

SYNIVERSE HOLDINGS INC  
Form 10-Q  
May 12, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2008

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 001-32432

333-88168

**SYNIVERSE HOLDINGS, INC.**

# SYNIVERSE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

**Delaware**  
**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**30-0041666**  
**06-1262301**  
(I.R.S. Employer  
Identification No.)

**8125 Highwoods Palm Way**

**Tampa, Florida 33647**

(Address of principal executive office)

(Zip code)

**(813) 637-5000**

(Registrant's telephone number, including area code)

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 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

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

## Shares Outstanding as of May 7, 2008

Syniverse Holdings, Inc.: 68,317,912 shares of common stock, \$0.001 par value

Syniverse Technologies, Inc.: 2,000 shares of common stock, no par value,

all of which are owned by Syniverse Holdings, Inc.



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**Table of Contents****PART 1****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SYNIVERSE HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(AMOUNTS IN THOUSANDS, EXCEPT SHARE AMOUNTS)**

|   | <b>March 31,<br/>2008<br/>(unaudited)</b> | <b>December 31,<br/>2007</b> |
|---|---|------------------------------|
| <b>ASSETS</b>   |   |                              |
| Current assets:   |   |                              |
| Cash  | \$ 64,525                                 | \$ 49,086                    |
| Accounts receivable, net of allowances of \$927 and \$762, respectively | 84,244                                    | 79,378                       |
| Prepaid and other current assets  | 16,091                                    | 12,240                       |
| Total current assets  | 164,860                                   | 140,704                      |
| Property and equipment, net   | 43,084                                    | 43,856                       |
| Capitalized software, net   | 62,833                                    | 62,615                       |
| Deferred costs, net   | 10,343                                    | 10,786                       |
| Goodwill  | 630,249                                   | 616,304                      |
| Identifiable intangibles, net   | 231,104                                   | 232,023                      |
| Other assets  | 2,507                                     | 1,262                        |
| Total assets  | \$ 1,144,980                              | \$ 1,107,550                 |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                              |   |                              |
| Current liabilities:  |   |                              |
| Accounts payable  | \$ 5,077                                  | \$ 5,006                     |
| Accrued payroll and related benefits                                    | 11,968                                    | 12,016                       |
| Accrued interest  | 1,792                                     | 5,910                        |
| Deferred revenues   | 4,511                                     | 5,327                        |
| Other accrued liabilities   | 31,889                                    | 34,789                       |
| Current portion of Term Note B  | 3,585                                     | 3,459                        |
| Total current liabilities   | 58,822                                    | 66,507                       |
| Long-term liabilities:  |   |                              |
| Deferred tax liabilities  | 57,579                                    | 43,587                       |
| 7 <sup>3</sup> / <sub>4</sub> % senior subordinated notes due 2013      | 175,000                                   | 175,000                      |
| Term Note B, less current maturities                                    | 353,097                                   | 344,476                      |
| Other long-term liabilities   | 7,241                                     | 7,188                        |
| Total long-term liabilities   | 592,917                                   | 570,251                      |

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|   |              |              |
|---|--------------|--------------|
| Commitments and contingencies   |              |              |
| Stockholders' equity:   |              |              |
| Preferred stock, \$0.001 par value; 300,000 shares authorized; no shares issued   |              |              |
| Common stock, \$0.001 par value; 100,300,000 shares authorized; 68,711,605 shares issued and 68,319,607 shares outstanding and 68,683,075 shares issued and 68,302,956 shares outstanding at March 31, 2008 and December 31, 2007, respectively |              |              |
|   | 68           | 68           |
| Additional paid-in capital  | 464,804      | 463,711      |
| Retained earnings   | 20,240       | 4,851        |
| Accumulated other comprehensive income  | 8,159        | 2,191        |
| Common stock held in treasury, at cost; 391,998 and 380,119 at March 31, 2008 and December 31, 2007, respectively   | (30)         | (29)         |
| Total stockholders' equity  | 493,241      | 470,792      |
| Total liabilities and stockholders' equity  | \$ 1,144,980 | \$ 1,107,550 |

See Notes to Condensed Unaudited Consolidated Financial Statements

**Table of Contents****SYNIVERSE HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)****(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

|   | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2008</b>                             | <b>2007</b> |
| Revenues  | \$ 115,645                              | \$ 84,378   |
| Costs and expenses:   |   |             |
| Cost of operations (excluding depreciation and amortization shown separately below) | 37,978                                  | 33,441      |
| Sales and marketing   | 10,754                                  | 6,812       |
| General and administrative  | 18,142                                  | 13,987      |
| Depreciation and amortization   | 13,633                                  | 10,279      |
| Restructuring   | 17                                      | 1,782       |
|   | 80,524                                  | 66,301      |
| Operating income  | 35,121                                  | 18,077      |
| Other income (expense), net:  |   |             |
| Interest income   | 430                                     | 436         |
| Interest expense  | (9,720)                                 | (6,060)     |
| Other, net  | 57                                      | 53          |
|   | (9,233)                                 | (5,571)     |
| Income before provision for income taxes  | 25,888                                  | 12,506      |
| Provision for income taxes  | 10,495                                  | 4,860       |
| Net income  | \$ 15,393                               | \$ 7,646    |
| Net income per common share:  |   |             |
| Basic   | \$ 0.23                                 | \$ 0.11     |
| Diluted   | \$ 0.23                                 | \$ 0.11     |
| Weighted average common shares outstanding:   |   |             |
| Basic   | 67,509                                  | 67,221      |
| Diluted   | 67,909                                  | 67,353      |

See Notes to Condensed Unaudited Consolidated Financial Statements

**Table of Contents****SYNIVERSE HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****(DOLLARS IN THOUSANDS)**

|  | <b>Three Months Ended<br/>March 31,</b> |                  |
|--|---|------------------|
|  | <b>2008</b>                             | <b>2007</b>      |
| <b>Cash flows from operating activities</b>  |   |                  |
| Net income   | \$ 15,393                               | \$ 7,646         |
| Adjustments to reconcile net income to net cash provided by operating activities:    |   |                  |
| Depreciation and amortization including amortization of deferred debt issuance costs | 14,076                                  | 10,496           |
| Provision for uncollectible accounts   | 169                                     | 78               |
| Deferred income tax expense  | 8,760                                   | 3,432            |
| Stock-based compensation   | 1,077                                   | 486              |
| Loss on disposition of property  |   | 294              |
| Changes in operating assets and liabilities, net of acquisitions:                    |   |                  |
| Accounts receivable  | (4,535)                                 | 1,207            |
| Other current assets   | (3,546)                                 | (2,578)          |
| Accounts payable   | 9                                       | (1,690)          |
| Other current liabilities  | (8,178)                                 | 2,055            |
| Other assets and liabilities   | 37                                      | (396)            |
| <b>Net cash provided by operating activities</b>                                     | <b>23,262</b>                           | <b>21,030</b>    |
| <b>Cash flows from investing activities</b>  |   |                  |
| Capital expenditures   | (7,341)                                 | (9,589)          |
| Acquisition of BSG Wireless  | (767)                                   |                  |
| Acquisition of ITHL  |   | (735)            |
| <b>Net cash used in investing activities</b>   | <b>(8,108)</b>                          | <b>(10,324)</b>  |
| <b>Cash flows from financing activities</b>  |   |                  |
| Principal payments on senior credit facility   | (891)                                   | (348)            |
| Employee stock purchase plan   | 3                                       |                  |
| Stock options exercised  | 194                                     | 16               |
| Minimum tax withholding on restricted stock awards                                   | (181)                                   | (80)             |
| Purchase of treasury stock   | (1)                                     | (1)              |
| <b>Net cash used in financing activities</b>   | <b>(876)</b>                            | <b>(413)</b>     |
| Effect of exchange rate changes on cash  | 1,161                                   | 54               |
| <b>Net increase in cash</b>  | <b>15,439</b>                           | <b>10,347</b>    |
| Cash at beginning of period  | 49,086                                  | 26,704           |
| <b>Cash at end of period</b>   | <b>\$ 64,525</b>                        | <b>\$ 37,051</b> |
| <b>Supplemental cash flow information</b>  |   |                  |
| Interest paid  | \$ 13,351                               | \$ 9,252         |
| Income taxes paid  | 1,510                                   |                  |

See Notes to Condensed Unaudited Consolidated Financial Statements





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**SYNIVERSE HOLDINGS, INC.**

**NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**(AMOUNTS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)**

**1. Business**

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. For over 20 years, we have served a critical role as one of the wireless industry's only operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our mission-critical data clearinghouse, network and technology services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our fully-integrated suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including roaming, Short Message Service (SMS), Multimedia Messaging Services (MMS), caller ID, number portability and wireless video services. We provide our services to more than 500 operators in over 100 countries. The majority of our revenues are transaction-based and derived from long-term contracts, typically averaging three years in duration.

On February 10, 2005, we completed an initial public offering of 17,620,000 shares of common stock at a price of \$16.00 per common share. The net proceeds of the offering of \$260,966, after deducting underwriting discounts, commissions and expenses, along with \$240,000 received from our credit facility, were used primarily to redeem 124,876 shares of our class A cumulative redeemable preferred stock and tender for \$85,750 of our 12<sup>3/4</sup>% senior subordinated notes due 2009 and repay and terminate our previous senior credit facility.

On June 16, 2006, we acquired the capital stock of Perfect Profits International (PPIL), which comprises the Interactive Technologies Holdings Limited business (ITHL), from Interactive Technologies Holdings Limited for \$45,747 in cash including working capital adjustments and earn-out to the sellers of \$6,894, which was paid in April 2007. Additionally, in connection with the acquisition, we incurred \$1,106 in acquisition related costs. Headquartered in Hong Kong, ITHL is a leading provider of value-added services to operators in the Asia Pacific region. We believe the acquisition expands our footprint in the Asia Pacific region and adds a complementary customer base, new products, advanced development capabilities and in-region customer support.

**2. Basis of Presentation and Principles of Consolidation**

The accompanying condensed consolidated financial statements of Syniverse Holdings, Inc., (Syniverse Inc.) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

The consolidated financial statements include the accounts of Syniverse Holdings, Inc. (Syniverse Inc.), Syniverse, Syniverse Technologies, BV (Syniverse BV), Syniverse Brience, LLC (Syniverse Brience), Syniverse Holdings Limited (Syniverse Limited), Perfect Profits International Limited (PPIL) and Syniverse Technologies Limited Luxembourg S.a.r.l. (BSG Wireless). References to the Company, us, or we include all of the consolidated companies. All significant intercompany balances and transactions have been eliminated.

**3. Summary of Significant Accounting Policies**

**Revenue Recognition**

The majority of our revenues are transaction-based and derived from long-term contracts, typically averaging three years in duration. Our revenues are primarily the result of the sale of our technology interoperability services, network services, number portability services, call processing services and enterprise solutions to wireless operators throughout the world. In order to encourage higher customer transaction volumes, we generally negotiate tiered pricing schedules with our customers based on certain established transaction volume levels. Generally, there is a seasonal increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of the second and third fiscal quarters.

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**Technology Interoperability Services** primarily generate revenues by charging per-transaction processing fees. For our wireless roaming clearinghouse, Short Message Service (SMS) and Multimedia Messaging Services (MMS), revenues vary based on the number of data/messaging records provided to us by wireless operators for aggregation, translation and distribution among operators. We recognize revenues at the time the transactions are processed. For our financial clearinghouse and settlement services, revenues vary based on the number of invoices or roaming agreements managed on the customer's behalf. We recognize revenues at the time the transactions are processed. Additionally, we provide solutions with multiple product and service elements which may include software and hardware products, as well as

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installation services, post-contract customer support and training. In those cases, we recognize revenues in accordance with the American Institute of Certified Public Accountants' Statement of Position 97-2 (SOP 97-2), *Software Revenue Recognition*, as amended by SOP 98-9, *Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions*. Under SOP 97-2, revenue attributable to an element in a customer arrangement is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

**Network Services** primarily generate revenues by charging per-transaction processing fees. In addition, our customers pay monthly connection fees based on the number of network connections as well as the number of switches with which a customer communicates. The per-transaction fees are based on the number of intelligent network messages and intelligent network database queries made through our network and are recognized as revenues at the time the transactions are processed. In addition, a small amount of our revenues are generated through software license fees, maintenance agreements and professional services. Software license fees are generally recognized over the contract period. Maintenance agreements call for us to provide technical support and software enhancements to customers. Revenues on technical support and software enhancement rights are recognized ratably over the term of the support agreement. Professional services include consulting, training and installation services to our customers. Revenues from such services are generally recognized on a straight-line basis over the same period as the software license fees.

