UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 2, 2020

BANDWIDTH INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-38285**	**56-2242657**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

900 Main Campus Drive
Raleigh, NC 27606
(Address of principal executive offices) (Zip Code)

(800) 808-5150
Registrant's telephone number, including area code

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	BAND	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Explanatory Note

This Amendment No. 1 to Current Report on Form 8-K/A is being filed by Bandwidth, Inc. ("Bandwidth") solely for the purpose of amending and supplementing Item 9.01 of the Current Report on Form 8-K originally filed by Bandwidth with the Securities and Exchange Commission on November 2, 2020 (the "Original Form 8-K") in connection with its acquisition of Voice Topco Limited ("Voice Topco"). Voice Topco directly or indirectly holds all of the issued and outstanding shares of Voxbone, S.A., which is the operating subsidiary of Voice Topco. Voice Topco and its subsidiaries are collectively referred to "Voxbone" herein. This Current Report on Form 8-K/A is being filed to provide the information required by Item 9.01(a) and (b) of Form 8-K, which was not previously filed with the Original Form 8-K as permitted by the rules of the SEC.

Bandwidth has prepared the following unaudited pro forma condensed combined financial information pursuant to the requirements of Article 11 of Regulation S-X, as amended by SEC Final Rule Release No. 33-10786, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*. Bandwidth has voluntarily complied with Release No. 33-10786 in advance of its mandatory compliance date. The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Transaction.

Item 9.01 Financial Statements and Exhibits

(a) *Financial statements of business acquired.*

The following financial statements of Voxbone are being filed as an exhibit to this amendment and are included herein:

Exhibit 99.1 — Voxbone unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2020 and audited consolidated financial statements of Voxbone as of and for the years ended December 31, 2019 and 2018.

(b) *Unaudited pro forma financial information.*

The following pro forma financial information is being filed as an exhibit to this amendment and is included herein:

Exhibit 99.2 — Unaudited pro forma condensed combined balance sheet and statements of operations as of and for the nine months ended September 30, 2020 and for the year ended December 31, 2019.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of [KPMG LLP, Independent Registered Public Accounting Firm]
99.1	Unaudited condensed consolidated financial statements of Voxbone as of and for the nine months ended September 30, 2020 and audited consolidated financial statements of Voxbone as of and for the years ended December 31, 2019 and 2018
99.2	Unaudited pro forma condensed combined balance sheet and statements of operations as of and for the nine months ended September 30, 2020 and statement of operations for the year ended December 31, 2019
104	Cover Page Interactive File (the cover page tags are embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BANDWIDTH INC.

Date: January 14, 2021

By:	/s/ Jeffrey A. Hoffman
Name:	Jeffrey A. Hoffman
Title:	Chief Financial Officer

Consent of Independent Auditors

The Board of Directors
Bandwidth Inc.

We consent to the incorporation by reference in the registration statement (No. 333- 228939) on Form S-3 and registration statement (No. 333-222167) on Form S-8 of Bandwidth Inc. of our report dated December 10, 2020, with respect to the consolidated statement of financial position of Voice Topco Limited as of December 31, 2019 and 2018, the related consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for each of the years then ended, and the related notes, which report appears in the Form 8-K/A of Bandwidth Inc. dated January 14, 2021.

Our report refers to a change in the method of accounting for leases in 2019 due to the adoption of IFRS 16, Leases.

KPMG LLP

Cambridge, United Kingdom

January 14, 2021

Independent Auditors' Review Report

The Board of Directors,
Voice Topco Limited

Report on the Financial Statements

We have reviewed the accompanying condensed consolidated statement of financial position of Voice Topco Limited and its subsidiaries as of September 30, 2020, the related condensed consolidated statement of profit and loss and other comprehensive income for the nine-month period ended September 30, 2020, and the related condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine-month period ended September 30, 2020.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with International Financial Reporting Standard on interim financial statements (IAS 34) as issued by the International Accounting Standards Board; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with International Financial Reporting Standard on interim financial statements (IAS 34) as issued by the International Accounting Standards Board.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with International Financial Reporting Standard on interim financial statements (IAS 34) as issued by the International Accounting Standards Board.

/s/ KPMG

Cambridge, United Kingdom

10 December 2020

Voice Topco Limited

Unaudited Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the 9 month period ended

	Notes	30 September 2020 €'000	30 September 2019 €'000
Continuing operations			
Revenue	5	54,707	43,232
Cost of sales		(21,585)	(15,998)
Gross profit		**33,122**	**27,234**
Administrative expenses		(24,814)	(24,798)
Operating profit		**8,308**	**2,436**
Finance income	8	2,074	516
Finance expense	8	(9,201)	(10,813)
Profit / (loss) before income tax		**1,181**	**(7,861)**
Income tax (expense) / credit	9	(1,635)	427
Loss for the period		**(454)**	**(7,434)**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Currency translation		(243)	95
Remeasurement of post-employment benefit obligations		(387)	(147)
Income tax relating to remeasurement		97	37
Other comprehensive loss for the period, net of tax		**(533)**	**(15)**
Total comprehensive loss for the period		**(987)**	**(7,449)**

Notes 1 to 13 are an integral part of these financial statements.

Loss for the period and total comprehensive loss for the period are entirely attributable to the owners of the parent.

Voice Topco Limited

Condensed Consolidated Statement of Financial Position
As at

	Notes	Unaudited 30 September 2020 €'000	31 December 2019 €'000
Non-current assets			
Intangible assets		90,117	93,267
Property, plant and equipment		6,390	7,410
Deferred taxation		244	151
Trade and other receivables	7	269	224
		97,020	**101,052**
Current assets			
Trade and other receivables	7	7,183	5,614
Income tax receivable		205	537
Cash and cash equivalents	7	10,588	22,265
		17,976	**28,416**
Total assets		**114,996**	**129,468**
Equity attributable to owners of the parent			
Share capital		1,009	1,009
Share premium		297	297
Translation reserve		(438)	(195)
Accumulated deficit		(32,577)	(31,833)
Total equity		**(31,709)**	**(30,722)**
Current liabilities			
Trade and other payables	7	9,397	8,839
Employee benefit obligation		2,577	2,818
Income tax payable		1,239	433
		13,213	**12,090**
Non-current liabilities			
Trade and other payables	7	2,785	3,819
Accrued interest	7	34,478	46,069
Employee benefit obligation		818	388
Borrowings	7	87,773	89,215
Provisions for liabilities and charges		286	496
Deferred taxation		7,352	8,113
		133,492	**148,100**
Total liabilities		**146,705**	**160,190**
Total equity and liabilities		**114,996**	**129,468**

Notes 1 to 13 are an integral part of these financial statements.

Voice Topco Limited

Unaudited Condensed Consolidated Statement of Changes in Equity
For the 9 month period ended

	Share capital €'000	Share premium €'000	Translation reserve €'000	Accumulated deficit €'000	Total equity €'000
At 1 January 2019	**1,008**	**160**	**(211)**	**(23,151)**	**(22,194)**
Total comprehensive loss for the period					
Loss for the period	-	-	-	(7,434)	(7,434)
Currency translation	-	-	95	-	95
Remeasurement of post-employment benefit obligations	-	-	-	(147)	(147)
Income tax relating to remeasurement	-	-	-	37	37
Total comprehensive loss for the period	-	-	95	(7,544)	(7,449)
At 30 September 2019	**1,008**	**160**	**(116)**	**(30,695)**	**(29,643)**
At 1 January 2020	**1,009**	**297**	**(195)**	**(31,833)**	**(30,722)**
Total comprehensive loss for the period					
Loss for the period	-	-	-	(454)	(454)
Currency translation	-	-	(243)	-	(243)
Remeasurement of post-employment benefit obligations	-	-	-	(387)	(387)
Income tax relating to remeasurement	-	-	-	97	97
Total comprehensive loss for the period	-	-	(243)	(744)	(987)
At 30 September 2020	**1,009**	**297**	**(438)**	**(32,577)**	**(31,709)**

Notes 1 to 13 are an integral part of these financial statements.

Voice Topco Limited

Unaudited Condensed Consolidated Statement of Cash Flows
For the 9 month period ended

	Notes	30 September 2020 €'000	30 September 2019 €'000
Cash flows from operating activities			
Cash generated from operations	10	12,518	7,284
Interest paid		(19,759)	(2,141)
Taxation paid		(1,257)	282
Cash (used in) / generated from operating activities		**(8,498)**	**5,425**
Cash flows from investing activities			
Additions to property, plant and equipment		(1,091)	(899)
Additions to intangible assets		(855)	(1,005)
Proceeds from sale of property, plant and equipment		2	-
Interest received		-	17
Cash (used in) investing activities		**(1,944)**	**(1,887)**
Cash flows from financing activities			
Principal payments of lease liabilities		(1,143)	(293)
Cash (used in) financing activities		**(1,143)**	**(293)**
Net (decrease) / increase in cash and cash equivalents		(11,585)	3,245
Net foreign exchange difference		(92)	8
Cash and cash equivalents at beginning of period		22,265	18,244
Cash and cash equivalents at end of period		**10,588**	**21,497**

Notes 1 to 13 are an integral part of these financial statements.

1 Background information

Voice Topco Limited is a limited company and is incorporated and domiciled in the UK. The Company's registered office is 16 Upper Woburn Place, London, Greater London, WC1H 0BS.

The principal activity of the Group is the provision of local geographical, mobile and toll-free telephone numbers and the delivery of high-quality inbound SIP Trunks.

On 2 November 2020, the listed company Bandwidth Inc (NASDAQ: BAND) acquired all of the Company's shares. These non-statutory condensed consolidated financial statements have been prepared by the Company solely in connection with Bandwidth's obligation to include the acquired company's condensed consolidated financial statements and pro forma consolidated financial statements in its 8-K/A filing.

These non-statutory condensed consolidated financial statements for the 9 month period ended 30 September 2020 were authorised for issue in accordance with a resolution of the directors on 10 December 2020.

2 Accounting policies

2.1 Basis of Preparation

The Group's condensed consolidated financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the International Financial Reporting Standard on interim financial statements (IAS 34) as issued by the International Accounting Standards Board.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

Selected explanatory notes are included in the condensed consolidated financial statements to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

2 Accounting policies (continued)

2.2 Going concern

The Group's conclusion on its going concern assessment for the 2019 annual consolidated financial statements has not changed and hence the condensed consolidated financial statements have been prepared on a going concern basis.

Management have considered the impact of Covid-19 and do not anticipate negative impact on the business. Management expect that Covid-19 will in fact have a positive impact on the business, with potentially higher global demand for the Group's services. In the period to 30 September 2020, like for like revenue has grown by 27%, and operating profit has also grown. On 2 November 2020, the Group was acquired by Bandwidth Inc, which has resulted in the repayment of the loan notes and other loans (see note 13) and therefore the Group no longer has any covenants in relation to its liabilities as these liabilities have now been extinguished.

Nevertheless, the directors have considered severe, yet reasonably possible downside scenarios in their consideration of future cash flows over the next 12 months. Covid-19 introduces inherent uncertainty into the forecasting of future cash flows and as a result, the directors have considered the possibility of these downside scenarios in reaching their conclusion on going concern. These include an assumption that no new customers are secured in this period, alongside a consideration of the loss of existing customers operating in sectors considered to be most at risk of a negative impact of Covid-19 on their operations.

Even under these scenarios, the directors remain confident that the Group will continue to have sufficient financial resources to continue in operation for at least the next 12 months.

2.3 New standards, amendments and interpretations adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the condensed consolidated financial statements of the Group:

- Amendments to IFRS 3: Definition of a Business (effective 1 January 2020)
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)
- Amendments to IFRS 16: Covid-19 Related Rent Concessions (effective 1 June 2020, early application permitted)

Amounts are presented in Euros, being the functional and presentational currency of the Group, and are rounded to the nearest thousand unless otherwise noted.

3 Significant judgements and estimates

The Group's significant judgements and estimates have not changed materially when compared to the 2019 annual consolidated financial statements. The Group has specifically assessed the possible impact of the global Covid-19 pandemic, and has concluded that the pandemic has no impact on the Group's significant judgements and estimates. Moreover, Covid-19 in fact has a positive impact on the business, with potentially higher global demand for the Group's services.

4 Significant events and transactions

During the first 9 months of 2020, no significant events or transactions have occurred apart from an event not inherent to the Group, being the global Covid-19 pandemic. As stated above in note 2.2 and given the nature of the Group's business, the pandemic has had a positive impact on the Group.

The Group has assessed whether during the first 9 months of 2020, there were any items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence. Additionally, the Group has assessed whether there were any significant issues, repurchases, or repayments of debt and equity securities.
One transaction was significant because of its size and incidence: a repayment of €17,767,000 of accrued interest on the Group's loan notes was made to Voicebox Sarl on 18 September 2020, a related party at the time of the payment.

5 Revenue from contracts with customers

Disaggregation of revenue

All revenue is attributed to continuing activities of the Group as follows:

	9 month period ended 30 September 2020 €'000	9 month period ended 30 September 2019 €'000
DID and Capacity	26,672	22,822
Usage based credits	22,029	14,584
Termination fees	2,375	2,014
Non-recurring set-up costs	1,300	1,091
Other revenue (including commitments)	2,331	2,721
	54,707	**43,232**

5 Revenue from contracts with customers (continued)

Revenue by geographic destination is as follows:

	9 month period ended 30 September 2020 €'000	9 month period ended 30 September 2019 €'000
Belgium	1,624	1,132
Rest of Europe	23,018	19,693
Rest of the World	30,065	22,407
	54,707	**43,232**

Timing of transfer of services is as follows:

	9 month period ended 30 September 2020 €'000	9 month period ended 30 September 2019 €'000
Services transferred at a point in time	24,404	16,598
Services transferred over time	30,303	26,634
	54,707	**43,232**

6 Seasonality

The business of the Group generally does not generate more or less revenues in a certain period in the year. Hence the Group's business is not of a seasonal or cyclical nature.

7 Financial assets and liabilities

Set out below is an overview of the Group's financial assets and liabilities as at 30 September 2020.

Assets at amortised cost	30 September 2020 €'000	31 December 2019 €'000
Assets as per balance sheet		
Trade and other receivables excluding non-financial assets	6,413	4,894
Cash and cash equivalents	10,588	22,265
	17,001	**27,159**

Liabilities at amortised cost	30 September 2020 €'000	31 December 2019 €'000
Liabilities as per balance sheet		
Borrowings	87,773	89,215
Trade and other payables excluding non-financial liabilities	12,166	12,637
Accrued interest	34,478	46,069
	134,417	**147,921**

Financial assets:

In the statement of financial position, trade and other receivables includes €1,039,000 of prepayments (31 December 2019: €944,000).

Trade and other receivables excluding non-financial assets also includes (non-current) cash guarantees of €269,000 (31 December 2019: €224,000) for Group suppliers that are due within 5 years from the reporting date. Their fair value is estimated to be €264,000 (31 December 2019: €215,000).

All other trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of all other trade and other receivables is the same as the carrying values shown above.

The carrying value of trade receivables represents the maximum exposure to credit risk. No collateral is held as security.

As at 30 September 2020 there were no trade receivables past due but not impaired (31 December 2019: €nil).

7 Financial assets and liabilities (continued)

The Group's customers are composed of global, conferencing and internet telephony service providers, fixed and mobile operators, cloud communication providers, contact centres, voice application service providers and communication enabled business processes.

For its sales made, the Group has policies to ensure that sales are made to customers with an appropriate credit history. Credit risk is closely monitored by the finance and sales department. When invoices are overdue, the client account is blocked and a legal review is performed.

No credit limits were substantially exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. Additionally, the Covid-19 pandemic did not increase the Group's credit risk.

Financial liabilities:

In the statement of financial position, trade and other payables includes €16,000 of accruals (31 December 2019: €21,000).

