Annual Report 2018

sinch

Enriching Engagement

Sinch brings businesses and people closer with tools enabling personal engagement. Its leading cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through mobile messaging, voice and video. Sinch is a trusted software provider to mobile operators, and its platform powers business--critical communications for many of the world's largest companies. Sinch has been profitable and fast-growing since its foundation in 2008. It is headquartered in Stockholm, Sweden, and has local presence in more than 30 countries. Shares are traded at NASDAQ Stockholm: XSTO: SINCH.

2018 in brief

3,986.6 SEKm
Net sales

373.3 SEKm
EBITDA

304.6 SEKm
Cashflow from operating activities

Significant events during the year

- On 22 March, Sinch acquired the Danish company Unwire, which develops cloud-based communication solutions
- On 4 April, Sinch acquired the company Vehicle, which sells and develops personalized mobile video services.
- On 8 October, Sinch announced that it had decided to redirect the investments previously made within Core Network as a Service and the Internet of Things against advanced messaging services, RCS, voice services and personalized video.
- On 20 December, Sinch announced that it had renegotiated and expanded its credit facilities. The extended credit facility gives Sinch access to a loan facility of SEK 1,500 million given that the company fulfills a number of pre-agreeed terms. This means that the scope for debt funding for M&A has been expanded by SEK 900 million compared to the previous loan agreement. In addition to the credit facility, the company also has access to a SEK 200 million overdraft facility.
- On 1 September, Oscar Werner took over as new President and CEO of Sinch.
- Thomas Heath was appointed Chief Strategy Officer on 16 April. Eva Lessing was appointed Human Resources Director on 2 November and joined in January 2019. Roshan Saldanha was appointed Chief Financial Officer on 12 December and took over from Odd Bolin on 5 March 2019.

Significant events after the period

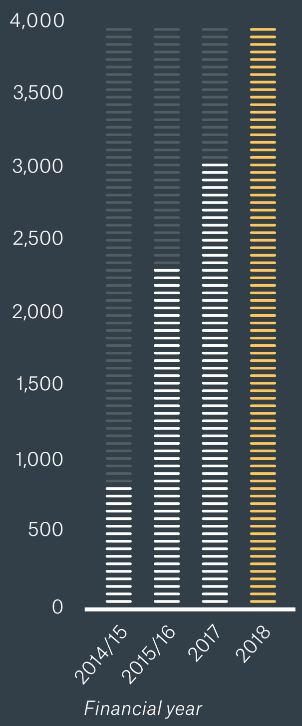
- On 8 February 2019, Jonathan Bean was appointed new Marketing Director for Sinch, he took up his position on 23 April 2019.
- On 13 February 2019, a new common brand identity was launched for all business areas. Products previously marketed under the brands CLX, Symsoft, Sinch and Vehicle will now be integrated into a uniform offer - Sinch.

KEY FINANCIALS

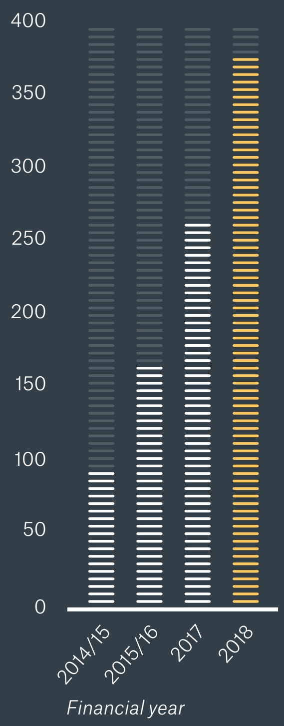
Sinch Group, SEKm	2018	2017	Change
Net sales	3,986.6	3,058.1	30%
Gross profit	1,008.4	780.0	29%
Gross margin	25.3%	25.5%	
EBITDA	373.3	263.2	42%
EBITDA margin	9.4%	8.6%	
Adjusted EBITDA	367.1	296.7	24%
Adjusted EBITDA margin	9.2%	9.7%	
Adjusted EBITDA/gross profit	36.4%	38.0%	
EBIT	217.8	124.9	74%
EBIT margin	5.5%	4.1%	
Adjusted EBIT	220.8	170.3	30%
Adjusted EBIT-margin	5.5%	5.6%	
Profit after tax	179.5	134.4	34%
Cashflow from operating activities	304.6	51.3	494%
Equity ratio	45.9%	49.3%	
Net debt/Adjusted EBITDA, times	1.1	1.2	
Adjusted EBITDA per share diluted, SEK	6.85	5.73	20%
Earnings per share diluted, SEK	3.35	2.58	30%

Definitions, se page 38

NET SALES
SEKM



EBITDA
SEKM



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HQ Stockholm, Sweden

3,987 SEKm	**4,663** SEKm	**390**	**30**	**25** Billion
Sales in 2018	Market cap	Employees	Offices	Transactions

See page 103 for all offices

Message from the CEO

It is an exciting time to lead Sinch! More and more businesses recognize that mobile messaging, voice and video offers an unrivalled means to engage with customers and drive business outcomes. We've built a scalable, cloud-based platform that makes this possible. Many of the world's most demanding companies rely on our platform for business-critical communications, including 8 of the 10 largest US-based tech companies.

I joined Sinch as CEO on 1 September 2018. What strikes me about our market is the tremendous market size and high consumer uptake. Our products have the same penetration as mobile phones, which implies 100 percent of all consumers in the developed world. I have yet to meet a single person who has never used the kind of services we enable - calling a taxi from an app, receiving an appointment reminder through text message, or perhaps talking to a doctor through a live video call.

A large and expanding market

High usage among individuals also means we can address a very large amount of businesses. Our platform can offer real business value to nearly every company in the world, from the hairdresser on your street corner to tech companies with operations in hundreds of countries. Instant and intimate, the mobile phone offers a direct channel that cuts through the noise and enables valuable interaction. Usage among businesses is now moving from early adopters to early majority, with increasing volumes across the globe.

Many businesses work with us directly, particularly for demanding use cases, and others rely on our channel partners who help integrate our APIs with customers' systems or build our products into other cloud-based platforms like online CRM or logistics systems. We are particularly competitive in demanding situations where an enterprise looks for high quality delivery, at low latency, to multiple countries, with volumes in the billions. Direct connections to hundreds of mobile operators means we can offer higher quality, and competitive pricing, without unnecessary middlemen who impede service quality and jeopardize the integrity of sensitive customer communications. Through our Operator division, which sells software to mobile operators, we have a much deeper understanding of the telecoms tech stack than our competitors in the 'Communications-Platform-as-a-Service' (CPaaS) space.

What has also struck me is the dedication and talent of my colleagues. Growing a business at our pace requires hard work and cooperation between functions throughout our company. I continue to be amazed not just with the outcomes we achieve, but by the positive spirit and helpful attitude that is core to our company's culture. This is a great foundation for the new Sinch, our new shared brand for all business units that we launched in early 2019.

Profitable growth

We grow both organically and through acquisitions. Since a large part of our revenues is passed on as fees to mobile operators, we focus primarily on gross profit and EBITDA. In 2018, total gross profit grew by 29 percent compared to 2017 and Adj EBITDA increased by 24 percent.

Our Enterprise division, which houses most of our messaging business, saw gross profit rise by 30 percent in 2018 compared to 2017. Around 7 percentage points of this increase came from Unwire, a successful bolt-on acquisition in Denmark that closed in March 2018. Sinch Voice and Video reported 39 percent higher gross profit in 2018 than in 2017, with accelerating growth and a welcome transition into positive EBITDA in the fourth quarter. Unusually strong performance in 2017 burdened growth in our Operator division in 2018, but the end of the year saw improved performance with better conversion of orders to revenues. Vehicle, an acquisition we closed in April 2018, has developed even better than anticipated and positions us as an innovation leader in personalized video messaging.

Strategic acquisitions

We have an active M&A agenda and targets fall in to two broad categories. We can acquire scale and profit, adding businesses where we can move acquired messaging traffic onto our own platform,

"Many of the world's most demanding companies rely on our platform"

win synergies, and upsell our full product portfolio to our new customers. We can also add complementary technology, adding capabilities that helps fuel our growth and strengthen our position as a global leader in messaging and CPaaS. After a successful and competitive process in late 2018, we now have more financing secured at improved and very favourable conditions.

Next generation messaging

Looking ahead, technology evolution creates new opportunities to add value and grow our business. We see a future where businesses use multiple channels, rich imagery and video, and where notifications turn into conversations.

Rich conversational messaging lets businesses provide an app-like experience, direct to the inbox, without the need for consumers to download a specific app. It provides a more efficient way to handle tasks currently handled by call centers, and can significantly expand our addressable market.

This builds on the unrivalled reach and direct utility of text messaging, a cornerstone of our offer that is poised for continued growth.

In 2019, we will be particularly active in RCS, an upgrade to SMS that vastly improves customer experience and business messaging capabilities of the default messaging app on a range of supported handsets. We are adding support for more third-party chat apps and we are building more tools for businesses to leverage these new capabilities and engage with their customers in richer, more meaningful ways.

Sinch brings businesses and people closer with tools enabling personal engagement. We couldn't do it without the support and dedication of our customers, colleagues and shareholders. I want to thank you all for a fun and prosperous 2018. We're on an exciting journey, full of promise and potential!

Stockholm 26 April 2019

Oscar Werner
President and CEO

A large and growing market

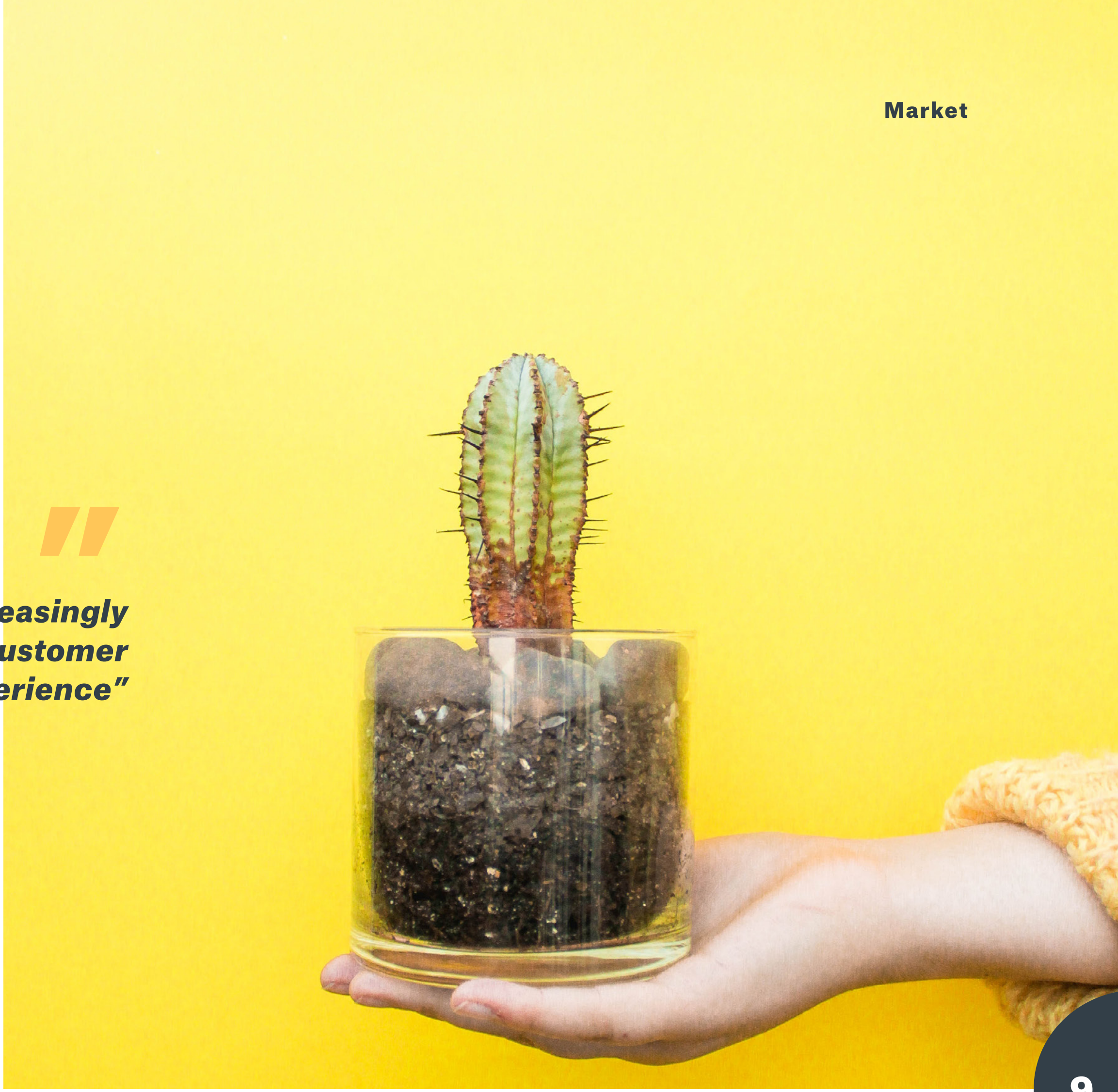
We address a growing, global, multi-billion dollar market. Businesses across the world increasingly recognize that the mobile phone offers an unmatched means to engage with their customers in a way that is direct, personalized, and engaging. Cloud communications make it possible for businesses to leverage this opportunity in a way that is scalable and cost-efficient.

100 percent penetration
Nearly everyone in the developed world owns a mobile phone, and every phone in the world supports messaging. That's why the market for enterprise messaging alone was worth USD 17 billion in 2018, and why it is expected to grow by double digits in the coming years (MobileSquared, 2019). Voice and video is incremental to these figures, and grow for the same fundamental reasons.

Rising focus on customer experience
Businesses are becoming more digital, and competition is increasingly centered around customer experience. Customers value relevance and simplicity, and most keep their phones nearby at all times. This is where cloud communications comes into play: simple APIs providing well-defined ways for developers to easily integrate messaging, voice and video into their own applications and services. No need for costly in-house development, no servers to manage, and no need to negotiate complex commercial agreements with a myriad of service providers. This is the promise of CPaaS - Communications Platform as a Service - and the reason why forecasters like Gartner and IDC expect parts of our market to grow by more than 50 percent per year.

Breaking through the noise
These days, many mobile operators include unlimited texting between individuals in the monthly fee they charge their subscribers. Usage is widespread and people have learnt that mobile messaging breaks through the noise. If something is urgent and important, its best to text.

Businesses typically pay a per-message fee for application-to-person text messaging (A2P) and recognise the value of their customers' immediate attention. Good use of the technology can be found in every industry, from appointment reminders to avalanche alerts, and is often an integrated element in an overarching, digital customer journey. One common such use case is to send a one-time password by text message. Used alongside a regular password, this creates a form of two factor authentication that makes it much harder for an intruder to access a customer's account.



Businesses increasingly compete on customer experience"

Live voice and video

Businesses can use live voice and video calling in the same way as messaging. When a call is initiated through software, it is possible to pass along relevant context that makes the live interaction more productive and valuable. Perhaps you get stuck when trying to order flowers through an online florist; you click help, and accept to be called up. When you pick up the phone, the agent you speak to will know the background to your inquiry, and the task you were trying to achieve. You'll have those red roses ordered in no time, and you won't have to repeat the address you want them sent to.

Cloud communications makes it possible for a business to deploy these kinds of services without dealing with the many complexities of the underlying telecom technology. Critical elements like number provisioning, interoperability and compliance are handled through the platform which acts as a bridge between the operator-controlled world of telecoms and the open internet. A common voice use cases is app-to-pstn calling, where an IP-based call is initiated through a smart-phone app and routed to a regular fixed or mobile phone. The user does not have to leave the app and use the dialer, and there are no surcharges for international calling which might otherwise be the case.

Adding intelligence

The size of our market is a clear proof-point of the value that businesses see in mobile messaging, voice and video. But beyond the core value of getting a message through, the digitization of businesses creates demand for new software products that bring additional value. Developing software-as-a-service (SaaS) lets us increase the value we bring to customers.

One such product is Verification, where we draw on multiple communication methods to address a specific need. As part of the setup and registration process, many app-makers want users to submit their phone number. To ensure that the submitted number is correct and legitimate, the app-maker needs to verify that it is correct. By having our SDK integrated into their app, we can optimize this process on both quality and cost. Some numbers can be verified by flash call, where we quickly connect a phone call which the user will not have to answer but which the SDK will recognize. Others will be verified through SMS, but the underlying complexity is wrapped into a service that is both simple to deploy, efficient in its delivery, and cost-efficient compared to the alternatives.

A second example is Number Masking, a product that creates temporary numbers which masks the identity of a caller and recipient. This is used by ride-hailing platforms when drivers interact with passengers. Not only does it protect the privacy of drivers and riders, but it also brings a financial benefit to the platform since it becomes harder to circumvent the platform and arrange rides on the side. Looking ahead, we aim to create more products like these; packaged software offerings that addresses a concrete need, eases the burden on developers, and are generic and usable by businesses across multiple industries.

Trusted partner to mobile operators

We work closely with mobile operators around the world. Since we bring so much enterprise traffic, we often rank among their largest customers. We're also a partner, working to build trust in our ecosystem and curtail bad practices like smishing (faked senders) and the use of SIM-farms (where enterprise messaging is masked as person-to-person messaging to avoid operator wholesale fees). We are confident that we are competitive if the playing field is level, and we believe a levelled playing field benefits our customers.

We are also a trusted vendor of operator products within Fraud & Security, Policy & Charging, Value Added Services, BSS and MVNO. We know what it means to sell a product that is 'carrier grade', and it sets a benchmark for our entire business. The market for our telecom business is more mature, but there a range of synergies to our enterprise-facing offering that drive value creation in our overall business. We use the same underlying tech platform in our own messaging business that we include in our Value Added Services offering to operators. We can create synergistic business cases where our diagnostics and firewall products for operators are monetized through enterprise messaging, and our deep knowledge of telecoms sets us apart from the competition.

Enabling a richer experience

Like the many third-party forecasters who cover our industry, we expect continued growth in text messaging from businesses in years ahead. But we also see new growth prospects in the richer, more interactive messaging formats that are now beginning to emerge.

Already now, we are seeing increased demand for our personalized messaging product where video messages are uniquely tailored to each recipient. Communicating 1:1 with relevant messages demonstrates respect, interest and familiarity, and video offers an immersive experience where something seemingly complex can be easily explained. Once a relevant use case is identified, and creative work is completed, the unique consumer identifiers that are required for personalization are passed to our dynamic video engine. The technology used to deliver the messages can vary, but we are currently finding great success with MMS, an underutilized and often overlooked alternative where messages show in the same inbox as SMS.

Personalized messaging with rich media content requires more effort and integration, but it often delivers astounding results. The same is true for conversational messaging and the ability to handle multiple parallel communications channels, two market trends where we are now seeing positive movement.

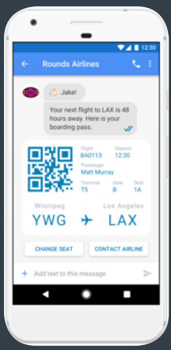
From notifications to conversations

Whereas two-way communications is possible through SMS, customer experience is much better with RCS, the new carrier standard for messaging that builds on SMS but adds a range of new features. There is support for high resolution images and video, read-receipts and group chats. A system of Verified Senders helps reduce fraud, and users can search for and interact with brands from a built-in search feature in the default messaging app on their handset. It is also possible for brands to offer suggested replies - clickable buttons that promote interactivity without the need to type text replies.

First promoted by operator trade body GSMA back in 2008, the RCS standard has seen increased attention after Google acquired rich messaging startup Jibe Mobile in 2015. The standard is now supported by most Android vendors, including Samsung and Huawei, and support from mobile operators is rising. We expect full operator coverage in the US and several key European markets during 2019 or early 2020, a development that we believe will bring end-user device penetration up to a level that makes the channel commercially interesting for businesses.

Similar functionality is also increasingly available through third-party chat apps like WeChat, WhatsApp and Facebook Messenger. These offer alternative channels for brands, but their penetration rates among consumers vary greatly between markets. This makes them well suited for some customer-initiated use cases like customer service, but less appropriate for communications where reach is important.

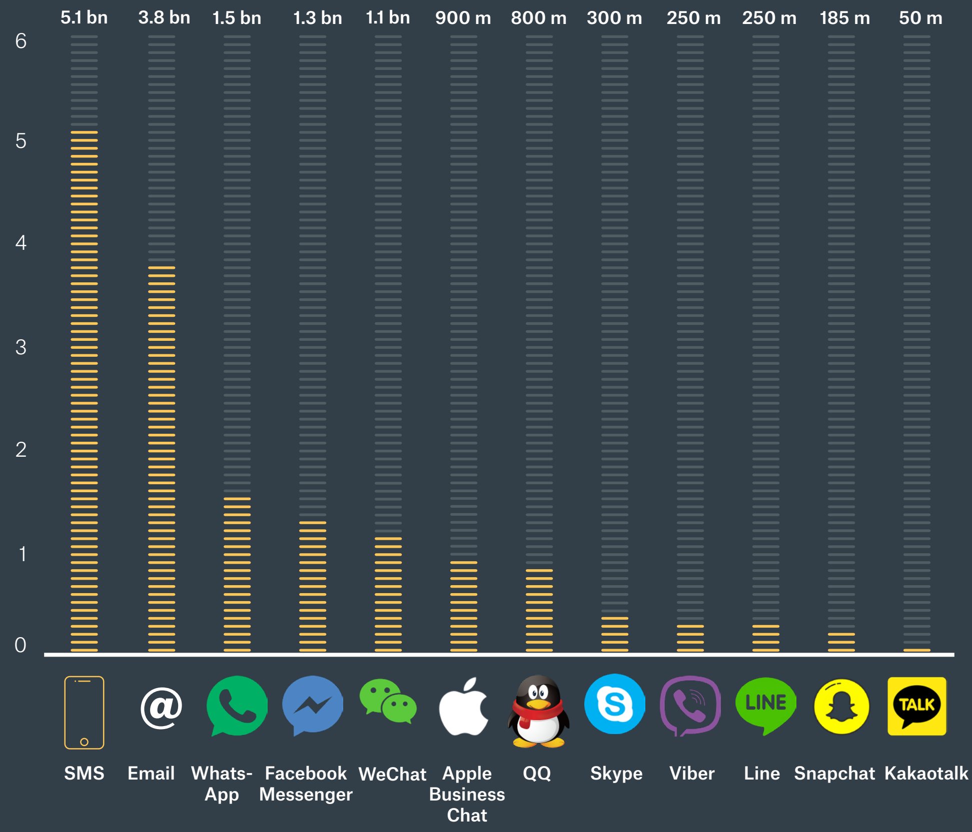
New technology brings new opportunities, and competition drives innovation. With improved support for conversations, messaging can complement or even replace apps for a myriad of current and new use cases. This creates a new, large market, and analysts estimate that businesses will spend USD 18 billion on RCS alone by 2023 (MobileSquared, 2019).



"RCS is an upgrade to SMS that makes messaging more interactive, engaging and productive"

User engagement platforms

Unique active users



"Chat apps add new options for customer engagement"

Enabling superior customer experience

Sinch brings businesses and people closer with tools enabling personal engagement. Using our platform, businesses can reach any mobile phone in the world, in seconds or less, through messaging, voice or video. We build scalable cloud-based technology and handle billions of engagements each year.

The power of mobile is fundamental to our value proposition. Since it used so extensively for personal communications, most people keep their mobile phone within arm's reach throughout the day. This creates an opportunity for businesses to interact with people in ways that are relevant, appreciated, engaging and efficient.

The importance of scale

The value that cloud communications brings to businesses is manifested in the size of our market. But even though enterprise messaging alone is a USD 17 billion market (MobileSquared, 2019), the market remains fragmented with a large amount of local and regional companies competing to win business.

We believe economies of scale are becoming increasingly important. With a transaction volume of 25 billion in 2018, Sinch has reached a scale where operational costs are spread across a larger number of messages compared to most of our competitors. We track opex/transaction as a key internal performance metric to ensure long term competitiveness and profitability.

The cost sharing of greater scale also benefits our customers. Using a cloud platform gives a business immediate access to a wealth of functionality that a locally deployed, on premise solution would be hard pressed to match. This is a key benefit of CPaaS, Communications Platform as a Service, and a fundamental growth driver for our industry.

Beyond improved unit economics for existing products, scale is important also to fund innovation. Our market is rapidly transforming as new communication channels emerge with improved support for rich media messaging and two-way interactivity. Businesses need software to leverage these new capabilities, and guidance in how technology can bring concrete business results. It is therefore financially attractive to add scale and grow our business through acquisitions, in addition to underlying organic growth from increased usage, new products, and the addition of new customers.

Focus on gross profit

A significant part of our revenues are passed on as cost of goods sold to mobile operators. We pay them to send messages and place calls, but the rates they charge vary greatly between markets. Our cost per message can be ten times higher in one country than another, which means that our gross margin varies greatly between markets even though we earn the same gross profit per message.

Since pass-through revenues do not contribute to our profits, we focus almost exclusively on gross profit when we assess and steer our business. Changes in our gross margin often reflect changes in geographical mix rather than underlying performance or competitiveness.

With this in mind, it makes sense to complement our standard reporting measures with a margin that is calculated as Adj EBITDA/Gross Profit. Through tracking this margin, we ensure that we maintain a sound cost structure and healthy profitability regardless of fluctuations in operators' termination fees.

Direct connections without middlemen

Text messaging and voice calls run through networks that are controlled by mobile operators. Direct connections to each such network is preferable to secure high quality delivery, avoid data leakage, and ensure competitive pricing.

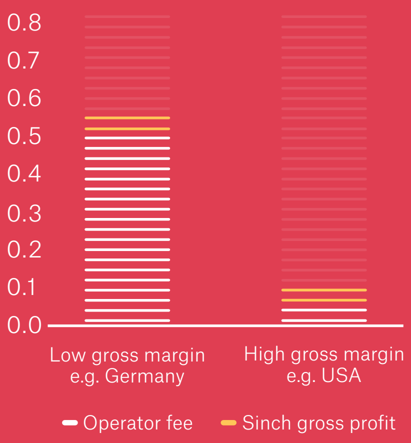
A direct connection requires a technical and commercial relationship that can take months to negotiate. To limit spam and abuse, many mobile operators limit the number of approved partners to a handful of trusted vendors. Some operators apply volume-based pricing, which means that vendors with higher volumes get lower per-message pricing. Local legislation around data storage, telecom licensing or a required local legal entity creates additional obstacles in a range of individual markets. Altogether, this creates significant barriers to entry and means that less than a handful CPaaS vendors have a global offering based on direct connections without middlemen.

Consider air travel as a metaphor, and let's say you're comparing options for Stockholm - New York. You can choose a multi-stop itinerary, combining different airlines, with stops in Oslo, Frankfurt and Boston before you reach your destination. Or you can fly direct, with a single airline, and get there much faster. The likelihood for delays is much reduced and there is a far lower risk that you'll lose your checked-in baggage on the way.

Mobile messaging works along similar principles since messages can be relayed through multiple agents before they reach the end user. This is often detrimental to quality with lowered delivery rates and increases risk of unauthorized access to private business correspondence. As a global leader with direct connectivity to hundreds of mobile operators, we have a clear advantage over local

> ***"Our gross margin varies substantially between countries, even though we have similar gross profit per message, due to differences in mobile operators' fees"***

Cost per message



Gross margin mix

- **Revenues** is what we invoice clients
- **Most of our revenues** is passed on to mobile operators as **Cost of Goods Sold**
- **Operator termination** rates vary between markets
- **Gross profit growth** is our prime focus

and regional competitors. Economies of scale come in to play as significant traffic volumes are needed to justify investment in reach and connectivity. We've named this backbone of direct operator connections our Tier 1 Super Network, where Tier 1 denotes a direct point-to-point relationship.

Serving the world's most demanding enterprises

Our industry-leading quality, reliability and reach have won us the trust of some of the world's most demanding enterprises. They rely on our platform for business-critical communications where our delivery capacity is fundamental to their own service delivery. Serving this category of customers, which includes some of the world's largest, US-based tech companies, has particular strategic value. Their high requirements ensure we strive to be our best, and our business grows further on the back of their success.

Trusted partner to mobile operators

Strong relationships to mobile operators play a key part in our success. The fees we pay to terminate traffic often makes us one of an operator's largest customers. We are also a vendor, selling software that mobile operators use for Value Added Services, Policy and Charging, Revenue Assurance, and more. Since the core tech platform that underpins these offerings is the same platform that we use for our own enterprise business, we can extract important synergies and ensure that our scale translates into profitability.

Innovation and new technology

Innovation is key for the long term viability of our business. We are one of very few global leaders in our industry and serve clients around the world. New tools and technology, and creative new uses of existing infrastructure, are key components in servicing these customers and taking new customers on board.

We are seeing rapid growth in Sinch Voice & Video, the part of our business that focuses on voice and video calling. Number masking plays a key part in this success, an innovative product that masks the identity of the persons making and receiving the call. We have targeted our sales effort towards ride hailing, but see good potential to offer the service to many more verticals like online classifieds and home delivery services. After two years of investment under our ownership, Sinch Voice & Video reached positive EBITDA in the fourth quarter of 2018.

Another example of successful innovation is personalized video, an innovative product where we make it possible for businesses to send personalized video messages that are uniquely tailored to each recipient. Through integration to our customers' CRM and service delivery systems, we generate rich content that is relevant, engaging, and appreciated.

Personalized video shows the huge potential to generate value through innovative messaging. That said, SMS has a range of unique benefits that remain unmatched and drive continued growth in usage and volumes. SMS has 100% reach, throughout the world, as it is pre-installed on all mobile phones. Most people read their messages directly, or within a few minutes. No other channel has these characteristics.

Over the past few years, chat apps like WhatsApp, Viber and WeChat have opened up to enable business messaging to customers who use their apps. Whereas these alternatives lack the wide reach of SMS, they offer a richer feature set with better handling of images and video, group chat, read receipts, etc. They are also more conversational by nature, whereas business messaging through SMS is dominated by one-way notifications. We see these new options as complements to text messaging, particularly for inbound use cases where customers reach out to businesses, and we are building more tools that our customers can use to leverage their broader feature set.

Looking ahead, we see RCS as a particularly interesting value proposition. It is an upgrade to SMS that is pre-installed on most Android handsets and available to subscribers in mobile networks that have enabled the technology. Though we are still at an early stage, wider ecosystem support could give RCS the pre-installed ubiquity of SMS as well as the rich feature set and conversational focus that is now the domain of proprietary chat apps.

With more channels and rising complexity, we also see a need for software that can coordinate and orchestrate the communications between businesses and their customers. We view this area as a layer on top of the underlying communications, where logic is built to intelligently handle simultaneous conversations with very large amounts of uniquely addressed individuals. This is an area where we believe investment can drive both growth and profitability in coming years.

Direct sales and channel partners

A successful go to market strategy is imperative to maintain growth as we scale and become larger. We offer products with wide appeal that can generate positive returns for businesses of all sizes, and throughout the world. To ensure scalability, we therefore use a mix of direct sales and channel partners.

For large enterprises and organizations we use dedicated direct field sales. Customers in this category includes a range of industries like banks, airlines, internet service providers, and social networks. Our enterprise sales force has in-depth expertise in their targeted industry verticals.

Small and medium-sized businesses are targeted through online sales and a highly automated web-based platform. The online sales channel is also particularly well suited for developers who want to add communications capabilities to their products and can take advantage of Sinch's functionality-rich SDKs.

Beyond direct sales, our products are often integrated into the back end of leading, global cloud platforms. There is an ongoing shift to cloud-based offerings which means that volumes to these vendors are rising. We count some of the world's most admired cloud businesses in this category, including vendors of CRM and marketing automation.

When we sell software to mobile operators, we sell both direct and through partnerships with large network vendors like Ericsson. As a respected but niche vendor, we can benefit from the reach that such partnerships can bring. We also have mobile operators as channel partners. By reselling our platform on a white label basis, these operators can offer their enterprise customers a strong CPaaS product with minimal internal effort.

Market structure

Global	• **Few suppliers** with global sales and delivery capacity
Regional	• **Several regional** competitors on different continents
Local	• **Many small,** local companies compete for local business

Strategic acquisitions

Growth through acquisitions is a key part of our corporate strategy and an important means to grow shareholder value. We look for acquisition targets in two broad categories:

- **Acquiring scale and profit,** where we can extract synergies by migrating acquired messaging traffic onto our own platform, and
- **Complementary technology,** and Go To Market abilities, which help broaden our offering and fuel organic growth.

