

NFON AG, Munich

Munich Local Court, HRB 168022

Balance sheet as of 31.12.2020

Assets

	31 Dec. 2020		31 Dec. 2019	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	276,664.82		192,484.82	
2. Goodwill	138,750.00		0.00	
3. Payments on account	76,518.49	491,933.31	0.00	192,484.82
II. Tangible assets				
1. Technical equipment and machinery	1,767,095.00		1,506,904.00	
2. Other equipment, operating and office equipment	476,474.00		526,079.00	
3. Payments on account and assets under construction	367,970.00	2,611,539.00	189,984.00	2,222,967.00
III. Investments				
1. Shares in affiliated companies	29,825,708.48		36,768,296.54	
2. Loans to affiliated companies	4,137,970.77	33,963,679.25	3,873,541.55	40,641,838.09
		<u>37,067,151.56</u>		<u>43,057,289.91</u>
B. Current assets				
I. Inventories				
1. Goods	20,004.81		48,827.88	
2. Advance payments	78,195.20	98,200.01	0.00	48,827.88
II. Receivables and other assets				
1. Trade receivables	5,236,995.30		4,502,772.39	
2. Receivables from affiliated companies	0.00		0.00	
3. Other assets	221,737.14	5,458,732.44	167,866.91	4,670,639.30
III. Cash and cash equivalents				
		21,097,880.72		27,296,326.77
		<u>26,654,813.17</u>		<u>32,015,793.95</u>
C. Prepaid expenses				
		<u>1,079,206.72</u>		<u>899,702.96</u>
		<u>64,801,171.45</u>		<u>75,972,786.82</u>

	Equity and Liabilities	
	31 Dec. 2020	31 Dec. 2019
	EUR	EUR
A. Equity		
I. Subscribed capital	15,055,569.00	15,055,569.00
II. Capital reserves	84,052,574.64	83,112,964.64
III. Net loss for the year	-56,113,039.11	-47,388,546.78
– loss carried forward from the previous year		
EUR -47,388,546.78 EUR (previous year EUR -33,431,261.30) –		
	<u>42,995,104.53</u>	<u>50,779,986.86</u>
B. Provisions		
1. Tax provisions	0.00	69,456.25
2. Other provisions	2,535,171.26	3,332,097.16
	<u>2,535,171.26</u>	<u>3,401,553.41</u>
C. Liabilities		
1. Bonds	0.00	5,075,000.00
2. Liabilities to banks	8,966,641.01	9,006,640.97
3. Trade payables	3,058,757.39	2,307,694.46
4. Liabilities to affiliated companies		
	5,690,336.99	4,286,616.97
5. Other liabilities	1,138,493.63	1,115,294.15
– there of taxes		
EUR 463,921.98 EUR (previous year EUR 475,661.90) –		
– of which social security		
EUR 31,048.95 EUR (previous year EUR 21,534.67) –		
	<u>18,854,229.02</u>	<u>21,791,246.55</u>
D. Deferred income	<u>416,666.64</u>	<u>0.00</u>
	<u>64,801,171.45</u>	<u>75,972,786.82</u>



Profit and loss statement for the period 1.1.-31.12.2020

	2020		2019	
	EUR	EUR	EUR	EUR
1. Revenue		44,366,765.92		37,629,010.72
2. Other operating income		726,063.46		529,075.95
3. Cost of materials				
a) Cost of purchased goods	-2,073,327.85		-2,795,345.76	
b) Cost of purchased services	-4,410,050.22	-6,483,378.07	-4,102,374.59	-6,897,720.35
4. Personnel expenses				
a) Wages and salaries	-16,886,637.74		-14,546,275.09	
b) Social security contributions and expenses for Retirement provision and for support	-2,634,305.09	-19,520,942.83	-2,344,612.95	-16,890,888.04
– of which for pensions				
EUR 31,346.74 (previous year EUR 38,483.77) –				
5. Amortisation and depreciation on intangible fixed assets and tangible assets as well on ecapitalized start-up and business expansion ecpenses		-844,993.43		-662,902.94
6. Other operating expenses		-26,656,870.63		-27,098,293.32
7. Income from other securities and loans held as financial assets		223,206.41		198,680.91
– from affiliated companies				
EUR 223,206.41 (previous year EUR 198,680.91) –				
8. Interest and similar income		9,138.96		29,208.68
9. Net interest expenses		-537,214.75		-787,997.67
– from affiliated companies				
EUR 143,573.31 (previous year EUR 69,880.86) –				
10. Income taxes		1.83		23.53
11. Earnings after taxes		-8,718,223.13		-13,951,802.53
12. Other taxes		-6,269.20		-5,482.95
13. Net loss for the year (previous year: net loss)		-8,724,492.33		-13,957,285.48
14. Loss carried forward from the previous year		-47,388,546.78		-33,431,261.30
15. Balance sheet loss		-56,113,039.11		-47,388,546.78

