# OUR FACTS AND FIGURES FIRST HALF OF THE YEAR

**NFON AG**

Half-Year Financial Report 2023

## Who we are

**NFON AG,** with its headquarters in Munich, is a leading European provider of integrated cloud business communications. The listed company (Frankfurt Stock Exchange, Prime Standard) with more than 3,000 partners in 15 European countries and seven branches counts more than 50,000 companies among its customers. With its core product Cloudya, the smart cloud communications platform, NFON offers hassle-free voice calls, simple video conferencing and seamless integration of CRM and collaboration tools for small and medium-sized companies. The NFON portfolio comprises four areas: Business Communications with Cloudya, Customer Contact, Integration and Enablement. All of NFON's cloud services are operated in certified data centers in Germany, with 100% of their energy needs covered by renewable sources. NFON accompanies companies into the future of business communication by offering intuitive communication solutions.

# OUR FACTS AND FIGURES FIRST HALF OF THE YEAR

## Key performance indicators

| in EUR thousand | H1 2023 | H1 2022 | Change | Q2 2023 | Q2 2022 | Change |
|---|---|---|---|---|---|---|
| Total revenue | 41,179 | 40,089 | 2.7% | 20,393 | 19,826 | 2.9% |
| **Recurring revenue** | **38,396** | **36,540** | **5.1%** | **19,049** | **18,161** | **4.9%** |
| **Share of recurring revenue** | **93.2%** | **91.2%** | **n.a.** | **93.4%** | **91.6%** | **n.a.** |
| Non-recurring revenue | 2,784 | 3,550 | -21.6% | 1,344 | 1,666 | -19.2% |
| Share of non-recurring revenue | 6.8% | 8.9% | n.a. | 6.6% | 8.4% | n.a. |
| ARPU blended[1] | 9.7 | 9.8 | -1.0% | 9.6 | 9.7 | -1.0% |
| Number of seats | 640,573 | 609,640 | 5.1% | | | |
| **Adjusted EBITDA**[2] | **3,394** | **-1,470** | **n.a.** | **1,391** | **-1,950** | **n.a.** |

1 Based on average number of seats per month in the periods under consideration

2 Notes on the adjustments can be found under "Results of operations"

**NAVIGATION**

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List of abbreviations

More Information

In order to be able to experience the report optimally, we recommend that you use the free PDF reader, which you can obtain **here**.

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# LETTER FROM THE MANAGEMENT BOARD

Dear stakeholders,

We enjoyed a successful first half of 2023 overall, in which NFON continued to grow and we systematically focused on profitability. We will continue on this path and continuously and sustainably developing NFON AG profitably with a view to the future. Our guiding principle is that earnings must grow more strongly than revenue, with revenue growth at least equalling market growth.

We see operational excellence as the material foundation for exploiting market potential accordingly in the future and for living up to our role as an innovative pioneer in integrated cloud business communications on the European market. At the forefront stand organisational clarity, streamlined processes with best-in-class customer service aspirations and a system world that helps us to make data-based decisions. We have already achieved initial milestones with the management level reshuffle including new areas of responsibility at C level. With an optimised organisational structure, we can now more efficiently address the needs of our customers to better fulfil our high customer service aspirations. With this foundation, NFON will be building on three strategic growth pillars moving ahead: innovative product development, a focus on sales excellence and stronger partnerships. These are the keys to offering our customers first-class solutions and enhancing our good positioning in our dynamic target markets.

In view of company-wide cloud strategies and digitalisation projects that will take on a new strategic direction, we anticipate attractive development potential for NFON as a specialist for integrated solutions even in complex corporate structures. Against the backdrop of our positive business performance to date and the consistently positive outlook, we have decided to raise our adjusted EBITDA forecast for 2023. For fiscal 2023, we are now projecting adjusted EBITDA of between EUR 6 and EUR 7 million. This revision does not affect the forecasts for the other key performance indicators.

We can be proud of what we have already achieved in the first half of 2023. This progress has not only contributed to positive business performance, but also smoothed the way for further measures to help us achieve our goals in the second half of the year. I firmly believe that we are well on our way to adding new lustre to our self-image as a cloud pioneer.

On behalf of the Management Board

**Patrik Heider**

# INTERIM GROUP MANAGEMENT REPORT

## Basic information on the Group

### Group business model

NFON AG (referred to as NFON or the NFON Group with its subsidiaries), based in Munich, was founded in 2007 and is a provider of integrated cloud business communications in Europe. NFON has more than 50,000 business customers in 15 European countries, and operates as a telecommunications company through its own companies in Germany, Austria, the UK, Spain, Italy, France and Portugal. NFON also has a large network of more than 3,000 partners for sales operations in other countries.

The NFON Group essentially generates revenue by providing cloud-based telecommunication services to business customers. NFON is also expanding its product portfolio in the areas of unified communications and collaboration, such as Meet & Share or Integration for Microsoft Teams, and business applications (see General market characteristics ⊕ for explanations of the terms unified communications and collaboration and business applications).

NFON provides services in the following areas:

**Business communication**
Telephony, video calls, screen sharing and the associated hardware components

**Integration**
NFON's cloud telephony system is integrated into customers' existing systems, business processes and workflows.

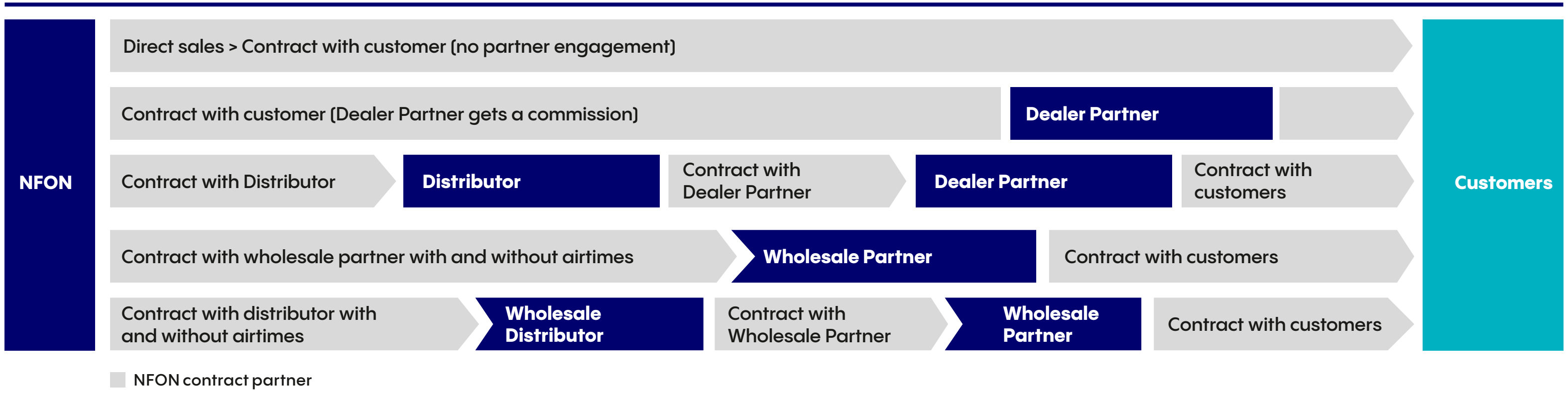
**Customer contact**
Products to optimise customer contact

**Enablement**
NFON prepares companies for the cloud and makes sure they have the right infrastructure at their disposal.

NFON distinguishes between recurring and non-recurring revenue. Recurring revenue includes monthly fees for all products and solutions as well as ongoing call charges and SDSL monthly fees.

By contrast, non-recurring revenue is one-time revenue from the sale of hardware, set-up fees for the cloud PBX and other products, e.g. Contact Center Hub, set-up fees for SDSL or cloud services.

## Distribution channels




Sales are conducted through five channels with a clear focus on sales through dealer partners.

**Direct sales:** Direct sales essentially supports NFON's sales partners in sales negotiations and assists with technically complex offerings (direct touch support). NFON handles direct sales in selected cases.

**Dealer partners:** The dealer has its own customer base and acquires new customers to whom it sells NFON products and solutions. The dealer provides service for these customers. NFON delivers the contractually agreed performance.

**Distributors:** Distributors have their own dealer network and serve as an intermediary between the dealer and the manufacturer or service provider by placing the respective product in their own dealer network. They do not typically market NFON's services themselves.

**Wholesale partners:** NFON enters into sales agreements with wholesale partners to accelerate the expansion of its customer base. NFON provides services on a white-label basis under these agreements. In these cases, the wholesale partners market NFON's services to consumers under their own brands or co-branded under their own brands and the NFON brand. There is no direct contractual relationship between the wholesale partner's customers and NFON. Among the wholesale partners, a distinction is made between partners that purchase voice minutes and those that do not.

**Wholesale distributors:** Wholesale distributors have further wholesale partners or their own network of wholesale partners to market NFON's services.

