

## Interim Report January - June 2020

### April - June 2020

- Net sales increased by 38 percent to SEK 1,621.9 million (1,176.7). Organic growth in local currency was 27 percent.
- Gross profit increased by 43 percent to SEK 460.3 million (321.1). Organic growth in local currency was 24 percent.
- Adjusted EBITDA<sup>1</sup> increased by 55 percent to SEK 176.5 million (114.2).
- Adjusted EBIT<sup>2</sup> amounted to SEK 161.7 million (104.1).
- Profit after tax for the quarter was SEK 37.1 million (53.3).
- Diluted earnings per share were SEK 0.61 (0.98).

### January - June 2020

- Net sales increased by 42 percent to SEK 3,246.1 million (2,278.4). Organic growth in local currency was 29 percent.
- Gross profit increased by 49 percent to SEK 907.0 million (610.6). Organic growth in local currency was 29 percent.
- Adjusted EBITDA<sup>1</sup> increased by 59 percent to SEK 360.8 million (226.4).
- Adjusted EBIT<sup>2</sup> amounted to SEK 330.5 million (206.3).
- Profit after tax for the period was SEK 133.5 million (111.1).
- Diluted earnings per share were SEK 2.19 (2.06).

“The advantages of cloud-based technology are now very tangible as governments and businesses find new ways of working during the Covid-19 pandemic” – Oscar Werner, CEO.

### Significant events during the quarter

- The acquisition of Chatlayer BV for total consideration of EUR 5.6 million on a debt-free basis closed on 1 April and was financed with cash reserves. Chatlayer offers a cloud-based software platform to create advanced, multilingual chatbots that understand both spoken language and text-based communications.
- Sinch entered into a binding agreement on 5 May to acquire SAP Digital Interconnect (SDI), a unit within SAP, for total cash consideration of EUR 225 million. The acquisition was financed with cash reserves and available debt facilities. SDI offers cloud-based communications services in three segments: Programmable Communications, Carrier Messaging and Enterprise Solutions. During the 12-month period ending 31 March 2020, SDI generated sales of EUR 340 million, gross profit of EUR 94 million and adjusted EBITDA of EUR 15.4 million. Headquartered in San Ramon, California, SDI has about 330 employees in 20 countries. Execution of the transaction is subject to customary terms and conditions and the approval of competition authorities in several countries. The transaction is expected to close in the second half of 2020.
- On 15 June, Sinch entered into a binding agreement to acquire ACL Mobile Ltd (ACL) for total consideration of INR 5,350 million (approximately SEK 655m). The acquisition will be financed with a combination of cash reserves and debt facilities. Headquartered in Delhi, India, the company has 288 employees and is a leading vendor of communications services in India and Southeast Asia. During the 12-month period ending 31 March 2020, ACL generated sales of INR 4,959 million (SEK 607m), gross profit of INR 1,901 million (SEK 134m) and adjusted EBITDA of INR 480 million (SEK 59m). The transaction is expected to close in Q3 2020.
- A directed issue of 1,052,631 shares was executed on 15 June at a subscription price of SEK 665 per share. The issue generated keen interest and was directed at selected Swedish and international institutional investors. The issue raised approximately SEK 700 million for Sinch before issue costs.
- The negative impact of Covid-19 in the smaller Voice and Video segment continued due to a decline in travel that lowered demand from app-based ride-hailing firms.

<sup>1</sup> EBITDA before depreciation, amortization and impairments excluding items affecting comparability. See page 3 for a specification of items affecting comparability.

<sup>2</sup> EBIT excluding items affecting comparability and depreciation/amortization of acquisition-related assets. See Note 4 for a specification of depreciation and amortization.

### Invitation to phone conference

Sinch will present the interim report in a phone conference on 17 July at 14:00 CET. Please ensure you are connected to the phone conference by phoning in to register a few minutes before the conference begins.

Sweden: +46 (8) 506 921 85  
 United Kingdom: +44 (0) 203 009 5710  
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 Access code: 27 56 118#

Register here to watch the presentation via Webcast: [investors.sinch.com/webcast](https://investors.sinch.com/webcast).

## Message from the CEO

### Powering the resilient enterprise

The advantages of cloud-based technology are now very tangible as governments and businesses find new ways of working during the Covid-19 pandemic. People expect businesses to service them through digital channels, and our technology is making that possible.

Our greater scale sets us apart from the competition and lets us invest in innovation without sacrificing our profitability. We grow both organically and through acquisitions with two landmark acquisitions announced during the second quarter. SAP Digital Interconnect strengthens our position as a leading vendor to global enterprise customers with the highest demands on quality and performance. ACL Mobile adds significant messaging volume and gives us critical scale in the world's second largest mobile market.

Gross profit in the quarter was 43 percent higher than the same period the year before. The acquisitions of TWW, myElefant and Chatlayer contributed 19 percentage points of this increase, currency tailwind added 1 percentage points and organic growth was 24 percent. Since pass-through fees vary significantly between products and geographies, we believe growth in gross profit is a more meaningful metric than revenue growth to track our performance. Adjusted EBITDA in the second quarter was 58 percent higher than the same period the year before.

Organic gross profit growth in Messaging reached 35 percent in the quarter. Growth in this segment is fuelled not least by large, US-based tech companies who rely on Sinch for high-quality messaging to multiple destinations. The acquisition of TWW in Brazil is developing very favourable and our global sales force is now cross-selling the 'Rich SMS' landing page technology that we acquired through myElefant. Growth in Messaging is also resulting in clearly improved profitability. Effects from Covid-19 are mixed with negative effects in select verticals offset by increased business activity in other areas.

Voice & Video is severely impacted by a sharp drop in demand from ride hailing companies using Sinch products for Number Masking. Less travelling due to Covid-19 caused a slowdown already in March but now impacts a full quarter causing a decline in gross profit compared to last year and negative EBITDA in the quarter. Our business in Number verification is less affected and is developing well with continued positive outlook.

The core technology that powers our business messaging is also used by mobile operators with software sales recorded in the Operators segment. Financial development in this area is more adverse than anticipated with lengthened lead times and reduced conversion of orders to revenues.



Currency headwind weighs on EBITDA in the Operators segment, as does forward-looking development work on our recently announced SMSF product that brings SMS functionality to 5G networks. We do not expect rapid financial improvement but are encouraged by positive early reactions to the SMSF offering and constructive cooperation with Ericsson who offers the Sinch SMSF within the Ericsson 5G Core Network.

It is encouraging to report healthy overall growth and profitability despite headwinds in Operators and Voice & Video. We have built a robust core that we continue to strengthen through organic investments and complementary M&A.

The Sinch platform powers customer engagement for demanding businesses across the globe. We enable a mobile-first customer experience built on technology that scales from proof-of-concept to ultra-high throughput without delays or service degradations. We power the resilient enterprise, in the digital era.

Stockholm, 17 July 2020

Oscar Werner  
President and CEO

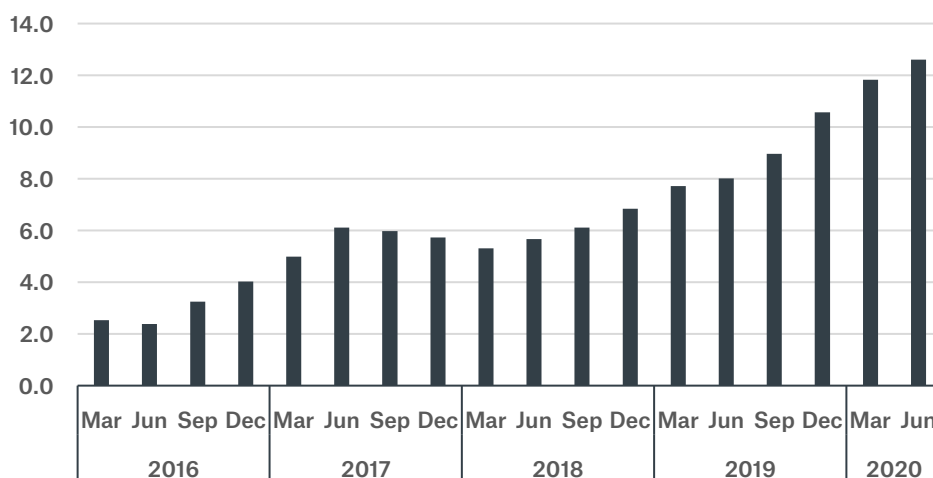
## Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and of operational measurements, please refer to page 20.

| Sinch Group, SEK million                    | Q2<br>2020 | Q2<br>2019 | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019    | R12M     |
|---|------------|------------|-----------------|-----------------|---------|----------|
| Net sales                                   | 1,621.9    | 1,176.7    | 3,246.1         | 2,278.4         | 5,035.6 | 6,003.2  |
| Gross profit                                | 460.3      | 321.1      | 907.0           | 610.6           | 1,394.1 | 1,690.5  |
| Gross margin                                | 28.4%      | 27.3%      | 27.9%           | 26.8%           | 27.7%   | 28.2%    |
| Operating profit, EBITDA                    | 145.7      | 114.2      | 320.9           | 226.4           | 555.5   | 650.1    |
| EBITDA margin                               | 9.0%       | 9.7%       | 9.9%            | 9.9%            | 11.0%   | 10.8%    |
| Adjusted EBITDA                             | 176.5      | 114.2      | 360.8           | 226.4           | 573.5   | 708.0    |
| Adjusted EBITDA margin                      | 10.9%      | 9.7%       | 11.1%           | 9.9%            | 11.4%   | 11.8%    |
| Adjusted EBITDA/gross profit                | 38.3%      | 35.6%      | 39.8%           | 37.1%           | 41.1%   | 41.9%    |
| Operating profit, EBIT                      | 88.1       | 73.2       | 206.7           | 142.1           | 371.6   | 436.2    |
| EBIT margin                                 | 5.4%       | 6.2%       | 6.4%            | 6.2%            | 7.4%    | 7.3%     |
| Adjusted EBIT                               | 161.7      | 104.1      | 330.5           | 206.3           | 523.6   | 647.8    |
| Adjusted EBIT margin                        | 10.0%      | 8.8%       | 10.2%           | 9.1%            | 10.4%   | 10.8%    |
| Profit for the period                       | 37.1       | 53.3       | 133.5           | 111.1           | 274.5   | 296.9    |
| Cash flow from operating activities         | 263.6      | 92.6       | 398.3           | 168.3           | 327.3   | 557.3    |
| Net debt                                    | -1,493.9   | 441.4      | -1,493.9        | 441.4           | 958.7   | -1,493.9 |
| Net debt/adjusted EBITDA R12M, multiple     | -2.1       | 1.2        | -2.1            | 1.2             | 1.7     | -2.1     |
| Equity ratio                                | 60.0%      | 48.7%      | 60.0%           | 48.7%           | 40.0%   | 60.0%    |
| Adjusted EBITDA per share, diluted SEK      | 2.90       | 2.11       | 6.24            | 4.20            | 10.57   | 12.61    |
| Diluted earnings per share, SEK             | 0.61       | 0.98       | 2.19            | 2.06            | 5.06    | 4.87     |
| Average number of employees                 | 638        | 431        | 615             | 417             | 457     | 551      |
| Average number of employees and consultants | 794        | 542        | 770             | 517             | 572     | 661      |

| Items affecting comparability and adjustments     | Q2<br>2020   | Q2<br>2019   | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019          | R12M          |
|---|--------------|--------------|-----------------|-----------------|---------------|---------------|
| Acquisition costs                                 | -25.5        | -            | -31.9           | -               | -15.1         | -47.0         |
| Integration costs                                 | -8.8         | -            | -11.5           | -               | -3.0          | -14.4         |
| Income adjusted earnout                           | 3.5          | -            | 3.5             | -               | -             | 3.5           |
| <b>Total items affecting EBITDA comparability</b> | <b>-30.8</b> | <b>-</b>     | <b>-39.9</b>    | <b>-</b>        | <b>-18.0</b>  | <b>-57.9</b>  |
| Amortization of acquisition-related assets        | -42.8        | -30.9        | -83.9           | -64.2           | -134.0        | -153.6        |
| <b>Total adjustments in EBIT</b>                  | <b>-73.5</b> | <b>-30.9</b> | <b>-123.7</b>   | <b>-64.2</b>    | <b>-152.0</b> | <b>-211.5</b> |

