up 49.9 percent on 2017.

EBITDA amounted to minus 7.8 million euros in 2018. This is partly due to the rigorous implementation of our strategy. Factors include increased personnel and marketing costs as well as sales commission for our partners. In addition, non-operational non-recurring effects relating to the IPO had a major impact on our earnings. Adjusted for non-recurring effects of 6.6 million euros, EBITDA stands at minus 1.2 million euros, in line with expectations.

As announced, we are rigorously pursuing our expansion strategy. In doing so, we have laid the foundations for not only maintaining but also significantly accelerating our growth again in 2019.

Our performance in the first quarter of 2019 shows that we are succeeding here:

in the first three months of 2019, we increased total revenue by 21.2 percent to 12.1 million euros. Recurring revenue actually rose by 28.9 percent to 10.4 million euros. The proportion of recurring revenue an outstanding 85.7 percent, strongly reflecting the strength of our business model.

As in 2018 as a whole, key drivers of revenue growth in the first quarter were the acquisition of new customers, the continuous rise in the number of seats operated by existing customers and the expansion of our product range.

In addition, Deutsche Telefon Standard AG, fully consolidated in the NFON Group for the first time on 1 March 2019, contributed to revenue in March. DTS will now make a full contribution to the targeted growth for 2019 from the second quarter.

As a result of this, the number of seats rose by 45 percent overall year-on-year to over 390,000.

I would just like to say a few words about the factors in the slight decline in ARPU in the first quarter of 2019: business is progressing very well with our wholesale partners, who sell their own voice minutes for telephony. The seats of DTS contribute lower licence fees on account of the focus on the mid-market segment. At the same time, however, our monthly churn rate remains very low at less than 0.5 percent. This emphasises the quality of our products and services, and ensures continuously recurring revenue. For the future, additional premium solutions that we will offer are a source of potential for an upturn in ARPU.

With regard to our gross margin, the positive trend of 2018 continued in the first quarter. The cost of materials rose much less sharply than revenue by 4 percent, resulting in a gross margin of 77.8 percent.

Personnel costs also developed in line with our growth strategy in the first quarter: adjusted personnel costs were up 29.3 percent at 5.3 million euros. In the past twelve months, headcount increased from 214 at the end of the first quarter of 2018 to 335 at the end of the first quarter of 2019. Our investment was mainly focused on international sales in Italy, the UK and Germany, and in marketing. In addition, we recruited new technical advisers and developers. Colleagues from DTS also joined the NFON family.

Marketing expenses also continued to rise as planned, increasing year-on-year to 1.8 million euros. My colleague César will give you details of our marketing and sales activities later.

In the first quarter of 2019, EBITDA totalled minus 1.7 million euros due to the rigorous implementation of our strategy and rising personnel and marketing costs as well as sales commission for our partners. Adjusted for non-recurring effects of 0.8 million euros, EBITDA is in line with our expectations at minus 0.9 million euros.

After the first quarter, we believe that we are ideally placed to meet our targets for the year as a whole. We are already serving 30,000 corporate customers in what will soon be 15 European countries, and will continue to rigorously implement our growth strategy. We are sure that our growth can continue to outpace that of the market. For 2019, we therefore expect revenue growth of 40 to 45 percent compared with the previous year. Recurring revenue is likely to account for 75 to 80 percent of total revenue. With regard to seats operated by customers, we envisage growth of at least 45 percent for 2019.

To sum up again:

- Revenue growth, NFON growth outstripping the market
- Stable high proportion of recurring revenue of over 80 percent
- Continuous rise in seats as a key driver of recurring revenue.

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Our successful business performance since the IPO confirms that we have managed to address the promising cloud telephony market successfully.

And so it is my great pleasure to hand over to my colleague Jan-Peter. Thank you for listening.

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A warm welcome from me, too. For those of you who don't yet know me: my name is Jan-Peter Koopmann. I am CTO of NFON AG. I joined NFON when it was still a very young company in 2009. That makes me the longest-serving person on the platform. So when I say that lots has been happening at NFON in the last few years, let alone the last few months, I say it as an eyewitness.