## General market characteristics

While the early 2000s saw a gradual evolution in communication towards IP telephony, this accelerated considerably in the 2010s thanks to the introduction of cloud PBX technology and the associated as-a-service availability of business telephony. Driven by the COVID-19 pandemic and the growing shift toward new work, this sub-segment of business communication is increasingly coalescing with other solution segments within companies: People, machines, processes and services are becoming more and more interconnected. Available and reliable information has become the most important success factor. Fast access to all relevant information is essential for key business decisions. In this respect, the markets for business applications, contact centre solutions and communication platforms have developed in parallel with the markets for business telephony, collaboration and video communication.

### Market for integrated business communication emerging

The need to connect people, machines, processes and services is increasingly driving companies' ambitions for integrated solutions. While collaboration and video communication were initially separate solutions with separate markets, they and eventually the business telephony market merged to form the "unified communications and collaboration" (UCC) market. At the same time, the markets for business applications, contact centre solutions and communication platforms evolved and developed shared interfaces. The markets for UCC, business applications, contact centre solutions and communication platforms therefore continue to coalesce into the integrated business communication market.

**More information** on this topic you can find in the **Annual Report 2022** ⊕

### Communication platforms as a service another part of the integrated business communication market

The market for communication platforms as a service (CPaaS) is also gradually encroaching on the markets for UCC, business applications and contact centre solutions and becoming part of the integrated business communication market. This is a cloud-based delivery model that enables companies to use application programming interfaces (APIs) to augment business applications with real-time communication functions such as voice, video and messaging. CPaaS is used firstly by organisations that want to embed communication in their business applications and secondly by cloud providers and developers that want to add communication functions to their applications and services.

### Communication solutions are becoming increasingly integrated

These developments are making the range of communication solutions for businesses increasingly integrated and complex. There are solutions and providers in every area of unified communications that can cover specialist use cases. At the same time, the integration of all these solutions with other processes and solutions from the field of contact centre solutions and business applications within a company or its IT infrastructure creates noticeable value added for businesses. As a result, the customer experience can be improved significantly with well executed integration, and internal processes can be automated and made much more efficient.

Further information can be found in Key sales markets and competitive position ⊕ and in the 2022 annual report ⊕.

## Regulatory framework

Since the deregulation and harmonisation of German telecommunications law (1989), the performance of telecommunications services and the operation of telecommunications networks have been subject to the Telekommunikationsgesetz (TKG – German Telecommunications Act, original version dated 25 July 1996, last new version dated 22 June 2004, last amendment dated 19 June 2020) and certain supplementary provisions. NFON is therefore also subject to the German Telecommunications Act. The body in charge of regulating the German telecommunications market is the German Federal Network Agency. Similar authorities, which include the European Commission, likewise exist in other European countries. A licence from a regulating body is not required to perform telecommunications services in the European Union. As a commercial provider of publicly accessible telecommunications services, NFON must also notify the German Federal Network Agency of the commencement of or any amendment and termination of business activities.

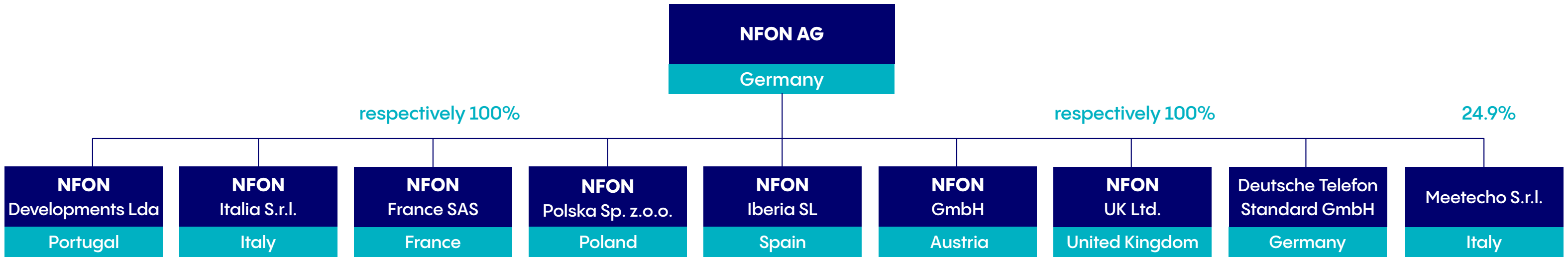
In addition, the German Telecommunications Act also contains reporting and information obligations in relation to security incidents with a considerable impact on network operations, the performance of services or in the event of a breach of personal data that NFON complies with accordingly. Regulating bodies such as the German Federal Network Agency can impose obligations on the company in relation to the performance of the service offered. As NFON collects, stores and utilises data in conjunction with its ordinary business activities, the company is also subject to the data protection laws and regulations of federal, state and international government authorities.

## Organisation

### Group structure and locations

The Group structure as at 30 June 2023 is shown by the following diagram. The breakdown into segments reflects the individual consolidated subsidiaries of the NFON Group.

**Group structure and locations**



**Management and control**
The members of the Management Board of NFON AG work closely with the other managers throughout the NFON Group. A Supervisory Board of four members monitors the activities of and advises the Management Board.

**Employees**
The situation for companies with a pronounced focus on software developers has not changed significantly since the previous year and remains difficult. Thus, filling R&D vacancies in particular remains challenging for companies such as NFON. To attract its ideal employees, NFON already developed and implemented initiatives above and beyond the conventional recruitment measures in 2019.

## Objectives and strategies

The NFON Group's growth strategy consists of three pillars: product growth, development into a best-in-class channel organisation and growth acceleration through partnerships and alliances. These are described below:

### 1. Product growth

One of NFON's primary objectives is to continue improving its core offering and to increase the number of customers. This development focuses on the cloud PBX/voice and integration capabilities of the communication platform. The company wants to concentrate on improving user experience (UX) and expanding the functions for large businesses (enterprise PBX functions). NFON thus wishes to grow the platform's addressable market for the company. In addition, NFON plans to extend and deepen the integration into other business processes and systems such as CRM or ERP solutions. This approach also enables a greater focus on specific sectors and areas of industry. NFON is developing specific and integrated solutions for these sectors. Alongside the offerings for the hotel industry, in which NFON is already active, NFON will also step up its activities in commerce and logistics, healthcare and the public sector.

In addition to these deeper integrations into business processes, there is also a particular focus on the integration into and of Microsoft Teams. Offerings for the expansion of Teams into a full-scale telephony and communication solution and the integration of the NFON platform into Microsoft in various versions enables broad coverage of the market requirements. With strong growth expected for Microsoft Teams as a collaboration solution, a leading position in this segment is a key building block for growth.

Besides the expansion of the capabilities and target groups of the core platform, NFON also plans to further expand the contact centre as a service (CCaaS) segment in order to further establish itself in this young market. An expansion of the existing integrations towards open interfaces (APIs) for the deeper integration of additional applications and the use of NFON as a provider in third-party solutions lays the foundation for further medium- and long-term growth.

### 2. Development into a best-in-class channel organisation

Indirect sales through partners and resellers (channel) is a crucial success factor, especially in the European IT environment. For this reason, NFON continues to direct its main focus towards establishing and developing an excellent channel and outstanding channel infrastructure.

To achieve this, NFON rolled out the international partner programme NGAGE in 2022. NFON hopes to become more attractive to new partners with NGAGE. The partner programme's structure was made clearer and more transparent for partners overall, so that every partner knows exactly what the services and tools for partner development and the financial advantages are. Partners can progress within three levels – silver, gold and platinum. Each level contains defined targets and corresponding commission rates. NFON has also developed a new partner management platform that is being continuously rolled out and expanded with additional features. This platform is intended both to improve communication and to enable the efficient management of customer relationships. Moreover, more partners from the IT segment are to be acquired in addition to the telecommunications partners.

### 3. Growth through partnerships and alliances

In addition to the independent development of products and the expansion of the channel, NFON sees strong growth potential in strategic partnerships in three areas:

a. Technological partnerships: In a competitive and enormously innovative environment, it makes little sense to develop every innovation independently. Therefore, NFON is increasingly looking to partnerships with other providers in order further increase capacity for innovation.

b. Sales and distribution partnerships: On the foundation of existing partnerships, for instance with Telefónica Deutschland or Deutsche Telekom, NFON wants to establish and expand additional partnerships and thus continue to grow, especially in the enterprise and verticals sector and in integrated business communication.

c. Alliances and strategic partnerships: NFON can secure technologies or market positions through alliances and strategic partnerships, such as with the Italian company Meetecho.

In addition to these growth activities, NFON is sounding out the market for M&A activities both as regards technology and in the interest of consolidation in the communication solutions sector.

Alongside the three strategic pillars relating to revenue growth, NFON is increasingly aiming for profitability. Relevant measures to increase profitability were already taken in the second half of 2022. There will be further measures along these lines to improve processes in 2023.

