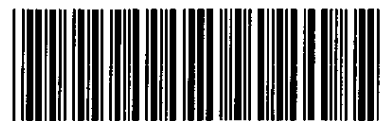


Company Registration No. 07085757 (England and Wales)

INFOBIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

MONDAY



ABDD3HSW

A14

26/09/2022

#45

COMPANIES HOUSE

INFOBIP LIMITED

COMPANY INFORMATION

Directors	I Jelenic R Kutic S Kutic A Kusurin M Baburic P C Schorr IV
Company number	07085757
Registered office	5th Floor 35-38 New Bridge Street London EC4V 6BW
Auditor	BDO LLP 55 Baker Street London W1U 7EU

INFOBIP LIMITED**CONTENTS**

	Page
Strategic report	1 - 5
Directors' report	6 - 9
Directors' responsibilities statement	10
Independent auditor's report	11 – 13
Group profit and loss account	14
Group statement of comprehensive income	15
Group balance sheet	16
Company balance sheet	17
Group statement of changes in equity	18
Company statement of changes in equity	19
Group statement of cash flows	20
Notes to the financial statements	21 - 54

INFOBIP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

Infobip is a global cloud communications platform that enables businesses to build connected customer experiences across all stages of the customer journey at scale, with easy to use and contextualized interactions over customers' preferred channels. Accessed through a single platform, Infobip's omni-channel engagement, identity, user authentication, security, and contact centre solutions help clients and partners overcome the complexity of consumer communications, grow their business, and increase loyalty.

Revenues increased by €507m (72%) compared with 2020. Gross profit also increased by €114m (81%). Adjusted EBITDA decreased by €27m and the group reported a statutory loss of €155m, compared with statutory loss of €38m in 2020, due to continued investment in technology and people, as well as significant non-cash expenses (€102m) below EBITDA.

Investing in future growth, the group's average headcount increased by 862 (37%) to a full year average of 3,179. Around 350 were added by acquiring OpenMarket and Anam, and others were hired to strengthen R&D and sales, as well as back office functions to support future transactions and corporate activity. The group does not yet elect to capitalise internal development and expanded investment in research and development, which has increased €32m over 2020 (organically and M&A), has directly impacted the result for the year. 2021 continued to be year of expansion for Infobip, across both revenues and market share, growing at steady pace.

Infobip continued investing in expanding partnerships with key messaging chat application companies, extending its reach by adding additional both regional and global chat applications in its portfolio. Investments in this segment, further fuel growth across Infobip's key markets, as businesses are looking to meet consumers in the places where consumers spend their time.

At the end of 2021, Infobip launched Exchange. Exchange is a marketplace which allows customers to easily browse, select, and implement applications and integrations built on top of Infobip platforms by 3rd party ISVs. These value-adds streamline communication between Infobip solutions and external tools like CRM, ticketing, and marketing platforms. Infobip continues to expand its partner network. In 2021, we have reached partnership agreements with Microsoft, Oracle, Adobe, Freshworks and others. On-going partner network expansion has seen 108 new partners being added, across the globe, to further accelerate market adoption of Infobip's CPaaS and software and a service portfolio.

Employing over 3,500 staff at 31 December 2021, the company continues to invest in local expertise to provide customers the ability to engage locally, with firm belief that customer first approach on local terms makes Infobip stand out from the alternative options.

Infobip has been continuously recognized by various associations for innovation, quality and leadership across its product portfolio, receiving awards in multiple categories.

In September 2021, Infobip secured, through direct loan placement, additional funding in the amount of \$500m, advised by Morgan Stanley, and led by funds managed by the Credit Group of Ares Management Corporation, and funds and accounts managed by BlackRock. The direct loan placement puts Infobip alongside other companies of high growth, high value technology companies, which utilised the same structure. The funding will be used for general corporate purposes as well as Peerless acquisition.

2021 marked significant operational growth across key strategic Markets, such as North America (driven by OpenMarket acquisition), APAC, LATAM, Europe and India.

Following the acquisition of OpenMarket, Seattle, USA based communications company, Infobip continued to make strategic acquisitions in 2021. In January 2021, Infobip acquired Shift, the top developers' conference in Southeast Europe. The Shift acquisition will help Infobip increase adoption among the developer community. In May 2021, Infobip acquired ANAM Technologies, the world leading SMS firewall vendor providing messaging solutions to more than 80 mobile network operators with more than 606 million customers. This strategic acquisition strengthens Infobip's position as the first choice for mobile network operators. Towards the end of the year, Infobip entered into a definitive agreement to acquire the US-based VoIP provider Peerless Network. Peerless Network covers 93% of the US population therefore providing Infobip with a strong foothold into the voice market in the United States.

INFOBIP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Promoting the success of the company

This statement aligns to the section 172 of the Companies Act 2006 (the Act). The statement focuses on how the Directors have had regard during the year to the matters set out in section 172(1) (a) to (f) of the Act when performing their duties.

Each of the Directors acted in the way he considered, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. The Directors have had regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

While performing their duties, the Directors have had regard to a number of matters obtained through, *inter alia*, listening to the company's key stakeholders (employees, clients, suppliers etc.) in order to ensure they fully understand the potential impacts of every decision. Such impact of the company's activities is one of the most important considerations when making important decisions, such as those noted below:

Significant events and decisions	Stakeholders impacted	Considerations
Sector and market focus	Employees, suppliers and customers	<ul style="list-style-type: none">• Maturing Software as a Services products• Growing partner ecosystem
Products and services	Employees, suppliers and customers	<ul style="list-style-type: none">• Launch of Infobip Exchange marketplace
Acquisition of Anam	Employees, suppliers and customers	<ul style="list-style-type: none">• More comprehensive offering, a wider product set and a deeper combined solution for exceptional end-user experience, and enhanced A2P monetization
Cayman reorganisation	Internal Group structure	<ul style="list-style-type: none">• Insertion of a new holding company, with no change in ultimate ownership of the Group, to prepare for potential future transactions or corporate activity.
Acquisition of Peerless	Employees, suppliers and customers	<ul style="list-style-type: none">• A long-term strategy for the combined business adding - combining Peerless' leading voice offering with Infobip's global messaging capabilities truly prepares us for leadership in the rapidly developing market for cloud communications.
Covid-19	Employees and customers	<ul style="list-style-type: none">• Extensive engagement with our people to ensure their safety and wellbeing• Maintaining full service and operations in all geographies
Environment and community	All	<ul style="list-style-type: none">• Donation of equipment to schools and other educational institutions• Sponsorship of activities focused on the wellbeing of the wider community

Further detail of the considerations applied by the Directors in respect of these key events and decisions and their broader approach to ensuring the interests of the business stakeholders are adequately considered is set out below.

INFOBIP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Understanding what is important to Infobip's customers is a key to the business's long-term success. The Directors received regular reporting about customers and about strategic initiatives. Furthermore the Directors closely monitored customers' experience along with a dedicated leadership team in order to understand customers' expectations.

In 2021 Infobip continued to develop and mature its SaaS applications: Answers (chatbot building platform), Conversations (omnichannel contact center solution), and Moments (omnichannel customer engagement hub).

At the end of 2021, Infobip launched Exchange. Exchange is a marketplace which allows customers to easily browse, select, and implement applications and integrations built on top of Infobip platforms by 3rd party ISVs. These value-adds streamline communication between Infobip solutions and external tools like CRM, ticketing, and marketing platforms.

Infobip continues to expand its partner network. In 2021, Infobip has reached partnership agreements with Microsoft, Oracle, Adobe, Freshworks and others. On-going partner network expansion has seen 278 new partners being added, across the globe, to further accelerate market adoption of Infobip's CPaaS and software and a service portfolio.

Infobip has a continuous practice of donating IT equipment (hardware) to schools and other educational institutions. Infobip regularly donates and sponsors various programs focusing on initiatives and activities which contribute to the wellbeing of the wider community with emphasis on the fields of science, technology, engineering, arts, mathematics, education, social solidarity and culture.

The Directors are committed to recruiting, training and retaining the best talent that can be found. The Directors recognise that Infobip's employees are fundamental and core to growth of business and delivery of its strategic ambitions. The directors recognise that the success of business depends on motivating employees. With that in mind the Directors' actions are oriented to remain a responsible employer offering attractive compensation packages as well various benefits to employees. One of the main attraction and retention tool being providing stock options to each new hire – since October 2021 - as well as regular stock options packages distribution for our top talents and key people.

The Directors provide employees regularly and timely with the information on all matters of concern to them, such as company-wide quarterly overviews of company's objectives and key results or significant company announcements and news, throughout the year, achieving a common awareness in all offices worldwide.

Alongside global internal communication, there are specific regional and vertical internal communication with the specific, tailor-made messages. This type of internal communication is provided through e-mail communication, company's intranet, internal newsletters etc.

Consultation of employees (in order to obtain their opinion on important decisions) takes place through: Infobip Product Ideas Portal (internal forum for sharing ideas regarding products and more), internal events and forum, slack groups etc.

With introduction of enterprise social platform, Workplace by Facebook, the internal communication has become more dynamic, with specific regional/employee/business topic affinities group engaging employees additionally.

An important part of Infobip's culture (and decision making processes) is the promotion of high legal, ethical, environment and employee related standards. Values aligned to high standard business conduct are incorporated into Infobip's policies, of which the most important is the Code of Conduct. In making decisions, these values aim to preserve fair competition, integrity, human rights, applicable regulations, sustainability and innovation. These values are also embedded in subsidiaries worldwide through our global internal policies and practices.

It is important to emphasize that Infobip conducts its business in environmentally and socially responsible manner, ensuring that success and development does not exploit natural resources. The actions are committed to minimizing environmental footprint by making changes in our everyday business, as well as pursuing sustainability initiatives such as reducing waste, conserving energy and water, and promoting recycling.

In conclusion, during last year the Directors acted in the way they considered, in good faith, would be most likely to promote Infobip's success, all based on the data, predictions and information available to them at the time when the actions were taken.

INFOBIP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties

The primary risks to which the group is exposed are credit risk, currency risk, interest rate risk and liquidity risk.