**Number Portability Services** primarily generate revenues by charging per-transaction processing fees, monthly fixed fees, and fees for customer implementations. We recognize processing revenues at the time the transactions are processed. We recognize monthly fixed fees as revenues on a monthly basis as the services are performed. We defer revenues and incremental customer-specific costs related to customer implementations and recognize these fees and costs on a straight-line basis over the life of the initial customer agreements.

**Call Processing Services** primarily generate revenues by charging per-transaction processing fees. The per-transaction fee is based on the number of validation, authorization and other call processing messages generated by wireless subscribers. We recognize processing fee revenues at the time the transactions are processed.

**Enterprise Solutions Services** primarily generate revenues by charging per-subscriber fees. We recognize these revenues at the time the service is performed.

**Off-Network Database Query Fees** primarily generate revenues by providing access to database providers. We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers. We recognize revenues at the time the transaction is processed.

Due to our billing cycles, which for some products lag as much as 40 days after the month in which the services are rendered, we estimate the amounts of unbilled revenue each reporting period. Our estimates are based on recent volume and pricing trends adjusted for material changes in contracted services. Historically, our estimates have not been materially different from our actual billed revenue. Unanticipated changes in volume and pricing trends or material changes in contracted services could adversely affect our estimates of unbilled revenue. As of March 31, 2008 and December 31, 2007, our estimates of unbilled revenues were \$8,211 and \$7,117, respectively.

## **Net Income Per Common Share**

We compute net income per common share in accordance with Statement of Financial Accounting Standards No. 128, *Earnings Per Share* (SFAS 128). Basic net income per common share includes no dilution and is computed by dividing net income by the weighted average number of fully vested common shares outstanding for the period. Our basic weighted average shares outstanding for the three months ended March 31, 2008 excludes 5,939 shares held by our management, which represent the weighted average number of shares, which were not fully vested. Diluted net income per common share includes the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. As of March 31, 2008 and 2007, options to purchase 1,429,492 and 820,748 shares of common stock, respectively, were outstanding. For the three months ended March 31, 2008 and 2007, unvested common stock held by our management and the outstanding options to purchase common stock were used in the calculation of dilutive net income per common share.



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The following table displays the computation of net income per common share:

|   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2008                            | 2007       |
| Basic and diluted net income per common share:          |                                 |            |
| Net income  | \$ 15,393                       | \$ 7,646   |
| Determination of basic and diluted shares:              |                                 |            |
| Basic weighted-average common shares outstanding        | 67,508,523                      | 67,220,607 |
| Unvested common stock                                   | 5,939                           | 66,965     |
| Potentially dilutive stock options and restricted stock | 394,042                         | 65,333     |
| <br>  |                                 |            |
| Diluted weighted-average common shares outstanding      | 67,908,504                      | 67,352,905 |
| <br>  |                                 |            |
| Basic net income per common share                       | \$ 0.23                         | \$ 0.11    |
| <br>  |                                 |            |
| Diluted net income per common share                     | \$ 0.23                         | \$ 0.11    |

**Comprehensive Income**

Comprehensive income includes foreign currency translation adjustments. Comprehensive income for the three months ended March 31, 2008 and 2007 is as follows:

|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2008                            | 2007     |
| Net income   | \$ 15,393                       | \$ 7,646 |
| Foreign currency translation adjustments, net of taxes | 5,968                           | 350      |
| <br>   |                                 |          |
| Total comprehensive income                             | \$ 21,361                       | \$ 7,996 |

The balance in accumulated other comprehensive income as of March 31, 2008 is comprised of foreign currency translation adjustments of \$8,159.

**Interest in Joint Venture**

We hold a 5% interest in the joint venture mTLD Top Level Domain, Ltd., a joint venture formed to provide mobile data and content domain name registry services and development guidelines. We account for this investment using the cost method of accounting. As of March 31, 2008 and December 31, 2007, our investment was \$888 and is included in other assets.

**Foreign Currency Translation**

In accordance with Statement of Financial Accounting Standards No. 52, *Foreign Currency Translation* (SFAS 52), income and expense accounts of foreign operations are translated at the weighted average exchange rates during the year. Assets, including goodwill, and liabilities of foreign operations that operate in a local currency environment are translated to U.S. dollars at the exchange rates in effect at the balance sheet date, with the related translation gains or losses reported as a separate component of stockholder's equity.

**Segment Information**

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For all periods reported, we operated as a single segment, since our chief operating decision maker decides resource allocations on the basis of our consolidated financial results. For the three months ended March 31, 2008 and 2007, we derived 66.9%, and 73.2% respectively, of our revenues from customers in the United States.

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Revenues by service offerings were as follows:

|                                      | <b>Three Months Ended<br/>March 31,</b> |                  |
|--------------------------------------|---|------------------|
|                                      | <b>2008</b>                             | <b>2007</b>      |
| Technology Interoperability Services | \$ 68,701                               | \$ 37,795        |
| Network Services                     | 29,741                                  | 30,424           |
| Number Portability Services          | 6,950                                   | 6,106            |
| Call Processing Services             | 8,389                                   | 7,208            |
| Enterprise Solutions                 | 786                                     | 1,191            |
| Off-Network Database Queries         | 1,078                                   | 1,654            |
| <b>Total Revenues</b>                | <b>\$ 115,645</b>                       | <b>\$ 84,378</b> |

Revenues by geographic region, based on the bill to location on the invoice, were as follows:

|                                  | <b>Three Months Ended<br/>March 31,</b> |                  |
|----------------------------------|---|------------------|
|                                  | <b>2008</b>                             | <b>2007</b>      |
| North America                    | \$ 82,213                               | \$ 65,352        |
| Asia Pacific                     | 10,218                                  | 9,721            |
| Caribbean and Latin America      | 7,859                                   | 5,190            |
| Europe, Middle East and Africa   | 14,277                                  | 2,461            |
| Off-Network Database Queries (i) | 1,078                                   | 1,654            |
| <b>Total Revenues</b>            | <b>\$ 115,645</b>                       | <b>\$ 84,378</b> |

(i) Off-Network Database Queries are not allocated to geographic regions.

**Derivatives**

Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), requires companies to recognize all of their derivative instruments as either assets or liabilities in the statement of financial position at fair value. As of March 31, 2008 and December 31, 2007, we do not have any derivative instruments or have engaged in any hedging activities.

**Stock-Based Compensation**

On May 16, 2002, Syniverse Inc.'s Board of Directors adopted a Founders' Stock Option Plan for non-employee directors, executives and other key employees and a Directors' Stock Option Plan for directors. On May 9, 2006, our Board of Directors adopted the 2006 Long-Term Equity Incentive Plan and 2006 Employee Stock Purchase Plan. We account for these plans and related grants thereunder under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)). Please refer to Note 5 for further discussion regarding stock-based compensation.

**Recent Accounting Pronouncements**

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 was effective January 1, 2008. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delays the effective date of SFAS 157 for one year, for all nonfinancial assets and



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nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We elected a partial deferral of SFAS 157 under the provisions of FSP 157-2. The partial adoption of SFAS 157 effective January 1, 2008 did not have any impact on our financial position or results of operations.

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In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (SFAS 159). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. The fair value option permits a company to choose to measure eligible items at fair value at specified election dates. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings after adoption. SFAS 159 was effective on January 1, 2008. As we did not elect to fair value any of our financial instruments under the provisions of SFAS 159, the adoption of this statement did not have any impact on our financial position or results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R provides revised guidance on how acquirers recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, noncontrolling interests, and goodwill acquired in a business combination. SFAS 141R also expands required disclosures surrounding the nature and financial effects of business combinations. SFAS 141R is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. We are currently assessing the impact of SFAS 141R on our financial position and results of operations.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently assessing the impact of SFAS 161 on our financial position and results of operations.

#### **4. Acquisition of BSG Wireless**

On December 19, 2007, we acquired the wireless data clearing and financial settlement business (BSG Wireless) of Billing Services Group Limited (BSG) pursuant to a Share Purchase Agreement, dated April 1, 2007. Under the Purchase Agreement, we acquired all of the outstanding share capital of Billing Services Group Luxembourg S. à r.l. and Billing Services Group Asia Limited from BSG for an aggregate purchase price of \$293,578 in cash including acquisition related costs of \$6,608. The acquisition was funded through the draw down of our amended and restated credit facility, which included a delayed draw term loan of \$160,000 in aggregate principal amount and a Euro-denominated delayed draw term loan facility of the equivalent of \$130,000 intended to finance this acquisition. The acquisition was accounted for using the purchase method of accounting. The total purchase price of \$293,578 was allocated to the assets and liabilities, on a preliminary basis, based upon their estimated fair value as of the date of the acquisition. As a result, the purchase price allocation is not yet finalized and preliminary estimates and assumptions are subject to change.

#### **5. Stock-Based Compensation**

We have three stock-based compensation plans, the Founders' Stock Option Plan for non-employee directors, executives and other key employees of Syniverse Inc., the Directors' Stock Option Plan, which provided for grants to independent directors, and the 2006 Long-Term Equity Incentive Plan, which provides incentive compensation through grants of incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights (SARs), performance awards or any combination of the foregoing, all of which are described below. Prior to the adoption of SFAS 123(R), we accounted for those plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related Interpretations, as permitted by Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* (SFAS 123). Compensation costs related to stock options granted at fair value under those plans were not recognized in the consolidated statements of income. In December 2004, the FASB issued SFAS 123 (revised 2004) *Share-Based Payment* (SFAS 123(R)). Under the new standard, companies are no longer able to account for stock-based compensation transactions using the intrinsic value method in accordance with APB 25.

Effective January 1, 2006, we adopted SFAS 123(R), which requires companies to account for such stock-based compensation using a fair-value method and recognize the expense in the consolidated statement of income. Using the modified-prospective-transition method, stock-based compensation cost recognized beginning January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated. The impact to our income from operations of recording stock-based compensation for the three months ended March 31, 2008 and 2007 was as follows:



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|                                | Three Months Ended |        |
|--------------------------------|--------------------|--------|
|                                | March 31,          |        |
|                                | 2008               | 2007   |
| Cost of operations             | \$ 7               | \$ 9   |
| Sales and marketing            | 264                | (27)   |
| General and administrative     | 806                | 504    |
| Total stock-based compensation | \$ 1,077           | \$ 486 |

**Accounting for Stock-Based Compensation***Stock Options*

The fair values of stock option grants are amortized as compensation expense on a straight-line basis over the vesting period of the grants. Compensation expense recognized is shown in the operating activities section of the consolidated statements of cash flows. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

|   | Three Months Ended |       |
|---|--------------------|-------|
|   | March 31,          |       |
|   | 2008               | 2007  |
| Risk-free interest rate                   | 4.50%              | 4.82% |
| Volatility factor                         | 34.0               | 34.0  |
| Dividend yield                            |                    |       |
| Weighted average expected life of options | 5                  | 5     |

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Prior to February 10, 2005, Syniverse Inc.'s common stock was not traded on public markets. Therefore a volatility of 0% was used in the Black-Scholes option valuation model for options issued prior to our initial public offering. Due to the limited time in which our stock has been publicly traded, we used the average volatility factor of comparable companies.

SFAS 123(R) requires companies to estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. Due to the minimal number of forfeitures we have experienced during the limited life of our option plans, our forfeiture rate is not material to our fair value calculation; therefore, we currently use actual forfeitures in our calculations.

**Option Plans**

On May 16, 2002, our Board of Directors adopted a Founders' Stock Option Plan for non-employee directors, executives and other key employees of Syniverse Inc. In addition, the Board of Directors adopted a Directors' Stock Option Plan on August 2, 2002, which provides for grants to independent directors to purchase up to 20,000 shares upon election to the board. The plans had a term of five years and provided for the granting of options to purchase shares of Syniverse Inc.'s non-voting Class B common stock. As part of our initial public offering, we reclassified the Class B common stock into our common stock and hence all of our options now provide for purchase of our common stock.

Under the plans, the options have or will have an initial exercise price based on the fair value of each share, as determined by the Board. The per share exercise price of each stock option will not be less than the fair market value of the stock on the date of the grant or, in the case of an equity holder owning more than 10% of the outstanding stock of Syniverse Inc., the price for incentive stock options is not less than 110% of such fair market value. The Board of Syniverse Inc. reserved 402,400 shares of common stock, par value \$.001 per share for issuance under the Founders' plan and 160,360 shares under the Directors' plan.