Notes to the Annual Financial Statements for the 2020 financial year

I. General information on the annual financial statements

The annual financial statements for fiscal 2020 have been prepared in accordance with the applicable provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code), the relevant provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act) and the Articles of Association of the company.

The company is a large corporation as referred to by section 267(3) HGB.

The balance sheet and the income statement are structured in line with section 266(2) and (3) and section 275 HGB, and the income statement was prepared in line with the total cost (nature of expense) method.

Notes on individual items of the balance sheet and the income statement required by law are made in the notes.

The fiscal year is the calendar year.

II. Accounting policies

Purchased **intangible fixed assets** are recognised at cost less amortization and write-downs. Intangible assets essentially include rental rights and software. Intangible assets are amortised on a straight-line basis over a useful life of between three and five years.

Section 248(2) HGB allows the option of capitalisation for internally generated intangible fixed assets. The company exercises this option in that there is no capitalisation, and instead the expenses incurred are recognised in profit or loss.

Derivatively acquired **goodwill** is written down on a straight-line basis over ten years.

Tangible assets are measured at acquisition or production cost less depreciation and impairment over a useful life of between one and 23 years.

If the reasons for impairment cease to apply either in full or in part, the impairment loss is reversed in accordance with section 253(5) HGB.

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

Depreciation on movable tangible assets is recognised on a straight-line basis.

Given their immateriality, assets acquired in the fiscal year with an acquisition or production cost of up to EUR 800 (not including VAT) are treated as low-value assets in accordance with tax law in accounting under commercial law; they are written down in full in the year of their acquisition. Assets with an acquisition or production cost of more than EUR 800 are written down over their useful life.

Financial assets are measured at cost less write-downs. If there are indications of permanent impairment, they are written down to the lower fair value. If impairment is not expected to be permanent, impairment is not recognised in accordance with section 253(3) sentence 6 HGB. If the reasons for impairment no longer apply, the lower carrying amounts are not retained. The carrying amount of equity investments is tested for impairment once per year. Specific valuation allowances are recognised for risks of default included in loans.

Inventories are measured at the lower of cost, including incidental expenses, and market prices. Specific valuation allowances are recognised in the appropriate amount for slow-moving merchandise and other (sales) risks. A general valuation is also recognised for other general risks.

Inventories (material) are carried at cost and essentially comprise the cost of cables, other small pieces of equipment and a residual stock of telephones. They are carried at market value, if lower. Discernible risks in inventories are taken into account by appropriate write-downs.

Apart from the customary retention of title, inventories are free from third-party rights.

Receivables and other assets are recognised at nominal amount. Specific and general valuation allowances are recognised for possible risks of default.

Cash funds are recognised at their nominal amount.

Prepaid expenses and deferred income are recognised for transitory items. The amount of prepaid expenses and deferred income is based on the payment amount and the ratio of services received/performed and the outstanding consideration as at the balance sheet date. Prepaid expenses and deferred income extending over multiple fiscal years are not discounted.

Deferred taxes are calculated in accordance with the temporary concept and relate exclusively to the differences between the accounting and tax carrying amounts of assets and liabilities. Loss carry forwards are only taken into account to the extent that they can be used within five years.

Deferred taxes are measured using the tax rates that will apply when the differences reverse. If these tax rates are not known, individual tax rates are used on the balance sheet date. Deferred taxes are not discounted. The option of netting deferred tax assets and liabilities is exercised. The option to capitalise excess deferred tax assets is not exercised.

Provisions take into account all discernible risks and uncertain obligations at an appropriate amount. Provisions are carried at their settlement amount taking future price and cost changes into account. Provisions with a remaining term of more than one year are discounted using the average market interest rate for the last seven fiscal years appropriate to their remaining term.

Liabilities are reported at their settlement amount.