Some 11 years ago, the founders of NFON showed great vision. They took the established on-premise PBX and moved it to the cloud, helping to have the way for the new freedom in business communication. After all, this obviously means more than freedom in the customer's business communication. It also means our own freedom to enhance the product and the services in line with the requirements of the market and the customer.

And what is it that sets us apart from most of our competitors?

Right from the start, NFON has used the cloud solution it developed itself. We are totally autonomous and self-determined here. Our system was developed in-house in Germany, and is operated there by us alone: we are "made in Germany". And this still means a lot to us.

Our development centres are located in Munich, Mainz and Berlin. We have data centres in Munich and Nuremberg, and will soon be opening one in Frankfurt. In conjunction with our technical consultants, we have grown by around 35 percent from 57 to 77 colleagues in the Research & Development department.

At present, our activities are focused on enhancing our new core product Cloudya.

But first, let's look at what Cloudya actually entails:
[Play film <https://www.nfon.com/de/telefonie/cloudya/>]

NFON, the new freedom of business communication!

Ladies and gentlemen, a key part of NFON's growth strategy is the roll-out of innovative products and services for standardised communication – also known as Unified Communication and Collaboration as a Service, or UCaaS for short. This refers to the combination of telephony, communication and collaboration into a uniform system in the cloud.

Further solutions such as video conferences and collaboration functions are planned for Cloudya. For example, we are considering the possibility of sharing a screen with others or jointly editing documents. We firmly believe that it is essential to integrate these solutions in order to satisfy the growing demand for more comprehensive communication solutions in a fast-changing work environment and to meet customer requirements in full.

And what are the customer requirements that will become increasingly common in future?

The hot topic is new work order. It represents a new culture of work. New work order is a play on the term 'new world order'. This new work culture is characterised by flexibility, individuality, agility, new office concepts and the new role of managers. New work order describes a contemporary form of integrated collaboration that goes beyond boundaries of time and place. After all, the globalised world of business demands agile collaborations between companies, teams and employees worldwide.

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Here are some figures: 80 percent of employees say that digital technologies are important or very important to their day-to-day work. 66 percent of multinational companies use virtual teams to a large extent. 7 out of 10 managers think that virtual teams will become increasingly prominent in future. As well as saving on costs, this speeds up decisions and makes work more efficient.

At NFON, we foresaw around 11 years ago what is now commonplace and becoming inevitable: working in the cloud. Conservative estimates suggest that around 83 percent of all work processes worldwide will take place in the cloud by 2020.

Cloudya is the basis for further functions, technologies and services that will enhance the NFON platform in future. In this respect, substantial investment is being channelled into improving our existing solutions and into design and development of **new** products and **new** services.

With Cloudya, we provide a product that is in tune with the new work order and meets the needs and aspirations of Generation Y and those on their wavelength, and grows with them in an agile way. To Generation Y, having a meaningful job now matters more than prestige or pay. They are willing to work on a performance-related basis, but not at the expense of their leisure, family or friends. That is why mobile working, for instance, is becoming increasingly important. These are our future customers, and we are preparing for them now.

With the development and launch of the new NFON core product **Cloudya** in November 2018, we laid the foundation for all future developments. We have taken the first major step towards becoming a UCaaS provider. This is a key milestone in our growth strategy.

And so it is my great pleasure to hand over to my colleague César.

Thank you, Jan-Peter. Hello everyone! I too am delighted to welcome you to our first Annual General Meeting. My name is César Flores Rodríguez. As CSO, I have been responsible for sales, marketing and international business at NFON AG since March 2018. So I was lucky enough to be involved in the IPO as soon as I joined the Management Board, and am now enjoying actively implementing the growth strategy with my colleagues.

We have done a lot of work, we have achieved a lot, and the market is playing into our hands.

I could end my progress report there. But that would deny me the pleasure of describing our achievements to you in detail.

Let's stay with the market first of all.

