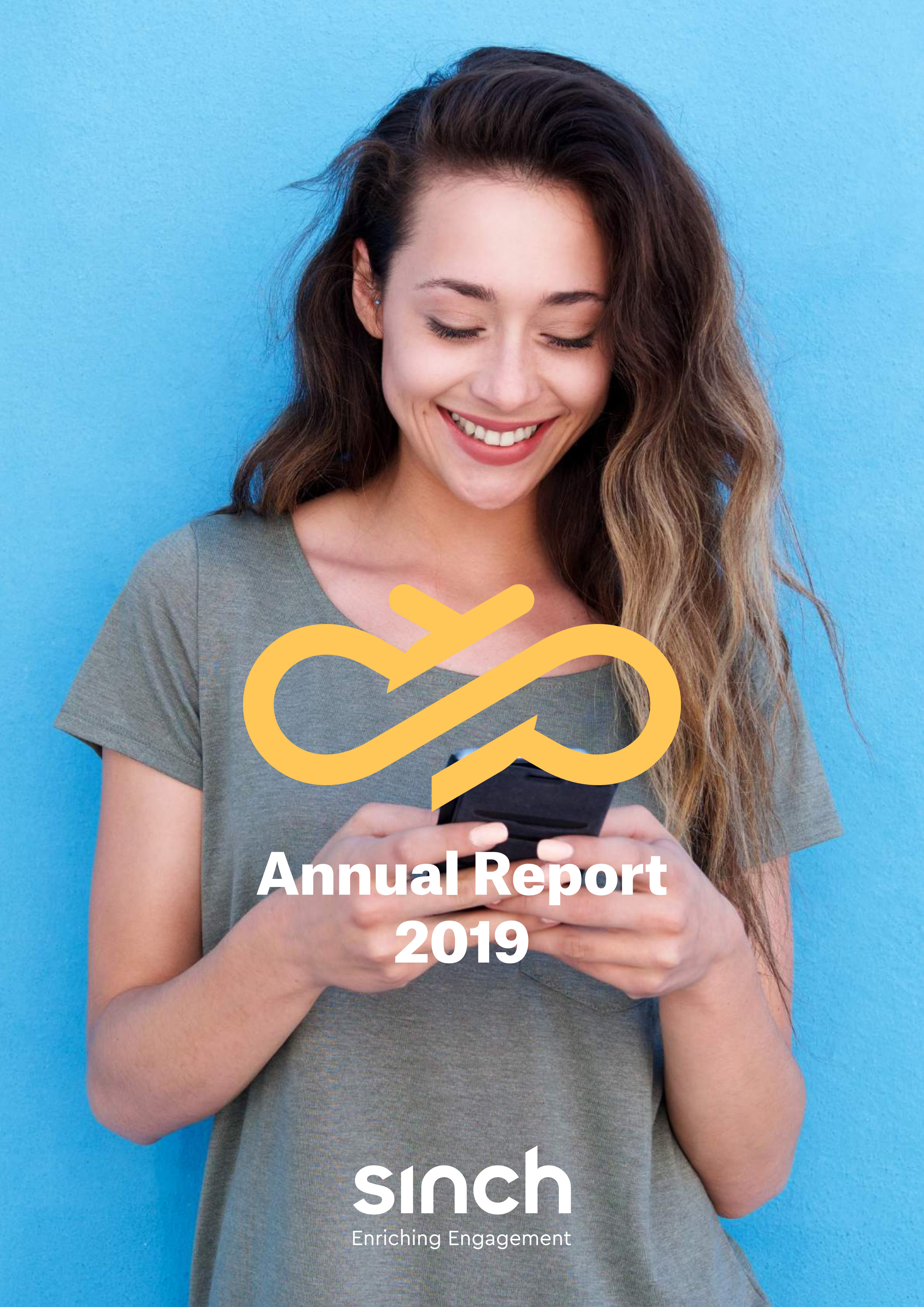


Annual Report 2019

sinch

Enriching Engagement

Profitable growth since 2008

Content

The annual report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall apply.

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.

Why invest

1

Sinch has emerged as a global leader in the **growing, global market** for CPaaS and mobile customer engagement. We serve some of the world's most demanding customers, including **8 of the 10 largest US based global tech companies.**

2

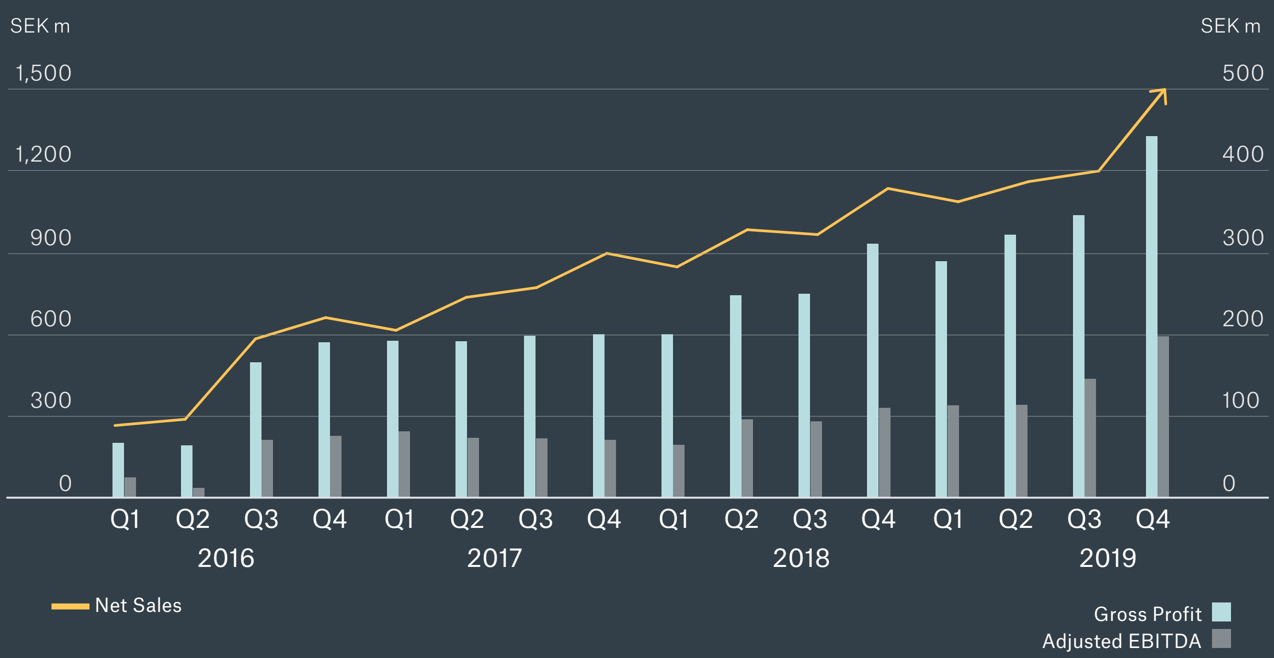
Technological advancements are dramatically expanding Sinch's addressable market as **next-generation messaging** enables business to engage with customers through rich media, interactivity, and AI.

3

Sinch has a **track-record of successful M&A** with earnings-accretive acquisitions for scale & profitability and complementary tech & go-to-market acquisitions that help fuel Sinch's organic growth.

Profitable growth

Sinch has been profitable and cash-generative since the foundation in 2008 and has only raised capital to fund acquisitions.



The year in brief

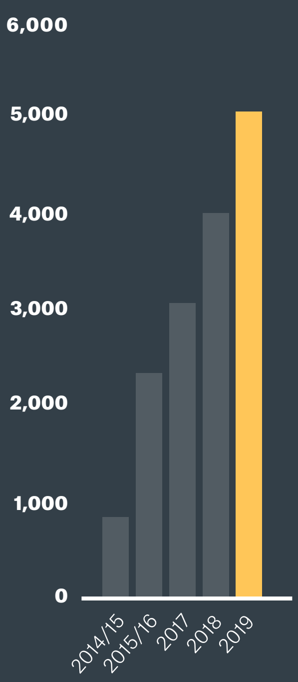
5,036 m
in turnover is an increase with 26 procent compare to 2018.

1 394 m
in Gross Profit marked a 38 percent increase compared to 2018.

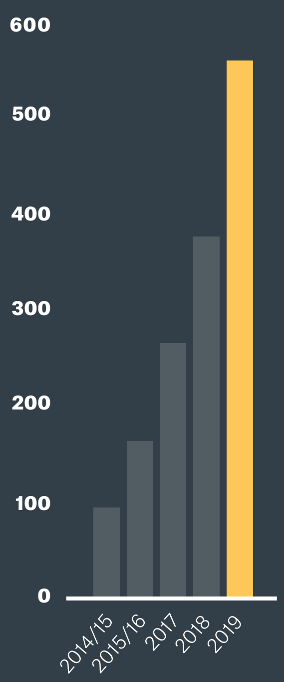
574 m
in Adjusted EBITDA marked a 56 percent increase from 2018.

41%
of the generated gross profit translated into Adjusted EBITDA.

Net sales, SEK m



EBITDA, SEK m



Sinch, SEK m	2019	2018	Change
Net sales	5,036	3,987	26%
Gross profit	1,394	1,008	38%
Gross margin	27.7%	25.3%	
EBITDA	556	373	49%
EBITDA margin	11.0%	9.4%	
Adjusted EBITDA	574	367	56%
Adjusted EBITDA margin	11.4%	9.2%	
Adjusted EBITDA/gross profit	41.1%	36.4%	
EBIT	372	218	71%
EBIT margin	7.4%	5.5%	
Adjusted EBIT	524	345	52%
Adjusted EBIT margin	10.4%	8.6%	
Profit after tax	275	180	53%
Cash flow from operating activities	327	305	7%
Equity ratio	40.0%	45.9%	
Net debt/adjusted EBITDA, times	1.7	1.1	
Adjusted EBITDA, per share diluted, SEK	10.57	6.85	54%
Earnings, per share diluted, SEK	5.06	3.35	51%

Significant events during the year

- **On 13 February,** Sinch launched a new corporate identity for all business areas. Products previously marketed under the CLX, Symsoft, Sinch and Vehicle brands are now integrated into a single, united offering - Sinch.
- **On 4 October,** Sinch acquired myElefant SAS. The company is based in France and has developed a cloud-based software platform for mobile customer engagement. myElefant has pioneered the use of mobile landing pages and is an early adopter of new messaging technologies such as RCS, Facebook Messenger and WhatsApp. The initial purchase consideration amounts to EUR 18.8 million (SEK 203.3 million) with additional earnouts of maximum EUR 3 million based on gross profit growth.
- **On 23 October,** Sinch acquired 100 percent of the share capital in TWW do Brasil S.A. The company is the third largest messaging provider for enterprises in Brazil and has more than 3,000 customers within the banking, retail and education sectors. The purchase consideration amounts to BRL 180.8 million (SEK 422.4 million) on a cash and debt free basis.
- **On 19 November,** Sinch issued senior unsecured bonds in the total amount of SEK 750 million. The bonds have a tenor of five years and a floating interest rate of 3 months STIBOR plus 250 bps.

Significant events after the period

- **On 19 March,** Sinch acquired Belgium-based Chatlayer BV for EUR 6.9 million. Chatlayer is a cloud-based software platform that lets businesses create multi-lingual chatbots and voicebots using Artificial Intelligence (AI) and Natural Language Understanding (NLU). The platform enables two-way conversations between businesses and their customers across multiple communications channels like mobile messaging, voice, and web chat.
- **On 26 March,** Sinch announced the acquisition of Wavy, a leading business messaging provider in Latin America that has successfully leveraged its strong position in text messaging to build a prominent position in next-generation, conversational messaging. Wavy offers services in Brazil, Mexico, Colombia, Peru, Chile, Argentina and Paraguay. Completion of the transaction is subject to customary regulatory approval.
- **On 26 March,** Sinch completed a directed share issue of 5,000,000 shares through an accelerated book-building process. The transaction improves Sinch's financial flexibility and allows further future acquisitions.

Message from the CEO

I continue to be amazed by the size of our market and our opportunity to transform how businesses engage with their customers. Our cloud communications platform reaches every mobile phone in the world, in seconds or less, using mobile messaging, voice and video.

People across the world have come to rely on timely mobile notifications to confirm a restaurant reservation, help reset a lost password, or receive a mobile boarding card. Yet most businesses are still just scratching the surface and have yet to leverage the full potential of cloud communications to transform their customer journey and enable a superior customer experience. The market for business texting alone is already worth USD 17 billion, and next-generation messaging with images, video and interactivity delivers an app-like experience that significantly expands our addressable market.

INVESTING FOR GROWTH

Our strategy to capture this opportunity is built around two key pillars. Firstly, we continue to strengthen our global connectivity offering for global high-quality messaging and voice calling without unnecessary middlemen. We are developing and extending our APIs, we are adding more direct mobile operator connections, and we are connecting more 'over-the-top' messaging apps like WhatsApp.

Secondly, we are building software products to help businesses leverage the new opportunities that next-generation messaging brings about. We focus on functionality that is useful across verticals; an approach that ensures scalability and recognizes the important role of our channel partners in designing and building the great magnitude of more specific applications that leverage CPaaS functionality for user engagement.

In 2019, we launched the Sinch WhatsApp API for business messaging to WhatsApp users and added further direct connections to mobile operators around the world. We remove unnecessary middlemen, improve redundancy, improve the quality of our offering and grow our profitability.

It has taken more than a decade to build the global Super network that now carries our traffic. Our commitment to quality, focus on scalability and economies of scale makes us well placed to serve demanding enterprises with global needs. We serve 8 out of the 10 largest global, US-based, tech companies and continue to grow our business with this important customer base.

STRATEGIC ACQUISITIONS

Acquisitions are core to our strategy and we closed two transactions in late 2019. With the acquisition of TWW do Brasil, we have gained direct carrier connections and local scale in the world's fifth largest mobile market. We improve our offering to our global customers and gain cross-selling opportuni-

ties to sell the broader Sinch product offering to TWW customers in Brazil. With the acquisition of myElefant, we have added low-code software tools that let businesses create rich media messaging experiences with code or developers. I'm very pleased to conclude that both businesses are developing well with integration progressing as planned. Sales people throughout Sinch are already selling these new products with encouraging early results.

SUCCESSFUL EXPANSION IN VOICE & VIDEO

Beyond messaging we also grow rapidly in Voice & Video. We are particularly successful in Number Masking, where we help ride-hailing companies connect drivers and riders without disclosing their phone numbers to one another. We also grow our business around Verification, where we combine both voice and messaging to help app-makers across verticals verify their users' phone numbers. We continue to invest in these areas to further scale the business and extend the high growth rate we achieved in 2019.

Our Operator business, where we sell software to mobile operators, developed several new products in 2019. We launched RCS-as-a-Service to help promote a carrier-led roll-out of RCS. RCS is an upgrade to the default text messaging experience on Android devices, and our carrier product lets operators turn on RCS for their subscribers with limited upfront investment. We also worked on SMSF, which enables SMS messaging in 5G networks, and in early 2020 we announced a partnership with Ericsson to deliver the Sinch SMSF as part of the Ericsson Core Network.

ECONOMIES OF SCALE

Sinch is one of the world's largest CPaaS companies and the number one by profit. Our larger scale means we can invest heavily with maintained profitability. We will continue to look for complementary acquisitions, and we will continue to recruit more talent.

We have a culture built on trust where we look to empower our people to be their very best. Every one of our achievements is a team effort, and I want to thank all my Sinch colleagues for their hard work in the year passed. We have achieved so much already, and yet we're only just getting started!

Stockholm 24 April 2019

OSCAR WERNER
President and CEO

Growth markets

We address a large and global growth market. Businesses throughout the world rely on technology to engage with their customers, and they increasingly find that cloud communications and mobile technology let them interact with customer in a way that is timely, relevant and personalized.

Though the boundaries are not definite or clear-cut, our addressable market spans:

- The market for **enterprise messaging using SMS**, which is a growing, global, but highly fragmented market with an estimated total market size of USD 17 billion (MobileSquared, 2019).
- The market for **rich & conversational messaging** using next-generation messaging formats like WhatsApp Business and RCS – markets still in a nascent stage but which are expected to grow by 100-300 percent in coming years (MobileSquared)
- The market for **Communications-Platform-as-a -Service (CPaaS)**, which reflects the software value-add from products leveraging mobile messaging, voice or video, and which has an estimated USD market size of USD 4-8 billion in 2021 and a growth CAGR of 35-57 percent (Gartner, IDC, Juniper).
- The market for **software to mobile operators**, where we supply niche products built on the same underlying technology that powers our messaging products for businesses.

We are building a global leader in our field and we are combining both organic initiatives and strategic acquisitions to realize our strategy.

ENTERPRISE MESSAGING USING SMS

Every person with a mobile phone can receive a text message, and more than 5 billion people in the world own a mobile phone. The technology has 100 percent reach, throughout the world, and everybody is a trained user.

Businesses are learning that text messages break through the noise. The open rate for SMS messages is 4.5x higher than email, and most people read their text messages in a minute or two.

This is what makes SMS so attractive for businesses, and it is the reason that 'application-to-person messaging' (A2P) has grown into a USD 17 billion, global market.

Messages are sent from companies in all industries and tend to fall into a few, broad categories. Estimates from MobileSquared indicate that 37 percent of all text messages sent by businesses are reminders and alerts. Around 28 percent are passwords, 19 percent promotions & adverts, and 17 percent are customer service updates.

Unlike email, SMS messaging is priced per message. The price levels vary between operators and between countries, but the per-message cost structure for businesses creates a healthy barrier and ensures that SMS remains a premium channel for high-value use cases.

Sinch is particularly competitive in situations where businesses look for high-quality message delivery, without middlemen, in multiple countries. We offer enterprises a single interface to reach the world, and direct connections to more than 300 mobile operators mean that our Super network offers unmatched quality with higher delivery rates and lower latency than the competition.

RICH AND CONVERSATIONAL MESSAGING

Text messages outcompete email with greater immediacy and superior read-rates. However, they have a clear constraint as each message can only consist of 160 characters.

With the next generation of mobile messaging, this limitation disappears. Messages can include images and video, use group chat features and offer read-receipts. Users can tap easy action buttons like “Confirm” or “Reschedule” straight from within the message. Put simply, messaging now offers an app-like experience without the need to download an app. These added functionalities make messaging relevant for a much broader set of use cases, like marketing and customer service, which significantly expands the addressable market.
Multiple technological advances are making this possible.

- Chat apps like WhatsApp, Viber, WeChat and Facebook Messenger are increasingly popular with consumers. Whilst these are still mainly used to chat with friends and family, many are open for business and allow brands to engage with customers.
- A rising number of mobile phones support RCS, or Rich Communication Services, which adds functionalities like read-receipts and group chat to the standard SMS app already installed on the handset. RCS is a carrier-led initiative and is also promoted by Google.
- Apple has launched Apple Business Chat within iMessage. The service offers a rich feature set but is limited to customer-initiated use cases like customer service (P2A, ‘person-to-application’).

These next-generation services have different rules for how and when businesses can engage with end users. This creates another layer of complexity for businesses, especially since no other channel than SMS has 100 percent reach. As a global leader in customer engagement through mobile technology, Sinch lets brands offer the best possible messaging experience using the unique set of capabilities that are present on each individual mobile handset.

Sinch has also made considerable investments to enable an immersive and visual messaging experiences for phones without support for RCS or chat apps like WhatsApp. By sending an SMS with a link to a unique and personalized landing page, we combine the unsurpassed reach of SMS with the wide feature set of the smartphone browser.

> “Delivering an app-like exerience without the need for an app”

The market for rich and conversational messaging is nascent but rapidly evolving. In their private lives, people across the world have embraced messaging to stay informed and keep in touch with friends and family. Most businesses have yet to leverage this opportunity, but experiences from Brazil and India (WhatsApp) and China (WeChat) illustrate the magnitude of our opportunity.

What is 2FA?

Sending a one-time password by SMS is a way to implement 2FA, or Two-Factor Authentication, to increase the security level of a service. Whereas a normal password is ‘something you know’, a mobile phone is ‘something you have’ and adds a second factor for increased security with maintained convenience.

