

SYNIVERSE HOLDINGS INC  
Form 10-Q  
November 13, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
COMMISSION FILE NUMBER 333-176382

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SYNIVERSE HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of incorporation or organization)  
8125 Highwoods Palm Way  
Tampa, Florida 33647  
(Address of principal executive office)  
(Zip code)  
(813) 637-5000  
(Registrant's telephone number, including area code)

30-0041666  
(I.R.S. Employer Identification No.)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company

(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of common stock of the registrant outstanding at November 13, 2013 was 1,000.

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FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

SYNIVERSE HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

|  | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012 |
|--|--------------------------------------|----------------------|
| <b>ASSETS</b>  |                                      |                      |
| Current assets:  |                                      |                      |
| Cash   | \$225,839                            | \$232,195            |
| Accounts receivable, net of allowances of \$11,587 and \$9,912, respectively | 192,524                              | 148,697              |
| Deferred tax assets  | 25,898                               | 11,942               |
| Income taxes receivable  | 8,871                                | 6,075                |
| Prepaid and other current assets   | 39,716                               | 25,195               |
| Assets held for sale   | 18,229                               | —                    |
| Total current assets   | 511,077                              | 424,104              |
| Property and equipment, net  | 103,129                              | 85,152               |
| Capitalized software, net  | 252,170                              | 202,114              |
| Deferred costs, net  | 60,731                               | 42,071               |
| Goodwill   | 2,135,547                            | 1,682,171            |
| Identifiable intangibles, net  | 571,640                              | 477,083              |
| Deferred tax assets  | 1,291                                | 1,290                |
| Other assets   | 13,254                               | 45,054               |
| Total assets   | \$3,648,839                          | \$2,959,039          |
| <b>LIABILITIES AND STOCKHOLDER EQUITY</b>                                    |                                      |                      |
| Current liabilities:   |                                      |                      |
| Accounts payable   | \$31,115                             | \$17,761             |
| Income taxes payable   | 6,812                                | 6,197                |
| Accrued liabilities  | 89,668                               | 79,590               |
| Deferred revenues  | 8,693                                | 5,711                |
| Deferred tax liabilities   | 243                                  | 243                  |
| Current portion of capital lease obligation                                  | 6,519                                | 3,943                |
| Current portion of long-term debt, net of original issue discount            | —                                    | 7,082                |
| Liabilities related to assets held for sale                                  | 3,448                                | —                    |
| Total current liabilities  | 146,498                              | 120,527              |
| Long-term liabilities:   |                                      |                      |
| Deferred tax liabilities   | 231,946                              | 212,676              |
| Long-term capital lease obligation, net of current maturities                | 1,115                                | 4,320                |
| Long-term debt, net of current portion and original issue discount           | 2,050,566                            | 1,398,136            |
| Other long-term liabilities  | 35,425                               | 26,953               |
| Total liabilities  | 2,465,550                            | 1,762,612            |
| Commitments and contingencies  |                                      |                      |
| Redeemable noncontrolling interest   | 203                                  | —                    |
| Stockholder equity:  | —                                    | —                    |

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Common stock \$0.01 par value; one thousand shares authorized, issued and outstanding as of September 30, 2013 and December 31, 2012

|   |             |             |   |
|---|-------------|-------------|---|
| Additional paid-in capital                        | 1,222,401   | 1,215,350   |   |
| Accumulated deficit                               | (69,042     | ) (24,713   | ) |
| Accumulated other comprehensive income (loss)     | 23,532      | (970        | ) |
| Total Syniverse Holdings, Inc. stockholder equity | 1,176,891   | 1,189,667   |   |
| Nonredeemable noncontrolling interest             | 6,195       | 6,760       |   |
| Total equity                                      | 1,183,086   | 1,196,427   |   |
| Total liabilities and stockholder equity          | \$3,648,839 | \$2,959,039 |   |

See accompanying notes to unaudited condensed consolidated financial statements

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SYNIVERSE HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (IN THOUSANDS)

|   | Three months ended September 30,<br>2013<br>(Unaudited) |            | Nine months ended September 30,<br>2013<br>2012 |           |
|---|---|------------|---|-----------|
| Revenues  | \$238,890   | \$189,356  | \$616,042                                       | \$557,629 |
| Costs and expenses:   |   |            |   |           |
| Cost of operations (excluding depreciation and amortization shown separately below) | 85,931  | 69,592     | 229,796   | 203,916   |
| Sales and marketing   | 18,289  | 16,057     | 54,966  | 50,814    |
| General and administrative  | 33,489  | 23,090     | 93,320  | 76,111    |
| Depreciation and amortization   | 59,698  | 44,411     | 154,285   | 131,685   |
| Restructuring and management termination benefits                                   | 1,322   | (60 )      | 4,832   | 571       |
| Acquisition expenses  | 677   | 2,654      | 21,622  | 8,144     |
|   | 199,406   | 155,744    | 558,821   | 471,241   |
| Operating income  | 39,484  | 33,612     | 57,221  | 86,388    |
| Other income (expense), net:  |   |            |   |           |
| Interest income   | 200   | 166        | 412   | 670       |
| Interest expense  | (37,119 )   | (25,304 )  | (95,079 )                                       | (83,405 ) |
| Debt extinguishment costs   | (2,802 )  | —          | (2,802 )  | (6,458 )  |
| Equity income in investee   | 236   | —          | 236   | —         |
| Other, net  | (3,303 )  | 3,086 )    | (4,540 )  | 3,567 )   |
|   | (42,788 )   | (22,052 )  | (101,773 )                                      | (85,626 ) |
| (Loss) income before benefit from income taxes                                      | (3,304 )  | 11,560 )   | (44,552 )                                       | 762 )     |
| Benefit from income taxes   | (1,833 )  | (5,506 )   | (5,890 )  | (5,471 )  |
| Net (loss) income from continuing operations  | (1,471 )  | 17,066 )   | (38,662 )                                       | 6,233 )   |
| Loss from discontinued operations, net of tax                                       | (4,980 )  | —          | (4,980 )  | —         |
| Net (loss) income   | (6,451 )  | 17,066 )   | (43,642 )                                       | 6,233 )   |
| Net income attributable to nonredeemable noncontrolling interest                    | 83  | 1,627      | 687   | 3,283     |
| Net (loss) income attributable to Syniverse Holdings, Inc.                          | \$(6,534 )  | \$15,439 ) | \$(44,329 )                                     | \$2,950 ) |

See accompanying notes to unaudited condensed consolidated financial statements

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SYNIVERSE HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME  
 (IN THOUSANDS)

|   | Three months ended September 30, |             | Nine months ended September 30, |            |
|---|----------------------------------|-------------|---------------------------------|------------|
|   | 2013                             | 2012        | 2013                            | 2012       |
|   | (Unaudited)                      |             |                                 |            |
| Net (loss) income   | \$ (6,451                        | ) \$ 17,066 | \$ (43,642                      | ) \$ 6,233 |
| Other comprehensive income (loss), net of tax:  |                                  |             |                                 |            |
| Foreign currency translation adjustment (1)   | 26,135                           | (1,648      | ) 24,136                        | (2,746     |
| Amortization of unrecognized loss included in net periodic pension cost (2)             | 18                               | —           | 54                              | —          |
| Other comprehensive income (loss)   | 26,153                           | (1,648      | ) 24,190                        | (2,746     |
| Comprehensive income (loss)   | 19,702                           | 15,418      | (19,452                         | ) 3,487    |
| Less: comprehensive (loss) income attributable to nonredeemable noncontrolling interest | (12                              | ) 2,062     | 375                             | 3,368      |
| Comprehensive income (loss) attributable to Syniverse Holdings, Inc.                    | \$ 19,714                        | \$ 13,356   | \$ (19,827                      | ) \$ 119   |

Foreign currency translation adjustments are shown net of income tax expense of \$319 and \$46 for the three and (1) nine months ended September 30, 2013, respectively, and net of income tax expense (benefit) of \$419 and (\$1,203) for the three and nine months ended September 30, 2012, respectively.

(2) Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax expense of \$8 and \$22 for the three and nine months ended September 30, 2013, respectively.

See accompanying notes to unaudited condensed consolidated financial statements

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SYNIVERSE HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER EQUITY  
(IN THOUSANDS)

|   | Stockholder of Syniverse Holdings, Inc. |        |                            |                     |   |                                      |                                       |              |
|---|---|--------|----------------------------|---------------------|---|--------------------------------------|---------------------------------------|--------------|
|   | Common Stock                            |        |                            | Accumulated Deficit | Accumulated Comprehensive Income (Loss) | Total Other Syniverse Holdings, Inc. | Nonredeemable Noncontrolling Interest | Total        |
|   | Shares                                  | Amount | Additional Paid-In Capital |                     |   |                                      |                                       |              |
| Balance, December 31, 2011  | 1                                       | \$ —   | \$ 1,208,365               | \$ (21,472 )        | \$ 2,400                                | \$ 1,189,293                         | \$ 4,820                              | \$ 1,194,113 |
| Net income  | —                                       | —      | —                          | 2,950               | —                                       | 2,950                                | 3,283                                 | 6,233        |
| Other comprehensive (loss) income, net of tax:                          |   |        |                            |                     |   |                                      |                                       |              |
| Foreign currency translation adjustment                                 | —                                       | —      | —                          | —                   | (2,831 )                                | (2,831 )                             | 85                                    | (2,746 )     |
| Stock-based compensation  | —                                       | —      | 4,984                      | —                   | —                                       | 4,984                                | —                                     | 4,984        |
| Distribution to nonredeemable noncontrolling interest                   | —                                       | —      | —                          | —                   | —                                       | —                                    | (1,070 )                              | (1,070 )     |
| Distribution to Buccaneer Holdings, Inc.                                | —                                       | —      | (77 )                      | —                   | —                                       | (77 )                                | 0                                     | (77 )        |
| Balance, September 30, 2012 (Unaudited)                                 | 1                                       | \$ —   | \$ 1,213,272               | \$ (18,522 )        | \$ (431 )                               | \$ 1,194,319                         | \$ 7,118                              | \$ 1,201,437 |
| Balance, December 31, 2012  | 1                                       | \$ —   | \$ 1,215,350               | \$ (24,713 )        | \$ (970 )                               | \$ 1,189,667                         | \$ 6,760                              | \$ 1,196,427 |
| Net (loss) income   | —                                       | —      | —                          | (44,329 )           | —                                       | (44,329 )                            | 687                                   | (43,642 )    |
| Other comprehensive income (loss), net of tax:                          |   |        |                            |                     |   |                                      |                                       |              |
| Foreign currency translation adjustment                                 | —                                       | —      | —                          | —                   | 24,448                                  | 24,448                               | (312 )                                | 24,136       |
| Amortization of unrecognized loss included in net periodic pension cost | —                                       | —      | —                          | —                   | 54                                      | 54                                   | —                                     | 54           |
| Stock-based compensation  | —                                       | —      | 7,236                      | —                   | —                                       | 7,236                                | —                                     | 7,236        |
| Distribution to nonredeemable noncontrolling interest                   | —                                       | —      | —                          | —                   | —                                       | —                                    | (940 )                                | (940 )       |
| Distribution to Buccaneer Holdings, Inc.                                | —                                       | —      | (185 )                     | —                   | —                                       | (185 )                               | —                                     | (185 )       |
|   | 1                                       | \$ —   | \$ 1,222,401               | \$ (69,042 )        | \$ 23,532                               | \$ 1,176,891                         | \$ 6,195                              | \$ 1,183,086 |



Balance, September 30,  
2013 (Unaudited)

See accompanying notes to unaudited condensed consolidated financial statements

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SYNIVERSE HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)

|  | Nine months ended September 30, |            |
|--|---------------------------------|------------|
|  | 2013                            | 2012       |
|  | (Unaudited)                     |            |
| Cash flows from operating activities   |                                 |            |
| Net (loss) income  | \$(43,642                       | ) \$6,233  |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                                 |            |
| Depreciation and amortization  | 154,285                         | 131,685    |
| Amortization of deferred debt issuance costs and original issue discount                 | 9,539                           | 5,946      |
| Allowance for credit memos and uncollectible accounts                                    | 7,667                           | 6,132      |
| Deferred income tax benefit  | (11,121                         | ) (1,970   |
| Debt modification costs  | 1,681                           | 6,115      |
| Debt extinguishment costs  | 2,802                           | 6,458      |
| Stock-based compensation   | 7,236                           | 4,984      |
| Fair value adjustment to assets and liabilities related to assets held for sale          | 3,284                           | —          |
| Other, net   | 3,129                           | (410       |
| Changes in operating assets and liabilities, net of effect of acquisition:               |                                 |            |
| Accounts receivable  | (24,356                         | ) (12,463  |
| Income taxes receivable or payable   | (4,694                          | ) (8,690   |
| Prepaid and other current assets   | (5,929                          | ) (3,931   |
| Accounts payable   | 3,884                           | 5,117      |
| Accrued liabilities and deferred revenues  | (22,831                         | ) (23,791  |
| Assets and liabilities related to assets held for sale                                   | (2,492                          | ) —        |
| Other assets and other long-term liabilities   | (2,456                          | ) 18       |
| Net cash provided by operating activities  | 75,986                          | 121,433    |
| Cash flows from investing activities   |                                 |            |
| Capital expenditures   | (55,846                         | ) (50,906  |
| Acquisition, net of acquired cash  | (628,191                        | ) —        |
| Purchase of certificate of deposit   | (3,753                          | ) —        |
| Capital expenditures, assets held for sale   | (6,689                          | ) —        |
| Deposit on Acquisition   | —                               | (37,980    |
| Net cash used in investing activities  | (694,479                        | ) (88,886  |
| Cash flows from financing activities   |                                 |            |
| Debt issuance costs paid   | (26,917                         | ) (10,181  |
| Payments on capital lease obligation   | (5,576                          | ) (4,056   |
| Principal payments on Old Senior Credit Facility   | —                               | (1,014,750 |
| Principal payments on Initial Term Loans   | (945,250                        | ) (2,375   |
| Principal payments on Tranche B Term Loans   | (21,335                         | ) —        |
| Borrowings under Initial Term Loans, net of original issue discount                      | 911,835                         | 940,500    |
| Borrowings under Tranche B Term Loans, net of original issue discount                    | 696,500                         | —          |
| Distribution to Buccaneer Holdings, Inc.   | (185                            | ) (77      |
| Distribution to nonredeemable noncontrolling interest                                    | (940                            | ) (1,070   |
| Net cash provided by (used in) financing activities                                      | 608,132                         | (92,009    |
| Effect of exchange rate changes on cash  | 4,005                           | 1,051      |
| Net decrease in cash   | (6,356                          | ) (58,411  |
| Cash at beginning of period  | 232,195                         | 226,753    |

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|   |           |           |
|---|-----------|-----------|
| Cash at end of period                                   | \$225,839 | \$168,342 |
| Supplemental noncash investing and financing activities |           |           |
| Assets acquired under capital lease                     | \$4,985   | \$11,905  |
| Supplemental cash flow information                      |           |           |
| Interest paid   | \$96,233  | \$84,630  |
| Income taxes paid                                       | \$9,826   | \$5,193   |

See accompanying notes to unaudited condensed consolidated financial statements

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SYNIVERSE HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

We are a leading global provider of technology solutions for mobile operators and the broader wireless ecosystem. Our integrated solutions enable wireless services across disparate networks, technologies and geographies. For over 25 years, we have served as an integral third-party intermediary to stakeholders across the telecommunications industry including mobile operators and enterprise customers, among others. Our product offerings include roaming clearing house and financial settlement services between operators; services which facilitate connectivity across the wireless ecosystem; and text and multimedia message delivery services. After closing our acquisition of MACH on June 28, 2013 (see Note 4 for additional details regarding the MACH acquisition), we currently provide our services to over 1,000 telecommunications operators and more than 500 enterprise customers in over 200 countries and territories.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of Syniverse Holdings, Inc. have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and on a basis that is consistent with the accounting principles applied in our audited financial statements for the fiscal year ended December 31, 2012 (the “2012 financial statements”). In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our 2012 financial statements. Operating results for the interim periods noted herein are not necessarily indicative of the results that may be achieved for a full year.