The telecommunications market is characterised by disruptive changes. Various mechanisms are propelling this change. Firstly, there is the changed work patterns of employees that Jan-Peter mentioned. They want flexibility, mobility and agility. The workplace is no longer just the office. Companies are responding to this change, and demand for suitable new products and services is growing. Cloud or SaaS models are therefore becoming increasingly accepted and widespread. SaaS stands for software as a service, and means that a provider – like us – makes software available for a customer via the internet, in the cloud, **in line with requirements**. So customers only have to pay for what they actually use.

In the case of telephony, this customer-driven momentum is getting a further boost from a technology change among conventional carriers. Throughout Europe, all carriers have announced a switch from the existing analogue telephone technology to telephony via the internet. In short, all-IP is replacing ISDN. The switch is coming – it's inevitable.

For us at NFON AG, this gives further impetus to our growth strategy. Now is the time to take up a dominant position in a nascent market.

How big is this market?

Market studies estimate the European market for telephone systems at around 135 million seats. In 2017, around 10 percent were in the cloud, equating to around 13 million seats. According to further estimates, this proportion is likely to have roughly doubled to 26 million seats by 2022. In other words, the market is huge. Those who want to become a dominant provider here need to move quickly and invest in growth. And we're doing just that!

As the only pan-European provider, we are in an excellent starting position here.

What are our plans, and what have we achieved in the last few months?

- We are developing our existing customer base, and not only via additional seats.

To this end, **in addition** to the existing contracts, we are selling and leasing **further** products and services to our customers, e.g. voice-recording solutions or contact-centre solutions.

- At the same time, we are continuing to expand our customer base.

Rigorous pursuit of new customers – including via newly gained lead sources – is a key strategic component of our planned growth. This is dependent on greater recognition of the NFON brand and its cloud telephony solutions. With this in mind, we have considerably stepped up our sales and marketing activities:

In the highly fragmented telecommunications market, a strong brand is a priceless competitive advantage. Customers have to be able to recognise the benefits of a purely B2B product quickly and easily. When they hear NFON, they have to know straight away who and what that means:

- “NFON, the new freedom of business communication”! -

and instantly associate NFON with cloud telephone systems.

In addition, the fragmented market demands differentiated and extremely targeted use of various communication and sales channels to approach customers. We do this predominantly via our partner network – currently comprising over 2,000 partners – the indirect sales channel. That's why we need to keep on optimising and enlarging our partner network.

However, sales volume is not the only success factor. These days, to attract new customers and partners, sales staff need to be trained to the highest level. Because of this, we have switched our sales to SPIN selling and invested heavily in training of our sales staff. What does this mean?

SPIN selling is a sales method that is particularly widespread among software companies, based on the following logic:

1. **S**ituation questions regarding facts, figures, the situation of the customer
2. **P**roblem questions regarding problems that the customer may have. Requirements are disclosed here.
3. **I**mplication questions. The negative consequences that may arise if the customer fails to make a decision are set out here.
4. **N**eed pay-off questions that illustrate the benefits if the customer opts for a solution.

Using a standardised procedure, the firm solution proposal and, ideally, the contract are then issued.

What have we achieved?

Getting Fressnapf on board as a major customer recently is one of several signs that our measures are bearing fruit. Fressnapf is Europe's market leader in pet supplies. Assuming that the rollout is extended, more than 1,500 stores will be connected to the telephone system by 2020. The volume of the contract equates to around 4,500 seats. 100 stores in France, Germany and Switzerland have already been successfully converted to our platform. A further 600 stores are currently in the planning or implementation stage.

And we are in final contract negotiations or have already concluded contracts with other major customers, also in the retail segment. As with Fressnapf, there will be a gap between signature and final rollout. The customer itself needs time to implement such a large project. It can take several months after signature for the full positive impact on NFON's revenue to become apparent.

To reiterate: we achieved the IPO last year, we completed the acquisition of DTS at the beginning of this year, and have increased our customer base from around 253,000 seats to over 390,000. As a result, we now have 30,000 companies as customers. At the same time, our Europe-wide partner network has grown from over 1,100 partners to over 2,000.

Our targeted European expansion will generate even more impetus here.