Financial targets

Targets:

- **Adjusted EBITDA** per share to grow 20 percent per year
- **Net debt** should be lower than 2.5x adjusted EBITDA over time

Performance:

- **Adjusted EBITDA** per share grew 20 percent in 2018
- **Net debt /EBITDA** was 1.1x at year-end 2018

Employees

To be able to offer our customers the right solutions, both today and in the future, we need our amazing employees, our most valuable resource. It is fundamental for us at Sinch that we challenge and inspire each other while we have fun together, we are always looking for competent people who complement and enrich our teams.

Offer a first-class customer experience
Provide solutions proactively, always exceed customer expectations.

Be cost-conscious
Be smart, act smart. Drive value creation with a culture of thriftiness.

Listen and learn
Be open, humble and learn to continously improve.

We think it is important to be able to balance professionalism, passion, coffee-mainlining, hard work and the ability to have a good time together. Although we have a new name and brand, our values are the same and they help us to build our culture. They are provided further down on the page, but we have also tried to explain what we mean and how they work together.

For us at Sinch, it is important to **listen and learn.** That is why we have a non-hierarchical, flat organization in which we avoid office politics and work together instead. Being open-minded and humble are vital character traits that shape a good team. We are all working towards a single objective - to be the biggest and the best provider of cloud communications services.

The capacity to listen and learn goes hand-in-hand with the ability to **empower each other**. That is why we arrange regular sessions at Sinch, where we share our knowledge and experience. In this way, we enhance our creativity and that also helps us grow together in **a global network.**

Sinch's employees are spread across more than 20 countries and speak more than 40 different languages combined. So, diversity comes naturally to us, and we take gender equality seriously in an industry in which women are, untfortunately, underrepresented. That is a change we are fighting for every day - and that is why we strive to always have a woman candidate in every new recruitment process, and for the candidate to be interviewed by both a woman and a man during the process.

Our working approach is to be agile and flexible, and we are always looking one step ahead in other to drive change, regardless of whether that involves technology or making a better world for more people. So, there is no question that we should continue supporting charitable social projects like Hand in Hand, which is working to increase woman-owned business, and Habitat for Humanity, which supports the most deprived communities in the world by buildning houses for people who have never had homes of their own. That is a natural part of our values in order to **embrace and drive change**.

As a whole, our values are driving us to become a continously improved and revitalized Sinch - a Sinch that is a trusted partner, a Sinch that proactively offers value-creating, cost-counscious solutions.

Sinch is another word for simple in English, we want everything we do to be permeated with simplicity. It should be easy for our customers to work with us, and it should be easy for our employees to work for us.

Empower others
Share knowledge and give guidance to feed creativity. We grow and succeed together.

A global network
Think big and act local. We are part of a global ecosystem.

Embrace and drive change
Be agile, flexible and act fast. Think ahead and drive change.

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Management report

The board of directors and chief executive officer of CLX Communications AB (publ) (name change to Sinch AB (publ) in progress), company registration number 556882-8908, herewith submit the annual report and consolidated financial statements for the operations of the Group and the parent company for the financial year beginning 1 January and ending 31 December 2018. Unless otherwise stated, amounts are reported in thousands of Swedish kronor (SEKk). Terms such as "Sinch," "the company," "the Group," and comparable refer in all cases to the parent company and its subsidiaries.

BUSINESS AND ORGANIZATION

Sinch was founded under the name Seitse 1 Holding AB on 1 February 2012 and has been listed on Nasdaq Stockholm since 8 October 2015 (ticker: SINCH).

Sinch is a leading vendor of cloud communications services for the enterprise sector, voice and video communications services, and software solutions developed by Sinch and supplied to mobile operators as both products and services.

The Enterprise Division provides cloud communications solutions to the enterprise sector for effective communication with customers and employees.

The Operator Division develops software solutions for mobile operators and other service providers, such as mobile virtual network operators (MVNOs). The Division delivers software solutions as both products and services to give operators the capacity to efficiently manage their service offerings in value added services (VAS) and business support systems, as well as to protect their networks and revenues.

Sinch Voice & Video provides communications services developed in-house that are focused on voice and video applications for mobile devices. These include verification and anonymization services for mobile apps.

Vehicle is a mobile video and rich media technology company that delivers personalized and dynamic video via MMS and digital advertising.

SUSTAINABILITY REPORT

In accordance with the Swedish Annual Accounts Act, ch 6, s 11, Sinch has elected to prepare the statutory sustainability report as a separate report. The sustainability report is presented on pages 93-100 of this document.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Acquisition of Unwire

Sinch acquired 100 percent of the share capital in Unwire Communication ApS on 27 March and Unwire was included in the consolidated accounts from that date.

Unwire is based in Copenhagen and had about 20 employees at acquisition date. Unwire had sales in 2017 of approximately DKK 80 million (SEK 103.6 million) and gross profit of about DKK 45 million (SEK 57.9 million). EBITDA was approximately DKK 30 million (SEK 39.4 million) and the EBITDA margin was about 38 percent.

The purchase consideration was DKK 148 million (SEK 205.3 million) on a cash- and debt-free basis. The acquisition was financed with expanded credit facilities of DKK 100 million (SEK 136.8 million) and cash reserves. Please refer to Note 34 for further information about the acquisition of Unwire.

Acquisition of Vehicle

Sinch acquired 100 percent of the share capital in Vehicle Agency LLC (Vehicle) on 4 April 2018 and Vehicle was included in the consolidated accounts from that date.

Vehicle is based in Seattle, WA and had about 10 employees at acquisition date. Vehicle had sales in 2017 of approximately USD 5.9 million (SEK 50.5 million) and gross profit of about USD 3.2 million (SEK 29.4 million). EBITDA was about USD 0.9 million (SEK 7.9 million), with an EBITDA margin of 15.6 percent.

The purchase consideration was USD 8.0 million on a cash- and debt-free basis. Contingent consideration, an earnout of USD 4 million (35.8 million), was paid in addition. The acquisition was financed with cash reserves.

The terms of the purchase agreement include further earnouts based on sales and EBITDA performance up to a maximum of USD 18 million. The anticipated outcome discounted to present value amounts to SEK 14.5 million (SEK 129.9 million) and has been recognized as a liability. Please refer to Note 34 for further information about the acquisition of Vehicle.

Senior management

Oscar Werner took over as the new President and CEO of Sinch on 1 September. Former CEO and co-founder Johan Hedberg has remained with Sinch as Corporate Developer.

Thomas Heath began his role of Chief Strategy Officer in May. Appointed in November 2018, Eva Lessing took over as Chief Human Resources Officer in January 2019. She succeeded Lena Oldberg, who transitioned to another position in the HR organization. Appointed Chief Financial Officer in December, Roshan Saldanha took over from Odd Bolin in March 2019.

New financing

Sinch's credit facilities were renegotiated and extended in December. The extended credit facility gives Sinch access to a line of credit of SEK 1,500 million provided that the company meets a number of predetermined contractual conditions. This means that the scope of borrowing for acquisitions has been expanded by SEK 900 million compared to the company's earlier loan agreement. In addition, the overdraft limit was increased from SEK 100 million to SEK 200 million at the end of the preceding year.

SINCH GROUP OVERVIEW

SEKm	2018	2017	Change
Net sales	3,986.6	3,058.1	30%
Gross profit	1,008.4	780.0	29%
Gross margin	25.3%	25.5%	
Operating profit, EBITDA	373.3	263.2	42%
EBITDA margin	9.4%	8.6%	
Adjusted EBITDA	367.1	296.7	24%
Adjusted EBITDA margin	9.2%	9.7%	
EBIT	217.8	124.9	74%
EBIT margin	5.5%	4.1%	
Adjusted EBIT	220.8	170.3	30%
Adjusted EBIT margin	5.5%	5.6%	
Profit for the year	179.5	134.4	34%
Cash flow from operating activities	304.6	51.3	494%
Cash and cash equivalents	180.8	164.6	10%

Please see page 38 for a list and definitions of financial measures defined or not defined under IFRS, as well as operational measures.

Net sales

Consolidated net sales grew during the 2018 financial year by 30 percent to SEK 3,986.6 million (3,058.1) compared to the 2017 financial year.

Acquired companies contributed 5 percent of growth. Organic growth in local currency was 15 percent.

Gross profit

Consolidated gross profit increased by 29 percent to SEK 1,008.4 million (780.0). The gross margin was roughly on par with 2017 at 25.3 percent (25.5).

The consolidated gross margin is significantly controlled by the Enterprise Division's gross margin. The key determining factor is in which markets traffic terminates, i.e., where the recipient's operator is domiciled. Gross profit per transaction is similar in most of the markets where Sinch does business, but the gross margin varies considerably due to differences in operators' traffic tariffs.

Operating profit

Consolidated EBITDA increased by 42 percent to SEK 373.3million (263.2). Consolidated EBIT increased by 74 percent to SEK 217.8 million (124.9).

Items affecting comparability, SEKm	2018	2017
Acquisition costs	-9.4	-9.3
Restructuring costs	8.9	-15.0
Integration costs	-27.2	-24.2
Capital gain or loss, divestment of mobile payments business	-8.1	3.3
Income, adjusted earnout	42.0	11.8
Items affecting comparability in EBITDA	**6.2**	**-33.5**
Impairment of goodwill, Xura	-	-11.9
Impairment of non-current assets IoT	-9.2	-
Items affecting comparability in EBIT	**-3.0**	**-45.3**

Adjusted for items affecting comparability, EBITDA increased by 24 percent to SEK 367.1 million (296.7) and EBIT by 30 percent to SEK 220.8 million (170.3).

Net financial expenses

Net financial expenses amounted to SEK -16.5 million (-50.5), with interest costs amounting to SEK -22.4 million (-17.9) and foreign exchange differences to SEK 15.5 million (-33.9). The interest component of the adjusted earnout for Sinch Voice & Video amounted to SEK -13.4 million.

Tax

Tax on profit for the year was SEK 21.8 million (60.0) at an effective tax rate of -10.8 percent (-80.6).

There was positive effect on tax for the year from a refund of tax attributable to previous years of SEK 19.9 million. See Note 11 for further information on items affecting tax on profit for the year.

Profit for the year

Profit for the year increased by 34 percent to SEK 179.5 million (134.4) compared with the preceding financial year.

Cash flow and liquidity

Cash flow from operating activities amounted to SEK 304.6 million (51.3).

Net investments in intangible assets and property, plant, and equipment amounted to SEK 28.5 million (30.2). The investments refer mainly to capitalized development expenditure of SEK 21.7 million (17.9) and investments in hardware and software used to operate customer systems within the framework of Sinch's Managed Service offering.

At the end of the period, the Group had cash and cash equivalents of SEK 180.8 million (164.6) and an unused overdraft facility of SEK 200 million (100).

ENTERPRISE DIVISION

SEKm	2018	2017
Net sales	3,700.1	2,847.1
Gross profit	780.7	599.8
Gross margin	21.1%	21.1%
Operating profit, EBITDA	363.3	287.8
EBITDA margin	9.8%	10.1%

Net sales

The Enterprise Division delivered sustained good performance during the year and is experiencing powerful growth. Net sales increased by 30 percent to SEK 3,700.1 million (2,847.1) compared with 2017. Organic growth in local currency was 15 percent.

The Division's operations in A2P messaging continued developing well, with strong new sales during the year. The acquired company Unwire in Denmark, a leading vendor of cloud communications and messaging services to the Nordic financial sector, also contributed.

Profit

Gross profit for the year increased by 30 percent to SEK 780.7 million and the gross margin was 21.1 percent (21.1).

EBITDA rose to SEK 363.3 million (287.8) and the EBITDA margin was 9.8 percent (10.1).

OPERATOR DIVISION

SEKm	2018	2017
Net sales	156.8	168.7
Gross profit	140.6	144.0
Gross margin	89.7%	85.4%
Operating profit, EBITDA	23.8	41.9
EBITDA margin	15.2%	24.8%

Net sales

Net sales in the Operator Division decreased by 7 percent to SEK 156.8 million (168.7) compared with 2017. The Division had a soft start in 2018, but sales increased towards the end of the year.

Profit

Gross profit was SEK 140.6 million (144.0)

EBITDA amounted to SEK 23.8 million (41.9). Gross profit was lower and profit was reduced by costs attributable to the discontinued IoT venture. The EBITDA margin was 15.2 percent (24.8).

SINCH VOICE & VIDEO

SEKm	2018	2017
Net sales	91.4	50.2
Gross profit	50.5	36.3
Gross margin	55.2%	72.3%
Operating profit, EBITDA	-10.5	-19.2
EBITDA margin	-11.5%	-38.3%

Net sales

Net sales increased by 82 percent to SEK 91.4 million (50.2) compared with 2017. Sinch Voice & Video is developing very well, with significant focus on deploying customers gained in new geographies as well as bringing in new customers and new markets in relation to existing customers.

Profit

Gross profit amounted to SEK 50.5 million (36.3) and the gross margin was 55.2 percent (72.3). EBIT amounted to SEK -10.5 million (-19.2). Sinch Voice & Video reported positive EBITDA in the fourth quarter, which denoted a new phase in development in which previous investments in product development and marketing are paying off.

VEHICLE

SEKm	2018*
Net sales	52.3
Gross profit	36.6
Gross margin	70.1%
Operating profit, EBITDA	13.4
EBITDA margin	25.7%

*Vehicle was acquired on 4 April 2018 and is included in the consolidated accounts from that date.

Net sales

Net sales were SEK 52.3 million. Sales developed well during the year and Vehicle's offering is attracting keen interest among American enterprise customers and European operators.

Profit

Gross profit amounted to SEK 36.6 million (36.3) and the gross margin was 70.1 percent (72.3). EBITDA was SEK 13.4 million.

RESEARCH AND DEVELOPMENT

Sinch develops software within several parts of its operations. Main development occurs in the Operator Division, whose platform has been deployed by numerous mobile operators worldwide. The platform is also the basis of the Enterprise Division's cloud communications service. Most development is done in the Development Department in Stockholm and elsewhere in Sweden.

Important development in progress includes solutions for RCS, Rich Communication Services, and further development of the group-wide Nova platform. Development expenses are capitalized as specified in Note 1 and amortized over 3 years. Capitalized expenses for internal hours during the year amounted to SEK 21.7 million (17.9).

Total research and development costs expensed during the year amount to SEK 88.0 million (51.1).

THE ENVIRONMENT

Sinch's core business is software development and management of digital transactions and has little environmental impact. Sinch has impact on the environment mainly through travel and hardware operation and decommissioning. Sinch aims to minimize this impact by replacing travel with online communications to the extent possible and by choosing the mode of transport with the least possible environmental impact, such as train travel. Sinch also aspires to send outmoded hardware for recycling.

EMPLOYEES

During the period, the Group employed an average of 385 people (340). Women make up 21 percent of the workforce (20). The average age of the workforce is 40 (40).

The company applies a rigorous recruitment process and uses its own networks and external expertise to attract talents. We select our employees with care and are proud to have some of the best and most experienced people in the business working for us. Our business is dependent upon every individual contributing and assuming responsibility for their own work. It is critically important to recruit motivated employees with the potential to grow within the company.

Sinch has employees in five parts of the world and broad representation of employees of diverse background. We believe differences can generate competitive advantages. Mixing diverse backgrounds, skills, experience, talents, qualifications, and personalities in an inclusive organization helps us understand the needs of the entire market.

The company will continue to grow and recruit within our growth areas and expand support functions where required.

Guidelines for compensation to senior management personnel

Compensation to the CEO and other senior management personnel must reflect Sinch's need to recruit and motivate qualified employees by means of compensation packages perceived as fair and competitive. The board of directors is empowered to depart from the guidelines below if special reason exists.

Compensation consists of the following components:

- Fixed base pay
- Short- and long-term variable pay
- Pension benefits
- Other benefits
- Pay during period of notice of termination or resignation

BASE PAY AND VARIABLE PAY

Fixed pay must be market-based and reflect the employee's position, qualifications, experience, and individual performance. Variable pay must be measured against predefined financial performance targets. Non-financial objectives may also be used to sharpen focus on achieving the Group's strategic plans. Objectives must be specific, clear, measurable, subject to deadlines, and adopted by the board of directors. Variable pay is capped at 30 percent of fixed base pay.

Long-term variable pay may encompass share-related incentive programs. Each year, the board of directors evaluates whether a long-term share-related incentive program should be proposed to the annual general meeting. The purpose of offering a share-related incentive program is to ensure that the interests of senior executives coincide with those of the company's shareholders. Individual, long-term ownership among key individuals can be expected to stimulate keener interest in the business and its profitability, increase motivation, and enhance the sense of belonging with the company.

PENSIONS

Pension benefits for the CEO and other senior management personnel must reflect customary market terms, compared with that which generally applies to executives in comparable positions with other companies, and should normally be based upon defined contribution pension plans.

OTHER BENEFITS

Other employee benefits must consist primarily of health insurance and fitness/wellness programs. Other benefits may also include generally accepted compensation in connection with employment or transfer abroad of a senior executive.

PAY DURING PERIOD OF NOTICE

If the company terminates the CEO's employment, the period of notice shall be a maximum of six months. If the CEO resigns, the period of notice shall be six months.

A period of notice applies between the company and other senior management personnel of three to six months, whether the employee resigns or is terminated.

RISKS AND RISK MANAGEMENT

Sinch is exposed to a number of risks that could impact the Group's business, earnings and financial position. Sinch continuously evaluates, identifies and manages the risks to which the company is exposed. The risks assessed as most material to the company are described below.

Risks attributable to the company, its operations, and the industry

MACROECONOMIC FACTORS

Sinch does business in several markets around the world. As a result, Sinch is affected, like other companies, by general economic, financial, and political developments at the international level.

DOWNTIME AND COMPARABLE

Sinch relies on its technical systems and its infrastructure to deliver services and solutions to its customers. The company's operations could be obstructed by damage or breakdowns in the company's technical systems, infrastructure, and software and could be affected by faults in a customer's, mobile operator's, or service supplier's network, system, infrastructure, software, or hardware. This could cause loss of revenue as well as existing and potential customers, which could have material adverse impact on Sinch's business, earnings and financial position.

TECHNICAL SHORTCOMINGS

The services and solutions that Sinch delivers to its customers are complex by nature and may contain significant shortcomings or faults. Any shortcomings in functionality or faults that cause interruptions in the availability of Sinch's services and solutions, including user errors, could lead to loss of or delayed market acceptance and usage of the company's services and solutions. This could also lead to warranty claims, issuance of customer credits, or refund of prepaid charges for unused services, loss of customers, or reallocation of resources to development and customer service. Finally, such shortcomings could damage Sinch's reputation.

STRATEGIC PARTNERSHIPS

Sinch's services and solutions are dependent upon third parties, mobile operators in particular. Sinch relies on mobile operators' telecommunications networks in order to provide connectivity in various regions and countries around the world. If Sinch does not successfully establish or maintain direct uplinks to mobile operators, or if mobile operators terminate their agreements and relationships with Sinch, Sinch might not be able to attract new customers, existing customers might experience interruptions in service deliveries, and the company's costs for purchasing network capacity from its mobile operators could rise. These circumstances could have material impact on the company's reputation and profitability and could cause serious adverse impact on Sinch's business, earnings and financial position.

MARKET CHANGES

The market for enterprise cloud communications is changing rapidly in pace with technical progress, the availability of new or alternative services, and changing customer requirements, which could require significant investments in research and development. The company is dependent upon its ability to adapt to this rapidly changing market by improving the functionality and reliability of existing services and solutions through development, launch, and marketing of new functions, services, solutions, and customizations to meet customer demands.

INTELLECTUAL PROPERTY

Sinch is dependent upon protection of its intellectual property such as copyright, brands, and trade secrets. Such protection is gained through legislation and agreements (primarily license and non-disclosure agreements) with customers, employees, partners, and other parties. However, it might prove that the measures Sinch takes to protect its intellectual property are inadequate and do not prevent competitors from copying or reverse engineering the company's services and solutions or independently developing and marketing services that are similar to or better than the company's. Furthermore, a third party might successfully contest, object to, invalidate, or circumvent the intellectual property that Sinch uses in its business.

ACQUISITIONS

Acquisitions are executed in accordance with a uniform and predefined corporate process. It consists of four documented phases: strategy, evaluation, execution, and integration.

Due diligence is performed in the evaluation phase to identify and review the risks associated with the acquired business. There is, however, risk that due diligence reviews will be inadequate or impaired by gaps or shortcomings. If any of the risks should come to pass, it could have material negative impact on Sinch's business, earnings and financial position.

The organizations of acquired entities are integrated into the Sinch organization. Such integration may entail difficulties, caused for instance by differences in company culture. Uncertainty related to possible organizational changes may also result in key individuals leaving the organization or to loss of customers. Integration processes are time-consuming for management and often entail delays, meaning that Sinch's management might not be able to allocate the time necessary to run Sinch's ongoing operations and focus on the issues that arise in that context. If any of the risks should come to pass, it could have material adverse impact on Sinch's business, earnings and financial position.

DEPENDENCE UPON KEY INDIVIDUALS

Sinch is dependent upon management personnel and other key individuals, including a skilled sales force and software developers with detailed knowledge about the company and the industry.

PROJECT LOSSES

A portion of Sinch's sales are the result of projects carried out at a fixed price. Revenues from fixed-price contracts are recognized with reference to the stage of completion. In order to ensure that Sinch projects are carried out efficiently and within budget, the company relies on experts in project management, in particular with regard to project pricing, time allocation, and achieving optimal performance. In practice, poor project management and erroneous cost estimates could have material adverse impact on Sinch's business, earnings and financial position.

CURRENCY RISKS

Currency risk refers to the risk that fluctuations in exchange rates will have adverse impact on Sinch's cash flow, earnings and balance sheet. The company's presentation currency is SEK. Sinch is a global operation, which entails significant cash flows in currencies other than SEK. Thus, fluctuations in exchange rates may have material adverse impact on Sinch's business, earnings and financial position. Please refer to Note 32 for further information.

TAX RISKS

Sinch operates through subsidiaries in several countries. Intragroup transactions take place in accordance with Sinch's internal pricing policy and in conformance with Sinch's understanding or interpretation of applicable tax law, taxation agreements, other tax rules, and the requirements of relevant tax authorities. Sinch's tax position, with regard to the current and earlier years, may change due to a decision by a tax authority or as a consequence of changes in laws, treaties, or other regulations. These decisions or changes, which may have retroactive effect, could cause material adverse impact on Sinch's business, earnings or financial position.

UK EXIT FROM THE EU

Sinch's primary business is sending text messages to consumers from enterprises, who are Sinch's customers. Several customers are located in the United Kingdom and have contracts with Sinch's British subsidiary. Likewise, a number of Sinch's suppliers, such as telecom operators, have contracts with the British subsidiary. The message traffic is routed through Sinch's servers in various countries, which are for British customers mainly based in Europe. As long as data traffic between the EU and the UK is not obstructed by an exit from the EU, Sinch's judgment is that Brexit will have no material impact on Sinch's business, earnings or financial position.

SHARE PERFORMANCE AND OWNERSHIP STRUCTURE

The share

Sinch's stock was listed on Nasdaq Stockholm on 8 October 2015. The introduction price was SEK 59 per share. The share is traded under the stock symbol SINCH.

Share capital

Share capital in CLX Communications AB (name change to Sinch AB (publ) in progress) amounts to SEK 5,360,208.90 (5,360,208.90) divided among 53,602,089 outstanding shares (53,602,089). All shareholders have equal rights to a share in the company's assets and profit. The quotient value of the shares is 0.10 (0.10). Please refer to Note 21 for further information about the development of share capital.

Dividend

The board of directors has proposed that no dividend be paid for financial year 2018 (-). In the board's opinion, Sinch is in a phase during which financial surpluses should be reinvested in continued growth, both organically and through acquisitions.

Shareholders

At the end of the financial year, Sinch had about 2,200 shareholders. The ten largest shareholders combined owned 85.8 percent of equity in Sinch.

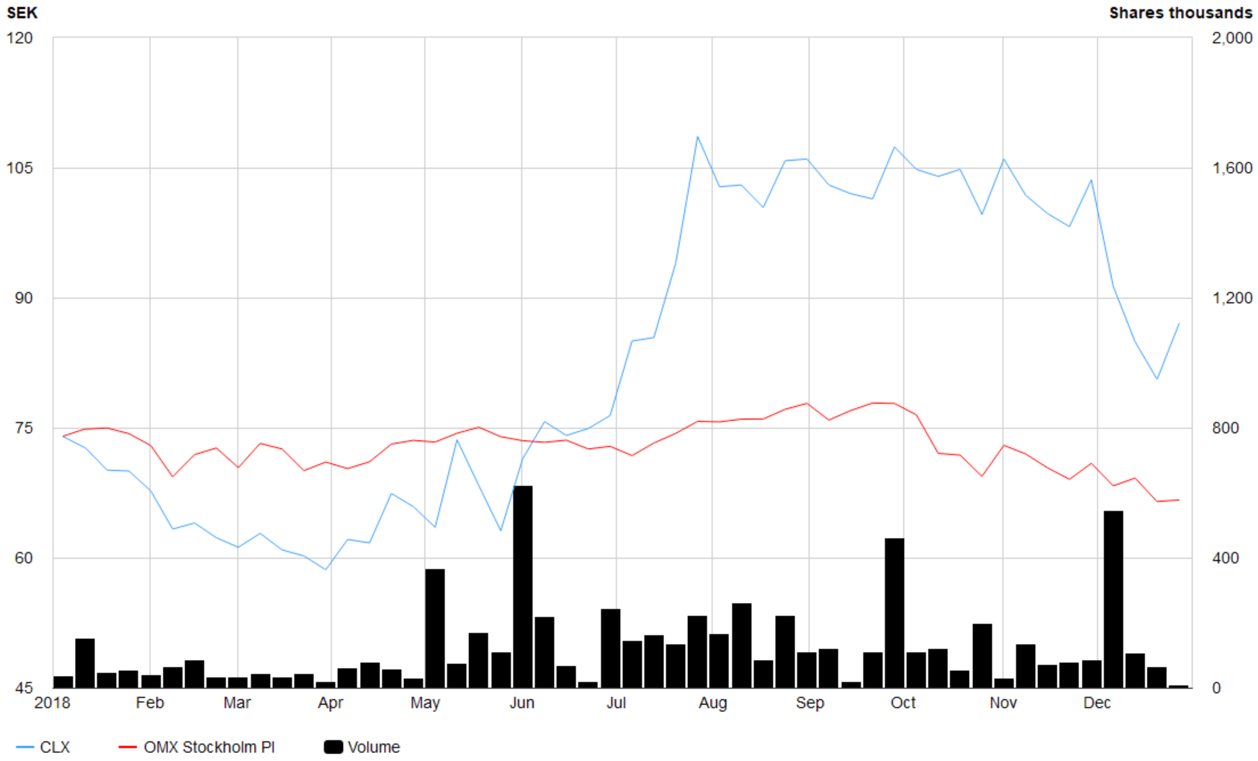
The company is not aware of any agreement between shareholders that limits their rights to transfer their shares.

Ten largest shareholders as of 31 December 2018

Name	Number of shares	% of equity
Neqst D1 AB	9,808,201	18.3
Cantaloupe AB	8,925,596	16.7
Fourth National Swedish Pension Fund	5,002,805	9.3
Swedbank Robur	4,753,805	8.5
Kjell Arvidsson AB	4,544,430	8.5
First National Swedish Pension Fund	3,972,372	7.4
Handelsbanken fonder	2,858,167	5.3
Alecta Pensionsförsäkring, ömsesidigt	2,642,382	4.9
Salvis Investment Ltd.	2,231,232	4.2
Länsförsäkringar	1,238,011	2.3
Total	**45,977,001**	**85.8**
Other shareholders	7,625,088	14.2
Total shares outstanding	**53,602,089**	**100.0**

Cantaloupe AB is owned by Björn Zethraeus, Kristian Männik, Henrik Sandell and Robert Gerstmann, and Salvis Investment Ltd. Is owned by Johan Hedberg, all of whom are co-founders of Sinch.

SHARE PRICE PERFORMANCE



Instrument turnover 2018, including OTC, Nasdaq Stockholm

Turnover	Volume, no. of shares	No. of trades	Average daily turnover	Average daily volume	Average daily no. of trades	Traded days
583,913,032	6,774,474	25,028	2,335,652	27,098	100	100 %

Instrument turnover compared to total turnover in 2018 on Nasdaq Stockholm

Turnover velocity, share	Turnover velocity, Stockholm	% of Stockholm total turnover	Total Stockholm turnover, SEKbn
13%	48%	0.01%	4,488

Prices during 2018 (adjusted), Nasdaq Stockholm, SEK

Volume-weighted average price	Highest price paid	Highest price paid date	Lowest price paid	Lowest price paid date
86.18	113.80	1 Oct 2018	57.10	4 April 2018

Market cap, last trading day of 2018

Number of shares	Share price	Market cap
53,602,089	87.00	4,663,381,743

Price development in 2018, Nasdaq Stockholm, SEK

Latest paid, previous year	Adjusted latest paid, previous year	Latest paid, current year	Adjusted latest paid, current year	% change, share	% change, OMX Stockholm index
72.25	72.25	87.00	87.00	20%	-8%

All figures are stated in local currency and single-counted based on one side of the transaction. Market shares are calculated according to official guidelines. Turnover velocity is calculated as ((turnover during period/average market cap during period) *250)/number of listed days. Latest paid is the latest paid at the last trading day of the year. Trading days means the number of days with trades divided by number of listed days. Volume-weighted average price is the turnover divided by volume during the period, taking into account trades updating the average daily price (trades executed in continuous trading and within the spread).

Adjusted latest paid is the latest price paid adjusted for corporate actions.

OUTLOOK

Sinch is well-positioned to benefit from the strong growth in the market for enterprise cloud communications. The company operates in an attractive segment of the market in which Sinch links enterprises and mobile operators, and its customers include both mobile operators and enterprises. The flexible and robust Sinch Communications Platform contributes to ensuring that the company is well-equipped to meet its customers' present and future communications needs.

Sinch does not issue forecasts.

PARENT COMPANY

The parent company's operations consist only of certain group management functions. At the end of the period, the parent company had 13 (7) employees. The average number of employees during the period was 11 (7).

- Net sales amounted to SEK 30.9 million (13,0)
- The operating loss was SEK -25,9 million (-13,2)
- Net profit for the period amounted to SEK -0.4 million (7.8).
- Equity amounted to SEK 1,425.4 million (1,418.2)
- Net investments in intangible assets and property, plant and equipment amounted to SEK 1.5 million (6.5).

Please refer to the management report for the Group for further information concerning the parent company's operations, financial position, and performance.

PROPOSED ALLOCATION OF PROFIT

The board of directors will propose to the annual general meeting that no dividend is distributed for the financial year of 2018.