### Adjusted EBITDA per share, rolling 12 months (SEK)



## Quarterly summary

| <b>Net sales, SEK million</b>                                     | <b>Q2<br/>2018</b> | <b>Q3<br/>2018</b> | <b>Q4<br/>2018</b> | <b>Q1<br/>2019</b> | <b>Q2<br/>2019</b> | <b>Q3<br/>2019</b> | <b>Q4<br/>2019</b> | <b>Q1<br/>2020</b> | <b>Q2<br/>2020</b> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Messaging   | 947.7              | 921.8              | 1,070.3            | 1,025.3            | 1,096.7            | 1,126.2            | 1,444.2            | 1,534.3            | 1,562.0            |
| Voice and Video   | 17.8               | 20.5               | 38.2               | 45.0               | 56.9               | 70.0               | 76.9               | 72.5               | 53.9               |
| Operators   | 33.6               | 39.5               | 50.6               | 43.4               | 44.2               | 42.0               | 43.7               | 49.1               | 39.0               |
| Other and eliminations  | -1.7               | -2.5               | -7.8               | -11.9              | -21.2              | -21.8              | -24.2              | -31.7              | -33.0              |
| <b>Total</b>  | <b>997.4</b>       | <b>979.3</b>       | <b>1,151.3</b>     | <b>1,101.8</b>     | <b>1,176.7</b>     | <b>1,216.4</b>     | <b>1,540.7</b>     | <b>1,624.2</b>     | <b>1,621.9</b>     |
| <b>Gross profit, SEK million</b>                                  | <b>Q2<br/>2018</b> | <b>Q3<br/>2018</b> | <b>Q4<br/>2018</b> | <b>Q1<br/>2019</b> | <b>Q2<br/>2019</b> | <b>Q3<br/>2019</b> | <b>Q4<br/>2019</b> | <b>Q1<br/>2020</b> | <b>Q2<br/>2020</b> |
| Messaging   | 207.5              | 203.7              | 244.6              | 228.4              | 259.2              | 272.8              | 364.0              | 374.3              | 412.2              |
| Voice and Video   | 10.1               | 11.6               | 20.0               | 21.6               | 21.7               | 31.7               | 34.5               | 26.8               | 13.0               |
| Operators   | 30.8               | 35.0               | 45.2               | 39.6               | 40.2               | 39.1               | 41.4               | 45.7               | 35.0               |
| Other and eliminations  | 0.3                | -0.3               | 0.1                | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                |
| <b>Total</b>  | <b>248.6</b>       | <b>249.9</b>       | <b>309.9</b>       | <b>289.5</b>       | <b>321.1</b>       | <b>343.6</b>       | <b>439.9</b>       | <b>446.7</b>       | <b>460.3</b>       |
| <b>Gross margin</b>   | <b>Q2<br/>2018</b> | <b>Q3<br/>2018</b> | <b>Q4<br/>2018</b> | <b>Q1<br/>2019</b> | <b>Q2<br/>2019</b> | <b>Q3<br/>2019</b> | <b>Q4<br/>2019</b> | <b>Q1<br/>2020</b> | <b>Q2<br/>2020</b> |
| Messaging   | 21.9%              | 22.1%              | 22.9%              | 22.3%              | 23.6%              | 24.2%              | 25.2%              | 24.4%              | 26.4%              |
| Voice and Video   | 56.6%              | 56.6%              | 52.4%              | 47.9%              | 38.2%              | 45.3%              | 44.9%              | 37.0%              | 24.2%              |
| Operators   | 91.7%              | 88.6%              | 89.3%              | 91.2%              | 90.9%              | 93.0%              | 94.7%              | 92.9%              | 89.7%              |
| <b>Total</b>  | <b>24.9%</b>       | <b>25.5%</b>       | <b>26.9%</b>       | <b>26.3%</b>       | <b>27.3%</b>       | <b>28.2%</b>       | <b>28.6%</b>       | <b>27.5%</b>       | <b>28.4%</b>       |
| <b>Adjusted EBITDA, SEK million</b>                               | <b>Q2<br/>2018</b> | <b>Q3<br/>2018</b> | <b>Q4<br/>2018</b> | <b>Q1<br/>2019</b> | <b>Q2<br/>2019</b> | <b>Q3<br/>2019</b> | <b>Q4<br/>2019</b> | <b>Q1<br/>2020</b> | <b>Q2<br/>2020</b> |
| Messaging   | 108.3              | 93.9               | 102.6              | 107.8              | 112.2              | 134.9              | 205.0              | 176.8              | 213.5              |
| Voice and Video   | -5.1               | -3.7               | 2.7                | 2.1                | 1.4                | 12.2               | 10.8               | 8.7                | -9.5               |
| Operators   | 3.5                | 8.2                | 10.8               | 9.6                | 4.9                | 4.6                | -3.4               | 8.9                | -9.6               |
| Other and eliminations  | -9.5               | -3.0               | -6.7               | -7.3               | -4.3               | -4.2               | -12.9              | -10.2              | -18.0              |
| <b>Adjusted EBITDA, total</b>                                     | <b>97.3</b>        | <b>95.4</b>        | <b>109.4</b>       | <b>112.2</b>       | <b>114.2</b>       | <b>147.6</b>       | <b>199.5</b>       | <b>184.3</b>       | <b>176.5</b>       |
| Items affecting comparability in EBITDA                           | -17.0              | 4.0                | 31.0               | -                  | -                  | -12.9              | -5.2               | -9.1               | -30.8              |
| <b>EBITDA</b>   | <b>80.3</b>        | <b>99.4</b>        | <b>140.4</b>       | <b>112.2</b>       | <b>114.2</b>       | <b>134.8</b>       | <b>194.3</b>       | <b>175.2</b>       | <b>145.7</b>       |
| Adjusted EBITDA margin  | 9.8%               | 9.7%               | 9.5%               | 10.2%              | 9.7%               | 12.1%              | 12.9%              | 11.3%              | 10.9%              |
| Adjusted EBITDA/gross profit                                      | 39.1%              | 38.2%              | 35.3%              | 38.8%              | 35.6%              | 43.0%              | 45.4%              | 41.3%              | 38.3%              |
| Adjusted EBITDA/share diluted, SEK                                | 1.82               | 1.78               | 2.04               | 2.08               | 2.11               | 2.73               | 3.64               | 3.34               | 2.90               |
| <b>Items affecting comparability and adjustments, SEK million</b> | <b>Q2<br/>2018</b> | <b>Q3<br/>2018</b> | <b>Q4<br/>2018</b> | <b>Q1<br/>2019</b> | <b>Q2<br/>2019</b> | <b>Q3<br/>2019</b> | <b>Q4<br/>2019</b> | <b>Q1<br/>2020</b> | <b>Q2<br/>2020</b> |
| Acquisition costs   | -4.3               | -0.4               | -0.2               | -                  | -                  | -12.9              | -2.2               | -6.4               | -25.5              |
| Restructuring costs   | -                  | 8.9                | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Integration costs   | -12.8              | -4.5               | -2.7               | -                  | -                  | -                  | -3.0               | -2.7               | -8.8               |
| Capital loss from sale of PSMS business                           | -                  | -                  | -8.1               | -                  | -                  | -                  | -                  | -                  | -                  |
| Adjusted earnout  | -                  | -                  | 42.0               | -                  | -                  | -                  | -                  | -                  | 3.5                |
| <b>Items affecting EBITDA comparability</b>                       | <b>-17.0</b>       | <b>4.0</b>         | <b>31.0</b>        | <b>-</b>           | <b>-</b>           | <b>-12.9</b>       | <b>-5.2</b>        | <b>-9.1</b>        | <b>-30.8</b>       |
| Impairment tangible and intangible IoT assets                     | -                  | -9.2               | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Amortization acquisition-related assets                           | -34.3              | -35.6              | -27.4              | -33.3              | -30.9              | -32.1              | -37.7              | -41.1              | -42.8              |
| <b>Total adjustments in EBIT</b>                                  | <b>-51.4</b>       | <b>-40.8</b>       | <b>3.6</b>         | <b>-33.3</b>       | <b>-30.9</b>       | <b>-45.0</b>       | <b>-42.8</b>       | <b>-50.2</b>       | <b>-73.5</b>       |

## April - June 2020

### Net sales

Consolidated net sales grew in the period by 38 percent to SEK 1,621.9 million (1,176.7). Amounts in parentheses refer to the corresponding quarter in the preceding year.

Organic growth, in local currency and excluding acquisitions was 27 percent. The acquisitions of TWW, myElefant and Chatlayer contributed 10 percent. TWW contributed SEK 93.8 million, myElefant SEK 22.6 million and Chatlayer SEK 2.3 million.

Growth was positively affected during the quarter by the depreciation of the Swedish krona (SEK), primarily against EUR, USD and GBP. The Group has significant revenues in foreign currency and if exchange rates had been the same during the quarter as in the same quarter in 2019, revenues would have been lower by about SEK 8.2 million. The positive currency effect on consolidated net sales was thus 1 percent.

### Gross profit

Consolidated gross profit rose during the quarter by 43 percent to SEK 460.3 million (321.1).

Organic growth in local currency was 24 percent. TWW,

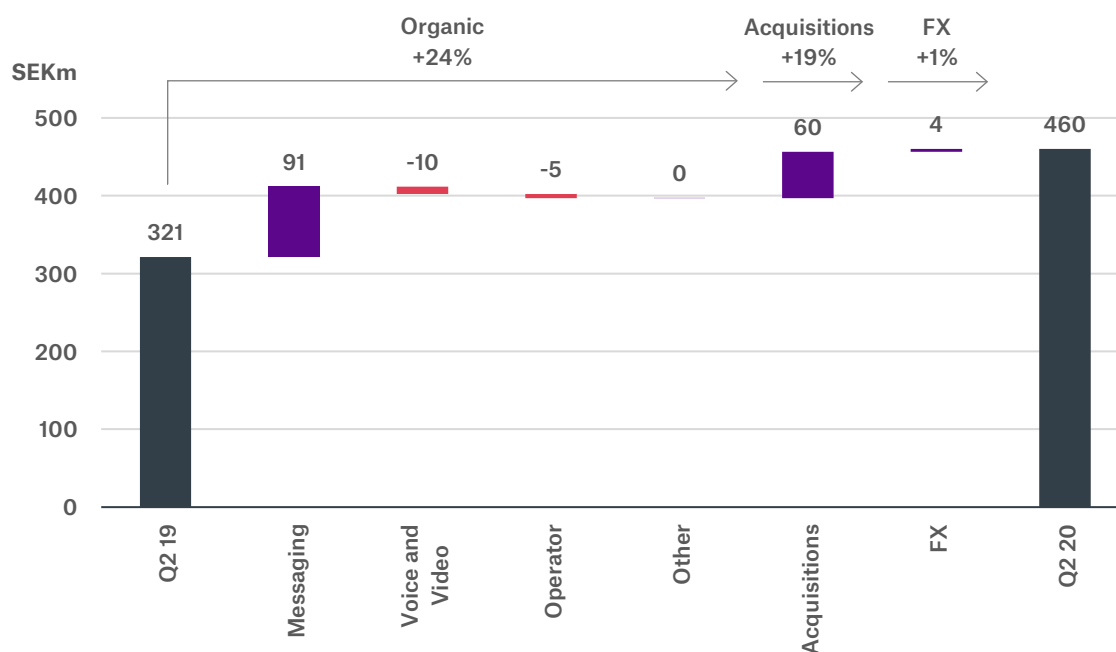
myElefant and Chatlayer contributed 19 percent. TWW contributed SEK 48.4 million, myElefant SEK 9.1 million and Chatlayer SEK 2.1 million. The positive effect of exchange rate changes during the quarter was SEK 3.7 million, corresponding to 1 percent.