In addition, the Management Board has made an express commitment to sustainable growth in two senses. The Management Board has therefore set itself the strategic goal of meeting the needs of the current generation without impairing future generations' ability to meet their own needs. Details on the sustainability targets, measures and indicators defined by the Management Board can be found in the non-financial statement ⊕ published on the company's website. With a targeted expansion of the product portfolio, development towards a leading channel position, selective strategic partnerships and a clear profitability strategy, NFON believes it is in a good position to become a leading provider for integrated business communication in Europe in the next few years.

## Control

**Control systems**

The NFON Group is managed using the following performance indicators:

- Recurring revenue and the relevant growth rate
- Recurring revenue as a share of total revenue
- EBITDA (adjusted)
- Total revenue
- Seat growth
- Blended ARPU – hereinafter referred to as ARPU

These performance indicators ensure that the company can analyse and manage the measures that have been defined in order to achieve growth targets, and that it can measure its success.

The Management Board of NFON AG has introduced an internal management system for the management of the Group which is shown by the following diagram:

## Internal Management System of NFON AG

**Supervisory Board**

The Supervisory Board meets regularly and at least once a quarter for Supervisory Board meetings with and without the Management Board. It monitors and advises the Management Board.

**C-Level-Team**

The C-level team consisting of the Management Board, CFO and CMO manage the business of the NFON Group. They report regularly to the Supervisory Board.

**Management Board**

The rules of procedure of the Management Board and the Supervisory Board regulate the cooperation and the transactions requiring approval.

**CXO**

The Board has appointed a Chief Financial Officer and a Chief Marketing Officer as delegated executives.

**Group-wide reporting**

Monthly reporting to the Management Board and Supervisory Board includes the abridged economic report, including the earnings and financial situation, and quarterly including the asset situation.

**Management of financial performance indicators**

Total revenue, recurring and non-recurring revenue and their share in total revenue, ARPU (blended), adjusted EBITDA

**Management of non-financial performance indicators**

Seatgrowth

**Control ESG performance indicators**

In the areas of environmental concerns, employee concerns, education and training, social concerns, compliance, respect for human rights, product responsibility

**Budgeting and planning process**

The budget process is started annually in the second half of the year. Planning regularly covers the period of five years.

**Process for continuous strategy development and implementation**

Strategic measures, milestones, key performance indicators and implementation are organised in C-level strategy meetings. The Executive Board and the Supervisory Board are regularly informed about the implementation.

**Meetings of C-level management, divisional management and staff units**

C-level and 1st management level below the Management Board meet in different meeting formats and compositions. Efficient and timely exchange of information is essential.

**Risk management, internal control system and compliance management system**

The risk manager, together with the risk committee, monitors the implementation, execution and compliance of risk management and meets at least once a year. The internal control system (ICS) is an integral part of the company-wide control and risk management system including the compliance management system (CMS). The Supervisory Board of NFON AG monitors the appropriateness and effectiveness of the ICS. The scope and design of the ICS are at the discretion and responsibility of the Management Board in accordance with Section 91 (3) of the German Stock Corporation Act (AktG).
A component of the ICS and RMS, including the CMS, is regular monitoring, on the basis of which identified weaknesses are remedied.

**Sustainability management**

Under the leadership of the Sustainability Manager, the sustainability concepts of the NFON Group are defined, reviewed and further developed. C-Level and the Supervisory Board are regularly informed about the progress.

### Financial and non-financial performance indicators

Overview[1] of the development of the financial and non-financial performance indicators, with the key performance indicators highlighted accordingly:

| in EUR thousand | H1 2023 | H1 2022 | Change | Q2 2023 | Q2 2022 | Change |
|---|---|---|---|---|---|---|
| Total revenue | 41,179 | 40,089 | 2.7% | 20,393 | 19,826 | 2.9% |
| **Recurring revenue** | **38,396** | **36,540** | **5.1%** | **19,049** | **18,161** | **4.9%** |
| **Share of recurring revenue** | **93.2%** | **91.2%** | **n.a.** | **93.4%** | **91.6%** | **n.a.** |
| Non-recurring revenue | 2,784 | 3,550 | -21.6% | 1,344 | 1,666 | -19.2% |
| Share of non-recurring revenue | 6.8% | 8.9% | n.a. | 6.6% | 8.4% | n.a. |
| ARPU blended[2] | 9.7 | 9.8 | -1.0% | 9.6 | 9.7 | -1.0% |
| Seat growth<br>(Number of seats) | 5.1%<br>(640,573) | 9.4%<br>(609,640) | (5.1%) | | | |
| **Adjusted EBITDA[3]** | **3,394** | **-1,470** | **n.a.** | **1,391** | **-1,950** | **n.a.** |

1 Unless stated otherwise, all values in the consolidated financial statements and the related notes are rounded. Rounding differences can therefore occur in the tables.
2 Based on average number of seats per month in the periods under consideration
3 Notes on the adjustments can be found under "Results of operations"

# Economic report

## General economic conditions and industry environment

### General economic development in Europe and Germany

Following a weakening of the world economy over the course of 2022, key factors improved again significantly in the first half of 2023. In addition to falling energy prices, according to the Kiel Institute for the World Economy (IfW), China's abandonment of its zero-COVID policy and the easing of supply problems have helped the world economy to find its footing again.[1] Business sentiment even brightened quite significantly in view of lower inflationary pressure and easing problems in supply chains. However, even though some economic obstacles have receded and there was a noticeable uptick in global growth at the beginning of 2023, there are still no signs of a sustained upswing.[1] The world economy continues to be inhibited by the restrictive monetary policy of central banks, which is leading to significantly higher financing costs and weighing on investment propensity. The economic uncertainty stemming from the Russia-Ukraine war remains a negative factor as well.[1]

The IfW expects the economy of the euro area to gradually grow stronger over the remainder of 2023 and in 2024. Overall, gross domestic product is expected to grow by 0.6% in the current year and 1.7% in 2024. By contrast, in Germany, NFON AG's domestic market, GDP is forecast to contract by 0.2% in 2023 before growing by 1.9% in 2024. GDP in the UK, NFON AG's largest foreign market, is set to rise by 0.4% this year and 1.2% in 2024.[1]

### Key sales markets and competitive position of the NFON Group

NFON operates on this market as a provider of cloud telephony systems and also serves the markets for unified communications and collaboration as well as contact centres and business applications. Market dynamics are making it increasingly necessary to focus on the integration of the various communication channels.

Geographically, NFON still sees Europe as its core market. With the increasing penetration of cloud products and services in Europe as well, digitalisation is accelerating and with it the potential for growth. It should be noted that the penetration rate for cloud products and services still varies considerably across all products and countries. NFON primarily concentrates on markets with low cloud penetration as greater growth opportunities and a sparser competitive environment are expected there.

### Market for cloud telephony

#### Competitive situation

Management sees the competitive environment as complex. The North American companies RingCentral and 8x8 have very similar offerings. Like NFON, they have a cloud telephony system developed in-house and have been expanding their product ranges considerably for more than ten years by integrating communication media in a unified application environment (unified communications (UC) services). They also operate in multiple countries. Thanks to its European presence with a unified platform, NFON is still one of the few providers that can offer the entire value chain of a cloud PBX provider throughout the whole of Europe. The platform's effectiveness and the development towards UCaaS are in line with the market. In conjunction with the 'Made in Germany' label and the focus on the integration of the platform into other business applications and the integration of NFON

1 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_103_2023-Q2_Welt_DE.pdf

solutions into these applications, NFON feels it is well positioned in this competitive environment.

### Market for UCaaS products and solutions

**Competitive situation**

The market for unified communications and collaboration has major providers such as Microsoft, Google, Zoom, Slack, GoTo or Cisco. NFON feels that its market position is more in the field of integrated and voice-centric communications and not in direct competition with these companies. Microsoft Teams plays a particular role in collaboration solutions. Thanks to the very strong growth and dominance of Microsoft Office solutions in the B2B environment, Teams has already enjoyed strong market penetration. The performance of the product and the market suggest that Microsoft Teams will play a leading role here.[1] Providers like NFON, however, are able to participate at least partially in this development with superior offerings in certain segments, especially telephony and business process integration.

**More information** on this topic you can find in the **Annual Report 2022** ⊕

### Market for contact centre solutions

**Competitive situation**

NFON is a new player on the market of pan-European providers for contact centre solutions. There are overlaps here with competitors in the area of cloud telephony, e.g. RingCentral and 8x8, which also offer contact centre solutions. What these providers have in common with NFON is that they come from telephony to offer contact centres as a solution and thus offer integrated solutions for business communication that provide conventional telephony or other related services in addition to contact centres. Some other providers from the direct competitive environment have likewise augmented their solutions with a CCaaS offering. According to the Gartner Magic Quadrant, specialist contact centre providers, such as the major competitors Genesys, Nice XCone and Talkdesk, also operate in this environment alongside the integrated providers.[2] To be competitive on the market, in the field of contact centres as a solution NFON uses the CCaaS platform of its partner Daktela, which NFON integrates into its portfolio and platform and markets exclusively or in cooperation with Daktela depending on the region, thus providing an integrated offering for customers.

Further information can be found in the 2022 annual report ⊕.

