

INFOBIP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Promoting the success of the company

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

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

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

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

Significant events and decisions	Stakeholders impacted	Considerations
Sector and market focus	Employees, suppliers and customers	<ul style="list-style-type: none">• Diversifying into Software as a Services products• Monitoring of customer experiences
Products and services	Employees, suppliers and customers	<ul style="list-style-type: none">• Extension of services from A2P to an omni-channel Contact Centre as a Service enabling Person to Person communication• Offering new product models including subscriptions
Acquisition of Compatel and Infobip Singapore	Employees, suppliers and customers	<ul style="list-style-type: none">• Bringing together related trading businesses and teams• Allowing customers to reach more users and markets
Covid-19	Employees and customers	<ul style="list-style-type: none">• Extensive engagement with our people to ensure their safety and wellbeing• Maintaining full service and operations in all geographies
Environment and community	All	<ul style="list-style-type: none">• Donation of equipment to schools and other educational institutions• Sponsorship of activities focused on the wellbeing of the wider community

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

Understanding what is important to Infobip's customers is a key to the business's long-term success. The Directors received regular reporting about customers and about strategic initiatives. Furthermore the Directors closely monitored customers' experience along with a dedicated leadership team in order to understand customers' expectations. With this in mind in 2019 Infobip focused its expansion strategy in the following areas: exponential growth (i.e. using methods such as indirect sales channels and self-service) and SaaS positioning (Software as a Service, which is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted), product development and innovation with purpose (solutions that deliver customer value), client solutions and partnership programs.

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To further differentiate itself in the market, Infobip is extending its services from A2P communication to an omni-channel Contact Centre as a Service enabling person to person (P2P) communication through a full-stack digital contact centre solution named Conversations. This unified customer experience solution will help clients follow their end-users' ever-growing demands in customer care. When considering end-customer experience, chatbots were among the innovations piloted by the company throughout 2019. In terms of voice technologies – advanced IVR (interactive voice response) have been developed. The company has also launched its first IOT program - Infobip's IoT platform which gives clients the capability to manage the Life cycle of SIM cards (activation, deactivation, suspension etc.), set customizable alerts, limits, reports, and analytics, which in addition affected the expansion of the service offer.

Infobip has a highly developed sense for social responsibility. The Directors when performing their duties consider both the local and global community. Through long-term commitment and engagement, the Directors' aim is for Infobip to strive to contribute to the development of a better quality of life in the environment to which it belongs. Infobip's mission is to provide accessible and innovative communication technology to its partners in various industries and geographies, enabling them to grow, innovate and impact their communities.

Infobip has continuous practice of donating IT equipment (hardware) to schools and other educational institutions. Infobip regularly donate and sponsor various programs focusing on activities which contribute to the wellbeing of the wider community with emphasis on the fields of science, education, social solidarity and culture.

The Directors are committed to recruiting, training and retaining the best talent that can be found. The Directors recognise that Infobip's employees are fundamental and core to growth of business and delivery of its strategic ambitions. The directors recognise that the success of business depends on motivating employees. With that in mind the Directors' actions are oriented to remain a responsible employer offering various benefits to employees.

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

This type of internal communication is provided through e-mail communication, company's intranet, internal newsletters (sent out globally every two weeks) etc.

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

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

It is important to emphasize that Infobip conducts its business in environmentally and socially responsible manner.

Fair review of the business

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

Revenues increased by €155m (35%) compared with 2018. Gross profit also increased by €21m (26%). EBITDA fell by €8m (42%) and the group reported a statutory loss of €11m, compared with a statutory profit of €0.4m in 2018, due to continued investment in technology and people.

Investing in future growth, the group's average headcount increased by 459 (36%) to a full year average of 1,739. This increased in headcount has expanded sales, back office functions and the group's development teams. The group does not elect to capitalise internal development and expanded investment in research and development, which has increased €4.5m (41%) over 2018, has directly impacted the result for the year.

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In 2019, Infobip focused its expansion strategy in the following areas: growth in revenues and market share; the development of solutions that can be provisioned and mediated via a browser for SaaS positioning; product development and innovation with purpose to drive systemic change in response to global challenges; enhanced client solutions and partnership programs, as well as partnerships with established brands like Facebook (WhatsApp), AWS (Pinpoint), Salesforce (Marketing Cloud integration), Microsoft (Dynamics for marketing) and Google (as a customer, RBM - an upgraded messaging experience for Android with exciting, interactive messages and vSMS partner). The company has signed 19 new partnerships across the world, between global Platform Integration organizations, and regional Consulting & Technology companies.

For Infobip, 2019 was marked by significant operational growth in key regions, such as the Middle East, Europe, Asia, LATAM, and North America. With the largest MNO global network comprising 600+ direct operator connections, the platform can reach close to 70% of the world's active mobile devices including legacy feature phones where smartphone penetration has not yet reached a tipping point.

Global expansion through in-country offices to establish local presence continued with five new offices opened in Tuzla (Bosnia and Herzegovina), St. Petersburg (Russia), Bengaluru (India), Karachi (Pakistan), and Split (Croatia). With more than 67 offices worldwide and 2,200 employees by the end of 2019, the company aims to provide a local perspective in support of our belief in the value of customer focus both in terms of putting our customers first and also to ensure their feedback informs how, when and why we innovate. Additionally we put an important focus on being able to provide high-end consultancy.

Throughout 2019, Infobip continued to invest in and upgrade its in-house, proprietary infrastructure, opening six new datacentres in Bogota (Colombia), Delhi (India), Jakarta (Indonesia), Colombo (Sri Lanka), Toronto (Canada) and Dubai (UAE).