In particular, our flexible go-to-market model – direct, dealers, wholesale partners – makes this expansion easier for us. This model allows us to adapt very easily to the specific sales situations of each country. Close international collaboration between our own European subsidiaries also makes it much easier to enter other markets in Europe. And not least, the special price and service structure of Cloudya, our platform, also makes expansion easier. Cloudya has **one** name, **one** tariff, **one** offering, **one** service throughout Europe.

Easy, fast, flexible for customers – and highly scalable for us!

At the time of the IPO, we announced our intention to go to Italy and France first. We have done that.

In March, we officially started up sales activities in Italy.

So why Italy?

Italy has around 22 million employees and, for example, over 55,000 hotels and agritourism sites. This makes the country a key market in Europe along with the UK, Spain, France and Germany in terms of transformation and the use of cloud telephony solutions. Italy is positioning itself as a highly cloud-conscious country that aims to be right at the forefront in the digitalisation process. With our innovative strength and experience, we will be a key player in this process and make full use of this growth potential for cloud-based telephony solutions. The same applies to France, where we will be officially starting up this month.

At the beginning of this year, we had a presence in 13 European countries: with our own subsidiaries in Germany, the UK, Austria and Spain, and via partners in another 9 countries.

Having added Italy and France to the list, we are now represented in 15 countries, covering the large European key markets with our own subsidiaries.

No other cloud telephony provider whose product and services come from a single source has this strength. This makes us **unique** in Europe.

All these measures create the ideal conditions for the accelerated organic growth of our company. However, another crucial factor is the way in which we acquit ourselves in the general consolidation trend within the telecommunications market. After all, as well as the organic development of NFON, there is also expansion via company acquisitions.

And with that, I will hand back to Hans.

Thank you, César! Thank you, Jan-Peter!

Ladies and gentlemen, dear shareholders! As you can see, we have done a lot in a very short time. This is particularly attributable to the financial resources we have secured via the IPO and the related cash inflows. With the gross issue proceeds of 50 million euros, we now have the muscle to power on to become number 1 for cloud telephony in Europe.

Our M&A strategy and our efforts to take on an active role in this field are a vital part of this development.

The European cloud telephone systems market is highly fragmented. There are very attractive opportunities for us here. Unfortunately, though, we are not the only players.

Here are a couple of significant examples that more than illustrate this trend:

- Waterland, a private equity company from the Netherlands, has spent around 250 million euros on acquiring four companies that operate on the telecommunications market - Swyx, Voiceworks, Centile and ipnordic.
- The private equity company Search Light has bought Mitel for 1.8 billion dollars, and submitted a 2.4 billion-dollar takeover bid for AVAYA two weeks ago.
- Cisco Systems has purchased Broadsoft for 1.8 billion US dollars.
- Gamma Communications has bought the DX Group in the Netherlands for 27 million euros.
- VOIP Telecom of France has bought Euro ITC Services for 25 million euros.
- RingCentral has bought Dimelo SA in France for 26 million euros.

So the pace is picking up. Well-financed investors and companies have found out how attractive the market is and are now stepping up their acquisition activities while there is still lots of bargains available.

We are obviously aware of this too, and see the opportunity to speed up our growth rate significantly through acquisitions. In March, we completed NFON AG's first major acquisition by buying Deutsche Telefon Standard.

With DTS, we have achieved a host of acquisition targets at once:

1. Not just strengthening the NFON Group's market position in Germany, but also making it harder for competitors to access our most important market.
2. Expanding our product range in the mid-price cloud telephony system sector and the bridging technology sector in the transition from the old on-site telephone system to the cloud telephone system, the SIP trunk.
3. Gaining new customers and partners as well as extremely well-trained employees.

But we don't want to rest on our laurels.

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We have a well-stocked and systematically devised long and short list of potential further acquisition targets. Based on set criteria, we are looking for competitors as well as companies with suitable, attractive technologies to supplement NFON's existing range of products and services.

And when we say that we have set criteria, this means that we follow a clearly structured selection process. So we need to integrate DTS with the utmost care, while proceeding with further acquisitions. After all, our competitors never sleep!

This brings me to agenda item 5 that will be voted on today.