Assets and liabilities in foreign currency were translated using the middle spot exchange rate as at the balance sheet date. The realisation principle (section 252(1) no. 4,

2nd half-sentence HGB) and the historical cost convention (section 253(1) sentence 1 HGB) were complied with for remaining terms of more than one year.

Share-based payment Expenses for stock options are recognised pro rata over the vesting period. As at the commitment date, they are measured at the value reported in the consolidated financial statements in accordance with IFRS 2 Share-based Payment. They are recognised in the capital reserves. The options represent payment for work yet to be performed, hence capital reserves are increased pro rata over the period in which the employees perform their work (consideration). The contra item is personnel expenses.

III. Balance sheet disclosures

1. Fixed assets

The development of individual items of fixed assets in fiscal 2020 and depreciation and amortisation are shown in the statement of changes in fixed assets in the annex to the notes.

Loans to affiliated companies of EUR 4,138 thousand (previous year: EUR 3,873 thousand) relate to the companies NFON Italia S.r.l., Italy, NFON France SAS, France, NFON IBERIA S.L., Spain, NFON developments Lda., Portugal, and Deutsche Telefon Standard GmbH, Germany.

Purchase price allocation for Onwerk GmbH, Mannheim

As at 20 December 2019, the Group agreed with Onwerk GmbH, Mannheim (Onwerk), that various assets, 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 recognised in this context. This goodwill amounts to EUR 139 thousand as at 31 December 2020 after being written down.

2. Inventories

Inventories of € 98 thousand include goods of € 20 thousand (2019: € 49 thousand) and advance payments of € 78 thousand (2019: € 0).

3. Receivables and other assets

Receivables and other assets break down as follows:

EUR thousand	31 Dec. 20 20	31 Dec. 20 19
Trade receivables	5,237	4,503
(of which with a remaining term of more than one year)	0	0
Receivables from affiliated companies	0	0
(of which with a remaining term of more than one year)	0	0
(of which trade receivables)	0	0
Other assets	222	168
(of which with a remaining term of more than one year)	53	6
(of which to shareholders)	0	0
Total	5,459	4,671
(of which with a remaining term of more than one year)	53	6

(of which to shareholders)	0
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As at the balance sheet date, other assets include tax assets from other countries and input tax deductible in the subsequent period of EUR 48 thousand (previous year: EUR 46 thousand).

4. Cash and cash equivalents

Cash funds predominantly include bank balances of EUR 21,098 thousand (previous year: EUR 27,296 thousand).

EUR 390 thousand (previous year: EUR 390 thousand) of this is restricted as it represents banks' rights of recourse for customer direct debits.

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. Cash and cash equivalents are measured at amortised cost.

5. Prepaid expenses

Prepaid expenses amount to EUR 1,079 thousand (previous year: EUR 900 thousand) and essentially relate to deferred licence payments in the reporting year.

6. Equity

The subscribed capital amounts to EUR 15,056 thousand as at 31 December 2020 (2019: EUR 15,056 thousand).

Subscribed capital and ordinary shares

As at 31 December 2020, NFON AG had issued 15,055,569 (as at 31 December 2019: 15,055,569) ordinary bearer shares with a notional interest in the share capital of EUR 1.00. The subscribed capital amounted to EUR 15,056 thousand as at 31 December 2020 (31 December 2019: 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 2020 and 2019.

Capital reserves

The capital reserves contain the premium from issued shares and the transaction costs reimbursed by the previous shareholders in connection with the IPO. This offset the transaction costs in connection with the placement of new shares in the context of the IPO. Furthermore, capital reserves include expenses for the employee stock option plan recognised in the reporting period and the previous period as personnel expenses, plus the equity component of the warrant bond issued in the reporting year.

Authorised capital

In accordance with the resolution of the Annual General Meeting on 12 December 2019, the Management Board is authorised until 11 December 2024, 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 3,000,000 by issuing up to 3,000,000 bearer shares in exchange for cash or non-cash contributions (Authorised Capital 2019). Shareholders have pre-emption rights. The Management Board is authorised, with the approval of the Supervisory Board, to decide whether to disapply shareholders' pre-emption rights, though these can only be disappplied in the following cases:

- to compensate 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 disappplied do not exceed 10% of the share capital as at 31 December 2019, at the time this authorisation becomes effective or at the time it is exercised;
- 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 disappplied do not exceed 10% of the share capital as at 31 December 2019, at the time this authorisation becomes effective or at the time it is exercised.

