

Parent company accounts
9378444- Persico Ltd

Company Registration No. 07085757 (England and Wales)

INFOBIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



INFOBIP LIMITED

COMPANY INFORMATION

Directors	S Kutic S C Turner R Kutic I Jelenic D N Solly	(Appointed 6 July 2018)
Company number	07085757	
Registered office	5th Floor 86 Jermyn Street London SW1Y 6AW	
Auditor	BDO LLP 55 Baker Street London WU1 7EU	

INFOBIP LIMITED

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INFOBIP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report for the year ended 31 December 2017.

Fair review of the business

For Infobip, 2017 was marked by major operational growth in key regions, such as the Middle East, Europe, Asia Pacific and North America. The platform managed to reach 4.4 billion mobile devices, equivalent to **63% of the world's population**.

Global expansion through in-country offices to establish local presence continued with **5 new offices** opened in Dhaka (Bangladesh), Milan (Italy), Paris (France), Islamabad (Pakistan), Cairo (Egypt) – these are intended to provide local perspective, high-end consultancy and client understanding to power Infobip's global expansion strategy.

September 2017 signalled the start of the company's **Employee Share Ownership Program (ESOP)**, with which the company's success has now been bound to the people driving it through joint ownership. During the year, the overall employee number grew to 1200+ people with key hires in Engineering and Product Development divisions.

Throughout 2017, Infobip continued to upgrade its in-house built, proprietary infrastructure, opening up **4 new datacentres** in Frankfurt (Germany), Hanoi (Vietnam), Dhaka (Bangladesh), Sao Paulo (Brazil). The company completed the development of its **RCS solution**, which was unveiled at the Mobile World Congress 2018 in Barcelona in a pilot project with **Vodafone Spain**, which is part of the British multinational telco conglomerate and **Uber**, a US-based peer-to-peer ridesharing, taxi cab, food delivery, and transportation network company.

A number of new partnerships with network operators were established - solutions were deployed in 10+ telecoms networks across Infobip's entire footprint, and new direct connections added to the portfolio. In terms of operator partnership impact, Infobip was recognized as ROCCO Reports' Best Rated A2P SMS Vendor and Capacity Media's Best Anti-Fraud Innovation.

A new Infobip HQ – **The Pangea Campus** was **officially unveiled** to the public in September. More than 2 years in the making, spanning 3 floors located on top of 17,000 sqm of land in Vodnjan, Istria, the Pangea Campus was built using the latest in eco-friendly solutions, housing 230+ local employees and providing top-level accommodations to visitors and international employees of the company. The project was voted as REXPO Investment of the Year for its contribution to the local community.

Principal risks and uncertainties

Main risks to which the group is exposed are credit risk and currency risk.

Credit risk:

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

Currency risk:

The group operates in a large number of international markets and it is therefore exposed to currency movements on such sales. The group's reporting currency is euro. However, the group operates its day to day business in multiple foreign currencies and is therefore exposed to currency fluctuations. Fluctuations in value between the euro and these currencies may affect the group's revenues, costs and operating profits. When possible, the group is using natural hedging to mitigate exposure to currency fluctuations.

INFOBIP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Key performance indicators

The key performance indicators relate to sales, gross profit margin and earnings before interests, taxes, depreciation and amortisation (EBITDA) and are set out below:

	2017	2016
	€m	€m
Sales	342	264
Gross profit	63	51
Gross profit margin %	18.4%	19.3%
EBITDA	8	7
EBITDA %	2.3%	2.7%

On behalf of the board


.....
S Kutic

Director

22.8 August 2018

INFOBIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

Principal activities

Infobip group provides an in-house developed and maintained cloud communications platform which rests on massive proprietary infrastructure and on one of the largest messaging networks in the world. Easy to integrate and start using, and directly connected with 450 telecoms, the platform enables companies and developers to alert, authenticate and communicate with 6 billion mobile phone users in 190 countries.

Infobip's portfolio includes professional SMS messaging, voice services, push and email notifications, chat apps messaging, and omnichannel solutions. The global number validation service allows companies to automatically check the status of a mobile number, improve conversion rates and reduce costs.

The group provides short codes and long numbers in 50+ countries, with complete technical setup and support, enabling a quick launch of mobile-first consumer communications, engagement programs and surveys.

Infobip's mobile operators portfolio combines network monitoring and filtering solutions with sales, consultancy and support services to increase revenue generated in the A2P SMS messaging - a rapidly growing business which boomed in the last years, but has yet to see MNOs assuming a central role in it. The Business-as-a-Service (BaaS) model lets mobile operators optimise and monetise their A2P messaging business potential with an almost immediate launch, and without any investments or operational costs.