The following non-restricted equity in the parent company is at the disposal of the annual general meeting, SEK:

Share premium reserve	1,359,868,949
Retained earnings	60,544,484
Profit for the year	-388,439
Total	**1,420,024,994**

The Board of Directors proposes that profit be allocated as follows, SEK:

Carried forward to the share premium reserve	1,359,868,949
Carried forward to retained earnings	60,156,045
Total	**1,420,024,994**

Income statement
Consolidated

	Note	2018	2017
Net sales	3	**3,986,643**	**3,058,079**
Other operating income	4	109,639	59,547
Work performed by the entity and capitalized	14	21,728	17,872
Cost of goods and services sold		-2,978,239	-2,278,064
Other external expenses	5, 6, 7	-280,321	-243,555
Employee benefits expenses	8	-405,086	-312,561
Other operating expenses	4	-81,071	-38,143
Operating profit before depreciation, amortization, and impairments, EBITDA		**373,293**	**263,174**
Depreciation, amortization, and impairments	14, 15	-155,485	-138,263
Operating profit, EBIT		**217,808**	**124,911**
Financial income	9	148,508	185,229
Financial expenses	9	-165,018	-235,698
Profit before tax		**201,298**	**74,443**
Current tax	11	-41,098	-33,310
Deferred tax	11	19,336	93,284
Profit for the year		**179,536**	**134,417**
Attributable to:			
Owners of the parent		179,528	133,948
Non-controlling interests		11	469
Earnings per share, SEK			
Basic	12	3.35	2.58
Diluted	12	3.35	2.58

Statement of comprehensive income
Consolidated

	Note	2018	2017
Profit for the year		179,536	134,417
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss for the period			
Translation differences		-13,154	26,817
Hedge accounting, net investment		-6,281	-9,318
Tax effect of items in other comprehensive income	11	1,023	2,050
Other comprehensive income for the year		**-18,412**	**19,549**
Comprehensive income for the year		**161,124**	**153,967**
Attributable to:			
Owners of the parent		161,364	153,710
Non-controlling interests		-240	257

Statement of financial position
Consolidated

	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Goodwill	13	1,221,841	963,383
Customer relationships	14	682,640	575,862
Operator relationships	14	102,887	108,218
Proprietary software	14	135,821	112,258
Other intangible assets	14	2,308	3,923
Property, plant, and equipment	15	18,897	23,073
Financial assets	16	15,104	29,224
Deferred tax assets	17	191,917	191,395
Total non-current assets		**2,371,414**	**2,007,336**
Current assets			
Inventory		689	3,980
Accounts receivable	18	879,890	683,747
Tax assets		15,583	1,660
Other current receivables	19	83,632	61,232
Accrued income and prepaid expenses	3, 20	94,362	108,096
Cash and cash equivalents	33	180,759	164,588
Total current assets		**1,254,915**	**1,023,303**
Total assets		**3,626,329**	**3,030,639**
EQUITY AND LIABILITIES			
Equity	21		
Share capital		5,360	5,360
Other capital contributions		1,386,759	1,377,702
Reserves		18,521	36,682
Profit and loss brought forward including profit for the year		252,643	73,661
Equity attributable to owners of the parent		**1,663,283**	**1,493,405**
Non-controlling interests		908	1,148
Total equity		**1,664,190**	**1,494,552**
Non-current liabilities			
Deferred tax liabilities	17	218,360	196,232
Other non-current liabilities, interest-bearing	22	487,211	387,722
Other non-current liabilities, non-interest-bearing	23	136,077	54,340
Total non-current liabilities		**841,647**	**638,294**
Current liabilities			
Advance payments from customers	3	26,424	22,073
Provisions	24	27,719	11,423
Accounts payable		431,417	259,416
Tax liabilities		35,474	45,148
Other current liabilities, interest-bearing	25	99,037	125,682
Other current liabilities, non-interest-bearing	26	50,278	25,377
Accrued expenses and prepaid income	27	450,143	408,674
Total current liabilities		**1,120,492**	**897,793**
Total equity and liabilities		**3,626,329**	**3,030,639**

Statement of changes in equity
Consolidated

	Share capital	Other capital contribu-tions	Reserves	Retained earnings	Total equity attrib-utable to owners of the parent	Non-con-trolling interests	Total equity
Opening balance at 1 January 2017	**4,953**	**881,542**	**16,920**	**-44,348**	**859,067**	**5,890**	**864,957**
Profit for the year				133,948	133,948	469	134,417
Other comprehensive income			19,762		19,762	-212	19,550
Acquisition of non-controlling interest in Caleo				-7,901	-7,901	-4,999	-12,900
Warrants		8,449			8,449		8,449
Rights issue	407	487,711			488,118		488,118
Issue expenses, net after tax				-8,038	-8,038		-8,038
Closing balance at 31 December 2017	**5,360**	**1,377,702**	**36,682**	**73,661**	**1,493,405**	**1,148**	**1,494,552**
Profit for the year				179,528	179,528	11	179,539
Other comprehensive income			-18,161		-18,161	-251	-18,412
Warrants		9,057			9,057		9,057
Issue expenses, net after tax				-546	-546		-546
Closing balance at 31 December 2018	**5,360**	**1,386,759**	**18,521**	**252,643**	**1,663,283**	**908**	**1,664,190**

Statement of cash flows
Consolidated

	Note	2018	2017
Cash flow from operating activities			
Profit before tax		201,298	74,443
Adjustment for non-cash items	33	87,453	140,315
Income tax paid		-65,106	-25,583
Cash flow from operating activities before changes in working capital		**223,645**	**189,175**
Change in inventories		3,290	-2,555
Change in accounts receivable		-157,577	-204,555
Change in other current receivables		57,043	75,706
Change in accounts payable		157,114	-41,588
Change in other current liabilities		21,125	35,084
Cash flow from operating activities		**304,640**	**51,268**
Investing activities			
Acquisition of intangible assets	14	-21,813	-17,894
Acquisition of property, plant, and equipment	15	-6,639	-12,334
Change in financial receivables		-20,424	-6,248
Acquisition of subsidiaries, net effect on cash and cash equivalents	34	-321,508	-526,117
Cash flow from investing activities		**-370,384**	**-562,593**
Financing activities			
New borrowing	22	722,234	515,802
Amortization of bank loan	22	-654,016	-436,712
Amortization, financial leasing liability		-154	-161
Rights issue/warrants	21	7,447	485,317
Cash flow from financing activities	33	**75,511**	**564,246**
Cash flow for the year		**9,767**	**52,921**
Cash and cash equivalents at the beginning of the financial year		164,588	115,342
Exchange rate differences in cash and cash equivalents		6,404	-3,675
Cash and cash equivalents at the end of the financial year	33	**180,759**	**164,588**

Income statement
Parent company

	Note	2018	2017
Net sales	1	**30,879**	**13,013**
Other operating expenses	4	90	134
Operating expenses			
Other external expenses	5, 6	-37,069	-22,403
Employee benefits expenses	8	-17,959	-3,558
Other operating expenses	4	-114	-51
Operating profit before depreciation, amortization, and impairments		**-24,172**	**-12,864**
Depreciation, amortization, and impairments	14, 15	-1,735	-317
Operating loss		**-25,907**	**-13,181**
Interest income and similar profit items	9	88,602	82,632
Other interest income and similar profit items	9	-17,499	-192,994
Profit/loss after net financial income/expenses		**45,196**	**-123,543**
Appropriations	10	-45,574	133,641
Profit/loss before tax		**-379**	**10,097**
Tax on profit for the year	11	-9	-2,276
Profit/loss for the year [1]		**-388**	**7,821**

[1] Profit for the year coincides with comprehensive income for the year.

Balance sheet
Parent company

	Note	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Intangible assets	14	124	248
Property, plant, and equipment	15	6,477	6,255
Financial assets			
Investments in group companies	16	501,699	530,230
Non-current receivables, group companies	16	1,625,560	1,509,409
Total financial assets		**2,127,258**	**2,039,639**
Total non-current assets		**2,133,859**	**2,046,142**
Current assets			
Receivables from group companies		50,449	179,384
Tax assets		720	-
Other current receivables	19	1,124	2,113
Accrued income and prepaid expenses	20	7,077	5,222
Cash and bank balances	33	168	10
Total current assets		**59,537**	**186,729**
Total assets		**2,193,396**	**2,232,871**
Equity and liabilities			
Equity			
Share capital	21	5,360	5,360
Total restricted equity		**5,360**	**5,360**
Share premium reserve		1,359,869	1,351,755
Retained earnings		60,544	53,244
Profit/loss for the year		-388	7,821
Total non-restricted equity		**1,420,025**	**1,412,820**
Total equity		**1,425,385**	**1,418,180**
Untaxed reserves	27	**8,554**	**8,307**
Provisions	24	**11,388**	**40,000**
Non-current liabilities			
Liabilities to credit institutions	22	487,211	387,441
Total non-current liabilities		**487,211**	**387,441**
Current liabilities			
Accounts payable		7,099	3,649
Tax liabilities		-	3,937
Liabilities to group companies		148,622	242,327
Liabilities to credit institutions	25	98,909	125,682
Financial lease liability	25	128	-
Other current liabilities	26	1,612	979
Accrued expenses and prepaid income	27	4,487	2,369
Total current liabilities		**260,858**	**378,943**
Total equity and liabilities		**2,193,396**	**2,232,871**

Statement of changes in equity
Parent company

	Share capital	Share premium reserve	Retained earnings	Total Equity
Opening balance at 1 January 2017	**4,953**	**856,539**	**61,281**	**922,773**
Profit for the year			7,821	7,821
Warrants		7,505		7,505
Rights issue	407	487,711		488,118
Issue expenses, net after tax			-8,038	-8,038
Closing balance at 31 December 2017	**5,360**	**1,351,755**	**61,064**	**1,418,179**
Profit for the year			-388	-388
Warrants		8,114		8,114
Issue expenses, net after tax			-520	-520
Closing balance at 31 December 2018	**5,360**	**1,359,869**	**60,156**	**1,425,385**

Cash flow statement
Parent company

	Note	2018	2017
Cash flow from operating activities			
Profit/loss after net financial income/expenses		45,196	-123,544
Adjustment for non-cash items	33	5,957	-50,557
Income tax paid		-4,519	-289
Cash flow from operating activities before changes in working capital		**46,633**	**-174,391**
Change in other current receivables		128,069	-176,727
Change in accounts payable		3,141	3,357
Change in other current liabilities		53,860	20,965
Cash flow from operating activities		**231,703**	**-326,795**
Investing activities			
Acquisition of intangible assets		-	-22
Acquisition of property, plant, and equipment		-1,461	-6,448
Change in financial receivables, group companies		-116,151	-380,436
Acquisitions of subsidiaries	34	-80	-126
Cash flow from investing activities		**-117,692**	**-387,032**
Financing activities			
Bank loans raised	22	723,032	515,802
Amortization of bank loan	22	-654,170	-436,712
Amortization of loan from ultimate parent before IPO		-	-
Change in financial liabilities, group companies		-144,834	-7,150
Rights issue/warrants		7,447	485,317
Group contribution received/provided		-45,327	135,370
Cash flow from financing activities		**-113,853**	**692,627**
Cash flow for the year		**158**	**-21,200**
Cash and cash equivalents at the beginning of the financial year		10	21,210
Cash and cash equivalents at the end of the financial year	33	**168**	**10**

Multi-year review
Consolidated

Income statement, SEKm	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Net sales	3,986.6	3,058.1	2,333.9	844.4	605.5
Cost of goods and services sold	-2,978.2	-2,278.1	-1,691.6	-592.5	-372.6
Gross profit	**1,008.4**	**780.0**	**642.3**	**251.9**	**232.9**
Other revenue	109.6	59.5	40.8	29.6	13.8
Work performed by the entity and capitalized	21.7	17.9	22.7	3.3	3.8
Employee benefits expenses	-405.1	-312.6	-281.7	-124.7	-102.3
Other expenses	-361.4	-281.7	-262.2	-66.9	-70.0
EBITDA	**373.3**	**263.2**	**161.9**	**93.1**	**78.3**
Depreciation, amortization, and impairments	-155.5	-138.3	-49.5	-4.4	-2.0
EBIT	**217.8**	**124.9**	**112.5**	**88.7**	**76.2**
Financial income	148.5	185.2	105.1	0.9	0.6
Financial expenses	-165.0	-235.7	-96.2	-19.8	-32.8
Profit before tax	**201.3**	**74.4**	**121.4**	**69.8**	**44.1**
Tax	-21.8	60.0	-9.8	-16.8	-10.8
Profit for the year	**179.5**	**134.4**	**111.6**	**52.9**	**33.3**
Attributable to:					
Owners of the parent	179.5	133.9	111.3	53.2	33.3
Non-controlling interests	0.0	0.5	0.2	-0.3	0.0

Balance sheet, SEKm	31 Dec 2018	31 Dec 2017	31 Dec 2016	30 Jun 2015	30 Jun 2014
Intangible assets	2,145.5	1,763.6	1,564.9	65.9	54.5
Property, plant, and equipment	18.9	23.1	14.2	4.7	1.7
Financial assets	15.1	29.2	11.4	2.6	-
Deferred tax assets	191.9	191.4	29.6	0.2	4.4
Current assets excluding cash and cash equivalents	1,074.2	858.7	587.2	189.8	192.2
Cash and cash equivalents	180.8	164.6	115.3	71.0	55.9
Total assets	**3,626.3**	**3,030.6**	**2,322.6**	**334.2**	**308.7**
Equity	1,664.2	1,494.6	865.0	41.5	-128.3
Non-current liabilities	841.6	638.3	744.6	94.3	308.8
Current liabilities	1,120.5	897.8	713.0	198.5	128.3
Total equity and liabilities	**3,626.3**	**3,030.6**	**2,322.6**	**334.2**	**308.7**

Cash flow statement, SEKm	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Cash flow from operating activities	304.6	51.3	107.6	94.9	-5.1
Cash flow from investing activities	-370.4	-562.6	-1,053.4	-9.8	13.5
Cash flow from financing activities	75.5	564.2	989.2	-70.2	-13.5
Cash flow for the year	**9.8**	**52.9**	**43.4**	**14.9**	**-5.1**
Cash and cash equivalents at the beginning of the financial year	164.6	115.3	71.0	55.9	61.0
Exchange rate differences in cash and cash equivalents	6.4	-3.7	1.0	0.2	0.1
Cash and cash equivalents at the end of the year	**180.8**	**164.6**	**115.3**	**71.0**	**55.9**

Key data	2018 12 mon	2017 12 mos	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Return on equity, %	11.4	11.4	24.6	-121.8	-23.0
Return on total assets, %	5.4	5.0	8.4	16.5	11.3
Gross margin, %	25.3	25.5	27.5	29.8	38.5
EBITDA margin, %	9.4	8.6	6.9	11.0	12.9
EBIT margin, %	5.5	4.1	4.8	10.5	12.6
Net margin, %	4.5	4.4	4.8	6.3	5.5
Equity/assets ratio, %	45.9	49.3	37.2	12.4	-41.6
Net debt, SEKm	405.5	348.8	368.6	8.9	245.6
Items affecting comparability in EBITDA, SEKm	6.2	-33.5	-76.1	4.0	-
Adjusted EBITDA, SEKm	367.1	296.7	238.1	89.1	78.3
Net debt/Adjusted EBITDA, multiple	1.1	1.2	1.5	0.1	3.1
Interest coverage ratio, multiple	9.9	7.1	14.2	4.5	2.3

Share data	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Total shares outstanding at the end of the financial year	53,602,089	53,602,089	49,534,442	1,081,081	1,000,000
Equity per share, SEK	31.03	27.86	17.34	33.83	33.30
Weighted average shares outstanding, before dilution*	53,602,089	52,002,693	42,706,358	34,853,978	34,853,978
Weighted average shares outstanding, after dilution*	53,602,089	52,002,693	43,212,236	34,892,690	34,853,978
Basic earnings per share, SEK	3.35	2.58	2.58	1.53	0.96
Diluted earnings per share, SEK	3.35	2.58	2.55	1.52	0.96
Dividend per share, SEK	0	0	0	0	0

*Historic average number of shares restated after split and new issues for comparison.

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.

Gross profit
Net sales less the cost of goods and services sold.

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. For instance, EBITDA is reported as a key figure because it illustrates the underlying results of operations without the effect of depreciation and amortization, which provides a more comparable measurement when depreciation and amortization refer to historical investments. The company has also chosen to report the performance measurement of adjusted EBITDA/EBIT to show the underlying results of operations excluding non-recurring items such as capital gains/losses, IPO expenses, acquisition costs,and restructuring and integration costs. 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.

FINANCIAL MEASUREMENTS NOT DEFINED UNDER IFRS:

Return on equity
Profit or loss for the year divided by average equity

Return on total assets
Profit or loss for the year divided by average total assets

Gross margin
Gross profit in relation to net sales.

Equity per share
Equity at the end of the period attributable to owners of the parent company divided by the number of shares at the end of the period.

Average total assets
Total assets at the end of the preceding year plus total assets at the end of the current year divided by two.

Average total equity
Total equity at the end of the preceding year plus total equity at the end of the current year divided by two.

Net margin
Net profit for the period in relation to net sales.

Interest-bearing liabilities
Bank loans and financial leasing liabilities.

Net debt
Interest-bearing liabilities less cash and cash equivalents.

Debt/equity ratio
Net debt divided by adjusted EBITDA.

Equity/assets ratio
Equity as a percentage of total assets.

Interest coverage ratio
EBIT + interest income divided by interest expense.

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

Operating profit, EBITDA
Profit for the period before financial income, financial expenses, tax and depreciation, amortization and impairment of intangible assets and property, plant and equipment.

Items affecting comparability
Non-recurring items such as capital gains/losses, impairments, IPO expenses, acquisition costs, integration costs and restructuring costs.

Adjusted EBIT
EBIT adjusted for items affecting comparability that affected EBIT.

Adjusted EBITDA
EBITDA adjusted for items affecting comparability that affected EBITDA.

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

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, recalculated as full-time equivalents.

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

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

Organic growth
Change in net sales excluding the contribution of acquired units to net sales in relation to net sales in the comparison period.

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

Items affecting comparability	2018	2017
Acquisition costs	-9,432	-9,270
Restructuring costs	8,884	-15,048
Integration costs	-27,174	-24,239
Capital gain/loss, divestment of mobile payments business	-8,125	3,317
Income, adjusted earnout	42,018	11,752
Impairment of goodwill, Xura	-	-11,859
Impairment of non-current assets IoT	-9,212	-
Total items affecting comparability	**-3,041**	**-45,347**

Reconciliation, Adjusted EBITDA	2018	2017
EBITDA	373,293	263,174
Acquisition costs	9,432	9,270
Restructuring costs	-8,884	15,048
Integration costs	27,174	24,239
Capital gain/loss, divestment of mobile payments business	8,125	-3,317
Income, adjusted earnout	-42,018	-11,752
Adjusted EBITDA	**367,122**	**296,662**

Reconciliation, Adjusted EBIT	2018	2017
EBIT	217,808	124,911
Acquisition costs	9,432	9,270
Restructuring costs	-8,884	15,048
Integration costs	27,174	24,239
Capital gain/loss, divestment of mobile payments business	8,125	-3,317
Income, adjusted earnout	-42,018	-11,752
Impairment of goodwill, Xura	-	11,859
Impairment of non-current assets IoT	9,212	-
Adjusted EBIT	**220,849**	**170,258**

Reconciliation, Net debt	31 Dec 2018	31 Dec 2017
Non-current interest-bearing liabilities	487,211	387,722
Current interest-bearing liabilities	99,037	125,682
Cash and cash equivalents	-180,759	-164,588
Net debt	**405,489**	**348,816**

Reconciliation, interest coverage ratio	2018	2017
EBIT	217,808	124,911
Interest income	2,666	2,495
EBIT + interest income (1)	220,474	127,406
Interest expenses (2)	22,367	17,916
Interest coverage ratio, (1) divided by (2)	**9.9**	**7.1**

Notes

Note 1.

Accounting policies

GENERAL INFORMATION

CLX Communications AB (publ) (name change to Sinch AB (publ) in progress), corporate registration number 556882-8908 is a public limited liability company incorporated in Sweden and domiciled in Stockholm. The address of the company's headquarters is Lindhagensgatan 74, 112 18 Stockholm. The company and its subsidiaries ("Sinch" or "the Group") provide cloud communications services to the enterprise sector, voice and video communications services and software solutions developed by Sinch and supplied to mobile operators as both a product and a service.

COMPLIANCE WITH STANDARDS AND LAW

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the EU. The Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR1, Supplementary Accounting Rules for Groups have also been applied. The parent company and the Group apply the same accounting policies, except where specified below under "Parent company accounting policies."

MEASUREMENT BASES APPLIED IN PREPARING THE FINANCIAL STATEMENTS

Assets and liabilities are recognized at historical cost, other than certain financial instruments measured at fair value.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The parent company's functional currency is the Swedish krona, which is also the presentation currency for the parent and the Group. Accordingly, the financial statements are presented in Swedish kronor. Unless otherwise stated, all amounts are rounded to the nearest thousand.

JUDGMENTS AND ESTIMATIONS IN THE FINANCIAL STATEMENTS

Preparation of financial statements in accordance with IFRS requires management to make judgments and estimations and make assumptions that affect the application of the accounting policies and the recognized amounts of assets, liabilities, revenues and costs. The actual outcome may differ from these estimations and judgments.

The estimations and assumptions must be reviewed regularly. Changes of estimations are reported in the period the change is made if the change only affected this period, or in the period the change is made and future periods if the change affects both the current and future periods.

Key sources of estimation uncertainty

The sources of estimation uncertainty outlined below refer to such that entail a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue

Sinch applies successive revenue recognition to commitments in projects of a fixed-price nature and makes continuous provisions for any risks and non-conformances. These estimations are based on past experience and other factors deemed reasonable under the circumstances. Actual outcome may differ from these estimations if other commitments are made or other circumstances exist.

A sensitivity analysis shows that a changed assessment of the percentage of completion of 10 percentage points may have an effect on earnings of SEK +/- 7,458 thousand (7,437).

Impairment testing of goodwill

In the calculation of cash generating units' recoverable value for the assessment of possible goodwill impairment, several assumptions about future conditions and estimations of parameters have been made. These are disclosed in Note 13. As understood by the description in Note 13, changes in the conditions for these assumptions and estimations could have material effect on the value of goodwill.

Tax

Significant estimations are made in order to measure both current and deferred tax liabilities and tax assets and particularly the value of deferred tax assets. Consequently, the company must estimate the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The actual outcome may differ from these estimations for reasons including changes in the future business climate, amendments to tax rules or the outcome of an audit by the tax authority of submitted tax returns.

As of 31 December 2018, the carrying amount of deferred tax assets was SEK 191,917 thousand (191,395) and the carrying amount of deferred tax liabilities was SEK 196,232 thousand (218,360).

NEW AND AMENDED IFRS AND INTERPRETATIONS 2018

Sinch began applying IFRS 9 and IFRS 15 for the first time as of 1 January 2018. To the extent new or amended standards and interpretations are not described below, Sinch has determined that these will have no impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 establishes principles for recognition and measurement of financial assets, financial liabilities and certain contracts related to the purchase and sale of non-financial instruments. This standard supersedes IAS 39 *Financial Instruments: Recognition and Measurement*.

Classification and measurement of financial assets and liabilities

IFRS 9 contains three main classification categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Classification of financial assets under IFRS 9 is generally based on the entity's business model for management of the financial assets and the characteristics of the contractual cash flows from the financial asset. The previous categories in IAS 39 (held-to-maturity investments, loans and receivables, and available-for-sale financial assets and liabilities) no longer apply. IFRS 9 mainly retains the existing requirements in IAS 39 for classification and measurement of financial liabilities. The implementation of IFRS 9 has not had material impact on the consolidated accounting policies related to financial liabilities and derivative instruments.

Impairment of financial assets

IFRS 9 replaces the "incurred loss model" under IAS 39 with an "expected credit loss model." The new impairment model is applied to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Sinch has determined that the implementation of requirements for impairments under IFRS 9 results in additional loss allowances for write-downs, but not in significant amounts.

Hedge accounting

Sinch has elected to apply a general hedge accounting model according to IFRS 9. It requires the group to ensure that hedging relationships are in line with its risk management objective and strategy and that it applies a qualitative and prospective approach to assessing hedge effectiveness.

Transition

Sinch has elected the transition approach that does not require restatement of comparative period financial statements. Differences in the new carrying amounts of financial assets and liabilities upon the implementation of IFRS 9 are recorded in the balance of retained earnings and reserves as of 1 January 2018. The 2017 figures thereby meet the criteria according to IAS 39 and do not meet the criteria under IFRS 9. All hedging relationships identified according to IAS 39 as of 31 December 2017 met the criteria for hedge accounting under IFRS 9 as of 1 January 2018 and are therefore considered qualified hedging relationships.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a comprehensive standard for determining the amount and timing of revenue recognition. It supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognized when control over the goods or services is passed to the customer. Determining the point in time at which control is passed, i.e., at a specific date or over time, requires assessment. The transition has had no effect on the point in time at which Sinch recognizes revenue as the point in time when control over goods and services passes to the customer is the same as that at which Sinch recognized revenues under IAS 18. Sinch applies IFRS 15 according to the prospective approach. Accordingly, the disclosure requirements in IFRS 15 have not been applied to comparative information.

NEW AND AMENDED IFRS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new or amended standards and interpretations will not become effective until the next reporting period or later and have not been early adopted in the preparation of these financial statements. There is no plan to early adopt new standards or amendments that become effective for annual periods subsequent to 2019. To the extent new or amended standards and interpretations are not described below, Sinch has determined that these will have no impact on the financial statements.

IFRS 16 Leases

IFRS 16 *Leases* will supersede IAS 17 *Leases* and application is mandatory from 1 January 2019. An implementation project was carried out in preparation for the initial application of IFRS 16. The aim was to identify differences between IFRS 16 and IAS 17, to collect data in order to analyze the impact of the differences and to establish procedures for handling leases after the implementation.

IFRS 16 requires the lessee to report virtually all leases on the statement of financial position (balance sheet). Consequently, leases will no longer be classified as either operating or finance leases. The underlying asset in the lease is recognized in the statement of financial position. In subsequent periods, the right-of-use asset is carried at cost less accumulated depreciation and impairment, if any, and adjusted for any remeasurement of the lease liability. The lease liability is recognized in the statement of financial position and is continuously recognized at amortized cost less the amount of lease payments made. The lease liability is subsequently remeasured when changes occur in, for example, the lease term, residual value, and future lease payments.

The income statement will be affected through that present operating expenses attributable to operating leases will be replaced by depreciation and interest expenses. Short-term leases (12 months or less) and leases where the underlying asset has a low value do not have to be recognized in the statement of financial position and Sinch has applied this option. Sinch will apply the modified retroactive approach to the transition as regards leases previously reported as operating leases. Under this approach, the lease liability is calculated as the present value of remaining lease payments discounted using the incremental borrowing rate at date of initial application and comparison years are not adjusted. Leases previously classified as finance leases will not be restated upon transition to IFRS 16.

The Right of Use (RoU) asset is measured at the sum of the lease liability adjusted for any prepaid or accrued lease payments. The lease liability and the RoU asset are recognized in the opening balance as of 1 January 2019.

Reconciliation of operating lease obligations

Operating lease obligations as of 31 December 2018	98,913
Discount at the group's incremental borrowing rate 1.2-5%	-5,746
Finance lease liabilities as of 31 December 2018	175
Short-term leases expensed on a straight-line basis	-4,822
Low value leases expensed on a straight-line basis	-5,289
Adjustment related to extension options or termination clauses	563
Lease liability as of 1 January 2019	**83,793**

Estimated effects on the statement of financial position, 1 January 2019

Right of use asset	88,820
Prepaid expenses	-5,027
Equity	-
Lease liability - current	24,892
Lease liability - non-current	58,901

CLASSIFICATION OF CURRENT AND NON-CURRENT ITEMS

Assets and liabilities are classified as either current or non-current. Non-current receivables and payables consist in all material respects of amounts expected to fall due for payment more than one year after the end of the reporting period. Current receivables and payables fall due for payment within one year of the end of the reporting period.

SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which financial information is available. An operating segment's results are subsequently reviewed by the entity's chief operating decision maker in order to assess the performance of and allocate resources to the operating segment. Please refer to Note 2 Segment reporting for further information concerning the division and presentation of operating segments.

CONSOLIDATION POLICIES AND BUSINESS COMBINATIONS

Subsidiaries

Subsidiaries are entities under the control of the parent company, CLX Communications AB (publ) (name change to Sinch AB (publ) in progress). Control exists if the parent company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights and whether de facto control exists are taken into account when assessing whether control exists.

Subsidiaries are reported using the acquisition method of accounting. This means that an acquisition of a subsidiary is viewed as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the acquisition-date fair value of acquired identifiable assets and liabilities, as well as any non-controlling interests. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, that arise are recognized directly in profit or loss for the year.

In business combinations where the value of the consideration transferred, any non-controlling interest and (in a business combination achieved in stages) the fair value of previously held equity interests and assumed liabilities are recognized separately, the difference is recognized as goodwill. If the difference is negative, the resulting gain is recognized in profit or loss for the year.

Consideration transferred in connection with the acquisition does not include payments that represent a settlement of a pre-existing relationship. This type of settlement is recognized in profit or loss.

Contingent consideration is recognized at acquisition-date fair value. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and is settled in equity. For other contingent consideration, the items are remeasured at every reporting date and the change is recognized in profit or loss for the year.

Acquisitions from non-controlling interests are recognized as an equity transaction, that is, between the owners of the parent (within retained earnings) and non-controlling interests. Consequently, no goodwill arises in these transactions.

Consolidated accounting policies have been adjusted when subsidiary accounting policies differ from the consolidated accounting policies.

The financial statements of subsidiaries are included in the consolidated financial statements from acquisition date until the date control no longer exists.

Transactions eliminated upon consolidation

Intragroup receivables and liabilities, revenues, and costs and unrealized gains or losses arising from intragroup transactions between group companies are eliminated in their entirety when the consolidated financial statements are prepared.

FOREIGN CURRENCY

Transactions in foreign currency

Transactions denominated in foreign currency are translated to the functional currency at the exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the exchange rate prevailing on the reporting date. Exchange differences arising in the translations are recognized in profit or loss for the year. Non-monetary assets and liabilities carried at historical cost are translated at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the exchange rate prevailing when the fair values were determined.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation to the presentation currency of the Group, SEK, at the exchange rate prevailing at the reporting date. Revenues and costs in a foreign operation are translated to SEK at an average rate that is an approximation of the exchange rates prevailing at each respective transaction date. Translation differences arising in foreign operations are recognized in other comprehensive income and accumulated in the translation reserve in equity. When a foreign operation is sold, the cumulative translation differences attributable to the operation are realized from the translation reserve in profit or loss for the year.

REVENUE

Revenue is recognized based on the contract with the customer and is measured based on the consideration Sinch expects to be entitled to in exchange for transferring promised services, excluding amounts collected on behalf of third parties. The Group recognizes revenue when control of a good or service is passed to the customer.

Sinch's revenues arise mainly from sales of mobile messaging services, initial software licenses and upgrades, hardware and support. The majority of Sinch's customers have an average payment term of 30 days. Extended payment terms may occur in individual software sales within the Operator Division. In the Enterprise Division, prepayments are also made by customers for SMS distributions.

Sale of services and goods

Revenue from sale of services on open charge accounts is recognized in the accounting period when the services are rendered; that is, both revenues and costs are recognized in the period when they are earned and incurred, respectively.

Successive revenue recognition is applied to sales of services on fixed-price contracts. This means that revenue and costs are recognized in relation to the percentage of completion at the reporting date. The percentage of completion is determined by calculating the relation to contract costs incurred for work performed at the reporting date and the estimated total contract costs. An anticipated loss on a service contract is immediately recognized as an expense. When the outcome of a service contract cannot be reliable estimated, revenue is recognized only in the amount that corresponds to contract costs incurred that are likely to be recovered from the customer. Contract costs are recognized as an expense in the period in which they are incurred. An anticipated loss is immediately recognized as an expense to the extent that it can be estimated.

Revenue from sales of hardware is recognized when the goods are delivered.

Revenue from separate support contracts

Revenue from separate support contracts is recognized on a straight-line basis over the term of the contract.

Revenue from separate upgrades of software licenses

Revenue from separate upgrades of software licenses is recognized when the software is delivered. When modifications to the software are to be performed after the initial delivery, revenue is recognized as sales of services at fixed prices.

LEASES

See the section on leased assets under property, plant, and equipment with regard to classification of leases.

Operating leases

Costs related to operating leases are recognized in profit and loss on a straight-line basis over the term of the lease. Incentives received in conjunction with signing a lease are recognized in profit and loss as a reduction of the lease charges on a straight-line basis over the term of the lease. Variable charges are recognized as an expense in the periods they are incurred.

Finance leases

Minimum lease payments are apportioned between the finance charge (interest expense) and reduction of the outstanding liability. The finance charge is apportioned over the term of the lease so that an amount is allocated to each period that corresponds to a constant periodic rate of interest on the liability recognized in the respective period. Variable charges are recognized as an expense in the periods they are incurred.

FINANCIAL INCOME AND EXPENSES

Financial income consists of interest income on invested funds, dividend income, exchange gains, and gains upon changes in the value of financial assets or liabilities at fair value through profit and loss. Interest on financial instruments is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established. Financial expenses consist of interest expenses, exchange losses and losses upon change in value of financial assets and liabilities at fair value in profit and loss, and such losses on hedge instruments recognized in profit for the year. Borrowing expenses are recognized in profit and loss using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or the financial liability. The estimation includes all charges paid or received and which are part of the effective interest rate.

TAXES

The Group's total tax expense comprises current and deferred tax. Tax is recognized in profit or loss for the year except when the underlying transaction is recognized in other comprehensive income or in equity, whereupon the associated tax effect is recognized in other comprehensive income or in equity.

Current tax is tax to be paid or refunded for the current year upon application of the tax rates enacted or substantively enacted as of the reporting date. Adjustment of current tax attributable to earlier periods is also included in current tax.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the carrying amounts and tax values of assets and liabilities. The measurement of deferred tax is based on how the temporary differences are expected to be realized or settled and upon application of the tax rates enacted or substantively enacted as of the reporting date.

Temporary differences are not taken into account if they arise upon initial recognition of goodwill or initial recognition of assets and liabilities (other than in a business combination) in transactions that do not affect either accounting profit or taxable profit.