Both the Founders' Stock Option Plan and the Directors' Stock Option Plan have expired and the Board of Syniverse, Inc. no longer grants options for these plans. There were options to purchase 218,553 shares outstanding under the Founders' Stock Option Plan and options to purchase 100,240 shares outstanding under the Directors' Stock Option Plan at March 31, 2008.

All options issued under the plans are presumed to be nonqualified stock options unless otherwise indicated in the option agreement. Each option has an exercisable life of no more than 10 years from the date of grant for both nonqualified and incentive stock options in the case of grants

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under the Founders' Stock Option Plan and under the Directors' Stock Option Plan. Generally, the options under these plans vest 20% after the first year and 5% per quarter thereafter.

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### ***2006 Long-Term Equity Incentive Plan***

On May 9, 2006, our Board of Directors adopted the 2006 Long-Term Equity Incentive Plan (the *Incentive Plan*). The Incentive Plan provides incentive compensation through grants of incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights (SARs), performance awards, or any combination of the foregoing. The Incentive Plan is designed to allow for the grant of long term incentive awards that conform to the requirements for tax deductible performance based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Under the Incentive Plan, 6,000,000 shares of common stock were authorized for issuance, of which 1,000,000 shares may be issued as restricted stock, restricted stock units or performance shares. The number of shares and price per share is determined by the Compensation Committee (the *Committee*) for those awards granted. However, the exercise price of any option may not be less than 100% of the fair market value of a share of common stock on the date of grant and the exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of Syniverse's voting power may not be less than 110% of the fair market value on the date of grant. Those eligible to participate in the Incentive Plan are limited to directors (including non-employee directors), officers (including non-employee officers) and employees of Syniverse, Inc. and its subsidiaries selected by the Committee, including participants located outside the United States. Determinations made by the Committee under the Incentive Plan need not be uniform and may be made selectively among eligible individuals under the Incentive Plan.

As of March 31, 2008, 1,110,699 options outstanding, which vest 33<sup>1/3</sup>% per year, were granted to certain executive officers. As of March 31, 2008, 773,580 unvested restricted shares outstanding, which vest 20% per year, were granted to certain executive officers and other employees.

### ***Employee Stock Purchase Plan***

On May 9, 2006, our Board of Directors adopted the 2006 Employee Stock Purchase Plan (the *Purchase Plan*). All employees, including Directors who are employees and all employees of any subsidiary, are eligible to participate in any one or more of the offerings to purchase common stock under the Purchase Plan. Eligible employees may purchase a limited number of shares of Syniverse, Inc.'s common stock at 85% of the market value during a series of offering periods. The purchase price is set based on the price on the New York Stock Exchange at the close of either the first or the last trading day of the offering period, whichever is lower. The fair value of shares issued under the Purchase Plan is estimated on the commencement date of each offering period using the Black-Scholes option pricing model.

As of March 31, 2008, approximately 435,130 shares were reserved for future issuance. As of March 31, 2008, there were 89 enrollments under the Purchase Plan.

## **6. Restructurings**

In August 2006, we completed a restructuring plan in our operations and marketing groups, resulting in the termination of 30 employees. As a result, we incurred \$741 in severance related costs. The balance in this restructuring accrual was reduced to zero during the first quarter of 2008.

In January 2007, we completed a restructuring plan resulting in the closure of our Oklahoma office, the elimination of certain executive positions, and the termination of 10 employees. As a result, we incurred \$664 in severance related costs and \$1,384 in costs associated with the lease termination of our corporate aircraft. We expect to pay the remainder of the liabilities relating to this restructuring by the end of the second quarter of 2008.

In June 2007, we committed to a restructuring plan affecting our technology development and support groups. We estimated that the plan would result in the elimination of 56 employees over the remainder of the year. As a result, we accrued \$572 in severance related costs. During the third and fourth quarter of 2007, we experienced a higher than expected level of attrition among the employees impacted by the offshoring plan resulting in a reduction of our severance liability of \$449. We expect to pay the remainder of the liabilities relating to this restructuring by the end of the second quarter of 2008.

In connection with the BSG Wireless acquisition in December 2007, we began to formulate a restructuring plan, which consists primarily of the elimination of redundant positions. As a result of this plan, we estimated \$2,027 of employee termination benefits as liabilities in our purchase accounting in accordance with Emerging Issues Task Force Issue No. 95-3 (EITF 95-3), *Recognition of Liabilities in Connection with a Purchase Business Combination*. This estimate is subject to change as we continue to formulate our plan. We expect to pay the remainder of these benefits in 2008 and 2009.



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As of March 31, 2008, the balance in our restructuring accrual was \$1,627. In the three months ended March 31, 2008, we had the following activity in our restructuring accruals:

|   | December 31, 2007<br>Balance | Additions    | Payments        | Reductions     | March 31, 2008<br>Balance |
|---|------------------------------|--------------|-----------------|----------------|---------------------------|
| August 2006 Restructuring Termination costs     | \$ 20                        | \$           | \$              | \$ (20)        | \$                        |
| January 2007 Restructuring Termination costs    | 185                          |              | (155)           |                | 30                        |
| June 2007 Restructuring Termination costs       | 123                          | 37           | (65)            |                | 95                        |
| December 2007 Restructuring * Termination costs | 2,027                        |              | (525)           |                | 1,502                     |
| <b>Total</b>                                    | <b>\$ 2,355</b>              | <b>\$ 37</b> | <b>\$ (745)</b> | <b>\$ (20)</b> | <b>\$ 1,627</b>           |

\* These accruals were reflected in purchase accounting.

**7. 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 or results of operations. As of March 31, 2008, we have considered all of the claims and disputes of which we are aware and have provided for probable losses as part of the allowance for doubtful accounts, allowance for credit memos or accrued liabilities.

The most significant of these claims, in terms of dollars sought, are described below:

On August 9, 2005, we filed a complaint seeking injunctive relief and damages in Hillsborough County, Florida against Electronic Data Systems Corporation ( EDS ) and EDS Information Services LLC alleging a breach of contract, tortious interference with prospective business relations and unfair competition. This complaint was based on our discovery in the second quarter of 2005 that EDS was offering to provide clearing services to one of our customers when the customer's contract with Syniverse expires in 2006. We believe this offer to provide clearing services to that customer constitutes a breach of certain non-compete obligations of EDS contained in the asset purchase agreement between EDS and us. On August 11, 2005, the Circuit Court of the 13<sup>th</sup> Judicial Circuit for the State of Florida granted our motion for a temporary injunction and enjoined the EDS defendants from selling the assets of their European subsidiaries unless the prospective purchaser assumed the non-compete obligations of EDS. The injunction is conditioned upon Syniverse providing a \$100 surety bond, which we have provided. We intend to continue to pursue this matter vigorously.

**8. Supplemental Consolidating Financial Information**

Syniverse's payment obligations under the senior notes are guaranteed by Syniverse Inc. and all domestic subsidiaries of Syniverse including Syniverse Brience (collectively, the Guarantors). The results of Syniverse BV, Syniverse Limited, ITHL and BSG Wireless are included as non-guarantors. Such guarantees are full, unconditional and joint and several. The following supplemental financial information sets forth, on an unconsolidated basis, balance sheets, statements of income, and statements of cash flows information for Syniverse Inc., Syniverse and for the guarantor and non-guarantor subsidiaries. The supplemental financial information reflects the investment, Syniverse, Inc., using the equity method of accounting.



**Table of Contents****CONSOLIDATING BALANCE SHEET (UNAUDITED)****AS OF MARCH 31, 2008**

|  | Syniverse<br>Inc. | Syniverse           | Subsidiary<br>Non-Guarantors | Eliminations        | Consolidated        |
|--|-------------------|---------------------|------------------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                   |                     |                              |                     |                     |
| Current assets:  |                   |                     |                              |                     |                     |
| Cash   | \$ 43             | \$ 23,275           | \$ 41,207                    | \$                  | \$ 64,525           |
| Accounts receivable, net of allowances                             |                   | 65,349              | 18,895                       |                     | 84,244              |
| Accounts receivable - affiliates                                   | 2,094             | 5,452               | 1,780                        | (9,326)             |                     |
| Prepaid and other current assets                                   |                   | 9,454               | 6,637                        |                     | 16,091              |
| <b>Total current assets</b>  | <b>2,137</b>      | <b>103,530</b>      | <b>68,519</b>                | <b>(9,326)</b>      | <b>164,860</b>      |
| Property and equipment, net  |                   | 41,280              | 1,804                        |                     | 43,084              |
| Capitalized software, net  |                   | 42,366              | 20,467                       |                     | 62,833              |
| Deferred costs, net  |                   | 10,343              |                              |                     | 10,343              |
| Goodwill   |                   | 361,319             | 268,930                      |                     | 630,249             |
| Identifiable intangibles, net                                      |                   | 163,076             | 68,028                       |                     | 231,104             |
| Other assets   |                   | 2,305               | 202                          |                     | 2,507               |
| Investment in subsidiaries   | 491,438           | 374,749             |                              | (866,187)           |                     |
| <b>Total assets</b>  | <b>\$ 493,575</b> | <b>\$ 1,098,968</b> | <b>\$ 427,950</b>            | <b>\$ (875,513)</b> | <b>\$ 1,144,980</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                         |                   |                     |                              |                     |                     |
| Current liabilities:   |                   |                     |                              |                     |                     |
| Accounts payable   | \$                | \$ 3,182            | \$ 1,895                     | \$                  | \$ 5,077            |
| Accounts payable - affiliates                                      | 299               |                     | 9,027                        | (9,326)             |                     |
| Accrued payroll and related benefits                               | 66                | 7,068               | 4,834                        |                     | 11,968              |
| Accrued interest   |                   | 1,792               |                              |                     | 1,792               |
| Deferred revenues  |                   | 1,004               | 3,507                        |                     | 4,511               |
| Other accrued liabilities  | (31)              | 20,591              | 11,329                       |                     | 31,889              |
| Current portion of Term Note B                                     |                   | 3,585               |                              |                     | 3,585               |
| <b>Total current liabilities</b>                                   | <b>334</b>        | <b>37,222</b>       | <b>30,592</b>                | <b>(9,326)</b>      | <b>58,822</b>       |
| Long-term liabilities:   |                   |                     |                              |                     |                     |
| Deferred tax liabilities   |                   | 40,475              | 17,104                       |                     | 57,579              |
| 7 <sup>3</sup> / <sub>4</sub> % Senior Subordinated Notes due 2013 |                   | 175,000             |                              |                     | 175,000             |
| Term Note B, less current maturities                               |                   | 353,097             |                              |                     | 353,097             |
| Other long-term liabilities  |                   | 1,736               | 5,505                        |                     | 7,241               |
| <b>Total long-term liabilities</b>                                 |                   | <b>570,308</b>      | <b>22,609</b>                |                     | <b>592,917</b>      |
| Stockholders equity:   |                   |                     |                              |                     |                     |
| Common stock   | 68                |                     | 115                          | (115)               | 68                  |
| Additional paid-in capital   | 464,804           | 463,039             | 342,234                      | (805,273)           | 464,804             |
| Retained earnings  | 20,240            | 20,240              | 6,596                        | (26,836)            | 20,240              |
| Accumulated other comprehensive income                             | 8,159             | 8,159               | 25,804                       | (33,963)            | 8,159               |
| Common stock held in treasury, at cost                             | (30)              |                     |                              |                     | (30)                |
| <b>Total stockholders equity</b>                                   | <b>493,241</b>    | <b>491,438</b>      | <b>374,749</b>               | <b>(866,187)</b>    | <b>493,241</b>      |

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|   |            |              |            |              |              |
|---|------------|--------------|------------|--------------|--------------|
| Total liabilities and stockholders equity | \$ 493,575 | \$ 1,098,968 | \$ 427,950 | \$ (875,513) | \$ 1,144,980 |
|---|------------|--------------|------------|--------------|--------------|

