Globo Plc ('Globo' or 'the Group')

Additional Information

Disposal of 51 per cent. of Globo Technologies S.A ("GT")

Introduction

On 3 December 2012, the Globo Group (the Group) disposed of 51 per cent. of its subsidiary Globo Technologies S.A. (GT), comprising all traditional e-business operations, to Zipersi Consulting Limited (now GMBO Limited), a company owned and controlled by GT's management team. Following the divestment, Globo and its Directors ceased all operational involvement in GT.

The consideration for the 51 per cent. was €11.2 million plus any outstanding intra group balances at that date and was based on an independently verified valuation of GT, as set out at note 15 on page 85 of the Group's 2012 annual report.

The Group disposed of net debt within GT of €0.23 million at 3 December 2012. This comprised €7.06 million of cash and €7.29 million of debt as set out at note 15 on page 85 of the Group's 2012 annual report. Consequently the benefit to the Group was a reduction of net debt of €0.23 million.

Rationale

GT's business is mainly focused on large public and private sector projects in Greece.

The decision to dispose of GT followed careful consideration of a range of factors including a management decision to focus on expanding the Group's international mobile business.

Conclusion

In summary, the Globo Technologies divestment:

1. Was a carefully considered exercise that maximises the Group's value and retains the Group's interest in a profitable unit, whilst allowing Group's management to focus on expanding the Group's international mobile business.
2. Has resulted a reduction in net debt of €0.23m. No trade receivables due to Globo were moved off balance sheet as part of the disposal.
3. The schedule of payments from Zipersi Consulting Limited (now GMBO Limited) (a company owned and controlled by GT's management team) for the divested operation is on track and Globo is expecting to receive the second instalment of €500,000 principal plus interest by the end of this year.

Revenue Recognition, Collection of Receivables and Working Capital

Working Capital Cycle: Products / Revenue

Globo has a number of different business lines with different end customers which vary in nature and terms of payment

The main business lines are:

1. Consumer business (CitronGO! & GO!Social)
2. GO!Enterprise Licensing
3. GO!Enterprise projects
4. S.a.a.S / Telecom

Each business line with its respective collection terms based on business trends is presented in the following slides

Revenue is recognised in accordance with the Group's accounting policies based on IFRS as set out in its 2012 annual report.

In 2012 bad debt expense was €0.1m, which accounted for 0.6% of trade receivables outstanding as at 31 December 2012.

Consumer Business (CitronGO! & GO!Social)

Product offering:

- Globo sells its consumer-use mobile solution principally in Emerging Markets via resellers who in turn have relationships with the mobile network operators who provide services to the end user. These are the CitronGO! and GO!Social apps
- The Company's agreements with MNOs and Mobile Value Added Services providers is based on a revenue sharing model and a resulting fee per active user
- The Company offers subscription packages for daily, weekly and monthly usage
- The consumer engages with the service through an activation SMS, sent to the Company's partner, which if successfully charged to his phone bill, results in the activation of the user account on the Company's Cloud infrastructure. This is followed by an SMS to the user which contains the download link and login data so that the user downloads the application and, after installation, can login to the Company's Cloud service. Eventually the user is connected via CitronGO! (through the Company's Cloud) to his favourite social networks, mails and contacts so that he can enjoy a smartphone experience on a feature phone

Collection:

- Collection can vary in timing as a result of factors relevant to the country concerned, including currency export and other regulations
- As MNOs in emerging markets may be slow to pay their suppliers (but ultimately do), and there is often an additional delay from the reseller, who needs to collect the whole amount from all MNOs in the region and subsequently pay Globo
- Payment terms to Globo for the consumer business are typically around 150 days

GO!Enterprise Licensing

Product offering:

- Globo sells licences for its GO!Enterprise suite of products through partners, distributors and resellers
- The resellers engage with their customers in order to promote their products and place orders, through the Company's partner portal, that are executed by issuing licence keys for the products
- The server edition is available for on-premise or cloud installation and the mobile app is distributed either from AppStores or through GO!Enterprise Server by

utilising Enterprise Licensing schemes of the mobile vendors. This way Globo can offer instant updates without going through the lengthy AppStore publishing cycle to all users and without the need to have an AppStore account

- The licences are sold in three ways:
  - Direct sale of licence (on premise)
  - Licences used within a development project which includes services
  - Licences sold through the Cloud or the "BOX"

Collection:

- Depending on the type of licences sold collection cycles are as follows:
- Collection occurs within 90 days for direct sales of licences
- For licences consumed within a project the Company collects according to the schedule of project payments (120 – 150 days)
- For licences offered through the Cloud or the BOX the Company usually collects within 45 days.
- Terms under these agreements are typically around 90 days.
- In the case of the Cloud version, payment terms are around 45 days (or as short as 5 days if Globo accepts a 5% discount to the quoted price). Please note that the Cloud version is still early stage

GO!Enterprise Projects

Service offering:

- Globo undertakes bespoke projects for clients such as the development of custom branded apps for use internally within a corporation or externally for the customer's clients.

Collection:

- These projects can run typically for 6-9 months or on occasion considerably longer. Given the variable length of these projects and 3-4 month payment terms following invoicing at the end of the project, DSOs in the enterprise projects segment can run to 120-210 days.

S.a.a.S / Telecom

Service offering:

- Globo offers services under the S.a.a.S model to several customers. These services include Hosting, Disaster recovery, Telecom services, SMS, WiFi etc.

Collection:

- These services are usually annual and have a collection cycle of 120-210 days

R&D capitalisation and amortisation

In accordance with International Financial Reporting Standards (IFRS) and consistent with the Company's accounting policies (see pages 63 & 64 of the Group's 2012 annual report – Intangible Assets) the Group capitalises costs on newly developed software products as well as on products under development.

These costs are subsequently amortised once the products are ready for sale.

The Group has maintained the same accounting treatment since its inception

The rules the Company follows are dictated by IFRS and are the following:

- Costs incurred on development of projects are recognised as intangible assets only if all of the following conditions are met:
  - it is technically feasible to complete the product so that it will be available for use or sale;
  - it is the intention to complete the intangible asset and use or sell it;
  - there is an ability to use or sell the intangible asset;
  - it can be demonstrated how the intangible asset will generate probable future economic benefits;
  - adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
  - the expenditure attributable to the intangible asset during its development can be reliably measured.