Natural Language Processing

Natural Language Processing and artificial intelligence is used to power automated conversations. The technology lets a business answer incoming questions like “how much baggage can bring to the airplane” or “what are your opening hours?” in a personalized and automated way. The technology reduces lead times in customer care and lets human agents concentrate on more complex questions.

40 bn

customer engagements

4.5 x

higher open rate for mobile messaging vs email

COMMUNICATIONS-PLATFORM-AS-A-SERVICE (CPAAS)

As defined by Gartner, CPaaS "comprises a cloud-based middleware on which developers can build and deploy communications software and services". Whereas the term originally referred to telecom functionality such as SMS messaging and voice calls, the scope has been gradually broadened also to other communications services.

The distinction between the market for CPaaS and the market for business messaging is not clear-cut. However, a discussion around CPaaS tends to focus on:

- Developer tools and documentation that allow telecon capabilities like SMS and voice calling to be easily integrated in apps and services.
- Support for both messaging, voice and video.
- Incremental software that adds intelligence in addition to pure connectivity. Examples here include anonymization products and omnichannel offerings that blend multiple communication channels like voice and messaging into an integrated workflow.

Gartner lists Sinch as one of a few global 'pure play CPaaS vendors' and expects the market to grow with a 50 percent growth CAGR over the coming years. Estimates from IDC indicate a growth CAGR of 57 percent.

SOFTWARE TO MOBILE OPERATORS

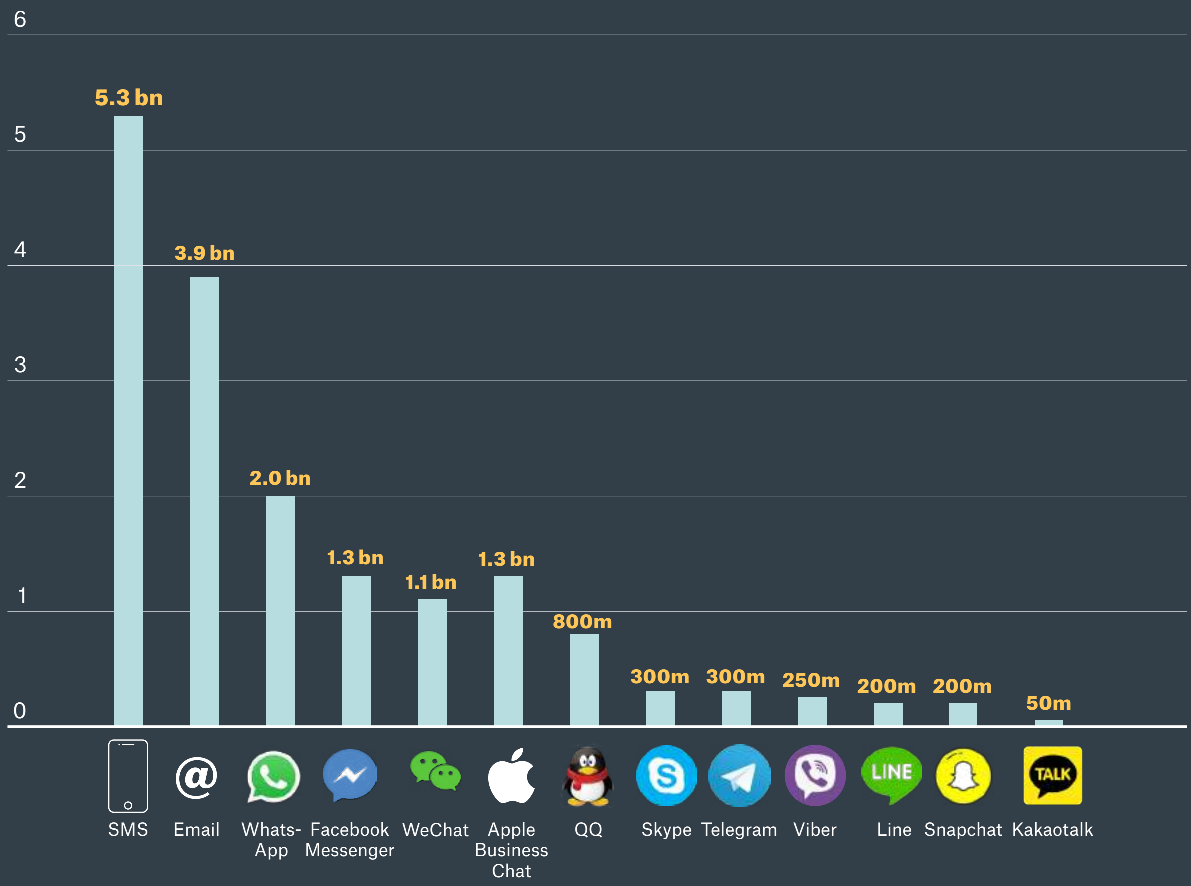
Sinch develops software solutions for mobile operators, as both products and services, to provide mobile value-added services (VAS), handle online charging systems (OCS) in real time, and to protect their networks and revenues. Many of the software products that we sell to mobile operators are built on the same underlying technology that powers our messaging business for enterprises.

Our deeper knowledge of core telecom technologies differentiate us from our CPaaS competition and makes us able to service needs where others may struggle.

We are particularly well placed to serve challenger operators who look for flexible product offerings that scale well with their business. Through our long relationship with Ericsson, we also serve a rising number of larger carriers who use our products for SMS messaging, value added services, or next-generation SMSF for 5G.

User engagement platforms

Unique active users



Strategy

We grow our business both organically and through acquisitions. We strive for profitable growth based on quality, scalability, and innovation.

Our strategy is centered around two pillars which both reinforce each other:

- Ensuring leading, worldwide connectivity for businesses looking to engage with their customers through mobile messaging, voice or video; and
- Offering cloud-based software-as-a-service that helps businesses leverage the new possibilities in rich media and conversional messaging that technological evolution now makes possible.

We are building a global leader in our field and we are combining both organic initiatives and strategic acquisitions to realize our strategy.

BUILDING THE WORLD'S BEST SUPER NETWORK

Our cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through mobile messaging, voice or video. Underpinning this ability is our Super Network; a technological infrastructure with direct connections to hundreds of mobile operators that has taken years to build.

Our Super Network is a key differentiator versus the competition. We can send messages directly to the recipient where competitors who lack our direct reach will have to relay messages through third parties to reach their destination. Using unnecessary middlemen reduces the success rate, adds unwelcome latency, increases cost and may jeopardize sensitive customer data.

We continue to grow our reach with direct connections to even more operators. One single operator connection can take months to establish and operators often favor larger messaging partners with volume pricing that benefits players with scale. Data privacy regulation like GDPR adds additional complexity and some countries demand that sensitive customer data is handled locally and is not handled in data centers. This is particularly relevant for customers in Banking & Finance, and for the many customers who rely on Sinch messaging for one-time passwords (OTP) and Two Factor Authentication (2FA). We are also particularly well placed to serve demanding business who look for high-quality message delivery to multiple countries.

In the year 2020, some of our key initiatives in this area include:

- Expanding our Super Network with further direct operator connections and support for two-way SMS in more countries.
- Initiatives to combat 'grey routes', where competitors use 'SIM-farms' to circumvent operator charges by disguising business's application-to-person (A2P) messages as person-to-person (P2P) traffic in violation of GDPR.
- Promoting the Sinch RCS-as-a-Service offering, which enables operators to offer next-generation carrier messaging services with support for rich media, read-receipts, action buttons, and more.
- Work with operators to further strengthen the security profile of SMS for password delivery through Signaling Firewalls and other measures

What is a Super Network?

A Supernetwork, or supernet, is an Internet Protocol (IP) network that is formed, for routing purposes, from the combination of two or more networks (or subnets) into a larger network. The Sinch Super Network joins the underlying capabilities of hundreds of mobile networks and IP-based protocols like WhatsApp into a unified whole.

Source: Wikipedia

SUPERIOR ENGAGEMENT THROUGH SOFTWARE-AS-A-SERVICE

Business messaging through SMS continues to grow throughout the world as companies discover the benefits of the world's only native mobile channel with with 100 percent reach. Even so, businesses are still just scratching the surface of what is possible and have yet to leverage the full potential that cloud communications and mobile technology now enables. Our initiatives in these areas aim to:

- Increase our software value-add (CPaaS) in addition to our connectivity offering.
- Empower businesses to leverage rich and conversational messaging.
- Increase stickiness with maintained scalability.

New messaging channels like WhatsApp Business, Facebook Messenger, Apple Business Chat and Line are designed for images, video and interactivity. Where SMS is constrained to 160 characters, newer messaging channels can deliver an app-like experience". Messaging becomes relevant for a much broader range of use cases, but it also becomes more complex to handle for businesses.

In the year 2020, some of our key initiatives in this area include:

- Integration of the myElefant platform, acquired in late 2019, and expansion of 'Rich SMS' landing page technology outside Europe.
- Further development of cross-platform APIs that let businesses communicate with customers across multiple chat channels through one single Sinch API.
- Software to handle rich media and conversations across multiple OTT channels.
- Continued scaling of Sinch products for personalized video messaging.
- Improved developer tools and unified online self-serve capabilities.
- Intelligent routing for number verification that blends multiple number verifications methods.

What is CPaaS?

CPaaS is an abbreviation for Customer-Platform-as-a-Service. A CPaaS offers application leaders a cloud-based, multilayered middleware on which they can develop, run and distribute communications software. The platform offers APIs and integrated development environments that simplify the integration of communications capabilities (for example, voice, messaging and video) into applications, services or business processes.

Source: Gartner

Customers throughout the world

Every company on the planet that looks to engage with its customers is a potential user of our products. We believe that large transaction volumes are essential for us to extract economies of scale, secure our profitability, and fund our product development. To this end, our go-to-market model combines both direct enterprise sales and different channel partners.

Enterprise customers. We serve businesses across a wide range of industries including Banking & Finance, Technology, Retail, and Travel & Transport. We are particularly competitive when businesses look for high-quality message delivery, without middlemen, and when compliance and security are key to the purchasing decision.

Global tech companies. We service 8 of the 10 largest US-based global tech companies and have meaningful volumes with 6 out of these 8. We win these accounts due to our focus on quality, regulatory compliance, attentive account management and superior network of direct operator connections.

Cloud platforms. Many businesses leverage cloud-based software for Customer Relationship Management (CRM), Marketing Automation and Contact Center solutions. These software platforms are often a logical starting point from where businesses engage with their customers, and we power the communications to end users on behalf of these platforms.

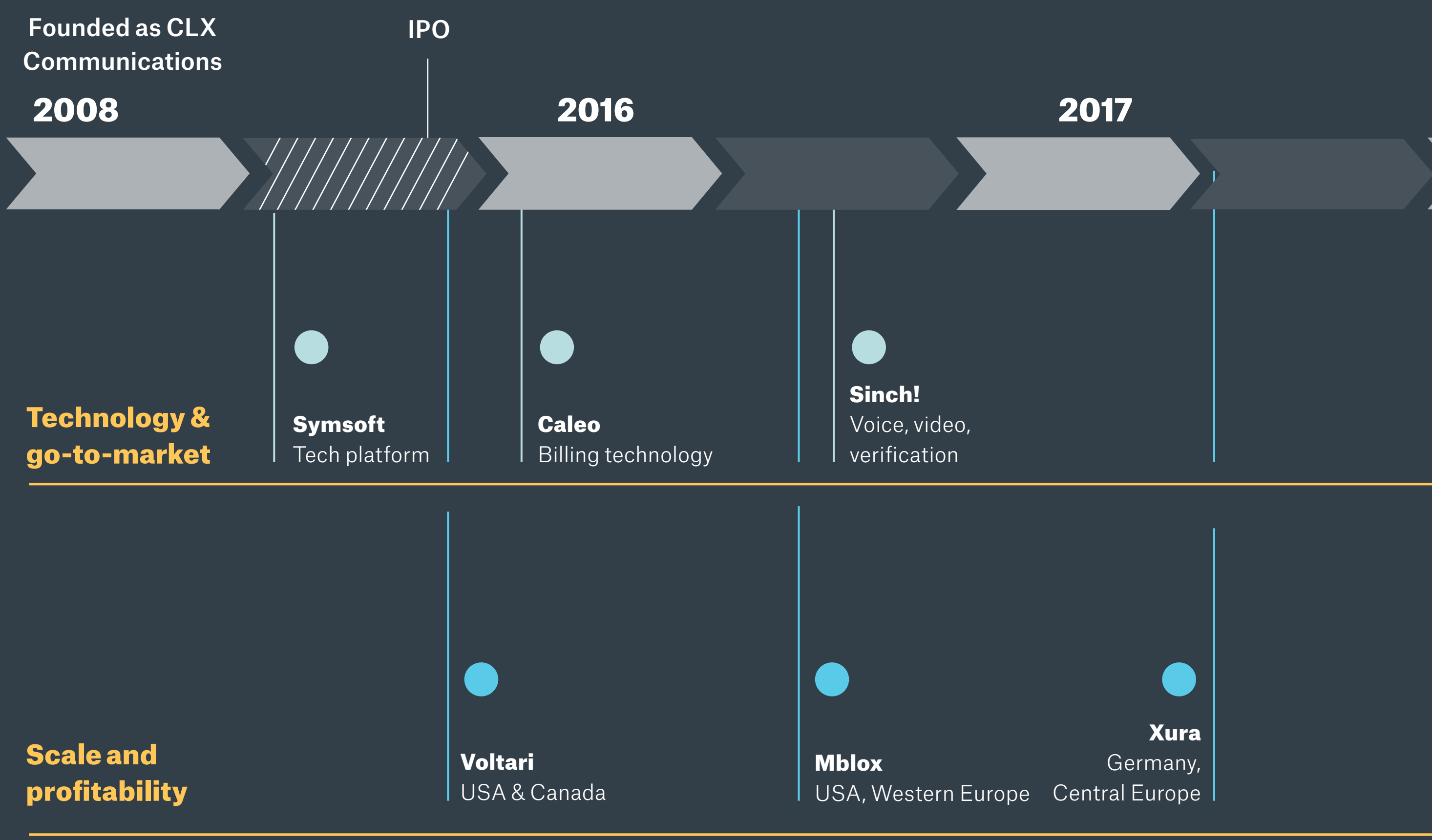
Application Service Providers. Many software companies build products that draw on CPaaS functionality or leverage messaging as part of a broader value offering. An online booking system for restaurants could be an example among many; Sinch will supply communications functionality that the ASP uses as a part of a broader software and services offer to restaurants.

Wholesale. Many local and regional competitors have direct connections to operators in just one or a few countries. To be able to send messages to mobile operators in far away places, they will often rely on a global CPaaS player like Sinch.

Mobile operators. We view mobile operators as our strategic partners. We have a joint interest in safeguarding our shared ecosystem and build technology that helps operators protect their subscribers from spam, successfully monetize their network, and engage with their customers through advanced messaging products like personalized video. Some operators also act as sales channels and resell our products to their enterprise customers. And in addition to their role as customers, mobile operators are also key suppliers as we pay significant amounts to send messages and connect calls throughout the world.

Strategic acquisitions

Sinch is a global leader in a vast but highly fragmented market. Complementary acquisitions increase our economies of scale, accelerate our product development, and drive strong financial outcomes.

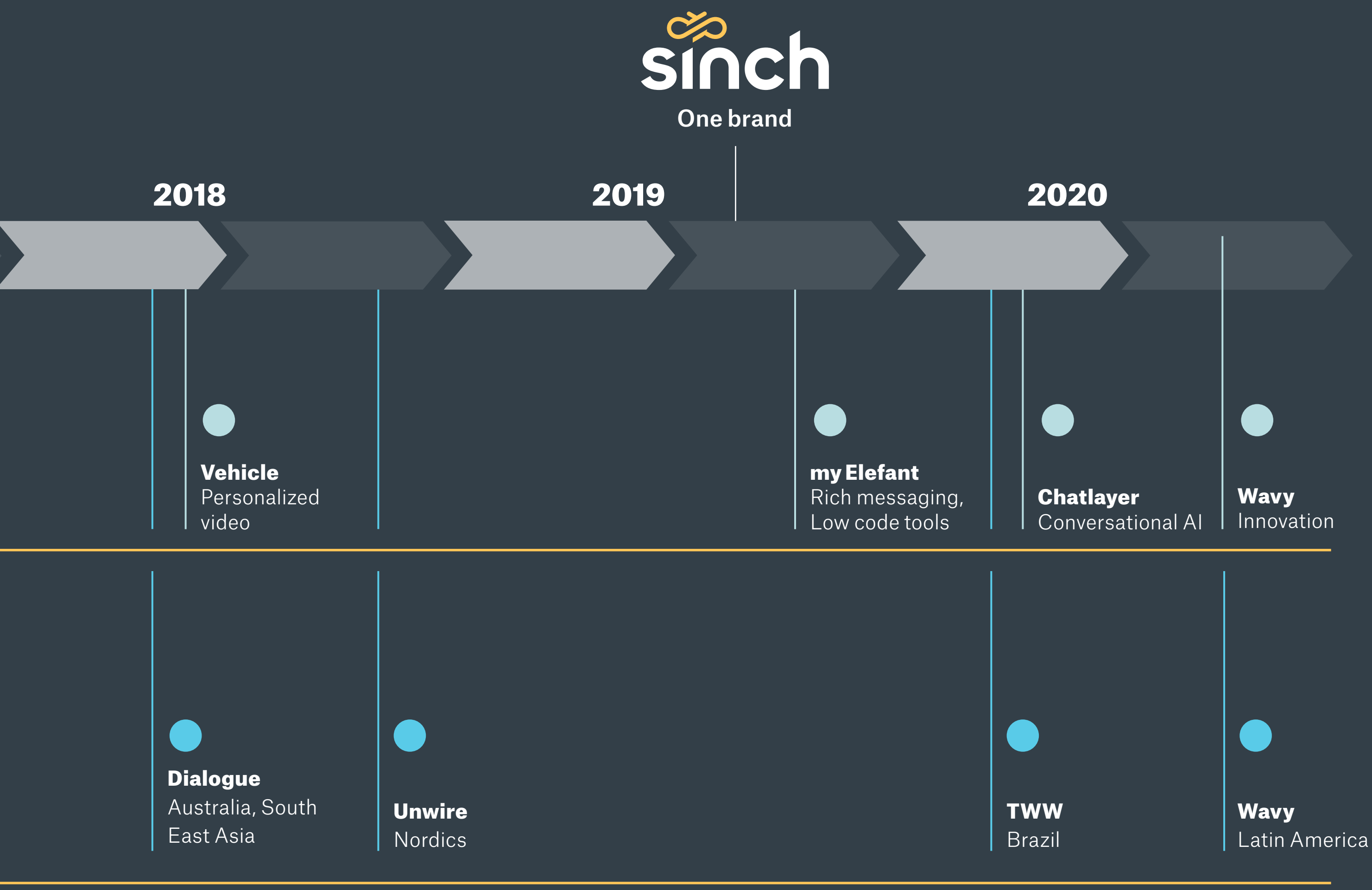


Scale and profitability

- Acquire sticky customer relationships
- Add direct operator connections in new markets
- Extract synergies by transferring traffic to Sinch's technology platform
- EV/EBITDA-accretive: acquiring profit at a valuation below our own

Technology and go-to-market

- Complementary technology that fits our strategic product roadmap
- Go-to-market-ability in relevant products and geographies
- Increased software value-add with higher gross margin
- Future growth drivers



An attractive financial model

Sinch was founded with a cost-conscious ethos and scalability as a founding principle. Profitable from the first month, the company has only raised capital to fund acquisitions, and never to fund operations. To this day, the overarching goal is profitable growth.

To measure financial performance, we look primarily at:

- Growth in gross profit
- Adjusted EBITDA/Gross profit

Where most businesses focus on revenues, we focus on gross profit. The reason is mobile operator fees, which vary significantly between countries.

Whereas our revenues record the amount we invoice our clients, a large part of that revenue is passed on to mobile operators to place calls and transmit messages. This pass-through revenue passed on to operators is booked as Cost of Goods Sold.