Authorised Capital has not changed since the balance sheet date of the previous year.

Contingent capital

The creation of contingent capital (Contingent Capital I) in the form that the NFON AG share capital is contingently increased by up to EUR 3,856,060 by issuing up to 3,856,060 new no-par value bearer shares, serves to authorise the Management Board until 8 April 2023, with approval of the Supervisory Board, to issue bearer convertible bonds, warrant bonds, participation rights, participating bonds or combinations of these instruments, dated or undated, up to a total amount of EUR 115,681,800 and to grant bearers and creditors of convertible or warrant bonds conversion or option rights to new shares of the company with a pro rata amount in the share capital of up to EUR 3,856,060, which can be issued against non-cash contributions.

Furthermore, 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 has been contingently increased by up to EUR 964,015 against the issue of up to 964,015 new bearer shares (Contingent Capital II).

Contingent Capital I amounts to EUR 2,892,045 as at 31 December 2020 (31 December 2019: EUR 2,892,045). As at 31 December 2020 (and 31 December 2019), Contingent Capital II was unchanged since the resolution of the Annual General Meeting on 9 April 2018.

Development of net accumulated losses

	EUR thousand 2020	EUR thousand 2019
Net loss/net income	-8,724	-13,957
Loss carried forward from previous year	-47,389	-33,431
31 December	-56,113	-47,388

Voting rights

In 2020, NFON AG received the following notifications in accordance with section 20(1) or 4 AktG or section 33(1) WpHG and published them in accordance with section 20(6) or section 38(1) and section 40 WpHG on the Group's website:

Type of notification	Date of report	Date of change	Name of reporting party/shareholder	Threshold affected	Share of voting rights
Section 43 WpHG	6 Jan. 2020	9 Dec. 2019	Florian Schuhbauer and subsidiaries	Above 10%	11.43%
Section 33 WpHG	30 Jan. 2020	27 Jan. 2020	Universal-Investment-company mit beschränkter Haftung, Frankfurt, Germany	Below 5%	4.94%
Section 33 WpHG	17 Sept. 2020	11 Sept. 2020	Federal Republic of Germany represented by the Federal Ministry for Economic Affairs and Energy, Berlin, Germany	Below 3%	2.62%
Section 33 WpHG	19 Oct. 2020	15 Oct. 2020	MainFirst SICAV, Senningerberg, Luxembourg	Below 5%	4.78%
Sections 33, 34 WpHG	20 Oct. 2020	16 Oct. 2020	Florian Schuhbauer, Active Ownership Fund SICAV-FIS SCS,	Above 15%	17.51%
Sections 33, 34 WpHG	20 Oct. 2020	16 Oct. 2020	Klaus Röhrig; Active Ownership Fund SICAV-FIS SCS,	Above 15%	17.51%
Section 33 WpHG	21 Oct. 2020	16 Oct. 2020	Earlybird Verwaltungs GmbH, Munich, Germany	Below 10%	7.97%
Sections 33, 34 WpHG	1 Dec. 2020	27 Nov. 2020	Klaus Röhrig; Active Ownership Fund SICAV-FIS SCS; AOC Cloud S.à r.l.	Above 20%	25.48%
Sections 33, 34 WpHG	1 Dec. 2020	27 Nov. 2020	Florian Schuhbauer; Active Ownership Fund SICAV-FIS SCS; AOC Cloud S.à r.l.	Above 20%	25.48%
Section 33 WpHG	1 Dec. 2020	27 Nov. 2020	Earlybird Verwaltungs GmbH, Munich, Germany	Below 3%	0%
Section 33 WpHG	4 Dec. 2020	3 Dec. 2020	MainFirst SICAV, Senningerberg, Luxembourg	Below 3%	1.01%
Sections 33, 34 WpHG	8 Dec. 2020	3 Dec. 2020	Gerlin N.V., Maarsbergen, Netherlands	Above 5%	5.0%
Sections 33, 34 WpHG	8 Dec. 2020	3 Dec. 2020	Teslin Capital Management B.V., Maarsbergen, Netherlands	Above 5%	5.0%

7. Provisions

Provisions break down as follows:

EUR thousand	31 Dec. 2020	31 Dec. 2019
Tax provisions	0	69
Other provisions		
Personnel provisions	1,368	1,195
Remuneration for partner commission	428	714
Outstanding purchase invoices	180	834
Others	309	308
Provision for year-end closing and audit	251	281
Social security contributions, pseudo self-employment	0	0
Total	2,535	3,402

Personnel provisions essentially include provisions for bonuses of EUR 645 thousand (previous year: EUR 755 thousand) and holidays of EUR 451 thousand (previous year: EUR 331 thousand).