**Table of Contents****CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2008**

|   | Syniverse<br>Inc. | Syniverse | Subsidiary<br>Non-Guarantors | Eliminations | Consolidated |
|---|-------------------|-----------|------------------------------|--------------|--------------|
| Revenues  | \$                | \$ 93,448 | \$ 22,197                    | \$           | \$ 115,645   |
| Costs and expenses:   |                   |           |                              |              |              |
| Cost of operations (excluding depreciation and amortization shown separately below) | 7                 | 30,889    | 7,082                        |              | 37,978       |
| Sales and marketing   | 264               | 6,933     | 3,557                        |              | 10,754       |
| General and administrative  | 806               | 13,929    | 3,407                        |              | 18,142       |
| Depreciation and amortization   |                   | 10,199    | 3,434                        |              | 13,633       |
| Restructuring   |                   | 17        |                              |              | 17           |
|   | 1,077             | 61,967    | 17,480                       |              | 80,524       |
| Operating income (loss)   | (1,077)           | 31,481    | 4,717                        |              | 35,121       |
| Other income (expense), net:  |                   |           |                              |              |              |
| Income from equity investment   | 26,964            | 5,126     |                              | (32,090)     |              |
| Interest income   | 1                 | 133       | 296                          |              | 430          |
| Interest expense  |                   | (9,720)   |                              |              | (9,720)      |
| Other, net  |                   | (56)      | 113                          |              | 57           |
|   | 26,965            | (4,517)   | 409                          | (32,090)     | (9,233)      |
| Income before provision for income taxes  | 25,888            | 26,964    | 5,126                        | (32,090)     | 25,888       |
| Provision for income taxes  | 10,495            | 10,327    | 168                          | (10,495)     | 10,495       |
| Net income  | 15,393            | 16,637    | 4,958                        | (21,595)     | 15,393       |

**Table of Contents****CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2008**

|  | Syniverse<br>Inc. | Syniverse | Subsidiary<br>Non-Guarantors | Eliminations | Consolidated |
|--|-------------------|-----------|------------------------------|--------------|--------------|
| <b>Cash flows from operating activities</b>  |                   |           |                              |              |              |
| Net income   | \$ 15,393         | \$ 16,637 | \$ 4,958                     | \$ (21,595)  | \$ 15,393    |
| Adjustments to reconcile net income to net cash provided by operating activities:    |                   |           |                              |              |              |
| Depreciation and amortization including amortization of deferred debt issuance costs |                   | 10,703    | 3,373                        |              | 14,076       |
| Provision for uncollectible accounts   |                   | 169       |                              |              | 169          |
| Deferred income tax expense  |                   | 8,793     | (33)                         |              | 8,760        |
| Income from equity investment  | (26,964)          | (5,126)   |                              | 32,090       |              |
| Stock-based compensation   | 1,077             |           |                              |              | 1,077        |
| Changes in operating assets and liabilities, net of acquisition:                     |                   |           |                              |              |              |
| Accounts receivable  |                   | (5,874)   | 1,339                        |              | (4,535)      |
| Other current assets   |                   | (3,015)   | (531)                        |              | (3,546)      |
| Accounts payable   |                   | (184)     | 193                          |              | 9            |
| Other current liabilities  | 10,495            | (6,126)   | (2,052)                      | (10,495)     | (8,178)      |
| Other assets and liabilities   | (16)              | 175       | (122)                        |              | 37           |
| Net cash provided by (used in) operating activities                                  | (15)              | 16,152    | 7,125                        |              | 23,262       |
| <b>Cash flows from investing activities</b>  |                   |           |                              |              |              |
| Capital expenditures   |                   | (6,340)   | (1,001)                      |              | (7,341)      |
| Acquisition of BSG Wireless  |                   | (767)     |                              |              | (767)        |
| Net cash used in investing activities  |                   | (7,107)   | (1,001)                      |              | (8,108)      |
| <b>Cash flows from financing activities</b>  |                   |           |                              |              |              |
| Principal payments on senior credit facility   |                   | (891)     |                              |              | (891)        |
| Employee stock purchase plan   | 3                 |           |                              |              | 3            |
| Stock options exercised  | 194               |           |                              |              | 194          |
| Minimum tax withholding on restricted stock awards                                   | (181)             |           |                              |              | (181)        |
| Purchase of treasury stock   | (1)               |           |                              |              | (1)          |
| Net cash provided by (used in) financing activities                                  | 15                | (891)     |                              |              | (876)        |
| Effect of exchange rate changes on cash  |                   |           | 1,161                        |              | 1,161        |
| Net increase in cash   |                   | 8,154     | 7,285                        |              | 15,439       |
| Cash at beginning of period  | 43                | 15,121    | 33,922                       |              | 49,086       |
| Cash at end of period  | \$ 43             | \$ 23,275 | \$ 41,207                    | \$           | \$ 64,525    |

**Table of Contents****CONSOLIDATING BALANCE SHEET****AS OF DECEMBER 31, 2007**

|  | Syniverse<br>Inc. | Syniverse           | Subsidiary<br>Non-Guarantors | Eliminations        | Consolidated        |
|--|-------------------|---------------------|------------------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                   |                     |                              |                     |                     |
| Current assets:  |                   |                     |                              |                     |                     |
| Cash   | \$ 43             | \$ 15,121           | \$ 33,922                    | \$                  | \$ 49,086           |
| Accounts receivable, net of allowances                             |                   | 57,861              | 21,517                       |                     | 79,378              |
| Accounts receivable - affiliates                                   | 2,051             | 5,799               |                              | (7,850)             |                     |
| Prepaid and other current assets                                   |                   | 6,516               | 5,724                        |                     | 12,240              |
| <b>Total current assets</b>  | <b>2,094</b>      | <b>85,297</b>       | <b>61,163</b>                | <b>(7,850)</b>      | <b>140,704</b>      |
| Property and equipment, net  |                   | 41,862              | 1,994                        |                     | 43,856              |
| Capitalized software, net  |                   | 42,765              | 19,850                       |                     | 62,615              |
| Deferred costs, net  |                   | 10,786              |                              |                     | 10,786              |
| Goodwill   |                   | 361,318             | 254,986                      |                     | 616,304             |
| Identifiable intangibles, net                                      |                   | 166,069             | 65,954                       |                     | 232,023             |
| Other assets   |                   | 1,062               | 200                          |                     | 1,262               |
| Investment in subsidiaries   | 469,003           | 349,348             |                              | (818,351)           |                     |
| <b>Total assets</b>  | <b>\$ 471,097</b> | <b>\$ 1,058,507</b> | <b>\$ 404,147</b>            | <b>\$ (826,201)</b> | <b>\$ 1,107,550</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                         |                   |                     |                              |                     |                     |
| Current liabilities:   |                   |                     |                              |                     |                     |
| Accounts payable   | \$                | \$ 2,399            | \$ 2,607                     | \$                  | \$ 5,006            |
| Accounts payable - affiliates                                      | 298               |                     | 7,552                        | (7,850)             |                     |
| Accrued payroll and related benefits                               | 38                | 9,844               | 2,134                        |                     | 12,016              |
| Accrued interest   |                   | 5,910               |                              |                     | 5,910               |
| Deferred revenues  |                   | 1,003               | 4,324                        |                     | 5,327               |
| Other accrued liabilities  | (31)              | 19,343              | 15,477                       |                     | 34,789              |
| Current portion of Term Note B                                     |                   | 3,459               |                              |                     | 3,459               |
| <b>Total current liabilities</b>                                   | <b>305</b>        | <b>41,958</b>       | <b>32,094</b>                | <b>(7,850)</b>      | <b>66,507</b>       |
| Long-term liabilities:   |                   |                     |                              |                     |                     |
| Deferred tax liabilities   |                   | 21,103              | 22,484                       |                     | 43,587              |
| 7 <sup>3</sup> / <sub>4</sub> % Senior Subordinated Notes due 2013 |                   | 175,000             |                              |                     | 175,000             |
| Term Note B, less current maturities                               |                   | 344,476             |                              |                     | 344,476             |
| Other long-term liabilities  |                   | 6,967               | 221                          |                     | 7,188               |
| <b>Total long-term liabilities</b>                                 |                   | <b>547,546</b>      | <b>22,705</b>                |                     | <b>570,251</b>      |
| Stockholders equity:   |                   |                     |                              |                     |                     |
| Common stock   | 68                |                     | 115                          | (115)               | 68                  |
| Additional paid-in capital   | 463,711           | 461,961             | 341,466                      | (803,427)           | 463,711             |
| Retained earnings  | 4,851             | 4,851               | 1,461                        | (6,312)             | 4,851               |
| Accumulated other comprehensive income                             | 2,191             | 2,191               | 6,306                        | (8,497)             | 2,191               |
| Common stock held in treasury, at cost                             | (29)              |                     |                              |                     | (29)                |
| <b>Total stockholders equity</b>                                   | <b>470,792</b>    | <b>469,003</b>      | <b>349,348</b>               | <b>(818,351)</b>    | <b>470,792</b>      |

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|   |            |              |            |              |              |
|---|------------|--------------|------------|--------------|--------------|
| Total liabilities and stockholders equity | \$ 471,097 | \$ 1,058,507 | \$ 404,147 | \$ (826,201) | \$ 1,107,550 |
|---|------------|--------------|------------|--------------|--------------|

**Table of Contents****CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2007**

|   | Syniverse<br>Inc. | Syniverse | Subsidiary<br>Non-Guarantors | Eliminations | Consolidated |
|---|-------------------|-----------|------------------------------|--------------|--------------|
| Revenues  | \$                | \$ 76,284 | \$ 8,094                     | \$           | \$ 84,378    |
| Costs and expenses:   |                   |           |                              |              |              |
| Cost of operations (excluding depreciation and amortization shown separately below) | 8                 | 29,350    | 4,083                        |              | 33,441       |
| Sales and marketing   | (27)              | 5,306     | 1,533                        |              | 6,812        |
| General and administrative  | 504               | 12,155    | 1,328                        |              | 13,987       |
| Depreciation and amortization   |                   | 9,636     | 643                          |              | 10,279       |
| Restructuring   |                   | 1,782     |                              |              | 1,782        |
|   | 485               | 58,229    | 7,587                        |              | 66,301       |
| Operating income (loss)   | (485)             | 18,055    | 507                          |              | 18,077       |
| Other income (expense), net:  |                   |           |                              |              |              |
| Equity in subsidiaries  | 12,991            | 603       |                              | (13,594)     |              |
| Interest income   |                   | 393       | 43                           |              | 436          |
| Interest expense  |                   | (6,060)   |                              |              | (6,060)      |
| Other, net  |                   |           | 53                           |              | 53           |
|   | 12,991            | (5,064)   | 96                           | (13,594)     | (5,571)      |
| Income before provision for income taxes  | 12,506            | 12,991    | 603                          | (13,594)     | 12,506       |
| Provision for income taxes  | 4,860             | 4,641     | 218                          | (4,859)      | 4,860        |
| Net income  | \$ 7,646          | \$ 8,350  | \$ 385                       | \$ (8,735)   | \$ 7,646     |

**Table of Contents****CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2007**

|  | Syniverse<br>Inc. | Syniverse | Subsidiary<br>Non-Guarantors | Eliminations | Consolidated |
|--|-------------------|-----------|------------------------------|--------------|--------------|
| <b>Cash flows from operating activities</b>  |                   |           |                              |              |              |
| Net income   | \$ 7,646          | \$ 8,350  | \$ 385                       | \$ (8,735)   | \$ 7,646     |
| Adjustments to reconcile net income to net cash provided by operating activities:    |                   |           |                              |              |              |
| Depreciation and amortization including amortization of deferred debt issuance costs |                   |           |                              |              |              |
|  |                   | 9,901     | 595                          |              | 10,496       |
| Provision for uncollectible accounts   |                   | 78        |                              |              | 78           |
| Deferred income tax expense  |                   | 3,432     |                              |              | 3,432        |
| Equity in subsidiaries   | (12,991)          | (603)     |                              | 13,594       |              |
| Stock-based compensation   | 486               |           |                              |              | 486          |
| Loss on disposition of property  |                   | 294       |                              |              | 294          |
| Changes in operating assets and liabilities, net of acquisition:                     |                   |           |                              |              |              |
| Accounts receivable  |                   | 510       | 697                          |              | 1,207        |
| Other current assets   |                   | (3,567)   | 989                          |              | (2,578)      |
| Accounts payable   |                   | (3,209)   | 1,519                        |              | (1,690)      |
| Other current liabilities  | 4,859             | 1,969     | 86                           | (4,859)      | 2,055        |
| Other assets and liabilities   | 65                | (558)     | 97                           |              | (396)        |
| Net cash provided by operating activities  | 65                | 16,597    | 4,368                        |              | 21,030       |
| <b>Cash flows from investing activities</b>  |                   |           |                              |              |              |
| Capital expenditures   |                   | (9,242)   | (347)                        |              | (9,589)      |
| Acquisition of ITHL  |                   | (735)     |                              |              | (735)        |
| Net cash used in investing activities  |                   | (9,977)   | (347)                        |              | (10,324)     |
| <b>Cash flows from financing activities</b>  |                   |           |                              |              |              |
| Minimum tax withholding on restricted stock awards                                   | (80)              |           |                              |              | (80)         |
| Principal payments on senior credit facility   |                   | (348)     |                              |              | (348)        |
| Stock options exercised  | 16                |           |                              |              | 16           |
| Purchase of treasury stock   | (1)               |           |                              |              | (1)          |
| Net cash used in financing activities  | (65)              | (348)     |                              |              | (413)        |
| Effect of exchange rate changes on cash  |                   |           | 54                           |              | 54           |
| Net increase in cash   |                   | 6,272     | 4,075                        |              | 10,347       |
| Cash at beginning of period  | 41                | 18,920    | 7,743                        |              | 26,704       |
| Cash at end of period  | \$ 41             | \$ 25,192 | \$ 11,818                    | \$           | \$ 37,051    |



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

**Overview**

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. For over 20 years, we have served a critical role as one of the wireless industry's only operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our mission-critical data clearinghouse, network and technology services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our fully-integrated suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including roaming, Short Message Service (SMS), Multimedia Messaging Services (MMS), caller ID, number portability and wireless video services. We provide our services to more than 500 operators in over 100 countries. The majority of our revenues are transaction-based and derived from long-term contracts, typically averaging three years in duration.

