Questions for 2021 Annual General Meeting

Asker: **Wotsch, Alice, Munich, SdK**
Question: *NFON AG had a successful fiscal year 2020 and has made a good start to fiscal year 2021. You want to be the leading provider of voice-based business communications in Europe. How do you intend to achieve this in the face of the fierce competition? What do you do better than your rivals?*
Answer: It is true that the cloud telephony market is very fragmented. What makes us unique in this competitive environment? 1. We already have a presence in 15 European countries with our cloud service. 2. We have a customer base of over half a million customers. 3. We have a partner network of more than 2,700 partners. In addition, we have our own technology and can therefore act very independently. We want to maintain this independence. On this basis, our strategy is clearly directed at growth. The market is now being shared. With the events of recent months, companies now understand how essential flexible and scalable cloud solutions are for the survival of their business. This year, we are therefore laying the foundation for our future success and investing in our product, in marketing, in acquiring new customer segments, in new national subsidiaries and finally in technology partnerships.

Asker: **Wotsch, Alice, Munich**
Question: *NFON AG is pursuing strong growth in Europe. In addition to Germany, you are now also represented with your own subsidiaries in the UK, Austria, Spain, France and Italy. What other countries are you particularly interested in, and why? What are your plans for the market launch in these countries?*
Answer: Germany, the UK, Austria, Spain, France, Italy, Portugal and recently Poland are countries in which we have our own subsidiaries. We are also active via dealers in countries such as Slovakia, Slovenia, Hungary and Romania. We have recognised that the market in these Eastern European countries is still underdeveloped but has great potential. In particular, there is a lot less competition there than in the countries of Western Europe. We have therefore decided to be more present in these countries from now on. In Poland – as one of these countries – we already have a network of around 80 partners. We have now founded a subsidiary there and are approaching this market in an even more targeted manner.

Asker: **Wotsch, Alice, Munich**
Question: *By way of the anticipatory capital resolution under agenda item 7, NFON AG is seeking approval for the option to increase the share capital by up to 20% with shareholders' pre-emption rights disapplied. Meanwhile, you have not even made full use of the Authorised Capital 2019. Why does NFON AG feel that an anticipatory capital resolution of this size is necessary? Particularly the option to increase the share capital by up to 20% against non-cash contribution with shareholders' pre-emption rights disapplied entails a serious risk of abuse and dilution for the shareholders. How do you intend to dispel the shareholders' concerns in this regard?*
Answer: NFON is pursuing the clear goal becoming the leading provider of voice-centric business communications in Europe. We want to grow in Europe. With the last capital increase, we obtained capital for organic growth. However, additional opportunities for accelerated growth may yet arise. For these purposed, we would like to utilise the option of an anticipatory capital resolution permitted by the German Stock Corporation Act. Particularly in a fiercely competitive market, swift decisions and the ability to act quickly may be crucial. A capital increase with a pre-emption rights offer would take too long. In our view, the law has put sufficient barriers in place to prevent the risk of abuse that you mention – especially the requirement for the approval of the Supervisory Board, which, in NFON's case, includes two major shareholders as members. Dilution is always counteracted by an increase in the enterprise value, the net sum of which should be positive.

Asker: **Mr Lutje, representative of DSW**
Question: *Have there been problems in the transition between the former Management Board and the new Management Board?*
Answer: We agreed the transition for the month of December. The transition went very well, and I should also mention that my colleagues Jan-Peter Koopmann, Petra Boss and Jan Forster are important managers in the company who already have many years of experience within NFON. This was of course important for a good transition.

Asker: **Mr Lutje, representative of DSW**
Question: *In the past fiscal year, the Supervisory Board discussed a potential take-over project of NFON AG (public take-over). What was this about? Something specific or just general contemplation? Can you give us any more details?*
Answer: There are three prongs to our M&A strategy: Firstly, we look for technology companies that complement our own product portfolio or can be used by us in the development of products. The best example is NFON AG's investment in Meetecho. We then also look for companies that are already selling cloud telephony themselves and have their own customer base in markets we are interested in.   We are in numerous talks with potential companies and, at a certain stage of the process, the talks become so substantial that we discuss them with the Supervisory Board.