8. Liabilities

Liabilities break down as follows:

EUR thousand	31 Dec. 2020	with a remaining term of			thereof secured by liens or 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 were agreed as security
Liabilities to affiliated companies	5,690	5,690			No	
Other liabilities	1,138	1,052	86		Yes	
thereof taxes of which social security	167 31					
Total	18,854	18,768	86			

Regarding the liabilities to banks, minimum liquidity of EUR 12,000 thousand must be retained in accordance with the loan agreement between NFON and the bank.

The trade payables to affiliated companies essentially result from cost allocation to NFON UK Ltd. (EUR 3,643 thousand; previous year: EUR 3,320 thousand), nfon GmbH (EUR 1,032 thousand; previous year: EUR 966 thousand) and NFON Italia (EUR 661 thousand; previous year: EUR 0).

EUR thousand	31 Dec. 2019	with a remaining term of			thereof secured by liens or similar rights	Type and form of collateral
		up to one year	more than one year	thereof: more than five years		
Liabilities to banks	9,007	9,007			No	General retention of title
Bonds	5,075				No	
Trade payables	2,308	2,308			Yes	Rent guarantees were agreed as security
Liabilities to affiliated companies	4,287	4,287			No	
Other liabilities	1,115	986	129	0	Yes	
there of taxes	271	271				
of which social security	22	22				
Total	21,791	16,588	129	0		

The bonds had a maturity of less than one year and were repaid on 02 January 2020.

Other liabilities break down as follows:

EUR thousand	31 Dec. 2020	31 Dec. 2019
Collateral received	323	336
VAT liabilities	167	205
Deferral for rent-free period	129	172
Creditors with debit balances	128	81
Credit card liabilities	4	5
Unpaid wages:		
Wage and church tax	297	271
Others	91	45
Total	1,138	1,115

9. Deferred income

Deferred income amounts to EUR 417 thousand and relates to income for subsequent periods after the balance sheet date.

10. Deferred taxes

The temporary differences between the accounting and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income were calculated in the fiscal year. The information derived from this results in a potential option to recognise deferred tax assets. The option not to recognise deferred tax assets in accordance with section 274(1) sentence 2 HGB has been exercised. In particular, it should also be noted that any tax loss carry forwards not used to date cannot be capitalised on account of the overall history of losses in view of the previous year's results.

11. Contingent liabilities

In April 2017, the company entered into a parent company guarantee agreement 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. A claim under this guarantee is considered unlikely.

12. Other financial commitments

There are obligations under longer-term rental and lease agreements of EUR 4,844 thousand as at 31 December 2020 (previous year: EUR 3,512 thousand).

Specifically, these result from vehicle leases in the amount of EUR 219 thousand (previous year: EUR 179 thousand) and building leases of EUR 4,625 thousand (previous year: EUR 3,333 thousand).

IV. Income statement disclosures

The income statement was prepared in line with the total cost (nature of expense) method.

1. Revenue

Revenue breaks down as follows:

EUR thousand	2020	2019
Areas of activity:		
Recurring	34,968	29,900
Recurring IC	151	
Non-recurring	4,608	5,848
Non-recurring IC	4,641	1,881
Total	44,367	37,629

EUR thousand	2020	2019
Geographically defined markets:		
Germany	38,239	34,337
Germany IC	167	
European Union	1,005	1,051
European Union IC	4,625	1,881
Rest of Europe	331	360
Total	44,367	37,629

2. Other operating income

EUR thousand	2020	2019
Income from provisions*	303	70
Investment grant	210	220
Offsetting of non-cash remuneration	158	136
Miscellaneous other operating income*	31	24
Reimbursement under German Expenditure Compensation Act	24	80
Total	726	529

* = prior-period income

In total, other operating income includes prior-period income of EUR 311 thousand (previous year: EUR 94 thousand). This predominantly results from the reversal of provisions, income from prior-period receivables and commission income.