**Company History**

We were founded in 1987 as GTE Telecommunication Services Inc. (TSI), a unit of GTE, to address the industry-wide need for inter-operator wireless roaming telephone service. As the wireless industry has grown, we have continuously enhanced and extended our service offerings to meet the evolving technology service requirements of the telecommunications industry.

In early 2000, GTE combined our business with its Intelligent Network Services business, a leading Signaling System 7 (SS7) network and intelligent network database provider. This combination further enhanced our services suite to include national SS7 signaling and intelligent network database management capabilities. In June 2000, GTE and Bell Atlantic merged to form Verizon Communications. As a result of this transaction, we became an indirect, wholly owned subsidiary of Verizon Communications.

In February 2002, we were acquired by certain members of our senior management team and an investor group led by GTCR Golder Rauner, LLC (GTCR). Following the acquisition, we became an independent corporate entity separate from Verizon. Syniverse Holdings, Inc. was a wholly owned subsidiary of Syniverse Holdings, LLC, which was the ultimate parent of the consolidated group of Syniverse entities. In connection with our initial public offering in February 2005, Syniverse Holdings, LLC distributed all of the shares of Class A cumulative redeemable convertible preferred stock and common stock of Syniverse Holdings, Inc. that it owned to its members and subsequently dissolved. Following this dissolution and distribution, Syniverse Holdings, Inc. became the ultimate parent of the consolidated group of Syniverse entities.

On November 7, 2007, we completed a registered secondary offering on behalf of the selling stockholders of 20,000,000 shares of common stock, plus 3,000,000 shares sold pursuant to the underwriters' exercise of the over-allotment option, pursuant to a shelf registration statement previously filed with the Securities and Exchange Commission on June 8, 2007. The offering was priced at \$14.84125, reflecting a price to the public of \$15.50 per share, less underwriting discounts and commissions of \$0.65875 per share. We incurred approximately \$0.7 million of offering expenses related to the sale which were recorded to general and administrative expenses in the fourth quarter of 2007. We did not receive any proceeds from the sale.

**Acquisitions**

On June 16, 2006, we acquired the capital stock of Perfect Profits International, which comprises the Interactive Technologies Holdings Limited business (ITHL), from Interactive Technologies Holdings Limited for \$45.7 million in cash including \$1.1 million in acquisition related costs and working capital adjustments and earn-out to the sellers of \$6.9 million, which was paid in April 2007. Headquartered in Hong Kong, ITHL is a leading provider of value-added services to operators in the Asia Pacific region. We believe the acquisition expands our footprint in the Asia Pacific region and adds a complementary customer base, new products, advanced development capabilities and in-region customer support.

On December 19, 2007, we acquired the wireless data clearing and financial settlement business (BSG Wireless) of Billing Services Group Limited for an aggregate purchase price of \$293.6 million in cash (which included debt repaid at closing). The acquisition was funded through the draw down of our amended and restated credit facility which included a delayed draw term loan of \$160.0 million in aggregate principal amount and a Euro-denominated delayed draw term loan facility of the equivalent of \$130.0 million intended to finance this acquisition. The acquisition allows us to combine our industry-leading technology interoperability and network services capabilities with BSG Wireless' strong GSM data clearing expertise, excellent European, Middle Eastern and Asian operator relationships, and leading financial clearing and settlement capabilities.

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### Introduction

We provide an integrated suite of services to wireless telecommunications operators that meet the evolving technology requirements of the wireless industry. These services include:

**Technology Interoperability Services.** We operate one of the largest wireless data clearinghouses globally, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events. With the acquisition of BSG Wireless, we provide financial settlement services to GSM operators worldwide and a suite of ancillary value-added roaming services. We also provide SMS and MMS routing and translation services between operators. In addition, we have expanded our mobile data solutions to include interactive video and mobile broadband solutions, prepaid applications and value-added roaming services.

**Network Services.** Through our SS7 network, we connect disparate wireless operator networks and enable access to intelligent network database services like caller ID and provide translation and routing services to support the establishment and delivery of telephone calls. SS7 is the telecommunications industry's standard network signaling protocol used by substantially all operators to enable critical telecommunications functions such as line busy signals, toll-free calling services and caller ID.

**Number Portability Services.** Our leading number portability services are used by many wireless operators, including most domestic operators, to enable wireless subscribers to switch service providers while keeping the same telephone number. We also provide these services to all Canadian wireless operators, and we expect to begin providing number porting services in Singapore in the second quarter of 2008.

**Call Processing Services.** We provide wireless operators with global call handling, signaling and fraud management solutions that allow wireless subscribers from one operator to make and accept telephone calls while roaming on another operator's network.

**Enterprise Solutions.** Our enterprise wireless data management platform allows operators to offer large corporate customers reporting and analysis tools to manage telecom-related expenses.

**Off-Network Database Queries.** We provide our network customers with access to various third-party intelligent network databases.

### Revenues

Most of our revenues are transaction-based and derived from 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. For example, we are currently providing services under several contracts with Verizon that expired in October 2007 while we negotiate the terms of new agreements. 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 also generate revenues through the sale of software licenses, hardware and professional services. We generate our revenues through the sale of our technology interoperability services, network services, number portability services, call processing services and enterprise solutions to telecommunications operators throughout the world. In order to encourage higher customer transaction volumes, we generally negotiate tiered and flat rate pricing schedules with our customers based on certain established transaction volume levels. As a result, the average per-transaction fee for many of our products has declined over time as customers have increasingly used our services and transaction volumes have grown. We expect this trend to continue. Generally, there is also a slight increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of the second and third fiscal quarters.

Future increases or decreases in revenues are dependent on many factors, such as industry subscriber growth, with few of these factors known in advance. From time to time, specific events such as customer contract renewals at different terms, a customer contract termination, a customer's decision to change technologies or to provide solutions in-house, will be known to us and then we can estimate their impact on our revenues.

Set forth below is a brief description of our primary service offerings and associated revenue recognition:

**Technology Interoperability Services.** We operate one of the largest wireless clearinghouses globally, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events. We also provide SMS and MMS routing and translation services between operators. Wireless operators send data records to our service platforms for processing, aggregation, translation and distribution among operators. We primarily generate revenues by charging per-transaction processing fees based on the number of data/messaging records provided to us by wireless operators for our wireless roaming clearinghouse and SMS and MMS routing services. We recognize revenues at the time the transactions are processed. Over time, we expect the average per-transaction fee for certain services to continue to decline as a result of our volume-based and service bundling pricing strategy for most of our offerings as well as competitive pricing pressure. With our acquisition of BSG Wireless, we provide financial settlement services to GSM

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operators. We primarily generate revenues by charging fees based on the number of invoices or roaming agreements managed on the customer's behalf. We recognize revenues at the time the transactions are processed. Additionally, we provide mobile data solutions that include interactive video and mobile broadband solutions, prepaid applications and value-added roaming services. Some of these solutions contain multiple product and service elements which may include software and hardware products, as well as installation services, post-contract customer support and training. In those cases, we recognize revenues in accordance with the American Institute of Certified Public Accountants' Statement of Position 97-2 (SOP 97-2), *Software Revenue Recognition*, as amended by SOP 98-9, *Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions*. Under SOP 97-2, revenue attributable to an element in a customer arrangement is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

**Network Services.** Through our SS7 network, we connect disparate wireless operator networks and enable access to intelligent network database services such as caller ID. We also provide translation and routing services to support the delivery and establishment of telephone calls. SS7 is the telecommunications industry's standard network signaling protocol used by substantially all operators to enable critical telecommunications functions such as line busy signals, toll-free calling services and caller ID. We primarily generate revenues by charging either per-transaction or fixed processing fees determined by expected customer volumes. In addition, our customers pay monthly connection fees based on the number of network connections as well as the number of switches with which a customer communicates. The per-transaction fees are based on the number of intelligent network messages and intelligent network database queries made through our network and are recognized as revenues at the time the transactions are processed. Over time, we expect the average per-transaction fee for certain services will continue to decline as a result of our volume-based and service bundling pricing strategy and competitive pricing pressures.

**Number Portability Services.** We provide number portability services to the wireless industry. When wireless subscribers choose to change operators but keep their existing telephone number, the former operator must send the subscribers' information to the new operator. Our services perform the necessary processing between the two operators to allow the subscribers to change service providers while keeping their existing telephone number. We primarily generate revenues by charging per-transaction processing fees, monthly fixed fees and fees for customer implementations. We recognize processing revenues at the time the transactions and services are processed. We recognize monthly fixed fees as revenues on a monthly basis as the services are performed. We defer revenues and incremental customer-specific costs related to customer implementations and recognize these fees and costs on a straight-line basis over the shorter of the life of the initial customer agreement or the period remaining until the amended contract end date for those contracts terminated early.

**Call Processing Services.** We provide wireless operators global call handling, signaling and fraud management solutions that allow wireless subscribers from one operator to make and accept calls while roaming on another operator's network. We primarily generate revenues by charging per-transaction processing fees based on the number of validation, authorization and other call processing messages generated by wireless subscribers. We recognize processing fee revenues at the time the transactions are processed.

**Enterprise Solutions Services.** Our enterprise wireless data management platform allows operators to offer large corporate customers reporting and analysis tools to manage telecom-related expenses. We primarily generate revenues by charging per-subscriber fees. We recognize these revenues at the time the service is performed. We expect a continued decline in these revenues as customers migrate off of our wireless data management platform.

**Off-Network Database Queries.** Through interconnection with other operator networks, we have access to other service providers' databases that support caller ID and toll-free routing. If one of our customers uses our network to access another service provider's database, we are charged fees for access to that database. We pass these charges onto our customers, with little or no margin, based upon the charges we receive from these database providers. We recognize revenues at the time the transaction is performed. We expect a continued decline in these revenues as customers seek direct connections with the database providers.

### **Costs and Expenses**

Our costs and expenses consist of cost of operations, sales and marketing, general and administrative and depreciation and amortization.

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Cost of operations includes data processing costs, network costs, royalty costs, hardware costs, personnel costs associated with service implementation, training and customer care and off-network database query charges.

Sales and marketing includes personnel costs, advertising costs, trade show costs and relationship marketing costs.

General and administrative consists primarily of research and development expenses, a portion of the expenses associated with our facilities, internal management expenses, business development expenses, and expenses for finance, legal, human resources and other administrative departments. In addition, we incur significant service development costs. These costs, which are primarily personnel, relate to technology creation, enhancement and maintenance of new and existing services.

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Historically, most of these costs are expensed and recorded as general and administrative expenses. The capitalized portion, which is recorded as capitalized software costs, relates to costs incurred during the application development stage for the new service offerings and significant service enhancements.

Depreciation and amortization relate primarily to our property and equipment including our SS7 network, infrastructure facilities related to information management and other intangible assets recorded in purchase accounting.

