Road map to growth

Annual Report **2024**

NFON

Key figures 2024

In EUR million	2024	2023	Change
Total revenue	87.3	82.3	6.1%
Recurring revenue	**81.1**	**77.1**	**5.2%**
Share of recurring revenue	**92.9%**	**93.7%**	**–**
Non-recurring revenue	6.2	5.2	19.2%
Share of non-recurring revenue	7.1%	6.3%	–
Blended ARPU (in EUR)	9.89	9.71	1.9%
Number of seats (total)	665,449	655,967	1.4%
Adjusted EBITDA*	**12.3**	**8.4**	**47.6%**

* Explanations of the adjustments can be found in the section Results of operations: Personnel expenses and other operating expenses.

Founded in 2007 and listed in the Prime Standard of the Frankfurt Stock Exchange **since 2018**

With around **54,000 customers** and a network of in excess of **3,000 partners,** we are a leading provider of integrated business communications

More than **665,000 active seats** and a churn rate of just 0.5%

We have nine branch operations, including development centres in Lisbon and in the Republic of Kosovo**

Our more than **400 employees** are from more than **40 nations**

Cloud services from certified data centres in Germany, operated with **100% renewable energy**

OUR GUIDING PRINCIPLE

"We rethink business communication, inspiring and connecting people to grow together sustainably."

** Since February 2025.

NFON
Annual Report **2024**

NAVIGATION

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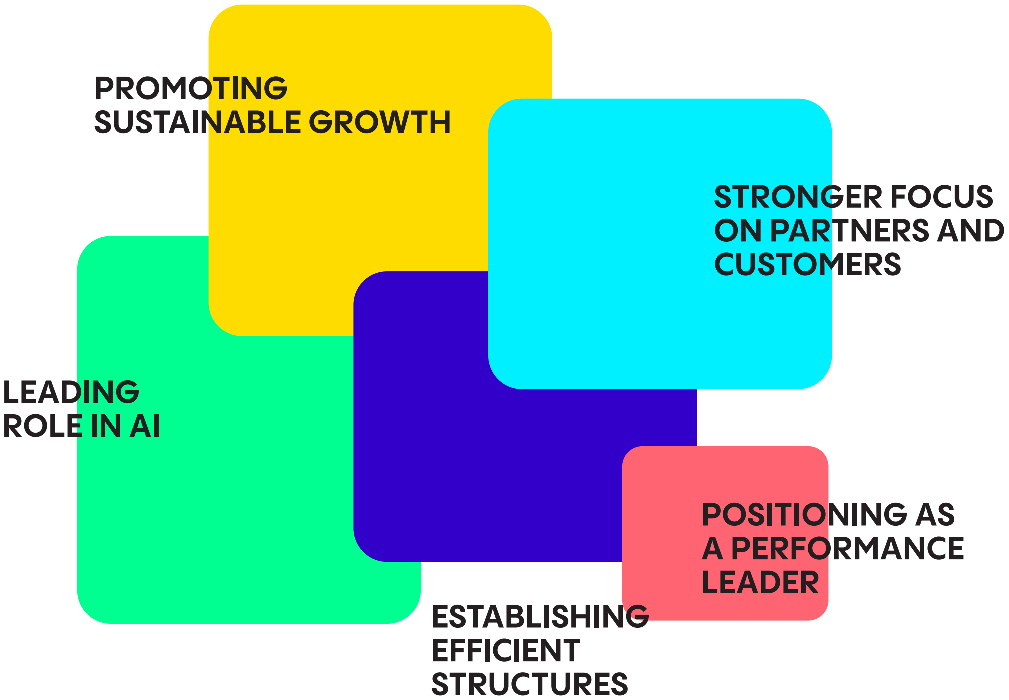
Road map to growth – NFON Next 2027

“We rethink business communication, inspire and connect people to grow together sustainably.”

NFON is becoming the leading provider of AI-based, intelligent, efficient and seamless business communications in Europe. We create real added value – for our customers, for our partners and for wider society.

Patrik Heider
CEO/CFO

Road map to growth – NFON Next 2027



In 2024, NFON fundamentally revised its strategy and began implementing it, taking a clear step towards realigning the business and making it fit for the future.

Our aim is to achieve profitable growth on a sustainable basis and consolidate our market position in a focused manner.

In doing so, we are embracing our role as a technological leader and driving intelligent, AI-based innovations. With scalable solutions, we are helping companies to take business communications to a completely new level. A focus on the customer, a strong partner ecosystem and an efficient organisation with agile structures form the basis for our success.

With NFON Next 2027, we have developed a clear strategy that will help us to achieve these goals – our “road map to growth”.

We present the key goals and measures on the following pages.

Road map to growth – NFON Next 2027

Promoting sustainable growth

Patrik Heider
CEO/CFO

"With NFON Next 2027, we are actively shaping the transformation of business communications – innovatively, efficiently and profitably on a sustainable basis. Our dual transformation combines technological excellence with a clear customer focus and creates the basis for long-term, scalable growth."

Road map to growth – NFON Next 2027

Promoting sustainable growth

With NFON Next 2027, we are continuing to develop business communications in a targeted manner. The focus is on our dual transformation, which is based on two key drivers:

1. Scaling and growth in the core business – our focus is on increasing the efficiency and profitability of our core products. By continuing to specifically develop our core products and existing revenue sources while taking an ambitious approach to expanding our user base, we are creating the basis for stable and dynamic growth.

2. Investing in innovation with added value – particularly in the field of artificial intelligence, we are exploiting new market potential and investing specifically in growth drivers that make it possible to increase earnings. By producing smart solutions and continuing to develop our portfolio, we are creating real added value for customers and partners.

Scalability, innovative strength and market leadership in technology are enabling NFON to consolidate its leading market position and create a solid basis for sustainable, profitable growth.

You can find further information on this subject in the **management report**

Road map to growth – NFON Next 2027

Consolidating a leading role in AI

Andreas Wesselmann
CTO

"Business communications are undergoing a profound transformation – driven by innovative AI technologies that optimise business processes and significantly improve the customer experience. Artificial intelligence is therefore a key pillar of our future strategy."

Jana Richter
EVP AI & Innovation

"AI is more than mere technological progress – it is a real game changer. Our solutions are synonymous with the highest quality, security and innovation, enabling us to set standards for a digital future that is efficient, sustainable and reliable."

Road map to growth – NFON Next 2027

Consolidating a leading role in AI

NFON invests specifically in automation, technological expertise and operational excellence to actively drive its customers' digital transformation processes. The focus here is on the intelligent integration of artificial intelligence (AI) – not as some abstract promise of the future, but as a concrete, measurable way of improving day-to-day business activities.

NFON already provides leading AI-based solutions for business communications, which companies use to optimise their processes and raise efficiency while increasing customer satisfaction.

Our development work continues. With AI-based functions across all portfolio categories: Business Telephony, Intelligent Assistant and Customer Engagement. Our solutions are continuously evolving – becoming more intelligent, more powerful and more adaptable.

The result: optimised business processes, maximum flexibility and a significant increase in productivity. Innovation isn't just a theory in all of this, but is directly integrated into the everyday working lives of our customers and partners.

Our AI & Innovation organisation is not only at the heart of our ongoing technological development work, but also a key growth driver. This is where we pool expertise from the fields of artificial intelligence, automation and data analysis to develop innovative solutions that significantly improve our customers' everyday working lives and unlock new market opportunities. Close engagement with partners and companies enables us to ensure that our AI technologies are practically relevant, adaptable and future-proof.

With these AI-based solutions, NFON is taking a confident and forward-looking approach as it guides companies into an era of fully networked business communications.

You can find further information on this subject in the **management report**

Road map to growth – NFON Next 2027

Stronger focus on partners and customers

Alexander Wettjen
EVP Sales & Partner Management

"Our partners drive growth and guarantee success for our customers. With targeted support, innovative products and a strong community, we work together to create solutions that improve our customers' day-to-day work processes on a lasting basis."

Markus Krammer
EVP Go-to-Market & New Business

"Success in opening up markets means not only developing technologies, but making them available precisely where they add the greatest value. Smart analyses, a strong market orientation and agile business models enable us to deliver innovation where it brings real benefits to our customers."

Road map to growth – NFON Next 2027

Stronger focus on partners and customers

We are turning NFON into a customer- and partner-centric company that fosters long-term relationships and guarantees high customer satisfaction levels.

To this end, we are targeting investment in further developing our sales structures, training programmes and support models in order to give partners maximum flexibility and scalability. They are more than sales channels – they are direct links to our customers and actively shape the development of our solutions. By integrating artificial intelligence into existing workflows, we can optimise efficiency and automation for our customers.

NFON combines state-of-the-art technology with a real customer focus – through seamless integration, flexible pricing models and personalised service.

A strong go-to-market strategy and further development of our revenue sources are additional keys to sustainable growth.

NFON enters into strategic partnerships with technology and industry experts to further expand its portfolio and offer customers more individual solutions.

The demands placed on modern business communications are changing rapidly. NFON is continuously developing its products to provide companies of all sizes with intelligent, AI-based solutions that flexibly adapt to market needs. Our data-driven analyses and close cooperation with our partners ensure that innovations are delivered precisely where they add the greatest value – in our customers' day-to-day business processes.

Based on this consistent customer focus, data-driven product development and strong partners, NFON is setting new standards in business communications with its powerful, fully networked and future-proof approach.

You can find further information on this subject in the **management report**

Road map to growth – NFON Next 2027

Establishing efficient structures

Tate McInnes
VP Controlling

"An organisation that is fit for the future requires efficient structures and lean processes, agile working methods and a modern, collaborative management culture. Sustainable scalability is the result of smart processes and flexible structures – to be ready for the challenges of tomorrow."

Road map to growth – NFON Next 2027

Establishing efficient structures

Efficiency and agility are the cornerstones of a scalable organisation that is fit for the future. NFON relies on intelligent processes, clear structures and cross-departmental collaboration to promote innovation and streamline decision-making channels. This not only creates space for continuous optimisation, but also for the accumulation and transfer of knowledge, which boosts our competitive ability in the long term.

Our flexible business model allows us to react quickly to market changes without sacrificing stability. Dynamism and reliability go hand in hand here – we identify potential at an early stage, take a targeted approach to exploiting opportunities and use innovative technologies in a strategic manner to secure sustainable growth.

At the same time, we have the clear goal of increasing our profitability on a lasting basis by leveraging efficiency potential, further optimising operational processes and expanding our high-margin business.

By permanently developing our core business and using a focused strategy to integrate innovative technologies, we are creating a scalable basis for long-term success.

With this approach, NFON is rising to the challenges presented by a dynamic market to secure lasting success.

You can find further information on this subject in the **management report**

Road map to growth – NFON Next 2027

Positioning as a performance leader

Natalie Seiter
VP People & Culture

“Our employees make the difference – with a strong corporate culture and targeted talent development, we are laying the foundations step by step for lasting success, achieved together with an innovative and forward-looking approach.”

Road map to growth – NFON Next 2027

Positioning as a performance leader

Technology and processes are important building blocks for growth – but our greatest asset is our employees. NFON is driven by their knowledge and commitment. That is why we rely on clear structures, flat hierarchies and short decision-making channels to specifically foster a sense of personal responsibility as well as promote innovation and team spirit.

We are increasingly committed to developing specialists and managers and are drawing up individual training programmes to identify and promote talent in the best possible way. At the same time, we are creating a modern working environment that reinforces identification, interaction and collaboration – laying the foundations for long-term success.

A corporate culture that promotes collaboration, continuous development and excellence is essential for positioning NFON as an attractive employer and a market leader – because only with a strong, motivated team can we realise our vision and shape the business communications of tomorrow.

As a performance leader, we combine stability in our core business with innovations in the field of artificial intelligence. This dual transformation boosts our competitive ability and makes NFON a scalable organisation that is fit for the future – for our employees, partners and customers.

You can find further information on this subject in the **management report**

01 Company

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About this report

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The Annual Report 2024 of the NFON Group presents our annual economic performance for the financial year and is available at corporate.nfon.com/en/investor-relations/reports.

Basic information on the presentation

The combined Group management report of the NFON Group (hereinafter referred to as "we", "NFON", "the company", "the Group", "the NFON Group") and the management report of NFON Aktiengesellschaft (NFON AG) have been prepared pursuant to sections 289, 289a, 289f, 315, 315a, 315d and 315e (1) HGB and according to German Accounting Standards (DRS) No. 20. The report covers NFON AG and all subsidiaries controlled by NFON AG (and the non-consolidated Meetecho S.r.l.), which we therefore include in our International Financial Reporting Standards (IFRS) consolidated financial statements.

Data

All financial and non-financial key figures and disclosures for the reporting period are reported using ERP/consolidation software solutions and provided by the responsible business areas.

Unless otherwise stated, all information in this report relates to 31 December 2024 or the financial year that ends on this date. The rounding of totals and the calculation of percentages in this report may give rise to minor discrepancies.

Forward-looking statements

This management report contains forward-looking statements and information that are based on the opinions and assumptions of the management. These in turn are based on the information that is currently available to the management. All statements contained in this report that are not historical facts are forward-looking statements. These forward-looking statements are the result of our current expectations, assumptions and forecasts concerning future circumstances and events. As a result, these forward-looking statements and information are subject to a range of risks and uncertainties, many of which are beyond our control. If one or more of these risks and uncertainties occur, or if the assumptions of the management prove to be incorrect, our actual results could differ substantially from those described in or implied by the forward-looking statements and information. The relevant risks and uncertainties are described in the Opportunities and risks and Risks of the NFON Group sections.

Words such as "expect", "believe", "anticipate", "continue", "estimate", "forecast", "intend", "be confident", "assume", "plan", "predict", "should", "strategy", "may", "could", "will", "outlook", "expected development" and "goals" as well as similar expressions relating to NFON indicate these types of forward-looking statements.

The forward-looking statements reflect the viewpoint at the time they were made or as at the date of this report. We recommend that readers do not place undue trust in these statements. Apart from our legal disclosure obligations, we are under no obligation to the public to update or correct forward-looking statements due to new information or circumstances arising after the date of publication, future events or for other reasons.

This report contains statistical data relating to the telecommunications industry and global economic trends that are taken from publications from various information sources. NFON does not stand behind the statistical data contained in this report. Furthermore, this type of data is subject to risks and inaccuracies and may change as a result of various factors, including the factors described above or those described in the Opportunity and risk management and Risks of the NFON Group sections and in other parts of the report. These and other factors could cause our results to deviate substantially from those estimated by third parties and from the results reported by NFON.

To keep the report as up to date as possible, we have included all relevant information available up to 28 March 2025. The report is available in German and English. In the event of discrepancies, the German version is binding.

Independent audit and evaluation

Our consolidated financial statements and our combined Group management report have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG). Further information on the scope of the audit by our auditor and the underlying reporting criteria can be found in the Independent Auditor's Report by KPMG.

Letter from the Management Board

Dear shareholders,

The year 2024 was a year of transformation for NFON – and a very successful one in every respect. Our earnings reported further disproportionately rapid growth, we prepared the organisation for its next growth phase and, at the same time, we not only defined a new, sustainable growth strategy – "NFON Next 2027" – but have already started implementing the first measures of this strategy.

With "NFON Next 2027" we have set clear priorities: firstly, we are creating new growth drivers in our core business through continuous innovations and, secondly, we are making targeted investments in AI-supported business communications. This dual transformation enables us to secure sustainable profitable growth and establish ourselves as a technology pioneer in our market.

Our results provide impressive proof of this progress: total revenue was up by 6.1% to EUR 87.3 million, while adjusted EBITDA grew by 48% to EUR 12.3 million. The significant increase in our free cash flow to EUR 6.5 million is particularly pleasing – a clear sign that our measures to enhance our efficiency and optimise our costs are taking effect. At the same time, our business model remains predictable and scalable, with the share of recurring revenue amounting to 92.9% in 2024.

In addition to this strong financial performance, in 2024 we set an important strategic course. A crucial step was the acquisition of botario GmbH, with which we have realised a targeted expansion of our expertise in the area of artificial intelligence (AI) and which has fitted seamlessly into our strategic development. We are not only setting new impulses, we are also realising them consistently, as AI is far more than just a fashion trend for us – it forms a cornerstone of our future strategy. To drive this area forward, we have strengthened our team on a targeted basis and brought Jana Richter on board as an experienced manager who is focusing on the further development and integration of AI into our product portfolio. Our solutions make a significant contribution to enhancing efficiency and to modernising digital infrastructures – both in companies and in public institutions. We are convinced that intelligent, automated business communication solutions will shape the future of our market – and we are actively helping to shape this trend.

However, innovation alone is not enough. In order to secure our growth in the long term, we are focusing on operational excellence. A key step in this context is the opening of our new location in the Republic of Kosovo in February 2025. This will enable us to expand our operating capacities and create the foundation for further growth in both new and existing markets.

With "NFON Next 2027", we have a clear plan for the coming years: we are combining technological progress with business and financial sustainability and establishing our position as the leading provider of AI-supported business communications in Europe. Our path is characterised by innovation, efficiency and proximity to our customers – values that guide our entire organisation and secure our long-term growth.

Our targets for 2025 are ambitious but realistic: We expect revenue growth of between 8% and 10% and adjusted EBITDA of between EUR 13.5 million and EUR 15.5 million.

The progress we made in 2024 would not have been possible without the commitment of our employees, the trust of our customers and the support of our partners. We would like to extend our thanks all of these groups. I would also like to pay special tribute to the Supervisory Board for its commitment and excellent cooperation over the past year. We would like to thank you, our shareholders, for the trust you have placed in us.

We have achieved impressive growth and development as a company in recent years – but the best is yet to come. We look forward to continuing on this path together with you.

Sincerely,

Patrik Heider
Chief Executive Officer

Andreas Wesselmann
Chief Technology Officer

Management team


From left to right: Patrik Heider and Andreas Wesselmann

PATRIK HEIDER
CHIEF EXECUTIVE OFFICER/
CHIEF FINANCIAL OFFICER

Patrik Heider started as CEO of NFON AG in June 2023. After studying business administration at the University of Constance, he began his professional career at PwC Consulting and was subsequently CFO of the Hoffmann Group in Munich.

Before joining NFON, he was CEO of the software companies Thinkproject and riskmethods. Prior to that, as Spokesman of the Management Board and CFOO, he was responsible for the extremely successful development of Nemetschek SE and earned an excellent reputation on the international capital market.

ANDREAS WESSELMANN
CHIEF TECHNOLOGY OFFICER

Directly after completing his studies in mathematics and information technology, Andreas Wesselmann began his career at Germany's largest software company SAP, where he most recently served as a member of the SAP Global Leadership Team in the position of Senior Vice President, SAP HANA Database & Analytics.

With more than twenty years of experience in an international working environment, he has repeatedly demonstrated how innovations can be transformed into scalable business models and how existing cloud software solutions can be expanded reliably and economically.

Investor Relations

NFON in dialogue with capital market participants

For more information about the corporate governance topic, please visit corporate.nfon.com

Despite ongoing challenging market conditions, NFON made significant progress in realising its strategic goals in 2024. We further strengthened our positioning as a leading provider of integrated cloud business communication solutions in the European market. The transformation process we initiated in 2023 played a key role in expanding our innovative capabilities and in tapping additional market potentials.

With the listing of the NFON share in the Prime Standard of the Frankfurt Stock Exchange, we are underscoring our commitment to abiding by the highest transparency requirements in Germany. In 2024, we continued to attach great importance to open and consistent dialogue with our stakeholders. In addition to regular quarterly statements, half-year financial report and annual reports, as well as our quarterly web conferences for investors and analysts, NFON also held presentations at various investor conferences. We were available for discussions with investors and analysts both in person and virtually.

Our website remains a central source of information for all interested parties. The Investor Relations area of our website contains extensive information, including annual and sustainability reports, corporate news, mandatory disclosures, as well as information about the share price and the company's ownership structure. Investors can continue to contact the Investor Relations team directly by telephone (+49 89 45300-449) and via e-mail to ir-info@nfon.com. In addition, we are also providing an overview of the current analyst consensus on our website in 2024. https://corporate.nfon.com/en/investor-relations/ir-at-a-glance/.

Master data of the NFON share

First day of trading	11 May 2018
Number of shares	16,561,124
Type of shares	No-par value registered shares made out to the bearer
Share capital	EUR 16,561,124.00
Voting rights	Each share grants one vote
Security Identification Number (WKN)	A0N4N5
ISIN (International Security Identification Number)	DE000A0N4N52
Ticker symbol	NFN
Reuters symbol	NFN.DE
Bloomberg symbol	NFN.GY
Trading segment	Regulated Market/ Prime Standard
Stock exchanges	Frankfurt Stock Exchange/Xetra
Sector	Telecommunications
Designated sponsors	Baader Bank, ODDO BHF
Coverage	Baader Bank, Barclays, Berenberg, NuWays, ODDO BHF
Paying agent	Baader Bank Aktiengesellschaft

Annual General Meeting

The Annual General Meeting of NFON AG was held on 28 June 2024 at the Munich Stock Exchange and provided an opportunity for personal communication with the Management Board. A total of 82.12% of the share capital was represented at the meeting. The Management Board and Supervisory Board provided detailed information about the financial year 2023 results as well as about developments and prospects for 2024.

All items on the agenda were approved by a large majority. As in previous years, KPMG AG Wirtschaftsprüfungsgesellschaft was confirmed as auditor of both the separate and the consolidated financial statements for the financial year 2024. All documents relating to the Annual General Meetings, including Management Board speeches and the presentation, are available on our corporate website in the Investor Relations area.

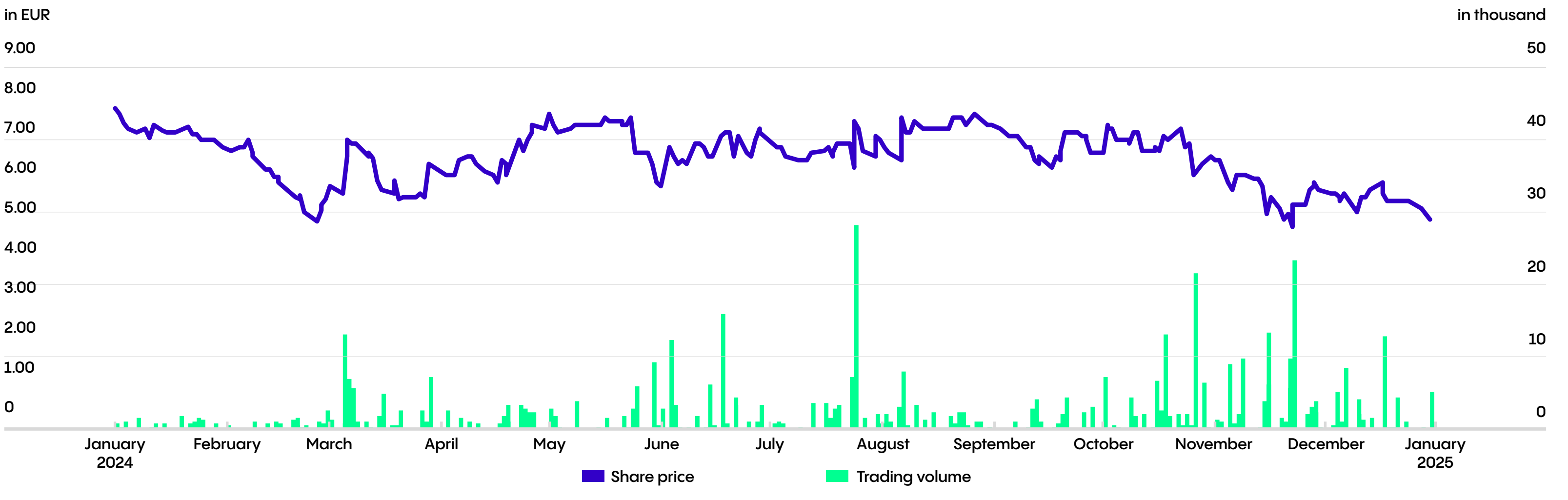
Our share

The NFON share began 2024 by setting its high for the year of EUR 6.54 on 2 January 2024. The share price proved to be volatile over the course of the following months, but was down overall. On 14 November 2024, the share price touched its low for the year at EUR 4.74. The share recovered slightly towards the year-end and closed the year at EUR 4.88 on 31 December 2024. This corresponds to a decrease of around 25% over the course of the year.

Trading volumes

The trading volumes of the NFON share on the Xetra platform averaged 2,046 shares traded per day in 2024, with average trading turnover amounting to EUR 11,544.35 per day. Trading turnover was stronger in the second half of the year than in the first half.

Share price performance chart



Analysts recommend the share as a buy

The NFON AG share was continuously rated by five analysts during 2024: Baader Bank, Barclays, Berenberg, ODDO BHF and NuWays. Three of these five analysts have been recommending the share as a "buy" since the beginning of 2024. As of December 2024, the average target price amounted to EUR 9.24. All analysts' detailed recommendations and price targets are listed in the table below "Overview: NFON AG on the Frankfurt Stock Exchange (Prime Standard)". The IR team at NFON AG maintains close dialogue with the analysts covering the company. When relevant events occur, they pass on their current assessments to capital market participants in the form of updates or comments.

Overview: NFON AG on the Frankfurt Stock Exchange (Prime Standard)

Coverage (Status in March 2025)	Baader Bank	Buy	EUR 14.00
	Barclays	Neutral	EUR 7.00
	Berenberg	Buy	EUR 9.00
	NuWays	Buy	EUR 12.30
	ODDO BHF	Neutral	EUR 5.50
	Average	Buy	EUR 9.56
Trading data*	In EUR		
Closing price (30.12.2024)	4.88		
High for the year (02.01.2024)	6.54		
Low for the year (14.11.2024)	4.74		
Market capitalisation as of 30.12.2024	80.8 mill.		
Average trading volume	11,544.35 EUR/Day		

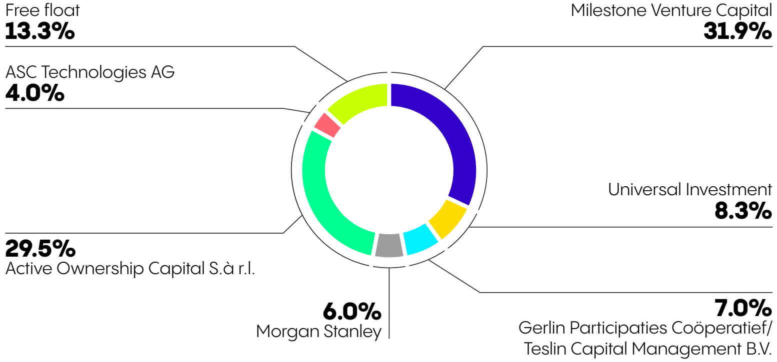
* All trading data: Xetra

Shareholder structure (April 2025)

Based on the most recently published voting rights notifications, the shareholder structure of NFON AG is as follows:

Shareholder structure

Shareholders	Shares in %	Country	City
Milestone Venture Capital	31.9	Germany	Hösbach
Active Ownership Capital S.à r.l.	29.5	Luxembourg	Grevenmacher
Universal investment	8.3	United Kingdom	London
Gerlin Participaties Coöperatief/ Teslin Capital Management B.V.	7.0	Germany	Berlin
Morgan Stanley	6.0	USA	Wilmington, Delaware
ASC Technologies AG	4.0	Germany	Hösbach
Free float	13.3		



On the basis of voting rights notifications from shareholders and in accordance with the definition of Deutsche Börse Group, the free float of the NFON share as of 9 April 2025 amounts to 13.3% (April 2024: 15.2%).

Report of the Supervisory Board

For more information about the corporate governance topic, please visit **corporate.nfon.com**

In the past financial year, the Supervisory Board of NFON AG (hereinafter also referred to as the "company") performed the duties incumbent upon it in accordance with the law, the Articles of Association and the Rules of Procedure and intensively accompanied the management of the business by the Management Board in fulfilment of its advisory and supervisory function. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Management Board informed the Supervisory Board in writing and verbally about the business situation and business performance, the current earnings situation, the risk situation, risk management, short- and long-term planning as well as investments and organisational measures. The Chairman of the Supervisory Board was in close contact with the Management Board at all times and was kept regularly informed about trends in the business situation and about important business transactions.

The Supervisory Board voted on the decisions or measures of the Management Board that require approval according to the law, the Articles of Association or the Rules of Procedure of the Management Board, as well as on other decisions of fundamental importance, after careful examination and consultation. The resolutions were based predominantly on the reports and resolution proposals of the Management Board, which the Supervisory Board had examined in detail. The Management Board and Supervisory Board worked together constructively in 2024 and thereby continued the company's continuous growth course.

Composition and changes in the Supervisory Board

In the financial year 2024, the Supervisory Board consisted of the following persons throughout the year:

- Rainer Koppitz (Chairman of the Supervisory Board), Chairman of the Management Board of the KATEK SE Group until February 2024, Entrepreneur, Munich
- Günter Müller (Vice Chairman of the Supervisory Board), Managing Director of Milestone Venture Capital GmbH and Executive Chairman of ASC Technologies AG, Hösbach
- Dr Rupert Doehner (member of the Supervisory Board), Lawyer, Munich
- Florian Schuhbauer (member of the Supervisory Board and Chairman of the Audit Committee) Founding Partner and Managing Director of Active Ownership Advisors GmbH, Frankfurt am Main, as well as of Active Ownership Capital S.à r.l. and Active Ownership Corporation S.à r.l., both Grevenmacher, Luxembourg

Meetings of the Supervisory Board and focus areas of consultations

The Supervisory Board held a total of four ordinary and four extraordinary meetings in the financial year 2024. All Supervisory Board members attended all meetings. Five meetings were held as video conferences and three as in-person meetings. The Supervisory Board also passed six resolutions by circulation. At the ordinary meeting on 5 February 2024, the Supervisory Board met in closed session. The Supervisory Board also discussed urgent and important issues in closed session in numerous informal telephone calls and telephone conferences between meetings.

The main areas of focus of the Supervisory Board's meetings in the financial year 2024 were the following topics:

- Advising the Management Board on the acquisition of botario GmbH and granting approval for the transaction
- Conducting a selection process for the auditor of both the separate and the consolidated financial statements for the financial year 2025 in cooperation with the Management Board
- Adoption and approval of the audited separate financial statements and of the consolidated financial statements, including the combined management report for both the parent company and the Group for the financial year 2023
- Monitoring of the liquidity situation
- Definition and implementation plan for the AI strategy
- Preparation of the Annual General Meeting held on 28 June 2024
- Report on the risk situation and on risk and compliance management as well as resolutions and the Declaration on the German Corporate Governance Code (GCGC)
- Variable remuneration for the members of the Management Board in 2023
- Discussion of the NFON Group's product road map and strategy
- Status review and further action regarding the NFON Group's Business Support System (BSS)
- Organisation (organisational structure) of the NFON Group and appointments to key functions at the first and second levels in order to take the changed challenges into consideration
- Discussion and review of the NFON Group's 2025 to 2029 budget, particularly with regard to a sustainable increase in profitability and cash flow
- Supporting the Management Board's transformation drive towards sustainable profitability

The Management Board informed the Supervisory Board on a regular basis concerning the net assets, financial position and results of operations of NFON AG and of its subsidiaries and associated companies.

The Supervisory Board reviewed and approved the budget planning for the financial year 2025 prepared by the Management Board. It advised on and reviewed the strategic orientation of the company and the Group on the basis of medium- and long-term company planning. The Supervisory Board analysed and reviewed in detail the information received from the Management Board. It paid particular attention to corporate governance, especially the internal control system, Internal Audit, the risk situation and risk management.

In the circular resolutions, the Supervisory Board predominantly gave its approval to transactions which, although not of strategic importance, require approval according to the Rules of Procedure of the Management Board and are, at the same time, time-critical.

Annual separate and consolidated financial statements and Group management report

The Annual General Meeting of the company on 28 June 2024 appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (hereinafter "KPMG"), as the auditor of NFON AG for the financial year 2024. The Supervisory Board subsequently engaged KPMG with the audit of both the separate and the consolidated financial statements of the company for the financial year 2024.

The Management Board has prepared the separate annual financial statements pursuant to the provisions of commercial and stock corporation law concerning financial accounting as well as the consolidated financial statements pursuant to section 315e (1) of the German Commercial Code (HGB) in accordance with the version of the International Financial Reporting Standards (IFRS) approved for use by the EU, as well as supplementary provisions of commercial and stock corporation law. KPMG audited the separate annual financial statements and the consolidated financial statements, including the related combined Group management report, together with the company's underlying financial accounting records. The audit was conducted pursuant to the provisions of the German Commercial Code and the generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW). The auditor's audit and the review by the Supervisory Board did not lead to any reservations or objections. The auditor issued the legally required audit certificates without qualification.

First the Audit Committee and subsequently all members of the Supervisory Board received the special documentation relevant to the financial statements, in particular the documents relating to the separate annual financial statements and the consolidated financial statements, the combined Group management report and the associated audit reports, from KPMG in good time before the Supervisory Board's financial accounts meeting on 10 April 2025. The Supervisory Board's Audit Committee dealt in detail with the aforementioned documents in preparation for this meeting. At the financial accounts meeting, the separate annual financial statements, the consolidated financial statements and the combined Group management report were discussed in detail with the Management Board. The Audit Committee and the Supervisory Board independently examined the separate annual financial statements prepared by the Management Board as well as the consolidated financial statements and the combined Group management report for their legality, correctness, expediency and economic efficiency. The two appointed auditors from KPMG attended the meeting of the Audit Committee on 3 April 2025. They reported on the audit, commented on the focus areas of the audit and were available to the Audit Committee to answer additional questions and provide information.

Among other areas, the Audit Committee focused on the internal control system (ICS). This forms an integral element of the company-wide control and risk management system, including the compliance management system (CMS). The objective of the ICS is to implement controls to provide reasonable assurance for the company-wide processes, including the preparation of financial statements and the combined management report in compliance with applicable regulations.

The internal control system and risk management system of NFON AG also cover sustainability-related objectives. This includes processes and systems for the collection, processing and external reporting of sustainability-related data. Regular monitoring with the aim of remedying identified weaknesses forms part of the ICS and RMS, including the CMS. On the basis of such findings, the Audit Committee particularly monitors the ongoing improvement of the ICS and RMS, including the CMS. Except for these weaknesses, the Audit Committee currently sees no indications that the risk management, internal control and compliance management systems of NFON AG are not appropriate or effective.

After detailed examination of the separate annual financial statements and the consolidated financial statements as well as the combined Group management report and remuneration report for the financial year 2024, the Supervisory Board raised no related objections. The Supervisory Board concurred with the audit findings of KPMG and approved the separate annual financial statements, the consolidated financial statements and the remuneration report of NFON AG. The annual financial statements of NFON AG are thereby adopted.

The Supervisory Board would like to thank the members of the Management Board and all employees for their great commitment and performance in the financial year 2024.

Munich, March 2025

For the Supervisory Board

Rainer Koppitz
Chairman of the Supervisory Board

02 Combined Group management report

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Basic information on the Group

Business model

The NFON Group ("we", "NFON", "the company", "the Group", "the NFON Group") was founded in 2007 and is a leading provider of integrated cloud business communication in Europe. NFON, with its Group management based in Munich, employs approximately 420 people. NFON solutions are used by around 54,000[1] customers in 27 countries. In turn, 26 of these countries are European countries. Around 70% of these customers are direct customers from the dealer partner/distributor segment, while the remaining 30% are connected via our wholesale partners. The Group is represented by its own companies in Germany, Austria, the UK, Spain, Italy, France, Poland and Portugal. NFON also has a large network of more than 3,000 partners that handle most of the sales activities, and also provide service and support. NFON is active as a licensed telecoms company in 15 European countries. In 50 countries, NFON provides telephone numbers that can be integrated into the cloud telephony system.

The NFON Group has been a full local exchange carrier in Germany since 2023, which reduces its reliance on suppliers and enables it to act independently as well as with speed and flexibility in executing customer projects. Moreover, we have successfully completed important certification procedures such as BSI C5, ISO 9001, ISO 27001 and the Telekom Privacy and Security Assessment, which are documented in detail in the Trust Center on our corporate website.

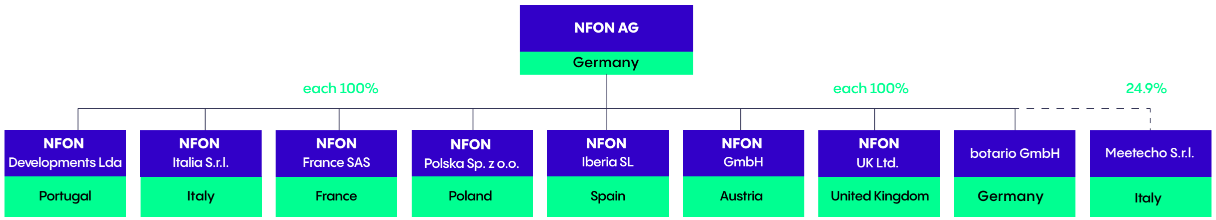
The NFON Group generates most of its revenue by providing cloud-based telecommunication services to business customers. NFON distinguishes between recurring and non-recurring revenue. Further information can be found in the Consolidated revenue and consolidated seat growth section.

Organisation

Group structure

NFON Aktiengesellschaft (NFON AG) is the parent company of the NFON Group and has its registered office in Munich. The separate management report for NFON AG and the management report for the NFON Group have been prepared together in order to present a combined management report. The Group structure as at 31 December 2024 is shown by the following diagram. The breakdown into segments reflects the individual consolidated subsidiaries of the NFON Group. Deutsche Telefon Standard GmbH (DTS) is no longer included in this overview as it was merged with NFON AG in the 2024 reporting year. Further information can be found in the list of shareholdings pursuant to section 313 of the German Commercial Code (HGB) in the consolidated financial statements.

Group structure and locations



[1] The difference compared with the previous year's figure is due to an adjustment to the underlying definition. The comparable prior-year figure also amounts to around 54,000, whereby the composition of the customer base is the same as in 2024.

Management and control

In operational matters, the Management Board of NFON AG works together closely with further managers throughout the entire NFON Group. A Supervisory Board consisting of four members monitors the activities of, and consults with, the Management Board. Further information can be found in the Management of key performance indicators section.

Product areas

NFON offers companies a multifaceted range of modern **business communication solutions** that is aligned to meet the requirements of a dynamic business world. The focus is on the cloud telephony system, which is available in the Cloudya and Centrexx variants. Whereas Centrexx is a voice-centric, cost-effective solution for desk phones, Cloudya offers features such as video telephony, seamless integration into CRM and collaboration tools, as well as intuitive usability for companies seeking a flexible and leading-edge communication platform. This product range is complemented by SIP trunk technology, which enables companies to easily migrate existing communication infrastructures to the cloud. This technology creates a secure and long-term foundation for modern corporate communications.

In addition, NFON offers advanced solutions in the area of **customer contact,** such as the Contact Centre Hub, which improve cross-channel communication and enable an optimised customer experience. AI-based functions can optionally be added to enhance employee efficiency and better analyse activities.

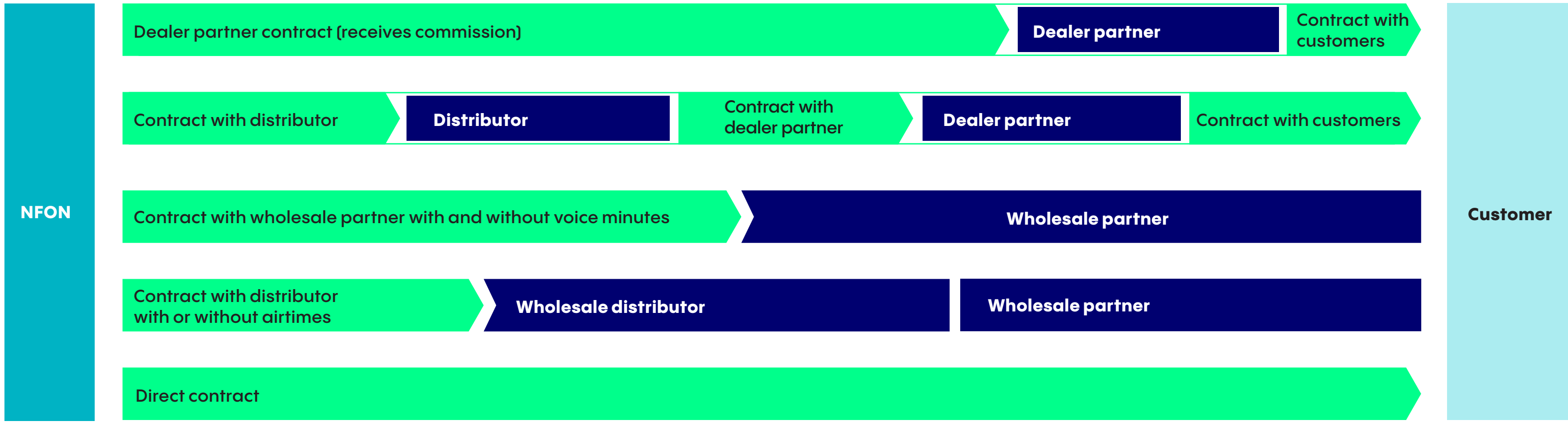
With the acquisition of botario GmbH in 2024, NFON is expanding its product portfolio in the area of innovative **AI-based solutions.** The solutions offered by botario – including chatbot, voicebot and live chat on one platform – enable efficient, customer-centric automation of business processes. These solutions have already been successfully established, especially in the insurance, telecoms and energy supply sectors. This acquisition strengthens NFON's position as a leading provider of modern business communication solutions and places a focus on the introduction of AI-based functions and stand-alone products that ensure efficiency and ease of use for customers.