The gross margin, which is affected by several factors, amounted to 28.4 percent (27.3). The gross margins of the acquired businesses, TWW, myElefant and Chatlayer, are higher than the Group average, which contributed to the improvement. Growth in existing products with a higher gross margin, including personalized video messaging, also has a positive effect on the consolidated gross margin. We deliver more messages to markets with pass-through billing to mobile operators, resulting in a higher gross margin.

The countries to which enterprise customers of Sinch send messages is a key factor that affects the gross margin. Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely because operator traffic tariffs differ significantly from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and gross margin even though there is no effect on gross profit in absolute numbers.

Accordingly, Sinch focuses mainly on gross profit and gross profit growth, rather than net sales and the gross margin.

### Change in consolidated gross profit, Q2 2019 - Q2 2020



## EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 145.7 million (114.2).

EBITDA excluding items affecting comparability<sup>1</sup> (adjusted EBITDA) increased by SEK 62.3 million to SEK 176.5 million (114.2), corresponding to an increase of 55 percent.

Exchange rate changes had an aggregate negative effect on EBITDA of SEK -8.6 million. Of the total currency effect, SEK -11.4 million arose from remeasurements of balance sheet items.

Profit was reduced by future-oriented initiatives aimed at driving growth. The company is making substantial investments in product development, sales and marketing in several areas. These costs comprise mainly employee benefits expenses.

The Group's financial target is growth of adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 2.90 (2.11) for the quarter and SEK 12.61 SEK (8.01) for the rolling twelve months, an increase of 57 percent. Adjusted EBITDA divided by gross profit was 38.3 percent (35.6) for the quarter.

## Operating profit, EBIT

EBIT amounted to SEK 88.1 million (73.2). Acquisition-related depreciation and amortization, which do not affect cash flow, reduced EBIT by SEK 42.8 million (30.9). The depreciation and amortization arose mainly from planned amortization of acquired customer relationships and acquired software. See Note 4.

Adjusted EBIT (EBIT excluding items affecting comparability and depreciation and amortization of acquisition-related assets<sup>1</sup>) was SEK 161.7 million (104.1).

## Employees

At the end of the quarter, the Group employed 822 (588) people, including consultants. The average number of employees for the quarter was 794 (542). The average number of employees (full-time equivalents, excluding consultants) was 638 (431), of whom 29 percent (21) women. Sinch has elected to temporarily slow the pace of recruitment due to economic uncertainty related to the ongoing Covid-19 pandemic.

## January - June 2020

### Net sales

Consolidated net sales grew 42 percent in the period to SEK 3,246.1 million (2,278.4). Amounts in parentheses refer to the corresponding period in the preceding year. Organic growth in local currency, excluding acquisitions, was 29 percent.

### Gross profit

Gross profit was SEK 907.0 million (610.6) Organic growth in local currency and excluding acquisitions was 29 percent.

The positive effect of exchange rate changes was SEK 15.1 million, corresponding to 2 percent. The gross margin amounted to 27.9 percent (26.8).

## Operating profit, EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 320.9 million (226.4). EBITDA excluding items affecting comparability (Adjusted EBITDA) amounted to SEK 360.8 million (226.4).

EBIT amounted to SEK 206.7 million (142.1). Adjusted EBIT (EBIT excluding items affecting comparability and depreciation and amortization of acquisition-related assets), amounted to SEK 330.5 million (206.3).

## Other income and expense items

Net financial expense was SEK -19.7 million (-2.8), with interest costs amounting to SEK -18.8 million (-14.0) and foreign exchange differences to SEK 0.4 million (11.4). The Group's effective tax rate was 28.6 percent (20.3). See Note 5 for a reconciliation of tax on profit or loss for the period. Net profit for the period amounted to SEK 133.5 million (111.1).

## Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 44.2 million (19.5). Investments relate primarily to capitalized development expenditure of SEK 32.9 million (15.3).

## Cash flow, liquidity and financial position

Cash flow from operating activities amounted to SEK 398.3 million (168.3). As before, cash flow fluctuates in relation to quarter-to-quarter EBIT.

On 26 March, Sinch secured an expansion of existing credit facilities to SEK 1,850 million, provided that the company meets certain covenants. In addition, Sinch has access to a bank overdraft of SEK 250 million. As of 30 June 2020, the overdraft had not been utilized (-).

Consolidated cash and cash equivalents as of 30 June 2020 amounted to SEK 2,650.6 million (466.3). Net debt amounted to SEK -1,493.9 million (958.7). Adjusted EBITDA R12M in relation to net debt was -2.1 (1.2). The negative net debt aims to finance announced but not completed acquisitions.

A directed issue of 5,000,000 shares was executed on 26 March at a subscription price of SEK 300 per share, followed by a directed issue of 1,052,631 shares on 15 June at a subscription price of SEK 665 per share. The issues generated keen interest and were directed at selected Swedish and international institutional investors. The first issue raised SEK 1,500 million and the second about SEK 700 million for Sinch, before issue costs.

Equity as of 30 June 2020 amounted to SEK 4,173.3 million (1,998.6), corresponding to an equity ratio of 60.0 percent (40.0).

1) Details are provided in the table on page 3 and in Note 4.

## Messaging

Powered by Sinch's cloud communications platform, enterprises can reach their customers and employees directly in their mobile phone within a second or two. The messages are sent as SMS (text messages) or using next-generation technologies like RCS and WhatsApp. The product segment includes personalized video messaging, where unique video messages are customized for each and every recipient.

| Messaging, SEK million       | Q2<br>2020 | Q2<br>2019 | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019    | R12M    |
|------------------------------|------------|------------|-----------------|-----------------|---------|---------|
| Net sales                    | 1,562.0    | 1,096.7    | 3,096.3         | 2,122.0         | 4,692.5 | 5,666.8 |
| Gross profit                 | 412.2      | 259.2      | 786.5           | 487.5           | 1,124.4 | 1,423.3 |
| Gross margin                 | 26.4%      | 23.6%      | 25.4%           | 23.0%           | 24.0%   | 25.1%   |
| Adjusted EBITDA              | 213.5      | 112.2      | 390.3           | 220.0           | 559.9   | 730.3   |
| EBITDA                       | 209.2      | 112.2      | 383.4           | 220.0           | 557.3   | 720.7   |
| Adjusted EBITDA/gross profit | 51.8%      | 43.3%      | 49.6%           | 45.1%           | 49.8%   | 51.3%   |
| Adjusted EBITDA margin       | 13.7%      | 10.2%      | 12.6%           | 10.4%           | 11.9%   | 12.9%   |

Sinch Messaging makes it possible for enterprises to reach consumers with automated, business-critical messages. Sinch has purposefully built up a leading market position based on quality, cost-effectiveness and economies of scale. That puts Sinch in prime position to defy fierce competition and win organic market shares and continue consolidating the market through acquisitions.

During the quarter, Sinch announced that it has entered into a definitive agreement to acquire SAP Digital Interconnect ("SDI"), a unit within SAP. SDI's cloud-based communications products are used by more than 1,500 enterprise customers throughout the world, including some of the world's most valued brands. SDI also has adjacent product offerings within Carrier Messaging and Contact Center and employs around 330 people. The transaction is now assessed by competition authorities in multiple jurisdictions and is expected to close during the second half of 2020.

During the quarter, Sinch also announced the acquisition of ACL Mobile, a leading provider of cloud communications services in India and Southeast Asia. ACL serves more than 500 enterprise customers and is particularly successful in the Banking and Financial Services industry, where ACL's proprietary Axiom platform offers intelligent routing and granular access controls that specifically caters to the stringent security requirements of demanding financial institutions. ACL employs 288 people and is headquartered in Delhi. The transaction is expected to close in the third quarter of 2020.

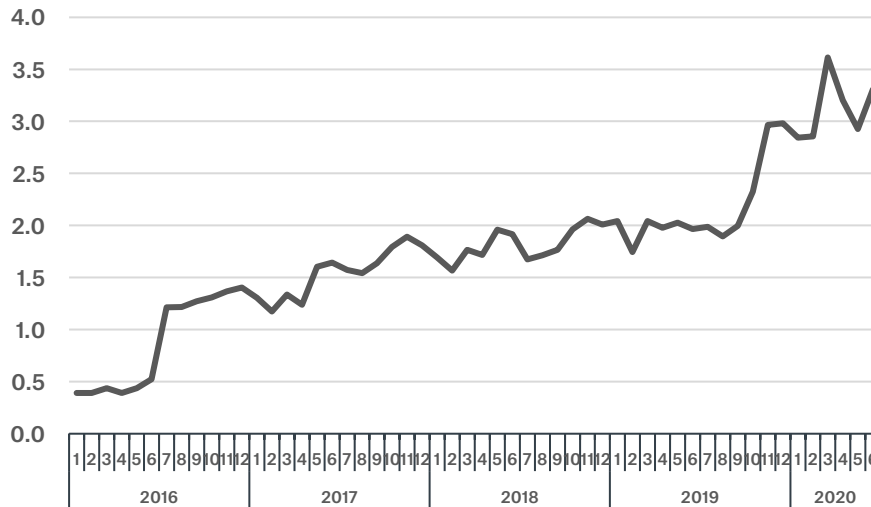
We are making substantial investments in next-generation messaging services that include multimedia and the potential for two-way communication. These initiatives cover communications channels like RCS and WhatsApp as well as the software architecture required to handle advanced two-way dialogues. We see tremendous potential in these segments, although the market is still in an early stage.

The acquisition of myElefant in late 2019 has equipped us with advanced but user-friendly campaign tools and we have begun the work to weave together the myElefant product portfolio with Sinch's offering related to personalized video messaging. The integration of TWW is progressing well with rising message volumes and marketing of Brazil-related messaging services to Sinch's global customer base, and integration of the Chatlayer platform for AI-driven customer interaction has been initiated. Multiple workstreams are also ongoing to close the acquisition of SDI and prepare the integration of SDI, ACL and Wavy.

### Transaction volume

The number of sent messages rose by 58 percent in the second quarter through organic and acquired growth. The increase in comparable units was 32 percent compared to the corresponding quarter last year. Traffic volumes rose steeply in March, and a part of that increase was related to the global Covid-19 pandemic. Volumes have decreased slightly since then but continue to grow on a year-on-year basis. Initiatives to limit the spread of disease means that many companies and organizations now look to digital tools to communicate with their employees and customers.

**Number of transactions per month (billions)**



## Net sales

During the quarter, net sales increased by SEK 465.3 million compared to the corresponding period in 2019 to SEK 1,562.0 million (1,096.7), an increase of 42 percent. Of this increase, 11 percentage points are attributable to acquisitions and 1 percentage point to exchange rate changes. Organic growth in local currency was 31 percent. The acquisition of TWW contributed SEK 93.8 million, the acquisition of myElefant contributed SEK 22.6 million and the acquisition of Chatlayer contributed SEK 2.3 million.

Sinch's targeted focus on large, strategic customers has a positive impact on organic growth in net sales. Commercial partnerships between Sinch and multinational cloud platform providers that use products from Sinch for customer communications and automated mobile marketing are a key growth driver.

## Gross profit

Gross profit increased during the quarter to SEK 412.2 million (259.2), an increase of 59 percent compared to the same quarter in the preceding year. Of this increase, 23 percentage points are attributable to acquisitions and 1 percentage point to exchange rate changes. Organic growth in local currency was 35 percent. The acquisition of TWW contributed SEK 48.4 million, the acquisition of myElefant contributed SEK 9.1 million and the acquisition of Chatlayer contributed SEK 2.1 million.

Overall, we are seeing a persistently strong trend in North America and more cautious growth in Europe and Asia. It should be noted, however, that the strong development in North America is partly due to that many large, global tech firms are based in the US. Although these companies have local operations all over the world, their revenues are reported in the US because Sinch's geographical reporting is based on the location of the customer's headquarters.