Deferred tax assets arising from deductible temporary differences and loss carryforwards are recognized only to the extent it is probable that the temporary differences will result in lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

Any additional income taxes that arise upon distribution of dividends is recognized when the dividend is recognized as a liability.

FINANCIAL INSTRUMENTS

Initial recognition and measurement

Accounts receivable and debt instruments are recognized when they are issued. Other financial assets and financial liabilities are recognized when Sinch becomes a party to the contractual provisions of the instrument. Financial assets, except accounts receivable, and financial liabilities are measured upon initial recognition at fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or the issue. Accounts receivable are measured at the transaction price.

FINANCIAL ASSETS

Classification and subsequent measurement

Upon initial recognition, financial assets are classified as measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss Financial assets are not reclassified after initial recognition unless Sinch's business model objective for its financial assets changes.

A financial asset must be measured at amortized cost if it meets the following two conditions and has not been designated at fair value through profit or loss:

- the objective of the business model is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at fair value through other comprehensive income if it meets the following two conditions and has not been designated at fair value through profit or loss:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including all interest or dividend income, are recognized in profit or loss.

Financial assets measured at amortized cost

Subsequent measure

These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is recognized net of any impairments. Interest income, exchange rate gains and losses, and impairment losses are recognized in profit or loss. Gains or losses arising upon derecognition are recognized in profit or loss.

Write-downs

Sinch reports a loss reserve for expected credit losses on a financial asset that is measured at fair value through other comprehensive income and for a contractual asset. For accounts receivable and contract assets, there are simplifications that mean that the Group must directly report expected credit losses. For financial instruments for which there has been a significant increase in the credit risk since the first accounting date, a reserve based on credit losses for the entire duration of the asset is reported.

The Group's exposure to credit risk is mainly attributable to accounts receivable. The simplified model is used for calculating credit losses on accounts receivable and contract assets through a commission matrix that is based on past events, current conditions and forecasts for future financial conditions. Credit loss reserve on cash and cash equivalents is based on credit institutions' rating.

Write-downs of accounts receivable and contract assets are reported in operating profit. Write-downs of cash and cash equivalents and long-term receivables are reported among financial items.

FINANCIAL LIABILITIES

Classification, subsequent measurement. gains and losses

Financial liabilities are measured at amortized cost or fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held for trading, such as a derivative instrument, or if it has been designated as such upon initial recognition. Financial liabilities are measured at fair value through profit or loss, and net gains and losses, including interest expenses, are recognized in profit or loss. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method. Interest expenses and exchange rate gains and losses are recognized in profit or loss. Gains or losses in connection with derecognition are also recognized in profit or loss. See Note 31 regarding financial liabilities identified as hedging instruments.

Derecognition from the statement of financial position

FINANCIAL ASSETS

Sinch removes a financial asset from the statement of financial position when the contractual rights to receive the cash flows from the financial asset expire or Sinch has transferred the contractual rights to receive the cash flows.

FINANCIAL LIABILITIES

Sinch removes a financial liability from the statement of financial position when the obligations specified in the contract are discharged, canceled, or expire. When a financial asset is removed, the difference between the derecognized carrying amount and the consideration paid, including transferred non-monetary assets or assumed liabilities, is recognized in profit or loss.

OFFSETTING

Financial assets and financial liabilities are offset and recognized net in the statement of financial position only when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

FINANCIAL DERIVATIVE INSTRUMENTS

Currency forward contracts are used to hedge receivables or liabilities against foreign currency risk. Hedge accounting is not applied against foreign currency risk because financial hedges are reflected in the accounts through that both the underlying receivable or liability and the hedging instrument are recognized at the closing day rate and exchange rate changes are recognized in profit or loss for the year. Exchange rate changes relating to operating receivables and liabilities are recognized in operating profit or loss while exchange rate changes relating to financial receivables and liabilities are recognized in net financial income or expenses.

Hedging of currency risk in foreign net investments

Investments in foreign subsidiaries (net assets including goodwill) have been partially hedged through the raising of foreign currency loans that are translated to the closing rate at the reporting date. Exchange rate differences arising from financial instruments used as hedging instruments in a hedge of net investments in a group company are recognized, to the extent the hedge is effective, in other comprehensive income and accumulated in the translation reserve in equity. This is done to neutralize the translation differences that affect equity when group companies are consolidated. When a subsidiary is sold, the cumulative value change related to the sold business is moved from the translation reserve in equity to profit or loss for the year.

When the hedges are entered into, the relationship between the hedging instrument and the hedged item is documented together with the Group's goals for risk management and the risk management strategy for the hedging. The documentation also includes an assessment of how the hedging instruments are expected to be effective in counteracting exchange rate fluctuations in the hedged item. The effectiveness of the hedging is assessed on the basis of these criteria:

- there is a financial link between the hedged item and the hedging instrument,
- the effect of the credit risk does not dominate the changes that result from the economic relationship and
- the hedging ratio for the hedging relationship is the same as the amount of the hedged item actually hedged and the quantity of the hedging instrument actually used to hedge the amount of hedged items.

PROPERTY, PLANT, AND EQUIPMENT

Owned assets

Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. The cost includes the purchase price and costs directly attributable to the asset to deliver the asset and bring it to working condition for its intended use. The carrying amount of an item of property, plant, or equipment is removed from the statement of financial position when it is withdrawn from use or disposed of or when no future economic benefits are expected from the use or disposal of the asset. The gain or loss on disposal or withdrawal from use of an asset is the difference between the selling price and the carrying amount of the asset less direct costs to sell.

Costs incurred subsequently are added to the cost of the asset only when it is probable that the future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. All other costs incurred subsequently are recognized as costs in the period they are incurred.

Leased assets

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the underlying lease. All other leases are operating leases.

Assets rented under finance leases are recognized as non-current assets in the statement of financial position and initially measured at the lower of the fair value of the leased asset and the present value of minimum lease payments on the date the contract is made. Obligations to pay future leasing charges are recognized as non-current and current liabilities. Leased assets are depreciated over the useful life of the asset, while lease payments are recognized as interest and repayments of the liabilities.

Assets rented under operating leases are not recognized as assets in the statement of financial position. Nor do operating leases give rise to a liability.

Depreciation of property, plant, and equipment

Assets are depreciated on a straight-line basis across the estimated useful life of the asset. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the contractual term of the lease.

Estimated useful lives:

– Computers	3-5 years
– Equipment	3-5 years

The useful lives for leasehold improvements are based on the remaining term of the underlying lease. Depreciation methods applied and estimated useful lives are reviewed at the end of each year.

INTANGIBLE ASSETS

Goodwill

Goodwill acquired in business combinations is recognized in the statement of financial position if the aggregate of the value of consideration transferred, the amount of any non-controlling interest and, in a business combination achieved in stages, the fair value of the company's previously held equity interest, exceeds the fair value of acquired identifiable assets and assumed liabilities.

Goodwill is measured at cost less accumulated impairments, if any. Goodwill is allocated to cash-generating units and tested for impairment annually and as soon as there is any indication that the asset in question has declined in value.

Research and development

Research and development costs aimed at obtaining new scientific or technical knowledge are recognized when they are incurred. Costs for development, research findings, or other knowledge applied to achieve new or improved products or processes are recognized as an asset in the statement of financial position if the product or process is technologically and commercially feasible and the company has adequate resources to complete the development and thereafter use or sell the intangible asset. The carrying amount includes all directly attributable costs, such as for materials and services, compensation to employees, registration of a legal right, and amortization on patents and licenses. Other development costs are recognized in profit or loss for the year when they are incurred. Development costs recognized in the statement of financial position are carried at cost less accumulated amortization and any impairment losses.

Other intangible assets

Other intangible assets comprise licenses, customer relationships, operator relationships, trademarks, and proprietary software and are carried at cost less accumulated amortization and impairments (see accounting policies for impairments).

Costs incurred subsequently
Costs incurred subsequently for capitalized intangible assets are recognized in the statement of financial position as an asset only if they increase the future economic benefits of the specific asset to which they relate. All other costs are recognized as an expense when they are incurred.

Amortization of intangible assets
Amortization of intangible assets is based on the estimated useful lives of the assets. Amortization is taken straight-line over the estimated useful life of the asset, unless the asset has an indefinite useful life. Intangible assets with definite useful lives are amortized as of the date they are ready to be used. Estimated useful lives are reassessed annually.

Estimated useful lives:

– Licenses	3-5 years
– Customer relationships	5-10 years
– Operator relationships	5-10 years
– Trademarks	1 year
– Proprietary software	3–5 years

IMPAIRMENTS

The Group's reported assets, excluding deferred tax assets, are assessed at each reporting date to determine whether the assets may be impaired. The carrying amount of deferred tax assets is tested according to the relevant standard.

If there is indication of impairment loss, the recoverable amount of the asset is estimated. The recoverable amount of goodwill is also estimated annually. When a largely independent cash flow cannot be determined for an individual asset and its fair value less costs to sell cannot be used, the assets are grouped for impairment testing in a cash-generating unit, which is the lowest level at which largely independent cash flows can be identified. An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) and its value in use. In calculating value in use, future cash flows are discounted by an interest rate that reflects current market-based estimations of the time value of money and the risks specific to the cash generating units. This interest rate is assessed as corresponding to Sinch's weighted average cost of capital. Impairment losses are charged to profit or loss. When indication of an impairment loss has been identified for a cash-generating unit, the impairment loss is allocated primarily to goodwill. Thereafter, the remaining loss is allocated to the other assets included in the CGU pro rata.

Reversals of impairment losses
Impairment losses for assets covered by IAS 36 are reversed if there is both an indication that the impairment loss no longer exists and there has been a change in the assumptions used to determine the recoverable amount. Impairment losses for goodwill are never reversed. Reversals are done only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognized, less depreciation if any, if the impairment had not been recognized. Impairment losses for loan receivables and accounts receivable recognized at amortized cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment was recognized.

PROVISIONS

A provision differs from other liabilities in that it prevails uncertainty about the time of payment or the amount to regulate the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a result of a past event, and it is likely that an outflow of financial resources will be required to regulate the obligation and a reliable estimate of the amount can be made. Provisions are made with the amount that is the best estimate of what is required to settle the existing obligation on the balance sheet date. When the timing effect of a payment is significant, provisions are calculated by discounting the expected future cash flow to an interest rate before tax that reflects current market assessments of time value of money and, if applicable, the risks associated with the liability.

Restructuring
A provision for restructuring is recognized when a detailed formal restructuring plan has been adopted and has started being implemented, or has been announced to those affected. No provisions are made for future operating expenses.

Onerous contracts
A provision for onerous contracts is recognized when the economic benefits expected to be received from the contract are lower than the unavoidable costs of meeting the contractual obligations.

EMPLOYEE BENEFITS

Short-term employee benefits
The undiscounted amount of short-term employee benefits is recognized in the accounting period when the related service was rendered. A provision is recognized for the expected cost of bonus payments when the Group has a legal or constructive obligation to make such payments as a result of employee services rendered and the obligation can be reliably measured.

Defined contribution pension plans
All pension solutions in the Group are classified as defined contribution pension plans. Accordingly, the Group's obligation is limited to the contributions the Group has committed to pay. In such case, the size of the employee's pension depends upon the contributions the company pays to the plan or to an insurance company and upon the return on capital generated by the contributions. Consequently, the actuarial risk (that pension ben-

efits will be lower than expected) and the investment risk (that the invested assets will be insufficient to generate the expected benefits) are borne by the employee. The company's obligations regarding payments to defined contribution plans are charged to profit or loss as the employees render services.

Severance pay

The Group recognizes a cost for severance pay only when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal time. When compensation is offered to encourage voluntary termination, a cost is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Share-based payments

Sinch has issued an equity-settled employee share ownership plan. The plan is for three years and the employee must have remained employed by Sinch over the term and Sinch's earnings per share must have increased by at least 10 percent per year. The cost of share-based payments is based on the fair value of the subscription rights the employee is granted. The fair value of granted warrants is estimated using the Black & Scholes model and takes the terms, conditions, and circumstances in effect at grant date into account. The amount recognized as an expense is adjusted to reflect the actual number of warrants vested. In subsequent periods, this expense is adjusted to reflect the actual number of warrants vested. However, no adjustment is made when warrants are forfeit because share price-related criteria are not met to the extent that confers a redemption right. Social security fees attributable to the employee benefits expense that arises upon vesting are expensed over the vesting period. The provision for social security fees is based on the fair value of the warrants at the reporting date. Fair value is measured using the same model that was used when the warrants were issued.

Upon redemption within the framework of equity-settled programs, own shares are delivered to the employee. Upon redemption, the payment of the redemption price received from the employee is recognized as an increase in equity.

CONTINGENT LIABILITIES

Disclosure of a contingent liability is made when there is a possible obligation arising from past events and whose existence will be confirmed only by one or more uncertain future events or when there is an obligation not recognized as a liability or provision because the possibility of an outflow of resources is remote.

EARNINGS PER SHARE

Calculation of earnings per share is based on consolidated profit or loss attributable to owners of the parent and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, profit or loss and the average number of shares outstanding are adjusted to account for the effects of potentially dilutive ordinary shares.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. The reported cash flow comprises only transactions that entail cash receipts and cash payments. Sinch's cash and cash equivalents comprise cash in hand and bank deposits.

PARENT COMPANY ACCOUNTING POLICIES

The parent company's annual accounts were prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and recommendation RFR 2 Accounting of Legal Entities issued by the Swedish Financial Accounting Standards Council. Opinions issued by the Swedish FASC applicable to listed companies were also applied. RFR 2 requires the parent to apply all IFRSs and interpretations endorsed by the EU to its annual accounts for the legal entity to the extent possible within the framework of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act, while observing the relationship between accounting and taxation. RFR2 specifies the exceptions and additions to IFRSs that must be made. Differences between consolidated and parent company accounting policies are disclosed below.

Changed accounting policies

If not otherwise stated below, the parent company's accounting policies have changed in accordance with that stated concerning the Group.

Classification and presentation

An income statement and a statement of comprehensive income is presented for the parent company. For the Group, these two reports together constitute the statement of comprehensive income and statement of other comprehensive income. The parent company uses the designations "balance sheet" and "cash flow statement" for the reports that the Group refers to as the "consolidated statement of financial position" and the "consolidated statement of cash flows".

The parent company income statement and balance sheet are presented as set out in the Swedish Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS 1 *Presentation of financial statements* and IAS 7 *Statement of cash flows*, respectively. The differences against the consolidated financial statements found in the parent company income statement and balance sheet comprise mainly equity reporting and the presentation of provisions as a separate line item in the balance sheet.

Subsidiaries

The parent company accounts for investments in subsidiaries using the cost method and include transaction costs directly attributable to the acquisition. Any contingent consideration is recognized when a probable and reliable amount can be estimated and any remeasurements of the value are adjusted against acquisition cost. The consolidated financial statements recognize contingent consideration at fair value with changes in value through profit or loss.

Financial instruments
By reason of the relationship between accounting and taxation, the rules in IFRS 9 are not applied to the parent company as a legal entity. Non-current financial assets are measured at cost less any impairment losses and current financial assets are measured at the lower of cost and net realizable value.

Financial guarantees
The parent company's financial guarantee contracts consist primarily of guarantee commitments to the benefit of subsidiaries. Under financial guarantees, the company has an obligation to compensate the holder of a debt instrument for losses the holder incurs because a specified debtor does not remit payment as due under contractual terms. In relation to reporting of financial guarantees, the parent company applies a relief rule permitted by the Swedish Financial Reporting Board compared with the rules in IFRS 9. The relief rule refers to financial guarantees issued to the benefit of subsidiaries. In these cases, the rules in IAS 37.14 and 37.36 are applied instead, according to which financial guarantees are recognized as a provision in the balance sheet when the parent company has a legal or constructive obligation that has arisen as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Equity-settled programs issued to employees of subsidiaries
The estimated value and carrying amount of equity-settled programs issued to employees of other companies in the Group are recognized in the parent company as capital injections to subsidiaries. When the parent company recognizes an increase in equity, the value of investments in subsidiaries simultaneously increases. The costs related to employees in the companies concerned are billed onward to the respective subsidiaries on an ongoing basis and are settled in cash, which neutralizes the increase in investments in subsidiaries.

Anticipated dividends
Anticipated dividends from subsidiaries are recognized when the parent company has the unilateral right to determine the amount of the dividend and the parent company has decided the amount of the dividend before publishing its financial statements.

Revenue
Services rendered by the parent company are recognized in profit and loss when the service is complete. Revenue in the parent company refers in all material respects to internal group services. 99 percent of net sales relates to customers in Sweden and 1 percent refers to other countries.

Taxes
Untaxed reserves are reported in the parent company with no division between equity and deferred tax liabilities. Correspondingly, there is no allocation of a portion of appropriations to deferred tax expense in the parent company income statement.

Group contributions and shareholder contributions
The parent company reports received and issued Group contributions according to the alternative rule as appropriations. Shareholder contributions are recognized by the recipient directly in equity and are capitalized in shares and participating interests by the issuer to the extent that impairment is not required.

Mergers
Mergers are reported in accordance with BFNAR 1999:1 *Merger of wholly owned subsidiaries*. The consolidated value method is applied, by which the assets and liabilities of merged subsidiaries are recognized by the respective parent company at the values recognized in the consolidated financial statements. There were no mergers with the parent company during the year.

ACCOUNTING POLICIES 2017
Financial instruments - Group
Financial instruments recognized as assets in the balance sheet include cash and cash and cash equivalents, deposits received, derivatives, and accounts receivable. Those recognized as liabilities include accounts payable, accrued interest expense, contingent consideration recognized as a liability, derivatives, and loan debt.

RECOGNITION AND DERECOGNITION ON THE BALANCE SHEET
A financial asset or financial liability is recognized on the balance sheet when the company becomes a party in accordance with the contractual terms of the instrument. A receivable is recognized when the company has performed and the other party has a contractual payment obligation, even if an invoice has not yet been issued. Accounts receivable are recognized on the balance sheet when an invoice has been issued. Liabilities are recognized when the other party has performed and there is a contractual payment obligation, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received. Financial assets are removed from the balance sheet when the contractual rights have been realized or extinguished or the company loses control over the asset. The same applies for a portion of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is performed or is otherwise extinguished. The same applies to a portion of a financial liability. Financial assets and financial liabilities are offset and recognized net in the balance sheet only when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

CLASSIFICATION AND MEASUREMENT
Non-derivative financial instruments are initially recognized at cost, corresponding to the fair value of the instrument plus transaction costs except those in the category of financial assets at fair value through profit or loss, which are recognized at fair value minus transaction costs. Financial instruments are classified upon initial recognition based upon criteria including the purpose of acquiring the instrument. The classification determines how the financial instrument is measured subsequent to initial recognition. Derivatives are initially recognized at fair value, meaning that transaction costs are charged against profit for the period. Subsequent to initial recognition, derivatives are recognized as set out below. If derivatives are used for hedge accounting and to the extent the hedging relationship meets effectiveness requirements, changes in the value of derivatives are recognized on the same line in profit for the year as the hedged item at maturity, but the effects of the cash flow hedge are presented in other comprehensive income. If hedge accounting is not applied, increases or decreases in the value of derivatives are recognized as income or expenses in operating profit or loss or in financial income or expenses, based upon the objective of using the derivative and whether the use is related to an operating item or a financial item. In connection with hedge accounting, the ineffective portion of the instrument is recognized in the same way as for derivatives not used for hedge accounting.

Cash and cash equivalents consist of cash and immediately available balances with banks and equivalent institutions and short-term liquid investments with a maturity from the acquisition date of less than three months and which are exposed to only insignificant risk of changes in value.

Financial assets and liabilities at fair value through profit or loss
This category consists of financial assets and liabilities held for trading. Financial instruments in this category are continuously measured at fair value with value changes recognized in profit or loss for the year. The category includes derivatives with positive or negative fair value except for derivatives that are identified and effective hedging instruments in hedge accounting.

Loan receivables and accounts receivable
Loan receivables and accounts receivable are non-derivative financial assets that have determined or determinable payments and that are not listed on an active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective interest rate calculated upon acquisition. Accounts receivable are recognized in the amounts expected to be received, i.e., minus doubtful receivables.

Other financial liabilities
Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortized cost. The categories in which the Group's financial assets and liabilities have been placed are presented in Note 31 Financial assets and liabilities. Recognition of financial income and expenses is also discussed under principal recognition of financial income and expenses.

DERIVATIVES AND HEDGE ACCOUNTING
The group has acquired derivatives to financially hedge the risks of its currency exposures. Derivatives are initially recognized at fair value, meaning that transaction costs are charged against profit for the period. Subsequent to initial recognition, derivatives are measured at fair value and changes in value are recognized as set out below. In order to meet the requirements for hedge accounting under IAS 39, there must be a clear link to the hedged item. The hedge must also effectively protect the hedge item, the hedging relationship must be formally documented, and it must be possible to reliably measure effectiveness. Gains and losses arising from cash flow hedges and net investments are recognized in profit or loss for the year simultaneously with recognition of gains and losses for the hedged items. Sinch applies hedge accounting with regard to currency forward contracts and hedging of net investments in foreign subsidiaries.

Receivables and liabilities denominated in foreign currency
Currency forward contracts are used for financial hedging of receivables or liabilities. Hedge accounting is not applied against currency risk because financial hedges are reflected in the accounts through that both the underlying receivable or liability and the hedging instrument are recognized at the closing day rate and exchange rate changes are recognized in profit or loss for the year. Exchange rate changes relating to operating receivables and liabilities are recognized in operating profit or loss while exchange rate changes relating to financial receivables and liabilities are recognized in financial items.

Hedging of currency risk in foreign net investments
Investments in foreign subsidiaries (net assets including goodwill) have been partially hedged through the raising of foreign currency loans that are translated to the closing rate at the reporting date. Translation differences arising from financial instruments used as hedging instruments in a hedge of net investments in a group company are recognized, to the extent the hedge is effective, in other comprehensive income and accumulated in the translation reserve in equity. This is done to neutralize the translation differences that affect equity when group companies are consolidated. When a subsidiary is sold, the cumulative value change related to the sold business is moved from the translation reserve in equity to profit or loss for the year.

Note 2.

Operating segments

2018, SEKm	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Corporate and eliminations	Group
Revenue from external customers	**3,691.8**	**151.5**	**91.0**	**52.3**	-	**3,986.6**
Revenue from other segments	8.2	5.3	0.4	-	-13.9	-
Gross profit	**780.7**	**140.6**	**50.5**	**36.6**	**0.0**	**1,008.4**
EBITDA	**363.3**	**23.8**	**-10.5**	**13.4**	**-16.7**	**373.3**
Depreciation, amortization, and impairments						-155.5
EBIT						**217.8**
Financial income and expenses						-16.5
Profit before tax						**201.3**
Non-current assets[1]	**1,713.3**	**29.0**	**170.9**	**244.6**	**6.6**	**2,164.4**

[1] Of which Sweden SEK 260.3 million, Denmark SEK 212.9 million,United Kingdom SEK 355.1 million, Germany SEK 158.8 million, United States SEK 1,175.9 million, and other countries SEK 1.4 million. Corporate includes EBITDA for the parent company in the amount of SEK -24,2 million.

2017, SEKm	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Corporate and eliminations	Group
Revenue from external customers	**2,844.9**	**163.2**	**50.0**	**-**	-	**3,058.1**
Revenue from other segments	2.3	5.5	0.2	-	-8.0	-
Gross profit	**599.8**	**144.0**	**36.3**	**-**	**-0.1**	**780.0**
EBITDA	**287.8**	**41.9**	**-19.2**	**-**	**-47.3**	**263.2**
Depreciation, amortization, and impairments						-138.3
EBIT						**124.9**
Financial income and expenses						-50.5
Profit before tax						**74.4**
Non-current assets[1]	**1,558.2**	**40.5**	**181.6**	**-**	**6.5**	**1,786.7**

[1] Of which Sweden SEK 282.3 million, United Kingdom SEK 360.6 million, Germany SEK 163.3 million, United States SEK 979.2 million, and other countries SEK 1.3 million. Corporate includes EBITDA for the parent company in the amount of SEK -12,9 million.

Group operations are divided into operating segments based on which parts of operations are monitored by group management. Sinch's group management monitors the EBITDA that the segment generates. Each operating segment has a managing director who is responsible for day-to-day operations and who regularly reports the outcomes of the operating segment's performance to group management.

Directly attributable items have been included in operating profit or loss for the segment. Acquisition costs, restructuring costs, integration costs, and other non-regularly recurring items are not allocated to the Group's operating segments. Assets and liabilities are not monitored by group management broken down by segment. Non-current assets include intangible assets and property, plant, and equipment.

The Group's operating segments consist of the Enterprise Division, the Operator Division, Sinch Voice & Video and Vehicle.

- Enterprise Division revenues consist of fees for handling messages for enterprises. The costs consist mainly of fees to telecom operators and payroll.
- Operator Division revenues consist mainly of software licens-

es including upgrades and support fees. The costs consist mainly of payroll.

- Sinch Voice & Video revenues consist mainly of fees for handling voice and video communications. The costs consist mainly of fees to telecom operators and payroll.
- Vehicle revenues consist mainly of fees for execution and handling of personal and dynamic video and MMS messages for enterprises and income from digital advertising. The costs consist mainly of fees to telecom operators, advertising costs, and payroll.
- Corporate consists of the parent company and unallocated items.

Sales within and between the operating segments of the Group are transacted on market terms.

No single customer contributed 10percent or more to the Group's revenue.

Note 3.

Revenue from contracts with customers

2018	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Group
External net sales distributed by region					
Sweden	232,026	31,974	14,989	-	278,989
France	466,297	-	186	78	466,561
United Kingdom	603,149	1,787	2,846	-	607,782
Germany	363,415	3,523	1,329	-	368,267
Other EU countries	508,288	40,437	18,439	-	567,164
United States	1,048,678	2,219	39,480	52,172	1,142,549
Rest of the world	469,986	71,571	13,774	-	555,331
Total	**3,691,839**	**151,511**	**91,043**	**52,250**	**3,986,643**
External net sales distributed by products and services					
Messaging services	3,683,924	-	91,043	46,597	3,821,564
Initial software licenses and upgrades	816	43,946	-	-	44,762
Hardware	-	8	-	-	8
Support	4,010	107,545	-	1,738	113,293
Other	3,089	12	-	3,915	7,016
Total	**3,691,839**	**151,511**	**91,043**	**52,250**	**3,986,643**
Date of revenue recognition					
Over time	1,429	39,194	-	-	40,623
At a specific date	3,690,410	112,317	91,043	52,250	3,946,020
Total	**3,691,839**	**151,511**	**91,043**	**52,250**	**3,986,643**

2017	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Group
External net sales distributed by region					
Sweden	197,015	36,978	19,341	-	253,335
France	301,336	-	-	-	301,336
United Kingdom	697,359	4,768	660	-	702,787
Germany	310,357	5,885	-	-	316,242
Other EU countries	312,988	41,085	3,317	-	357,390
United States	544,967	-	11,891	-	556,858
Rest of the world	480,838	74,491	14,802	-	570,131
Total	**2,844,860**	**163,207**	**50,012**	**-**	**3,058,079**
External net sales distributed by products and services					
Messaging services	2,844,209	-	50,012	-	2,894,221
Initial software licenses and upgrades	-	74,139	-	-	74,139
Hardware	-	3,219	-	-	3,219
Support	651	82,900	-	-	83,550
Other	-	2,949	-	-	2,949
Total	**2,844,860**	**163,207**	**50,012**	**-**	**3,058,079**

Revenue-related contract assets and contract liabilities

	Group
Contract assets	**2018**
Accrued income	64,920
Impairment reserve	-260
Total contract assets	**64,660**

	Group
Contract liabilities/Advance payments from customers	**2018**
Balance at opening date	22,073
Through acquisitions of group companies	-
Revenue reported as attributable to contract liabilities at the beginning of the year	-21,038
Payment from customers for performance obligations not satisfied at the end of the year	24,739
Translation differences	650
Total contract liabilities	**26,424**

Sinch has not entered into any material contracts regarding performance obligations with an original expected term of more than one year. All contract liabilities are expected to be settled within twelve months of the reporting date.

Note 4.

Other operating income and other operating expenses

	Group		Parent company	
Other operating expenses	**2018**	**2017**	**2018**	**2017**
Exchange rate gains	65,707	39,471	90	133
Recovered previously impaired accounts receivable	1	18	-	-
Capital gain or loss, divestment of mobile payments business	-	3,317	-	-
Adjustment of earnout liability, Sinch*	42,018	-	-	-
Adjustment of earnout liability, Xura**	-	11,752	-	-
Other	1,913	4,989	-	1
Total	**109,639**	**59,547**	**90**	**134**

* The purchase agreement included a possible earnout (contingent consideration) based on the company's gross profit performance. As the target qualifying for the full earnout was not met, the earnout liability was adjusted.

** The purchase agreement included a possible earnout (contingent consideration) based on the company's gross profit performance. As the target qualifying for the full earnout was not met, the earnout liability was adjusted, with a corresponding impairment of goodwill.

Other operating expenses	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Exchange rate losses	-79,138	-40,650	-114	-51
Confirmed customer losses	-3,351	-419	-	-
Loss allowance	1,418	2,969	-	-
Total	**-81,071**	**-38,100**	**-114**	**-51**

Note 5.

Auditor's fees

	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Statutory audit services				
Deloitte	3,543	3,723	578	776
Other audit firms	266	483	-	-
Audit-related services				
Deloitte	96	333	96	-
Other audit firms	-	-	-	-
Tax services				
Deloitte	-	-	-	-
Other audit firms	-	548	-	-
Other services				
Deloitte	864	1,504	40	16
Other audit firms	126	-	-	-
Total	**4,895**	**6,591**	**714**	**792**

Other services, Deloitte

Fees related to due diligence in connection with acquisitions amount to SEK 824 thousand (1,488) and are recognized in profit and loss as acquisition costs.

Note 6.

Other external expenses

Other external expenses	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Acquisition costs	-9,433	-9,270	-	-
Restructuring costs	8,884	-15,048	-	-
Integration costs	-27,174	-24,239	-	-
Capital gain or loss, divestment of mobile payments business	-8,125	-	-	-
Other external costs	-244,473	-195,041	-37,069	-22,403
Total	**-280,321**	**-243,598**	**-37,069**	**-22,403**

Restructuring costs in 2017 refer to employee benefits expense of SEK 14,156 thousand and other external expenses of SEK 892 thousand for premises and advisory services. A restructuring reserve for employee benefits expense was reversed in 2018 in the amount of SEK 8,884 thousand because more people than estimated were given the opportunity to take on other roles within the Group and continue their employment.

Note 7.

Leases

Operating leases	Group 31 Dec 2018	Group 31 Dec 2017	Parent company 31 Dec 2018	Parent company 31 Dec 2017
Payable < 1 year	22,934	18,023	9,407	10,019
Payable > 1 year < 5 years	65,235	57,766	29,314	37,136
Payable > 5 years	10,744	-	-	-
Total	**98,913**	**75,789**	**38,721**	**47,155**

The nominal value of future minimum lease payments referring to non-cancellable operating leases is distributed as shown in the table above. In all material respects, operating leases consist of rental contracts for premises and a minor portion of office equipment.

Operating leases in profit for the year	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Leasing expenses	-30,054	-17,778	-10,947	-1,202
Variable payments	-135	-	-	-
Leasing income	523	175	-	-
Total	**-29,666**	**-17,603**	**-10,947**	**-1,202**

Finance leasing	Group & Parent Company 31 Dec 2018			Group 31 Dec 2017		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Payable < 1 year	175	24	151	169	16	154
Payable > 1 year, < 5 years	-	-	-	175	24	151
Payable > 5 years	-	-	-	-	-	-
Total	**175**	**24**	**151**	**344**	**40**	**305**

Non-cancellable finance leases mature as shown above. Assets under finance leases consist of office furniture.

Finance leases in profit for the year	Group		Parent company	
	2018	2017	2018	2017
Variable charges included in profit or loss for the year	-16	-8	-16	-

Note 8.