The Company is reporting the Divestment Business (defined below) (see Note 5 for additional details regarding the Divestment Business), which was held for sale as of September 30, 2013, as discontinued operations in the unaudited condensed consolidated statement of operations. In addition, the assets and liabilities of the Divestment Business are reported in Assets held for sale and Liabilities related to assets held for sale, respectively, in the unaudited condensed consolidated balance sheet as of September 30, 2013. Unless otherwise indicated, the accompanying notes to the unaudited condensed consolidated financial statements reflect the Company’s continuing operations. The sale of the Divestment Business was completed on October 1, 2013 (see Note 15 for additional details on the sale of the Divestment Business as a subsequent event).

The unaudited condensed consolidated financial statements include the accounts of Syniverse Holdings, Inc. and all of its wholly owned subsidiaries and a variable interest entity for which Syniverse Holdings, Inc. is deemed to be the primary beneficiary. References to “Syniverse,” “the Company,” “us,” or “we” include all of the consolidated companies. Redeemable and nonredeemable noncontrolling interest is recognized for the portion of consolidated joint ventures not owned by us. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

We have prepared our financial statements in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the period. Actual results could differ from those estimates.

Restricted Cash

On occasion, we are required to maintain cash or certificates of deposit with certain banks with respect to contractual obligations related to acquisitions or other collateral required under certain contractual or other terms. As of September 30, 2013 and December 31, 2012, the amount of restricted cash was \$6.1 million and \$1.0 million, respectively, and is included in Other assets in the accompanying unaudited condensed consolidated balance sheets.

Customer Accounts

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We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our customer contracts, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our unaudited condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately \$485.3 million and \$132.4 million as of September 30, 2013 and December 31, 2012, respectively. The increase from December 31, 2012 includes \$311.3 million resulting from the Acquisition (defined below) (see Note 4 for additional details regarding the Acquisition).

### Capitalized Software Costs

We capitalize the cost of externally purchased software, internal-use software and developed technology that has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they enable the software to perform a task it previously was unable to perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized software and developed technology are amortized using the straight-line method over a period of 3 years and 3 to 7 years, respectively.

During the three months ended June 30, 2013, we determined that one of our internal use software projects would not be completed and, therefore, recorded a loss on abandonment of approximately \$4.3 million. The loss was recorded in Depreciation and amortization in the unaudited condensed consolidated statement of operations.

### Foreign Currencies

We have operations in subsidiaries in Europe (primarily the United Kingdom, Germany and Luxembourg), India and the Asia-Pacific region, each of whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the relevant functional currencies are included in "Other, net" in the unaudited condensed consolidated statements of operations. For the three and nine months ended September 30, 2013, we recorded foreign currency transaction losses of \$3.3 million and \$4.5 million, respectively. For the three and nine months ended September 30, 2012, we recorded foreign currency transaction gains of \$3.1 million and \$3.6 million, respectively.

The assets and liabilities of subsidiaries whose functional currency is other than the U.S. dollar are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of accumulated other comprehensive income (loss) and is included in stockholder equity in the unaudited condensed consolidated balance sheets. Transaction gains and losses on intercompany balances which are deemed to be of a long-term investment nature are also recorded as a component of other comprehensive income (loss). Items within the unaudited condensed consolidated statements of operations are translated at the average rates prevailing during the period.

### Seasonality

Generally, there is a seasonal increase in wireless roaming usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. Products primarily affected by this seasonality include signaling solutions, interstandard roaming, Mobile Data Roaming ("MDR") and roaming clearing house.

### Segment Information

In accordance with the applicable accounting guidance, we have evaluated our portfolio of service offerings, reportable segments and the financial information reviewed by our chief operating decision maker for purposes of making resource allocation decisions. We operate as a single operating segment, as our Chief Executive Officer

reviews financial information on the basis of our unaudited condensed consolidated financial results for the purposes of making resource allocation decisions.

#### Reclassifications of Prior Year Presentation

Certain reclassifications of 2012 financial information have been made to conform to the current year presentation. The reclassifications had no effect on our reported results of operations. Effective June 30, 2013, we reclassified Acquisition expenses out of General and administrative expenses into a single line item in our unaudited condensed consolidated statement of operations. Acquisition expenses consist primarily of professional services costs, such as legal, tax, audit and transaction advisory costs, all of which were incurred in conjunction with the Acquisition (defined below) (see Note 4 for additional details regarding the Acquisition).

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### 3. Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment, which is included in the ASC in Topic 350 “Intangibles-Goodwill and Other”. ASU 2012-02 permits companies to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. If a greater than 50 percent likelihood exists that the indefinite-lived intangible asset is impaired then the quantitative impairment test, as described in Topic 350, must be performed. Under the amendments in this ASU, a company has the option to bypass the qualitative assessment for any indefinite-lived intangible assets and proceed directly to performing the quantitative impairment test by comparing the fair value with the carrying amount as described in Topic 350. A company may resume performing the qualitative assessment in any subsequent period. This accounting standard was effective for our financial statements beginning January 1, 2013. The adoption of this standard did not have a material impact on our unaudited condensed consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which is included in the ASC in Topic 220 “Comprehensive Income”. ASU 2013-02 requires entities to provide information about significant amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This accounting standard was effective for our financial statements beginning January 1, 2013. The adoption of this standard did not have a material impact on our unaudited condensed consolidated financial statements and related disclosures.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, which is included in the ASC in Topic 740 “Income Taxes”. ASU 2013-11 eliminates the diversity in practice in the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under this guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. This accounting standard will be effective for our financial statements beginning January 1, 2014. We do not expect the adoption of this standard to have a material impact of our consolidated financial statements and related disclosures.

### 4. MACH Acquisition

On June 28, 2013 (the “Acquisition Date”), we completed our acquisition of WP Roaming III S.à r.l. (“WP Roaming”), for a total purchase price of approximately \$712.0 million. As part of this transaction, we acquired from WP Roaming S.à r.l., a Luxembourg limited liability company (the “Seller”), all the shares and preferred equity certificates (whether convertible or not) in WP Roaming (the “Acquisition”). The purchase price was funded through a portion of the net proceeds from a new \$700.0 million senior secured credit facility and the Deposit (as defined below) of €30.0 million that was paid to the Seller on July 2, 2012.

WP Roaming is a holding company which conducts the business of MACH S.à r.l. (“MACH”). The purpose of the Acquisition is to give Syniverse added global scale and increased reach with more direct connections to support



roaming, messaging and network solutions that enable its customers to deliver superior experiences to their end users.

At the closing of the Acquisition, Syniverse paid to the Seller an amount equal to approximately €140.0 million, representing €172.7 million (the “Base Amount”), less preliminary adjustments of €37.2 million, plus €4.5 million, representing €250.0 per month from December 31, 2011 through the Acquisition Date, reflecting a “locked box” approach, such that Syniverse Holdings, Inc. acquired WP Roaming with economic effect from December 31, 2011. In addition, at the Acquisition Date, Syniverse, on behalf of WP Roaming, paid €313.0 million and \$81.5 million for amounts outstanding to WP Roaming's two third-party lenders in order to ensure the release of all related guarantees and security interests. On July 2, 2012, Syniverse Holdings, Inc. paid the Seller a deposit of €30.0 million (the “Deposit”) which was applied to the purchase price at the Acquisition Date. For purposes of the purchase price allocation, the Deposit and other amounts paid in Euros at the Acquisition Date were converted to U.S. dollars using an exchange rate of 1.3058 or \$630.5 million.

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The Acquisition was accounted for under the purchase method of accounting. The total purchase price was allocated to the acquired assets and liabilities assumed based on their estimated fair values at the Acquisition Date. The fair value of the net assets acquired was based on a preliminary valuation and our estimates and assumptions are subject to change within the measurement period. The Company is continuing to evaluate (i) certain purchase price adjustments under the purchase agreement; (ii) valuation of accounts receivable; (iii) valuation of redeemable noncontrolling interest; (iv) income taxes, including uncertain tax positions; and (v) pre-Acquisition contingencies, including legal and customer claims and disputes. Syniverse will finalize the purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the Acquisition Date.

The following table summarizes the preliminary allocation of the purchase price, including adjustments to previously reported figures on June 30, 2013, to the estimated fair values of the assets acquired and liabilities assumed in connection with the Acquisition based on their fair values on the Acquisition Date:

|   | As initially reported on<br>June 30, 2013 | Measurement period<br>adjustments | June 30, 2013<br>(as adjusted) |
|---|---|-----------------------------------|--------------------------------|
| (In thousands)                              |   |                                   |                                |
| Total purchase price                        | \$712,009                                 | \$—                               | \$712,009                      |
| Less: cash acquired                         | 44,644                                    | —                                 | 44,644                         |
| Cash consideration                          | \$667,365                                 | \$—                               | \$667,365                      |
| Fair value of net assets acquired:          |   |                                   |                                |
| Cash  | 44,644                                    | —                                 | 44,644                         |
| Accounts receivable                         | 26,887                                    | (1,011                            | ) 25,876                       |
| Prepaid and other current assets            | 10,456                                    | 1,507                             | 11,963                         |
| Assets held for sale                        | 11,046                                    | (226                              | ) 10,820                       |
| Property and equipment                      | 7,157                                     | —                                 | 7,157                          |
| Capitalized software                        | 74,229                                    | (1,952                            | ) 72,277                       |
| Customer relationships                      | 207,037                                   | (41,381                           | ) 165,656                      |
| Other identifiable intangible assets        | 2,103                                     | —                                 | 2,103                          |
| Deferred tax assets                         | 897                                       | 430                               | 1,327                          |
| Other assets                                | 5,657                                     | (390                              | ) 5,267                        |
| Accounts payable                            | (8,847                                    | ) —                               | (8,847                         |
| Income taxes payable                        | (1,993                                    | ) —                               | (1,993                         |
| Accrued liabilities                         | (32,638                                   | ) (1,888                          | ) (34,526                      |
| Deferred revenues                           | (1,484                                    | ) —                               | (1,484                         |
| Liabilities related to assets held for sale | (2,693                                    | ) 226                             | (2,467                         |
| Deferred tax liabilities                    | (27,636                                   | ) 3,365                           | (24,271                        |
| Redeemable noncontrolling interest          | (203                                      | ) —                               | (203                           |
| Net assets acquired                         | 314,619                                   | (41,320                           | ) 273,299                      |
| Allocation to goodwill                      | \$397,390                                 | \$41,320                          | \$438,710                      |

The excess of the purchase price over the fair value of the net assets acquired resulted in goodwill of \$438.7 million, which is primarily attributable to assembled workforce, operating synergies and potential expansion into other global markets. We do not expect goodwill to be deductible for tax purposes. We incurred Acquisition related expenses of \$0.7 million and \$21.6 million for the three and nine months ended September 30, 2013, respectively, and \$2.7 million and \$8.1 million for the three and nine months ended September 30, 2012, respectively. These costs were recorded in Acquisition expenses in our unaudited condensed consolidated statements of operations. As of September 30, 2013 we have incurred total Acquisition related expenses of \$36.3 million, \$14.7 million of which were

recorded during the year ended December 31, 2012.

Customer relationships were valued using discounted future cash flows and capitalized software was valued using a relief from royalty method under the income approach. The future cash flows for the customer relationships were discounted using a weighted-average cost of capital, which was based on an analysis of the cost of capital for guideline companies within

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the technology industry. Other identifiable intangibles include a non-solicitation agreement for key employees which was valued using a discounted future cash flow method assuming a with and without analysis. The valuations considered historical financial results and expected and historical trends.

During September 2013, we completed our intangible asset analysis used in the calculation of the valuation of our customer relationships as described above. As a result, the carrying amount of our customer relationships was retrospectively decreased by \$41.4 million to \$165.7 million from \$207.0 million on June 30, 2013 with a corresponding increase to goodwill.

We determined useful lives of the intangible assets based on the period over which we expect those assets to contribute directly or indirectly to future cash flows. Customer relationships will be amortized using the pattern of consumption method. Capitalized software assets will be amortized over their useful lives using the straight-line method. The weighted average amortization period for customer relationships, capitalized software and other identifiable intangible assets is 9.7 years, 6.5 years and 3.4 years, respectively. The weighted average amortization period for identifiable intangible assets in total is 8.7 years.

The fair value of accounts receivable acquired is \$25.9 million, with the gross contractual amount being \$37.4 million. We expect \$11.5 million to be uncollectible.

Other assets include \$1.3 million of restricted cash related to additional cash payments that will be made to the former owner of an entity acquired by MACH in 2011 as required under a purchase agreement existing at the Acquisition Date. This amount is currently held in escrow as required by the purchase agreement and is not subject to change. In addition, Other assets include \$2.0 million of indemnification assets related to contingent liabilities that were present at the Acquisition Date, for which the Company's maximum liability is €2.0 million under the indemnification terms of the Acquisition purchase agreement.

The results of operations of MACH have been included in our operating results subsequent to the Acquisition Date.

## Supplemental Pro Forma Financial Information

The following unaudited pro forma financial information for the three and nine months ended September 30, 2013 and 2012 represent combined revenue and loss from continuing operations as if the Acquisition had taken place on January 1, 2012. The unaudited pro forma results reflect certain adjustments including additional estimated amortization expense associated with acquired intangible assets and interest expense associated with debt used to fund the Acquisition. The pro forma financial information does not purport to be indicative of the results of operations that would have been achieved had the Acquisition taken place on the date indicated or the results of operations that may result in the future.

| (In thousands)  | Three months ended September 30, |           | Nine months ended September 30, |            |
|---|----------------------------------|-----------|---------------------------------|------------|
|   | 2013                             | 2012      | 2013                            | 2012       |
| Revenues  | \$238,890                        | \$227,104 | \$690,395                       | \$673,577  |
| (Loss) income from continuing operations attributable to Syniverse Holdings, Inc. | \$710                            | \$17,412  | \$(14,385                       | ) \$15,536 |

## 5. Assets and Liabilities Related to Assets Held for Sale and Discontinued Operations

## Assets and Liabilities Related to Assets Held for Sale

The approval of the Acquisition was conditioned upon the Company's commitment to divest certain assets supporting MACH's data clearing and near real-time roaming data exchange ("NRTRDE") business in the European Economic Area, which includes European Union countries plus Iceland, Liechtenstein and Norway (the "EEA"), including technology platforms, necessary employees, customer contracts and the MACH brand (the "Divestment Business").

On June 3, 2013, Interfact S.à r.l., a Luxembourg limited liability company and the MACH group company that was the immediate shareholder of the Divestment Business, signed a definitive agreement (the "Divestment Agreement") to sell the Divestment Business to Starhome, B.V. ("Starhome"), a private limited liability company incorporated under the laws of The Netherlands, upon the completion of the Acquisition.