The portfolio is rounded out by **integration solutions** that ensure seamless integration of the cloud telephone system into existing systems and processes, thereby enabling companies to effectively integrate their communication processes into their business strategies.

Sales

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

NFON contractual relationships



Dealer partners: The dealer partner has its own customer base and acquires new customers to which it sells NFON products and solutions. The dealer provides services for these customers. NFON delivers the contractually agreed services to the customer and pays the dealer partner a commission.

Distributors: Distributors operate their own dealer networks and serve as an intermediary between dealer and manufacturer or service provider by placing the respective product in their own dealer network. Typically, they do not 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 to wholesale partners, including as a white label solution, if requested. In these cases, the wholesale partners market NFON's services to end customers under their own brands or co-branded under both their own brands and the NFON brand. No direct contractual relationship exists between the wholesale partner's customers and NFON. With our wholesale partners, we distinguish between those that purchase voice minutes from NFON and those that do not.

Wholesale distributors: Wholesale distributors have further wholesale partners, in other words, their own network of wholesale partners to market NFON's services.

Direct contract: Our focus is on indirect sales. For this reason, our partner account managers primarily support NFON sales partners in sales negotiations, and when technically complex solutions are being offered.

Markets

Europe remains the central market for NFON, with a special focus on the German home market.

With its product areas, the NFON Group has developed from a provider of pure cloud telephone systems into a comprehensive provider in the areas of unified communications, contact centres and business applications.

In the Business Communication area, the market for business telephony as part of the unified communications market comprises three main segments: conventional on-premise telephony systems (on-premise PBX), private but no longer on-premise telephony systems (hosted PBX) and cloud telephony systems (cloud PBX).

- **On-premise PBX**: This solution relates to telephony systems that are physically installed and maintained on a company's premises. The systems offer direct control but require capital investment for the hardware and regular maintenance and updates by internal IT teams or external service providers.
- **Hosted PBX:** This is a telephony solution in which the telephony system is hosted by an external provider. Companies use this provider's services and usually pay a monthly fee per user. This reduces the need for internal maintenance and investment in hardware.
- **Cloud PBX:** This solution is similar to a hosted PBX system, but relies on the cloud infrastructure to provide telephony services. Physical hardware is further dispensed with and the telephony system is provided via the internet, which enables greater flexibility and scalability.

The transformation from pure cloud telephone systems to comprehensive Unified Communications as a Service (UCaaS) solutions marks a key change in business communication. This transition, which is characterised by the integration of various communication channels and platforms, forms the basis for seamless interactions and efficient collaboration. UCaaS is continuing to drive this paradigm shift – away from hardware-based on-site systems towards flexible, cloud-based solutions that meet the requirements of modern working environments. Unified communications make companies more agile and offer significant advantages:

- **Productivity enhancement** through flexible use of any devices and communication media.
- **Cost efficiency** through lower initial investments and an operating-cost-based strategy.
- **Efficiency gains** thanks to immediate communication options and more rapid problem solving.
- **Improved user experience** that motivates employees and makes their working methods flexible.

Unified Communications as a Service

Cloud technologies create a flexible and scalable communication infrastructure that is customised to the needs of modern companies. Software-based cloud PBX technology eliminates the need for local hardware, thereby reducing both purchase and maintenance costs, according to a study by Business Market Insights. SIP trunking plays a central role here by supporting the integration of voice and data services and facilitating the migration of existing on-premise solutions to the cloud.[2] As shown by Flexera's most recent State of the Cloud Report, the acceptance of cloud products and services is growing, which continues to offer considerable potential for future growth.[3]

UCaaS solutions expand the range of cloud communication options with functions such as video conferencing, messaging and file sharing. A study by Grand View Research shows that such functions are becoming increasingly important, particularly in the context of remote working and hybrid working models, and enable collaboration regardless of location. [4] The increasing convergence between UCaaS and cloud communication means that many platforms now offer standardised solutions that combine telephony, video and chat in one interface. According to TechTarget, this trend is being bolstered further by the increasing integration of contact centre functions, which enables seamless cross-channel communications.[5]

Contact Centre as a Service (CCaaS)

CCaaS solutions are specifically designed to meet the requirements of customer service and support teams. As explained by Avaya, these systems offer features such as call distribution, chat support, e-mail management and social media integration. This type of automation not only leads to faster processing of customer enquiries, but also significantly improves customer satisfaction.[5, 6]

Artificial intelligence in business communications

In particular, the integration of artificial intelligence (AI) and machine learning (ML) is opening up new opportunities to offer innovative and powerful communication solutions that meet the needs of modern companies.[2, 4, 7]

AI in unified communications solutions

AI is increasingly being integrated into UCaaS platforms to provide features such as automatic transcription, real-time translation and noise cancellation. These innovations optimise user experience and enhance productivity by automating routine tasks such as scheduling or message forwarding, according to Grand View Research.[4,7]

AI in contact centre solutions

AI also plays a central role in the CCaaS area. AI-based chatbots and virtual assistants optimise customer experience by enabling personalised and rapid responses, according to Marktforschung.de. AI can also be used for fault diagnosis and failure prediction, thereby minimising operational interruptions and enhancing efficiency.[8]

As a consequence, the European market for cloud communications is a dynamic and innovation-driven environment. With the combination of technological advances, growing acceptance of cloud services and the integration of AI, companies can future-proof their communication and collaboration processes.[8]

[2] https://www.businessmarketinsights.com/de/reports/europe-cloud-communication-platform-market
[3] https://info.flexera.com/CM-REPORT-State-of-the-Cloud-DE?utm_source=google&utm_medium=ppc&utm_content=dach_stateofcloud_q4&lead_source=PPC&campaign=Buyer_CLOUD_RPT_SOTC-Report-DE_DACH_Q4_2024&gad_source=1&gclid=CjwKCAiA6aW6BhBqEiwA6KzDc-Zzcj4l_CppE2EcUPhJ2qznFob2v2tkCAEhKKz8ht5MvAylnBK5OBoCvvQQAvD_BwE
[4] https://www.grandviewresearch.com/industry-analysis/europe-unified-communications-market-report
[5] https://www.techtarget.com/searchunifiedcommunications/definition/UCaaS-Unified-Communications-as-a-Service
[6] https://www.avaya.com/de/blogs/was-bedeutet-ccaas/
[7] https://www.theinsightpartners.com/de/reports/cloud-communication-platform-market
[8] https://www.marktforschung.de/cx/a/drei-stellschrauben-fuer-ein-besseres-kundenerlebnis/

External influencing factors

The external factors influencing the NFON Group's business are listed and explained in the Opportunities and risks section.

Strategy and goals

In 2024, the NFON Group fundamentally revised its strategy and positioned itself for the future. With a clear focus on innovation, efficiency and customer satisfaction, we are reshaping the future of business communication. Our strategy, **NFON Next 2027**, enables us not only to respond to the challenges of a rapidly digitalising business world, but also to effectively exploit the opportunities this offers. Through this targeted realignment, we support companies in accelerating their digital transformation, in optimising their communication processes and in sustainably improving customer experience.

As part of this strategy update, the previous strategic orientations – innovative product development, sales excellence and the strengthening of partnerships – were developed further and integrated into a more comprehensive growth strategy. While these pillars continue to represent key success factors, NFON is now placing an even stronger focus on scaling the platform, on utilising AI technologies and on optimising internal structures to enhance efficiency.

Our aim is to secure sustainable and profitable growth.

Our central goal is to ensure sustainably profitable growth, and to set standards as a leading provider in AI-based business communication. At the same time, our guiding principle – "We are rethinking business communication, inspiring and connecting people to grow together sustainably." – characterises all strategic measures and innovations at the NFON Group. Our aim is not just to offer high-performance technologies, but also to create real added value – for companies, for their employees and for their customers. Leading-edge technologies go hand in hand with strengthening customers and partners through flexible, user-friendly and scalable solutions.

Our focus is on European SMEs, which play a central role as the backbone of regional economies. With its deep understanding of local requirements, a consistent focus on compliance, data protection and reliability, as well as strong market presence, NFON enables companies to harness modern cloud technologies effectively. We equip European companies with the right tools to operate successfully in a globalised world without relinquishing their regional identity or their values.

Our strategic priorities up to 2027

Promoting sustainable growth

We rely on the strength and profitability of our core products and the continuous expansion of our user base to ensure sustainable and profitable growth. This goal is supported by a consistent focus on customer benefits. A key component of our strategy is to consolidate and expand our market

NFON Next 2027

position while, at the same time, further developing our revenue sources through optimised business models. By continuously improving our products and services, we enhance customer satisfaction and strengthen our long-term competitiveness. The quality and reliability of our solutions form the basis for future performance and success, and create a solid foundation for further growth.

A leading role in AI
We are actively shaping the future of business communication with advanced and scalable AI-based solutions. Our aim is to fully exploit the potential offered by artificial intelligence in order to establish ourselves as a leading provider in this area, while simultaneously promoting sustainable growth. The focus is on solutions that offer customers and partners real added value in order to better understand customer needs, organise processes more efficiently and tap new market potentials. The integration of AI into our entire product portfolio plays a key role in our strategic direction, in order to drive innovation and strengthen our competitiveness.

Stronger focus on partners and customers
We are developing NFON into a customer- and partner-centric company that fosters long-term relationships and high customer satisfaction levels. Modern processes and targeted initiatives stand at the centre of our commitment to meeting the needs of our customers and partners even better. An important focus is on the increased provision of self-service solutions that not only optimise processes but also enhance customer experience. In addition, the partner network is being further expanded as an important growth driver. These measures help us to strengthen our ties with customers and partners, and to position ourselves as an innovative provider in a dynamic market environment.

Establishing efficient structures
A scalable and flexible business model enables us to respond rapidly to market changes and, at the same time, ensure operational excellence. By further developing our core business and promoting innovative approaches in the AI area, we are laying the foundation for a future-viable organisation. Clear structures and agile working methods shorten decision-making times and promote effective collaboration across various areas of our business. With this approach, we are creating a high-performance company that meets the requirements of a dynamic market and ensures long-term performance and success.

Positioning as a performance leader
We rely on a corporate culture that is characterised by collaboration, continuous development and operational excellence. The aim is to position ourselves as an attractive employer and performance leader in our competitive segment. The focus here is on promoting talent and leadership skills as well as standardised development programmes and further process optimisations, in order to create the foundation for a high-performance and future-oriented organisation. These steps not only strengthen the internal organisation, but also help to promote a positive working environment and greater employee satisfaction.

Our strategic measures are aimed at sustainably influencing both our financial and non-financial performance indicators. These indicators are reviewed at regular intervals and adapted as necessary to ensure that they correspond to the company's changing requirements and objectives. Further information can be found in the Management of key performance indicators section.

Growing together
Our strategy is characterised by dynamism and cooperation. NFON sees itself not only as a solution provider, but also as a long-term partner that accompanies companies on their paths. Together, we are shaping a new era of business communication that inspire and connect people and organisations and enable sustainable growth.

Customer benefits – the core of our actions

Our strategic orientation is determined largely by the needs of our customers and partners. Optimising the customer journey plays a central role here: we analyse and improve the entire customer and partner life cycle in order to develop personalised and efficient approaches that not only enhance satisfaction but also foster sustainable relationships. With this clear focus, NFON ensures that technological leadership, user-friendliness and practical orientation are always our focus – for both our customers and our partners.

- **For our partners:** We offer reliable technologies and first-class service to enable partners to strengthen the competitiveness of medium-sized companies. We promote mutual success through close cooperation and a structured partner programme.
- **For our customers:** Our solutions reduce complexity and make it easy to get started with digital business communication. These offer high reliability, low implementation costs and efficient scalability. With professional communication solutions that optimise workflows and improve the customer experience, we enable larger organisations to enhance operational efficiency and strengthen customer loyalty.

Innovative product development – focus on AI integration

The integration of artificial intelligence into our business communication stands at the centre of our innovation strategy. By deploying modern AI technologies, such as those of our subsidiary botario, we automate work processes, enhance efficiency and create solutions that are tailored to our customers' individual needs. AI-based functions such as the NFON Intelligent Assistant not only improve customer satisfaction, they also facilitate processes such as onboarding and self-service. At the same time, we are continuing to develop our business model and are focusing on the requirements of fast-growing medium-sized customers by fulfilling modern security standards and continuously introducing innovations. Moreover, we are strengthening our partner ecosystem through public interfaces (APIs) that offer partners and customers greater flexibility and customisation options in order to promote our long-term growth together.

Sales excellence – growing together with our partners

NFON focuses on close and professional cooperation with its partners. Strengthening and continuously optimising such partnerships are key elements in achieving our strategic goals. A standardised partner programme supports partners with targeted measures that promote growth and success. This encompasses optimised training, tools to support sales and marketing as well as close cooperation to jointly tap market potentials. At the same time, we are working closely with companies that specialise in AI solutions in order to expand our portfolio and intensify our collaboration with our partners.

Sustainability as an integral component

In parallel with the realignment of our business strategy, we developed a comprehensive sustainability strategy for 2024, which was approved at the end of the reporting year. This strategy forms the foundation for our long-term commitment to ecological, social and economic responsibility. Further information can be found in the ⊕ Sustainability statement 2024.

Management of key performance indicators

Management and key figures

Based on the Group strategy, the performance and success of the NFON Group are reflected both in our financial and non-financial key figures. These form a central element of the internal control system. We begin by outlining the management system of the NFON Group below. This is followed by an explanation of the key performance indicators that are defined in accordance with DRS 20 and applied, to a significant extent, as part of our corporate governance.

Control systems

The Management Board of NFON AG has introduced an internal management system for the management of the Group. The system was adapted on 1 February 2025 and the previous C-level structure was dissolved. The C-level team was gradually reduced in 2024. The positions of Chief Commercial Officer and Chief Sales Officer were not filled during the year, while the role of Chief Product Officer was developed further. These changes support the strategic realignment and more efficient management of the Group.

Internal management system of NFON AG

Supervisory Board

The Supervisory Board meets regularly with the Management Board. It monitors and advises the Management Board.

The Management Board

The Management Board manages the NFON Group's business. It reports regularly to the Supervisory Board. The Rules of Procedure of the Management Board and the Supervisory Board regulate their cooperation and transactions requiring approval.

Group-wide reporting

Monthly reporting includes the abridged economic report, including the results of operations and financial position, and quarterly, including the net assets.

Management of financial performance indicators

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

Management of non-financial performance indicators

Seat growth

Management of 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 normally covers a period of five years.

Process for continuous strategy development and implementation

Strategic measures, milestones, key performance indicators and implementation are organised in Management Board strategy meetings. The Management Board and the Supervisory Board are regularly informed about the status of implementation.

Meetings of Management Board, senior management, divisional management and staff units

The Management Board and the further first management level below the Management Board meet in different meeting formats and compositions. The efficient and timely exchange of information is essential.

Risk management system, internal control system and compliance management system

The risk manager, together with the risk committee, monitors the implementation, execution and compliance of the risk management system (RMS). They meet at least once a year. The internal control system (ICS) forms 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) AktG.

Sustainability management

Under the leadership of the Vice President Investor Relations & Sustainability, the sustainability concepts of the NFON Group are defined, reviewed and further developed. The Management Board and the Supervisory Board are regularly informed about the progress.

Financial and non-financial performance indicators

The NFON Group was managed using performance indicators in 2024: We use the following performance indicators to ensure that we can measure the company's performance and success, and analyse and manage the measures that we have defined to achieve our corporate goals.

Financial performance indicators

- Total revenue
- Recurring revenue and the relevant growth rate
- Recurring revenue as a share of total revenue
- Average revenue per user across all sales channels (blended ARPU)
- Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)

Total revenue: The NFON Group's total revenue is a reflection of the company's market success in financial terms.

Recurring revenue: The growth in recurring revenue generated from all seats, and the successful trend in recurring revenue as a share of total revenue, illustrate the sustainability and stability of the NFON Group's business model. The positive trend in recurring revenue is crucial to the Group's overall performance and success.

Blended ARPU: NFON uses average revenue per user across all sales channels (ARPU) as a further revenue-based financial performance indicator (blended ARPU). This is calculated as the recurring revenue for the respective period less the monthly fees from SIP trunks for the respective period divided by the total number of seats (seat base) during the same period.

Adjusted EBITDA: The Group uses adjusted EBITDA to measure the operating performance and success of its individual business units. Adjusted EBITDA is calculated by subtracting non-operating costs and one-time expenses from EBITDA.

Non-financial performance indicators

- Seat growth
- ESG performance indicators

Seat growth: Seat growth over a reporting period forms the basis for recurring revenue and is one of our non-financial performance indicators.

ESG performance indicators: When selecting our ESG performance indicators in 2022, we were already guided by established standards and statutory requirements. These especially include the guidelines of the Global Reporting Initiative (GRI), the requirements of the German CSR Directive Implementation Act (CSR-RUG) and the United Nations' 17 Sustainable Development Goals (SDGs). As part of our preparations for the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), we conducted a comprehensive review and revision of our sustainability strategy in 2024. Among other factors, these adjustments were based on the results of the double materiality assessment (DMA), which was conducted first.

Our ESG performance indicators cover environmental, social and governance aspects, including:

- **Environment**: energy consumption (MWh), CO_2 emissions (Scopes 1–3), share of renewable energies
- **Social**: employee satisfaction, diversity ratios, training costs per employee
- **Governance**: compliance incidents, data protection breaches, training ratios, ESG ratings

By further developing our ESG performance indicators, we ensure that our reporting not only complies with current regulatory requirements, but also provides clear guidance for our commitment to environmental, social and governance issues. The ESG performance indicators can be found in the ⊕ Sustainability Report, which is published separately to the Annual Report on our website, and is not audited.

Key performance indicators

NFON divides these indicators into two groups: “key performance indicators” and “other performance indicators”. The “key performance indicators” group comprises the following indicators:

- Growth rate of recurring revenue (in %)
- Recurring revenue as a share of total revenue (%)
- Adjusted EBITDA (in EUR million)

Changes from the financial year 2025 onwards

The performance indicators are regularly reviewed and adapted to strategic requirements. To date, the focus has been on the rate of growth of recurring revenue and its share of total revenue. These metrics reflected the stability and predictability of revenue and served as a key measure for the development of the business model. Given NFON’s ongoing transformation, total revenue will be used as the key performance indicator from the financial year 2025 onwards. This adjustment takes account of the fact that other revenue sources are gaining in importance and that the company’s overall profitability is to be reflected more accurately. Furthermore, the focus on total revenue offers greater strategic flexibility. Nevertheless, recurring revenue remains an important pillar of the business model.

As a consequence, the “key performance indicators” group includes the following key figures from the financial year 2025 onwards:

- Growth rate of total revenue (in %)
- Adjusted EBITDA (in EUR million)

Corporate governance declaration

The contents of the corporate governance declaration required in accordance with sections 289f and 315d of the German Commercial Code (HGB) can be found in the Corporate governance declaration and on the internet at corporate.nfon.com/en/about-nfon/corporate-governance/governance.

Economic report

Macroeconomic conditions and the sector environment

Macroeconomic development in Europe, Germany and key foreign markets

Economic activity in the eurozone remains subdued, according to the International Monetary Fund (IMF).[9] Despite the anticipated easing of monetary policy and the resultant improvement in financing conditions, economic growth is being held back by ongoing manufacturing sector weakness and numerous uncertainties surrounding economic policies. Eurozone gross domestic product (GDP), after adjusting for price effects, expanded at a rate of 0.8% year-on-year in 2024, following 0.4% growth in 2023, according to the IMF's economic report.

Germany, our home market, also lacked any significant upward momentum in 2024. The persistent economic weakness is due primarily to considerable uncertainty about future economic policies, which is hampering both the willingness to invest and consumer sentiment, according to the IMF. For 2024, the IMF reports a decrease in gross domestic product of 0.2% (2023: –0.3%).

Austria is an important foreign market for the NFON Group. Austria's economy weakened further in 2024, according to the Kiel Institute for the World Economy (IfW).[10] Real GDP was down by 0.9% (previous year: –0.8%).

A further important foreign market for NFON is the United Kingdom, whose economy continued to stage a slight recovery in 2024. Supported by real wage growth, private consumption remained robust and corporate investment increased significantly. Total economic output rose by 0.9% in 2024, according to the IMF (2023: 0.3%).

NFON defied economic trends in its target markets in 2024, especially the weak GDP growth rates in Germany and Austria, and posted solid revenue growth and significantly higher profitability.

Key sales markets and competitive position

The increasing acceptance of cloud products and services in Europe continues to open up considerable growth potentials, especially through the integration of innovative AI technologies, as shown by Flexera's State of the Cloud Report.[11]

Market for Unified Communications as a Service

The European market for cloud telephony – a sub-segment of UCaaS that has long since outgrown pure telephony thanks to technological advances and is increasingly integrating functions such as chat and video – is characterised by considerable growth, according to the Cavell Cloud Comms Report Q2 2024.[12] Of a total of around 100 million seats in Europe, 37% are currently cloud-based. At the same time, the UCaaS market is growing significantly: the estimated market value of USD 49 billion in 2023 is expected to expand further at a compound annual growth rate (CAGR) of 18.2% until 2030, according to Grand View Research.[13]

[9] https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025?cid=ca-com-homepage
[10] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/b6400436-e48e-4080-8751-9b6736201b75-KKB_119_2024-Q4_Welt_DE.pdf
[11] Flexera: "State of the Cloud Report 2024".
[12] NFON internal calculation based on the Cavell Group's "Cloud Comms Market Report Q2 2023" and MZA's "Hosted/Cloud Business Telephony 2022".
[13] https://www.grandviewresearch.com/industry-analysis/europe-unified-communications-market-report

In a global comparison, the USA leads with a cloud penetration rate of 64%, although Europe is catching up fast, according to Cavell.[14] This growth is being fuelled by rising demand for flexible, cost-efficient communication solutions. Germany reflected a cloud penetration rate of 21% in 2024. This rate is expected to grow at a compound annual growth rate (CAGR) of around 11% until 2028. Thanks to its comprehensive portfolio and its regional focus on core European markets, NFON is well positioned to benefit from this growth and to further strengthen its position in the market.

Competitive situation

The European market for cloud telephony and Unified Communications proved to be highly competitive in 2024. Leading providers include Gamma Communications (Placetel and STARFACE), RingCentral and sipgate, which address both small and medium-sized enterprises (SMEs) as well as large corporations. At the same time, major US market leaders such as RingCentral and Cisco are stepping up their activities in Europe with steadily growing marketing budgets, particularly in the digital communications area. Ongoing market consolidation is an important trend. One example is Gamma Communications' takeover of Placetel[15,16] at the end of September 2024 and Gamma Communications' letter of intent to acquire STARFACE in mid-January 2025. AI-based functions are also becoming increasingly important. Providers such as STARFACE[17] are harnessing technologies in order to analyse call patterns, while Aircall is focusing on improving customer interaction. These trends show that European providers are increasingly focusing and relying on innovation to keep pace with global market leaders. The integration of communication solutions into existing systems is a further important aspect. Many providers are working on combining their platforms seamlessly with CRM and ERP systems, in order to offer a comprehensive user experience.

NFON is relying on the differentiation that it derives from its strong partner network and focusing on "made in Germany" quality. This is supplemented by targeted investments in AI-based innovations such as chatbots and voicebots as well as comprehensive system integrations, such as for Microsoft Teams and CRM applications. With these innovative approaches, NFON is positioning itself as a leading provider of integrated business communication solutions and is thereby specifically addressing the needs of European companies. Further information can be found in the Product areas and Strategy and goals sections.

Market for contact centre solutions

The European CCaaS market is in a dynamic growth phase, according to the Fortune Business Report.[18] The market volume is currently estimated at USD 1.79 billion, with a forecast increase to USD 5.43 billion by 2030, reflecting a compound annual growth rate (CAGR) of 20.4%. This growth is being driven by the rising demand for flexible, cost-efficient customer service solutions and the growing acceptance of AI-based self-service tools, as shown by an analysis published by Grand View Research.[13]

Competitive situation

The European market for CCaaS will remain a very dynamic and fragmented environment in 2024, according to Fortune Business.[18] The four-largest providers – Genesys, NICE, AWS and Five9 – together account for a market share of around 55%. NFON is competing here with established cloud telephony providers such as RingCentral, as well as with new, smaller players that have entered the market with both AI functions and options offering integration for Microsoft Teams.

14 Cavell Group: "Cloud Comms Market Report Q2 2024".
15 https://www.gammacommunications.de/newsdetail/gamma-schliesst-die-uebernahme-von-placetel-ab-und-verstaerkt-die-strategische-beziehung-zu-cisco
16 https://www.gammacommunications.de/newsdetail/gamma-gibt-die-absicht-bekannt-die-starface-group-von-maxburg-zu-uebernehmen-und-damit-seine-fuehrungsposition-auf-dem-europaeischen-markt-fuer-cloud-kommunikation-zu-staerken
17 https://starface.com/presse/neue-features-in-der-starface-app-fuer-windows
18 Fortune Business Insights: "Fortune Business_Final Report_Europe Contact Centre as a Service Market, 2019-2032".

In the CCaaS market, NFON relies on its close partnership with Daktela, whose CCaaS platform offers a high level of flexibility for regional customisation and has become an integral and powerful component of its existing portfolio. This partnership enables NFON to provide advanced AI functions and automation tools such as predictive analytics, real-time agent support and chatbots. The NFON Contact Centre Hub thereby enables productivity and customer satisfaction enhancements, which create crucial competitive advantages, according to a market analysis conducted by Cavell in 2024.[19]

Regulatory framework

Since the deregulation and harmonisation of German telecommunications legislation in 1989, the provision of telecommunications services and the operation of telecommunications networks have been subject to the German Telecommunications Act (TKG, original version dated 25 July 1996, last new version dated 22 June 2004, last amendment dated 19 June 2020) and certain supplementary provisions. As a consequence, NFON is also subject to the German Telecommunications Act. The body in charge of regulating the German telecommunications market is the German Federal Network Agency (BNA). Similar regulators, which include the European Commission, exist in other European countries. A licence from a regulator is not required in order to render 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, amendment or termination of business activities. In addition, the German Telecommunications Act also contains reporting and information obligations in relation to security incidents that have a considerable impact on network operations or the rendering of services, or in the event of a breach of personal data. NFON complies with such obligations accordingly. Regulators such as the German Federal Network Agency can impose obligations on the company in relation to the rendering of the services it offers. 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.

Adaptation to the EU AI Act

The EU AI Act, which came into force on 1 August 2024, entails comprehensive regulations for the use of AI systems. The requirements will take effect in stages from 2025 onwards and include the mandatory classification of AI applications into risk categories. The aim of this classification is to ensure that more stringent requirements for more highly categorised risks are consistently complied with. Transparency is a key aspect of this regulation. Companies are obligated to document and disclose the functioning and decision-making logic of their AI systems. In addition, organisational measures are required, such as the introduction of processes for monitoring and reporting AI-related incidents and regular employee training to ensure the safe and compliant use of AI technologies. In order to meet the requirements of the EU AI Act, NFON began implementing appropriate measures at an early stage. As a matter of principle, it is essential to establish a company-wide control and management structure that ensures the responsible use of AI technologies and compliance with the new requirements in the long term.

[19] Cavell Group: "Cavell_CCaaS Market Evolution Q2 2024".

Research and development

Transformation characterised our research and development (R&D) activities in the financial year 2024. With a clear focus on both stability and innovation, we implemented key projects as planned and, at the same time, took strategic measures to secure the long-term future of our company.

Stability and security as the basis for sustainable growth

A key objective was to modernise our infrastructure in order to ensure the high availability and reliability of our cloud PBX systems (Re:Shape project), including during a growth phase. By investing heavily in our three geo-redundant data centres, we created the basis for an even more robust and powerful platform. We have also implemented a new, company-wide authentication and authorisation system incorporating a multi-factor procedure. This increases the security of our services while, at the same time, optimising user-friendliness. The planned integration of external authentication providers (single sign-on), which will be available in the first half of 2025, represents a further step towards an improved customer solution. The introduction of a new administration portal represented a further step forward. This centralised tool enables customers and partners to configure and manage their services efficiently and intuitively.

Optimisation of contact centre solutions

We have further intensified our R&D activities in the CCaaS area in order to enhance our offering's attractiveness and competitiveness in a targeted manner. A central focus was on strengthening the link between our telephony platform and the contact centre solution, thereby establishing seamless and efficient integration. The progress we have achieved in terms of the stability and availability of telephony within the CCaaS solution deserves special mention. Through targeted measures, we not only further improved reliability, but also optimised the user experience. The integration of the Presence State, which enables our customers to recognise availability in real time and make their communication processes more efficient, represents a further milestone. These developments mark important steps towards ensuring a powerful and user-friendly contact centre experience and towards establishing our CCaaS offering as a long-term growth driver.

Expansion of AI expertise

In 2024, we invested, on a targeted basis, in the expansion of our expertise in the artificial intelligence area, in order to drive forward the development of innovative business communication solutions. To this end, a specialised AI expertise centre was established to manage the integration of new AI-based services. The integration of botario GmbH into the NFON Group in the third quarter of 2024 represented an important milestone. With its expertise in the AI-based business applications area, botario complements our competencies. Together, we our working on user-friendly, smart solutions that support our customers in optimising their work processes and help them to remain competitive. Further information can be found in the Innovative product development section.

During the reporting year, R&D expenses for product development in the Group amounted to EUR 10.2 million (previous year: EUR 10.1 million). EUR 2.5 million (previous year: EUR 4.3 million) of this was capitalised under intangible assets both from employees and from external service providers. The capitalisation rate in the reporting year amounted to 24.6% (previous year: 42.5%). Scheduled amortisation of capitalised internally generated intangible assets was recognised in the amount of EUR 4.4 million (previous year: EUR 3.0 million).

Presentation of the company's performance

In EUR million	2024	2023	Change
Total revenue	87.3	82.3	6.1%
Recurring revenue	**81.1**	**77.1**	**5.2%**
Share of recurring revenue	**92.9%**	**93.7%**	**–**
Non-recurring revenue	6.2	5.2	19.2%
Share of non-recurring revenue	7.1%	6.3%	–
Blended ARPU (in EUR)	9.89	9.71	1.9%
Seat growth (number of seats)	665,449	655,967	1.4%
Adjusted EBITDA*	**12.3**	**8.4**	**47.6%**

Unless stated otherwise, all values in the consolidated financial statements and the related notes are rounded. Rounding differences can therefore occur in the tables.
* Notes on the adjustments can be found under "Results of operations".

Key performance indicators compared to the 2024 forecast

	Growth in recurring revenue	Recurring revenue as a share of total revenue	Adjusted EBITDA
2024	5.2%	92.9%	EUR 12.3 million
Forecast 2024 (April)	In the mid to upper single-digit percentage range	At least 90%	EUR 10–12 million
Explanation of target achievement versus forecast 2024			
(April)	Achieved	Clearly achieved	Slightly exceeded

Given current challenges, the Management Board of NFON AG takes an overall positive view of the business performance and of the economic and business situation. Slower European economic momentum, influenced by geopolitical uncertainties and a reluctance to invest, also held back the growth momentum of the NFON Group. Nevertheless, NFON made progress thanks to a more precise growth strategy and a focus on sustainable and profitable growth. Investments in innovation and growth were driven forward in a targeted manner while, at the same time, structures and costs were consistently optimised. These measures lay the foundation for future growth and strengthen stakeholder confidence in the company's long-term strategy.

NFON achieved further revenue growth in financial year 2024, with revenue rising to EUR 87.3 million, representing growth of 6.1% compared to the previous year (2023: EUR 82.3 million). With a revenue contribution of EUR 1.9 million, botario made a clearly positive contribution to business growth. The rate of growth in recurring revenue amounted to 5.2% as of the year-end, which especially reflected the growth in seats. Despite the lower level of revenue from voice minutes owing to the further change in end customer telephony behaviour, price increases, in particular, led to a slight rise in blended ARPU, which stood at EUR 9.88 at the end of the year (previous year: EUR 9.71). Recurring revenue of EUR 81.1 million (previous year: EUR 77.1 million) accounted for a stable high share of 92.9% of total revenue (previous year: 93.7%).

Results of operations, financial position and net assets

Results of operations

Development of key items of the consolidated statement of comprehensive income

In EUR million	2024	2023	Change
Revenue	**87.3**	**82.3**	**6.1%**
Cost of materials	–12.9	–13.0	–0.9%
Gross profit	**74.5**	**69.4**	**7.4%**
Other operating income	0.7	0.9	–24.0%
Staff costs	–35.3	–34.9	1.1%
Other operating expenses*	–29.1	–28.5	2.0%
EBITDA	**10.8**	**6.8**	**59.3%**
Adjusted EBITDA**	**12.3**	**8.4**	**47.6%**
Depreciation, amortisation and write-downs	–8.2	–7.3	11.7%
EBIT	**2.7**	**–0.5**	**–**
net financial result	–0.8	–0.2	–
Income tax expense/income	–1.2	–0.1	–
Consolidated result	**0.7**	**–0.8**	**–**

* Includes, in addition to other operating expenses, impairment losses on trade receivables, other receivables and other tax expenses.
** For the reconciliation of EBITDA to adjusted EBITDA, see the chapter "Income and expense items".

NFON continued on its growth trajectory in the financial year 2024 and achieved its forecast revenue targets. Thanks to the targeted increase in the share of high-margin recurring revenue and the integration of botario's project business, gross profit rose at a faster rate than revenue growth.

On the costs side, staff costs increased moderately. This is primarily due to a year-on-year reduction in own work capitalised, as internal resources were used for strategic efficiency improvement projects and product development. Overall, other operating expenses were slightly higher year-on-year, in particular due to consulting expenses of EUR 0.6 million for M&A activities, while selling costs remained stable.

Non-recurring effects amounting to EUR 1.5 million (previous year: EUR 1.6 million) had an impact on staff costs and other operating expenses. Further related details can be found in the Income and expense items section.

Successful revenue growth accompanied by stable cost structures led to a significant improvement in EBITDA in the financial year 2024. Both the unadjusted EBITDA of EUR 10.8 million and the adjusted EBITDA of EUR 12.3 million were significantly above the respective previous year's levels. EBIT also grew by EUR 3.2 million to EUR 2.7 million thanks to these positive developments (previous year: EUR –0.5 million).

Consolidated revenue and consolidated seat growth

Consolidated revenue recorded solid year-on-year growth of 6.1% in the financial year 2024. NFON grew its revenue by acquiring new customers, by activating additional seats, particularly in Germany and Austria, and by introducing extended premium solutions for existing customers. Moreover, botario contributed to the positive performance with a revenue of EUR 1.9 million.

NFON differentiates between recurring and non-recurring revenue. Recurring revenue derives from fixed monthly licence fees per seat or platform services as well as fixed and volume-based usage fees for voice minutes and SIP trunk services. Non-recurring revenue includes revenue from the sale of end devices (telephones, soft clients for PCs and smartphones), one-off activation fees per seat when connecting the cloud PBX for the first time as well as other products, such as the Contact Centre Hub, set-up fees for symmetric digital subscriber line (SDSL), consulting services and custom software development services.

Recurring revenue grew by 5.2% to EUR 81.1 million in the financial year 2024 (previous year: EUR 77.1 million), to which botario contributed EUR 0.5 million. At the same time, botario's successful project business (EUR +1.4 million) exerted a positive effect on non-recurring revenue, which was up by 19.3% year-on-year.

The total number of seats rose by 1.4% to 665,449 (previous year: 655,967), although seat growth fell short of expectations overall.

Revenue and seat growth by segment

The NFON Group comprises a total of nine segments. The breakdown by segment reflects the individual international subsidiaries of NFON, which, in the financial year 2024, included two companies in Germany (NFON AG, botario GmbH) and one subsidiary each in Austria (NFON GmbH), the UK, (NFON UK Ltd.), Spain (NFON Iberia SL), France (NFON France SAS), Italy (NFON Italia S.r.l.), Poland (NFON Polsk Sp. z o.o.) and Portugal (NFON Developments Lda.).

Eight of these are segments with external revenue and are shown separately below as reportable segments. The Portuguese subsidiary, which had an average number of employees of 17.8 in 2023 and 2024, only provides development services in the software area and does not generate any external revenue outside the Group on a permanent basis. With the exception of NFON AG and botario GmbH, both of which are also responsible for research and development, the other subsidiaries essentially operate as independent sales companies in their domestic markets. The revenue generated by the overall NFON Group with external customers is attributable to the individual international subsidiaries as follows and is reported in accordance with IFRS:

Revenue in the segments

	Revenue		Recurring revenue		Change in recurring revenues in %	Share of recurring revenues in total revenues in %	
In EUR million	2024	2023	2024	2023		2024	2023
NFON AG*	64.7	63.4	62.2	60.5	2.8	96.2	95.5
botario GmbH	1.9	–	0.5	–	–	27.6	–
NFON GmbH	9.6	8.6	8.2	7.3	11.2	85.3	84.9
NFON UK Ltd.	8.5	7.9	7.8	7.1	8.8	91.2	89.9
NFON Iberia SL	0.5	0.5	0.5	0.5	–3.0	98.4	98.6
NFON Italia S.r.l.	1.3	1.2	1.2	0.9	24.0	90.9	80.7
NFON France SAS	0.4	0.4	0.4	0.4	–6.7	94.8	98.1
NFON Polska Sp. z o.o.	0.5	0.4	0.5	0.4	23.2	95.2	93.7
Total for the reportable segments	**87.3**	**82.3**	**81.1**	**77.1**	**5.2**	**92.9**	**93.7**
Total revenue	**87.3**	**82.3**	**81.1**	**77.1**	**5.2**	**92.9**	**93.7**

* In the financial year 2024, Deutsche Telefon Standard GmbH (100%-owned subsidiary) merged with NFON AG. The previous year's figure as of 31 December 2023 was adjusted accordingly.

The total revenue of NFON AG, including the revenue of Deutsche Telefon Standard GmbH, grew from EUR 63.3 million to EUR 64.7 million. This growth is largely due to rising demand for cloud PBX products and premium solutions, which are increasingly in demand from both existing and new customers.

The companies in Austria, the United Kingdom, Italy and Poland, in particular, recorded dynamic growth rates of between 7% and 21% in the financial year 2024. Rising demand for cloud PBX products and premium solutions was the main growth driver. Due to the decision taken in 2022 to significantly reduce business activities in France and Spain, these two companies reported a trend that was stable at a low level compared to 2023.

Seats in segments

	2024	2023
NFON AG*	484,976	481,885
botario GmbH**	–	–
NFON GmbH	75,014	71,293
NFON UK Ltd.	80,974	79,292
NFON Iberia SL	4,845	4,738
NFON Italia S.r.l.	11,004	10,180
NFON France SAS	3,940	3,956
NFON Polska Sp. z o.o.	4,696	4,623
Total	**665,449**	**655,967**

* In the financial year 2024, Deutsche Telefon Standard GmbH (100%-owned subsidiary) merged with NFON AG. The previous year's figure as of 31 December 2023 was adjusted accordingly.
** botario GmbH is not measured based on seats but has licence/project business.

Trend in average revenue per user

NFON uses average recurring revenue across all services, sales channels and countries per user or seat, referred to as blended average revenue per user (ARPU), to measure operating performance per seat. ARPU rose to EUR 9.89 in 2024 (previous year: EUR 9.71) despite a reduction in voice minutes usage. The reduction in voice minutes usage was offset by targeted price adjustments for selected products and customer cohorts.

Income and expense items

Other operating income

Other operating income decreased to EUR 0.7 million in the financial year 2024 (previous year: EUR 0.9 million). Income reduced, partly due to the relocation of the company headquarters in Munich at the end of 2023. Subletting agreements also expired with this relocation, as a consequence of which less rental income was generated.