Credit risk:

The group's credit risk is primarily attributable to its principal assets, being cash balances, trade and other receivables. The group has adopted and further improved several policies to mitigate the risk of client default and non-payment, together with regular monitoring and reporting on aged trade receivables. Risk mitigation activities include implementation of credit limits on the major part of existing portfolio, which was conducted during 2021. The group does not have significant concentration of credit risk, with exposure spread over a large number of clients. Where trade receivables are considered to be uncollectable, that amount of receivables is written off to the profit and loss account as a loss of the current period. The credit risk on cash balances is considered limited because the counterparties are banks with high credit ratings.

During 2021 Infobip implemented existing risk policies and procedures in newly acquired Open Market in order to have unified credit risk management approach across the whole group.

Despite widespread COVID-19 pandemic, Infobip's portfolio remains very stable, with robust credit risk management procedures in place, especially in terms of risk assessment, monitoring and collection activities.

Currency risk:

The group is operating in various international markets with exposure to more than 50 different currencies. The group's reporting currency is euro. This global presence comes with a significant currency risk both on the side of inflows and outflows. Fluctuation in value between euro and foreign currencies is affecting revenues, costs, and operating profits. Group is using three different mechanisms of protection from currency risk:

1. Natural hedging - currency adjustment of inflows and outflows.
2. Contractual hedging - implementing protective clauses into customers and suppliers' agreements.
3. Market hedging - protecting our net exposures above €1m threshold using derivative instruments such as FX forwards and FX swaps.

Interest Rate Risk:

The group interest rate risk arises from existing debt financing arrangement. The credit facility has floating interest rate tied to 3 months USD LIBOR. The upward movement in reference rate is resulting in higher interest cost for The Group. To mitigate interest rate risk and fix interest cost for The Group interest rate swap is executed for the same notional amount as the principal amount of the existing credit facility.

Liquidity and cash flow risk:

The group monitors its liquidity risk related to the potential shortage of funds by collecting data from all related companies on a daily basis. Daily and weekly cash flow forecasts are approved and monitored regularly at the group level whereas on a core company level a TWCF model (13-week cash flow model) is being prepared as to render a forward looking quarterly view on anticipated liquidity development.

During Q4 2021 Revolving Credit Facilities and all investment loans were refinanced by USD 500m Term Loan Facility, with part of proceeds also being used for working capital purposes while the remaining funds were invested into selective financial assets and are in greater part reserved for completion of announced M&A activity. Funding flexibility is achieved through the aforesaid Term Loan Facility, leases and also through intra- group lending.

Moreover, we have rendered available €50m Master Factoring Agreement with Raiffeisenbank International, whereby we are executing purchase of selected receivables on a non-recourse basis thus providing us with support to increasing working capital requirements due to increase in revenues. Additionally, a documentary business limit was also made available which will provide the group with improved flexibility and cash savings, due to the fact that cash deposits are no longer needed for guarantee. No other debt requirements exist at present as current performance and existing working capital are supporting current liquidity needs.

INFOBIP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Covid-19 risk:

The activities of the group have not been unduly impacted by Covid-19 and the business has been able to continue providing its full offering of services to customers throughout 2021. Further details of how the business has responded, and continues to monitor the risk of Covid-19 is set out in the Directors' report.

Key performance indicators

The summary consolidated results for the Group for the year ending 31 December 2021 are set out below:

	2021	2020
	€m	€m
Sales	1,215	708
Gross profit	254	140
Gross profit margin %	20.9%	19.8%
Adjusted EBITDA*	(17)	10
Adjusted EBITDA %*	-1.4%	1.4%

*Adjusted EBITDA is a non-GAAP measure, being it is not a measure recognised or defined under UK GAAP. The Directors consider that this measure may be helpful to users of the financial statements. Adjusted EBITDA is earnings before interest, tax, depreciation, impairment, amortisation, foreign exchange gains and losses, exceptional and separately reported items.

On behalf of the board

S. Kutić

Director

The directors present their annual report and financial statements for the year ended 31 December 2021.

INFOBIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal activities

Infobip is an established global expert in the fast-growing business communications and messaging space, offering a cloud-based delivery model that helps organizations drive growth and loyalty through data-driven conversational customer journeys.

Infobip's global cloud communications platform enables businesses to build connected customer experiences across all stages of the customer journey at scale, with easy and contextualized interactions over customers' preferred channels.

At its core is a single-interface, scalable, and easy to use cloud-based communications platform. This full-stack offering, provides businesses with one seamless Application Programming Interface (API) or web-based interface connection to their customers through the world's most popular channels. The business offers omni-channel engagement, identity, user authentication, security and contact centre solutions for each step of the communication journey. Infobip helps clients and partners simplify the complexity of global messaging. The company enables its clients to effortlessly reach their customers, in line with all local regulations, through personalized, contextual conversations.

Infobip's customer engagement platform powers a broad range of solutions, messaging channels, and tools for advanced customer engagement, authentication, security, and retention including SMS, MMS, RCS, voice, video, email, Chatapps and more. Its digital cloud contact centre offering helps organizations establish and efficiently maintain good relationships with customers ensuring a smooth, easy, and secure experience that makes every customer interaction count.

Infobip's mobile operators portfolio combines network monitoring and filtering solutions with sales, consultancy and support services to increase revenue generated in the Application to Person (A2P) SMS messaging. The Infobip CPaaS business solutions model enables Mobile Network Operators (MNOs) to create new revenue streams, accelerate time to market, and build new enterprise relations.

With over a decade of industry experience, Infobip has expanded to include 70+ offices on six continents offering natively built technology with the capacity to reach over seven billion mobile devices in 190+ countries connected to over 750 telecom networks.

The company serves and partners with leading mobile operators, messaging apps, banks, social networks, tech companies, and aggregators. As of December 2021, the group employs over 3,500 people, among which 500+ engineers in 9 international research and development centres.

Key clients include internet companies and mobile apps makers, banks and financial services providers, developers, mobile network operators, technology companies, and other corporate customers.

Infobip group is an active member of leading global trade associations, including GSMA, MMA, Mobey Forum, MEF, as well as numerous regional and national associations. The company holds ISO 9001 and ISO 27001 certificates, and its SSMS service for secure PIN delivery is PCI DSS certified, meaning it is trusted to deliver even the most sensitive cardholder information, like credit card PINs and numbers.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

I Jelenic
R Kutic
S Kutic
A Kusurin
M Baburic
P C Schorr IV

INFOBIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Results and dividends

The results for the year are set out on page 15.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Infobip Group - COVID-19

The global COVID-19 situation was dynamic throughout 2021 and remains to be a high agenda item in 2022. Infobip Group's internal Crisis and Business Continuity Management teams has continued to monitor international and national health information sources for any updates on next pandemic waves and has prepared responses accordingly. The goal is to ensure the safety of all employees as well as the continuity of business operations.

In line with the gradual ease of the pandemic observed worldwide, the crisis management team decided on easing some of the safety measures. From March 2022 full vaccination policy on-site was removed and employees had a choice to work remotely or to work from the office for up to 50% of the office capacity when epidemiological situation allowed and in line with the local health authorities recommendation. The workplace reservation tool was deployed and used in the largest offices to help regulate the number of people in the office and to ensure social distancing.

Starting from April 2022, BIP Anywhere, a tailor-made workplace program, was introduced. Its purpose is to enable a smooth transition to flexible working arrangements, within a country of employees' residence. After more than two years of working from home a gradual increase of presence in the offices worldwide has been observed. Depending on regional situation, the offices are available to employees who wish to work from the office. Entry to the office is no longer affected by the safety measures in most of the countries. The exact workplace preference differs from team to team and the transition to hybrid work is tailored to each region to enable flexibility and adjustments on the local level. Such working arrangements do not have any negative impact on the Group's operations or service provisions.

From June 2022, the Employee Assistance Program (EAP) has been introduced. EAP provides support in dealing with personal or work-related problems that may impact employee's health, mental and emotional wellbeing, or job performance. Ensuring social and psychological support is one of the aspects of dealing with pandemic.

Group energy and carbon report

The Group recognises the importance of meeting globally recognised responsibility standards and aims to minimise its carbon footprint.

With regard to greenhouse gas emissions, for the year ended 31 December 2021, the total amount of emission of the Group entities in the UK was 36.15 tons of carbon dioxide equivalent (tCO₂e). The calculation was in line with Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The intensity ratio calculated as consumption of carbon dioxide equivalent per employee is 294 kg/tCO₂e. Total energy consumption was 79 MWh. Total consumption relates to electricity paid for leased properties. No comparative data is provided as 2021 is the first year of disclosure.

Russian Ukraine conflict

Infobip activated the company's Business Continuity Plan related to armed conflict escalation on the 24th of February 2022. At the same time, Infobip Group's internal Crisis and Business Continuity Management teams were set up to daily monitor the situation and are responding in real time to any issues arising, whether they be people or business related. Of primary importance is to ensure the safety of all employees with minimal disruption to business operations. Infobip is working on supporting the existing customer base, following closely all regulation so we can react with real-time and execute according to international sanctions. Ukraine reporting lines were moved into European organisation and the team in Russia was redesigned with the focus on supporting the existing customer base and not working actively in business expansion.

The Group continues to proactively monitor all international sanctions imposed on individuals and companies related to the conflict, and are actively working on aligning with sanctions, and providing alternatives for business continuance.

INFOBIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

In the future, Infobip will keep focusing on its 'global' business strategy (globally prepared programmes locally executed) in multiple areas of operations. Infobip is well positioned to capitalize on new communication growth trends with multiple well defined drivers for expansion. Infobip plans to grow internationally whilst diversifying its revenue streams through cloud-based digital solutions, voice, email and chatapp integrations. The group intends to focus on strengthening its market share in the Americas, Asia, and Western Europe, and continue adding to its capacity to deliver exceptional quality to clients and partners on a global scale. The company will focus on further growing its key industry verticals: finance & banking, retail & e-commerce, and sharing economy industries. Furthermore, as part of an accelerated growth strategy, group will continue completing strategic mergers & acquisitions.