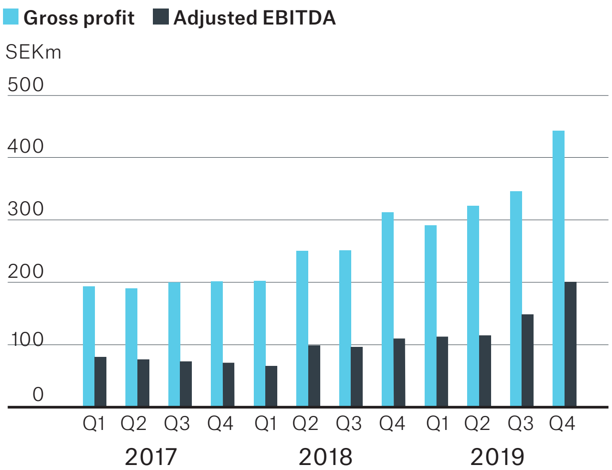
Variation in operator fees means that there is no direct relationship between revenues per message and gross profit per message. As there is limited financial gain from handling high-revenue messages with low gross profit contribution, management consistently set targets on gross profit, and growth in gross profit, rather than revenue-related targets.

The variation in operator fees also affects our margins. Changes in our gross margin often reflect changes in geographical mix rather than underlying performance or competitiveness. The cost per message charged by operators 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.

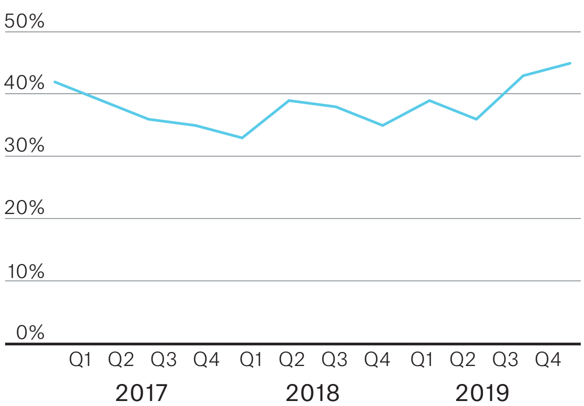
With this in mind, it makes sense to complement our standard reporting measures with a margin that is calculated as Adjusted EBITDA/Gross Profit. Through tracking this margin, we ensure that we maintain a sound cost structure and healthy profitability regardless of fluctuations in operators' termination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

The key to profitability is scalability, and the key to scalability is volume. Whereas we pay variable Cost of Goods Sold to mobile operators to place calls and transmit messages, our OPEX is partly fixed and does not scale with volume. Adding more traffic volumes, whether organically or through acquisitions, is therefor a key path to maintained and increased profitability. These economies of scale also offset our costs for product development, which are primarily booked as OPEX and hence weigh on EBITDA. Our conservative approach to capitalization means that a high share of our EBITDA is converted into cash flow.

Gross profit and adjusted EBITDA



EBITDA/Gross profit



Targets

- Adjusted EBITDA per share to grow **20 percent** per year
- Net debt **<2.5x** adjusted EBITDA over time

Performance

- Adjusted EBITDA per share grew **54 percent** in 2019
- Net debt/EBITDA of **1.7x** at year-end

Our first priority

Everything at Sinch starts with our people. We strive for an inclusive culture where people can thrive, perform and succeed. Together we can build great things, scale our business, and delight our customers.

Our employees are the foundation of our success. More than 200 people joined us in 2019, meaning we have added an array of new skills and a great deal of experience and knowledge to Sinch. We have also successfully retained nearly all of the team, with employee turnover at 11 percent. Our culture is clearly attractive and is helping us recruit the right people to Sinch. Aimed at further picking up the pace and quality of recruitment, we built an internal Talent Acquisition Team during the year. We can already see that the recruitment process is going faster, and our recruiting managers are having to spend less time on administration now that we have a specialized team working globally to assure talent acquisition. We have also just switched to a new recruitment system to enhance the candidate experience and save time. The system also makes it possible to substantially improve the process for internal recommendations by current employees.

With employees in more than 30 countries across a wide range of age and experience, our workforce is truly diverse. We are working actively to ensure that everyone feels involved and a sense of affinity with Sinch. We measure this in our employee survey, where our employee engagement score rose from 7.4 in 2018 to 8.3 in 2019. We have gathered all employees under a common brand and welcomed two new acquisitions to the company. The sense of feeling appreciated at Sinch has also increased. During the same period, we increased the percentage of women at Sinch from 21 percent to 27 percent and we are still working actively to improve the proportion of women in the company at the managerial and staff levels.

We initiated a global leadership program to secure engagement and ensure that our employees grow and develop with Sinch. A global onboarding program will also begin in the spring of 2020, aimed at ensuring that our people are quickly given the information and knowledge they need in their roles as new employees.

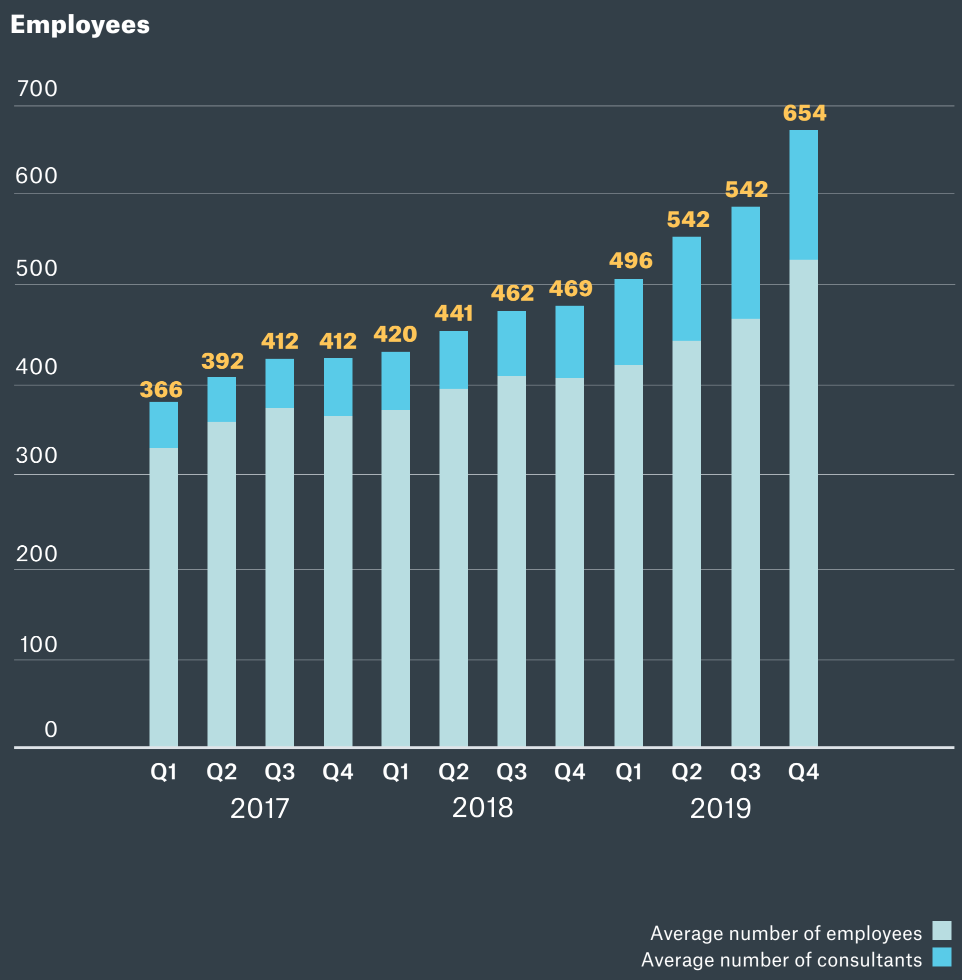
Digitalization and automation of work related to employee data took a giant step forward with the implementation of an HR system for employee data. With this system up and running, all functions now have access to employee data in real time, which saves both time and the manual labor previously required to manage different versions and manual updates.

Providing the right HR support to the organization is very important to us and we have added several roles focused on strengthening our culture and our employees, known as "People & Culture" partners. In 2020, we will be involving all employees in updating our values to further grow engagement and authenticity and future-proof our culture. We want to keep what we are already doing well, add what we are lacking, articulate the whole more clearly and find shared stories that illustrate how we are living our values.

Engagement Score

7.4 → 8.3


+39%
Increase in head-count during 2019


Employees
700
600
500
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300
200
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412
412
420
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462
469
496
542
542
654
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
2017
2018
2019
Average number of employees
Average number of consultants

Financial information


EXIT

Management report

The board of directors and chief executive officer of Sinch AB (publ), 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 2019. 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 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 Messaging segment provides Sinch's cloud communications platform, enabling enterprises to reach their customers and employees directly in their mobile phone within a second or two. The messages are sent as SMS (text messages) or using next-generation technologies like RCS or WhatsApp. The product segment includes personalized video messaging, where unique video messages are customized for each and every recipient.

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

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

Sustainability report

In accordance with the Swedish Annual Accounts Act, ch 6, § 11, Sinch has elected to prepare the statutory sustainability report as a separate report. The sustainability report is presented on pages 101-108 of this document.

Significant events during the financial year

ACQUISITION OF MYELEFANT

Sinch acquired 100 percent of the share capital in myElefant SAS on 4 October 2019. The company was included in the consolidated accounts from that date in the Messaging segment.

myElefant is based in Paris, France and had about 40 employees at acquisition date. myElefant had sales in 2018 of approximately EUR 10.5 million (SEK 108 million), gross profit of about EUR 3.1 million (SEK 32 million) and adjusted EBITDA was approximately EUR 0.8 million (SEK 8 million).

Upfront cash consideration amounted to EUR 18.8 million (SEK 203.3 million) with an additional cash earnout of up to EUR 3 million if certain gross profit targets are met during the first two years. The acquisition was financed with Sinch's available credit facilities. Please refer to Note 31 for further information about the acquisition of myElefant.

ACQUISITION OF TWW

Sinch acquired 100 percent of the share capital in TWW do Brasil S.A. (TWW) on 23 October 2019. The company was included in the consolidated accounts from that date in the Messaging segment.

TWW is based in São Paolo, Brazil and had 37 employees at acquisition date. TWW had sales in 2018 of approximately BRL 134 million (SEK 326 million), gross profit of about BRL 35 million (SEK 85 million) and adjusted EBITDA amounted to about BRL 17.5 million (SEK 43 million).

The purchase consideration was BRL 180.8 million (SEK 422.4 million) on a cash- and debt-free basis. The acquisition was financed with Sinch's available credit facilities.

In addition to the initial consideration, the sellers are entitled to compensation for the tax loss carryforwards that can be utilized in the next five years. The anticipated outcome amounts to BRL 18.2 million (SEK 42.6 million) and has been recognized as a liability. See Note 31 for further information about the acquisition of TWW.

SENIOR UNSECURED BONDS

Sinch issued senior unsecured bonds on 19 November in the total amount of SEK 750 million. The bonds have a tenor of five years and a floating interest rate of 3 months STIBOR plus 250 bps.

The transaction generated strong investor interest and the issue was oversubscribed. Sinch's existing bank loan was renegotiated in connection with the issue and the parent company's shares in subsidiaries are no longer pledged as collateral. Sinch still has access to an existing line of credit of SEK 1,500 million provided that the company meets a number of predetermined contractual conditions. The borrowing space for acquisitions has been extended by a total of SEK 750 million compared to 2018. The bank overdraft facility amounts to SEK 200 million (200).

Sinch Group overview

SEK million	2019	2018	Change
Net sales	5,035.6	3,986.6	26%
Gross profit	1,394.1	1,008.4	38%
Gross margin	27.7%	25.3%	
EBITDA	555.5	373.3	49%
EBITDA margin	11.0%	9.4%	
Adjusted EBITDA	573.5	367.1	56%
Adjusted EBITDA margin	11.4%	9.2%	
Adjusted EBITDA/gross profit	41.1%	36.4%	
EBIT	371.6	217.8	71%
EBIT margin	7.4%	5.5%	
Adjusted EBIT	523.6	344.8	52%
Adjusted EBIT margin	10.4%	5.5%	
Profit for the year	274.5	179.5	53%
Cash flow from operating activities	327.3	304.6	7%
Cash and cash equivalents	466.3	180.8	158%

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, see page 38.

NET SALES

Consolidated net sales grew during the 2019 financial year by 26 percent to SEK 5,035.6 million (3,986.6).

Acquired companies contributed 5 percent of growth. Organic growth in local currency was 17 percent.

GROSS PROFIT

Consolidated gross profit increased by 38 percent to SEK 1,394.1 million (1,008.4). Acquired companies contributed 8 percent of growth. Organic growth in local currency was 26 percent. The gross margin amounted to 27.7 percent (25.3).

The consolidated gross margin is significantly controlled by the gross margin in Messaging and is affected by several factors. We deliver more messages to markets with lower traffic tariffs to mobile operators, resulting in a higher gross margin. We are also delivering growth in products with a higher gross margin, including personalized video messaging, which has a positive effect on the consolidated gross margin.

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

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

OPERATING PROFIT (EBITDA)

Consolidated EBITDA increased by 49 percent to SEK 555.5 million (373.3). EBITDA rises as increased gross profit is only partially offset by increased operational expenditures. Consolidated EBIT increased by 71 percent to SEK 371.6 million (217.8).

Items affecting comparability, SEK million	2019	2018
Acquisition costs	-15.1	-9.4
Restructuring costs	-	8.9
Integration costs	-3.0	-27.2
Capital gain or loss, sale of mobile payments business	-	-8.1
Income, adjusted earnout	-	42.0
Items affecting comparability in EBITDA	**-18.0**	**6.2**
Acquisition-related amortization	-134.0	-124.0
Impairment of non-current IoT assets	-	-9.2
Total EBIT adjustments	**-151.9**	**-127.0**

Adjusted for items affecting comparability, EBITDA increased by 56 percent to SEK 573.5 million (367.1) and EBIT increased by 52 percent, excluding total adjustments, to SEK 523.6 million (344.8).

NET FINANCIAL EXPENSES

Net financial expenses were SEK -16.6 million (-16.5), with interest expenses amounting to SEK -28.8 million (-22.4) and foreign exchange differences to SEK 10.9 million (15.5). The reversal of the discount effect on the provision for contingent consideration (earnout) in Sinch Mobile AB was included in the preceding year in the amount of SEK -13.4 million.

TAX

Tax on profit for the year amounted to SEK -80.6 million (-21.8) at effective tax rate of 22.7 percent (10.8).

There was positive effect on tax for the preceding year from tax attributable to previous years of SEK 19.9 million. See Note 10 for further information on items affecting tax on profit for the year.

PROFIT FOR THE YEAR

Profit for the year increased by 53 percent to SEK 274.5 million (179.5) compared with the preceding financial year.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities amounted to SEK 327.3 million (304.6).

Net investments in intangible assets and property, plant and equipment amounted to SEK 56.0 million (28.5). The investments refer mainly to capitalized development expenditure of SEK 38.6

million (21.7), and investments in hardware and software.

At the end of the year, the Group had cash and cash equivalents of SEK 466.3 million (180.8) and an unused overdraft facility of SEK 200 million (200).

Messaging

SEK million	2019	2018
Net sales	4,692.5	3,752.3
Gross profit	1,124.4	817.3
Gross margin	24.0%	21.8%
EBITDA	557.3	376.7
EBITDA margin	11.9%	10.0%

The Messaging segment includes the former Enterprise Division and Vehicle. Figures for the comparative period have been restated.

NET SALES

Messaging has delivered sustained good performance during the year and is experiencing powerful growth. Net sales increased by 25 percent to SEK 4,692.5 million (3,752.3) compared with 2018. Acquired companies contributed 5 percent of growth and organic growth in local currency was 14 percent.

Sinch's goal-oriented focus on large, strategic customers and growth in the sales of personalized video messaging had positive impact on organic growth in net sales. Commercial partnerships between Sinch and large, multinational cloud platform providers that use products from Sinch for automated mobile marketing are a key growth driver.

PROFIT

Gross profit increased by 38 percent to SEK 1,124.4 million (817.3). Acquired companies contributed 9 percent of growth and organic growth in local currency was 24 percent. The gross margin amounted to 24.0 percent (21.8).

EBITDA rose by 48 percent to SEK 557.3 million (376.7) and the EBITDA margin was 11.9 percent (10.0).

Operators

SEK million	2019	2018
Net sales	173.3	156.8
Gross profit	160.2	140.6
Gross margin	92.5%	89.7%
EBITDA	15.7	23.8
EBITDA margin	9.1%	15.2%

NET SALES

Net sales in Operators increased by 11 percent to SEK 173.3 million (156.8) compared with 2018, by converting orders to sales of business support systems, among others.

PROFIT

Gross profit was SEK 160.2 million (140.6)

EBITDA was SEK 15.7 million (23.8) and the EBITDA margin was 9.1 percent (15.2).

The Operators business is project-based and thus more volatile than the other business segments. We launched RCS-as-a-Service during the second quarter, a new offering to mobile operators intended to accelerate the use of RCS. Response to the initiative has been positive with numerous active customer dialogues in progress, but many operators are taking a cautious approach to RCS and are waiting to invest.

Voice and Video

SEK million	2019	2018
Net sales	248.8	91.4
Gross profit	109.5	50.5
Gross margin	44.0%	55.2%
EBITDA	26.6	-10.5
EBITDA margin	10.7%	-11.5%

NET SALES

Net sales increased by 172 percent to SEK 248.8 million (91.4) compared with 2018. Focus in 2019 was on launching several deals won in 2018 and maintaining high quality of delivery as the business rapidly expands. We see strong potential to gain new customers and increase our business volume with current customers in the future.

PROFIT

Gross profit amounted to SEK 109.5 million (50.5) and the gross margin was 44.0 percent (55.2). EBITDA amounted to SEK 26.6 million (-10.5).

Research and development

Sinch develops software within several parts of its operations. Development mainly occurs in the Operators segment, whose platform has been deployed by numerous mobile operators worldwide. The platform is also the basis of the Messaging segment'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 three years. Capitalized expenses for internal hours spent during the year amounted to SEK 38.6 million (21.7).

Total research and development costs expensed during the year amount to SEK 215.6 million (88.0).

The environment

Sinch's core business is software development and management of digital transactions and has very limited 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 that has the least possible environmental impact, such as train travel. Sinch also aspires to send outmoded hardware for recycling.

Employees

The average number of employees during the year was 457 (340). Women make up 23 percent of the workforce (21). The average age of the workforce is 39 (40).

The company applies a rigorous recruitment process and uses both 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 six 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.

PROPOSAL ON RESOLUTION ON GUIDELINES FOR COMPENSATION TO SENIOR EXECUTIVES

The board of directors of Sinch AB (publ) proposes the following guidelines for compensation to senior executives. These guidelines do not apply to any remuneration decided or approved by the general meeting. For 2019 guidelines, please see Note 7.

The members of the senior executives' team are the members of the board of directors of the Company who have entered into an employment agreement with the Company or a group Company, the CEO, deputy CEO (if applicable) and other members of the senior executives' team who report to the before mentioned persons. The senior executives' team in the Company currently comprises eleven senior executives, including the CEO.

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. Compensation to the CEO and other senior executives must therefore 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 in a specific case there is a special cause for the deviation and a deviation is necessary to serve the Company's long-term interests, including sustainability, or to ensure the Company's financial viability.

In the preparation of the board of directors' proposal for these guidelines for compensation to the CEO and other senior executives, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time, in the board of directors' basis of decision.

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

FIXED BASE PAY

The fixed base pay must be market based and reflect the employee's position, qualifications, experience, and individual performance.

SHORT-TERM VARIABLE PAY

Short-term variable pay must be measured against predefined financial performance targets. Non-financial objectives may also be used to sharpen focus on achieving the Company's strategic plans. Objectives must be specific, clear, measurable, subject to deadlines and adopted by the board of directors. They shall further be designed to contribute to the Company's business strategy, long-term interests and sustainability.

To which extent the criteria for awarding variable remuneration has been satisfied shall be evaluated/determined when the relevant measurement period has ended. The Remuneration Committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO and other senior executives. However, for variable remuneration to other senior executives, the CEO is responsible for the evaluation.

Levels and targets for variable pay are suggested annually by the CEO for other senior executives and approved by the board of directors. Levels and targets for the CEO are defined by the board of directors. Short-term variable pay may not exceed 30 percent of the fixed base pay, as management compensation should be focused on Long Term Incentives.