3. Cost of materials

The cost of materials essentially comprises purchased merchandise (hardware) of EUR 2,073 thousand (previous year: EUR 0,795 thousand) and purchased services in the form of software provision of EUR 2,647 thousand (previous year: EUR 2,293 thousand) and airtime of EUR 1,763 thousand (previous year: EUR 1,810 thousand).

4. Personnel expenses

The increase in personnel expenses of EUR 2,630 thousand to EUR 19,521 thousand (previous year: EUR 16,891 thousand) essentially results from the higher headcount, bonus payments and an employee stock option plan.

NFON AG introduced an employee stock option plan in 2019. Details of the participants and the terms can be found in the IFRS consolidated financial statements. The stock options are non-transferable stock options, issued to a precisely defined group of people and have the value shown below as at the balance sheet date.

Measurement of fair values

Grant date/em- ployees entitled	Number of option in thou.	Contractual vest- ing pe- riod of options	Fore- cast fluctu- ation in %	Option value	Value as at 31 Dec. 2020 in EUR thou.	Lifetime value
Options awarded to Management Board						
On 2 Jan. 2019	199	4 years	4	4.04	650	773
Options awarded to employees						
On 2 Jan. 2019 forfeited as of 31. Dec. 2020	423 -11	4 years	4	4.07	809	1,633
On 9 May 2019 forfeited as of 31. Dec. 2020	26 -5	4 years	4	4.76	41	110
On 27 Sept. 2019	47	4 years	4	4.80	68	217
On 20 Dec. 2019	15	4 years	4	3.44	13	50
On 12 May 2020 expire as of 31. Dec. 2020	8	4 years	4	5,29	-	-
On 16 June 2020 expire as of 31. Dec. 2020	6	4 years	4	5,29	-	-
Total stock op- tions	708				1,580	2,783

A total number of 16,000 share options have been forfeited as the respective employees have left the company.

A total number of 14,000 share options have been expired as the underlying targets were not achieved.

5. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets

EUR thousand	2020	2019
Amortisation of intangible fixed assets	122	73
Depreciation on tangible assets	723	590
Total	845	663

Depreciation and amortisation have increased as a result of higher acquisitions and corresponding depreciation and amortisation. Amortisation of intangible assets includes a write-down of EUR 11 thousand on the goodwill acquired in 2020.

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

6. Other operating expenses

Other operating expenses amount to EUR 26,657 thousand in total in the reporting year (previous year: EUR 27,098 thousand) and essentially include the following items.

EUR thousand	2020	2019
Cost allocation	9,917	8,944
Selling costs	4,491	4,159
Advertising, media, trade fair	3,706	5,312
Freelancers, consulting costs	2,661	3,000
Maintenance, servicing, IT	1,319	307
Premises expenses	1,307	1,284
Use of software	827	840
Recruitment, training	509	325
Support costs	398	496
Administrative costs	318	317
Fleet including vehicle insurance	302	271
Financial statement and audit costs	288	449
Insurance not including vehicle insurance	176	190
Travel expenses, hospitality, gifts	161	485
Miscellaneous other operating expenses	137	465
Supervisory Board remuneration	134	144
Work event	6	112
Total	26,657	27,098

Other operating expenses include prior-period expenses of EUR 35 thousand (previous year: EUR 51 thousand) resulting from bad debts.

7. Net interest income

EUR thousand	2020	2019
Income from other securities and long-term loans	223	199
Other interest and similar income	9	29
Interest and similar expenses	-537	-788
Total	-305	-560

"-" = expense

Other interest and similar income in the previous year relate to blocking and dunning fees. Other interest also includes EUR 0.3 thousand from the discounting of provisions.

Interest expenses declined by EUR 251 thousand year-on-year to EUR 537 thousand.

8. Other taxes

Other taxes include vehicle taxes of EUR 6 thousand (previous year: EUR 5 thousand).

Courtesy Translation

V. Other disclosures

1. Total auditor's fees

KPMG AG WPG audited the annual and consolidated financial statements of NFON AG. KPMG AG WPG also performed assurance services in connection with the introduction of new IFRS accounting policies and for the ongoing development of guidelines, systems and processes in light of the requirements placed on a listed company. The information on the auditor's fees can be found in the consolidated financial statements of NFON AG. They are not disclosed here in accordance with the exempting clause for groups under section 285 no. 17 HGB.

2. Headcount (average for the year)

In accordance with the calculation provisions of section 285 HGB, an average of 219 people were employed during the fiscal year (previous year: 195). These are exclusively salaried employees.