In December 2019, Infobip formally acquired the group under common control, Compatel. Compatel holds Mobile Network Operators contracts and telco licenses in certain geographies worldwide and is a well-established and recognised brand by both mobile network operators and enterprises.

The year 2019 has been a remarkable year for the company's footprint in the SaaS offering. To further differentiate itself in the market, the company has extended its services from A2P communication to omni-channel Contact Center as a Service (CaaS), enabling person to person (P2P) communication through a full-stack digital contact center solution named Conversations. This, together with the Answers – a chatbot building platform, represent the first strategic play into the SaaS arena. In Q3 of the same year, Infobip also launched its marketing engagement solution Moments as a SaaS offering. Respectively, these unified customer experience and engagement solutions will help Infobip's clients follow their end-users' ever-growing demands in customer care and digital communications via conversational and contextual messaging.

Since the launch in July 2019 of Conversations, 200 customers have been actively using the solution in its early access stage and this number continues to grow. This solution was successfully launched in May 2020 supported by a globally prepared strategic promotional program for local activation and sales enablement.

When considering the entire end-customer experience, chatbots were among the innovations piloted by the company throughout 2019, which resulted in the successful deployment of Answers, its first Machine Learning powered chatbot. Since then the chatbot has been used to launch over 35 health information services for ministries of health globally to help them keep their citizens and populations informed of developments related to the COVID-19 pandemic.

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

In terms of voice technologies – advanced IVR have been developed, and voice services scaled in several destinations, which resulted in new sizeable customers, as well as the first webRTC video customer – Uber.

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The company has also launched its first IOT program in 2019, with early access clients, and has introduced Mobile Identity, a fast and secure method for user verification that uses silent mobile technology, with MobiFone Vietnam as the first completed proof-of-concept project. Infobip has also engaged with GSMA on certifying its telecom enablement solution, Identity Gate (iGate) Mobile Connect compliant. This certificate will enable telecoms to provide Mobile Identity services straight out-of-the-box, thereby enabling them to very quickly see results and realize the value of their investment in a short time.

Infobip is a world leader in omni-channel communication, enabling enterprise businesses the ability to reach their customers anywhere, anytime through a variety of channels including SMS, email, voice, chat apps, and RCS. Introduced to the company's channel portfolio in 2018, RCS had grown significantly in 2019 and the company has managed to position itself as trusted go-to RCS provider globally for MNOs, RCS enablement partners, and brands, supported by partners such as GSMA and Google. Infobip comprises a pioneering small group of vendors that currently have the only live RCS traffic in play globally and are connected to all MNOS that offer A2P RCS services. The first campaigns have launched in Mexico, France, UK, Brazil, Colombia, with brands such as ClubComex, Utel University, Samsung, Rappi, and Papa Johns's.

At the beginning of 2019, the company launched the "Tech City Vodnjan" project in Croatia, which, over the next five years, plans to bring 370 engineers from around the world to work together to create innovative ways of bridging the offline and the online worlds. The company has also started construction works for its second campus in Croatia, in Zagreb, the country's capital. The Alpha Centauri campus is scheduled for opening in December 2020.

Infobip was recognized as an industry leader by telecom partners, associations and enterprises globally, winning multiple awards in 2019. The company has been rated No.1 A2P SMS Messaging vendor for the third consecutive year by mobile operators and the first time by enterprises worldwide by ROCCO Research.

Infobip's founders have been declared Ernst & Young Entrepreneurs of the Year in Croatia and represented Croatia at the World Entrepreneur of The Year Awards in Monaco. Infobip has also been recognized for best RCS implementation and best OTT partnership at the 2019 Capacity Media Messaging & SMS Global Awards. The company has won awards for The Best Employer Brand in the IT sector and Best Employee Experience Activity in Croatia, for its global Onboarding program.

Principal risks and uncertainties

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

Credit risk:

The group's credit risk is primarily attributable to its principal assets, being cash balances, trade and other receivables. The group has adopted 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.

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Liquidity and cash flow risk:

The group monitors its liquidity risk related to the potential shortage of funds by collecting data from all related companies on a daily basis. Daily and weekly cash flow forecasts are approved and monitored regularly at group level. Funding flexibility is achieved through existing Revolving Credit Facilities (RCF), investment loans, leases and also through intra-group lending. Only the parent company, Infobip Limited (UK) and Infobip d.o.o. (Croatia) have access to external lending while all other related companies rely solely on intra-group loans. The majority of external debt arises from RCF which has an initial term of 12 month with the option to extend terms for an additional 12 months. Management currently anticipate that the RCF will be extended during 2021 and the negotiations to obtain with extension are expected to commence later in July 2020. Additionally, a documentary business limit was also made available which will provide the group with improved flexibility and cash savings. No other debt requirements exist at present as current performance and existing working capital are supporting current liquidity needs.

Covid-19 risk:

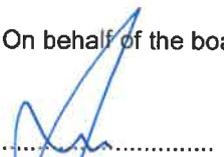
The activities of the group have not been unduly impacted by Covid-19 and the business has been able to continue providing its full offering of services to customers throughout 2020. Further details of how the business has responded, and continues to monitor, the risk of Covid-19 is set out in the Directors' report.

Key performance indicators

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

	2019	2018
	€m	€m
Sales	602	447
Gross profit	102	81
Gross profit margin %	16.9%	18.2%
EBITDA	11	19
EBITDA %	1.9%	4.3%

On behalf of the board


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S Kutic

Director

10/7/2020
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