1 Watson, Patrick: Huge Growth to Come in Microsoft Teams Telephony Market, (27 July 2022), (URL: https://cavellgroup.com/huge-growth-microsoft-teams-telephony-market/ – last accessed on 28 February 2023)

2 Fortune Business Insight: Contact Center as a Service Market. Europe Industry Analysis, Insights and Forecast, 2020–2027, Report 2020

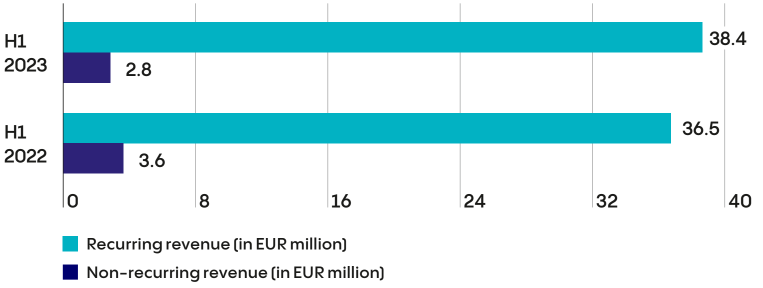
## Presentation of the company's performance

### Development of key items in the consolidated statement of comprehensive income

| in EUR million | H1 2023 | H1 2022 | Change in % | Q2 2023 (3M) | Q2 2022 (3M) | Change in % |
|---|---|---|---|---|---|---|
| **Revenue** | **41.2** | **40.1** | **2.7%** | **20.4** | **19.8** | **2.9%** |
| of which recurring | 38.4 | 36.5 | 5.1% | 19.0 | 18.2 | 4.9% |
| of which non-recurring | 2.8 | 3.6 | -21.6% | 1.3 | 1.7 | -19.2% |
| Cost of materials | -6.6 | -7.3 | 9.0% | -3.2 | -3.5 | 7.5% |
| **Gross profit** | **34.6** | **32.8** | **5.3%** | **17.2** | **16.3** | **5.1%** |
| Other operating income | 0.5 | 0.4 | 0.5% | 0.3 | 0.2 | 31.0% |
| Staff costs | -18.3 | -19.7 | 7.1% | -9.5 | -10.5 | 9.5% |
| Other operating expenses | -14.3 | -17.8 | 19.6% | -7.4 | -9.9 | 25.1% |
| **EBITDA** | **2.4** | **-4.1** | **n.a.** | **0.5** | **-3.8** | **n.a.** |
| **Adjusted EBITDA** | **3.4** | **-1.5** | **n.a.** | **1.4** | **-2.0** | **n.a.** |
| Depreciation, amortisation and write-downs | -3.5 | -2.7 | -32.7% | -1.8 | -1.3 | -32.5% |
| **EBIT** | **-1.1** | **-6.8** | **83.5%** | **-1.2** | **-5.1** | **76.1%** |
| Net interest expense | -0.1 | -0.1 | 16.6% | 0.0 | -0.1 | 56.2% |
| Income tax expense | 0.0 | -0.4 | 91.2% | 0.0 | -0.2 | 94.5% |
| Deferred tax income | 0.0 | 0.2 | n.a. | 0.0 | 0.1 | n.a. |
| **Consolidated loss** | **-1.3** | **-7.1** | **82.2%** | **-1.3** | **-5.3** | **75.6%** |

## Consolidated revenue and seat development

### High share of recurring revenues by 93.2%




Total revenue increased by 2.7% year-on-year to EUR 41.2 million in the first half of 2023. With growth of 5.1% compared to the first half of 2022, recurring revenue rose at a faster rate than total revenue to EUR 38.4 million. This primarily resulted from the acquisition of new customers and a rise in the number of installed seats within the existing customer base, particularly in Germany, Austria and Italy.

In addition, some of the revenue growth resulted from sales of the expanded product portfolio (premium solutions) among both new customers and the existing customer base.

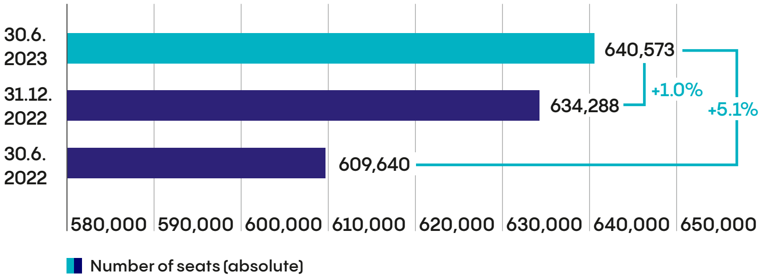
Recurring revenue essentially comprises monthly payments of a fixed licence fee per seat plus a fixed or volume-based fee for voice telephony usage per seat or SIP trunk.

Non-recurring revenue mainly consists of revenue from the sale of hardware and activation fees for seats and premium solutions and declined by 22% as against the same period of the previous year to EUR 2.8 million in the reporting period, mainly as a result of lower hardware sales.

The cumulative effect typical for revenue performance, in relation to seats gained over the year, is evident from the trend in the recurring revenue generated in the individual quarters of the reporting period.

### Development in seats

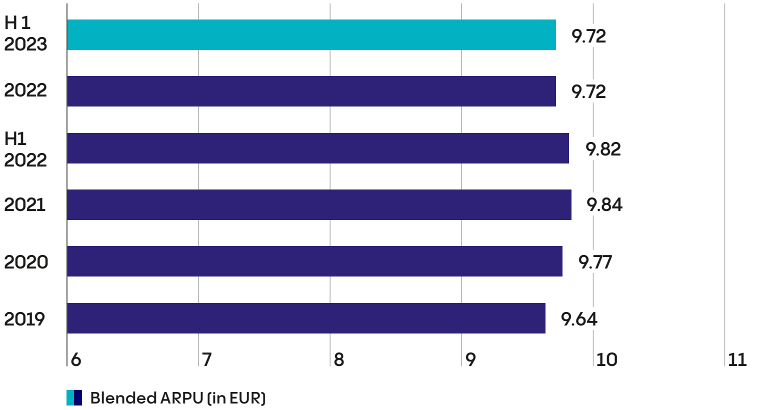
### Seat base continues to grow




This trend in seats testifies to the ongoing growth in demand for cloud telephony systems among business customers. The high level of satisfaction felt by NFON's very loyal customers underscores the quality of its product and service and has a stimulative effect. The churn rate is still at a low level of around 0.7% per month (H1 2022: 0.5%). The slight increase as against the same period of the previous year is due to the planned post-contract churn of a major client.

ARPU development

ARPU stabilises at pre-pandemic level




ARPU trended downwards slightly over the first half of 2023 but remained at a similar level to 2022 as a whole. As against the same period of the previous year, it declined from EUR 9.82 (H1 2022) to EUR 9.72 (H1 2023).

## Income and expense items

### Other operating income

Other operating income remained stable compared to 2022 in the first six months of 2023 (H1 2022: EUR 0.4 million; H1 2023: EUR 0.5 million). A key component of other operating income is income in connection with offset non-cash employee benefits.

### Cost of materials

Despite higher revenue, the cost of materials declined by 9.0% year-on-year from EUR 7.3 million to EUR 6.6 million in the reporting period. This development mainly stems from the decrease in non-recurring revenue, especially in connection with low-margin hardware sales.

This resulted in a lower cost of materials ratio than in the previous year of 16.0% (H1 2022: 18.1%). This falls within the regular range of fluctuation, in line with planning.

### Staff costs

The average number of employees fell from 504 in the previous year to 451 in the 2023 reporting period. This reduction is in line with the strategic objective of profitable growth.

Expenses for the stock option programme of EUR 13 thousand were incurred in the reporting period (H1 2022: EUR 342 thousand). Staff costs for the reporting period also include expenses of EUR 0.2 million in connection with the focus on Group-wide activities (H1 2022: EUR 0.3 million). Expenses of around EUR 0.6 million were incurred in conjunction with the reorganisation of top management (H1 2022: EUR 0.0 million). Adjusted for these expenses, staff costs were down by 8.1% year-on-year at EUR 17.6 million (H1 2022: EUR 19.1 million). This represents an adjusted staff costs ratio of 42.7% in the first half of 2023 after 47.7% in the same period of the previous year.

**Other operating expenses including marketing and selling expenses**
Other operating expenses fell by EUR 3.5 million to EUR 14.3 million in the first half of 2023 (H1 2022: EUR 17.8 million).

In the current reporting period, this included administrative costs of EUR 0.3 million thousand (H1 2022: EUR 0.0 million). These expenses are classified as non-recurring effects (adjustments).

Adjusted for non-recurring effects, other operating expenses fell by 10.8% to EUR 14.0 million in the first six months of 2023 (H1 2022: EUR 15.7 million). This represents an adjusted ratio in relation to revenue of 34.1%, compared to 39.2% in the previous year.

**Marketing expenses**
Marketing expenses amounted to EUR 1.9 million in the first half of 2023, a reduction of 61.5% as against the same period of the previous year (H1 2022: EUR 5.0 million). The cost saving is part of the strategy with which NFON is aiming to achieve its intended profitable growth. We rely on targeted and efficient marketing where we see market potential and focus on indirect sales.