The assets and liabilities of the Divestment Business at September 30, 2013 are summarized in the table below:

| (In thousands)  | September 30, 2013<br>(Unaudited) |
|---|-----------------------------------|
| <b>Assets</b>   |                                   |
| Cash and cash equivalents   | \$1,997                           |
| Accounts receivable   | 5,792                             |
| Prepaid expenses  | 214                               |
| Other receivables   | 238                               |
| Property and equipment  | 3,008                             |
| Capitalized software  | 6,980                             |
| <b>Total assets of Divestment Business</b>                        | <b>\$18,229</b>                   |
| <b>Liabilities</b>  |                                   |
| Accounts payable  | \$280                             |
| Deferred revenues   | 585                               |
| Accrued liabilities   | 2,583                             |
| <b>Total liabilities related to assets of Divestment Business</b> | <b>\$3,448</b>                    |

Assets are considered to be held for sale when management approves and commits to a formal plan to actively market the assets for sale at a sales price reasonable in relation to its fair value, the asset is available for immediate sale in its present condition, the sale of the asset is probable and expected to be completed within one year, and it is unlikely that significant changes will be made to the plan. Newly acquired assets that are held for sale are recorded at their estimated fair value, less cost to sell.

As of September 30, 2013, Syniverse remeasured the net assets held for sale at fair value, less cost to sell and recorded a loss of approximately \$3.3 million, which is included in Loss from discontinued operations, net of tax in the accompanying unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2013. On October 1, 2013, Syniverse completed the sale of the Divestment Business to Starhome for €9.9 million, subject to purchase price adjustments that are expected to be completed in the fourth quarter of 2013.

#### Discontinued Operations

In connection with the Company's commitment to sell the Divestment Business, we entered into a Transition Services Agreement ("TSA") with Starhome to provide certain services for a transitional period not to exceed twelve months. Under the terms of the TSA, both parties to the agreement are entitled to collect service charges based on the services provided. We have determined that the continuing cash flows generated by the TSA are not significant in proportion to the cash flows of the Company and that the arrangement does not provide the Company the ability to influence the operating or financial policies of Starhome. Accordingly, the TSA does not constitute significant continuing involvement by the Company in the operations of the Divestment Business. As such, the results of operations of the Divestment Business have been presented separately as discontinued operations in the unaudited condensed consolidated statements of operations.

A summary of the results of operations of the Divestment Business for the three and nine months ended September 30, 2013 are presented in the table below:

|   | September 30, 2013 |   |
|---|--------------------|---|
| (In thousands)  | (Unaudited)        |   |
| Revenues  | \$4,164            |   |
| Loss from operations of Divestment Business, net of tax benefit of \$0                            | \$(295             | ) |
| Fair value adjustment to assets and liabilities of Divestment Business, net of tax benefit of \$0 | (3,284             | ) |
| Cost to sell Divestment Business, net of tax benefit of \$0                                       | (1,401             | ) |
| Loss from discontinued operations, net of tax benefit of \$0                                      | \$(4,980           | ) |

## 6. Goodwill

The following table summarizes the changes in the carrying amount of goodwill for the nine months ended September 30, 2013:

| (In thousands)                         |             |
|--|-------------|
| Balance at December 31, 2012           | \$1,682,171 |
| Acquisition goodwill                   | 438,710     |
| Effect of foreign currency translation | 14,666      |
| Balance at September 30, 2013          | \$2,135,547 |

Goodwill is not subject to amortization and the change in goodwill represents the impact of the Acquisition and foreign currency translation.

## 7. Detail of Accrued Liabilities

Accrued liabilities as of September 30, 2013 and December 31, 2012 consisted of the following:

| (In thousands)                               | September 30, 2013 | December 31, 2012 |
|--|--------------------|-------------------|
|  | (Unaudited)        |                   |
| Accrued payroll and related benefits         | \$33,195           | \$20,285          |
| Accrued interest                             | 17,941             | 29,353            |
| Accrued network and data processing expenses | 6,302              | 6,266             |
| Accrued revenue share expenses               | 3,501              | 2,288             |
| Other accrued liabilities                    | 28,729             | 21,398            |
| Total accrued liabilities                    | \$89,668           | \$79,590          |

## 8. Income Taxes

We provide for federal, state and foreign income taxes currently payable, as well as for those deferred due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates is recognized as income or expense in the period that includes the enactment date. The effective tax rate for the three and nine months ended September 30, 2013, was a benefit of 55.5% and 13.2%, respectively. The effective tax rate for the three and nine months ended September 30, 2012, was a benefit of 47.6% and 718.2%, respectively. The tax benefit recognized for the nine months ended September 30, 2013 was limited to the amount that would be recognized if the ordinary loss was the anticipated loss for the fiscal year. The change in our effective tax rate was chiefly attributable to (i) the release of uncertain tax positions where statutes of limitations had expired, (ii) certain return to

provision true-ups recorded in 2012 and 2013, (iii) costs related to the acquisition of MACH, some of which are non-

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deductible for income tax purposes, (iv) the inclusion of the forecasted earnings impact of the MACH entities in calculating the effective tax rate, (v) the loss limitation described above, offset by certain favorable permanent items, (vi) a shift in taxable income to lower foreign tax rate jurisdictions, and (vii) state and local related effective income tax rate changes.

We, and our eligible subsidiaries, file a consolidated U.S. federal income tax return under Buccaneer Holdings, Inc. All subsidiaries incorporated outside of the U.S. are consolidated for financial reporting purposes; however, they are not eligible to be included in our consolidated U.S. federal income tax return. Separate provisions for income taxes have been recorded for these entities. We intend to reinvest substantially all of the unremitted earnings of our non-U.S. subsidiaries and postpone their remittance indefinitely. Accordingly, no provision for U.S. income taxes for these non-U.S. subsidiaries was recorded in the accompanying unaudited condensed consolidated statements of operations.

## 9. Debt and Credit Facilities

Our total outstanding debt as of September 30, 2013 and December 31, 2012 was as follows:

| (In thousands)                           | September 30, 2013<br>(Unaudited) | December 31, 2012 |
|--|-----------------------------------|-------------------|
| Senior Credit Facility:                  |                                   |                   |
| Initial Term Loans, due 2019             | \$911,835                         | \$945,250         |
| Original issue discount                  | (11,719)                          | (15,032)          |
| Tranche B Term Loans, due 2019           | 678,665                           | —                 |
| Original issue discount                  | (3,215)                           | —                 |
| Senior Notes:                            |                                   |                   |
| 9.125% senior unsecured notes, due 2019  | 475,000                           | 475,000           |
| Total debt                               | 2,050,566                         | 1,405,218         |
| Less: Current portion                    |                                   |                   |
| Long-term debt, current portion          | —                                 | (9,500)           |
| Original issue discount, current portion | —                                 | 2,418             |
| Long-term debt                           | \$2,050,566                       | \$1,398,136       |

Maturities of long-term debt excluding original issue discount for each of the next five years and thereafter are summarized in the table below. As a result of a principal prepayment during the three months ended September 30, 2013 which was applied in direct order of maturity (as more fully described below), our Initial Term Loans will resume amortizing and our Tranche B Term Loans will begin amortizing in quarterly installments commencing on September 30, 2016.

| (In thousands)               |             |
|------------------------------|-------------|
| Year ended December 31, 2013 | \$—         |
| Year ended December 31, 2014 | —           |
| Year ended December 31, 2015 | —           |
| Year ended December 31, 2016 | 7,750       |
| Year ended December 31, 2017 | 16,500      |
| Thereafter                   | 2,041,250   |
|                              | \$2,065,500 |

During the three months ended September 30, 2013, as a result of the refinancing of our Initial Term Loans (as more fully described below), we incurred \$2.8 million of debt extinguishment costs for a write-off of \$1.1 million of original issue discount and \$1.7 million of deferred financing fees. Additionally, we incurred \$1.7 million of debt modification costs which were recorded in interest expense on the unaudited condensed consolidated statement of

operations.

During the three months ended June 30, 2013, we paid \$3.5 million in upfront fees associated with the Escrow Term Loans (as defined below) which were refinanced through the proceeds from the Tranche B Term Loans (as defined below). We

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recorded the upfront fees as original issue discount to be amortized over the life of the Tranche B Term Loans using the effective interest method.

During the three months ended June 30, 2012, upon the refinancing of our Old Senior Credit Facility (as defined below), we incurred costs of \$19.7 million associated with our New Senior Credit Facility (as defined below) consisting of \$9.5 million of original issue discount, \$4.1 million of deferred financing fees and \$6.1 million of interest expense incurred as debt modification costs due to the refinancing. In addition, we incurred \$6.5 million of debt extinguishment costs for a write-off of original issue discount and deferred financing fees related to the Old Senior Credit Facility.

Amortization of original issue discount and deferred financing fees for the three and nine months ended September 30, 2013 was \$5.1 million and \$9.5 million, respectively, and was related to our New Senior Credit Facility and Senior Notes (as defined below). Amortization of original issue discount and deferred financing fees for the three and nine months ended September 30, 2012 was \$2.0 million and \$5.9 million, respectively, and was related to our Old Senior Credit Facility, New Senior Credit Facility and Senior Notes.

Amortization is included in interest expense in the unaudited condensed consolidated statement of operations. The net book value of deferred financing fees included in the accompanying unaudited condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012 was as follows:

| (In thousands)                   | September 30, 2013<br>(Unaudited) | December 31, 2012 |
|----------------------------------|-----------------------------------|-------------------|
| Prepaid and other current assets | \$1,543                           | \$3,709           |
| Deferred costs, net              | 60,731                            | (1) 42,071        |
| Total                            | \$62,274                          | \$45,780          |

(1) Includes \$23.2 million of financing fees related to our Tranche B Term Loan under the New Senior Credit Facility.

#### Old Senior Credit Facility

On December 21, 2010, we entered into a senior credit facility consisting of a \$150.0 million revolving credit facility and a \$1,025.0 million Term Loan B (the “Old Senior Credit Facility”), and on January 13, 2011, our Old Senior Credit Facility became effective. The Old Senior Credit Facility was used to fund, in part, the Carlyle merger. The Company received net proceeds of \$1,012.5 million after payment of upfront fees of \$12.5 million to Barclays Capital, Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA and Sumitomo Mitsui Banking Corporation. We recorded the upfront fees as an original issue discount to be amortized over the life of the debt using the effective interest method. In addition, we incurred debt issuance costs of \$36.2 million.

Borrowings bore interest at a floating rate which could have been, at our option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin, in each case, subject to a Eurodollar rate floor of 1.50% or a base rate floor of 2.50%, as applicable. The applicable margin for the term loan and revolving loans under our Old Senior Credit Facility was 3.75% per annum for Eurodollar loans and 2.75% per annum for base rate loans, and in the case of the revolving loans, subject to an adjustment based on a total net leverage ratio test.

#### New Senior Credit Facility

On April 23, 2012, we entered into a credit agreement (the “New Credit Agreement”) with Buccaneer Holdings, Inc. (“Holdings”), Barclays Bank PLC, as administrative agent, swing line lender and letters of credit issuer, and the other financial institutions and lenders from time to time party thereto, providing for a new senior credit facility (the “New

Senior Credit Facility”) consisting of (i) a \$950.0 million term loan facility (the “Initial Term Loans”); and (ii) a \$150.0 million revolving credit facility (the “Revolving Credit Facility”) for the making of revolving loans, swing line loans and issuance of letters of credit.

On June 28, 2013, the Company borrowed \$700.0 million of incremental term loans (the “Tranche B Term Loans”), pursuant to an incremental amendment (the “Incremental Amendment”) to its New Credit Agreement. The proceeds of the

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Tranche B Term Loans were used to refinance, in full, the Escrow Term Loans (as defined below), a portion of which were used to fund the Acquisition.

On September 23, 2013, the Company made a prepayment of \$50.0 million on the Term Loan Facilities (as defined in the next paragraph), of which \$28.7 million was applied to the Initial Term Loans and \$21.3 million was applied to the Tranche B Term Loans. In relation to the prepayment, Syniverse accelerated the amortization of \$0.4 million of original issue discount and \$0.6 million of deferred financing costs.

Subject to specified conditions, without the consent of the then existing lenders (but subject to the receipt of commitments), the Initial Term Loans, the Tranche B Term Loans (collectively the “Term Loan Facilities”) or the Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the New Senior Credit Facility) by an amount as will not cause the net senior secured leverage ratio, after giving effect to the incurrence of such additional amount, to exceed 4.0:1.0 (calculated by treating any unsecured debt incurred in reliance on this ratio as if it were secured).

The Term Loan Facilities will mature at the earliest of (i) April 23, 2019, (ii) the date of termination in whole of the commitments under the Term Loan Facilities and (iii) the date the loans under the Term Loan Facilities are declared due and payable in connection with an event of default; provided that (a) in the event that more than \$50.0 million of the Senior Notes remain outstanding on the date that is 91 days prior to the stated maturity of the Senior Notes (the “First Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the First Springing Maturity Date and (b) in the event that more than \$50.0 million in aggregate principal amount of any refinancing indebtedness in respect of the Senior Notes remains outstanding on the date that is 91 days prior to the stated maturity of such refinancing indebtedness (the “Second Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the earlier of the Second Springing Maturity Date and April 23, 2019.

Our Revolving Credit Facility will mature at the earlier of (i) April 23, 2017 and (ii) the date of termination in whole of the commitments under the Revolving Credit Facility, the letter of credit sublimit, and the swing line facility under the New Credit Agreement.

We may voluntarily prepay loans or reduce commitments under our New Senior Credit Facility, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty (other than described below for the Initial Term Loans and the Tranche B Term Loans). If we repay our Initial Term Loans prior to March 23, 2014 with the proceeds of debt incurred for the primary purpose of refinancing the Initial Term Loans at a lower applicable rate, or replace lenders through an equivalent amendment to the New Credit Agreement, the relevant lenders will be entitled to a 1% prepayment premium. If we repay our Tranche B Term Loans on or prior to June 28, 2014 with the proceeds of debt incurred for the primary purpose of refinancing the Tranche B Term Loans at a lower applicable rate, or replace the lenders through an equivalent amendment to the New Credit Agreement, the relevant lenders will be entitled to a 1% prepayment premium. We must prepay our Term Loan Facilities with the net cash proceeds of asset sales, casualty and condemnation events, the incurrence or issuance of indebtedness (other than indebtedness permitted to be incurred under our New Senior Credit Facility, unless specifically incurred to refinance a portion of our New Senior Credit Facility) and, for the year ended December 31, 2013 and thereafter, 50% of excess cash flow (such percentage to be subject to a reduction to zero based on the achievement of a net senior secured leverage ratio of 2.75:1.0), in each case, subject to certain reinvestment rights and other exceptions, as well as the right of the lenders to decline certain prepayments.

The following fees are applicable under our Revolving Credit Facility: (i) an unused line fee of 0.50% per annum, subject to an adjustment to 0.25% based on a net senior secured leverage ratio of 1.75:1.0; (ii) a letter of credit participation fee on the aggregate stated amount of each letter of credit available to be drawn equal to the applicable margin for Eurodollar rate loans; (iii) a letter of credit fronting fee equal to 0.125% per annum on the daily amount of

each letter of credit available to be drawn; and (iv) certain other customary fees and expenses payable to our letter of credit issuers.

Our obligations under our New Senior Credit Facility are (1) guaranteed by Holdings and each of our current and future direct and indirect wholly owned domestic subsidiaries (the "Subsidiary Guarantors") (other than (i) subsidiaries designated as unrestricted, (ii) immaterial subsidiaries, (iii) any subsidiary that is prohibited by applicable law or certain contractual obligations from guaranteeing our New Senior Credit Facility or which would require governmental approval to provide a guarantee, (iv) certain holding companies of foreign subsidiaries, (v) not-for-profit subsidiaries, if any, (vi) certain receivables financing subsidiaries, (vii) any subsidiary with respect to which the Company and the administrative agent reasonably agree that the burden, cost or other consequences of providing a guarantee will be excessive in view of the benefits obtained by the lenders therefrom and (viii) any subsidiary whose guaranteeing of the New Senior Credit Facility would result in a material adverse tax

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consequence) and (2) are secured by a first lien on substantially all of our, Holdings and the Subsidiary Guarantors' assets, including capital stock of subsidiaries (subject to certain exceptions). The Subsidiary Guarantors under our New Senior Credit Facility also guarantee the Senior Notes and are the same guarantors of the Old Senior Credit Facility, as follows: Syniverse Technologies, LLC (formerly known as Syniverse Technologies, Inc.), Syniverse ICX Corporation, The Rapid Roaming Company.

