

Reports from the Management Board:

The following Management Board reports relating to items 7 and 9 can be viewed at NFON AG's offices at Machtlfinger Strasse 7, 81379 Munich, and online at <https://corporate.nfon.com/en/investor-relations/annual-general-meeting/>.

Regarding item 7

Management Board report to the General Meeting in accordance with Section 203(2) sentence 2 in conjunction with Section 186(4) sentence 2 AktG

In accordance with Section 203(2) sentence 2 in conjunction with Section 186(4) sentence 2 AktG, the Management Board of NFON AG provides the company's Annual General Meeting convened for 24 June 2021 with the following written report on the creation of Authorised Capital 2021 against cash and/or non-cash contributions with authorisation to disapply pre-emption rights, as proposed under item 7:

Of the Authorised Capital 2019 created by the extraordinary Annual General Meeting on 12 December 2019 of EUR 3,000,000.00, EUR 1,505,555.00 has been exhausted.

The amount of Authorised Capital 2019 of EUR 1,494,445.00 still remaining in Article 4(3) of the Articles of Association does not make anything like full use of the legal framework for authorised capital. Thus, this remaining Authorised Capital 2019 is to be cancelled and new Authorised Capital 2021 of EUR 4,140,281.00 created.

The new authorisation proposed is designed to make moderate use of the legal opportunities to expand the company's equity base. Adequate capitalisation is key to future business, especially given the company's purpose and the desire to secure further financial resources to invest in the future of our company. For this reason, new authorized capital is to be created within a moderate framework. The legally permissible framework will not be exhausted. A limited possibility of excluding subscription rights is also to be created for both cash capital increases and non-cash capital increases. Here, too, the legally permissible framework for an exclusion of subscription rights is not exhausted.

There are not currently any specific plans in place for the utilisation of the Authorised Capital 2021 proposed to the General Meeting. From a current standpoint, funds from the Authorised Capital 2021 proposed to the General Meeting could be used, in particular, to strengthen the equity base so as to avoid increased reliance on debt financing for future investment projects.

The company could also use new equity to finance acquisitions. As a capital increase in order to make an acquisition must be carried out at short notice, the resolution on this at the General Meeting does not constitute an alternative to using authorised capital. Creating authorised capital allows the Management Board to quickly and easily take advantage of any opportunities that arise to acquire companies in the interests of shareholders in order to meet the company's business requirements and bolster its competitive standing.

In principle, the new shares will participate in profits from the beginning of the financial year of their issue. If legally permissible, the Management Board may, with the approval of the Supervisory Board, determine in derogation from this and from Section 60(2) AktG that the new shares participate in the profits from the beginning of a past financial year, for which a resolution about the appropriation of the net profit had not yet been adopted by the Annual General Meeting at the time they were issued. This right may give the Management Board advantages when placing new shares in the period from the beginning of a financial year until the Annual General Meeting, as it allows a separate listing for the new shares to be avoided.

If Authorised Capital 2021 is utilised, shareholders have statutory pre-emption rights. The new shares resulting from a cash capital increase are either to be offered to shareholders for subscription directly or acquired by banks with the obligation to offer them to shareholders for subscription (indirect pre-emption rights). However, the Management Board is to be authorised, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights in several cases:

The disapplication of pre-emption rights in a capital increase against cash contributions within the 10% limit set out in Section 186(3) sentence 4 AktG makes it easier for the company to obtain financing by

raising equity. This provides the company with the opportunity to raise new capital on the capital markets flexibly and inexpensively. This authorisation makes it easier for the company to meet any potential capital requirements at very short notice and benefit from market opportunities. The disapplication of pre-emption 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 pre-emption 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 pre-emption rights are disapplied. This form of capital increase is thus also in the interests of shareholders. Dilution of the value of existing shares is minimized in line with statutory limits by the fact that the issue price is not allowed to be significantly lower than the stock market price. This means that shareholders' pre-emption rights would have very little economic value. Shareholders can maintain their stake by making corresponding purchases on the stock exchange.

The total cash capital increase, using this authorisation to disapply pre-emption rights in accordance with Section 186(3) sentence 4 AktG, must not exceed 10% of the share capital, either in relation to the amount on 24 June 2021 or at the time this authorisation becomes effective or at the time it is exercised.