**Selling expenses**
Selling expenses rose to EUR 5.8 million in the reporting period (H1 2022: EUR 5.3 million). Selling expenses mainly include commission paid to NFON AG's sales partners, who share in a percentage of its revenue. The ratio of selling expenses to revenue was 14.2% in the first six months of 2023 after 13.2% in the same period of the previous year. This is primarily the result of the increased volume of partner sales.

**Depreciation and amortisation**
Depreciation and amortisation rose by EUR 0.9 million year-on-year to EUR 3.5 million in the first half of 2023 (H1 2022: EUR 2.7 million). This increase essentially results from the completion of various development projects in the second half of 2022 and the associated start of depreciation and amortisation.

**Net interest income**
As in the previous year, net interest expense (interest and similar income less interest and similar expenses) amounted to EUR 0.1 million in the current reporting period. No loans or credit facilities were utilised in the reporting period.

**EBITDA, EBIT, consolidated profit / loss**

| in EUR million | H1 2023 | H1 2022 | Change in % | Q2 (3M) 2023 | Q2 (3M) 2022 | Change in % |
|---|---|---|---|---|---|---|
| **EBITDA** | **2.4** | **-4.1** | **n.a.** | **0.5** | **-3.8** | **n.a.** |
| **Adjustments in staff costs:** | | | | | | |
| Share options / ESOPS | 0.0 | 0.3 | -96.3% | 0.0 | 0.2 | -99.7% |
| Focus on Group-wide activities | 0.2 | 0.3 | -41.8% | 0.0 | 0.2 | n.a. |
| Reorganisation of top management | 0.6 | 0.0 | n.a. | 0.6 | 0.0 | n.a. |
| **Adjustments in other operating expenses:** | | | | | | |
| M&A expenses | 0.0 | 1.2 | n.a. | 0.0 | 0.6 | n.a. |
| Rebranding | 0.0 | 0.8 | n.a. | 0.0 | 0.8 | n.a. |
| Administrative costs | 0.3 | 0.0 | n.a. | 0.3 | 0.0 | n.a. |
| **Total adjustments**[1] | **1.0** | **2.7** | **-62.4%** | **0.8** | **1.8** | **-52.7%** |
| **Adjusted EBITDA** | **3.4** | **-1.5** | **n.a.** | **1.4** | **-2.0** | **n.a.** |
| **EBIT** | **-1.1** | **-6.8** | **83.5%** | **-1.2** | **-5.1** | **76.1%** |
| **Consolidated loss** | **-1.3** | **-7.1** | **82.2%** | **-1.3** | **-5.3** | **75.6%** |
| **Adjusted consolidated loss** | **-0.3** | **-4.4** | **94.1%** | **-0.4** | **-3.5** | **87.4%** |

1 Unless stated otherwise, all values in the consolidated financial statements and the related notes are rounded. Rounding differences can therefore occur in the tables.

### Assets, financial position and investments

The increase in intangible assets to EUR 35.3 million as at 30 June 2023 (31 December 2022: EUR 34.0 million) mainly results from capitalised development costs in connection with new products and new features for existing products, and from the development/customisation of the new business support system (BSS). Capitalised costs for products in development or on which development has been completed amount to EUR 12.7 million as at the end of the reporting period (31 December 2022: EUR 11.4 million), and those for BSS customisation to EUR 5.8 million (31 December 2022: EUR 5.4 million).

Property, plant and equipment declined by EUR 0.6 million as against 31 December 2022 (EUR 8.7 million) to EUR 8.1 million as at 30 June 2023. In particular, this development is due to depreciation on purchased hardware and capitalised right-of-use assets under leases recognised in the reporting period.

Bank balances declined by EUR 2.1 million as against 31 December 2022 to EUR 11.1 million as at 30 June 2023. The positive operating cash flow of EUR 2.3 million was offset by investment in intangible assets of around EUR 3.2 million. There were also payments of EUR 1.0 million in connection with leases (IFRS 16). Equity declined by EUR 1.1 million as against 31 December 2022 (EUR 47.8 million) to EUR 46.7 thousand as at 30 June 2023. This relates in particular to the negative profit or loss for the period of EUR 1.3 million. The currency translation reserve rose by EUR 0.2 million as against 31 December 2022 as at the end of the reporting period.

Trade payables increased significantly from EUR 4.2 million as at 31 December 2022 to EUR 6.0 million as at 30 June 2023 as a result of reporting date effects.

Current and non-current financial liabilities amounted to EUR 5.7 million in total as at 30 June 2023 (31 December 2022: EUR 5.9 million). A money market loan agreement in the amount of EUR 5.0 million and maturing on 30 November 2026 was entered into with Bank für Tirol und Vorarlberg (BTV) on 22 December 2021. No funds from this credit facility had been utilised as at 30 June 2023.

## Supplementary report

There were no events after 30 June 2023 that could have a significant impact on the company's financial position or financial performance.

### New management team for profitable growth

In July 2023, the management level of NFON AG was reorganised and new areas of responsibility were added to the C-level. The Supervisory Board resolved not to renew the contract with Jan-Peter Koopmann and to reassign the Management Board position of Chief Technology Officer. To best support the implementation of the planned changes, Jan-Peter Koopmann proposed his immediate release, which was accepted by the Supervisory Board of NFON AG. A suitable and committed successor is still being sought.Moving forward, the position of Chief Financial Officer will be held by Patrik Heider, who has also been NFON AG's Chief Executive Officer since May 2023. The function of Chief Marketing Officer will be integrated into the Sales department;

the position will not be reassigned. In this context, the positions of Chief Product Officer, Chief Commercial Officer and Chief Sales Officer were created to provide customers with a first-class and innovative product portfolio.

With a view to corporate culture and recruitment, the position of Chief People & Culture Officer has also been created. The aim of the reshuffle is to continue NFON AG's long-term profitable growth as it moves forward.

## Risks and opportunities

**More information** on this topic you can find in the Annual Report 2022 ⊕

NFON AG has explained its risks and opportunities in detail in its annual report for 2022 ⊕. At the time of this report's publication, no changes have arisen compared to the 2022 report on risks and opportunities.

## Forecast

The forecast is based on the information available as at 30 June 2023, taking the opportunities and risks of the NFON Group as presented into account. As a result of the NFON Group's risks and opportunities as presented, deviations can occur between the planning data and the figures actually achieved at the end of the year. Deviations are also possible as a result of the assumptions regarding general economic conditions. Please also refer to the comments in the report on risks and opportunities in the financial report as at 31 December 2022. These applied unchanged as at 30 June 2023.

For 2023, the company is still planning growth in recurring revenue of a mid to upper single-digit percentage. Accordingly, the company is planning a share of recurring revenue within total revenue of > 88%. Previously, adjusted EBITDA of over EUR 4 million was forecast for the 2023 financial year. In view of the positive business performance to date and the continuing positive outlook for the third and fourth quarters of 2023, the Executive Board now expects adjusted EBITDA of between EUR 6 million and EUR 7 million for the current financial year.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position

**as of 30 June 2023**

| in EUR thousand | 30 June 2023 | 31 December 2022 |
|---|---|---|
| Non-current assets | | |
| Property, plant and equipment | 8,134 | 8,736 |
| Intangible assets | 35,349 | 34,045 |
| Investments in associates | 672 | 672 |
| Deferred tax assets | 271 | 262 |
| Other non-financial assets | 512 | 420 |
| **Total non-current assets** | **44,937** | **44,135** |
| Current assets | | |
| Inventories | 109 | 87 |
| Trade receivables | 11,330 | 9,276 |
| Other financial assets | 390 | 390 |
| Other non-financial assets | 3,012 | 2,314 |
| Cash and cash equivalents | 11,097 | 13,218 |
| **Total current assets** | **25,938** | **25,285** |
| **Total assets** | **70,875** | **69,420** |

| in EUR thousand | 30 June 2023 | 31 December 2022 |
|---|---|---|
| Equity | | |
| Issued capital | 16.561 | 16.561 |
| Capital reserves | 109.098 | 109.086 |
| Loss carryforward | -79.661 | -78.404 |
| Currency translation reserve | 709 | 558 |
| **Total equity** | **46.707** | **47.801** |
| Non-current liabilities | | |
| Non-current financial liabilities | 4.184 | 4.051 |
| Other non-financial non-current liabilities | 672 | 693 |
| Deferred tax liabilities | 2.491 | 2.476 |
| **Total non-current liabilities** | **7.347** | **7.220** |
| Current liabilities | | |
| Trade payables | 5.967 | 4.205 |
| Current provisions | 2.771 | 2.310 |
| Current income tax liabilities | 285 | 259 |
| Current financial liabilities | 1.508 | 1.811 |
| Other non-financial liabilities | 6.290 | 5.814 |
| **Total current liabilities** | **16.820** | **14.400** |
| **Total equity and liabilities** | **70.875** | **69.420** |

# Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## for the period from 01 January to 30 June 2023

| in EUR thousand | H1 2023 | H1 2022 | Q2 2023 (3M) | Q2 2022 (3M) |
|---|---|---|---|---|
| Revenue | 41,179 | 40,089 | 20,393 | 19,826 |
| Other operating income | 451 | 449 | 279 | 213 |
| Cost of materials | -6,602 | -7,251 | -3,236 | -3,497 |
| Staff costs | -18,332 | -19,736 | -9,508 | -10,503 |
| Depreciation, amortisation and impairments | -3,521 | -2,654 | -1,772 | -1,338 |
| Other operating expenses | -14,283 | -17,773 | -7,393 | -9,870 |
| Impairment losses on trade and other receivables | -13 | 102 | 10 | 89 |
| Other tax expense | -6 | -10 | -3 | -5 |
| **Result from continuing operations before net interest income and incomes taxes** | **-1,126** | **-6,784** | **-1,230** | **-5,085** |
| Interest and similar income | 44 | 0 | 38 | 0 |
| Interest and similar expenses | -128 | -100 | -70 | -73 |
| **Net interest income** | **-84** | **-100** | **-32** | **-73** |
| **Earnings before income taxes** | **-1,209** | **-6,885** | **-1,262** | **-5,157** |
| Income tax expense | -37 | -416 | -12 | -224 |
| Deferred tax expense (previous year: income) | -11 | 236 | -11 | 119 |
| **Net loss** | **-1,257** | **-7,065** | **-1,285** | **-5,262** |

| in EUR thousand | H1 2023 | H1 2022 | Q2 2023 (3M) | Q2 2022 (3M) |
|---|---|---|---|---|
| Attributable to: | | | | |
| Shareholders of the parent company | -1,257 | -7,065 | -1,285 | -5,262 |
| Non-controlling interests | 0 | 0 | 0 | 0 |
| Other comprehensive income (can be reclassified to profit or loss) | 151 | -100 | 104 | -68 |
| Taxes on other comprehensive income (can be reclassified to profit or loss) | 0 | 0 | 0 | 0 |
| **Other comprehensive income after taxes** | **151** | **-100** | **104** | **-68** |
| **Total comprehensive income** | **-1,107** | **-7,165** | **-1,181** | **-5,330** |
| Attributable to: | | | | |
| Shareholders of the parent company | -1,107 | -7,165 | -1,181 | -5,330 |
| Non-controlling interests | 0 | 0 | 0 | 0 |
| **Net loss per share, basic** | **-0.08** | **-0.43** | **-0.08** | **-0.32** |
| **Net loss per share, diluted** | **-0.08** | **-0.42** | **-0.08** | **-0.31** |

# Consolidated Statement of Cash Flows

**for the period from 01 January to 30 June 2023**

| in EUR thousand | H1 2023 | H1 2022 |
|---|---|---|
| 1. Cash flow from operating activities | | |
| **Profit / loss after taxes** | **-1,257** | **-7,065** |
| Adjustments to reconcile profit (loss) to cash used | | |
| Income taxes | 48 | 181 |
| Interest income (expenses), net | 84 | 100 |
| Amortisation of intangible assets and depreciation of property, plant and equipment | 3,521 | 2,654 |
| Impairment losses on trade and other receivables | 13 | -102 |
| Equity-settled share-based payment transactions | 13 | 342 |
| Other non-cash income (expense) | 31 | -65 |
| Changes in: | | |
| Inventories | -22 | -12 |
| Trade and other receivables | -2,797 | 203 |
| Trade payables and other liabilities | 2,182 | 945 |
| Provisions | 462 | -603 |
| Effects of changes in foreign exchange rates | 151 | -100 |
| Income from the disposal of fixed assets | 0 | -4 |
| Interest paid | -35 | -27 |
| Income taxes received / paid, net | -52 | -60 |
| **Cash flow from operating activities** | **2,340** | **-3,612** |

| in EUR thousand | H1 2023 | H1 2022 |
|---|---|---|
| 2. Cash flow from investing activities | | |
| Proceeds from the disposal of property, plant and equipment and intangible assets | 0 | 56 |
| Payments on investments in property, plant and equipment | -253 | -787 |
| Payments for investments in intangible assets | -3,188 | -4,572 |
| **Cash flow from investing activities** | **-3,441** | **-5,303** |
| 3. Cash flow from financing activities | | |
| Payments for leases (IFRS 16) | -1,024 | -1,063 |
| Other payments | -3 | 2 |
| **Cash flow from financing activities** | **-1,027** | **-1,061** |
| **Change in cash and cash equivalents** | **-2,129** | **-9,976** |
| Effects of movements in exchange rates on cash held | 8 | -23 |
| **Cash and cash equivalents at the beginning of the period** | **13,218** | **27,670** |
| **Cash and cash equivalents at the end of the period** | **11,097** | **17,670** |

As at 30 June 2023, cash and cash equivalents include bank balances of EUR 303 thousand (31 December 2022: EUR 316 thousand) that the Group cannot access freely as they are security deposits by customers with poor credit ratings

# Consolidated Statement of Changes in Equity

**as at 30 June 2023**

| in EUR thousand | Attributable to owners of the company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Issued capital | Capital reserves | Currency translation reserve | Loss carryforward | Total equity | Non-controlling interests | Total |
| **As at 1 January 2023** | **16,561** | **109,086** | **558** | **-78,404** | **47,801** | **0** | **47,801** |
| **Total comprehensive income for the period** | | | | | | | |
| Loss (income) for the period | 0 | 0 | 0 | -1,257 | -1,257 | 0 | -1,257 |
| Other comprehensive income for the period | 0 | 0 | 151 | 0 | 151 | 0 | 151 |
| **Total comprehensive income for the period** | **0** | **0** | **151** | **-1,257** | **-1,107** | **0** | **-1,107** |
| **Transactions with owners of the company** | | | | | | | |
| Equity-settled share-based payment transactions | 0 | 13 | 0 | 0 | 13 | 0 | 13 |
| **Total transactions with owners of the company** | **0** | **13** | **0** | **0** | **13** | **0** | **13** |
| **As at 30 June 2023** | **16,561** | **109,099** | **708** | **-79,661** | **46,707** | **0** | **46,707** |

## Consolidated Statement of Changes in Equity

**as at 30 June 2022**

| in EUR thousand | Issued capital | Capital reserves | Currency translation reserve | Loss carryforward | Total equity | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | Attributable to owners of the company | | | | | | |
| **As at 1 January 2022** | **16,561** | **108,600** | **891** | **-62,822** | **63,231** | **0** | **63,231** |
| **Total comprehensive income for the period** | | | | | | | |
| Loss (income) for the period | 0 | 0 | 0 | -7,065 | -7,065 | 0 | -7,065 |
| Other comprehensive income for the period | 0 | 0 | -100 | 0 | -100 | 0 | -100 |
| **Total comprehensive income for the period** | **0** | **0** | **-100** | **-7,065** | **-7,165** | **0** | **-7,165** |
| **Transactions with owners of the company** | | | | | | | |
| Equity-settled share-based payment transactions | 0 | 342 | 0 | 0 | 342 | 0 | 342 |
| **Total transactions with owners of the company** | **0** | **342** | **0** | **0** | **342** | **0** | **342** |
| **As at 30 June 2022** | **16,561** | **108,942** | **792** | **-69,887** | **56,408** | **0** | **56,408** |

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. Accounting principles

The condensed interim consolidated financial statements for the first half of 2023 and selected notes reflect the business activities of NFON AG (the company) and its subsidiaries (collectively referred to as NFON, the Group or the NFON Group) for the period from 1 January 2023 to 30 June 2023. The condensed interim consolidated financial statements have been prepared in accordance with the provisions of IAS 34, and thus the International Financial Reporting Standards (IFRS) as published by the International Accounting Standard Board (IASB) and endorsed by the European Union (EU), and are based on the same accounting policies that were applied in the consolidated financial statements as at 31 December 2022. However, the condensed interim consolidated financial statements do not contain all the information and disclosures required in the consolidated annual financial statements, and should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2022.

The condensed interim consolidated financial statements as at 30 June 2023 were neither audited nor reviewed by the Group's auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft, Munich. They were approved by the Management Board for publication on 24 August 2023.

The interim consolidated financial statements have been prepared in euro (EUR), which is the functional currency and reporting currency of NFON AG. Unless stated otherwise, all values in the consolidated financial statements and the accompanying notes are rounded to the nearest thousand euro (EUR thousand). Rounding differences can therefore occur in the tables in the notes to the consolidated financial statements.

The consolidated statement of financial position is divided into current and non-current assets and liabilities in accordance with IAS 1. The consolidated income statement has been prepared in line with the nature of expense method.

For further information on the specific accounting policies applied, please refer to the consolidated financial statements of NFON AG as at 31 December 2022.

In the context of high inflation, high interest rates and the ongoing Ukraine conflict, the Group has conducted an in-depth analysis of the resulting risks and their impact on the accounting, e.g. in the form of the revision of estimates.