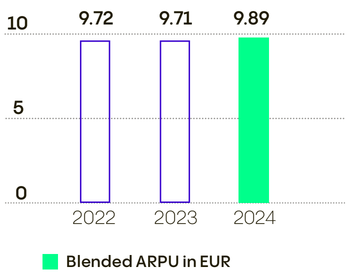
Cost of materials

The cost of materials decreased slightly to EUR 12.9 million in the financial year 2024 (previous year: EUR 13.0 million), which corresponds to a cost of materials ratio of 14.7% (previous year: 15.8%). This reduction is due to the fact that botario's project business mainly utilises internal resources and consequently entails a low cost of materials.

Staff costs

The average number of employees was down by 6.8% to 422 in the financial year 2024 (previous year: 453) due to measures to optimise organisational structures as well as efficiency gains realised as part of the transformation process. While wage and salary costs (excluding bonus payments as well as own work capitalised) decreased from EUR 29.3 million to EUR 27.8 million, a lower level of own work capitalised – due to greater utilisation of development resources in internal efficiency improvement projects – led to a moderate increase in total staff costs to EUR 35.3 million (previous year: EUR 34.9 million).

ARPU POSTS A POSITIVE TREND



Non-recurring effects of EUR 0.1 million each were attributable to reorganisation measures at the top management level and the integration of Deutsche Telefon Standard GmbH. Furthermore, expenses of EUR 0.1 million (previous year: EUR 0.1 million) were recognised in connection with an employee stock option programme implemented in 2019, and EUR 0.2 million for expenses relating to other accounting periods. Adjusted for these one-off effects and non-operating expenses (non-recurring effects), staff costs increased year-on-year to EUR 34.8 million (previous year: EUR 33.7 million). This represents an adjusted ratio of staff costs to revenue of 39.8% (previous year: 40.9%).

Other operating expenses

Other operating expenses rose slightly to EUR 29.1 million in the financial year 2024 (previous year: EUR 28.5 million). This particularly reflects an increase in consulting expenses due to M&A activities. In addition, higher general administration expenses as well as additional currency translation expenses led to a moderate increase in other operating expenses. This was offset by savings in the areas of marketing, rents and travel.

Various one-off effects were recognised in other operating expenses in 2024. These include EUR 0.6 million for M&A activities, EUR 0.3 million in connection with the merger and integration of Deutsche Telefon Standard GmbH and EUR 44 thousand for expenses relating to other accounting periods.

After adjusting for these one-off effects, other operating expenses reduced to EUR 28.1 million in the financial year 2024 (previous year: EUR 28.2 million). The adjusted ratio of expenses to revenue reduced accordingly from 34.2% in the previous year to 32.2% in the period under review.

Other operating expenses include selling expenses of EUR 12.0 million (previous year: EUR 11.7 million). Of this amount, the largest share is attributable to commissions paid to sales partners that receive a share of revenue. The ratio of selling expenses to revenue decreased to 13.7% in 2024 (previous year: 14.1%). This mainly reflects the botario business, which is not processed via partner sales channels and consequently does not originate any sales commissions.

Depreciation and amortisation

In the financial year 2024, depreciation and amortisation rose to EUR 8.2 million (previous year: EUR 7.3 million), mainly due to a higher level of amortisation of internally generated intangible assets in connection with new cloud PBX products that were completed for sale at the end of 2023 and at the start of 2024.

Net interest income

Net interest expense (interest and similar expenses less interest and similar income) amounted to EUR 0.8 million in the financial year 2024 (previous year: EUR 0.2 million). The increase is primarily due to raising a loan to finance the acquisition of botario GmbH and the utilisation of the existing overdraft facility.

Other financial expenses

Other financial expenses include the remeasurement of the contingent purchase price obligation for the acquisition of botario GmbH as of the 31 December 2024 reporting date. Due to the positive earnings performance of botario GmbH and the resultant overachievement of EBITDA targets for the financial year 2024, the earn-out liability was adjusted with an effect of EUR 0.3 million on income.

Income tax expense/income

The income tax expense amounted to EUR 1.2 million (previous year: EUR 0.1 million). This includes current tax expenses amounting to EUR 1.6 million (previous year: EUR 0.9 million). The increase is mainly due to the tax on the merger gain incurred in connection with the merger of Deutsche Telefon Standard GmbH as well as current income taxes at botario GmbH. In the reporting year, a slightly lower deferred tax assets arose compared with the previous year. The significantly lower level of deferred tax assets on loss carryforwards more than offset a considerably higher level of deferred tax assets from temporary differences due to goodwill recognised on the tax balance sheet of NFON AG. As a consequence, the deferred tax assets recognised on loss carryforwards in the previous year were reduced by EUR 4.1 thousand and expensed. This led to total deferred tax income of EUR 0.4 thousand.

EBITDA, adjusted EBITDA, EBIT, consolidated loss

In EUR million	2024	2023
EBITDA	**10.8**	**6.8**
Adjustments in staff costs:		
Focus on Group-wide activities	–	0.2
Stock options/ESOPs	0.1	0.1
Merger and integration of Deutsche Telefon Standard GmbH (100% subsidiary)	0.1	0.0
Reorganisation of top management	0.1	1.3
Prior period expenses	0.2	
Subtotal for personnel expenses	**0.5**	**1.6**
Adjustments to other operating expenses:		
Expenses for M&A	0.6	0.0
Merger and integration of Deutsche Telefon Standard GmbH (100% subsidiary)	0.3	0.0
Prior period expenses	0.0	–
Administrative expenses	–	0.1
Subtotal for other operating expenses	**1.0**	**0.1**
Total non-recurring effects	**1.5**	**1.6**
Adjusted EBITDA	**12.3**	**8.4**
EBIT	**2.7**	**–0.5**
Consolidated result	0.7	–0.8
Adjusted consolidated result	**2.2**	**0.8**

The revenue growth as well as the inorganic growth deriving from the acquisition of botario GmbH led to a significant increase in unadjusted EBITDA to EUR 10.8 million and in adjusted EBITDA to EUR 12.3 million in the financial year 2024. EBIT improved to EUR 2.7 million.

Contribution Margin 2 by segment

Contribution Margin 2 is calculated as EBITDA (earnings before interest, taxes, depreciation and amortisation) adjusted for indirect intercompany transfers, non-recurring effects and reconciliation effects.

Indirect intercompany transfers and charges include costs and expenses incurred in central functions to maintain marketing activities not specific to any one segment, general expenses for providing products and services as well as for customer support. In the respective Contribution Margin 2, the directly attributable intercompany transfers, such as IT infrastructure costs and attributable marketing activities, are still attributed in line with their segment allocation. They do not include non-operational central activities (such as general management, legal and finance). These remain with the original company.

The reconciliation effects include consolidation effects, especially from currency translation. This leads to adjusted EBITDA of around EUR 10.8 million for NFON in the financial year 2024.

All adjustments for non-recurring effects were allocated exclusively to the NFON AG segment.

Contribution Margin 2 by segment

In EUR million	2024	2023
NFON AG*	9.3	8.7
botario GmbH	1.3	–
NFON GmbH	2.2	1.1
NFON UK Ltd.	0.6	–0.1
NFON Iberia SL	0.0	0.0
NFON Italia S.r.l.	–0.9	–1.2
NFON France SAS	–0.2	–0.3
NFON Polska Sp. z o.o.	–0.3	–0.3
Total Contribution Margin 2 by reportable segment	**12.1**	**7.9**
Other segments	0.2	0.2
Consolidation (especially currency effects) and closing entries	0.0	0.3
Non-recurring effects	–1.5	–1.6
EBITDA	**10.8**	**6.8**

* In the financial year 2024, Deutsche Telefon Standard GmbH (100%-owned subsidiary) merged with NFON AG. The previous year's figure as of 31 December 2023 was adjusted accordingly.

Thanks to continued revenue growth in the German core market, the Contribution Margin 2 of NFON AG including Deutsche Telefon Standard GmbH was further expanded.

NFON GmbH and NFON UK Ltd. also generated a positive Contribution Margin 2 thanks to revenue growth, and significantly improved their margins.

Financial position

Liquidity requirements in the financial year 2024 were significantly influenced by the acquisition of botario GmbH. Of the purchase price payment of EUR 10.9 million due on the acquisition date, an amount of EUR 6.0 million was covered by various financing sources: a long-term loan of EUR 5.0 million as well as the utilisation of an existing overdraft facility of EUR 1.0 million with Bank für Tirol und Vorarlberg (BTV). The remaining EUR 4.9 million was provided from the company's own cash funds.

Due to the continued positive business performance, cash and cash equivalents increased slightly compared to 31 December 2023 from EUR 12.3 million to EUR 13.0 million.

Investment analysis

As in 2023, the investment focus in 2024 was on development activities, which were capitalised at EUR 2.5 million (previous year: EUR 4.3 million) and recognised under intangible assets. Investment in property, plant and equipment of EUR 0.6 million in the reporting period (previous year: EUR 0.6 million) primarily focused on IT infrastructure.

Liquidity analysis

Operating cash flow improved to EUR 9.4 million in 2024 (previous year: EUR 6.8 million). This is mainly due to the positive trend in the results of operations. Earnings before taxes rose from EUR –0.7 million to EUR 1.9 million in the reporting year. Cash flow was reduced by an increase in other receivables and assets of EUR 1.3 million as well as a reduction in other provisions of EUR 0.3 million, especially reflecting payments in connection with the reorganisation of the top management team in 2023. Foreign currency exchange rate changes led to a positive effect on operating cash flow of EUR 0.3 million (previous year: EUR 0.1 million), primarily from the translation of GBP to EUR at the UK subsidiary. These effects arose especially from the measurement of intercompany loans and intercompany transfers.

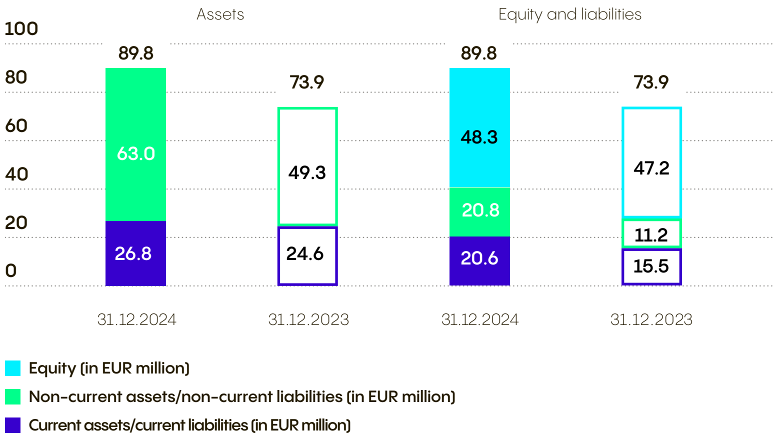
Cash flow from investing activities amounted to EUR –12.9 million, mainly due to the purchase price payment for botario GmbH. After deducting acquired cash and cash equivalents, a cash outflow of EUR 9.9 million arose. In addition, NFON invested EUR 2.6 million in intangible assets for development projects and EUR 0.4 million in property, plant and equipment, especially for IT infrastructure and hardware.

Cash flow from financing activities amounting to EUR 4.2 million mainly reflects borrowings of EUR 6.0 million to finance the acquisition of the shares in botario GmbH. This was offset by payments from leases amounting to EUR 1.8 million.

NFON continuously monitors its liquidity position. The company intends to further improve liquidity in the planning period. No indications exist that liquidity will be insufficient to meet current payment obligations at all times. A credit line of EUR 2.0 million was available as of the end of the reporting period, of which EUR 1.0 million had been utilised.

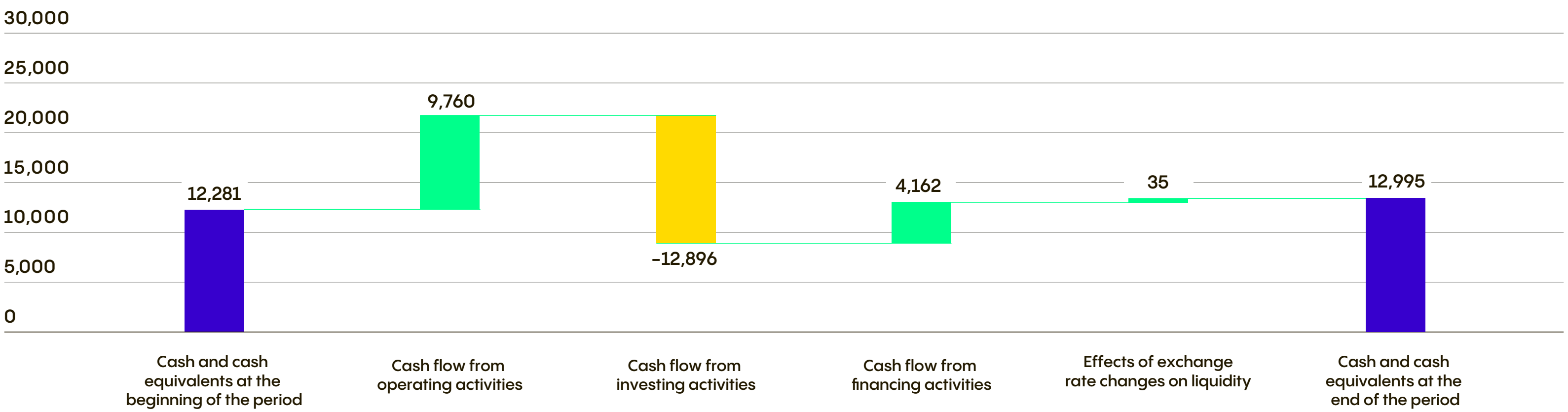
Net assets

Balance sheet structure



Rounding differences are possible.

Liquidity analysis (in EUR thousand)



Non-current and current assets

Assets

In EUR million	2024	2023	Comments/changes
Property, plant and equipment	9.9	11.6	The decline is mainly due to the depreciation of the rights of use for the rented premises.
Intangible assets	51.5	35.4	The increase is mainly due to the acquisition of botario GmbH. The customer base increased by EUR 0.6 million due to the allocation of the purchase price less depreciation. EUR 1.6 million was recognised for the technology and EUR 0.3 million for the brand. Goodwill increased by EUR 15.9 million to EUR 28.4 million.
Investments in associates	0.7	0.7	Investment in Meetecho S.r.l.
Other non-financial assets	0.8	0.7	The other non-financial assets mainly include long-term deferred charges and long-term deposits.
Deferred tax assets	0.1	0.8	In the course of the merger of Deutsche Telefon Standard GmbH (DTS) with NFON AG, the loss carryforwards of DTS were utilised.
Non-current assets	**63.0**	**49.3**	–
Trade receivables	10.3	9.0	Trade receivables increased by EUR 1.3 million to EUR 10.3 million. In addition to the increased revenue volume, this was also due to effects related to the reporting date, with EUR 0.7 million being recognised in December 2023. These payments for the financial year 2024 were not recorded until January 2025.
Other financial and non-financial assets	3.5	3.4	This item mainly includes short-term prepaid expenses, short-term deposits and inventories.
Cash funds	13.0	12.3	Cash and cash equivalents increased slightly by EUR 0.7 million to EUR 13.0 million. The change is mainly due to the positive operating performance, which enabled the acquisition of botario GmbH to be financed partly with EUR 4.9 million from own funds.
Current assets	**26.8**	**24.6**	–

Equity

Equity amounted to EUR 48.3 million as of 31 December 2024 (previous year: EUR 47.2 million) after taking the positive consolidated result into consideration. This positive trend reflects the consolidated net profit of EUR 0.7 million (previous year: EUR –0.8 million) and an allocation to the capital reserves of EUR 0.1 million as part of the employee share option programme.

Since its inclusion in the consolidated financial statements, botario GmbH has contributed EUR 0.8 million to the consolidated result.

In addition, an increase of EUR 0.3 million in the currency translation reserve helped to strengthen the equity base.

Non-current and current liabilities

Liabilities

In EUR million	2024	2023	Comments/changes
Non-current financial liabilities	18.0	8.5	The long-term financial liabilities increased to EUR 18.0 million, mainly due to the taking out of a loan for the acquisition of botario GmbH of EUR 8.5 million and the long-term portion of the conditional purchase price obligation of EUR 6.2 million. As of 31 December 2024, the long-term portion of the loan amounts to EUR 4.7 million. Current rental payments in the financial year 2024 had the opposite effect on non-current financial liabilities.
Other non-current (non-financial) liabilities	0.8	0.6	
Deferred tax liabilities	2.0	2.2	Deferred tax liabilities increased due to a higher netting of deferred tax assets from temporary differences.
Non-current liabilities	**20.8**	**11.2**	–
Trade payables	5.2	5.0	Slight reporting date-related increase in trade payables of EUR 0.2 million to EUR 5.2 million. Trade payables are non-interest bearing.
Current provisions	2.8	3.1	Current provisions decreased by EUR 0.3 million compared to the previous year. This was mainly due to the severance provisions included in the previous year, which were utilised in the current financial year.
Income tax liabilities	1.8	0.8	The increase in tax liabilities is mainly due to the tax liabilities of Deutsche Telefon Standard GmbH with NFON AG in the amount of EUR 0.7 million that arose in connection with the merger, as well as the further improvement in NFON AG's operating result.
Current financial liabilities	4.9	1.4	The short-term financial liabilities are due to the utilisation of the current account credit line in the amount of EUR 1.0 million, the short-term share of the loan in the amount of EUR 0.3 million and the short-term share of the conditional consideration from the acquisition of botario GmbH for the EBITDA targets achieved in the financial year 2024 in the amount of EUR 1.8 million.
Other current non-financial liabilities	6.0	5.2	Other current non-financial liabilities increased by EUR 2.9 million to EUR 8.1 million and include higher provisions for employee bonuses and for unused vacation days, which had an overall effect of EUR +0.5 million.
Current liabilities	**20.6**	**15.5**	–

Overall assessment of the economic situation

Despite economic uncertainties, the digitalisation of business communications remains a key growth driver, particularly owing to the increasing use of AI-supported solutions that enable more efficient and future-proof communication processes. With "NFON Next 2027", NFON is focusing on sustainable growth, technological innovation and the active shaping of business communications.

NFON's economic stability is reflected in its revenue growth: total revenue rose by 6.1% to EUR 87.3 million in 2024 (previous year: EUR 82.3 million), with recurring revenue growing by 5.2% and continuing to account for a high share (92.9%) of total revenue. Growth in the number of seats (+1.4%) underscores not only the high level of customer loyalty but also market demand.

With the acquisition of AI specialist botario in 2024, NFON has taken a crucial step towards positioning itself as a leading provider of AI-supported business communications. botario is already making a tangible contribution to business growth. The focus is now on integrating AI expertise into the existing business and on developing innovative and market-driven products.

The company also further optimised its operational efficiency and organisational structure in 2024. The strategic realignment is being advanced systematically in order to realise further growth in the core markets – Germany, Austria, the UK and Italy. In addition to acquiring new customers, the focus is on strengthening existing customer loyalty through targeted AI solutions and optimised services.

Thanks to its solid financial position, strategic focus on high-margin business areas, agile processes and customer-centric approach, NFON believes it is well positioned to tap market potentials in the long term and to position itself as a leading provider of AI-supported business communications.

Events after the reporting period

For information on events occurring after the end of the financial year, please refer to note 30 Events after the end of the reporting period in the notes to the consolidated financial statements and the disclosures in the separate annual financial statements of NFON AG as at 31 December 2024.

Opportunities and risks

Opportunity and risk management

The NFON Group anticipates opportunities that are important for the achievement of its strategic goals. At the same time, all business activities entail risks that can impede the target attainment process. The failure to identify risks and minimise the potential consequences for the Group can jeopardise the company's successful development and growth. To respond appropriately, the Management Board has introduced a risk management system (RMS). This is intended to identify new risks or changes in existing risks at an early stage, thereby enabling the Management Board to take suitable measures to safeguard the future of the company. A special focus is "on going concern" risks.

Risk management covers all strategic, operating as well as financial and compliance risks. The risk manual approved by the Management Board in December 2022 stipulates how to handle risks within the NFON Group and defines a standard method that applies across all Group areas and companies.

Risk identification

Risk identification comprises the regular and systematic analysis of internal and external developments and events that could lead to negative divergences from the defined targets of the RMS. Corporate risks are continuously monitored and reviewed by the risk owners. A complete survey of the NFON Group's risks (risk identification) is conducted once a year. During the course of the year, the risks are updated every six months. The risk owners communicate their risks to the risk manager. The risk manager collates all risks in a central risk inventory and determines the overall risk position. This is compared with available liquid funds after each inventory in order to determine the risk-bearing capacity. After each inventory, the risk manager reports to the Management Board on the results of the inventory and the risk-bearing capacity analysis. After the main inventory, the Management Board informs the Supervisory Board about the NFON Group's risk situation.

Opportunities are not covered by the risk inventory of the risk management system, but are instead analysed within strategy processes at management level, including using business assessments.

The NFON Group utilises both bottom-up and top-down risk identification methods. Risk owners use interviews and questionnaires to determine and update the risks of their area or to provide input for risks of other areas (bottom up). The Management Board is also involved in this process, particularly in the evaluation of corporate strategy risks (top down).

In addition, all employees are involved in risk identification via an ad hoc risk process. They can report risks to the risk owners or to the risk manager at any time in person, by telephone or via e-mail (bottom up). The underlying process also controls the reporting rules if risks entailing a serious or significant impact are reported.

Risk assessment

Risk assessment deals with the impact of risks on the company's financial targets. Risks are assessed at individual risk level both before and after countermeasures. These assessments are transparent and clear and apply a consistent methodology. Risks are assessed from monetary perspectives. The loss amount is defined as the extent of a risk regardless of the nature or method of determination. The probability of occurrence is defined as the calculated or estimated probability of the risk occurring in the twelve months following the inventory.

The risk assessment distinguishes between gross and net risks. Gross risks constitute risks that exist if no measures have yet been implemented to mitigate the risk. Net risks are risks that exist after measures have been implemented, and thereby represent the residual risk. The total risk exposure is the total of the net risks assessed.

The NFON Group uses a 5×5 risk calculation matrix for categorisation that analyses both the potential loss volume and the respective probability of occurrence into five classes.

The individual risks are allocated to five classes based on the combination of the potential loss amount and the estimated probability of occurrence. These categories are presented visually in the 5×5 risk matrix: serious (red), significant impact (orange), material impact (yellow), no material impact (green) and no impact (blue).

Loss amount

Class	Description	Influence on the liquidity of the NFON Group in EUR
5 – Very high	Serious loss potential	≥ 1,500,000
4 – High	Significant loss potential	1,500,000 > x ≥ 750,000
3 – Medium	Medium loss potential	750,000 > x ≥ 500,000
2 – Low	Low loss potential	500,000 > x ≥ 250,000
1 – Very low	Insignificant loss potential	250,000 > x ≥ 50,000

Probability of occurrence

Class	Description	PO
5 – Almost certain	Almost certain risks anticipated in every financial year	90% < x < 100%
4 – Probable	Probable risks that occur every one to two years	50% < x ≤ 90%
3 – Possible	Possible risks that occur every two to five years	20% < x ≤ 50%
2 – Improbable	Improbable risks that occur every five to ten years	10% < x ≤ 20%
1 – Remote	Extreme risks or remote risks that occur less frequently than every ten years	0% < x ≤ 10%

Risk matrix

Amount of loss					
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5
	Probability of occurrence				

Risk classes:

- Serious
- Significant impact
- Material impact
- No material impact
- No impact:

The aim of process-integrated controls is to continuously monitor and track the process steps of the risk management system. The focus is on an orderly process. The risk committee, whose members include the risk manager, the CFO and the Compliance Officer, reviews the status of the controls at least once a year and documents the review. The NFON Group's RMS is regularly subjected to an internal audit by an external service provider. The aim is to have a maximum cycle of three years. As the last audit was conducted in 2023, the next audit will be conducted in 2025 at the earliest, and in 2026 at the latest.

Opportunities of the NFON Group

The NFON Group assesses its opportunities qualitatively and does not quantify them or analyse them in an opportunity matrix. This evaluation is conducted annually at the end of the reporting period and covers a forecast period of twelve months. This opportunity analysis underscores the company's strategic approaches and its potential to promote sustainable growth, expand technological leadership positions, establish greater proximity to customers, create efficient structures and benefit from external market developments. While the focus in the previous year was still more on individual strategic directions such as product development, sales and partnerships, the current strategic approach offers a more comprehensive perspective. In particular, the deeper integration of AI technologies, the explicit emphasis on enhancing efficiency through digitalisation and greater differentiation through customer proximity and personalisation stand out as new core aspects. Further information can be found in the Strategy and goals section.

NFON regards the digitalisation of internal processes and the introduction of agile structures as a key opportunity to enhance efficiency. Optimising the Business Support System (BSS) creates potential for more effective resource utilisation, accelerated decision-making and a reduction in operating costs. By promoting cross-divisional collaboration and clearly assigning responsibilities, the company becomes more flexible and can respond more rapidly to market changes. These measures support NFON's strategic focus on sustainable growth and operational excellence.

External market opportunities arise primarily from advancing digitalisation. Companies are increasingly seeking secure, flexible and scalable communication solutions that meet the requirements of a modern working environment. By focusing on data protection and compliance, NFON is particularly well positioned to remain competitive in Europe. European SMEs, one of NFON's main target groups, are continuing to drive demand for cost-efficient and customisable solutions.

Innovative product development

A key component of NFON's growth strategy is the optimisation of its core products, especially its cloud communications platform. New functions and integrations, especially in the automation area, enhance its attractiveness for both existing and new customers. Improved user-friendliness and high scalability strengthen the company's competitive position, while the focus on high-margin services enables sustainable earnings growth. In addition, NFON is continuing to develop existing sales markets in order to leverage their growth potential.

The integration of advanced AI technologies offers NFON the opportunity to position itself as a leading provider in the AI-supported business communications area. Innovative AI solutions automate communication processes and generate efficiency gains for customers. By using data-based analyses, personalised services can be developed that specifically address customer needs, increase satisfaction and reduce churn rates. Moreover, the expansion of the Contact Centre Hub offers considerable growth potential in the CCaaS area through deeper integration into customer applications.

Sales excellence and the strengthening of partnerships

Creating greater proximity to our customers represents a further opportunity for us to differentiate ourselves from our competitors. Continuous optimisation of the customer journey further improves customer loyalty. At the same time, the expansion of the partner network through targeted investments in partner programmes creates new synergies that promote joint growth. The consistent integration of customer requirements into product development also ensures that NFON solutions are highly relevant.

Risks of the NFON Group

In the financial year 2024, NFON AG conducted a comprehensive risk inventory as part of the risk management system it has implemented. Identified risks were assessed as of the end of the reporting period, taking into consideration an observation period of twelve months following the inventory.

Following completion of the risk inventory, it now comprises a total of nine active risks. Only one risk was categorised as having a "serious impact on the liquidity position". Of the other risks, four risks can a significant impact on liquidity, three can exert a material impact and one can exert only a non-material impact. This assessment takes into consideration risk minimisation measures that have already been implemented. Only risks whose potential impact on liquidity is serious, significant or material and whose net risk assessment exceeds EUR 50,000 are listed in the Annual Report. For this reason, only two of the three risks in the "material impact" category are discussed.

Risks that could have a serious impact on the liquidity situation

Sales targets

NFON has set itself ambitious sales targets for 2025. In order to achieve these targets, sales processes were improved, personnel adjustments were made and new products with integrated AI were developed. Specific key activities were also defined. The company also plans to further expand its sales team. If these measures were to fail to take effect as planned, a risk exists that revenue targets will not be met, which could have a severe impact on liquidity.

Risks that could have a significant impact on the liquidity situation

Churn reduction project

Stabilising and securing our customer base in the long term remains a central goal of NFON. The churn reduction project was initiated to further strengthen customer loyalty and minimise potential churn. To this end, mechanisms such as loyalty to new product features, proactive customer calls ("happy calls") and churn analyses are used to sustainably increase customer satisfaction and loyalty. NFON is also placing a strategic focus on AI-supported product development, improved sales processes and collaboration between product development and customers or partners in order to respond specifically to customer needs and reduce the risk of churn in advance.

Takeover of botario and synergies with NFON's core business

NFON plans to introduce an AI product portfolio and generate revenue through the acquisition of botario GmbH, which expects further revenue growth in 2025. Risks lie in the speed of product development and the go-to-market strategy. A cross-functional project team was set up to coordinate product management, development, sales and marketing in order to achieve the objectives.

Pricing

NFON plans to generate additional revenue through new products and product features as well as targeted price increases. Existing tariffs are checked against market benchmarks and adjusted accordingly. The risk exists that price targets will not be met because the market fails to respond to new products, or products are slow to come to market. A detailed analysis of customer contracts forms part of implementation, with the involvement of external expertise where required.

Churn

Without strategic measures such as AI-supported product development, improved sales processes and the dedicated churn reduction project, the risk would exist of not offsetting customer losses. Such initiatives aim to sustainably reduce the churn rate.

Risks that can have a material impact on the liquidity situation

Data protection breach

Despite stringent data protection guidelines and continuous employee training, violations such as the non-deletion of data, incorrect cookie banners and unlawful data processing can occur. Data protection breaches are also possible as a result of cyberattacks. Such cases could result in reputational damage, fines and the cancellation of contracts. To reduce the related probability of occurrence and the related risk, the Quality Management and Data Protection areas continuously implement measures, such as raising employee awareness through regular training, or monitoring and random sampling of ongoing processes.

Contractual penalties

In 2024, the number of compensation claims from service level agreements (SLAs) with partners increased. To counter the risk of further compensation payments, NFON already began making system adjustments in 2024 in order to fulfil SLA conditions as optimally as possible. These measures are being continued and monitored in 2025.

Overall assessment of the NFON Group's opportunities and risk situation

The NFON Group's overall situation shows a balanced relationship between opportunities and risks. On the basis of the current risk assessment and the associated analysis of opportunities and risks as well as of countermeasures, securing measures and provisions, no going concern risks exist that could negatively affect the company's growth and development. Compared to the previous year, the following risks were successfully mitigated and are no longer active:

- **Business Support System:** Project progress in 2024 was positive and actual costs amounted to less than budgeted costs. Given these positive indicators, no risk is assumed for 2025.
- **Re-shape:** This project was successfully completed in 2024. Thanks to this project, development resources are no longer tied up and delays in product development are no longer to be expected.
- **Contractual risks:** NFON completed its review of customer and supplier contracts in 2024 and eliminated contractual weaknesses. Furthermore, the NFON legal department reviews all important new contracts before they are signed.
- **Sales risk – CRM system:** Thanks to optimised processes in the CRM system, the net risk measurement of this risk in 2024 stands below the EUR 50,000 reporting limit.

The following table summarises the risk situation (net risks) of the NFON Group as at the end of the reporting period and the change in risks compared to the previous year:

Business risks

Risks	Risk class	Year-on-year change
Sales targets	Serious risk	Newly added
Churn reduction project	Significant impact	Newly added
botario synergies	Significant impact	Newly added
Pricing	Significant impact	Newly added
Churn	Significant impact	Newly added
Data protection breach	Material impact	Unchanged
Contractual penalties	Material impact	Newly added

Internal control system

The internal control system (ICS) forms an integral element of the company-wide control and risk management system, including the compliance management system (CMS). The objective of the ICS is to implement controls to provide reasonable assurance for the company-wide processes, including the preparation of financial statements and the combined management report in compliance with applicable regulations.

Regular monitoring with the aim of remedying identified weaknesses forms part of the ICS and RMS, including the CMS. Based on such findings, we improve our ICS and RMS, including the CMS. With the exception of these weaknesses, the Management Board currently has no indication that the risk management and internal control and compliance systems of NFON AG would be either inadequate or ineffective.[20]

The Supervisory Board of NFON AG monitors the appropriateness and effectiveness of the ICS as required by section 107(3) sentence 2 in conjunction with section 107(4) sentence 1 of the German Stock Corporation Act (AktG). The scope and design of the ICS are at the discretion and responsibility of the Management Board in accordance with section 91 (3) AktG. In the financial year 2023, an internal audit was conducted by an external service provider and a related internal coordinator. The Internal Audit function is responsible for independently auditing the functionality and effectiveness of the ICS both within the Group as well as at NFON AG.

[20] Unaudited information.

The ICS comprises both preventive and detective controls, such as:

- IT-supported and manual coordination
- Separation of functions
- Dual-control principle
- Management controls
- General programmatic IT controls such as access rules in IT systems and change management

The ICS is continually evolving with the operating processes and consistently responds to new technologies and working practices.

Accounting-related internal control system

The accounting-related internal control system contains the principles, procedures and measures for ensuring appropriate accounting. The system is continually updated and pursues the following objective: pursuant to the provisions of commercial and stock corporation law relating to financial accounting and consolidated financial statements pursuant to section 315e (1) of the German Commercial Code (HGB), the consolidated financial statements of NFON AG are prepared in accordance with the version of the International Financial Reporting Standards (IFRS) approved by the EU, as well as the supplementary provisions of commercial and stock corporation law. The accounting-related ICS also pursues the objective that the separate annual financial statements of NFON AG and the combined management report are prepared in accordance with the provisions of commercial law.

As the parent company, NFON AG prepares the consolidated financial statements and the combined management report of NFON AG. This process is preceded by financial reporting for the Group companies included in the consolidated financial statements. In the Management Board's view, the processes are monitored by an internal control system that aims to ensure both the appropriateness of the financial accounting as well as compliance with the relevant legal regulations. In addition, the process of compliant and appropriate consolidated financial reporting is supported by supplementary procedural instructions, such as inter-company guidelines, standardised reporting formats, IT systems and IT-supporting reporting and consolidation processes. The key cross-departmental functions are controlled centrally by the finance department of NFON AG, with the individual subsidiaries having a set level of independence in preparing their financial statements. Employees involved in the financial accounting process receive regular training. The legal representatives of NFON AG and of the Group companies are responsible for compliance with Group-wide guidelines, standards and procedures. The Group companies ensure the appropriate and timely execution of their accounting-related processes and systems.

The management teams of the Group companies in the various countries are responsible for implementing these regulations and for using these instruments. The consolidated financial statements and the combined management report are the responsibility of the Chief Financial Officer of NFON AG. All IFRS reporting packages of significant Group companies that are included in Group consolidation are audited by the local auditor or the Group auditor.

Governance

Corporate governance report – corporate governance declaration[21]

PURSUANT TO SECTIONS 289F AND 315D HGB

The Management Board and the Supervisory Board report annually on the company's corporate governance in the Group corporate governance declaration in accordance with section 315d of the German Commercial Code (HGB) in conjunction with section 289f HGB. A central element of this Group declaration is the declaration regarding the Corporate Governance Code pursuant to section 161 AktG.

The German Corporate Governance Code – guidelines for responsible corporate governance

The German Corporate Governance Code (GCGC or the "Code") contains principles, recommendations and suggestions for the Management Board and the Supervisory Board that are intended to help ensure that NFON is managed in the interests of the company. In their actions, the Management Board and the Supervisory Board are aware of the company's role in society and of their social responsibility. This also includes an understanding that social and environmental factors influence the company's success and that the activities of NFON AG have an impact on people and on the environment. Accordingly, these factors are taken into consideration in the management and monitoring of NFON AG by the Management Board and the Supervisory Board in the interests of the company.

The aim of the Code is to make Germany's dual board corporate governance system transparent and comprehensible. The Code clarifies the obligation of the Management Board and the Supervisory Board to secure the company as a going concern and to ensure that it creates value on a sustainable basis (interest of the company) according to the principles of the social market economy, and taking into account the interests of shareholders, employees and other groups associated with the company (stakeholders). These principles not only call for legality, but also ethically sound and responsible behaviour (guiding principle of the business person of integrity). The Management Board and the Supervisory Board of NFON AG are committed to the principles, recommendations and suggestions contained in the Code. The Management Board and the Supervisory Board report on potential divergences from the recommendations of the Code both in the declaration of compliance and in the following detailed explanations, based on the Code as amended on 28 April 2022.

Declaration of compliance with the Corporate Governance Code

Pursuant to section 161 of the German Stock Corporation Act (AktG), the Management Board and the Supervisory Board of NFON AG explain in the declaration of conformity which recommendations of the German Corporate Governance Code, published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette as amended on 28 April 2022, have been and will be complied with, or which recommendations have not been or will not be applied.

C.2 Overall, the Supervisory Board should possess the skills considered to be essential given the activities of the NFON Group. This includes in-depth experience and knowledge in the management of a medium-sized or larger, international company in the telecommunications industry, in financial accounting and reporting, in controlling/risk management and in the area of corporate governance/compliance. Given the importance of this experience and knowledge, the Supervisory Board has decided not to impose an age limit.

[21] Unaudited information.

C.5 Until February 2024, the Chairman of the Supervisory Board, Rainer Koppitz, was a member of the Management Board of a listed company and is consequently not permitted to serve as chairman of a Supervisory Board of a listed company outside the Group. He is also Chairman of the Supervisory Board of CENIT AG. The Management Board and the Supervisory Board take the view that his activities as Chairman of the Supervisory Board of NFON AG are consistent with his further management board and supervisory board mandates.

C.10, D.2 and D.4 Due to the size of the Supervisory Board, consisting of four members, the Supervisory Board of NFON AG has refrained from the formation of committees, with the exception of its Audit Committee. The Chairman of the Audit Committee is Florian Schuhbauer. Florian Schuhbauer acts independently of the company and the Management Board and possesses the necessary auditing expertise. The other members of the Audit Committee are Rainer Koppitz and Günter Müller.

F.2 Due to the extensive consolidation work involved, the consolidated financial statements are prepared within four months of the end of the financial year. The quarterly statements and the half-year report are also published at the latest within two to three months of the end of the reporting period due to the extensive consolidation work required in accordance with the Stock Exchange Rules and Regulations and the German Act Implementing the Transparency Directive (TUG).

G.17 Contrary to the recommendation of the Code, the members of the Audit Committee are not remunerated separately due to the comparatively minor amount of time required for the work of the Audit Committee.

Munich, March 2025

Basic information about the corporate governance structure and underlying regulations

NFON AG, with its registered office in Munich, is subject to German stock corporation law and has a Management Board, a Supervisory Board and a Annual General Meeting. The management of the company is based on close and trusting cooperation between all executive bodies and the active and constant flow of information between these bodies. In particular, shareholders can ask questions of the company management and exercise their voting rights at the Annual General Meeting.

Taking responsibility very much forms part of how NFON operates as a company. The company assumes responsibility for products and processes, employees, customers and partners, as well as for the environment and society. In this context, the company engages openly and maintains continuous dialogue with its stakeholders. German stock corporations are required by law to have a dual board management system consisting of a management board and a supervisory board.

Information about corporate governance practices that extend beyond statutory requirements

It goes without saying that the NFON Group is managed in accordance with statutory requirements. However, the values on which good corporate governance is based call for more than just legality. These are also inherently based on ethically sound and responsible behaviour. When it comes to implementing the corporate strategy geared towards profitable growth, the Management Board and the Supervisory Board, as well as NFON Group employees, embrace the following corporate values:

- Entrepreneurial thinking and action
- Team result
- Respect

Each of these values stands on its own, but only in combination do they form what NFON is all about.

The corporate governance practices applied by NFON cover regulatory areas such as company-wide ethical standards, labour and social standards, compliance and sustainability guidelines, and are set out in the Sustainability Statement. This is available together with the Annual Report 2024 at corporate.nfon.com/en/investor-relations/reports.

Responsible corporate governance (corporate responsibility)
Sustainability is systematically and organisationally anchored at NFON. Our approach to responsible corporate governance includes ethical standards, labour and social standards, as well as guidelines on compliance and sustainability. NFON's sustainability management ensures that economic, social and ecological aspects are taken into consideration in a balanced manner. It is managed by the sustainability department and the Sustainability Core Team to ensure consistent implementation in all business areas.

These principles not only form part of our corporate strategy, but are also described in our Sustainability Statement. They lay the foundation for long-term and responsible value creation and strengthen the trust of our stakeholders. Further details can be found in the Sustainability Statement or on our website at corporate.nfon.com/sustainability.

The Management Board

Pursuant to the Articles of Association, the Supervisory Board may appoint one or more persons to the company's Management Board. As of April 2025, the Management Board of NFON AG consists of two members. The age limit for the Management Board has been set at 65.

In accordance with the provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code, the Supervisory Board has set a target of 50% for the percentage of women on the Management Board, which is to be reached by 1 January 2027. The Supervisory Board will take the topic of diversity into consideration when searching for suitable candidates for new Management Board positions. The Management Board is also obligated to set a target for the percentage of women at the management level below the Management Board. The Management Board has defined the managing directors of the foreign companies, the Chief Product Officer and the Vice Presidents in Germany or equivalent staff functions within the company as comprising the first management level below the Management Board. The NFON Group does not have a second management level below the Management Board. Pursuant to the resolution passed by the Management Board of NFON AG on 28 November 2024 pursuant to section 76 (4) AktG, the Group has set a target ratio of at least one-third of women (currently seven women out of 22 managers) for the existing first management level below the Management Board, which is to be achieved by the end of the next five financial years. With six women at this management level, we are at 27% for financial year 2024 and are thereby reaching 82% of our target. Further details can be found in the Sustainability Statement or on our website at corporate.nfon.com/sustainability.