Since its founding in 2006, Infobip has grown to 50+ offices worldwide and regional centres in Vancouver, Buenos Aires, Sao Paulo, Moscow, Lagos, Johannesburg, Dubai, Mumbai, Kuala Lumpur and Shenzhen, with the global group headquarters in London, UK. As of May 2017, the group employs over 1,200 people, among which 160+ developers in 7 R&D centers, 40 product specialists, and 200 integration, networking and highly trained customer support engineers.

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

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

Directors

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

S Kutic

S C Turner

R Kutic

I Jelenic

D N Solly

(Appointed 6 July 2018)

T Lane

(Resigned 13 July 2018)

S Whitehead

(Resigned 6 July 2018)

Results and dividends

The results for the year are set out on page 8.

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

INFOBIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Future developments

Infobip will keep focusing on its **glocal business strategy** (global + local) in multiple areas of operations. By strengthening its market share in **Africa, Americas, Asia, and Europe** the company will keep adding to its capacity to deliver exceptional service quality to clients and partners on a global scale.

Infobip will maintain strong focus on its **in-house research and development** capacity. New innovations planned for 2018 include the full-scale deployment of **RCS messaging** and **mobile identity** solutions, initiatives supported by the Global System for Mobile Communications (GSMA).

The launch of the completely **revamped web communications interface** with rich analytics, targeting and segmentation options and the **Anonymize capability** will aim to ensure privacy for IT platform end-customers, allow for easy orchestration of buyer-seller relationships and minimize the need for off-platform communication – these are just some of the next steps in controlling the end-to-end communication experiences for enterprise clients.

When it comes to impacting the entire end-customer experience, **chatbots** are among the innovations piloted by the company throughout 2018, with a full-scale launch planned towards the end of the year. In terms of voice technologies – **advanced Integrated Voice Response (IVR)** and **voice recognition** capabilities are being developed. In Q4 of 2018, Infobip will be exploring the potential in Internet of Things (IoT) and Artificial Intelligence (AI), primarily testing **machine learning** capabilities.

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

Auditor

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

Statement of disclosure to auditor

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

On behalf of the board

S Kulic
Director

Date: 28 August 2018

INFOBIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

INFOBIP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INFOBIP LIMITED

Opinion

We have audited the financial statements of Infobip Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INFOBIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF INFOBIP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Nicole Martin (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
London, United Kingdom
28 August 2018

BDO LLP

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

INFOBIP LIMITED

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 € 000's	2016 € 000's
Turnover	3	341,743	263,726
Cost of sales		(278,305)	(212,922)
Gross profit		63,438	50,804
Administrative expenses		(70,068)	(57,571)
Other operating income		374	443
Operating loss	4	(6,256)	(6,324)
Income from other fixed asset investments		2	-
Other interest receivable and similar income		268	51
Other interest payable and similar expenses		(452)	(177)
Loss before taxation		(6,438)	(6,450)
Tax on loss	7	(1,790)	(971)
Loss for the financial year		(8,228)	(7,421)
Loss for the financial year is attributable to:			
- Owners of the parent company		(8,228)	(7,452)
- Non-controlling interests		-	31
		(8,228)	(7,421)

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

INFOBIP LIMITED**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 € 000's	2016 € 000's
Loss for the year	(8,228)	(7,421)
Other comprehensive income		
Currency translation differences	(2,091)	(534)
Total comprehensive income for the year	<u>(10,319)</u>	<u>(7,955)</u>
Total comprehensive income for the year is attributable to:		
- Owners of the parent company	(10,319)	(7,986)
- Non-controlling interests	-	31
	<u>(10,319)</u>	<u>(7,955)</u>

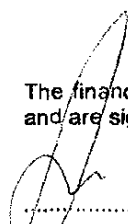
INFOBIP LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2017

		2017		2016	
	Notes	€ 000's	€ 000's	€ 000's	€ 000's
Fixed assets					
Goodwill	8		13,620		18,160
Other intangible assets	8		16,360		21,542
Total intangible assets			29,980		39,702
Tangible assets	9		16,512		10,528
Investments	10		776		550
			47,268		50,780
Current assets					
Debtors	13	89,093		78,391	
Cash at bank and in hand		12,651		10,556	
		101,744		88,947	
Creditors: amounts falling due within one year	14	(74,525)		(58,880)	
Net current assets			27,219		30,067
Total assets less current liabilities			74,487		80,847
Creditors: amounts falling due after more than one year	15		(4,387)		(2,445)
Net assets			70,100		78,402
Capital and reserves					
Called up share capital	18		85,009		85,002
Share premium account			2,041		-
Other reserves			(3,488)		(1,397)
Profit and loss reserves			(13,462)		(5,234)
Equity attributable to owners of the parent company			70,100		78,371
Non-controlling interests			-		31
			70,100		78,402

The financial statements were approved by the board of directors and authorised for issue on 28 August 2018 and are signed on its behalf by:


.....
Director

INFOBIP LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

		2017		2016	
	Notes	€ 000's	€ 000's	€ 000's	€ 000's
Fixed assets					
Goodwill	8		13,620		18,160
Other intangible assets	8		15,934		21,059
Total intangible assets			29,554		39,219
Tangible assets	9		1,248		1,529
Investments	10		11,638		9,079
			42,440		49,827
Current assets					
Debtors	13	72,290		62,599	
Cash at bank and in hand		3,236		3,534	
		75,526		66,133	
Creditors: amounts falling due within one year	14	(51,003)		(39,456)	
Net current assets			24,523		26,677
Total assets less current liabilities			66,963		76,504
Creditors: amounts falling due after more than one year	15		(378)		(1,130)
Net assets			66,585		75,374
Capital and reserves					
Called up share capital	18		85,009		85,002
Share premium account			2,041		-
Profit and loss reserves			(20,465)		(9,628)
Total equity			66,585		75,374

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was €10,837,000 (2016 - €8,404,000 loss).

The financial statements were approved by the board of directors and authorised for issue on 28 August 2018 and are signed on its behalf by:

Director

Company Registration No. 07085757

INFOBIP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital € 000's	Share premium account € 000's	Other reserves € 000's	Profit and loss reserves € 000's	Total controlling interest € 000's	Non- controlling interest € 000's	Total € 000's
Balance at 1 January 2016		85,002	-	(862)	2,152	86,292	66	86,358
Year ended 31 December 2016:								
Loss for the year		-	-	-	(7,452)	(7,452)	31	(7,421)
Other comprehensive income:								
Currency translation differences		-	-	(534)	-	(534)	-	(534)
Total comprehensive income for the year		-	-	(534)	(7,452)	(7,986)	31	(7,955)
Other movements		-	-	(1)	66	65	(66)	(1)
Balance at 31 December 2016		85,002	-	(1,397)	(5,234)	78,371	31	78,402
Year ended 31 December 2017:								
Loss for the year		-	-	-	(8,228)	(8,228)	-	(8,228)
Other comprehensive income:								
Currency translation differences on overseas subsidiaries		-	-	(2,091)	-	(2,091)	-	(2,091)
Total comprehensive income for the year		-	-	(2,091)	(8,228)	(10,319)	-	(10,319)
Issue of share capital	18	7	2,041	-	-	2,048	-	2,048
Other movements		-	-	-	-	-	(31)	(31)
Balance at 31 December 2017		85,009	2,041	(3,488)	(13,462)	70,100	-	70,100

INFOBIP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	Share capital € 000's	Share premium account € 000's	Profit and loss reserves € 000's	Total € 000's
Balance at 1 January 2016		85,002	-	(1,224)	83,778
Year ended 31 December 2016:					
Loss and total comprehensive income for the year		-	-	(8,404)	(8,404)
Balance at 31 December 2016		85,002	-	(9,628)	75,374
Year ended 31 December 2017:					
Loss and total comprehensive income for the year		-	-	(10,837)	(10,837)
Issue of share capital	18	7	2,041	-	2,048
Balance at 31 December 2017		85,009	2,041	(20,465)	66,585

INFOBIP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	€ 000's	€ 000's
Cash flows from operating activities			
Cash generated from operations	22	17,669	16,216
Interest paid		(452)	(115)
Income taxes paid		(1,921)	(3,433)
Net cash inflow from operating activities		<u>15,296</u>	<u>12,668</u>
Investing activities			
Purchase of intangible assets		(1,613)	(1,940)
Purchase of tangible fixed assets		(10,892)	(6,851)
Purchase of fixed asset investments		(295)	(265)
Proceeds on disposal of fixed asset investments		69	66
Interest received		30	42
Other investment income received		238	-
Net cash used in investing activities		<u>(12,463)</u>	<u>(8,948)</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>2,833</u>	<u>3,720</u>
Cash and cash equivalents at beginning of year		10,557	9,384
Effect of foreign exchange rates		(739)	(2,547)
Cash and cash equivalents at end of year		<u><u>12,651</u></u>	<u><u>10,557</u></u>

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Infobip Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is on the 5th Floor, 86 Jermyn Street, London SW1Y 6AW.

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

1.1 Accounting convention

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

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

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been prepared for the parent company;
- Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The financial statements are prepared in euros, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest € 000's.

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

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Infobip Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2017.

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

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and volume rebates.

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

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

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets - goodwill

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

Impairment tests on the carrying value of the goodwill are undertaken at the end of each reporting period or if the events or changes in circumstances indicate that the carrying value may not be recoverable.

1.7 Intangible fixed assets other than goodwill

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

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

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

Licences, domains and computer programmes	Straight line over 1 to 5 years
Brand	Straight line over 6 years
Technology	Straight line over 6 years

1.8 Tangible fixed assets

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

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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

Computer equipment	Straight line over 1 to 2 years
Furniture and fittings	Straight line over 1 to 5 years
Servers	Straight line over 1 to 3 years
Property and equipment	Straight line over 1 to 5 years

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

1.9 Fixed asset investments

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

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

Investments in joint ventures are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture using the equity method.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.10 Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset.