LONG-TERM VARIABLE PAY

Long-term variable pay may encompass share-related incentive programs. These guidelines do not apply to remuneration decided or approved by the general meeting. Accordingly, these guidelines do not apply to the Company's share-related incentive programs LTI 2016, LTI 2018, LTI 2019 and the proposed LTI 2020.

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 share-holders. 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 and thereby contribute to the Company's business strategy, long-term interests and sustainability. Long-term share-related incentives also helps to attract when recruiting new executives.

MARKET BASED COMPENSATION

The Company has acquired high quality benchmark data from 3rd party sources to secure that compensation to the CEO and other senior executives reflects what is offered to executives in comparable positions in other companies. Market rate is also secured through recruitment processes, in the cases where executives are recruited externally.

PENSIONS

Pension benefits for the CEO and other senior executives must reflect customary market terms, compared with that which generally applies to executives in comparable positions in other companies, and should normally be based upon defined contribution pension plans. Retirement occurs at the relevant/applicable retirement age. Pension benefits may not exceed 35 percent of the fixed base pay to the extent higher contributions follows from an applicable collectively agreed pension plan.

OTHER BENEFITS

Other employee benefits must consist 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. The cost for the benefits may not exceed 6 percent of the fixed base pay.

PAY DURING PERIOD OF NOTICE

As a general rule, employment agreements entered into between the Company and senior executives shall be on an indefinite basis. 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 executives of three to six months, whether the employee resigns or is terminated. Fixed base pay and any severance pay during a period of notice shall not exceed an amount equivalent to the fixed base pay for two years.

COMPENSATION TO COMPANY FOUNDERS

Compensation to founders of the Company is subject to approval by the board of directors. Founders are excluded from the requirement of market-based pay, i.e. their compensation and benefits may be below market, as they are compensated through their ownership in the Company.

Compensation consists of the following components:

- Fixed base pay
- Pension benefits
- Additional vacation entitlement
- Pay during period of notice of termination or resignation

If a founder is temporarily covering another management position, the founder will be compensated during this period with a base pay equal to the person in the management team with the lowest salary at the time, excluding other founders.

APPROVAL

Changes in terms, conditions and compensation to the CEO is subject to approval from the Chairman of the board of directors. Day to day costs such as travel expenses for the CEO are approved by the CFO, and quarterly summaries are sent to the Chairman of the board of directors.

New recruitments, salary changes and other significant changes for other senior executives than the CEO are subject to approval from the Chairman of the board of directors, whereas minor adjustments, and day to day costs are approved by the CEO.

Payout of fixed base pay is prepared by local payroll departments and are approved before payout by the local HR representative. Payout of short-term variable pay is subject to approval from the CEO as regards other senior executives and from the Chairman of the board of directors as regards the CEO.

Eligibility for share-related incentive program must be approved by the board of directors based on the proposal approved at the annual general meeting.

CONTROLS AND DECISION-MAKING PROCESS

The Company has a Remuneration Committee which consists of two members of the board of directors. The Chairman of the board of directors is also Chairman of the Remuneration Committee. The Remuneration Committee shall, in relation to the board of directors, have a preparatory function in respect of principles for remuneration, remuneration and other terms of employment regarding the senior executives. Consequently, the Remuneration Committee shall prepare a proposal in respect of guidelines for compensation to senior executives, which the board of directors shall present to, and which shall then be resolved upon by the annual general meeting. The Remuneration Committee shall also evaluate the application of the guidelines resolved upon by the annual general meeting.

The board of directors shall at least every fourth year or upon material changes to the guidelines make a proposal on guidelines to be resolved by the annual general meeting.

The guidelines shall be applied in relation to every commitment on compensation to senior executives and every change in such commitment, which is resolved after the annual general meeting at which the guidelines were adopted. Thus, the guidelines have no impact on already pre-existing contractually binding commitments. Guidelines resolved upon may also be amended by way of a resolution by any other general meeting.

Further, the Remuneration Committee shall, within the scope of the guidelines resolved upon by the annual general meeting, prepare proposals regarding remuneration to the CEO and other senior executives. The Remuneration Committee shall annually evaluate the CEO's performance.

Further, the Remuneration Committee shall observe and evaluate programs for variable compensation to the senior executives which are ongoing or finished during the year as well as the Company's current remuneration structure and remuneration levels.

Furthermore, the Remuneration Committee shall annually prepare a remuneration report regarding the compensation to the senior executives. The remuneration report shall be made available to the share-holders on the Company's website by the Remuneration Committee no later than three weeks prior to the annual general meeting.

Within the scope and on the basis of the guidelines, the board of directors shall annually decide on the specific revised remuneration terms for each senior executive and make such other decisions on compensation to senior executives that may be required.

The CEO or other senior executives shall not participate in the Remuneration Committee's and the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Compliance with guidelines is controlled annually through the following activities:

- Collection of documented annual targets for short-term variable pay
- Random samples of salary payout approvals
- Sample reports from payroll systems to identify any out of the ordinary payouts

The results of the controls are summarized and reported to the Remuneration Committee.

RISKS AND RISK MANAGEMENT

Sinch is exposed to a number of risks that may 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.

Our operations are subject to additional risks, including civil disturbances, acts of terrorism, economic and geopolitical instability and conflict, pandemics, the imposition of exchange controls, economies which are subject to significant fluctuations, effects from changing climate and difficulty of enforcing agreements and collecting receivables through local legal systems.

Pandemics, such as for example the Covid-19 pandemic, could severly impact our local and global operations related to e.g. service delivery and research and development, as well as our customers and suppliers, whit significant financial and other consequenses.

DOWNTIME AND COMPARABLE

Sinch relies on its technical systems and its infrastructure to deliver services and solutions to its customers. The company's operations may be impeded 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 functions and the 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 negative 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 could have material adverse impact on Sinch's business, earnings, and financial position. Please refer to Note 29 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, for British customers mainly servers based in Europe. As long as data traffic between the EU and the United Kingdom is not impeded by an exit from the EU, Sinch's judgment is that the exit will have no material impact on Sinch's business, earnings, or financial position.

Share performance and ownership structure

THE SHARE

Sinch 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 Sinch AB 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 20 for further information about the development of share capital.

DIVIDEND

The board of directors has decided to propose to the annual general meeting that no dividend be paid for financial year 2019 (-). It is the opinion of the board that the company is currently 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 7,000 shareholders. The ten largest shareholders combined owned 79.3 percent of equity in Sinch.

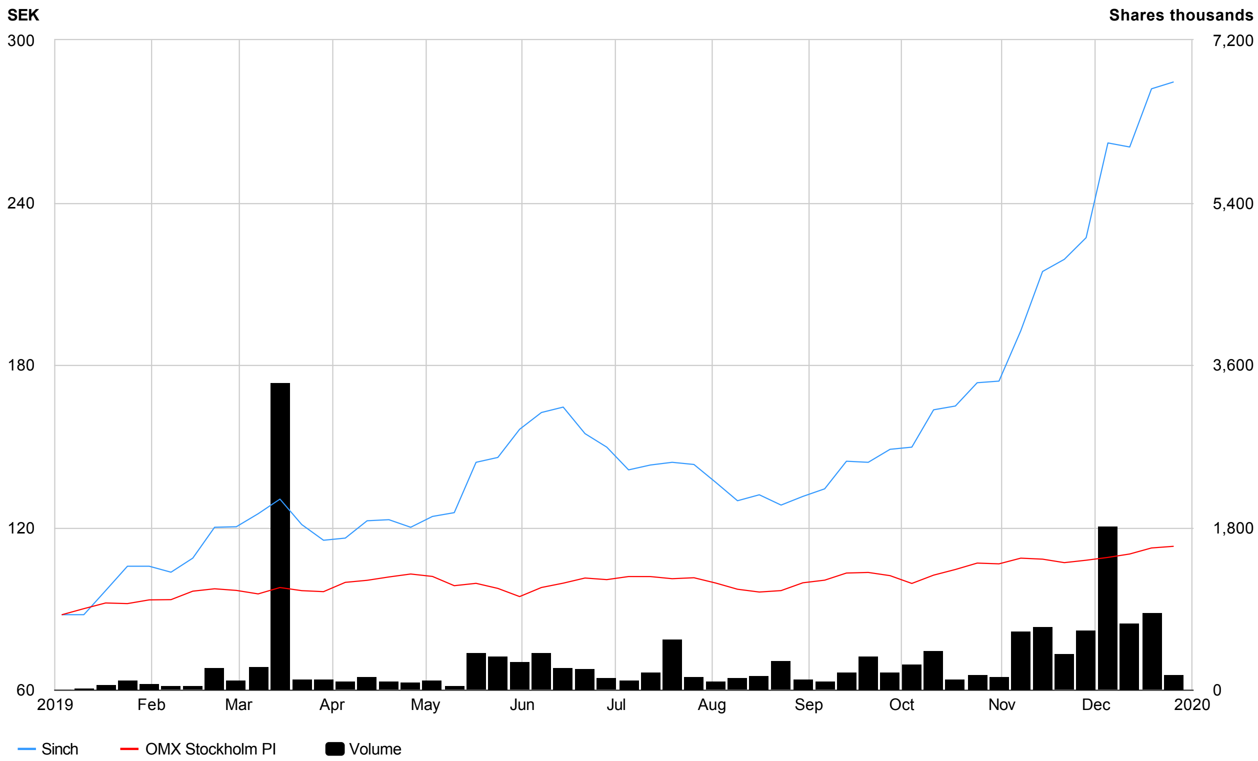
The company is not aware of any agreement between shareholders that limits their rights to transfer their shares.

TEN LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2019:

Name	Number of shares	% of equity
Neqst D1 AB	8,608,279	16.1
Cantaloupe AB	8,205,646	15.3
Swedbank Robur	5,120,323	9.6
First National Swedish Pension Fund	4,972,372	9.3
Handelsbanken fonder	3,497,800	6.5
Kjell Arvidsson AB	3,316,000	6.2
Fourth National Swedish Pension Fund	3,151,706	5.9
Alecta Pensionsförsäkring, ömsesidigt	2,340,000	4.4
Salvis Investment Ltd.	1,991,244	3.7
AMF Försäkring och fonder	1,287,348	2.4
Total	**42,490,718**	**79.3**
Other shareholders	11,111,371	20.7
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 2019, INCLUDING OTC, NASDAQ OMX STOCKHOLM

Turnover	Volume,No.of Shares	No. of Trades	Average Daily Turnover	Average Daily Volume	Average Daily No. of Trades	Traded Days
3,025,463,545	17,655,911	114,822	12,101,854	70,624	459	100%

INSTRUMENT TURNOVER COMPARED TO TOTAL TURNOVER 2019 ON NASDAQ OMX STOCKHOLM

Turnover Velocity, Share	Turnover Velocity, Stockholm	% of Stockholm Total Turnover	Total Stockholm Turnover, Billion
40%	45%	0.07%	4,261

PRICES DURING THE YEAR, (ADJUSTED) NASDAQ OMX STOCKHOLM

Volume Weighted Average Price	High Paid	High Paid Date	Low Paid	Low Paid Date
171.14	293.50	23 Dec 2019	82.00	2 Jan 2019

MARKET CAP LAST TRADING DAY OF THE YEAR

No. of Shares	Price	Market Cap
53,602,089	286,50	15,356,998,499

PRICE DEVELOPMENT DURING THE YEAR, NASDAQ OMX STOCKHOLM

Latest Paid, Last Year	Adjusted Latest Paid, Last Year	Latest Paid, This Year	Adjusted Latest Paid, This Year	% Change, Share	% Change, OMX Stockholm Index
87.00	87.00	286.50	286.50	229%	30%

Please note that all figures are in local currency and single counted. The market shares are calculated according to the 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 2019. Traded Days means 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 paid price adjusted for corporate actions.

Outlook

Sinch is in prime position 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 9 (13) employees. The average number of employees during the period was 10 (11).

- Net sales amounted to SEK 45.7 million (30.9).
- The operating loss was SEK -33,9 million (-25,9)
- Net profit for the year amounted to SEK 62.0 million (-0.4).
- Equity amounted to SEK 1,489.8 million (1,425.4)
- Net investments in intangible assets and property, plant and equipment amounted to SEK 2.2 million (1.5).

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 2019.

THE FOLLOWING NON-RESTRICTED EQUITY IN THE PARENT COMPANY IS AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING, SEK:

Share premium reserve	1,363,190,520
Retained earnings	59,208,388
Profit for the year	62,037,706
Total	**1,484,436,614**

THE BOARD OF DIRECTORS PROPOSES THAT PROFIT BE ALLOCATED AS FOLLOWS, SEK:

Carried forward to the share premium reserve	1,363,190,520
Carried forward to retained earnings	121,246,094
Total	**1,484,436,614**

Multi-year review
Consolidated

Income statement, SEK million	2019 12 mon	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Net sales	5,035.6	3,986.6	3,058.1	2,333.9	844.4	605.5
Cost of goods and services sold	-3,641.4	-2,978.2	-2,278.1	-1,691.6	-592.5	-372.6
Gross profit	**1,394.1**	**1,008.4**	**780.0**	**642.3**	**251.9**	**232.9**
Other revenue	103.1	109.6	59.5	40.8	29.6	13.8
Work performed by the entity and capitalized	38.6	21.7	17.9	22.7	3.3	3.8
Employee benefits expenses	-537.6	-405.1	-312.6	-281.7	-124.7	-102.3
Other expenses	-442.7	-361.4	-281.7	-262.2	-66.9	-70.0
Operating profit, EBITDA	**555.5**	**373.3**	**263.2**	**161.9**	**93.1**	**78.3**
Depreciation, amortization, and impairments	-183.9	-155.5	-138.3	-49.5	-4.4	-2.0
Operating profit, EBIT	**371.6**	**217.8**	**124.9**	**112.5**	**88.7**	**76.2**
Financial income	41.9	22.6	185.2	105.1	0.9	0.6
Finance expenses	-58.5	-39.1	-235.7	-96.2	-19.8	-32.8
Profit before tax	**355.0**	**201.3**	**74.4**	**121.4**	**69.8**	**44.1**
Tax	-80.6	-21.8	60.0	-9.8	-16.8	-10.8
Profit for the year	**274.5**	**179.5**	**134.4**	**111.6**	**52.9**	**33.3**
Attributable to:						
Owners of the parent	274.6	179.5	133.9	111.3	53.2	33.3
Non-controlling interests	-0.1	0.0	0.5	0.2	-0.3	0.0

Balance sheet, SEK million	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	30 Jun 2015	30 Jun 2014
Intangible assets	2,791.4	2,145.5	1,763.6	1,564.9	65.9	54.5
Property, plant, and equipment	106.2	18.9	23.1	14.2	4.7	1.7
Financial assets	12.0	15.1	29.2	11.4	2.6	–
Deferred tax assets	237.6	191.9	191.4	29.6	0.2	4.4
Current assets excluding cash and cash equivalents	1,377.4	1,074.2	858.7	587.2	189.8	192.2
Cash and cash equivalents	466.3	180.8	164.6	115.3	71.0	55.9
Total assets	**4,990.9**	**3,626.3**	**3,030.6**	**2,322.6**	**334.2**	**308.7**
Equity	1,998.6	1,664.2	1,494.6	865.0	41.5	-128.3
Non-current liabilities	1,777.0	841.6	638.3	744.6	94.3	308.8
Current liabilities	1,215.3	1,120.5	897.8	713.0	198.5	128.3
Total equity and liabilities	**4,990.9**	**3,626.3**	**3,030.6**	**2,322.6**	**334.2**	**308.7**

Cash flow statement, SEK million	2019 12 mon	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Cash flow from operating activities	327.3	304.6	51.3	107.6	94.9	-5.1
Cash flow from investing activities	-712.4	-370.4	-562.6	-1,053.4	-9.8	13.5
Cash flow from financing activities	673.1	75.5	564.2	989.2	-70.2	-13.5
Cash flow for the year	**288.0**	**9.8**	**52.9**	**43.4**	**14.9**	**-5.1**
Cash and cash equivalents at the beginning of the financial year	180.8	164.6	115.3	71.0	55.9	61.0
Exchange rate differences in cash and cash equivalents	-2.4	6.4	-3.7	1.0	0.2	0.1
Cash and cash equivalents at the end of the financial year	**466.3**	**180.8**	**164.6**	**115.3**	**71.0**	**55.9**

Key data	2019 12 mon	2018 12 mon	2017 12 mon	2015/16 18 mon	2014/15 12 mon	2013/14 12 mon
Return on equity, %	15.0	11.4	11.4	24.6	-121.8	-23.0
Gross margin, %	27.7	25.3	25.5	27.5	29.8	38.5
EBITDA margin, %	11.0	9.4	8.6	6.9	11.0	12.9
EBIT margin, %	7.4	5.5	4.1	4.8	10.5	12.6
Equity/assets ratio, %	40.0	45.9	49.3	37.2	12.4	-41.6
Net debt, SEK million	958.7	405.5	348.8	368.6	8.9	245.6
Items affecting comparability in EBITDA, SEK million	-18.0	6.2	-33.5	-76.1	4.0	–
Adjusted EBITDA, SEK million	573.5	367.1	296.7	238.1	89.1	78.3
Adjusted EBITDA/gross profit, %	41.1	36.4	38.0	37.1	35.4	33.6
Net debt, SEK million	958.7	405.5	348.8	368.6	8.9	245.6
Net debt/Adjusted EBITDA, multiple	1.7	1.1	1.2	1.5	0.1	3.1
Interest coverage ratio, multiple	14.0	9.9	7.1	14.2	4.5	2.3

Share data	2019 12 mon	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	53,602,089	49,534,442	1,081,081	1,000,000
Weighted average number of shares, before dilution*	53,602,089	53,602,089	52,002,693	42,706,358	34,853,978	34,853,978
Weighted average number of shares, after dilution*	54,234,275	53,602,089	52,002,693	43,212,236	34,892,690	34,853,978
Basic earnings per share, SEK	5.12	3.35	2.58	2.58	1.53	0.96
Diluted earnings per share, SEK	5.06	3.35	2.58	2.55	1.52	0.96
Dividend per share, SEK	0	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.

Financial measurements not defined under IFRS

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

Return on equity
Definition: Profit or loss for the year divided by average equity
Purpose: Return on equity is a measure of profitability in relation to the book value of equity. Return on equity is a measure of how investments are used to generate higher earnings and return on shareholders' capital.

Gross margin
Definition: Gross profit divided by net sales
Purpose: Gross margin reflects the percentage of the company's net sales that constitutes its own value and not paid to suppliers (mobile operators).

Gross profit
Definition: Net sales less the cost of goods and services sold
Purpose: Displays the company's own value creation excluding costs to suppliers (mobile operators).

Average total equity
Definition:Total equity at the end of the preceding year plus total equity at the end of the current year divided by two
Purpose: Used for calculating return on equity.

Net debt
Definition: Interest-bearing liabilities less cash and cash equivalents
Purpose: Used to track debt development and see the size of refinancing needs.

Organic growth
Definition: Growth adjusted for the effect of acquisitions and change in foreign exchange rates
Purpose: Sinch's accounting currency is SEK, while revenues and expenses are mainly in other currencies. Growth adjusted for acquired units and currency effects show the underlying growth.

Gross profit growth
Definition: Gross profit of the year divided by preceding year's gross profit
Purpose: Growth in gross profit is more relevant that growth in net sales because the cost of goods sold varies widely between different geographical markets.

Interest-bearing liabilities
Definition: Bank loans, bonds, and leasing liabilities
Purpose: Used for calculating net debt.

Interest coverage ratio
Definition: EBIT plus interest income divided by interest expenses-
Purpose: Indicates the company's ability to cover its interest expenses.

Operating profit, EBITDA
Definition: Profit for the period before financial income, financial expenses, tax and depreciation and amortization and impairment of intangible assets and property, plant, and equipment
Syfte: Enables comparisons of profitability over time regardless of the effects of depreciation rate on fixed assets, financing structure and corporate tax rates.