Asker: **Mr Lutje, representative of DSW**
Question: *The Supervisory Board also discussed the status and resolution on strategic partnerships and various M&A activities.* *What are "strategic partnerships" for you? Do you have any already?*
Answer: There are various ways to participate in companies. In spring 2019, we acquired 100% of Deutsche Telefon Standard. At the end of 2019, we agreed an asset deal with Onwerk GmbH. Onwerk GmbH's employees were thus transferred to NFON, but not the legal entity. We entered into a strategic partnership when we acquired around 25% of Meetecho and signed a collaboration and service agreement. We thus secured access to important know-how and can also work together on our unified communications strategy. The Supervisory Board is always involved in discussions about transactions.

Asker: **Mr Lutje, representative of DSW**
Question: *A near-shoring location was established in Lisbon. What is that? And why in Lisbon*?
Answer: We all know how difficult it has been for some time to recruit good software developers or software architects. The market – and Bitkom has confirmed this – is more or less swept clean. For this reason, we went on an intensive search for alternatives last year. One of the options was the establishment of a development centre outside Germany. For us, founding a company in Portugal proved to be the best option. And – we can say this now – it was absolutely the right decision. The Portugal team now comprises 12 colleagues. And we are gaining new developers on a monthly basis. We are also working closely with the university in Lisbon.

Asker: **Mr Lutje, representative of DSW**
Question: *This question is about the progress of the asset deal with Onwerk GmbH. How did it go? What is the current status?*
Answer: We acquired Onwerk GmbH in an asset deal in December 2019. Essentially, we thus acquired the employees' employment contracts. The Onwerk teams have since been fully integrated into the NFON teams and are working together on development projects. To this end, we have established another development location in Mannheim and are looking forward to cooperating with the University of Mannheim.

Asker: **Nobert Sommer, Aschenburg**
Question: *Video conferences have become increasingly important in the last year. More and more systems such as MS Teams and Zoom have been used. Teams and Office 365 in particular have since been used more intensively for internal communication as well.* *Will telephone systems become less important in this context?* *How will this affect business performance at NFON?*
Answer: Voice-centric business communications have evolved. Our starting point is telephony. It is true that there is increasing use of video conferences. In addition, however, telephony, collaboration and business applications are coalescing into integrated business communications. Telephony is the communication channel that allows accessible, flexible and simple communication between customers, business partners and employees. But working in different places and in spread-out teams demands more. Telephony is supplemented with other connected functions: text, audio and video, on the one hand, and systems to define and ascertain the availability of team members on the other. And this is precisely the way NFON is going with our product Meet&Share. This is complemented by our product Nvoice for Microsoft Teams, which is perfectly integrated into the Teams environment. Teams users can thus use the full range of functions of Cloudya – our cloud telephony solution – within the familiar collaboration environment. Therefore, this situation gives us even more opportunities that we will also take advantage of with our 2024 growth strategy.

Askers: **Ms Wotsch, Mr Lutje and Mr Adams**
Answer: Ms Wotsch, Mr Lutje and Mr Adams all asked about the individual remuneration of the Management Board. Here is my answer, in summary: For fiscal year 2020, the Annual General Meeting on 9 April 2019 resolved to opt out from the disclosure of individual Management Board remuneration under agenda item 14. Since then, the ability to opt out from the obligation to disclose individual Management Board remuneration via a resolution of the Annual General Meeting has been abolished without substitution by the German Act Implementing the Second Shareholders' Rights Directive. However, a remuneration report in accordance with section 162 of the new version of the German Stock Corporation Act AktG must be prepared for the first time for the fiscal year beginning after 31 December 2020. Listed companies such as NFON AG with a fiscal year matching the calendar year therefore have to prepare a remuneration report for the first time for fiscal year 2021, which we will do. For fiscal year 2020, the opt-out from the disclosure of individual Management Board remuneration resolved by the Annual General Meeting on 9 April 2019 under agenda item 14 therefore remains in place. In order make the remuneration system and the potential percentage breakdown transparent, however we have prepared a small model calculation. In principle, the Chairman of the Management Board can earn a maximum of EUR 1.5 million and an ordinary Management Board member EUR 0.75 million per year. The individual remuneration components are as follows: Fixed remuneration 30 – 50% Short-term incentive component 10 – 25% Long-term incentive component 40 – 50% Explanation of our model calculation

With an assumed fixed remuneration of EUR 350,000 and 100% achievement of the short-term incentive targets, the Management Board member in our calculation would receive EUR 250,000 for the short-term incentive.