The Management Board is responsible for managing the company in the interests of the company. Pursuant to the Rules of Procedure issued by the Supervisory Board, the Management Board manages the company's business according to standardised plans and guidelines. The Management Board is jointly responsible for the overall management of the company. As part of this overall responsibility for managing the company, the two members of the Management Board work together in a cooperative and trusting manner in their respective functions for the benefit of the company. The Management Board formulates the strategic direction for the company. In addition to long-term business and financial goals, the Management Board defines environmental and social goals within the corporate strategy. The systematic identification and assessment of impacts, risks and opportunities in the ESG area form a central element of sustainability management at NFON. This entails analysing the impact of the company's activities as well as the risks and opportunities associated with environmental, social and governance factors. These findings are systematically incorporated into the sustainability strategy and consequently also into the corporate strategy, in order to ensure sustainable and responsible value creation. The Management Board agrees the strategy with the Supervisory Board and ensures its implementation.

In addition to complying with statutory legislation and internal company policies, including in the Group companies, the Management Board also ensures that business risks are handled in a responsible manner. To ensure this, the Management Board has implemented an internal control system and risk management system. Further details can be found in the Report on risks and opportunities, including the report on the internal control system in the combined Group management report.

The Management Board is responsible for ensuring compliance with both statutory legislation and internal company guidelines and works to ensure such compliance by the Group companies. Compliance issues form a regular topic of discussions between the Supervisory Board or the Chairman of the Supervisory Board and the Management Board. The NFON Group's corporate culture is based on trust and mutual respect as well as the intention to ensure stringent compliance with both legislation and internal regulations. Nevertheless, legal violations due to individual misconduct can never be ruled out entirely. Both employees and third parties are able to report cases of misconduct within the company (whistle-blower system corporate.nfon.com/en/whistleblowing). The company makes every effort to minimise this risk as far as possible, to uncover misconduct and to pursue it consistently. Compliance with statutory and ethical rules and principles is of central importance. Rules and principles, as well as the responsible handling of insider information, are set out in the compliance guidelines. These guidelines offer guidance for all employees on how to behave with integrity in business dealings.

Managers and employees are provided with training on how to act in accordance with the compliance guidelines.

The Supervisory Board

The Supervisory Board takes diversity into consideration with regard to its composition and in making corresponding election nominations to the Annual General Meeting. This includes not only the recommended composition of the Supervisory Board in terms of male and female members pursuant to the German Stock Corporation Act (AktG) and the German Corporate Governance Code but also taking into consideration its individual members' experience based on age, professional experience and internationality. The authoritative guidance for election nominations is the interests of the company as well as the requirements defined in Principle 11 and in the Code's subsequent recommendations regarding the knowledge, skills and professional experience of a supervisory board member. With regard to its composition, the Supervisory Board should also take appropriate account of the number of independent Supervisory Board members as defined in C.1 of the Code. Following an appropriate application and nomination process that takes into consideration the need for a balanced composition of the Supervisory Board in terms of knowledge, ability, experience and independence, the Supervisory Board then proposes the most suitable candidates.

Pursuant to section 111 (5) AktG, the Supervisory Board defines targets for the percentage of women on the Supervisory Board. The Supervisory Board has set a target of 25%, or of one individual, for the percentage of women on the Supervisory Board. This ratio is to be reached by 1 September 2028. In addition to the requirement of the self-imposed target for the percentage of women, the Code (C.6) recommends that the ownership structure be taken into consideration in the Supervisory Board's composition. According to the executive bodies of NFON AG, the Supervisory Board would need to consist of more than four members in order to fulfil both requirements. However, this is not appropriate given the company's size.

Pursuant to the Articles of Association, the Supervisory Board of NFON AG consists of four members elected by the Annual General Meeting. These members are: Rainer Koppitz, Entrepreneur, Munich, (Chairman of the Supervisory Board since 9 April 2018 and member of the Supervisory Board since 2015); Günter Müller, Executive Chairman of ASC Technologies

AG, Germany, and Managing Director of Milestone Venture Capital GmbH, Germany, (member of the Supervisory Board and Deputy Chairman of the Supervisory Board since 12 December 2019); Florian Schuhbauer, founding partner, Active Ownership Capital S.à r.l., Luxembourg, (member of the Supervisory Board since 12 December 2019 and Chairman of the Audit Committee since 6 April 2022) and Dr Rupert Doehner (Deputy Chairman of the Supervisory Board until 12 December 2019; member of the Supervisory Board since 9 April 2018), founding partner of RECON Advisory GmbH & Co. KG, lawyer and specialist lawyer for commercial and corporate law. Further information about the membership and composition of the Supervisory Board can be found in the notes to the consolidated financial statements of NFON AG. At the Extraordinary General Meeting held on 12 December 2019, Florian Schuhbauer and Günter Müller were newly elected to the Supervisory Board as shareholder representatives. With this vote, greater consideration was given to the ownership structure. In the meaning of the Code, both Supervisory Board members are independent of the company as they have no personal or business connection to NFON or its Management Board. A significant and not merely temporary conflict of interest is not substantiated. Neither Florian Schuhbauer nor Günter Müller can be defined as controlling shareholders. No control agreement has been concluded with any of the shareholders, and none of the shareholders holds an absolute majority of votes or a lasting majority at the Annual General Meeting.

The Supervisory Board members of NFON AG are committed to acting in the best interests of the company. With regard to its composition, the Supervisory Board ensures that its members collectively possess the requisite knowledge, skills and professional experience to perform their duties properly. Overall, the Supervisory Board members collectively should possess the skills considered to be essential given the activities of the NFON Group. With regard to Principle 11 and Recommendation C.1, the Supervisory Board has defined the following competency profile with the corresponding objectives for the entire board:

- Each member of the Supervisory Board must fulfil the legal and statutory requirements for membership of the Supervisory Board (see section 100 (1) to (4) AktG) and possess the knowledge and skills required to properly perform the duties incumbent on them in accordance with the law and the Articles of Association.
- Collectively, the Supervisory Board members must be familiar with the sector in which the company operates (see section 100 (5) sentence 2 AktG).
- Each Supervisory Board member must be sufficiently available and willing to devote the necessary time and attention to the office.
- In addition to these general requirements, the Supervisory Board in its entirety should fulfil the following requirements in particular:
  - At least two members should fulfil the criterion of internationality to a special extent or have gained operational experience at international companies.
  - Each member should have a general understanding of the business of NFON AG, in particular of the software, IT and telecommunications industries, as well as of customer needs, the regions in which the company operates and the company's strategic direction.
  - At least three members should possess operational experience in corporate management and in the finance area.
  - One or more members should possess expertise in the area of sustainability.
  - At least one member of the Supervisory Board must possess expertise in the financial accounting area, and at least one further member must possess expertise in the area of auditing financial statements. Financial accounting and auditing also include sustainability reporting as well as the auditing of sustainability reports.
  - One or more members of the overall board should possess experience in the areas of transformation management, legal/compliance, HR and sales/R&D.

The Supervisory Board of the company currently considers the aforementioned objectives for the composition of the Supervisory Board as having been fulfilled.

As Chairman of the Audit Committee, Florian Schuhbauer possesses the necessary expertise in the auditing of financial statements and of sustainability reports. He has more than twenty years' experience in the operational management of various German and foreign companies. Due to his many years of international investment experience, he is also familiar with sustainability issues. Florian Schuhbauer previously held the position of CFO and Executive Vice President at DHL Global Mail, USA, a subsidiary of Deutsche Post AG. Before founding Active Ownership Capital S.à r.l. and Active Ownership Corporation S.à r.l. (AOC), he was a partner at the private equity firms General Capital Group and Triton Partners. Florian Schuhbauer has been a member of the Supervisory Board of PNE AG since May 2017 and a member of the Supervisory Board of Vita 34 AG since July 2020, both of which are listed stock corporations. Florian Schuhbauer's professional experience equips him to deal with all the tasks assigned to him as Chairman of the Audit Committee on an equal footing with the CFO and the auditor.

Rainer Koppitz can look back on more than twenty years of experience as a managing director and board member of industrial companies in various sectors (such as Siemens Enterprise Communications GmbH, BT Germany, NFON AG, B2X GmbH, Siemens IT Solutions and Services GmbH & Co. OHG, KATEK SE) as well as in various supervisory and advisory board mandates (such as Tyde GmbH, CENIT AG). Both CENIT AG and KATEK SE are listed companies. Based on the relevant professional experience outlined above and, not least, due to his activity as CEO and co-founder of KATEK SE, Rainer Koppitz possesses the expertise required by the German Stock Corporation Act (AktG) and the Corporate Governance Code in the application of reporting principles, internal control and risk management systems, as well as sustainability reporting.

Günter Müller possesses the expertise required in the area of financial accounting, the auditing of financial statements and sustainability reporting. He has been Executive Chairman of ASC Technologies AG, a leading global software provider in the areas of omnichannel recording, quality management and analytics, since 1979. Günter Müller is also Managing Director of Milestone Venture Capital GmbH. Günter Müller previously worked for Gasa Produktions GmbH, Eisenwerke Kaiserslautern and Bosch-Rexroth.

The implementation status of the skills profile is as follows (qualification matrix):

Goals/skills	Rainer Koppitz	Günter Müller	Florian Schuhbauer	Rupert Doehner
Requirements for membership of the Supervisory Board pursuant to the law and the Articles of Association (section 100 (1) to (4) AktG)	X	X	X	X
Familiarity with the sector in which NFON AG operates	X	X	X	X
Each member should have a general understanding of the business of NFON AG, in particular of the software, IT and telecommunications industries, as well as of customer needs, the regions in which the company operates and the company's strategic direction.	X	X	X	X
At least two members fulfil the criterion of internationality or have gained operational experience at international companies.	X	X	X	
At least three members should possess operational experience in corporate management and in the finance area.	X	X	X	
One or more members should possess expertise in the area of sustainability.	X		X	
At least one member of the Supervisory Board must possess expertise in the financial accounting area. Financial accounting also includes sustainability reporting as well as the auditing of sustainability reports.	X	X	X	
At least one member of the Supervisory Board must possess expertise in the financial accounting area. Financial accounting and auditing also include sustainability reporting as well as the auditing of sustainability reports.	X	X	X	
One or more members of the overall board should possess experience in the areas of transformation management, legal/compliance, HR and sales/R&D.	X	X	X	X

Given the importance of this experience and knowledge, the Supervisory Board has decided not to impose an age limit.

Although the women's ratio of 25% has not been met since the election of the new Supervisory Board, it remains a target to be reached by 1 September 2028.

No member of the Supervisory Board performs executive or advisory functions for major competitors.

The Chair and a Deputy Chair are elected from among the members of the Supervisory Board. The Rules of Procedure, which the Supervisory Board has drawn up for itself, govern its working methods. The Rules of Procedure for the Supervisory Board can be viewed on the company's website (corporate.nfon.com/en/corporate-governance).

As recommended by the Code, the personal and business relationships of each candidate to the company, to the company's executive bodies and to a shareholder with a material interest in the company are disclosed in the nominations for election to the Supervisory Board at the Annual General Meeting, where applicable. Each nominated candidate is accompanied by a curriculum vitae that provides information about the candidate's relevant knowledge, skills and professional experience; this is supplemented by an overview of their main activities in addition to the Supervisory Board mandate. The respective curriculum vitae of all Supervisory Board members is published on the company's website and is updated annually (corporate.nfon.com/en/corporate-governance). In performing their duties, each member of the Supervisory Board ensures that they have sufficient time available to fulfil their responsibilities. The Chairman of the Supervisory Board, Rainer Koppitz, was a member of the Management Board of a listed company. Contrary to the recommendation of the Corporate Governance Code (C.5), Rainer Koppitz also chaired the Supervisory Boards of NFON AG and CENIT AG in addition to his role as Chief Executive Officer of KATEK SE (until February 2024). The Management Board and the Supervisory Board of NFON AG are of the opinion that his activities as Chairman of the Supervisory Board of NFON AG are consistent with his further management board and supervisory board mandates. To ensure that the Supervisory Board advises and monitors the Management Board independently, the Rules of Procedure for the Supervisory Board stipulate that more than half of the members of the Supervisory Board should be independent as defined by the German Corporate Governance Code. In the Supervisory Board's assessment, at present no specific indications exist of relevant circumstances or relationships, especially in relation to the company, members of the Management Board or other Supervisory Board members, that could give rise to a material and not merely temporary conflict of interest and consequently infringe the condition of independence.

Due to the size of the company and the number of Supervisory Board members specified by the Articles of Association, the Supervisory Board generally refrains from the formation of committees. One exception here is the three-member Audit Committee that was established by resolution on 6 April 2022 and is chaired by Florian Schuhbauer. He possesses expertise in the area of the auditing of financial statements. The other members of the Audit Committee are Rainer Koppitz and Günter Müller.

Pursuant to the Articles of Association, the Supervisory Board of NFON AG meets once every calendar quarter, with two meetings being held every six months. Extraordinary meetings are convened by the Chairman of the Supervisory Board as required and based on his professional judgement. Resolutions of the Supervisory Board are generally passed in meetings. The Supervisory Board is quorate if at least half of its members participate in the passing of resolutions. Outside the scope of meetings, resolutions may be passed in writing, by telex, fax, telephone or telegram. They may also be passed by e-mail or video conference. The Supervisory Board also meets regularly without the Management Board of NFON AG.

The Supervisory Board conducts regular reviews of the efficiency of its activities. The last efficiency review was held on 8 December 2022. Regular training and further education is essential for the efficient work of the Supervisory Board. The members of the Supervisory Board gain significant experience in their everyday work outside of their Supervisory Board mandates. Notwithstanding this, the company provides appropriate support to the Supervisory Board members with regard to training and further education.

Cooperation with the auditor

The auditor supports the Audit Committee in supervising the management, in particular in the auditing of the financial accounting and in overseeing the control and risk management systems that relate to the financial accounting. In line with the resolution of the Annual General Meeting on 28 June 2024, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, to audit both the separate and the consolidated financial statements for the financial year 2024. Pursuant to the recommendations of the Code, it was agreed with the auditor that the Supervisory Board would be informed immediately of all findings and events of relevance to the Supervisory Board's duties that come to the auditor's attention during the audit. The Supervisory Board is also to be informed immediately if the auditor discovers any facts that point to an inaccuracy in the declaration regarding the Code issued by the Management Board and the Supervisory Board in accordance with section 161 AktG. Furthermore, the Audit Committee and the auditor jointly discussed the audit risk, audit strategy and audit planning. The Chairman of the Audit Committee, Florian Schuhbauer, was in regular contact with the auditor to discuss the progress of the audit. Pursuant to the recommendation of the German Corporate Governance Code, the committee was informed by the committee chair. These committee meetings were also held without the Management Board.

Cooperation between the Management Board and the Supervisory Board

The common goal of the close cooperation between the Management Board and the Supervisory Board is to secure the company as a going concern as well as its ability to create value over the long term. The Management Board and the Supervisory Board meet regularly to discuss the extent to which the previously agreed strategic direction of the company has been implemented. The Management Board also regularly informs the Supervisory Board of all company-relevant issues concerning planning, business performance, the risk situation, risk management, internal accounting, sustainability management and compliance. The Management Board reports if the company's performance differs from the set plans and targets and provides related reasons. In the Rules of Procedure of the Management Board, the Supervisory Board has defined the manner in which the Management Board must inform and report to the Supervisory Board. For decisions or measures that fundamentally alter the company's results of operations, financial position and net assets, and for transactions of material significance, the Rules of Procedure of the Management Board stipulate that the Supervisory Board must grant its approval.

The members of the Management Board and the Supervisory Board are obligated to act in the interests of the company and are not permitted to pursue personal interests in their decisions or in connection with their activities, nor may they grant benefits to other persons or exploit for themselves business opportunities to which the company is entitled. Each Management Board member is obligated to disclose conflicts of interest to the Supervisory Board and must inform the other members of the Management Board. Each Supervisory Board member must also disclose any conflicts of interest to the Supervisory Board. In its report to the Annual General Meeting, the Supervisory Board provides information about any conflicts of interest that have arisen and how they were handled. No conflicts of interest requiring disclosure arose in 2024.

The Supervisory Board and Management Board cooperate to ensure long-term succession planning for membership of the Management Board. To this end, the Supervisory Board undertakes a constant search for promising young managers both internally and outside of the company. Depending on the specific circumstances in each case, the Supervisory Board generally recommends that specific succession planning should commence at the earliest two years before the current Management Board contracts expire. The suitability profiles of eligible internal candidates are systematically analysed independently of this. An age limit of 65 years has been set for members of the Management Board.

Function of the Annual General Meeting

The Management Board convenes an Annual General Meeting at least once a year. The shareholders of NFON AG exercise their voting and control rights at the Annual General Meeting. At the Annual General Meeting, the shareholders decide, in particular, on the appropriation of profit and the ratification of the actions of the Management Board and the Supervisory Board. They also elect the shareholder representatives to the Supervisory Board as well as the auditor. The Annual General Meeting makes decisions regarding the legal basis of the company and, in particular, regarding amendments to the Articles of Association, capital measures, company agreements and conversions. With regard to approving the remuneration system for the Management Board members submitted by the Supervisory Board and the specific remuneration of the Supervisory Board, the Annual General Meeting generally acts in an advisory capacity. It also makes recommendations regarding the approval of the remuneration report for the past financial year. In the event of a takeover bid, the Management Board convenes an Extraordinary General Meeting, which aims to give shareholders the opportunity to discuss the takeover offer and, if necessary, to decide on measures under company law.

Naturally, it is in the interests of the company and the shareholders to ensure that the Annual General Meeting is conducted expeditiously. Pursuant to the Articles of Association, the chair of the meeting has the option of imposing reasonable time limits on the shareholders' rights to ask questions and to speak at the meeting.

Transparency and external reporting

For NFON AG, corporate governance means managing and controlling the company in a responsible and transparent manner. In particular, this includes the equal treatment of shareholders when it comes to disclosing information. All shareholders, financial analysts and comparable recipients are provided with all new facts without delay. This includes the publication of information in German and English on the NFON AG website as well as the use of systems that ensure the simultaneous publication of information in Germany and abroad. NFON AG uses the EQS Group AG system for this purpose.

Shareholders and third parties are informed primarily through the consolidated financial statements and the Group management report, including the Sustainability Statement, and – during the course of the financial year – through the quarterly statements and the half-year financial report. By way of divergence from the recommendation of the Code, the quarterly statements and the half-year financial report are published within two and three months of the end of the reporting period at the latest, due to the extensive consolidation work required in accordance with the Stock Exchange Rules and the regulations of the German Securities Trading Act (WpHG).

Remuneration of the Management Board and the Supervisory Board

As part of its corporate strategy, NFON AG is pursuing the goal of setting standards in the European market as a leading provider of AI-based business communication. In this context, the NFON Group focuses its actions on long-term and sustainable corporate performance and success, and takes its corporate responsibility seriously.

In line with these goals, the remuneration system for the Management Board is based on three central guidelines:

1. A pronounced performance orientation and high performance differentiation through ambitious internal and external objectives place the focus firmly on the company's sustainably profitable growth.

2. Long-term components avoid incentives to take disproportionate risks.

3. The remuneration system is designed to create a strong equity-oriented culture and thereby helps to align the interests of shareholders, management and further stakeholders. In particular, the configuration of individual targets also creates special incentives to foster sustainable behaviour in terms of the criteria from the environment, social and governance areas (ESG).

The current Management Board contracts are already aligned with the remuneration system, in other words, with the remuneration system as part of the revised recommendations of the Code.

The peer group as defined by recommendation G.3 of the GCGC comprises Telefónica, United Internet, EQS and Gamma. The remuneration of the company's Management Board members lies in the lower range in this peer group comparison.

The remuneration report for the last financial year and the auditor's report in accordance with section 162 AktG can be found in the Annual Report 2024, which is available on the company's website at corporate.nfon.com/en/investor-relations/reports. The remuneration report can be downloaded separately via the following link: corporate.nfon.com/en/corporate-governance. The remuneration report also contains detailed explanations of the remuneration system and the individual remuneration of the Management Board and the Supervisory Board members. The applicable remuneration system for the Management Board is also available separately via the following link: corporate.nfon.com/en/corporate-governance.

The auditor's report in pursuant to section 162 AktG is publicly available at corporate.nfon.com/en/investor-relations/reports.

The Group Corporate Governance Statement, which includes the declaration of conformity, is published on the NFON AG website: corporate.nfon.com/en/corporate-governance.

Remuneration report 2024

of NFON AG, Munich, pursuant to section 162 AktG

In view of the legal requirements, particularly in sections 87, 87a and 120a of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC, the "Code"), the Management Board and the Supervisory Board report on the remuneration of the members of the Management Board and the Supervisory Board of NFON AG for the financial year 2024 pursuant to the requirements of section 162 AktG. The remuneration granted and owed as well as the benefits promised are reported individually for the members of the executive bodies.

The current remuneration system, which was approved by the Annual General Meeting on 24 June 2021 with an approval rate of 99.99%, can be found under "Annual General Meeting" on the website. To make this remuneration report easier to read and to avoid repetition, reference is made to the remuneration system. The remuneration report was approved by the company's Annual General Meeting on 28 June 2024 with an approval rate of 97.28%.

I. Management Board

As part of its corporate strategy, NFON AG is pursuing the long-term goal of consolidating and further expanding its position as one of the leading providers of integrated business communication with ambitious growth targets. As a consequence, the company's primary strategic focus is on profitable growth. In this context, the NFON Group focuses its actions on long-term and sustainable corporate performance and success, and takes its corporate responsibility seriously.

In line with these goals, the remuneration system for the Management Board is based on three central guidelines:

1. A pronounced performance orientation and high performance differentiation through ambitious internal and external objectives place the focus firmly on the company's above-average growth.

2. Long-term components avoid incentives to take disproportionate risks.

3. The remuneration system is designed to create a strong equity-oriented culture and thereby helps to align the interests of shareholders, management and further stakeholders. In particular, the configuration of individual targets also creates special incentives to foster sustainable behaviour in terms of the criteria from the environment, social and governance areas (ESG).

Procedure for reviewing the remuneration

It is essential that the structure and level of remuneration are standard and competitive in the market. This is ensured through regular remuneration comparisons with peer groups that are relevant for NFON AG. In addition, care is taken to ensure an appropriate relationship between the remuneration of the Management Board and the remuneration of managers and employees. The appropriateness of this relationship, both internally and externally, is reviewed at regular intervals.

Remuneration structure

The remuneration of the NFON Management Board members comprises fixed and variable components.

The total remuneration of the Management Board members is performance-oriented and comprises various components. Specifically, it consists of non-performance-related fixed annual remuneration (fixed salary), performance-related variable remuneration consisting of a short-term incentive (STI) programme and a long-term incentive (LTI) programme, as well as fringe benefits.

According to the remuneration system, the maximum annual remuneration amounts to EUR 1.5 million in the case of the Chair of the Management Board and EUR 0.75 million in the case of an ordinary member of the Management Board. In contrast to the remuneration system, the provision regarding maximum remuneration was not included in the Management Board employment contracts. The maximum remuneration was not exceeded in the financial year 2024.

The target ranges for total annual remuneration are defined as follows: fixed salary 30–50%, STIs 10–25% and LTIs 40–50%.

Annual fixed remuneration

The fixed salary is paid in twelve equal monthly instalments.

Variable remuneration components

The performance-related variable remuneration comprises two components: STIs and LTIs.

The performance-related variable remuneration amounts granted to the Management Board member, particularly the LTI, are to be invested by the Management Board member primarily in shares in the company or granted accordingly on a share-based basis.

a. STI

The Supervisory Board determined individual STIs and their weighting for each Management Board member for the forthcoming financial year. In addition to operational objectives, the STIs contribute to the implementation of the corporate strategy and to the long-term and sustainable development of the NFON Group. The STIs are demanding and ambitious. They are formulated in sufficiently specific terms to allow target achievement to be measured. Specific key figures or expectations regarding target achievement were specified in each case. The performance criteria to be used by the Supervisory Board as part of the annual target agreement were both financial and non-financial in nature and included a performance criterion from the ESG area.

Examples of ESG criteria include:
- Customer satisfaction
- Employee satisfaction
- Diversity
- Risk management
- Compliance
- Corporate governance

- Corporate social responsibility
- Limiting CO_2 emissions/sparing resource utilisation
- Reporting and communication
- Succession planning

As a criterion to determine the financial performance criteria of the STI in a company at the stage of maturity and development of the NFON Group, relevant benchmarks such as consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) or consolidated revenue are currently used for all stakeholders.

The target value for the STI is based on the planning for the respective financial year. After the end of the respective remuneration year, the Supervisory Board assessed the target achievement for each Management Board member. This means that 150% of the target amount is paid out if the planned value is exceeded by 50% or more. In the case of intermediate target achievement values, a corresponding value within the range is paid out. The lower threshold for 0% payout corresponds to the previous financial year's EBIT or revenue figure.

The target parameters defined by the Supervisory Board for the STIs for the forthcoming financial year cannot be changed retrospectively.

The STIs are paid out in the following year after the annual financial statements have been finalised and approved by the Supervisory Board.

These target parameters, supplemented by individual targets, were also applied to the majority of senior executives to ensure a uniform and consistent target system throughout the Group.

As the STIs are linked to the performance of revenue and earnings, they provide significant support to the short- and medium-term growth strategy with regard to the targeted growth in both size and earnings. The STIs thereby make an important contribution to the implementation of the corporate strategy as they ensure that the interests of the Management Board members are aligned with the short- and medium-term corporate strategy.

In the remuneration system structure, 45% of the STI of the Management Board members Patrik Heider and Andreas Wesselmann is dependent on the recurring revenue of the NFON Group, 45% on the EBIT of the NFON Group and 10% on the achievement of the sustainability target. The STI for all Management Board members is capped at a target achievement of 150%. Only organic growth is taken into consideration. Inorganic growth and corresponding costs are not taken into consideration. When calculating the STI, it may be necessary to adjust EBIT (earnings before interest and taxes) if impairment losses have to be recognised in the annual financial statements for the financial year 2024. These impairment losses are not recognised if they are not attributable to decisions or the term of office of the Management Board members holding office in the financial year 2024. An example would be impairment losses caused by actions or decisions of a previous Management Board member, such as in connection with corrections to the previous BSS strategy. In such cases, the Supervisory Board may decide to adjust EBIT for the corresponding impairment losses in order to ensure a fair and objective basis for the STI calculation.

In order to ensure complete transparency, the Management Board will submit decisions that could lead to such impairments, including their impact on the STI, to the Supervisory Board individually in advance for a decision. This regulation ensures that the STI system is based on a realistic commercial and financial basis that can be allocated to the current service providers.

Given performance below the lower target limit, an STI was not granted in the financial year 2024. Depending on the individual Management Board member, the STI amounts to between 21.1% and 42.3% of the sum of the fixed basic salary and STI in the event of 100% target achievement.

No targets were agreed with former Management Board member Jan-Peter Koopmann, as a target achievement of 100% pro rata temporis until his departure on 30 April 2024 was already agreed in the termination agreement in 2023.

According to the Management Board employment contract and contrary to the remuneration system, the Supervisory Board may also grant a discretionary bonus amounting to a maximum of one fixed basic annual salary, although this was not granted in the financial year 2024.

In detail, the following STI was granted to the members of the Management Board active in the financial year 2024 for the financial year:

Weighting	Description	Target (in EUR millions)*	Target achievement	Target achievement (in %)	STI amount Heider (in EUR thousand)	STI amount Wesselmann (in EUR thousand)*
45%	Recurring revenues of the NFON Group 2024	88	85.4	54	61	49
45%	EBIT of the NFON Group 2024	3.7	4.5	147	165	132
10%	Adoption of the ESG strategy and the decarbonisation strategy with specific targets and measures		–	100	25	20
100%					251	201

* Andreas Wesselmann, member of the Management Board, was granted a one-time sign-on bonus at the time of his appointment, which was paid out in 2024 and was not included in his compensation.

b. LTI

To align the Management Board remuneration structure more strongly with long-term and sustainable corporate development and growth, an LTI also forms part of Management Board remuneration. The LTI consists of stock options from the company's 2018, 2021 and 2023 stock option programmes (SOP 2018, SOP 2021 and SOP 2023).

The LTI also makes a significant contribution to promoting the corporate strategy, as both SOP 2018 and SOP 2021 stipulate the achievement of a certain level of revenue growth and SOP 2023 stipulates the achievement of a certain level of EBIT growth as a performance hurdle. It also incentivises an appreciation in the company's share price and market value, which is in the interests of our company's stakeholders.

On 15 May 2024, NFON AG granted Management Board member Andreas Wesselmann 100,000 stock options from the 2023 stock option programme for Management Board members as long-term variable remuneration with the following key parameters:

Exercise price: EUR 6.20

Vesting period: 4 years

The personal requirements for exercising the option are that

- the relevant reference price exceeds the exercise price by more than 60% if exercised after at least 48 months from the allocation date, by more than 75% if exercised after at least 60 months from the allocation date and by more than 90% if exercised after at least 72 months from the allocation date, irrespective of whether all or only some of the stock options can actually be exercised at the relevant time, taking into account the blocking periods, and (cumulatively)

- the EBIT according to the IFRS consolidated financial statements on the last reporting date prior to the exercising of stock options is positive, and amounts to at least 110% of the positive EBIT according to the IFRS consolidated financial statements on the penultimate reporting date prior to the exercising of stock options.

- Cap for payout values: total basic salary of the Management Board (fixed salary) at the company until the options are exercised, multiplied by a factor of 1.5

As a consequence, 100,000 stock options were outstanding for each of the two Management Board members at the end of the financial year; no options were exercised in the financial year under review.

c. Fringe benefits and other remuneration components

In addition to the fixed salary, the Management Board members receive fringe benefits in the form of non-cash benefits; these can consist mainly of contributions to statutory or private pension or health insurance policies and the use of company cars for business and private purposes.

In addition to the salary, a D&O liability insurance policy and a D&O legal expenses insurance policy exist, whereby an excess of 10% of the loss up to one and a half times the fixed annual remuneration is agreed as part of the D&O insurance cover.

The following table shows the remuneration granted and owed individually to active and former members of the Management Board in the financial year 2024. As remuneration granted and owed is not always accompanied by a payment during the respective financial year, the following table shows the remuneration granted to the members of the Management Board for the financial year 2024. In this case, the non-performance-related remuneration components below were granted and accrued in the financial year 2024. The STI 2024 is shown because the underlying activity was provided in full in 2024.

Amount of remuneration

	2024		2023	
	In EUR thousand	In %	In EUR thousand	In %
Remuneration of Heider, Patrik CEO				
Basic remuneration	450	59.6	281	41.8
+ fringe benefits	14	1.9	9	1.3
= total fixed remuneration	464	61.5	290	43.1
+ short-term variable remuneration*	291	39	156	23.2
+ long-term variable remuneration	0	0	227	33.7
= total remuneration	755	100.0	673	100.0

Amount of remuneration

	2024		2023	
	In EUR thousand	In %	In EUR thousand	In %
Remuneration of Andreas Wesselmann, CTO**				
Basic remuneration	300	37.2	–	–
+ fringe benefits	23	2.8	–	–
= total fixed remuneration	323	40.0	–	–
+ short-term variable remuneration	241	29.9	–	–
+ long-term variable remuneration	243	30.1	–	–
= total remuneration	807	100.0	–	–
Remuneration of Dr von Rottkay, Klaus, CEO (until 30.11.2023)				
Basic remuneration	–	–	344	57.6
+ fringe benefits	–	–	0	0.0
= total fixed remuneration	–	–	344	57.6
+ short-term variable remuneration	–	–	253	42.4
+ long-term variable remuneration	–	–	0	0.0
= total remuneration	–	–	597	100.0
Remuneration of Koopmann, Jan-Peter, CTO (until 30.04.2024)				
Basic remuneration	93	100.0	280	78.9
+ fringe benefits	0	0.0	0	0.0
= total fixed remuneration	93	100.0	280	78.9
+ short-term variable remuneration	0	0.0	75	21.1
+ long-term variable remuneration	0	0.0	0	0.0
= total remuneration	93	100.0	355	100.0

* Includes a discretionary bonus of EUR 40 thousand.
** Andreas Wesselmann, member of the Management Board, was granted a one-time sign-on bonus at the time of his appointment, which was paid out in 2024 and was not included in his compensation.

The remuneration granted and owed as described above is in line with the remuneration system for the Management Board approved by the 2022 Annual General Meeting. It was not necessary to amend the Management Board employment contracts to take account of the approved remuneration system as the main features of the approved remuneration system were already known when the Management Board employment contracts were concluded. The remuneration system promotes the company's long-term development and growth as a large number of stock options have been granted that can only be exercised after the statutory vesting period of four years. They also include a performance hurdle linked to recurring revenue. In addition to a performance criterion from the ESG area, the STIs are based on revenue and EBIT benchmarks. Both benchmarks are widely used and appropriate for companies of NFON's scale and stage of development. They primarily incentivise the company's growth and thereby promote its long-term development.

Comparative presentation of the annual change in the remuneration granted and owed to active and former members of the Management Board and the Supervisory Board as well as the remuneration of employees with the company's financial performance:

Comparative presentation of the annual change in the remuneration granted and owed to active and former members of the Management Board and Supervisory Board as well as employee remuneration with the company's earnings performance:

In EUR million	Change 2021 to 2020	Change 2022 to 2021	Change 2023 to 2022	2023	2024	Change compared to previous year
Earnings development (net loss for the year according to HGB)	–50%	+16%	–	–7.76	23	–
Average remuneration of employees	–1.8%	+7.5%	+2.9%	–	–	+4.1%
In EUR thousand						
Remuneration of Patrik Heider	–	–	–	673	755	12.2%
Remuneration of Andreas Wesselmann	–	–	–	–	807	–
Remuneration of Dr Klaus von Rottkay	+94%	–52%	+1.7%	597	–	–
Remuneration of Jan-Peter Koopmann	+83%	0%	–5.3%	355	93	–73.7%
Remuneration of Rainer Koppitz	+45%	+28%	–2.4%	80	83	3.8%
Remuneration of Günter Müller	+63%	+37%	–3.0%	65	68	4.6%
Remuneration of Florian Schuhbauer	+30%	+21%	–4.3%	45	48	6.7%
Remuneration of Dr Rupert Doehner	+30%	+21%	–4.3%	45	48	6.7%

Average employee remuneration refers to gross staff costs (in other words, costs excluding the employer's share of social security contributions) less Management Board salaries and employee bonuses, divided by average full-time equivalents (FTEs) per year multiplied by average head counts (HC) per year (to calculate the number of FTEs). All employees of NFON AG in permanent employment were included.

The Supervisory Board did not reclaim any variable remuneration components in the financial year 2024.

No member of the Management Board was promised or granted benefits by a third party with regard to their activities as a Management Board member during the financial year.

Post-employment benefits

If the appointment to the Management Board is revoked early without good grounds pursuant to section 626 of the German Civil Code (BGB), and if the employment contract is terminated without notice, the Management Board member receives a severance payment in the amount of one fixed annual salary payment, thereby referring to annual fixed remuneration and the STI, as well as, in the case of Andreas Wesselmann, outstanding instalments of the sign-on bonus. The severance payment is limited to the total remuneration owed for the remaining term.

The entitlement to severance pay lapses or the severance pay already received must be repaid if the company issues an effective extraordinary termination of the employment contract on good grounds pursuant to section 626 BGB or if it becomes apparent within the six months following the end of this employment contract that good grounds existed for extraordinary termination and the company demands repayment in writing.

A severance payment is offset against any compensation for maternity leave.

A post-contractual non-competition clause has been agreed with the members of the Management Board in their employment contracts, which would entitle the respective Management Board member to a compensation payment of between 50 and 100% of the last contractually agreed remuneration for a period of one year upon leaving the company. The Management Board members' employment contracts do not include malus and clawback regulations.

II. Supervisory Board

In accordance with the resolution of the Annual General Meeting of 21 June 2021, the members of the Supervisory Board of NFON AG received the following cash payment in the financial year 2024 – in addition to the reimbursement of expenses pursuant to the Articles of Association of NFON AG:

a. basic remuneration, payable after the end of the financial year, of EUR 75,000.00 for the Chair of the Supervisory Board, EUR 60,000.00 for the Deputy Chair of the Supervisory Board and EUR 40,000.00 for the other members of the Supervisory Board, plus any applicable VAT in each case

b. an additional attendance fee of EUR 1,000.00 plus any applicable VAT for each meeting of the Supervisory Board (plenary meeting) they have attended in full, payable after the end of the financial year

The following table shows the remuneration granted and owed to the members of the Supervisory Board in the financial year 2024, including their relative share pursuant to section 162 AktG. As remuneration granted and owed is not always accompanied by a payment in the respective financial year, the following table shows the amount of remuneration granted to the members of the Supervisory Board for the financial year 2024 in which the underlying activity was performed in full.

Remuneration of the Supervisory Board

In EUR	Fixed remuneration 2024	Share of total remuneration	Fixed remuneration 2023	Share of total remuneration	Attendance fee 2024	Share of total remuneration	Attendance fee 2023	Share of total remuneration	Total remuneration 2024	Total remuneration 2023
Rainer Koppitz	75,000	90.4%	75,000	93.8%	8,000	9.6%	5,000	6.3%	83,000	80,000
Günter Müller	60,000	88.2%	60,000	92.3%	8,000	11.8%	5,000	7.7%	68,000	65,000
Florian Schuhbauer	40,000	83.3%	40,000	88.9%	8,000	16.7%	5,000	11.1%	48,000	45,000
Dr Rupert Doehner	40,000	83.3%	40,000	88.9%	8,000	16.7%	5,000	11.1%	48,000	45,000

Munich, 10 April 2025

Management Board

Supervisory Board

Takeover disclosures – report of the Management Board on the disclosures pursuant to sections 289a and 315a HGB

For more information about this topic, please visit corporate.nfon.com/en/.

Voting rights notifications published by NFON AG are available online at corporate.nfon.com/en/news/ir-news.

Composition of issued capital, showing separately the rights and obligations of each share class and the share of the company's capital

For more information, please refer to the disclosures in note 13 "Equity" to the consolidated financial statements.

Restrictions relating to voting rights or the transfer of shares

Each share confers one vote at the Annual General Meeting. There are no restrictions on voting rights. All shares, including the shares held by existing shareholders, grant the bearer the same voting rights.

Direct or indirect shareholdings exceeding 10% of voting rights

The following direct and indirect shareholdings existed that exceeded 10% of voting rights as at 31 December 2024:

Shareholdings*

Name/company	Direct/indirect shareholding exceeding 10% of voting rights
Milestone Venture Capital GmbH, registered office in Hösbach, Germany	Direct 31.9%
Active Ownership Fund SICAV-FIS SCS, Grevenmacher, Luxemburg	Direct 21.1%

* Information is based on ShareID as of 31 October 2024.

Shares with special rights

NFON AG has not issued any shares that confer special rights.

Voting controls for employee participation

No voting controls exist.

Statutory regulations and provisions of the Articles of Association for the appointment and recall from office of members of the Management Board and the amendment of the Articles of Association

Statutory regulations and provisions of the Articles of Association concerning the appointment and recall from office of members of the Management Board are consistent with section 84 of the German Stock Corporation Act (AktG). If related good grounds exist, the Supervisory Board can pass a resolution to recall from office or replace a Management Board member. The Supervisory Board is authorised to make amendments to the Articles of Association that affect solely their wording (Article 18 (3) of the Articles of Association of NFON AG).

Authorisations of the Management Board, especially to issue or repurchase shares

The Management Board's authorisation to issue shares is regulated in Article 4 of the Articles of Association in conjunction with statutory provisions. The Management Board had been granted the following authorisations to issue shares as at 31 December 2024:

Authorised capital

In order to grant the company greater flexibility in its financing, the remaining Authorised Capital 2019 was cancelled and a new Authorised Capital 2021 was created with the option for the moderate disapplication of subscription rights.

The Management Board was authorised, with the approval of the Supervisory Board, to increase share capital on one or more occasions by a total of up to EUR 4,140,281 until June 2026 by issuing new no-par bearer shares with profit participation rights from the beginning of the financial year in which they were issued in exchange for cash or non-cash capital contributions (Authorised Capital 2021). section 4 (3) of the Articles of Association of NFON AG provides further details.

Contingent Capital I

Following the partial utilisation of the Management Board's authorisation of 9 April 2018 to issue bonds, Contingent Capital I of EUR 2,892,045 remained pursuant to Article 4 (4) of the Articles of Association. As no plans existed to utilise the remaining authorisation volume before the end of the authorisation period, Contingent Capital I was cancelled.