Adjusted EBIT
Definition: EBIT adjusted for items affecting comparability that affected EBIT and amortization of acquisition related assets
Purpose: Enables comparisons of profitability over time regardless of the depreciation and write-downs of acquisition related intangible assets as well as corporate tax rates and financing structure. The key figure is also adjusted for items affecting comparability to increase comparability over time. Depreciation of tangible assets and other intangible assets is included, as it is a measure of resource consumption that is necessary to generate results.

Adjusted EBITDA
Definition: EBITDA adjusted for items affecting comparability that affected EBITDA
Purpose: Enables comparisons of profitability over time regardless of the effects of depreciation rate on fixed assets, financing structure and corporate tax rates. The key figure is also adjusted for items affecting comparability to increase comparability over time.

Adjusted EBITDA per share
Definition: Adjusted EBITDA divided by the volume-weighted average number of shares outstanding for the period after dilution
Purpose: Measures the earnings per share that the business creates adjusted for the impact of items affecting comparability.

Items affecting comparability
Definition: Non-recurring items such as capital gain/losses, impairments, IPO expenses, acquisition costs, integration costs and restructuring costs
Purpose: Separation of items affecting comparability clarifies the development of the underlying business.

Amortization of acquisition related assets
Definition: Amortization of acquired customer relations, operator relations, trademarks, and proprietary software
Purpose: The level of acquisition-related amortization is reported separately because they relate to the price of historical acquisitions rather than current investments in the business.

EBIT margin/adjusted EBIT margin
Definition: EBIT/adjusted EBIT divided by net sales

EBITDA margin/adjusted EBITDA margin
Definition: EBITDA/adjusted EBITDA divided by net sales

Adjusted EBITDA/gross profit
Definition: Adjusted EBITDA divided by gross profit
Purpose: The measure shows the company's operating margin excluding costs for goods sold (charges to mobile operators), which can partly be regarded as pass-through invoicing.

Net debt/adjusted EBITDA
Definition: Net debt divided by adjusted EBITDA
Purpose: Shows how many years it would take to pay off the company's debt, provided that the net debt and EBITDA are constant and without regard to other cash flows such as interest, tax and investments.

Equity/assets ratio
Definition: Equity divided by total assets
Purpose: Shows the company's financial position. Good solvency gives a readiness to handle periods of weak economic activity and financial preparedness for growth.

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.

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

Reconciliation, Gross profit	2019	2018
Net sales	5,035,553	3,986,643
Cost of goods and services sold	-3,641,449	-2,978,239
Gross profit	**1,394,103**	**1,008,404**

Items affecting comparability	2019	2018
Acquisition costs	-15,079	-9,432
Restructuring costs	–	8,884
Integration costs	-2,957	-27,174
Capital gain or loss, sale of mobile payments business	–	-8,125
Income, adjusted earnout	–	42,018
Total items affecting EBITDA comparability (1)	**-18,036**	**6,171**
Impairment of non-current assets IoT	–	-9,212
Total items affecting EBIT comparability (2)	**-18,036**	**-3,041**

Amortization of acquisition related assets	2019	2018
Amortization of proprietary software	-26,490	-22,875
Amortization of customer relationships	-92,877	-87,049
Amortization of operator relationships	-14,199	-13,747
Amortization of trademarks	-388	-324
Total amortization of acquisition related assets (3)	**-133,954**	**-123,995**
Total adjustments (2) + (3)	**-151,990**	**-127,036**

Reconciliation, Adjusted EBITDA	2019	2018
EBITDA	555,508	373,293
Items affecting EBITDA comparability (1)	18,036	-6,171
Adjusted EBITDA	**573,544**	**367,122**

Reconciliation, Adjusted EBIT	2019	2018
EBIT	371,642	217,808
Items affecting EBIT comparability (2)	18,036	3,041
Amortization of acquisition related assets (3)	133,954	123,995
Adjusted EBIT	**523,632**	**344,844**

Reconciliation, Net debt	31 Dec 2019	31 Dec 2018
Non-current interest-bearing liabilities	1,366,972	487,211
Current interest-bearing liabilities	58,051	99,037
Cash and cash equivalents	-466,297	-180,759
Net debt	**958,726**	**405,489**

Reconciliation, Interest coverage ratio	2019	2018
EBIT	371,642	217,808
Interest income	3,735	2,666
EBIT + interest income (1)	375,377	220,474
Interest expenses (2)	26,852	22,367
Interest coverage ratio, (1) divided by (2)	**14.0**	**9.9**

Income statement
Consolidated

	Note	2019	2018
Net sales	3	**5,035,553**	**3,986,643**
Other operating expenses	4	103,131	109,639
Work performed by the entity and capitalized	13	38,560	21,728
Cost of goods and services sold		-3,641,449	-2,978,239
Other external expenses	5, 6	-328,748	-280,321
Employee benefits expenses	7	-537,603	-405,086
Other operating expenses	4	-113,936	-81,071
Operating profit before depreciation, amortization and impairments, EBITDA		**555,508**	**373,293**
Depreciation, amortization and impairments	13, 14, 15	-183,866	-155,485
Operating profit, EBIT		**371,642**	**217,808**
Financial income	8	41,897	22,556
Finance expenses	8	-58,507	-39,066
Profit before tax		**355,032**	**201,298**
Current tax	10	-83,824	-41,098
Deferred tax	10	3,261	19,336
Profit for the year		**274,469**	**179,536**
Attributable to:			
Owners of the parent		274,614	179,528
Non-controlling interests		-145	11
Earnings per share, SEK			
Basic	11	5.12	3.35
Diluted	11	5.06	3.35

Statement of comprehensive income
Consolidated

	Note	2019	2018
Profit for the year		274,469	179,536
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss for the period			
Translation differences		61,356	-13,154
Hedge accounting, net investment		-5,745	-6,281
Tax effect of items in other comprehensive income	10	1,229	1,023
Other comprehensive income for the year		**56,840**	**-18,412**
Comprehensive income for the year		**331,309**	**161,124**
Attributable to:			
Owners of the parent		331,518	161,364
Non-controlling interests		-209	-240

Statement of financial position
Consolidated

	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	12	1,753,906	1,221,841
Customer relationships	13	764,003	682,640
Operator relationships	13	106,824	102,887
Proprietary software	13	162,694	135,821
Other intangible assets	13	3,924	2,308
Property, plant, and equipment	14	29,676	18,897
Right-of-use assets	15	76,567	–
Financial assets	16	11,987	15,104
Deferred tax assets	10	237,648	191,917
Total non-current assets		**3,147,228**	**2,371,414**
Current assets			
Inventory		362	689
Accounts receivable	17	1,159,641	879,890
Tax assets		23,802	15,583
Other current receivables	18	57,259	83,632
Accrued income and prepaid expenses	3, 19	136,338	94,362
Cash and cash equivalents	30	466,297	180,759
Total current assets		**1,843,699**	**1,254,915**
Total assets		**4,990,927**	**3,626,329**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		5,360	5,360
Other capital contributions		1,390,831	1,386,759
Reserves		75,425	18,521
Accumulated losses including profit for the year		526,309	252,643
Equity attributable to owners of the parent		**1,997,926**	**1,663,283**
Non-controlling interests		699	908
Total equity		**1,998,624**	**1,664,190**
Non-current liabilities			
Deferred tax liabilities	10	270,334	218,360
Other non-current liabilities, interest-bearing	21	1,366,972	487,211
Other non-current liabilities, non-interest-bearing	22	139,717	136,077
Total non-current liabilities		**1,777,023**	**841,647**
Current liabilities			
Contract liabilities/Advance payments from customers	3	26,478	26,424
Provisions	23	21,318	27,719
Accounts payable		481,907	431,417
Tax liabilities		9,726	35,474
Other current liabilities, interest-bearing	21	58,051	99,037
Other current liabilities, non-interest-bearing	22	36,878	50,278
Accrued expenses and prepaid income	24	580,922	450,143
Total current liabilities		**1,215,280**	**1,120,492**
Total equity and liabilities		**4,990,927**	**3,626,329**

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-controlling interests	Total equity
Opening balance at 1 January 2018	**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**
Profit for the year				274,614	274,614	-145	274,469
Other comprehensive income			56,904		56,904	-64	56,840
Warrants		4,072			4,072		4,072
Issue expenses, net after tax				-948	-948		-948
Closing balance at 31 December 2019	**5,360**	**1,390,831**	**75,425**	**526,309**	**1,997,925**	**699**	**1,998,624**

Statement of cash flows
Consolidated

	Note	2019	2018
Cash flow from operating activities			
Profit before tax		355,032	201,298
Adjustment for non-cash items	30	215,874	87,453
Income tax paid		-117,402	-65,106
Cash flow from operating activities before changes in working capital		**453,503**	**223,645**
Change in inventories		327	3,290
Change in accounts receivable		-220,755	-157,577
Change in other current receivables		-15,618	57,043
Change in accounts payable		-1,043	157,114
Change in other current liabilities		110,838	21,125
Cash flow from operating activities		**327,254**	**304,640**
Investing activities			
Acquisition of intangible assets	13	-38,679	-21,813
Acquisition of property, plant, and equipment	14	-17,347	-6,639
Change in financial receivables		12,120	-20,424
Acquisition of subsidiaries, net effect on cash and cash equivalents	31	-668,471	-321,508
Cash flow from investing activities		**-712,377**	**-370,384**
Financing activities			
New borrowing	21	1,453,413	722,234
Amortization of bank loan	21	-756,667	-654,016
Amortization, lease liability		-25,772	-154
Rights issue warrants	20	2,116	7,447
Cash flow from financing activities	30	**673,091**	**75,511**
Cash flow for the year		**287,967**	**9,767**
Cash and cash equivalents at the beginning of the financial year		180,759	164,588
Exchange rate differences in cash and cash equivalents		-2,429	6,404
Cash and cash equivalents at the end of the financial year	30	**466,297**	**180,759**

Income statement
Parent company

	Note	2019	2018
Net sales	1	**45,689**	**30,879**
Other operating expenses	4	224	90
Operating expenses			
Other external expenses	5, 6	-50,379	-37,069
Employee benefits expenses	7	-28,985	-17,959
Other operating expenses	4	-427	-114
Operating profit before depreciation, amortization and impairments		**-33,879**	**-24,172**
Depreciation, amortization and impairments	13, 14	-1,956	-1,735
Operating loss		**-35,835**	**-25,907**
Interest income and similar profit items	8	200,216	125,760
Interest expenses and similar profit items	8	-62,438	-54,657
Profit after net financial income/expenses		**101,943**	**45,196**
Appropriations	9	-25,680	-45,574
Profit/loss before tax		**76,263**	**-379**
Tax on profit/loss for the year	10	-14,225	-9
Profit/loss for the year [1]		**62,038**	**-388**

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

Balance sheet
Parent company

	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	13	–	124
Property, plant, and equipment	14	6,820	6,477
Financial assets			
Investments in group companies	16	501,749	501,699
Non-current receivables, group companies	16	2,442,618	1,625,560
Total financial assets		**2,944,366**	**2,127,258**
Total non-current assets		**2,951,186**	**2,133,859**
Current assets			
Receivables from group companies		6,833	50,449
Tax assets		–	720
Other current receivables	18	7,097	1,124
Accrued income and prepaid expenses	19	12,542	7,077
Cash and bank balances	30	228	168
Total current assets		**26,700**	**59,537**
Total assets		**2,977,887**	**2,193,396**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	5,360	5,360
Total restricted equity		**5,360**	**5,360**
Share premium reserve		1,363,191	1,359,869
Retained earnings		59,208	60,544
Profit/loss for the year		62,038	-388
Total non-restricted equity		**1,484,437**	**1,420,025**
Total equity		**1,489,797**	**1,425,385**
Untaxed reserves	25	**28,381**	**8,554**
Provision for contingent consideration	23	–	11,388
Deferred tax liabilities	10	1,352	–
Total provisions		**1,352**	**11,388**
Non-current liabilities			
Liabilities to credit institutions	21	1,268,625	487,211
Total non-current liabilities		**1,268,625**	**487,211**
Current liabilities			
Accounts payable		10,785	7,099
Tax liabilities		11,825	–
Liabilities to group companies		121,382	148,622
Liabilities to credit institutions	21	36,183	98,909
Financial lease liability	21	–	128
Other current liabilities	22	2,003	1,612
Accrued expenses and prepaid income	24	7,553	4,487
Total current liabilities		**189,731**	**260,858**
Total equity and liabilities		**2,977,887**	**2,193,396**

Statement of changes in equity
Parent company

	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance at 1 January 2018	**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**
Profit for the year			62,038	62,038
Warrants		3,322		3,322
Issue expenses, net after tax			-948	-948
Closing balance at 31 December 2019	**5,360**	**1,363,191**	**121,247**	**1,489,797**

Cash flow statement
Parent company

	Note	2019	2018
Cash flow from operating activities			
Profit/loss after net financial income/expenses		101,943	45,196
Adjustment for non-cash items	30	19,269	5,957
Income tax paid		-69	-4,519
Cash flow from operating activities before changes in working capital		**121,142**	**46,633**
Change in other current receivables		14,178	128,069
Change in accounts payable		8,312	3,141
Change in other current liabilities		-21,744	53,860
Cash flow from operating activities		**121,887**	**231,703**
Investing activities			
Acquisition of property, plant, and equipment		-2,175	-1,461
Change in financial receivables, group companies		-817,058	-116,151
Acquisitions of subsidiaries	31	-11,397	-80
Cash flow from investing activities		**-830,631**	**-117,692**
Financing activities			
Borrowings, bank and bond loans	21	1,453,413	723,032
Amortization of bank loan	21	-756,085	-654,170
Amortization of lease liability		-128	–
Change in financial liabilities, group companies		15,339	-144,834
Rights issue/warrants		2,116	7,447
Group contribution received/provided		-5,853	-45,327
Cash flow from financing activities		**708,803**	**-113,853**
Cash flow for the year		**59**	**158**
Cash and cash equivalents at the beginning of the financial year		168	10
Cash and cash equivalents at the end of the financial year	30	**228**	**168**

Notes

NOTE 1.

Accounting policies

General information

Sinch AB (publ), 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, Sweden. 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 products and services.

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, except 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 (SEK). 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 or made or other circumstances exist.

Portions of consolidated sales originate from large and complex projects under fixed-price contracts. Projects are recognized in revenue successively as they are completed. The percentage of completion is determined based on services performed at the reporting date pro rata to the total performance. Estimation of the percentage of services performed is based on the total costs of the respective project. If an inaccurate estimation of the percentage of completion is made, this may result in erroneous reporting of consolidated sales and profit.

A sensitivity analysis shows that a changed assessment of the percentage of completion of 10 percentage points could have an effect on earnings of SEK 8,620 thousand (7,458).

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 12. As understood by the description in Note 12, 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 2019, the carrying amount of deferred tax assets was SEK 237,648 thousand (191,917) and the carrying amount of deferred tax liabilities was SEK 270,334 thousand (218,360).

New and amended IFRSs and interpretations 2019

Sinch applied IFRS 16 *Leases* for the first time effective 1 January 2019. The standard supersedes IAS 17 *Leases*. By reason of the transition from interbank offered rates, Sinch has chosen early application of *Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, and IFRS 7*. This change will have no impact on the financial statements. 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

Sinch applied IFRS 16 *Leases* for the first time as of 1 January 2019. Sinch has consequently changed its accounting policies for leases as follows. Sinch has elected to apply the modified retroactive approach to the transition. The implications include that figures for the comparative year will not be restated in accordance with IFRS 16. Figures for the comparative year are therefore reported in accordance with IAS 17 *Leases*.

DEFINITION OF LEASES

IFRS 16 requires the lessee to report virtually all leases on the statement of financial position (balance sheet). Consequently, leases are no longer 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 (ROU) asset is carried at cost less accumulated depreciation and impairment, if any, and adjusted for any remeasurement of the lease liability. ROU assets are depreciated on a straight-line basis across the shorter of the useful life of the asset and the term of the lease. The lease liability is recognized in the statement of financial position and is carried 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 in that 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.

TRANSITION

Sinch is applying 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 as of 1 January 2019 and comparison years are not adjusted. Leases previously classified as finance leases have not been 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.

Sinch applies the exemption that gives the right not to report short-term leasing contracts as well as for leases with low underlying asset values. The contracts are expensed on a straight-line basis. The interest expense for leasing liabilities is presented as a component of financial expenses separately from depreciation of ROU assets. In the cash flow statement, payments attributable to the leasing liability are reported in financing activities, while payments for short-term leases, low value leases and variable leasing fees, that are not included in the valuation of the leasing liability, are reported within the operations.

Reconciliation of operating lease obligations

Operating lease obligations as of 31 December 2018	98,913
Discount at the Group 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**

Effects on the statement of financial position, 1 January 2019

ROU assets	88,820
Prepaid expenses	-5,027
Equity	–
Lease liability - current	24,892
Lease liability - non-current	58,901

New and amended IFRSs 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 applied in the preparation of these financial statements. There is no plan to early apply new standards or amendments that become effective for annual periods subsequent to 2020. New and amended standards and interpretations that will become effective in the future are not expected to have material impact on Sinch's financial statements.

Classification of current and non-current items

Assets and liabilities within the Sinch Group 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 later than one year from 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. See 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 Sinch AB (publ). 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 fair value at acquisition date 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 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 interest and assumed liabilities are recognized separately, the difference is recognized as goodwill. If the difference is negative (a "bargain purchase"), 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 preexisting 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

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

POLICIES APPLIED FROM 1 JANUARY 2019

When a contract is made, the Group determines whether the contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange tor consideration.

At the date the lease commences or upon remeasurement of a lease that contains several components, lease or non-lease components, the Group allocates the consideration payable under the contract based on the relative stand-alone price of each component. When the components cannot be separated, they are accounted for as a single lease component.

LEASES IN WHICH THE GROUP IS THE LESSEE

The Group recognizes a right-of-use (ROU) asset and a lease liability when the lease commences. The ROU asset is initially recognized at cost, which consists of the initial value of the lease liability plus payments at or prior to commencement plus any initial direct costs. The ROU asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the period of use and the end of the lease term, which for the Group is normally the end of the lease term. When the cost of the ROU asset reflects the fact that the Group will exercise the option to purchase the underlying asset, the asset is depreciated to the end of the period of use.

The lease liability, which is divided into current and non-current components, is initially measured at the present value of remaining lease payments during the assessed lease term. The lease term is the non-cancellable period plus periods covered by an extension option if exercise of that option is reasonable certain at the commencement date.

Lease payments are discounted at the Group's incremental borrowing rate, which reflects the Group's credit risk. The incremental borrowing rate is allocated to various terms depending on the duration of the leases.

The lease liability comprises the present value of the following payments during the assessed lease term:

- fixed payments
- variable lease payments linked to an index or rate, initially measured using the index or rate as of the commencement date,
- any amounts expected to be payable under residual value guarantees,
- the settlement amount for a purchase option the Group is reasonably certain will be exercised, and
- penalties payable upon termination of the lease if the determined lease term reflects that such termination will occur.

The value of the liability increases by the interest expense for each period and is reduced by payments made. The interest expense is calculated as the value of the liability multiplied by the discount rate.

The lease liability for premises occupied by the Group where rent is index-linked is calculated based on the rent in effect at the end of each reporting period. At this date, the liability is adjusted with a corresponding adjustment of the carrying amount of the ROU asset. Likewise, the value of the liability and of the asset are adjusted when the lease term is remeasured. This occurs when the final termination date within the previously determined lease term for a lease for premises has passed or when significant events occur or there is a material change in circumstances in a manner that is within the Group's control and affects the current determination of the lease term.

ROU assets and lease liabilities are not recognized for leases with a term of 12 months or less or leases where the underlying asset is of low value (below SEK 50,000). Payments for these leases are recognized as an expense on a straight-line basis over the lease term. This also applies to variable lease payments.

See "Impairments" for information concerning impairment testing.

LEASES IN WHICH THE GROUP IS THE LESSOR

When the Group is the lessor, each lease is classified at the commencement date as either a finance lease or an operating lease.

When the classification is determined, a general assessment is performed of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease. If it is not, it is an operating lease.

When a leased asset is subleased, the head lease and the sublease are accounted for as two separate leases. The Group classifies the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying assets.

The Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term.