The book and fair values of trade and other payables, lease liabilities and borrowings are approximately equal as the impact of discounting is not significant.

The loan notes attract interest at a non-compounding interest rate of 15% per annum and are repayable in full on the earlier of an exit event or 18 August 2025. Interest payable on the loan notes is either due for repayment at the same time as the loan notes or can be converted at the option of the Group to PIK notes with repayment terms similar to the original loan notes.

On 19 April 2017 one of the Group's subsidiaries entered into a combined Senior Facilities Agreement with third party lenders and on 8 May 2017 drew down a loan of $39,276,000 under this agreement. The subsidiary entered into a Belgian law governed share pledge agreement on 28 April 2017 creating security over its shares in the capital of Voxbone SA, the Group's main operating subsidiary, in favour of a security agent representing the third party lenders. The loan attracts interest at a non-compounding interest rate of LIBOR + 6% and interest is payable at the end of each quarter. The loan is repayable in full on the earlier of an exit event or 8 May 2024 and the Group has been in compliance with the leverage ratio covenant throughout the period of the loan.

The preference shares, €31,386,000 (31 December 2019: €31,386,000), attract a fixed cumulative annual non-compounding coupon of 15% on the value originally subscribed for when the shares were issued. Dividends payable on the preference shares are payable on the earlier of a declaration by the board or the redemption of the shares. The shares are redeemable on a defined exit event. The shares do not attract any voting rights.

Given the nature of the terms attaching to the preference shares, they have been determined to be a debt instrument in accordance with IFRS 9 and have been classified accordingly.

Included within non-current liabilities is €29,895,000 in respect of preference share dividends accrued for but not yet paid (31 December 2019: €26,361,000).

8 Finance income and expenses

Finance income

	9 month period ended 30 September 2020 €'000	9 month period ended 30 September 2019 €'000
Bank interest received	-	18
Foreign exchange gains	2,074	498
	2,074	**516**

Finance expenses

	9 month period ended 30 September 2020 €'000	9 month period ended 30 September 2019 €'000
Bank interest payable	89	81
Interest payable on borrowings	8,269	8,535
Interest payable on lease liabilities	92	172
Foreign exchange losses	751	2,025
	9,201	**10,813**

9 Taxation

	9 month period ended 30 September 2020 €'000	9 month period ended 30 September 2019 €'000
Current tax		
Current tax on foreign profits	(2,392)	(499)
Deferred tax		
Origination and reversal of temporary differences	757	926
Total tax (expense)/credit in the statement of profit and loss	**(1,635)**	**427**
Total tax credit in the statement of other comprehensive income	97	37

Factors affecting the tax credit/(expense) for the year:		
Profit/(loss) before taxation	1,181	(7,861)
Expected tax at UK rate of 19% (2019: 19%)	(224)	1,494
Effects of:		
Non-deductible interest expense	(1,252)	(1,296)
Non-chargeable/deductible foreign exchange gain/(loss)	292	(309)
Non-deductible other expenses	(94)	-
Foreign taxation adjustment	(357)	538
Total taxation (expense)/credit	**(1,635)**	**427**

Factors that may affect future tax charges

The group's main operating subsidiary, Voxbone SA, is registered in Belgium. The tax rate for the current year in Belgium is 25% (effective from 1 January 2020), substantively enacted on 22 December 2017. Deferred tax on Belgian balances has been calculated using the substantively enacted tax rates as at 30 September 2020.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK corporation tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. Deferred tax on UK balances has been calculated using the substantively enacted tax rates as at 30 September 2020.

10 Reconciliation of loss after tax to cash generated from operations

	9 month period ended 30 September 2020 €'000	9 month period ended 30 September 2019 €'000
Loss for the period	(454)	(7,434)
Income tax expense/(credit)	1,635	(427)
Finance expense	8,360	8,705
Finance income	-	(18)
Depreciation and amortisation	6,110	4,991
Net foreign exchange rate (profit)/loss	(1,341)	1,537
Profit on disposal of non-current assets	(1)	-
Impairment loss on trade and other receivables	40	310
(Increase) in trade and other receivables	(2,907)	(115)
Increase/(decrease) in trade and other payables	1,243	(834)
(Decrease)/increase in provisions	(167)	569
Cash generated from operations	**12,518**	**7,284**

11 Related party transactions

A repayment of €17,767,000 of accrued interest on the Group's loan notes was made to Voicebox Sarl on 18 September 2020, a related party at the time of the payment.

12 Immediate and ultimate parent undertakings

Before Bandwidth acquisition:

During 2019, the Company's immediate parent undertaking was Voicebox Sàrl, registered address 1 Rue Hildegard, Von Bingen, Luxembourg, Luxembourg, a company incorporated in Luxembourg, and the ultimate parent undertakings were funds managed by Vitruvian Partners LLP, a Limited Liability Partnership incorporated in the United Kingdom.

Registered office
Vitruvian Partners LLP
105 Wigmore Street
London
W1U 1QY

After Bandwidth acquisition:

As from the closing of the acquisition of the Company by Bandwidth Inc, the immediate and ultimate parent undertaking is Bandwidth Inc, a company incorporated in the United States.

Registered office
Bandwidth Inc
Venture Center III
900 Main Campus Drive
Raleigh
NC 27606

13 Post balance sheet events

On 12 October 2020 Bandwidth Inc (NASDAQ: BAND), a US listed company active in enterprise cloud communications, signed a definitive agreement to acquire the Company for an enterprise value of €446,000,000.

The acquisition closed on 2 November 2020. As a result, the new ultimate controlling parent of the Company is Bandwidth Inc as from that date.

On 2 November 2020, €23,466,000 of loan notes and the $39,276,000 loan drawn down under the combined Senior Facilities Agreement, were repaid in full by Bandwidth Inc, and the borrowings extinguished as part of the acquisition.

Independent Auditors' Report to the members of Voice Topco Limited

The Board of Directors,
Voice Topco Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Voice Topco Limited and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Voice Topco Limited and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

As discussed in note 2.3 to the consolidated financial statements, in 2019, the Company adopted new accounting guidance for leases due to the adoption of IFRS 16. Our opinion is not modified with respect to this matter.

/s/ KPMG

Cambridge, United Kingdom

10 December 2020

Voice Topco Limited

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the year ended

	Notes	31 December 2019 €'000	31 December 2018 €'000
Continuing operations			
Revenue	4	58,489	52,959
Cost of sales		(21,678)	(18,122)
Gross profit		**36,811**	**34,837**
Administrative expenses		(33,306)	(26,337)
Operating profit	5	**3,505**	**8,500**
Finance income	8	347	2,612
Finance expense	8	(12,679)	(15,423)
Loss before income tax		**(8,827)**	**(4,311)**
Income tax credit / (expense)	9	316	(1,377)
Loss for the year		**(8,511)**	**(5,688)**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Currency translation		16	(10)
Remeasurement of post-employment benefit obligations	24	(243)	607
Income tax relating to remeasurement		72	(206)
Other comprehensive (loss) / income for the year, net of tax		**(155)**	**391**
Total comprehensive loss for the year		**(8,666)**	**(5,297)**

Notes 1 to 28 are an integral part of these financial statements.

Loss for the year and total comprehensive loss for the year are entirely attributable to the owners of the parent.

Voice Topco Limited

Consolidated Statement of Financial Position
As at 31 December

	Notes	2019 €'000	2018 €'000
Non-current assets			
Intangible assets	10	93,267	97,206
Property, plant and equipment	11	7,410	2,533
Deferred taxation	18	151	84
Trade and other receivables	12	224	132
		101,052	**99,955**
Current assets			
Trade and other receivables	12	5,614	5,192
Income tax receivable		537	1,179
Cash and cash equivalents	13	22,265	18,244
		28,416	**24,615**
Total assets		**129,468**	**124,570**
Equity attributable to owners of the parent			
Share capital	19	1,009	1,008
Share premium	19	297	160
Translation reserve	20	(195)	(211)
Accumulated deficit	20	(31,833)	(23,151)
Total equity		**(30,722)**	**(22,194)**
Current liabilities			
Trade and other payables	14	8,839	8,336
Employee benefit obligation		2,818	2,185
Income tax payable		433	394
		12,090	**10,915**
Non-current liabilities			
Trade and other payables	14	3,819	-
Accrued interest	15	46,069	37,635
Employee benefit obligation	24	388	142
Borrowings	16	89,215	88,273
Provisions for liabilities and charges	17	496	486
Deferred taxation	18	8,113	9,313
		148,100	**135,849**
Total liabilities		**160,190**	**146,764**
Total equity and liabilities		**129,468**	**124,570**

Notes 1 to 28 are an integral part of these financial statements.

Voice Topco Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December

	Share capital €'000	Share premium €'000	Translation reserve €'000	Accumulated deficit €'000	Total equity €'000
At 31 December 2017	**1,005**	**34**	**(201)**	**(17,864)**	**(17,026)**
Total comprehensive loss for the year					
Loss for the year	-	-	-	(5,688)	(5,688)
Currency translation	-	-	(10)	-	(10)
Remeasurement of post-employment benefit obligations	-	-	-	607	607
Income tax relating to remeasurement	-	-	-	(206)	(206)
Total comprehensive loss for the year	-	-	(10)	(5,287)	(5,297)
Transactions with owners					
Proceeds from share issues	3	126	-	-	129
Total transactions with owners, recognised directly in equity	3	126	-	-	129
At 31 December 2018	**1,008**	**160**	**(211)**	**(23,151)**	**(22,194)**
Total comprehensive loss for the year					
Loss for the year	-	-	-	(8,511)	(8,511)
Currency translation	-	-	16	-	16
Remeasurement of post-employment benefit obligations	-	-	-	(243)	(243)
Income tax relating to remeasurement	-	-	-	72	72
Total comprehensive loss for the year	-	-	16	(8,682)	(8,666)
Transactions with owners					
Proceeds from share issues	1	137	-	-	138
Total transactions with owners, recognised directly in equity	1	137	-	-	138
At 31 December 2019	**1,009**	**297**	**(195)**	**(31,833)**	**(30,722)**

Notes 1 to 28 are an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended

	Notes	31 December 2019 €'000	31 December 2018 €'000
Cash flows from operating activities			
Cash generated from operations	25	10,151	15,299
Interest paid		(2,903)	(3,291)
Taxation paid		(164)	(4,088)
Cash generated from operating activities		**7,084**	**7,920**
Cash flows from investing activities			
Additions to property, plant and equipment		(1,056)	(1,252)
Additions to intangible assets		(1,201)	(1,534)
Proceeds from sale of property, plant and equipment		1	3
Interest received		18	-
Cash used in investing activities		**(2,238)**	**(2,783)**
Cash flows from financing activities			
Proceeds from equity share issue		9	129
Principal payments of lease liabilities		(813)	-
Cash used in financing activities		**(804)**	**129**
Net increase in cash and cash equivalents		4,042	5,266
Net foreign exchange difference		(21)	(55)
Cash and cash equivalents at beginning of year		18,244	13,033
Cash and cash equivalents at end of year		**22,265**	**18,244**

Notes 1 to 28 are an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2019

1 Background information

Voice Topco Limited is a limited company and is incorporated and domiciled in the UK. The Company's registered office is 16 Upper Woburn Place, London, Greater London, WC1H 0BS.

The principal activity of the Group is the provision of local geographical, mobile and toll-free telephone numbers and the delivery of high-quality inbound SIP Trunks.

On 2 November 2020, the listed company Bandwidth Inc (NASDAQ: BAND) acquired all of the Company's shares. These non-statutory audited consolidated financial statements have been prepared by the Company solely in connection with Bandwidth's obligation to include the acquired company's consolidated financial statements and pro forma consolidated financial statements in its 8-K/A filing.

These non-statutory Audited Consolidated Financial Statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 10 December 2020.

2 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the period presented, unless otherwise stated. Amounts are presented in Euros, being the functional and presentational currency of the Group, and to the nearest thousand unless otherwise noted.

2.1 Basis of Preparation

The Group's consolidated financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Even though the previous financial statements did not include an explicit and unreserved statement of compliance with IFRS as issued by the IASB, the entity is not considered to be a first time adopter as the directors have assessed that the previous financial statements demonstrate dual compliance with IFRS as adopted by the EU and IFRS as issued by the IASB.

2 Accounting policies (continued)

2.2 Going concern

The Group's consolidated financial statements show details of its financial position including, in note 23, details of its financial instruments and exposure to risk.

Notwithstanding the Group’s net liabilities of €30,722,000 as at 31 December 2019 and a loss for the year then ended of €8,511,000, the consolidated financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

After reviewing the budget for a period of 18 months from the date of approval of these consolidated financial statements, other medium term plans and considering the risks outlined in note 23, the directors, at the time of approving the consolidated financial statements, taking account of reasonably possible downsides, have a reasonable expectation that the group will have sufficient funds, to meet its liabilities as they fall due for that period and to remain compliant with the terms of borrowings.

Management have considered the impact of Covid-19 and do not anticipate negative impact on the business. Management expect that Covid-19 will in fact have a positive impact on the business, with potentially higher global demand for the Group’s services. In the period to 30 September 2020, like for like revenue has grown by 27% and operating profit has also grown. On 2 November 2020 the Group was acquired by Bandwidth Inc, which has resulted in the repayment of the loan notes and other loans (see note 16) and therefore the Group no longer has any covenants in relation to its liabilities as these liabilities have now been extinguished.

Nevertheless, the directors have considered severe, yet reasonably possible downside scenarios in their consideration of future cash flows over the next 18 months. Covid-19 introduces inherent uncertainty into the forecasting of future cash flows and as a result, the directors have considered the possibility of these downside scenarios in reaching their conclusion on going concern. These include an assumption that no new customers are secured in this period, alongside a consideration of the loss of existing customers operating in sectors considered to be most at risk of a negative impact of Covid-19 on their operations.

Even under these scenarios, the directors remain confident that the Group will be able to continue in operation for at least the next 12 months from the date of approval of these financial statements.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the consolidated financial statements and therefore have prepared the consolidated financial statements on a going concern basis.

2 Accounting policies (continued)

2.3 Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted

IFRS 16 'Leases'

The Group has applied IFRS 16 with a date of initial application of 1 January 2019, using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For contracts entered into before 1 January 2019, the Group determined whether an arrangement was, or contained, a lease under IFRIC 4. For contracts entered into from 1 January 2019 the Group determines this under IFRS 16, as detailed in note 2.9.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risk and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

<u>Leases previously classified as operating leases under IAS 17</u>

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

– Exemption not to reassess whether contracts at the date of initial application did, or did not, contain a lease;
– Exemption not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of remaining lease term;
– Applied a single discount rate to a portfolio of leases with similar characteristics; and
– Excluded initial direct costs from measuring the right of use asset at the date of initial application.

<u>Leases previously classified as finance leases under IAS 17</u>

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined by the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Other standards

The following other standards and interpretations or amendments thereto which have been issued, but are not yet effective, are not expected to have a material impact on the Group's consolidated financial statements:

– Amendments to References to Conceptual Framework in IFRS Standards (effective 1 January 2020);
– Definition of Material (Amendments to IAS 1 and IAS 8) (effective 1 January 2020);

2 Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

Other standards (continued)

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and, IFRS 7) (effective 1 January 2020);
- Definition of a Business (Amendments to IFRS 3) (effective 1 January 2020);
- Deferral of IFRS 9 (Amendments to IFRS 4) (effective 1 January 2021);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective 1 January 2021):
- Reference to the Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022);
- Proceeds before Intended Use (Amendments to IAS 16) (effective 1 January 2022);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022);
- Annual Improvements Cycle – 2018-2020 (effective 1 January 2022);
- IFRS 17 Insurance Contracts (effective 1 January 2023); and
- Classification of liabilities as current or non-current (Amendments to IAS 1) (effective 1 January 2023).