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

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

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

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.11 Cash at bank and in hand

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

1.12 Financial instruments

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries or joint ventures, are initially measured at fair value, which is normally the transaction price.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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

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

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

Derecognition of financial liabilities

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

1.13 Equity instruments

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

1.14 Taxation

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

Current tax

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

Deferred tax

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

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

1.15 Employee benefits

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

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

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****1 Accounting policies****(Continued)****1.16 Retirement benefits**

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

1.17 Foreign exchange

Transactions in currencies other than euro are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period. The euro to GBP rate used at the year end is 0.8523.

2 Judgements and key sources of estimation uncertainty

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

Identification and valuation of the intangibles in business combinations

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill, technology and brand recognized by the Group.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2017 € 000's	2016 € 000's
Turnover analysed by geographical market		
United Kingdom	229,108	171,749
Rest of Europe	20,590	13,064
Rest of world	92,045	78,913
	<u>341,743</u>	<u>263,726</u>

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017****4 Operating loss**

	2017	2016
	€ 000's	€ 000's
Operating loss for the year is stated after charging:		
Exchange losses	2,678	2,547
Depreciation of owned tangible fixed assets	2,909	2,160
Amortisation of intangible assets	11,306	11,088
Research and development costs	6,656	4,149
Defined contribution pension expense	2,952	2,608
Operating lease charges	3,356	3,118

5 Auditor's remuneration

	2017	2016
	€ 000's	€ 000's
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	107	165
Audit of the financial statements of the company's subsidiaries	60	52
	<u>167</u>	<u>217</u>

6 Employees

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

	2017	2016
	Number	Number
Sales	454	317
Support	402	307
Development	223	166
	<u>1,079</u>	<u>790</u>

Their aggregate remuneration comprised:

	2017	2016
	€ 000's	€ 000's
Wages and salaries	19,418	12,859
Social security costs	5,118	3,838
Pension costs	2,952	2,608
	<u>27,488</u>	<u>19,305</u>

Directors' remuneration has been disclosed in note 21.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

7 Taxation

	2017	2016
	€ 000's	€ 000's
Current tax		
Foreign current tax on profits for the current period	1,775	935
Other foreign taxes	14	14
	<u>1,789</u>	<u>949</u>
Deferred tax		
Origination and reversal of timing differences	1	22
	<u>1</u>	<u>22</u>
Total tax charge for the year	<u><u>1,790</u></u>	<u><u>971</u></u>

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

	2017	2016
	€ 000's	€ 000's
Loss before taxation	<u>(6,438)</u>	<u>(6,450)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	(1,239)	(1,290)
Tax effect of expenses that are not deductible in determining taxable profit	376	122
Higher taxes on overseas earnings	2,652	2,128
Capital allowances in (excess) of depreciation	1	11
	<u>1,790</u>	<u>971</u>
Taxation charge for the year	<u><u>1,790</u></u>	<u><u>971</u></u>

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 Intangible fixed assets

Group	Goodwill	Licences, domains and computer programmes	Brand	Technology	Total
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Cost					
At 1 January 2017	27,240	3,011	2,837	27,982	61,070
Additions - separately acquired	-	1,613	-	-	1,613
Disposals	-	(6)	-	-	(6)
Exchange adjustments	-	(31)	-	-	(31)
At 31 December 2017	27,240	4,587	2,837	27,982	62,646
Amortisation and impairment					
At 1 January 2017	9,080	2,015	946	9,327	21,368
Amortisation charged for the year	4,540	1,629	473	4,664	11,306
Disposals	-	(3)	-	-	(3)
Exchange adjustments	-	(5)	-	-	(5)
At 31 December 2017	13,620	3,636	1,419	13,991	32,666
Carrying amount					
At 31 December 2017	13,620	951	1,418	13,991	29,980
At 31 December 2016	18,160	996	1,891	18,655	39,702
Company					
	Goodwill	Licences, domains and computer programmes	Brand	Technology	Total
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Cost					
At 1 January 2017	27,240	2,304	2,837	27,982	60,363
Additions - separately acquired	-	1,509	-	-	1,509
At 31 December 2017	27,240	3,813	2,837	27,982	61,872
Amortisation and impairment					
At 1 January 2017	9,080	1,790	946	9,327	21,143
Amortisation charged for the year	4,540	1,498	473	4,664	11,175
At 31 December 2017	13,620	3,288	1,419	13,991	32,318
Carrying amount					
At 31 December 2017	13,620	525	1,418	13,991	29,554
At 31 December 2016	18,160	514	1,891	18,654	39,219

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 Intangible fixed assets

(Continued)

Technology

Infobip's core technology is a messaging and omnichannel communications platform which enables clients to submit, process and forward messages and calls to subscribers of mobile network operators.