Our New Senior Credit Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations or restrictions on (i) our ability to incur debt, grant liens, enter into fundamental corporate transactions, pay subsidiary distributions, enter into transactions with affiliates, make further negative pledges, sell or otherwise transfer assets, make certain payments, investments or acquisitions, repay certain indebtedness in the event of a change of control, and amend certain debt documents and (ii) the activities engaged in by Holdings. The negative covenants are subject to the customary exceptions.

There are no financial covenants included in our New Senior Credit Facility other than a springing maximum net senior secured leverage ratio of 4.25 to 1.0, which will be tested only for the benefit of the revolving lenders and only (i) when, at the end of a fiscal quarter, (a) the aggregate amount of any revolving loans, any swing line loans or any letter of credit obligations outstanding exceeds 10% of all commitments under the Revolving Credit Facility in effect as of April 23, 2012 or (b) the aggregate amount of any letter of credit obligations outstanding exceeds 15% of all commitments under the Revolving Credit Facility in effect as of April 23, 2012 and (ii) upon an extension of credit under the Revolving Credit Facility in the form of the making of a revolving loan or a swing line loan, or the issuance of a letter of credit. The events set forth in clauses (i) and (ii) in the preceding sentence have not occurred during or as of the end of the three months ended September 30, 2013.

### Initial Term Loans

On April 23, 2012, we received net proceeds of \$940.5 million under the Initial Term Loans and paid upfront fees of \$11.3 million. The proceeds from the Initial Term Loans plus cash on hand were used to repay the Old Senior Credit Facility. We recorded \$9.5 million of the upfront fees as an original issue discount to be amortized over the life of the Initial Term Loans using the effective interest method. Since we had no amounts drawn under the Revolving Credit Facility at June 30, 2012, we recorded \$1.8 million of the upfront fees as deferred financing costs to be amortized over the life of the Revolving Credit Facility using the effective interest method. We had \$148.1 million of unused commitments under this facility, including an outstanding Euro letter of credit of \$1.9 million at September 30, 2013 and December 31, 2012, respectively. This is considered a reduction against the facility under the credit agreement.

During the three months ended June 30, 2012, we incurred additional debt issuance costs of \$8.3 million in connection with the refinancing of the Old Senior Credit Facility, which was determined to be a partial debt modification and partial debt extinguishment under the applicable accounting guidance. We therefore recorded \$6.1 million to interest expense related to the modification and recorded the remaining \$2.2 million as deferred financing fees, of which \$1.2 million is being amortized over the life of the Initial Term Loans and \$1.0 million is being amortized over the life of the Revolving Credit Facility. We recorded additional debt extinguishment costs of \$6.5 million related to the write-off of a portion of the original issue discount and deferred financing fees associated with the Old Senior Credit Facility in the debt extinguishment costs line item on the unaudited condensed consolidated statement of operations.

On September 23, 2013, we entered into a second amendment (the "Second Amendment") to the New Credit Agreement. Under the Second Amendment, the rate at which the Initial Term Loans under the New Credit Agreement bear interest was amended to reduce (i) the margin over the LIBOR rate from 3.75% to 3.00%, (ii) the margin over the base rate from 2.75% to 2.00%, (iii) the "LIBOR floor" from 1.25% to 1.00% and (iv) the "base rate floor" from 2.25% to 2.00%. Syniverse recorded \$2.8 million of debt extinguishment costs and \$1.7 million of debt modification costs associated with the refinancing of the Initial Term Loans.

Borrowings under our Revolving Credit Facility bear interest at a floating rate which can be, at our option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin. The applicable margin for loans is 3.75% per annum for Eurodollar loans and 2.75% per annum for base rate loans, subject to an adjustment to 3.50% and 2.50%, respectively, based on a net senior secured leverage ratio of 1.75:1.0.

Commencing on September 30, 2016, our Initial Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at final maturity.



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### Tranche B Term Loans

On June 28, 2013, we received net proceeds of \$696.5 million under the Tranche B Term Loans, the proceeds of which were used to refinance the Escrow Term Loans (as defined below) in full. We paid upfront fees of \$3.5 million associated with the Escrow Term Loans which were recorded as original issue discount to be amortized over the life of the Tranche B Term Loans using the effective interest method. We incurred \$25.2 million of debt issuance costs which were recorded as deferred financing costs to be amortized over the life of the Tranche B Term Loans using the effective interest method.

Borrowings bear interest at a floating rate which can be, at our option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin, in the case of the Tranche B Term Loans under the New Credit Agreement, subject to a Eurodollar rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the Tranche B Term Loans under our New Senior Credit Facility is 3.00% per annum for Eurodollar loans and 2.00% per annum for base rate loans.

Commencing on September 30, 2016, our Tranche B Term Loans will begin amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at final maturity.

### Delayed Draw Credit Agreement

On February 4, 2013, Syniverse Magellan Finance, LLC (the "Finance Sub"), our direct wholly owned subsidiary, entered into a delayed draw credit agreement (the "Delayed Draw Credit Agreement") with Barclays Bank PLC, as administrative agent, and the other financial institutions and lenders from time to time party thereto, providing for a new senior credit facility consisting of a \$700.0 million delayed draw term loan facility (the "Delayed Draw Facility"). On May 28, 2013, Finance Sub entered into an amendment to the Delayed Draw Credit Agreement (the "Escrow Credit Agreement"). Upon the closing of this amendment, the lenders funded the Delayed Draw Facility into an escrow account ("Escrow Term Loans") and the Company pre-funded the interest, upfront fees and ticking fees of \$7.2 million, \$3.5 million and \$3.6 million, respectively (the "Escrowed Funds"). The Escrowed funds were released to Finance Sub on June 28, 2013 (the "Release"). In addition to the pre-funded amount, we paid additional ticking fees of \$1.0 million during the second quarter. These fees were paid to Barclays Bank PLC as administrative agent to compensate for the time lag between the commitment allocation and actual funding for the Delayed Draw Facility.

Following the Release, Finance Sub merged with and into the Company with the Company as the survivor to such merger (the "Merger"). In connection with the Merger, the Company assumed the obligations of Finance Sub under the Escrow Credit Agreement (the "Debt Assumption").

Following the Debt Assumption, on June 28, 2013 the Company borrowed \$700.0 million of Tranche B Term Loans, pursuant to the Incremental Amendment to its New Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance the Escrow Term Loans in full.

### 9.125% senior unsecured notes due 2019

On December 22, 2010, we issued \$475.0 million senior unsecured notes bearing interest at 9.125% that will mature on January 15, 2019 (the "Senior Notes"). Interest on the notes must be paid on January 15 and July 15 of each year.

The Senior Notes are guaranteed on a senior basis by the Subsidiary Guarantors. In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indenture governing our Senior Notes, and any subsidiary so designated will not be a guarantor of the notes. The right of noteholders to receive

payment on the Senior Notes is effectively subordinated to the rights of our existing and future secured creditors.

The Senior Notes contain customary negative covenants including, but not limited to, restrictions on our and our restricted subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, optionally prepay certain subordinated indebtedness or enter into transactions with affiliates.

We incurred financing fees of \$20.4 million in connection with the issuance of the Senior Notes which have been amortized over the term of the notes using the effective interest method.

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## 10. Fair Value Measurements

The accounting standards for fair value require disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy under which these assets and liabilities must be grouped, based on significant levels of inputs. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1—Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Unobservable inputs for the asset or liability.

Transfers between levels are determined at the end of the reporting period. No transfers between levels have been recognized for the three or nine months ending September 30, 2013 and 2012.

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the financial statements at their carrying value, which approximate their fair value due to their short maturity.

Restricted cash, which is recorded in Other assets in the unaudited condensed consolidated balance sheet, included \$4.8 million and \$1.0 million of certificates of deposit at September 30, 2013 and December 31, 2012, respectively. The fair value of certificates of deposit is the balance at the reporting date less early withdrawal penalties, if applicable, and is based on observable inputs of rates offered on deposits of similar remaining maturities (Level 2). Certificates of deposit are reflected in the financial statements at their carrying value, which approximates their fair value, due to the insignificant nature of early withdrawal penalties.

The carrying amounts and fair values of our long-term debt as of September 30, 2013 and December 31, 2012 were as follows:

|                      | September 30, 2013 |            | December 31, 2012 |            |
|----------------------|--------------------|------------|-------------------|------------|
|                      | Carrying Value     | Fair Value | Carrying Value    | Fair Value |
| (In thousands)       | (Unaudited)        |            |                   |            |
| Initial Term Loans   | \$911,835          | \$908,985  | \$945,250         | \$958,247  |
| Tranche B Term Loans | 678,665            | 676,544    | —                 | —          |
| Senior Notes         | 475,000            | 513,000    | 475,000           | 515,375    |

The fair values of the Initial Term Loans, Tranche B Term Loans and the Senior Notes were based upon quoted market prices in inactive markets for similar instruments (Level 2).

## Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

In connection with the sale of the Divestment Business on October 1, 2013 (see Notes 5 and 15 for additional details regarding the sale of the Divestment Business), the assets summarized in the table below are classified as held for sale in the unaudited condensed consolidated balance sheet as of September 30, 2013 and are measured at their fair value, less cost to sell. The fair value of the assets held for sale was based on the negotiated price in the executed share purchase agreement with an unrelated third party.



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| (In thousands)                              | Fair Value Measurements at September 30, 2013 Using |   |   |  |
|---|---|---|---|--|
|   | Total   | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets held for sale                        | \$18,229  | \$—   | \$18,229  | \$—  |
| Liabilities related to assets held for sale | 3,448   | —   | 3,448   | —  |
| Total                                       | \$14,781  | \$—   | \$14,781  | \$—  |

## 11. Commitments and Contingencies

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows. As of September 30, 2013, we have considered all of the claims and disputes of which we are aware and have provided for probable losses, which are not significant.

In September 2013, the Company opened a certificate of deposit for \$3.8 million to serve as collateral for a standby letter of credit as required under the terms of certain outstanding litigation related to MACH that existed at the Acquisition Date. The Company's maximum liability for this and certain other outstanding litigation at the Acquisition Date is €2.0 million under the indemnification terms of the Acquisition purchase agreement.

## 12. Stock-Based Compensation

Effective April 6, 2011, Holdings established the 2011 Equity Incentive Plan (the "BHI Plan") for the employees, consultants, and directors of Holdings and its subsidiaries. The BHI Plan provides incentive compensation through grants of incentive or non-qualified stock options, stock purchase rights, restricted stock awards, restricted stock units, or any combination of the foregoing. Holdings will issue shares of common stock of Holdings to satisfy equity based compensation instruments. On August 16, 2013, the Compensation Committee of the Board of Directors (the "Committee") approved an amendment to the BHI Plan to increase the plan shares available by 3,000,000 shares to 12,291,667 shares.

Stock-based compensation expense for the three and nine months ended September 30, 2013 and 2012 was as follows:

| (In thousands)                 | Three months ended September 30, |       |
|--------------------------------|----------------------------------|-------|
|                                | 2013<br>(Unaudited)              | 2012  |
| Cost of operations             | \$86                             | \$18  |
| Sales and marketing            | 641                              | 184   |
| General and administrative     | 1,329                            | 357   |
| Total stock-based compensation | \$2,056                          | \$559 |

  

| (In thousands)                 | Nine months ended September 30, |         |
|--------------------------------|---------------------------------|---------|
|                                | 2013<br>(Unaudited)             | 2012    |
| Cost of operations             | \$455                           | \$353   |
| Sales and marketing            | 2,793                           | 1,884   |
| General and administrative     | 3,988                           | 2,747   |
| Total stock-based compensation | \$7,236                         | \$4,984 |

In September 2013, the Committee approved an amendment to certain annual and cumulative earnings based targets for outstanding performance-based option agreements under the BHI Plan to reflect the Acquisition, resulting in a modification

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of the vesting terms. There was no additional stock compensation expense recorded as a result of this modification as the achievement of the amended targets remained improbable as of September 30, 2013.

In February 2013, the Committee, utilizing the discretion afforded under the BHI Plan, approved the vesting of the 2012 performance-based stock options resulting in a modification of the vesting terms, for which we recorded additional stock compensation expense of \$2.1 million.

The following table summarizes our stock option activity under the BHI Plan for the nine months ended September 30, 2013:

| Stock Options                     | Shares    | Weighted-Average Exercise Price |
|-----------------------------------|-----------|---------------------------------|
| Outstanding at December 31, 2012  | 8,150,003 | \$10.21                         |
| Granted                           | 1,988,081 | 13.87                           |
| Exercised                         | (330,000) | ) 10.00                         |
| Canceled or expired               | (703,334) | ) 10.49                         |
| Outstanding at September 30, 2013 | 9,104,750 | \$10.99                         |

The fair value of options granted during the quarter ended September 30, 2013 was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

|  |       |
|--|-------|
| Risk-free interest rate                              | 2.2%  |
| Volatility factor                                    | 58.0% |
| Dividend yield                                       | —%    |
| Weighted average expected life of options (in years) | 6     |

Restricted stock awards are issued and measured at market value on the date of grant. Vesting of restricted stock is based solely on time vesting. The following table summarizes our restricted stock activity under the BHI Plan for the nine months ended September 30, 2013:

| Restricted Stock                  | Shares | Weighted-Average Grant-Date Fair Value |
|-----------------------------------|--------|--|
| Balance at December 31, 2012      | —      | \$—                                    |
| Granted                           | 86,205 | 14.50                                  |
| Vested                            | —      | —                                      |
| Forfeited                         | —      | —                                      |
| Outstanding at September 30, 2013 | 86,205 | \$14.50                                |

### 13. Restructuring and Management Termination Benefits

In December 2010, we implemented a restructuring plan primarily to realign certain senior management functions. As a result of this plan, we incurred severance related costs of \$2.3 million. During the three months ended March 31, 2013, we increased the reserve by \$0.3 million. As of September 30, 2013, we have paid \$2.1 million related to this plan.

In December 2011, we implemented a restructuring plan primarily to regionalize our customer support workforce for better alignment with our customers' needs. As a result of this plan, we incurred severance related costs of \$3.7 million and

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contract termination costs of \$0.4 million related to the exit of a leased facility. We have paid \$3.8 million related to this plan as of September 30, 2013.

In December 2012, we implemented a restructuring plan primarily to align certain functions and address our cost structure in the messaging business. As a result of this plan, we incurred severance related costs of \$1.8 million in 2012 and an additional \$0.1 million during the three months ended March 31, 2013. We have paid \$1.7 million related to this plan as of September 30, 2013.

In March 2013, we implemented a restructuring plan primarily to realign certain senior management functions. As a result of this plan, we incurred severance related costs of \$0.8 million. We have paid \$0.3 million related to this plan as of September 30, 2013.

In June 2013, we implemented a restructuring plan primarily to allocate proper resources to key positions within the company. As a result of this plan, we incurred severance related costs of \$2.3 million, including an increase to the reserve of \$0.04 million during the three months ended September 30, 2013. We have paid \$1.8 million related to this plan as of September 30, 2013.

In September 2013, we implemented a restructuring plan primarily to eliminate redundant positions as part of the MACH integration. As a result of this plan, we incurred severance related costs of \$1.3 million. We have paid \$0.04 million related to this plan as of September 30, 2013.