Leases according to policies applied through 31 December 2018

OPERATING LEASES

Costs related to operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Incentives received in conjunction with signing a lease are recognized in profit or 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

In accounting for finance leases, the asset is recognized as a non-current asset in the statement of financial position and initially measured at the lower of the fair value of the leased property and the present value of minimum lease payments at the inception of the lease. The corresponding obligation to pay future lease payments is recognized as a current or non-current liability. Leased assets are depreciated over the useful life of the asset, while lease payments are recognized as interest and repayments of the liabilities.

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 value of financial assets or liabilities at fair value through profit or 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 or loss, and such losses on hedge instruments recognized in profit for the year. Borrowing expenses are recognized in profit or 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 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.

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 are adjusted to account for the effects of potentially dilutive ordinary shares.

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	1-1.5 years
– Proprietary software	3–5 years

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, and 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.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Assets are depreciated on a straight-line basis across the estimated useful life of the asset.

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.

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 of disposal (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. Impairments 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.

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 that do not have a significant financing component, 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 business combination or the issue. Accounts receivable that do not have a significant financing component 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 and liabilities at fair value through profit or loss

SUBSEQUENT MEASUREMENT

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 MEASUREMENT

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 AND 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 29 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, if risks and benefits are transferred 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 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 AND HEDGE ACCOUNTING

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 good will) 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.

Provisions

Provisions differ from other liabilities in that the timing or amount to settle the provision is uncertain. Provisions are recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are recognized in the amounts that are best estimates of the outflows that will be required to settle the existing obligation at the reporting date. Where the time value of money is material, provisions are measured by discounting the expected future cash flow at a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability

RESTRUCTURING
A provision for restructuring is recognized when a detailed formal restructuring plan has been adopted and has started being implemented, or 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 benefits 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 and 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 likely 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 insurance fees attributable to the employee benefits expense that arises upon vesting are expensed over the vesting period. The provision for social security charges is based on the fair value of the warrants at the reporting date. Fair value is mea-

sured 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.

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 use 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 IAS 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. It must also be possible to reliably estimate the amount.

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 performed by the parent company are recognized in profit or loss when the service is complete. Revenue in the parent company refers to internal group services, delivered over time.

OPERATING LEASES

Costs related to operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Incentives received in conjunction with signing a lease are recognized in profit or 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

In accounting for finance leases, the asset is recognized as a non-current asset in the balance sheet and initially measured at the lower of the fair value of the leased property and the present value of minimum lease payments at the inception of the lease. The corresponding obligation to pay future lease payments is recognized as a current or non-current liability. Leased assets are depreciated over the useful life of the asset, while lease payments are recognized as interest and repayments of the liabilities.

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.

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.

NOTE 2.

Segment reporting

2019, SEK million	Messaging	Voice and Video	Operators	Corporate and eliminations	Group
Revenue from external customers	**4,619.8**	**248.5**	**167.3**	**–**	**5,035.6**
Revenue from other segments	72.7	0.4	6.0	-79.1	–
Gross profit	**1,124.4**	**109.5**	**160.2**	**0.0**	**1,394.1**
EBITDA	**557.3**	**26.6**	**15.7**	**-44.1**	**555.5**
Depreciation, amortization and impairments					-183.9
EBIT					**371.6**
Financial income and expenses					-16.6
Profit before tax					**355.0**
Non-current assets[1)]					**2,897.6**

[1)] Of which Sweden SEK 298.5 million, Brazil SEK 439.4 million, Denmark SEK 204.4 million, France SEK 247.2 million, United Kingdom SEK 375.9 million, Germany SEK 149.9 million, United States SEK 1,178.7 million and other countries SEK 3.6 million. Corporate includes EBITDA for the parent company in the amount of SEK -19.4 million.

2018, SEK million	Messaging	Voice and Video	Operators	Corporate and eliminations	Group
Revenue from external customers	**3,744.1**	**91.0**	**151.5**	**–**	**3,986.6**
Revenue from other segments	8.2	0.4	5.3	-13.9	–
Gross profit	**817.3**	**50.5**	**140.6**	**0.0**	**1,008.4**
EBITDA	**376.7**	**-10.5**	**23.8**	**-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)]					**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.

Group operations are divided into operating segments based on which parts of operations are monitored by executive management. Sinch's executive 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 executive 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 executive management broken down by segment. Non-current assets include intangible assets and property, plant and equipment.

From 1 January 2019, the Group's operating segments are Messaging, Voice and Video and Operators. Vehicle was previously a separate segment, but as of 1 January 2019 included in Messaging. Earlier periods have been restated.

- Revenues in Messaging consist of fees for handling messages and executing and handling of personalized and dynamic video and MMS messages for enterprises. The costs consist mainly of fees to telecom operators, advertising costs, and payroll.
- Voice and Video's revenues consist mainly of fees for handling voice and video communications. The costs consist mainly of fees to telecom operators and payroll.
- Revenues within Operators consist mainly of software licenses including upgrades and support fees. The costs consist mainly of 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.

The Group has one customer (none in 2018) that singlehandedly contributed 10 percent or more to the Group's revenue. The customer is reported in the Messaging segment.

NOTE 3.

Revenue from contracts with customers

2019	Messaging	Voice and Video	Operators	Group
External net sales distributed by country/region				
Sweden	325,566	12,278	32,200	370,044
France	455,186	500	–	455,686
United Kingdom	711,074	5,458	4,233	720,765
Germany	363,482	7,800	2,696	373,978
Other EU countries	458,720	86,104	53,677	598,501
United States	1,745,821	61,161	2,636	1,809,619
Rest of the world	559,902	75,154	71,905	706,961
Total	**4,619,750**	**248,456**	**167,346**	**5,035,553**
External net sales distributed by products and services				
Messaging services	4,499,263	248,456	–	4,747,718
Initial software licenses and upgrades	–	–	64,520	64,520
Hardware	–	–	–	0
Support	6,160	–	102,826	108,987
Other	114,327	–	–	114,327
Total	**4,619,750**	**248,456**	**167,346**	**5,035,553**
Point in time of revenue recognition				
Over time	6,160	–	167,346	173,507
At a specific date	4,613,590	248,456	–	4,862,046
Total	**4,619,750**	**248,456**	**167,346**	**5,035,553**

2018	Messaging	Voice and Video	Operators	Group
External net sales distributed by country/region				
Sweden	232,026	14,989	31,974	278,989
France	466,375	186	–	466,561
United Kingdom	603,149	2,846	1,787	607,782
Germany	363,415	1,329	3,523	368,267
Other EU countries	508,288	18,439	40,437	567,164
United States	1,100,850	39,480	2,219	1,142,549
Rest of the world	469,986	13,774	71,571	555,331
Total	**3,744,089**	**91,043**	**151,511**	**3,986,643**
External net sales distributed by products and services				
Messaging services	3,730,521	91,043	–	3,821,564
Initial software licenses and upgrades	816	–	43,946	44,762
Hardware	–	–	8	8
Support	5,748	–	107,545	113,293
Other	7,004	–	12	7,016
Total	**3,744,089**	**91,043**	**151,511**	**3,986,643**
Point in time of revenue recognition				
Over time	1,429	–	39,194	40,623
At a specific date	3,742,660	91,043	112,317	3,946,020
Total	**3,744,089**	**91,043**	**151,511**	**3,986,643**

REVENUE-RELATED CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
Contract assets	31 Dec 2019	31 Dec 2018
Accrued income	93,216	64,920
Impairment reserve	-498	-260
Total contract assets	**92,718**	**64,660**

	Group	
Contract liabilities/Advance payments from customers	2019	2018
Balance at opening date	26,424	22,073
Through acquisitions of group companies	–	–
Revenue reported as attributable to contract liabilities that existed at the beginning of the year	-25,287	-21,038
Payment from customers for performance obligations not satisfied at year-end	24,350	24,739
Translation differences	990	650
Balance on the closing date	**26,478**	**26,424**

NOTE 4.

Other operating income and other operating expenses

	Group		Parent company	
Other operating expenses	2019	2018	2019	2018
Exchange rate gains	100,052	65,707	223	90
Recovered previously impaired accounts receivable	–	1	–	–
Adjustment of earnout liability, Sinch Mobile AB*	–	42,018	–	–
Other	3,079	1,913	1	–
Total	**103,131**	**109,639**	**224**	**90**

* The purchase agreement for Sinch Mobile AB also 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.

	Group		Parent company	
Other operating expenses	2019	2018	2019	2018
Exchange rate losses	-103,170	-79,138	-427	-114
Confirmed customer losses	-7,306	-3,351	–	–
Provision for doubtful receivables	-3,460	1,418	–	–
Total	**-113,936**	**-81,071**	**-427**	**-114**

NOTE 5.

Auditor's fees

	Group		Parent company	
	2019	2018	2019	2018
Statutory audit services				
Deloitte	2,934	3,543	554	578
Other audit firms	415	266	–	–
Audit-related services				
Deloitte	202	96	169	96
Other audit firms	–	–	–	–
Tax services				
Deloitte	–	–	–	–
Other audit firms	–	–	–	–
Other services				
Deloitte	–	864	–	40
Other audit firms	295	126	–	–
Total	**3,847**	**4,895**	**723**	**714**

OTHER SERVICES, DELOITTE

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

NOTE 6.

Other external expenses

	Group		Parent company	
Other external expenses	2019	2018	2019	2018
Acquisition costs	-15,079	-9,433	–	–
Restructuring costs	–	8,884	–	–
Integration costs	-2,957	-27,174	–	–
Capital loss, sale of mobile payments business	–	-8,125	–	–
Other external costs	-310,712	-244,473	-35,852	-37,069
Total	**-328,748**	**-280,321**	**-35,852**	**-37,069**

A restructuring reserve for employee benefits expense was reversed in 2018 in the amount of SEK 8,884 thousand because more people than estimated where given the opportunity to take on other roles within the Group and continue their employment.

NOTE 7.

Employees, employee benefits expense and compensation to senior management personnel

	Group		Parent company	
Salaries and other compensation	**2019**	**2018**	**2019**	**2018**
Salaries and other compensation	389,225	308,812	16,548	11,910
(of which variable pay)	41,240	37,148	1,911	398
Other benefits	4,901	3,131	3,926	–
Pension expenses	29,843	21,375	3,239	1,966
Other social security expenses	90,279	60,043	5,425	3,950
Total	**514,247**	**393,362**	**29,138**	**17,826**

	2019					
Compensation to senior management personnel - Group	**Base pay, fee**	**Variable compensa-tion**	**Other benefits**	**Pension expenses**	**Other social security expenses**	**Total**
Erik Fröberg, Chairman*	730	–	–	–	229	**959**
Bridget Cosgrave, director*	300	–	–	–	94	**394**
Renée Robinson Strömberg, director*	320	–	–	–	101	**421**
Johan Stuart, director*	380	–	–	–	119	**499**
Björn Zethraeus, director*	687	–	5	92	238	**1,022**
CEO Oscar Werner, Jan-Oct*	1,940	600	3,869	626	950	**7,985**
CEO Oscar Werner, Nov-Dec	814	–	132	–	78	**1,024**
Other senior management personnel (5 individuals, of whom 3 for part of the year)*	6,518	635	14	1,502	2,612	**11,281**
Other senior management personnel (6 individuals, of whom 2 for part of the year)	6,387	867	380	1,029	2,119	**10,783**
Total senior management personnel	**18,076**	**2,103**	**4,400**	**3,249**	**6,541**	**34,369**

*Parent company

	2018					
Compensation to senior management personnel - Group	**Base pay, fee**	**Variable compensa-tion**	**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 personnel (3 individuals, of whom 2 for part of the year)*	3,267	499	–	629	1,336	**5,731**
Other senior management personnel (5 individuals, of whom 1 for part of the year)	5,749	580	121	1,140	2,175	**9,765**
Total senior management personnel	**13,067**	**1,379**	**1,156**	**2,031**	**4,847**	**22,482**

*Parent company

Compensation to senior management personnel - Group

BOARD OF DIRECTORS

As resolved by the 2019 annual general meeting, directors' fees are paid as follows: SEK 300 thousand to non-executive directors; SEK 650 thousand to the Chairman of the Board; SEK 40 thousand to members of the Audit Committee; SEK 80 thousand to the Chairman of the Audit Committee; SEK 20 thousand to members of the Compensation Committee and SEK 40 thousand to the Chairman of the Compensation Committee. Executive directors receive base pay in their capacity as senior management personnel.

CHIEF EXECUTIVE OFFICER

In accordance with the guidelines adopted for 2019, the CEO is entitled to fixed pay, variable pay and other compensation. In accordance with the adopted guidelines, variable pay is capped at 30 percent of fixed pay. In connection with the appointment of Oscar Werner in 2018, the board of directors 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 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 reimbursement of additional costs related to relocation to the United States.

OTHER SENIOR MANAGEMENT PERSONNEL

In addition to CEO Oscar Werner and director Björn Zethraeus, executive management in 2019 included Johan Hedberg, Eva Lessing, Thomas heath, Robert Gerstmann, Anders Olin, Jonas Lindeborg, Roshan Saldanha (from March -19), Jonathan Bean (from April -19) and Vikram Khandpur (from December -19). Odd Bolin was part of executive management through February -19 and Johan Rosendahl through March -19.

In addition to CEO Johan Hedberg (through August -18), CEO Oscar Werner (from September -18) and director Björn Zethraeus, executive 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.

Other senior management personnel are entitled to fixed pay, variable pay and other benefits. Variable pay is based on business targets and, in accordance with the guidelines adopted capped at 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 personnel 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 2019

Under the incentive program adopted by the AGM on 17 May 2019 326,000 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2019 is 510,000. The program is divided into three series, with exercise periods of 22 June–22 September 2022, 22 March– 22 June 2023 and 21 March–21 June 2024. All participants have been granted one third of their warrants in each series. The average value per warrant was SEK 14.98 at the first grant date and SEK 21.61 at the second grant date. The exercise price is SEK 174.10 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 14.98 and SEK 21.61 respectively per warrant, through which Sinch has realized SEK 3.3 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.

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 during the vesting period and that Sinch's earnings per share for the last three years of the term of the warrant program 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 2.7 million distributed across the term of the program, based on a share price of SEK 190 per share.

Among senior executives, Eva Lessing, Roshan Saldanha, Jonathan Bean and Vikram Khandpur were invested to participate in the incentive program. These individuals have respectively subscribed for 13,500, 50,000, 10,000 and 100,000 warrants each. The warrants were granted in June and November 2019.

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. All participants have been granted one third of their warrants in each series. The average value per warrant was SEK 8.03 at the first grant date and SEK 23.09 at the second 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 and SEK 23.09 respectively per warrant, through which Sinch has realized SEK 10.4 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 22,500 warrants in 2018 and 2019.

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 during the vesting period and that Sinch's earnings per share for the last three years of the term of the warrant program 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 1 million distributed across the term of the program, based on a share price of SEK 63.50 per share.

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. Eva Lessing, Roshan Saldanha and Jonathan Bean were subsequently invited to participate in the incentive program and respectively subscribed for 4,320, 50,000 and 20,000 warrants. The warrants were granted in the period of January-March 2019.

Incentive program LTI 2016

Under the incentive program decided 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 has 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 109,200 warrants in 2017-2019.

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 during the vesting period and that 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, based on a share price of SEK 110 per share.

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 allotted in January 2017.

Payroll costs for vested warrants are included in profit and loss for 2019 in the amount of SEK -0.8 million (-0.9), with a corresponding increase in equity. Social security expenses are included in the amount of SEK -4.8 million (-0.1), recognized as a provision in the balance sheet. The potential dilutive effect upon exercise of all employee warrants in all programs is 4.7 percent.

Average number of employees	2019	Of whom men	2018	Of whom men
SE Sweden	235	196	192	164
AU Australia	6	4	6	4
BR Brazil	7	1	–	–
CA Canada	5	3	4	2
DE Germany	11	6	10	5
DK Denmark	19	16	19	16
ES Spain	4	4	3	3
FR France	8	6	3	2
GB Great Britain	51	36	57	40
IN India	1	–	1	–
IQ Iraq	1	1	1	1
KW Kuwait	–	–	1	–
MY Malaysia	1	–	–	–
PL Poland	2	2	–	–
SG Singapore	6	5	4	4
TR Turkey	1	1	3	3
UAE United Arab Emirates	13	12	15	13
US United States	87	59	70	49
Total	**457**	**354**	**385**	**306**
Of which, parent company (Sweden)	10	7	11	7

	31 Dec 2019		31 Dec 2018	
Senior management personnel	**Number on reporting date**	**Of whom men**	**Number on reporting date**	**Of whom men**
Group				
Directors	5	3	6	4
Other senior management personnel	11	10	8	7
Parent company				
Directors	5	3	6	4
Other senior management personnel	5	4	4	3

NOTE 8.

Financial income and expenses

Group	2019	2018
Interest income	3,735	2,666
Exchange rate gains	34,210	16,549
Other financial income	3,952	3,342
Financial income	**41,897**	**22,556**
Interest expenses, leases	-1,935	–
Other interest expenses	-26,852	-22,367
Reversal of discount effect on provision for contingent consideration	–	-13,406
Exchange rate losses	-23,270	-1,007
Other financial expenses	-6,451	-2,286
Finance expenses	**-58,507**	**-39,066**
Net financial income and expenses	**-16,611**	**-16,510**

Parent company	2019	2018
Interest income	1,045	280
Interest income, group companies	142,177	17,423
Exchange rate gains	56,994	108,057
Interest income and similar profit items	**200,216**	**125,760**
Interest expenses, group companies	-8,345	-3,450
Other interest expenses	-26,510	-21,890
Exchange rate losses	-23,262	-27,565
Other financial expenses	-4,321	-1,753
Other interest income and similar profit items	**-62,438**	**-54,657**

NOTE 9.

Appropriations

Parent company	2019	2018
Provision to tax allocation reserve	-19,649	–
Accelerated depreciation/amortization	-179	-247
Group contribution provided	-5,853	-69,927
Group contribution received	–	24,600
Total	**-25,680**	**-45,574**

NOTE 10.

Taxes

	Group		Parent company	
Tax in profit and loss	**2019**	**2018**	**2019**	**2018**
Current tax	-80,875	-38,170	-12,872	-9
Current tax from preceding year	-2,949	-2,928	–	–
Deferred tax related to timing differences	22,699	33,086	-1,352	–
Deferred tax on loss carry-forwards (LCFW)	-19,687	-9,188	–	–
Deferred tax on changed tax rate	249	-4,562	–	–
Total	**-80,563**	**-21,762**	**-14,225**	**-9**

Current tax recognized directly against equity amounts to SEK 258 thousand (147) and refers to tax on issue costs.

Deferred tax recognized in other comprehensive income amounts to SEK 1,229 thousand (1,023) 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	**2019**	**2018**	**2019**	**2018**
Profit before tax	355,032	201,298	76,263	-379
Tax calculated according to the Swedish tax rate, 21.4% (22)	-75,977	-44,286	-16,320	83
Current and deferred tax from previous years	-1,227	19,859	–	–
Effect of changed tax rates	1,626	-1,766	–	–
Tax effect of non-deductible expenses	-5,749	-1,704	-69	-87
Tax effect of non-taxable revenue	2,733	7,720	–	–
Tax effect of utilized negative interest net	–	–	2,172	–
Tax on standard interest rate, tax allocation reserves	-54	-43	-7	-5
Tax effect of non-capitalized LCFW	-823	-459	–	–
Tax effect of utilized non-capitalized LCFW	2,872	634	–	–
Withholding taxes	-1,186	-273	–	–
Effect of foreign tax rates	-2,779	-1,444	–	–
Tax on profit for the year in income statement	**-80,563**	**-21,762**	**-14,225**	**-9**

TAX RATE

The parent company's current tax rate is 21.4 percent (22). The Group's effective tax rate is 22.7 percent (10.8).