**Results of Operations**

The following tables present an overview of our results of operations for the three months ended March 31, 2008 and 2007:

|   | Three Months<br>Ended<br>March 31,<br>2008 | % of<br>Revenues | Three Months<br>Ended<br>March 31,<br>2007<br>(dollars in thousands) | % of<br>Revenues | 2008 vs. 2007<br>\$ | \$<br>Change<br>% |
|---|--|------------------|--|------------------|---------------------|-------------------|
| <b>Revenues:</b>                                |  |                  |  |                  |                     |                   |
| Technology Interoperability Services            | \$ 68,701                                  | 59.4%            | \$ 37,795  | 44.8%            | \$ 30,906           | 81.8%             |
| Network Services                                | 29,741                                     | 25.7%            | 30,424   | 36.1%            | (683)               | (2.2)%            |
| Number Porting Services                         | 6,950                                      | 6.0%             | 6,106  | 7.2%             | 844                 | 13.8%             |
| Call Processing Services                        | 8,389                                      | 7.3%             | 7,208  | 8.5%             | 1,181               | 16.4%             |
| Enterprise Solutions                            | 786  | 0.7%             | 1,191  | 1.4%             | (405)               | (34.0)%           |
| <b>Revenues excluding Off-Network Data Base</b> |  |                  |  |                  |                     |                   |
| Query Fees                                      | 114,567                                    | 99.1%            | 82,724   | 98.0%            | 31,843              | 38.5%             |
| Off-Network Database Query Fees                 | 1,078                                      | 0.9%             | 1,654  | 2.0%             | (576)               | (34.8)%           |
| <b>Total revenues</b>                           | <b>115,645</b>                             | <b>100.0%</b>    | <b>84,378</b>  | <b>100.0%</b>    | <b>31,267</b>       | <b>37.1%</b>      |
| <b>Costs and expenses:</b>                      |  |                  |  |                  |                     |                   |
| Cost of operations                              | 37,978                                     | 32.8%            | 33,441   | 39.6%            | 4,537               | 13.6%             |
| Sales and marketing                             | 10,754                                     | 9.3%             | 6,812  | 8.1%             | 3,942               | 57.9%             |
| General and administrative                      | 18,142                                     | 15.7%            | 13,987   | 16.6%            | 4,155               | 29.7%             |
| Depreciation and amortization                   | 13,633                                     | 11.8%            | 10,279   | 12.2%            | 3,354               | 32.6%             |
| Restructuring                                   | 17   | 0.0%             | 1,782  | 2.1%             | (1,765)             | (99.0)%           |
|   | 80,524                                     | 69.6%            | 66,301   | 78.6%            | 14,223              | 21.5%             |
| <b>Operating income</b>                         | <b>35,121</b>                              | <b>30.4%</b>     | <b>18,077</b>  | <b>21.4%</b>     | <b>17,044</b>       | <b>94.3%</b>      |
| <b>Other income (expense), net:</b>             |  |                  |  |                  |                     |                   |
| Interest income                                 | 430  | 0.4%             | 436  | 0.5%             | (6)                 | (1.4)%            |
| Interest expense                                | (9,720)                                    | (8.4)%           | (6,060)  | (7.2)%           | 3,660               | 60.4%             |
| Loss on extinguishment of debt                  |  | 0.0%             |  | 0.0%             |                     | 0.0%              |
| Other, net                                      | 57   | 0.0%             | 53   | 0.1%             | 4                   | 7.5%              |
|   | (9,233)                                    | (8.0)%           | (5,571)  | (6.6)%           | 3,662               | 65.7%             |
| <b>Income before provision for income taxes</b> | <b>25,888</b>                              | <b>22.4%</b>     | <b>12,506</b>  | <b>14.8%</b>     | <b>13,382</b>       | <b>107.0%</b>     |
| <b>Provision for income taxes</b>               | <b>10,495</b>                              | <b>9.1%</b>      | <b>4,860</b>   | <b>5.7%</b>      | <b>5,635</b>        | <b>115.9%</b>     |
| <b>Net income</b>                               | <b>\$ 15,393</b>                           | <b>13.3%</b>     | <b>\$ 7,646</b>  | <b>9.1%</b>      | <b>\$ 7,747</b>     | <b>101.3%</b>     |



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Revenues by geographic region for the three months ended March 31, 2008 and 2007 were as follows:

|   | Three Months<br>Ended<br>March 31,<br>2008 | % of<br>Revenues | Three Months<br>Ended<br>March 31,<br>2007 | % of<br>Revenues | 2008 vs. 2007<br>\$ | \$<br>Change<br>% |
|---|--|------------------|--|------------------|---------------------|-------------------|
| North America                                   | \$ 82,213                                  | 71.1%            | \$ 65,352                                  | 77.5%            | \$ 16,861           | 25.8%             |
| Asia Pacific                                    | 10,218                                     | 8.8%             | 9,721                                      | 11.5%            | 497                 | 5.1%              |
| Caribbean and Latin America                     | 7,859                                      | 6.8%             | 5,190                                      | 6.2%             | 2,669               | 51.4%             |
| Europe, Middle East and Africa                  | 14,277                                     | 12.3%            | 2,461                                      | 2.9%             | 11,816              | 480.1%            |
| <b>Subtotal non- North American Revenue</b>     | <b>32,354</b>                              | <b>28.0%</b>     | <b>17,372</b>                              | <b>20.6%</b>     | <b>14,982</b>       | <b>86.2%</b>      |
| Revenues excluding Off Network Database Queries | 114,567                                    | 99.1%            | 82,724                                     | 98.0%            | 31,843              | 38.5%             |
| Off-Network Database Queries                    | 1,078                                      | 0.9%             | 1,654                                      | 2.0%             | (576)               | (34.8)%           |
| <b>Total Revenues</b>                           | <b>\$ 115,645</b>                          | <b>100.0%</b>    | <b>\$ 84,378</b>                           | <b>100.0%</b>    | <b>\$ 31,267</b>    | <b>37.1%</b>      |

**Comparison of the Three Months Ended March 31, 2008 and 2007****Revenues**

Total revenues increased \$31.3 million to \$115.6 million for the three months ended March 31, 2008 from \$84.4 million for the same period in 2007. The increase in revenues was primarily due to increases in Technology Interoperability Services, Number Portability Services and Call Processing Services, offset in part by decreases in Network Services, Enterprise Solutions and Off-Network Database Query Fees.

*Technology Interoperability Services* revenues increased \$30.9 million to \$68.7 million for the three months ended March 31, 2008 from \$37.8 million for the same period in 2007. The increase in revenues was primarily due to organic volume growth in our wireless data clearinghouse services, SMS interoperability, mobile data roaming services and the addition of \$12.8 million of revenues from BSG Wireless.

*Network Services* revenues decreased \$0.7 million to \$29.7 million for the three months ended March 31, 2008 from \$30.4 million for the same period in 2007. The decrease in revenues was primarily due to customer migrations off our services platform.

*Number Portability Services* revenues increased \$0.8 million to \$7.0 million for the three months ended March 31, 2008 from \$6.1 million for the same period in 2007. The increase in revenues was primarily due to a full quarter of revenues from new services provided to Canadian operators in 2008 as compared to a partial quarter in 2007.

*Call Processing Services* revenues increased \$1.2 million to \$8.4 million for the three months ended March 31, 2008 from \$7.2 million for the same period in 2007. This increase primarily results from increased international roaming volumes driving increased demand for our Signaling Solutions services, offset by a reduction of our legacy fraud-related services.

*Enterprise Solutions Services* revenues decreased \$0.4 million to \$0.8 million for the three months ended March 31, 2008 from \$1.2 million for the same period in 2007. The decrease in revenues was primarily due to a lower number of subscribers on our enterprise wireless data management platform. We expect this decline to continue.

*Off-Network Database Queries* revenues decreased \$0.6 million to \$1.1 million for the three months ended March 31, 2008 from \$1.7 million for the same period in 2007. The decrease in revenues was primarily driven by customers moving to direct access and billing arrangements with third-party intelligent network database providers. We pass these off-network database query fees onto our customers, with little or no margin, based upon the charges we receive from the third-party database providers. We expect this decline to continue.

**Revenues by Geographic Region**



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*North America* revenues increased \$16.9 million to \$82.2 million for the three months ended March 31, 2008 from \$65.4 million for the same period in 2007. The increase in revenues was primarily due to increases in Technology Interoperability Services, Number Portability Services and Call Processing Services.

*Asia Pacific* revenues increased \$0.5 million to \$10.2 million for the three months ended March 31, 2008 from \$9.7 million for the same period in 2007. The increase in revenues was primarily due to increases in our Technology Interoperability Services.

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*Caribbean and Latin America* revenues increased \$2.7 million to \$7.9 million for the three months ended March 31, 2008 from \$5.2 million for the same period in 2007. The increase in revenues was primarily due to organic growth in Technology Interoperability Services, which also included revenues from BSG Wireless.

*Europe, Middle East and Africa* revenues increased \$11.8 million to \$14.3 million for the three months ended March 31, 2008 from \$2.5 million for the same period in 2007. The increase in revenues was primarily related to the addition of BSG Wireless and organic growth from new and existing customers.

***Expenses***

*Cost of operations* increased \$4.5 million to \$38.0 million for the three months ended March 31, 2008 from \$33.4 million for the same period in 2007. The increase was primarily due to expenses incurred by BSG Wireless and higher data processing costs commensurate with higher revenues.

*Sales and marketing expenses* increased \$3.9 million to \$10.7 million for the three months ended March 31, 2008 from \$6.8 million for the same period in 2007. The increase was primarily due to higher employee-related expenses for our global expansion and expenses incurred by BSG Wireless.

*General and administrative expenses* increased \$4.2 million to \$18.1 million for the three months ended March 31, 2008 from \$14.0 million for the same period in 2007. The increase was primarily due to expenses incurred by BSG Wireless and severance and relocation expenses associated with the evolution of our senior management team.

*Depreciation and amortization* expenses increased \$3.4 million to \$13.6 million for the three months ended March 31, 2008 from \$10.3 million for the same period in 2007. The increase was primarily due to additional amortization of intangible assets from our acquisition of BSG Wireless. Included in our depreciation and amortization expenses for the three months ended March 31, 2008 and 2007 is approximately \$7.1 million and \$4.7 million, respectively, of amortization related to intangible assets recorded in purchase accounting due to acquisitions we have made beginning with our February 2002 acquisition from Verizon and ending with our December 2007 acquisition of BSG Wireless.

*Restructuring expense* was \$1.8 million for the three months ended March 31, 2007. In January 2007, we completed a restructuring plan resulting in the closure of our Oklahoma office, the elimination of certain executive positions, and the termination of 10 employees. As a result, we incurred \$0.7 million in severance related costs and \$1.3 million in costs associated with the lease of our corporate aircraft.

*Interest income* was \$0.4 million for both the three months ended March 31, 2008 and 2007. Interest income was primarily earned on outstanding cash balances.

*Interest expense* increased \$3.7 million to \$9.7 million for the three months ended March 31, 2008 from \$6.1 million for the same period in 2007. The increase was primarily due to higher outstanding debt resulting from the financing of our acquisition of BSG Wireless in December 2007.

*Provision for income taxes* increased \$5.6 million to \$10.5 million for the three months ended March 31, 2008 from \$4.9 million for the same period in 2007. Our effective tax rate for the three months ended March 31, 2008 was approximately 40.5% as compared to 38.9% for the same period in 2007.

**Liquidity and Capital Resources**

*Cash Flow Information*

The following table sets forth, for the periods indicated, selected consolidated cash flow information (in thousands).

|   | <b>Three Months Ended</b> |             |
|---|---------------------------|-------------|
|   | <b>March 31,</b>          |             |
|   | <b>2008</b>               | <b>2007</b> |
| Net cash provided by operating activities | \$ 23,262                 | \$ 21,030   |

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|   |           |           |
|---|-----------|-----------|
| Net cash used in investing activities   | (8,108)   | (10,324)  |
| Net cash used in financing activities   | (876)     | (413)     |
| Effect of exchange rate changes on cash | 1,161     | 54        |
| Net increase in cash                    | \$ 15,439 | \$ 10,347 |

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Net cash provided by operating activities was \$23.3 million for the three months ended March 31, 2008 as compared to \$21.0 million for the same period in 2007. The increase was primarily related to higher net income adjusted for non-cash items (depreciation and amortization, provision for uncollectible accounts, deferred income tax expense, stock-based compensation and loss on disposition of property) and changes in operating assets and liabilities. Cash and cash equivalents were \$64.5 million at March 31, 2008 as compared to \$49.1 million at December 31, 2007. This increase was primarily due to an increase in net cash provided by operating activities. Our working capital increased \$31.8 million to \$106.0 million at March 31, 2008 from \$74.2 million at December 31, 2007 primarily due to increased cash and accounts receivable and lower accrued liabilities.

