

THE NEW FREEDOM IN BUSINESS COMMUNI CATIONS.

Interim report Q1 2018



01 KEY FIGURES

Business customers

15,000 +

Seats

269,000 +

Revenue Q1 2018

10.0 MIO €

Recurring revenue share

80%

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02 WHO WE ARE

NFON AG („NFON“ for short), headquartered in Munich, was founded in 2007 and is the only pan-European Cloud PBX provider. NFON has over 15,000 business customers in 13 European countries. NFON has affiliated companies in Germany, Austria, United Kingdom (UK for short) and Spain. NFON further has a large network of more than 1,100 partners for sales in the remaining countries.

Founded
 **2007**

Active in
 **13** European countries

Employees
 **200 +**

Benefits

-  **CLOUD SOLUTION 'MADE IN GERMANY'**
-  **HIGH SAVINGS POTENTIAL**
-  **UNLIMITED CAPACITY**
-  **INTELLIGENT FUNCTIONS**
-  **EASY TO USE**
-  **NETWORK OF LOCAL SERVICE PARTNERS**

03 ONE WORD

Dear shareholders, dear readers!

With our successful IPO, we have reached an important milestone in the company's history of NFON. The course has been set for the future growth of NFON. With joint efforts, we are about to shape the future of telephony. During the first quarter we were able to increase the steadily growing number of seats by 31.3% compared to the previous year. This shows us three main things: The direct success of our sales and marketing activities, the attractiveness of our offer and services and the growing demand for cloud telephony solutions.

This success is also reflected in our current figures for the first quarter of 2018. The business figures underline that we have made good progress and are fully on track in implementing our strategic growth targets.

With a revenue of EUR 10.0 million we were able to steadily continue our revenue growth. For comparison: The Company achieved a total revenue of EUR 35.7 million for the full year 2017. This dynamic growth proves how satisfied our customers are with our products and services. We are particularly proud of this, because customer satisfaction is our top priority!

2018 will remain a very exciting year for us. Thanks to our successful IPO we are now able to continue unabatedly unabatedly - but cost-conscious - the implementation of our growth strategy. Our goal: We want to become the number 1 in the European market for cloud telephony.

We are pleased that we are on this journey from now on together with you and thank you for your confidence in us, our employees and our products and services.

Best wishes,
Hans Szymanski

Hans Szymanski
CEO/CFO NFON



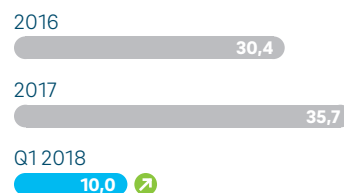
04 BUSINESS PERFORMANCE

Revenue growth continued consistently

The NFON AG generates revenue from providing telephony services, as well as from selling hardware and other services. During Q1 of 2018 revenue amounts to EUR 10.0 million. By this, we were able to consistently maintain our growth trajectory of the previous years. For comparison: For the full year 2017, the company generated consolidated revenue of EUR 35.7 million. It should be noted that due to the cumulative effects from the customer base growing steadily during the year, revenue growth during the first quarters of the year is typically lower than the total revenue average for the financial year.

NFON AG unabatedly continues to extend its customer base. The related costs have a corresponding effect on the company's profitability. In connection with successfully going public there were additional special expenses in the amount of EUR 0.5 million. The NFON AG EBITDA for Q1 of 2018 was EUR -0.5 million. Adjusted by the special expenses the EBITDA came to EUR 0.1 million with an EBITDA margin of 1.2%.

Total revenue in EUR million

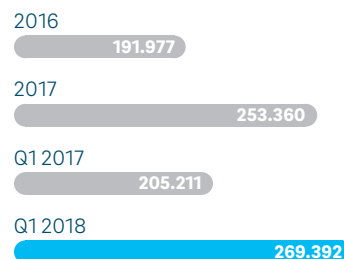


Further growing customer base with high satisfaction rating

Revenue growth primarily stems from acquiring new customers and the existing customers increasing the number of installed extensions (seats), particularly in Germany, the UK and Austria.

In comparison to Q1 2017 the total number of seats grew by 31.3% from 205,211 to 269,392 in Q1 2018. This development emphasizes the high level of satisfaction of the very loyal NFON customers and proves the increasing need for cloud-based telephone systems among business customers.

Seats

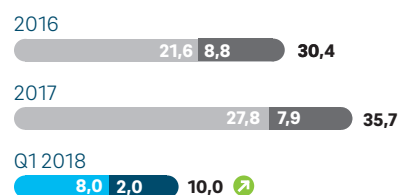


04 BUSINESS PERFORMANCE

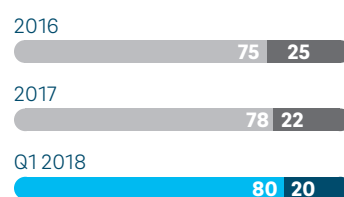
Steady increase in the percentage of recurring revenue of total revenue

As in previous years, NFON was again able to increase the percentage of recurring revenue during Q1 of 2018. Recurring revenue essentially stem from monthly payments of a fixed license fee per seat plus a fixed or volume-based fee for using airtime. Overall recurring revenue was EUR 8.0 million, which corresponds to 80.6% of the total revenue the previous year (previous year 2017: 77.9%). As a result, the share of recurring revenues for the first quarter of 2018, as planned, is at the upper end of the forecast for the full 2018 financial year. For the full-year 2018 recurring revenues are expected to be between 75% and 80% of total revenue, with disproportionate non-recurring revenue expected over the course of the year. This is due to the revenue of new seats in the course of investments in the further regional expansion in continental Europe. Non-recurring revenue includes revenue from the sale of devices or the respective software (phone, soft clients for PCs and smartphones) and the one-time activation fee per extension during initial installation. The non-recurring revenue in Q1 of 2018 was EUR 1.9 million (19.4% of the total revenue).