Number	2020	2019
Full-time equivalents	202	178
Part-time equivalents	17	17
Total	219	195

3. The Management Board

The members of the Management Board of the company in the reporting period and until the preparation of the 2020 annual financial statements were:

- Dr. Klaus von Rottkay, doctor of physics, Munich
CEO (since 1 December 2020)
- Jan-Peter Koopmann, computer science and business administration graduate, Nackenheim
CTO (since 1 October 2012)
- Hans Szymanski, business graduate, Berlin
CEO (until 30 November 2020)
- Cesar Flores Rodriguez, business management graduate, Pullach im Isartal
CSO (until 30 November 2020)

Liabilities to members of the Management Board amount to EUR 0.00 as at the balance sheet date (previous year: EUR 3,241.19).

4. Supervisory Board

The members of the Supervisory Board of the company in the reporting period and until the preparation of accounts were:

- Rainer Christian Koppitz
Chairman (from 1 February 2015; until 27 July 2016)
Member (from 24 July 2017; until 9 April 2018)
Chairman (since 9 April 2018)
Profession:
CEO of Katek SE, Munich

- Dr Rupert Doehner
Deputy Chairman (since 9 April 2018)
Profession:
Lawyer, Managing Director of RECON Rechtsanwalts-gesellschaft mbH, Munich.

- Günter Müller
Member (from 12 December 2019)
Profession:
Executive Chairman of ASC Technologies AG, Hösbach.

- Florian Schuhbauer
(since 12 December 2019)
Profession:
Managing Director of Active Ownership Capital S.a.r.l and Active Ownership Corporation S.a.r.l., Grevenmacher, Luxembourg
Member of the Supervisory Board of PNE AG, Cuxhaven.

5. Related party transactions

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party through its financial and operating policy. In considering each possible related party relationship, attention is paid to the substance of the relationship and not just the legal form. In addition, a related party is any member of the Management Board and the Supervisory Board of NFON AG, including any of their immediate family members and any entity owned or controlled by such persons.

The related party transactions mainly concern rental, services and financing transactions. If there is a corresponding market for such transactions, they are typically entered into at arm's length conditions.

The table below shows transactions with related parties with the exception of the remuneration of members of management in key positions.

EUR thousand	2020	2019
Sales of goods and services and other income including interest income	5,037	2,177
Purchases of goods and services and other expenses including interest expenses	10,612	9,290

EUR thousand	Balance outstanding as at 31 Dec. 2020	Balance outstanding as at 31 Dec. 2019
Receivables	4,138	3,873
Liabilities	5,747	4,294

All transactions with these related parties are priced on an arm's length basis and, with the exception of loans to affiliated companies, must be settled in cash within two months of the end of the reporting period. None of the balances are secured.

Sales of goods and services and other income include cloud-based services provided to related parties on the same terms and conditions as for any other customer of the Group. Purchases of goods and services and other expenses essentially include services provided by companies controlled by related parties and interest expenses in connection with loans.

Receivables include loans of EUR 4,138 thousand (previous year: EUR 3,873 thousand).

6. Total remuneration of members of executive bodies

In accordance with section 314(1) no. 6 a sentence 1 to 3 HGB, the Management Board received remuneration of EUR 1,062 thousand in the reporting year (previous year: EUR 1,858 thousand). In the previous year, this included the grant values for share-based payments of EUR 805 thousand (reporting year: EUR 0 thousand). A total of 199,229 share options were granted in the previous year. No share options were granted in the reporting year. The remuneration in the reporting year includes EUR 260 thousand for former members of the Management Board for the period after the end of their services.

By way of resolution by the Annual General Meeting of 9 April 2018, the company is exercising the option under section 286(5) HGB and does not disclose the remuneration of each individual member of the Management Board in accordance with section 285 no. 9 a sentences 5 to 8.

There were no loans or advances to members of executive bodies as at 31 December 2020.

Contingent liabilities were not entered into for these persons.