The platform consists of proprietary hardware – network servers in datacenters, and software – running the servers and the web applications that clients use to connect and send their communications.

Providing a connectivity interface to enterprise clients, it enables them to simplify access to services of the global telecommunications network, thus facilitating the complexity of hundreds of interconnections into a single point.

Infobip's proprietary platform is installed in a series of datacentres around the world, behind a firewall, in a highly available and redundant environment. Equipment in those datacentres is 100% owned, operated and maintained by Infobip.

The platform is structured to be redundant on all levels. It is constantly upgraded by more than 350 highest-profile developers, engineers and networking and support technicians. Development is based on the principle of continuous delivery.

It is backed by 24/7/365 technical support available in 10 languages. Support teams are divided into specialized units dedicated to serving specific client profiles. Processes are supervised by Senior Software Architects (for minor or routine works), or Chief Technical Officer (for platform updates and any urgent maintenance periods).

Brand

The Infobip brand is a globally-recognised and respected name in the A2P messaging and mobile communications space. For 10+ years, it has been built through client-focused market communications outreach towards clients and partners, and continues to engage with them through major trade shows worldwide, online and digital marketing strategies, media relations and active participation in the leading trade associations on global and regional levels.

The cornerstone of the Infobip brand is the highest quality service for our clients, based on cutting edge in-house designed solutions, services and technologies. The combination of these factors is crucial for the sustained and sustainable success of the Infobip brand and the company as a whole.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

9	Tangible fixed assets								
	Group	Assets under construction	Computer equipment	Furniture and fittings	Servers	Property and equipment	Total		
	Cost	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's		
	At 1 January 2017	3,999	3,134	894	3,325	2,596	13,948		
	Additions	7,691	1,136	515	1,170	380	10,892		
	Disposals	(1,872)	(81)	(23)	-	(3)	(1,979)		
	Transfers	(9,733)	(1,214)	732	1,271	8,944	-		
	Exchange adjustments	5	(133)	(44)	87	23	(62)		
	At 31 December 2017	89	2,842	2,074	5,853	11,940	22,798		
	Depreciation and impairment								
	At 1 January 2017	-	1,104	276	1,671	369	3,420		
	Depreciation charged in the year	-	587	309	1,595	418	2,909		
	Eliminated in respect of disposals	-	(113)	(25)	-	(5)	(143)		
	Exchange adjustments	-	(27)	(15)	103	39	100		
	At 31 December 2017	-	1,551	545	3,369	821	6,286		
	Carrying amount								
	At 31 December 2017	89	1,291	1,529	2,484	11,119	16,512		
	At 31 December 2016	3,999	2,030	618	1,654	2,227	10,528		

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Company		Computer equipment € 000's	Furniture and fittings € 000's	Servers € 000's	Total € 000's
Cost					
At 1 January 2017		124	22	3,136	3,282
Additions		96	112	1,012	1,220
At 31 December 2017		220	134	4,148	4,502
Depreciation and impairment					
At 1 January 2017		31	22	1,700	1,753
Depreciation charged in the year		130	93	1,278	1,501
At 31 December 2017		161	115	2,978	3,254
Carrying amount					
At 31 December 2017		59	19	1,170	1,248
At 31 December 2016		93	-	1,436	1,529

10 Fixed asset investments					
	Notes	Group 2017 € 000's	2016 € 000's	Company 2017 € 000's	2016 € 000's
Investments in subsidiaries	11	-	-	11,638	9,079
Unlisted investments		776	550	-	-
		776	550	11,638	9,079

Movements in fixed asset investments			
Group			Investments other than loans € 000's
Cost or valuation			
At 1 January 2017			550
Additions			295
Disposals			(69)
At 31 December 2017			776
Carrying amount			
At 31 December 2017			776
At 31 December 2016			550

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Fixed asset investments (Continued)

Movements in fixed asset investments Company	Shares in group undertakings € 000's
Cost or valuation	
At 1 January 2017	9,079
Additions	2,559
At 31 December 2017	11,638
Carrying amount	
At 31 December 2017	11,638
At 31 December 2016	9,079

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Address
Cong Ty TNHH Infobip	Vietnam	117-119-121, 7th Floor, Nguyen Du, District 1, Ho Chi Minh City
Infobip (Ghana) Limited	Ghana	HNO 308 Haatso, off West Land Road, Accra
Infobip (Thailand) Limited	Thailand	140/36 ITF Tower, 17th Floor Silom Road, Suriyawong, Bang Rak 10500 Bangkok
Infobip Africa (Pty) Limited	South Africa	25 Waterford Office Park, Waterford Drive, Fourways, Gauteng 2191, Johannesburg
Infobip Asia Pacific Snd.Bhd	Malaysia	09-01 Menara K1, No. 1 Lorong 3/137C, Off Jalan Kelang Lama, 58000 Kuala Lumpur
Infobip BH d.o.o.	Bosnia and Herzegovina	Teanjska 24a, Sarajevo, Centar
Infobip Brazil Ltda	Brazil	Município de Barueri, Estado de São Paulo, Calçada das Margaridas 163, Sala 2, Alphaville, 06453-038
Infobip Chile Limitada	Chile	La bolsa 81, Piso 6, Santiago de Chile, Chile
Infobip Colombia SAS	Colombia	CL 93 B17 OF 206, Bogotá, Colombia
Infobip Communications Inc	Canada	410-1333 West Broadway, Vancouver BC V6H 4C1, Canada