Contingent Capital II (stock option plan)

The company's share capital was contingently increased by up to a further EUR 708,229 by issuing new no-par value bearer shares (708,229 shares) (Contingent Capital II). The contingent capital increase will only be carried out to the extent that the holders of stock options issued by the company before 8 April 2023 on the basis of the authorising resolution of 9 April 2018 exercise their subscription rights to shares in the company and the company does not grant treasury shares or cash settlement in fulfilment of these rights. The new shares in the company arising as a result of these subscription rights being exercised participate in profits from the beginning of the financial year in which they are issued. The Management Board was authorised, with the approval of the Supervisory Board, to determine the further details of the contingent capital increase.

Contingent Capital 2021

In order to promote the loyalty to NFON AG of members of the Management Board and of selected executives of NFON AG as well as of managing directors and selected executives of its affiliated companies by granting special remuneration linked to the company's performance, including a long-term incentive effect and an equity-based risk component, the Annual General Meeting on 24 June 2021 passed a resolution to create the option to issue subscription rights to NFON AG shares to members of the Management Board and management as well as to selected employees of NFON AG and its affiliated companies in conjunction with an additional 2021 stock option plan. The pre-existing authorisation in conjunction with the 2018 stock option plan was utilised in the amount of EUR 708,229 at this time. The unutilised authorisation was also cancelled by way of resolution of the Annual General Meeting, and Contingent Capital II was reduced accordingly in Article 4(5) of the Articles of Association.

The company's share capital was contingently increased by up to EUR 947,883 by issuing new no-par value bearer shares (947,883 shares) (Contingent Capital 2021). Contingent Capital 2021 is intended to serve subscription rights from stock options issued on the basis of the authorisation of the Annual General Meeting of the company on 24 June 2021 in the period from 24 June 2021 to 23 June 2026. The contingent capital increase will only be carried out to the extent that stock options are issued and the bearers of these stock options exercise their subscription rights to shares in the company, and the company does not grant treasury shares or cash settlement in fulfilment of these rights. Shares will be issued under Contingent Capital 2021 at the exercise price as determined under the above authorisation of the Annual General Meeting of 24 June 2021. The new shares participate in profits from the beginning of the financial year in which they are issued. The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the contingent capital increase.

Contingent Capital 2023

The Annual General Meeting on 30 June 2023 authorised the Supervisory Board and the Management Board (with the approval of the Supervisory Board) until the end of 29 June 2028, albeit not before Contingent Capital 2023 becomes effective on being entered in the commercial register (which occurred on 21 July 2023), to grant up to 572,883 stock options with pre-emption rights to shares in the company with a term of up to seven years in one or more tranches to be issued annually (2023 stock option plan, Contingent Capital 2023/I). The stock options are exclusively intended for members of the Management Board of the company and employees of the company, as well as the members of management and employees of affiliated companies as referred to by sections 15 and 17 AktG.

The pre-existing authorisation in conjunction with the 2021 stock option plan was utilised in the amount of EUR 375,000 at this time. The unutilised authorisation was also cancelled by way of resolution of the Annual General Meeting and Contingent Capital 2021 was reduced accordingly in Article 4 (6) of the Articles of Association.

The company's share capital was contingently increased by up to EUR 572,883 by issuing new no-par value bearer shares (572,883 shares) (Contingent Capital 2023/I). Contingent Capital 2023/I is intended to serve subscription rights from stock options issued on the basis of the authorisation of the Annual General Meeting of the company on 30 June 2023 in the period from 30 June 2023 to 29 June 2028. The contingent capital increase will only be carried out to the extent that stock options are issued and the bearers of these stock options exercise their subscription rights to shares in the company, and the company does not grant treasury shares or cash settlement in fulfilment of these rights. The issue of shares from Contingent Capital 2023/I is to be realised at the exercise price as determined pursuant to the aforementioned authorisation of the Annual General Meeting of 30 June 2023. The new shares participate in profits from the beginning of the financial year in which they are issued. The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the contingent capital increase.

Significant agreements of the parent company subject to a change of control in the event of a takeover offer and their repercussions

The parent company has not entered into any significant agreements with subsidiaries subject to a change of control in the event of a takeover bid.

Compensation agreements of the parent company with members of the Management Board or employees in the event of a takeover offer

Stock option plan

The options issued remain unaffected if a third party acquires control of the company in the meaning of section 29 (2) of the of the German Securities Acquisition and Takeover Act (WpÜG). A "delisting event" is deemed to have occurred if the shares of the company are no longer listed on an organised market (section 2 (5) WpHG). In the event of delisting, the beneficiary has the right under the statutory provisions to demand that the company or its legal successor pay out the option value for each option. The option value is paid out within two weeks of the delisting event occurring.

Forecast

The planning and all the remarks below for the financial year 2025 are based on the information available as at 31 March 2025. The opportunities and risks presented for the NFON Group may result in a divergence between the planning data and the values actually achieved at the end of the year. Such divergences are also possible due to assumptions about macroeconomic conditions. Further information can be found in the Macroeconomic conditions and sector environment and Opportunities and risks sections.

Expected macroeconomic conditions and the sector environment

The economic situation in the EU is positive overall, despite the challenges that exist. According to the International Monetary Fund (IMF), gross domestic product (GDP) in the EU will expand by 1.4% in 2025, while the eurozone is expected to post slightly lower growth of 1.0%.[22]

Inflation in the EU, which peaked in 2022, is forecast to remain at the 2024 level of 2.3% in 2025, according to the Kiel Institute for the World Economy (IfW).[23] This is due primarily to the normalisation of energy prices, supply chain stabilisation and a restrained wage trend in several EU countries. Lower energy prices and an easing in the supply of goods are helping to stabilise price momentum in the long term. At the same time, the monetary policy of the European Central Bank (ECB) and restrained investment activity are exerting a dampening effect on inflation. A stable labour market is contributing to economic resilience.

For Germany, the IMF is forecasting slight GDP growth of 0.3% in 2025. Inflation is expected to fall further, with inflation rates of 2.2% in 2025 compared with 2.3% during the past year, according to the IfW.

The UK economy is recovering, with moderate GDP growth of 1.6% forecast for 2025, according to the IMF report. However, inflation remains a risk, with an estimated uptick to 3% in 2025, according to the IfW. Despite a continued slightly restrictive financial policy, the government is providing targeted impetus to strengthen economic activity by significantly increasing public infrastructure investments.

For Austria, the IfW expects a slight recovery and GDP growth of 0.7% in 2025, supported by positive impetus from abroad and growth in consumer demand. Inflation is forecast to reduce further and fall to 2.3% in 2025, which will help to stabilise the economic environment.

The business communication sector is exhibiting positive growth prospects despite the challenging macroeconomic environment, as confirmed by Flexera's State of the Cloud Report.[24] The market is characterised by advancing digitalisation and the trend towards cloud-based solutions. NFON is focusing on promising areas such as Unified Communications as a Service as well as Contact Centre as a Service, in order to specifically meet the requirements of modern business customers. Advanced, AI-based solutions are opening up additional growth opportunities for the Group and are making a crucial contribution to establishing NFON as a leading provider in this dynamic market environment.

[22] https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025?cid=ca-com-homepage
[23] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/b6400436-e48e-4080-8751-9b6736201b75-KKB_119_2024-Q4_Welt_DE.pdf
[24] https://info.flexera.com/CM-REPORT-State-of-the-Cloud?lead_source=Organic%20Search

The NFON Group's forecast for the financial year 2025 is based on the expectations and assumptions for general economic trends and sector developments relevant to NFON. Detailed information can be found in the Markets and Macroeconomic conditions and sector environment sections.

Expected business performance of the NFON Group

In the financial year 2024, NFON took significant steps to improve its profitability and operational efficiency. Strategic investments as well as an optimised cost base enabled the company to consistently pursue its long-term growth strategy and strengthen its financial stability. NFON is endeavouring to position itself as a leading provider in AI-based business communication. The company's clear focus on European SMEs and the close link between technological excellence and customer centricity form the foundation for its future performance and success.

Despite the challenging macroeconomic environment, with companies reluctant to invest, NFON identifies enormous market potential, particularly in the German and European markets. The comparatively low cloud penetration rate in the region offers considerable growth potential, which is further supported by growing demand for digitalisation. Uncertain economic times can also boost demand for efficient and flexible communication solutions for companies, and NFON is ideally positioned to meet such demand with its combination of cloud technologies and AI-based innovations. For further information, please see our remarks in the Strategy and goals section.

Stability and innovation remain central elements of NFON's strategic orientation. By continuously investing in the security and availability of its services and developing new technologies, the Group is setting standards in European business communications. The aim is both to retain existing customers through improved services and to tap new market potentials through innovative and scalable solutions. In addition to measures in the research and development area, the company is continuing to pursue its overarching cost optimisation and efficiency enhancement initiatives. This transformation not only supports the company's competitiveness, but also forms an integral element of the sustainable growth strategy.

The aim for 2025 is to achieve more dynamic growth than in previous years. This growth is to be driven mainly by the consistent implementation of the "NFON Next 2027" strategy, especially the targeted expansion and integration of AI-based solutions, the optimisation of operational processes and focused market penetration. In addition, the customer journey is being further developed in a targeted manner in order to enhance customer satisfaction and loyalty. While recurring revenue continues to play a key role, the focus of management will increasingly be on total revenue as a key growth indicator in future. For further information, please see our remarks in the Management of key performance indicators section.

With its clear strategic orientation, NFON is well positioned to successfully exploit long-term market opportunities and realise a sustainable acceleration in growth momentum. The following section presents details of the forecasts for the most important key performance indicators.

Expected trend in key performance indicators

We expect our key performance indicators to show the following trends in 2025:

Outlook 2025

	2024 reported	2025 outlook
Growth rate of total revenues	6.1%	8–10%
Adjusted EBITDA	EUR 12.3 million	EUR 13.5–15.5 million

Overall assessment of forecast trends

Building on the goal of setting new standards in the European market as a leading provider of AI-based business communication, in 2025 NFON will continue to advance its transformation on a targeted basis. The company's focus is on tapping new market potentials, particularly in existing core markets in the European SME sector, through innovative AI-based solutions that enable technological differentiation and strengthen long-term customer relationships.

For 2025, NFON is aiming for dynamic growth above the previous year's level, driven by the consistent implementation of the "NFON Next 2027" strategy. With its clear growth strategy and innovative strength, the company believes it is well positioned to successfully leverage opportunities and realise long-term growth targets, including in a challenging market environment.

NFON AG (HGB)

NFON AG is the parent company of the NFON Group and is based in Munich, Germany. The company's business address is: Zielstattstrasse 36, 81379 Munich. The annual financial statements of NFON AG have been prepared in accordance with the regulations of the German Commercial Code (HGB). Unless otherwise stated, statements made in relation to the Group apply analogously to NFON AG.

In the financial year 2024, Deutsche Telefon Standard GmbH (DTS) was merged with NFON AG. This limits comparability with the previous year. The main year-on-year changes arising from the merger are explained in the individual sections of this report.

Results of operations

Income statement of NFON AG (HGB) (condensed)

In EUR million	2024	2023
Revenue	68.4	53.6
Other operating income	24.2	0.8
Cost of materials	–8.7	–5.8
Staff costs	–26.4	–24.3
Depreciation and amortisation	–4.3	–1.3
Other operating expenses	–29.7	–30.3
Dividend income	0.6	0.0
Net interest income	–0.3	–0.5
Income taxes	–2.8	0.0
Profit/loss after taxes	**21.1**	**–7.8**
Other taxes	–0.1	0.0
Net profit/loss for the year	**21.0**	**–7.8**

Revenue

Excluding transfer pricing income and transfer pricing credits, NFON AG generated revenue of EUR 64.8 million in the financial year 2024 (previous year: EUR 46.5 million). This growth is mainly due to the merger, which had an effect of EUR 17.0 million. As a consequence, the compatible revenue figure for the previous year would amount to EUR 63.5 million. Adjusted for this effect, growth amounted to 2.1%.

The merger effect on recurring revenue amounted to EUR 16.3 million, as a consequence of which the adjusted figure for the previous year amounts to EUR 60.7 million. In addition, recurring income grew by 2.7% to EUR 62.4 million (previous year: 4.2%). Non-recurring revenue decreased to EUR 2.4 million in the financial year 2024 (previous year: EUR 2.1 million). Taking the merger into account, a decrease arises, from EUR 2.8 million in 2023 to EUR 2.4 million in 2024. This reduction is particularly due to lower demand for hardware sales in the former DTS business.

Adjusted for the merger effect, the number of seats rose by 0.6% to 484,976 (previous year: 481,885), reflecting a growth rate below the previous year's growth rate (previous year: 2.3%).

The share of recurring revenue in the total external revenue of NFON AG increased from 95.6% in 2023 to 96.3% in 2024. Nevertheless, growth adjusted for the merger was comparatively moderate at 2.7% (previous year: 4.2%). The disproportionately high increase in recurring revenue compared to seat growth derived especially from targeted price adjustments and a shift in the product mix towards higher-priced solutions.

Other operating income

Other operating income increased significantly by EUR 23.3 million to EUR 24.2 million. This includes income of EUR 23.5 million from hidden reserves realised as part of the merger of DTS. This was offset by a slight decrease of EUR 0.2 million due to the relocation of the company headquarters in Munich at the end of 2023, which led to lower rental income due to the expiration of subletting agreements.

Cost of materials

The cost of materials rose by EUR 3.3 million to EUR 8.7 million as a consequence of the DTS merger. Adjusted for this effect, the cost of materials decreased slightly by EUR 0.4 million despite the expansion of business activities. This was due to a change in the composition of the revenue mix, as a lower level of hardware revenue was generated in the financial year 2024.

Staff costs

Staff costs increased by EUR 2.1 million to EUR 26.4 million in the financial year 2024 (previous year: EUR 24.3 million). This arises especially from the merger of DTS and the related transfer of staff. The adjusted previous-year figure is EUR 3.3 million higher. Compared with the adjusted previous year, staff costs reduced by EUR 1.2 million mainly due to a year-average lower number of staff.

Depreciation and amortisation

Depreciation and amortisation rose from EUR 1.3 million to EUR 4.3 million. Compared to the previous year's amount, adjusted for the merger effect (EUR 0.5 million), an increase of EUR 2.4 million arose. This increase was mainly due to the first-time amortisation of goodwill recognised at fair value as part of the DTS merger in the amount of EUR 3.0 million. Amortisation of other intangible assets and depreciation of property, plant and equipment were slightly below the previous year's level. No impairment losses were recognised.

Other operating expenses

Taking into consideration the previous year's amount of EUR 33.9 million after adjustment for the other operating expenses of DTS, other operating expenses in the financial year 2024 decreased significantly to EUR 29.7 million. A significant proportion of these expenses derived from the offsetting of the subsidiaries' results as part of the application of the transaction-based net margin method, with which NFON AG assumes the subsidiaries' current operating losses. These decreased to EUR 1.8 million (previous year: EUR 4.9 million), which is attributable to the successful implementation of profitability measures within the subsidiaries.

Selling costs rose slightly from EUR 7.0 million to EUR 10.3 million during the 2024 reporting year. The effect of the merger on these costs amounted to EUR 2.9 million, as a consequence of which adjusted selling costs rose only slightly from EUR 9.9 million to EUR 10.3 million. In addition, a EUR 1.0 million reduction in expenses for maintenance, servicing and IT exerted a positive effect on the trend in other operating expenses. This decrease was mainly due to lower costs in connection with the Business Support System (BSS).

Income from profit distributions

Income from profit distributions in the financial year under review includes distributions totalling EUR 0.6 million from NFON GmbH, St. Pölten, Austria.

Net interest income

At EUR –0.3 million, net interest income was at the previous year's level after adjusting for the merger effect (+ EUR 0.2 million).

Income taxes

The EUR 0.9 million increase in current income taxes is mainly due to the merger and the recognition of the fair value of DTS for tax purposes. In addition, a surplus of deferred tax liabilities of EUR 2.0 million arose, which was also due to the differing recognition of goodwill on the balance sheet in accordance with German commercial law (HGB) and the tax balance sheet.

Other taxes

In the financial year 2024, EUR 0.1 million was incurred in tax arrears for other taxes from previous years. In the previous year, only a minor amount of motor vehicle taxes amounting to EUR 5 thousand were recorded.

Net profit for the year

A net profit of EUR 21.0 million was generated for the financial year 2024 (adjusted previous year: net loss for the year of EUR –4.2 million), which significantly reflected the merger of DTS, whose effect amounted to EUR 18.6 million. Adjusted for this non-recurring income (merger gain of EUR 23.5 million less goodwill amortisation of EUR –3.0 million and also less deferred tax liabilities on temporary differences of EUR 2.0 million) the company would have generated a net profit for the year of EUR 2.4 million. Lower other operating expenses and lower staff costs contributed to the improvement in this operating result. The subsidies' ongoing operating losses, which are borne as part of the Group-wide transfer pricing system on the basis of the transaction-based net margin method, continue to represent a significant cost item for NFON AG.

Financial position

Cash flow from operating activities improved due to lower levels of both operating expenses and staff costs. For further information, please refer to the section Results of operations of NFON AG. Cash outflows in the financial year 2024 amounted to EUR 3.6 million (adjusted previous year: EUR 9.9 million), which in addition to the improvement in cash flow from operating activities is primarily attributable to the acquisition of botario GmbH as well as associated payments and financing measures. The change in liquidity was anticipated in accordance with the liquidity planning for this year, which was continuously updated and monitored in forecasts during the course of the year. To finance the acquisition of botario GmbH, NFON AG utilised a long-term bank loan of EUR 5.0 million, its existing overdraft facility of EUR 1.0 million as well as its own cash funds in 2024. NFON AG was able to fulfil its payment obligations at all times.

Net assets

Balance sheet of NFON AG (HGB) (condensed)

In EUR million	2024	2023
Fixed assets	64.4	35.1
Current assets	15.2	7.9
Deferred income	2.1	1.7
Assets	**81.6**	**44.7**
Equity	46.1	25.0
Provisions	11.8	3.9
Liabilities	21.6	14.7
Deferred income	0.2	1.1
Deferred tax liabiities	2.0	0.0
Liabilities	**81.6**	**44.7**

Fixed assets
Fixed assets increased by a total of EUR 29.3 million to EUR 64.4 million (previous year: EUR 35.1 million), mainly due to the merger of DTS. In particular, the newly acquired goodwill of EUR 29.6 million arising from the fair value of the merger of DTS as well as the purchase of shares in botario had the effect of increasing fixed assets by EUR 18.8 million. This was offset by the disposal of shares in DTS amounting to EUR 17.2 million.

Current assets
The EUR 2.5 million reduction in current assets compared to the adjusted previous year (EUR 17.7 million) was primarily the consequence of a EUR 3.7 million decrease in bank balances, mainly due to the botario acquisition. Trade receivables as well as other receivables and assets amounted to EUR 8.8 million (adjusted previous year: EUR 7.7 million) due to effects related to the reporting date in relation to incoming payments.

Equity
Thanks to the positive net result for the year, equity increased by EUR 21.1 million, from EUR 25.0 million to EUR 46.1 million. The capital reserves rose by EUR 0.1 million due to the issue of employee stock options.

Provisions
Provisions increased from EUR 3.9 million to EUR 11.8 million, mainly due to the inclusion here of the share of the contingent purchase price obligation from the botario acquisition. The contingent purchase price obligation for the financial years 2025 and 2026 was recognised at its expected settlement value of EUR 6.4 million. The merger of DTS had a negative effect of EUR 1.5 million. Moreover, a slight increase of EUR 0.1 million arose. While a high level of bonus provisions was formed, offsetting this, provisions for severance payments were largely utilised.

Liabilities
Liabilities increased significantly by EUR 6.9 million, from EUR 14.7 million to EUR 21.6 million. The increase arose primarily from bank liabilities amounting to EUR 6.0 million in connection with the acquisition of botario GmbH as well as the current portion of the contingent purchase price obligation arising from the purchase agreement amounting to EUR 1.9 million.

Deferred income
In the previous year, this item included deferred income from DTS amounting to EUR 1.0 million. As a consequence of the merger, this deferred income item was released without effect on profit or loss.

Overall assessment of the economic situation

The business and financial performance of NFON AG in 2024 reflects the continuing challenging overall economic situation in Europe. The company achieved growth in recurring revenue, gross profit and seats. Adjusted for the EUR 18.6 million of effects from the merger, a net profit of EUR 2.4 million would have been generated (previous year: net loss for the year of EUR –7.8 million). Total and recurring revenue grew by 2.2% and 2.8% respectively, in 2024, in line with the guidance ("in the low to mid single-digit percentage range"), while the share of recurring revenue in total revenue remained almost constant, and in line with the guidance. In addition, adjusted EBITDA (excluding the gain on the takeover) in the reporting year (EUR 5.9 million) grew significantly compared with the previous year (EUR –4.4 million), thereby meeting the corresponding guidance for the year.

Risks and opportunities

The business performance of NFON AG is subject to the same risks and opportunities as the overall Group, as a matter of principle. As NFON AG exclusively holds 100% interests in its subsidiaries, it bears their risks in full. The analysis conducted as part of the risk inventory in November 2024 did not disclose any additional risks at the subsidiaries that were not already included in the existing inventory or taken into consideration in budget plans for 2025–2029. A detailed presentation of the risks and opportunities is presented in the Opportunities and risks report in the Group management report.

Events after the reporting period

For information on events occurring after the end of the financial year, please refer to note 30 Events after the end of the reporting period in the notes to the consolidated financial statements and the disclosures in the separate annual financial statements of NFON AG as at 31 December 2024.

Forecast

Due to the interrelationships between NFON AG and the Group companies, we refer in principle to the statements made in the forecast in the Group management report. In particular, these also reflect the expectations for the parent company. The adjustment of the key performance indicators for 2025 is analogous to the presentation in the Group management report. Detailed information can be found in the Financial and non-financial performance indicators section of the report for the NFON Group. For the financial year 2025, NFON AG anticipates revenue growth in the mid to high single-digit percentage range. A significantly positive trend in adjusted EBITDA is also expected. Detailed information about the forecast can be found in the NFON Group's forecast.

Munich, 9 April 2025

Patrik Heider
Chief Executive Officer

Andreas Wesselmann
Chief Technology Officer

03 Consolidated financial statements

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Consolidated statement of financial position

as at 31 December 2024

In EUR thousand	Note	31.12.2024	31.12.2023
Non-current assets			
Property, plant and equipment and IFRS 16 right-of-use assets	5/6	9,878	11,630
Intangible assets	7	51,522	35,433
Investments in associates	8	671	680
Deferred tax assets	9	63	823
Other non-current, non-financial assets	12	823	691
Total non-current assets		**62,957**	**49,257**
Current assets			
Inventories	10	105	114
Trade receivables	11	10,317	8,966
Current other financial assets	11	726	724
Current other non-financial assets	12	2,676	2,564
Cash and cash equivalents	13	12,995	12,281
Total current assets		**26,819**	**24,650**
Total assets		**89,776**	**73,907**

In EUR thousand	Note	31.12.2024	31.12.2023
Equity			
Issued capital	14	16,561	16,561
Capital reserves	14	109,297	109,153
Loss carryforward		–78,496	–79,206
Currency translation reserve		978	647
Total equity		**48,340**	**47,155**
Non-current liabilities			
Non-current financial liabilities	17	17,979	8,483
Other non-current, non-financial liabilities	12	839	563
Deferred tax liabilities	9	2,000	2,176
Total non-current liabilities		**20,818**	**11,222**
Current liabilities			
Trade payables	13	5,174	4,963
Current provisions	16	2,853	3,118
Current income tax liabilities	12	1,758	812
Current financial liabilities	17	4,859	1,418
Current other non-financial liabilities	12	5,975	5,219
Total current liabilities		**20,618**	**15,530**
Total equity and liabilities		**89,776**	**73,907**

Consolidated statement of income and consolidated statement of comprehensive income

for the period from 1 January to 31 March 2024

In EUR thousand	Note	2024	2023
Revenue	19	87,336	82,339
Other operating income	20	703	924
Cost of materials		–12,856	–12,973
Staff costs	21	–35,292	–34,917
Depreciation, amortisation and impairments		–8,178	–7,322
Other operating expenses	5/6/7/22	–28,818	–28,474
Impairment losses on trade and other receivables	22	–130	–89
Other tax expense	13	–109	–11
Income from continuing operations before net finance result and income taxes		**2,655**	**–523**
Interest and similar income		228	179
Interest and similar expenses		–629	–369
Other finance expense		–346	–
Finance result		**–746**	**–190**
Expenses from associates (py.: income)	8	–9	8
Earnings before income taxes		**1,899**	**–705**
Income taxes	23	–1,580	–949
Deferred tax income	23	390	851
Consolidated result		**710**	**–802**

In EUR thousand	Note	2024	2023
Attributable to:			
Shareholders of the parent company		710	–802
Non-controlling interests		–	–
Other comprehensive income (will be reclassified to profit or loss)		331	89
Taxes on other comprehensive income (will be reclassified to profit or loss)		0	–
Other comprehensive income after taxes		**331**	**89**
Total comprehensive income		**1,040**	**–713**
Attributable to:			
Shareholders of the parent company		1,040	–713
Non-controlling interests		0	–
Net profit per share, basic (in EUR) (py.: net loss)	**24**	**0.04**	**–0.05**
Net profit per share, diluted (in EUR) (py.: net loss)	**24**	**0.04**	**–0.05**

Consolidated statement of cash flows

for the period from 1 January to 31 March 2024

In EUR thousand	Note	2024	2023
1. Cash flow from operating activities			
Profit/loss after taxes		710	–802
Adjustments to reconcile profit (loss) to cash provided			
Income taxes	23	1,190	97
Interest expenses, net		756	190
Amortisation of intangible assets and depreciation of property, plant and equipment	5/6/7	8,178	7,322
Impairment losses on trade and other receivables		130	89
Equity-settled share-based payment transactions	15	144	67
Other non-cash income and expenses		–2	–17
Changes in:			
Inventories		9	–27
Trade and other receivables		–1,345	–579
Trade payables and other liabilities		437	33
Provisions and employee benefits		–298	808
Expenses from associates (py.: income)		9	–8
Income (expenses) from sales of fixed assets		1	–28
Interest paid		–169	–4
Income taxes received/paid, net		–667	–388
Effects of changes in foreign exchange rates		331	89
Cash flow from operating activities		**9,413**	**6,842**

In EUR thousand	Note	2024	2023
2. Cash flow from investing activities			
Proceeds from the disposal of property, plant and equipment and intangible assets		11	–
Payments for investments in property, plant and equipment	5	–416	–639
Payments for investments in intangible assets	7	–2,578	–5,226
Acquisition of subsidiaries (net of cash acquisition)	4	–9,913	–
Cash flow from investing activities		**–12,896**	**–5,865**
3. Cash flow from financing activities			
Proceeds from loans and borrowings	17	6,000	–
Repayment of lease liabilities	18	–1,838	–1,901
Other proceeds/payments		0	–42
Cash flow from financing activities		**4,162**	**–1,943**
Change in cash and cash equivalents		**680**	**–966**
Effects of changes in exchange rates on cash held		35	30
Cash and cash equivalents at the beginning of the period		**12,281**	**13,218**
Cash and cash equivalents at the end of the period*		**12,995**	**12,281**

* Cash and cash equivalents at the end of the period include deposits with banks in the amount of EUR 282 thousand as at 31 December 2024 (31 December 2023: EUR 298 thousand), which cannot be returned to the Group without restriction due to collateral provided by customers with poor credit ratings. All restrictions relating to such collateral are of a short-term nature.

Consolidated statement of changes in equity
as at 31 December 2024

	Attributable to owners of the company						
In EUR thousand	Issued capital	Capital reserves	Currency translation reserve	Loss carryforward	Total equity	Non-controlling interests	Total
As at 01.01.2024	**16,561**	**109,153**	**647**	**–79,206**	**47,155**	**–**	**47,155**
Total comprehensive income for the period							
Consolidated result for the period	–	–	–	710	710	–	710
Other comprehensive income for the period	–	–	331	–	331	–	331
Total comprehensive income for the period	**–**	**–**	**331**	**710**	**1,040**	**–**	**1,040**
Transactions with owners of the company							
Equity-settled share-based payment transactions	–	144	–	–	144	–	144
Total transactions with owners of the company	**–**	**144**	**–**	**–**	**144**	**–**	**144**
As at 31.12.2024	**16,561**	**109,297**	**978**	**–78,496**	**48,340**	**–**	**48,340**

as at 31 December 2023

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 01.01.2023	**16,561**	**109,086**	**558**	**–78,404**	**47,801**	**–**	**47,801**
Total comprehensive income for the period							
Consolidated result for the period	–	–	–	–802	–802	–	–802
Other comprehensive income for the period	–	–	89	–	89	–	89
Total comprehensive income for the period	**–**	**–**	**89**	**–802**	**–713**	**–**	**–713**
Transactions with owners of the company							
Equity-settled share-based payment transactions	–	67	–	–	67	–	67
Total transactions with owners of the company	**–**	**67**	**–**	**–**	**67**	**–**	**67**
As at 31.12.2023	**16,561**	**109,153**	**647**	**–79,206**	**47,155**	**–**	**47,155**

Notes

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1. Accounting principles

Company overview

NFON is a leading provider of integrated cloud business communications in Europe. NFON, with its Group management based in Munich, employs approximately 420 people. The Group is represented by its own companies in Germany, Austria, the United Kingdom, Spain, Italy, France, Poland and Portugal. NFON also has a large network of partners for sales operations in other countries.

NFON AG has its registered office at Zielstattstrasse 36, 81379 Munich, Germany, and is entered in the commercial register of the Munich District Court under commercial register sheet number 168022. The company is a stock corporation according to German law and is registered in Germany. The business headquarters are located in Munich.

The consolidated financial statements for the financial year ended 31 December 2024 were approved for publication by way of resolution of the Management Board on 9 April 2025.

Consolidated financial statements

The consolidated financial statements and notes present the operations of the NFON Group (hereinafter referred to as "we", "NFON", "the company", "the Group", "the NFON Group"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standard Board (IASB) and endorsed by the European Union (EU), taking into consideration the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the financial accounting regulations of section 315e (1) of the German Commercial Code (HGB). These consolidated financial statements are based on the going concern principle.

The financial year corresponds to the calendar year.

Currency

The consolidated financial statements have been prepared in euros (EUR), which is both the functional currency and reporting currency of NFON AG. Unless stated otherwise, all figures in the consolidated financial statements and the accompanying notes are commercially rounded to the nearest thousand euros (EUR thousand). As a consequence, rounding differences can occur in the tables in the notes to the consolidated financial statements.

Miscellaneous

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 accordance with the nature of expense method.

Comparative information

The consolidated financial statements include amounts as at 31 December 2024 compared to 31 December 2023 and for the period from 1 January 2024 to 31 December 2024 compared to the period from 1 January 2023 to 31 December 2023.

2. Significant accounting policies

A. New and amended standards effective for the first time in the reporting year

NFON applied the following standards and amendments to existing standards for the first time in the reporting period beginning on 1 January 2024:

- Non-current Liabilities with Covenants (Amendments to IAS 1), effective from 1 January 2024
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective from 1 January 2024
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), effective from 1 January 2024
- Supplier Finance Arrangements (Amendments to IAS 1 and IFRS 7), effective from 1 January 2024

These amendments have no significant impact on the current period and are not expected to have a significant impact on future periods.

B. New standards not yet applied

Apart from IFRS 18, the following standards are expected to have no effect or only an insignificant effect on the consolidated financial statements in the period when they are applied for the first time:

- Lack of Exchangeability (Amendments to IAS 21), effective from 1 January 2025

- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), effective from 1 January 2026
- Annual Improvements to IFRS Accounting Standards – Volume 11, effective from 1 January 2026
- Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity, effective from 1 January 2026
- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective from 1 January 2027
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective date not yet set

IFRS 18 Presentation and Disclosures in Financial Statements, effective from 1 January 2027

IFRS 18 replaces IAS 1, with many of the requirements in IAS 1 being adopted unchanged and supplemented by new requirements. In addition, some paragraphs from IAS 1 have been moved to IAS 8 and IFRS 7. The IASB has also made minor amendments to IAS 7 and IAS 33.

IFRS 18 introduces the following new requirements in particular:

- Presentation of certain categories and defined subtotals in the income statement;
- Disclosure of key performance indicators defined by management (management performance measures or MPMs) in the notes to the financial statements; and
- Compliance with new guidelines on the grouping of information in IFRS financial statements (aggregation and disaggregation).

A company must apply IFRS 18 for the first time for financial years commencing on or after 1 January 2027, although earlier application is permitted. The amendments to IAS 7 and IAS 33 as well as the revised IAS 8 and IFRS 7 come into force when a company applies IFRS 18, as a consequence of which all amendments must be applied for the first time at the same time. IFRS 18 requires retrospective application with specific transitional provisions.

NFON applies new standards for the first time when they become effective. The effective dates shown above are the dates of initial application of the corresponding amendment in the European Union. If the date of initial application has not yet been set, the amendments have not yet been endorsed by the EU.

C. Basis of consolidation

The consolidated financial statements include all subsidiaries controlled by NFON AG. All intercompany transactions and balances have been eliminated. The financial statements of the subsidiaries of NFON AG are included in the company's consolidated financial statements from the date that control commences until the date that control ceases, and are prepared for the same reporting period applying consistent financial accounting policies.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, NFON measures non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. The costs of business combinations are expensed. Agreed contingent consideration is recognised at fair value on the acquisition date. Subsequent changes in the fair value of contingent consideration that constitutes an asset or a liability are recognised in the income statement in accordance with IFRS 9.

On initial recognition, goodwill is measured at cost, which is calculated as the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed, measured at fair value. If this consideration is lower than the fair value of the acquiree's net assets, the difference is recognised in the income statement following further review.

After initial recognition, goodwill is measured at cost less any necessary impairment. For the purposes of the impairment test, from the acquisition date onward the goodwill acquired in a business combination is allocated to the cash-generating units of the Group that are expected to benefit from the business combination. This applies irrespective of whether other assets or liabilities of the acquired company are allocated to these cash-generating units.

The (fully) consolidated Group companies are as follows:

- NFON AG, Munich, Germany (ultimate parent company)
- NFON GmbH, St. Pölten, Austria (wholly owned subsidiary of NFON AG)

- NFON UK Ltd., Maidenhead, United Kingdom (wholly owned subsidiary of NFON AG)
- NFON Iberia SL, Madrid, Spain (wholly owned subsidiary of NFON AG)
- NFON Italia S.r.l., Milan, Italy (wholly owned subsidiary of NFON AG)
- NFON France SAS, Paris, France (wholly owned subsidiary of NFON AG)
- NFON Developments Unipessoal, Lda., Lisbon, Portugal (wholly owned subsidiary of NFON AG)
- NFON Polska Sp. z o.o, Warsaw, Poland (wholly owned subsidiary of NFON AG)
- botario GmbH, Bremen (wholly owned subsidiary of NFON AG since 1 September 2024)

In addition, NFON AG holds a 24.9% interest in Meetecho S.r.l., Naples, Italy (Meetecho), which is included in the consolidated financial statements of the NFON Group as at 31 December 2024 as an associate using the equity method.

D. Property, plant and equipment

Property, plant and equipment are stated at historical cost less cumulative depreciation and impairment. Depreciation of property, plant and equipment is recognised on a straight-line basis over the estimated useful life. For operating and office equipment, the useful life is 3 to 15 years. Subsequent expenditure is only capitalised if it is probable that the future economic benefits associated with the expenditure will accrue to the Group.

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the lease term.

The assets' carrying amounts, depreciation methods and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

On disposal of items of property, plant and equipment, the cost and related cumulative depreciation and impairment are derecognised from the consolidated statement of financial position and the net amount, less any proceeds, is recognised in the consolidated income statement.

E. Intangible assets

Intangible assets are stated at cost less any cumulative amortisation and impairment. The costs of development activities are capitalised when the recognition criteria of IAS 38 are met. Subsequent expenditure is only capitalised for existing other intangible assets if it satisfies the general recognition criteria and enhances the functionality of an existing asset to which it relates. All other expenditure on internally generated products or assets (such as research costs) is recognised in the consolidated statement of profit and loss as incurred.

1. Goodwill

Goodwill acquired in the course of business combinations is assumed to have an indefinite useful life due to the lack of time constraints on the generation of net cash flows for the Group. In accordance with IAS 36, impairment tests are conducted at the level of the cash-generating units at least once per year (at the end of the year) and when indications of impairment exist. Once recognised, impairment losses are not reversed in subsequent periods.

2. Customer base from business combinations

The customer base from business combinations has a finite useful life. It is measured at fair value and amortised on a straight-line basis over the estimated useful life of between 5 and 15 years. Amortisation of EUR 422 thousand was recognised in the reporting year. Of this amount, EUR 353 thousand was attributable to the DTS customer base and EUR 69 thousand to the botario customer base since its initial consolidation on 1 September 2024.

3. Technology/brand from business combinations

Intangible assets for the technology and the brand were recognised as part of the botario acquisition. These are also measured at fair value and amortised on a straight-line basis over the estimated useful life of three years for the brand and ten years for the technology. In the financial year 2024, amortisation on the technology amounted to EUR 56 thousand and on the brand to EUR 36 thousand.

4. Capitalised development projects

Development costs for newly developed software are capitalised if they satisfy the requirements of IAS 38.

After initial recognition of development projects, the assets are measured at cost less cumulative amortisation and impairment. Amortisation is recognised on a straight-line basis starting from the date when the newly developed product or feature reaches the definition of done. This amortisation is recognised on the basis of an estimated useful life that is generally between three and seven years. The useful lives are assessed at least once per year to determine whether they need to be shortened due to technological progress or other events.

Research costs are not capitalised and are expensed in the income statement when they are incurred.

The above principles also apply to the development of software used internally and not intended for direct marketing.

F. Impairment test

The recoverable amount of an asset or CGU is the greater of its corresponding value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments of the interest effect and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Such impairment losses are recognised in profit or loss. In principle, the carrying amount of the goodwill allocated to the CGU is reduced first. If this figure amounts to zero, then pro rata impairment is applied to the carrying amounts of the other assets of the CGU or the group of CGUs. If an indication exists of impairment of an asset within a CGU that contains goodwill, however, the respective asset is tested for impairment first, before this test is performed for the CGU. Any impairment is then initially allocated to the respective asset. If any impairment remains, the (general) procedure described above is applied accordingly.

An impairment loss on goodwill is not reversed in subsequent years. Impairment on other assets can only be reversed taking into consideration any depreciation or amortisation recognised in the interim.

Development projects that are not yet completed are tested for impairment annually and when indications of impairment exist. Completed development projects that are subject to amortisation are tested for impairment when indications of impairment exist. Jointly used assets that cannot be allocated to the cash-generating units are tested for impairment both individually at the level of the units that use them and at the level of the group of these units (in this case, including jointly used assets).

G. Inventories

The Group's inventories mainly consist of a minimal stock of hardware, such as telephones that are sold to customers or temporarily used by customers for testing purposes.

H. Financial instruments

Financial instruments are accounted for in accordance with IFRS 9.

1. Recognition and initial measurement of financial assets

Cash comprises cash on hand and bank balances. All highly liquid investments with original terms of three months or less from the purchase date are considered cash equivalents. Cash and cash equivalents are subsequently measured at amortised cost.

Trade receivables are initially recognised when they are originated. Customers are granted appropriate payment terms based on an assessment of the customer's financial situation. Trade and other receivables consist of amounts billed and currently due from customers or other debtors to the Group. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A trade receivable without a significant financing component is initially measured at the transaction price.

A regular way purchase – or sale – of financial assets is recognised and derecognised as at the trade date.

Cash and cash equivalents comprise cash on hand, cash balances and call deposits. These are recognised at fair value plus transaction costs that are directly attributable to the purchase or issue.

2. Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (debt instruments) or at fair value through profit or loss (equity instruments). With the exception of current trade receivables, financial assets are initially recognised at fair value, including any transaction costs.

Financial assets are not reclassified subsequent to their initial recognition unless the Group modifies its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at fair value through other comprehensive income.

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less impairment. The approach for measuring impairment losses is described in note 11 – Trade receivables and other financial assets.

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss.

Business model assessment

The Group defines the business model in which the financial assets are held at a portfolio level.

Financial assets are assessed as to whether contractual cash flows are solely payments of principal and interest on the outstanding principal amount.

The cash flow criterion is assessed in conjunction with classification. The classification then determines the measurement category. For the purposes of the assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding over a particular period of time and for other basic lending risks and costs (such as liquidity risk and administrative costs), plus an appropriate profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument.