Infobip, has a full-stack in-house communications platform as a service (CPaaS) and are continuously expanding its offerings in line with technology trends and market demands. Services such as the Internet of Things (IoT), Rich Communications Services (RCS), ChatApps, Mobile identity, Contact Centre as a Service (CCaaS), Chatbots and Customer Engagement solutions will be enhanced throughout 2022.

In 2022, Infobip will continue to expand Exchange, a marketplace that allows customers to easily browse, select and implement applications and integrations built by Infobip or 3rd party ISVs. Exchange will make it easy to publish, market, and monetize applications and integrations. This will create additional revenue streams for Infobip and increase its platform value by third-party complementary products.

The number and variety of services available online are growing and it will be additionally boosted once the benefits of IoT are fully realized. IoT is expected to be a key investment in the coming years, as the offline world, continuously transitions in the online space.

Infobip believes that an integral part of its mission of creating seamless interactions is to help its customers quickly identify and secure their users' transactions.

Continued investment in proprietary infrastructure and telco connectivity will be essential for Infobip's ability to maintain the competitive edge as the world's largest CPaaS. New high-end hardware, upgrades to the proprietary software and underlying infrastructure, as well as continuous relationship nurturing with mobile operators to secure connectivity, will continue to be the main activities in this area.

Additionally, Infobip will continue to offer new channel partnership models to mobile network operators (both as an infrastructure carrier and technology and expert partner), system integrators (for large brands already using the consultancy, professional services and platform solutions) as well as new features such as customer engagement, CRM, and e-commerce, as part of its platform partnership program.

Towards the end of the year, Infobip entered into a definitive agreement to acquire the US-based VoIP provider Peerless Network. Peerless Network covers 93% of the US population therefore providing Infobip with a strong foothold into the voice market in the United States. On 25 July 2022 the Group has completed acquisition of the US-based VoIP provider Peerless Network.

INFOBIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditor of the group will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

.....
S. Kutic
Director

Date:

23/02/2022

INFOBIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INFOBIP LIMITED

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFOBIP LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Infobip Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the group profit and loss account, group statement of comprehensive income, group and company balance sheet, group and company statement of changes in equity, group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

INFOBIP LIMITED

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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 financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and its components and determined that the most significant frameworks, which are directly relevant to specific assertions in the financial statements, are those that relate to the reporting framework, Companies Act 2006, data privacy and the relevant tax compliance regulations.
- We understood how the Group and Parent Company are complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and seeking specific representations in connection with internal compliance procedures in significant jurisdictions.

INFOBIP LIMITED

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

- We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to revenue recognition and management override of controls. In respect of revenue the primary risks are perceived to relate to the existence of messages sent on behalf of customers. We considered the processes and controls that the Group and Parent Company have established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls.
- We rotated the scope of non-significant group components subject to testing to add unpredictability to our audit procedures completed year on year.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal testing of entries, which met specific criteria, testing the operating effectiveness of certain controls over the revenue systems, particularly assessing controls over the automated origination and tracking of messages sent, enquiries of in-house legal, compliance teams and group management and challenging the assumptions made by management in their significant accounting estimates. Our audit procedures were designed to provide reasonable assurance that the financial statements were free from material fraud or error.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by

F8493A70EDB3418
Tom Laird (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

28 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INFOBIP LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 € 000's	2020 € 000's
Turnover	3	1,214,955	707,564
Cost of sales		(960,836)	(567,152)
Gross profit		254,119	140,412
Administrative expenses		(273,514)	(131,405)
Other operating income		2,080	926
Adjusted EBITDA*		(17,315)	9,933
Depreciation and impairment		(7,704)	(5,592)
Amortisation		(44,264)	(12,251)
Exceptional items	4	(22,295)	(1,687)
Separately reported items	4	(2,628)	(12,099)
Operating loss	5	(94,206)	(21,696)
Net interest payable and similar expenses	16, 19	(58,754)	(14,369)
Loss before taxation		(152,960)	(36,065)
Tax on loss	8	(2,178)	(2,048)
Loss for the financial year		(155,138)	(38,113)

Loss for the financial year is all attributable to the owners of the parent company.

*Adjusted EBITDA is a non-GAAP measure, being it is not a measure recognised or defined under UK GAAP. The Directors consider that this measure may be helpful to users of the financial statements. Adjusted EBITDA is earnings before interest, tax, depreciation, impairment, amortisation, foreign exchange gains and losses, exceptional and separately reported items.

The notes on pages 21 to 54 form part of these financial statements.

INFOBIP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 € 000's	2020 € 000's
Loss for the year	(155,138)	(38,113)
Other comprehensive income		
Currency translation differences	1,774	(3,281)
Taken to hedge reserve	(4,439)	-
Total comprehensive loss for the year	<u>(157,803)</u>	<u>(41,394)</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

The notes on pages 21 to 54 form part of these financial statements.

INFOBIP LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2021

		2021	2020
	Notes	€ 000's	€ 000's
Fixed assets			
Goodwill	9	218,508	223,622
Other intangible assets	9	29,261	32,492
Total intangible assets		247,769	256,114
Tangible assets	10	50,180	40,994
Investments	11	424	95
Total fixed assets		298,373	297,203
Current assets			
Debtors	14	316,086	256,208
Cash at bank and in hand		323,219	78,250
Total current assets		639,305	334,458
Creditors: amounts falling due within one year	15	(305,393)	(291,625)
Net current assets		333,912	42,833
Total assets less current liabilities		632,285	340,036
Preference shares treated as liabilities		(365,553)	(305,956)
Long term creditors		(421,958)	(13,161)
Creditors: amounts falling due after more than one year		(777,511)	(319,117)
Net assets		(145,226)	20,919
Capital and reserves			
Called up share capital	19	84,576	85,009
Share premium account		3,607	2,041
Foreign exchange reserve		(3,002)	(4,776)
Share repurchase reserve		(9,475)	-
Hedging reserve		(4,439)	-
Merger reserve		(1,502)	(1,502)
Profit and loss reserves		(214,991)	(59,853)
Total equity		(145,226)	20,919

The financial statements were approved by the board of directors and authorised for issue on 23/2/2022 and are signed on its behalf by:

S Kutic
Director

The notes on pages 21 to 54 form part of these financial statements.

INFOBIP LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

		2021		2020
	Notes	€ 000's	€ 000's	€ 000's
Fixed assets				
Goodwill	9	-	-	-
Other intangible assets	9		7	5
Total intangible assets			7	5
Tangible assets	10		1,018	1,623
Investments	11		329,912	278,041
Total fixed assets			330,937	279,669
Current assets				
Debtors	14	250,319		164,055
Cash at bank and in hand		6,521		44,013
Total current assets		256,840		208,068
Creditors: amounts falling due within one year	15	(344,439)		(165,883)
Net current (liabilities) / assets			(87,599)	42,185
Total assets less current liabilities			243,338	321,854
Preference shares treated as liabilities			(355,553)	(305,956)
Long term creditors	16		-	(1,656)
Creditors: amounts falling due after more than one year			(355,553)	(307,612)
Net assets			(112,215)	14,242
Capital and reserves				
Called up share capital	19		84,576	85,009
Share premium account			3,607	2,041
Share repurchase reserve			(9,475)	-
Profit and loss reserves			(190,923)	(72,808)
Total equity			(112,215)	14,242

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was €118,115,000 (2020: €38,798,000).

The financial statements were approved by the board of directors and authorised for issue on 20/2/2022 and are signed on its behalf by:

S Kutic
Director

Company Registration No. 07085757

The notes on pages 21 to 54 form part of these financial statements.

INFOBIP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital € 000's	Share premium account € 000's	Share repurchase reserve € 000's	Foreign exchange reserve € 000's	Hedging reserve € 000's	Merger reserve € 000's	Profit and loss reserves € 000's	Total € 000's
Balance at 1 January 2020	85,009	2,041	-	(1,495)	-	(1,502)	(21,740)	62,313
Year ended 31 December 2020:								
Loss for the year	-	-	-	-	-	-	(38,113)	(38,113)
Other comprehensive income:								
Currency translation differences	-	-	-	(3,281)	-	-	-	(3,281)
Total comprehensive loss for the year	-	-	-	(3,281)	-	-	(38,113)	(41,394)
Balance at 31 December 2020	85,009	2,041	-	(4,776)	-	(1,502)	(59,853)	20,819
Year ended 31 December 2021:								
Loss for the year	-	-	-	-	-	-	(155,138)	(155,138)
Other comprehensive income:								
Currency translation differences	-	-	-	1,774	-	-	-	1,774
Taken to hedge reserve	-	-	-	-	(4,439)	-	-	(4,439)
Total comprehensive loss for the year	-	-	-	1,774	(4,439)	-	(155,138)	(157,803)
Class D shares issue	92	1,566	-	-	-	-	-	1,658
Shares Buyback	-	-	(10,000)	-	-	-	-	(10,000)
Reclassification of shares repurchase	(525)	-	525	-	-	-	-	-
Balance at 31 December 2021	84,576	3,607	(9,475)	(3,002)	(4,439)	(1,502)	(214,991)	(145,226)

The notes on pages 21 to 54 form part of these financial statements.

INFOBIP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital € 000's	Share premium account € 000's	Share repurchase reserve € 000's	Profit and loss reserves € 000's	Total € 000's
Balance at 1 January 2020	85,009	2,041	-	(34,010)	53,040
Year ended 31 December 2020:					
Total comprehensive loss for the year	-	-	-	(38,798)	(38,798)
Balance at 31 December 2020	85,009	2,041	-	(72,808)	14,242
Year ended 31 December 2021:					
Total comprehensive loss for the year	-	-	-	(118,115)	(118,115)
Class D shares issue	92	1,566	-	-	1,658
Shares Buyback	-	-	(10,000)	-	(10,000)
Reclassification of shares repurchase	(525)	-	525	-	-
Balance at 31 December 2021	84,576	3,607	(9,475)	(190,923)	(112,215)

The notes on pages 21 to 54 form part of these financial statements.