The Group has found that no such revisions are necessary at this time. All assumptions and estimates are based on premises that were valid as at the end of the reporting period. The actual figures can differ from the assumptions or estimates made if the underlying conditions develop differently than predicted as at the end of the reporting period.

NFON is a provider of voice-centric business communication in Europe, has more than 50,000 business customers in 15 European countries, and has affiliated companies in Germany, Austria, the UK, Spain, Italy, France, Poland and Portugal. NFON also has a large network of partners for sales operations in other countries.

The company has its registered office at Machtlfinger Strasse 7, 81379 Munich, and is entered in the commercial register of the Munich Local Court under HRB 168022. The company is a stock corporation according to German law and is registered in Germany. The business headquarters are in Munich.

### Comparative information

The interim consolidated financial statements contain amounts for the period from 1 January to 30 June 2023 and as at 30 June 2023, which are compared against the period from 1 January 2022 to 30 June 2022 and as at 30 June 2022. The figures in the consolidated statement of financial position as at 30 June 2023 were compared to the consolidated statement of financial position as at 31 December 2022.

### Seasonal and other influences on business activities

NFON AG's business model is hardly affected by seasonal circumstances as its core business is primarily with corporate clients, covering various industries and generating relatively consistent revenue throughout the year. Furthermore, the business model is based to a very large extent on monthly recurring revenue.

## 2. Effects of new accounting standards and interpretations

This half-year financial report uses the same accounting policies as the consolidated financial statements as at 31 December 2022.

Standards effective for the first time in the reporting period had no material effect on the Group's accounting policies. Similarly, no retroactive adjustments were necessary.

NFON applies new standards for the first time when they become effective.

## 3. Intangible assets

Intangible assets amounted to EUR 35,349 thousand as at 30 June 2023 (31 December 2022: EUR 34,045 thousand). The capitalised costs of software customisation, in particular in connection with the new business support system (BSS), have increased by EUR 420 thousand as against 31 December 2022 to EUR 5,776 thousand.

As of 30 June 2023, development costs of EUR 12,673 thousand (31 December 2022 EUR 11,397 thousand) were recognised under intangible assets in connection with the development of new products and new features for existing products. An amount of EUR 2,408 thousand was recognised as additions in the reporting period.

## 4. Interest-bearing debt

The financial liabilities include the following items:

| in EUR thousand | 30 June 2023 | 31 December 2022 |
|---|---|---|
| **Non-current financial liabilities** | | |
| Lease liabilities | 4,184 | 4,051 |
| **Total non-current financial liabilities** | **4,184** | **4,051** |
| **Current financial liabilities** | | |
| Lease liabilities | 1,508 | 1,811 |
| **Total current financial liabilities** | **1,508** | **1,811** |
| **Total financial liabilities** | **5,692** | **5,862** |

### Lease liabilities

EUR 1,243 thousand (31 December 2022: EUR 1,583 thousand) of current lease liabilities relates to rented office space, EUR 251 thousand (31 December 2022: EUR 214 thousand) to leased vehicles and EUR 14 thousand (31 December 2022: EUR 14 thousand) to leased operating and office equipment. EUR 3,881 thousand (31 December 2022: EUR 3,844 thousand) of non-current lease liabilities relates to rented office space, EUR 260 thousand (31 December 2022: EUR 157 thousand) to leased vehicles and EUR 39 thousand (31 December 2022: EUR 46 thousand) to leased operating and office equipment.

### Credit facility

A money market loan agreement in the amount of EUR 5,000 thousand and maturing on 30 November 2026 was entered into with Bank für Tirol und Vorarlberg (BTV) on 22 December 2021. The interest rate to be applied for one year is based on matched-term EURIBOR plus a margin. The margin is 3.0% until 30 June 2022. From 1 July 2022, the margin is based on the EBITDA of the preceding fiscal year and is between 2.25% and 3.0%. In the event that the EURIBOR is below zero, a EURIBOR of zero is considered to be agreed. 35% of the applicable margin must be paid as the commitment fee for the amount of the loan not utilised. NFON must comply with certain financial covenants according to the loan agreement. No funds from this credit facility had been utilised as at 30 June 2023.

## 5. Equity

Equity declined by EUR 1,094 thousand as against 31 December 2022 to EUR 46,707 thousand as at 30 June 2023. This relates in particular to the negative profit or loss for the period of EUR 1,257 thousand.

Capital reserves increased by EUR 13 thousand on the basis of existing share-based payment agreements. The corresponding expense was recognised in staff costs. The currency translation reserve rose by EUR 151 thousand as against 31 December 2022 as at the end of the reporting period.

## 6. Financial instruments

### Accounting classifications and fair values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| 30 June 2023 | Amortised cost | | | Fair value (hierarchy levels) | | | |
|---|---|---|---|---|---|---|---|
| in EUR thousand | Fair value | Carrying amount | Total carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets not measured at fair value | | | | | | | |
| Trade receivables[1] | | 11,330 | 11,330 | – | – | – | – |
| Other financial assets[1] | | 390 | 390 | – | – | – | – |
| Cash and cash equivalents[1] | | 11,097 | 11,097 | – | – | – | – |
| **Total financial assets not measured at fair value** | | **22,817** | **22,817** | **–** | **–** | **–** | **–** |
| Financial liabilities not measured at fair value | | | | | | | |
| Lease liabilities (IFRS 16) | | 5,692 | 5,692 | – | – | – | – |
| Trade payables[1] | | 5,967 | 5,967 | – | – | – | – |
| **Total financial liabilities not measured at fair value** | | **11,659** | **11,659** | **–** | **–** | **–** | **–** |

1 No fair value disclosed as this is approximately the carrying amount.

| 31 December 2022 | Amortised cost | | | Fair value (hierarchy levels) | | | |
|---|---|---|---|---|---|---|---|
| in EUR thousand | Fair value | Carrying amount | Total carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets not measured at fair value | | | | | | | |
| Trade receivables[1] | | 9,276 | 9,276 | – | – | – | – |
| Other financial assets[1] | | 390 | 390 | – | – | – | – |
| Cash and cash equivalents[1] | | 13,218 | 13,218 | – | – | – | – |
| **Total financial assets not measured at fair value** | | **22,884** | **22,884** | **–** | **–** | **–** | **–** |
| Financial liabilities not measured at fair value | | | | | | | |
| Trade payables[1] | | 4,205 | 4,205 | – | – | – | – |
| Lease liabilities[1] | | 5,862 | 5,862 | – | – | – | – |
| **Total financial liabilities not measured at fair value** | | **10,067** | **10,067** | **–** | **–** | **–** | **–** |

1 No fair value disclosed as this is approximately the carrying amount.

The Group did not recognise any significant net gains or net losses from financial assets or liabilities in its statement of comprehensive income.

### Methods for determining fair value

The fair values are measured on the basis of the market information available at the end of the reporting period using standard methods. The fair values of the Group's interest-bearing loans are estimated using a DCF model based on a discount rate that reflects NFON's borrowing rate as at the end of the reporting period.

### Reclassification between hierarchy levels

There were no reclassifications between the individual hierarchy levels in the first six months of 2023.

### Financial risk management

All risks that might have a significant negative impact on the business situation, financial position and financial performance or reputation of the NFON Group have been outlined in the 2022 annual report and the interim management report for the first half of 2023.

## 7. Contingent liabilities and obligations

There have been no significant changes since 31 December 2022.

## 8. Revenue

The following table shows revenue broken down by segment and by recurring and non-recurring revenue from products/services.

| in EUR thousand | H1 2023 | H1 2022 |
|---|---|---|
| Product/service | | |
| Recurring revenue | | |
| NFON AG | 22,158 | **20,954** |
| Deutsche Telefon Standard GmbH | 8,133 | **7,854** |
| NFON GmbH | 3,604 | 3,153 |
| NFON Ltd. | 3,475 | 3,790 |
| NFON Iberia S.L. | 249 | 185 |
| NFON ITALIA S.R.L. | 439 | 301 |
| NFON France | 166 | 135 |
| NFON Polska zoo | 171 | 169 |
| **Total recurring revenue by segments** | **38,395** | **36,540** |
| **Consolidated recurring revenue** | **38,395** | **36,540** |
| Non-recurring revenue | | |
| NFON AG | 1,098 | 1,850 |
| Deutsche Telefon Standard GmbH | 422 | 560 |
| NFON GmbH | 674 | 602 |
| NFON Ltd. | 400 | 321 |
| NFON Iberia S.L. | 1 | 11 |
| NFON ITALIA S.R.L. | 168 | 136 |
| NFON France | 11 | 18 |
| NFON Polska zoo | 10 | 11 |
| **Non-recurring revenue by segment** | **2,784** | **3,549** |
| **Non-recurring consolidated revenue** | **2,784** | **3,549** |
| **Consolidated revenue** | **41,179** | **40,089** |

Contrary to the development in non-recurring revenue, the increase in recurring revenue in the first half of 2023 essentially results from the customer base, now broader than in the previous year. Recurring revenue essentially comprises monthly payments of a fixed licence fee per seat plus a fixed or volume-based fee for voice telephony usage on the part of the customer base at seats or SIP trunks. Non-recurring revenue includes revenue from sales of devices (telephones, soft clients for PCs and smartphones) and the one-time activation fee per seat when it is first connected.