Financial assets: Classification, subsequent measurement and gains and losses

Financial assets measured at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
Debt securities measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses cumulatively recognised in other comprehensive income are reclassified to profit or loss.
Equity investments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses
Financial liabilities are initially recognised at fair value, including any transaction costs, according to the applicable measurement category. They are subsequently classified as measured at amortised cost or at fair value through profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities measured at fair value to profit or loss are measured at fair value, and net gains and losses, including any interest expense, are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. This measurement model takes into consideration the present value of the expected payments, discounted at the debt interest rate appropriate to the term. In addition, various target achievement scenarios are included in the measurement model, taking probabilities of occurrence into consideration. The Group has decided in favour of this measurement method. Taking into consideration the available inputs factors, such as corporate planning at the time of purchase, agreements in the purchase agreement regarding target overachievement or target underachievement, and the weighting of various occurrence scenarios, the Group believes that the valuation model leads to a realistic expected value for the contingent purchase price obligation (earn-out). A detailed presentation of the target achievement scenarios and the probabilities of occurrence can be found in note 13 – Financial instruments.

As part of the acquisition of botario GmbH, further purchase price payments may fall due depending on future EBITDA performance. The purchase agreement also contains provisions (contingent purchase price obligation) that can lead to lower earn-out payments (between 70% and 99.9% EBITDA target achievement) or no earn-out payments (below 70% EBITDA target achievement) if targets are not achieved and to a maximum of 150% earn-out payments if targets are exceeded. As part of the initial recognition of earn-out liabilities at the acquisition date, the potential underachievement of targets (70% – 99.9%) and overachievement of targets (100.1% – 150%) were assigned probabilities of occurrence and an expected value was calculated, which was discounted applying the debt interest rate of 3.33% appropriate to the term.

Of the initial earn-out liability, an amount of EUR 1,766 thousand was recognised under current financial liabilities and an amount of EUR 5,818 thousand in non-current financial liabilities. As at the 31 December 2024 reporting date, the liability for the earn-out for the financial year 2024 was increased by EUR 346 thousand and the interest portion by EUR 20 thousand to EUR 1,843 thousand based on the final EBITDA and the overachievement of the EBITDA target. The non-current earn-out liability increased to EUR 6,172 thousand as at the reporting date due to the interest effect and the amount due with the last earn-out tranche, which exceeds the EBITDA target achievement of 130%. The adjustment of the earn-out liability due to the target being exceeded was recognised in the income statement under other financial expenses; interest is included in interest and similar expenses.

3. Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

In some circumstances, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset in accordance with IFRS 9. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a “new” financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

4. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5. Impairment of financial instruments

The scope of expected credit losses includes debt instruments at amortised cost, contractual assets, lease receivables, financial assets (debt instruments measured at fair value through other comprehensive income) as well as certain financial guarantees and loan commitments. The Group recognises impairment losses for expected credit losses on financial assets measured at amortised cost through profit or loss. Impairment losses for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses (ECLs).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the counterparty files for bankruptcy. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses (ECLs) are calculated using the simplified approach. As a consequence, ECLs are recognised over the lifetime of trade receivables and contract assets without the need to identify significant increases in credit risk.

Credit-impaired financial assets

The Group assesses whether financial assets carried at amortised cost are credit-impaired as at the end of each reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties on the part of the borrower or issuer,
- a breach of contract such as a default or being more than 90 days past due,
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise,
- it is probable that the borrower will enter bankruptcy or other financial reorganisation, or
- the discontinuation of an active market for a security due to financial difficulties.

Presentation of impairment losses for ECLs in the statement of financial position

Impairment losses for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

6. Impairment

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is typically the case if the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts to be written off. However, financial assets written off can still be subject to enforcement.

7. Finance income and finance costs

The Group's finance income and finance costs include:

- interest income; and
- interest expenses.

Interest income or expenses are recognised using the effective interest method. Dividend income is recognised in profit or loss when the Group's right to receive payment is established.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

I. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's-length transaction between market participants on the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of a liability reflects its non-performance risk.

The best evidence of the fair value of a financial instrument on initial recognition is typically the transaction price, in other words, the fair value of the consideration rendered or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, the financial instrument is initially measured at the fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. This difference is then recognised in profit or loss over the term of the instrument.

The Group applies measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows. The allocation is based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices on active markets for identical assets or liabilities
- Level 2: Measurement techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Measurement techniques for which the lowest level input that is significant to the fair value measurement is unobservable

J. Foreign currency translation

The financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euros, which is the Group's reporting currency.

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate for the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency translation differences are recognised in profit or loss. The functional currency of the foreign subsidiary NFON UK Ltd. is the British pound (GBP). The functional currency of the foreign subsidiary NFON Polska Sp. z o.o. is the Polish zloty (PLN).

As at the end of the reporting period, the assets and liabilities of this subsidiary are translated into the Group's reporting currency at the rate of exchange prevailing at the end of the reporting period (spot exchange rate). The statement of comprehensive income is translated at the average exchange rate for the reporting period. The foreign currency translation differences are reported in other comprehensive income and recognised as a separate component of equity. On disposal of the foreign entity, the foreign currency translation differences recognised up to this point in equity are recognised in the statement of comprehensive income. The consolidated statement of cash flows is translated at the average exchange rate for the period; cash and cash equivalents are translated at the closing rate for the period.

The following exchange rates (foreign currency unit in EUR) have been used for the respective consolidated financial statements:

	Spot rates		Average rates	
	As at 31.12.2024	As at 31.12.2023	2024	2023
GBP	1.2060	1.1507	1.1834	1.1535
PLN	0.2339	0.2304	0.2325	0.2263

K. Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recognised in equity as a deduction from issue proceeds, less taxes.

If a Group company acquires instruments of the company, for example on the basis of a share repurchase plan or a share-based payment plan, the consideration paid, including any incremental directly attributable costs (less income taxes), is deducted from equity applicable to the owners of the Group as treasury shares until the shares are withdrawn or reissued. If such ordinary shares are subsequently reissued, each consideration received less directly attributable incremental transaction costs and the related income tax effect are included in the equity attributable to the owners of the Group.

L. Share-based payment

As a form of remuneration and to help retain certain employees (including managers) at the Group, NFON issues employee stock options (equity-settled share-based payments). These are reported and measured in accordance with IFRS 2.

The fair value as at the grant date of equity-settled share-based payment arrangements granted to employees is recognised as a staff cost, with a corresponding increase in equity, on a straight-line basis over the vesting period. This period ends on the day when it first becomes possible to exercise the options. The fair value is calculated by an external expert using a suitable option pricing model and taking any market performance conditions into consideration. No true-up exists for differences between expected and actual results. By contrast, non-market performance conditions and the minimum holding period by the company are reassessed in the quantity structure as at the end of each reporting period.

The dilutive effect of the outstanding stock options is taken into consideration, in line with dilution protection, when calculating earnings per share.

M. Provisions

A provision is formed when a present legal or constructive obligation exists as a consequence of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects current market assessments and the risks specific to the obligation. The corresponding interest effect is recognised in the income statement in the finance result. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. As provisions are subject to certain discretion, the future settlement of the respective obligation can deviate from the amounts recognised in provisions. Significant estimates are involved in the determination of provisions related to legal and regulatory proceedings and governmental investigations.

Further details on provisions can be found in note 16 – Provisions and note 28 – Contingencies and commitments.

N. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which corresponds to the initial measurement of the lease liability, adjusted for payments made on or before the commencement date, plus any initial direct costs and the estimated costs to dismantle or remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is then amortised on a straight-line basis from the commencement date until the end of the lease term, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In this case, the right-of-use asset is amortised over the useful life of the underlying asset, which is determined according to the regulations for property, plant and equipment. In addition, the right-of-use asset is continuously adjusted for impairment, where necessary, and to reflect certain remeasurements of the lease liability.

The lease liability is initially recognised at the present value of the lease payments not yet paid as at the commencement date, discounted at the interest rate implicit in the lease or, if this cannot be readily determined, at the Group's incremental borrowing rate. The Group normally uses its incremental borrowing rate as the discount rate.

To determine its incremental borrowing rate, the Group obtains interest rates from various external financial sources and makes certain adjustments to take account of the lease conditions and the type of asset.

The lease payments included in the measurement of the lease liability comprise:

- fixed payments, including de facto fixed payments, variable lease payments that are linked to an index or (interest) rate, initially measured using the index or (interest) rate applicable at the commencement date;
- amounts that are expected to be payable on the basis of a residual value guarantee; and
- the exercise price of a purchase option if the Group is reasonably certain that it will exercise this option, lease payments for an extension option if the Group is reasonably certain that it will exercise this option, and penalty payments for early termination of the lease unless the Group is reasonably certain that it will not terminate the lease early.

The lease liability is measured at its amortised carrying amount using the effective interest method. It is remeasured if

- the future lease payments change as a result of an index or (interest) rate change,
- the Group adjusts its estimate for the expected payments under a residual value guarantee,
- the Group changes its assessment regarding the exercise of a purchase, extension or termination option, or a de facto fixed lease payment changes.

In the event of such a remeasurement of the lease liability, the carrying amount of the right-of-use asset is adjusted accordingly and this adjustment is recognised through profit or loss if the carrying amount of the right-of-use asset has fallen to zero.

The Group has opted not to recognise right-of-use assets or lease liabilities for leases for low-value assets (with a cost of less than EUR 5 thousand) or short-term leases, including IT equipment. The Group recognises the lease payments in connection with these leases as an expense on a straight-line basis over the term of the lease.

O. Revenue

According to IFRS 15, Revenue from Contracts with Customers, NFON recognises revenue to present the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five-step model is used:

- identify the contract(s) with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to the performance obligations in the contract, and
- recognise revenue when (or as) the entity satisfies a performance obligation.

Customer contracts are typically month-to-month contracts, in other words, they do not have a minimum contract duration and are renewed month by month if not cancelled. However, there are also contracts with a minimum contract duration, such as 12, 24 or 36 months. Customer contracts include (i) recurring services, and (ii) non-recurring services and products.

A performance obligation is the unit of account for revenue recognition under IFRS 15. At contract inception, NFON assesses the goods or services promised in the contract and identifies the following as a performance obligation:

- a good or service (or a bundle of goods or services) that is distinct; or

- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

NFON performs such an evaluation for all goods or services promised and activities explicitly stated in arrangements with the customer. For example, monthly telephone services and delivery of hardware are capable of being distinct, and distinct within a contract. Services – such as activation fees or the porting of existing numbers – are not deemed separate performance obligations as they result in an extension of the NFON network and do not transfer a good or service to the customer. Further, the customer cannot choose not to purchase activation activities without significantly affecting the monthly telephone services.

1. Recurring revenue

Recurring revenue derives from fixed monthly licence fees per seat ("per seat model") or platform services as well as fixed or volume-based usage fees for voice minutes and SIP trunk services. In the "per-seat model" customers pay a monthly fee per seat for the use of NFON's cloud technology. The amount of the monthly licence fee per customer is dependent on the type and number of available optional features and vertical solutions as well as the maximum number of devices that can be used per seat. The licence fees deviate marginally in different countries. All tariffs (across all segments and regions) offer customers the advantage that all platform, maintenance and feature upgrades are included in the monthly licence fee and updates are available automatically for every user once released, without the need for additional on-site service. Customers can pay NFON for voice telephony usage (in other words, airtime) either on the basis of a flat rate for airtime or on a per minute-based charging model. Customer contracts can also include both: a monthly flat rate and monthly variable per-minute airtime services.

If monthly telephone services are provided to the customer, revenue is recognised on a monthly basis.

2. Non-recurring revenue

Non-recurring revenue is mainly generated when hardware and communication devices are sold to customers and when specific consulting or training services are provided to the customers, or a customised software development service is rendered.

Recurring and non-recurring revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers the control over a product or service to a customer.

The Group combines two or more contracts when the contracts are entered into at or near the same time with the same customer or related parties of the customer, contracts are entered with a single performance objective where the amount of consideration of one contract is dependent on the price or performance of the other contract and the goods or services promised in the contracts are single performance obligations. Total consideration in the contract is allocated to all the products and services based on the relative stand-alone selling prices of each performance obligation.

The Group recognises the revenue when the customer obtains control of the goods or services. Under sales of hardware, control is transferred in the form of delivery of the hardware, in other words, at this point in time. If non-recurring products and services are delivered or provided, the revenue is recognised when the performance obligation is fulfilled.

3. Month-to-month contracts

For month-to-month contracts, revenue is recognised over time in the month when the corresponding service was rendered. Such contracts include an obligation with regards to monthly telephone services, and at times, an obligation with regards to hardware sales and other non-recurring services at the beginning of the contract.

4. Long-term contracts

For long-term contracts, in other words, contracts with minimum contract duration, NFON determines at the inception of a contract whether goods and services are capable of being distinct and distinct within the context of the contract.

The hardware and the monthly telephone services are separable in NFON's contract as they are not inputs for a single asset (in other words, a combined output), which indicates that NFON is not providing a significant integration service. Neither the hardware nor the monthly telephone services significantly modify or customise each other. In some cases, NFON subsidises the hardware sold for the customer.

Non-recurring services, such as activation of the ports or porting of existing numbers, result in the extension of NFON's network. Customers cannot choose to not purchase activation activities, for example, without significantly affecting the monthly telephone services (service not possible without activated port). Additionally, the customer cannot choose to contract with different parties for the activation activities, on the one hand, and the monthly telephone services, on the other. To this extent, the corresponding accounting treatment at NFON is realised under the premise that non-recurring services such as activation or porting do not form a separate performance obligation. The consideration received for services that do not qualify as a separate performance obligation is allocated to the performance obligations over the life of the contract.

Long-term contracts include fixed consideration (such as fixed monthly fees for airtime or the price for hardware) and variable consideration (such as a fee per usage), but not a significant financing component. At the inception of the contract, after identifying the relevant performance obligations, NFON determines the estimated transaction price for the total initially committed fixed consideration.

Variable future consideration for the fee per usage is not committed at inception, and consequently is not included in the estimated transaction price. The total consideration is allocated based on the relative standalone selling prices to the non-recurring products and services, on the one hand, and the recurring, in other words, monthly service performance obligation, on the other. At the level of the performance obligation, NFON determines whether revenue is recognised over time or at a point in time.

Relative standalone selling prices are based on the Group's price list, which is available to customers and potential customers.

Revenue relating to long-term contracts is recognised over time. Where NFON has fulfilled its performance obligation for a specific service or product within the customer contract, the Group recognises revenue. If the Group has not issued an invoice, then the entitlement to the consideration is recognised as an other non-financial asset. When the entitlement to the payment becomes unconditional, the amount is reclassified to trade receivables. A contract liability is reported in the statement of financial position under other non-financial assets when a customer has paid consideration prior to the entity fulfilling its performance obligation by transferring the related good or service to the customer.

5. Incremental costs of obtaining a contract

NFON regularly enters into commission arrangements with different partners, dealers and other third parties. Commissions that can be incurred by NFON at the start of the contract (in other words, one-time commissions) and on a monthly basis are capitalised as costs of obtaining the contract when they are incremental and are expected to be recovered. These capitalised commissions are released in line with revenue recognition for the associated contract. If the expected amortisation period is one month, then the commission fee is expensed immediately when incurred.

P. Income taxes

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised through other comprehensive income or directly in equity.

Current taxes are the expected tax liability or tax receivable on the taxable income or tax loss for the financial year, based on tax rates that apply on the reporting date or will apply shortly, as well as any adjustments to the tax liability for previous years. The amount of expected tax liability or tax receivable reflects the amount that represents the best estimate, taking any tax uncertainties into consideration. Current tax liabilities also include all tax liabilities that arise as a consequences of the termination of dividends.

Deferred tax is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the end of the reporting period. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- if the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- and in respect of taxable temporary differences associated with interests in subsidiaries, if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilised, except:

- if the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- and in respect of deductible temporary differences associated with interests in subsidiaries are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. This is based on the tax rates and tax laws in effect as at the end of the reporting period. Future changes to tax rates are recognised as at the end of the reporting period, provided that material substantive conditions in the context of legislative procedures have been fulfilled.

In accordance with IAS 12.74, deferred taxes are offset if the requirements for offsetting have been met.

IFRIC 23 clarifies the application of the recognition and measurement requirements of IAS 12 when uncertainty exists regarding income tax treatment. Estimates and assumptions must be made for recognition and measurement, such as whether an estimate is made separately or together with other uncertainties, whether a probable or expected value is used for the uncertainty and whether a change has occurred compared to the previous period. The detection risk is irrelevant for the recognition of balance sheet items that are uncertain. The accounting is based on the assumption that the tax authorities are investigating the matter in question and that they have all the relevant information. No significant effects on the consolidated financial statements of NFON AG arose.

Q. Segment reporting

Segment reporting is presented in accordance with internal reporting to the Group’s chief operating decision maker.

3. Summary of estimates, judgements and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the revenue and expenses recognised for the periods presented. Estimates and underlying assumptions are reviewed at the end of each reporting period. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and future reporting periods, if relevant.

Information on assumptions and estimation uncertainty with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next reporting period is presented below.

A. Share-based payment (IFRS 2)

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 or the end of the reporting period. 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. It is also necessary to determine the expected option term, volatility and dividend yield as well as beneficiary turnover and further assumptions. Further details can be found in note 15 – Share-based payment.

B. Defining cash-generating units and determining the recoverable amount when testing goodwill and non-current assets for impairment

Please refer to note 2 (Significant accounting policies) E and F – Intangible assets and impairment testing. The planned revenue or planned EBITDA and the discount rate used in the impairment tests involve estimates to a large extent.

C. Development costs

Development costs are capitalised using the accounting policies described in note 2 (Significant accounting policies) E 4 – Intangible assets – Capitalised development projects. Initial capitalisation of costs is based on the management's judgement that technological and economic feasibility is confirmed, usually when a development project has reached a defined milestone according to an established project management model. Moreover, in determining the amounts to be capitalised, the management makes assumptions regarding the future business and financial success of the products or features deriving from the development projects. The corresponding carrying amounts are shown under note 7 – Intangible assets.

D. Current and deferred taxes

Current taxes entail the risk that changes in tax legislation, administrative practice or case law could have adverse tax consequences for the company.

Furthermore, the Group has tax loss carryforwards of various legal entities in different tax jurisdictions that could lead to lower tax payments in future years. Deferred tax assets have been recognised to the extent that their recovery is probable, taking into consideration the projected future taxable income of the related entity. Further details on the accounting policies for income taxes and income tax disclosures can be found in note 23 – Income taxes.

E. Expected credit loss on financial assets

We apply assumptions and estimates in determining the expected credit loss of financial assets. Further details can be found in note 13 – Financial instruments.

4. Acquisition of subsidiaries

With the legal effect from 22 August 2024, NFON AG acquired a 100% interest in botario GmbH, Bremen, and thereby gained control over botario GmbH. botario GmbH specialises in artificial intelligence (AI) for communication solutions. By focusing strongly on speech processing and automation, botario provides custom AI platforms that help companies to optimise their business processes and automate their communication workflows. The acquisition of botario GmbH forms part of NFON's transformation and strengthens its focus on becoming a provider of AI-based business communication solutions.

The total purchase price amounts to EUR 18.5 million and comprises a purchase price payment of EUR 10.9 million as of the closing date of 22 August 2024, as well as future earn-out payments depending on the achievement of EBITDA targets in the financial years 2024 to 2026. Given 100% target achievements, the cumulative undiscounted earn-out payments would amount to EUR 7.2 million. The purchase agreement contains provisions that can lead to lower or no earn-out payments if targets are not reached, as well as to a maximum of 150% earn-out payments if targets are exceeded. As of the acquisition date, the expected value of the earn-out was calculated on the assumption that the targets would be exceeded, leading to a discounted earn-out liability of EUR 7.6 million. All purchase price payments are, or will be, rendered in cash.

The purchase price payment as of the closing was financed partly by a EUR 5.0 million bank loan, which has a six-year term and carries a fixed interest rate of 6.62% until 30 September 2027. In addition, the existing EUR 1.0 million overdraft facility, which carries interest at a variable rate of 3-month EURIBOR + 2.75%, was utilised. From 1 October 2027, the interest rate will be redefined on the basis of money and capital market rates applicable at that time.

As part of the preliminary purchase price allocation, EUR 1.0 million was recognised for the customer base and EUR 1.7 million for the acquired technology. The brand was valued at an amount of EUR 0.3 million. Furthermore, deferred tax liabilities of EUR 1.0 million arose in relation to the hidden reserves that were realised. The remaining amount of EUR 15.9 million was recognised as goodwill and reflects the value of the expertise of the management and employees as well as the value of the existing, qualified team at botario GmbH. It is expected that none of the goodwill recognised will be deductible for income tax purposes.

Since its inclusion in the consolidated financial statements of NFON AG, botario GmbH has contributed EUR 1.9 million to consolidated revenue and EUR 1.3 million to consolidated EBITDA. If botario had already been consolidated since 1 January 2024, it would have increased consolidated revenue by EUR 3.5 million and consolidated EBITDA by EUR 1.7 million.

Acquisition of subsidiaries

In EUR thousand	2024
Intangible assets	5
Identifiable intangible assets	3,042
Property, plant and equipment and IFRS 16 right-of-use assets	101
Trade receivables	370
Other assets	12
Cash and cash equivalents	965
Current income tax liabilities	–222
Current provisions	–34
Trade payables	–11
Other liabilities	–201
Deferred income	–446
Deferred tax liabilities	–971
Total identifiable assets acquired and liabilities assumed	**2,610**
Goodwill	15,851
Total consideration	**18,462**
Satisfied by:	
Payment upon transfer of shares	–10,878
Contingent consideration agreement (earn-out)	–7,584
Total consideration transferred	**–18,462**
Net cash outflow arising on acquisition:	
Cash consideration	–10,878
Less: cash and cash equivalent balances acquired	965
	–9,913

Trade receivables comprise gross amounts due under contractual receivables amounting to EUR 372 thousand, of which EUR 2 thousand was estimated to be irrecoverable as of the acquisition date.

5. Property, plant and equipment

The major categories of property, plant and equipment and changes in the carrying amount of each category is as follows:

A. Reconciliation of gross carrying amount

In EUR thousand	01.01.2024	Change in scope	Additions	Reclassifications	Disposals	31.12.2024
Cost						
Leasehold improvements	668	–	20	–	–	688
Operating and office equipment	8,987	82	635	–	117	9,586
Total cost 2024	**9,655**	**82**	**655**	**–**	**117**	**10,274**

In EUR thousand	01.01.2023	Additions	Reclassifications	Disposals	31.12.2023
Cost					
Leasehold improvements	534	64	169	99	668
Operating and office equipment	8,853	577	–169	274	8,987
Total cost 2023	**9,387**	**641**	**0**	**373**	**9,655**

B. Reconciliation of cumulative depreciation and carrying amounts

In EUR thousand	01.01.2024	Change in scope	Depreciation and amortisation	Re-classifications	Disposals	31.12.2024
Depreciation and amortisation						
Leasehold improvements	416	–	88	–	–	504
Operating and office equipment	6,975	49	930	–	95	7,859
Total depreciation and amortisation 2024	**7,391**	**49**	**1,018**	**–**	**95**	**8,363**

In EUR thousand	01.01.2023	Depreciation and amortisation	Re-classifications	Disposals	31.12.2023
Depreciation and amortisation					
Leasehold improvements	155	164	155	58	416
Operating and office equipment	6,222	1,198	–155	290	6,975
Total depreciation and amortisation 2023	**6,376**	**1,362**	**0**	**348**	**7,391**

In EUR thousand	31.12.2024	31.12.2023
Carrying amount		
Leasehold improvements	184	252
Operating and office equipment	1,727	2,012
Total carrying amounts	**1,911**	**2,264**

The Group did not recognise any impairment on property, plant and equipment for the years ended 31 December 2024 and 2023. Exchange rate changes did not have any material impact.

6. Right-of-use assets from leases

A. Reconciliation of gross carrying amount

Right-of-use assets from leases report the following changes:

In EUR thousand	01.01.2024	Change in scope	Additions	Disposals	31.12.2024
Gross carrying amount					
Right-of-use assets from leases for buildings	15,949	68	101	–	16,119
Right-of-use assets from leases for vehicles	2,088	–	175	21	2,241
Bicycles	6	–	12	–	18
Operating and office equipment	98	–	–	1	97
Total right-of-use assets from leases in 2024	**18,141**	**68**	**287**	**21**	**18,476**

In EUR thousand	01.01.2023	Additions	Disposals	31.12.2023
Gross carrying amount				
Right-of-use assets from leases for buildings	10,894	5,177	122	15,949
Right-of-use assets from leases for vehicles	1,433	669	14	2,088
Bicycles	6	–	–	6
Operating and office equipment	90	8	–	98
Total right-of-use assets from leases in 2023	**12,423**	**5,855**	**136**	**18,141**

B. Reconciliation of cumulative depreciation and carrying amounts

In EUR thousand	01.01.2024	Change in scope	Depreciation and amortisation	Disposals	31.12.2024
Depreciation and amortisation					
Right-of-use assets from leases for buildings	7,359	17	1,364	–	8,739
Right-of-use assets from leases for vehicles	1,369	–	353	21	1,701
Bicycles	3	–	4	–	7
Operating and office equipment	45	–	16	1	61
Total depreciation and amortisation 2024	**8,776**	**17**	**1,737**	**21**	**10,509**

In EUR thousand	01.01.2023		Depreciation and amortisation	Disposals	31.12.2023
Depreciation and amortisation					
Right-of-use assets from leases for buildings	5,595		1,766	2	7,359
Right-of-use assets from leases for vehicles	1,070		307	8	1,369
Bicycles	1		2	–	3
Operating and office equipment	31		14	–	45
Total depreciation and amortisation 2023	**6,697**		**2,089**	**10**	**8,776**

In EUR thousand	31.12.2024	31.12.2023
Carrying amount		
Right-of-use assets from leases for buildings	7,379	8,590
Right-of-use assets from leases for vehicles	540	719
Bicycles	11	3
Operating and office equipment	36	53
Total carrying amounts	**7,967**	**9,365**

7. Intangible assets

A. Reconciliation of gross carrying amount

Intangible assets report the following changes:

In EUR thousand	01.01.2024	Change in scope	Additions	Re-classification	Disposals	31.12.2024
Gross carrying amount						
Software	3,069	15	76	–	–	3,160
Internally generated software (in progress)	1,363	–	–	–1,149	–	214
Internally generated software	5,393	–	–	1,149	–	6,541
Capitalised development projects	15,469	–	23	193	–	15,685
Capitalised development projects in development	5,632	–	2,476	–193	–	7,915
Customer base	5,013	1,034	–	–	–	6,047
Technology	0	1,683	–	–	–	1,683
Brand	0	325	–	–	–	325
Goodwill	12,534	15,851	–	–	–	28,385
Other intangible assets	503	–	6	–	–	509
Total intangible assets in 2024	**48,976**	**18,909**	**2,582**	**0**	**–**	**70,466**

In EUR thousand	01.01.2023	Additions	Re-classification	Disposals	31.12.2023
Gross carrying amount					
Software	3,068	1	–	–	3,069
Internally generated software (in progress)	1,833	869	–1,339	–	1,363
Internally generated software	4,054	–	1,339	–	5,393
Capitalised development projects	11,069	18	4,382	–	15,469
Capitalised development projects in development	5,753	4,261	–4,382	–	5,632
Customer base	5,013	–	–	–	5,013
Goodwill	12,534	–	–	–	12,534
Other intangible assets	409	94	–	–	503
Total intangible assets in 2023	**43,732**	**5,243**	**0**	**–**	**48,976**

B. Reconciliation of cumulative amortisation and carrying amounts

Cumulative amortisation is as follows:

In EUR thousand	01.01.2024	Change in scope	Additions	Impairment	Disposals	31.12.2024
Amortisation of intangible assets						
Software	2,811	10	99	–	–	2,920
Internally generated software (in progress)	–	–	–	–	–	–
Internally generated software	1,291	–	1,021	–	–	2,312
Capitalised development projects	7,689	–	3,658	–	–	11,347
Capitalised development projects in development	–	–	–	–	–	–
Customer base	1,416	–	422	–	–	1,838
Technology	–	–	56	–	–	56
Brand	–	–	36	–	–	36
Goodwill	–	–	–	–	–	–
Other intangible assets	335	–	99	–	–	434
Total amortisation of intangible assets 2024	**13,542**	**10**	**5,392**	**–**	**–**	**18,944**

In EUR thousand	01.01.2023	Additions	Impairment	Disposals	31.12.2023
Amortisation of intangible assets					
Software	2,487	324	–	–	2,811
Internally generated software (in progress)	–	–	–	–	–
Internally generated software	531	760	–	–	1,291
Capitalised development projects	5,424	2,265	–	–	7,689
Capitalised development projects in development	–	–	–	–	–
Customer base	1,063	353	–	–	1,416
Goodwill	–	–	–	–	–
Other intangible assets	181	154	–	–	335
Total amortisation of intangible assets 2023	**9,687**	**3,856**	**–**	**–**	**13,542**

Carrying amounts

In EUR thousand	31.12.2024	31.12.2023
Carrying amount		
Software	240	230
Internally generated software (in progress)	214	1,363
Internally generated software	4,230	4,102
Capitalised development projects	4,338	7,779
Capitalised development projects in development	7,915	5,631
Customer base	4,208	3,596
Technology	1,627	–
Brand	289	–
Goodwill	28,385	12,534
Other intangible assets	76	197
Total carrying amounts	**51,522**	**35,433**

The Group recognised impairment losses of EUR 250 thousand for internally developed products no longer in use for the financial year ended 31 December 2024 (31 December 2023: EUR 0 thousand).

Exchange rate changes did not have any material impact. The other intangible assets were purchased.

C. Acquired goodwill

In the financial year 2024, derivative goodwill of EUR 15.9 million was purchased as part of the botario acquisition. As a consequence, total derivative goodwill of EUR 28.4 million was recognised as at 31 December 2024 (31 December 2023: EUR 12.5 million), for which an annual impairment test must be performed. No impairment losses were recognised in either the financial year 2024 or in the previous year.

All legally independent units as well as Deutsche Telefon Standard GmbH (DTS), which was merged into NFON AG, are regarded as cash-generating units, as they are able to generate revenue largely independently of other Group companies due to their independent market responsibility, their own customer base and their own sales channels.

Of the goodwill recognised as at 31 December 2024, an amount of EUR 15.9 million derives from the acquisition of botario GmbH in 2024 and EUR 12.4 million from the acquisition of Deutsche Telefon Standard GmbH, Mainz (DTS) in 2019. Due to the merger in the financial year 2024 and the associated combined management of the CGUs of NFON AG and DTS (CGU NFON AG) at the level of the legal entity of NFON AG, goodwill was reallocated. Goodwill also includes EUR 150 thousand from the acquisition of assets and contractual relationships as well as the existing employment relationships of Onwerk GmbH, Mannheim (Onwerk) by NFON AG in 2020.

The calculation of the recoverable amount as of the acquisition date is based on the value in use of the cash-generating unit. The cash flows used are the expected cash flows for the next five years based on the approved budget. The approved budget is based partially on past experience and partially on management forecasts for future business performance. Among other sources, external sources were used to analyse market growth and competitive factors. The average CAGR of revenue in the detailed planning phase (five years) amounts to 14.8% for the CGU NFON AG and to 45.0% for the CGU botario. The perpetuity rate reflects revenue growth of 1.5% (2023: 1.5%) and an EBIT margin of 31.1% (NFON AG) and of 48.1% (botario). This assumption corresponds to the Management Board's minimum growth expectations following the planning period. In the reporting year, this growth stands below the basic interest rate in effect as at the end of the reporting period. The discount rate used reflects the specific risks of the asset measured. It is calculated in accordance with the capital asset pricing model (CAPM). Accordingly, the equity costs are composed of the risk-free interest rate and a risk premium calculated as the difference between the average market return and the risk-free interest rate multiplied by the risk specific to the company (beta factor). The beta factor is derived from a group of comparable companies. In 2024, a post-tax discount rate of 12.91% was used as the basis for the CGU NFON AG (in the perpetuity rate of 11.41%) (2023: 11.07% or 9.57% in the perpetuity rate). The pre-tax discount rate for the reporting year amounts to 17.70% or to 16.20% in the perpetuity rate.

A post-tax discount rate of 15.91% was used for the botario CGU and 14.41% for the perpetuity rate. The pre-tax discount rate for the reporting year is 21.46% or 19.96% for perpetual annuity.

The present value of the cash-generating unit significantly exceeds its carrying amounts (including goodwill).

D. Acquired customer base/technology/ brand

The recognised customer base of EUR 4,207 thousand in the reporting year (31 December 2023: EUR 3,596 thousand) arises from the acquisition of botario GmbH as at 22 August 2024 as well as of DTS as at 1 March 2019. Amortisation in the reporting year amounted to EUR 422 thousand (2023: EUR 354 thousand).

The technology was recognised in the amount of EUR 1,683 thousand and amortised over ten years. Amortisation in the reporting year amounted to EUR 56 thousand. The brand was recognised at EUR 325 thousand and amortised over three years. Amortisation of EUR 36 thousand was incurred in 2024.

Overall, amortisation arising from realised hidden reserves amounted to EUR 515 thousand in the reporting year.

E. Capitalised development projects

Development expenses in the reporting year amounted to EUR 10,238 thousand (2023: EUR 10,065 thousand). Of this amount, EUR 2,476 thousand (2023: EUR 4,278 thousand) was capitalised under intangible assets.

The Group recognised impairment losses of EUR 250 thousand for internally developed products no longer in use for the financial year ended 31 December 2024 (31 December 2023: EUR 0 thousand).

The impairment testing method for development projects and internally developed software currently in development is as described under "Acquired goodwill". The basic assumptions and estimation uncertainties are identical. The average CAGR of revenue in the detailed planning period amounts to 16.5% (2023: 9.3%) and the EBIT margin in the perpetuity rate amounts to 29.7% (2023: 15.2%). The projects in development are tested for impairment at least once a year, as at 31 December.

If new functions or features are developed for development projects already completed and amortised, the development costs incurred to complete the feature are recognised under the capitalised development costs in development. After the feature is completed, the corresponding development costs are assigned to the development project to which the new feature relates.

8. Investments in associates

Investments in associates exclusively include the interest in Meetecho and show the unrecognised gains and losses as at the acquisition date recognised in the reporting year (EUR –16 thousand) and the pro rata result of the investment for the financial year 2024 (EUR 6 thousand). A dividend was not distributed. Among other products and services, Meetecho provides a key technology basis for the video functions marketed by the Group.

The financial information for Meetecho as at 31 December 2024 (31 December 2023) and for the financial year 2024 (2023) is as follows:

In EUR thousand	2024	2023
Current assets	824	798
Non-current assets	3	5
Current liabilities	97	301
Non-current liabilities	–	–
Revenue	707	724
Net profit for the year	25	96
Other comprehensive income	–	–
Total comprehensive income	**25**	**96**

9. Changes in deferred taxes

Deferred tax assets and liabilities are recognised on the basis of all temporary differences applying the liability method. Temporary differences arise between the tax base of assets and liabilities and their carrying amounts which are offset over time.

Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future positive taxable income will be generated, against which the temporary differences and tax losses can be offset. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carryforward of unused tax losses.

A. Deferred tax assets/liabilities

In EUR thousand	Financial year ended 31.12.2024			
	Deferred tax assets	Deferred tax liabilities	Changes in the current financial year	Thereof in profit or loss
Assets				
Non-current assets				
Property, plant and equipment	0	2,444	432	432
Intangible assets	2,568	5,306	4,282	4,282
Current assets				
Trade receivables	116	1	43	43
Other current assets	39	1	–7	–7
Liabilities				
Non-current liabilities				
Non-current financial liabilities	2,243	0	–404	–404
Current liabilities				
Current provisions	1	2	–19	–19
Current financial liabilities	457	0	82	82
Other current liabilities	52	5	–4	–4
Consolidation effects	–	920	–920	51
Subtotal of temporary differences	**5,476**	**8,679**	**3,485**	**4,456**
Tax loss carryforward	1,266	0	–4,066	–4,066
Subtotal of temporary differences	**6,742**	**8,679**	**–581**	**390**
Netting	–6,679	–6,679	0	0
Total temporary differences	**63**	**2,000**	**–581**	**390**

In EUR thousand	Financial year ended 31.12.2023 Deferred tax assets	Deferred tax liabilities	Changes in the current financial year	Thereof in profit or loss
Assets				
Non-current assets				
Property, plant and equipment	–	2,876	–1,130	–1,130
Intangible assets	4	7,024	–520	–520
Current assets				
Trade receivables	73	–	12	12
Other current assets	46	0	46	46
Liabilities				
Non-current liabilities				
Non-current financial liabilities	2,647	–	1,399	1,399
Current liabilities				
Current provisions	20	2	20	20
Current financial liabilities	379	4	–145	–145
Other current liabilities	51	–	–10	–10
Consolidation effects	–	–	28	28
Subtotal of temporary differences	**3,219**	**9,906**	**–301**	**–301**
Tax loss carryforward	5,334	0	1,163	1,153
Subtotal of temporary differences	**8,553**	**9,906**	**862**	**852**
Netting	–7,730	–7,730	0	0
Total temporary differences	**823**	**2,176**	**862**	**852**

B. Tax loss carryforward

No deferred tax assets are reported for trade tax loss carryforwards of EUR 80,884 thousand (31 December 2023: EUR 83,101 thousand) or for corporate income tax loss carryforwards of EUR 84,157 thousand (31 December 2023: EUR 86,124 thousand). Of the trade tax loss carryforwards, an amount of EUR 3,022 thousand relates to the reporting year and EUR 77,862 thousand to earlier periods. Of the corporation tax loss carryforwards, an amount of EUR 2,607 thousand relates to the reporting year and EUR 81,550 thousand to earlier periods. In the current financial year, trade tax loss carryforwards of EUR 1,926 thousand and corporation tax loss carryforwards of EUR 1,809 thousand from previously unrecognised tax losses were utilised. Due to the utilisation of previously unrecognised tax losses, the current income tax expense was reduced by EUR 605 thousand. The trade tax and corporation tax loss carryforwards for which no deferred tax assets were reported are generally not subject to any restrictions on use.

C. Uncertainty over income tax treatments

The Group is of the opinion that the provisions recognised for tax liabilities are appropriate for all outstanding tax years based on its assessment of multiple factors, including interpretations of tax law and past experience. In particular, we point out that various tax audits (operating taxes, payroll taxes and social security contributions) are conducted at regular intervals. Future taxation of any dividend distributions is currently at a flat rate withholding tax rate of 25.0% plus a solidarity surcharge on this amount of 5.5%.

D. Global minimum tax

Various global agreements have been reached to address concerns about uneven profit distribution and the uneven tax payments of large multinational enterprises, including an agreement between more than 135 countries to introduce a global minimum tax rate of 15%. In December 2021, the OECD published a draft legal framework, followed by detailed guidance in March 2022, which the individual countries that have signed the deal will use to amend their local tax laws. In Germany, the Global Minimum Taxation Act (MinStG) was passed by the Bundestag and Bundesrat in November/December 2023 and published in the Federal Gazette. This act will become effective for the first time for the financial years beginning after 30 December 2023. The Group is not subject to minimum tax as it has not yet reached the relevant revenue thresholds. Furthermore, none of the subsidiaries operate in countries where the statutory tax rate amounts to less 15%.

10. Inventories

Inventories amounted to EUR 105 thousand as at 31 December 2024 (31 December 2023: EUR 114 thousand). Inventories mainly comprise hardware, such as telephones. The Group typically has low levels of hardware on hand as hardware is shipped by suppliers "just in time" when requested by NFON based on customer orders. No material reserves for obsolete inventory were required in the periods presented.

The cost of materials includes expenses of EUR 2,412 thousand (previous year: EUR 2,310 thousand) for the procurement of hardware.

11. Trade receivables and other current financial assets

Trade receivables amounted to EUR 10,317 thousand as at the end of the reporting period (31 December 2023: EUR 8,966 thousand). This includes write-downs of EUR 503 thousand (31 December 2023: EUR 484 thousand). Expenses for bad debt losses and defaults of EUR 294 thousand were recognised in the reporting year (previous year: EUR 206 thousand).

Information about the Group's exposure to credit and market risks, impairment losses for trade and other receivables and changes in impairment can be found in note 13 – Financial instruments.

Other current financial assets amounted to EUR 726 thousand as at 31 December 2024 (31 December 2023: EUR 724 thousand). The item contains restricted cash due to the rights of recourse of banks for direct debits from customers.