	Group	
Deferred tax assets	**31 Dec 2019**	**31 Dec 2018**
LCFW	168,666	136,780
Depreciation and amortization	46,504	41,785
Warrants and derivatives	7,973	7,913
Provisions	14,504	5,439
Total deferred tax assets	**237,648**	**191,917**
Deferred tax liabilities		
Untaxed reserves	-17,382	-14,135
Warrants and derivatives	-1,352	–
Proprietary software	-31,524	-26,687
Customer relationships	-186,337	-153,026
Operator relationships	-26,539	-24,383
Trademarks	-303	-24
Provisions	-6,896	-104
Total deferred tax liabilities	**-270,334**	**-218,360**
Net deferred tax	**-32,686**	**-26,443**

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 2019					
Change in deferred tax	**Opening balance at 1 Jan 2019**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Reclassifications**	**Through acquisition or disposal**	**Closing balance at 31 Dec 2019**
Non-current assets	-162,906	25,746	-519	–	-62,339	-200,018
Provisions	5,458	1,998	152	–	–	7,608
LCFW	141,265	-19,687	3,259	–	49,437	174,274
Untaxed reserves	-14,135	-3,754	507	–	–	-17,383
Warrants and derivatives	7,913	-1,292	–	–	–	6,621
Changed tax rate	-4,038	249	–	–	–	-3,789
Total	**-26,443**	**3,261**	**3,399**	**0**	**-12,902**	**-32,686**

	Group 2018					
Change in deferred tax	**Opening balance at 1 Jan 2018**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Reclassifications**	**Through acquisition or disposal**	**Closing balance at 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
LCFW	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
Changed tax rate	–	-4,562	524	–	–	-4,038
Total	**-4,837**	**19,336**	**-3,007**	**0**	**-37,934**	**-26,443**

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

The following are included in the balance sheet	Group 31 Dec 2019	31 Dec 2018
Deferred tax asset utilized after more than 12 months	194,955	162,024
Deferred tax liability settled after more than 12 months	-204,874	-192,339

Loss carry-forwards - Group

Deferred tax assets relting to loss carry-forwards are recognized to the extent it is probable they can be used against taxable income. The final years these loss carry-forwards can be used are shown in the table.

	31 Dec 2019		31 Dec 2018	
Maturity loss carry-forwards	Loss carry-forwards	Tax effect	Loss carry-forwards	Tax effect
2020	14,307	3,004	13,775	2,893
2021	14,307	3,004	13,775	2,893
2022	14,307	3,004	13,775	2,893
2023	14,307	3,004	13,775	2,893
2024	14,307	3,004	13,775	2,893
2025	14,307	3,004	13,775	2,893
2026	14,307	3,004	13,775	2,893
2027	14,307	3,004	13,775	2,893
2028	14,307	3,004	13,775	2,893
2029	14,307	3,004	13,775	2,893
Maturity after 2029	86,136	18,089	96,736	20,312
Unlimited useful life	523,714	120,534	482,476	87,538
Total	**752,916**	**168,666**	**716,962**	**136,780**

	31 Dec 2019		31 Dec 2018	
Loss carry-forward divided by country	Loss carry-forwards	Tax effect	Loss carry-forwards	Tax effect
Brazil	119,258	40,548	-	-
France	5,183	1,451	-	-
Spain	10,744	2,686	10,581	2,645
Great Britain	275,194	52,287	342,162	58,168
Sweden	113,335	23,562	129,733	26,725
USA	229,202	48,132	234,487	49,242
Total	**752,916**	**168,666**	**716,963**	**136,780**

	31 Dec 2019		31 Dec 2018	
Non-capitalized loss carry-forwards	Loss carry-forwards	Tax effect	Loss carry-forwards	Tax effect
Brazil	633,907	215,528	-	-
Norway	4,187	921	4,425	1,062
Total	**638,094**	**216,449**	**4,425**	**1,062**

The above loss carry-forwards with unlimited useful life have not been capitalized as uncertainty prevails as to wether sufficient future taxable profits will be generated.

NOTE 11.

Earnings per share

Basic earnings per share	2019	2018
Profit for the year attributable to owners of the parent	274,614	179,528
Weighted average number of ordinary shares outstanding, before dilution	53,602,089	53,602,089
Basic earnings per share, SEK	**5.12**	**3.35**

Diluted earnings per share	2019	2018
Profit for the year attributable to owners of the parent	274,614	179,528
Weighted average number of ordinary shares outstanding, before dilution	53,602,089	53,602,089
Weighted average warrants outstanding	632,186	–
Weighted average shares outstanding, after dilution	54,234,275	53,602,089
Diluted earnings per share, SEK	**5.06**	**3.35**

NOTE 12.

Goodwill

Group	2019	2018
Cost on the opening date	1,234,490	975,509
Through acquisitions of group companies, see Note 31	495,370	274,232
Translation differences	36,891	-15,251
Accumulated cost on the closing date	**1,766,751**	**1,234,490**
Impairments on the opening date	-12,650	-12,126
Translation differences	-195	-524
Accumulated impairments on the closing date	**-12,845**	**-12,650**
Carrying amount	**1,753,906**	**1,221,841**

Goodwill per cash-generating unit	2019	2018
Messaging, excluding acquisitions during the year	1,165,266	839,737
Messaging, Unwire	–	127,192
Messaging, Vehicle	–	150,206
Messaging, myElefant	178,731	–
Messaging, TWW	305,204	–
Operators	13,785	13,785
Voice and Video	90,920	90,920
Total	**1,753,906**	**1,221,841**

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 country 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 relationships. All units are characterized by their continuous development of new products and services that complement the current business.

Due to the application of IFRS 16, the impairment tests have been amended to include the right of use assets in the reported value of the cash generating unit, the leasing liabilities are not included.

	Discount rate before tax		Long-term growth rate	
Cash-generating unit	**2019**	**2018**	**2019**	**2018**
Messaging, excluding acquisitions during the year	8.0%	8.1%	2%	2%
Messaging, Unwire	–	13.9%	–	2%
Messaging, Vehicle	–	19.8%	–	2%
Messaging, myElefant	19.6%	–	2%	–
Messaging, TWW	17.2%	–	2%	–
Operators	8.6%	8.1%	2%	2%
Voice and Video	7.9%	8.1%	2%	2%

Sensitivity analysis

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

An increase of the discount rate by 1 percentage point, a reduction in the EBITDA margin by 1 percentage point, or a reduction in sales growth by 1 percentage point during the forecast period will not entail a need for impairment in any of the cash-generating units.

myElefant and TWW were acquired in Q4 2019. As a short period of time and no events have occurred that would indicate a need for impairment, no impairment testing has been performed.

NOTE 13.

Other non-current intangible assets

Group 2019	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	**197,044**	**18,168**	**888,039**	**130,272**	**1,449**	**1,234,972**
Capitalized expenditure for the year	38,560	119	–	–	–	38,679
Through acquisitions of group companies	28,702	8,689	153,553	12,272	1,396	204,612
Reclassifications	–	1,757	–	–	–	1,757
Disposals/retirements	-3,233	–	–	–	–	-3,233
Translation differences	1,898	204	26,473	7,279	-32	35,823
Accumulated cost on the closing date	**262,972**	**28,937**	**1,068,066**	**149,824**	**2,812**	**1,512,610**
Amortization on the opening date	**-61,223**	**-15,974**	**-205,399**	**-27,385**	**-1,334**	**-311,316**
Amortization for the year	-41,945	-652	-92,877	-14,199	-388	-150,061
Through acquisitions of group companies	–	-7,545	–	–	–	-7,545
Reclassifications	–	-1,757	–	–	–	-1,757
Disposals/retirements	3,233	–	–	–	–	3,233
Translation differences	-342	-168	-5,786	-1,416	-7	-7,720
Accumulated amortization on the closing date	**-100,278**	**-26,096**	**-304,062**	**-43,000**	**-1,729**	**-475,165**
Carrying amount	**162,694**	**2,841**	**764,003**	**106,824**	**1,083**	**1,037,444**

Group 2018	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	–	–	–	–	–	0
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	-916.853	-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**

	Parent company	
Licenses	2019	2018
Cost on the opening date	**372**	**372**
Purchases for the year	-	-
Accumulated cost on the closing date	**372**	**372**
Amortization on the opening date	**-248**	**-**
Amortization for the year	-124	-124
Accumulated amortization on the closing date	**-372**	**-124**
Carrying amount	**0**	**248**

NOTE 14.

Property, plant, and equipment

	Group		Parent company	
Computers and equipment	2019	2018	2019	2018
Cost on the opening date	**74,033**	**78,098**	**8,384**	**6,448**
Purchases for the year	17,347	6,639	2,175	1,461
Through acquisitions of group companies	11,973	4,973	–	–
Reclassifications	-1,757	-224	–	475
Disposals/retirements	-9,132	-16,915	–	–
Translation differences	680	1,461	–	–
Accumulated cost on the closing date	**93,145**	**74,033**	**10,559**	**8,384**
Depreciation on the opening date	**-55,136**	**-55,026**	**-1,907**	**-193**
Depreciation for the year	-9,041	-9,545	-1,832	-1,611
Through acquisitions of group companies	-9,451	-4,553	–	–
Reclassifications	1,757	-1,146	–	-103
Disposals/retirements	9,127	16,221	–	–
Translation differences	-725	-1,087	–	–
Accumulated depreciation on the closing date	**-63,469**	**-55,136**	**-3,739**	**-1,907**
Carrying amount	**29,676**	**18,897**	**6,820**	**6,477**

NOTE 15.

Leases

2019	Group Premises	Other	Total ROU assets
Cost on the opening date	**-**	**-**	**-**
Adjusted balance at opening date, transition to IFRS 16	88,448	372	88,820
Additional ROU	2,852	–	2,852
Through acquisitions of group companies	7,934	–	7,934
Translation differences	1,558	–	1,558
Accumulated cost on the closing date	**100,791**	**372**	**101,163**
Amortization on the opening date	**-**	**-**	**0**
Amortization for the year	-24,512	-152	-24,665
Translation differences	68	–	68
Accumulated amortization on the closing date	**-24,444**	**-152**	**-24,596**
Carrying amount	**76,347**	**220**	**76,567**

LEASE LIABILITIES

Lease liabilities at year-end amounted to SEK 70,021 thousand. See Note 29 for an aging report of remaining contractual obligations as of 31 December 2019.

LEASE EXPENSES

Group	2019
Depreciation on ROU assets	-24,665
Interest expenses, lease liabilities	-1,935
Variable charges not included in lease liability	-1,206
Income from subletting of premises	3,614
Cost of short-term leases	-7,202
Cost of low-value leases	-368
Total	**-31,762**

CASH OUTFLOW

Group	2019
Amortization, lease liability	-25,772
Interest expenses, lease liabilities	-1,935
Variable charges not included in lease liability	-1,206
Income from subletting of premises	3,614
Cost of short-term leases	-7,202
Cost of low-value leases	-368
Total	**-32,869**

Future obligations for short-term leases and variable charges amounts to SEK 9,935 thousand.

LEASES 2018 (IAS 17)

Operating leases	Group 31 Dec 2018	Parent company 31 Dec 2018
Payable < 1 year	22,934	9,407
Payable 1-5 years	65,235	29,314
Payable > 5 years	10,744	–
Total	**98,913**	**38,721**

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	Parent company 2018
Lease expenses	30,054	10,947
Variable payments	135	–
Lease income	523	–
Total	**29,666**	**10,947**

Finance leases	Group & Parent, 31 Dec 2018 Minimum lease payments	Interest	Principal
Payable < 1 year	175	24	151
Payable 1-5 years	–	–	–
Payable > 5 years	–	–	–
Total	**175**	**24**	**151**

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

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

NOTE 16.

Financial assets

Non-current receivables	Group 31 Dec 2019	Group 31 Dec 2018	Parent company 31 Dec 2019	Parent company 31 Dec 2018
Non-current VAT receivable	3,177	3,129	–	–
Deposits	7,787	9,899	–	–
Non-current receivables, group companies	–	–	2,442,618	1,625,560
Non-current accounts receivable	–	1,112	–	–
Other non-current receivables	1,022	964	–	–
Total	**11,987**	**15,104**	**2,442,618**	**1,625,560**

Investments in group companies	Parent company 31 Dec 2019	Parent company 31 Dec 2018
Cost on the opening date	501,699	530,230
Acquired subsidiaries	50	–
Acquisition costs	–	80
Adjustment of earnout, Sinch Mobile AB	–	-28,611
Accumulated cost on the closing date	**501,749**	**501,699**

Sinch Group	Corporate ID	Registered office	% of equity and votes 31 Dec 2019	% of equity and votes 31 Dec 2018	Carrying amount 31 Dec 2019	Carrying amount 31 Dec 2018
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	–	–
CLX Networks Italy S.R.L.***	4265200230	Italy	100	100	–	–
Sinch Communications Canada Inc.	924-4933	Canada	100	100	–	–
CLX Networks Singapore PTE LTD	2014–23573–W	Singapore	100	100	–	–
Sinch Turkey Telekomünikasyon LTD. STI.	866349	Turkey	51	51	–	–
Sinch Italy S.R.L.	04491540961	Italy	100	100	–	–
Sinch France S.R.L.	448324285	France	100	100	–	–
Convaneer US LLC**	4567684	United States	–	100	–	–
Sinch Operator Software AB	556353-1333	Stockholm	100	100	100,000	100,000
Sinch Poland Sp z o.o.	0000643951	Poland	100	100	–	–
Sinch Holding AB	559061-2791	Stockholm	100	100	50	50
Sinch Germany GmbH	HRB 202010	Germany	100	100	–	–
CLX Networks Australia PTY Ltd	608286979	Australia	100	100	–	–
Sinch Telecomunicaciones Spain SL	B82966078	Spain	100	100	–	–
Mblox Asia Pacific PTE LTD	200007936G	Singapore	100	100	–	–
myElefant SAS	524353299	France	100	–	–	–
Sinch UK Ltd	03049312	Great Britain	100	100	–	–
Nextgen Mobile Ltd**	04775987	Great Britain	–	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	–	–
Mblox Brazil**	16.462.330	Brazil	100	100	–	–
Mblox Malaysia Sdn Bhd	870260-U	Malaysia	–	100	–	–
Sinch Engage LLC	46-0553309	United States	100	100	–	–
Dialogue Group Ltd	06766972	Great Britain	100	100	–	–
Dialogue Communications Ltd	3042634	Great Britain	100	100	–	–
Sinch Australia PTY Ltd	812,155,238	Australia	100	100	–	–
Dialogue Malta Ltd	C66149	Malta	100	100	–	–
Sinch Singapore PTE LTD	2013–14618–E	Singapore	100	100	–	–
Sinch Denmark ApS	26361710	Denmark	100	100	–	–
Sinch Denmark AB	556484-7918	Stockholm	100	100	–	–
CLX Communications Denmark AS	990454108	Norway	100	100	–	–
Sinch Latin America Holding AB	559212-5487	Stockholm	100	–	50	–
TWW do Brasil S.A.	01.126.946/0001/-61	Brazil	100	–	–	–
Sinch Mobile AB	556969-5397	Stockholm	100	100	151,699	151,699
Sinch Incitament AB*	559068-5441	Stockholm	–	100	–	–
Sinch Mobile Inc.***	37-1539008	United States	100	100	–	–
Carrying amount in the parent company					**501,749**	**501,699**

*The company merged with Sinch Mobile AB effective 7 November 2019.
**The company was liquidated in 2019.
***The company is in liquidation.

NOTE 17.

Accounts receivable

Accounts receivable	Group	
	31 Dec 2019	31 Dec 2018
Accounts receivable	1,172,627	889,822
Credit loss reserve		
Balance at opening date	-9,931	-10,925
Through acquisitions of group companies	-1,308	-692
Reversals of previous provisions	5,273	8,262
Confirmed customer losses	8,212	3,853
Provisions for the year	-14,955	-10,187
Translation differences	-277	-242
Balance on the closing date	**-12,986**	**-9,931**
Net accounts receivable	**1,159,641**	**879,891**

The carrying amount for accounts receivable, net after credit loss reserve provision, has been assessed as equal to fair value.

Aging report Accounts receivable	Group	
	31 Dec 2019	31 Dec 2018
Not due	814,074	628,064
Past due 1-30 days	249,724	146,851
Past due 31-60 days	37,438	57,618
Past due 61-90 days	20,703	18,162
Past due >91 days	50,689	39,127
Total	**1,172,627**	**889,822**

NOTE 18.

Other current receivables

Other current receivables	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
VAT receivable	23,081	23,397	777	1,122
Derivatives	6,383	678	6,320	–
VAT receivable, Australia, from sellers of Mblox and Dialogue	9,401	45,048	–	–
Other current receivables	18,394	14,509	–	2
Total	**57,259**	**83,632**	**7,097**	**1,124**

NOTE 19.

Prepaid expenses and accrued income

Prepaid expenses and accrued income	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Prepaid rent	589	6,041	3,416	3,410
Prepaid lease charges	441	1,428	94	117
Prepaid insurance premiums	2,374	2,366	1,420	1,583
Prepaid services	11,665	6,451	1,146	308
Prepaid license fees	6,101	5,672	3,115	1,491
Prepaid data communications	5,916	114	40	40
Prepaid traffic costs	10,900	4,344	–	–
Accrued revenue from contracts with customers	93,216	64,660	–	–
Other	5,137	3,286	3,311	128
Total	**136,338**	**94,362**	**12,542**	**7,077**

NOTE 20.

Equity

Shares and share capital, SEK	Ordinary shares	Share capital
Opening balance at 1 January 2018	**53,602,089**	**5,360,209**
Rights issue	–	–
Closing balance at 31 December 2018	**53,602,089**	**5,360,209**
Rights issue	–	–
Closing balance at 31 December 2019	**53,602,089**	**5,360,209**

At 31 December 2019, 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.

Reserves	Translation reserve
Opening balance at 1 January 2018	**36,682**
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**
Translation differences	61,420
Hedge accounting, net investment in foreign operations	-5,745
Deferred tax	1,229
Closing balance at 31 December 2019	**75,425**

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 21.

Other current and non-current liabilities, interest-bearing

Other non-current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Bank loan	536,952	487,211	523,917	487,211
Senior unsecured bonds	744,709	–	744,709	–
Lease liability	48,153	–	16,544	–
Total	**1,329,813**	**487,211**	**1,285,169**	**487,211**

Other current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Bank loan	36,183	98,909	36,183	98,909
Lease liability	21,868	–	10,243	–
Finance leasing	–	128	–	128
Total	**58,051**	**99,037**	**46,426**	**99,165**

Sinch issued senior unsecured bonds on 19 November 2019 in the total amount of SEK 750 million. The bonds have a tenor of five years and a floating interest rate of 3 months STIBOR plus 250 bps.

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. The loans accrue three-month interest with STIBOR, CIBOR and LIBOR 3M as the interest base.

Sinch has a granted bank overdraft facility of SEK 200 million (200). As of 31 December 2019, SEK 0 million (0) had been utilized.

NOTE 22.

Other current and non-current liabilities, non-interest-bearing

Other non-current liabilities, non-interest-bearing	Group	
	31 Dec 2019	31 Dec 2018
Earnout, Caleo Technologies AB	5,997	5,997
Earnout, Vehicle Agency LLC	60,561	130,080
Earnout, myElefant	31,301	–
Earnout, TWW	41,859	–
Total	**139,717**	**136,077**

Please refer to Note 31 for further disclosures concerning acquisition-related liabilities.

Other current liabilities, non-interest-bearing	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
VAT, withholding taxes	28,997	25,630	2,008	1,612
Derivatives	2,084	4,118	–	–
Earnout, Sinch Mobile AB	–	11,388	–	–
Funds belonging to a third party*	3,936	6,191	–	–
Other current liabilities	1,861	2,949	-5	–
Total	**36,878**	**50,278**	**2,003**	**1,612**

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

NOTE 23.

Provisions

Provision for restructuring	Group	
	2019	2018
Balance at opening date	**–**	**11,258**
Provisions made during the year	–	–
Amounts used during the year	–	-859
Amounts reversed during the year	–	-8,884
Translation differences	–	-1,515
Balance on the closing date	**–**	**0**

Part of the restructuring reserve allocated in 2017 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.

Other provisions	Group 31 Dec 2019	31 Dec 2018
Provision for VAT, Australian operations	9,401	27,122
Provision for social security expenses, share ownership plan	4,955	146
Other provisions	6,962	451
Total	**21,318**	**27,719**

The majority of the increase in other provisions is due to existing provisions in the acquired company TWW.

A provision of SEK 27,122 thousand was made for VAT in 2018, which referred 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 determined that it will be possible to recover the VAT from the sellers of these companies, whereupon the corresponding receivable was recognized.