The gross margin improved by 2.8 percentage points during the quarter compared to the same period last year. During the past year, Sinch has acquired several businesses whose gross margins exceed the segment average. Combined, the acquisitions of TWW, myElefant and Chatlayer had a positive effect on the gross margin of 2.0 percentage points in the quarter. The gross margin is also positively affected by growth in existing and new products with higher software value-add and by changes in traffic mix between countries.

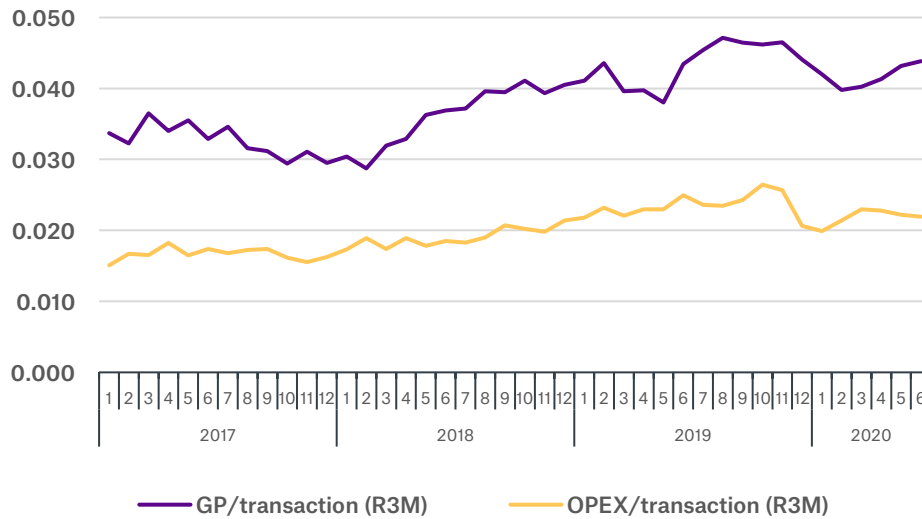
Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely from country to country. This is because operator traffic tariffs differ substantially from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and gross margin even though there is no effect on gross profit in absolute numbers. For this reason, Sinch focuses on gross profit per transaction, not gross margin, as the guiding performance measurement.

## EBITDA

During the quarter, adjusted EBITDA increased by SEK 101.3 million compared to the corresponding period in 2019 to SEK 213.5 million (112.2), an increase of 90 percent. The aggregate effect of exchange rate changes was negative and reduced EBITDA by -2 percent.

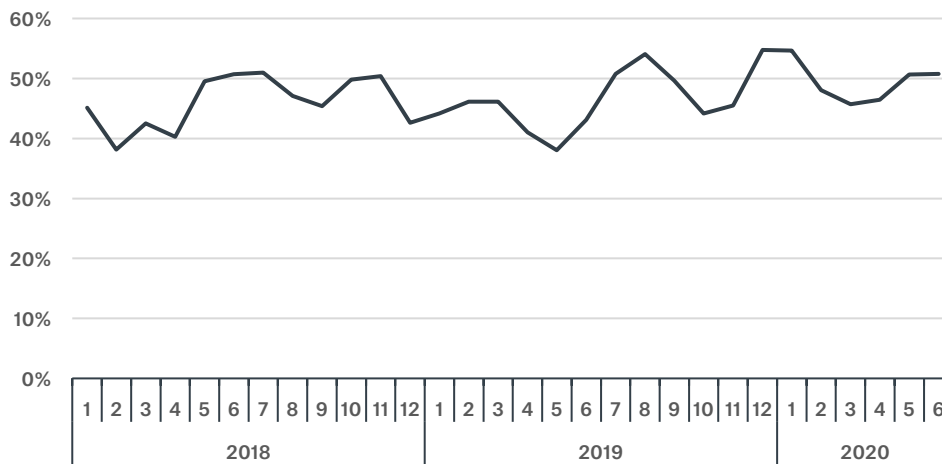


## Gross profit/transaction and OPEX/transaction (SEK)



Gross profit per transaction was relatively similar to the same period last year. OPEX per transaction benefits from economies of scale in operations, as higher transaction volume and gross profit do not entail a corresponding increase in the cost base. In parallel, operating profit is still being reduced by several future-oriented initiatives aimed at driving growth. These costs comprise mainly employee benefits expenses. The company is developing software for interactive messaging services like WhatsApp and Viber, Facebook Messenger and RCS. These next-generation messaging services provide a richer user experience and encourage interactive customer dialogue with intuitive menu selections that allow the recipient to, for example, check in or book a new appointment at the touch of a button.

## Adjusted EBITDA / gross profit (rolling 3 months)



Adjusted EBITDA in relation to gross profit is a key measurement of efficiency and scalability. The performance measurement shows the underlying margin and is not affected by changes in operator traffic tariffs. Even though forward-looking growth initiatives are increasing product development costs, adjusted EBITDA/gross profit is relatively stable as gross profit growth has a high incremental margin.

## Voice and Video

Sinch's innovative products for cloud-based voice and video calls are found within Voice and Video. The product segment includes Number Masking, a service that provides temporary phone numbers, and Verification, where Sinch helps enterprises verify their customers' mobile phone numbers swiftly, easily and cost-effectively.

| Voice and Video, SEK million | Q2<br>2020 | Q2<br>2019 | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019  | R12M  |
|------------------------------|------------|------------|-----------------|-----------------|-------|-------|
| Net sales                    | 53.9       | 56.9       | 126.3           | 101.9           | 248.8 | 273.2 |
| Gross profit                 | 13.0       | 21.7       | 39.8            | 43.3            | 109.5 | 106.0 |
| Gross margin                 | 24.2%      | 38.2%      | 31.5%           | 42.4%           | 44.0% | 38.8% |
| Adjusted EBITDA              | -9.5       | 1.4        | -0.7            | 3.5             | 26.6  | 22.3  |
| EBITDA                       | -9.5       | 1.4        | -0.7            | 3.5             | 26.6  | 22.3  |
| Adjusted EBITDA margin       | -17.6%     | 2.5%       | -0.6%           | 3.5%            | 10.7% | 8.2%  |

Lower demand related to the Covid-19 pandemic is having clear impact on the Voice and Video business. Sinch has a strong position in Number Masking for app-based ride hailing services, which allows drivers and riders to easily contact one another without revealing their private mobile phone numbers. We also have a competitive offering in number verification, where we help enterprises verify their customers' mobile phone numbers.

### Net sales

Net sales fell during the quarter by SEK 3.0 million to SEK 53.9 million (56.9). The business has been seriously impacted by the decrease in use of ride-hailing services due to Covid-19 and sales decreased by SEK 23 million compared to the fourth quarter of 2019. The global pandemic is thus having direct negative impact that is currently overshadowing the underlying growth we have previously seen in Voice and Video.

### Profit

Gross profit for the quarter amounted to SEK 13.0 million (21.7). The gross margin was 24.2 percent (38.2). Adjusted EBITDA amounted to SEK -9.5 million (1.4).

## Operators

Sinch develops software solutions for mobile operators, as both products and services, to provide mobile value-added services (VAS), handle online charging systems (OCS) in real time, and to protect their networks and revenues.

| Operators, SEK million | Q2<br>2020 | Q2<br>2019 | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019  | R12M  |
|------------------------|------------|------------|-----------------|-----------------|-------|-------|
| Net sales              | 39.0       | 44.2       | 88.2            | 87.6            | 173.3 | 173.9 |
| Gross profit           | 35.0       | 40.2       | 80.7            | 79.7            | 160.2 | 161.2 |
| Gross margin           | 89.7%      | 90.9%      | 91.5%           | 91.1%           | 92.5% | 92.7% |
| Adjusted EBITDA        | -9.6       | 4.9        | -0.6            | 14.5            | 15.7  | 0.6   |
| EBITDA                 | -6.1       | 4.9        | 2.9             | 14.5            | 15.7  | 4.1   |
| Adjusted EBITDA margin | -24.5%     | 11.0%      | -0.7%           | 16.5%           | 9.1%  | 0.4%  |

The Operators business is project-based and thus more volatile than the other business segments. Several future-oriented initiatives were begun in 2019, including sharper focus on products aimed at securing mobile operators' revenues from messaging, RCS-as-a-Service to speed up the rollout of RCS and the development of Sinch SMSF to handle messaging in 5G networks.

### Net sales

Net sales fell during the quarter by SEK 5.2 million to SEK 39.0 million (44.2). The business was adversely affected by a more uncertain business climate due to the ongoing Covid-19 pandemic. Many operator customers are postponing purchasing decisions, leading to lower conversion of orders to sales. We are, however, seeing early and favorable response to our new SMSF products for SMS functionality in 5G networks.

### Profit

Gross profit decreased during the quarter by SEK 5.2 million to SEK 35.0 million (40.2). Adjusted EBITDA decreased by SEK 14.5 million to SEK -9.6 million (4.9).

## Condensed income statement

| Sinch Group, SEK million                     | Note | Q2<br>2020     | Q2<br>2019     | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019           | R12M           |
|--|------|----------------|----------------|-----------------|-----------------|----------------|----------------|
| <b>Net sales</b>                             |      | <b>1,621.9</b> | <b>1,176.7</b> | <b>3,246.1</b>  | <b>2,278.4</b>  | <b>5,035.6</b> | <b>6,003.2</b> |
| Cost of goods sold and services              |      | -1,161.6       | -855.6         | -2,339.1        | -1,667.8        | -3,641.4       | -4,312.7       |
| <b>Gross profit</b>                          |      | <b>460.3</b>   | <b>321.1</b>   | <b>907.0</b>    | <b>610.6</b>    | <b>1,394.1</b> | <b>1,690.5</b> |
| Other operating income                       |      | 34.1           | 25.6           | 67.0            | 51.5            | 103.1          | 118.6          |
| Work performed by the entity and capitalized |      | 17.7           | 9.1            | 32.9            | 15.3            | 38.6           | 56.2           |
| Other external costs                         |      | -125.7         | -79.6          | -236.4          | -148.7          | -328.7         | -416.4         |
| Employee benefits expenses                   |      | -198.0         | -132.6         | -382.1          | -252.1          | -537.6         | -667.6         |
| Other operating expenses                     |      | -42.8          | -29.4          | -67.4           | -50.2           | -113.9         | -131.2         |
| <b>EBITDA</b>                                |      | <b>145.7</b>   | <b>114.2</b>   | <b>320.9</b>    | <b>226.4</b>    | <b>555.5</b>   | <b>650.1</b>   |
| Depreciation, amortization and impairment    | 4    | -57.6          | -41.1          | -114.2          | -84.2           | -183.9         | -213.8         |
| <b>EBIT</b>                                  |      | <b>88.1</b>    | <b>73.2</b>    | <b>206.7</b>    | <b>142.1</b>    | <b>371.6</b>   | <b>436.2</b>   |
| Finance income                               |      | 2.0            | 0.8            | 3.7             | 167.5           | 18.6           | -145.2         |
| Finance expenses                             |      | -33.8          | -8.3           | -23.4           | -170.3          | -35.2          | 111.7          |
| <b>Profit before tax</b>                     |      | <b>56.3</b>    | <b>65.7</b>    | <b>187.1</b>    | <b>139.4</b>    | <b>355.0</b>   | <b>402.8</b>   |
| Current tax                                  |      | -34.3          | -18.2          | -76.3           | -33.0           | -83.8          | -127.2         |
| Deferred tax                                 |      | 15.1           | 5.8            | 22.8            | 4.7             | 3.3            | 21.3           |
| <b>Profit for the period</b>                 |      | <b>37.1</b>    | <b>53.3</b>    | <b>133.5</b>    | <b>111.1</b>    | <b>274.5</b>   | <b>296.9</b>   |
| <b>Attributable to:</b>                      |      |                |                |                 |                 |                |                |
| Owners of the parent                         |      | 37.0           | 53.2           | 133.5           | 111.2           | 274.6          | 296.9          |
| Non-controlling interests                    |      | 0.1            | 0.0            | 0.0             | -0.1            | -0.1           | 0.0            |