12. Other (non-financial) assets, other (non-financial) liabilities and income tax liabilities

Other non-financial assets as at 31 December 2024 and 2023 were as follows:

	Financial year ended 31.12.	
In EUR thousand	2024	2023
Other current assets		
Contract assets	69	56
Tax receivables	90	237
Other prepaid expenses	1,940	1,726
Other non-financial assets	577	544
Subtotal other current assets	**2,676**	**2,564**
Other non-current assets		
Prepayments	389	292
Other	434	399
Subtotal other non-current assets	**823**	**691**
Other assets	**3,500**	**3,255**

Other non-financial liabilities as at 31 December 2024 and 2023 were as follows:

	Financial year ended 31.12.	
In EUR thousand	2024	2023
Other current (non-financial) liabilities		
Tax payables	1,500	1,433
Liabilities to employees	2,476	2,023
Contractual cash flows	328	352
Other non-financial liabilities	1,670	1,411
Subtotal other current (non-financial) liabilities	**5,975**	**5,219**
Other non-current liabilities		
Other	839	563
Subtotal other non-current (non-financial) liabilities	**839**	**563**
Other (non-financial) liabilities	**6,814**	**5,782**

The current income tax liabilities of EUR 1,758 thousand recognised as at 31 December 2024 (31 December 2023: EUR 812 thousand) mainly related to the reporting year.

13. Financial instruments

A. Accounting classifications and fair values

Fair value

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.

31.12.2024	Amortised cost			Fair value			
In EUR thousand	Fair value	Carrying amount	Total carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value							
Trade receivables	–	10,317	10,317	–	–	–	10,317
Other financial assets*	–	726	726	–	–	–	726
Cash and cash equivalents	–	12,995	12,995	–	–	–	12,995
Total financial assets not measured at fair value	**–**	**24,038**	**24,038**	**–**	**–**	**–**	**24,038**
Financial liabilities not measured at fair value							
Secured bank loan (short and long term)	–	5,000	5,000	–	–	–	–
Unsecured bank loans (short term)*	–	1,000	1,000	–	–	–	–
Trade payables	–	5,174	5,174	–	–	–	5,174
Lease liabilities (current and non-current)*	–	8,816	8,816	–	–	–	8,816
Total financial liabilities not measured at fair value	**–**	**19,990**	**19,990**	**–**	**–**	**–**	**19,990**
Financial liabilities measured at fair value							
Contingent liability (earn-out)	8,015	–	–	–	–	8,015	8,015
Total financial assets measured at fair value	**8,015**					**8,015**	**8,015**

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

31.12.2023	Amortised cost			Fair value			
In EUR thousand	Fair value	Carrying amount	Total carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value							
Trade receivables		8,966	8,966	–	–	–	–
Other financial assets*		724	724	–	–	–	–
Cash and cash equivalents		12,281	12,281	–	–	–	–
Total financial assets not measured at fair value		**21,971**	**21,971**	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value				**–**	**–**	**–**	**–**
Trade payables		4,963	4,963	–	–	–	–
Lease liabilities (current and non-current)*		9,901	9,901	–	–	–	–
Total financial liabilities not measured at fair value		**14,864**	**14,864**	**–**	**–**	**–**	**–**

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

The Group does not recognise any significant net gains or net losses from financial assets or liabilities in its statement of comprehensive income. In the reporting year, as in the previous year, the financial result did not include any interest expense calculated using the effective interest method in connection with financial liabilities not measured at cost.

Trade receivables

The carrying amount of trade receivables is typically approximately the same as their fair value due to their short maturities. All trade and other receivables outstanding as at the end of the reporting period are considered as current receivables having short-term maturities.

Trade payables

The carrying amount of trade payables generally approximates to fair value due to their short maturities. Trade and other payables outstanding as at the end of the reporting period are payable within 30 days of the end of the reporting period as per the terms of payment applicable to the company.

Bank borrowings

The carrying amount of the loan (secured and unsecured) corresponds approximately to its fair value.

Contingent purchase price obligation (earn-out)

The fair value of the contingent purchase price obligation (earn-out) is calculated as the present value of the weighted expected values of the individual tranches, discounted at a debt interest rate with an equivalent term. The contingent purchase price obligation (earn-out) outstanding on the reporting date is classified as either current or non-current according to its term. The following table shows the management's assessment of the target achievement of the respective earn-out tranches. These were weighted with a probability of occurrence and thereby result in the expected value per tranche. For the assessment of target achievement and the probability of occurrence, the management mainly took into consideration the provisions on target overachievement/underachievement agreed in the purchase agreement as well as the current monthly financial statements available at the time of acquisition and the forecasts for the earn-out period.

In EUR thousand	100% earn-out-tranches	Weighting in %	Target achievement in %	Earn-out tranche (not discounted)
		20	100	1,440
		70	140	2,016
	1,440	10	80	1,152
Weighted expected value 2024				**1,814**
		40	100	2,880
		40	135	3,888
	2,880	20	80	2,304
Weighted expected value 2025				**3,168**
		40	100	2,880
		40	130	3,744
	2,880	20	80	2,304
Weighted expected value 2026				**3,110**
Weighted expected value 2024–2026				**8,093**

In EUR thousand	Initial book value 01.09.2024	Book value 31.12.2024	Payment obligation at maturity
Payment due date			
30.06.2025	1,766	1,843	1,872
30.06.2026	2,983	3,017	3,168
30.06.2027	2,835	3,155	3,398
Total	**7,584**	**8,015**	**8,438**

Cash and cash equivalents

The fair value of cash and cash equivalents approximates its carrying amount where the cash is repayable on demand or is short term in nature.

Defaults

The Group did not report any defaults on payments of principal or interest, or other breaches on loans and borrowings, in the financial years 2024 or 2023.

B. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk (interest risks and currency risks)

Risk management framework

The Group's Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and to analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Through its training and management standards and procedures, the Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

General financial market risks

The Group is exposed to various financial market risks as part of its business activity.

If these financial risks materialise, this could have a negative impact on the Group's net assets, financial position and results of operations. The Group's Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and to analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group has developed guidelines for risk management processes and for the use of financial instruments. These include a clear separation of tasks with respect to financial activities, invoicing, financial reporting and associated controlling.

The Group actively monitors these risks using a risk management system.

1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables due from customers. The carrying amount of financial assets represents the maximum credit exposure.

The Group considers the management of the commercial credit risk to be critical in order to achieve its goals for sustainable growth of the business and the customer base in harmony with its risk management guidelines. Suitable processes have been established for management and monitoring of the credit risk. These include ongoing monitoring of the expected risks and the level of default. Special attention is paid to customers that could exert a significant effect on the consolidated financial statements and for which, depending on the business area and the type of business relationship, appropriate credit management instruments are used to limit credit risk.

Specific valuation allowances for financial assets and contract assets recognised in profit or loss (including losses on bad debts) were as follows:

In EUR thousand	2024	2023
Impairment losses on trade and other receivables		
Impairment losses on trade and other receivables (including contract assets)	165	117
Impairment losses on cash and cash equivalents*	–	–
Impairment losses on trade and other receivables	**165**	**117**

* Please see "Cash and cash equivalents" below.

Trade and other receivables

The Group's exposure to credit risk is primarily influenced by the individual characteristics of each customer. However, the management also considers the factors that could influence the credit risk of its customer base, including the default risk associated with the country in which customers operate.

After taking account of the specific valuation allowances recognised, the remaining exposure to credit risk for trade receivables by region was as follows as at 31 December 2024:

	Financial year ended 31.12.	
In EUR thousand	2024	2023
Countries		
Germany	8,260	7,011
United Kingdom	919	871
Austria and rest of Europe	1,584	1,439
Total maximum credit risk exposure	**10,763**	**9,322**

The Group obtains a credit rating for new customers from a credit rating agency. If a customer has a low rating, then at the initial stage the Group obtains a security deposit from such customer. The Group does not track the customer rating further, as the receivables are largely collected by direct debit. It is only possible that cash will not be received from trade receivables in cases where the customers have negative bank balances or where the customer's bank information is insufficient or incorrect.

No material contractual amounts are outstanding in connection with receivables that were written off in the reporting period and are still subject to enforcement and for which the payment of trade receivables is no longer being made.

Assessment of expected credit loss for customers as at 31 December 2024 and 2023

The Group calculates its expected credit losses (ECLs) using the simplified approach under IFRS 9. This approach requires the recognition of impairment amounting to the lifetime expected loss for all trade receivables. The Group uses an impairment matrix to compute the credit allowances for trade receivables, which comprise a large number of small balances. Under this approach, the Group uses information on past rates of default on its trade receivables and adjusts the past rates of default to reflect:

i. Information about current conditions
ii Reasonable and reliable forecasts of future economic conditions, including the anticipated macroeconomic environment

None of the trade receivables and contract assets are purchased or originated on a credit-impaired basis.

Loss rates are calculated using a roll-rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated for various geographical segments based on the term structure of receivables.

Amounts are written off when the customer is declared insolvent. For all other receivables from customers, the expected credit loss is calculated based on the loss rates described above.

The table on the right shows the credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2024.

Of the total receivables portfolio, EUR 84 thousand is impaired. The impairment losses attributable to these receivables amount to EUR 57 thousand.

31.12.2024	Gross carrying amount (in EUR thousand)	Loss rate (in %)	Impairment (in EUR thousand)
Germany			
Not past due	7,126	2.09	149
1–90 days past due	483	12.79	62
More than 90 days past due	613	31.03	181
Total trade receivables in Germany	**8,223**		**392**
United Kingdom			
Not past due	754	0.29	5
1–90 days past due	211	1.42	3
More than 90 days past due	23	17.55	4
Total trade receivables in United Kingdom	**988**		**12**
Other countries			
Not past due	1,229	0.93	10
1–90 days past due	268	3.45	9
More than 90 days past due	183	9.49	17
Total trade receivables in other countries	**1,680**		**37**
Grand total for receivables (not including impairment losses)	**10,890**		**440**
- thereof contract assets	69	0.29	–
Total for ECL-impairment losses	440		
Total for specific impairment losses	**57**		

The table on the right shows the credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2023.

Of the total receivables portfolio, EUR 175 thousand is impaired. The impairment losses attributable to these receivables amount to EUR 127 thousand.

31.12.2023	Gross carrying amount (in EUR thousand)	Loss rate (in %)	Impairment (in EUR thousand)
Germany			
Not past due	6,286	2.49	158
1–90 days past due	335	12.33	41
More than 90 days past due	514	16.39	84
Total trade receivables in Germany	**7,136**		**284**
United Kingdom			
Not past due	766	2.23	20
1–90 days past due	160	10.04	16
More than 90 days past due	0	100	0
Total trade receivables in United Kingdom	**926**		**36**
Other countries			
Not past due	1,154	1	11
1–90 days past due	130	3.51	4
More than 90 days past due	160	13.47	22
Total trade receivables in other countries	**1,444**		**36**
Grand total for receivables (not including impairment losses)	**9,506**		**356**
- thereof contract assets	56	2.23	–
Total for ECL-impairment losses	356		
Total for specific impairment losses	**127**		

Impairment losses arising from ECLs (excluding specific valuation allowances) on trade receivables report the following changes in the financial year 2024:

	Change in	
In EUR thousand	2024	2023
Expected credit loss on trade receivables		
Opening balance as at 01.01.	356	275
Net remeasurement	84	81
Amounts written off	–	–
Closing balance as at 31.12.	**440**	**356**

Concentrations of credit risk

Concentrations of risks are determined by the management based on amounts outstanding from individual customers as at the end of the period. As the Group operates throughout the whole of Europe and has a diversified customer structure, no significant concentrations of credit risk exist, with the exception of one customer, Telefónica Cybersecurity & Cloud Tech Deutschland GmbH. The net receivable due from this customer amounted to EUR 1,448 thousand as at 31 December 2024 (31 December 2023: EUR 903 thousand).

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 12,995 thousand as at 31 December 2024 (31 December 2023: EUR 12,281 thousand). Cash and cash equivalents are held with banks and financial institutions rated A- on the basis of ratings from Moody's, S&P Global and GBB.

Impairment on cash has been measured on a twelve-month expected loss basis and reflects the short terms of the risk exposures. NFON considers that its cash has low credit risk based on the external credit ratings of the counterparties.

2. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's liquidity management is designed to ensure sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. It must be ensured that no unacceptable losses are incurred and that the Group's reputation is not damaged.

The Group aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables). The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

In the financial year 2024, NFON AG raised a secured long-term bank loan with a carrying amount of EUR 5,000 thousand to finance the acquisition of botario GmbH from Bank für Tirol und Vorarlberg Aktiengesellschaft. The current portion as at 31 December 2024 amounts to EUR 334 thousand. Pursuant to the agreement, this bank loan runs until 31 August 2030 and is repayment-free until 31 August 2025. The interest rate on the loan was agreed with a fixed interest rate of 6.62% for three years. From 1 October 2027, the interest rate will be determined on the basis of money and capital market rates applicable at that time. The loan agreement contains covenants according to which in 2024, 2025, 2026 and 2027, respectively, minimum EBITDA and minimum revenue must be achieved nad/or complied with and which must be submitted to the bank together with the separate annual/consolidated financial statements no later than six months after the end of the reporting period. In the event of a breach, the bank is entitled to terminate the lending arrangement subject to a notice period of four weeks. The Group expects to fulfil the annual covenants within twelve months of the reporting date. The shares in botario GmbH were pledged to the bank as collateral for the loan.

On 19 August 2024 an additional agreement was concluded with Bank für Tirol und Vorarlberg (BTV) in relation to the money market credit line agreement dated 22 December 2021, which provides for a reduction of the existing credit line from EUR 5,000 thousand to EUR 2,000 thousand and a term until 30 November 2026. The money market credit line agreement is based on matched-term EURIBOR plus a margin (related to the time of utilisation). A commitment fee of 1.0% must be paid on the amount of the loan not utilised. In accordance with the loan agreement, certain covenants of NFON in 2024, 2025, 2026 and 2027 must be complied with. These are minimum EBITDA and minimum revenue which must be achieved or complied with and which must be submitted to the bank together with the separate annual/consolidated financial statements no later than six months after the end of the reporting period. In the event of a breach, the bank is entitled to terminate the lending arrangement subject to a notice period of four weeks. The Group expects to fulfil the annual covenants within twelve months of the reporting date. As of the 31 December 2024 reporting date, the money market line of credit was utilised in the amount of EUR 1,000 thousand.

The following table presents the contractual interest and payments for the Group's financial liabilities. The terms are based on the contractually agreed interest rates for the financial instruments. For all the financial liabilities listed below, contractual maturities are considered on an annual basis:

In EUR thousand	Carrying amount	Contractual cash flows	1 year or less	1–5 years	5 years and more
Financial liabilities					
Trade payables	5,174	5,174	5,174	–	–
Lease liabilities	8,816	10,137	1,950	5,078	3,109
Loan*	6,000	7,035	1,660	4,694	681
Contingent liability (earn-out)	8,015	8,438	1,872	6,566	–
Other	8	8	8	–	–
Total financial liabilities	**28,013**	**30,792**	**10,664**	**16,338**	**3,790**

* Contractual cash flows of secured bank loan of carrying amount EUR 5.000 thousand contains interest payments calculated under the assumption of a constant interest rate of 6.62% during the duration of this bank loan till 31 August 2030.

31.12.2023

In EUR thousand	Carrying amount	Contractual cash flows	1 year or less	1–5 years	5 years and more
Financial liabilities					
Trade payables	4,963	4,963	4,963	–	–
Lease liabilities	9,901	11,501	1,718	5,740	4,043
Total financial liabilities	**14,864**	**16,464**	**6,681**	**5,740**	**4,043**

3. Market risk

Market risk is the risk that changes in market prices, such as exchange rates or interest rates, will affect the value of financial instruments or the Group's earnings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which revenue, purchases, receivables, loans and other financial instruments are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are the euro, pound sterling (GBP) and Polish zloty (PLN). The currency in which these transactions are primarily denominated is the euro.

EXPOSURE TO CURRENCY RISK

The summary quantitative data on the Group's exposure to currency risk in GBP as reported to the Group's management is as follows:

	Financial year ended 31.12.	
In EUR thousand	2024	2023
Receivables subject to currency risks	5,817	5,776
Net exposure	**5,817**	**5,776**

The following rates have been applied:

	Spot rates		Average rates	
	As at 31.12.2024	As at 31.12.2023	2024	2023
GBP	1.206	1.151	1.183	1.153

SENSITIVITY ANALYSIS

A 10% depreciation/appreciation of the pound sterling would have increased/reduced equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the end of the reporting period and was applied to risk exposures existing at that date.

This analysis assumes that all other variables other than currency exchange rate remain constant.

	Profit or loss		Equity net of tax	
In EUR thousand	Appreciation (10% decrease)	Depreciation (10% increase)	Appreciation (10% decrease)	Depreciation (10% increase)
Sensitivity analysis for net exposure				
31.12.2024	–582	582	–571	571
31.12.2023	–578	578	–579	579

The summarised quantitative data on the Group’s exposure to currency risk in PLN is as follows:

	Financial year ended 31.12.	
in EUR thousand	2024	2023
Liabilities subject to currency risks	912	966
Net exposure	**912**	**966**

The following rates have been applied:

	Spot rates		Average rates	
	As at 31.12.2024	As at 31.12.2023	2024	2023
PLN	0.234	0.230	0.232	0.226

SENSITIVITY ANALYSIS

A 10% depreciation/appreciation of the Polish zloty would have increased/reduced equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the end of the reporting period and was applied to risk exposures existing at that date.

This analysis assumes that all other variables other than currency exchange rate remain constant.

	Profit or loss		Equity net of tax	
In EUR thousand	Appreciation (10% decrease)	Depreciation (10% increase)	Appreciation (10% decrease)	Depreciation (10% increase)
Sensitivity analysis for net exposure				
31.12.2024	91	–91	91	–91
31.12.2023	97	–97	95	–95

The net currency exposure results from EUR receivables (liabilities) of NFON UK and NFON Polska where the functional currencies are GBP and PLN, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market interest rates or that in the case of floating-rate liabilities, the interest rates and, consequently, the cash flows could change.

The Group was not exposed to material interest rate risk in the reporting year.

EXPOSURE TO INTEREST RATE RISK

With the exception of the money market loan utilised in the amount of EUR 1,000 thousand, all financial liabilities recognised as at the end of the reporting period (including as at 31 December 2023) have a fixed interest rate and are not subject to any interest rate risk. The bank loan taken out for financing purposes has a fixed interest rate until 30 September 2027 and is consequently not subject to any interest rate risk until this date.

14. Equity

Changes in the reporting year

Employee stock options increased capital reserves by EUR 144 thousand. The currency translation reserve rose by EUR 331 thousand. The consolidated profit for the year of EUR 710 thousand had a positive effect on the change in equity.

Issued capital and ordinary shares

As at 31 December 2024, NFON AG had issued 16,561,124 (31 December 2023: 16,561,124) ordinary bearer shares (no-par shares) with a notional interest in the share capital of EUR 1.00. The issued capital amounted to EUR 16,561 thousand as at 31 December 2024 (31 December 2023: EUR 16,561 thousand).

Each ordinary share entitles the bearer to one vote at the Annual General Meeting and to receive a dividend in the event of a distribution. Ordinary shares are not subject to any restrictions.

All issued and outstanding shares are fully paid in as at 31 December 2024 and 2023.

Capital reserves

The capital reserves contain the premium from issued shares and the transaction costs reimbursed by the then shareholders in connection with the IPO. The capital reserves were reduced by transaction costs recognised in connection with the placement of shares in conjunction with the IPO and capital increases. Furthermore, capital reserves include cumulative expenses for share-based payment transactions for certain members of the Management Board recognised as staff costs in previous periods, expenses from the employee stock option programmes recognised as staff costs in both the reporting period and the previous year, plus the equity component of the warrant bond issued in 2019.

The change in consolidated equity is shown in the statement of changes in equity.

Authorised capital

In accordance with the resolution of the Annual General Meeting on 24 June 2021, the Management Board is authorised until 23 June 2026, with the approval of the Supervisory Board, to increase the share capital of NFON AG on one or more occasions in one or more tranches by up to EUR 4,140,281 by issuing no-par bearer shares with profit participation rights from the start of the financial year in which they are issued in exchange for cash capital contributions or non-cash capital contributions (Authorised Capital 2021). As far as the law allows, deviating from this and from section 60 (2) of the German Stock Corporation Act (AktG), the Management Board, with the approval of the Supervisory Board, can stipulate that the new shares can participate in profits from the start of a financial year that has already elapsed for which there had not yet been a resolution by the Annual General Meeting concerning the appropriation of net profit at the time that they were issued. Shareholders have pre-emption rights, as a matter of principle. The new shares can also be acquired by one or more banks with the obligation to offer them to shareholders for subscription (indirect pre-emption rights). The Management Board is authorised, with the approval of the Supervisory Board, to decide the content of share rights and the terms for issuing shares, and to determine the details of the capital increase and, with the approval of the Supervisory Board, to disapply shareholder pre-emption rights in the following cases:

- to avoid fractional shares;
- if shares are issued in return for non-cash capital contributions to acquire companies, investments in companies, parts of companies or other assets, including rights and receivables, and

- the new shares for which shareholders' pre-emption rights have been disapplied do not exceed 20% of the share capital as at 24 June 2021, at the time this authorisation becomes effective or at the time it is exercised;
- to the extent necessary, to grant pre-emption rights to new shares to bearers and creditors of convertible bonds or bonds with warrants that are, or have been, issued by the company or subordinate Group companies in the amount they would be owed after exercising their option and conversion rights or fulfilling the conversion obligation; and
- if the capital is increased in return for cash capital contributions, the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is finalised, and the new shares for which shareholders' pre-emption rights have been disapplied do not exceed 10% of the share capital as at 24 June 2021, at the time this authorisation becomes effective or at the time it is exercised.

Contingent capital

On the basis of the authorisation of the Annual General Meeting on 9 April 2018, in order to secure the pre-emption rights from stock options (pre-emption rights as referred to by section 192 (2) no. 3 AktG) issued between 9 April 2018 and 8 April 2023, the share capital of NFON AG was contingently increased by up to EUR 964,015 against the issue of up to 964,015 new bearer shares (Contingent Capital II). Contingent Capital II was reduced to EUR 708,229 by way of resolution of the Annual General Meeting on 24 June 2021.

The Annual General Meeting on 24 June 2021 authorised the Supervisory Board and the Management Board (with the approval of the Supervisory Board) until the end of 23 June 2026, albeit not before Contingent Capital 2021 becomes effective on being entered in the commercial register (which occurred on 28 June 2021), to grant up to 947,883 stock options with pre-emption rights to shares in the company with a term of up to ten years in one or more tranches to be issued annually (2021 stock option plan, Contingent Capital 2021/1). The stock options are exclusively intended for members of the Management Board of the company and employees of the company, as well as the members of management and employees of affiliated companies as referred to by sections 15 and 17 AktG. Contingent Capital 2021/1 was reduced to EUR 375,000 by way of resolution of the Annual General Meeting on 30 June 2023.

The Annual General Meeting on 30 June 2023 authorised the Supervisory Board and the Management Board (with the approval of the Supervisory Board) until the end of 29 June 2028, albeit not before Contingent Capital 2023 becomes effective on being entered in the commercial register (which occurred on 21 June 2023), to grant up to 572,883 stock options with pre-emption rights to shares in the company with a term of up to seven years in one or more tranches to be issued annually (2023 stock option plan, Contingent Capital 2023/1). The stock options are exclusively intended for members of the Management Board of the company and employees of the company, as well as the members of management and employees of affiliated companies as referred to by sections 15 and 17 AktG.

Contingent Capital II amounts to EUR 708,229 as at 31 December 2024 (31 December 2023: EUR 708,229). Contingent Capital 2021/1 amounts to EUR 375,000 as at the end of the reporting period (31 December 2023: EUR 375,000). The new Contingent Capital 2023/1 created in the financial year 2023 amounts to EUR 572,883 as at the end of the reporting period.

Loss carryforward

The loss carryforward contains losses incurred in previous years.

Currency translation reserve

Other comprehensive income serves to recognise differences from the translation of the financial statements of foreign Group companies into the Group currency.

Voting rights

In 2024, NFON AG published the following notifications in accordance with section 33 (1), section 38 (1) and section 40 of the German Securities Trading Act (WpHG) on the Group's website:

Type of notification	Date of report	Reason for notification	Details of reporting party	Name of shareholders	Date on which threshold was breached	Total voting rights	Details of voting rights held
Correction of publication dated 11 April 2023 pursuant to section 40 (1) WpHG	25 January 2024	Correction of publication of 11 April 2023 Other reason: Voluntary Group notification due to a subsidiary breaching the threshold	Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany	n/a	31 March 2023	Total shares: 8.28%, of which: Shares of voting rights: 8.28% Shares of instruments: 0.00%	**Voting rights** (section 34 WpHG) attributed 1,371,003 or 8.28%
Correction of publication dated 21 April 2024 pursuant to section 40 (1) WpHG	2 July 2024	Other reason: Voluntary Group notification	Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany	GANÉ Investment-AG mit Teilgesellschaftsvermögen	31 March 2023	Total shares: 8.28%, of which: Shares of voting rights: 8.28% Shares of instruments: 0.00%	**Voting rights** (section 34 WpHG) attributed 1,371,003 or 8.28%
Section 40 (1) WpHG	11 July 2024	n/a	GANÉ Advisory GmbH Registered office, country: Gräfelfing, Germany	GANÉ Investment-AG mit Teilgesellschaftsvermögen	31 March 2023	Total shares: 6.29%, of which: Shares of voting rights: 6.29% Shares of instruments: 0.00%	**Voting rights** (section 34 WpHG) attributed 1,041,244 or 6.29%
Section 40 (1) WpHG	8 October 2024	Other reason: Voluntary Group notification due to a subsidiary breaching the threshold	Florian Schuhbauer Date of birth: 24 April 1975	Active Ownership Fund SICAV-SIF SCS AOC Cloud S.à r.l.	1 October 2024	Total shares: 29.54%, of which: Shares of voting rights: 29.54% Shares of instruments: 0.00%	**Voting rights** (section 34 WpHG) attributed 4,891,538 or 5.96%

Capital management

The Group aims to maintain and expand a strong capital base in order to preserve the trust and confidence of investors, creditors and the markets and to ensure the Group's sustainable development and growth through both organic and inorganic growth.

No dividend is distributed at present.

15. Share-based payments

In the reporting year and in previous years, NFON issued stock options to the members of the Management Board of NFON AG (group 1), managing directors of affiliated companies (group 2) as well as to selected employees of NFON AG (group 3) and selected employees of affiliated companies (group 4) (2018 stock option plan, 2021 stock option plan and 2023 stock option plan).

The group of beneficiaries is regulated individually in each case. Following the resolution by the Annual General Meeting on 9 April 2018 (2018 stock option plan), 31% – 298,845 pre-emption rights – were issued to group 1, 11% – 106,042 pre-emption rights in total – to group 2, 42% – 404,886 pre-emption rights in total – to group 3 and 16% – 154,242 pre-emption rights in total – to group 4.

The composition of the 2021 stock option plan (as approved by the Annual General Meeting on 24 June 2021) is as follows: group 1 beneficiaries receive a combined maximum of 33%, in other words, 312,802 stock options and the resultant pre-emption rights. Group 2 beneficiaries receive a combined maximum of 10%, in other words, 94,788 stock options and the resultant pre-emption rights. Group 3 beneficiaries receive a combined maximum of 41%, in other words, 388,632 stock options and the resultant pre-emption rights. Group 4 beneficiaries each receive a combined maximum of 16%, in other words, 151,661 stock options and the resultant pre-emption rights.

The composition of the 2023 stock option plan (as approved by the Annual General Meeting on 30 June 2023) is as follows: group 1 beneficiaries receive a combined maximum of 250,000 stock options and the resultant pre-emption rights. Group 2 beneficiaries receive a combined maximum, 100,000 stock options and the resultant pre-emption rights. Group 3 beneficiaries receive a combined maximum, 200,000 stock options and the resultant pre-emption rights. Group 4 beneficiaries receive a combined maximum, 22,883 stock options and the resultant pre-emption rights.

The exact group of beneficiaries and the scope of the respective offer are defined by the Management Board with the approval of the Supervisory Board or, if the Management Board is affected, by the Supervisory Board.

All pre-emption rights from the above programmes have a vesting period of four years. The total term of the 2018 stock option plan and the 2021 stock option plan is ten years and that of the 2023 stock option plan is five years. The stock options under the 2018 stock option plan can only be exercised in the event of a 20% increase in revenue as reported in the consolidated financial statements for the financial year in which the options are allocated, compared to the revenue as reported in the consolidated financial statements for the previous financial year prior to allocation. A cap in accordance with section 4.2.3 of the German Corporate Governance Code is also intended for members of the Management Board. The exercise restriction over the four-year vesting period of the 2021 stock option plan does not apply outright, rather it only applies to recurring and organic revenue growth. An increase in recurring revenue of at least 15% is required for the first year and at least 20% in each of the following three years (in each case year-on-year). Stock options under the 2023 stock option plan can only be exercised if the relevant reference price exceeds the exercise price by more than 60% if exercised after at least 48 months from the allocation date, by more than 75% if exercised after at least 60 months from the allocation date and by more than 90% if exercised after at least 72 months from the allocation date, irrespective of whether all or only some of the stock options can actually be exercised at the relevant time, taking into consideration the blocking periods, and the EBIT according to the IFRS consolidated financial statements on the last reporting date prior to the exercising of stock options is positive and amounts to at least 110% of the positive EBIT according to the IFRS consolidated financial statements on the penultimate reporting date prior to the exercising of stock options. The "relevant reference price" in this case is the unweighted arithmetic mean of the closing prices for company shares of the same class in Xetra trading on the Frankfurt Stock Exchange during the last ten trading days prior to the day on which the pre-emptive rights arising from the stock options are exercised.

The stock options are non-transferable. This does not affect the stock options in the event of the death of the beneficiary. If the beneficiary leaves employment at the company or an affiliated company due to age without being terminated, all rights from the options remain unaffected. Disability, incapacity and early retirement are considered equivalent to departure due to age. For Management Board members, the expiry and non-renewal of their appointment is considered equivalent to departure due to age. If an employment contract between the beneficiary and the company or a company of the NFON Group has ended as a result of termination by the beneficiary or ordinary termination by the company, the beneficiary can exercise their options exercisable at the termination date immediately within 60 calendar days of the end of the employment contract; this period is extended by any days on which the options cannot be exercised due to the lock-up period. Any options that have not been exercised by then expire without replacement. Non-exercisable options expire without replacement at the termination date. In the event of a mutually agreed cancellation of the employment contract between the beneficiary and the company or a company of the NFON Group, the Management Board can decide with the approval of the Supervisory Board – or, if group 1 beneficiaries are concerned, the Supervisory Board can decide – whether and to what extent options will remain in place; it can also be determined that options that are not yet exercisable at the termination date will remain in place. In the event of delisting, the beneficiary has the right under the statutory provisions to demand that the company or its legal successor pays out the option value for each option.

In accordance with the option conditions, each pre-emption right from stock options entitles the holder to subscribe to one no-par-value share in the company. The option conditions also govern the term, the relevant exercise price (subscription price), vesting periods and lock-up periods.

The fair value of the options is calculated based on a binomial model. The weighted average fair value of the options granted in the reporting year was EUR 6.21 at the measurement date (2023 stock option plan). The following calculation parameters were used for the new options issued in the reporting year:

	2024
Weighted average exercise price*	EUR 6.21
Weighted expected volatility	40.0%
Term	5 years
Weighted risk-free interest rate	2.41%

* Corresponds to the weighted average arithmetic mean of the closing prices of the company's shares in Xetra trading on the Frankfurt Stock Exchange on the last ten trading days before the stock options were issued.

Only options from the 2024 stock option plan were issued in 2023.

Volatility refers to fluctuations in the share price compared to the average price for the period. Expected volatility was calculated based on the past share price performance in each case (historical volatility).

An expected average turnover rate of 0% was assumed for the beneficiary members of the Management Board. The expected turnover rate for other beneficiary employees in the 2023 stock option plan is 30%. The options from the 2021 stock option plan expired in previous years. The vesting period for the options from the 2018 stock option plan expired as at the end of the reporting period.

The risk-free interest rate was calculated based on the interest on risk-free investments with a corresponding term.

When calculating the fair value of the options, it was assumed that no dividend would be distributed.

The change in the number of outstanding options is shown in the tables below:

	Number of options		Weighted average exercise price in EUR	
	2024	2023	2024	2023
Options granted as at 31.12.	1,512,729	1,466,729	11.07	10.95
Thereof new in the reporting year	109,000	347,500	6.21	7.52
Options exercised	n/a	n/a	n/a	n/a
Options forfeited	401,500	220,500	9.28	9.78
Thereof new in the reporting year	181,000	93,500	8.68	8.60
Options expired	389,000	389,000	17.21	17.21
Thereof new in the reporting year	n/a	n/a	n/a	n/a
Outstanding options as at 31.12.	722,229	857,229	8.75	8.41
Thereof exercisable options	390,229	553,229	8.90	8.88

The average remaining contractual term of the options outstanding as at the end of the reporting period is five years as at 31 December 2024 (31 December 2023: five years). The range of exercise prices of the options outstanding as at 31 December 2024 is between EUR 6.20 and EUR 11.04 (31 December 2023: between EUR 7.1 and EUR 14.31).

Expenses recognised in connection with share-based payments amounted to EUR 144 thousand in the reporting year. This expense amounted to EUR 67 thousand in the previous year.

16. Provisions

In EUR thousand	Carrying amount as at 01.01.2024	Additions	Utilisation	Reversal	Carrying amount as at 31.12.2024
Current provisions					
Personnel-related provisions	838	163	819	7	175
Other provisions	2,280	2,570	2,026	147	2,678
Total	**3,118**	**2,734**	**2,845**	**154**	**2,853**

In EUR thousand	Carrying amount as at 01.01.2023	Additions	Utilisation	Reversal	Carrying amount as at 31.12.2023
Current provisions					
Personnel-related provisions	296	823	277	4	838
Other provisions	2,014	2,143	1,740	137	2,280
Total	**2,310**	**2,966**	**2,017**	**141**	**3,118**

Other provisions mainly comprise provisions for outstanding invoices and sales commissions of EUR 862 thousand (31 December 2023: EUR 991 thousand) as well as provisions for the audit of the separate annual and consolidated financial statements of EUR 645 thousand (31 December 2023: EUR 576 thousand).

Provisions for personnel mainly include severance payments, a levy for severely disabled persons and contributions to occupational health and safety agencies as at the end of the reporting period.

For all provisions, the cash outflow is expected in the following year. All provisions are based on the best possible estimate of the amount as at the end of the reporting period.

17. Interest-bearing liabilities

Interest-bearing debt is as follows at the end of the reporting period:

	Financial year ended 31.12.	
In EUR thousand	2024	2023
Current financial liabilities		
Lease liabilities	1,675	1,418
Loan	1,333	–
Contingent liability (earn-out)	1,843	–
Other	8	–
Subtotal current financial liabilities	**4,859**	**1,418**
Non-current financial liabilities		
Lease liabilities	7,141	8,483
Loan	4,667	–
Contingent liability (earn-out)	6,172	–
Subtotal non-current financial liabilities	**17,979**	**8,483**
Total financial liabilities	**22,838**	**9,901**

Credit facilities

With the following exceptions, the Group has no outstanding loans in reference to revolving credit facilities.

On 19 August 2024, an additional agreement was concluded with Bank für Tirol und Vorarlberg (BTV) in relation to the money market credit line agreement dated 22 December 2021, which provides for a reduction of the existing credit line from EUR 5,000 thousand to EUR 2,000 thousand and a term until 30 November 2026. The interest rate is based on matched-term EURIBOR plus a margin (related to the time of utilisation) of 2.750%. A commitment fee of 1.0% must be paid on the amount of the loan not utilised. NFON must comply with certain financial covenants according to the loan agreement. Please see note 13 – Financial instruments, section 2 Liquidity risk.

Lease liabilities

Please see the information on leases in note 18 – Leases.

Type of change in financial liabilities

	Financial year ended 31.12.	
In EUR thousand	2024	2023
As at 01.01.	9,901	5,862
Non-cash change	8,774	6,012
Cash change	4,162	–1,973
As at 31.12.	**22,837**	**9,901**

18. Leases

The Group rents office space, vehicles and other operating and office equipment and bicycles. The term of the lease agreements is typically between three and ten years. If these are short-term leases, the Group does not recognise right-of-use assets or lease liabilities. The associated expenses are recognised in cash flow from operating activities. With regard to the lease liabilities expensed as financial liabilities, the Group recognises the corresponding payments in cash flow from financing activities in the consolidated statement of cash flows. For some contracts, the Group has decided to agree a lease extension option to give it a range of operational options on a short-term basis.

For further details, please see note 6 – Right-of-use assets from leases.

Lease liabilities

The non-current lease liabilities shown in the following table have remaining durations of more than one year, the current lease liabilities have remaining durations of less than one year.

	Non-current financial liabilities as at 31.12.		Current financial liabilities as at 31.12.		Total as at 31.12.	
In EUR thousand	2024	2023	2024	2023	2024	2023
Land and buildings	6,897	8,064	1,347	1,068	8,244	9,132
Vehicles	216	379	306	331	522	710
Operating and office equipment and bicycles	29	40	21	19	50	59
Total	**7,141**	**8,483**	**1,675**	**1,418**	**8,816**	**9,901**

Amounts recognised in the income statement:

In EUR thousand	2024	2023
Leases in accordance with IFRS 16		
I. Amounts recognised in the income statement		
Income from subleasing right-of-use assets, recognised in other operating income	70	120
Interest expenses for lease liabilities (recognised in finance result)	375	217
Expenses for short-term leases	343	252
II. Amounts recognised in the cash flow statement		
Total cash outflows in connection with leases	1,838	1,901

19. Revenue

A. Nature of goods or services

The principal activities from which the Group generates its revenue are described below:

The Group principally generates revenue from telephone services. Most of the contracts entered into by the Group pertain to telephone services with or without hardware sales and other services.

Products and services	Nature and timing of satisfaction of obligation
Recurring revenue	Recurring services are typically settled by monthly payments of a fixed licence fee per seat or platform service, as well as fixed or volume-dependent usage fees for voice minutes and SIP trunk services. **Month-to-month contracts:** Telephone services are performed over time, in other words, in the month of service for which the customer has concluded an agreement. **Contracts for 12 months:** Platform services are predominantly invoiced for a 12-month period in the month in which the offer is accepted by the customer. Based on the services provided, NFON invoices its customers on either a monthly or a 12-month basis in advance. For the majority of customers, direct debit is used to collect monies due. If direct debit is agreed, cash is received with the direct debit run following the month the service was provided. Revenue is recognised when the respective performance obligations are fulfilled, in other words, in the month when the telephone service is provided or the platform services are rendered for the customer. **Long-term contracts:** Monthly telephone services are performed over time, in other words, over the term of the minimum contract duration (such as 24 months). Based on the services provided, NFON invoices its customers on a monthly basis. For the majority of customers, direct debit is used to collect monies due. If direct debit is agreed, cash is received with the direct debit run following the month the service was provided. Revenue is recognised over time when the respective performance obligations are fulfilled. The amount of revenue is based on the allocation of the transaction price to the performance obligations on the basis of the relative standalone selling prices. The total transaction price determined at the inception of a contract is allocated to the performance obligations known from the outset (such as a monthly flat rate for airtime). Revenue for such performance obligations is recognised over the life of the contract on a straight-line basis which best reflects the revenue for each month of the contact. For services which vary over the contact term, revenue is recognised when the service is provided, such as in the month when airtime on a per-minute basis is used by the customer.

Products and services	Nature and timing of satisfaction of obligation
Non-recurring revenue	**Hardware:** Revenue is recognised at the point in time control transfers to the customer. **Activation of the port:** Activating the port results in an extension of the Group's network and does not transfer goods or services to the customer. As a consequence, activation of the port does not constitute a separate performance obligation. **Porting of existing numbers/set-up of new geographical phone numbers** The customer cannot choose to not purchase this porting activity without significantly affecting the monthly telephone services. As a consequence, it is not considered a separate performance obligation. **Consulting services, training services:** Revenue is recognised at the point in time when the training is performed, or over the period the consulting service is rendered. However, such training and services are minimal relative to other services and products. **Software development:** Revenue is recognised as soon as the development services are rendered or over the period in which the software development is rendered. Based on the products or services provided, NFON invoices its customers on a monthly basis. The customer pays through direct debit or wire transfer in the month following the month when the performance obligation is fulfilled. Revenue on hardware is recognised when the hardware is delivered and all risks and rewards of ownership are transferred to the customer. Revenue for other non-recurring services is recognised when the services are rendered, such as in the month when the training is provided to the customer. Where a service is not considered a performance obligation, the consideration received is allocated to the performance obligations of the contract and recognised as revenue accordingly. For all non-recurring revenue, the respective cash is received in the middle of the month following the respective transaction.