Total revenue in EUR million



Sales split in %



■ recurring
■ non-recurring

Stable ARPU from continued product development

NFON uses the average recurring revenue per user from all services, sales channels and countries, the so-called „ARPU“ (Average Revenue Per User), to measure the operating performance of ongoing business. The ARPU is calculated from the average recurring revenue per month divided by the average number of seats per month (including revenue and seats for customers under contract with NFON wholesale partners). This average ARPU includes a mix effect that results from NFON growing very successfully with wholesale partners, who do not source airtime over NFON and thus generate a below-average ARPU. The average ARPU over all sales channels for Q1 of 2018 remained stable as expected and was 10.15 Euro (ARPU 2017: 10.32 Euro).

04 BUSINESS PERFORMANCE

Important successes in core markets

NFON extended its executive board, appointing César Flores Rodríguez as Chief Sales Officer (CSO). César Flores Rodríguez will push further expansion and internationalization at NFON and continue the past growth path. NFON AG was again able to acquire new customers and partners during Q1 of 2018. Among others, NFON was able to acquire the magistrate of the St. Pölten municipality in Austria as a new customer and to renew the partnership with Vector Pyme in Spain, which included an upgrade and full migration of in-house extensions at Vector ITC Group and immediately migrating existing business customers to NFON.



César Flores Rodríguez
CSO

"NFON is a highly scalable technology. The cloud telephone system is the future of business communications and offers a strong platform with an enormous market penetration potential. I look forward to developing NFON in this growth segment."

Continued expansion of product development

In past years NFON made significant investments in Research & Development and intends to continue doing so, particularly after successfully going public. During the second half of 2018 NFON plans to launch a new and intuitive browser-based client for Windows, Mac, and Android and iOS smartphones. New functions from the proven premium solutions Ncontrol, Nsoftphone and Nvoice will be integrated in both the desktop and smartphone version

Events after the balance sheet date – Successful IPO

By resolution of the Annual General Meeting on 22 February 2018, the equity capital of the company was increased by EUR 9.3 million from EUR 0.4 million to EUR 9.6 million from capital reserves. On 11 May 2018 the company successfully went public at Frankfurt stock exchange (Prime Standard).

In connection with and for the purpose of the offer, the company has issued 4,166,666 new shares by way of an IPO. The capital increase was approved by the Management Board on 9 May 2018 with the approval of the Supervisory Board of the same day using the authorized capital. Upon registration of the capital increase in the commercial register, the equity capital of the Company amounts to EUR 13,806,816.00 and is divided into 13,806,816 ordinary bearer shares (no-par-value shares). All shares in the company are fully paid. The IPO resulted in net proceeds of around EUR 47.0 million.



Jan-Peter Koopmann
CTO

"The switch-off of ISDN and the increasing proliferation of cloud delivery models will further accelerate the changes in the market. Our longstanding experience and leading market position puts us in an ideal position to leverage these unique opportunities, both through continued investment in our platform and further services."

05 OUTLOOK 2018

The market for business communication is undergoing a historic transformation. NFON is benefiting from the structural shift to cloud telephony solutions, which permanently changes the business communication market. The European cloud telephony market is expected to grow at a CAGR of 16% between 2017 and 2022, offering a unique opportunity for NFON for further development as the only true pan-European cloud PBX provider to grow significantly faster than the market. On the basis of a successful financial year 2017 with revenue of EUR 35.7 million and a first-time break-even on adjusted EBITDA level, we expect further dynamic growth in 2018 and coming years on the back of the continuing growth in the market for cloud telephony and UCaaS.

On the basis of the developments in the financial year ended 31 December 2017, we expect a significant growth of our customer base by around 30% in 2018. Besides, we expect the revenue growth rate for 2018 to clearly outperform the revenue growth rate in 2017 of around 17%, having in mind that typically revenue growth rates in the earlier quarters of the year are lower than expected growth rates for the full year. This is due to the cumulative effect of new seat wins on the customer base over the course of the year. We expect the resulting recurring revenue in 2018 between 75% and 80% of total revenue in 2018. This would underpin the sustainability of our business model.

We expect this development to be mainly driven by continued strong momentum in our largest markets Germany and UK.

06 FINANCIAL CALENDAR

Annual shareholder meeting	9 April 2018
IPO	11 May 2018
Results First Quarter 2018	17 May 2018
Half-year Report	20 September 2018
Results Third Quarter 2018	22 November 2018

07 IMPRINT

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Information about this Quarterly Statement

This document complies with the new quarterly disclosure requirements in accordance with §51 a of the Exchange Rules of the Frankfurt Stock Exchange. Due to changed European law, in Germany in 2015, the statutory obligation to the quarterly report canceled for listed companies. Companies will have the opportunity for the first and third quarter of a fiscal year a condensed quarterly statement to be published in the present form.

Freedom
shared with
15,000
people
is still
freedom.

(More than 15,000 customers across Europe trust NFON)