INFOBIP LIMITED
GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	€ 000's	€ 000's
(Loss) for the year after tax	(155,138)	(38,113)
<i>Adjustments for:</i>		
Taxation charged	2,178	2,048
Finance costs	59,180	14,624
Investment income	(426)	(255)
Amortisation of intangible assets	44,264	12,251
Depreciation of tangible fixed assets	7,703	5,592
Foreign exchange losses	2,628	12,098
<i>Movement in working capital:</i>		
Increase/decrease in debtors	(49,822)	(20,759)
Increase/decrease in creditors	32,916	10,612
Cash (outflow)/generated from operations	(56,517)	(1,902)
Interest paid	(7,480)	(1,999)
Other investment income received	329	326
Income taxes paid	(3,868)	(346)
Net cash inflow from operating activities	(67,536)	(3,921)
Investing activities		
Purchase of intangible assets	(324)	(222)
Purchase of tangible fixed assets	(16,906)	(19,077)
Purchase of fixed asset investments	(352)	-
Proceeds on disposal of tangible fixed asset	1,017	279
Proceeds on disposal of fixed asset	3	116
Interest received	96	(71)
Acquisition of a subsidiary, net of cash	(19,627)	(243,615)
Net cash used in investing activities	(36,093)	(262,590)
Financing activities		
Decrease in short term borrowings	(51,197)	485
Increase in long term borrowings	407,950	7,509
Net proceedings from preference shares	-	293,331
Repurchase of shares	(10,000)	-
Net cash used in financing activities	346,753	301,325
Net increase in cash and cash	243,124	34,814
Cash and cash equivalents at beginning of year	78,250	46,108
Effect of foreign exchange rates	1,845	(2,672)
Cash and cash equivalents at end of year	323,219	78,250

The notes on pages 21 to 54 form part of these financial statements.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Infobip Limited ("the company") is a private limited company limited by shares, domiciled and incorporated in England and Wales. The registered office is 5th Floor, 35-38 New Bridge Street, London, United Kingdom EC4V 6BW.

The group consists of Infobip Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in euros ("€"), which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand €.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No income statement nor statement of comprehensive income has been prepared for the parent company;
- No cash flow statement has been prepared for the parent company;
- Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Infobip Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

In the group and parent company financial statements, where acquisitions accounting is adopted, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.2 Basis of consolidation (continued)

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Merger accounting

A number of subsidiaries acquired during 2019 are consolidated using the merger accounting method. Their results have been incorporated as if they were always in the group.

Comptel Limited and its underlying subsidiaries, and Infobip Singapore were included in the group financial statements for 2019 using the merger accounting method.

1.4 Going concern

The Directors have assessed the ability of the group and company to continue to operate as a going concern. To support this assessment forecasts covering the period to the end of December 2023 have been prepared. These forecasts represent management's best estimate of future trading performance based on expectations and commitments made at the time of signing the financial statements.

During the year, the Group borrowed \$500m from its bankers. The financial statements show bank loan of €439m. The loan is repayable in September 2026, out of which €4m falling due for repayment within one year of the reporting date. The loans accrue interest at a variable rate equivalent to 3m USD LIBOR plus 6.25%. Issue costs of €19m were incurred, which have been deducted from the initial carrying value and will be charged to profit or loss as part of the interest charge calculated using the effective interest rate method. The cash for this loan was received net of the issue costs. In 2021 €1m of loan issue costs was amortised till the year end. The group has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt.

The Directors have sensitised the forecasts and considered the extent to which predicted revenues would need to fall to prevent the business from having sufficient cash reserves to repay the loan facility. The Directors have also considered cases that reflected the acquisition of Peerless Networks. In the opinion of the Directors the downside sensitivity required to reduce the cash headroom to zero is too extreme and not reasonably foreseeable. The Directors have considered impact of Russian Ukraine conflict on business. As a part of these analysis worst case scenario is also taken into consideration where no revenue would be generated from April 2022 while some operating expenses will continue to be incurred. As a result, impact on 2022 would be 4% revenue gap vs. budget and 1.5% gross profit gap. Because of negative EBITDA coming from Russia and Ukraine combined business, with adequate managing operating cost base, EBITDA impact could be even favourable on the consolidated group. For that reason the Directors are satisfied it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Turnover consists of charges collected for processing SMS messages sent by Infobip clients on the Infobip cloud communications platform. "Processing" includes receiving, routing and submitting SMS messages for delivery to a mobile operator, who delivers the SMS message to a mobile phone of an individual user (mobile subscriber), who has opted into receiving SMS messages from the Infobip client. An Infobip client can be a bank, online enterprise, social media company, or any other corporate entity that runs communication and engagement programs over mobile phones, or performs mobile phone-based authentication and security procedures on a globally distributed user base.

Revenue is recognised in the accounting period in which SMS messages have been delivered to a mobile phone of an individual user.

Revenue from Software as a Service (SaaS) is recognised as subscription revenue on a straight-line basis over the specific period for which service is agreed, while deferring the remaining revenue, usually on a monthly basis.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

1.7 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 6 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.8 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Licences, domains and computer programmes	Straight line over 3 years
Brand	Straight line over 6 years
Technology	Straight line over 6 years
Trade names	Straight line over 10 years

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.9 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer equipment	Straight line over 3 years
Furniture and fittings	Straight line over 5 years
Office and other equipment	Straight line over 5 years
Servers	Straight line over 4 years
Property and equipment	Straight line over 50 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.10 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.11 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. *Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.*

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.13 Financial instruments (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

Hedge accounting

The group has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. This amount is reclassified from the cash flow hedge reserve to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. Any ineffective portions of those movements are recognised in profit or loss for the period.

Amounts charged or credited to the cash flow hedge reserve are treated for tax purposes as undeductible.

1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

The Group shall recognise the issue of shares or other equity instruments as equity when it issues those instruments and another party is obliged to provide cash or other resources to the entity in exchange for the instruments

A preference share that provides for mandatory redemption by the Group for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the Group as issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.15 Taxation (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on 1) the difference between the fair values of assets acquired and the future tax deductions available for them, and 2) the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.19 Foreign exchange

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'euros', which is the company's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into euros at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'Net financial result'. All other foreign exchange gains and losses are presented in profit or loss within 'Net financial result'.

1.20 Exceptional items

Items that are deemed material in size and non-operating, non-recurring in nature or incurred solely as a result of the Group's ownership structure are presented as exceptional items in the Consolidated Statement of Comprehensive Income. The directors are of the opinion that the separate reporting of these items provides a better understanding of the underlying performance of the Group. Events which may give rise to classification of items as exceptional include equity raising, acquisitions, finance transformation and sales of financial assets expenses.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Identification and valuation of the intangibles in business combinations

At the acquisition date of a business combination, the Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire. The Group measures identifiable assets acquired and the liabilities assumed at their acquisition-date fair value. The fair value of intangibles in business combination is subject to certain assumptions made in deriving its value such as discount rate used in the discounted cash flow (DCF) model, expected cash-inflows and growth rate used. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

Fair value of share options granted are estimated to be €12.49 to €14.39 per option based on weighted average of different exit scenarios (IPO short term, IPO long term, sale) using Black Scholes model and volatility based on historical volatilities of selected guideline public companies and expected term of options between 2.9 to 5.6 years. Due to current market conditions, timing of potential vesting event is uncertain and not expected within 12 months from the balance sheet date.

Impairment of non-financial assets

Identification of cash generating units involves significant judgement. During this process the management considered various factors, including how they monitor the entity's operations and how they make decisions about continuing or disposing the entity's assets and operations. It was concluded that Infobip Group forms one cash generating unit. Differences in facts and circumstances could result in different conclusions being reached. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill, technology and brand recognized by the Group.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments, where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument or asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available and a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Estimated fair values may vary from the actual prices.

Fair value measurement was applied to interest rate swap. The total value of this instrument was €4,438,771 as at 31 December 2021. Refer to Note 13 for more details.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has € 125,825 thousands of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by €13,713 thousands.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue

An analysis by geographical area of the group's turnover is set out as below:

	2021 € 000's	2020 € 000's
Turnover analysed by geographical market		
United Kingdom	630,641	435,281
Rest of Europe	37,351	67,351
Rest of World	546,963	204,932
	1,214,955	707,564

4 Exceptional and separately reported items

	2021 € 000's	2020 € 000's
Exceptional items		
One-off bonuses	7,998	-
Equity raising expenses	-	488
Integration expenses	5,829	96
Transformation expenses	5,708	-
Acquisitions expenses	2,336	875
Costs of raising finance	424	228
	22,295	1,687
Separately reported items		
Foreign exchange losses	2,628	12,099
	2,628	12,099
Exceptional and separately reported items	24,923	13,786

Acquisition expenses relate to expenses related to potential/planned acquisitions, post acquisition integration and potential acquisitions not undertaken by the Group.

Infobip had incurred some one-off costs related to transformation and integration of acquired companies, and also some costs related to loan facility renewal in 2021 (the facility was renewed and fully repaid in 2021) and for signing RBI Master Factoring Agreement in 2020.

Equity raising expenses relate to costs attributable to a share repurchase.

One-off bonuses relate to bonuses and commissions paid out in 2021 relating to 2020 result as result of subsequent management decision in 2021.

5 Operating loss

	2021 € 000's	2020 € 000's
Operating loss for the year is stated after charging:		
Exceptional and separately reported items	24,923	13,786
Depreciation of owned tangible fixed assets	7,703	5,592
Amortisation of intangible assets	44,264	12,251
Research and development costs	55,343	22,647
Defined contribution pension expense	12,098	7,914
Operating lease charges	7,715	6,326

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Auditor's remuneration

	2021 € 000's	2020 € 000's
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	645	549
Audit of the financial statements of the company's subsidiaries	159	113
	<u>804</u>	<u>662</u>

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Sales	993	907	31	19
Support	1,243	815	12	5
Development	943	595	3	-
Total	<u>3,179</u>	<u>2,317</u>	<u>46</u>	<u>24</u>

Their aggregate remuneration comprised:

	Group 2021 € 000's	2020 € 000's	Company 2021 € 000's	2020 € 000's
Wages and salaries	147,670	58,014	3,057	1,125
Social security costs	27,086	14,190	2,066	649
Pension costs	12,098	7,914	206	75
	<u>186,854</u>	<u>80,118</u>	<u>5,329</u>	<u>1,849</u>

Directors' remuneration has been disclosed in note 21.