One reason why we are able to talk to you today as shareholders of NFON AG is this: ever since it was founded NFON, has had the opportunity to generate additional finance through capital increases and use this and other resources to evolve from a small start-up to a company listed in the Prime Standard of the Frankfurt Stock Exchange.

On 9 April 2018, the Annual General Meeting of NFON AG **unanimously** authorised the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to 4,820,075.00 euros in the period up to 8 April 2023 by issuing up to 4,820,075 bearer shares in exchange for cash or non-cash contributions. This is known as "Authorised Capital I". Furthermore, the authorisation can be used on one or more occasions in one or more tranches. The authorisation also makes provision for the Management Board to decide on the exclusion of shareholders' subscription right with the approval of the Supervisory Board. According to the resolution of the Annual General Meeting, one situation in which an exclusion of subscription rights is permissible is when the shares in the capital increase are issued in exchange for non-cash contributions in order to acquire companies, investments in companies, parts of companies or other assets, including rights and receivables. This authorisation was entered in the company's commercial register on 23 April 2018 and included in paragraph 4 of the company's Articles of Association. On 9 May 2018, partial use of this authorisation was made for the first time by increasing the company's share capital from 9,640,150.00 euros by 4,166,666.00 euros to 13,806,816.00 euros by way of a capital increase in the context of the company's IPO in exchange for cash contributions. At the time, 4,166,666 new bearer shares were issued at the issue price of 1.00 euro per share, as a result of which Authorised Capital I has since amounted to 653,409.00.

Ladies and gentlemen, as mentioned earlier, we have already invested some of the issue proceeds from the IPO in the further organic and inorganic growth of NFON with great success. In doing so, we have not simply achieved what we planned in-house.

No!

More than this, we are pursuing the strategy that won **you** over to NFON and persuaded you to invest in our company. In other words, without the authorised capital in May 2018, the development of NFON would have been completely different.

To complete the picture: Based on the authorisation from paragraph four section three of the Articles of Association, on 21 February 2019, all members of the Management Board unanimously adopted and approved the following resolution: "The company's share capital, which currently amounts to 13,806,816.00 euros is and divided into 13,806,816 bearer shares, is to be increased by the sum of 284,738.00 euros to 14,091,554.00 in exchange for non-cash

contributions through the utilisation of Authorised Capital I. 284,738 new bearer shares are to be issued at the issue price of 1.00 euro per share. The new shares carry dividend rights from 1 January 2019." This capital increase equated to a total volume of 2.5 million euros and was carried out as part of the acquisition of Deutsche Telefon Standard AG. With this transaction, we used the following benefits of the authorised capital:

1. We responded quickly and flexibly to an advantageous offer and, as indicated earlier, as well as significantly strengthening our market position, we have warded off our German competitors for now.
2. With this capital increase, we have protected NFON's liquidity, meaning that we still have the resources for further organic growth.
3. Through the issue new shares, key managers of DTS now have a stake in NFON.

Following this transaction, we still have authorised capital of 368,671 euros. Consequently, we are well within the legal limits for authorised capital, so have plenty of room for manoeuvre.

My colleagues and I have set out where we want to go and what challenges we need to take on as actively as possible.

The additional authorisation proposed in item 5 of today's agenda is designed to make extensive use of the legal opportunities to expand the company's equity base. Adequate capitalisation is absolutely essential to growth financing, especially as we intend to keep on moving NFON forwards. The intention is therefore to use Authorised Capital 2019 to utilise authorised capital to the full extent permitted by law and also to create the **limited** possibility of excluding subscription rights for cash capital increases again to the full extent permitted by law.

In addition, the authorised capital should enable the company to make short-term use of new equity to finance acquisitions. As, for example, a capital increase in order to make an acquisition must usually be carried out at short notice, the resolution on an ordinary capital increase at the Annual General Meeting is no alternative. Authorised capital will enable us to quickly and easily seize any opportunities that arise to acquire companies in the interests of corporate development and, in particular, in your own interests, my dear shareholders. From a current standpoint, funds from the Authorised Capital 2019 proposed to the Annual General Meeting could be used, in particular, to strengthen the equity base and to avoid increased reliance on debt financing for future investment projects. Only by acting quickly and flexibly can we boost our competitiveness and market position and move forwards in line with our strategy.