## Earnings per share

| Sinch Group, SEK | Q2<br>2020 | Q2<br>2019 | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019 | R12M |
|------------------|------------|------------|-----------------|-----------------|------|------|
| - Basic          | 0.63       | 0.99       | 2.26            | 2.07            | 5.12 | 5.01 |
| - Diluted        | 0.61       | 0.98       | 2.19            | 2.06            | 5.06 | 4.87 |

## Condensed statement of comprehensive income

| Sinch Group, SEK million                          | Q2<br>2020    | Q2<br>2019   | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019         | R12M          |
|---|---------------|--------------|-----------------|-----------------|--------------|---------------|
| <b>Profit for the period</b>                      | <b>37.1</b>   | <b>53.3</b>  | <b>133.5</b>    | <b>111.1</b>    | <b>274.5</b> | <b>296.9</b>  |
| <b>Other comprehensive income or loss</b>         |               |              |                 |                 |              |               |
| Translation differences                           | -198.4        | -14.6        | -179.5          | 53.2            | 61.2         | -171.5        |
| Hedge accounting net investments                  | 2.6           | 0.6          | 0.5             | -7.8            | -5.7         | 2.6           |
| Tax effect on items in other comprehensive income | -0.6          | -0.1         | -0.1            | 1.7             | 1.2          | -0.5          |
| <b>Other comprehensive income for the period</b>  | <b>-196.3</b> | <b>-14.1</b> | <b>-179.1</b>   | <b>47.1</b>     | <b>56.7</b>  | <b>-169.4</b> |
| <b>Total comprehensive income for the period</b>  | <b>-159.2</b> | <b>39.2</b>  | <b>-45.6</b>    | <b>158.1</b>    | <b>331.2</b> | <b>127.5</b>  |
| <b>Attributable to:</b>                           |               |              |                 |                 |              |               |
| Owners of the parent                              | -159.4        | 39.2         | -45.6           | 158.3           | 331.4        | 127.6         |
| Non-controlling interests                         | 0.2           | 0.0          | 0.0             | -0.1            | -0.2         | -0.1          |

## Condensed balance sheet

| Sinch Group, SEK million                            | Note | 6/30/2020      | 6/30/2019      | 12/31/2019     |
|---|------|----------------|----------------|----------------|
| <b>ASSETS</b>                                       |      |                |                |                |
| Goodwill  |      | 1,704.4        | 1,258.6        | 1,753.9        |
| Customer relationships                              |      | 681.1          | 659.5          | 764.0          |
| Operator relationships                              |      | 92.9           | 99.5           | 106.8          |
| Proprietary software                                |      | 214.0          | 137.0          | 162.7          |
| Other intangible non-current assets                 |      | 7.0            | 2.0            | 3.9            |
| Right-of-use assets                                 |      | 64.9           | 78.2           | 76.6           |
| Other tangible non-current assets                   |      | 33.2           | 19.1           | 29.7           |
| Non-current financial assets                        |      | 13.8           | 12.9           | 12.0           |
| Deferred tax assets                                 |      | 232.3          | 192.9          | 237.6          |
| <b>Total non-current assets</b>                     |      | <b>3,043.5</b> | <b>2,459.7</b> | <b>3,147.2</b> |
| Tax receivables                                     |      | 13.8           | 21.7           | 23.8           |
| Other current receivables                           |      | 1,252.9        | 1,083.5        | 1,353.6        |
| Cash and cash equivalents                           |      | 2,650.6        | 185.5          | 466.3          |
| <b>Total current assets</b>                         |      | <b>3,917.2</b> | <b>1,290.8</b> | <b>1,843.7</b> |
| <b>TOTAL ASSETS</b>                                 |      | <b>6,960.7</b> | <b>3,750.5</b> | <b>4,990.9</b> |
| <b>EQUITY AND LIABILITIES</b>                       |      |                |                |                |
| Equity attributable to owners of the parent         | 3    | 4,172.6        | 1,824.1        | 1,997.9        |
| Non-controlling interests                           |      | 0.6            | 0.8            | 0.7            |
| <b>Total equity</b>                                 |      | <b>4,173.3</b> | <b>1,824.9</b> | <b>1,998.6</b> |
| Deferred tax liability                              |      | 258.3          | 213.7          | 270.3          |
| Non-current liabilities, interest bearing           |      | 1,069.2        | 500.3          | 1,329.8        |
| Non-current liabilities, non-interest bearing       |      | 125.3          | 66.3           | 139.8          |
| <b>Total non-current liabilities</b>                |      | <b>1,452.7</b> | <b>780.3</b>   | <b>1,739.9</b> |
| Current liabilities, interest bearing               |      | 87.6           | 126.6          | 95.2           |
| Provisions  |      | 40.9           | 29.4           | 21.3           |
| Tax liabilities                                     |      | 54.9           | 20.4           | 9.7            |
| Other current liabilities, non-interest bearing     |      | 1,151.3        | 968.9          | 1,126.1        |
| <b>Total current liabilities</b>                    |      | <b>1,334.7</b> | <b>1,145.3</b> | <b>1,252.4</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <b>6,960.7</b> | <b>3,750.5</b> | <b>4,990.9</b> |
| <b>Financial instruments measured at fair value</b> |      |                |                |                |
| Derivatives with positive fair value                |      | 0.1            | 1.4            | 6.4            |
| Derivatives with negative fair value                |      | 2.7            | 3.3            | 2.1            |

The carrying amount is considered to be a reasonable estimate of the fair value of all financial assets and liabilities. The financial assets and liabilities are attributable to measurement levels 2 and 3. For information on the measurement techniques, see Note 28 in the 2019 Annual Report.

## Condensed statement of changes in equity

| Sinch Group, SEK million              | Attributable to owners of the parent company |                             |               |                   |                |            | Non-controlling interests | Total equity |
|---------------------------------------|--|-----------------------------|---------------|-------------------|----------------|------------|---------------------------|--------------|
|                                       | Share capital                                | Other capital contributions | Reserves      | Retained earnings | Total          |            |                           |              |
| <b>Opening balance 1 January 2019</b> | 5.4  | 1,386.8                     | 18.5          | 252.6             | 1,663.3        | 0.9        | 1,664.2                   |              |
| Total comprehensive income            |  |                             | 47.1          | 111.2             | 158.3          | -0.1       | 158.1                     |              |
| Warrants issue                        |  | 2.7                         |               |                   | 2.7            |            | 2.7                       |              |
| Issue expenses, net after tax         |  |                             |               | -0.2              | -0.2           |            | -0.2                      |              |
| <b>Closing balance 30 June 2019</b>   | <b>5.4</b>                                   | <b>1,389.5</b>              | <b>65.6</b>   | <b>363.6</b>      | <b>1,824.1</b> | <b>0.8</b> | <b>1,824.9</b>            |              |
| <b>Opening balance 1 January 2020</b> | <b>5.4</b>                                   | <b>1,390.8</b>              | <b>75.3</b>   | <b>526.3</b>      | <b>1,998.0</b> | <b>0.7</b> | <b>1,998.6</b>            |              |
| Total comprehensive income            |  |                             | -179.0        | 133.5             | -45.6          | 0.0        | -45.6                     |              |
| New share issue, warrants issue       | 0.6  | 2,245.4                     |               |                   | 2,246.0        |            | 2,246.0                   |              |
| Issue expenses, net after tax         |  | -25.9                       |               |                   | -25.9          |            | -25.9                     |              |
| <b>Closing balance 30 June 2020</b>   | <b>6.0</b>                                   | <b>3,610.3</b>              | <b>-103.7</b> | <b>659.8</b>      | <b>4,172.6</b> | <b>0.6</b> | <b>4,173.3</b>            |              |

## Condensed statement of cash flows

| Sinch Group, SEK million                               | Note | Q2<br>2020     | Q2<br>2019   | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019          | R12M           |
|--|------|----------------|--------------|-----------------|-----------------|---------------|----------------|
| Cash flow before changes in working capital            |      | 126.7          | 74.0         | 302.3           | 159.9           | 453.5         | 595.9          |
| Changes in working capital                             |      | 137.0          | 56.2         | 96.1            | 8.4             | -126.2        | -38.6          |
| <b>Cash flow from operating activities</b>             |      | <b>263.6</b>   | <b>130.2</b> | <b>398.3</b>    | <b>168.3</b>    | <b>327.3</b>  | <b>557.3</b>   |
| Net investments in tangible and intangible assets      |      | -24.2          | -12.0        | -44.2           | -19.5           | -56.0         | -80.7          |
| Change in financial receivables                        |      | -1.4           | -3.0         | -2.3            | -1.6            | 12.1          | 11.5           |
| Acquisition of subsidiary                              | 6    | -81.4          | -74.4        | -125.8          | -85.8           | -668.5        | -708.4         |
| <b>Cash flow from investing activities</b>             |      | <b>-107.1</b>  | <b>-89.4</b> | <b>-172.2</b>   | <b>-106.9</b>   | <b>-712.4</b> | <b>-777.7</b>  |
| New borrowing  |      | -              | -            | -               | -               | 1,453.4       | 1,453.4        |
| Amortization of bank loan                              |      | -211.4         | -24.1        | -212.7          | -48.2           | -756.7        | -921.1         |
| Amortization lease liability                           |      | -7.1           | -6.3         | -14.0           | -12.5           | -25.8         | -27.3          |
| New share issue/warrants                               | 3    | 700.8          | 0.5          | 2,212.0         | 2.4             | 2.1           | 2,211.7        |
| <b>Cash flow from financing activities</b>             |      | <b>482.4</b>   | <b>-29.9</b> | <b>1,985.3</b>  | <b>-58.3</b>    | <b>673.1</b>  | <b>2,716.7</b> |
| <b>Cash flow for the period</b>                        |      | <b>638.9</b>   | <b>10.9</b>  | <b>2,211.4</b>  | <b>3.1</b>      | <b>288.0</b>  | <b>2,496.3</b> |
| Opening balance cash and cash equivalents              |      | 2,040.7        | 174.5        | 466.3           | 180.8           | 180.8         | 185.5          |
| Exchange rate differences in cash and cash equivalents |      | -29.0          | 0.2          | -27.1           | 1.7             | -2.4          | -31.3          |
| <b>Closing balance cash and cash equivalents</b>       |      | <b>2,650.6</b> | <b>185.5</b> | <b>2,650.6</b>  | <b>185.5</b>    | <b>466.3</b>  | <b>2,650.6</b> |

## Other disclosures

| Sinch Group, SEK million                           | Q2<br>2020 | Q2<br>2019 | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019       | R12M       |
|--|------------|------------|-----------------|-----------------|------------|------------|
| <b>Share information</b>                           |            |            |                 |                 |            |            |
| Basic earnings per share, SEK                      | 0.63       | 0.99       | 2.26            | 2.07            | 5.12       | 5.01       |
| Diluted earnings per share, SEK                    | 0.61       | 0.98       | 2.19            | 2.06            | 5.06       | 4.87       |
| Basic weighted average number of shares            | 58,920,291 | 53,602,089 | 59,166,145      | 53,602,089      | 53,602,089 | 59,313,403 |
| Diluted weighted average number of shares          | 60,904,556 | 54,098,531 | 60,839,515      | 53,938,308      | 54,234,275 | 60,930,052 |
| Number of ordinary shares at the end of the period | 59,985,934 | 53,602,089 | 59,985,934      | 53,602,089      | 53,602,089 | 58,933,303 |
| Total number of shares at the end of the period    | 59,985,934 | 53,602,089 | 59,985,934      | 53,602,089      | 53,602,089 | 58,933,303 |
| <b>Financial position</b>                          |            |            |                 |                 |            |            |
| Equity attributable to owners of the parent        | 4,172.6    | 1,824.1    | 4,172.6         | 1,824.1         | 1,997.9    | 4,172.6    |
| Equity ratio                                       | 60.0%      | 48.7%      | 60.0%           | 48.7%           | 40.0%      | 60.0%      |
| Net investments in tangible and intangible assets  | 24.2       | 7.0        | 44.2            | 19.5            | 56.0       | 80.7       |
| Cash and cash equivalents                          | 2,650.6    | 185.5      | 2,650.6         | 185.5           | 466.3      | 2,650.6    |
| Net debt   | -1,493.9   | 441.4      | -1,493.9        | 441.4           | 958.7      | -1,493.9   |
| Net debt/adjusted EBITDA R12M, multiple            | -2.1       | 1.2        | -2.1            | 1.2             | 1.7        | -2.1       |
| <b>Employees</b>                                   |            |            |                 |                 |            |            |
| Average number of FTEs                             | 638        | 431        | 615             | 417             | 457        | 551        |
| Percentage female                                  | 29%        | 21%        | 29%             | 21%             | 23%        | 27%        |
| <b>Key figures</b>                                 |            |            |                 |                 |            |            |
| EBITDA margin                                      | 9.0%       | 9.7%       | 9.9%            | 9.9%            | 11.0%      | 10.8%      |
| EBIT margin  | 5.4%       | 6.2%       | 6.4%            | 6.2%            | 7.4%       | 7.3%       |