The following table shows the activity in our restructuring liabilities for the nine months ended September 30, 2013:

|                     | December 31, |           |           | September 30, |
|---------------------|--------------|-----------|-----------|---------------|
|                     | 2012         |           |           | 2013          |
| (In thousands)      | Balance      | Additions | Payments  | Balance       |
| December 2010 Plan  | \$189        | \$336     | \$—       | \$525         |
| December 2011 Plan  | 479          | —         | (210)     | ) 269         |
| December 2012 Plan  | 1,663        | 107       | (1,526)   | ) 244         |
| March 2013 Plan     | —            | 845       | (308)     | ) 537         |
| June 2013 Plan      | —            | 2,266     | (1,791)   | ) 475         |
| September 2013 Plan | —            | 1,278     | (43)      | ) 1,235       |
| Total               | \$2,331      | \$4,832   | \$(3,878) | ) \$3,285     |

We do not expect to incur material additions to any of our current restructuring plans. We expect to pay the remaining outstanding balances under each of these plans by the end of the second quarter of 2016.

As we continue to integrate the Acquisition into our operations, we may implement restructuring plans in the future that could have a material impact on our results of operations or cash flows.

#### 14. Related Party Transactions

##### Consulting Agreement with Carlyle

On January 13, 2011 we entered into a ten-year consulting agreement with Carlyle pursuant to which we pay Carlyle a fee for consulting services Carlyle provides to us and our subsidiaries. During the three and nine months ended September 30, 2013, we recorded \$0.7 million and \$2.6 million, respectively, associated with the consulting fee and the reimbursement of out-of-pocket expenses. During the three and nine months ended September 30, 2012, we recorded \$0.9 million and \$2.4 million, respectively.

During the three months ended June 30, 2013, under the Consulting Agreement with Carlyle, we paid a \$10.0 million transaction fee associated with the Acquisition and related debt issuance. We recorded \$5.0 million of the transaction fee in Acquisition expenses and \$5.0 million was included in capitalized financing costs.

Carlyle, from time to time, participates in the trading of the debt securities under our Initial Term Loans and Tranche B Term loans.

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#### 15. Subsequent Event

As discussed in Note 4, the approval of the Acquisition was conditioned upon the Company's commitment to divest certain assets supporting the Divestment Business. On October 1, 2013, Syniverse completed the sale of the Divestment Business to Starhome for €9.9 million, subject to purchase price adjustments that are expected to be completed in the fourth quarter of 2013.

#### 16. Supplemental Consolidating Financial Information

We have presented supplemental consolidating balance sheets, statements of operations, statements of comprehensive (loss) income and statements of cash flows for Syniverse Holdings, Inc., which we refer to in this footnote only as Syniverse, Inc., the Subsidiary Guarantors and the subsidiary non-guarantors for all periods presented to reflect the guarantor structure under the Senior Notes as discussed in Note 9. The supplemental financial information reflects the investment of Syniverse, Inc. using the equity method of accounting.

Syniverse, Inc.'s payment obligations under the Senior Notes are guaranteed by the 100% owned Subsidiary Guarantors. Highwoods Corporation, Syniverse Technologies B.V., Syniverse Technologies Holdings LLC, Syniverse Technologies K.K., Syniverse Technologies (India) Private Limited and Syniverse Brience LLC are included as non-guarantors (collectively, the "Subsidiary Non-Guarantors"). Such guarantees are irrevocable, unconditional and joint and several.

On July 29, 2013, MACH Americas Inc., CB Holdings Inc., CB Holdings Ventures, Inc., and Cibernet Corporation Inc. became Subsidiary Guarantors of the Senior Notes. For the period ended June 30, 2013, they are included in the non-guarantor presentation. For the period ended September 30, 2013, and for so long as they remain guarantors of the Senior Notes, they are included in the Subsidiary Guarantor presentation.

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CONSOLIDATING BALANCE SHEET (UNAUDITED)  
AS OF SEPTEMBER 30, 2013  
(IN THOUSANDS)

|  | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments    | Consolidated |
|--|--------------------|--------------------------|------------------------------|----------------|--------------|
| <b>ASSETS</b>  |                    |                          |                              |                |              |
| Current assets:  |                    |                          |                              |                |              |
| Cash   | \$—                | \$ 163,771               | \$ 62,068                    | \$—            | \$225,839    |
| Accounts receivable, net of allowances                             | —                  | 141,596                  | 50,928                       | —              | 192,524      |
| Accounts receivable - affiliates                                   | 1,911,987          | 1,772,992                | 191,330                      | (3,876,309 )   | —            |
| Deferred tax assets  | 20,048             | 3,345                    | 2,505                        | —              | 25,898       |
| Income taxes receivable  | —                  | 8,237                    | 634                          | —              | 8,871        |
| Prepaid and other current assets                                   | 1,578              | 21,486                   | 16,652                       | —              | 39,716       |
| Assets held for sale   | —                  | —                        | 18,229                       | —              | 18,229       |
| Total current assets   | 1,933,613          | 2,111,427                | 342,346                      | (3,876,309 )   | 511,077      |
| Property and equipment, net  | —                  | 84,102                   | 19,027                       | —              | 103,129      |
| Capitalized software, net  | —                  | 200,706                  | 51,464                       | —              | 252,170      |
| Deferred costs, net  | 60,731             | —                        | —                            | —              | 60,731       |
| Goodwill   | —                  | 1,734,977                | 400,570                      | —              | 2,135,547    |
| Identifiable intangibles, net                                      | —                  | 426,075                  | 145,565                      | —              | 571,640      |
| Long-term note receivable - affiliates                             | —                  | —                        | 17,844                       | (17,844 )      | —            |
| Deferred tax assets  | —                  | —                        | 1,291                        | —              | 1,291        |
| Other assets   | —                  | 7,080                    | 6,174                        | —              | 13,254       |
| Investment in subsidiaries   | 2,382,929          | 762,324                  | —                            | (3,145,253 )   | —            |
| Total assets   | \$4,377,273        | \$5,326,691              | \$ 984,281                   | \$(7,039,406 ) | \$3,648,839  |
| <b>LIABILITIES AND STOCKHOLDER EQUITY</b>                          |                    |                          |                              |                |              |
| Current liabilities:   |                    |                          |                              |                |              |
| Accounts payable   | \$—                | \$21,691                 | \$ 9,424                     | \$—            | \$31,115     |
| Accounts payable - affiliates                                      | 1,118,362          | 2,638,527                | 119,420                      | (3,876,309 )   | —            |
| Income taxes payable   | —                  | —                        | 6,812                        | —              | 6,812        |
| Accrued liabilities  | 17,891             | 42,454                   | 29,323                       | —              | 89,668       |
| Deferred revenues  | —                  | 4,708                    | 3,985                        | —              | 8,693        |
| Deferred tax liabilities   | —                  | —                        | 243                          | —              | 243          |
| Current portion of capital lease obligation                        | —                  | 6,377                    | 142                          | —              | 6,519        |
| Current portion of long-term debt, net of original issue discount  | —                  | —                        | —                            | —              | —            |
| Liabilities related to assets held for sale                        | —                  | —                        | 3,448                        | —              | 3,448        |
| Total current liabilities  | 1,136,253          | 2,713,757                | 172,797                      | (3,876,309 )   | 146,498      |
| Long-term liabilities:   |                    |                          |                              |                |              |
| Long-term note payable - affiliates                                | 6,424              | 11,420                   | —                            | (17,844 )      | —            |
| Deferred tax liabilities   | 7,139              | 194,520                  | 30,287                       | —              | 231,946      |
| Long-term capital lease obligation, net of current maturities      | —                  | 1,007                    | 108                          | —              | 1,115        |
| Long-term debt, net of current portion and original issue discount | 2,050,566          | —                        | —                            | —              | 2,050,566    |
| Other long-term liabilities  | —                  | 23,058                   | 12,367                       | —              | 35,425       |

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|  |             |             |            |                |             |
|--|-------------|-------------|------------|----------------|-------------|
| Total liabilities                                | 3,200,382   | 2,943,762   | 215,559    | (3,894,153 )   | 2,465,550   |
| Commitments and contingencies:                   |             |             |            |                |             |
| Redeemable noncontrolling interest               | —           | —           | 203        | —              | 203         |
| Stockholder equity:                              |             |             |            |                |             |
| Common stock                                     | —           | —           | 135,396    | (135,396 )     | —           |
| Additional paid-in capital                       | 1,222,401   | 2,217,206   | 529,944    | (2,747,150 )   | 1,222,401   |
| (Accumulated deficit) retained earnings          | (69,042 )   | 171,285     | 70,620     | (241,905 )     | (69,042 )   |
| Accumulated other comprehensive income (loss)    | 23,532      | (5,562 )    | 32,559     | (26,997 )      | 23,532      |
| Total Syniverse Holdings Inc. stockholder equity | 1,176,891   | 2,382,929   | 768,519    | (3,151,448 )   | 1,176,891   |
| Nonredeemable noncontrolling interest            | —           | —           | —          | 6,195          | 6,195       |
| Total equity                                     | 1,176,891   | 2,382,929   | 768,519    | (3,145,253 )   | 1,183,086   |
| Total liabilities and stockholder equity         | \$4,377,273 | \$5,326,691 | \$ 984,281 | \$(7,039,406 ) | \$3,648,839 |

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)  
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|
| Revenues  | \$—                | \$174,951                | \$ 63,939                    | \$—         | \$238,890    |
| Costs and expenses:   |                    |                          |                              |             |              |
| Cost of operations (excluding<br>depreciation and amortization shown<br>separately below) | —                  | 62,475                   | 23,456                       | —           | 85,931       |
| Sales and marketing   | —                  | 11,356                   | 6,933                        | —           | 18,289       |
| General and administrative  | —                  | 28,731                   | 4,758                        | —           | 33,489       |
| Depreciation and amortization   | —                  | 44,109                   | 15,589                       | —           | 59,698       |
| Restructuring and management<br>termination benefits                                      | —                  | 934                      | 388                          | —           | 1,322        |
| Acquisition expenses  | —                  | 677                      | —                            | —           | 677          |
|   | —                  | 148,282                  | 51,124                       | —           | 199,406      |
| Operating income  | —                  | 26,669                   | 12,815                       | —           | 39,484       |
| Other income (expense), net:  |                    |                          |                              |             |              |
| Income from equity investment   | 47,968             | (1,780                   | ) —                          | (46,188     | ) —          |
| Interest income   | 73                 | (74                      | ) 201                        | —           | 200          |
| Interest expense  | (36,763            | ) (210                   | ) (146                       | ) —         | (37,119      |
| Debt extinguishment costs   | (2,802             | ) —                      | —                            | —           | (2,802       |
| Equity income in investee   | —                  | —                        | 236                          | —           | 236          |
| Other, net  | (26,737            | ) 28,157                 | (4,723                       | ) —         | (3,303       |
|   | (18,261            | ) 26,093                 | (4,432                       | ) (46,188   | ) (42,788    |
| (Loss) income before (benefit from)<br>provision for income taxes                         | (18,261            | ) 52,762                 | 8,383                        | (46,188     | ) (3,304     |
| (Benefit from) provision for income taxes   | (11,727            | ) 4,794                  | 5,100                        | —           | (1,833       |
| Net (loss) income from continuing<br>operations   | (6,534             | ) 47,968                 | 3,283                        | (46,188     | ) (1,471     |
| Loss from discontinued operations, net of<br>tax  | —                  | —                        | (4,980                       | ) —         | (4,980       |
| Net (loss) income   | (6,534             | ) 47,968                 | (1,697                       | ) (46,188   | ) (6,451     |
| Net income attributable to<br>nonredeemable noncontrolling interest                       | —                  | —                        | —                            | 83          | 83           |
| Net (loss) income<br>attributable to Syniverse Holdings, Inc.                             | \$(6,534           | ) \$47,968               | \$ (1,697                    | ) \$(46,271 | ) \$(6,534   |

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CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)  
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|
| Net (loss) income   | \$(6,534 )         | \$47,968                 | \$ (1,697 )                  | \$(46,188 ) | \$(6,451 )   |
| Other comprehensive income:   |                    |                          |                              |             |              |
| Foreign currency translation adjustment, net<br>of tax expense of \$319                       | —                  | —                        | 26,135                       | —           | 26,135       |
| Amortization of unrecognized loss included<br>in net periodic cost, net of tax expense of \$8 | —                  | —                        | 18                           | —           | 18           |
| Other comprehensive income  | —                  | —                        | 26,153                       | —           | 26,153       |
| Comprehensive (loss) income   | (6,534 )           | 47,968                   | 24,456                       | (46,188 )   | 19,702       |
| Less: comprehensive loss attributable to<br>nonredeemable noncontrolling interest             | —                  | —                        | —                            | (12 )       | (12 )        |
| Comprehensive (loss) income attributable to<br>Syniverse Holdings, Inc.                       | \$(6,534 )         | \$47,968                 | \$ 24,456                    | \$(46,176 ) | \$19,714     |

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|
| Revenues  | \$—                | \$502,391                | \$ 113,651                   | \$—         | \$616,042    |
| Costs and expenses:   |                    |                          |                              |             |              |
| Cost of operations (excluding<br>depreciation and amortization shown<br>separately below) | —                  | 185,906                  | 43,890                       | —           | 229,796      |
| Sales and marketing   | —                  | 37,293                   | 17,673                       | —           | 54,966       |
| General and administrative  | —                  | 90,692                   | 2,628                        | —           | 93,320       |
| Depreciation and amortization   | —                  | 135,360                  | 18,925                       | —           | 154,285      |
| Restructuring and management<br>termination benefits                                      | —                  | 3,490                    | 1,342                        | —           | 4,832        |
| Acquisition expenses  | —                  | 21,622                   | —                            | —           | 21,622       |
|   | —                  | 474,363                  | 84,458                       | —           | 558,821      |
| Operating income  | —                  | 28,028                   | 29,193                       | —           | 57,221       |
| Other income (expense), net:  |                    |                          |                              |             |              |
| Income from equity investment   | 52,184             | 10,395                   | —                            | (62,579)    | —            |
| Interest income   | 82                 | 6                        | 324                          | —           | 412          |
| Interest expense  | (94,365)           | (540)                    | (174)                        | —           | (95,079)     |
| Debt extinguishment costs   | (2,802)            | —                        | —                            | —           | (2,802)      |
| Equity income in investee   | —                  | —                        | 236                          | —           | 236          |
| Other, net  | (24,387)           | 25,423                   | (5,576)                      | —           | (4,540)      |
|   | (69,288)           | 35,284                   | (5,190)                      | (62,579)    | (101,773)    |
| (Loss) income before (benefit from)<br>provision for income taxes                         | (69,288)           | 63,312                   | 24,003                       | (62,579)    | (44,552)     |
| (Benefit from) provision for income<br>taxes  | (24,959)           | 11,128                   | 7,941                        | —           | (5,890)      |
| Net (loss) income from continuing<br>operations   | (44,329)           | 52,184                   | 16,062                       | (62,579)    | (38,662)     |
| Loss from discontinued operations, net of<br>tax  | —                  | —                        | (4,980)                      | —           | (4,980)      |
| Net (loss) income   | (44,329)           | 52,184                   | 11,082                       | (62,579)    | (43,642)     |
| Net income attributable to<br>nonredeemable noncontrolling interest                       | —                  | —                        | —                            | 687         | 687          |
| Net (loss) income<br>attributable to Syniverse Holdings, Inc.                             | \$(44,329)         | \$52,184                 | \$ 11,082                    | \$(63,266)  | \$(44,329)   |