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017**

11 Subsidiaries		(Continued)
Infobip Congo Republic	Congo	46/B, Avenue du Livre, Gombe, Kinshasa
Infobip Côte d'Ivoire	Ivory Coast	Cocody, 2 Plateaux Vallon, Immeuble Antilope, 1er étage, Porte 64, Cité Sogefiha, 01 BP 4651 Abidjan 01
Infobip d.o.o.	Croatia	Istarska 43a, 52215 Vodnjan
INFOBIP EGYPT LLC	Egypt	6 Shawarbi Street down town, Cairo
Infobip G.K.	Japan	Cerulean Tower 15th Floor, 26-1, Sakuragaoka-cho, Shibuya-ku, Tokyo
Infobip Global Limited	UK	26-28 Bedford Row, London, WC1R 4HE
Infobip Gulf FZ-LLC	United Arab Emirates	Loft office 2, Office no. 202, Dubai Internet City, PO Box 500284, Dubai
Infobip India Private Limited India		Unit No. 808, 8th Floor, Marathon Nextgen Icon, Ganpatrao Kadam Marg, Lower Parel West, Mumbai, Maharashtra-400013
Infobip Information Technology (Shanghai) Limited Company	China	No 1204C, China Merchants Tower, 161 Lu Jia Zui East Road, China (Shanghai) Pilot Free Trade Zone, Shanghai
Infobip Kazakhstan LLP	Kazakhstan	office 147, Nurlı Tau Complex, 7 Al-Farabi Avenue, Bostandyk district, 050059 Almaty
Infobip Kenya Limited	Kenya	L.R. No. 250/70 Rivalane Court, Riverside Lane, Off Riverside Drive, 26333 00100, Nairobi, Kenya
Infobip Latam S.A.	Argentina	Avenida de Mayo 676, décimo piso de Ciudad Autónoma de Buenos Aires
Infobip Limited	Bangladesh	205/1-A, 7th Floor, Unit-7D, Gulshan Tejgaon Link Road, Tejgaon C/A, Dhaka
Infobip Limited	Hong Kong	Suite B, 10/F, Hong Kong Diamond Exchange Building, Nos. 8-10 Duddell Street, Central, Hong Kong
Infobip LLC	Belarus	Timiryazeva Street 67, room 503, 220035 Minsk
Infobip LLC	South Korea	5F 441 Teheran-ro, Gangnam-Gu, Seoul
Infobip LLC	USA	3500 South Dupont Highway, Dover, DE 19901, County of Kent
Infobip Mobile Services, Sociedad Limitada	Spain	28006 Madrid, calle de Nunez de Balboa, numero 49, 2-22

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****11 Subsidiaries (Continued)**

Infobip Nigeria Limited	Nigeria	2 Siji Soetan Street, off Onikepo Akande Street, off Admiralty Way, Lekki Peninsula, Lagos
Infobip Peru S.A.C.	Peru	Av. De la Floresta N°497, oficina 203, San Borja, Lima
Infobip PTY Limited	Australia	Gould Ralph Pty Limited Suncorp Place L 29 259 George Street, Sydney NSW 2000
Infobip Russia	Russia	4, Il'inka street, Moscow, 109012
Infobip s.r.o.	Czech Republic	Na Stri 1702/65, 140 00 Praha - Nusle
Infobip s.r.o.	Slovakia	Rolnicka 187, Bratislava 83107
Infobip SARL	Morocco	22 rue Soumaya résidence Shehrazade, 20000 Palmiers-Casablanca
Infobip SAS	France	Tour Albert 1er, 65 avenue de Colmar, 92500 Rueil-Malmaison
Infobip Serbia d.o.o.	Serbia	Bulevar Zorana Djindjica 64a, Beograd 11070
Infobip SP Zoo	Poland	Mokotowska 4/6, Warsaw 00-641
Infobip SRL	Italy	Largo Isabella d'Aragona 4, 20122 Milano
Infobip Sweden AB	Sweden	c/o Leinonen, Kammakargatan 7, 11140 Stockholm
Infobip Tanzania Limited	Tanzania	8th Floor, IT Plaza, Ohio Street, P.O. Box 19813, Dar Es Salaam
Infobip Telekomunikasyon Hizmetleri LTD STI	Turkey	Veko Giz Plaza Kat:21 No:74, Maslak Sisli, Istanbul
Infobip Uganda Limited	Uganda	Plot 20 Kampala Road, Radiant House, P.O. Box 2344 Kampala, Uganda
Infobip Zambia Limited	Zambia	Block 5, Thapangwa Place, F377a/51/P, Off Sable Road, Kabulonga, P.O. BOX 35972
INFOBIPTelecom SA	Ecuador	Avenida Republica OE3, Piso 6, Ignacio Santa Maria , Pichincha, Quito
Infobp Phillipines	Phillipines	3/F Hatchasia Bonifacio Technology Center 31st Street cor. 2nd Avenue Crescent Park West Global City, Taguig City 1634, Metro Manila
Mobile Services Cloud SA de CV	Mexico	Navarra 210 , 102 Alamos- 03400 Benito Juarez, Mexico City, Mexico