The contract assets recognised in connection with IFRS 15 (30 June 2023: EUR 48 thousand; 31 December 2022: EUR 70 thousand) and contract liabilities (30 June 2023: EUR 224 thousand; 31 December 2022: EUR 336 thousand) are recognised under other non-financial assets (current) and other non-financial liabilities (current).

## 9. Other operating income

Other operating income of EUR 451 thousand (H1 2022: EUR 449 thousand) mainly includes income in connection with offset other non-cash employee benefits of EUR 231 thousand (H1 2022: EUR 231 thousand).

## 10. Other operating expenses

| in EUR thousand | H1 2023 | H1 2022 |
|---|---|---|
| Other operating expenses | | |
| Sales commission | 5,832 | 5,305 |
| Other staff costs | 1,938 | 2,034 |
| Marketing expenses | 1,934 | 5,029 |
| IT costs | 1,745 | 1,230 |
| Consulting expenses | 1,077 | 2,182 |
| Rental expenses | 617 | 601 |
| Other administrative expenses | 420 | 833 |
| Support | 191 | 230 |
| External development costs | 5 | 7 |
| Other expenses | 524 | 323 |
| **Total other operating expenses** | **14,283** | **17,773** |

This increase in sales commission from EUR 5,305 thousand in the first half of 2022 to EUR 5,832 thousand in the reporting period mainly relates to the higher revenue volume in the first half of 2023.

## 11. Share-based payment

Stock option plans (resolved by the Annual General Meetings on 9 April 2018 – "2018 stock option plan" and on 24 June 2021 – "2021 stock option plan") were launched in previous years, on the basis of which employees in key positions at the Group were allocated stock options.

The Group measures the costs of granting equity instruments and share appreciation rights to employees at the fair value of these equity instruments and share appreciation rights as at the grant date. To estimate the fair value, a suitable measurement method must be specified for the granting of equity instruments and share appreciation rights; this is dependent on the grant conditions. In addition, various parameters such as the expected option term, volatility and dividend yield have to be defined.

1,119,229 stock options (gross) had been granted as at 30 June 2023 (30 June 2022: 1,119,229). An amount of EUR 13 thousand (previous year: EUR 342 thousand) was recognised in staff costs (offsetting item: capital reserves) in this context in the reporting period.

## 12. Income taxes

The tax expenses of EUR 48 thousand for the first half of 2023 (H1 2022: EUR 181 thousand) were calculated based on the best possible estimate of the average annual income tax rate in accordance with IAS 34. The expected income tax rate was calculated on the basis of tax planning for the fiscal year as a whole.

## 13. Changes in executive bodies

The following table shows the members of the Management Board:

| in EUR thousand | Place of residence | Function and profession | Other mandates |
|---|---|---|---|
| Patrik Heider (since 26 June 2023) | Munich | CEO, degree in business administration (FH) | n.a. |
| Dr. Klaus von Rottkay (until 26 June 2023) | Munich | CEO, doctorate in physics | n.a |
| Jan-Peter Koopmann (until 26 June 2023) | Nackenheim | CTO, degree in computer science and business administration | n.a. |

## 14. Segment information

Under IFRS 8, operating segments must be defined on the basis of the internal reporting on Group business units that is regularly reviewed by the company's chief operating decision maker, the Chairman of the Management Board (CEO), in order to make decisions on the allocation of resources to these segments and to assess their performance. The basis for the decision which information is reported is the internal organisational and management structure and the structure of internal reporting. The CEO obtains and reviews financial information as part of routine management reporting.

Management primarily assesses performance on the basis of revenue and contribution margin 2 as presented in management reporting. Contribution margin 2 is calculated as EBITDA (earnings before interest, taxes, depreciation, amortisation and impairment in accordance with IFRS) adjusted for indirect intercompany cost allocation. Non-recurring effects in the period that are considered extraordinary are adjusted for in reported EBITDA.

Revenue by reportable segment refers to revenue with external customers and is based on IFRS. Invoices issued between Group companies are presented in the segments as increases and reductions of costs and are not included in revenue. The business cost allocations are included in contribution margin 2, while tax transfer pricing requirements are presented outside contribution margin 2.

The Group has eight segments, which are shown below separately as reportable segments. The eight segments are NFON AG, Deutsche Telefon Standard GmbH, NFON GmbH, NFON UK Ltd, NFON Iberia SL, NFON Italia S.R.L., NFON France and NFON Polska zoo. In the previous year, NFON Polska zoo was still reported with the NFON GmbH segment. From 2023, NFON Polska zoo will be reported as a separate segment as it has independent operating activities. The previous year was restated in line with the current segment structure.

## Revenue and contribution margin 2 by reportable segment

| in EUR thousand | H1 2023 | H1 2022 |
| --- | --- | --- |
| **Revenue** | | |
| NFON AG | 23,256 | 22,805 |
| Deutsche Telefon Standard GmbH | 8,554 | 8,453 |
| NFON GmbH | 4,279 | 3,755 |
| NFON UK Ltd. | 3,875 | 4,111 |
| NFON Iberia SL | 250 | 196 |
| NFON ITALIA S.R.L. | 607 | 437 |
| NFON Polska zoo | 181 | 180 |
| NFON France | 177 | 153 |
| **Total revenue of the reportable segments** | **41,179** | **40,090** |
| Reconciliation | 0 | -1 |
| **Total consolidated revenue** | **41,179** | **40,089** |

| in EUR thousand | H1 2023 | H1 2022 |
|---|---|---|
| **Contribution margin 2** | | |
| NFON AG | 1,794 | -248 |
| Deutsche Telefon Standard GmbH | 2,297 | 2,225 |
| NFON GmbH | 493 | -494 |
| NFON UK Ltd. | -183 | -588 |
| NFON Iberia SL | -69 | -637 |
| NFON ITALIA S.R.L. | -744 | -915 |
| NFON France | -113 | -504 |
| NFON Polska zoo | -223 | -265 |
| **Total contribution margin 2 by reportable segment** | **3,252** | **-1,460** |
| Other segments | 102 | 31 |
| Reconciliation | -959 | -2,701 |
| **Consolidated EBITDA** | **2,395** | **-4,130** |
| **Addback:** | | |
| Depreciation and amortisation | -3,521 | -2,654 |
| Net interest income/expenses | -84 | -100 |
| Income tax expense | -48 | -181 |
| **Consolidated net profit/loss** | **-1,257** | **-7,065** |

The reconciliation effects of EUR -959 thousand as at 30 June 2023 mainly relate to non-recurring effects adjusted for in internal reporting of EUR -999 thousand and consolidation effects of EUR 20 thousand.

The reconciliation effects of EUR -2,701 thousand as at 30 June 2022 mainly relate to non-recurring effects adjusted for in internal reporting of EUR -2,598 thousand and consolidation effects of EUR -103 thousand.

## Information on geographical areas

The tables below show revenue and non-current assets by country. The geographical allocation of revenue and assets is based on the domicile of the legal entities in the countries.

### Revenue with external customers by geographical area

| in EUR thousand | H1 2023 | H1 2022 |
|---|---|---|
| **Revenue** | | |
| Germany | 31,225 | 30,749 |
| Austria | 4,279 | 3,755 |
| United Kingdom | 3,875 | 4,111 |
| Spain | 250 | 196 |
| Italy | 607 | 437 |
| France | 181 | 153 |
| Poland | 177 | 180 |
| Other countries | 585 | 508 |
| **Total consolidated revenue** | **41,179** | **40,089** |

### Non-current assets

The table below show non-current assets of the reporting segments, with the exception of financial instruments and deferred taxes.

| in EUR thousand | 30 June 2023 | 31 December 2022 |
|---|---|---|
| **Non-current assets** | | |
| Germany | 42,660 | 41,965 |
| Portugal | 284 | 352 |
| United Kingdom | 403 | 206 |
| Austria | 325 | 339 |
| Poland | 225 | 238 |
| Italy | 80 | 78 |
| Spain | 15 | 21 |
| France | 1 | 2 |
| **Total non-current assets** | **43,993** | **43,201** |

## 15. Related party transactions

There were no material transactions with related parties in the reporting period. Such transactions have not changed significantly compared to the previous year.

## 16. Events after the end of the reporting period

There were no events after 30 June 2023 that could have a significant impact on the company's financial position or financial performance.

Munich, 24 August 2023

**Patrik Heider**
CEO

# ADDITIONAL INFORMATION

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 24 August 2023

**Patrik Heider**
CEO

# Financial Calendar 2023

**Q3** **24 August 2023**

Presentation Half-year report 2023

**Q4** **23 November 2023**

Presentation Financial result as at 30 September 2023

# Imprint

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