8 Taxation

	2021 € 000's	2020 € 000's
Current tax		
UK corporation tax on profits for the current period	-	16
Foreign current tax on profits for the current period	5,554	2,051
Other foreign taxes	-	1
Total current tax charge for the year	<u>5,554</u>	<u>2,068</u>

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Taxation (continued)

	2021 € 000's	2020 € 000's
Deferred tax		
Origination and reversal of timing differences	(3,376)	(20)
Total tax charge for the year	2,178	2,048

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021 € 000's	2020 € 000's
(Loss)/profit before taxation	(152,960)	(38,113)
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2020: 19%)	(29,062)	(7,241)
UK corporation tax on profits for the current period	-	16
Tax effect of expenses that are not deductible in determining taxable profit	17,969	780
Tax effect of unrecognised tax losses	13,713	-
(Lower)/Higher taxes on overseas earnings	(442)	8,493
Tax expense for the year	2,178	2,048

Tax effect of expenses that are not deductible in determining taxable profits mainly relates to goodwill amortisation and interest on preference shares. The Group has tax losses that arose in various tax jurisdiction of €125,825 thousand that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. The subsidiaries have been loss-making for some time without any positive outlook for future taxable profits, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group was able to recognise all unrecognised deferred tax assets, the profit would increase by €13,713 thousand.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Intangible fixed assets

Group	Goodwill	Licences, domains and computer programs	Brand and Trade name	Technology	Total
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Cost					
At 1 January 2021	250,862	13,114	33,850	27,982	325,808
Additions as part of business combination	35,619	-	900	-	36,519
Additions	-	277	47	-	324
Disposals	-	(1)	-	-	(1)
Transfer from / to	-	(938)	-	-	(938)
Exchange adjustments	-	(135)	-	-	(135)
At 31 December 2021	286,481	12,317	34,797	27,982	361,577
Amortisation and impairment					
At 1 January 2021	27,240	11,635	2,837	27,982	69,694
Amortisation charged for the year	40,733	370	3,161	-	44,264
Disposals	-	-	-	-	-
Transfer from / to	-	(151)	-	-	(151)
Exchange adjustments	-	1	-	-	1
At 31 December 2021	67,973	11,855	5,998	27,982	113,808
Carrying amount					
At 31 December 2021	218,508	462	28,799	-	247,769
At 31 December 2020	223,622	1,479	31,013	-	256,114

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Intangible fixed assets (continued)

Company	Goodwill	Licences, domains and computer programs	Brand	Technology	Total
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Cost					
At 1 January 2021	27,240	10,989	2,837	27,982	69,048
Additions	-	49	-	-	49
At 31 December 2021	27,240	11,038	2,837	27,982	69,097
Amortisation and impairment					
At 1 January 2021	27,240	10,984	2,837	27,982	69,043
Amortisation charged for the year	-	47	-	-	47
At 31 December 2021	27,240	11,031	2,837	27,982	69,090
Carrying amount					
At 31 December 2021	-	7	-	-	7
At 31 December 2020	-	5	-	-	5

Goodwill is tested for impairment annually or when there are indications that an impairment loss has occurred. The Group considered the following indicators of possible impairment: overall decline in the market value of technology sector companies, increase in interest rates and net loss position of the Group throughout the year 2021. The impairment testing was performed as at 31 December 2021. The Company has determined that it operates as one cash-generating unit (CGU). The recoverable amount for a CGU is determined based on its estimated value in use. These estimates are based on cash flow projections, which are based on financial budgets approved by the management covering a three-year period. In the assessment of future cash flows assumptions are made, primarily concerning sales growth and discount rate (WACC). WACC is based on a peer group of similar listed entities. The estimated growth rate and the forecast operating margin are based on the company's budgets and forecasts for the Group.

The 3% growth rate after the forecast period coincides with the Group's long-term assumptions about inflation and long-term market growth. The 11.82% pre-tax discount rate reflects country-specific risks associated with the Group operations. The management has determined that the CGU can mainly be categorized as in a growth phase but with strong and stable cash flows based on existing business relationships. The CGU is characterized by its continuous development of new services that complement the current business.

Based on the calculations referred to above, it has been concluded that the recoverable amount exceeds the carrying amount of the CGU. No goodwill impairment charge was recognized in relation to any period presented.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Tangible fixed assets

Group	Assets under construction	Computer equipment	Furniture and fittings	Servers	Property and Equipment	Total
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Cost						
At 1 January 2021	16,893	12,522	3,238	13,348	14,187	60,188
Additions-business combination	-	97	15	-	37	149
Additions	11,395	1,835	386	1,776	1,514	16,906
Disposals	(873)	(264)	(351)	(77)	(225)	(1,790)
Transfers	(24,725)	(3,569)	1,341	5,703	22,187	937
Exchange adjustments	(47)	622	426	136	(790)	347
At 31 December 2021	2,643	11,243	5,055	20,886	36,910	76,737
Depreciation and impairment						
At 1 January 2021	-	5,386	1,718	9,902	2,188	19,194
Depreciation charged in the year	-	2,259	949	3,360	1,135	7,703
Eliminated in respect of disposals	-	(218)	(324)	(77)	(154)	(773)
Transfers	-	(1,114)	(34)	1,182	117	151
Exchange adjustments	-	154	91	114	(77)	282
At 31 December 2021	-	6,467	2,400	14,481	3,209	26,557
Carrying amount						
At 31 December 2021	2,643	4,776	2,655	6,405	33,701	50,180
At 31 December 2020	16,893	7,136	1,520	3,446	11,999	40,994

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

10 Tangible fixed assets (continued)

Company	Computer equipment € 000's	Furniture and fittings € 000's	Servers € 000's	Total € 000's
Cost				
At 1 January 2021	318	134	9,781	10,233
Additions	117	-	373	490
Disposals	-	-	(77)	(77)
At 31 December 2021	435	134	10,077	10,646
Depreciation and impairment				
At 1 January 2021	295	134	8,181	8,610
Depreciation charged in the year	58	-	1,037	1,095
Eliminated in respect of disposals	-	-	(77)	(77)
At 31 December 2021	353	134	9,141	9,628
Carrying amount				
At 31 December 2021	82	-	936	1,018
At 31 December 2020	23	-	1,600	1,623

11 Fixed asset investments

	Notes	Group 2021 € 000's	2020 € 000's	Company 2021 € 000's	2020 € 000's
Investments in subsidiaries	12	-	-	329,573	278,041
Unlisted investments		424	95	339	-
		<u>424</u>	<u>95</u>	<u>329,912</u>	<u>278,041</u>

Movements in fixed asset investments
Group

	Shares in group undertakings € 000's	Other investments other than loans € 000's	Total € 000's
Cost or valuation			
At 1 January 2021	-	95	95
Additions	-	353	353
Disposals	-	(24)	(24)
At 31 December 2021	-	424	424
Carrying amount			
At 31 December 2021	-	424	424
At 31 December 2020	-	95	95

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Fixed asset investments (continued)

Movements in fixed asset investments Company	Shares in group undertakings € 000's
Cost or valuation	
At 1 January 2021	278,041
Additions	51,532
Impairment	-
At 31 December 2021	329,573
Carrying amount	
At 31 December 2021	329,573
At 31 December 2020	278,041

During 2021 the Company acquired ANAM Group for consideration of €40m.

Also, the Company has increased its investment in Group companies: Infobip Croatia and Infobip Bangladesh and has founded four new entities: Infobip Netherlands, Infobip Qatar, Infobip Austria and Infobip Portugal.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Subsidiaries

Details of the company's subsidiaries, all of which are wholly owned, either directly or indirectly, at 31 December 2021 are as follows:

Name of undertaking	Country of incorporation	Subsidiary address
Infobip SRL	Italy	Piazza Sicilia 6, 20146 Milano
Infobip Latam S.A.	Argentina	Marcelo Torcuato de Alvear 636, Piso 9º, C1058AAH Ciudad Autonoma de Buenos Aires
Infobip PTY Limited	Australia	'BOARDROOM PTY LTD' Level 12, 225 George Street, Sydney NSW 2000
Infobip Communications Inc	Canada	5410-1333 West Broadway, Vancouver BC V6H 4C1, Canada
Infobip SP Zoo	Poland	Ul. Powstańców Śląskich 2-4, 2 p., 53-333
Infobip s.r.o.	Slovakia	Rolnicka 187, Bratislava 83107
Infobip LLC	USA	111 Town Square Place, Suite 830, Jersey City, NJ 07310, USA
Infobip G.K.	Japan	Cerulean Tower 15th Floor, 26-1, Sakuragaoka-cho, Shibuya-ku, Tokyo
Parseco Limited	UK	5th Floor, 86 Jermyn Street, London SW1Y6AW
Infobip BH d.o.o.	Bosnia and Herzegovina	Tešanjaska 24 a, 71000 Sarajevo
Infobip s.r.o.	Czech Republic	Na Strži 1702/65, 140 00 Praha - Nusle
Infobip d.o.o.	Croatia	Istarska 157, 52 215 Vodnjan
Infobip Serbia d.o.o.	Serbia	Bulevar Zorana Đinđića 48 V, sprat 5, Beograd - Novi Beograd, 11173
Infobip Ltd	Russia	109544, Russian Federation, Moscow, 2 Bulvar Entuziastov, floor 21, room 1
Infobip LLC	South Korea	7th Floor, 38, Seocho-daero 52-gil, Seocho-gu, Seoul, Republic of Korea
Infobip (Thailand) Limited	Thailand	ITF Tower, 17th Floor, 140/36 Silom Road, Kwang, Suriyawongese, Khet Bangrak, Bangkok 10500
Cong Ty TNHH Infobip	Vietnam	Level 9, Lim Tower 3, 29A Nguyen Dinh Chieu, Da Kao Ward, District 1, Ho Chi Minh City
Infobip Kazakhstan LLP	Kazakhstan	Block 4B, room No. 3-4B-7 (office 703), Nurly Tau Complex, 15 Al-Farabi Avenue, Bostandyk District, 050059 Almaty city
Infobip Peru S.A.C.	Peru	Avenida dionisio Derteano 184 of 302 San Isidro, Lima, Perú
Infobip Mobile Services, Sociedad Limitada	Spain	Plaza de las Cortes 4, Piso 8, Puerta Izquierda, 28014, Madrid
Infobip Colombia SAS	Colombia	Carrera 11 B No. 97-56 Edificio Ápice Oficina 601, Bogotá, Colombia
Infobip Gulf FZ-LLC	United Arab Emirates	EIB Building No.1, Office 302, Dubai Internet City, P.B 500284, Dubai
Infobip Africa (Pty) Limited	South Africa	1st Floor, Building B, Bryanston Corner, 18 Ealing Crescent, Bryanston, Johannesburg, 2191, Gauteng
Infobip Telekomunikasyon Hizmetleri LTD STI	Turkey	Maslak Meydan Sk. No.3 Veko Giz Plaza K.21 No. 74, 34396 Sarıyer, Istanbul

INFOBIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
12 Subsidiaries (continued)

Infobip LLC	Belarus	House 10, office 17, room 1, Surazhskaya
Infobip Brazil Ltda	Brazil	Calçada das Margaridas nº. 163, sala 02, na Cidade de Barueri, Estado de São Paulo, CEP 06.453-038
Infobip Nigeria	Nigeria	2 Siji Soetan St, off Onikepo Akande St, off Admiralty Way Lekki Peninsula Phase 1, Lagos, Nigeria
Infobip India Private Limited	India	1001, Floor-10, Marathon Icon, Ganpatrao Kadam Marg, Opp. Peninsula Corporate Park, Lower Parel, West, Mumbai-400013. Maharashtra, India
Mobile Services Cloud SA de CV	Mexico	Avenida Paseo de la Reforma 180, interior 1803, Juarez, Cuauhtemoc, 06600 Ciudad de Mexico
Infobip Limited	Bangladesh	Bilquis Tower, Level-4 (North Side), Plot 6, Gulshan Circle-2, Dhaka-1212, Bangladesh
Infobip Kenya Limited	Kenya	6th Floor, Marsabit Plaza, LR No 330/676 Ngong Road, P.O. Box 21937 - 00500, Nairobi
Infobip Tanzania Limited	Tanzania	Sky Tower, 10th Floor-Left Wing, P.O.Box 31227, New Bagamoyo Road, Kijitonyama,
Infobip SARL	Morocco	22 Soumaya street, Shehrazade residence, 5th Floor, 20000 Palmiers-Casablanca
Infobip Uganda Limited	Uganda	5th Floor Rwenzori Towers, Nakasero Road PO. Box 37468, Kampala
Infobip Limited	Hong Kong	18/F, On Building, 162 Queens Road Central, Central Hong Kong
Infobip Asia Pacific Sdn.Bhd	Malaysia	09-01 Menara K1, No. 1 Lorong 3/137C, Off Jalan Kelang Lama, 58000 Kuala
Infobip SAS	France	2 rue Pasquier 75008 Paris, France
Infobip Information Technology (Shanghai) Limited Company	China	E08, 28th Floor, Aurora Plaza, 99 Fucheng Road, Pudong New Area, Shanghai
PT. Infobip Technology Indonesia	Indonesia	Menara Prima, 23rd Floor Unit I, Jl. DR. Ide Anak Agung Gde Agung Block 6.2, Kawasan Mega Kuningan, Jakarta 12950
Infobip (Ghana) Limited	Ghana	Annex B Rooms 6&7 Kojo Thompson Road, Republic House Opposite Accra
Infobip Congo Republic	Congo	46/B, Avenue du Livre, Gombe, Kinshasa
Infobip Chile Limitada	Chile	AV PDTE KENNEDY 6800 OF 406 A, VITACURA, Santiago de Chile, Chile
INFOBIPTELCOM S.A.	Ecuador	Av. República Oe3-30 e Ignacio de San María, Quito, Distrito Metropolitano
Progress of Technology Limited	Russia	Street 2-Sovetskaya, 7, Building A, Premises/Room 14-H / 1, 191036 Saint- Petersburg
Infobip Sweden AB	Sweden	Brunnsgatan 21B, 111 38 Stockholm
INFOBIP EGYPT LLC	Egypt	Trivium Business Complex, Office no. GA1B and GA1A, Northern 90 St. New
Infobip Zambia Limited	Zambia	Unit 5B, Aquarius House, Katima Mulilo Road, Olympia Park, Lusaka
Infobip Côte d'Ivoire	Ivory Coast	Cocody, 2 Plateaux Vallon, Immeuble Antilope, 1er étage, Porte 64, Cité Sogefiha, 01 BP 4651 Abidjan 01

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Subsidiaries (continued)

Infobip Global	UK	85 Great Portland Street First Floor London W1W7LT United Kingdom
BSmart Tech Private Limited	India	1001, Floor-10, Marathon Icon, Ganpatrao Kadam Marg, Opp. Peninsula Corporate Park, Lower Parel, West, Mumbai-400013.
Infobip Philippines	Philippines	Unit 1, 15th Floor, The Curve Building, 32nd Street corner 3rd Avenue, BGC, Taguig City 1634
Infobip LLC	Kyrgyzstan	125/1 Toktogula Str., Bishkek, Kyrgyzstan
Infobip Paraguay S.A.	Paraguay	Jejuí 1036 casi Colon - Asuncion - Paraguay
Infobip GmbH	Germany	Maximilianplatz 22 80333 Munich, 2nd floor, No:208, ISE Towers, 55-B, Jinnah Avenue, Islamabad
Infobip (Private) Limited	Pakistan	NO. 3/A, BOGYOKE AUNG SAN ROAD, #14-00 JUNCTION CITY TOWER PABEDAN TOWNSHIP, YANGON
Infobip Myanmar Company Limited	Myanmar	105, Bunyodkor prospect, Chilarzar district, Tashkent, Republic of Uzbekistan, 100161
Infobip CIS MChJ	Uzbekistan	Pavas, Rorhmoser del Parque de la Amistad, 275 N, Número 2486, San José
Infobip Costa Rica SRL	Costa Rica	Calle Federico Zuazo 1598, Zona Central, Edificio Park Inn, Piso 11, La Paz
Infobip Bolivia Limitada	Bolivia	6897 - King Fahd Al Olaya Dist, Riyadh 12211 - 3388, Kingdom of Saudi Arabia
Infobip Limited	Saudi Arabia	Unit no. 131, Building No. 194, 3rd floor, Princess Basma St. Abdoun, Amman 11183, Jordan
INFOBIP LIMITED (JORDAN)	Jordan	
Makinatech (Pty) Ltd	Republic of South Africa	1st Floor, Building B, Bryanston Corner, 18 Ealing Crescent, Bryanston, Gauteng, RSA
Proteatech Holdings (Pty) Ltd	Republic of South Africa	1st Floor, Building B, Bryanston Corner, 18 Ealing Crescent, Bryanston, Gauteng, RSA
Infobip Singapore	Singapore	171 Tras Street, #05-173A, Union Building, Singapore 079025
Compatel Limited	UK	85 Great Portland Street First Floor London W1W7LT United Kingdom
Compatel Africa (Pty) Ltd	South Africa	1st Floor, Building B, Bryanston Corner, 18 Ealing Crescent, Bryanston, Gauteng, 2188
Compatel Chile Limitada	Chile	Avenida Bernardo O'Higgins 1186, Depto. 511, Concepción, Chile
Compatel Colombia SAS	Colombia	Carrera 4#66-55 Torre C Of 203, Bogotá, Colombia
Compatel Communications RO s.r.l.	Romania	Bucharest, 56D Pasarani Street, Ground Floor, Office no.33, 2nd District, Romania
Compatel d.o.o.	Serbia	Palmira Toljatija 60, sprat III, stan 16, Beograd - Novi Beograd, 11070 Novi Beograd, Srbija
Compatel India Private Limited	India	Shop No.1, 1st Floor, A-Wing, Laxmi Shopping Center Near New Post office, H D Rd Ghatkopar West Mumbai Mumbai City MH 400086 IN
Compatel Informatica Ltda	Brazil	Rua Comendador Araújo 499, Conjunto 1003, 10º Andar, Centro, Curitiba, Paraná, CEP 80420-000

INFOBIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
12 Subsidiaries (continued)