2.4 Basis of consolidation

The Group consolidated financial statements includes the financial statements of the Company and its subsidiaries.

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has power over the investee: exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 Accounting policies (continued)

2.4 Basis of consolidation (continued)

The excess of the:

– consideration transferred,
– amount of any non-controlling interest in the acquired entity, and
– acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired

is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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.

Intercompany transactions and balances between Group enterprises are eliminated on consolidation.

2.5 Revenue

On inception of the contract we identify a “performance obligation” for each of the distinct goods or services we have promised to provide to the customer.

Revenue is recognised based on transaction price and transaction price allocation to performance obligations.

Transaction price is allocated to a single performance obligation based on the contractual conditions in the contract which are based on standalone transaction prices, and is the amount of consideration to which the Group expects to be entitled for transferring promised services to a customer, excluding amounts collected on behalf of third parties, e.g. indirect taxes.

The table below summarises the performance obligations we have identified for our major service lines and provides information on the timing of when they are satisfied and the related revenue recognition policy.

2 Accounting policies (continued)

2.5 Revenue (continued)

Type of product/service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition policies**
DID: Electronic communication service provided by the Group that supports inbound calls to customers, utilising activated VoxDID and Vox800 numbers assigned by the Group.	The provision of functioning DIDs capable of accommodating the successful completion of a call. Invoices are issued on a monthly basis and are payable immediately.	Revenue from the fixed monthly contribution by customers is recognised over time.
Capacity: Network capacity provided by the Group that supports calls to customers, utilising activated VoxDID and Vox800 numbers assigned by the Group.	The provision of functioning capacity capable of accommodating the successful completion of a call. Invoices are issued on a monthly basis and are payable immediately.	Revenue from the fixed monthly contribution by customers is recognised over time.
Usage based credits for Vox800 services and VoxSMS.	The successful completion of a call or SMS. Invoices are issued for usage based credits either immediately or at the start of the following month, and are payable either immediately, within 30 days, or within 45 days.	Revenue is deferred or accrued, and recognised based on usage (the successful completion of a call or SMS) and invoice timing, at a point in time.
Termination fees: Revenue obtained from other carriers for terminating traffic on the Group network. In accordance with IFRS 15 the Group is considered to be a principal in these transactions. The Group contract directly with carriers who terminate calls on the Group network, and the nature of the Group's promise is a performance obligation to provide the specified services and not to arrange for the specified services to be provided by the carrier.	The successful completion ("termination") of a call. Invoices are issued on a monthly basis and are payable immediately.	Revenue is accrued, and recognised based on usage (the successful completion of a call) and invoice timing, at a point in time.
Non-recurring set-up costs.	Set-up costs are incurred. Invoices are issued on a monthly basis and are payable immediately.	Recharged set-up cost revenue is deferred and recognised over duration of contract.
Other revenue (including commitments).	The provision of functioning DIDs and capacity capable of accommodating the successful completion of a call. Invoices are issued on a monthly basis and are payable immediately.	DID and Capacity fixed monthly contribution commitment revenue is recognised over time.

2 Accounting policies (continued)

2.6 Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill acquired represents the excess of the fair value of the consideration over the fair value of the identifiable net assets acquired.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units, usually at business segment level or statutory company level as the case may be, for the purpose of impairment testing and is tested at least annually for impairment. On subsequent disposal or termination of a business acquired, the profit or loss on termination is calculated after charging the carrying value of any related goodwill.

Amortising assets

Amortising intangible assets are stated at cost, net of accumulated amortisation and impairment. Cost includes the original purchase price of the asset and the costs incurred attributable to bringing the asset to its working condition for intended use or the fair value attributable on a business combination. Additional costs are capitalised only so far as they fulfil the criteria of being separable intangible assets.

Internal and external incurred development expenditure is recognised as an intangible asset if the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Directly attributable costs that are capitalised as part of the intangible asset include internal implementation employee costs, costs incurred for external consultants and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is provided so as to write off the cost less estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned, which is as follows:

– Customer relationships - 15 years
– Software - 3 to 10 years
– Brand - 10 years
– Licences - 1 to 5 years
– Development costs - 7 years

2 Accounting policies (continued)

2.7 Property, plant and equipment

Property, plant and equipment is stated in the financial statements at cost less accumulated depreciation and impairment. Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment over its expected useful life (which is reviewed at least at each financial period end), on a straight line basis as follows:

– Leasehold improvements - 6 to 12 years
– Office equipment - 2 to 5 years

Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit and loss and other comprehensive income in the period that the asset is derecognised.

2.8 Impairment

The carrying amounts of the Group’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

2 Accounting policies (continued)

2.9 Leases

Inception and assessment

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

Recognition, measurement and presentation

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of ‘property, plant and equipment’. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method.

The Group presents right-of-use assets in ‘property, plant and equipment’ and lease liabilities in ‘trade and other payables’ in the consolidated statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Accounting policies (continued)

2.10 Finance income and expenses

Finance income and expenses consist of foreign exchange gains/losses recognised in accordance with note 2.14.

Finance expenses also consists of interest payable on various forms of borrowings and lease liabilities, recognised in the consolidated statement of profit and loss and other comprehensive income under the effective interest rate method.

2.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit or loss for the period. Taxable profit or loss differs from loss for the year as reported in the consolidated statement of profit and loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit or loss, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit or loss nor the accounting profit or loss. Deferred tax liabilities are recognised for taxable temporary differences arising in investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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 to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the consolidated statement of profit and loss and other comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

2 Accounting policies (continued)

2.12 Financial instruments

The Group uses certain financial instruments in its operating and investing activities that are deemed appropriate for its strategy and circumstances.

Financial instruments recognised on the consolidated statement of financial position include cash and cash equivalents, trade receivables, trade and other payables and borrowings. Financial assets, liabilities and equity are recognised on the consolidated statement of financial position when the Company has become a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. Under IFRS 9 such basic financial instruments are classified as assets held at amortised cost. These are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Under IFRS 9 impairment provisions are recognised by reference to expected credit loss. The Group calculates an allowance for credit losses by considering on a discounted basis the shortfall it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring.

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

The Group's financial liabilities comprise trade and other payables and borrowings in the consolidated statement of financial position. Under IFRS 9, these are classified as financial liabilities held at amortised cost, initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

The Group's equity instruments are recorded at the proceeds received, net of direct issue costs. Details of the Group's equity instruments are included in note 19.

2 Accounting policies (continued)

2.13 Borrowing costs

The Group expenses borrowing costs in the period the costs are incurred. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset. Details of the Group's borrowings are included in note 16.

2.14 Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency differences are generally recognised in profit or loss. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

On consolidation, the assets and liabilities of foreign operations are translated into euro at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recycled to profit or loss.

2.15 Pension costs

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group operates a defined contribution plan for its employees in the United States and a defined contribution plan for its employees in the United Kingdom. The contributions are recognised as administrative expenses within the consolidated statement of profit and loss and other comprehensive income when they are due.

Next to this, the Group also operates two defined benefit plans for its employees in Belgium funded through payments to an insurance company. The non-current employee benefit obligation liability recognised in the consolidated statement of financial position in respect of these plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets held by insurance companies. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

2 Accounting policies (continued)

2.15 Pension costs (continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the general and administrative expenses in the consolidated income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in accumulated deficit in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

2.16 Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

The Group records a provision for restoration costs of its office space rented in Belgium. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

2.17 Contract assets and liabilities

The Group’s rights to consideration for usage based credits allocated but not billed at the reporting date are recognised as contract assets. Contract assets are transferred to trade receivables when billed.

Advance consideration received from customers for usage based credits and deferred revenue in respect of non-recurring set-up costs are recognised as contract liabilities.

3 Significant judgements and estimates

The preparation of the Group’s financial statements in conforming with IFRS required management to make judgements, estimates and assumptions that effect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management’s best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in the accounting policies and/or notes to the financial statements and the key areas are summarised below:

Pension benefits - significant estimate
The Group makes significant estimates to determine the measurement of their defined benefit pension plan liabilities. These amounts are determined by an independent actuary. The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumption used is the discount rate. Any change in this assumption will impact the present value of the defined benefit obligation. Further information about this assumption and estimation uncertainty is included in note 24.

4 Revenue from contracts with customers

Disaggregation of revenue

All revenue is attributed to continuing activities of the Group as follows:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
DID and Capacity	30,822	28,327
Usage based credits	20,187	16,660
Termination fees	2,645	3,289
Non-recurring set-up costs	1,414	1,070
Other revenue (including commitments)	3,421	3,613
	58,489	**52,959**

Revenue by geographic destination is as follows:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Belgium	1,707	1,841
Rest of Europe	26,515	21,804
Rest of the World	30,267	29,314
	58,489	**52,959**

Timing of transfer of services is as follows:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Services transferred at a point in time	22,832	19,949
Services transferred over time	35,657	33,010
	58,489	**52,959**

4 Revenue from contracts with customers (continued)

Contract balances

The following table provides information about opening and closing contract assets and liabilities from contracts with customers:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Contract assets (see note 12)	1,289	995
Contract liabilities (see note 14)	(772)	(617)

Significant changes in the contract balances during the period are as follows:

	Contract assets €'000	Contract liabilities €'000
Transfers from contract assets recognised at the beginning of the period to trade receivables	(995)	-
Revenue recognised from new contract assets	1,289	-
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	617
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(772)
	294	**(155)**

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

	2019 €'000	2018 €'000
Usage based credits	632	530
Non-recurring set-up costs	140	87
	772	**617**

5 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Expenses relating to short-term leases	716	-
Operating leases charges	-	1,693
Loss/(profit) on disposal of non-current assets	49	(1)
Depreciation of property, plant and equipment	1,978	777
Amortisation of intangibles	5,140	4,819

6 Directors' remuneration

The remuneration of directors of the Group is set out below:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Salaries and other short-term employee benefits	365	365
Amounts paid to third parties for directors' services	436	431
	801	**796**

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was €365,307 (2018: €365,444).

The Company shall pay a fee of €60,000 per annum to each Institutional Director in respect of the services provided by each Institutional Director and shall reimburse each Institutional Director for any reasonable out of pocket expenses properly incurred by them in connection with their office as directors.

7 Employee information

The average monthly number of employees (including directors) employed by the Group during the period was:

	Year ended 31 December 2019	Year ended 31 December 2018
Operations	114	87
Sales	21	20
Admin	30	28
	165	**135**

The aggregate payroll costs of these employees charged in the statement of profit and loss and other comprehensive income was as follows:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Wages and salaries	12,110	9,137
Social security costs	1,913	1,667
Pension costs	599	478
	14,622	**11,282**

8 Finance income and expenses

Finance income

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Bank interest received	18	1
Foreign exchange gains	329	2,611
	347	**2,612**

Finance expenses

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Bank interest payable	112	90
Interest payable on borrowings	11,403	11,640
Interest payable on lease liabilities	146	-
Foreign exchange losses	1,018	3,692
Other finance costs	-	1
	12,679	**15,423**

9 Taxation

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Current tax		
Current tax on foreign profits	(879)	(2,613)
Deferred tax (see note 18)		
Origination and reversal of temporary differences	1,195	1,236
Total tax credit/(expense) in the statement of profit and loss	**316**	**(1,377)**
Total tax credit/(expense) in the statement of other comprehensive income	72	(206)

Factors affecting the tax credit/(expense) for the year:		
Loss on ordinary activities before taxation	(8,827)	(4,311)
Expected tax at UK rate of 19% (2018: 19%)	1,677	819
Effects of:		
Non-deductible interest expense	(1,730)	(1,782)
Non-deductible foreign exchange loss	(154)	(293)
Non-deductible other expenses	(11)	(31)
Foreign taxation adjustment	534	(90)
Total taxation credit/(expense)	**316**	**(1,377)**

Factors that may affect future tax charges

The group's main operating subsidiary, Voxbone SA, is registered in Belgium. The tax rate for the current year in Belgium is 29.58% (effective from 1 January 2018), substantively enacted on 22 December 2017. A reduction to 25% (effective 1 January 2020) was also substantively enacted on 22 December 2017. This reduction will reduce the group's future tax charge accordingly. Deferred tax on Belgian balances has been calculated using the substantively enacted tax rates as at 31 December 2019.

The effective tax rate in Belgium is 12%.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK corporation tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

10 Intangible assets

As at 31 December 2019:

	Customer relationships €'000	Brand €'000	Software €'000	Development costs €'000	Goodwill €'000	Total €'000
Cost						
At 31 December 2018	28,900	2,300	21,181	3,596	56,586	112,563
Reclassifications	-	-	(165)	165	-	-
Additions	-	-	15	1,186	-	1,201
Disposals	-	-	(3)	(90)	-	(93)
At 31 December 2019	**28,900**	**2,300**	**21,028**	**4,857**	**56,586**	**113,671**
Accumulated amortisation						
At 31 December 2018	6,504	776	7,449	628	-	15,357
Reclassifications	-	-	(101)	101	-	-
Charge for the year	1,927	230	2,296	687	-	5,140
Disposals	-	-	(3)	(90)	-	(93)
At 31 December 2019	**8,431**	**1,006**	**9,641**	**1,326**	**-**	**20,404**
Net book value						
At 31 December 2019	**20,469**	**1,294**	**11,387**	**3,531**	**56,586**	**93,267**
At 31 December 2018	22,396	1,524	13,732	2,968	56,586	97,206

10 Intangible assets (continued)

As at 31 December 2018:

	Customer relationships €'000	Brand €'000	Software €'000	Development costs €'000	Goodwill €'000	Total €'000
Cost						
At 31 December 2017	28,900	2,300	19,655	3,577	56,586	111,018
Additions	-	-	1,526	19	-	1,545
At 31 December 2018	**28,900**	**2,300**	**21,181**	**3,596**	**56,586**	**112,563**
Accumulated amortisation						
At 31 December 2017	4,577	546	4,963	452	-	10,538
Charge for the year	1,927	230	2,486	176	-	4,819
At 31 December 2018	**6,504**	**776**	**7,449**	**628**	**-**	**15,357**
Net book value						
At 31 December 2018	**22,396**	**1,524**	**13,732**	**2,968**	**56,586**	**97,206**
At 31 December 2017	24,323	1,754	14,692	3,125	56,586	100,480

Impairment assessment

The Group tests whether goodwill has suffered any impairment on an annual basis. The single cash-generating unit was tested for impairment. No charge was made in the current year (2018: no charge was made).

Goodwill was determined to be allocated to a single cash-generating unit, being Voxbone SA and its subsidiaries. The recoverable amount of this cash-generating unit was determined based on the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows.

Assumptions and judgements used in this calculation are shown below:

- Forecast period: four years (2018: four years) based on internally approved forecasts;
- Growth rate applied beyond the forecast period: 2%, based on four year Belgian inflation forecast (2018: 2%);
- Discount rate: 13% (2018: 13%).

Subsequent to this assessment, the group was acquired by Bandwidth Inc for €446,000,000 (see note 28).

Management have determined that there are no reasonably possible downside scenarios that would result in the calculation returning negative headroom.