## Segment reporting

An operating segment is defined as a business activity that is able to generate revenues and incur costs, whose operating results are regularly reviewed by the entity's chief executive officer and for which separate financial information is available. The Sinch Group's operating segments are Messaging, Operators and Voice and Video. Items below EBITDA are not allocated to the segments.

| Q2 2020, SEK million                      | Messaging      | Voice and Video | Operators   | Parent company, unallocated items and eliminations | Group          |
|---|----------------|-----------------|-------------|--|----------------|
| <b>External revenue</b>                   | <b>1,535.3</b> | <b>53.7</b>     | <b>32.8</b> | -  | <b>1,621.9</b> |
| Internal revenue                          | 26.7           | 0.1             | 6.2         | -33.0  | -              |
| <b>Gross profit</b>                       | <b>412.2</b>   | <b>13.0</b>     | <b>35.0</b> | <b>0.0</b>   | <b>460.3</b>   |
| <b>Adjusted EBITDA</b>                    | <b>213.5</b>   | <b>-9.5</b>     | <b>-9.6</b> | <b>-18.0</b>                                       | <b>176.5</b>   |
| Items affecting comparability             | -4.4           | 0.0             | 3.5         | -29.9  | -30.8          |
| <b>EBITDA</b>                             | <b>209.2</b>   | <b>-9.5</b>     | <b>-6.1</b> | <b>-47.9</b>                                       | <b>145.7</b>   |
| Depreciation, amortization and impairment |                |                 |             |  | -57.6          |
| <b>EBIT</b>                               |                |                 |             |  | <b>88.1</b>    |
| Net financial expense                     |                |                 |             |  | -31.8          |
| <b>Profit before tax</b>                  |                |                 |             |  | <b>56.3</b>    |

EBITDA for the parent company amounts to SEK -9.1 million, including integration costs of SEK -3.5 million. Unallocated items include acquisition costs of SEK -25.5 million, integration costs of SEK -0.9 million and employee costs related to vested warrants of SEK -11.8 million.

| Q2 2019, SEK million                      | Messaging      | Voice and Video | Operators   | Parent company, unallocated items and eliminations | Group          |
|---|----------------|-----------------|-------------|--|----------------|
| <b>External revenue</b>                   | <b>1,077.3</b> | <b>56.8</b>     | <b>42.5</b> | -  | <b>1,176.7</b> |
| Internal revenue                          | 19.4           | 0.1             | 1.7         | -21.2  | -              |
| <b>Gross profit</b>                       | <b>259.2</b>   | <b>21.7</b>     | <b>40.2</b> | <b>0.0</b>   | <b>321.1</b>   |
| <b>Adjusted EBITDA</b>                    | <b>112.2</b>   | <b>1.4</b>      | <b>4.9</b>  | <b>-4.3</b>  | <b>114.2</b>   |
| Items affecting comparability             | -              | -               | -           | -  | -              |
| <b>EBITDA</b>                             | <b>112.2</b>   | <b>1.4</b>      | <b>4.9</b>  | <b>-4.3</b>  | <b>114.2</b>   |
| Depreciation, amortization and impairment |                |                 |             |  | -41.1          |
| <b>EBIT</b>                               |                |                 |             |  | <b>73.1</b>    |
| Net financial expense                     |                |                 |             |  | -7.5           |
| <b>Profit before tax</b>                  |                |                 |             |  | <b>65.6</b>    |

EBITDA for the parent company amounts to SEK -3.8 million. Unallocated items include employee costs related to vested warrants of SEK -0.4 million.

| Jan-Jun 2020, SEK million                 | Messaging      | Voice and Video | Operators   | Parent company, unallocated items and eliminations | Group          |
|---|----------------|-----------------|-------------|--|----------------|
| <b>External revenue</b>                   | <b>3,042.9</b> | <b>126.1</b>    | <b>77.2</b> | -  | <b>3,246.1</b> |
| Internal revenue                          | 53.4           | 0.3             | 11.0        | -53.7  | -              |
| <b>Gross profit</b>                       | <b>786.5</b>   | <b>39.8</b>     | <b>80.7</b> | <b>0.0</b>   | <b>907.0</b>   |
| <b>Adjusted EBITDA</b>                    | <b>390.3</b>   | <b>-0.7</b>     | <b>-0.6</b> | <b>-28.2</b>                                       | <b>360.8</b>   |
| Items affecting comparability             | -6.9           | 0.0             | 3.5         | -27.4  | -30.8          |
| <b>EBITDA</b>                             | <b>383.4</b>   | <b>-0.7</b>     | <b>2.9</b>  | <b>-64.7</b>                                       | <b>320.9</b>   |
| Depreciation, amortization and impairment |                |                 |             |  | -114.2         |
| <b>EBIT</b>                               |                |                 |             |  | <b>206.7</b>   |
| Net financial expense                     |                |                 |             |  | -19.7          |
| <b>Profit before tax</b>                  |                |                 |             |  | <b>187.1</b>   |

EBITDA for the parent company amounts to SEK -15.1 million, including integration costs of SEK -3.5 million. Unallocated items include acquisition costs of SEK -31.9 million, integration costs of SEK -1.1 million and employee costs related to vested warrants of SEK -15.0 million.

| Jan-Jun 2019, SEK million                 | Messaging      | Voice and Video | Operators   | Parent company, unallocated items and eliminations | Group          |
|---|----------------|-----------------|-------------|--|----------------|
| <b>External revenue</b>                   | <b>2,091.9</b> | <b>101.8</b>    | <b>84.8</b> | -  | <b>2,278.4</b> |
| Internal revenue                          | 30.1           | 0.2             | 2.8         | -33.1  | -              |
| <b>Gross profit</b>                       | <b>487.5</b>   | <b>43.3</b>     | <b>79.7</b> | <b>0.0</b>   | <b>610.6</b>   |
| <b>Adjusted EBITDA</b>                    | <b>220.0</b>   | <b>3.5</b>      | <b>14.5</b> | <b>-11.6</b>                                       | <b>226.4</b>   |
| Items affecting comparability             | -              | -               | -           | -  | -              |
| <b>EBITDA</b>                             | <b>220.0</b>   | <b>3.5</b>      | <b>14.5</b> | <b>-11.6</b>                                       | <b>226.4</b>   |
| Depreciation, amortization and impairment |                |                 |             |  | -84.2          |
| <b>EBIT</b>                               |                |                 |             |  | <b>142.1</b>   |
| Net financial expense                     |                |                 |             |  | -2.8           |
| <b>Profit before tax</b>                  |                |                 |             |  | <b>139.4</b>   |

EBITDA for the parent company amounts to SEK -8.7 million. Unallocated items include employee costs related to vested warrants of SEK -1.1 million.

## Distribution of external net sales

| Q2 2020, SEK million                          | Messaging      | Voice and Video | Operators   | Group          |
|---|----------------|-----------------|-------------|----------------|
| <b>Net sales by customers country/region</b>  |                |                 |             |                |
| Sweden  | 51.2           | 1.6             | 6.7         | 59.5           |
| France  | 91.6           | 0.1             | -           | 91.7           |
| UK  | 168.1          | 1.4             | 0.8         | 170.3          |
| Germany                                       | 89.3           | 0.3             | 0.8         | 90.4           |
| Other countries in the European Union         | 136.5          | 5.8             | 10.5        | 152.7          |
| Brazil  | 85.2           | 0.1             | -           | 85.4           |
| USA   | 757.7          | 25.5            | 0.1         | 783.2          |
| Rest of the world                             | 155.8          | 18.9            | 14.0        | 188.7          |
| <b>Total</b>                                  | <b>1,535.3</b> | <b>53.7</b>     | <b>32.8</b> | <b>1,621.9</b> |
| <b>Net sales by product/service</b>           |                |                 |             |                |
| Messaging                                     | 1,527.6        | 53.7            | -           | 1,581.4        |
| Initial software licenses and upgrades        | 1.7            | -               | 7.7         | 9.4            |
| Support                                       | 1.4            | -               | 25.1        | 26.4           |
| Other   | 4.7            | -               | -           | 4.7            |
| <b>Total</b>                                  | <b>1,535.3</b> | <b>53.7</b>     | <b>32.8</b> | <b>1,621.9</b> |
| <b>Net sales allocation per point in time</b> |                |                 |             |                |
| Over time                                     | 0.9            | -               | 32.8        | 33.7           |
| At one point in time                          | 1,534.4        | 53.7            | -           | 1,588.2        |
| <b>Total</b>                                  | <b>1,535.3</b> | <b>53.7</b>     | <b>32.8</b> | <b>1,621.9</b> |

| Q2 2019, SEK million                          | Messaging      | Voice and Video | Operators   | Group          |
|---|----------------|-----------------|-------------|----------------|
| <b>Net sales by customers country/region</b>  |                |                 |             |                |
| Sweden  | 86.9           | 3.1             | 6.4         | 96.5           |
| France  | 114.8          | 0.1             | -           | 114.9          |
| UK  | 170.5          | 1.9             | 1.7         | 174.1          |
| Germany                                       | 82.3           | 1.9             | 0.7         | 84.8           |
| Other countries in the European Union         | 109.8          | 16.9            | 18.5        | 145.2          |
| USA   | 402.9          | 15.6            | 0.3         | 418.7          |
| Rest of the world                             | 110.1          | 17.4            | 15.0        | 142.5          |
| <b>Total</b>                                  | <b>1,077.3</b> | <b>56.8</b>     | <b>42.5</b> | <b>1,176.7</b> |
| <b>Net sales by product/service</b>           |                |                 |             |                |
| Messaging                                     | 1,059.4        | 56.8            | -           | 1,116.2        |
| Initial software licenses and upgrades        | -              | -               | 15.8        | 15.8           |
| Support                                       | 1.7            | -               | 26.7        | 28.4           |
| Other   | 16.3           | -               | -           | 16.3           |
| <b>Total</b>                                  | <b>1,077.3</b> | <b>56.8</b>     | <b>42.5</b> | <b>1,176.7</b> |
| <b>Net sales allocation per point in time</b> |                |                 |             |                |
| Over time                                     | 2.0            | -               | 42.5        | 44.5           |
| At one point in time                          | 1,075.3        | 56.8            | -           | 1,132.2        |
| <b>Total</b>                                  | <b>1,077.3</b> | <b>56.8</b>     | <b>42.5</b> | <b>1,176.7</b> |