Compatel Kenya Limited	Kenya	L.R. No. 140/36 Piedmont Plaza, Ngong Road, 00100 Nairobi, Kenya - registered office address
Compatel LLC	USA	19 West 34th Street, Suite 1018, New York, NY 10001, USA
Compatel Nigeria Limited	Nigeria	2 Siji Soetan St, off Onikepo Akande St, off Admiralty Way, Lekki Peninsula Phase 1, Lagos, Nigeria
Compatel Peru S.A.C.	Peru	Av. de la Floresta 497, Of. 203, San Borja, Lima 41, Peru
Compatel s.r.o.	Czech Republic	Klimentská 1216/46, Nove Mesto, CZ - 110 00 Prague 1, Czech Republic
Compatel Shpk.	Albania	Ibrahim Rugova Str, P.O.Box 8264, Tirana, Albania
Compatel Telekomu nikasyon Hizmetleri LTD STI	Turkey	Meydan Street, No 3, Veko Giz Plaza, Kat 21, No 74 Maslak, Sariyer/ Istanbul
Compatel Ukraine	Ukraine	Office 505, Nizhnii Val str., 15, Kyiv, Ukraine
MX-COMPATEL, SA de c.v.	Mexico	Av Paseo de la Reforma 180, Piso 12, Juarez, Cuauhtemoc, 06600 CDMX
INFOBIP LAB sp. z o.o.	Poland	ul. Powstańców Śląskich 2-4, 2nd floor 53-333 Wrocław, Poland
Infobip Slovenia	Slovenia	Ameriška ulica 8, 1000 Ljubljana, Slovenia
INFOBIP LLC	Qatar	Workinton, 7th floor, Al Gassar Tower No. 27 Fasht Lahadid No. 920, Onaiza No. 63 Doha - Qatar
Infobip Information Technology Pty Ltd	Australia	BOARDROOM PTY LTD.' Level 12, 225 George Street, Sydney NSW 2000
OPENMARKET Services India Private Limited	India	Unit No. 304, B Wing, Tower S4, Magarpatta City, Hadapsar, Pune - 411013, Maharashtra, India
OPENMARKET Limited	UK	15th Floor 389 Chiswick High Road, London, England, W4 4AJ
OPENMARKET INC.	USA	40600 Ann Arbor Rd E, Ste 201, Plymouth, MI 48170
OPENMARKET Holdings LLC	USA (holding company)	1209 Orange Street Wilmington, New Castle Delaware 19801 USA
ANAM TECHNOLOGIES LIMITED	Ireland	Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2
ANAM ASIA SDN. BHD.	Malaysia	09-01, Menara K1, No.1 Lorong 3/137C, Off Jalan Kelang Lama, 58000 Kuala Lumpur, W.p. Kuala Lumpur.
ARD SUAS HOLDINGS LIMITED	Ireland	Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2
INTLEACHT LIMITED	Ireland	Plaza 3, Custom House Plaza, Harbourmaster Place, I.F.S.C. Dublin 1, D01VY76
INFOBIP AUSTRIA GmbH	Austria	Fleischmarkt 1, 1010 Vienna, Austria
INFOBIP Netherlands B.V.	Netherlands	Piet Heinkade 55, 1019GM Amsterdam (Regus)
INFOBIP PORTUGAL, Unipessoal Lda	Portugal	Avenida da Liberdade, 1269 046 Lisboa
INFOBIP RWANDA Ltd	Rwanda	Kacyiru, Gasabo, Umujyi wa Kigali,

In 2022 Infobip LLC USA merged into OpenMarket INC USA and it changed the name into Infobip INC USA.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Financial instruments

	Group 2021 € 000's	2020 € 000's
Carrying amount of financial assets		
Debt instruments measured at amortised cost	566,029	270,388
Carrying amount of financial liabilities		
Measured at amortised cost	(1,051,633)	(583,507)

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, preference shares classified as debt, other creditors and accrued expenses.

Hedge of variable interest rate risk arising from bank loan liabilities

During the year, the group and company borrowed funds from its bankers under long term loan of \$500 mil, which is repayable in September 2026.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Group has entered into floating to fixed interest rate swap with a nominal value equal to that of the initial borrowings, the same term as the loan and interest re-pricing dates identical to this of the variable rate loan. This results in the Group paying 1.7510% and receiving 3m USD LIBOR (though cash flows are settled on a net basis) and effectively fix the total interest cost on loan and interest rates swap at 8.001% per annum.

The Group uses derivatives to hedge its variable interest rate risks and the fair value of the derivative liability at the balance sheet date was €4,438,771. The cash flows arising from the interest rate swaps will continue until their maturity in September 2026, coincidental with the repayment of the term loans.

Changes in the fair value of the derivative recognised in other comprehensive income that were determined to be an effective hedge amounted to €4,438,771. The hedge did not result in any ineffective portion of the change in the fair value of the derivative being recognised in the profit or loss for the year.

The Group has applied the Amendments to FRS 102: Interest rate benchmark reform (Phase 1 and Phase 2). The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Group to assume that interest rate benchmark on which hedged cash flows are based (e.g. LIBOR) will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised. The Group has taken advantage of these amendments in relation to the LIBOR interest rate noted above.

INFOBIP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
14 Debtors

	Group 2021 € 000's	2020 € 000's	Company 2021 € 000's	2020 € 000's
Amounts falling due within one year:				
Trade debtors	211,560	146,445	66,670	51,342
Corporation tax recoverable	10,957	6,452	-	-
Amounts owed by group undertakings	-	-	74,537	27,712
Amounts owed by companies under common control	2,779	2,488	1,397	1,200
Other debtors	19,127	20,593	50,532	32,431
Prepayments and accrued income	66,568	79,611	57,183	51,370
	<u>310,991</u>	<u>255,589</u>	<u>250,319</u>	<u>164,055</u>
Deferred tax asset (note 17)	5,095	619	-	-
	<u>316,086</u>	<u>256,208</u>	<u>250,319</u>	<u>164,055</u>

15 Creditors: amounts falling due within one year

	Notes	Group 2021 € 000's	2020 € 000's	Company 2021 € 000's	2020 € 000's
Bank loans		4,403	51,199	-	50,000
Deferred tax liabilities	17	1,697	1,689	-	-
Trade creditors		72,466	94,790	30,051	33,110
Amounts owed to group undertakings		-	-	243,747	17,181
Amounts due to companies under common control		2,502	2,233	-	47
Corporation tax payable		5,488	1,525	-	-
Other taxation and social security		8,804	10,708	-	171
Deferred income		8,112	9,635	1,948	7,281
Contingent consideration		17,487	-	17,487	-
Other creditors		15,977	4,872	9,677	366
Accruals		168,457	114,974	41,529	57,727
		<u>305,393</u>	<u>291,625</u>	<u>344,439</u>	<u>165,883</u>

Amounts owed to group undertakings on Infobip UK Company relate to intercompany loans received from OpenMarket US (€154m) and OpenMarket UK (€17m) and other intercompany transactions.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Long term creditors

	Group 2021	2020	Company 2021	2020
	€ 000's	€ 000's	€ 000's	€ 000's
Bank loans	421,339	10,937	-	-
Fair value hedge	4,439	-	-	-
Other long term creditors	581	2,224	-	1,656
	<u>426,359</u>	<u>13,161</u>	<u>-</u>	<u>1,656</u>

The maturity of sources of debt finance are as follows:

	Group 2021	2020	Company 2021	2020
	€ 000's	€ 000's	€ 000's	€ 000's
In one year or less, or on demand	4,401	1,199	-	-
In more than one year but not more than five years	434,643	9,738	-	-

During the year, the Group borrowed funds from its bankers. The loan (reporting date carrying amount of €439,044,000) is repayable in September 2026. The loans accrue interest at a variable rate equivalent to 3m USD LIBOR plus 6.25%. Issue costs of €19m were incurred, which have been deducted from the initial carrying value and will be charged to profit or loss as part of the interest charge calculated using the effective interest rate method. The cash for this loan was received net of the issue costs. In 2021 €1m of loan issue costs was amortised during the period.

The Group has entered into floating to fixed interest rate swap with a fixed leg of 1.7510% and a variable rate leg equal to 3m USD LIBOR. This is accounted for as a cash flow hedge (see note 13).

As at 31 December 2021, the Group is exposed to risks arising from interest rate benchmark reform as LIBOR is replaced with alternative benchmark interest rates. The quantitative exposure is disclosed above.

As disclosed in note 13, the Group has applied the Amendments to FRS 102: Interest rate benchmark reform (Phase 1 and Phase 2). Applying the practical expedient introduced by the amendments, when the benchmark affecting the Group's loan is replaced, the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loan's benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss, which may have been required if the practical expedient was not available or adopted. As at 31 December 2021, the Group expects the bank loan to transition to alternative interest rate benchmark by the end of 2022.

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021**

17 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	Assets 2021 € 000's	Assets 2020 € 000's	Liabilities 2021 € 000's	Liabilities 2020 € 000's	Net 2021 € 000's	Net 2020 € 000's
Group						
Accelerated capital allowances	5,095	619	(1,697)	(1,689)	3,398	(1,070)

The Group has tax losses that arose in various tax jurisdiction of €125,825 thousand that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. The subsidiaries have been loss-making for some time without any positive outlook for future taxable profits, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group was able to recognise all unrecognised deferred tax assets, the profit would increase by €13, 713 thousand.

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****18 Share-based payments**

The group has two share schemes in place during the year, being the Equity settled share options ("SOP") scheme (as described below) and the General Incentive Plan ("GIP") which is set out further within the share capital note (note 19).

Equity settled share options schemes

The right to acquire shares in Infobip, will be granted to participants selected by the Committee. Once the criteria attaching to Participant's options have been satisfied, Participant may exercise option granted and acquire the shares.

The vesting conditions of the share options are as follows:

- (i) In the event that an IPO occurs prior to the fourth anniversary of the date of grant of the Option, the Option shall only become exercisable upon the Fourth Anniversary. In the event that an IPO occurs following the Fourth Anniversary, the Option shall become exercisable immediately following the IPO subject to any Lock in Period.
- (ii) A sale of Infobip occurs when any person or company acquires either: (i) more than 50% of the issued voting rights of Infobip; or (ii) substantially all of the assets and/or business of Infobip.

In the event that a sale of Infobip occurs prior to the Fourth Anniversary, part of Participant's option shall automatically become exercisable immediately prior to, and conditional upon, the sale. The part of option which shall become exercisable will be calculated in accordance with the following percentages:

- If the sale occurs after the 1st anniversary of the grant date, but before the 2nd anniversary of the grant date, option shall become exercisable as to 25% of the shares in respect of which it was granted;
- If the sale occurs after the 2nd anniversary of the grant date, but before the 3rd anniversary of the grant date, option shall become exercisable as to 50% of the shares in respect of which it was granted;
- If the sale occurs after the 3rd anniversary of the grant date, but before the 4th anniversary of the grant date, option shall become exercisable as to 75% of the shares in respect of which it was granted.

In the event that a sale of Infobip occurs on or following the Fourth Anniversary, option shall automatically become fully exercisable, immediately prior to, and conditional upon, the sale. If no IPO or sale of Infobip takes place within 8 years of the date of the grant of option or if Participant should choose not to exercise options granted during this time, then such option shall lapse.

Details of the share options outstanding during 2020 and 2021 are as follows:

Group	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 € 000's	2020 € 000's
Outstanding at 1 January 2021	3,423,633	2,663,139	5.35	3.74
Granted	1,952,504	871,726	25.84	7.74
Forfeited	(435,142)	(111,232)	18.18	4.56
Outstanding at 31 December 2021	4,940,995	3,423,633		

During 2021, no options were exercised (2020: nil). The options outstanding at the end of the year have a weighted average contractual life of 3.38 years (2020: 2.27).