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CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013  
 (IN THOUSANDS)

|  | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|--|--------------------|--------------------------|------------------------------|-------------|--------------|
| Net (loss) income  | \$(44,329 )        | \$52,184                 | \$ 11,082                    | \$(62,579 ) | \$(43,642 )  |
| Other comprehensive income:  |                    |                          |                              |             |              |
| Foreign currency translation adjustment, net<br>of tax expense of \$46                         | —                  | —                        | 24,136                       | —           | 24,136       |
| Amortization of unrecognized loss included<br>in net periodic cost, net of tax expense of \$22 | —                  | —                        | 54                           | —           | 54           |
| Other comprehensive income   | —                  | —                        | 24,190                       | —           | 24,190       |
| Comprehensive (loss) income  | (44,329 )          | 52,184                   | 35,272                       | (62,579 )   | (19,452 )    |
| Less: comprehensive income attributable to<br>nonredeemable noncontrolling interest            | —                  | —                        | —                            | 375         | 375          |
| Comprehensive (loss) income attributable to<br>Syniverse Holdings, Inc.                        | \$(44,329 )        | \$52,184                 | \$ 35,272                    | \$(62,954 ) | \$(19,827 )  |

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013  
 (IN THOUSANDS)

|  | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|--|--------------------|--------------------------|------------------------------|-------------|--------------|
| Cash flows from operating activities   |                    |                          |                              |             |              |
| Net (loss) income  | \$(44,329 )        | \$52,184                 | \$ 11,082                    | \$(62,579 ) | \$(43,642 )  |
| Adjustments to reconcile net (loss)<br>income to net cash provided by<br>operating activities: |                    |                          |                              |             |              |
| Depreciation and amortization  | —                  | 135,360                  | 18,925                       | —           | 154,285      |
| Amortization of deferred debt issuance<br>costs and original issue discount                    | 9,539              | —                        | —                            | —           | 9,539        |
| Allowance for credit memos and<br>uncollectible accounts                                       | —                  | 6,736                    | 931                          | —           | 7,667        |
| Deferred income tax (benefit) expense  | (11,019 )          | 11,167                   | (11,269 )                    | —           | (11,121 )    |
| Income from equity investment  | (52,184 )          | (10,395 )                | —                            | 62,579      | —            |
| Debt modification costs  | 1,681              | —                        | —                            | —           | 1,681        |
| Debt extinguishment costs  | 2,802              | —                        | —                            | —           | 2,802        |
| Stock-based compensation   | 7,236              | —                        | —                            | —           | 7,236        |
| Fair value adjustment to assets and<br>liabilities related to assets held for sale             | —                  | —                        | 3,284                        | —           | 3,284        |
| Other, net   | —                  | —                        | 3,129                        | —           | 3,129        |
| Changes in operating assets and<br>liabilities, net of acquisition:                            |                    |                          |                              |             |              |
| Accounts receivable  | —                  | (23,433 )                | (923 )                       | —           | (24,356 )    |
| Accounts receivable - affiliates   | (745,684 )         | (1,076,314 )             | 1,821,998                    | —           | —            |
| Income taxes receivable or payable   | —                  | (4,633 )                 | (61 )                        | —           | (4,694 )     |
| Prepaid and other current assets   | 112                | (5,839 )                 | (202 )                       | —           | (5,929 )     |
| Accounts payable   | —                  | 7,486                    | (3,602 )                     | —           | 3,884        |
| Accounts payable - affiliates  | 924,385            | 997,706                  | (1,922,091 )                 | —           | —            |
| Accrued liabilities and deferred<br>revenues   | (11,288 )          | 5,777                    | (17,320 )                    | —           | (22,831 )    |
| Assets and liabilities related to assets<br>held for sale                                      | —                  | —                        | (2,492 )                     | —           | (2,492 )     |
| Other assets and other long-term<br>liabilities  | (695,894 )         | (16,502 )                | 709,940                      | —           | (2,456 )     |
| Net cash (used in) provided by<br>operating activities   | (614,643 )         | 79,300                   | 611,329                      | —           | 75,986       |
| Cash flows from investing activities   |                    |                          |                              |             |              |
| Capital expenditures   | —                  | (50,167 )                | (5,679 )                     | —           | (55,846 )    |
| Acquisition, net of acquired cash  | —                  | (41,623 )                | (586,568 )                   | —           | (628,191 )   |
| Purchase of certificate of deposit   | —                  | —                        | (3,753 )                     | —           | (3,753 )     |
| Capital expenditures, assets held for sale   | —                  | —                        | (6,689 )                     | —           | (6,689 )     |
| Net cash used in investing activities  | —                  | (91,790 )                | (602,689 )                   | —           | (694,479 )   |
| Cash flows from financing activities   |                    |                          |                              |             |              |
| Debt issuance costs paid   | (26,917 )          | —                        | —                            | —           | (26,917 )    |
| Payments on capital lease obligation   | —                  | (5,438 )                 | (138 )                       | —           | (5,576 )     |
|  | (945,250 )         | —                        | —                            | —           | (945,250 )   |

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|   |         |           |           |     |           |
|---|---------|-----------|-----------|-----|-----------|
| Principal payments on Initial Term Loans                              |         |           |           |     |           |
| Principal payments on Tranche B Term Loans                            | (21,335 | ) —       | —         | —   | (21,335 ) |
| Borrowings under Initial Term Loans, net of original issue discount   | 911,835 | —         | —         | —   | 911,835   |
| Borrowings under Tranche B Term Loans, net of original issue discount | 696,500 | —         | —         | —   | 696,500   |
| Distribution to Buccaneer Holdings, Inc.                              | (185    | ) —       | —         | —   | (185 )    |
| Distribution to nonredeemable noncontrolling interest                 | —       | —         | (940      | ) — | (940 )    |
| Net cash provided by (used in) financing activities                   | 614,648 | (5,438    | ) (1,078  | ) — | 608,132   |
| Effect of exchange rate changes on cash                               | (5      | ) (1,170  | ) 5,180   | —   | 4,005     |
| Net (decrease) increase in cash                                       | —       | (19,098   | ) 12,742  | —   | (6,356 )  |
| Cash at beginning of period   | —       | 182,869   | 49,326    | —   | 232,195   |
| Cash at end of period   | \$—     | \$163,771 | \$ 62,068 | \$— | \$225,839 |

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CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2012  
(IN THOUSANDS)

|  | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments     | Consolidated |
|--|--------------------|--------------------------|------------------------------|-----------------|--------------|
| <b>ASSETS</b>  |                    |                          |                              |                 |              |
| Current assets:  |                    |                          |                              |                 |              |
| Cash   | \$—                | \$ 182,869               | \$ 49,326                    | \$—             | \$ 232,195   |
| Accounts receivable, net of allowances                             | —                  | 124,937                  | 23,760                       | —               | 148,697      |
| Accounts receivable - affiliates                                   | 1,166,304          | 628,810                  | 93,267                       | (1,888,381 )    | —            |
| Interest receivable - affiliates                                   | —                  | —                        | 14,894                       | (14,894 )       | —            |
| Deferred tax assets  | 6,460              | 4,321                    | 1,161                        | —               | 11,942       |
| Income taxes receivable  | —                  | 3,604                    | 2,471                        | —               | 6,075        |
| Prepaid and other current assets                                   | 3,851              | 15,647                   | 5,697                        | —               | 25,195       |
| Total current assets   | 1,176,615          | 960,188                  | 190,576                      | (1,903,275 )    | 424,104      |
| Property and equipment, net  | —                  | 74,945                   | 10,207                       | —               | 85,152       |
| Capitalized software, net  | —                  | 198,936                  | 3,178                        | —               | 202,114      |
| Deferred costs, net  | 42,071             | —                        | —                            | —               | 42,071       |
| Goodwill   | —                  | 1,682,171                | —                            | —               | 1,682,171    |
| Identifiable intangibles, net                                      | —                  | 474,200                  | 2,883                        | —               | 477,083      |
| Long-term note receivable - affiliates                             | —                  | —                        | 7,183                        | (7,183 )        | —            |
| Deferred tax assets  | —                  | —                        | 1,290                        | —               | 1,290        |
| Other assets   | —                  | 44,793                   | 261                          | —               | 45,054       |
| Investment in subsidiaries   | 1,603,922          | 96,861                   | —                            | (1,700,783 )    | —            |
| Total assets   | \$ 2,822,608       | \$ 3,532,094             | \$ 215,578                   | \$ (3,611,241 ) | \$ 2,959,039 |
| <b>LIABILITIES AND STOCKHOLDER EQUITY</b>                          |                    |                          |                              |                 |              |
| Current liabilities:   |                    |                          |                              |                 |              |
| Accounts payable   | \$—                | \$ 14,213                | \$ 3,548                     | \$—             | \$ 17,761    |
| Accounts payable - affiliates                                      | 193,976            | 1,635,043                | 59,362                       | (1,888,381 )    | —            |
| Income taxes payable   | —                  | —                        | 6,197                        | —               | 6,197        |
| Accrued liabilities  | 29,178             | 39,216                   | 11,196                       | —               | 79,590       |
| Accrued interest - affiliates                                      | —                  | 14,894                   | —                            | (14,894 )       | —            |
| Deferred revenues  | —                  | 2,346                    | 3,365                        | —               | 5,711        |
| Deferred tax liabilities   | —                  | —                        | 243                          | —               | 243          |
| Current portion of capital lease obligation                        | —                  | 3,791                    | 152                          | —               | 3,943        |
| Current portion of long term debt, net of original issue discount  | 7,082              | —                        | —                            | —               | 7,082        |
| Total current liabilities  | 230,236            | 1,709,503                | 84,063                       | (1,903,275 )    | 120,527      |
| Long-term liabilities:   |                    |                          |                              |                 |              |
| Long-term note payable - affiliates                                | —                  | 7,183                    | —                            | (7,183 )        | —            |
| Deferred tax liabilities   | 4,569              | 192,361                  | 15,746                       | —               | 212,676      |
| Long-term capital lease obligation, net of current maturities      | —                  | 4,075                    | 245                          | —               | 4,320        |
| Long-term debt, net of current portion and original issue discount | 1,398,136          | —                        | —                            | —               | 1,398,136    |
| Other long-term liabilities  | —                  | 15,050                   | 11,903                       | —               | 26,953       |

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|  |             |             |            |                |             |
|--|-------------|-------------|------------|----------------|-------------|
| Total liabilities                                | 1,632,941   | 1,928,172   | 111,957    | (1,910,458 )   | 1,762,612   |
| Stockholder equity:                              |             |             |            |                |             |
| Common stock                                     | —           | —           | 207        | (207 )         | —           |
| Additional paid-in capital                       | 1,215,350   | 1,489,267   | 45,377     | (1,534,644 )   | 1,215,350   |
| (Accumulated deficit) retained earnings          | (24,713 )   | 114,122     | 59,540     | (173,662 )     | (24,713 )   |
| Accumulated other comprehensive (loss) income    | (970 )      | 533         | (1,503 )   | 970            | (970 )      |
| Total Syniverse Holdings Inc. stockholder equity | 1,189,667   | 1,603,922   | 103,621    | (1,707,543 )   | 1,189,667   |
| Noncontrolling interest                          | —           | —           | —          | 6,760          | 6,760       |
| Total equity                                     | 1,189,667   | 1,603,922   | 103,621    | (1,700,783 )   | 1,196,427   |
| Total liabilities and stockholder equity         | \$2,822,608 | \$3,532,094 | \$ 215,578 | \$(3,611,241 ) | \$2,959,039 |

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)  
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |   |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|---|
| Revenues  | \$—                | \$ 163,556               | \$ 25,800                    | \$—         | \$ 189,356   |   |
| Costs and expenses:   |                    |                          | —                            |             |              |   |
| Cost of operations (excluding<br>depreciation and amortization shown<br>separately below) | —                  | 59,814                   | 9,778                        | —           | 69,592       |   |
| Sales and marketing   | —                  | 11,204                   | 4,853                        | —           | 16,057       |   |
| General and administrative  | —                  | 22,987                   | 103                          | —           | 23,090       |   |
| Depreciation and amortization   | —                  | 43,057                   | 1,354                        | —           | 44,411       |   |
| Restructuring and management<br>termination benefits                                      | —                  | (60                      | ) —                          | —           | (60          | ) |
| Acquisition expenses  | —                  | 2,654                    | —                            | —           | 2,654        |   |
|   | —                  | 139,656                  | 16,088                       | —           | 155,744      |   |
| Operating income  | —                  | 23,900                   | 9,712                        | —           | 33,612       |   |
| Other income (expense), net:  |                    |                          |                              |             |              |   |
| Income from equity investment   | 60,067             | 1,325                    | —                            | (61,392     | ) —          |   |
| Interest income   | —                  | 74                       | 92                           | —           | 166          |   |
| Interest expense  | (25,304            | ) —                      | —                            | —           | (25,304      | ) |
| Other, net  | —                  | 788                      | 2,298                        | —           | 3,086        |   |
|   | 34,763             | 2,187                    | 2,390                        | (61,392     | ) (22,052    | ) |
| Income (loss) before provision for<br>(benefit from) income taxes                         | 34,763             | 26,087                   | 12,102                       | (61,392     | ) 11,560     |   |
| Provision for (benefit from) income<br>taxes  | 19,324             | (33,980                  | ) 9,150                      | —           | (5,506       | ) |
| Net income  | 15,439             | 60,067                   | 2,952                        | (61,392     | ) 17,066     |   |
| Net income attributable to<br>noncontrolling interest                                     | —                  | —                        | —                            | 1,627       | 1,627        |   |
| Net income attributable to Syniverse<br>Holdings, Inc.                                    | \$ 15,439          | \$ 60,067                | \$ 2,952                     | \$(63,019   | ) \$ 15,439  |   |

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|
| Net income  | \$15,439           | \$60,067                 | \$ 2,952                     | \$(61,392 ) | \$17,066     |
| Other comprehensive loss:   |                    |                          |                              |             |              |
| Foreign currency translation adjustment,<br>net of tax expense of \$419 | —                  | —                        | (1,648 )                     | —           | (1,648 )     |
| Other comprehensive loss  | —                  | —                        | (1,648 )                     | —           | (1,648 )     |
| Comprehensive income  | 15,439             | 60,067                   | 1,304                        | (61,392 )   | 15,418       |
| Less: comprehensive income attributable<br>to noncontrolling interest   | —                  | —                        | —                            | 2,062       | 2,062        |
| Comprehensive income attributable to<br>Syniverse Holdings, Inc.        | \$15,439           | \$60,067                 | \$ 1,304                     | \$(63,454 ) | \$13,356     |

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments  | Consolidated |
|---|--------------------|--------------------------|------------------------------|--------------|--------------|
| Revenues  | \$—                | \$483,233                | \$ 74,396                    | \$—          | \$557,629    |
| Costs and expenses:   |                    |                          | —                            |              |              |
| Cost of operations (excluding<br>depreciation and amortization shown<br>separately below) | —                  | 175,733                  | 28,183                       | —            | 203,916      |
| Sales and marketing   | —                  | 35,681                   | 15,133                       | —            | 50,814       |
| General and administrative  | —                  | 78,756                   | (2,645 )                     | —            | 76,111       |
| Depreciation and amortization   | —                  | 127,036                  | 4,649                        | —            | 131,685      |
| Restructuring and management<br>termination benefits                                      | —                  | 533                      | 38                           | —            | 571          |
| Acquisition expenses  | —                  | 8,144                    | —                            | —            | 8,144        |
|   | —                  | 425,883                  | 45,358                       | —            | 471,241      |
| Operating income  | —                  | 57,350                   | 29,038                       | —            | 86,388       |
| Other income (expense), net:  |                    |                          |                              |              |              |
| Income from equity investment   | 106,688            | 26,467                   | —                            | (133,155 )   | —            |
| Interest income   | —                  | 317                      | 353                          | —            | 670          |
| Interest expense  | (83,405 )          | —                        | —                            | —            | (83,405 )    |
| Debt extinguishment costs   | (6,458 )           | —                        | —                            | —            | (6,458 )     |
| Other, net  | —                  | 383                      | 3,184                        | —            | 3,567        |
|   | 16,825             | 27,167                   | 3,537                        | (133,155 )   | (85,626 )    |
| Income (loss) before provision for<br>(benefit from) income taxes                         | 16,825             | 84,517                   | 32,575                       | (133,155 )   | 762          |
| Provision for (benefit from) income<br>taxes  | 13,875             | (22,171 )                | 2,825                        | —            | (5,471 )     |
| Net income  | 2,950              | 106,688                  | 29,750                       | (133,155 )   | 6,233        |
| Net income attributable to<br>noncontrolling interest                                     | —                  | —                        | —                            | 3,283        | 3,283        |
| Net income attributable to Syniverse<br>Holdings, Inc.                                    | \$2,950            | \$106,688                | \$ 29,750                    | \$(136,438 ) | \$2,950      |