In the case of non cash capital increases, it shall also be possible, with the approval of the Supervisory Board, to exclude subscription rights in a moderate amount of 20% of the existing capital stock. This disapplication of pre-emption rights allows the Management Board in appropriate cases, with the approval of the Supervisory Board, for example, to acquire companies or investments in companies or to combine with other companies in return for transferring NFON AG shares. This should make it possible for the company to respond quickly and flexibly on national and international markets to favourable offers or other opportunities that arise to acquire companies or investments in companies or to combine with companies that operate in related business areas, in order to improve its own competitiveness in the interests of shareholders. 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 proposed option to disapply pre-emption rights takes this into account. The dilution resulting from disapplying pre-emption rights is offset by the fact that the business expansion through increased equity is financed by third parties and that existing shareholders – albeit with a lower equity and voting share than previously – share in company growth which, if pre-emption rights were granted, they would have to finance using own funds. However, all shareholders can maintain or increase their stake by purchasing additional shares through the stock exchange listing.

It should also be possible, with the approval of the Supervisory Board, to disapply pre-emption rights to the extent necessary to grant bearers or creditors of convertible bonds or warrant bonds issued by the company or subordinate Group companies a right of subscription to new shares to the extent it would be granted after exercising the option right or right of conversion or after meeting conversion obligations. To make it easier to place bonds on the capital market, the terms of issue generally provide for protection against dilution. Dilution protection allows holders of warrants or creditors of convertible bonds to receive a subscription right to new shares in the event that shares are issued for which the shareholders have subscription rights. They are therefore treated as if they had already exercised their option right or right of conversion or had already met their conversion obligation. As it is not necessary, in this case, to ensure dilution protection by reducing the option or conversion price, a higher issuing price can be set for the new shares to be issued upon conversion or exercise of the option. However, this is possible only if shareholders' subscription rights to the new shares are excluded to this extent. Granting corresponding dilution protection makes it easier to place bonds with conversion and/or option rights or conversion obligations, and so excluding subscription rights is in the interests of shareholders as it facilitates an optimal financial structure at their company.

Pre-emption rights are also to be disapplied for fractional shares. This is intended to make it easier to handle an issue with a shareholder pre-emption rights. Fractional shares can result from the issue volume in question and from the fact that it is necessary to achieve a technically feasible pre-emption rights ratio. The value of these fractional shares for the individual shareholder is generally low. The possible dilution effect is also negligible due to the limitation to fractional shares. Nonetheless, the effort involved for the company in issuing shares without with pre-emption rights disapplied is considerably higher, which incurs additional costs. The new fractional shares excluded from shareholder pre-emption rights are realised either by selling them on the stock exchange or in another way that most benefits the company. Disapplying pre-emption rights therefore improves feasibility and cost efficiency and makes it easier to execute an issue, and is thus in the interests of shareholders.

The proportion of the share capital represented by the shares issued on the basis of the proposed authorization under agenda item 7 with exclusion of subscription rights may not exceed a total of 20% of the share capital, either in relation to June 24, 2021, or to the date on which this authorization takes effect or the date on which it is exercised.

Both this limit of 20% of the share capital and the limits of 10% pursuant to lit. a) and 20% pursuant to lit. b) of this authorization for the authorization to exclude subscription rights pursuant to Section 186 (3) sentence 4 AktG and for contributions in kind shall include the pro rata amount of share capital represented by shares issued or sold from June 24, 2021 until the end of the term of this authorization with exclusion of subscription rights in direct or analogous application of Section 186 (3) sentence 4 AktG. Furthermore, the pro rata amount of the share capital of the shares issued or still to be issued to service conversion or option rights or conversion obligations shall be included in the respective limits, provided that the underlying bonds were issued during the term of this authorization under exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG. Finally, the pro rata amount of the share capital of shares issued from June 24, 2021 onwards on the basis of an authorization to use treasury shares in accordance with sections 71 (1) no. 8 sentence 5, 186 (3) sentence 4 AktG while disapplying preemptive rights shall be counted towards the aforementioned limits.

These limits on disapplying pre-emption rights prevent excessive changes to shareholders' holdings.

Any time that shares are issued with pre-emption rights disapplying, the Management Board will carefully review whether this is in the interests of the company and thus of its shareholders. Only then will the Management Board exercise the option it has been granted and will provide a report on this at the next Annual General Meeting.