The Group did not enter into any share-based payment transactions with parties other than employees during the current or prior periods.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

18 Share-based payments (continued)

No share based payment charge has been included in the financial statements, in the current or prior period.

19 Share capital and reserves

	Group		Company	
	2021	2020	2021	2020
	€ 000's	€ 000's	€ 000's	€ 000's
Ordinary share capital				
A class ordinary share capital				
Issued and fully paid				
61,215,978 of £1 each	84,477	85,002	84,477	85,002
B class ordinary share capital				
Issued and fully paid				
642,188 of £2.88 each	7	7	7	7
Class D shares issue				
78,994 of £1 each	92	-	92	-
Share premium	3,807	2,041	3,807	2,041
Share repurchase reserve	(9,475)	-	(9,475)	-
Total share capital	78,708	87,050	78,708	87,050
Shares classified as debt				
C class ordinary share capital				
Issued and fully paid				
11,406,703 of £1 each	293,331	293,331	293,331	293,331
Rolled up interest	62,222	12,625	62,222	12,625
Total	355,553	305,956	355,553	305,956

A class shares have full rights with regards to voting, participation, capital repayment and dividends. B class shares rank pari passu with the exception that B class shares have no rights in the company with respect to voting.

B ordinary shares were issued under a General Incentive Plan (GIP) as part of Employees Share Options Plan (ESOP). There were no issue in the period.

In the GIP, participants are offered the right to acquire shares in Infobip at Fair Market Value. The Fair Market Value will be determined in advance on the basis of a valuation provided by an independent reputable valuer. If and when Infobip's shares are listed on a stock exchange, the Fair Market Value will be the price of the shares on the stock exchange at the relevant time.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Share capital and reserves (continued)

Participants may pay for the cost of acquiring the shares with either: (i) personal funds or (ii) a loan provided by Infobip for the purposes of funding this cost.

Participants cannot use this loan for any other purpose, other than to acquire shares. The amount of the loan will be equivalent to the Fair Market Value of the total number of shares the participant will acquire. The loan will carry an interest rate of 3% per year. The interest payable on the loan will be rolled up, i.e. interest will not be payable on an annual basis but will be aggregated and must be paid on repayment of the loan.

The loan will need to be repaid on the earlier of (i) the date falling 4 years and 3 months after the date of the grant; and (ii) 7 days following the date the participant sells or transfers shares in accordance with the rules of the plan.

It is Infobip's intention that loan may be repaid in one of the following ways (i) the net amount of any dividend paid in respect of shares (ii) if the participant should dispose of shares, the proceeds from the disposal will be applied in repayment of the Loan or (iii) from the participant's own funds.

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represent cumulative profits or losses, net of dividends paid and other adjustments.
- The foreign currency translation reserve is created when the results of subsidiaries are translated from local functional currency to the group's presentational currency on consolidation.
- The merger reserve represents the elimination of certain subsidiary share capital and investment figures associated with the acquisition of subsidiary companies completed under merger accounting.

Preference convertible shares relate to Class C shares, issued in 2020. These comprise both nominal share capital and share premium amounting to €300m, decreased by transaction costs amounting to €6.7m. Share premium is not recognised in the financial statements as the shares are classified as a liability. The shares are classified as liabilities as they attract an annual preference dividend of 15% that rolls up and is convertible, alongside the original capital, on certain future events.

At 31.12.2021 total accrued interest on the preference Class C shares were €62m.

On 5 May 2021, Company has issued 78,994 class D shares for non cash consideration of € 5,302,483.00.

On 12 March 2021, the Company entered into a buyback agreement for purchase of 380,224 A class shares for consideration of € 10,000,014, which were then cancelled.

To facilitate Share buyback, on 9 March 2021 the Company carried out a reduction of its legal share premium account by € 70,000,000.00 (the Reduction amount) from € 289,390,482.29 to € 219,390,482.29 in accordance with the solvency statement procedure under section 641(1)(a) of Companies act. Share premium in amount of € 289,390,482.29 consisted of € 2,040,921.61 created on subscription of B class shares on 13 September 2017, and €287,349,560.68 created on subscription of C class shares on 7 August 2020 and 19 October 2020. Share premium on C class shares does not appear in Statement of changes in equity as C class shares are classified as liability.

The Reduction of Capital was carried out by the Company in compliance with the Solvency Statement Procedure and the relevant documents were registered with Companies House on 9 March 2021. On registration of the Reduction of Capital: (i) the Reduction Amount was credited to a special reserve of the Company; and (ii) the full amount of that reserve was immediately set against the deficit appearing in the profit and loss account of the Company. The balance of the Reduction Amount, having been set against the deficit appearing in the profit and loss account of the Company, became distributable.

Following the Reduction of Capital, the Company carried out the Share Buyback in accordance with section 690 of Companies act.

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021**

20 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	€ 000's	€ 000's	€ 000's	€ 000's
Within one year	5,602	4,861	288	14
Between two and five years	8,228	8,438	192	-
In over five years	439	1,326	-	-
	<u>14,269</u>	<u>14,625</u>	<u>480</u>	<u>14</u>

The Group has capital commitments due within one year amounting to €674,367 (2020: €5,138,000).

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

21 Related party transactions

Remuneration of key management personnel

Remuneration for Directors and key management personnel is detailed below:

	2021 € 000's	2020 € 000's
Directors' remuneration	1,027	567
Amounts paid to third parties in respect of directors' services	2	7
	<u>1,029</u>	<u>574</u>
	2021 € 000's	2020 € 000's
Directors' remuneration	1,029	574
Senior management remuneration	2,863	1,489
	<u>3,892</u>	<u>2,063</u>

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

Highest paid company Director was paid £224,000 (2020: £153,000).

Transactions with related parties

Entities over which the group has control, joint control or significant influence comprise joint ventures.

Commonly controlled entities comprise entities which are ultimately controlled by the same parties as the group.

During the year the group entered into the following transactions with related parties.

	Sales		Purchases	
	2021 € 000's	2020 € 000's	2021 € 000's	2020 € 000's
Group				
Commonly controlled entities	654	801	684	408
	<u>654</u>	<u>801</u>	<u>684</u>	<u>408</u>
Company				
Commonly controlled entities	233	489	147	47
	<u>233</u>	<u>489</u>	<u>147</u>	<u>47</u>

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

21 Related party transactions (continued)

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2021 € 000's	2020 € 000's
Group		
Commonly controlled entities	2,502	2,233
	<u>2,502</u>	<u>2,233</u>
Company		
Commonly controlled entities	-	47
	<u>-</u>	<u>47</u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2021 € 000's	2020 € 000's
Group		
Commonly controlled entities	2,779	2,488
	<u>2,779</u>	<u>2,488</u>
Company		
Commonly controlled entities	1,397	1,200
	<u>1,397</u>	<u>1,200</u>

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Business combinations

Acquisition of Anam

On 5 May 2021 the Group acquired 100% of Anam Group companies, a provider of cloud based wholesale application-to-person (A2P) short messaging service (SMS) revenue assurance solutions, located in Ireland and Malaysia, for €40m paid mainly in cash.

	€ 000's		
Purchase consideration paid in cash	20,880		
Purchase consideration by allotment of shares	1,658		
Contingent purchase consideration	17,487		
	<u>40,025</u>		
	Book value € 000's	Revaluation adjustment € 000's	Fair value € 000's
Fixed assets			
Tangible	149	-	149
Intangible	-	900	900
Current assets			
Trade debtors	2,072	-	2,072
Accrued income	1,724	-	1,724
Other debtors	85	-	85
Cash at bank and in hand	1,253	-	1,253
Total assets	<u>5,283</u>	<u>900</u>	<u>6,183</u>
Creditors			
Trade creditors	(546)	-	(546)
Accruals and deferred income	(476)	-	(476)
Loan note interest accrual	(479)	-	(479)
Other creditors	(66)	-	(66)
Deferred tax on differences between fair values and tax bases	(245)	35	(210)
Net assets	<u>3,471</u>	<u>935</u>	<u>4,406</u>
Goodwill			35,619
Total purchase consideration (incl. contingent consideration)			40,025
Purchase consideration settled in cash			20,880
Cash and cash equivalents acquired			(1,253)
Cash outflow on acquisition			<u>19,627</u>

The intangible assets reflect the recognition of trade names on acquisition. Deferred tax is in relation to these adjustments.

The useful economic life of goodwill has been estimated to be 6 years, while useful life of intangible assets is estimated to be 10 years.

Included within goodwill are intangible assets that do not meet the criteria for separate recognition in the financial statements. These intangible assets relate to customer relationships and developed technology. Since the acquisition date, Anam Group has contributed € 6,906,218 to Group turnover and € 1,447,165 to Group profit.

Contingent consideration was paid on 5 May 2022 in full amount of € 17,486,901.

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****23 Net debt reconciliation**

	1 January 2021	Cash flows	Acquisition & disposal of subsidiaries	Other non- cash changes	31 December 2021
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Cash at bank and in hand	78,250	241,871	1,253	1,845	323,219
Bank and other loans	(63,709)	(356,753)	-	(1,036)	(421,498)
Preference shares	(305,956)	-	-	(49,597)	(355,553)
Net debt	<u>(291,415)</u>	<u>(114,882)</u>	<u>1,253</u>	<u>(48,788)</u>	<u>(453,832)</u>

24 Subsidiary undertaking audit exemptions

The parent, being Infobip Limited, has taken the exemption requirements under section 479A of the Companies Act 2006 not to file audited accounts for wholly owned subsidiaries OpenMarket UK, Infobip Global Limited, Parseco Limited and Compatel Limited for the year ended 31 December 2021. All four subsidiaries are included in the parent's consolidated accounts for the current and prior year.

25 Ultimate controlling party

The immediate controlling party of the group and company is Infobip Holdings Limited, Cayman Islands, and ultimate controlling party of the group and company is Silvio Kutić.

26 Post balance sheet events

On 25 July 2022 the Group has completed acquisition of the US-based VoIP provider Peerless Network.