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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments  | Consolidated |
|---|--------------------|--------------------------|------------------------------|--------------|--------------|
| Net income  | \$2,950            | \$106,688                | \$ 29,750                    | \$(133,155 ) | \$6,233      |
| Other comprehensive loss:   |                    |                          |                              |              |              |
| Foreign currency translation adjustment,<br>net of tax benefit of (\$1,203) | —                  | —                        | (2,746 )                     | —            | (2,746 )     |
| Other comprehensive loss  | —                  | —                        | (2,746 )                     | —            | (2,746 )     |
| Comprehensive income  | 2,950              | 106,688                  | 27,004                       | (133,155 )   | 3,487        |
| Less: comprehensive income attributable<br>to noncontrolling interest       | —                  | —                        | 2,062                        | 1,306        | 3,368        |
| Comprehensive income attributable to<br>Syniverse Holdings, Inc.            | \$2,950            | \$106,688                | \$ 24,942                    | \$(134,461 ) | \$119        |

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012  
(IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|
| Cash flows from operating activities  |                    |                          |                              |             |              |
| Net income  | \$2,950            | \$106,688                | \$29,750                     | \$(133,155) | \$6,233      |
| Adjustments to reconcile net income to<br>net cash provided by operating<br>activities: |                    |                          |                              |             |              |
| Depreciation and amortization   | —                  | 127,036                  | 4,649                        | —           | 131,685      |
| Amortization of deferred debt issuance<br>costs and original issue discount             | 5,946              | —                        | —                            | —           | 5,946        |
| Allowance for credit memos and<br>uncollectible accounts                                | —                  | 4,127                    | 2,005                        | —           | 6,132        |
| Deferred income tax benefit   | —                  | (1,970)                  | —                            | —           | (1,970)      |
| Debt modification costs   | 6,115              | —                        | —                            | —           | 6,115        |
| Debt extinguishment costs   | 6,458              | —                        | —                            | —           | 6,458        |
| Income from equity investment   | (106,688)          | (26,467)                 | —                            | 133,155     | —            |
| Stock-based compensation  | 4,984              | —                        | —                            | —           | 4,984        |
| Other, net  | —                  | 4,842                    | (5,252)                      | —           | (410)        |
| Changes in operating assets and<br>liabilities, net of acquisition:                     |                    |                          |                              |             |              |
| Accounts receivable   | —                  | (8,684)                  | (3,779)                      | —           | (12,463)     |
| Accounts receivable - affiliates  | 132,134            | —                        | 1,535                        | (133,669)   | —            |
| Income taxes receivable or payable  | —                  | (4,391)                  | (4,299)                      | —           | (8,690)      |
| Prepaid and other current assets  | (38)               | (3,555)                  | (338)                        | —           | (3,931)      |
| Accounts payable  | —                  | 4,398                    | 719                          | —           | 5,117        |
| Accounts payable - affiliates   | —                  | (133,669)                | —                            | 133,669     | —            |
| Accrued liabilities and deferred<br>revenues  | (13,459)           | (9,491)                  | (841)                        | —           | (23,791)     |
| Other assets and other long-term<br>liabilities   | —                  | (665)                    | 683                          | —           | 18           |
| Net cash provided by operating<br>activities  | 38,402             | 58,199                   | 24,832                       | —           | 121,433      |
| Cash flows from investing activities  |                    |                          |                              |             |              |
| Capital expenditures  | —                  | (47,459)                 | (3,447)                      | —           | (50,906)     |
| Deposit on Acquisition  | —                  | (37,980)                 | —                            | —           | (37,980)     |
| Net cash used in investing activities   | —                  | (85,439)                 | (3,447)                      | —           | (88,886)     |
| Cash flows from financing activities  |                    |                          |                              |             |              |
| Debt issuance costs paid  | (10,181)           | —                        | —                            | —           | (10,181)     |
| Payments on capital lease obligation  | —                  | (4,056)                  | —                            | —           | (4,056)      |
| Principal payment on Old Senior Credit<br>Facility                                      | (1,014,750)        | —                        | —                            | —           | (1,014,750)  |
| Principal payments on Initial Term<br>Loans   | (2,375)            | —                        | —                            | —           | (2,375)      |
| Borrowings under Initial Term Loans,<br>net of original issue discount                  | 940,500            | —                        | —                            | —           | 940,500      |
| Distribution to Buccaneer Holdings, Inc. (77  | )                  | —                        | —                            | —           | (77)         |

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|   |           |             |           |     |           |   |
|---|-----------|-------------|-----------|-----|-----------|---|
| Distribution to nonredeemable noncontrolling interest | —         | —           | (1,070    | ) — | (1,070    | ) |
| Net cash used in financing activities                 | (86,883   | ) (4,056    | ) (1,070  | ) — | (92,009   | ) |
| Effect of exchange rate changes on cash               | —         | —           | 1,051     | —   | 1,051     |   |
| Net (decrease) increase in cash                       | (48,481   | ) (31,296   | ) 21,366  | —   | (58,411   | ) |
| Cash at beginning of period                           | 44        | 201,750     | 24,959    | —   | 226,753   |   |
| Cash at end of period                                 | \$(48,437 | ) \$170,454 | \$ 46,325 | \$— | \$168,342 |   |

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain of the statements in this Quarterly Report on Form 10-Q, including, without limitation, those related to our future operations or results under the caption entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute "forward-looking statements" for purposes of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance, and involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control, and which may cause our actual results, performance or achievements, or the performance of the global telecommunications industry or economy generally, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that may be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "plan," "target," "point to," "project," "predict," "potential," and other similar words and expressions of the future or otherwise regarding the outlook for our future business and financial performance and/or the performance of the global telecommunications industry and economy generally. Such forward-looking statements include, without limitation, statements regarding:

- expectations of growth of the global wireless telecommunications industry, including increases in new wireless technologies such as smartphones and other connected devices, wireless subscribers, wireless usage, roaming, mobile data, number portability and text and multimedia messaging;
- increases in demand for our services due to growth of the global wireless telecommunications industry, greater technology complexity and the introduction of new and incompatible wireless technologies;
- expectations of changes in our revenues from prior periods to future periods;
- our beliefs concerning the effects that the current economic conditions will have on our business;
- the cost and difficulties of acquiring and integrating complementary businesses and technologies, including the integration of MACH;
- capital expenditures in future periods; and
- the sufficiency of our cash on hand, cash available from operations and cash available from the revolving portion of our New Senior Credit Facility (as defined under Note 9 to the unaudited condensed consolidated financial statements) to fund our operations, debt service and capital expenditures.

These statements are based on certain assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. As you read and consider this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Many factors could affect our actual financial results and could cause actual results to differ materially from those expressed in the forward-looking statements.

The forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- system failures, delays and other problems;
- security breaches;
- the loss of major customers and the resulting decrease in revenue;
- the lack of minimum payments in our customer contracts;
- future consolidation among our customers that may cause decreased transaction volume and/or a reduction in our pricing;
- the failure to adapt to rapid technological changes in the telecommunications industry;

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- intense competition in our market for services and the advantages that many of our competitors have or may develop over us, through acquisitions or technological innovations;
- customer migrations from our services to in-house solutions;
- the failure to achieve or sustain desired pricing levels or transaction volumes;
- certain risks with our continued expansion into international markets, including risks associated with anti-corruption laws and international tax compliance;
- the costs and difficulties of acquiring and integrating complementary businesses and technologies, including the integration of MACH;
- the inability of our customers to successfully implement our services;
- the risk exposure related to our reliance on third-party providers for communications software, hardware and infrastructure;
- our inability to develop or maintain relationships with material vendors;
- fluctuations in currency exchange rates;
- the failure to obtain additional capital on acceptable terms, or at all;
  - the impairment of our intangible assets or goodwill;
- regulations affecting our customers and us and future regulations to which they or we become subject;
- the capacity limits on our network and application platforms and inability to expand and upgrade our systems to meet demand;
- the inability to obtain or retain licenses or authorizations that may be required to sell our services internationally;
- the failure to protect our intellectual property rights;
- claims that we are in violation of intellectual property rights of others and any indemnities to our customers that may result therefrom;
- the loss of key personnel and the potential inability to successfully attract and retain personnel;
- unfavorable general economic conditions in the U.S. or in other major global markets;
- our exposure to, and the expense of defending and resolving, lawsuits that arise in the ordinary course of business;
- other factors disclosed in this Quarterly Report on Form 10-Q; and
- other factors beyond our control.

In light of these risks, uncertainties and assumptions, the forward-looking statements contained in this Quarterly Report on Form 10-Q might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as otherwise may be required by law.

The following discussion of our financial condition and results of operations is provided as a supplement to, and should be read in conjunction with, the audited consolidated financial statements, the accompanying notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 6, 2013, as well as the unaudited condensed consolidated financial statements and the related notes presented in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## Business

In today’s evolving and highly competitive wireless industry, a key priority is the need to provide a seamless user experience to mobile subscribers across varied networks, devices, standards, and content types. When subscribers communicate on their own mobile operator’s network or with other subscribers of the same mobile operator, this objective is easily achieved. However, when subscribers roam on other networks or communicate with subscribers of

a different mobile operator, new layers of complexity are introduced as a result of varying and incompatible technologies, networks and devices. The latter scenario

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requires inter-carrier roaming agreements and physical access by the mobile operator to other mobile operators' networks. It is often preferable to have a neutral and trusted third-party intermediary, such as Syniverse, to sit between mobile operators.

We clear, process, route, translate and transport over two billion transactions each day on average. A "transaction" is generated by, among other things, an individual phone call, a text or a multimedia message that is sent or received, or the initiation of a mobile data session between different operators' networks or while roaming. We also operate a secure physical network infrastructure that provides the connections required to complete these transactions. After consummating our acquisition of MACH on June 28, 2013, our physical network infrastructure consists of 27 data centers globally, of which 17 are network points-of-presence. The connections provided by our network infrastructure can be between mobile operators or between mobile operators and enterprises, multiple service operators ("MSOs") or others. Our Network services provide connectivity to mobile operators and other telecommunications providers, allow subscribers to keep (or "port") their phone numbers when switching mobile operators, and allow subscribers to utilize caller identification ("caller ID") services. Our Messaging services allow mobile operators' subscribers to send text and multimedia messages to other mobile operators' subscribers and also facilitate text and multimedia messaging between enterprises and their customers. Through the use of our Roaming services, mobile operators enable their subscribers to make phone calls, send and receive text messages, multimedia messages, and email and browse the web or use applications while roaming on another mobile operator's network.

We generate the majority of our revenues on a per-transaction basis, often generating multiple transactions from a single subscriber call, text message or data session. Growing demand for transactions is driven primarily by the volume of wireless voice calls and data sessions, the frequency of subscriber roaming activity, the amount of data downloaded while roaming, the number of text and multimedia messages exchanged, subscriber adoption of new wireless data services and evolving wireless technology.

#### Services

We provide an integrated suite of Network, Messaging and Roaming services for our customers, which are primarily utilized when mobile operators need to interact with one another. We also provide technology turnkey solutions to customers primarily in the Asia Pacific region. Most of our customers utilize two or more of our service offerings.

Our primary service offerings are as follows:

**Network services.** We offer Network services which primarily consist of our intelligent network products such as Signaling System 7 ("SS7") solutions, interstandard roaming solutions, Mobile Data Roaming ("MDR"), call setup and tear down, internet protocol ("IP") platform solutions, Real-Time Intelligence ("RTI") tools, database solutions and number portability services.

Signaling solutions provide cost effective connectivity to other networks, thereby avoiding the cost and complexity of managing individual network connections with multiple operators, and facilitate the signaling requirements for call delivery and Short Messaging Service ("SMS") delivery when roaming on Global System for Mobile Communication ("GSM") and Code Division Multiple Access ("CDMA") Networks around the world. We have recently enhanced this platform to address interoperability for 4G devices to enable effective, real-time communication between devices on 4G networks and devices on networks that utilize other technology. For example, this platform now supports communication between 4G and 3G networks.

Interstandard roaming solutions and MDR services enable CDMA roaming. Interstandard roaming solutions allow certain CDMA handsets to roam on GSM networks. MDR services allow CDMA data devices to roam on other CDMA operator networks.

Call setup and tear down involves the process of retrieving, processing and routing information in order for a call to transpire.

IP platform solutions provide operators a means of secure transport of roaming, messaging, interworking packet exchange ("IPX") and signaling traffic to consolidate global network connections via one network for all traffic types. These services optimize streams of data delivered to mobile devices accelerating download speeds and relieving network load by reducing the volume of data being exchanged between our customers' networks.

RTI tools analyze the real and near real time traffic data being processed through our platforms and networks to provide multiple use cases that enable our customers to more effectively manage their subscriber's quality of

experience (“QoE”) and satisfaction.

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Database solutions enable caller ID on various technology platforms provided to subscriber devices and intelligent network-based queries to support accurate call routing.

Number portability services allow subscribers to retain their phone numbers when changing mobile service providers. In addition to the services described above, we provide our customers with the ability to connect to various third-party intelligent network database providers (“Off-Network Database Queries”).

Messaging services. We provide mobile operators with routing, translation and delivery services for SMS and Multimedia Messaging Service (“MMS”) messages sent from one operator’s network to another. While mobile operators have routing and delivery capabilities for subscribers within their own networks, they do not generally have an efficient way to directly route and deliver messages to other operators’ networks as this would require a direct connection with each of over a thousand mobile operators throughout the world, as well as sophisticated translation capabilities between numerous mobile standards. Once one of our customers has determined that an SMS or an MMS message needs to be delivered outside of its network, the message is sent to us. From there, we determine where the message is going, translate the message so it can be read by the receiving network and deliver it. This is known as Peer-to-Peer (“P2P”) messaging. As part of our enterprise messaging business, known as Application-to-Peer (“A2P”) messaging, we provide enterprise customers with routing, translation and delivery services for direct communication with their customers and employees via SMS and MMS alerts.

Roaming services. We operate the largest roaming clearing house in the world and process hundreds of billions of roaming transactions each year. A roaming transaction is generated when a subscriber from one mobile operator makes or receives a call, sends or receives an SMS or MMS message, or initiates a data session, in each case, while roaming on another operator’s network. Subscribers typically roam in places where their home operator’s network coverage is relatively limited or non-existent. In order to provide seamless global coverage, mobile operators enter into roaming agreements with one another to provide access for their subscribers to other operators’ networks in a given geography. When its subscribers roam, the home operator must pay the visited operator for use of the network. Through our clearing house, we clear and settle these roaming transactions. The information we provide determines the amount of roaming charges owed by one mobile operator to another and enables the home operator to issue retail bills to its subscribers for their usage while roaming. Fees are paid to us by the visited operator who ultimately bills the home operator for use of its network. In addition to this core service, we provide mobile operators a number of other value-added services, including roaming data analytics, roaming agreement management, fraud prevention and financial settlement services.