Employees, employee benefits expense, and compensation to senior management

Salaries and other compensation	Group		Parent company	
	2018	2017	2018	2017
Salaries and other compensation	308,812	226,249	11,910	6,784
(Of which variable pay)	37,148	16,702	398	-
Other benefits	3,131	3,309	-	-
Pension expenses	21,375	15,140	1,966	999
Other social security expenses	60,043	46,065	3,950	2,382
Total	**393,362**	**290,764**	**17,826**	**10,164**

Compensation to senior management - Group	2018					
	Base pay, fee	Variable compensation	Other benefits	Pension expenses	Other social security expenses	Total
Erik Fröberg, Chairman*	590	-	-	-	185	**775**
Kjell Arvidsson, director*	290	-	-	-	99	**389**
Bridget Cosgrave, director*	250	-	-	-	79	**329**
Renée Robinson Strömberg, director*	270	-	-	-	85	**355**
Johan Stuart, director*	330	-	-	-	104	**434**
Björn Zethraeus, director*	701	-	-	99	244	**1,044**
Johan Hedberg, CEO, Jan-Aug	901	-	1,035	-	180	**2,117**
Oscar Werner, CEO, Sep-Dec*	720	300	-	163	360	**1,543**
Other senior management (3 individuals, of which 2 for part of the year)	3,267	499	-	629	1,336	**5,731**
Other senior management (5 individuals, of whom 1 for part of the year)	5,749	580	121	1,140	2,175	**9,765**
Total senior management	**13,067**	**1,379**	**1,156**	**2,031**	**4,847**	**22,482**

*Parent company

Compensation to senior management - Group	2017 Base pay, fee	Variable compensa-tion	Other benefits	Pension expenses	Other social se-curity expenses	Total
Erik Fröberg, Chairman*	550	-	-	-	173	**723**
Kjell Arvidsson, director*	569	-	-	34	187	**790**
Charlotta Falvin, director*	250	-	-	-	79	**329**
Renée Robinson Strömberg, director*	250	-	-	-	79	**329**
Johan Stuart, director*	330	-	-	-	104	**434**
Björn Zethraeus, director*	468	-	-	69	164	**701**
Johan Hedberg, CEO	1,327	-	926	-	234	**2,486**
Other senior management (2 individuals, of which 1 for part of the year)	1,561	-	-	312	566	**2,439**
Other senior management(4 individuals, of whom 2 for part of the year)	3,305	215	50	455	1,056	**5,081**
Total senior management	**8,610**	**215**	**976**	**871**	**2,640**	**13,312**

*Parent company

COMPENSATION TO SENIOR MANAGEMENT AT THE GROUP LEVEL

Board of Directors

As resolved by the 2018 annual general meeting, directors' fees are paid as follows: SEK 250 thousand to non-executive directors; SEK 550 thousand to the Chairman of the Board; SEK 40 thousand to members of the Audit Committee; and SEK 80 thousand to the Chairman of the Audit Committee. The annual fee to the Chairman of the Compensation Committee is SEK 40 thousand and to members SEK 20 thousand. Executive directors receive base pay in their capacity as senior management personnel.

Chief Executive Officer

In accordance with the guidelines adopted for 2018, the CEO is entitled to fixed pay, variable pay, and other compensation. In accordance with the adopted guidelines, variable pay is capped at a maximum of 30 percent of fixed pay. In connection with the appointment of Oscar Werner, the board of directors has exercised its option to depart from these guidelines during the first year of employment, when variable pay will be capped at 42 percent of fixed pay through a sign-on bonus, and thereafter revert to 30 percent. A six-months' period of notice of termination or resignation applies between the company and the CEO. Upon termination no severance is paid. Other benefits consist of health insurance and, for Johan Hedberg, reimbursement of additional costs related to relocation to the United States.

Other senior management

In addition to CEO Johan Hedberg (through August -18), CEO Oscar Werner (from September -18) and director Björn Zethraeus, group management in 2018 included Johan Hedberg (from September -18), Odd Bolin, Lena Oldberg (through October -18), Thomas Heath (from May -18), Robert Gerstmann, Anders Olin, Jonas Lindeborg and Johan Rosendahl. In addition to CEO Johan Hedberg and director Björn Zethraeus (from May -17), group management in 2017 included Odd Bolin, Lena Oldberg (from August -17), Robert Gerstmann, Neil Warner (through July -17), Jonas Lindeborg (from August-17) and Johan Rosendahl. Other senior management are entitled to fixed pay, variable pay and other benefits. Variable pay is based on business targets and, in accordance with the guidelines adopted is capped at a maximum of 30 percent of fixed pay. Other benefits consist of health insurance and company cars.

Pensions

The age of retirement for the CEO and other senior management personnel is 65. Pension premiums for the CEO and other senior management reflect customary conditions generally applicable to executives in comparable positions with other companies and are based on defined contribution pension plans. Pension benefits are calculated upon base pay only. There are no commitments to pension benefits for external directors.

INCENTIVE PROGRAM, LTI 2018

Under the incentive program adopted by the AGM on 18 May 2018 1,306,600 warrants have been subscribed for by senior executives and key employees within Sinch. The program is divided into three series, with exercise periods of 22 June - 22 September 2021, 22 March - 22 June 2022 and 2023, respectively. All participants have been granted one third of their warrants in each series. The average fair value per warrant was SEK 8.03 at grant date. The exercise price is SEK 91.30 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 8.03 per warrant, through which Sinch has realized SEK 8.1 million in equity. These participants received their warrants with no obligations, but Sinch has the right to repurchase the warrants if the participant's employment with the company ends before the respective exercise point or if the participant wishes to transfer the warrants. The company repurchased 46,500 warrants in 2018.

Participants in the US and the UK were granted their warrants against no monetary consideration and their warrants will vest over the course of the warrant program. For these participants, the warrant program contains terms and conditions according to which the participant must be an employee of Sinch throughout the vesting period and Sinch's earnings per share must have increased by a minimum of 10 percent per year to qualify to subscribe for shares.

The total cost of the warrant program is expected to be approximately SEK 6 million distributed across the term of the program.

The senior management personnel invited to participate in the incentive program were Oscar Werner, Lena Oldberg, Thomas Heath, Anders Olin, Johan Rosendahl and Jonas Lindeborg. These individuals have respectively subscribed for 500,000, 10,000, 100,000, 100,000, 14,000 and 14,000 warrants each. The warrants were allotted in October 2018.

INCENTIVE PROGRAM, LTI 2016

Under the incentive program decoded by the extraordinary general meeting held 5 December 2016, 1,205,700 warrants have been subscribed for by senior management personnel and key employees within Sinch. The program is divided into three series, with exercise periods of 16 January - 16 April 2020, 2021 and 2022, respectively. All participants have been granted one third of their warrants in each series. The average fair value per warrant was SEK 9.56 at grant date. The exercise price is SEK 127.67 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 9.56 per warrant, through which Sinch realized SEK 7.5 million in equity These participants received their warrants with no obligations, but Sinch has the right to repurchase the warrants if the participant's employment with the company ends before the respective exercise point or if the participant wishes to transfer the warrants. The company repurchased 10,000 warrants in 2017.

Participants in the US and the UK were granted their warrants against no monetary consideration and their warrants will vest over the course of the warrant program. For these participants, the warrant program contains terms and conditions according to which the participant must be an employee of Sinch throughout the vesting period and Sinch's earnings per share must have increased by a minimum of 10 percent per year to qualify to subscribe for shares.

The total cost of the warrant program is expected to be approximately SEK 5 million distributed across the term of the program.

The senior management personnel invited to participate in the incentive program were Odd Bolin, Lena Oldberg, Johan Rosendahl, Neil Warner and Jonas Lindeborg. These individuals have respectively subscribed for 50,000, 20,000, 60,000, 45,000 and 50,000 warrants each. The warrants were granted in January 2017.

Issued warrants	2018	2017
Outstanding warrants as of 1 January	1,205,700	-
Granted warrants	1,306,600	1,205,700
Outstanding warrants as of 31 December	**2,512,300**	**1,205,700**
Of which in own custody	56,500	10,000

Vested warrants	2018	2017
Vested as of 1 January	98,785	-
Vested during the year	104,424	98,785
Vested as of 31 December	**203,209**	**98,785**
Warrants not yet vested	396,291	298,715

Payroll costs for vested warrants are included in profit and loss 2018 in the amount of SEK 0.9 million, with a corresponding increase in equity. Social security expenses are included in the amount of SEK 0.1 million, recognized as a provision in the balance sheet. The potential dilutive effect upon exercise of all employee warrants in both programs is 4.7 percent.

Average number of employees	2018	Of whom men	2017	Of whom men
Sweden	192	164	175	151
Australia	6	4	7	5
Denmark	19	16	-	-
France	3	2	-	-
United Arab Emirates	15	13	16	14
India	1	-	-	-
Iraq	1	1	-	-
Canada	4	2	8	4
Kuwait	1	-	-	-
Singapore	4	4	4	4
Spain	3	3	3	3
United Kingdom	57	40	61	44
Turkey	3	3	3	3
Germany	10	5	12	6
United States	70	49	52	38
Total	**385**	**306**	**340**	**271**
Of which, parent company (Sweden)	11	7	7	3

Senior management	31 Dec 2018 Number on reporting date	Of whom men	31 Dec 2017 Number on reporting date	Of whom men
Group				
Directors	6	4	6	4
Other senior management	7	6	7	6
Parent company				
Directors	6	4	6	4
Other senior management	3	2	3	2

Note 9.

Financial income and expenses

Group	2018	2017
Interest income	2,666	2,495
Exchange rate gains	142,501	182,421
Other financial income	3,342	313
Financial income	**148,508**	**185,229**
Interest expenses	-22,367	-17,916
Interest component of adjusted earnouts	-13,406	-
Exchange rate losses	-126,959	-216,285
Other financial expenses	-2,286	-1497
Financial expenses	**-165,018**	**-235,698**
Net financial income and expenses	**-16,510**	**-50,469**

Parent company	2018	2017
Interest income	280	359
Interest income, group companies	17,423	7,144
Exchange rate gains	70,899	75,129
Interest income and similar profit items	**88,602**	**82,632**
Interest expenses	-21,890	-17,772
Interest expenses, group companies	-3,450	-1,069
Exchange rate losses	9,593	-173,763
Other financial expenses	-1,753	-390
Interest expenses and similar loss items	**-17,499**	**-192,994**

Note 10.

Appropriations

Parent company	2018	2017
Accelerated depreciation/amortization	-247	-1,729
Group contribution provided	-69,927	-
Group contribution received	24,600	135,370
Total	**-45,574**	**133,641**

Note 11.

Taxes

	Group		Parent company	
Tax in profit and loss	2018	2017	2018	2017
Current tax	-38,170	-36,205	-9	-2,276
Current tax from previous years	-2,928	2,895	-	-
Deferred tax related to timing differences	33,086	67,111	-	-
Deferred tax on loss carry-forwards (LCFW)	-9,188	-8,955	-	-
Deferred tax of changed tax rates	-4,562	35,127	-	-
Total	**-21,762**	**59,974**	**-9**	**-2,276**

Current tax recognized directly against equity amounts to SEK 147 thousand (2,267) and refers to tax on issue costs.

Deferred tax recognized in other comprehensive income amounts to SEK 1,023 thousand (2,050) and refers to the tax portion of hedge accounted amounts arising from net investments in subsidiaries.

	Group		Parent company	
Reconciliation of tax expense for the year	2018	2017	2018	2017
Profit before tax	201,298	74,443	-379	10,097
Tax calculated according to the Swedish tax rate, 22%	-44,286	-16,377	83	-2,221
Current and deferred tax from previous years	19,859	-4,582	-	-
Effect of changed tax rates	-1,766	40,811	-	-
Tax effect of non-deductible expenses	-1,704	-3,154	-87	-50
Tax effect of non-taxable revenue	7,720	1,248	-	0
Tax on standard interest rate, tax allocation reserves	-43	-37	-5	-5
Tax effect of non-capitalized LCFW	-459	-377	-	-
Tax effect of utilized non-capitalized LCFW	634	46,009	-	-
Withholding taxes	-273	-1,087	-	-
Effect of foreign tax rates	-1,444	-2,480	-	-
Tax on profit for the year in income statement	**-21,762**	**59,974**	**-9**	**-2,276**

Tax rate

The parent company's current tax rate is 22 percent (22). The Group's effective tax rate is 10.8 percent (-80.6).

Note 12.

Earnings per share

Basic earnings per share	2018	2017
Profit for the year attributable to owners of the parent	179,528	133,948
Weighted average ordinary shares outstanding, before dilution	53,602,089	52,002,693
Basic earnings per share, SEK	3.35	2.58

Diluted earnings per share	2018	2017
Profit for the year attributable to owners of the parent	179,528	133,948
Weighted average ordinary shares outstanding, before dilution	53,602,089	52,002,693
Weighted average warrants outstanding	-	-
Weighted average shares outstanding, after dilution	53,602,089	52,002,693
Diluted earnings per share, SEK	3.35	2.58

Note 13.

Goodwill

Group	2018	2017
Cost on the opening date	975,509	803,634
Through acquisitions of group companies, see Note 34	274,232	360,643
Adjustment of acquisition analysis, Mblox*	-	-187,210
Reclassifications	-	-
Translation differences	-15,251	-1,558
Accumulated cost on the closing date	**1,234,490**	**975,509**
Impairments on the opening date	-12,126	-
Impairments for the year	-	-11,859
Translation differences	-524	-267
Accumulated impairments on the closing date	**-12,650**	**-12,126**
Carrying amount	**1,221,841**	**963,383**

*The acquisition analysis relating to the preceding year's acquisition of Mblox was completed during the second quarter of 2017. This included examination of tax-related losses, which resulted in recognition of an additional SEK 153.0 million in deferred tax assets. Deferred tax liabilities on acquired intangible assets have been reduced by SEK 35.5 million due to a change in the tax rate from 40 percent to 34 percent. Goodwill, including other adjustments, was reduced by SEK 187.2 million.

IMPAIRMENT OF GOODWILL 2017

The purchase agreement for Xura Secure Communications GmbH included a possible earnout based on the company's gross profit performance. As the target qualifying for the full earnout was not met, the earnout liability was adjusted, with a corresponding impairment of goodwill, in the amount of SEK 11,859 thousand.

Goodwill per cash-generating unit	31 Dec 2018	31 Dec 2017
Enterprise Division, excluding Unwire	839,737	858,678
Enterprise Division, Unwire	127,192	-
Operator Division	13,785	13,785
Sinch Voice & Video	90,920	90,920
Vehicle	150,206	-
Total	**1,221,841**	**963,383**

IMPAIRMENT TESTING OF GOODWILL

Goodwill is tested for impairment annually or when there are indications that an impairment loss has occurred. The recoverable amount for a cash-generating unit is determined based on estimated value in use. These estimates are based on cash flow projections, which are based on financial budgets approved by the management covering a five-year period. In the assessment of future cash flows assumptions are made, primarily concerning sales growth, operating margin, and discount rate (WACC). The estimated growth rate and the forecast operating margin are based on the company's budgets and forecasts for each unit.

The growth rate after the forecast period coincides with the Group's long-term assumptions about inflation and long-term market growth. The discount rate reflects specific risks associated with the asset. The company has determined that all cash-generating units can mainly be categorized as companies in a growth phase but with strong and stable cash flows based on existing business relations. All units are characterized by the fact that they continuously develop new products and services that complement the existing business. The various units are not necessarily in phase with this development, but the Company determines that their shared basic characteristics justify he same discount rate.

	Discount rate before tax		Long-term Growth rate	
Cash-generating unit	2018	2017	2018	2017
Enterprise Division, excluding Unwire	8.1%	8.4%	2%	2%
Enterprise Division, Unwire	13.9%	-	2%	-
Operator Division	8.1%	8.4%	2%	2%
Sinch Voice & Video	8.1%	8.4%	2%	2%
Vehicle	19.8%	-	2%	-

SENSITIVITY ANALYSIS

The recoverable amount exceeds the carrying amount for all cash-generating units.

An increase in the discount rate by 1 percentage point, a reduced EBITDA margin of 1 percentage point or a reduced revenue growth of 1 percentage point, in the forecast period, does not generate any impairment in any of the cash-generating units.

Note 14.

Other non-current intangible assets

2018 Group	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	146,841	18,383	683,435	121,175	1,000	970,834
Capitalized expenditure for the year	21,728	85	-	-	-	21,813
Through acquisitions of group companies	40,259	3,230	150,881	3,884	448	198,702
Reclassifications	-	-	-	-	-	-
Disposals/retirements	-12,380	-4,565	-	-	-	-16,946
Translation differences	595	1,036	53,723	5,214	1	60,568
Accumulated cost on the closing date	**197,044**	**18,168**	**888,039**	**130,272**	**1,449**	**1,234,972**
Amortization on the opening date	-34,583	-14,459	-107,574	-12,957	-1,000	-170,574
Amortization for the year	-31,997	-2,293	-87,049	-13,747	-324	-135,410
Through acquisitions of group companies	-	-1,218	-	-	-	-1,218
Reclassifications	-	-6	-	-	-	-6
Disposals/retirements	5,470	2,919	-	-	-	8,390
Translation differences	-114	-917	-10,777	-681	-10	-12,498
Accumulated amortization on the closing date	**-61,223**	**-15,974**	**-205,400**	**-27,385**	**-1,334**	**-311,316**
Carrying amount	**135,821**	**2,194**	**682,640**	**102,887**	**114**	**923,656**

2017 Group	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	103,662	16,465	648,589	48,881	1,000	818,597
Capitalized expenditure for the year	17,872	22	-	-	-	17,894
Through acquisitions of group companies	25,846	3,893	96,055	79,034	-	204,828
Reclassifications	-	-149	-	-	-	-149
Disposals/retirements	-	-984	-5,761	-	-	-6,745
Translation differences	-538	-864	-55,448	-6,741	-	-63,591
Accumulated cost on the closing date	**146,841**	**18,383**	**683,435**	**121,175**	**1,000**	**970,834**
Amortization on the opening date	-10,950	-9,006	-34,924	-2,455	-33	-57,368
Amortization for the year	-23,587	-3,835	-78,100	-10,833	-967	-117,322
Through acquisitions of group companies	-	-3,063	-	-	-	-3,063
Reclassifications	-	34	-	-	-	34
Disposals/retirements	-	761	-	-	-	761
Translation differences	-45	649,274	5,450	331	-	6,385
Accumulated amortization on the closing date	**-34,583**	**-14,459**	**-107,574**	**-12,957**	**-1,000**	**-170,573**
Carrying amount	**112,258**	**3,923**	**575,862**	**108,218**	**0**	**800,261**

Licenses	Parent company 2018	2017
Cost on the opening date	372	350
Purchases for the year	-	22
Accumulated cost on the closing date	**372**	**372**
Amortization on the opening date	-	-
Amortization for the year	-124	-124
Accumulated amortization on the closing date	**-124**	**-124**
Carrying amount	**248**	**248**

Note 15.

Property, plant, and equipment

	Group		Parent company	
Computers and equipment	**2018**	**2017**	**2018**	**2017**
Cost on the opening date	78,098	49,690	6,448	-
Purchases for the year	6,639	12,334	1,461	6,448
Through acquisitions of group companies	4,973	14,758	-	-
Reclassifications	-224	5,137	475	-
Disposals/retirements	-16,915	-3,520	-	-
Translation differences	1,461	-301	-	-
Accumulated cost on the closing date	**74,033**	**78,098**	**8,384**	**6,448**
Depreciation on the opening date	-55,026	-35,524	-193	-
Depreciation for the year	-9,545	-8,308	-1,611	-193
Through acquisitions of group companies	-4,553	-9,623	-	-
Reclassifications	-1,146	-5,172	-103	-
Disposals/retirements	16,221	3,515	-	-
Translation differences	-1,087	86	-	-
Accumulated depreciation on the closing date	**-55,136**	**-55,026**	**-1,907**	**-193**
Carrying amount	**18,897**	**23,073**	**6,477**	**6,255**

Note 16.

Financial assets

	Group		Parent company	
Non-current receivables	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Non-current VAT receivable	3,129	4,262	-	-
Deposits	9,899	8,830	-	-
Non-current receivables, group companies	-	-	1,625,560	1,509,409
Non-current accounts receivable	1,112	15,168	-	-
Other non-current receivables	964	964	-	-
Total	**15,104**	**29,224**	**1,625,560**	**1,509,409**

Investments in group companies	Parent company 31 Dec 2018	31 Dec 2017
Cost on the opening date	530,230	530,105
Acquisition costs	80	125
Adjusted earnout, Sinch Voice & Video	-28,611	-
Accumulated cost on the closing date	**501,699**	**530,230**

Subsidiaries in the Group	Identity no.	Registered office	% of equity and votes 31 Dec 2018	% of equity and votes 31 Dec 2017	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017
Sinch Sweden AB	556747-5495	Stockholm	100	100	249,950	249,950
CLX Networks South Africa (PTY) Ltd	2013/128948/07	South Africa	100	100	-	-
CLX Networks Nigeria Limited	1210794	Nigeria	99.99	99.99	-	-
CLX Networks Italy S.R.L.	4265200230	Italy	100	100	-	-
CLX Networks Inc.**	20-3937075	United States	-	100	-	-
CLX Networks Canada	924-4933	Canada	100	100	-	-
CLX Networks UK Ltd****	9068965	United Kingdom	-	100	-	-
CLX Networks Singapore PTE LTD	201423573W	Singapore	100	100	-	-
CLX Networks AB Telekomünikasyon LTD. STI.	866349	Turkey	51	51	-	-
mBlox Italia S.R.L.	04491540961	Italy	100	100	-	-
Mblox France S.R.L.	448324285	France	100	100	-	-
Convaneer US LLC	4567684	United States	100	100	-	-
Sinch Operator Software AB	556353-1333	Stockholm	100	100	100,000	100,000
Caleo Technologies AB*	556227-0780	Göteborg	-	100	-	-
Sinch Poland Sp z o.o.	0000643951	Poland	100	100	-	-
Sinch Holding AB	559061-2791	Stockholm	100	100	50	50
CLX Communications GmbH	HRB 202010	Germany	100	100	-	-
CLX Networks Australia PTY Ltd	608286979	Australia	100	100	-	-
mBlox GmbH***	143/160/50205	Germany	-	100	-	-
Mblox Spain Telecomunicaciones SL	B82966078	Spain	100	100	-	-
Mblox Asia Pacific PTE LTD	200007936G	Singapore	100	100	-	-
Sinch UK Ltd	03049312	United Kingdom	100	100	-	-
Mblox UK Ltd****	04334317	United Kingdom	-	100	-	-
Nextgen Mobile Ltd	04775987	United Kingdom	100	100	-	-
Mblox SA (PTY) Ltd	2012/217923/07	South Africa	100	100	-	-
Sinch U.S. Holding Inc.	20163012208	United States	100	100	-	-
Sinch America, Inc.	77220277010	United States	100	100	-	-
Bitmo CA US Inc.	C2180875	United States	100	100	-	-
Mblox Brazil	16.462.330	Brazil	100	100	-	-
Mblox Malaysia Sdn Bhd	870260-U	Malaysia	100	100	-	-
Vehicle Agency LLC	46-0553309	United States	100	-	-	-
Dialogue Group Ltd	06766972	United Kingdom	100	100	-	-
Dialogue Communications Ltd	3042634	United Kingdom	100	100	-	-
Sinch Australia PTY Ltd	812,155,238	Australia	100	100	-	-
Dialogue Malta Ltd	C66149	Malta	100	100	-	-
Sinch Singapore PTE LTD	201314618E	Singapore	100	100	-	-
Dialogue Group HK Ltd****	2080363	Hong Kong	-	100	-	-
Sinch Denmark ApS	26361710	Denmark	100	-	-	-
Sinch Denmark AB	556484-7918	Stockholm	100	-	-	-
CLX Communications Denmark AS	990454108	Norway	100	-	-	-
Sinch Mobile AB	556969-5397	Stockholm	100	100	151,699	180,230
Sinch Incitament AB	559068-5441	Stockholm	100	100	-	-
Sinch Mobile Inc.	37-1539008	United States	100	100	-	-
Sinch Ltd****	09600484	United Kingdom	-	100	-	-
Carrying amount in the parent company					**501,699**	**530,230**

* The company merged with Sinch Operator Software AB effective 12 January 2018.
** The company merged with Sinch America, Inc. effective 9 April 2018.
***The company merged with CLX Communications GmbH effective 10 October 2018.
**** The company was liquidated in 2018.

Note 17.

Deferred tax

Deferred tax assets	Group 31 Dec 2018	Group 31 Dec 2017
Loss carryforwards	136,780	173,419
Depreciation and amortization	41,785	-
Warrants and derivatives	7,913	8,503
Provisions	5,439	9,473
Total deferred tax assets	**191,917**	**191,395**

Deferred tax liabilities		
Untaxed reserves	-14,135	-12,642
Proprietary software	-26,687	-25,077
Customer relationships	-153,026	-130,790
Operator relationships	-24,383	-25,807
Trademarks	-24	-
Provisions	-104	-1,916
Total deferred tax liabilities	**-218,360**	**-196,232**
Net deferred tax	**-26,443**	**-4,837**

Timing differences exist when the carrying amount and the amount attributed to the asset or liability for tax differ. Timing differences relating to the items above have resulted in deferred tax assets and deferred tax liabilities.

	Group 2018					
Change in deferred tax	Balance at opening date 1 Jan 2018	Recognized in profit or loss	Recognized in other comprehensive income	Reclassifications	Through acquisition or divestment	Balance on the closing date 31 Dec 2018
Non-current assets	-181,674	38,194	-12,019	30,528	-37,934	-162,906
Provisions	7,557	-3,094	995	-	-	5,458
Loss carryforwards	173,419	-9,188	7,563	-30,528	-	141,265
Untaxed reserves	-12,642	-1,493	-	-	-	-14,135
Warrants and derivatives	8,503	-521	-69	-	-	7,913
Effect of changed tax rate	-	-4,562	524	-	-	-4,038
Total	**-4,837**	**19,336**	**-3,007**	**0**	**-37,934**	**-26,443**

	Group 2017					
Change in deferred tax	Balance at opening date 1 Jan 2017	Recognized in profit or loss	Recognized in other comprehensive income	Reclassifications	Through acquisition or divestment	Balance on the closing date 31 Dec 2017
Non-current assets	-278,552	99,911	18,819	-	-21,852	-181,674
Provisions	4,337	5,159	78	-	-2,017	7,557
Loss carryforwards	17,050	-8,955	1,479	-	163,845	173,419
Untaxed reserves	-11,597	-1,045	-	-	-	-12,642
Warrants and derivatives	8,239	-1,786	2,050	-	-	8,503
Total	**-260,523**	**93,284**	**22,426**	**-**	**139,976**	**-4,837**

In the tables above, tax assets are reported with (+) and tax liabilities with (-).

The following are included in the balance sheet	Group	
	31 Dec 2018	31 Dec 2017
Deferred tax asset utilized after more than 12 months	161,024	148,554
Deferred tax liability settled after more than 12 months	-192,339	-167,126

LOSS CARRYFORWARDS

Deferred tax assets arising from loss carryforwards are recognized to the extent that it is probable that they can be utilized against taxable income. The final years in which these loss carryforwards can be utilized are shown on the table.

Expiration year Loss carryforwards	Group	
	Loss carryforward	Tax effect
2019	13,775	2,893
2020	13,775	2,893
2021	13,775	2,893
2022	13,775	2,893
2023	13,775	2,893
2024	13,775	2,893
2025	13,775	2,893
2026	13,775	2,893
2027	13,775	2,893
Expires after 2027	110,511	23,207
Unlimited utilization period	482,476	87,538
Total	**716,963**	**136,780**

Loss carryforwards by country	Group	
	Loss carryforward	Tax effect
Spain	10,581	2,645
United Kingdom	342,162	58,168
Sweden	129,733	26,725
United States	234,487	49,242
Total	**716,963**	**136,780**

The loss carryforward in Norway with an unlimited utilization period in the amount of SEK 4,425 thousand with a tax effect of SEK 1,062 thousand has not been capitalized as it is uncertain whether future taxable profits will be generated.

Note 18.

Accounts receivable

Accounts receivable	Group	
	31 Dec 2018	31 Dec 2017
Accounts receivable	889,822	694,672
Doubtful receivables		
Balance on the opening date	-10,925	-17,619
Through acquisitions of group companies	-692	-1,132
Reversals of previous provisions	8,262	16,206
Confirmed customer losses	3,853	3,179
Provisions for the year	-10,187	-11,929
Translation differences	-242	369
Balance on the closing date	**-9,931**	**-10,925**
Net accounts receivable	**879,891**	**683,747**

The carrying amount for accounts receivable, net after loss allowances for doubtful receivables has been assessed as equal to fair value.

Aging report Accounts receivable	Group	
	31 Dec 2018	31 Dec 2017
Not due	628,064	547,836
Past due 1-30 days	146,851	97,486
Past due 31-60 days	57,618	19,103
Past due 61-90 days	18,162	2,627
Past due >91 days	39,127	27,620
Total	**889,822**	**694,672**

Note 19.

Other current receivables

Other current receivables	Group		Parent company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
VAT receivable	23,397	50,813	1,122	2,113
Derivatives	678	1,268	-	-
VAT receivable, Australia, from sellers of Mblox and Dialogue	45,048	-	-	-
Other current receivables	14,509	9,151	2	-
Total	**83,632**	**61,232**	**1,124**	**2,113**

Note 20.

Prepaid expenses and accrued income

Prepaid expenses and accrued income	Group		Parent company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Prepaid rent	6,041	6,502	3,410	2,743
Prepaid leasing charges	1,428	162	117	58
Prepaid insurance premiums	2,366	1,942	1,583	1,313
Prepaid services	6,451	4,678	308	1,108
Prepaid license fees	5,672	1,264	1,491	-
Prepaid data communications	114	164	40	-
Prepaid traffic costs	4,344	29,987	-	-
Accrued revenue from contracts with customers	64,660	60,058	-	-
Other	3,286	3,340	128	-
Total	**94,362**	**108,096**	**7,077**	**5,222**

Note 21.

Equity

Shares and share capital, SEK	Ordinary shares	Share capital
Opening balance at 1 January 2017	**49,534,442**	**4,953,444**
Rights issue	4,067,647	406,765
Closing balance at 31 December 2017	**53,602,089**	**5,360,209**
Rights issue	-	-
Closing balance at 31 December 2018	**53,602,089**	**5,360,209**

At 31 December 2018, authorized share capital comprised 53,602,089 shares. The quotient value of the shares is 0.10 (0.10). All shares are fully paid-in.

As authorized by the annual general meeting held 19 May 2017, a directed issue of 4,067,647 new shares was executed on 31 May 2017 at a subscription price of SEK 120 per share. The issue was executed to reduce debt and strengthen Sinch's capacity for future acquisitions. The issue raised SEK 488.1 million before issue costs of SEK 8.0 million after tax.

Reserves	Translation reserve	Revaluation reserve
Opening balance at 1 January 2017	17,388	-468
Expiration of put option, Caleo Technologies AB	-	600
Translation differences	25,830	-
Hedge accounting, net investment in foreign operations	-8,718	-
Deferred tax	2,182	-132
Closing balance at 31 December 2017	**36,682**	**0**
Translation differences	-12,903	-
Hedge accounting, net investment in foreign operations	-6,281	-
Deferred tax	1,023	-
Closing balance at 31 December 2018	**18,521**	**-**

The translation reserve includes all exchange rate differences that arise upon translation of financial statements in a currency other than SEK, which is the Group's presentation currency. The translation reserve also includes exchange rate differences that arise upon revaluation of liabilities taken up as hedging instruments for a net investment in a foreign operation.

Note 22.

Other non-current liabilities, interest-bearing

Other non-current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Bank loan	487,211	387,441	487,211	387,441
Finance leasing	-	282	-	-
Total	**487,211**	**387,722**	**487,211**	**387,441**

The credit facility that was renegotiated and extended in December 2018 gives Sinch access to a line of credit of SEK 1,500 million provided that the company meets a number of predetermined contractual conditions. In addition to the line of credit of SEK 1,500 million the overdraft limit was increased to SEK 200 million.

Sinch has a granted bank overdraft facility of SEK 200 million (100). As of 31 December 2018, SEK 0 million (0) had been utilized.

Note 23.

Other non-current liabilities, non-interest-bearing

Other non-current liabilities, non-interest-bearing	Group 31 Dec 2018	31 Dec 2017
Additional purchase consideration, Caleo Technologies AB	5,997	7,233
Earnout, Sinch Voice & Video	-	40,000
Earnout, Vehicle Agency LLC	130,080	-
Debt to sellers of Dialogue Group Ltd	-	7,107
Total	**136,077**	**54,340**

Please refer to Note 34 for further disclosures concerning liabilities related to acquisitions.

Note 24.

Provisions

Provision for restructuring	Group 2018	2017
Balance at opening date	11,258	8,895
Provisions made during the year	-	15,048
Amounts used during the year	-859	-12,259
Amounts reversed during the year	-8,884	-
Translation differences	-1,515	-426
Balance on the closing date	**0**	**11,258**

Part of the restructuring reserve allocated in 2017 for employee benefits expense was reversed in 2018 because more people than estimated were given the opportunity to take on other roles within the Group and continue their employment.