The calculation of the long-term incentives, which are based on stock options, is as follows: The exercise gain is limited to the actual basic salaries multiplied by a factor of 1.5. To prevent any misleading spike arising in the year of exercise, the total potential amount is spread over the term of the Management Board contract. To make it plain:

We assume a fixed salary of EUR 350,000 and multiply this by 3 in line with the 3 years of service. This gives EUR 1.05 million. This is averaged, which again gives EUR 350,000. Multiplying this by the cap of 1.5 gives a figure of EUR 525,000. In our example calculation, the maximum amount that can be paid to the Management Board member.

All together, this gives total remuneration of EUR 1,125,000 – the 100%. In terms of this 100%, fixed remuneration makes up 31.1%, the short-term incentives 22.2% and the long-term incentives 46.7%, which is within the corridors of the remuneration components.

Asker: **Mr Lutje, representative of DSW**
Question: *How did the change in the Management Board go?* *How was the succession arranged? By agencies? Headhunters? Or was it personal contacts?*
Answer: The Supervisory Board engaged a recruitment firm for the search. A structured process was carried out together with the recruitment firm.

Asker: **Farisi, Stefan, Teslin, Maarsbergen**
Note on the questions: Regarding agenda item 5 **Resolution on approving the remuneration system for the members of the Management Board** NFON's remuneration report for 2020 contains a clear and informative explanation of the financial performance criteria used to determine the short-term variable remuneration ("STI"). However, it is less transparent which non-financial performance criteria determine the STI and what weighting is given to the selected financial and non-financial performance criteria.
Question 1: *What are the non-financial/ESG-related performance criteria for the Management Board in 2021?*
Answer: At NFON, the topic of sustainability and the associated concepts in the fields of environment, society and governance are dealt with in the various departments. Our aim is to publish our first sustainability report for fiscal year 2021. In this context, the successful implementation of a project to increase and make measurable the sustainability of the NFON Group's activities was defined as a performance criterion for the Management Board.
Question 2: What weighting has been given to the selected financial and non-financial performance criteria that determine the STI?
Answer:

The weighting of the financial and non-financial performance criteria is as follows: The financial performance indicators make up 90%. The non-financial indicators make up 10%, capped at 50% in the event of over-fulfilment.
Asker: **Farisi, Stefan, Teslin, Maarsbergen**
Question: *Teslin is an advocate for increasing the common interests of Management Board and shareholders, e.g. through "skin in the game". While we support the company's stock option programme 2021 ("SOP 2021"), which concentrates on long-term, sustainable value creation, this programme offers no direct skin in the game. Has the Supervisory Board considered a minimum shareholding for Management Board members in order to increase the common interests mentioned above?*
Answer: Jan-Peter Koopmann already has acquired a considerable number of company shares in connection with the IPO and therefore has skin in the game. Dr Klaus von Rottkay – like the other Management Board members – has been pledged stock options. The Supervisory Board believes that stock options can be seen as equivalent to direct share acquisition and also have the advantage of a long-term remuneration component.

Asker: **Adams, Christoph Arno, Hamburg**
Question: *Does the annual maximum remuneration (EUR 1.5 million for the Management Board chairman and EUR 0.75 million for an ordinary Management Board member) mentioned in the resolution on the Management Board remuneration system (annex to agenda item 5) relate to the grant year or the year of receipt?*
Answer: The annual maximum remuneration relates neither to the grant date nor to the date of receipt. In order to obtain a meaningful figure for the annual maximum remuneration, the LTIs, which relate to a period longer than one year, were spread over the years of service for the company. Otherwise, a (mathematically) too low figure for maximum remuneration would result across many years and an unusual peak in the year of exercise/receipt, which would not be especially informative. So the answer is, it relates to the year of receipt, whereby the maximum receipt (because of the cap) is spread over the duration of service.