11 Property, plant and equipment

As at 31 December 2019:

Property, plant and equipment comprise owned and leased assets:	**2019 €'000**
Property, plant and equipment owned	2,467
Right-of-use assets (see note 22)	4,943
	7,410

	Leasehold improvements €'000	Office equipment €'000	Total €'000
Cost			
At 31 December 2018	1,303	6,948	8,251
Reclassifications	(281)	281	-
Additions	36	1,020	1,056
Disposals	-	(355)	(355)
At 31 December 2019	**1,058**	**7,894**	**8,952**
Depreciation			
At 31 December 2018	468	5,250	5,718
Reclassifications	(79)	79	-
Charge for the year	163	910	1,073
Disposals	-	(306)	(306)
At 31 December 2019	**552**	**5,933**	**6,485**
Net book value			
At 31 December 2019	**506**	**1,961**	**2,467**
At 31 December 2018	835	1,698	2,533

11 Property, plant and equipment (continued)

As at 31 December 2018:

	Leasehold improvements €'000	Office equipment €'000	Total €'000
Cost			
At 31 December 2017	777	5,982	6,759
Additions	526	1,014	1,540
Disposals	-	(48)	(48)
At 31 December 2018	**1,303**	**6,948**	**8,251**
Depreciation			
At 31 December 2017	394	4,593	4,987
Charge for the year	74	703	777
Disposals	-	(46)	(46)
At 31 December 2018	**468**	**5,250**	**5,718**
Net book value			
At 31 December 2018	**835**	**1,698**	**2,533**
At 31 December 2017	383	1,389	1,772

12 Trade and other receivables

	2019 €'000	2018 €'000
Trade receivables	3,833	3,503
Less: provision for impairment	(452)	(348)
Trade receivables – net	**3,381**	**3,155**
Contract assets (see note 4)	1,289	995
Other receivables	224	132
Prepayments	944	1,042
	5,838	**5,324**
Less non-current amounts	(224)	(132)
Current amount	**5,614**	**5,192**

Non-current amounts relate to cash guarantees for Group suppliers and are due within 5 years from the reporting date. Their fair value is estimated to be €215,000 (2018: €128,000).

All other trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of all other trade and other receivables is the same as the carrying values shown above.

12 Trade and other receivables (continued)

The carrying value of trade receivables represents the maximum exposure to credit risk. No collateral is held as security.

As at 31 December 2019 there were no trade receivables past due but not impaired.

The Group's calculated allowance for expected credit losses at 31 December 2019 under IFRS 9 was not material.

The Group's impairment provision was €452,000 (2018: €348,000). The individually impaired receivables relate mainly to accounts which are outside the normal credit terms. The ageing analysis of these receivables is as follows:

	2019	2018
	€'000	€'000
Up to 90 days	30	25
90 to 180 days	36	28
Over 180 days	386	295
	452	**348**

The movement on the provision for impaired trade receivables was:

	2019	2018
	€'000	€'000
At start of period	348	311
Provision for receivable impairment	375	134
Recovered receivables previously provided	(142)	(50)
Receivables written off	(129)	(47)
At 31 December	**452**	**348**

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2019	2018
	€'000	€'000
Euro	2,320	3,152
US Dollar	2,579	1,426
Other currencies	939	746
	5,838	**5,324**

13 Cash and cash equivalents

	2019	2018
	€'000	€'000
Cash at bank and in hand	22,159	18,138
Short term deposits	106	106
	22,265	**18,244**

14 Trade and other payables

	2019	2018
	€'000	€'000
Current		
Trade payables	6,426	7,308
Amounts due to related parties	50	100
Taxes and social security	87	31
Contract liabilities (see note 4)	772	617
Lease liabilities (see note 22)	1,483	-
Accruals	21	280
	8,839	**8,336**

	2019	2018
	€'000	€'000
Non-current		
Lease liabilities (see note 22)	3,819	-
	3,819	**-**

15 Accrued interest

	2019	2018
	€'000	€'000
Non-current		
Interest payable on borrowings	46,069	37,635
	46,069	**37,635**

16 Borrowings

	2019	2018
	€'000	€'000
Non-current		
Loan notes	22,727	22,597
Other loans	35,102	34,290
Redeemable preference shares	31,386	31,386
Total borrowings	**89,215**	**88,273**

The book and fair values of borrowings are approximately equal as the impact of discounting is not significant.

The carrying values of the loan notes and redeemable preference shares are denominated in Euros.

The carrying values of other loans are denominated in US Dollars.

Loan notes

€23,466,000 (2018: €23,466,000) unsecured loan notes issued by the Company and are shown net of unamortised financing costs of €739,000 (2018: €869,000). The loan notes attract interest at a non-compounding interest rate of 15% per annum and are repayable in full on the earlier of an exit event or 18 August 2025. Interest payable on the loan notes is either due for repayment at the same time as the loan notes or can be converted at the option of the Company to PIK notes with repayment terms similar to the original loan notes.

Movement in the loan notes balance is due to the amortisation of financing costs of €130,000 (2018: €129,000) during the year.

Other loans

On 19 April 2017 one of the Group's subsidiaries entered into a combined Senior Facilities Agreement with third party lenders and on 8 May 2017 drew down a loan of $39,276,000 under this agreement. The subsidiary entered into a Belgian law governed share pledge agreement on 28 April 2017 creating security over its shares in the capital of Voxbone SA, the Group's main operating subsidiary, in favour of a security agent representing the third party lenders. The loan attracts interest at a non-compounding interest rate of LIBOR + 6% and interest is payable at the end of each quarter. The loan is repayable in full on the earlier of an exit event or 8 May 2024 and the Group has been in compliance with the leverage ratio covenant throughout the period of the loan.

Movement in the other loans balance is due to foreign exchange loss of €812,000 (2018: foreign exchange loss of €1,541,000) during the year.

16 Borrowings (continued)

Redeemable preference shares

	2019	2018
	€'000	€'000
A Preference shares of €0.01 each	31,003	31,003
B Preference shares of €0.01 each	383	383
	31,386	**31,386**

Number	Preference shares of €0.01 each	
	A1	B1
At 31 December 2018	3,100,330,603	38,298,222
At 31 December 2019	**3,100,330,603**	**38,298,222**

The A and B preference shares attract a fixed cumulative annual non-compounding coupon of 15% on the value originally subscribed for when the shares were issued. Dividends payable on the preference shares are payable on the earlier of a declaration by the board or the redemption of the shares. The shares are redeemable on a defined exit event. The shares do not attract any voting rights.

Given the nature of the terms attaching to the preference shares, they have been determined to be a debt instrument in accordance with IFRS 9 and have been classified accordingly.

Included within non-current liabilities is €26,361,000 (2018: €21,535,000) in respect of preference share dividends accrued for but not yet paid.

17 Provisions for liabilities and charges

As at 31 December 2019:

	Litigation €'000	Property dilapidations €'000	Total €'000
At 31 December 2018	91	395	486
Income statement charge	-	10	10
At 31 December 2019	**91**	**405**	**496**

As at 31 December 2018:

	Litigation €'000	Property dilapidations €'000	Total €'000
At 31 December 2017	314	385	699
Income statement credit	(283)	-	(283)
Income statement charge	60	10	70
At 31 December 2018	**91**	**395**	**486**

Litigation provision

The amount provided for represents on-going litigation, with an uncertain settlement date.

Property dilapidations provision

The Group has entered into a lease agreement for its office workspace in Belgium. At the end of this lease term (31 December 2026), the Group has the contractual obligation to restore the building to its original state.

18 Deferred taxation

The analysis of deferred tax assets and liabilities is as follows:

	2019	2018
	€'000	€'000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**151**	**84**
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**(8,113)**	**(9,313)**

The movement on net deferred tax liabilities is as follows:

As at 31 December 2019:

	Total
	€'000
At 31 December 2018	(9,229)
Income statement credit	1,195
Other comprehensive income credit	72
At 31 December 2019	**(7,962)**

As at 31 December 2018:

	Total
	€'000
At 31 December 2017	(10,259)
Income statement credit	1,236
Other comprehensive income charge	(206)
At 31 December 2018	**(9,229)**

18 Deferred taxation (continued)

The movement in deferred income tax assets and liabilities, not taking into account any offset, during the year is as follows:

As at 31 December 2019:

Deferred tax assets	**Provisions**	**Other**	**Total**
	€'000	**€'000**	**€'000**
At 31 December 2018	62	22	84
Income statement (charge)/credit	(18)	13	(5)
Other comprehensive income credit	-	72	72
At 31 December 2019	**44**	**107**	**151**

Deferred tax liabilities	**Intangible assets**	**Total**
	€'000	**€'000**
At 31 December 2018	(9,313)	(9,313)
Income statement credit	1,200	1,200
At 31 December 2019	**(8,113)**	**(8,113)**

As at 31 December 2018:

Deferred tax assets	**Provisions**	**Other**	**Total**
	€'000	**€'000**	**€'000**
At 31 December 2017	65	189	254
Income statement (charge)/credit	(3)	39	36
Other comprehensive income charge	-	(206)	(206)
At 31 December 2018	**62**	**22**	**84**

Deferred tax liabilities	**Intangible assets**	**Total**
	€'000	**€'000**
At 31 December 2017	(10,513)	(10,513)
Income statement credit	1,200	1,200
At 31 December 2018	**(9,313)**	**(9,313)**

19 Share capital

	2019	2018
	€'000	€'000
A Ordinary shares of €0.01 each	881	881
B Ordinary shares of €0.01 each	11	11
C Ordinary shares of €0.01 each	117	116
	1,009	**1,008**

The number of share issue, by class is as follows:

As at 31 December 2019:

Number	**Ordinary shares of €0.01 each**			
	A	**B**	**C**	**Total**
At 31 December 2018	88,068,615	1,087,425	11,670,000	100,826,040
Issue of shares 8 May 2019	-	-	50,000	50,000
Issue of shares 29 July 2019	-	-	56,000	56,000
At 31 December 2019	**88,068,615**	**1,087,425**	**11,776,000**	**100,932,040**

As at 31 December 2018:

Number	**Ordinary shares of €0.01 each**			
	A	**B**	**C**	**Total**
At 31 December 2017	88,068,615	1,087,425	11,390,000	100,546,040
Issue of shares 26 March 2018	-	-	280,000	280,000
At 31 December 2018	**88,068,615**	**1,087,425**	**11,670,000**	**100,826,040**

During 2019, 50,000 C Ordinary shares of €0.01 each were issued at €0.20 per share (settlement in cash), and 56,000 C Ordinary shares of €0.01 each were issued at €0.56 per share (unsettled).

19 Share capital (continued)

Share premium	**Total**
	€'000
At 31 December 2018	160
50,000 C Ordinary shares of EUR 0.01 each, issued at EUR 0.20 per share	10
56,000 C Ordinary shares of EUR 0.01 each, issued at EUR 0.56 per share	31
80,000 C Ordinary shares of EUR 0.01 each, previously issued at EUR 0.06 per share, repurchased at EUR 0.06 per share and sold at EUR 0.20 per share	11
14,000 C Ordinary shares of EUR 0.01 each, previously issued at EUR 0.06 per share, repurchased at EUR 0.06 per share and sold at EUR 0.56 per share	7
110,000 C Ordinary shares of EUR 0.01 each, previously issued at EUR 0.01 per share, repurchased at EUR 0.01 per share and sold at EUR 0.56 per share	61
50,000 C Ordinary shares of EUR 0.01 each, previously issued at EUR 0.20 per share, repurchased at EUR 0.20 per share and sold at EUR 0.56 per share	17
At 31 December 2019	**297**

Settlement in cash (€8,000), unsettled (€129,000).

20 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share capital	Nominal value of subscribed shares
Share premium	Premium value of subscribed shares
Translation reserve	Differences arising on the retranslation of foreign subsidiaries
Accumulated deficit	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

21 Related party transactions

Transactions with related parties

Parent Company

Voice Topco Limited was invoiced €136,000 (2018: €131,000) by Vitruvian Partners Limited, for directors' services during the year. As at 31 December 2019, € nil remained outstanding (2018: € nil). During 2019, Vitruvian Partners Limited was a related party as it was under the control of Vitruvian Partners LLP, who was the ultimate controlling party of the Company. As from the closing of the acquisition of the Company by Bandwidth Inc (see note 28), Vitruvian Partners LLP is no longer a related party.

The company issued 50,000 C Ordinary shares of €0.01 each at €0.20 per share to individuals who are key management during the year (settlement in cash).

The company issued 56,000 C Ordinary shares of €0.01 each at €0.56 per share to individuals who are key management during the year (unsettled).

The company repurchased 50,000 C Ordinary shares of €0.01 each from individuals leaving the Group and sold these at €0.20 per share to individuals who are key management during the year (settlement in cash).

The company repurchased 134,000 C Ordinary shares of €0.01 each from individuals leaving the Group and sold these at €0.20 per share to individuals who are key management during the year (unsettled).

The company repurchased 84,000 C Ordinary shares of €0.01 each from individuals leaving the Group and sold these at €0.56 per share to individuals who are key management during the year (unsettled).

Subsidiary companies

€8,434,000 was accrued within Voice Finco Limited, a subsidiary, during the year, in respect of interest and dividends payable on loan notes and preference shares held by related parties (2018: €8,228,000). €46,069,000 remained outstanding as at 31 December 2019 (2018: €37,635,000).

Voxbone SA, a subsidiary, purchased services amounting to €508,000 during the year (2018: €633,000) from entities controlled by key management personnel. At 31 December 2019 the Group owed €961,000 (2018: €835,000) to entities controlled by key management personnel, and key management personnel.

Key management compensation

The compensation of key management (including executive directors) of the Group is as follows:

	2019	2018
	€'000	€'000
Salaries and other short-term employee benefits	4,119	3,126
Post-employment benefits	229	139
	4,348	**3,265**

22 Leases

The Group leases office space and vehicles, as a lessee.

Right-of-use assets	**Office space €'000**	**Vehicles €'000**	**Total €'000**
Balance at 1 January 2019	-	-	-
Balance at 1 January 2019 restated under IFRS 16	3,195	343	3,538
Additions during the year	2,198	112	2,310
Depreciation charge for the year	(738)	(167)	(905)
At 31 December 2019 (see note 11)	**4,655**	**288**	**4,943**

Lease liabilities

Maturity analysis - contractual undiscounted cash flows	**2019 €'000**
Less than one year	1,606
One to five years	2,806
More than five years	1,211
Total undiscounted lease liabilities at 31 December	**5,623**

	2019 €'000
Lease liabilities included in the statement of financial position at 31 December	5,302
Current (included within trade and other payables, see note 14)	1,483
Non-current (included within trade and other payables, see note 14)	3,819

Amounts recognised in profit or loss	**2019 €'000**
Interest payable on lease liabilities (see note 8)	146
Expenses relating to short-term leases (see note 5)	716

Amounts recognised in the statement of cash flows	**2019 €'000**
Total cash outflow for leases	(813)

22 Leases (continued)

Total future minimum lease payments under non-cancellable operating lease rentals (office space, vehicles) in the prior year were payable as follows:

	2018
	€'000
Not later than one year	474
Later than one year and not later than five years	1,596
	2,070

On 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate.

Lease liabilities	**Office space €'000**	**Vehicles €'000**	**Total €'000**
Balance at 1 January 2019	-	-	-
Balance at 1 January 2019 restated under IFRS 16	3,314	343	3,657
At 1 January 2019	**3,314**	**343**	**3,657**

The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application is 1.5%.

23 Financial instruments

Financial instruments by category

Group

	2019	2018
Assets at amortised cost	**€'000**	**€'000**
Assets as per balance sheet		
Trade and other receivables excluding prepayments	4,894	4,282
Cash and cash equivalents	22,265	18,244
	27,159	**22,526**

	2019	2018
Liabilities at amortised cost	**€'000**	**€'000**
Liabilities as per balance sheet		
Borrowings	89,215	88,273
Trade and other payables excluding non-financial liabilities	12,637	8,056
Accrued interest	46,069	37,635
	147,921	**133,964**

Group Financial Risk Factors

The Group's activities expose it to a variety of financial risks: liquidity risk, credit risk, market risk (including foreign exchange risk and fair value interest rate risk), and capital risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans and compliance with internal balance sheet ratio targets.

Surplus cash over and above balance required for working capital management is invested in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom. At the reporting date, the Group holds term deposits of €106,000 (2018: €106,000).