The provision for restructuring in 2017 measures referred to employee benefits expense of SEK 14,156 thousand and other external expenses of SEK 892 thousand for premises and advisory services.

The expected outward payments for 2019 amount to SEK 0 thousand (11,258).

Other provisions	Group 2018	2017
Provision for VAT, Australian operations	27,122	-
Provision for social security expenses, share ownership plan	146	40
Other provisions	451	125
Total	**27,719**	**165**

A provision of SEK 27,122 thousand for VAT was allocated in 2018. This refers to the Australian operations, where several subsidiaries may have underpaid VAT during the period before 1 April 2016. The majority of this VAT is owed by subsidiaries of the acquired Mblox and Dialogue groups. Sinch has determined that it will be possible to recover the VAT from the sellers of these companies and the corresponding receivable has been recognized.

Provisions	Parent company 31 Dec 2018	31 Dec 2017
Earnout, Sinch Voice & Video	11,388	40,000
Total	**11,388**	**40,000**

Please refer to Note 34 for further disclosures of earnouts.

Note 25.

Other current liabilities, interest-bearing

Other current liabilities, interest-bearing	Group 31 Dec 2018	Group 31 Dec 2017	Parent company 31 Dec 2018	Parent company 31 Dec 2017
Bank loan	98,909	125,682	98,909	125,682
Finance leasing	128	-	128	-
Total	**99,037**	**125,682**	**99,037**	**125,682**

Please refer to Note 22 for further disclosures of bank loan.

Note 26.

Other current liabilities, non-interest-bearing

Other current liabilities, non-interest-bearing	Group 31 Dec 2018	Group 31 Dec 2017	Parent company 31 Dec 2018	Parent company 31 Dec 2017
VAT, tax withheld at source	25,630	24,388	1,612	979
Derivatives	4,118	69	-	-
Earnout, Sinch Voice & Video	11,388	-	-	-
Funds belonging to a third party*	6,191	-	-	-
Other current liabilities	2,949	920	-	-
Total	**50,278**	**25,377**	**1,612**	**979**

*The Danish operations provide PSMS (mobile payments) services for which payment is received that is subsequently forwarded to a third party.

Note 27.

Accrued expenses and prepaid income

	Group		Parent company	
Accrued expenses and prepaid income	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Accrued salaries	24,879	10,311	300	-
Accrued annual leave pay	17,471	13,028	944	453
Accrued social security contributions, including pension	11,437	10,780	606	142
Accrued interest expenses	428	98	428	98
Accrued external services	21,351	20,331	803	226
Accrued traffic costs	365,257	333,156	-	-
Other items	9,321	20,969	1,406	1,449
Total	**450,143**	**408,674**	**4,487**	**2,369**

Note 28.

Untaxed reserves

	Parent company	
Untaxed reserves	31 Dec 2018	31 Dec 2017
Tax allocation reserves	6,578	6,578
Accelerated depreciation/amortization	1,976	1,729
Total	**8,554**	**8,307**

Note 29.

Pledged assets

	Group		Parent company	
Pledged assets	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
As pledged assets for own debt and provisions				
Shares	2,427,687	382,602	350,000	349,950
Corporate mortgages	45,000	45,000	-	-
Guarantees	6,538	5,602	-	-
Total	**2,479,225**	**433,204**	**350,000**	**349,950**

The shares in Sinch Holding AB, Sinch Sweden AB and Sinch Operator Software AB (2017: Sinch Sweden AB and Sinch Operator Software AB) have been pledged as collateral for the obligations within the current loan agreement. The group value of the pledged assets amounts to SEK 2,427.7 million (382.6). According to the agreement, the lenders have the right to sell the collateral if an event of default exists and agreement cannot be reached. The collateral can only be sold if an event of default is still ongoing; that is, it exists when the sale is executed. In addition, corporate mortgages of SEK 45 million (45) were pledged as collateral for the loan agreement.

Note 30.

Related-party transactions

GROUP

Intragroup transactions between the parent company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and disclosures concerning the Group are therefore not provided.

PARENT COMPANY

Sales to group companies comprise 100 percent of net sales in the parent company. Receivables and liabilities to other group companies are presented in the parent company balance sheet.

Disclosures concerning compensation to senior management are provided in Note 8.

Note 31.

Financial assets and liabilities

31 Dec 2018 Group	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge in-struments	Total
Financial assets at fair value					
Derivatives, Level 2, Note 19	-	-	-	678	678
Financial assets not recognized at fair value					
Deposits paid, Note 16	9,899	-	-	-	9,899
Long-term accounts receivable, Note 16	1,112	-	-	-	1,112
Accounts receivable, Note 18	879,891	-	-	-	879,891
Accrued revenue from contracts with customers, Note 3	64,660	-	-	-	64,660
Cash and cash equivalents	180,759	-	-	-	180,759
Total financial assets	**1,136,320**	**-**	**-**	**678**	**1,136,998**
Financial liabilities at fair value					
Derivatives, Level 2, Note 26	-	-	-	4,118	4,118
Earnout, Level 3, Notes 23 & 26	-	-	147,465	-	147,465
Financial liabilities not recognized at fair value					
Long-term loans payable, Note 22	-	487,211	-	-	487,211
Short-term loans payable, Note 25	-	98,909	-	-	98,909
Accrued interest expense, Note 27	-	428	-	-	428
Accounts payable	431,417	-	-	-	431,417
Total financial liabilities	**431,417**	**586,549**	**147,465**	**4,118**	**1,169,549**

31 Dec 2017 Group	Loan and accounts receivable	Other liabilities	Financial assets and liabilities at fair value through profit or loss	Total carrying amount and fair value
Deposits paid, Note 16	8,830	-	-	8,830
Derivatives, Level 2, Note 19	-	-	1,268	1,268
Long-term accounts receivable, Note 16	15,168	-	-	15,168
Accounts receivable, Note 18	683,747	-	-	683,747
Accrued revenue from contracts with customers, Note 20	60,058	-	-	60,058
Cash and cash equivalents	164,588	-	-	164,588
Total financial assets	**932,391**	**-**	**1,268**	**933,659**
Long-term loans payable, Note 22	-	387,441	-	387,441
Short-term loans payable, Note 25	-	125,682	-	125,682
Accounts payable	-	259,416	-	259,416
Derivatives, Level 2, Note 26	-	-	69	69
Earnout, Level 3, Note 23	-	47,233	-	47,233
Accrued interest expense, Note 27	-	98	-	98
Total financial liabilities	-	**819,870**	**69**	**819,939**

LEVELS

Financial assets and liabilities measured at fair value in the balance sheet, or where the fair value is disclosed, are classified in one of three levels based on the information used to measure fair value.

Level 1 – Financial instruments whose fair value is determined based on observable (unadjusted) quoted prices in an active market for identical assets or liabilities. A market is considered active if quoted prices from a stock exchange, broker, industry group, pricing service or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

Level 2 - Financial instruments whose fair value is determined using valuation techniques based on other observable market data than quoted prices for the asset or liability included in level 1, either directly (as prices) or indirectly (derived from prices). Examples of observable data in level 2 are:

- Quoted prices on similar assets or liabilities.
- Data upon which a judgment of a price can be based, such as market interest rates and yield curves.

Level 3 - Financial instruments whose fair values are determined using valuation techniques where significant input is based on unobservable data.

DETERMINATION OF FAIR VALUE

Sinch uses the following methods and assumptions to determine the fair value of financial instruments recognized.

Derivatives - Foreign currency forward contracts are measured at level 2. The measurement is performed by discounting future cash flows based on the difference between the contractual forward rate and spot rate on the reporting date.

Earnouts - Earnouts referring to the acquisition of shares in subsidiaries are measured at level 3 to the present value of future cash flows based on forecasts of the entities future performance. A percentage increase in cash flow leads to the corresponding percentage increase in earnout amount at unchanged discount rate, however, there are maximum earnout amounts, see Note 34.

The carrying amounts of other financial assets and liabilities are considered a good approximation of the fair values due to short maturity or short fixed-interest periods and because the credit margin has not changed.

2018 Group	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Fair value hedge instruments	Total
Exchange rate differences in operating profit	27,679	-27,880	10,590	10,389
Interest income/interest expenses	2,080	-21,805	-13,406	-33,131
Exchange rate differences in net financial income/expenses	14,794	747	-	15,542
Total	**44,553**	**-48,938**	**-2,816**	**-7,200**

2017 Group	Financial assets and liabilities are measured at amortized cost	Other financial liabilities	Fair value hedge instruments	Total
Net financial income/expenses				
Interest income/interest expenses	1,267	-16,677	-	-15,410
Exchange rate differences	-83,115	50,249	-998	-33,864
Total	**-81,848**	**33,572**	**-998**	**-49,274**

Operating profit for 2017 includes net exchange rate differences of SEK -1,179 thousand. As the amount is considered immaterial, no distribution by measurement category was made.

Note 32.

Risk exposure and risk management

In the course of its operations, Sinch is exposed to various types of financial risk. Financial risk refers to fluctuations in the company's earnings and cash flow consequent upon changes in exchange rates, interest rates, refinancing risks, and credit risks. Sinch aims to minimize the effects of these risks by using derivatives to hedge risk exposure. The frameworks for exposure, management, and monitoring of financial risks are set by the board of directors in the finance policy which is revised annually and specifies the permitted use of derivative instruments. Compliance with policies and exposure are reviewed on a continuous basis. The group does not engage in speculative trading in financial instruments.

LIQUIDITY RISK AND FINANCING RISK

Liquidity risk is the risk that the Group might have difficulty performing its obligations associated with financial liabilities. Liquidity planning is used to manage liquidity risk and minimize the cost of financing the Group. The Group's policy is to minimize the borrowing requirement by using surplus liquidity in the Group in cash pools. Liquidity risks for the Group are managed centrally within the parent company. Sinch has a granted bank overdraft facility of SEK 200 million (100), none of which had been drawn as of 31 December 2018 (-). Loan financing is subject to covenants, i.e., that certain performance indicators are met. The performance indicators are calculated based on Sinch's EBITDA, interest expenses, equity/assets ratio, and net debt. Sinch analyzes these performance indicators on an ongoing basis.

At year-end, Sinch's financial liabilities amounted to SEK 1,169.5 million (819.9), see Note 31, and the maturity structure is shown on the table below. Future payments of principal and interest on loan debt are included in the table estimated on the basis of the exchange rate and interest rate on the reporting date.

		31 Dec 2018				
Group	**Original currency**	**Total**	**0-3 months**	**4-12 months**	**13-24 months**	**25-36 months**
Bank loan	SEK	27,844	1,445	4,324	5,679	16,397
Bank loan	DKK	127,713	6,625	19,834	26,046	75,208
Bank loan	EUR	153,464	7,961	23,833	31,298	90,372
Bank loan	GBP	152,751	8,102	24,223	31,525	88,902
Bank loan	USD	165,929	4,039	12,227	15,678	133,985
Derivatives	SEK	4,118	3,994	124	-	-
Accounts payable	See table	431,417	431,417	-	-	-
Earnouts	SEK & USD	147,465	11,388	71,768	61,310	2,999
Total		**1,210,699**	**474,970**	**156,332**	**171,535**	**407,862**

		31 Dec 2017				
Group	**Original currency**	**Total**	**0-3 months**	**4-12 months**	**13-24 months**	**25-36 months**
Bank loan	EUR	181,868	12,185	36,372	47,811	85,500
Bank loan	GBP	175,664	9,799	29,205	38,174	98,486
Bank loan	USD	179,395	12,433	36,910	47,756	82,296
Derivatives	SEK	69	69	-	-	-
Accounts payable	See table	259,416	259,416	-	-	-
Earnouts	SEK	43,617	-	40,000	-	3,617
Total		**840,029**	**293,902**	**142,487**	**133,741**	**269,899**

MARKET RISK

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in the market price. Market risks are categorized by IFRS into three types: interest rate risk, currency risk, and other price risk. The market risks that primarily affect the Group are interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows from, a financial instrument will vary due to changes in market rates. Interest rate risk can lead to a change in cash flows. The fixed interest term is a significant factor affecting the interest rate risk. Sinch's loan financing is carried at a three-month rate with STIBOR, LIBOR and EURIBOR as base. The interest rate varies depending on what currency the loan is raised in, average interest rate for all loans amounts to 2.5 percent. An interest change of 100 points based on interest-bearing liabilities at the reporting date would affect the Group's future profit before tax by +/- SEK 12.7 million (8.1). The sensitivity analysis assumes that all other factors, such as exchange rates, remain constant.

Currency risk

The risk that fair values and cash flows relating to financial instruments may fluctuate when the value of foreign currencies change is called currency risk. Sinch is exposed to various types of currency risks. The primary exposure originates in sales and purchases denominated in foreign currencies. These currency risks consist of the risk of fluctuations in the value of accounts receivable and accounts payable and the currency risk in expected and contracted payment flows. These risks are called transaction exposure. The Group engages in currency hedging only to a very limited extent. Sinch always aims to match revenues and costs in the same currency to the greatest extent possible.

Currency risk also arises in the translation of the assets and liabilities of foreign subsidiaries to the parent company's functional currency, which is called translation exposure. Hedge accounting for net investments in foreign subsidiaries is applied by raising loans in the corresponding currency. See table for hedged items, all of which are effective.

Exchange rate differences are included in consolidated profit and loss at SEK -13.4 million (-1.2) in operating profit and at SEK 15.5 million (-33.9) in financial income and expenses.

Transaction exposure

Sinch's transaction exposure is mainly distributed among the following items and currencies; amounts in SEK thousands translated at the closing day rate.

	31 Dec 2018							
Original currency	Accounts receivable	Accrued income	Accrued traffic cost	Cash and cash equivalents	Accounts payable	Accrued traffic costs	Bank loan	Total
AED	-	-	-	-11,988	-138	-71	-	-12,197
AUD	32,064	202	-	-7,866	-11,937	-21,672	-	-9,209
CAD	16,358	157	1,729	9,029	-825	-1,581	-	24,866
CHF	-	-	-	-	-767	-1,158	-	-1,925
DKK	13,181	-	-	-55,588	-5,919	-13,613	-123,840	-185,779
EUR	553,656	22,855	1,634	256,763	-195,944	-185,357	-148,811	304,795
GBP	115,491	-678	-	31,288	-65,516	-68,325	-145,257	-132,997
NOK	1,852	25	-	1,272	-9,237	-4,917	-	-11,005
NZD	10	-	-	597	-1,839	-2,545	-	-3,777
PLN	-	-	-	1,229	-2,071	-473	-	-1,315
SGD	2,228	2,975	-	-766	-7,131	-2,084	-	-4,778
TRY	165	-	-	1,014	-247	-	-	932
USD	130,693	30,105	-66	83,768	-103,322	-53,791	-148,654	-61,268
ZAR	16	-	-	862	2	-	-	881
Other currencies	126	4,369	1,048	46	-5,482	-5,570	-	-5,463
Foreign currencies	**865,841**	**60,010**	**4,344**	**309,660**	**-410,372**	**-361,160**	**-566,562**	**-98,239**
SEK	14,049	4,650	-	-128,901	-21,044	-4,097	-19,558	-154,902
Total	**879,890**	**64,660**	**4,344**	**180,759**	**-431,417**	**-365,257**	**-586,120**	**-253,141**

Original currency	31 Dec 2017 Accounts receivable	Accrued income and prepaid traffic costs	Cash and cash equivalents	Accounts payable	Accrued traffic costs	Bank loan	Total
AED	-	-	-701	-75	-21	-	-797
AUD	27,124	458	11,088	-23,722	-11,595	-	3,353
CAD	3,038	2,083	4,383	-1,985	-3,311	-	4,208
CHF	-	-	-	-1,231	-1,286	-	-2,517
DKK	-	-16	-	-278	-312	-	-606
EUR	449,785	24,597	47,494	-82,004	-165,972	-177,208	96,692
GBP	103,579	21,579	-21,419	-74,735	-92,471	-168,788	-232,255
NOK	-29	-	365	-1,970	-1,731	-	-3,365
NZD	-2,161	-340	585	-4,191	-1,063	-	-7,170
PLN	-	-	777	-1,017	-762	-	-1,002
SGD	5,687	-	7,357	-1,908	-5,922	-	5,214
TRY	211	-	1,582	-905	-	-	888
USD	96,604	36,027	118,212	-39,029	-39,974	-169,462	2,378
ZAR	-759	-	665	-38	-	-	-132
Other currencies	1,438	1,700	32	-1,511	-1,668	-	-9
Foreign currencies	**684,517**	**86,088**	**170,420**	**-234,599**	**-326,088**	**-515,458**	**-135,120**
SEK	-770	3,957	-5,832	-24,817	-7,068	2,336	-32,194
Total	**683,747**	**90,045**	**164,588**	**-259,416**	**-333,156**	**-513,122**	**-167,314**

Sensitivity to transaction exposure

Based on transaction exposure as of 31 December 2018 above and excluding any currency hedges, Sinch's profit before tax would have been affected by +/- SEK 9.8 million (13.5) if exchange rates against the Swedish krona were to change by 10 percent. The largest exposures are against DKK, EUR, GBP and USD. If exchange rates for these currencies against the Swedish krona were to change by 10 percent, Sinch's profit before tax would be affected by +/- SEK 18.6 million (0.1), SEK 30.5 million (9.7), SEK 13.3 million (23.2) and SEK 6.1 million (0.2), respectively.

TRANSLATION EXPOSURE

Foreign net assets in the Group are distributed among the following currencies:

	31 Dec 2018			31 Dec 2017		
Original currency	Net investment	Hedged net investment	Net exposure	Net investment	Hedged net investment	Net exposure
AUD	6,173	-	6,173	37,294	-	37,294
CAD	17,100	-	17,100	10,043	-	10,043
DKK	192,416	-123,841	68,575	-	-	-
EUR	151,416	-148,811	2,605	179,336	-177,207	2,129
GBP	357,455	-145,257	212,198	729,073	-127,776	601,297
MYR	77	-	77	-318	-	-318
NGN	-329	-	-329	311	-	311
NOK	7,641	-	7,641	-	-	-
PLN	624	-	624	249	-	249
SGD	4,653	-	4,653	4,372	-	4,372
TRY	303	-	303	2,342	-	2,342
USD	1,256,302	-435,699	820,604	1,381,533	-390,139	991,394
ZAR	74	-	74	128	-	128
Total	**1,993,905**	**-853,608**	**1,140,297**	**2,344,363**	**-695,122**	**1,649,241**

Sensitivity to translation exposure

Consolidated equity would be affected by SEK 114.0 million (164.9) if the Swedish krona were to change by 10 percent against all the currencies against which Sinch has translation exposure, based on the exposure as of 31 December 2018 as above, including hedges but excluding any effect on equity due to the currency translation of other items included in profit for the year. Please refer to Note 1 Accounting and measurement principles with regard to hedge accounting.

CREDIT RISK

The risk that Sinch's customers will not meet their obligations, that is, that payment is not obtained from customers, is a customer credit risk. Sinch has historically had very low credit losses. Many of the Group's customers are highly reputable companies with high credit ratings. Sinch also applies a policy of credit checking its customers, whereupon information about customers' financial position is obtained from credit rating firms. Credit classifications are done to a certain extent; for example, the customer may be required to pay in advance. Sinch has developed a credit loss reserve matrix to measure anticipated credit losses for accounts receivable. The matrix is based on macroeconomic and individual factors, such as analysis of actual credit losses over the past three years. The same model is also applied to measure exptected credit loss risk on accrued income.

The maximum credit exposure for Sinch's financial assets amounts to SEK 1,136.3 million (932.4). See Note 31. Sinch has no collateral that can be claimed.

CAPITAL MANAGEMENT

Sinch defines its managed capital as consolidated equity. Sinch must have a robust financial position and good liquidity. This provides the financial scope for action and independence required to run the business and manage variations in the need for capital employed and to benefit from business opportunities. The board of directors of Sinch decides the company's capital structure and dividend policy.

Management of the capital structure is aimed at creating balance among equity, loan financing, and liquidity so that Sinch assures the financing of the business at a reasonable cost of capital. Sinch endeavors to finance growth, normal investments, and dividends to shareholders by generating sufficient positive cash flow for operating activities.

DIVIDEND POLICY

As the board of directors believe there will be good opportunities for growth through acquisitions in the next few years, the board is proposing that the company's profits should primarily be reinvested.

DEBT POLICY

Sinch's capital structure should enable a high degree of financial flexibility and enable acquisitions. Sinch's target is for net debt over time to be lower than 2.5 times adjusted EBITDA measured on a rolling twelve months' basis. "Over time" means that the company's debt is permitted to temporarily exceed the set target during a period immediately after a business combination.

Note 33.

Cash flow

	Group		Parent company	
Cash and cash equivalents	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Cash and bank balances	180,759	164,588	168	10

	Group		Parent company	
Interest	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Interest received	2,666	2,495	17,703	7,503
Interest paid	-22,038	-19,318	-25,010	-20,244
Net interest	**-19,372**	**-16,823**	**-7,307**	**-12,741**

	Group		Parent company	
Adjustment for non-cash items	**2018**	**2017**	**2018**	**2017**
Depreciation, amortization, and impairments	155,485	138,263	1,735	-
Profit or loss from sale of equipment	26	-570	-218	-
Profit or loss from divestment of mobile payments business	8,125	-3,317	-	-
Change in loss allowance	1,933	-2,550	-	-
Adjusted earnout	-29,848	-11,752	-	-
Unrealized exchange rate differences	-42,680	23,402	4,110	14,696
Fair value derivatives	4,690	-4,539	-	-
Not paid/received interest	330	-1,403	330	1,489
Provisions	-10,609	2,782	-	-
Total	**87,451**	**140,315**	**5,957**	**16,185**

Reconciliation of liabilities attributable to financing activities - Group	Opening balance at 1 January 2018	Cash flow	Non-cash items: Acquisitions/ divestments	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 December 2018
Bank loan	513,122	68,218	-	-	4,933	581,340
Financial leasing liability	282	-154	-	-	-	128
Earnouts	47,233	-	129,919	-29,848	161	147,465
Total	**560,637**	**68,064**	**129,919**	**-29,848**	**5,094**	**728,933**

Reconciliation of liabilities attributable to financing activities - Group	Opening balance at 1 January 2017	Cash flow	Non-cash items: Acquisitions/ divestments	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 December 2017
Bank loan	483,504	79,090	-	-	-49,472	513,122
Financial leasing liability	443	-161	-	-	-	282
Earnouts	40,000	-	18,985	-11,752	-	47,233
Total	**523,947**	**78,929**	**18,985**	**-11,752**	**-49,472**	**560,637**

Reconciliation of liabilities attributable to financing activities - Parent	Opening balance at 1 January 2018	Cash flow	Non-cash items: Acquisitions/ divestments	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 December 2018
Bank loan	513,122	68,218	-	-	4,933	581,340
Financial leasing liability	-	-154	282	-	-	128
Liability to group companies, utilized cash pool	213,396	-144,834	-	-	-	68,562
Earnouts	40,000	-	-	-28,612	-	11,388
Total	**766,518**	**-76,770**	**282**	**-28,612**	**4,933**	**661,418**

Reconciliation of liabilities attributable to financing activities - Parent	Opening balance at 1 January 2017	Cash flow	Non-cash items: Acquisitions/ divestments	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 December 2017
Bank loan	483,504	79,090	-	-	-49,472	513,122
Liability to group companies, utilized cash pool	220,546	-7,150	-	-	-	213,396
Earnouts	40,000	-	18,985	-11,752	-	47,233
Total	**744,050**	**71,940**	**18,985**	**-11,752**	**-49,472**	**773,751**

Note 34.

Acquisition of Group companies

2018

UNWIRE

Sinch acquired 100 percent of the share capital in Unwire Communication ApS on 27 March. The purchase consideration was DKK 148 million (SEK 205.3 million) on a cash- and debt-free basis. The acquisition was financed with expanded credit facilities of DKK 100 million (SEK 136.8 million) and cash reserves. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 128.2 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Unwire. The estimated useful life of proprietary software and customer relationships PSMS is three years. The estimated useful life of other customer relationships and operator relationships is ten years.

VEHICLE

On 4 April, the company acquired 100 percent of share capital in Vehicle Agency LLC. The initial purchase consideration was USD 8 million (SEK 67.1 million) on a cash- and debt-free basis. In addition, an earnout of USD 4 million (35.8 million) was paid in July. The acquisition was financed with cash reserves. The purchase agreement provides for additional earnouts based on sales and EBITDA performance of a maximum of USD 18 million. The anticipated outcome discounted to present value amounts to USD 14.5 million (129.9 million) and has been recognized as a liability. According to the preliminary acquisition analysis, goodwill of SEK 146.0 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Vehicle. The estimated useful life of proprietary software and customer relationships is ten years and the estimated useful life of the brand is one year.

NON-CONTROLLING INTEREST IN CALEO

The earnouts for Caleo, which are based on sales of the company's licenses to new customers, were adjusted in 2018. The updated expected outcome amounts to SEK 6.0 million (7.2) and is still recognized as a liability.

ACQUISITION ANALYSES

Preliminary acquisition analyses for Unwire and Vehicle.

Fair value of acquired net assets	Unwire	Vehicle
Customer relationships	73,653	71,679
Customer relationships, PSMS	5,548	-
Operator relationships	3,884	-
Trademarks	-	448
Proprietary software	12,484	27,776
Property, plant, and equipment and Other intangible assets	152	2,103
Deferred tax assets	5,853	-
Accounts receivable	19,385	7,244
Accrued income and prepaid expenses	782	3,323
Other current receivables	255	1
Cash and cash equivalents	7,980	2,687
Deferred tax liabilities	-22,807	-20,980
Accounts payable	-9,081	-1,308
Accrued expenses and prepaid income	-16,659	-266
Other current liabilities	-2,756	-58
Total acquired net assets	**78,672**	**92,649**

Allocation of purchase consideration

Purchase consideration	Unwire	Vehicle
Original purchase consideration	205,287	67,100
Earnout	-	35,840
Earnout, recognized as a liability	-	129,919
Settlement, working capital	-6,377	3,119
Settlement, cash and cash equivalents	7,980	2,687
Total consideration	**206,890**	**238,664**
Fair value of acquired net assets	-78,672	-92,649
Goodwill	**128,218**	**146,014**

Effects of acquisitions on consolidated cash and cash equivalents

Investing activities	Unwire	Vehicle	Sinch	Dialogue	Total
Original purchase consideration	205,287	67,100	-	-	272,387
Settlement, working capital	-6,377	3,119	-	-	3,119
Settlement, debts	-	-	-	7,107	730
Earnout	-	35,840	-	-	35,840
Settlement, cash and cash equivalents	7,980	2,687	-	-	10,667
Cash and equivalents in acquired subsidiaries	-7,980	-2,687	-	-	-10,667
Direct costs relating to acquisitions	5,902	2,378	80	1,073	9,433
Effects of acquisitions on cash and cash equivalents	**204,812**	**108,436**	**80**	**8,180**	**321,508**

Contribution of acquired companies to consolidated sales and profit

2018	Unwire	Vehicle	Total
Net sales	90,841	52,251	143,092
Profit after tax for the year	26,288	9,524	35,812

The table shows sales and profit as if the acquisitions of Unwire and Vehicle had taken place on 1 January 2018

2018	Unwire	Vehicle	Other companies	Deprecia-tion/amor-tization of acquired assets	Total
Net sales	119,262	63,628	3,842,966	-	4,025,856
Profit after tax for the year	35,600	10,613	90,357	-40,302	96,268

2017

XURA

On 16 April, the company acquired 100 percent of share capital in Xura Secure Communications GmbH. The purchase consideration was EUR 14.7 million (SEK 138.0 million) on a cash- and debt-free basis. The consideration was paid in cash. The purchase agreement also included a possible earnout based on the company's gross profit performance. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 87.0 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Xura. As the target required to trigger the earnout was not met, the earnout and goodwill have been impaired by the corresponding amount, SEK 11.8 million. The estimated useful lives are ten years for customer relationships, five years for operator relationships and three years for proprietary software.

DIALOGUE

Sinch acquired 100 percent of the share capital in Dialogue Group Ltd on 10 May. The purchase consideration was GBP 32.0 million (SEK 368.7 million) on a cash- and debt-free basis. Compensation for cash and cash equivalents and the majority of working capital was paid to the sellers in October. The remainder has been recognized as a liability. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 273.7 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Dialogue. The estimated useful lives of customer relationships, operator relationships and proprietary software is ten years. The estimated useful lives of customer relationships in mobile payment services is three years. These were written down in conjunction with the sale of that part of the business and the residual value is included in the net proceeds of the sale.

MBLOX

The acquisition analysis relating to the preceding year's acquisition of Mblox was completed during the second quarter of 2017. This included examination of tax-related losses, which resulted in recognition of an additional SEK 153.0 million in deferred tax assets. Deferred tax liabilities on acquired intangible assets have been reduced by SEK 35.5 million due to a change in the tax rate from 40 percent to 34 percent. Goodwill, including other adjustments, was reduced by SEK 187.2 million.

NON-CONTROLLING INTEREST IN CALEO

On 4 July, the company acquired the remaining 33 percent of the share capital in Caleo Technologies AB from the minority owners. The purchase consideration was SEK 5.7 million and was paid in cash. The purchase agreement also includes two possible earnouts, which may be paid during the third quarters of 2020 and 2022, respectively. The earnouts are based on sales of the company's license to new customers. The anticipated outcome amounts to SEK 7.2 million and has been recognized as a liability.

ACQUISITION ANALYSES

Final acquisition analyses for Xura, Dialogue and Mblox.

Fair value of acquired net assets	Xura	Dialogue	Mblox
Customer relationships	81,065	9,229	585,417
Customer relationships, PSMS	-	5,761	-
Operator relationships	2,744	76,290	40,734
Proprietary software	4,737	21,109	-
Property, plant, and equipment and Other intangible assets	1,069	5,085	10,919
Financial assets	-	-	6,334
Deferred tax assets	-	10,798	155,115
Current assets	43,550	110,931	170,667
Cash and cash equivalents	9,265	61,301	61,046
Deferred tax liabilities	-29,220	-28,199	-214,994
Other provisions	-	-73	-
Current liabilities	-37,177	-108,446	-220,383
Total acquired net assets	**76,032**	**163,785**	**594,855**

Allocation of purchase consideration

Purchase consideration	Xura	Dialogue	Mblox	Caleo
Original purchase consideration	138,021	368,717	966,587	5,661
Earnout, recognized as a liability	11,754	-	-	7,233
Settlement, working capital	11,216	7,426	746	-
Settlement, debts	-7,239	-	-	-
Settlement, cash and cash equivalents	9,265	61,301	61,046	-
Total consideration	**163,017**	**437,444**	**1,028,379**	**12,894**
Fair value of acquired net assets	-76,032	-163,785	-594,855	-
Goodwill	**86,985**	**273,658**	**433,524**	**-**

Effects of acquisitions on consolidated cash and cash equivalents

Investing activities	Xura	Dialogue	Sinch	Caleo
Original purchase consideration	138,021	368,717	-	5,661
Settlement, working capital	11,216	471	-	-
Settlement, debts	-7,239	-	-	-
Settlement, cash and cash equivalents	9,265	61,301	-	-
Cash and equivalents in acquired subsidiaries	-9,265	-61,301	-	-
Direct costs relating to acquisitions	3,354	5,790	126	-
Effects of acquisitions on cash and cash equivalents	**145,352**	**374,978**	**126**	**5,661**

Contribution of acquired companies to consolidated sales and profit, including restructuring costs

2017	Xura	Dialogue	Total
Net sales	266,966	287,962	554,928
Profit after tax for the year	5,632	20,341	25,973

The table below shows sales and profit as if the acquisitions of Xura and Dialogue had taken place on 1 January 2017

2017	Xura	Dialogue	Other companies	Depreciation/amortization of acquired assets	Total
Net sales	302,740	428,317	2,502,762	-	3,233,819
Profit after tax for the year	7,565	37,664	122,344	-15,188	152,385

Note 35.

Events after the end of the financial year

On 8 February 2019, Jonathan Bean was appointed new marketing director of Sinch. He took up his position on 23 April 2019.

On 13 February 2019, a new common brand identity was launched for all business areas. Products that were previously marketed under the brands CLX, Symsoft, Sinch and Vehicle will now be integrated into a uniform offer - Sinch.

On 5 April 2019, it was announced that Sinch is partnering with WIT Software to accelerate the global use of next generation messaging services through RCS. Sinch will use WIT's technology as part of the offer of RCS-as-a-Service to mobile operators.

Note 36.

Proposed allocation of profit

The board of directors will propose to the annual general meeting that no dividend be distributed for the financial year of 2018.