Supervisory Board remuneration breaks down as follows:

EUR thousand	2020	2019
Supervisory Board remuneration		
Basic remuneration	115	119
Attendance fee	19	24
Total Supervisory Board remuneration	134	143

7. List of shareholdings

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

nfon GmbH, St Pölten, Austria	Share:	100.00%
Net income in 2020: EUR 73 thousand	Equity:	EUR +1,285 thousand
NFON UK Ltd., Maidenhead, UK	Share:	100.00%
Net income in 2020: EUR 504 thousand	Equity:	EUR +5,124 thousand
NFON Iberia SL, Madrid, Spain	Share:	100.00%
Net income in 2020: EUR -112 thousand	Equity:	EUR -966 thousand
NFON Italia S.R.L, Milan, Italy	Share:	100.00%
Net income in 2020: EUR -18 thousand	Equity:	EUR +582 thousand
NFON France SAS, Paris, France	Share:	100.00%
Net income in 2020: EUR -22 thousand	Equity:	EUR +70 thousand
Deutsche Telefon Standard GmbH, Mainz	Share:	100.00%
Net income in 2020: EUR 2240 thousand	Equity:	EUR 2,650 thousand
NFON developments Lda., Lissabon, Portugal	Share:	100.00%
Net income in 2020: EUR 81 thousand	Equity:	EUR 131 thousand

The figures shown for net income and equity are based on the figures taken from the IFRS reporting packages (HB II) prepared by the subsidiaries for the purposes of preparing NFON's consolidated financial statements as at 31 December 2019.

8. Group affiliation

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

9. Supplementary report

After the balance sheet date, a capital increase was carried out with the exclusion of subscription rights, in the course of which the share capital of NFON AG was increased by EUR 1,506,000 through the issue of 1,505,555 new shares. The placement price was EUR 17.50, as a result of which the company received liquid funds totalling EUR 26,347,000. The difference between the placement price and the nominal value per new share, totalling EUR 24,842,000, was recognised in the capital reserve. The capital increase was entered in the commercial register on 29 March 2021.

Within the NFON Group, neither procurement nor sales are directly affected by the epidemic, though there may be unforeseeable effects on future assessments.

10. Declaration in accordance with section 161 AktG of the German Corporate Governance Code

NFON AG published the declaration required by section 161 AktG for 2020 on 31 March 2021. This can be found on its website www.nfon.com under Investor Relations.

11. Appropriation of profits

The Management Board and the Supervisory Board propose to the Annual General Meeting on 24 June 2021 that the net accumulated loss of EUR -56,113 thousand be carried forward to new account.

Statement of changes in fixed assets for fiscal 2020

	Acquisition/ production cost 1 Jan. 2020	Addition Disposals	Reclassi- fication	Acquisition/pro- duction cost 31 Dec. 2020	Deprecia- tion and amortisa- 1 Jan. 2020	Book value 1 Jan. 2020	Addition Disposals	Reclassifi- cation	Depreciation and amortisation Reversal of - write-downs	Book value 31 Dec. 2020
I. Intangible assets										
1. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	446	165	29	640	253	192	165	29	110	277
2. Goodwill		150		150		0	150		11	139
3. Payments on account		106	-29	77		0	106	-29		77
Total intangible assets	446	421	29 -29	867	253	192	421	29 -29	122	492
II. Tangible assets										
1. Technical equipment and machinery	3,480	565	204	4,250	1,973	1,507	566	204	510	1,767
2. Other equipment, operating and office equipment	1,307	165	-6	1,466	781	526	165	-1	214	476
3. Payments on account and assets under construction	19,600	382	204	368	6	190	382	204		368
Total tangible assets	4,982	1,113 -12	0	6,084	2,760	2,223	1,113 -1	204 -204	723	2,612
III. Financial assets										
1. Shares in affiliated companies	36,768	50	547	29,826		36,768	50	547		29,826
2. Loans to affiliated companies	3,874	-7,540	812	4,138		3,874	-7,540	812	-547	4,138
Total financial assets	40,642	862 -7,540	547 -547	33,964		40,642	862 -7,540	547 547		33,964
Total	46,070	2,396 -7,552	781 -781	40,914	3,013	43,057	2,396 7,541	781 -781	845	37,067

NFON AG

Machtlfinger Str. 7

81379 Munich

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The significant reduction in shares in affiliated companies resulted primarily from the capital reduction at NFON GmbH of EUR 7.5 million. The capital increase at NFON S.R.L. (EUR 0.5 million) and the founding of NFON developments unipessoal Lda (EUR 0.1 million) had the opposite effect.

Munich, 13 April 2021

.....
Dr. Klaus von Rottkay

.....
Jan-Peter Koopmann

Courtesy Translation