Other services. We provide technology turnkey solutions, including operator solutions for number portability readiness, prepaid applications, interactive video, value-added roaming services and mobile broadband solutions. Our turnkey solutions business provides software services to customers primarily in the Asia Pacific region.

Acquisition. The acquisition of MACH (as more fully described in Note 4 to the unaudited condensed consolidated financial statements included herein) supplemented our existing Clearing and Settlement and Messaging portfolios of services and enhanced our global customer base due to MACH’s strong presence in the EMEA (Europe, Middle East and Africa) and Asia Pacific regions. Through the Acquisition (defined below), we will integrate Direct Operator Billing and Data Roaming Engine services from MACH and use MACH’s Real-Time Intelligence and Fraud Protection products to enhance our existing offerings.

As of September 30, 2013, management is continuing to evaluate the impact that the MACH acquisition will have on our financial reporting structure. The financial information reported to the chief operating decision maker will remain consistent with historical reporting until management’s evaluation of the post-MACH acquisition operating structure and related reporting is completed. As such, the revenues and cost of operations related to MACH are included in the Acquisition line item in the results of operations and cost of operations tables below.

Generally, there is a seasonal increase in wireless roaming usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. Products primarily affected by this seasonality include signaling solutions, interstandard roaming, MDR and roaming clearing house.

Executive Overview

Financial Highlights

For the three months ended September 30, 2013, revenues increased \$49.5 million, or 26.2%, to \$238.9 million from \$189.4 million for the comparable prior year period. The increase was driven primarily by the addition of \$36.4 million of

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revenue attributable to the Acquisition (defined below). In addition, new business and volume increases in our Network service offering, specifically signaling solutions and MDR, and new business and volume increases in our enterprise messaging business led to the increase in the current quarter. The increase was partially offset by a decline in wireless local number portability revenue due to lower volumes compared to the prior year period and a decline in SMS revenues due to lower volumes resulting from higher amounts of messaging traffic competing with over the top (“OTT”) messaging platforms and group text messages carried over alternative MMS platforms.

For the three months ended September 30, 2013, cost of operations increased \$16.3 million due primarily to the addition of \$12.9 million in operating costs resulting from the Acquisition as well as higher message termination fees. Sales, marketing, general and administrative expenses increased \$12.6 million due primarily to the Acquisition, higher compensation costs driven by an increase in headcount as compared to the prior year associated with resources to support global business growth and new product development initiatives and an increase in integration planning costs. Depreciation and amortization expenses increased \$15.3 million to \$59.7 million for the three months ended September 30, 2013 from \$44.4 million for the same period in 2012 primarily due to additional property and equipment and intangible assets acquired in the Acquisition. Restructuring and management termination benefits expense increased \$1.4 million due to severance costs resulting from a restructuring plan entered into during the quarter. Acquisition expenses were \$0.7 million for the three months ended September 30, 2013 and consisted of professional services costs including legal, tax, audit and transaction advisory costs related to the Acquisition. Operating income increased \$5.9 million to \$39.5 million for the three months ended September 30, 2013 from \$33.6 million for the same period in 2012.

### Business Developments

#### Refinancing of Initial Term Loans

On September 23, 2013, Syniverse entered into a second amendment (the “Second Amendment”) to its New Credit Agreement. Under the Second Amendment, the rate at which the Initial Term Loans under the Credit Agreement bear interest was amended to reduce (i) the margin over the LIBOR rate from 3.75% to 3.00%, (ii) the margin over the base rate from 2.75% to 2.00%, (iii) the “LIBOR floor” from 1.25% to 1.00% and (iv) the “base rate floor” from 2.25% to 2.00%. Syniverse recorded \$2.8 million of debt extinguishment costs and \$1.7 million of debt modification costs associated with the refinancing of the Initial Term Loans. Refer to Note 9 to the unaudited condensed consolidated financial statements included herein for additional information regarding the refinancing.

#### Principal Prepayment on Term Facilities

On September 23, 2013, prior to the refinancing of the Initial Term Loans, Syniverse made a prepayment of \$50.0 million on the Term Loan Facilities, of which \$28.7 million was applied to the Initial Term Loans and \$21.3 million was applied to the Tranche B Term Loans. In relation to the prepayment, Syniverse accelerated the amortization of \$0.4 million of original issue discount and \$0.6 million of deferred financing costs.

### MACH Acquisition

On June 28, 2013 (the “Acquisition Date”), we completed our acquisition of WP Roaming III S.à r.l. (“WP Roaming”), for a total purchase price of approximately \$712.0 million. As part of the transaction, we acquired from WP Roaming S.à r.l., a Luxembourg limited liability company (the “Seller”), all the shares and preferred equity certificates (whether convertible or not) in WP Roaming (the “Acquisition”). The purchase price was funded through a portion of the net proceeds from a new \$700.0 million senior secured credit facility and the Deposit (as defined below) of €30.0 million that was paid to the Seller on July 2, 2012.

WP Roaming is a holding company which conducts the business of MACH S.à r.l. (“MACH”). The purpose of the Acquisition is to give Syniverse added global scale and increased reach with more direct connections to support roaming, messaging and network solutions that will enable its customers to deliver superior experiences to their end users.

At the closing of the Acquisition, Syniverse paid to the Seller an amount equal to approximately €140.0 million, representing €172.7 million (the “Base Amount”), less preliminary adjustments of €37.2 million, plus €4.5 million, representing €250.0 per month from December 31, 2011 through the Acquisition Date, reflecting a “locked box” approach, such that Syniverse Holdings, Inc. acquired WP Roaming with economic effect from December 31, 2011. In addition, at the Acquisition Date, Syniverse, on behalf of WP Roaming, paid €313.0 million and \$81.5 million, respectively, for amounts outstanding to WP

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Roaming's two third-party lenders in order to ensure the release of all related guarantees and security interests. On July 2, 2012, Syniverse Holdings, Inc. paid the Seller an initial deposit of €30.0 million (the "Deposit") which was applied to the purchase price at the Acquisition Date. For purposes of the purchase price allocation, the Deposit and amounts paid in Euros at the Acquisition Date were converted to U.S. dollars using an exchange rate of 1.3058 or \$630.5 million.

Refer to Note 4 to the unaudited condensed consolidated financial statements included herein for additional information regarding the Acquisition.

### Assets and Liabilities Related to Assets Held for Sale

The approval of the Acquisition granted by the European Commission (the "Commission") was conditioned upon the Company's commitment to divest certain assets supporting MACH's data clearing and near real-time roaming data exchange ("NRTRDE") business in the European Economic Area, which includes European Union countries plus Iceland, Liechtenstein and Norway (the "EEA"), including technology platforms, necessary employees, customer contracts and the MACH brand (the "Divestment Business").

On June 3, 2013, Interfact S.à r.l., a Luxembourg limited liability company and the MACH group company that is the immediate shareholder of the Divestment Business, signed a definitive agreement (the "Divestment Agreement") to sell the Divestment Business to Starhome, B.V. ("Starhome"), a private limited liability company incorporated under the laws of The Netherlands, upon the completion of the Acquisition.

On October 1, 2013, Syniverse completed the sale of the Divestment Business to Starhome for €9.9 million, subject to purchase price adjustments expected to be completed in the fourth quarter of 2013. As of September 30, 2013, Syniverse remeasured the related net assets held for sale at fair value, less cost to sell and recorded a loss of approximately \$3.3 million, which is included in Net loss from discontinued operations, net of tax in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2013.

Refer to Notes 5 and 15 to the unaudited condensed consolidated financial statements included herein for additional information regarding assets classified as held for sale.

### Tranche B Term Loans

On June 28, 2013, we received net proceeds of \$696.5 million under the Tranche B Term Loans, the proceeds of which were used to refinance the Escrow Term Loans (as defined below) in full. We paid upfront fees of \$3.5 million associated with the Escrow Term Loans which were recorded as original issue discount to be amortized over the life of the Tranche B Term Loans using the effective interest method. We incurred \$25.2 million of debt issuance costs which were recorded as deferred financing costs to be amortized over the life of the Tranche B Term Loans using the effective interest method.

Borrowings bear interest at a floating rate which can be, at our option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin, in the case of the Tranche B Term Loans under the New Senior Credit Facility, subject to a Eurodollar rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the Tranche B Term Loans under our New Senior Credit Facility is 3.00% per annum for Eurodollar loans and 2.00% per annum for base rate loans.

Commencing on September 30, 2016, our Tranche B Term Loans will begin amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at final maturity.

Refer to Note 9 to the unaudited condensed consolidated financial statements included herein for additional details regarding the Tranche B Term Loans.

#### Revenues

The majority of our revenues are derived from transaction-based charges under long-term contracts, typically with terms averaging three years in duration. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services under the terms of the expired contract as we negotiate new agreements or renewals. Most of the services and solutions we offer to our customers are based on applications, network connectivity and technology platforms owned and operated by us. We generate our revenues through the sale of our Network,

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Messaging, Roaming and Other services, including the services acquired in the Acquisition, to telecommunications operators and enterprise customers throughout the world. Generally, there is a seasonal increase in wireless roaming usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. Products primarily affected by this seasonality include signaling solutions, interstandard roaming, MDR and roaming clearing house. Future increases or decreases in revenues are dependent on many factors, such as industry subscriber growth, subscriber habits, and volume and pricing trends, with few of these factors known in advance. From time to time, specific events such as a customer contract renewal at different terms, a customer contract termination, a customer's decision to change technologies or to provide solutions in-house, or a consolidation of operators will be known to us and we can then estimate their impact on our revenues.

Costs and Expenses

Our costs and expenses consist of cost of operations, sales and marketing, general and administrative, depreciation and amortization, restructuring and management termination benefits expenses and Acquisition expenses.

Cost of operations includes data processing costs, network costs, revenue share service provider arrangements, message termination fees, facilities costs, hardware costs, licensing fees, personnel costs associated with service implementation, training and customer care and off-network database query charges.

Sales and marketing includes personnel costs, advertising and website costs, trade show costs and related marketing costs.

General and administrative includes research and development expenses, a portion of the expenses associated with our facilities, business development expenses, and expenses for executive, finance, legal, human resources and other administrative departments and professional service fees relating to those functions. Our research and development expenses, consisting primarily of personnel costs, relate to technology creation, enhancement and maintenance of new and existing services.

Depreciation and amortization relate primarily to our property and equipment including our SS7 network, computer equipment, infrastructure facilities related to information management, capitalized software and other intangible assets recorded as a result of purchase accounting.

Restructuring and management termination benefits represents termination costs including severance, benefits and other employee related costs as well as contract termination costs.

Acquisition expenses include professional services costs, such as legal, tax, audit and transaction advisory costs related to the Acquisition.

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## Results of Operations

The following tables present an overview of our results of operations for the three and nine months ended September 30, 2013 and 2012:

| (In thousands)  | Three months ended |               | Three months ended |               | Three months ended |                 |    |  |
|---|--------------------|---------------|--------------------|---------------|--------------------|-----------------|----|--|
|   | September 30, 2013 | % of Revenues | September 30, 2012 | % of Revenues | 2013 vs. 2012 \$   | 2013 vs. 2012 % |    |  |
| <b>Revenues:</b>  |                    |               |                    |               |                    |                 |    |  |
| Network services  | \$99,783           | 41.8          | % \$90,654         | 47.9          | % \$9,129          | 10.1            | %  |  |
| Messaging services  | 46,988             | 19.7          | % 44,329           | 23.4          | % 2,659            | 6.0             | %  |  |
| Roaming services  | 51,373             | 21.5          | % 50,219           | 26.5          | % 1,154            | 2.3             | %  |  |
| Acquisition   | 36,431             | 15.3          | % —                | 0.0           | % 36,431           | 100.0           | %  |  |
| Other services  | 4,315              | 1.8           | % 4,154            | 2.2           | % 161              | 3.9             | %  |  |
| Revenues  | 238,890            | 100.0         | % 189,356          | 100.0         | % 49,534           | 26.2            | %  |  |
| <b>Costs and expenses:</b>  |                    |               |                    |               |                    |                 |    |  |
| Cost of operations (excluding depreciation and amortization shown separately below) | 85,931             | 36.0          | % 69,592           | 36.8          | % 16,339           | 23.5            | %  |  |
| Sales and marketing   | 18,289             | 7.7           | % 16,057           | 8.5           | % 2,232            | 13.9            | %  |  |
| General and administrative  | 33,489             | 14.0          | % 23,090           | 12.2          | % 10,399           | 45.0            | %  |  |
| Depreciation and amortization   | 59,698             | 25.0          | % 44,411           | 23.5          | % 15,287           | 34.4            | %  |  |
| Restructuring and management termination benefits                                   | 1,322              | 0.6           | % (60              | ) 0.0         | % 1,382            | (2,303.3        | )% |  |
| Acquisition expenses  | 677                | 0.3           | % 2,654            | 1.4           | % (1,977           | ) (74.5         | )% |  |
|   | 199,406            | 83.5          | % 155,744          | 82.2          | % 43,662           | 28.0            | %  |  |
| Operating income  | 39,484             | 16.5          | % 33,612           | 17.8          | % 5,872            | 17.5            | %  |  |
| <b>Other income (expense), net:</b>   |                    |               |                    |               |                    |                 |    |  |
| Interest income   | 200                | 0.1           | % 166              | 0.1           | % 34               | 20.5            | %  |  |
| Interest expense  | (37,119            | ) (15.5       | )% (25,304         | ) (13.4       | )% (11,815         | ) 46.7          | %  |  |
| Debt extinguishment costs   | (2,802             | ) (1.2        | )% —               | 0.0           | % (2,802           | ) —             | %  |  |
| Equity income in investee   | 236                | 0.1           | % —                | 0.0           | % 236              | —               | %  |  |
| Other, net  | (3,303             | ) (1.3        | )% 3,086           | 1.6           | % (6,389           | ) (207.0        | )% |  |
|   | (42,788            | ) (17.9       | )% (22,052         | ) (11.6       | )% (20,736         | ) 94.0          | %  |  |
| (Loss) income before benefit from income taxes                                      | (3,304             | ) (1.4        | )% 11,560          | 6.1           | % (14,864          | ) (128.6        | )% |  |
| Benefit from income taxes   | (1,833             | ) (0.8        | )% (5,506          | ) (2.9        | )% 3,673           | (66.7           | )% |  |
| Net (loss) income from continuing operations  | \$(1,471           | ) (0.6        | )% \$17,066        | 9.0           | % \$(18,537)       | (108.6          | )% |  |



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| (In thousands)     | Nine months ended<br>September 30,<br>2013 |                  | Nine months ended<br>September 30,<br>2012 |                  | Nine months ended<br>September 30,<br>2013 vs. 2012 |        |    |
|--------------------|--|------------------|--|------------------|---|--------|----|
|                    |  | % of<br>Revenues |  | % of<br>Revenues | \$  | %      | %  |
| Revenues:          |  |                  |  |                  |   |        |    |
| Network services   | \$282,986                                  | 45.9             | % \$260,150                                | 46.7             | % \$22,836  | 8.8    | %  |
| Messaging services | 140,463                                    | 22.8             | % 135,780                                  | 24.3             | % 4,683   | 3.4    | %  |
| Roaming services   | 144,554                                    | 23.5             | % 147,449                                  | 26.4             | % (2,895 )  | (2.0)  | )% |
| Acquisition        | 36,431                                     | 5.9              | % —  | 0.0              | % 36,431  | 100.0  | %  |
| Other services     | 11,608                                     | 1.9              | % 14,250                                   | 2.7              | % (2,642 )  | (18.5) | )% |
| Revenues           | 616,042                                    | 100.0            | % 557,629                                  |                  |   |        |    |