23 Financial instruments (continued)

The table below sets out the contractual maturities (representing undiscounted contractual cash-flows) of loans, borrowings and other financial liabilities:

Group	At 31 December 2019			
	Up to 1 year €'000	Between 1 & 5 years €'000	More than 5 years €'000	Unspecified €'000
Loan notes	-	-	22,727	-
Other loans	-	35,102	-	-
Preference shares	-	-	-	31,386
Trade and other payables excluding non-financial liabilities	8,941	2,806	1,211	-
Accrued interest	-	-	19,708	26,361
	8,941	**37,908**	**43,646**	**57,747**

Group	At 31 December 2018			
	Up to 1 year €'000	Between 1 & 5 years €'000	More than 5 years €'000	Unspecified €'000
Loan notes	-	-	22,597	-
Other loans	-	-	34,290	-
Preference shares	-	-	-	31,386
Trade and other payables excluding non-financial liabilities	8,056	-	-	-
Accrued interest	-	-	16,100	21,535
	8,056	**-**	**72,987**	**52,921**

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Credit risk from operating activities

The Group's customers are composed of global, conferencing and internet telephony service providers, fixed and mobile operators, cloud communication providers, contact centres, voice application service providers and communication enabled business processes.

For its sales made, the Group has policies to ensure that sales are made to customers with an appropriate credit history. Credit risk is closely monitored by the finance and sales department. When invoices are overdue, the client account is blocked and a legal review is performed.

No credit limits were substantially exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

23 Financial instruments (continued)

Credit risk from financing activities

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure.

The credit quality of trade and other receivables that are neither past due nor impaired is shown by reference to external credit ratings (provided by Dun and Bradstreet) and historical information about counterparty default rates:

	2019	2018
	€'000	€'000
Counterparties with external credit rating		
Minimal risk	665	585
Low risk	434	1,086
Slightly greater than average risk	1,857	1,111
Significant level of risk	295	247
	3,251	**3,029**
Counterparties without external credit rating		
Group 1	-	11
Group 2	2,587	2,284
Group 3	-	-
	2,587	**2,295**
Total	**5,838**	**5,324**

Group 1 - New customers (less than 6 months).

Group 2 - Existing customers with no defaults in the past.

Group 3 - Existing customers with some defaults in the past. All defaults were fully recovered.

The Group's calculated allowance for expected credit losses, based on historic credit losses, at 31 December 2019 under IFRS 9 was not material.

The Group has not experienced any significant credit losses in the post balance sheet period.

23 Financial instruments (continued)

The credit quality of cash and cash equivalents is shown by reference to external credit ratings (provided by Dun and Bradstreet):

	2019	2018
	€'000	€'000
Low risk	383	188
Low-Moderate risk	20,774	17,447
Moderate risk	1,062	582
Moderate-High risk	-	-
High risk	-	-
Other	46	27
	22,265	**18,244**

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. The Group is not exposed to other price risk such as commodity price risk neither to cash flow interest rate risk as all its borrowings are fixed rate borrowings.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The main currency risk that the Group is exposed to is the US Dollar (USD) and British Pounds Sterling (GBP) risk as part of its sales and costs are incurred in these currencies.

The sensitivity of the results to a change in these currencies is as follows:

	Change in rate	USD effect €'000	GBP effect €'000
Year ended 31 December 2019	+5%	907	(408)
	-5%	(907)	408
Year ended 31 December 2018	+5%	811	(277)
	-5%	(811)	277

No sensitivity analysis has been performed for other currency exposures (such as Japanese yen, Swiss franc, Danish krone, Polish zloty, Swedish krona, etc.) since these exposures have no material impact on the Group's consolidated financial statements.

Interest rate risk

The Group's interest rate risk arises from US Dollar and Euro borrowings. These are held at variable (LIBOR + 6%) and fixed (15%) interest rates respectively, exposing the Group to market fluctuation and fair value interest rate risk.

23 Financial instruments (continued)

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The focus of the Group for the past years has been on the operational side of the business resulting in a strong cash position during the year reported.

24 Pensions

The Group operates two defined benefit pension plans in Belgium. These plans are subject to the Belgian Pension Law (WAP/LPC) and are insured by Allianz. The pension plans provide in a lump sum payment at the retirement age based on the average salary. These arrangements are typical in the Belgian market.

Both plans are funded. If the plan assets are below the legal minimum funding requirement, the employer is obliged to make an additional contribution to the plans. The investments are governed by the insurer, who oversees all investment decisions. The weighted average duration of the defined benefit obligation is 27 years.

The Group also operates a defined contribution plan in the US and a defined contribution plan in the UK. The Group owe €64,000 at the year end in respect of these plans (2018: €13,000). The Group's legal or constructive obligation for these plans is limited to the contributions.

The table below details the impact of the defined benefit plans on the consolidated statement of financial position and provides a view of the movement in the present value of the obligation and the fair value of plan assets over the year:

	Present value of obligation €000	Fair value of plan assets €000	Net amount €000
As at 1 January 2019	**1,923**	**(1,781)**	**142**
Defined benefit cost included in P&L	278	9	287
Defined benefit cost included in OCI	243	-	243
Employer contributions	-	(284)	(284)
As at 31 December 2019	**2,444**	**(2,056)**	**388**

The net liability disclosed above relates to funded plans as follows:

	2019 €000	2018 €000
Present value of funded obligations	2,444	1,923
Fair value of plan assets	(2,056)	(1,781)
Deficit of funded plans	**388**	**142**
Present value of unfunded obligations	-	-
Total deficit of defined benefit pension plans	**388**	**142**

The major categories of plan assets are as follows:

	2019 €000	2018 €000
Assets held by insurance companies (individual)	2,033	1,760
Assets held by insurance companies (collective)	23	21
Total assets	**2,056**	**1,781**

24 Pensions (continued)

Employer contributions are expected to be €297,000 in the year ended 31 December 2020.

Future expected benefit payments to be made from plan assets are as follows:

	2019 €000	2018 €000
Within 12 months	2	2
Between 2 and 5 years	18	5
After 5 years	7	14
Total expected contribution	**27**	**21**

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related obligation. The other assumptions for pension obligations are based in part on market conditions.

An overview of the assumptions used can be found in the table below:

	2019	2018
Discount rate	1.50%	2.10%
Inflation	1.90%	1.90%
Future salary increases	4.37%	4.37%
Number of active participants	64	67
Average age of active participants	34	34
Average past service active participants	5	4
Expected return on plan assets	1.50%	2.10%
Retirement age	65	65

The mortality rate assumptions used for the future mortality experiences are set based on advice in accordance with published MR-5/FR-5 mortality tables in Belgium.

Other than the discount rate, the assumptions in the above list are not considered significant and as a result no sensitivity analysis is provided. The sensitivity of the defined benefit obligation to changes in the discount rate for the year ended is as follows:

2019	**Change in rate**	**Impact on defined benefit obligation €000**
Discount rate	+ 0.5%	(168)
	- 0.5%	225

2018	**Change in rate**	**Impact on defined benefit obligation €000**
Discount rate	+ 0.25%	(46)
	- 0.25%	60

24 Pensions (continued)

The sensitivity analysis is based on a change in the discount rate while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability within the consolidated statement of financial position.

25 Reconciliation of loss for the year to cash generated from operations

	2019	**2018**
	€'000	**€'000**
Loss for the year	(8,511)	(5,688)
Income tax (credit) / expense	(316)	1,377
Finance expense	11,547	11,637
Finance income	(19)	-
Depreciation and amortisation	7,118	5,596
Net foreign exchange rate loss	695	1,123
Loss/(profit) on disposal of non-current assets	49	(1)
Impairment loss on trade and other receivables	104	37
(Increase) in trade and other receivables	(328)	(1,009)
(Decrease)/increase in trade and other payables	(202)	2,317
Increase/(decrease) in provisions	14	(90)
Cash generated from operations	**10,151**	**15,299**

26 Movements in liabilities arising from financing activities

	2019 €000
Opening balance	**-**
Recognition of lease liabilities	5,969
Interest payable on lease liabilities	146
Cash flows from financing activities	
Principal payments of lease liabilities	(813)
Lease liabilities included in the statement of financial position at 31 December	**5,302**

Movements in borrowings are detailed in note 16.

27 Immediate and ultimate parent undertakings

Before Bandwidth acquisition:

During 2019, the Company's immediate parent undertaking was Voicebox Sàrl, registered address 1 Rue Hildegard, Von Bingen, Luxembourg, Luxembourg, a company incorporated in Luxembourg, and the ultimate parent undertakings were funds managed by Vitruvian Partners LLP, a Limited Liability Partnership incorporated in the United Kingdom.

Registered office
Vitruvian Partners LLP
105 Wigmore Street
London
W1U 1QY

After Bandwidth acquisition:

As from the closing of the acquisition of the Company by Bandwidth Inc (see note 28), the immediate and ultimate parent undertaking is Bandwidth Inc, a company incorporated in the United States.

Registered office
Bandwidth Inc
Venture Center III
900 Main Campus Drive
Raleigh
NC 27606

28 Post balance sheet events

In response to the Covid-19 global pandemic, the Group put in place home working for all employees with no significant disruption to business.

On 12 October 2020 Bandwidth Inc (NASDAQ: BAND), a US listed company active in enterprise cloud communications, signed a definitive agreement to acquire the Company for an enterprise value of €446,000,000.

The acquisition closed on 2 November 2020. As a result, the new ultimate controlling parent of the Company is Bandwidth Inc as from that date.

On 2 November 2020, €23,466,000 of loan notes and $39,276,000 of other loans (see note 16) were repaid in full by Bandwidth Inc, and the borrowings extinguished as part of the acquisition.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

On November 2, 2020, Bandwidth, Inc. (“Bandwidth” or “the Company”) completed the acquisition (the “Business Combination” or the “Transaction”) of Voxbone S.A., a private limited liability company registered under the laws of Belgium, pursuant to the Share Purchase Agreement (“SPA”) dated as of October 12, 2020 by and among Bandwidth, Voicebox S.à r.l.,(“Voicebox”), Itay Rosenfeld, Stefaan Konings, Dirk Hermans, Gaetan Brichet and Stichting Administratiekantoor Voice pursuant to which, among other things, Bandwidth agreed to acquire all of the A Ordinary Shares, B Ordinary Shares and C Ordinary Shares of Voice Topco Limited (“Voice Topco”). Voice Topco directly or indirectly holds all of the issued and outstanding shares of Voxbone, S.A., which is the operating subsidiary of Voice Topco. Voice Topco and its subsidiaries are collectively referred to “Voxbone” herein. Upon closing of the Transaction, Bandwidth paid cash consideration in Euros equivalent to $413.0 million in US dollars and issued 663,394 Class A common shares at $160.355 per share for the purchase of Voxbone. Bandwidth’s management has concluded that the acquired assets and assumed liabilities of Voxbone, together with acquired processes and employees, represent a business as defined in the Financial Accounting Standards Board's (“FASB”) Accounting Standards Codification (“ASC”) 805, *Business Combinations*. Accordingly, the Transaction has been accounted for as a Business Combination, with Voxbone surviving as a subsidiary of Bandwidth.

Bandwidth has prepared the following unaudited pro forma condensed combined financial information pursuant to the requirements of Article 11 of Regulation S-X, as amended by SEC Final Rule Release No. 33-10786, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*. Bandwidth has voluntarily complied with Release No. 33-10786 in advance of its mandatory compliance date. The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Transaction. For each of the periods presented, the pro forma financial information reflects the combination of historical financial information of Bandwidth and Voxbone, adjusted to give effect to the acquisition method of accounting in accordance with ASC 805, as subsequently described in greater detail. Furthermore, additional pro forma adjustments have also been reflected to address differences in reporting currencies, differences in bases of accounting, and differences in the classification and presentation of certain financial information. For purposes of certain disclosures that follow, Bandwidth and Voxbone may be referred to collectively as the “Combined Company.”

The unaudited pro forma condensed combined balance sheet, which has been presented for the Combined Company as of September 30, 2020, gives effect to the Transaction as if it had occurred on September 30, 2020. The unaudited pro forma condensed combined statements of operations, which have been presented for the Combined Company for the nine months ended September 30, 2020 and year ended December 31, 2019, give effect to the Transaction as if it had occurred on January 1, 2019.

The unaudited pro forma condensed combined financial balance sheet and statements of operations is provided for informational purposes only. The unaudited pro forma condensed combined consolidated financial information does not purport to represent, or to be indicative of, what the financial position or results of operations of the Combined Company would have been had the Transaction been consummated on September 30, 2020, or on January 1, 2019. In addition, the unaudited pro forma condensed combined consolidated financial statements do not purport to project the financial position or results of operations of the Combined Company as of or for the fiscal year ending December 31, 2020, or of any other future periods. Furthermore, no effect has been given in the unaudited pro forma condensed combined financial balance sheet and statements of operations for synergistic benefits and potential cost savings, if any, that may be realized through the combination of the two companies or the costs that may be incurred in integrating their operations.

The unaudited pro forma condensed combined financial balance sheet and statements of operations have been derived from and should be read in conjunction with the following historical consolidated financial statements and accompanying notes of Bandwidth and Voxbone:

- The audited consolidated financial statements of Bandwidth as of and for the year ended December 31, 2019, as included in Bandwidth’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 21, 2020;
- The unaudited consolidated financial statements of Bandwidth as of and for the nine months ended September 30, 2020, as included in Bandwidth’s Quarterly Report on Form 10-Q filed with the SEC on October 30, 2020;
- The audited consolidated financial statements of Voxbone as of and for the years ended December 31, 2019 and 2018, as provided in Exhibit 99.1 to this Amendment to the Current Report on Form 8-K (the “8-K/A”); and

- The unaudited condensed consolidated financial statements of Voxbone as of and for the nine months ended September 30, 2020, as provided in Exhibit 99.1 to this Form 8-K/A.

The unaudited pro forma condensed combined financial statements also should be read in conjunction with the accompanying notes, which describe the assumptions and estimates underlying the adjustments set forth therein. Those assumption, estimates, and the related adjustments are based on information available at the time of this filing and, accordingly, the actual financial condition or performance of the Combined Company in periods subsequent to the Transaction may differ materially from that which is reflected in the unaudited pro forma condensed combined financial statements.

Accounting for the Transaction and Related Pro Forma Adjustments

As previously noted, the Transaction has been accounted for as a business combination in accordance with ASC 805. ASC 805 requires the allocation of purchase consideration to the fair value of the identified assets acquired and liabilities assumed upon consummation of a business combination. As explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial statements, the total purchase price to acquire Voxbone has been allocated to the assets acquired and assumed liabilities of Voxbone based upon preliminary estimated fair values at the date of acquisition, as if the acquisition had occurred on September 30, 2020. The estimated fair values of the acquired assets and assumed liabilities as of the date of acquisition are based on estimates and assumptions of Bandwidth. Management prepared the purchase price allocation, and in doing so, considered or relied in part upon a report of a third-party valuation expert to estimate the fair value of certain acquired assets. Bandwidth is continuing to finalize the valuations of the assets acquired and liabilities assumed. The fair value allocation consists of preliminary estimates and analyses and is subject to change upon the finalization of the appraisals and other valuation analyses, which are expected to be completed no later than one year from the date of acquisition. Although the completion of the valuation activities may result in asset and liability fair values that are different from the preliminary estimates included herein, it is not expected that those differences will be material to an understanding of the impact of this transaction on the consolidated financial position and results of operations of Bandwidth or the Combined Company.