There are not currently any specific plans in place for the utilisation of the Authorised Capital 2019 proposed to the Annual General Meeting.

If Authorised Capital 2019 is utilised, shareholders will have statutory subscription rights under the current proposal. However, there is also provision to authorise the Management Board to exclude shareholder subscription rights in certain cases, although this would al-

ways require the consent of the Supervisory Board and therefore, indirectly, your own consent. You will find full details in our report in the invitation to the Annual General Meeting. I would like to remind you of four key points here:

Exclusion of subscription rights should be possible for a capital increase in exchange for cash contributions up to a maximum of 10 percent. This gives NFON the opportunity to raise new capital on the capital markets flexibly and inexpensively. This authorisation would make it easier for us to meet any potential capital requirements at very short notice and benefit from market opportunities. Excluding subscription rights makes it possible to act quickly and place shares close to the stock market price, without the markdowns on account of high volatility that are otherwise common for issues with subscription rights. This can improve the proceeds from the issue. This also results in significant cost advantages for the company in the case of smaller capital increases in particular, as it is not necessary to go through the costly process of preparing a prospectus if subscription rights are excluded. Therefore, this form of capital increase is also in your own interests.

In the case of non-cash capital increases, subscription rights may be excluded in full with the approval of the Supervisory Board. This exclusion of subscription rights allows the Management Board in appropriate cases, with the approval of the Supervisory Board, to acquire companies or investments in companies or to combine with other companies in return for transferring NFON AG shares. As a result, NFON should be able to react quickly and flexibly to advantageous offers on national and international markets in order to improve the competitive position of NFON AG, again in your interests.

I have used the examples of Cisco, RingCentral and Waterland to explain to you the importance of acting quickly. During negotiations, it may become necessary to offer shares, as opposed to money, as consideration in order to meet sellers' expectations or maintain its own liquidity. The dilution resulting from excluding subscription rights is offset by the fact that the business expansion through increased equity is financed by third parties and that you as existing shareholders – albeit with a lower equity and voting share than previously – share in company growth which, if subscription rights were granted, you would have to finance using **your own** funds. Each one of you can obviously maintain or increase your stake by purchasing additional shares through the stock exchange.

In addition, we have made provisions to ensure that the proportion of share capital represented by shares issued on the basis of the proposed authorisation in accordance with agenda item 5 must not exceed 20 percent of the share capital. Expressed in figures, in relation to current share capital, this means that we would be able to increase share capital by no more than around 2.8 million euros.

These limits on excluding subscription rights prevent excessive changes to your holdings. At the same time, they are intended as a compromise that allows us as a company to act in the company's interests and, in particular, in your interests as shareholders.

You can rest assured that we on the Management Board will examine every single issue of shares without subscription rights with the utmost care. We will only exercise the option we have been granted if it is in the company's interests and yours, and we will provide a report on this at the next Annual General Meeting.

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Dear shareholders, ladies and gentlemen, dear guests! Before finishing, I would like to return quickly to the start:

We aim to become number 1 in the European market for cloud telephony by giving our customers the freedom of business communication.

We have promised, we have delivered, and we will continue on this path.

With our IPO, we have given you a stake in our performance. As members of the Management Board and Supervisory Board, we stand by our plans 100 percent. We are totally committed to implementing the growth strategy adopted by the Management Board and Supervisory Board in conjunction with our employees at the end of 2017. It won't always be plain sailing, we will encounter obstacles, but we know where we're heading. One thing is especially important to us here, as otherwise we would struggle to succeed: we need you to accompany us on this journey! We are actively engaged with you, our shareholders, and we are open to your clearly expressed criticisms, your comments and your suggestions. But to put our plans into effect, we need freedom to act. It is down to you to give us this freedom and express your confidence in us. This is the only way in which we can make NFON number 1 in Europe with the tailwind of market change and the tailwind of competition.

Thank you for your attention!