The following non-restricted equity in the parent company is at the disposal of the annual general meeting, SEK:

Share premium reserve	1,359,868,949
Retained earnings	60,544,484
Profit for the year	-388,439
Total	**1,420,024,994**

The Board of Directors proposes that profit be allocated as follows, SEK:

Carried forward to the share premium reserve	1,359,868,949
Retained	60,156,045
Total	**1,420,024,994**

Certification and signatures

The board of directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, and that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden. The annual report and the consolidated financial statements present fairly, in all material respects, the financial position and financial performance of the parent company and the Group. The management report for the parent company and the Group presents a fair overview of the development of the parent company's and the Group's operations, financial position, and financial performance and describes significant risks and uncertainties faced by the parent company and the companies included in the Group. The consolidated financial statements and the parent company financial statements will be presented to the annual general meeting for adoption on 17 May 2019.

Stockholm, 26 April 2019

ERIK FRÖBERG
Chairman

KJELL ARVIDSSON
Director

BRIDGET COSGRAVE
Director

RENÈE ROBINSON STRÖMBERG
Director

JOHAN STUART
Director

BJÖRN ZETHRAEUS
Director

OSCAR WERNER
Chief Executive Officer

Our audit report was submitted
26 April 2019, Deloitte AB

ERIK OLIN
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders in CLX Communications AB (publ), corporate registration number 556882-8908.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

Opinions

We have audited the annual accounts and consolidated accounts of CLX Communications AB (publ) for the financial year beginning 1 January 2018 and ending 31 December 2018. The company's annual accounts and consolidated financial statements are presented on pages 18-78 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and of its financial performance and cash flows for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory management report is consistent with other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the the annual accounts and consolidated financial statements are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my our opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ALLOCATION AND ACCRUALS OF REVENUE

CLX Communications' revenue are generated from messaging services and sales of software licenses, updates, equipment and support.

Promises of goods or services to customers that meets the criteria of being distinct is accounted for as a performance obligation separate from other promised goods or services. Revenue is recognized when control of the underlying goods or services for that particular performance obligation is transferred to the customer. Identifying distinct promises (performance obligations) requires management to make significant judgements and estimates that may have a significant impact on the Group´s net sales and earnings. Also, revenues are significant and derives from a large number of smaller transactions that are priced individually for all customers as well as customer-specific agreements. There is a risk that revenues are not complete, that transactions are not accurately priced and that revenues are not reported in the right period.

The Group's policy for revenue recognition and a description of critical accounting estimates and judgments are described in Note 1, and in Note 2 revenue are presented separately for the Enterprise and Operator Division, Sinch Voice & Video and Vehicle.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Our audit included, among others, the following audit procedures:

- assessing key controls and processes supporting revenue recognition,
- assessing the Group's accounting policy for revenue recognition to ensure compliance with IFRS,
- on a sample basis testing sales transactions for revenue recognition in the accounting period when performance obligations has been met
- on a sample basis testing recognition of revenue related to service contracts ensuring revenue is recognised as services are being delivered.

ACCOUNTING FOR BUSINESS COMBINATIONS
DESCRIPTION OF RISK

In 2018 CLX Communication made acquisitions of Unwire and Vehicle. Accounting for business combinations requires significant judgments and estimates to determine the fair value of acquired assets and assumed liabilities.

The group's accounting policies for business combinations are described in Note 1. Additional disclosures on the effects of business combinations are provided in Note 34.

OUR AUDIT PROCEDURES

Our audit included, but were not limited to:

- testing the purchase price allocation using internal valuation specialists in order to assess the identification of acquired assets and liabilities and the fair values allocated to acquired assets and liabilities, and
- Review of accounting policies applied and disclosures made for business combinations to ensure compliance with IFRS.

VALUATION OF INTANGIBLE ASSETS
DESCRIPTION OF RISK

As a result of historical business combinations, CLX Communications recognizes significant amounts in intangible assets. On an annual basis (goodwill) and when indications of a decline in value have been identified (all intangible assets including goodwill), management tests carrying value for impairment based on identified cash generating units. These impairment estimates are complex and require significant management estimates and judgments to determine the Group's cash-generating units as well as future growth rates, profit margins, investment levels and discount rates to be applied.

The Group's accounting policy for impairment testing is described in Note 1. The key assumptions used by management in the preparation of annual impairment testing for cash-generating units to which goodwill has been allocated are described in Note 13.

AUDIT PROCEDURES

Our audit included, but were not limited to:

- assessing CLX Communications' policies and procedures for preparation its impairment tests to ensure compliance with IFRS,
- evaluating key assumptions applied by management for impairment testing of cash-generating units and assessing the sensitivity of the key assumptions, and
- testing the models used for discounting future cash flows.

Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated financial statements and is found on pages 1-17. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and the consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated financial statements, including the most important assessed risks of material misstatement and are therefore the key audit matters. We describe these matters in the Auditor's Report unless law or regulation precludes disclosures about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the management of CLX Communications AB (publ) by the Board of Directors and the CEO for the financial year beginning 1 January 2018 and ending 31 December 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profit be dealt with in accordance with the proposal in the statutory management report and that the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and for management of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall attend to the day-to-management of the company pursuant to the Board of Directors' guidelines and instructions and among other matters take measures necessary to ensure that the company's accounting records are prepared and maintained pursuant to law and handle the management of funds in a reassuring manner.

Auditor's Responsibility

Our objective concerning the audit of the management of the company, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO has in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Deloitte AB was appointed as auditor of CLX Communications AB by the general meeting held 19 May 2017 and has been the company's auditor since 1 February 2012.

Stockholm, 26 April 2019
Deloitte AB

Erik Olin
Authorized Public Accountant

Corporate governance statement

INTRODUCTION

CLX Communications AB (publ) (name change to till Sinch AB (publ) in progress), ("Sinch") was founded on 1 February 2012 and is the parent company of the Sinch Group ("the Group"). Sinch has been listed on Nasdaq Stockholm since 8 October 2015. The board of directors of Sinch presents herewith the corporate governance statement for the 2018 financial year.

This corporate governance statement was adopted by the board of directors on 26 April 2019 and is a report of how corporate governance was pursued at Sinch during the 2018 financial year. The corporate governance statement is not part of the statutory management report.

PRINCIPLES OF CORPORATE GOVERNANCE

In addition to the corporate governance principles based upon law or other statute, Sinch complies with the Swedish Corporate Governance Code ("the Code"). Please refer to the Swedish Corporate Governance Board's website, www.bolagsstyrning.se. The internal regulations for governance of the company consist of the articles of association, the board charter (including instructions for board committees), the instruction to the CEO, instructions for financial reporting, and other policies and guidelines.

SHAREHOLDERS

The company had approximately 2,200 shareholders as of 31 December 2018.

Significant shareholdings

Shareholder	Number of shares	% of equity
Neqst D1 AB	9,808,201	18.3
Cantaloupe AB	8,925,596	16.7
Fourth National Swedish Pension Fund	5,002,805	9.3
Swedbank Robur	4,753,805	8.9
Kjell Arvidsson AB	4,544,430	8.5
First National Swedish Pension Fund	3,972,372	7.4
Handelsbanken fonder	2,858,167	5.3
Alecta Pensionsförsäkring, ömsesidigt	2,642,372	4.9
Salvis Investment Ltd.	2,231,232	4.2
Länsförsäkringar	1,238,011	2.3

Cantaloupe AB is owned by Björn Zethraeus, Kristian Männik, Henrik Sandell and Robert Gerstmann, and Salvis Investment Ltd. Is owned by Johan Hedberg, all of whom are co-founders of Sinch.

Voting rights

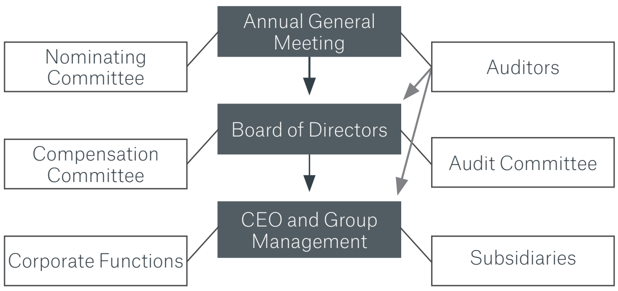
The articles of association impose no limits in the matter of how many votes each shareholder may cast at a general meeting.

ARTICLES OF ASSOCIATION

The current articles of association (see the company's website, investors.sinch.com) were adopted by the extraordinary general meeting held 13 June 2016. The articles of association contain no specific provisions concerning the appointment and dismissal of directors or concerning amendments to the articles of association.

ANNUAL GENERAL MEETING

The annual general meeting is the company's supreme governing body. The annual general meeting affords shareholders the opportunity to exert their influence. Under the Swedish Companies Act, several matters of business are under the purview of the annual general meeting, such as adoption of the income statement and balance sheet, allocations related to the company's profit or loss, discharge of liability, election of directors, and election of auditors.



The chart illustrates Sinch's corporate governance model and how central corporate functions are appointed and cooperate.

At its discretion, the board may also convene an extraordinary general meeting during the year. This occurs, for example, if decisions must be made concerning matters under the sole purview of the general meeting and it would not be appropriate to delay the decisions until the next annual general meeting.

Shareholders who wish to participate in a general meeting must be recorded as shareholders in printout or other presentation of the entire share book regarding the state of affairs five business days prior to the meeting and must notify the company that they will be attending by the date specified in the notice to attend. This date may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Even, or New Year's Eve and may not fall any earlier than the fifth business day prior to the meeting.

ANNUAL GENERAL MEETING

The 2018 annual general meeting of shareholders in Sinch was held 18 May 2018 at Lindhagensgatan 126, Stockholm. Eighteen shareholders representing 66.31 percent of votes and share capital attended the meeting. The annual general meeting resolved to adopt the financial statements for 2017, endorse the proposed disposition of profit, and discharge the CEO and board of directors from liability for the past financial year. The annual general meeting elected directors and decided directors' fees. The annual general meeting also resolved to introduce an incentive program.

The 2019 annual general meeting will be held at Lindhagensgatan 126 in Stockholm on 17 May 2019.

AUTHORIZATIONS

The annual general meeting held 18 May 2018 resolved to authorize the board of directors to decide on one or more occasions prior to the next annual general meetings to increase the company's share capital through new issue of shares in the company. Under this authorization, the company's share capital may be increased by a maximum of ten percent of authorized share capital as of the date when the board of directors exercises the authorization for the first time.

The board of directors is authorized to decide to issue shares with a waiver of shareholders' preemptive rights and/or provisions on non-cash consideration, offset or comparable. The issues shall be carried out at a market-based subscription price with a reservation for market-based issue discounts where applicable.

The purpose of the authorization and the reasons for a possible waiver of shareholders' preemptive rights is to enable issues to finance acquisitions of companies or parts of companies. Decisions in accordance with the board of directors' proposal require the support of shareholders with at least two thirds of votes cast and of the shares represented at the general meeting.

NOMINATING COMMITTEE

The annual general meeting appoints the nominating committee and decides which tasks the nominating committee must perform before the next annual general meeting. As resolved by the annual general meeting held 18 May 2018, the four largest shareholders or shareholder groups (thus referring to directly registered shareholders and nominee registered shareholders) per the share register printed by Euroclear Sweden AB ("Euroclear") as of 30 September 2018 shall each appoint one representative to constitute the nominating committee in addition to the chairman of the board for a term of office ending upon the appointment of a new nominating committee as mandated by the 2019 annual general meeting.

The majority of the members of the nominating committee shall be independent in relation to Sinch and group management. At least one member of the nominating committee shall be independent in relation to the largest shareholder or group of shareholders in Sinch, in terms of votes, who act in concert in relation to the management of Sinch. The chief executive officer or any other member of group management shall not be a member of the nominating committee. Directors may be members of the nominating committee, but shall not constitute a majority of its members. If more than one director is included in the nominating committee, no more than one of them may be dependent in relation to major shareholders in Sinch.

The nominating committee shall appoint the chairman of the committee. The chairman of the board or any other director shall not serve as chairman of the nominating committee. The composition of the nominating committee shall be announced not later than six months before the annual general meeting. This announcement was made in the interim report for the period of January–September 2018.

If one or more shareholders who appointed representatives to the nominating committee is no longer among the four largest shareholders in Sinch at a point in time more than two months prior to the annual general meeting, the representatives of these shareholders shall step down and new members shall be appointed to represent the new shareholders that are then among the four largest shareholders. If a member of the nominating committee resigns before the work of the nominating committee is completed, the same shareholder who appointed the resigning member shall, if it is considered necessary, have the right to appoint a new member, or, if that shareholder is no longer among the four largest shareholders, the next largest shareholder in line, as per the principles set out above, but based upon Euroclear's printout of the share register, as soon as possible after the member has stepped down. Changes in the composition of the nominating committee shall be immediately publicized.

Leading up to the 2019 annual general meeting, the composition of the Sinch nominating committee was therefore as follows:

- Rickard Salanto, representing Cantaloupe AB
- Jonas Fredriksson, representing Neqst D1 AB
- Thomas Wuolikainen, representing Fjärde AP-fonden
- Joachim Spetz, representing Swedbank Robur
- Erik Fröberg, chairman of the board of Sinch

The final composition of the nominating committee was published in the year-end report for 2018.

Diversity policy

The nominating committee applies rule 4.1 of the Swedish Corporate Governance Code: "The board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the board."

In the opinion of the nominating committee, the board of directors has an acceptable level of diversity with regard to age, experience and background. Of the directors elected in 2018, two are women and make up 33 percent of the board of directors.

Directors’ remuneration

The nominating committee presents a proposal concerning directors’ fees to the annual general meeting for endorsement. The 2018 annual general meeting resolved in favor of the nominating committee's proposal.

The nominating committee's proposal to the annual general meeting concerning directors’ remuneration is set out in the notice to attend the meeting.

BOARD OF DIRECTORS

Board composition

Since the 2018 annual general meeting, the board of directors has consisted of Erik Fröberg, Bridget Cosgrave, Renée Robinson Strömberg, Johan Stuart and Björn Zethraeus. Erik Fröberg served as chairman of the board. The chairman presides over and allocates board duties, maintains continuous contact with the CEO and CFO, ensures that board meetings are thoroughly prepared and represents Sinch in acquisition discussions and the like.

Board independence

The positions of dependency of directors in relation to the company, management, and shareholders is shown on the table below. As shown in the table, Sinch complies with applicable rules concerning the independence of directors in relation to the company, management, and the company's major shareholders.

BOARD DUTIES

The duties of the board of directors is pursued in the manner required by the Swedish Companies Act, the Code and other ordinances and rules applicable to the company. The board works according to a charter and yearly plan, which are adopted annually.

The company's CEO, Chief Strategy Officer and CFO attend board meetings. The CFO normally acts as the recording secretary. Other group management personnel and group officers participate at board meetings to present reports as required.

In addition to the meeting after election by the annual general meeting, the board of directors met 14 times in 2018 (of which two meetings were held per capsulam). The primary focus of the board during the year was on strategy, the business plan and budget, acquisitions and integration of acquired companies and recruitment of a new CEO.

The board of directors met with the auditor once during the year without the presence of the CEO or any other management representative.

Evaluation of the work of the CEO and the board is carried out annualy. In 2018, the evaluation was carried out through a self-assesment of the board's work where the board members were given the opportunity to present their views on working methods, board materials, their own and other board members' work and the extent of the board assignement. The board also receives reports from the Audit Committee and the Remuneration Committee and evaluates their work. The evaluation has been presented to the Nomination Committee.

The board of directors monitors the work of management by means of monthly reports covering financial performance, key figures, progress in prioritized activities, etc.

Board meetings

The board holds ordinary meetings according to the plan below:

- February - Year-end report
- March/April - Corporate governance meeting – agenda and notice to attend the AGM, corporate governance report, annual report, sustainability report, review of insurance policies and pensions
- May/June - The first board meeting after election, decisions on the board charter, CEO instruction, and instructions for financial reporting, the board's yearly plan, authorized signatory, interim report for the first quarter
- July - Compensation to senior management, pay review, interim report for the second quarter
- August/September - Strategy meeting, financial targets
- October/November - Interim report for the third quarter
- December - Forecast meeting, evaluation of board and CEO

The CEO presents an operations report at the ordinary meeting. The board of directors engages in discussions in connection with review of auditor's reports.

BOARD COMMITTEE DUTIES

The board of directors has two committees: the Audit Committee and the Compensation Committee. The work of the committees is governed by the board charter.

Board committees deal with the matters within their respective purview and issue reports and recommendations upon which board decisions are based. The committees have defined decision authority within the frameworks of board directives. The minutes of committee meetings are made available to the board of directors.

Audit Committee

The members of the Audit Committee are Kjell Arvidsson and Johan Stuart (chair).

The company’s CFO attends meetings of the Audit Committee. The company’s auditor attended meetings of the Audit Committee during the year.

Compensation Committee

A decision was made in late 2018 to establish a separate Compensation Committee. Prior to then, the entire board performed the duties of the Compensation Committee. The members of the Compensation Committee are Erik Fröberg (chair) and Renée Robinson Strömberg.

Directors' and committee members' attendance at board meetings during the year is shown on the table below.

Name	Year elected	Independent of the company	Independent of the owners	Position	Committee	Attendance board meetings	Attendance Audit Committee	Attendance Compensation Committee	Fee SEKk*	Number of shares/ warrants in Sinch, direct and indirect holdings
Erik Fröberg	2012	Yes	No	Chairman of the Board, Chairman of the Compensation Committee	Compensation	15/15	-	2/2	590	262,500 direct holding and 9,808,201 indirect holding
Kjell Arvidsson	2012	No	No	Director	Audit	15/15	5/5	-	290	4,544,430
Bridget Cosgrave	2018	Yes	Yes	Director as of 18 May 2018	-	7/8	-	-	250	0
Charlotta Falvin	2015	Yes	Yes	Director until 18 May 2018	-	7/7	-	-	-	0
Renée Robinson Strömberg	2017	Yes	Yes	Director	Compensation	15/15	-	2/2	270	0
Johan Stuart	2015	Yes	Yes	Director, chairman of the Audit Committee	Audit	15/15	5/5	-	330	3,000
Björn Zethraeus	2017	No	No	Director	-	15/15	-	-	0	8,925,596 indirect holding

*Disclosures on directors' fees refer to the board year beginning at the end of the 2018 annual general meeting and ending at the end of the 2019 annual general meeting.

AUDITORS

The audit firm, elected for term of one year by the annual general meeting held 18 May 2018 is Deloitte AB. Erik Olin, authorized public accountant, is the auditor in charge.

The auditors' remit is to examine the company's annual report and accounting records and management of the company by the board of directors and the CEO, on behalf of the shareholders. The auditors report regularly to the Audit Committee and the board of directors. Auditor's fees are specified in Note 5 to the annual report.

GROUP MANAGEMENT

The board of directors appoints the CEO. The CEO oversees group management and makes decisions in consultation with other members of group management. As of 31 December 2018, group management comprised the CEO Oscar Werner, COO Anders Olin, CFO Odd Bolin, CSO Thomas Heath, CTO Jonas Lindeborg, Corporate Developer and co-founder Björn Zethraeus, Corporate Developer and co-founder Johan Hedberg, Evangelist and co-founder Robert Gerstmann and Managing Director of the Operator Division Johan Rosendahl.

Work of group management

The CEO meets regularly with all members of the group management team for business updates, to receive reports, set objectives, and for general business discussions. This includes monthly management team meetings, which are documented. In addition, the CEO holds several personal meetings with each member of the management team every year for more in-depth discussions and planning.

Governance and monitoring of the management team is based on the charter adopted by the board, the instruction for the CEO, and reporting instructions. Group management and other managerial personnel manage day-to-day operations primarily through instruments such as budgets, performance management and reward systems, regular reporting and monitoring, and employee meetings, and via a delegated decision structure with functional hierarchies (development, marketing, support, finance, etc.) from the parent company to subsidiary management teams.

Focus during the first half of the year was on the final phase of traffic migration to the Nova platform and the acquisitions of Unwire and Vehicle. During the second half, focus was on the business plan, refinancing, change of brand and growth issues.

INTERNAL CONTROL OF FINANCIAL REPORTING

The board of directors' responsibility for internal control is governed by the Companies Act and the Code. In accordance with the Annual Accounts Act, the corporate governance statement includes a description of the key elements of the company's internal control and risk management system. Internal control of financial reporting has two primary aims: to provide reasonable assurance of the reliability of external financial reporting and to ensure that external financial reports have been prepared in compliance with law, applicable accounting standards, and other requirements imposed upon listed companies.

Control environment

The board has overall responsibility for internal control related to financial reporting. The control environment for financial reporting is based on an allocation of roles and responsibilities in the organization, adopted and communicated decision paths, instructions regarding authority and responsibility, and accounting and reporting instructions.

Internal control is integrated within the company's treasury department. The board of directors has considered whether there is a need to establish a separate audit function. The board has found that until further notice internal control can be performed in the necessary and satisfactory manner by the finance function and that the company does not need a separate audit function.

The board has adopted a charter, CEO instruction, and instructions for financial reporting, payment authorization rules, Sinch Group Accounting Policies, the Sinch Group Financial Policy, and the Sinch IT Policy. In addition to these, there are operational polices and guidelines in several areas.

Risk assessment

As an integrated component of the management process, the board and group management work with risk assessment from a broad perspective, including but not limited to financial risks and important business risks. Regular risk reports are presented to the board of directors. During the year, the board regularly discussed various types of risks and the company's risk management process. A risk map with regard to the company's financial core processes has been drawn up and will form the basis for continuous improvement of internal processes and controls.

Sinch is subject to the provisions of the EU Market Abuse Regulation 596/2015 (MAR), which imposes strict requirements on the company's management of insider information. The matters regulated by MAR include how insider information must be communicated to the market, the conditions under which publication may be postponed and how the company is required to keep a log book of people who work for Sinch and who have been given access to insider information about the company.

Sinch uses a digital tool called InsiderLog to ensure that the management discussed above meets the requirements of MAR and the Sinch insider policy: from the decision to postpone publication of insider information all the way to the notice that must be provided to Finansinspektionen when the insider event has ended and the information has been published. Only authorized individuals within Sinch have access to InsiderLog. Further information is available at www.insiderlog.com.

Control activity

The group's control activities relating to financial core processes are described in the risk map approved by the board as a basis for ongoing efforts to continuously improve internal processes and controls. Controls are performed at both the subsidiary level and the Group level. The operating subsidiaries have chief accountants who are responsible for ensuring that financial figures are verified and reported on a monthly basis. This includes reconciliation of financial figures against sales and cost data from the Group's transaction system, reconciliation of intragroup transactions and reconciliation of bank accounts. These figures are then checked at the Group level in conjunction with the monthly consolidation of group figures. Efforts are ongoing to continuously improve these processes through, for example, advanced training of relevant employees, greater automation of reconciliations and through the checking of important figures by several individuals in parallel.

Information

Information about internal financial reporting control documents is available to relevant employees on the Sinch intranet. The CFO and Director of Human Resources are responsible for ensuring that all employees are informed about applicable policies. Information and training related to the internal control documents is also provided through activities aimed directly at finance managers and controllers within the Group.

Monitoring

The effectiveness of internal control of financial reporting is monitored by the board, the Audit Committee, the CEO, group management, and group companies. Follow-up includes continuous quality control by the board of directors of the company's monthly financial reports, ongoing monitoring of central financial processes, such as management of potential customer losses and review of Sinch's external audit reports. Members of the staff of Sinch's corporate treasury department also regularly visit the operating subsidiaries to verify that Sinch's financial processes are being correctly implemented and continuously developed to ensure accurate financial reporting.

Stockholm, 26 April 2019

The board of directors of CLX Communications AB (publ) (name change to Sinch AB (publ) in progress)

Board of Directors

1. ERIK FRÖBERG
Born: 1957
Director of Sinch since: 2012. Chairman since 2015.
Shareholding in Sinch: 262,500 and 9,808,201 indirect holding through Neqst D1 AB
Warrants in Sinch: 0
Education: KTH Royal Institute of Technology, Master of Science in Engineering Physics
Principal occupation: Partner and founder of Neqst Partner AB.
Experience: Vice CEO Cap Gemini Sweden; Vice CEO LHS Group Inc; CEO Digiquant Inc; Special Advisor General Atlantic LP.
Other directorships (company and position): Digital Route AB, chair; Xlent AB, chair; HDR AB, chair; Varnish AB, director; Cybernetics AB, director.
Dependency to the company and its major shareholders: Yes

2. KJELL ARVIDSSON
Born: 1961
Director of Sinch since: 2012
Shareholding in Sinch (total, private & via companies): 4,544,430
Warrants in Sinch: 0
Education: Studies in economics at Stockholm University and Uppsala University.
Principal occupation: Business owner
Experience: Founder and General Manager Ericsson IPX; co-founder Sinch; CEO Symsoft AB.
Other directorships (company and position): Director, Coach and Capital Nordic 1 AB
Dependency to the company and its major shareholders: Yes

3. JOHAN STUART
Born: 1957
Director of Sinch since: 2015
Shareholding in Sinch (total, private & via companies): 3,000
Warrants in Sinch: 0
Education: MSc in Economics from the Stockholm School of Economics
Principal occupation: CFO, Affibody Medical AB
Experience: Affibody Medical AB, Tradimus AB, XCounter AB, Hi3G Access AB, Utfors AB and companies within the Axel Johnson Group
Other directorships (company and position): HDR Sweden AB (including group companies), director; Digital Route AB, director; Best Practice Scandinavia AB, director.
Dependency to the company and its major shareholders: No

4. BJÖRN ZETHRAEUS
Born: 1963
Director of Sinch since: 2017
Shareholding in Sinch (total, private & via companies): 8,925,596 indirect through Cantaloupe AB
Warrants in Sinch: 0
Education: MSc Engineering, Institute of Technology at Linköping University
Principal occupation: Head of Corporate Development, Sinch
Experience: Executive positions with Ericsson, founder of Ericsson IPX AB, co-founder of Sinch, management consultant and acting manager with various network operators and mobile marketing companies
Other significant directorships (company and position): Director and CEO, Cantaloupe AB
Dependency to the company and its major shareholders: Yes

5. BRIDGET COSGRAVE
Born: 1961
Director of Sinch since: 2018
Shareholding in Sinch (total, private & via companies): 0
Warrants in Sinch: 0
Education: MBA from the London Business School, BA from Queen's University, Canada
Principal occupation: CEO ADIMO Sprl, Senior Product Manager at S.W.I.F.T. SCRL (as of 18 March 2019)
Experience: CEO and founder of ADIMO sprl
Other significant directorships (company and position): Ukkoverkot Oy and Every European Digital Sp. z o.o., director
Dependency to the company and its major shareholders: No

6. RENÈE ROBINSON STRÖMBERG
Born: 1970
Director of Sinch since: 2017
Shareholding in Sinch (total, private & via companies): 0
Warrants in Sinch: 0
Education: Degree in Chinese Studies and Economics from Kalamazoo College and an MBA from the Stephen M. Ross School of Business, University of Michigan.
Principal occupation: Founder of and coach at Shiny Thing AB
Experience: More than 20 years of experience in the international high-tech industry
Other significant directorships (company and position): None
Dependency to the company and its major shareholders: No

Group management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1. OSCAR WERNER
CEO since 1 September 2018
Born 1974
Education: MsC in Economics from the Stockholm School of Economics, engineering studies at KTH, Stockholm
Experience: Business Unit President Tobii-Tech, Business Unit President Tobii Dynavox, CEO Getupdated, VP Sales and VP Product & Marketing mBlox, Co-founder and CEO CoTraveller.
Shareholding in Sinch
(Total, privately & via companies): 1,500
Warrants in Sinch: 500,000

2. EVA LESSING
Chief Human Resources Officer
Born 1974
Employee since: 2019
Education: BsC in Human Resources and Working Life from Lund University
Experience: Head of Human Resources Snow Software, manager 3Academy, Head of Learning and Development JM, manager CityMail Academy
Shareholding in Sinch
(Total, privately & via companies): 0
Warrants in Sinch: 0

3. BJÖRN ZETHRAEUS
Co-Founder & Corporate Development
Born 1963
Education: MSc Engineering, Institute of Technology at Linköping University
Experience: Co-founder of Ericsson IPX AB, co-founder of SINCH, several leading positions at IT and telecom companies in Sweden and abroad and management consultant in the field of mobile services
Shareholding in Sinch
(Total, privately & via companies): 2,231,232 indirect through Cantaloupe AB
Warrants in Sinch: 0

4. JOHAN HEDBERG
CEO until 31 Augusti 2018, Co-Founder & Business Development
Born 1973
Education: Graduate Engineering Degree, KTH, Stockholm
Experience: Co-founder of Sinch, head of messaging services at Ericsson, founder of CoTraveller, IT consultant in CRM and ERP
Shareholding in Sinch
(Total, privately & via companies): 2,231,232
Warrants in Sinch: 0

5. JONAS LINDEBORG
Chief Technology Officer
Born 1967.
Employee since: 2016
Education: MBA in Leading Innovation from the Stockholm School of Economics
Experience: Head of Development UIQ/Symbian, startup Mashmobile, CTO Mblox, VP SINCH Engineering
Shareholding in Sinch
(Total, privately & via companies): 192
Warrants in Sinch: 45,000

6. ROBERT GERSTMANN
Co-founder and Chief Evangelist
Born 1975
Education: MSc in Industrial Economics and Management from the Institute of Technology at Linköping University
Experience: Extensive international experience after having lived in Sweden, Germany, France and the United Kingdom. Before joining Sinch, commercial managerial positions at Mblox and Netgiro/Digital River.
Shareholding in Sinch
(Total, privately & via companies): 171,043 and 2,231,232 indirect through Cantaloupe AB
Warrants in Sinch: 0


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7. THOMAS HEATH
Chief Strategy Officer
Born 1981
Employee since: 2018
Education: B.A in Politics, Philosophy and Economics from University of Oxford, MSc from the Stockholm School of Economics with a concentration in finance
Experience: Equity analyst Danske Bank, Equity analyst Handelsbanken Capital Markets, Equity analyst Öhman Fondkommission
Shareholding in Sinch
(Total, privately & via companies): 0
Warrants in Sinch: 100,000

9. JONATHAN BEAN
Chief Marketing Officer
Born 1976
Employee since: 23 April 2019
Education: MBA from Henley Business School, degree in Communications from University of Leeds
Experience: With Mynewsdesk since 2009, head of marketing since 2015. Bean has won several marketing awards including the Cannes Lion, the Webby (New York), the Golden Egg (Stockholm) and the Drum (London). Prior to Mynewsdesk, he had various roles as a sales representative for SaaS solutions at Cision.
Shareholding in Sinch
(Total, privately & via companies): 0
Warrants in Sinch: 20,000

8. ROSHAN SALDANHA
Chief Financial Officer
Born 1977
Employee since: 5 March 2019
Education: Masters degree from the University of Mumbai, chartered accountant in India
Experience: With Tele2 since 2007, where he became CFO in 2016. He has also had several international financial assignments for Arthur Andersen and the Kinnevik Group.
Shareholding in Sinch
(Total, privately & via companies): 0
Warrants in Sinch: 50,000

10. ANDERS OLIN
President & COO
Born 1966
Employee since: 2018
Education: Graduate Engineering Degree, KTH, Stockholm
Experience: Several leading positions at Ericsson, including three years as a member of group management, most recently as head of the Telecom Core business unit. Has worked abroad for 12 years and was a director of several local Ericsson companies.
Shareholding in Sinch
(Total, privately & via companies): 5,300
Warrants in Sinch: 100,000

LENA OLDBERG
Director of Human Resources until 2 November 2018
Born 1978
Employee since: 2013
Education: BSc in Human Resources and Working Life from the University of Gothenburg.
Experience: Various roles in HR at Novartis and GlaxoSmithKline
Shareholding in Sinch
(Total, privately & via companies): 762
Warrants in Sinch: 20,000

ODD BOLIN
Chief Financial Officer until 5 March 2019
Born 1963
Employee since: 2015
Education: MSc in Technical Physics and a PhD in Plasma Physics, both from KTH, Stockholm.
Experience: Founded Ceres Corporate Advisors, CFO for Cybercom Group, CEO of Cybercom Sweden, CFO for G5 Entertainment
Shareholding in Sinch
(Total, privately & via companies): 2,550
Warrants in Sinch: 50,000

JOHAN ROSENDAHL
Managing Director, Operator Division
Born 1966
Employee since: 2015, member of Group Management until 10 April 2019
Education: MSc in Business Administration from Linköping University.
Experience: Several senior management positions in Sweden and abroad, management consultant in the field of mobile services
Shareholding in Sinch
(Total, privately & via companies): 2,550
Warrants in Sinch: 74,000

Auditor's opinion

To the annual meeting of the shareholders in CLX Communications AB (publ), corporate registration number 556882-8908.