Exhibit 99.1 presents the condensed consolidated financial statements for Voxbone as of and for the nine months ended September 30, 2020 (unaudited) and the consolidated financial statements as of and for the years ended December 31, 2019 and 2018 (audited). The historical financial statements of Voxbone are presented in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the International Accounting Standards Board ("IASB"). The reporting currency for Voxbone historically has been Euros ("EUR", "€"). Upon inclusion in the unaudited condensed combined pro forma financial information, Bandwidth converted Voxbone's financial data to generally accepted accounting principles in the United States ("US GAAP"), as adopted by the Financial Accounting Standards Board ("FASB"). Bandwidth also converted Voxbone's financial data into US dollars ("USD", "$"). Voxbone's historical financial information included in the unaudited pro forma condensed combined balance sheet and statements of operations is presented after conversion to US dollars. However, the historical financial information of Voxbone prior to conversion is presented in the accompanying notes. The unaudited condensed consolidated statement of financial position as of September 30, 2020 was converted using the spot rate for the period: €1.00 to $1.17087. Activity in the unaudited condensed consolidated statement of profit and loss and other comprehensive income for the nine months ended September 30, 2020 was converted at the weighted-average rate of €1.00 to $1.124575 Activity in the audited consolidated statement of profit and loss and other comprehensive income for the twelve months ended December 31, 2019 was converted at the weighted-average rate of €1.00 to $1.119868.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2020
(In thousands)

	Bandwidth Inc. Historical	Voxbone Historical - As Translated *(Refer to Note 3)*	Reclassification and Other Transaction-related Adjustments	Note Ref	Transaction Adjustments	Note Ref	Pro Forma Combined
Assets							
Current assets:							
Cash and cash equivalents	$ 300,179	$ 12,397	$ 140,460	6(a)	$ (413,005)	8(a)	$ 40,031
Restricted cash	1,144	—	—		—		1,144
Other investments	230,780	—	(140,460)	6(a)	—		90,320
Accounts receivable, net of allowance for doubtful accounts	46,452	8,410	(3,148)	6(b)	(231)	8(b)	51,483
Prepaid expenses and other current assets	10,022	240	3,148	6(b)	—		13,410
Deferred costs	2,238	—	—		—		2,238
Total current assets	590,815	21,047	—		(413,236)		198,626
Property and equipment, net	43,926	7,482	4,828	6(c)	(4,103)	8(c)	52,133
Operating right-of-use asset	17,509	—	—		2,960	8(c)	20,469
Intangible assets, net	6,179	105,515	(71,083)	6(c)	198,168	8(d)	238,779
Deferred costs, non-current	3,412	—	—		—		3,412
Other long-term assets	1,724	315	—		—		2,039
Goodwill	6,867	—	66,255	6(c)	263,317	8(e)	336,439
Deferred tax asset, net	—	286	(286)	6(d)	—		—
Total assets	$ 670,432	$ 134,645	$ (286)		$ 47,106		$ 851,897
Liabilities and stockholders' equity							
Current liabilities:							
Accounts payable	$ 7,776	$ 11,002	$ (1,103)	6(e)	$ —		$ 17,675
Accrued expenses and other current liabilities	34,360	4,468	—		14,780	8(f)	53,608
Current portion of deferred revenue	5,527	—	1,103	6(e)	(778)	8(g)	5,852
Advanced billings	5,016	—	—		—		5,016
Operating lease liability, current	5,162	—	—		207	8(c)	5,369
Total current liabilities	57,841	15,470	—		14,209		87,520
Operating lease liability, net of current portion	15,638	—	—		2,753	8(c)	18,391
Deferred revenue, net of current portion	6,331	—	—		—		6,331
Convertible senior notes	277,483	—	—		—		277,483
Trade and other long-term payables	—	3,261	—		(3,261)	8(h)	—
Accrued interest	—	40,369	—		(40,369)	8(h)	—
Defined benefit obligation	—	958	—		285	8(i)	1,243
Long-term debt	—	102,771	—		(102,771)	8(j)	—
Deferred tax liability	—	8,608	(286)	6(d)	49,542	8(k)	57,864
Other long-term liabilities	—	335	—		112	8(c)	447
Total liabilities	357,293	171,772	(286)		(79,500)		449,279
Stockholders' equity:							
Class A and Class B common stock	24	—	—		1	8(l)	25
Share capital	—	1,181	—		(1,181)	8(l)	—
Additional paid-in capital	342,633	348	—		106,030	8(l)	449,011
Accumulated deficit	(29,579)	(38,143)	—		21,243	8(m)	(46,479)
Accumulated other comprehensive income	61	(513)	—		513	8(m)	61
Total stockholders' equity	313,139	(37,127)	—		126,606		402,618
Total liabilities and stockholders' equity	$ 670,432	$ 134,645	$ (286)		$ 47,106		$ 851,897

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
Nine Months Ended September 30, 2020
(In thousands, except share and per share amounts)

	Bandwidth Inc. Historical	Voxbone Historical - As Translated *(Refer to Note 3)*	Reclassification and Other Transaction-related Adjustments	Note Ref	Transaction Adjustments	Note Ref	Pro Forma Combined	Note Ref
Revenue	$ 230,066	$ 61,522	$ (90)	7(a)	$ (349)	9(a)	$ 291,149	
Cost of revenue	123,895	24,274	1,380	7(a)	6,105	9(b)	155,654	
Gross profit	106,171	37,248	(1,470)		(6,454)		135,495	
Operating expenses:								
Research and development	29,316	—	5,596	7(a)	60	9(c)	34,972	
Sales and marketing	27,073	—	5,907	7(a)	56	9(c)	33,036	
General and administrative	51,070	27,905	(12,973)	7(a)	4,324	9(d)	70,326	
Total operating expenses	107,459	27,905	(1,470)		4,440		138,334	
Operating (loss) income	(1,288)	9,343	—		(10,894)		(2,839)	
Other expense	(8,980)	(8,015)	(523)	7(b)	9,406	9(e)	(8,112)	
(Loss) income before income taxes	(10,268)	1,328	(523)		(1,488)		(10,951)	
Income tax provision	(13,783)	(1,839)	131	9(e)	930	9(f)	(14,561)	
Net loss	$ (24,051)	$ (511)	$ (392)		$ (558)		$ (25,512)	
Net loss per share								
Basic	$ (1.01)						$ (1.04)	9(g)
Diluted	$ (1.01)						$ (1.04)	9(g)
Weighted average number of common shares outstanding:								
Basic	23,905,322				670,834	9(h)	24,576,156	9(h)
Diluted	23,905,322				670,834	9(h)	24,576,156	9(h)

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2019
(In thousands, except share and per share amounts)

	Bandwidth Inc. Historical	Voxbone Historical - As Translated *(Refer to Note 3)*	Reclassification and Other Transaction-related Adjustments	Note Ref	Transaction Adjustments	Note Ref	Pro Forma Combined	Note Ref
Revenue	$ 232,594	$ 65,500	$ (120)	7(a)	$ (588)	9(a)	$ 297,386	
Cost of revenue	124,959	24,277	2,371	7(a)	8,016	9(b)	159,623	
Gross profit	107,635	41,223	(2,491)		(8,604)		137,763	
Operating expenses:								
Research and development	31,461	—	6,771	7(a)	623	9(c)	38,855	
Sales and marketing	35,020	—	7,979	7(a)	1,515	9(c)	44,514	
General and administrative	58,847	37,298	(17,241)	7(a)	37,340	9(d)	116,244	
Total operating expenses	125,328	37,298	(2,491)		39,478		199,613	
Operating (loss) income	(17,693)	3,925	—		(48,082)		(61,850)	
Other income (expense), net	2,469	(13,810)	—		12,927	9(e)	1,586	
Loss before income taxes	(15,224)	(9,885)	—		(35,155)		(60,264)	
Income tax (expense) benefit	17,718	354	—		11,750	9(f)	29,822	
Net income (loss)	$ 2,494	$ (9,531)	$ —		$ (23,405)		$ (30,442)	
Earnings per share:								
Net income (loss) per share								
Basic	$ 0.11						$ (1.31)	9(g)
Diluted	$ 0.10						$ (1.31)	9(g)
Weighted average number of common shares outstanding:								
Basic	22,640,461				665,127	9(h)	23,305,588	9(h)
Diluted	23,923,777				(618,189)	9(h)	23,305,588	9(h)

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

1. Description of the Transaction

On October 12, 2020, Bandwidth entered into a Share Purchase Agreement (the "SPA") by and among Bandwidth and Voxbone in exchange for both cash paid in Euros (€) and shares of Bandwidth's Class A common stock issued to the Selling Stockholders at the closing held on November 2, 2020, effective as of October 31, 2020 (the "Business Combination" or the "Transaction").

Pursuant to the SPA, the initial consideration attributable to the Transaction ("Initial Consideration") would be €446 million, adjusted for (1) the difference between Voxbone's estimated net working capital and the target net working capital agreed to pursuant to the SPA and (2) the estimated amounts of the following assets and liabilities of Voxbone: cash, debt, certain loan notes (the "Voxbone Loan Notes"), and amounts due in settlement of certain equity securities issued by a subsidiary of Voxbone. The SPA further specified that settlement of the Initial Consideration would consist of a combination of the following amounts paid to or on behalf of the Voxbone Sellers:

- A minimum amount of cash to be paid to the Voxbone Sellers in Euros (the "Minimum Cash Payment"), which amount would (1) include €7 million to be settled subsequent to the Transaction close date (the "Holdback Amount") and €9 million to be deposited into an escrow account (the "Escrow Amount"). The SPA defined the Minimum Cash Payment as the lower of the Initial Consideration and an amount equal to (1) the Euro equivalent, as determined based upon the US dollar ("USD") to Euro conversion rate on the business day prior to the closing of the Transaction, of USD 400 million less the USD amount required to discharge and repay Voxbone's outstanding debt *less* (2) the redemption amount of the Voxbone Loan Notes.
- Cash paid to redeem the Voxbone Loan Notes, redeem the equity securities issued by a subsidiary of Voxbone, settle Voxbone's outstanding debt, settle Voxbone employee loan amounts, and settle Voxbone's transaction costs.
- A number of shares of Bandwidth's Class A common stock to be issued to the Voxbone Sellers, determined based upon (1) the Initial Consideration less the Minimum Cash Amount *divided by* (2) a strike price, elected by Voxbone, equal to the Euro equivalent of (i) the volume-weighted average price of Bandwidth's Class A common stock for the 10 trading day period ending one trading day prior to the closing of the Transaction or (ii) the closing price of Bandwidth's Class A on the trading day prior to the closing of the Transaction

The Initial Consideration, which was distributed on the closing date of the Transaction, is subject to further adjustment upon final determination of Voxbone's cash, outstanding debt, and net working capital as of the date that the Transaction closed.

Bandwidth acquired Voxbone for total consideration of $519,384, which included $394,370 of upfront closing cash consideration, $8,153 of held back cash consideration, $10,482 held in escrow for regulatory confirmations and specific tax indemnities, and the issuance of 663,394 Bandwidth Class A common shares with a fair value of $106,379 as of the closing date based on the closing share price of Bandwidth on October 30, 2020. Refer to Note 4 for additional details regarding the purchase consideration issued to consummate the Transaction.

2. Basis of Pro Forma Presentation

Basis of Preparation of the Pro Forma Information

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11, as amended by SEC Final Rule Release No. 33-10786, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*, which Bandwidth has elected to early adopt. In accordance with Release No. 33-10786, the unaudited condensed combined pro forma balance sheet and statements of operations reflect transaction accounting adjustments, as well as other adjustments deemed to be directly related to the Transaction, irrespective of whether or not such adjustment is deemed to be recurring.

The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Transaction. The unaudited pro forma condensed combined balance sheet, which has been presented for the Combined Company as of September 30, 2020, gives effect to the Transaction as if it were consummated on September 30, 2020. The unaudited pro forma condensed combined statements of operations, which have been presented for the nine months ended September 30, 2020 and for the twelve months ended December 31, 2019, give pro forma effect to the Transaction as if it had occurred on January 1, 2019. This pro forma information is provided for informational purposes only and is based on available information and assumptions that we believe are reasonable. The pro forma information does not purport to represent what the actual consolidated results of operations or the consolidated financial position of the Combined Company would have been if the Transaction had occurred on the dates indicated, nor is it necessarily indicative of the future consolidated results of operations or consolidated financial position of the Combined Company. The actual financial position and results of operations of the Combined will likely differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified, and changes in operating results following the dates of the Transaction and the pro forma financial information.

Accounting for the Transaction

The accompanying unaudited pro forma condensed combined financial statements give effect to the Transaction, pursuant to which Voxbone merged with and into Bandwidth, becoming a wholly-owned subsidiary of Bandwidth. The unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of Bandwidth and Voxbone, as well as the assumptions and adjustments set forth in these notes. Adjustments reflected in the unaudited pro forma condensed combined financial statements include the balance sheet and statement operations impacts of the application of acquisition method of accounting in accordance with ASC 805. Adjustments also reflect the impact that discrete transactions directly related to the Transaction have had or will have on the results of operations and financial condition of the Combined Company.

ASC 805 requires the allocation of purchase consideration to the fair value of the identified assets acquired and liabilities assumed upon consummation of a business combination. For this purpose, fair value shall be determined in accordance with the fair value concepts defined in ASC 820, “Fair Value Measurements and Disclosures,” (“ASC 820”). Fair value is defined in ASC 820 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Fair value measurements can be highly subjective and can involve a high degree of estimation.

The determination of the fair value of the identifiable assets acquired and liabilities assumed upon consummation of the Transaction, as well as the allocation of the estimated consideration to these identifiable assets and liabilities, is preliminary as of the date that the unaudited pro forma condensed combined financial information has been prepared. Accordingly, the fair values of the identifiable assets acquired and liabilities assumed may be revised as additional information becomes available and is evaluated. Since the unaudited pro forma condensed combined financial information has been prepared based upon preliminary estimates of consideration and the fair values of the identifiable assets acquired and liabilities assumed from Voxbone, the actual amounts eventually recorded in connection with purchase accounting, including the identifiable intangibles and goodwill, could differ materially from the information presented. However, Management believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Transaction, including the application of the acquisition method of accounting, based on information available at the time. Management further believes that the pro forma adjustments give appropriate effect to the assumptions that have been made and those assumptions have been properly applied.

3. Translation of Voxbone’s Historical Financial Statements

Voxbone has historically prepared and reported its financial information in Euros. However, Bandwidth’s reporting currency is the US dollar. Accordingly, Voxbone’s historical financial information was translated from Euros into US dollars prior to inclusion in the unaudited pro forma condensed combined balance sheet as of September 30, 2020 and unaudited pro forma condensed combined statements of operations for the periods ended September 30, 2020 and December 31, 2019. Information regarding Voxbone’s historical financial information both prior to and subsequent to translation, as well as the foreign currency exchange rates at which such information was translated into US dollars, is summarized below:

Unaudited Pro Forma Condensed Combined Balance Sheet – As of September 30, 2020:

For purposes of preparing the unaudited pro forma condensed combined balance sheet as of September 30, 2020, Voxbone’s unaudited consolidated condensed statement of financial position (balance sheet) as of September 30, 2020 was translated from Euros into US dollars using the following foreign currency exchange rate in effect as of September 30, 2020: €1.00 to $1.17087. The following table illustrates the impact of translating Voxbone’s balance sheet as of September 30, 2020 into US dollars:

		September 30, 2020 €'000		September 30, 2020 USD (000s)
Non-current assets				
Intangible assets	€	90,117	$	105,515
Property, plant and equipment		6,390		7,482
Deferred taxation		244		286
Trade and other receivables(i)		269		315
		97,020		113,598
Current assets				
Trade and other receivables(ii)		7,183		8,410
Income tax receivable(iii)		205		240
Cash and cash equivalents		10,588		12,397
		17,976		21,047
Total assets	€	114,996	$	134,645
Equity attributable to owners of the parent				
Share capital	€	1,009	$	1,181
Share premium(iv)		297		348
Translation reserve(v)		(438)		(513)
Accumulated deficit		(32,577)		(38,143)
Total equity		(31,709)		(37,127)
Current liabilities				
Trade and other payables(vi)		9,397		11,002
Employee benefit obligation(vii)		2,577		3,017
Income tax payable(vii)		1,239		1,451
		13,213		15,470
Non-current liabilities				
Trade and other payables		2,785		3,261
Accrued interest		34,478		40,369
Employee benefit obligation		818		958
Borrowings(viii)		87,773		102,771
Provisions for liabilities and charges(ix)		286		335
Deferred taxation		7,352		8,608
		133,492		156,302
Total liabilities		146,705		171,772
Total equity and liabilities	€	114,996	$	134,645

(i) Translated historical balance has been classified and presented as Other long-term assets in the pro forma condensed combined balance sheet.