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Subsidiaries (Continued)

OOO "Progress Tehnologii" Russia		Spartakovskaya square., 14, bulding 3, room 10, 105082, Sankt Peterburg
Parseco Limited	UK	5th Floor, 86 Jermyn Street, London SW1Y6AW
PT. Infobip Technology Indonesia	Indonesia	Menara Prima 24th Floor Unit 1 Jalan Doktor Ide Anak Agung Gede Agung Blok 6.2 Mega Kuningan Area, Kuningan Timur Sub-district, Setia Budi Sub-district, Jakarta
BSmart Tech Private Limited	India	Unit No. 808, 8th Floor, Marathon Nextgen Icon, Ganpatrao Kadam Marg, Lower Parel West, Mumbai, Maharashtra-400013
Infobip LLC	Kyrgyzstan	101/1 Manasa Avenue, Bishkek, Kyrgyzstan
Infobip Paraguay S.A.	Paraguay	RUC 80099576 Calle Paraguari nr.937, Asunción, Paraguay
Infobip GmbH	Germany	Maximilianplatz 22 80333 Munich, Germany
Infobip (Private) Limited	Pakistan	2nd floor, No:208, ISE Towers, 55-B, Jinnah Avenue, Islamabad (changed on 27th Sep 2017 from Office no 1, Fourth Floor, Ali Plaza, Fazle Haq Road, Blue Area, Islamabad)

100% of ordinary share capital is held for all subsidiary undertakings except for Infobip Telekomunikasyon Hizmetleri LTD STI where 99.5% is held.

12 Financial instruments

	Group 2017 € 000's	2016 € 000's
Carrying amount of financial assets		
Debt instruments measured at amortised cost	85,634	58,853
Carrying amount of financial liabilities		
Measured at amortised cost	76,505	60,504

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, accrued income and amounts owed by joint ventures.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accrued expenses.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Debtors

	Group 2017 € 000's	2016 € 000's	Company 2017 € 000's	2016 € 000's
Amounts falling due within one year:				
Trade debtors	60,654	48,788	36,819	28,133
Corporation tax recoverable	4,744	4,292	-	-
Amounts owed by companies under common control	1,349	975	83	283
Amounts owed by group undertakings	-	-	9,187	8,068
Other debtors	12,342	11,021	21,747	20,048
Prepayments and accrued income	9,976	13,315	4,454	6,067
	<u>89,065</u>	<u>78,391</u>	<u>72,290</u>	<u>62,599</u>
Deferred tax asset (note 16)	28	-	-	-
	<u>89,093</u>	<u>78,391</u>	<u>72,290</u>	<u>62,599</u>

14 Creditors: amounts falling due within one year

	Group 2017 € 000's	2016 € 000's	Company 2017 € 000's	2016 € 000's
Trade creditors	30,214	27,399	15,108	11,304
Short term borrowings	7,712	-	7,000	-
Amounts due to companies under common control	7,871	8,465	3,671	7,313
Amounts due to group undertakings	-	-	6,035	8,283
Corporation tax payable	143	92	-	-
Other taxation and social security	846	728	-	-
Deferred income	1,147	1,260	1,040	1,230
Deferred tax liability	270	105	-	-
Other creditors	3,841	3,292	427	1,093
Accruals	22,481	17,539	17,722	10,233
	<u>74,525</u>	<u>58,880</u>	<u>51,003</u>	<u>39,456</u>

15 Creditors: amounts falling due after more than one year

	Group 2017 € 000's	2016 € 000's	Company 2017 € 000's	2016 € 000's
Other creditors	<u>4,387</u>	<u>2,445</u>	<u>378</u>	<u>1,130</u>

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****16 Deferred taxation**

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

	Liabilities 2017 € 000's	Liabilities 2016 € 000's
Group		
Accelerated capital allowances	242	105

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

17 Share-based payment transactions

The group has two share schemes in place during the year, being the Equity settled share options ("SOP") scheme (as described below) and the General Incentive Plan ("GIP") which is set out further within the share capital note (note 18).