| Jan-Jun 2020, SEK million                     | Messaging      | Voice and Video | Operators   | Group          |
|---|----------------|-----------------|-------------|----------------|
| <b>Net sales by customers country/region</b>  |                |                 |             |                |
| Sweden  | 124.9          | 4.2             | 14.4        | 143.5          |
| France  | 202.1          | 0.5             | -           | 202.6          |
| UK  | 403.6          | 3.0             | 1.6         | 408.2          |
| Germany                                       | 175.1          | 1.6             | 1.5         | 178.1          |
| Other countries in the European Union         | 254.8          | 29.3            | 22.3        | 306.4          |
| Brazil  | 152.2          | 0.2             | -           | 152.4          |
| USA   | 1,439.1        | 51.5            | 0.2         | 1,490.8        |
| Rest of the world                             | 291.1          | 35.7            | 37.1        | 364.0          |
| <b>Total</b>                                  | <b>3,042.9</b> | <b>126.1</b>    | <b>77.2</b> | <b>3,246.1</b> |
| <b>Net sales by product/service</b>           |                |                 |             |                |
| Messaging                                     | 3,019.5        | 126.1           | -           | 3,145.5        |
| Initial software licenses and upgrades        | 1.9            | -               | 19.3        | 21.2           |
| Support                                       | 2.8            | -               | 57.8        | 60.6           |
| Other   | 18.7           | -               | 0.0         | 18.7           |
| <b>Total</b>                                  | <b>3,042.9</b> | <b>126.1</b>    | <b>77.2</b> | <b>3,246.1</b> |
| <b>Net sales allocation per point in time</b> |                |                 |             |                |
| Over time                                     | 1.2            | -               | 77.2        | 78.4           |
| At one point in time                          | 3,041.6        | 126.1           | -           | 3,167.7        |
| <b>Total</b>                                  | <b>3,042.9</b> | <b>126.1</b>    | <b>77.2</b> | <b>3,246.1</b> |

| Jan-Jun 2019, SEK million                     | Messaging      | Voice and Video | Operators   | Group          |
|---|----------------|-----------------|-------------|----------------|
| <b>Net sales by customers country/region</b>  |                |                 |             |                |
| Sweden  | 159.0          | 6.7             | 13.9        | 179.7          |
| France  | 226.6          | 0.1             | -           | 226.8          |
| UK  | 339.9          | 3.0             | 3.0         | 345.9          |
| Germany                                       | 180.6          | 4.1             | 1.3         | 186.0          |
| Other countries in the European Union         | 218.3          | 29.9            | 28.2        | 276.4          |
| USA   | 725.5          | 23.2            | 1.0         | 749.6          |
| Rest of the world                             | 242.1          | 34.7            | 37.3        | 314.1          |
| <b>Total</b>                                  | <b>2,091.9</b> | <b>101.8</b>    | <b>84.8</b> | <b>2,278.4</b> |
| <b>Net sales by product/service</b>           |                |                 |             |                |
| Messaging                                     | 2,058.6        | 101.8           | -           | 2,160.3        |
| Initial software licenses and upgrades        | -              | -               | 33.3        | 33.3           |
| Support                                       | 3.0            | -               | 51.4        | 54.4           |
| Other   | 30.4           | -               | -           | 30.4           |
| <b>Total</b>                                  | <b>2,091.9</b> | <b>101.8</b>    | <b>84.8</b> | <b>2,278.4</b> |
| <b>Net sales allocation per point in time</b> |                |                 |             |                |
| Over time                                     | 3.7            | -               | 84.8        | 88.5           |
| At one point in time                          | 2,088.2        | 101.8           | -           | 2,189.9        |
| <b>Total</b>                                  | <b>2,091.9</b> | <b>101.8</b>    | <b>84.8</b> | <b>2,278.4</b> |



## Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The group's operational and strategic management functions have been centralized to the parent company. At the end of the period, the parent company had 10 (9) employees. The parent company has no external business activities and the risks are mainly related to the operations of the subsidiaries.

### Condensed parent company income statement and balance sheet

| SEK million                         | Jan-Jun 2020 | Jan-Jun 2019 | 2019         |
|-------------------------------------|--------------|--------------|--------------|
| Operating revenue                   | 29.7         | 20.9         | 45.7         |
| Operating costs                     | -52.9        | -37.3        | -80.8        |
| <b>EBIT</b>                         | <b>-23.3</b> | <b>-16.4</b> | <b>-35.1</b> |
| Finance income & expenses           | 1.2          | 26.0         | 137.3        |
| <b>Profit after financial items</b> | <b>-22.1</b> | <b>9.6</b>   | <b>102.2</b> |
| Appropriations                      | -            | -            | -35.8        |
| Tax on profit for the period        | 4.7          | -2.1         | -14.2        |
| <b>Profit for the period*</b>       | <b>-17.4</b> | <b>7.5</b>   | <b>52.1</b>  |

\*Profit for the period coincides with comprehensive income for the period.

| SEK million                         | 6/30/2020      | 6/30/2019      | 12/31/2019     |
|-------------------------------------|----------------|----------------|----------------|
| <b>ASSETS</b>                       |                |                |                |
| Non-current assets                  | 3,000.8        | 2,226.2        | 2,981.7        |
| Current assets                      | 2,820.8        | 60.7           | 47.5           |
| <b>TOTAL ASSETS</b>                 | <b>5,821.6</b> | <b>2,286.9</b> | <b>3,029.2</b> |
| <b>EQUITY AND LIABILITIES</b>       |                |                |                |
| Equity                              | 3,691.7        | 1,435.3        | 1,479.9        |
| Untaxed reserves                    | 28.4           | 8.6            | 28.4           |
| Deferred tax liability              | 1.4            | -              | 1.4            |
| Non-current liabilities             | 1,029.8        | 472.5          | 1,285.2        |
| Current liabilities                 | 1,070.3        | 370.5          | 234.4          |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>5,821.6</b> | <b>2,286.9</b> | <b>3,029.2</b> |

### Note 1 - Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable provisions of the Annual Accounts Act. Disclosures in accordance with IAS 34 *Interim Financial Reporting* are provided in notes and elsewhere in the interim report. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 *Accounting of Legal Entities*. The accounting policies and estimation methods are unchanged from those applied in the 2019 annual report. There are no amendments to IFRS standards effective in 2020 that are expected to have material impact on the Group's results of operations and financial position.

Sinch does not anticipate changes in profitability due to Covid-19 of such materiality that would affect the use of assets, such as deferred tax assets and intangible assets. Risk assessment is performed on an ongoing basis and impairment tests are performed if circumstances indicate that such assets may be impaired.

### Note 2 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 6.9 million (7.1).

### Note 3 - Incentive programs

During the period of January-June, 331,214 warrants from LTI 2016 were exercised with a corresponding increase in the number of shares outstanding. The exercise price was SEK 127.67 per share and the exercise increased Sinch's equity by SEK 42.3 million.

Payroll costs for vested warrants are included in profit and loss for 2020 in the amount of SEK -1.1 million, with a corresponding increase in equity. Social insurance costs are included in the amount of SEK -13.9 million, with a corresponding increase of provisions in the balance sheet. SEK -0.5 million of the payroll costs and SEK -11.3 million of the social insurance costs were charged to the result during the second quarter. All warrants have been assessed as dilutive during the quarter because the exercise price has been lower than the average share price. The potential dilutive effect, as measured at the inception of the programs, is 5.6 percent upon exercise of all warrants in all programs.

Please refer to Note 7 of the 2019 annual report for detailed information concerning the Group's incentive programs LTI 2016, LTI 2018 and LTI 2019.

## Note 4 - Depreciation, amortization and impairments

| Depreciation, amortization and impairment, SEK million | Q2<br>2020   | Q2<br>2019   | Jan-Jun<br>2020 | Jan-Jun<br>2019 | 2019          | RTM           |
|--|--------------|--------------|-----------------|-----------------|---------------|---------------|
| Amortization acquired customer relationships           | -28.8        | -21.2        | -58.1           | -44.7           | -92.9         | -106.3        |
| Amortization acquired operator relationships           | -3.9         | -3.4         | -7.9            | -6.9            | -14.2         | -15.2         |
| Amortization acquired trademarks                       | -0.3         | 0.0          | -0.6            | -0.1            | -0.4          | -0.8          |
| Amortization acquired proprietary software             | -9.8         | -6.3         | -17.3           | -12.4           | -26.5         | -31.4         |
| <i>Total acquisition-related amortization</i>          | <i>-42.8</i> | <i>-30.9</i> | <i>-83.9</i>    | <i>-64.2</i>    | <i>-134.0</i> | <i>-153.6</i> |
| Amortization and impairment own developed software     | -4.6         | -1.8         | -9.6            | -3.5            | -15.5         | -21.5         |
| Amortization and impairment licenses                   | -0.2         | -0.1         | -0.4            | -0.3            | -0.7          | -0.8          |
| <b>Total amortization and impairment</b>               | <b>-47.5</b> | <b>-32.8</b> | <b>-93.8</b>    | <b>-68.0</b>    | <b>-150.1</b> | <b>-175.9</b> |
| Depreciation and impairment tangible fixed assets      | -3.2         | -2.2         | -6.9            | -4.2            | -9.1          | -11.8         |
| Depreciation right-to-use assets                       | -6.8         | -6.1         | -13.5           | -12.0           | -24.7         | -13.5         |
| <b>Total amortization, depreciation and impairment</b> | <b>-57.6</b> | <b>-41.1</b> | <b>-114.2</b>   | <b>-84.2</b>    | <b>-183.9</b> | <b>-201.1</b> |

## Note 5 - Reconciliation of tax for the period

| Reconciliation of tax expense for the period                      | 2020         | 2019         |
|---|--------------|--------------|
| Profit before tax   | 187.1        | 139.4        |
| Tax calculated at Swedish tax rate, 21.4%                         | -40.0        | -29.8        |
| Tax attributable to previous years                                | 1.9          | -0.5         |
| Tax effect of non-deductible expenses                             | -13.7        | -1.3         |
| Tax effect of non-taxable revenue                                 | 0.3          | 0.0          |
| Tax on standard interest rate, tax allocation reserves            | 0.0          | 0.0          |
| Tax effect of non-capitalized loss carryforwards                  | -0.7         | -            |
| Effect of foreign tax rates                                       | -1.4         | 3.3          |
| <b>Tax on profit for the period according to income statement</b> | <b>-53.6</b> | <b>-28.3</b> |

## Note 6 - Acquisition of Group companies

### Chatlayer

On 19 March 2020, Sinch entered into a binding agreement to acquire Chatlayer BV for total consideration of EUR 5.6 million (SEK 61.7 million) on a debt-free basis. The acquisition was financed with cash reserves. The acquisition closed on 1 April 2020 and was included in the consolidated accounts from that date, in the Messaging segment. Chatlayer offers a cloud-based software platform to create advanced, multilingual chatbots that understand both spoken language and text-based communications. Chatlayer had sales in 2019 of approximately EUR 0.8 million, gross profit of about EUR 0.7 million and EBITDA of approximately EUR -0.9 million. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 40.7 million arose upon acquisition, mainly attributable to the expertise contributed by the employees of Chatlayer. The estimated useful life of the proprietary software is five years.

### Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy, including the two companies Movel Internet Móvel S.A. and Wavy Global Holdings BV, for cash consideration of BRL 355 million and a non-cash issue of 1,534,582 new shares in Sinch. In total, this corresponds to consideration of SEK 1,187 million on a debt-free basis at a price per share of SEK 311 and at an exchange rate of SEK/BRL 2.00. The acquisition will be financed with a combination of cash reserves and debt facilities. Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles more than 13 billion messages a year. With its sharp focus on innovation, Wavy has also achieved a leading position within next-generation interactive messaging via WhatsApp. During the twelve-month period ending 31 March 2020, Wavy achieved sales of BRL 466 million (SEK 932m), gross profit of BRL 130 million (SEK 260m) and adjusted EBITDA of BRL 47 million (SEK 94m). Wavy has 260 employees and nine offices in six countries. The merger of Sinch and Wavy is expected to generate synergies of BRL 15-20 million (SEK 30-40m) in the next 24 months. Execution of the transaction is subject to customary terms and conditions and the approval of the Brazilian competition authority CADE, *Conselho Administrativo de Defesa Econômica*. The transaction is expected to close in the second half of 2020. If the transaction is not carried out and provided that certain criteria are met Sinch will pay Movel a cancellation fee of BRL 30 million (SEK 60m).