(ii) Translated historical balance has been classified and presented as Accounts receivable, net of allowance for doubtful accounts, in the pro forma condensed combined balance sheet.

(iii) Translated historical balance has been classified and presented as Prepaid expenses and other current assets in the pro forma condensed combined balance sheet.

(iv) Translated historical balance has been classified and presented as Additional paid-in capital in the pro forma condensed combined balance sheet.

(v) Translated historical balance has been classified and presented as Accumulated other comprehensive (loss) income in the pro forma condensed combined balance sheet.

(vi) Translated historical balance has been classified and presented as Accounts payable in the pro forma condensed combined balance sheet.

(vii) Translated historical balance has been classified and presented as Accrued expenses and other current liabilities in the pro forma condensed combined balance sheet.

(viii) Translated historical balance has been classified and presented as Long-term debt in the pro forma condensed combined balance sheet.

(ix) Translated historical balance has been classified and presented as Other long-term liabilities in the pro forma condensed combined balance sheet.

Unaudited Pro Forma Condensed Combined Statement of Operations – Nine months ended September 30, 2020:

For purposes of preparing the interim period pro forma financial statements for the nine months ended September 30, 2020, Voxbone's unaudited condensed consolidated statement of profit and loss and other comprehensive income (statement of operations) were translated from Euros to US dollars using the following weighted-average foreign exchange rate for the period: €1.00 to $1.124575 The following table illustrates the translation of Voxbone's reported results for purposes of the preparation of the interim period pro forma financial statements:

	Nine months ended September 30, 2020 €'000	Nine months ended September 30, 2020 USD (000s)
Continuing operations		
Revenue	€ 54,707	$ 61,522
Cost of sales	21,585	24,274
Gross profit	33,122	37,248
Administrative expenses	24,814	27,905
Operating profit	8,308	9,343
Finance income(i)	2,074	2,332
Finance expense(i)	(9,201)	(10,347)
Profit before income tax	1,181	1,328
Income tax expense	(1,635)	(1,839)
Loss for the period	€ (454)	$ (511)

(i) Translated historical balance has been classified and presented as Other expense in the pro forma condensed combined statement of operations.

Unaudited Pro Forma Condensed Combined Statement of Operations – Twelve months ended December 31, 2019:

For purposes of preparing the unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2019, Voxbone's audited statement of operations for the corresponding period was translated from Euros into US dollars using the following weighted-average foreign currency exchange rate for the period: €1.00 to $1.119868. The following table illustrates the impact of translating Voxbone's audited results of operations for the twelve months ended December 31, 2019 into US dollars:

		Year ended December 31, 2019 €'000		Year ended December 31, 2019 USD (000s)
Continuing operations				
Revenue	€	58,489	$	65,500
Cost of sales		21,678		24,277
Gross profit		36,811		41,223
Administrative expenses		33,306		37,298
Operating profit		3,505		3,925
Finance income(i)		347		389
Finance expense(i)		(12,679)		(14,199)
Loss before income tax		(8,827)		(9,885)
Income tax credit		316		354
Net loss	€	(8,511)	$	(9,531)

(i) Translated historical balance has been classified and presented as Other income (expense), net in the pro forma condensed combined statement of operations.

4. Calculation of purchase Price and Preliminary Allocation of Estimated Fair Value of Assets Acquired and Liabilities Assumed

The total preliminary acquisition purchase price on a US Dollars equivalent basis, has been calculated as follows:

Net cash paid (i)	$	413,005
Fair value of equity consideration (ii)		106,379
Fair value of consideration transferred		519,384

(i) Net cash paid represents preliminary cash purchase consideration of €354,874 translated into US dollars at the currency exchange rate in effect as of October 30, 2020: €1.00 to $1.16471 this amount includes the Holdback Amount of €7,000 and Escrow Amount of €9,000 translated into $8,153 and $10,482 at the October 30, 2020 foreign exchange rate. The preliminary cash purchase consideration remains subject to a final closing adjustment based upon any differences between the preliminary estimates and final determinations of Voxbone's closing balance sheet cash, debt, and/or net working capital.

(ii) The fair value of equity consideration reflects the issuance 663,394 shares of Bandwidth's Class A common shares, which have been valued based upon the October 30, 2020 closing price of $160.355 per share. The number of shares issued was determined in accordance with the SPA and reflects equity consideration of €91,334 divided by the Euro equivalent share price of €137.68.

The purchase price is allocated to the underlying assets acquired and liabilities assumed based on their respective fair values, with any excess purchase price allocated to goodwill. The purchase price was allocated as follows:

(In thousands, except share and per share amounts)

Allocated to the underlying assets acquired and liabilities assumed based on their respective fair values, with any excess purchase price allocated to goodwill. The purchase price was allocated as follows*:*

Fair value of consideration transferred		**$ 519,384**
Cash and cash equivalents acquired	12,397	
Net identifiable tangible assets acquired	17,043	
Right of use assets acquired	2,960	
Net identifiable intangible assets acquired	232,600	
Estimated Fair value of total assets acquired (net of Goodwill)	**$ 265,000**	
Deferred Tax liabilities	57,966	
Accrued expenses and other liabilities	12,247	
Operating lease liability - current and non-current	2,960	
Defined benefit obligation	1,243	
Deferred revenue - current	325	
Other long term liabilities	447	
Estimated Fair value of total liabilities assumed	**$ 75,188**	
Estimated Fair value of net assets acquired		**$ 189,812**
Goodwill		**$ 329,572**

The purchase price allocation has been derived from estimates of the fair value of the tangible and intangible assets and liabilities of Voxbone, using established valuation techniques. Bandwidth's judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as the associated asset useful lives, can materially affect the results of operations of the Combined Company. The total purchase price has been allocated on a preliminary basis to identifiable assets acquired and liabilities assumed based upon valuation studies and procedures performed to date. As of the date of this filing, the valuation studies and procedures required to determine the fair value of the assets acquired, liabilities assumed, and the related allocations of purchase price are not complete. The final determination of the fair values of the identifiable tangible and intangible assets acquired and liabilities assumed may differ from the amounts reflected in the preliminary pro forma purchase price allocation, and any differences could be material. Furthermore, the carrying values and, accordingly, fair values of Voxbone's working capital accounts may differ as of the Transaction date, as compared the amounts reported as of September 30, 2020. Bandwidth will finalize the purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the acquisition date.

5. Confirming Accounting Policies

In connection with the preparation of the unaudited pro forma condensed combined statements of operations, management performed a comparative analysis of (1) the accounting policies of Bandwidth and Voxbone and (2) the IFRS accounting principles applied by Voxbone versus the U.S. GAAP applied by Bandwidth. Management noted the following material differences in the accounting policies or accounting principles applied by the two companies.

- *Accounting for leases under IFRS 16, Leases versus ASC 842, Leases*, – IFRS and US GAAP apply different lease accounting models under IFRS 16 and ASC 842, respectively. More specifically, under IFRS 16, which was historically applied by Voxbone, all leases are accounted for as the equivalent of finance leases under US GAAP. However, under US GAAP, leases are evaluated at inception to determine whether they are operating leases or finance leases, and the lease classification determines the accounting model that shall be applied. For purposes of the application of purchase accounting in accordance with ASC 805 and, accordingly, for purposes of preparation of the unaudited pro forma condensed combined financial information, Bandwidth has determined that Voxbone's office leases would have been classified as operating leases at inception if evaluated under ASC 842. Refer to notation mark (*c)* of Note 8 and notation marks (*c)* and (*d)* of Note 9 for details regarding the combined impact of purchase accounting and accounting for Voxbone's office leases as operating leases in accordance with ASC 842.

The unaudited pro forma condensed combined statements of operations have been prepared assuming that there are no material differences other than those noted above and the pro forma reclassifications detailed in Notes 6 and 7 to these unaudited pro forma condensed combined financial statements. Bandwidth will further review Voxbone's legacy accounting policies and application of IFRS within the acquisition measurement period to assess for the existence of any material differences that have not been previously identified. Bandwidth will ultimately conform any identified differences, as well as any related impact on the reporting, classification, and presentation of the Combined Company's financial position or results of operations, to the accounting policies, accounting principles and classifications of Bandwidth.

(In thousands, except share and per share amounts)

6. Reclassification of Voxbone's historical Statement of Financial Position (Balance Sheet) information and other transaction related adjustments impacting the pro forma Balance sheet of the Combined Company

Other Transaction related adjustment impacting the pro forma Balance Sheet of the Combined Company as of September 30, 2020

The following pro forma adjustment is not based upon specified terms of the SPA or the application of ASC 805 for purposes of (1) determining the purchase consideration attributable to the Transaction or (2) allocating the Transaction purchase consideration to identifiable assets acquired, liabilities assumed, and/or goodwill. Accordingly, the pro forma adjustment has been presented separately from the Transaction Accounting Adjustments reflected in Notes 7 and 8 to these unaudited pro forma condensed combined financial statements. This pro forma adjustment has been recorded to give effect to the funding of a portion of the Transaction purchase consideration with internal assets held by Bandwidth outside of cash and cash equivalents. The pro forma adjustment has been deemed to be directly related to the Transaction and analogous to a financing adjustment.

(a) Reflects Bandwidth's sale of $140,460 of time deposits prior to consummation of the Transaction to provide additional cash needed to fund a portion of the cash purchase consideration.

Voxbone Balance Sheet Reclassification Adjustments:

The following is a summary of reclassification adjustments included in the unaudited pro forma condensed combined balance sheet:

(b) Reclassifies and conforms the classification and presentation of contract assets of $1,932 and prepaid expenses of $1,216 historically recorded within Voxbone's Trade and other receivables financial statement line. Bandwidth classifies and presents these assets as prepaid expenses and other current assets on its balance sheet.

(c) Reclassifies and conforms the classification and presentation of certain non current assets presented in Voxbone's historical financial statements to the classification and presentation in Bandwidth's financial statements, as follows:

	Property, plant and equipment	Intangible Assets, net	Goodwill
Historical Voxbone Balance	$ 7,482	$ 105,515	$ —
Reclassification adjustments:			
Reclassify Goodwill		(66,255)	66,255
Reclassify Internal Use Software	4,828	(4,828)	
Impact of reclassification	4,828	(71,083)	66,255
Ending reclassified Voxbone balance	$ 12,310	$ 34,432	$ 66,255

(d) Reclassifies the historical deferred tax asset balance of Voxbone as an offset to Voxbone's deferred tax liability balance in order to present the deferred tax balance on a net basis in accordance with US GAAP.

(e) Reclassifies current deferred revenue of $1,103 historically recorded within Voxbone's Trade and other payables financial statement line item, as Bandwidth presents current deferred revenue as a separate financial statement line item on its balance sheet.

7. Reclassifications of Voxbone's historical Statements of Profit and Loss and other comprehensive income (Statement of Operations) and other transaction related adjustments impacting the Unaudited Pro Forma Condensed Combined Statements of Operations

Voxbone Statement of Operations Reclassification Adjustments:

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

(a) The tables that follow summarize the reclassification adjustments that were made to conform the classification and presentation of certain expenses reflected in Voxbone's historical consolidated statements of operations to Bandwidth's classification and presentation. The adjustments primarily reclassify amounts reported as general and administrative expense in Voxbone's historical consolidated statements of operations to other operating expense accounts, including cost of revenue. The adjustments also conform the classification and presentation of certain discrete items to Bandwidth's classification and presentation of such items.

Reclassification of Voxbone expenses for the nine months ended September 30, 2020:

	Revenue	*Cost of revenue*	*Research and Development*	*Sales and Marketing*	*General and Administrative*
Historical Voxbone Balance	61,522	$ 24,274	$ —	$ —	$ 27,905
Reclassification adjustments:					
Reclassify Credit card fees (i)		(546)			546
Reclassify 3rd party commissions (i)		(420)		420	
Reclassify TRS fees (ii)	(90)				(90)
Reclassify General and Administrative expense (iii)		2,346	5,596	5,487	(13,429)
Impact of reclassification	(90)	1,380	5,596	5,907	(12,973)
Ending reclassified Voxbone balance	$ 61,432	$ 25,654	$ 5,596	$ 5,907	$ 14,932

(i) Adjustments reclassify credit card fees and commissions, which Voxbone has historically reported within cost of sales, to general and administrative expense and sales and marketing expense respectively, for consistency with the classification of such costs in Bandwidth's statement of operations.

(ii) Adjustment reclassifies telecommunications relay services ("TRS") fees, which amounts were historically classified as general and administrative expenses on Voxbone's historical consolidated statement of operations. Bandwidth reduces revenue for TRS fees if collected under its accounting policy.

(iii) Reclassifies historical Voxbone expenses, primarily personnel costs, to Bandwidth's presentation of cost of revenue, research and development and sales and marketing.

Reclassification of Voxbone expenses for the twelve months ended December 31, 2019:

	Revenue	*Cost of revenue*	*Research and Development*	*Sales and Marketing*	*General and Administrative*
Historical Voxbone Balance	$ 65,500	$ 24,277	$ —	$ —	$ 37,298
Reclassification adjustments:					
Reclassify Credit card fees (i)		(574)			574
Reclassify 3rd party commissions (i)		(317)		317	
Reclassify TRS fees (ii)	(120)				(120)
Reclassify General and Administrative expense (iii)		3,262	6,771	7,662	(17,695)
Impact of reclassification	(120)	2,371	6,771	7,979	(17,241)
Ending reclassified Voxbone balance	$ 65,380	$ 26,648	$ 6,771	$ 7,979	$ 20,057

(i) Reclassification of credit card fees and commissions, which Voxbone has historically reported within costs of sales, to general and administrative expense and sales and marketing expense respectively, for consistency with the classification of such costs in Bandwidth's statement of operations.

(In thousands, except share and per share amounts)

(ii) Reclassifies TRS fees, which amounts were historically classified as general and administrative expenses on Voxbone's historical consolidated statement of operations. Bandwidth reduces revenue for TRS fees if collected under its accounting policy.

(iii) Reclassifies historical Voxbone expenses, primarily personnel costs, to Bandwidth's presentation of cost of revenue, research and development and sales and marketing.

Other transaction related adjustment impacting the Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2020

(b) To remove $523 of interest income earned on time deposits sold by Bandwidth to provide the cash consideration to fund a portion of the cash purchase consideration attributable to the Transaction as required by the SPA.

8. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The following analysis summarizes and provides explanations for the pro forma adjustments included in the unaudited pro forma condensed combined balance sheet presented as of September 30, 2020:

(a) Adjustment records the cash purchase consideration paid to consummate the Transaction. Refer to Note 4 for additional details regarding the calculation of the cash purchase consideration.

(b) Adjustment records a $231 reduction to receivables, as amounts due from an investor in Voxbone were settled in connection with consummation of the Transaction. Settlement occurred on the date of close.

(c) Adjustments reflect the net effects of recording lease asset and liability balances related to Voxbone's leases in connection with the application of purchase accounting. Accounts impacted by the adjustments are consistent with Bandwidth's presentation of leases. Additional adjustments to remove the historical short-term and long-term lease liability balances reported by Voxbone as of September 30, 2020 are reflected in notations *(f)* and *(h)* of this Note. Lease adjustments include the impact of reevaluating the appropriate classification of all leases under US GAAP, as the lease accounting model under ASC 842, *Leases* differs from the accounting model under IFRS 16, *Leases* (Refer to Note 5). The following table summarizes the net impact of recording Voxbone's new lease asset and lease liability balances determined in accordance with purchase accounting:

	Historical Voxbone Balance (i)	***Opening Balance Sheet Amount*** (ii)	***Pro forma Purchase Accounting Adjustment***
Property and equipment, net (iii)	$ 12,310	$ 8,207	$ (4,103)
Operating right-of-use asset (iv)	—	2,960	2,960
Operating lease liability, current (iv)	—	207	207
Operating lease liability, net of current portion (iv)	—	2,753	2,753
Other long-term liabilities (v)	589	701	112

(i) Amounts reported as historical Voxbone balances include the impact of the balance sheet reclassification adjustments described in Note 6.