Equity settled share options schemes

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

The vesting conditions of the share options are as follows:

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

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

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

If the sale occurs after the 2nd anniversary of the grant date, but before the 3rd anniversary of the grant date, option shall become exercisable as to 50% of the shares in respect of which it was granted; and

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

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

Details of the share options outstanding during 2016 and 2017 are as follows:

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

17 Share-based payment transactions

(Continued)

Group	Number of share options		Weighted average exercise price	
	2017 Number	2016 Number	2017 € 000's	2016 € 000's
Outstanding at 1 January 2017	-	-	-	-
Granted	3,050,007	-	3.20	-
Forfeited	(18,750)	-	3.20	-
Outstanding at 31 December 2017	<u>3,031,257</u>	<u>-</u>		

During the year share options were granted on 13 September 2017, when the exercise price of the options granted was 3.20 EUR, being equal to the estimated fair value. During the preceding year no options were granted. During 2017, no options were exercised (2016: nil). The options outstanding at the end of the year have a weighted average contractual live of 3.7 years (2016: nil).

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

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

18 Share capital

	Group and company	
	2017 € 000's	2016 € 000's
Ordinary share capital		
Issued and fully paid		
61,596,202 of £1 each	85,002	85,002
B Ordinary share capital		
Issued and fully paid		
642,188 of £2.88 each	7	-
	<u>85,009</u>	<u>85,002</u>

During the year B ordinary shares were issued on 13 September 2017 for consideration of €2,048,000.

B ordinary shares were issued during the year due to General Incentive Plan (GIP) as part of Employees Share Options Plan (ESOP), which enabled select employees a stake in the business through the ownership of shares.

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

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

INFOBIP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017****18 Share capital****(Continued)**

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

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

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

The plan does not provide for sale or transfer of the participant's shares unless: (i) the participant is permitted to do so in accordance with the leaver provisions (ii) the following conditions, cumulatively, have been satisfied: (a) save where a sale of Infobip occurs, the expiry of a period of 4 years from the Grant Date (b) loan has been repaid; and (c) an IPO or a sale of Infobip occurs.

19 Operating lease commitments

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

	Group 2017 € 000's	2016 € 000's	Company 2017 € 000's	2016 € 000's
Within one year	2,385	1,746	580	161
Between two and five years	3,614	2,609	598	108
In over five years	46	453	-	-
	<u>6,045</u>	<u>4,808</u>	<u>1,178</u>	<u>269</u>

20 Events after the reporting date

There have been no significant events since the reporting date.

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

21 Related party transactions

Remuneration for directors and key management personnel is detailed below:

	2017 € 000's	2016 € 000's
Directors' remuneration	92	92
Amounts paid to third parties in respect of directors' services	3	4
	<u>95</u>	<u>96</u>
	2017 € 000's	2016 € 000's
Directors' remuneration	95	96
Senior management remuneration	549	420
	<u>644</u>	<u>516</u>

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

Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2017 € 000's	2016 € 000's	2017 € 000's	2016 € 000's
Group				
Commonly controlled entities	<u>2,127</u>	<u>1,375</u>	<u>44,883</u>	<u>40,882</u>
Company				
Commonly controlled entities	<u>277</u>	<u>440</u>	<u>24,710</u>	<u>21,507</u>
			Other expenses	
			2017 € 000's	2016 € 000's
Group				
Commonly controlled entities			<u>3,926</u>	<u>2,768</u>
Company				
Commonly controlled entities			<u>3,926</u>	<u>2,768</u>

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

21 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties	2017 € 000's	2016 € 000's
Group		
Commonly controlled entities	7,871	8,465
Company		
Commonly controlled entities	3,671	7,313

The following amounts were outstanding at the reporting end date:

Amounts owed by related parties	2017 € 000's	2016 € 000's
Group		
Commonly controlled entities	1,349	975
Company		
Commonly controlled entities	83	723

22 Cash generated from group operations

	2017 € 000's	2016 € 000's
Loss for the year after tax	(8,228)	(7,421)
Adjustments for:		
Taxation charged	1,790	971
Finance costs	452	177
Investment income	(270)	(51)
Amortisation and impairment of intangible assets	11,306	11,088
Depreciation and impairment of tangible fixed assets	2,909	2,160
Cash generated on acquisition of business of Infobip Global	-	2,413
Foreign exchange gains or losses	2,678	2,547
Movements in working capital:		
Increase in debtors	(10,222)	(19,077)
Increase in creditors	17,254	23,409
Cash generated from operations	17,669	16,216

INFOBIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

23 Subsidiary undertaking audit exemptions

The parent, being Infobip UK Limited, has taken the exemption requirements under section 479A of the Companies Act 2006 not to file audited accounts of both Infobip Global Limited and Parseco Limited, for the year ended 31 December 2017. Both subsidiaries are included in the parent's consolidated accounts for the current and prior financial year.