Net cash used in investing activities was \$8.1 million for the three months ended March 31, 2008, which includes \$0.8 million associated with the acquisition of BSG Wireless as compared to \$10.3 million for the same period in 2007. Capital expenditures for property and equipment, including capitalized software costs, decreased \$2.2 million to \$7.3 million for the three months ended March 31, 2008 from \$9.6 million for the same period in 2007. For the three months ended March 31, 2008, we incurred approximately \$7.3 million for capital expenditures primarily for our network infrastructure to support customer growth and capitalized software. For the three months ended March 31, 2007, we incurred approximately \$9.6 million for capital expenditures primarily for non-network production upgrades, investment in our messaging infrastructure to support our anticipated growth and capitalized software development. We expect total capital expenditures in 2008 to be approximately \$36.0 million.

Net cash used in financing activities was \$0.9 million for the three months ended March 31, 2008, which includes \$0.9 million of principal payments on our senior credit facility. Net cash used in financing activities was \$0.4 million for the three months ended March 31, 2007, which includes \$0.4 million of principal payments on our senior credit facility.

Our principal sources of liquidity are cash flows generated from operations and borrowings under our senior credit facility. Our principal uses of cash are to meet debt service requirements, finance our capital expenditures, make acquisitions and provide working capital. We expect that cash available from operations combined with the availability of \$62.0 million under our revolving line of credit will be sufficient to fund our operations, debt service and capital expenditures for the foreseeable future.

### ***Debt and Credit Facilities***

#### ***Amended and Restated Senior Credit Facility***

On August 9, 2007, we entered into a \$464.0 million amended and restated credit agreement (the "senior credit facility") with Lehman Brothers Inc. and Deutsche Bank Securities Inc. as joint lead arrangers and joint book-running managers, Lehman Commercial Paper Inc., as administrative agent, Deutsche Bank AG New York Branch, as syndication agent, Bear Stearns Corporate Lending Inc. and LaSalle Bank National Association, as co-documentation agents and the lenders from time to time parties thereto. The obligations under the senior credit facility are unconditionally guaranteed by Syniverse Holdings, Inc. and all material U.S. domestic subsidiaries of Syniverse Technologies, Inc. (the "Guarantors") and are secured by a security interest in substantially all of the tangible and intangible assets of Syniverse Technologies, Inc. and the Guarantors. The obligations under the senior credit facility are also secured by a pledge of the capital stock of Syniverse Technologies, Inc. and its direct and indirect U.S. subsidiaries.

The senior credit facility provides for aggregate borrowings of \$464.0 million as follows:

a term loan of \$112.0 million in aggregate principal amount;

a delayed draw term loan of \$160.0 million in aggregate principal;

a Euro-denominated delayed draw term loan facility of the equivalent of \$130.0 million;

a revolving credit line of \$42.0 million; and

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a Euro-denominated revolving credit line of the equivalent of \$20.0 million.

On December 19, 2007, the delayed draw term loans of \$290.0 million (delayed draw term loan of \$160.0 million and Euro-denominated delayed draw term loan of the equivalent of \$130.0 million) were used to fund the acquisition of the BSG Wireless including the repayment of existing debt and to pay related transaction fees and expenses. The delayed draw term loans were subject to a commitment fee of 1.25% per annum on undrawn amounts. The commitment to fund the delayed draw term loans expired at the earliest to occur of (i) the draw down to fund the acquisition of BSG Wireless, (ii) termination of the BSG acquisition agreement or (iii) March 31, 2008.

The applicable margin for the base rate term loan and the base rate revolving loans is 1.50%. U.S. dollar denominated borrowings bear interest at either a base rate or, at our option, a LIBOR rate. The applicable margin for the Eurodollar term loan, Euro-denominated delayed draw term loan and Eurodollar revolving loans is 2.50%. Euro-denominated borrowings under the senior credit facility bear interest at a EURIBOR rate. The term loan facilities require regularly scheduled quarterly payments of principal and interest, and the entire amount of the term loan facilities will mature on August 9, 2014. The full amount borrowed under the revolving credit line will mature on August 9, 2013. In the event we fail to refinance our 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes by February 15, 2013, then the maturity date of our term loan facilities and revolving credit line will be accelerated to February 15, 2013.

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As of March 31, 2008 we had an aggregate face amount of \$356.7 million of outstanding indebtedness under our senior credit facility representing \$214.8 million in U.S. dollar denominated term loans, \$141.9 million in Euro-denominated delayed draw term loans, \$42.0 million available under the revolving credit facility and \$18.1 million available under the Euro-denominated revolving credit line. As of March 31, 2008 the applicable interest rate was 5.21% on the term loan based on the LIBOR option, 5.21% on the delayed draw term loan based on the LIBOR option, and 6.88% on the Euro-denominated delayed term loan based on the EURIBOR option.

The senior credit facility contains covenants that will limit our ability and that of our Guarantors to, among other things, incur or guarantee additional indebtedness, create liens, pay dividends on or repurchase stock, make certain types of investments, restrict dividends or other payments from our subsidiaries, enter into transactions with affiliates and sell assets or merge with other companies. The senior credit facility also requires compliance with financial covenants, including a maximum ratio of total indebtedness to Consolidated EBITDA.

### *Prior Senior Credit Facility*

In February 2005, we entered into our prior senior credit facility, which provided for aggregate borrowings of up to \$282.0 million. The facility was comprised of a revolving credit facility of up to \$42.0 million in revolving credit loans and letters of credit with the funds available for general corporate purposes including working capital, capital expenditures, acquisitions and a term B loan facility of \$240.0 million in term loans. Borrowings under the prior senior credit facility bore interest at a floating rate, which can be either a base rate, or at our option, a LIBOR rate, plus an applicable margin.

We used the \$240.0 million of borrowings under the senior credit facility in combination with the net proceeds from our initial public offering to repay our previous senior credit facility, to pay related transaction fees and expenses and to effect a tender offer for \$85.8 million of our 12<sup>3/4</sup>% senior subordinated notes due 2009. On August 9, 2007, we entered into an amended and restated senior credit facility.

### *7<sup>3/4</sup>% Senior Subordinated Notes Due 2013*

On August 24, 2005, we completed a private offering of \$175.0 million in aggregate principal amount of our 7<sup>3/4</sup>% senior subordinated notes due 2013. Interest on the notes accrues at the rate of 7<sup>3/4</sup>% per annum and is payable semi-annually in arrears on February 15 and August 15, commencing on February 15, 2006. The net proceeds were used to repurchase \$144.8 million of our outstanding 12<sup>3/4</sup>% senior subordinated notes due 2009, and to pay the related prepayment premium and costs of debt issuance. The remaining funds were held for the redemption of the \$14.5 million of 12<sup>3/4</sup>% senior subordinated notes due 2009, not tendered in August 2005, plus expected payment of related premium of approximately \$0.9 million.

The indenture governing our 7<sup>3/4</sup>% senior subordinated notes due 2013 contains certain covenants that among other things, limit our ability to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of our subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of March 31, 2008, we believe we are in compliance with all of the covenants contained in the indenture governing our senior subordinated notes.

On December 8, 2005, we completed an offer to exchange up to \$175.0 million principal amount of our Series B 7<sup>3/4</sup>% senior subordinated notes due 2013 for any and all outstanding 7<sup>3/4</sup>% senior subordinated notes due 2013 (the Old Notes). All of the \$175.0 million in aggregate principal amount of the Old Notes were validly tendered for exchange and have been accepted by us. The new notes have substantially identical terms of the original notes, except that the new notes have been registered under the Securities Act of 1933, as amended.

### **Effect of Inflation**

Inflation generally affects us by increasing our cost of labor, equipment and new materials. We do not believe that inflation has had any material effect on our results of operations during the three and three months ended March 31, 2008 and 2007.

### **Critical Accounting Policies and Estimates**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses. We consider an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations or financial condition. We have identified the following critical accounting policies that affect the more significant estimates and judgments.



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**Table of Contents*****Revenue Recognition***

We derive revenues from six categories: Technology Interoperability Services, Network Services, Number Portability Services, Call Processing Services, Enterprise Solutions and Off-Network Database Queries. The revenue recognition policy for each of these areas is described under Revenues above.

Due to our billing cycles, which for some of our products lag as much as 40 days after the calendar month in which the services are rendered, we estimate the amounts of unbilled revenue each reporting period. Our estimates are based on recent volume and pricing trends adjusted for material changes in contracted service, because actual information is not available immediately. Based on a retrospective review of our actual billings compared to our estimates, our estimates have been reasonable. Historically, our estimates have approximated our actual subsequently billed revenue. Unanticipated changes in volume and pricing trends or material changes in contracted service could adversely affect our estimates of unbilled revenue. This estimate is critical to our financial statements because it impacts revenue and amounts recorded as accounts receivable on our balance sheet. As of March 31, 2008, our estimated unbilled revenues were \$8.2 million. A 10% change in our estimate would result in either an increase or decrease in revenues and accounts receivable of approximately \$0.8 million.

***Allowance for Doubtful Accounts***

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to pay their invoices to us in full. We regularly review the adequacy of our accounts receivable allowance after considering the size of the accounts receivable balance, each customer's expected ability to pay and our collection history with each customer. A portion of this analysis is dependent on our ability to gather reliable information about our customers' specific circumstances. As part of our analysis, we review significant invoices that are past due to determine if an allowance is necessary based on the risk category using the factors described above. Based on the circumstances, we place each customer into a risk category and assign reserve percentages between 5% and 100%. Our estimates of allowances for doubtful accounts have tracked well with our actual experience of customers who are unable to pay their invoices in full. However, uncollectible accounts that are not identified or properly assessed in our review could have a significant impact on our bad debt provision. In addition, if our customers' financial condition or the economy in general deteriorates, we may need to increase these allowances for doubtful accounts. Excluding all risk categories that are reserved at 100%, a 10% change in each one of our risk categories would cause our allowance for doubtful accounts as of March 31, 2008 and our bad debt expense for the three months then ended to change by \$0.06 million. Because we perform our analysis and establish reserves on a customer-by-customer basis, we generally do not record a general reserve. However, if we were to apply a general reserve of 1% to our unreserved accounts receivable balance, it would increase our allowance for doubtful accounts as of March 31, 2008 and our bad debt expense for the three months then ended by approximately \$0.6 million.

***Allowance for Credit Memos***

We maintain a general reserve based on our historical credit memo activity. In addition, we establish credit memo reserves resulting from specific customer matters. This allowance is recorded as a direct reduction of accounts receivable and revenues. Since our allowances for credit memos are derived in large part from specific customer matters, our estimates have tracked well with our actual credit memo experience. If our billing errors or discrepancies are not resolved satisfactorily or our customers' disputes over billing are not resolved satisfactorily, increases to the allowance would be required. As of March 31, 2008, our allowance for credit memos were \$2.5 million. If our allowance for credit memos, including identified specific customer matters, changed by 10%, our allowance for credit memos and revenues would change by approximately \$0.3 million.

***Impairment Losses on Long-Lived Assets***

We review our long-lived assets, including property and equipment and intangibles with definite lives for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. We also evaluate the useful life of our assets each reporting period, and if deemed to be shorter than originally estimated, would result in an increase in our annual depreciation and/or amortization expense. We have not had reason to adjust our estimated lives on these assets.

The impairment review consists of a comparison of the carrying value of the assets with the assets' expected future undiscounted cash flows without interest costs. An impairment loss is recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is deemed to not be recoverable if it exceeds the sum of its undiscounted cash flows. Estimates of expected future cash flows are management's best estimate based on reasonable and supportable assumptions and projections. If actual market conditions are less favorable than those projected by management, asset impairment charges may be required. Management continues to evaluate overall industry and company-specific circumstances and conditions to identify indicators of impairment. No impairment was recognized for the three months ended March 31, 2008.



***Impairment Losses on Goodwill and Trademark***

We evaluate goodwill for impairment at least annually, or more frequently if indicators of impairment arise, in accordance with the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). Our

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evaluation of goodwill is measured by a two-step impairment test. The first step compares the fair value of our reporting unit, using a discounted cash flow model, with its carrying amount, including goodwill. If the carrying amount of our reporting unit exceeds its fair value, we then compare the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. An impairment loss would be recognized to the extent that the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions and projections. If actual market conditions are less favorable than those projected by management, an impairment loss may be required to be recognized. Management will continue to evaluate overall industry and company-specific circumstances and conditions as necessary. No impairment was recognized for the three month period ended March 31, 2008.