### SDI

Sinch entered into a binding agreement on 5 May 2020 to acquire SAP Digital Interconnect (SDI), a unit within SAP, for total cash consideration of EUR 225 million (SEK 2,362.5m) at an exchange rate of SEK/EUR 10.50. The acquisition was financed with cash reserves and available debt facilities. SDI offers cloud communication services and consists of three business segments. Programmable Communications addresses enterprise customers and comprises SDI's API-based offerings for customer interaction through SMS, push notifications, email, WhatsApp, WeChat and Viber. Carrier Messaging comprises several business-critical services for mobile operators, including products for handling person-to-person (P2P) messages. Enterprise Solutions includes products for customer service, including cloud-based contact center solutions and services to manage advisory information in emergencies. During the 12-month period ending 31 March 2020, SDI generated sales of EUR 340 million (SEK 3,570m), gross profit of EUR 94 million (SEK 987m) and adjusted

EBITDA of EUR 15.4 million (SEK 161.7m). Headquartered in San Ramon, California, the business has about 330 employees in 20 countries. Execution of the transaction is subject to customary terms and conditions and the approval of competition authorities in several countries. The transaction is expected to close in the second half of 2020. If the transaction is not carried out and provided that certain criteria are met Sinch will pay SAP a cancellation fee of EUR 11 million (SEK 115.5m).

## ACL

On 15 June, Sinch entered into a binding agreement to acquire ACL Mobile Ltd (ACL) for total consideration of INR 5,350 million (approximately SEK 655m). The acquisition will be financed with a combination of cash reserves and debt facilities. The company is a leading vendor of communications services in India and Southeast Asia. ACL has its headquarters in Delhi, India and foreign offices in the United Arab Emirates and Malaysia. ACL has 288 employees. During the 12-month period ending 31 March 2020, ACL generated sales of INR 4,959 million (SEK 607m), gross profit of INR 1,091 million (SEK 134m) and adjusted EBITDA of INR 480 million (SEK 59m). The transaction is expected to close in the third quarter of 2020.

## Previous acquisitions

Contingent consideration of SEK 1.3 million, related to TWW, was paid during the first quarter. The consideration refers to compensation for the tax value of utilized tax loss carryforwards.

Direct costs relating to acquisitions are included in the item "Other external expenses" on the income statement.

| Fair value acquired net assets, SEK million | Chatlayer   |
|---|-------------|
| Proprietary software                        | 52.3        |
| Right-of-use-assets                         | 1.9         |
| Other tangible assets                       | 0.1         |
| Financial fixed assets                      | 0.0         |
| Accounts receivable                         | 2.8         |
| Accrued income from agreements              | 0.2         |
| Other current assets                        | 0.0         |
| Cash and cash equivalents                   | 5.8         |
| Deferred tax liability                      | -13.1       |
| Leasing liability                           | -1.8        |
| Other long-term liabilities                 | -16.4       |
| Accounts payable                            | -1.6        |
| Short-term liabilities, interest bearing    | -0.3        |
| Other short term liabilities                | -9.0        |
| <b>Total acquired net assets</b>            | <b>21.0</b> |

| Purchase consideration, SEK million | Chatlayer   |
|-------------------------------------|-------------|
| <b>Total purchase consideration</b> | <b>61.7</b> |
| Fair value acquired net assets      | -21.0       |
| <b>Goodwill</b>                     | <b>40.7</b> |

| Investing activities 2020, SEK million                  | Chatlayer   | myElefant  | TWW         | Wavy       | SDI         | ACL        | Total        |
|---|-------------|------------|-------------|------------|-------------|------------|--------------|
| Original purchase consideration                         | 61.7        | -          | -           | -          | -           | -          | <b>61.7</b>  |
| Additional purchase consideration                       | -           | -          | 1.3         | -          | -           | -          | <b>1.3</b>   |
| Settlement cash and cash equivalents                    | -           | -          | 46.4        | -          | -           | -          | <b>46.4</b>  |
| Settlement working capital and debt                     | -           | -          | -9.2        | -          | -           | -          | <b>-9.2</b>  |
| Cash and cash equivalents in acquired entity            | -5.8        | -          | -           | -          | -           | -          | <b>-5.8</b>  |
| Expenses directly linked to the acquisition             | 1.8         | 0.3        | 1.1         | 7.6        | 19.7        | 0.8        | <b>31.4</b>  |
| <b>Effect on consolidated cash and cash equivalents</b> | <b>57.8</b> | <b>0.3</b> | <b>39.5</b> | <b>7.6</b> | <b>19.7</b> | <b>0.8</b> | <b>125.8</b> |

Direct costs relating to acquisitions are included in the item "Other external expenses" on the income statement.

| Acquired entities contribution 2020, SEK million | Chatlayer |
|--|-----------|
| Net sales  | 2.3       |
| Profit after tax for the year                    | -3.1      |

The following table shows sales and profit as if the acquisition of Chatlayer had taken place on 1 January 2020.

| 2020, SEK million             | Chatlayer | Other entities | Amortization acquired assets | Total   |
|-------------------------------|-----------|----------------|------------------------------|---------|
| Net sales                     | 5.3       | 3,243.8        | -                            | 3,249.0 |
| Profit after tax for the year | -4.6      | 140.3          | -5.6                         | 130.1   |

## Definitions

### Financial measurements defined under IFRS:

#### Earnings per share, basic and diluted

Net profit for the period attributable to owners of the parent divided by the volume-weighted average number of shares outstanding in the period before/after dilution.

### Financial measurements not defined under IFRS:

The company presents certain financial measurements that are not defined under IFRS. The company believes that these measurements provide useful supplemental information to investors and the company's management for reasons including that they enable evaluation of the company's performance. Because not all companies calculate financial measurements in the same way, these are not always comparable to measurements used by other companies. These financial measurements should therefore not be considered a substitute for measurements defined under IFRS.

#### Gross margin

Gross profit in relation to net sales.

*The gross margin reflects the percentage of sales that comprises internal value creation and is not passed on to suppliers (mobile operators).*

#### Gross profit

Net sales less the cost of goods and services sold.

*Illustrates the company's internal value creation excluding costs paid to suppliers (mobile operators).*

#### Net investments in tangible and intangible assets

Investments in property, plant and equipment and intangible assets during the period less divested property, plant and equipment and intangible assets.

#### Interest-bearing liabilities

Bond loans, bank loans and lease liabilities.

*Used to calculate net debt.*

#### Net debt

Interest-bearing liabilities less cash and cash equivalents.

*Used to track the debt trend and visualize the size of refinancing requirements.*

#### OPEX

Other external expenses and employee benefits expenses.

#### Equity/assets ratio

Equity as a percentage of total assets.

*Illustrates the company's financial position. A good equity/assets ratio equips the company to manage periods of economic downturn and provides the financial basis for growth.*

#### Operating profit, EBIT

Profit for the period before financial income, financial expenses and tax.

#### EBITDA

Profit for the period before financial income, financial expenses, tax and depreciation, amortization and impairment of intangible and tangible assets.

*Enables comparisons of profitability over time, regardless of the effects of the rate of depreciation of tangible assets, the financing structure and the corporation tax rate.*

#### Items affecting comparability

Non-recurring items such as capital gains/losses, impairments, acquisition costs, integration costs and restructuring costs.

*Separate reporting of items affecting comparability clarifies the trend in the underlying business.*

#### Adjusted EBIT

EBIT adjusted for items affecting comparability and depreciation and amortization of acquisition-related assets.

*Enables comparison of profitability over time, regardless of amortization and impairment of acquisition-related intangible assets and independent of the financing structure and the corporation tax rate. This key performance measure is also adjusted for items affecting comparability to enhance comparability over time. Depreciation of property, plant and equipment and amortization of other intangible assets are included, as this is a measure of the use of resources necessary to generate profit.*

#### Adjusted EBITDA

EBITDA adjusted for items affecting comparability.

*Enables comparisons of profitability over time, regardless of the effects of the rate of depreciation of tangible assets, the financial structure and the corporation tax rate. This key performance measurement is also adjusted for items affecting comparability to enhance comparability over time.*

#### Adjusted EBITDA per share

Adjusted EBITDA divided by the volume-weighted average number of shares outstanding for the period after dilution.

*Measures the earnings per share generated by the business adjusted for the effect of items affecting comparability.*

#### Adjusted EBITDA/gross profit

Adjusted EBITDA divided by gross profit.

*The measurement illustrates the company's operating margin excluding the cost of goods sold (fees to mobile operators), which can partially be regarded as pass-through billing.*

#### EBIT margin/Adjusted EBIT margin

EBIT/Adjusted EBIT in relation to net sales.

#### EBITDA margin /Adjusted EBITDA margin

EBITDA/Adjusted EBITDA in relation to net sales,

## Operational measurements

#### Percentage women

Average number of women in relation to the average total number of employees during the period.

#### Number of ordinary shares at the end of the period

Number of ordinary shares at the end of the period.

#### Average number of employees and consultants

Average number of employees and consultants during the period, recalculated as full-time equivalents.

#### Organic growth

Growth adjusted for acquisition and currency effects.

*Sinch's presentation currency is SEK, while a large portion of revenues and costs are in other currencies. Growth adjusted for acquired units and currency effects shows underlying growth.*

#### Total shares outstanding

Total number of ordinary shares and preference shares at the end of the period.

## About Sinch

Sinch develops digital tools that enable personal interaction between enterprises and individuals. Powered by the Sinch cloud communications platform, enterprises can reach every mobile phone on the planet - within a second or two - via messaging, voice calls and video. Several of the biggest enterprises in the world are using Sinch's advanced technology platform to communicate with their customers and Sinch is an established software supplier to mobile operators worldwide. Sinch has delivered profitable growth since it was founded in 2008. The Group is headquartered in Stockholm, Sweden, and has a presence in more than 30 other countries. The share is listed on Nasdaq Stockholm, XSTO: SINCH.

## Forthcoming reporting dates

Interim report Q3, Jan – Sep 2020 3 November

## Outlook

Sinch does not publish forecasts.

## Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include risks related to currency fluctuations, dependence on certain strategic partners, technological change, dependence on key personnel, pandemics, tax risks and political risks related to the multinational nature of the Group's activities. Risk management is an integral part of Sinch's management, and risks are described in more detail in the 2019 annual report. The risks described for the Group may also have an indirect impact on the parent company. Pandemics, such as the one caused by Covid-19, could have serious impact on our local and global operations.

## For additional information, please contact:

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Although we are working to institute continuity measures and ensure that we continue to meet the needs of our customers and mitigate the impact on our business, disruptions in the global economy and to the businesses and operations of our customers, suppliers and partners could cause disruptions to our business and entail material impact on our operations and financial position.

## Forward-looking statements

This report contains statements concerning, among other things, Sinch's financial position and earnings as well as statements regarding market conditions that may be forward-looking. Sinch believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions. Forward-looking statements, however, include risks and uncertainties and actual outcomes or consequences may differ materially from those expressed. Other than as required by applicable law, forward-looking statements apply only on the day they are presented and Sinch does not undertake to update any of them in light of new information or future events.

## Assurance

The board of directors and the CEO certify that the interim report gives a true and fair view of the company's and the Group's operations, position and results and describes significant risks and uncertainties faced by the company and the companies included in the Group.

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Stockholm, 17 July 2020

Erik Fröberg  
Chairman of the Board

Bridget Cosgrave

Renée Robinson Strömberg

Johan Stuart

Björn Zethraeus

Oscar Werner  
President and Chief Executive Officer

Note: Sinch AB (publ) is required to publish the information in this interim report pursuant to the EU market abuse regulation. The information was released for publication on 17 July 2020 at 07:30 CET.

This report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall apply. This report has not been subject to review by the company's independent auditor.