Engagement and Responsibility
The board of directors is responsible for the corporate governance report for the financial year beginning 1 January 2018 and ending 31 December 2018 on pages 83-91 and for its preparation in accordance with the Annual Accounts Act.

Scope of the Examination
Our examination was conducted in accordance with FAR's auditing standard RevU 16 The Auditor's Examination of the Corporate Governance Report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance report has been prepared. Disclosures in accordance with chapter 6 paragraph 6 the second section points 2-6 of the Annual Accounts Act and chapter 7 paragraph 31 the second section the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 26 April 2019
Deloitte AB

Erik Olin
Authorized Public Accountant

Sustainability Report

ABOUT THE SUSTAINABILITY REPORT

This is Sinch's second sustainability report and refers to the 2018 financial year. The sustainability report covers the parent company, CLX Communications AB (publ) (name change to Sinch AB (publ) in progress), company registration number 556882-8908, and all group companies consolidated in Sinch's consolidated financial statements for the same period, which are specified in Note 16 of the annual report. The sustainability report was prepared as required under chapters 6 and 7 of the Annual Accounts Act and is Sinch's statutory sustainability report.

There were no material changes in the application of reporting policies or to the scope of reporting during the year.

By signing the annual accounts and consolidated financial statements, the board of directors of Sinch has thereby also approved the sustainability report.

BUSINESS MODEL

Sinch is a leading vendor of cloud communications services and solutions for enterprises and mobile operators. Mobile communications services from Sinch make it possible for enterprises to communicate globally with their customers and employees, swiftly, securely, and cost-effectively. Solutions from Sinch enable business critical communication worldwide via mobile messaging, voice, and video services. The Group is headquartered in Stockholm, Sweden, and has a presence in more than 20 countries, about 390 employees, and suppliers in every part of the world. Sinch is a global leader in the market for cloud communications solutions.

The Sinch organization is divided into four parts: the Enterprise Division, Sinch Voice & Video, Vehicle, and the Operator Division.

The Enterprise Division, Sinch Voice & Video, and Vehicle address the enterprise market and combines programmable APIs and cloud services to, in partnership with its extensive network of mobile network operators, create opportunities for enterprise customers and developers to easily build global communications, including messaging, voice and video services into applications and business processes. The services enable communication and reduce the need to travel, which is beneficial from the environmental and cost perspectives. Through messaging services for enterprises, primarily SMS (text) messages, Sinch makes it possible for enterprises to send and receive customized text messages to and from their customers and employees worldwide, fast and easily. This is used in the banking and finance sector, retail and by global internet providers and social networks. Sinch handles all traffic within in the Enterprise Division in its own communications platform. The same platform is also sold and used by mobile network operators in their businesses, thus generating revenues for the Sinch Operator Division. In 2018, the platform managed about 21 billion billable transactions from Sinch's enterprise customers and is used in the operations of more than 80 mobile network operators.

The Operator Division is a leading supplier of software and services to mobile telephone operators all over the world. The Operator Division is a partner to more than 80 mobile network operators in more than 40 countries. The Division offers innovative, stable, and scalable software and services to customers in the areas of mobile messaging, real-time business systems, and communications firewalls. Solutions can be provided as local installations for operators as a service where Sinch manages all operations or as cloud services in public or private clouds. The Division generates value for its customers in multiple ways, including limiting the risk of fraud and reducing the installation and operating costs of business-critical systems.

Information about Sinch's targets and strategies is provided on page 12 of the annual report.

MATERIALITY ANALYSIS

Sinch maintains ongoing engagement with customers, investors, suppliers, employees, and others interested in obtaining information about and from Sinch. For example, we conduct an annual employee survey. In the engagement with investors in Sinch, we have noted that interest in sustainability topics has increased in this group. We welcome this positive development.

Sinch's first sustainability report was prepared last year and a formalized materiality analysis was performed for the first time to identify the opinions, expectations, and needs of stakeholders and the topics they find most significant to Sinch in relation to sustainability. Sinch focused on the internal perspective last year and engaged with owners, directors, employees, and investors. The engagement was accomplished through multiple interviews with these individuals. Group management dealt with the results of engagement at a workshop to identify the most material topics for attention. At the same workshop, management analyzed the sustainability work of Sinch's main competitors, global sustainability trends, and trends specific to the industry in which Sinch operates.

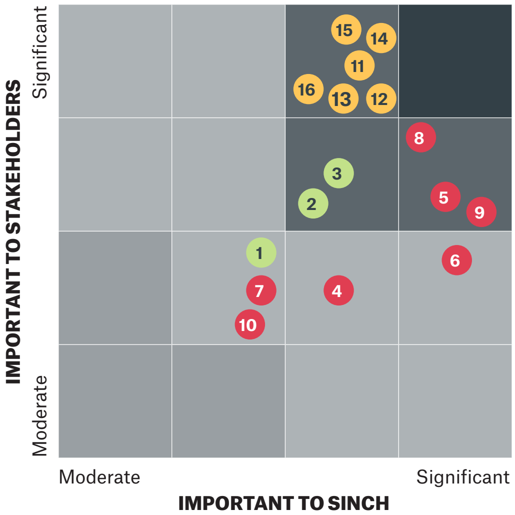
Stakeholder engagement in 2018 was focused on the external perspective, and interviews were conducted to incorporate stakeholder perspectives in a formalized manner. The focus of engagement this year was on investors, suppliers, and customers. The interviews confirmed that the materiality analysis is still up to date, as external stakeholders identified the same topics as material. The stakeholders expressed that recruitment of the right employees and how Sinch is clearly working to retain them in the organization is the most important topic for Sinch. Employer Branding remains important, as are the ethical aspects of how Sinch does business.

Carbon emissions related to air travel were an area that was brought more clearly to the fore in the external analysis compared to last year. Sinch will be including this in its sustainability work going forward, but we do not believe the materiality analysis needs to be updated, as we believe it is still current and relevant.

Sinch revised all factors during the year and we believe this has further confirmed Sinch's material areas and that they remain current this year. Please refer to the matrix below.

The results of the materiality analysis are shown in the topics and outcome indicators presented in this report.

RESULTS OF STAKEHOLDER ENGAGEMENT



Environment
1. Travel
2. Positive environmental impact of the business
3. Reduced consumption of resources

Social
4. Community engagement
5. Competence and education
6. Personal development
7. Diversity
8. Equal opportunities for all
9. Health and well-being
10. Social impacts of the product

Governance
11. Anti-corruption
12. Human rights in business
13. Information and IT security, in business and own operations
14. Ethics and morality in business
15. Responsible supply chain
16. Legal compliance

MANAGEMENT AND RESPONSIBILITY FOR SUSTAINABILITY TOPICS IN OPERATIONS

The board of directors has overall responsibility for the management of Sinch, which includes sustainability topics. The board is responsible for the policies and control documents related to the sustainability topics reported here.

The CEO is responsible for executing board decisions and strategies. In support of the CEO and operations otherwise, Sinch has management groups in various areas that are responsible for preparing decision input, performing analyses, and assisting the board in executing board decisions. Further information about the work of the board of directors during the year and a review of the company's diversity and equal opportunity policy are found in the corporate governance report, as described on page 84.

The fundamental point of departure for sustainability management at Sinch is to minimize the potential negative impacts of the business and to benefit from the opportunities brought by sustainable business. Sinch therefore has policies in the areas related to sustainability and an internal Code of Conduct for employees as well as an external Code of Conduct for suppliers.

There are also local employee handbooks at all Group companies, adapted to the respective country. The Code of Conduct that was adopted in 2016 applies to all employees and is reviewed with all new employees when they join Sinch. It is based on the UN Global Compact's ten principles for sustainable business and particular emphasizes clarifying the company's positions on issues related to respect for human rights, anti-corruption, diversity and equal opportunity, and the importance of sound business relationships. The Code of Conduct is available on the intranet.

Matters discussed at the board and group management level during the year include how Sinch can work more effectively with achieving a good work/life balance for employees. Because Sinch is growing rapidly and through acquisitions, this is a challenge to which we must continue devoting strenuous effort. Another topic of discussion was how to increase the proportion of women in Sinch's operations, as the proportion has not increased to the extent we have been working towards. Accordingly, this is a focus area for us in the 2019 business plan.

Otherwise, focus during the year was on GDPR and IT security. The process to certify parts of the Group under ISO 27001 has begun. Minor updates have been made to employee handbooks and the sexual harassment policy, but there have otherwise been no significant policy changes. All employees have completed training in IT security and GDPR.

MATERIAL SUSTAINABILITY-RELATED RISKS AND RISK MANAGEMENT

MATERIAL RISKS	DESCRIPTION OF RISK MANAGEMENT
THE ENVIRONMENT	
Carbon emissions	
In recognition of the threat of climate change, there is consensus that global greenhouse gas emissions must be drastically reduced. It is extremely likely that we are going to see political initiatives and regulations that, in various ways, force companies to reduce their use of fossil fuels. Sinch sees a risk in that, if and when this happens, we will need to bring in additional skills to respond to and manage these standards. Although Sinch's environmental impact is currently insignificant, we do have impact through air travel and associated carbon emissions.	Sinch continuously monitors political developments and potential new legislation in the countries in which we collaborate. As we have identified that our greatest environmental impact is our air travel, we have a travel policy that must be followed by all employees. According to the travel policy, air must be used only when there is no alternative. All employees must travel by train to the extent possible and videoconferencing must be used to the greatest possible extent in order to reduce emissions. Our business is aimed at increasing virtual communication, for example by offering cloud services. In so doing, we are also helping to reduce the need for business travel - for ourselves and our customers.
SOCIAL CONDITIONS INCLUDING HUMAN RESOURCES TOPICS	
Loss or lack of qualified employees	
Sinch has assessed the risk of losing key skills within the company or being unable to attract key skills to the company as a major risk to our business and continued development going forward.	Sinch applies a recruitment model that is always used in recruitment to ensure that the collective skills and expertise of Sinch maintain a high standard. Sinch employees and their line managers jointly prepare a personal development plan each year, which is the basis of performance assessment. Sinch annually measures employee engagement through an employee survey to get feedback on how employees perceive their work and Sinch as an employer.
Equal opportunity for all	
Sinch is aware that we operate in a traditionally male-dominated industry. Even though we have an explicit policy of non-tolerance of discrimination and striving for an equal workplace, there are historical structures and behaviors embedded in our culture that can take time to change. Discriminating against people on the basis of gender, age, national origin, religion, sexual orientation, etc., is illegal and shortcomings in this respect can result in damaged reputation, a poorer workplace environment with impaired productivity as a result, difficulty recruiting and retaining employees, and liability for damages.	Sinch has zero tolerance for discrimination on any grounds and strives for a culture characterized by diversity and equal opportunity. This is clearly expressed in our Code of Conduct, which is communicated to all employees. We are making a constant effort to increase the percentage of women in the company by means including membership in a network for women engineers on Facebook. We also have two recruiters, one man and one woman, present at every recruitment interview to ensure a wider perspective in that context. Employees involved in recruitment are also trained in making the process as unbiased as possible. HR also works according to a carefully designed recruitment process to ensure that no one is excluded on the basis of gender, sexual orientation, or ethnicity. One of the guidelines at Sinch is that the most important consideration is the right skills for the job, which applies regardless of gender, sexual orientation, or ethnicity.

MATERIAL RISKS	DESCRIPTION OF RISK MANAGEMENT
Health and well-being	
Our employees are our greatest and most important asset. Sinch does business in a constantly changing industry and we are growing rapidly through the acquisition of other companies. Accordingly, one possible risk is that employee health and safety might be negatively affected and that Sinch will be unable to maintain a physically and psychologically healthy work environment.	Sinch promotes a healthy work/life balance and works continuously with employees on these issues. Through close dialogue between employees and managers, indications that an employee may be struggling are picked up in time and Sinch works with an external party that can offer supportive counseling to the individual. The goal is to identify signs of burnout, for example, at an early stage and in so doing prevent long-term sick leave. We also evaluate the results of our employee surveys and performance reviews to determine how we can improve the work environment and employee well-being. We offer our employees in Sweden fitness and wellness benefits, massage, chiropractic treatment, and private health insurance. In other countries, we have ongoing health initiatives aimed at enhancing employee well-being. The fitness and wellness grant in Sweden was increased during the year and we have begun weekly group health-promoting activities, such as group runs.
Compliance with ethics policies	
Upholding high ethical standards is a top priority for Sinch and our business. As we do business in more than 40 countries, however, we have identified a risk of non-compliance with our ethical values and guidelines due to inadequate understanding of our guidelines and policies and failure to communicate the importance of these at the group level.	All Sinch employees must read and understand our Code of Conduct, in which our ethical guidelines are set forth. The Code of Conduct is available on our intranet. We also engage in constant dialogue about how we do business. We attach a Code of Conduct to every customer contract that sets out rules of conduct and we ask our suppliers to show us their internal codes of conduct and ask them to initial ours.
RESPECT FOR HUMAN RIGHTS	
Sinch operates in some countries that can be identified as high-risk countries with regard to human rights abuses, which is naturally a major risk for our business. We have assessed the risk of this as highest in our supply chain and among our customers.	Our Code of Conduct is based partly on the ten principles of human rights adopted by the UN, which must be followed by all employees. When we enter into contracts with operators in high-risk countries, we include an additional clause covering human rights, corruption and bribery. We also have a Code of Conduct that we send as an appendix with every contract to our suppliers, which covers aspects including respect for human rights.
CORRUPTION AND BRIBERY	
Sinch has zero tolerance for bribery and corruption. This is clearly expressed in our Code of Conduct. We have assessed the risk of corrupt behavior as relatively minor, but that the risk that does exist is found in the supply chain and in connection with sales.	The Code of Conduct includes guidelines pertaining to bribery and corruption and the Code has been communicated to all employees and suppliers. The Code is appended to all new contracts with suppliers and they are expected to confirm in writing that they intend to apply the Code. If we discover a breach of our Code of Conduct by a supplier, we discuss the issue with them and, if necessary, terminate our dealings with them.
OTHER RISKS	
We have not identified any other material sustainability risks for our business.	

TARGETS, OUTCOMES, AND EVALUATION 2018

Social issues including employees

Working at Sinch means coming every day to a workplace where passion is a main ingredient – something we are very proud of! We are energetic, pragmatic, and the opposite of egotistical. And we get things done. Working for us, as a truly global company, means having the freedom and independence you need to succeed. We constantly challenge ourselves and each other to be the best at what we do. We motivate and encourage our people to be the best they can be, every single day. We also believe in maintaining a good work/life balance by making it possible to relax, be ourselves, and enjoy the workday and the challenges it brings.

Aimed at promoting a good work/life balance, we began weekly health-promoting activities in 2018, such as group runs or walks that all employees are invited to join. We have also introduced a free fitness and wellness hour once a week for all employees, who are given the opportunity to exercise during working hours. In addition, we offer our employees the opportunity to work from home to the extent possible, as well as flex-itime and the opportunity to control their own working days. We are aware that the workload has been high for parts of the organization due to the acquisitions we have made, which is less than ideal. To address the problem, we have taken on more employees to reduce the work load and create a better work/life balance for our employees.

To us, a strong company culture is a key prerequisite for success. The culture is inevitably affected by the relatively large number of acquisitions we have made. But the essence of what makes us Sinch is so strong that we have maintained its vibrancy through structural changes and acquisitions.

Skills and professional development

We value and reward our employees' deep expertise in their fields and we have developed a thorough and effective recruitment process to ensure that we attract and select the top talents. We are very picky and put a lot of energy into interviewing applicants to make sure this is the start of a long and mutually rewarding relationship. Generally speaking, all applicants meet with someone from HR, the recruiting manager, and a potential colleague so that the recruitment will be as successful as possible. All applicants must be interviewed by two recruiters, one male and one female, to ensure that the interview has the widest perspective possible.

In order to remain an industry leader, we are utterly dependent upon retaining employees and being an attractive employer. Our actions towards that end include offering all employees a performance and professional development review once a year, at which individual targets are set. Employees are also given training goals, where training needs are determined jointly with the line manager and based on the support the individual needs to progress. If the employee needs leadership training, the HR department is involved in selecting the programs, but if more technical training is required, this is arranged in consultation with the line manager. All employees are required to have a professional development plan and line managers must submit the plans to HR. HR follows this up each year with the line manager.

Employee turnover during the year was 5 percent, down from the preceding year, when it was 11 percent. We are delighted that the figure has dropped so far and that we are seeing the results of our efforts during the year. Above all, we have worked hard to retain the skills we have recruited in connection with acquisitions and to make sure new employees feel they are part of our culture.

In order to retain skills and expertise in the company, it is important that Sinch provides opportunities for advancement. We therefore advertise all available jobs internally first and, as policy, all internal applicants are interviewed and given the chance to advance within the company. About 10 percent of vacant positions were filled through internal recruitment during 2018.

Equal opportunity for all

Diversity and equal opportunity are a key factor at Sinch and our success is the product of our various skills and experiences. English is the corporate language at Sinch and employees are not required to be able to speak Swedish. We do business in more than 20 countries and together our people speak more than 40 languages at the native speaker or professional level. That means we can often talk to our customers in their own language.

Sinch works in a male-dominated industry and we are working hard to bring more women into the business. We are members of a Facebook network for women engineers where we advertise vacant jobs and our target is that at least one of the candidates for all advertised positions should be a woman. All prospective employees are interviewed by a man and a woman to ensure a wider perspective in connection with recruitment. We had extensive discussions during the year about how we might be able to recruit more women to our business, as the number of women has not increased to the level we are seeking. We will be taking further concerted action on this issue in the next few years.

The average number of employees in 2018 was 385 (340), of whom 79 (69) were women. There were six directors at the reporting date, of whom two are women, while there was a total of ten individuals in senior management, including one woman. There are five senior management personnel in the parent company, including one woman. We are endeavoring to achieve equality based on skills and our steadfast objective is to bring the best skills on board regardless of gender.

Average number of employees	2018	Of whom men	2017	Of whom men
Sweden	192	164	175	151
Australia	6	4	7	5
Denmark	19	16	-	-
France	19	16	-	-
United Arab Emirates	15	13	16	14
India	1	-	-	-
Iraq	1	1	-	-
Canada	4	2	8	4
Kuwait	1	-	-	-
Singapore	4	4	4	4
Spain	3	3	3	3
United Kingdom	57	40	61	44
Turkey	3	3	3	3
Germany	10	5	12	6
United States	70	49	52	38
Total	**385**	**306**	**340**	**271**
Of which, parent company (Sweden)	11	7	7	3

Health and well-being

Employee health and well-being is critically important to Sinch. We promote a good work/life balance because we believe that results in happy and committee employees who help us progress and develop.

We provided work environment training in 2017, which continued in 2018. We talk a lot within the organization about how we can prevent absenteeism by identifying signs at an early stage that an employee is struggling. We have an external provider that is brought in and offers counseling if an employee needs support. Absenteeism in 2018, excluding pregnancy-related leave, was again below 1 percent (<1) of annual working hours. All employees in Sweden were offered flu shots during the year.

We offer fitness and wellness grants to employees in Sweden, which we increased during the year. We offer health insurance, massage and regular chiropractic treatment. We have also introduced weekly health-promoting activities in Sweden. We also have local employee handbooks, a Health and Safety Policy, a non-discrimination policy and an HR Policy that governs this.

All employees completed CPR training during the year and we have purchased a defibrillator for the office in Stockholm.

Employee survey

Sinch conducts an employee survey every year, in which the employees' perceived engagement is measured on a scale of one to ten. The score declined during the year from the 8.1 we had in 2017 to 7.4 for 2018. One of the conclusions was that the acquisitions we have made have required a great deal of work and restructuring, which employees perceived as stressful. We have taken this to heart and are working hard to establish structures and build a shared culture. The target at the Group level is to rebound to at least 8.6 again, which we achieved in 2016.

SUSTAINABILITY MANAGEMENT

Responsible supply chain

Sinch operates in more than 40 countries and has a supply chain that extends across the entire world. Maintaining control of all aspects in all countries is a challenge for Sinch, but we communicate with our suppliers on a daily basis through face-to-face meetings and by email and telephone. In connection with contracts with suppliers, we always ask for their Code of Conduct and include our own Code of Conduct as an appendix to all contracts. We include a separate clause on bribery and corruption in all contracts in high-risk countries, which the other party must sign. We have assessed the risk of human rights abuses and corruption as greatest in our supply chain within the Enterprise Division.

Sinch Operator Software AB (the Operator Division) works according to EcoVadis, which is an online rating system that helps companies mitigate the risk in their supply chains. The also evaluate the companies that work according to their system and Sinch, for the fourth year running, achieved the Gold level recognition medal, the highest that EcoVadis awards.

At present, we do not assess or screen our suppliers, but we are discussing how we can improve supply chain management in the future.

Anti-corruption

As we work all over the world, including in high-risk countries, preventing corruption is a material topic for us. We have a Code of Conduct that includes guidelines on corruption that our suppliers must sign upon entering into a contract. The guidelines are also included in our internal Code of Conduct, which employees are required to sign. Corruption in any form, such as bribes or business on non-market terms, is prohibited within the Sinch organization.

No crimes of corruption were reported during the year.

Human rights in business transactions
Protecting human rights in business is Sinch's top priority. In some of the countries where we do business, there can be risk of human rights abuses by our suppliers and customers. It is difficult to control this in all aspects and at all levels. We make every effort to manage this by requiring all new suppliers to sign a Code of Conduct in which human rights are covered. The Operator Division works according to the UN Global Compact 10 Principles, which include human rights, and our goal is for the Enterprise Division to be covered by the same. There were no confirmed violations of human rights during the year.

Information and IT security, In business and own operations
Information and IT security is critically important to our business and these topics were a matter of intense focus in 2018. All employees completed training courses in IT security and GDPR during the year, aimed at increasing awareness. The areas included in the IT security training included how we process personal data, how and what we post on social media, and the importance of secure passwords and secure data processing. New in this area this year is that we have hired an IT security manager, who will head up the work going forward. Sinch also has an IT Advisory Council that discusses IT security and drafts relevant policies in the area. These are subject to the approval of the Group CTO. Sinch drafted new IT policies last year that apply to the entire Group and remain in place. These include a Data Privacy Policy. We have also taken action during the year and redesigned our IT systems to adapt them to the standards we will be required to meet.

As securing the support and understanding of employees is a key aspect of this change journey, it felt important to provide training on IT control to all employees.

We continuously evaluate our IT systems to ensure that they uphold a high standard of quality and process data in a secure manner. In order to determine whether our systems leak information or do not securely process customer data, Sinch has an internal system in which employees can report any non-conformances they have identified. There were no confirmed cases of loss of customer data in 2018.

Ethics and morality in business and legal compliance
It is important to Sinch that business is conducted in a due and proper manner. We must keep our promises to our customers and not use dubious methods to lower costs in an industry of heavy price pressure. We aim to be trustworthy and we must perform the services our customers expect to receive. The ethical compass is part of our corporate culture. We promote fair competition in which we keep our promises. Customer benefit is number one for Sinch and we are very proud that in recent years the company has been ranked the best A2P supplier in the market.

There is no question that Sinch must operate in compliance with the laws and regulations that apply in every country in which we operate. We therefore work with legal advisers who cover all countries where we do business in order to gain understanding of local legislation. We also have our own legal affairs department in Sweden that construes agreements and ensures that we comply with laws and regulations and manage the situations that occur on an ongoing basis.

THE ENVIRONMENT
The positive environmental impact of the business
Environmental impact is not Sinch’s most material sustainability topic, but we still believe it is important to reduce the impact we have. Sinch shall run its business responsibly with consideration for the environment, the company’s customers, employees, and investors. The company aspires to steadily reduce the negative environmental impact of its operations. Generally speaking, because the aim of Sinch’s business is for users of the company's products and services to communicate virtually to a greater extent that before, Sinch is contributing to reducing the need for travel and transportation, including by delivering cloud services. If we can be involved in reducing the need for travel - and thus emissions - it is good for us, good for the environment, and good for our customers.

Reduced consumption of resources
As air travel accounts for our largest emissions of greenhouse gases, we apply a travel policy to ensure that business travel is carried out in the optimal way in terms of environmental impact. For example, the policy establishes that we must not fly unnecessarily and must travel by train to the extent possible in order to reduce greenhouse gas emissions. We seek to use our own products to the greatest extent possible and hold meetings via our services instead of traveling, aimed at reducing the negative environmental impact of flying.

Charity
Our materiality analysis did not show charitable work to be a material topic for Sinch. Nevertheless, helping and doing what we can to make the world a better place is important to us as a company. In the United States, we work with Habitat for Humanity. One day a year, US employees help build houses for people who do not have homes of their own. In the UK, we also helped serve lunch at a women’s shelter.

Sinch Operator Software AB

Sinch Operator Software AB (formerly Symsoft AB) constitutes the company's Operator Division and is a member of the UN Global Compact. The annually published Communication of Progress report describes progress in the relevant areas. We support the following initiatives:

- EICC Code of Conduct
- Global e-Sustainability Initiative, GeSI
- EICC and GeSI Extractives Working Group
- International Electronics Manufacturing Initiative, iNEMI
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- AA1000
- Global Reporting Initiative, GRI
- EcoVadis

Sinch Operator Software AB complies with EcoVadis, where we achieved the Gold level recognition level, the highest that EcoVadis awards, for the fourth year running. Companies are evaluated and scored on their CSR performance in the areas of environment, labor practices, fair business practices and sustainable procurement. We achieved a total score of 67 out of 100, putting us at an advanced level according to EcoVadis. Overall, Sinch Operator Software AB was ranked among the top 1 percent of suppliers evaluated by EcoVadis in all categories.

Outlook for 2019

We will maintain our sustainability management program in 2019 on the same path. We will maintain particular focus on recruiting more women to join our business, as clearly expressed in our business plan for 2019. We will also focus on leadership training to strengthen leadership within the organization and on further recruitment of employees to equalize the workload within parts of the organization. HR will review compensation globally to ensure that it is at the right level. We have also begun to look at a global HR system to facilitate initiatives and activities.

Aimed at qualitative assessment efforts, we have also considered whether we can use the Position Green program, which would help us compile sustainability data to make it easier to measure and evaluate these topics.

Auditors opinion on the statutory sustainability report

To the annual meeting of the shareholders in CLX Communications AB (publ), corporate registration number 556882-8908.

ENGAGEMENT AND RESPONSIBILITY

The board of directors is responsible for the sustainability report for the financial year of 2018 on pages 93-100 and for its preparation in accordance with the Annual Accounts Act.

SCOPE OF THE EXIMINATION

Our examination of the sustainability report was conducted in accordance with the recommendations by FAR's auditing standard RevR 12, Auditors examination of the sustainability report. This means that our examination of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINION

A sustainability report has been prepared.

Stockholm 26 April 2019

Deloitte AB

Erik Olin
Authorized Public Accountant

Annual general meeting, addresses, definitions and acronyms

ANNUAL GENERAL MEETING

Notice is hereby given to the shareholders in CLX Communications AB (publ) (name change to Sinch AB (publ) in progress) that the annual general meeting will be held on Friday, 17 May 2019 at 14:00 CET at Lindhagensgatan 126, Stockholm.

REGISTRATION

Shareholders who wish to attend the annual general meeting must be entered in the share register kept by Euroclear Sweden AB by Friday, 10 May 2019, and must notify the company of their intent to attend by 13 May 2019. Notice of intent to attend may be made by email to agm2019@sinch.com, telephone at +46 (0) 8 566 166 00, weekdays between the hours of 10:00 and 16:00 CET, or by letter to
CLX Communications AB (publ)
Attn: AGM
Lindhagensgatan 74
112 18 Stockholm, Sweden.

The notice must specify the shareholder's name, civic or corporate identity number, address, daytime telephone number, shareholder and proxies for the shareholder, if any (maximum of two).

PROXIES

Shareholders who intend to be represented by proxies must, well in advance of the annual general meeting, submit a written and dated proxy form (in the original) and, if the shareholder is a legal person, proof of registration (or equivalent authorization appointing the authorized signatory for the company) by post to CLX Communications AB, Lindhagensgatan 74, 112 18 Stockholm, Sweden. Proxy forms are available on the company's website, investors.sinch.com or may be ordered by telephone on +46 (0) 8 566 166 00.

NOMINEE-REGISTERED SHARES

Shareholders whose shares are registered to a nominee must temporarily re-register the shares in their own name to be entitled to attend the meeting. Such registration must be executed by Friday, 10 May 2018. The shareholder should contact the nominee in good time before the aforementioned date.

FORTHCOMING REPORTING DATES

Interim report, January–March 2019	17 May 2019
Half-yearly report, January–June 2019	19 July 2019
Interim report, January–September 2019	8 November 2019

SINCH EXPLAINS THE TERMS AND ACRONYMS

A2P	Acronym for Application-to-Person, which describes communication from an enterprise application (or system) to a person's mobile phone. This is as opposed to Person-to-Person (P2P) communication.
API	Acronym for Application Programming Interface, an interface between systems that defines functions and calls between application programming makes it possible to easily link applications and systems.
BSS	Acronym for Business Support Systems.
CPaaS	Acronym for Communications Platform-as-a-Service, a type of cloud service that provides programs and applications over the internet.
IoT	Acronym for Internet of Things, an umbrella term for the connected society where different things, devices, etc., are connected and thus able to communicate so that their behavior can be adapted to the situation to get smarter.
ISO certification	Certification of a business or organization against ISO standards. Certification means that the business or organization applies a systematic quality management system that assures the quality of the objects of quality assurance.
M2M	Acronym for Machine-to-Machine communication, the technical process that enables communication between devices. M2M is an integrated component of IoT. This is as opposed to Person-to-Person (P2P) communication.
MMS	Acronym for Multimedia Messaging Service, a further development of SMS that enables sending of multimedia, such as pictures and video clips between mobile phones.
MMSC	Acronym for Multimedia Messaging Service Center, the equipment mobile operators use to handle MMS.
MNO	Acronym for Mobile Network Operator.
Cloud services	ITC services provided over the internet on an external resource instead of the user's own computers; i.e., the option to manage programs, data storage, capacity and processing power via the internet.
MVNO	Acronym for Mobile Virtual Network Operator.
RCS	Acronym for Rich Communication Services, a further development of SMS and MMS that enables the sending of more advanced communications, such as text, pictures and video, between individuals or groups.
SaaS	Acronym for Software-as-a-Service, a type of cloud service that provides programs and applications over the internet.
SDK	Acronym for Software Development Kits, SDK are a set of development tools that make it possible for software developers to build applications for a specific program bundle, hardware platform, game console, operating system or comparable.
SMS	Acronym for Short Message Service, a service for short text messages sent to and from mobile phones.
SMSC	Acronym for Short Message Service Center, the equipment mobile operators used to handle SMS.
Tier 1 Super Network	The Sinch Tier 1 Super Network comprises more than 300 direct commercial relationships and technical links with the world's largest mobile operators. It reaches all five billion people who own a mobile device and gives Sinch a major competitive advantage that others have difficulty achieving.
TTM	Acronym for Time To Market, the time it takes from when a product or service is created until it is available for sale.
VPaaS	Acronym for Video Platform-as-a-Service, a type of cloud service that provides video communications over the internet.

Largest Sinch offices	Country	Address	Telephone
STOCKHOLM – HEADQUARTERS	Sweden	Lindhagensgatan 74 112 18 Stockholm, Sweden	+46 (0) 8 566 166 00
ATLANTA	United States	7000 Central Parkway Suite 1480 Atlanta, Georgia 30328 United States	
LONDON	United Kingdom	CAP House 4th Floor 9-13 Long Lane London, EC1A 9HA	

OTHER SINCH OFFICES

City	Country	City	Country
Amman	Jordan	Madrid	Spain
Baghdad	Iraq	Malmö	Sweden
Bangalore	India	Melbourne	Australia
Bogota	Bogota	Miami	United States
Canterbury	United Kingdom	Montreal	Canada
Dortmund	Germany	Munich	Germany
Dubai	United Arab Emirates	New York	United States
Düsseldorf	Germany	Ottawa	Canada
Guatemala City	Guatemala	Paris	France
Göteborg	Sweden	Prague	Czech Republic
Istanbul	Turkey	Quito	Ecuador
Kalmar	Sweden	San Francisco	United States
Kiev	Ukraine	San Jose	Costa Rica
Kuala Lumpur	Malaysia	Seattle	United States
Copenhagen	Denmark	Sheffield	United Kingdom
Lima	Peru	Singapore	Singapore
Linköping	Sweden	Sydney	Australia
Los Angeles	United States	Toronto	Canada
Louisiana	United States	Warsaw	Poland
Lund	Sweden		

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