(ii) Refer to Note 4 for a preliminary allocation of purchase accounting, inclusive of the amounts at which Voxbone's leases will be recorded to the opening balance sheet.

(iii) The reduction to property equipment, net resulting from the application of purchase accounting includes the impact of reclassifying certain leases that were accounted for as finance leases under IFRS 16 as operating leases under ASC 842 (US GAAP). Upon the application of purchase accounting, Voxbone's leases that continued to be classified as finance leases were recorded at an initial opening balance sheet amount of $227 and continued to be reported in property and equipment, net.

(iv) Adjustments record right-of-use operating lease asset and liability balances based upon amounts determined upon the application of purchase accounting.

(In thousands, except share and per share amounts)

(v) Adjustment records the long-term lease liability of balance $112 for Voxbone leases that continued to be classified as finance leases upon the application of purchase accounting. The corresponding lease asset balance has been reported within property and equipment, net on the pro forma balance sheet as of September 30, 2020.

(d) Adjustment recorded to reflect acquired identifiable intangible assets, consisting of technology and customer relationships, at their fair values in connection with the application of purchase accounting. Management has performed a preliminary valuation analysis to determine the fair value of each of the identifiable intangible assets using the "income approach." Application of the income approach requires management to forecast the expected future cash flows attributable to the intangible assets, which are then discounted to their present value.

The following table summarizes the estimated fair values of the identifiable intangible assets acquired upon consummation of the Transaction, the estimated useful lives of the identifiable intangible assets, and the amount by which Voxbone's historical intangible asset balance was adjusted on a pro forma basis to reflect the identifiable intangible assets at their fair value:

	Estimated fair value	*Estimated useful life in years*
Technology	$ 84,100	10
Customer Relationships	148,500	15
Total Acquired Intangible Assets	**$ 232,600**	
Voxbone's historical intangible asset balances [(i)]	(34,432)	
Pro forma Transaction Accounting Adjustment	**$ 198,168**	

(i) Excludes $66,255 of historical Goodwill and $4,828 of internal use Software which has been reclassified into Property, plant and equipment. (See Note 6(c))

The preliminary estimates of fair value and estimated useful lives could differ from the amounts ultimately determined upon completion of the valuation analysis, and the difference could have a material effect on the accompanying unaudited pro forma condensed combined financial statements. A change in the valuation of the acquired identifiable intangible assets would result in an offsetting change of the same amount to the amount of goodwill recorded in connection with the Transaction.

(e) Adjustment recorded to reflect the preliminary amount of goodwill resulting from the excess of purchase consideration paid over the fair value of the net assets acquired, as if the acquisition occurred as of September 30, 2020. Refer to Note 4 for details regarding the allocation of purchase consideration and the calculation of Goodwill resulting from the Transaction. The amount of Goodwill ultimately recognized in purchase price accounting as of the November 2, 2020 acquisition closing date will differ from amount shown in the unaudited pro forma condensed combined financial statements due to changes to certain of Voxbone's reported current asset and liability balances subsequent to the date of the unaudited pro forma condensed combined balance sheet. Goodwill resulting from the acquisition is not amortized and will be assessed for impairment at least annually.

	Historical Voxbone Balance[(i)]	*Opening Balance Sheet Amount*[(ii)]	*Pro forma Purchase Accounting Adjustment*
Goodwill	$ 66,255	$ 329,572	$ 263,317

(i) Amount reported as historical Voxbone balance include the impact of the balance sheet reclassification adjustment described in Note 6.

(ii) Refer to Note 4 for a preliminary calculation of the Goodwill resulting from consummation of the Transaction.

(In thousands, except share and per share amounts)

(f) The below table represents the net impact of liabilities incurred and liabilities settled in connection with consummation of the Transaction:

		September 30, 2020
Settlement of accrued sellers' transaction costs (i)	$	(522)
Liability for Bandwidth's transaction costs (ii)		11,197
Accrual for transactions success employee bonuses (iii)		5,703
Remove historical finance lease liabilities (iv)		(1,713)
Record finance leases from transaction (iv)		115
Net effect of pro forma adjustments on accrued expenses and other current liabilities	**$**	**14,780**

(i) Removes the portion of Voxbone's transaction costs that were incurred and accrued as of September 30, 2020, since all Voxbone transaction costs were settled in connection with the closing of the Transaction.

(ii) Records a liability for Bandwidth's transaction costs that were not incurred by Bandwidth prior to September 30, 2020. These transaction costs were not settled as of the Transaction closing date. Refer to notation *(c)* in Note 9, which reflects the impact of both Bandwidth's and Voxbone's transaction costs that were not previously recognized as of September 30, 2020 in general and administrative expenses.

(iii) Records a liability for the cash portion of Transaction success bonuses paid to certain employees in connection with the Transaction. Refer to notation *(b)* and *(c)* of Note 9 for additional details regarding the statement of operations impact of transaction bonuses paid to employees.

(iv) Records the impact of removing Voxbone's $1,713 short-term finance lease liability from its September 30, 2020 balance sheet and recording a new $115 short-term finance lease liability related to leases that continued to be classified as finance leases upon the application of purchase accounting. Office leases that were historically reported as finance leases by Voxbone pursuant to IFRS 16 have been deemed to be operating leases under ASC 842. Refer to the notation *(c)* of this Note for details regarding Voxbone's operating leases recorded in connection with purchase accounting, as well as, Note 5 for a discussion of the lease accounting differences identified between IFRS 16 and ASC 842.

(g) Adjustment reduces deferred revenue assumed from Voxbone to its fair value of approximately $325 (Refer to Note 4). The fair value of deferred revenue was estimated based upon an assessment of the costs required to fulfill unfulfilled performance obligations, plus a margin.

(h) Adjustment removes the accrued interest payable of $40,369 reported on Voxbone's balance sheet as of September 30, 2020. This liability was settled as of the transaction closing date. Adjustment also removes Voxbone's long-term finance lease balance of $3,261 included in Voxbone's balance sheet as of September 30, 2020. Office leases that were historically reported as finance leases by Voxbone pursuant to IFRS 16 have been deemed to be operating leases under ASC 842. Refer to the notation (*c)* of this Note for details regarding Voxbone's operating leases and long-term finance lease liability recorded in connection with purchase accounting, as well as, Note 5 for a discussion of the lease accounting differences identified between IFRS 16 and ASC 842.

(i) Adjustment of $285 required to reflect the fair value of Voxbone defined benefit pension plan liabilities as of September 30, 2020.

(j) Adjustment removes Voxbone's long-term debt balance, which was settled in connection with consummation of the Transaction.

(k) Adjustment records an incremental deferred tax liability balance associated with the intangible assets recorded upon consummation of the Transaction.

(l) Issuance of 663,394 shares of Bandwidth Class A common stock, valued at $106,379, as part of the purchase consideration attributable to the Transaction. This amount was offset by the removal of Voxbone's historical additional paid-in capital in connection with purchase accounting of $348 and share capital of $1,181.

(In thousands, except share and per share amounts)

(m) Adjustments effect to the removal of the portion of Voxbone's historical equity not reflected in notation *(l)* to this Note, in connection with purchase accounting. The removal of Voxbone's accumulated deficit of $38,143 and accumulated comprehensive income of $513, which are offset by additional transaction costs associated with fees paid to investment banks, law firms, accounting firms and other third-party vendors of $11,197 and transaction bonuses of $5,703. Refer to notation (f) of this Note for additional details regarding the recognition of incremental liabilities related to the transaction cost and transaction bonus amounts.

9. Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations

The following analysis summarizes and provides explanations for the pro forma adjustments included in the unaudited pro forma condensed combined statements of operations presented for the nine month ended September 30, 2020 and the twelve months ended December 31, 2019.

(a) Records a reduction of revenue of $203 and $394 for the nine months ended September 30, 2020 and the twelve months ended December 31, 2019, respectively as Voxbone is a historical customer of Bandwidth. Additionally, revenue is further adjusted as a result of the fair value evaluation of deferred revenue as part of the purchase accounting adjustments. Adjustment assumes that the reduction to revenue will occur over a 48 month period, in accordance with Bandwidth's accounting policies for amortization of similar one time set-up services. Accordingly, the adjustment results in a reduction to revenue of $146 and $194 for the nine months ended September 30, 2020 and the twelve months ended December 31, 2019, respectively.

(b) Adjustment records a reduction of cost of revenue of $203 and $394 as Voxbone is a historical customer of Bandwidth, (Refer to Note 9a), offset by incremental amortization of acquired developed technology intangible of $6,308 and $8,410 for the nine months ended September 30, 2020 and the twelve months ended December 31, 2019, respectively. Refer to Note 8d for developed technology estimated fair value and useful life.

(c) Incremental research and development expense and sales and marketing expense to record non-recurring transaction bonuses issued to certain employees upon close of the Transaction. These transaction bonuses had not been recognized in Bandwidth's or Voxbone's statements of operations prior to September 30, 2020. The transaction bonuses include cash bonuses with no vesting service requirement, retention bonuses vesting over a one-year term, and RSUs vesting over four years. The adjustments reflect the recognition of each type of transaction bonus over its vesting term and on a straight-line basis, as applicable.

(d) Adjustment records the net effect of Transaction related adjustments on general and administrative expenses of the Combined Company, including the impact that purchase accounting adjustments are expected to have on general and administrative expenses reported by the Combined Company and the impact of certain non-recurring costs incurred upon consummation of the Transaction. The following table provides details regarding the individual components of the adjustment:

	Nine months ended September 30, 2020	*Twelve months ended December 31, 2019*
Remove Voxbone's historical intangible asset amortization expense (i)	$ (3,422)	$ (4,543)
Customer relationship intangible amortization (i)	7,425	9,900
Remove historical management fees paid to Voxbone directors (ii)	(103)	(152)
Third-party transaction costs (iii)	—	23,679
Transaction bonuses (iv)	410	7,519
Remove historical lease expense (v)	(1,399)	(1,008)
Operating lease expense (v)	1,413	1,945
Net impact of pro forma adjustments to General and Administrative expenses	**$ 4,324**	**$ 37,340**

(i) Adjustment removes the customer relationship amortization expense recorded in Voxbone's historical statements of operations for the nine months ended September 30, 2020 and the twelve months ended December 31, 2019 and record new amortization expense for customer relationship intangible assets recorded in connection with the application of purchase accounting. Pro forma amortization expense has been recorded based upon preliminary fair values and estimated useful lives disclosed in Note 8d.

(In thousands, except share and per share amounts)

(ii) Adjustment removes the management fees that Voxbone historically incurred and paid to its private equity sponsor prior to the Transaction. Voxbone will no longer incur similar fees as a wholly-owned subsidiary of Bandwidth.

(iii) Adjustment records incremental general and administrative expenses to give effect to third-party transaction costs that were incurred by both Bandwidth and Voxbone in connection with the Transaction, but were not recognized in their respective statements of operations prior to September 30, 2020. These transaction costs primarily consist of legal, investment banking, accounting, and other advisor fees.

(iv) Adjustment records incremental general and administrative expense to give effect to non-recurring transaction bonuses issued to employees upon consummation at the completion of the Transaction on November 2, 2020. These transaction bonuses had not been recognized in Bandwidth's or Voxbone's statements of operations prior to September 30, 2020. The transaction bonuses include cash bonuses with no vesting service requirement, retention bonuses vesting over a one-year term, and RSUs vesting over four years. The adjustment reflects the recognition of each type of transaction bonus over its vesting term and on a straight-line basis, as applicable (Refer to Note 9c).

(v) Adjustments remove the operating lease expense recorded in Voxbone's historical statements of operations for the for the nine months ended September 30, 2020 and the twelve months ended December 31, 2019 and record new lease expense for the same periods based on Voxbone's new lease asset and lease liability balances recorded in connection with the application of purchase accounting. Refer to adjustment *(c)* in Note 8 for additional details regarding the Voxbone asset and liability balances recorded in connection with the application of purchase accounting. The recognition of the new lease expense included any differences in lease accounting under ASC 842 (i.e., US GAAP) versus IFRS 16, as further described in Note 5.

(e) Adjustment reflects the net effect of the following pro forma adjustments to Other income (expense), net

	Nine months ended September 30, 2020	*Year ended December 31, 2019*
Remove finance expense related to Voxbone borrowings (i)	$ 9,299	$ 12,770
Net adjustment to finance lease interest expense (ii)	107	157
Net effect of pro forma adjustments on Other income (expense), net	**$ 9,406**	**$ 12,927**

(i) Adjustment removes historical finance expense that Voxbone incurred on outstanding debt, which was subsequently paid off when all outstanding debt was settled at the completion of the Transaction.

(ii) Adjustment reduces interest expense to give effect to the adjustment recorded to Voxbone's finance lease liability balance in connection with the application of purchase accounting. The adjustment to Voxbone's finance lease balance and, accordingly, finance lease interest expense, was also impacted by the fact that Voxbone's leases that were historically subject to the accounting prescribed by IFRS will be subject to the accounting prescribed by ASC 842 (i.e., US GAAP) subsequent to the Transaction. Under IFRS, all of Voxbone's leases were accounted for as finance leases; whereas, certain of Voxbone's leases (e.g., office leases) will be classified as operating leases under ASC 842. Refer to Note 5 for further details regarding this accounting change.

(f) Adjustment reflects the pro forma tax effect applied to all pro forma adjustments with the exception of the adjustment related to historical Voxbone debt, recorded for the nine-month period ending September 30, 2020 and the year ending December 31, 2019 at statutory rates of 25.00% and 29.58%, respectively. The pro forma tax effect for the historical Voxbone debt was 19.00% for each the nine-month period ending September 30, 2020 and the year ending December 31, 2019.

(g) Amount reflects pro forma basic and diluted loss per share calculated using the Combined Company's pro forma loss and pro forma weighted average number of shares outstanding.

(h) Adjustments reflect pro forma basic and diluted weighted average shares outstanding calculated as follows:

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

	Basic shares September 30, 2020	*Diluted shares September 30, 2020*	*Basic shares December 31, 2019*	*Diluted shares December 31, 2019*
Bandwidth – as previously reported	23,905,322	23,905,322	22,640,461	23,923,777
Issuance of equity consideration shares (i)	663,394	663,394	663,394	663,394
Impact of RSU transaction bonuses (ii)	7,440	7,440	1,733	1,733
Removal of anti-dilutive shares (iii)	-	-	-	(1,283,316)
Bandwidth – adjusted for pro forma presentation	**24,576,156**	**24,576,156**	**23,305,588**	**23,305,588**

(i) Shares issued as the equity consideration upon completion of the Transaction are assumed to be outstanding for the entire reporting periods for which pro forma basic and diluted loss per share have been calculated. This assumption is consistent with the assumption that the Transaction was consummated as of January 1, 2019 for purposes of preparing the unaudited pro forma combined statements of operations.

(ii) Adjustment for Restricted Stock Units ("RSU') transaction bonuses is reflective of RSUs expected to have vested as of each respective reporting date. RSUs issued as transaction bonuses vest over a period of four years.

(iii) The adjustment to remove anti-dilutive shares gives effect to the fact that a loss has been recognized for the period ended December 31, 2019 on a pro forma basis. Accordingly, Bandwidth's reported weighted-average dilutive shares were reduced to equal Bandwidth's weighted-average basic shares.