### ***Restructuring***

We have made estimates of the costs to be incurred as part of our various restructuring plans. In August 2006, we completed a restructuring plan in our operations and marketing groups, resulting in the termination of 30 employees. As a result, we incurred \$0.7 million in severance related costs. The payments related to this restructuring were completed in March 2008. In January 2007, we completed a restructuring plan resulting in the closure of our Oklahoma office, the elimination of certain executive positions, and the termination of 10 employees. As a result, we incurred \$0.7 million in severance related costs and \$1.3 million in costs associated with the lease termination of our corporate aircraft. We expect to pay the remainder of the liabilities relating to this restructuring by the second quarter of 2008. In June 2007, we committed to a restructuring plan affecting our technology development and support groups. We estimated that the plan would result in the elimination of 56 employees over the remainder of the year. As a result, we accrued \$0.6 million in severance related costs. During the third and fourth quarter of 2007, we experienced a higher than expected level of attrition among the employees impacted by the offshoring plan resulting in a reduction of our severance liability of \$0.4 million. We expect to pay the remainder of the liabilities relating to this restructuring by the second quarter of 2008. In connection with the BSG Wireless acquisition in December 2007, we began to formulate a restructuring plan, which consists primarily of the elimination of redundant positions. As a result of this plan, we estimated \$2.0 million of employee termination benefits as liabilities in our purchase accounting in accordance with Emerging Issues Task Force Issue No. 95-3 (EITF 95-3), *Recognition of Liabilities in Connection with a Purchase Business Combination*. This estimate is subject to change as we continue to formulate our plan. We expect to pay the remainder of these benefits in 2008 and 2009. The balance in our restructuring accruals of \$1.6 million at March 31, 2008 continues to represent our best estimate.

### ***Loss Contingencies***

We are involved in asserted and unasserted claims, which arise in the ordinary course of our business. We routinely evaluate whether a loss is probable, and if so, whether it can be estimated. Estimates are based on similar case law matters, consultation with subject matter experts and information obtained through negotiations with counter-parties. As such, accurately depicting the outcome of pending litigation requires considerable judgment and is subject to material differences on final settlement. Accruals for probable losses are recorded in accrued expenses or as a part of our allowance for credit memos if the dispute relates to a customer matter. If our assessment of the probability is inaccurate, we may need to record additional accruals or reduce recorded accruals later. In addition, we may need to adjust our estimates of the probable loss amounts as further information is obtained or we consider settlements. Historically, we have had few changes in estimates for these accruals. The most significant claims are as follows:

On August 9, 2005, we filed a complaint seeking injunctive relief and damages in Hillsborough County, Florida against Electronic Data Systems Corporation (EDS) and EDS Information Services LLC alleging a breach of contract, tortious interference with prospective business relations and unfair competition. This complaint was based on our discovery in the second quarter of 2005 that EDS was offering to provide clearing services to one of our customers when the customer's contract with Syniverse expires in 2006. We believe this offer to provide clearing services to that customer constitutes a breach of certain non-compete obligations of EDS contained in the asset purchase agreement between EDS and us. On August 11, 2005, the Circuit Court of the 13<sup>th</sup> Judicial Circuit for the State of Florida granted our motion for a temporary injunction and enjoined the EDS defendants from selling the assets of their European subsidiaries unless the prospective purchaser assumed the non-compete obligations of EDS. The injunction is conditioned upon Syniverse providing a \$1.0 million surety bond, which we have provided. We intend to continue to pursue this matter vigorously.

### ***Purchase Accounting***

We have made estimates of the fair values of the assets acquired from our various acquisitions, based primarily on appraisals from third parties and also based on certain internally generated information. If the subsequent actual and updated projections of the underlying business activity change as compared to the underlying assumptions and projections used to develop these fair values, then we could experience impairment losses, as described above. In addition, we have estimated the economic lives of certain of these assets and these lives were used to calculate depreciation and amortization expense. If our estimates of the economic lives change, then additional depreciation or amortization expense could be incurred on an annual basis. We have not made any changes in these areas. If the estimates of the economic lives on the definite-lived

intangible assets acquired were reduced by one year, our 2008 amortization expense would increase by approximately \$2.9 million.

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**Table of Contents****Income Taxes**

On January 1, 2007 we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), resulting in a change to our reserve for uncertain tax positions. No increases or decreases were made to this reserve during the first quarter of 2008.

We review our deferred tax assets on a regular basis to evaluate their recoverability based on projections of the turnaround timing of our deferred tax liabilities, projections of future taxable income, and tax planning strategies that we might employ to utilize such assets, including net operating loss carryforwards. Unless it is more likely than not that we will recover such assets through the above means, we establish a valuation allowance. We have recorded a valuation allowance for net deferred tax assets primarily associated with foreign and state net operating losses and capital loss carry forwards. The valuation allowance also includes amounts recorded for certain net deferred tax assets associated with the BSG acquisition.

We file our tax returns on a calendar year basis. As of December 31, 2007, we had federal NOLs (net operating losses) and capital losses totaling approximately \$46.1 million and \$0.9 million, respectively, all of which we succeeded to as a result of our merger with Syniverse Brience. All of our NOLs remain subject to examination and adjustment by the Internal Revenue Service and various foreign jurisdictions.

As of December 31, 2007, our consolidated group had net operating loss carryforwards, or NOLs, for U.S. federal income tax purposes of approximately \$46.1 million. Section 382 of the Internal Revenue Code of 1986, as amended (the Code), imposes an annual limitation on the use of a corporation's NOLs if the corporation undergoes an ownership change during a three year testing period. The sale of our shares in November, 2007 caused an ownership change within the meaning of section 382(g). This ownership change will subject our NOLs to an annual use limitation that may restrict our ability to use them to offset our taxable income. We do not believe this ownership change will materially limit our utilization of the NOLs.

In general, an ownership change occurs if, on any testing date, the beneficial ownership of the corporation by one or more 5-percent shareholders has increased, in the aggregate, by more than 50 percentage points over the respective lowest ownership percentages of such 5-percent shareholders during the testing period preceding such date. The change in our share ownership caused by November, 2007 offering caused the aggregate change during the testing period to exceed the 50 percentage point threshold. As a result, the maximum amount of pre-change NOLs that can be used to offset our taxable income in any given post-change year will be limited to the product of (1) the value of our equity immediately prior to the ownership change, subject to certain adjustments, and (2) the applicable federal long-term tax-exempt interest rate published by the Internal Revenue Service.

Future changes in the direct or indirect beneficial ownership of our common stock, which may be beyond our control, could trigger another ownership change and thus further limit, or possibly eliminate altogether, our ability to use these NOLs in subsequent taxable years.

Additionally, our consolidated group succeeded to approximately \$76 million of our NOLs pursuant to a state law merger with Brience, Inc., now known as Syniverse Brience LLC, in July, 2003. The merger was treated as a tax-free reorganization under the Code. If the Internal Revenue Service were to challenge successfully the reorganization or otherwise successfully disallow the use of such NOLs, the amount of our consolidated group's NOLs would be substantially reduced. All of our consolidated group's NOLs remain subject to examination and adjustment by the Internal Revenue Service. In addition, the NOLs acquired from Brience Inc. are subject to the separate return limitation rules under the consolidated return regulations. As a result, these NOLs generally can be utilized only to offset income from Brience Inc. and other members of its consolidated group of corporations at the time the losses were generated, or their successors.

**Recent Accounting Pronouncements**

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 was effective January 1, 2008. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delays the effective date of SFAS 157 for one year, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We elected a partial deferral of SFAS 157 under the provisions of FSP 157-2. The partial adoption of SFAS 157 effective January 1, 2008 did not have any impact on our financial position or results of operations.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (SFAS 159). This standard permits an entity to choose to measure

many financial instruments and certain other items at fair value. The fair value option permits a company to

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choose to measure eligible items at fair value at specified election dates. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings after adoption. SFAS 159 was effective on January 1, 2008. As we did not elect to fair value any of our financial instruments under the provisions of SFAS 159, the adoption of this statement did not have any impact on our financial position or results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R provides revised guidance on how acquirers recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, noncontrolling interests, and goodwill acquired in a business combination. SFAS 141R also expands required disclosures surrounding the nature and financial effects of business combinations. SFAS 141R is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. We are currently assessing the impact of SFAS 141R on our financial position and results of operations.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently assessing the impact of SFAS 161 on our financial position and results of operations.

### **Off-Balance Sheet Arrangements**

We use off-balance sheet financing primarily in the form of operating leases for facility space and equipment and we expect to continue this practice. Since the terms of these lease agreements meet the definitions of operating lease agreements, the sum of future lease payments is not reflected on our consolidated balance sheet. Furthermore, we do not use any other type of joint venture or special purpose entities that would create off-balance sheet financing. Our remaining operating lease payment obligations for 2008 total approximately \$5.8 million based on leases in effect at March 31, 2008.

### **Forward-Looking Statements**

We have made forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, in this report. The words believes, anticipates, plans, expects, intends, estimates and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, the risks and uncertainties described under *Risk Factors* in our Annual Report on Form 10-K. Our actual results, performance and achievements, or industry results, may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

### **Available Information**

Our internet website address is [www.syniverse.com](http://www.syniverse.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act are available free of charge (except for the user's internet access charge) through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. Our website and the information contained or incorporated therein are not intended to be incorporated into this report.

## **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Market Risk**

We are exposed to changes in interest rates on our senior credit facility. Our senior credit facility is variable rate debt. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. As of March 31, 2008 and December 31, 2007, we had \$356.7 million and \$347.9 million, respectively, of variable rate debt outstanding on our senior credit facility. Holding other variables constant, including levels of indebtedness, a one percentage point increase in interest rates on our variable debt would have had an estimated impact on pre-tax earnings and cash flows for the next year of approximately \$3.6 million. Under the terms of the senior credit facility at least 25% of our funded debt must bear

interest that is effectively fixed. As a result, we may from time to time be required to enter into interest rate protection agreements establishing a fixed maximum interest rate with respect to a portion of our total indebtedness.

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### **Foreign Currency Market Risk**

We operate globally and transact business in currencies other than the U.S. dollar. As we continue our global expansion, we are increasingly exposed to foreign currency exchange rate risks. Due to our acquisitions of ITHL and BSG Wireless, we have contractual arrangements with customers that are collectible and payable in currencies other than the functional currency, which could result in significant foreign currency gains or losses. At this time, we have not entered into any arrangements to hedge our risks from foreign currency.

### **ITEM 4: CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the Exchange Act), are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. In connection with the preparation of this quarterly report on Form 10-Q, an evaluation was performed under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2008. Based on this evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures are effective as of March 31, 2008.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II**

### **OTHER INFORMATION**

#### **ITEM 1: LEGAL PROCEEDINGS**

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 or results of operations. As of March 31, 2008, we have considered all of the claims and disputes of which we are aware and accrued amounts in our analysis of doubtful accounts, allowances for credit memos or probable loss accruals. Additional discussion of legal matters is incorporated by reference from Part I, Item 1, Note 7 Commitments and Contingencies, of this quarterly report on Form 10-Q.

#### **ITEM 1A: RISK FACTORS**

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion in Item 1A Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements in our 2007 Annual Report. There has been no material changes in our risk factors from those disclosed in our 2007 Annual Report.

#### **ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) None.



(b) None.

(c) None.

**ITEM 3: DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

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**ITEM 5: OTHER INFORMATION**

(a) Not applicable.

(b) Not applicable.

**ITEM 6: EXHIBITS**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| *10.1              | Employment Agreement, dated as of January 14, 2008, by and among Syniverse Holdings, Inc., and Syniverse Technologies, Inc. and Jeffrey Gordon.       |
| *10.2              | Employment Agreement, dated as of March 10, 2008, by and among Syniverse Holdings, Inc., and Syniverse Technologies, Inc. and Alfredo T. De Cardenas. |
| *31.1              | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.  |
| *31.2              | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.  |
| *32.1              | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.  |
| *32.2              | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.  |

\* Filed herewith.

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**SIGNATURES**

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

Date: May 12, 2008

**SYNIVERSE HOLDINGS, INC.**

(Registrant)

/s/ David W. Hitchcock  
David W. Hitchcock  
Chief Financial Officer  
(Authorized Officer and Principal Accounting Officer)

**SYNIVERSE TECHNOLOGIES, INC.**

(Registrant)

/s/ David W. Hitchcock  
David W. Hitchcock  
Chief Financial Officer  
(Authorized Officer and Principal Accounting Officer)

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