Customer contracts that can comprise both recurring and non-recurring services or products mostly do not have a minimum contract duration (month-to-month contracts). For such contracts, the management assumes that the contract term is at least one month, as the customer has the right to cancel on a monthly basis. For this reason, the actual contract duration cannot be estimated reliably at the inception of the contract.

For long-term contracts, in other words, contracts with minimum contract duration, at the contract inception NFON determines the total consideration payable by the customer over the life of the contract based on the fees that can be estimated reliably. The Group also determines the performance obligation of each service/product, calculates the relative standalone selling price for each performance obligation based on the list prices and allocates the relative standalone selling prices to the performance obligations over the life of the contract.

B. Composition of revenue

The following table shows segment revenue analysed by recurring and non-recurring revenue from products/services. As in the previous year, all revenue in the reporting year derived from contracts with customers.

In EUR thousand	2024	2023
Product/service		
Recurring revenue		
NFON AG*	62,220	60,523
botario GmbH	538	–
NFON GmbH	8,161	7,339
NFON UK Ltd.	7,755	7,128
NFON Iberia SL	462	476
NFON Italia S.r.l.	1,175	948
NFON France SAS	360	343
NFON Polska Sp. z o.o.	463	376
Consolidated recurring revenue	**81,133**	**77,133**
Non-recurring revenue		
NFON AG	2,467	2,836
botario GmbH	1,411	–
NFON GmbH	1,412	1,256
NFON UK Ltd.	744	821
NFON Iberia SL	8	7
NFON Italia S.r.l.	118	226
NFON France SAS	20	42
NFON Polska Sp. z o.o.	23	18
Non-recurring consolidated revenue	**6,202**	**5,206**
Consolidated revenue	**87,336**	**82,339**

* In the financial year 2024, Deutsche Telefon Standard GmbH (100%-owned subsidiary) merged with NFON AG.

C. Contract balances

The following table provides information on receivables, contract assets and contract liabilities from contracts with customers.

	Financial year ended 31.12.	
In EUR thousand	2024	2023
Receivables included in trade receivables	10,317	8,966
Contract assets	69	56
Contract liabilities	328	352

The contract assets, which are reported under other assets in the statement of financial position, mainly relate to the Group's rights to the consideration for work completed but not yet billed in the reporting period. When the respective customers are invoiced, the relevant amounts are reclassified to trade receivables. No impairment losses in connection with contract assets were recognised in the reporting periods shown.

The contract liabilities from long-term contracts, which are presented under other liabilities in the statement of financial position, mainly relate to the advance consideration received from customers for services at the inception of the contract (such as activation fees and porting of numbers) which do not classify as a separate performance obligation and are recognised as part of the contractual performance obligations over time. In 2024, as in 2023, no revenue was recognised due to adjustments of performance obligations recognised in previous years.

Given the rolling nature of the long-term contracts and on the basis of materiality aspects, all contract assets and contract liabilities are classified as current assets and liabilities, respectively. NFON receives upfront payments (such as for activation of the port and for porting of existing numbers/set-up of new geographical numbers) which are not allocated to separate performance obligations. Long-term contracts do not include a significant financing component.

	2024					2,025
In EUR thousand	01.01.	Reversal	New	New reversal	31.12.	Reversal
Contract assets	56	34	62	15	69	33
Contract liabilities	352	263	345	106	328	267

	2023					2024
In EUR thousand	01.01.	Reversal	New	New reversal	31.12.	Reversal
Contract assets	74	51	43	9	56	33
Contract liabilities	341	282	401	108	352	267

D. Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future in connection with the performance obligations not (or only partially) fulfilled in the reporting period. This mainly relates to future revenue from fixed-price components under long-term contracts (i.e. bundles).

	Financial year ended 31.12.	Recognition		
In EUR thousand	2024	2,025	2026	2027 and subsequent years
Unsatisfied allocated transaction price to performance obligations	5,893	3,539	2,055	297
Share	100%	60%	35%	5%

E. Costs to obtain a contract

In the NFON Group, nearly all customer contracts can be terminated a month-to-month basis. For these contracts, the NFON Group applies the practical expedient in IFRS 15, and expenses the incremental costs of obtaining a contract when incurred. Commissions under such contracts amounted to EUR 11,781 thousand in 2024 (previous year: EUR 11,364 thousand) and are recognised in other operating expenses in the consolidated income statement.

The management expects that commission paid to its partners for obtaining the whole contract can be invoiced to the customer over the contract's term.

For long-term contracts, these costs are amortised on a straight-line basis over the non-cancellable contract term, as this reflects the period over which NFON transfers products and services to the customers. Whenever the contract term is more than twelve months, the Group capitalises commissions as contract costs. These amounted to EUR 1 thousand as at 31 December 2024 (31 December 2022: EUR 1 thousand).

20. Other operating income

In EUR thousand	2024	2023
Other operating income		
Non-cash employee-related benefits	365	427
Miscellaneous other income	338	497
Total other operating income	**703**	**924**

Examples of non-cash employee-related benefits include charges to employees for car usage. An amount of EUR 7 thousand (previous year: EUR 89 thousand) of miscellaneous other income relates to foreign currency gains. A further EUR 70 thousand (previous year: EUR 120 thousand) of miscellaneous other income relates to income from subletting office space.

21. Staff costs and employees

Staff costs are composed as follows:

In EUR thousand	2024	2023
Wages and salaries	27,811	28,602
Social security contributions	5,822	5,800
Share-based payment plans*	144	67
Expenses for pensions and other benefits	134	137
Other staff costs	1,380	311
Total	**35,292**	**34,917**

* Equity-settled.

Expenses for pensions and other benefits mainly relate to the company's payments to defined contribution plans (contributions to state plans), which are expensed as the related service is rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

In 2024, the average number of employees was 409 and the average number of managers was 13 (previous year: 439 and 14).

22. Other operating expenses

In EUR thousand	2024	2023
Other operating expenses		
Sales commission	11,981	11,694
Marketing expenses	3,858	4,369
Consulting expenses	2,828	2,208
General administration	1,828	1,519
IT expenses	3,080	3,007
Other staff costs	2,248	2,474
Travel expenses	1,231	1,379
Rental costs	971	1,251
Support costs	474	393
Selling costs	49	68
Currency translation expenses	268	112
Total other operating expenses	**28,818**	**28,474**

As sales commissions represent a percentage share of revenue generated through distribution partners or dealers, the increase in the financial year 2024 was mainly due to the increase in total revenue overall as well as to the higher share of revenue generated through partner channels.

The decrease in marketing expenses is primarily the result of realigned marketing activities with a focus on cooperation with sales partners.

In the previous year, consulting expenses of EUR 645 thousand primarily included one-time expenses in connection with the acquisition of botario GmbH.

The rental costs primarily include incidental rental costs of EUR 628 thousand.

Other staff costs mainly include costs for freelancers in the R&D area.

23. Income taxes

A. Amounts recognised in profit and loss

Current taxes on the profit or loss for the year are recognised as an expense in the consolidated income statement with any changes in provisions for deferred taxes.

Tax on the result for the year

	Financial year ended 31.12.	
In EUR thousand	2024	2023
Current tax income (expense)	–1,580	–949
Deferred tax income/expense	390	851
Income tax income/expense	**–1,190**	**–97**

The current tax expense for the reporting year amounts to EUR 1,580 thousand, including EUR 55 thousand in taxes from previous years. The deferred tax income of EUR 2,286 thousand derives from the adjustment of deferred taxes on temporary differences. In the reporting year, a slightly lower level of deferred tax assets arose compared with the previous year. The significantly lower deferred tax assets on loss carryforwards have increased deferred tax assets from temporary differences, due to goodwill recognised on the tax balance sheet. As a consequence, the deferred tax assets recognised on loss carryforwards in the previous year were reduced by EUR 4,066 thousand and expensed. This led to total deferred tax income of EUR 390 thousand.

B. Amounts recognised in other comprehensive income

No transactions leading to deferred taxes in other comprehensive income occurred either in the reporting period or in the previous year.

C. Reconciliation of effective tax rate

In Germany, the calculation of current tax is based on a combined tax rate of 32.14% for the Group. This consists of a corporate tax rate of 15%, a solidarity surcharge on this of 5.5% and an average trade tax rate of 16.31%.

In EUR thousand	2024	2023
Profit before tax from continuing operations	1,899	–705
Taxes using the company's domestic tax rate of 32.14%	–610	226
Tax effect on:		
Differences due to different tax rates	99	–304
Non-deductible expenses	–137	–155
Trade tax add-backs	–86	–80
Impact from DTS merger	2,112	–
Adjustments for previous years	49	211
Losses for which no deferred tax assets are recognised	–	–1,820
Adjustments for current taxes of previous years	–55	–268
Use of tax loss carryforwards for which no deferred tax assets were recognised in the previous year	600	21
Change in realisability of deferred tax assets and tax credits	–2,979	2,071
Tax effect from permanent differences	–173	–21
Other	–8	21
Current income taxes	**–1,190**	**–97**
Current tax income (expense)	–1,580	–949
Deferred tax income/expense	390	851
Income tax income/expense	**–1,190**	**–97**

The reconciliation to current tax is significantly influenced by the change in deferred taxes due to the merger of DTS in the reporting year. The adjustments for previous years mainly include actual taxes in connection with the merger of DTS. In addition, a lower level of deferred tax assets on loss carryforwards was recognised in the reporting year. The tax rates used locally by the Group companies range between 19% and 32.14%.

24. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year after taxes attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding in the period.

Diluted earnings per share are calculated by recognising earnings after tax attributable to the ordinary shareholders of the parent company, the weighted average number of ordinary shares outstanding in the reporting period and the effects of any dilutive effects inherent in converting potential ordinary shares.

Earnings per share as shown in the table below reflect the earnings from continuing operations.

In EUR thousand	2024	2023
Profit (loss) for the year attributable to the owners of the parent for basic earnings per share	710	–802
Profit (loss) for the year attributable to the owners of the parent for diluted earnings per share	710	–802

Quantity	2024	2023
Weighted average number of ordinary shares for basic earnings per share	16,561,124	16,561,124
Weighted average number of ordinary shares for diluted earnings per share	16,561,124	16,561,124

In EUR	2024	2023
Earnings per share		
Basic earnings	0.04	–0.05
Diluted earnings	0.04	–0.05

25. Transactions with related companies and persons

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

A. Summary of transactions with related parties

The table below shows transactions with related parties with the exception of the remuneration of members of the Management Board and the Supervisory Board. Unless stated otherwise, related parties are companies with significant influence over NFON AG.

	Transaction values	
In EUR thousand	2024	2023
Sales of goods and services and other income*	12	18

* Of this, EUR 0 thousand (2023: EUR 0 thousand relates to transactions with members of the Management Board and their affiliated companies and EUR 12 thousand (2023: EUR 18 thousand) to transactions with members of the Supervisory Board and their affiliated companies.

	Transaction values	
In EUR thousand	2024	2023
Purchases of goods and services and other expenses*	329	287

* Of this, EUR 0 thousand (2023: EUR 34 thousand) thousand euros relates to transactions with members of the Management Board and their affiliated companies and EUR 329 thousand (2023: EUR 253 thousand) thousand euros to transactions with members of the Supervisory Board and their affiliated companies.

	Balance outstanding as at 31.12.	
In EUR thousand	2024	2023
Trade receivables*	1	8

* These exclusively relate to receivables from members of the Supervisory Board and their affiliated companies.

	Balance outstanding as at 31.12.	
In EUR thousand	2024	2023
Liabilities*	33	11

* Of this, EUR 0 thousand (2023: EUR 0 thousand) relates to liabilities to members of the Management Board and their affiliated companies and EUR 33 thousand (2023: EUR 11 thousand) to liabilities to members of the Supervisory Board and their affiliated companies.

All transactions with these related parties must be settled in cash within two months of the end of the reporting period. None of the balances are secured. No material expense has been recognised in the current year or the previous year for bad or doubtful debts in respect of amounts owed by related parties.

Sales of goods and services and other income include cloud-based services provided to related parties. Purchases of goods and services and other expenses mainly include the services provided by companies controlled by related parties.

Various members of the Management Board and the Supervisory Board or parties related to these individuals hold positions in other companies which result in them controlling these companies or exercising a material influence over these companies.

A number of these companies conducted business with the Group in the reporting year.

From time to time, members of the Management Board or the Supervisory Board, or their related parties, may purchase goods and services from the Group or sell goods and services to the Group.

In principle, such transactions are realised on an arm's-length basis. However, members of the Management Board and the Supervisory Board and their related parties may benefit from "Family&Friends" terms as customers of NFON if they are not offered even more favourable terms as "Premium Partners" (with the same terms as other "Premium Partners").

B. Executive bodies and remuneration

1. The Management Board

The members of the Management Board are:

Management Board	Place of residence	Function and profession	Other mandates
Patrik Heider	Munich	CEO, degree in business administration	–
Andreas Wesselmann	Wilhelmsfeld	CTO, Master of Business Administration, graduate mathematician	–

Pursuant to section 314 (1) no. 6 a sentence 1 to 3 HGB, the Management Board received remuneration of EUR 1,656 thousand in the reporting year (previous year: EUR 1,625 thousand). In the reporting year, this included grant values for share-based payments of EUR 243 thousand (previous year: EUR 227 thousand).

A total of 100,000 (previous year: 100,000) stock options were granted in the reporting year. In accordance with IFRS regulations, Management Board remuneration is as follows:

In EUR thousand	2024	2023
Management Board remuneration		
Short-term remuneration	1,413	1,399
Total share-based remuneration (long-term incentive)	95	14
Total remuneration of members of management	**1,507**	**1,413**

In the reporting year, former Management Board member Jan-Peter Koopmann received a total fixed salary of around EUR 93 thousand. In 2023, former members of the Management Board Klaus von Rottkay and Jan-Peter Koopmann received fixed salaries totalling around EUR 252 thousand and variable remuneration of around EUR 127 thousand in 2023 in accordance with the provisions of their termination agreements.

The short-term remuneration for the members of the Management Board includes salaries and bonus payments.

2. Supervisory Board

The members of the Supervisory Board of NFON AG were as follows as at 31 December 2024:

Supervisory Board	Function	Profession
Rainer Christian Koppitz	Chairman	CEO of KATEK SE (until February 2024), entrepreneur, Munich
Günter Müller	Deputy Chairman	Executive Chairman of ASC Technologies AG, Hösbach
Dr Rupert Doehner		Lawyer, Managing Director of RECON Rechtsanwaltsgesellschaft mbH, Munich
Florian Schuhbauer		Managing Director of Active Ownership Capital S.à r.l. and Active Ownership Corporation S.à r.l., Grevenmacher, Luxembourg

In addition to his Supervisory Board work for NFON AG, Rainer Koppitz also serves as the Chairman of the Supervisory Board of CENIT AG, Stuttgart. Florian Schuhbauer is also the Deputy Chairman of the Supervisory Board of vita 34 AG, Leipzig, and a member of the Supervisory Board of PNE AG, Cuxhaven.

The following remuneration was recognised for the members of the Supervisory Board:

In EUR thousand	2024	2023
Supervisory Board remuneration		
Basic remuneration	215	215
Attendance fee	32	20
Total remuneration of members of the Supervisory Board	**247**	**235**

26. Segment information

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

The 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 adjusted for indirect intercompany transfers. EBITDA is earnings before interest, taxes, depreciation, amortisation and impairment in accordance with IFRS. Non-recurring effects in the period that are considered extraordinary are adjusted for in reported EBITDA.

Revenue by reportable segments 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. In this context, the business cost allocations are included in Contribution Margin 2, while tax transfer pricing requirements are presented outside Contribution Margin 2. The NFON Group comprises a total of nine operating segments. Of these, eight are operating segments with external revenue and are shown separately below as reportable segments. The eight operating segments are NFON AG, NFON GmbH, NFON UK Ltd., NFON Iberia SL, NFON Italia S.r.l., NFON France SAS, NFON Polska Sp. z o.o. and botario GmbH.

The source of the revenue of all segments is described in note 2 (Significant accounting policies) Q – Revenue – and note 18 (Revenue).

A. Revenue and Contribution Margin 2 by reportable segment

In EUR thousand	2024	2023
Revenue		
NFON AG*	64,687	63,358
botario GmbH	1,949	–
NFON GmbH	9,573	8,595
NFON UK Ltd.	8,498	7,949
NFON Iberia SL	469	483
NFON Italia S.r.l.	1,294	1,174
NFON France SAS	379	385
NFON Polska Sp. z o.o.	487	394
Total revenue of the reportable segments	**87,336**	**82,339**
Reconciliation	–	–
Total revenue	**87,336**	**82,339**

* In the financial year 2024, Deutsche Telefon Standard GmbH (100%-owned subsidiary) merged with NFON AG.

In EUR thousand	2024	2023
Contribution Margin 2		
NFON AG*	9,348	8,637
botario GmbH	1,266	–
NFON GmbH	2,247	1,120
NFON UK Ltd.	617	–121
NFON Iberia SL	6	–46
NFON Italia S.r.l.	–902	–1,164
NFON France SAS	–185	–251
NFON Polska Sp. z o.o.	–265	–334
Total Contribution Margin 2 by reportable segment	**12,132**	**7,841**
Other segments	193	208
Reconciliation	–1,492	–1,251
EBITDA	**10,833**	**6,798**
Addback:		
Depreciation and amortisation	–8,178	–7,322
Net interest income/expenses	–746	–190
Expenses from associates (py.: income)	–9	8
Income tax expense	–1,190	–97
Net profit/loss for the period	**710**	**–802**

* In the financial year 2024, Deutsche Telefon Standard GmbH (100%-owned subsidiary) merged with NFON AG.

Internal reporting is based on IFRS and adjusted EBITDA. Adjusted EBITDA is calculated by subtracting non-operating costs and one-time expenses ("non-recurring effects") from EBITDA.

The reconciliation effects as at 31 December 2024 in the amount of EUR 1,492 thousand are attributable to non-recurring effects adjusted in the internal reporting.

The reconciliation effects of EUR –1,251 thousand as at 31 December 2023 include EUR –1,554 thousand in non-recurring effects adjusted for in internal reporting and EUR 303 thousand in consolidation effects and subsequent entries in the consolidated financial statements following presentation of management reporting.

The adjusted non-recurring effects primarily relate to the following items:

- M&A activities: EUR 645 thousand
- Merger/integration of DTS: EUR 392 thousand
- Stock options: EUR 144 thousand
- Expenses relating to other accounting periods: EUR 202 thousand

B. Revenue by product/service

A description of the Group's products and services can be found under note 18 – Revenue. Each of the reportable segments presented above offers recurring and non-recurring products and services.

In EUR thousand	2024	2023
Product/service		
Recurring revenue	81,134	77,133
Non-recurring revenue	6,202	5,205
Total revenue	**87,336**	**82,339**

C. 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.

1. Revenue with external customers

In EUR thousand	2024	2023
Revenue		
Germany	65,581	62,220
Austria	9,573	8,595
United Kingdom	8,498	7,949
Italy	1,294	1,174
Netherlands	684	726
Poland	486	394
Spain	469	483
France	379	385
Switzerland	370	412
Total revenue	**87,336**	**82,339**

2. Non-current assets

The table below shows non-current assets other than financial instruments, investments in associates and deferred taxes.

In EUR thousand	2024	2023
Non-current assets		
Germany	61,327	46,354
Portugal	108	228
Austria	332	507
Poland	154	204
United Kingdom	238	364
Italy	60	84
Spain	3	10
France	0	1
Total non-current assets	**62,222**	**47,753**

D. Major customers

The Group does not have any significant customer concentration. No single external customer accounted for 10.0% or more of the Group's total revenue.

27. Consolidated statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7. The cash and cash equivalents reported in the consolidated statement of cash flows correspond to the "cash and cash equivalents" item in the statement of financial position and exclusively comprise short-term cash at banks. Cash flows from investing and financing activities are calculated directly; cash flow from operating activities is derived indirectly on the basis of the profit/loss after taxes. In the context of the indirect calculation, the recognised changes in balance sheet items are adjusted to reflect foreign currency translation effects. For this reason, they cannot be reconciled with the corresponding changes on the basis of the published consolidated statement of financial position.

28. Contingencies and commitments

Based on the application of IFRS 16 and the associated capitalisation of right-of-use assets from leases with a term of more than twelve months together with their recognition as financial liabilities, leases with a useful life of less than twelve months are presented below. The corresponding minimum lease payments amount to EUR 394 thousand as at 31 December 2024 (31 December 2023: EUR 305 thousand).

In April 2017, the company entered into a parent company guarantee agreement whereby NFON AG, as the guarantor, guarantees to one of its partners, British Telecommunications plc, all payments that become payable by its subsidiary NFON UK. The probability of utilisation is considered to be very low, as NFON UK has sufficient cash funds to service its current liabilities to British Telecommunications plc.

An agreement exists with Meetecho under which Meetecho renders consulting services for NFON for a period of five years. This continues to result in a total obligation on the part of NFON of EUR 165 thousand.

The Group may be subject to litigation, claims as well as governmental and regulatory proceedings arising in the ordinary course of business. In such cases, the Group recognises a provision for these matters when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. While uncertainties are inherent in the final outcome of these matters, the Group believes, after consultation with legal advisers, that the outcome of these proceedings will not have a material adverse effect on the Group's net assets, financial position and results of operations or cash flows.

29. Other disclosures

A. Auditor's fee

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, a member of the German Chamber of Public Accountants in Berlin, has been the statutory auditor of both the company and the Group since 2018.

The following fees were recognised for the statutory auditor in 2024 and 2023:

In EUR thousand	2024	2023
Audit of the financial statements	538	483
Other assurance services	29	42
Other services	–	87

Fees for the audit of the financial statements related to the audit of both the consolidated financial statements and the separate annual financial statements of NFON AG.

The other assurance services related to ISO/IEC 27001 and ISO 9001 certifications in the reporting year.

B. List of shareholdings

	Share	Net income 2024 (in EUR thousand)	Equity (in EUR thousand)
NFON GmbH, St. Pölten, Austria	100.00%	324	2,211
NFON UK Ltd., Maidenhead, United Kingdom	100.00%	620	7,761
NFON Iberia SL, Madrid, Spain	100.00%	–53	–1,168
NFON Italia S.r.l., Milan, Italy	100.00%	29	620
NFON France SAS, Paris, France	100.00%	8	32
NFON Developments Lda., Lisbon, Portugal	100.00%	36	294
NFON Polska Sp. z o.o., Warsaw, Poland	100.00%	–142	–634
botario GmbH, Bremen, Germany	100.00%	843	1,383
Meetecho S.r.l., Naples, Italy	24.90%	25	514

The figures shown for net income and equity are based on the figures from the IFRS reporting packages (HB II) prepared by the subsidiaries for the purposes of preparing these consolidated financial statements. The separate annual financial statements of Meetecho S.r.l. were prepared in accordance with local accounting regulations and were included in the consolidated financial statements using the equity method.

30. Events after the reporting period

NFON opened a location in the Republic of Kosovo in February 2025. Similar to the subsidiary in Portugal, the new location serves exclusively as a hub for administrative and development activities and does not generate any external revenue on a long-term basis. For this reason, it will not be recognised as a separate reportable segment in the future. The opening of this location has no significant effect on the company's results of operations, financial position and net assets.

No other events of particular significance occurred at NFON after the end of the reporting period as at 31 December 2024 that have a major impact on the Group's results of operations, financial position and net assets, and an effect on financial accounting and reporting.

31. Proposal for the appropriation of the parent company's earnings

It is proposed that the parent company's net income be carried forward to a new account.

32. Declaration of compliance with the German Corporate Governance Code

The Management and Supervisory Boards have submitted the declaration of compliance with the German Corporate Governance Code required in accordance with section 161 of the German Stock Corporation Act and have published it on the corporate website.

Munich, 9 April 2025

NFON AG
The Management Board

Patrik Heider
Chief Executive Officer

Andreas Wesselmann
Chief Technology Officer

04 Further information

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Declaration of the Management Board

To the best of our knowledge, we declare that, in accordance with applicable financial reporting principles, the annual financial statements give a true and fair view of the company's net assets, financial position and results of operations, and the management report of the company, which is combined with the Group management report, provides a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Munich, 9 April 2025

Patrik Heider
Chief Executive Officer

Andreas Wesselmann
Chief Technology Officer

Reproduction of the independent auditor's report

Based on the results of our audit, we have issued the following unqualified auditor's report:

Independent Auditor's Report

To NFON AG, Munich

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of NFON AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including significant information on the accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter the "group management report") of NFON AG for the financial year from January 1 to December 31, 2024.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the Appendix to the Independent Auditor's Report.

The group management report contains references not required by law. In accordance with German legal requirements, we have not audited the content of the cross-references specified in the Appendix to the Independent Auditor's Report or the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) (hereinafter referred to as "IFRS Accounting Standards") as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2024, and of its financial performance for the financial year from January 1 to December 31, 2024, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the Appendix to the Independent Auditor's Report. The group management report contains references not required by law. Our opinion does not extend to the cross-references specified in the Appendix to the Independent Auditor's Report or the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Existence of recurring revenue

Please refer to Sections 20 and 19 in the notes to the consolidated financial statements for further information on the accounting policies applied.

THE FINANCIAL STATEMENT RISK

In financial year 2024, NFON AG reported recurring revenue of EUR 81.1 million in the consolidated financial statements.

In particular, monthly fees and minute-based voice tariffs contribute to recurring revenue. NFON AG reported a share of recurring revenue to total revenue of 92.9% for financial year 2024.

The predominant part of the services of the NFON Group is rendered via the cloud and depends on factors such as the number of extensions and the number of voice minutes, which are recorded by the Company's IT system and invoiced monthly.

Accordingly, beyond the Company's system records, there is in many cases no external proof of services rendered. Customers are entitled to a right of objection typically of eight weeks, after which the invoiced services are considered to have been accepted.

There is the risk for the financial statements that the recurring revenue is invoiced without effective acceptance of services performed and is thus overstated.

OUR AUDIT APPROACH

As a provider of publicly accessible telecommunication services in Germany, the Company is required to ensure the accuracy of invoicing and the correctness of remuneration of data processing facilities by a quality assurance system and to have this audited regularly (Section 45g of the German Telecommunications Act [TKG]). We considered the corresponding audit reports in order to obtain an overview of the process in place for revenue recognition. We assessed the design, implementation and effectiveness of the established internal control that monitors the actual existence of contractual relationships with customers.

We checked potential objections by customers within the respective deadlines and, taking a statistical approach, obtained confirmations from the customers for selected revenue.

Based on the receipts of payment of the year under review recorded in bank accounts, we calculated the expected value of revenue for the full financial year and analyzed any deviations from the amount of revenue recognized.

OUR OBSERVATIONS

NFON AG's approach for recognizing recurring revenue is appropriate.

Other Information

The Management Board and/or the Supervisory Board are/is responsible for the other information. The other information comprises the components of the group management report specified in the Appendix to the Independent Auditor's Report, whose content was not audited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The Management Board is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control or of these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business segments within the Group to provide a basis for our opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Management Board in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the

"ESEF documents") contained in the electronic file „NFON AG KA 31.12.2024.zip" (SHA256-Hashwert: 0fb9990e393b8a-4ba340675a9361a12a971165f1b98edf19f1fb28cacbe2941f) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2024, contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

The Company's Management Board is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Management Board is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor of the consolidated financial statements at the Annual General Meeting on June 28, 2024. We were engaged by the Audit Committee on September 27, 2024. We have been the auditor of the consolidated financial statements of NFON AG without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be entered in the German Company Register [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Rainer Rupprecht.

Munich, April 10, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Rupprecht	[signature] David
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor]	German Public Auditor]

Appendix to the independent auditors' report: Group management report components and cross-references not audited for content

We did not audit the following components of the group management report for content:

- the combined corporate governance statement for the Company and the Group included in the "Governance" section of the group management report,
- the remuneration report included in the "Governance" section of the group management report,
- the following information extraneous to management reports. Information extraneous to group management reports is information that is neither required pursuant to Sections 315, 315a and/or Sections 315b to 315d HGB nor German Accounting Standard GAS 20.
  - In the section "Group Business Profile" of the subsection "Business model":
    - / Number of customers
    - / Number of countries where customers are based
    - / Percentage customer breakdown by direct customers from dealer partners/distributors and customers via wholesale partners
    - / Number of partners
    - / Number of countries in which NFON provides telephone numbers
    - / Number of countries in which NFON has telecommunication licenses

We did not audit the content of the cross-references in the group management report not required by law and the information to which the cross-references refer:

- Cross-reference to the "Trust Center" on NFON AG's company website, as well as information referred to by the cross-reference
- Cross-references to the "sustainability report" and the "sustainability statement", as well as the information to which the cross-references refer
- All cross-references to the domain "corporate.nfon.com" and the information to which the cross-references refer

Independent Auditor's Assurance Report on the Examination of the Remuneration Report pursuant to Section 162 (3) AktG

To NFON AG, Munich

Opinion

We have formally examined the remuneration report of NFON AG, Munich, for the financial year from January 1 to December 31, 2024, to determine whether the disclosures pursuant to Section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with Section 162 (3) AktG, we have not examined the content of the remuneration report.

In our opinion, the accompanying remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 (1) and (2) AktG. Our opinion does not cover the content of the remuneration report.

Basis for the Opinion

We conducted our examination of the remuneration report in compliance with Section 162 (3) AktG taking into account the IDW Assurance Standard: Examination of the remuneration report pursuant to Section 162 (3) AktG (IDW AsS 870 (09.2023)). Our responsibilities under this regulation and this standard are further described in the "Auditor's Responsibilities" section of our assurance report. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1) (09.2022). We have complied with our professional duties pursuant to the German Public Accountants Act [WPO] and the Professional Charter for Auditors/Chartered Accountants [BS WP/vBP], including the independence requirements.

Responsibilities of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. In addition, they are responsible for such internal controls as they have determined necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 (1) and (2) AktG, and to issue an assurance report that includes our opinion.

We planned and performed our examination to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have not examined whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

Handling Potential Misrepresentations

In connection with our examination, our responsibility is to read the remuneration report by taking into account the findings of the audit of the financial statements and, in doing so, remain alert for indications of misrepresentations in the remuneration report to determine whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

If, based on the work we have performed, we conclude that there is such misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Munich, April 10, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Rupprecht	[signature] David
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Glossary

Average revenue per user (ARPU) – This is a blended ARPU, which means that the average is taken across all products, channels and regions. Blended ARPU is calculated as the recurring revenue for the period in question divided by the total number of active seats (seat base) for the period in question. Monthly fees with SIP trunks are not seat-based. An SIP trunk is counted toward the number of voice channels sold. To avoid diluting the ARPU figure, recurring revenues from monthly fees with SIP trunks are therefore deducted. However, sold voice minutes from SIP trunks are counted because these could also be generated on conversion into seats as part of a targeted medium-term migration to cloud PBX.

BSI C5 – The BSI C5 certificate refers to a certification procedure of the Federal Office for Information Security (BSI) in Germany. It is used by cloud service providers as verification that they meet certain security requirements. The abbreviation “C5” stands for “Cloud Computing Compliance Criteria Catalogue” and includes criteria that are relevant to the security of cloud services.

Business applications – Software products used in the administration of businesses and organisations, such as enterprise resource planning systems (ERP systems).

Business Support System (BSS) – In the telecommunications industry, the Business Support System is used to manage contractual relationships with customers/suppliers/partners, managing products and resources and for billing.

Channel – Sales channel, here, especially indirect sales via partners.

Churn – Churn refers to the customer deactivation/termination rate.

Churn rate – NFON measures the extent of subscriber deactivations in a certain period, in our case monthly, on the basis of the gross deactivation/termination rate. We define the gross deactivation rate as the number of seats lost in a certain period divided by the total number of seats at the end of the period. As a rule, we calculate the gross churn rate on a monthly basis. We include both contract terminations and unterminated contracts under which no seat has been activated for six months.

Cloud – The cloud refers in general to a group of remote computers and servers that are connected over the internet and can jointly provide resources such as storage, processing power and applications. Users can access these resources via the internet without having to physically access hardware or infrastructure. The cloud enables users and businesses to scale and use data and applications quickly and flexibly without having to take responsibility for the administration and maintenance of the underlying infrastructure.

Compliance – This is an important component of corporate governance and is understood to refer to compliance with laws and directives as well as voluntary codes within the company.

Communication platform – A communication platform is a software or online platform that enables users to communicate and interact with one another in real time. These platforms typically offer functions such as messaging, voice and video calls, file transfer and real-time collaboration. Communication platforms are used by individuals, businesses and organisations to enable effective internal and external communication and optimise business processes. Examples of communication platforms are Slack, Microsoft Teams, Zoom, Skype and WhatsApp.

Compound annual growth rate (CAGR) – This is the annual growth rate.

Contact Centre as a Service (CCaaS) – CCaaS is a Software as a Service(SaaS)-based application that helps customer service organisations to fully manage customer interactions across many communication channels (multichannel or omnichannel).

Contact centre solutions – A contact centre is a central unit of a company or organisation responsible for the management of incoming and outgoing communication. It is a place where customer enquiries and problems can be dealt with via various channels such as telephone, e-mail, chat, social media, etc. Contact centres typically use specialised software tools such as customer relationship management (CRM) systems, ticketing systems and automated telephony systems to manage and optimise interaction with customers. The objective of a contact centre is to promote customer satisfaction and loyalty and to make customer support more effective and efficient.

CSR Directive Implementation Act (CSR-RUG) – The CSR Directive Implementation Act (CSR-RUG) is the German implementation of the European Non-Financial Reporting Directive (NFRD).

Customer relationship management (CRM)

CXO – Derived from the designations used to denote the highest management functions of a company. The C stands for chief, the O for officer. Since there can be different chief officer functions in a company, the X stands for the variable. In the case of NFON, until the end of 2024 these were the Chief Commercial Officer (CCO), the Chief Sales Officer (Germany) (CSO) and the Chief Product Officer (CPO).

Dealer partners – Trading partner

Digital subscriber line (DSL) – This refers to a range of transfer standards of the physical layer, whereby data can be transmitted and received at high speeds (up to 1,000 Mbps) via simple copper lines such as the subscriber line.

Distributors – Distribution refers to the distribution of goods or services from a manufacturer or supplier to end customers or retailers.

EBITDA – Earnings before interest, taxes, depreciation and amortisation.

EBITDA adjusted/adj. – Adjusted EBITDA is calculated by subtracting non-operating and/or one-time expenses, such as expenses for stock options, from EBITDA.

Employee stock option plan (ESOP) – The employee stock option plan is a programme that enables employees to acquire shares in their own company.

Enterprise resource planning (ERP) – Enterprise resource planning describes the business task of planning, managing and administrating staff, resources, capital, equipment, materials, and information and communication technology in a timely and needs-based manner in line with the corporate purpose.

Environment, social, governance (ESG) – This refers to factors that investors and businesses consider in order to assess E-, S- and G-related risks and opportunities. ESG measures ecological and social impact and how a business is run. ESG is an analytical approach that uses data to assess businesses according to these factors. It is generally used to evaluate companies and investments.

ISO 27001 – ISO 27001 is an international standard for information security management systems (ISMS). It defines requirements for the management of information security in organisations and aims to identify, assess and deal with risks to ensure the confidentiality, integrity and availability of information. Companies that receive ISO 27001 certification have demonstrated that they have implemented appropriate security controls and measures to protect information and to manage the risks associated with information security.

ISO 9001 – ISO 9001 is an internationally recognised standard for quality management systems. It defines the requirements for effective quality management in organisations and offers a framework for the continuous improvement of processes, products and services. Companies that receive ISO 9001 certification have demonstrated that they have established a quality management system that is focused on customer orientation, process optimisation and continuous improvement.

Key performance indicator (KPI) – KPIs are used to measure specific developments and trends in a company.

Multi-factor authentication – Multi-factor authentication is an authentication method that requires users to provide two or more verification factors to gain access to a resource such as an application, an online account or a VPN.

On-premise – On-site.

Private branch exchange (PBX/cloud PBX) – Private branch exchange is a general term for a telephony system for businesses that offers multiple incoming and outgoing lines, call forwarding, voicemail and call management functions. If this is operated over a cloud, this telephony system is referred to as a "cloud PBX".

Seat – A seat is a telephone extension installed with a customer.

Seat base – The seat base is the total number of seats and licences used by customers. NFON always calculates the seat base as at the end of the reporting period, e.g. 31 December.

Single sign-on – Single sign-on refers to the use of a single authentication process to gain access to services, applications or resources. It replaces individual login procedures with different types of user data and relies on a universal user identity.

SIP trunk technology – SIP trunking refers to a telephone line or system connection that is provided via an IP connection using the standard protocol SIP (Session Initiation Protocol). This technology enables companies to transmit telephone calls via the Internet Protocol (IP) instead of conventional telephone lines. By utilising a broadband internet connection, businesses can make and receive calls without the need for separate physical phone lines.

Software as a Service (SaaS) – Software as a Service (SaaS) is a cloud computing model that makes software applications available over the internet. In contrast to traditional software solutions, in which users have to install and run software on their own computers, SaaS applications can be used directly via web browser.

Symmetric digital subscriber line (SDSL) – A symmetric digital subscriber line is a DSL technology that provides access to a public digital network.

Unified Communications (UC)/Unified Communications as a Service (UCaaS) – Unified Communications are an integrated solution that combines various communication methods in one platform to improve collaboration and information exchange. UC systems enable users to use various communication channels such as voice, video, chat, e-mail and collaboration in real time via a single interface.

UC also integrates various functions such as voice and video calls, teleconferences, messaging and file transfer in a single application or platform. Through the integration of communication channels and functions, UC offers a seamless and efficient way to collaborate and improves the productivity and effectiveness of teams and organisations.

Unified Communications & Collaboration (UCC)/Unified Communications & Collaboration as a Service (UCCaaS) – Unified communications is usually offered together with collaboration functions. These include sharing screens, collaborating on a single document and shared use of software such as whiteboards. See also "Unified Communications".

UCCaaS is a Software as a Service(SaaS)-based application that offers programs in the UCC area as a service. See also "Unified Communications" and "Unified Communications & Collaboration".

Voice channels – "Voice channels" in a SIP trunk refer to the number of simultaneous voice connections that can be handled via this trunk. A single voice channel enables simultaneous communication between two parties.

White label – The term "white label" refers to products and services that are not marketed by a manufacturer or provider under the actual core brand, but have the same quality characteristics as the original.

Wholesale distributor – A wholesale distributor has further wholesale partners or their own network of wholesale partners to market NFON's services. See also "Distributors".

Abbreviations

AI	Artificial intelligence
AktG	Aktiengesetz; German Stock Corporation Act
AOC	Active Ownership Capital
ARPU	Average revenue per user
BNetzA	Bundesnetzagentur, German Federal Network Agency
BSI	German Federal Office for Information Security
BSS	Business Support System
CAGR	Compound annual growth rate
CCaaS	Contact Centre as a Service
CC Hub	Contact Centre Hub
CGU	Cash-generating unit
CMS	Compliance management system
CRM	Customer relationship management
CSR-RUG	German CSR Directive Implementation Act
DCGC	German Corporate Governance Code
DRS 20	German Accounting Standard No. 20
DSL	Digital subscriber line
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECB	European Central Bank
ERP	Enterprise resource planning
ESG	Environment, social, governance
ESOP	Employee stock option plan
ESRS	European Sustainability Reporting Standards
EU	European Union
FTE	Full-time equivalents
GDP	Gross domestic product
GRI	Global Reporting Initiative
HC	Head count
HGB	Handelsgesetzbuch; German Commercial Code
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICS	Internal control system
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IfW	Kiel Institute for the World Economy
IMF	International Monetary Fund
KPI	Key performance indicator
LTI	Long-term Incentive
ML	Machine learning
MWh	Megawatt hour
PBX	Private branch exchange
R&D	Research and development
RMS	Risk management system
SaaS	Software as a Service
SDG	Sustainable Development Goal
SDSL	Symmetric digital subscriber line
STI	Short-term Incentive
TKG	Telekommunikationsgesetz; German Telecommunications Act
UC	Unified Communications
UCaaS	Unified Communications as a Service
UCC	Unified Communications & Collaboration
UCCaaS	Unified Communications & Collaboration as a Service
UX	User experience
VoIP	Voice over Internet Protocol
VPN	Virtual Private Network
WpHG	Wertpapierhandelsgesetz; German Securities Trading Act
WpÜG	German Securities Acquisition and Takeover Act

Financial calendar **2025**

22 May 2025

Quarterly statement January – March 2025

26 June 2025

Annual General Meeting of NFON AG

21 August 2025

Half-year financial report 2025

20 November 2025

Quarterly statement January – September 2025

corporate.nfon.com/en/investor-relations/financial-calendar

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The NFON Group maintains an extensive presence on various social media channels: Facebook, LinkedIn and YouTube. Our company blog **blog.nfon.com** also provides valuable insights, specialist articles and all the latest news.

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