An agreement was reached between Sinch and the sellers of Mblox during 2019, by which 50 percent of the amount will be paid by the sellers and 50 percent of the amount will be expensed. The remaining provision refers to VAT in the Dialogue companies and Sinch remains of the opinion that the amount can be recovered from the sellers. The corresponding receivable remains recognized.

Provisions	Parent company 31 Dec 2019	31 Dec 2018
Earnout, Sinch Mobile AB	–	11,388
Total	**–**	**11,388**

See Note 31 for further information about contingent consideration (earnouts).

NOTE 24.

Accrued expenses and prepaid income

Accrued expenses and prepaid income	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Accrued salaries	32,587	24,879	594	300
Accrued annual leave pay	20,012	17,471	826	944
Accrued social security contributions, including pension	19,330	11,437	471	606
Accrued interest expenses	2,702	428	2,702	428
Accrued external services	27,642	21,351	2,899	803
Accrued traffic costs	476,183	365,257	–	–
Other items	2,467	9,321	61	1,406
Total	**580,922**	**450,143**	**7,553**	**4,487**

NOTE 25.

Untaxed reserves

Untaxed reserves	Parent company 31 Dec 2019	31 Dec 2018
Tax allocation reserves	26,227	6,578
Accelerated depreciation/amortization	2,155	1,976
Total	**28,381**	**8,554**

NOTE 26.

Pledged assets

As pledged assets for own debt and provisions	Group		Parent company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Shares	–	2,427,687	–	350,000
Corporate mortgages	–	45,000	–	–
Guarantees	8,516	6,538	–	–
Total	**8,516**	**2,479,225**	**–**	**350,000**

2019: Shares and corporate mortgages are no longer pledged as collateral for credit agreements.

2018: The shares in Sinch Holding AB, Sinch Sweden AB and Sinch Operator Software AB were previously pledged as collateral for company's obligations under credit agreements. The consolidated value of the pledged assets amounted to SEK 2,427.7 million. According to the agreement, the lenders had the right to sell the collateral if an event of default existed and agreement could be reached. The collateral could only be sold if an event of default were still ongoing; that is, it existed when the sale was executed. In addition, corporate mortgages of SEK 45 million were pledged as collateral for the loan agreement.

PARENT COMPANY

Parent company guarantees have been extended to Dialogue Communications Ltd, corporate registration number 03042634 and Dialogue Group Ltd, corporate registration number 06766972. The companies are dormant and are exempt from the audit requirement by reason of the guarantees.

NOTE 27.

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 personnel are provided in Note 7.

NOTE 28.

Financial assets and liabilities

Group 31 Dec 2019	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Financial assets at fair value					
Derivatives, Level 2, Note 18	–	–	–	6,383	6,383
Financial assets not recognized at fair value					
Deposits paid, Note 16	7,787	–	–	–	7,787
Accounts receivable, Note 17	1,159,641	–	–	–	1,159,641
Accrued revenue from contracts with customers, Note 19	93,216	–	–	–	93,216
Cash and cash equivalents	466,297	–	–	–	466,297
Total financial assets	**1,726,941**	**–**	**–**	**6,383**	**1,733,324**
Financial liabilities at fair value					
Derivatives, Level 2, Note 22	–	–	–	2,084	2,084
Earnout, Level 3, Note 22	–	–	139,717	–	139,717
Financial liabilities not recognized at fair value					
Non-current loans payable, Note 21	–	1,281,660	–	–	1,281,660
Current loans payable, Note 21	–	36,183	–	–	36,183
Funds belonging to a third party, Note 22	3,936				3,936
Accrued interest expense, Note 24	–	2,702	–	–	2,702
Accounts payable	481,907	–	–	–	481,907
Total financial liabilities	**485,843**	**1,320,545**	**139,717**	**2,084**	**1,948,189**

Group 31 Dec 2018	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Financial assets at fair value					
Derivatives, Level 2, Note 18	–	–	–	678	678
Financial assets not recognized at fair value					
Deposits paid, Note 16	9,899	–	–	–	9,899
Non-current accounts receivable, Note 16	1,112	–	–	–	1,112
Accounts receivable, Note 17	879,891	–	–	–	879,891
Accrued revenue from contracts with customers, Note 19	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 22	–	–	–	4,118	4,118
Earnout, Level 3, Notes 22 & 23	–	–	147,465	–	147,465
Financial liabilities not recognized at fair value					
Non-current loans payable, Note 21	–	487,211	–	–	487,211
Current loans payable, Note 21	–	98,909	–	–	98,909
Funds belonging to a third party, Note 22	6,191				6,191
Accrued interest expense, Note 24	–	428	–	–	428
Accounts payable	431,417	–	–	–	431,417
Total financial liabilities	**437,608**	**586,548**	**147,465**	**4,118**	**1,175,739**

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 at unchanged discount rate, however, there are maximum earnout amounts, see Note 31.

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.

Group 2019	Financial assets and liabilities measured at amortized cost.	Other finan-cial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Exchange rate differences in operating profit	-9,254	–	–	6,135	**-3,119**
Interest income/interest expenses	2,520	-25,637	–	–	**-23,118**
Exchange rate differences in net financial income/expenses	34,210	-23,270	–	–	**10,940**
Total	**27,476**	**-48,907**	**–**	**6,135**	**-15,296**

Group 2018	Financial assets and liabilities measured at amortized cost.	Other finan-cial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Exchange rate differences in operating profit	-201	–	–	-13,229	**-13,431**
Interest income/interest expenses	2,103	-21,805	-13,406	–	**-33,108**
Exchange rate differences in net financial income/expenses	16,549	-1,007	–	–	**15,542**
Total	**18,451**	**-22,812**	**-13,406**	**-13,229**	**-30,997**

NOTE 29.

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 which specifies the permitted use of derivative instruments. Within the Group, the Treasury Department has the operational responsibility to secure the Group's financing and manage cash liquidity, financial assets and financial liablities. Through a centralized finance function, economies of scale and synergies are utilized. 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 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 (200) to manage fluctuations in cash flow, none of which had been drawn as of 31 December 2019 (–). 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 and net debt. Sinch analyzes these performance indicators on an ongoing basis.

Group	31 Dec 2019	31 Dec 2018
Granted credit limits		
Revolving line of credit	900,000	900,000
Total granted credit limits	**900,000**	**900,000**
Allocated credit limits	210,000	–
Unallocated credit limits	**690,000**	**900,000**
Available bank balances	466,297	180,759
Liquidity reserve	**1,156,297**	**1,080,759**
Other credit limits		
Bank overdraft facility	200,000	200,000

At year-end, Sinch's financial liabilities amounted to SEK 1,948.2 million (1,175.7), see Note 28, 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.

Maturity structure, financial liabilities

		31 Dec 2019						
Group	**Original currency**	**Total**	**0-3 months**	**4-12 months**	**13-24 months**	**25-36 months**	**37-48 months**	**49-60 months**
Bank loan	SEK	**22,136**	1,418	4,230	5,579	10,908	–	–
Bank loan	DKK	**89,861**	6,541	19,519	25,765	38,036	–	–
Bank loan	GBP	**113,660**	8,396	24,952	32,678	47,634	–	–
Bank loan	USD	**148,366**	3,701	11,000	14,349	119,316	–	–
Revolving line of credit	SEK	**219,327**	702	213,078	2,816	2,731		
Senior unsecured bonds	SEK	**847,897**	4,930	14,682	19,558	19,558	19,558	769,612
Derivatives	SEK	**4,118**	3,994	124	–	–	–	–
Lease liabilities	Several	**85,066**	7,825	21,827	25,043	19,608	5,838	4,925
Accounts payable	See table	**481,907**	481,907	–	–	–	–	–
Funds belonging to a third party	DKK	**3,936**	3,936	–	–	–	–	–
Additional purchase consideration	BRL, EUR, USD	**112,826**	1,311	63,560	40,364	7,592	8,391	9,366
Total		**2,129,100**	**524,661**	**372,972**	**166,152**	**265,384**	**33,786**	**783,902**

		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	–	–	–
Funds belonging to a third party	DKK	**6,191**	6,191	–	–	–
Additional purchase consideration	EUR, USD	**147,465**	11,388	71,768	61,310	2,999
Total		**1,216,891**	**481,162**	**156,332**	**171,535**	**407,862**

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 risk are categorized by IFRS into three types: interest rate risk, currency risk and other price risks. 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. The interest base is STIBOR, CIBOR and LIBOR 3M. Interest varies depending upon the currency in which the loan was raised. The average interest rate for all loans is 2.1 percent (2.5).

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 43.1 million (12.7). 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. Foreign currency forward contracts are used to hedge the value of accounts receivable and accounts payable, for which hedge accounting does not apply. 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 is applied in the accounts as regards net investments in foreign subsidiaries through the raising of loans in the corresponding currency. See the table below for hedging relationships, all of which are effective.

Exchange rate differences are included in the parent company income statement at SEK -3.1 million (-13.4) in operating profit and at SEK 10.9 million (15.5) in financial items.

TRANSACTION EXPOSURE

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

	31 Dec 2019							
Original currency	Accounts receivable	Accrued income	Prepaid traffic costs	Cash and cash equivalents	Accounts payable	Accrued traffic costs	Bank loans and bonds	Total
AED	954	–	–	3,803	-1,013	-2,206	–	1,538
AUD	39,333	–	–	16,830	-14,843	-16,323	–	24,997
BRL	30,262	34,618	–	54,840	-28,901	-21,028		69,792
CAD	22,455	169	–	12,351	-1,177	5,919	–	39,718
CHF	–	–	–	–	-1,504	-1,110	–	-2,614
DKK	–	–	–	-47,132	-665	-2,268	-87,998	-138,063
EUR	759,528	21,383	10,224	120,276	-192,192	-233,555	-13,035	472,631
GBP	141,394	–	–	94,600	-100,515	-110,549	-109,442	-84,512
NOK	1,962	360	–	-1,056	-2,002	-1,886	–	-2,622
NZD	1,152	–	–	1,970	-732	-7,965	–	-5,575
PLN	–	–	–	1,343	-2,690	-2,210	–	-3,558
SGD	3,221	–	–	14,391	-4,827	-19,993	–	-7,208
TRY	227	–	–	552	-171	–	–	608
USD	150,346	30,362	36	183,142	-102,132	-60,553	-136,347	64,855
ZAR	–	–	–	922	-1	–	–	920
Other currencies	1,726	6,206	639	293	-4,508	1,467	–	5,823
Foreign currencies	**1,152,560**	**93,100**	**10,900**	**457,125**	**-457,873**	**-472,259**	**-346,822**	**436,730**
SEK	7,081	116	–	9,172	-24,034	-3,924	-971,022	-982,611
Total	**1,159,641**	**93,216**	**10,900**	**466,297**	**-481,907**	**-476,183**	**-1,317,843**	**-545,880**

Original currency	31 Dec 2018 Accounts receivable	Accrued income	Prepaid traffic costs	Cash and cash equivalents	Accounts payable	Accrued traffic costs	Bank loans	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	**865,842**	**60,010**	**4,344**	**309,661**	**-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**

SENSITIVITY TO TRANSACTION EXPOSURE

Based on transaction exposure as of 31 December 2019 above and excluding any currency hedges, Sinch's profit before tax would have been affected by +/– SEK 43.4 million (9.8) if exchange rates against the Swedish krona were to change by 10 percent. The largest exposures are against DKK, EUR and GBP. 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 +/– 13.8 million (18.6), SEK 47.3 million (30.5) and SEK 8.5 million (13.3), respectively.

Translation exposure

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

Original currency	31 Dec 2019 Net investment	Hedged net investment	Net exposure	31 Dec 2018 Net investment	Hedged net investment	Net exposure
AUD	8,444	–	8,444	6,173	–	6,173
BRL	386,631	–	386,631	–	–	–
CAD	28,408	–	28,408	17,100	–	17,100
DKK	209,397	-106,854	102,543	192,416	-123,841	68,575
EUR	366,138	-316,243	49,895	151,416	-148,811	2,605
GBP	468,149	-109,442	358,707	357,455	-145,257	212,198
INR	-20	–	-20	-3	–	-3
MYR	6	–	6	77	–	77
NGN	–	–	–	-329	–	-329
NOK	7,183	–	7,183	7,641	–	7,641
PLN	1,185	–	1,185	624	–	624
SGD	4,899	–	4,899	4,653	–	4,653
TRY	-124	–	-124	303	–	303
USD	1,353,903	-481,033	872,870	1,256,302	-435,699	820,604
ZAR	87	–	87	74	–	74
Total	**2,834,288**	**-1,013,572**	**1,820,716**	**1,993,902**	**-853,608**	**1,140,295**

SENSITIVITY TO TRANSLATION EXPOSURE

Consolidated equity would be affected by SEK +/– 182.1 million (114.0) 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 2019 as above, including hedges but excluding any effect on equity due to the currency translation of other items included in profit for the year. The amount recognized in the translation reserve and used for efficiency measurement amounts to SEK 5.7 million (6.3). Please refer to Note 1 *Accounting and measurement principles with regard to hedge accounting*.

Credit risk

Credit risk describes the Group's risk in the financial assets and arises if a counterparty fails to fulfill its contracted payment obligations towards Sinch. Default is defined as when internal or external information indicates that it is high probability that the counterparty is unable to settle their debts or when payment is delayed by 90 days. Credit risk is allocated to financial credit risk that relates to the risk in interest-bearing assets and derivatives and to customer credit risk relating to the risk in accounts receivable.

Financial credit risk

Financial credit risk is the risk the Group runs in relation to financial counterparties when investing surplus funds, balances on bank accounts and investing in financial assets. Credit risk in the form of counterparty risk also arises when using derivative instruments and consists of the risk that a potential profit will not be realized if the counterparty does not fulfill its part of the contract.

Sinch shall limit its exposure to financial counterparties by using banks and financial institutions that hold high credit ratings. In order to reduce the risk in derivative instruments, the Group has signed standardized set-off agreements (ISDA agreements) with the financial counterparties with which derivative contracts are concluded.

At year-end, surplus funds were mainly invested in major banks with global presence from primarily the Nordic countries, Australia and Brazil.

The maximum credit risk exposure for Sinch's financial assets amounts to SEK 1,733.3 million (1,137.0), see Note 28. Sinch has no collateral that can be claimed.

The Group's financial interest-bearing assets consist mainly of bank balances and are considered to have low credit risk as the assets have a high credit rating. The loss reserve for these assets is based on twelve months expected credit losses and amounts to SEK 0.1 million (0.1) at year-end.

Customer 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. Sinch credit risk relating to accounts receivable has a high degree of risk diversification through a variety of customer categories in a large number of geographical markets and that many of the Group's customers are highly reputable companies with high credit ratings.

Sinch 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. For those customers who pay in arrears, individual credit limits are set in the transaction system which cannot be exceeded.

Sinch has prepared a credit loss allowance matrix to measure expected credit losses for accounts receivable, which specifies a fixed percentage depending on the number of days after the receivable's maturity. The percentages defined in the matrix are based on historical losses. These percentages are adjusted for current situation and managment's expectations of changes in risks in the outside world and customer's payment behavior in the future. There were no significant changes to the model during the year. Write-downs of the accounts receivable are the same as expected credit losses for the entire term. See also table in Note 17.

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 30.

Cash flow

Cash and cash equivalents	Group 31 Dec 2019	Group 31 Dec 2018	Parent company 31 Dec 2019	Parent company 31 Dec 2018
Cash and bank balances	466,297	180,759	228	168

Interest	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Interest received	3,735	2,666	143,222	17,703
Interest paid	-24,579	-22,038	-32,582	-25,010
Net interest	**-20,844**	**-19,372**	**110,641**	**-7,307**

Adjustment for non-cash items in cash flow from operating activities	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Depreciation, amortization and impairments	183,866	155,485	1,956	1,735
Profit or loss from sale of equipment	-95	26	–	-218
Profit or loss from sale of mobile payments business	–	8,125	–	–
Change in loss allowance	10,766	1,933	–	–
Adjusted earnout	–	-29,848	–	–
Unrealized exchange rate differences	-5,161	-49,980	21,359	4,110
Acquisition costs	15,079	7,055		
Fair value derivatives	-7,896	4,690	-6,320	–
Not paid/received interest	2,273	330	2,273	330
Write-down receivable Mblox sellers, GST Australia	11,086	–	–	–
Warrants vesting	5,352	1,369	–	–
Release restructuring reserve	–	-9,743	–	–
Other provisions	605	-1,991	–	–
Total	**215,874**	**87,453**	**19,269**	**5,957**

Reconciliation of liabilities attributable to financing activities - Group	Opening balance at 1 January 2019	Cash flow	Non-cash items: Acquisitions/ disposals	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 December 2019
Bank loan	581,340	-47,877	14,111	–	25,561	573,135
Senior unsecured bonds	–	744,624	–	85	–	744,709
Lease liability	83,793	-25,772	10,459	–	1,540	70,021
Total	**665,133**	**670,975**	**24,571**	**85**	**27,101**	**1,387,864**

Reconciliation of liabilities attributable to financing activities - Group	Opening balance at 1 January 2018	Cash flow	Non-cash items: Acquisitions/ disposals	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
Total	**513,404**	**68,064**	**-**	**-**	**4,933**	**581,468**

Reconciliation of liabilities attributable to financing activities - Parent company	Opening balance at 1 January 2019	Cash flow	Non-cash items: Acquisitions/ disposals	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 December 2019
Bank loan	581,340	-47,295	–	–	26,055	560,100
Senior unsecured bonds	–	744,624	–	85		744,709
Financial leasing liability	128	-128	–	–	–	0
Liability to group companies, utilized cash pool	68,562	15,339	–	–	–	83,901
Total	**650,030**	**712,540**	**0**	**85**	**26,055**	**1,388,709**

Reconciliation of liabilities attributable to financing activities - Parent company	Opening balance at 1 January 2018	Cash flow	Non-cash items: Acquisitions/ disposals	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
Total	**766,518**	**-76,770**	**282**	**-28,612**	**4,933**	**661,418**

NOTE 31.

Acquisition of Group companies

2019

myElefant

Sinch acquired 100 percent of the share capital in myElefant SAS on 4 October. The acquired company was included in the consolidated accounts from that date in the Messaging segment. In 2018, myElefant had sales of approximately EUR 10.5 million (SEK 108 million), gross profit of about EUR 3.1 million (SEK 32 million) and adjusted EBITDA of about EUR 0.8 million (SEK 8 million). Upfront cash consideration amounted to EUR 18.8 million (SEK 203.3 million) with an additional cash earnout of up to EUR 3 million if certain gross profit targets are met during the first two years. The fair value of contingent consideration has been calculated based on the assumption that the maximum amount will be paid and the discount effect has been deemed immaterial. The payment is split into two parts, half in Q2 2021 and half in Q4 2021. Contingent consideration is recognized among Non-current liabilities, non-interest-bearing in the balance sheet. The acquisition was financed with Sinch's available credit facilities. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 185.6 million arose upon acquisition, mainly attributable to the expertise contributed by myElefant. The estimated useful lives of assets are ten years for customer relationships, five years for proprietary software and 15 months for the myElefant brand.

TWW

Sinch acquired 100 percent of the share capital in TWW do Brasil S.A. (TWW) on 23 October. The acquired company was included in the consolidated accounts from that date in the Messaging segment. In 2018, TWW had sales of approximately BRL 134 million (SEK 326 million), gross profit of about BRL 35 million (SEK 85 million) and adjusted EBITDA of about BRL 17.5 million (SEK 43 million). The purchase consideration was BRL 180.8 million (SEK 422.4 million) on a cash- and debt-free basis. In addition to the initial consideration, the sellers are entitled to compensation for the tax loss carryforwards that can be utilized in the next five years. Payment of the utilized amount will be made at the end of each year. Fair value was calculated based on a five-year forecast of profit before tax and BRL 18.2 million (SEK 42.6 million) has been recognized as a liability among Non-current liabilities, non-interest-bearing in the balance sheet. The liability corresponds to the value of deferred tax assets identified at acquisition. The acquisition was financed with Sinch's available credit facilities. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 309.7 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by TWW. The estimated useful life of domestic customer relationships and operator relationships is ten years ad the estimated useful life of international customer relationships is five years.

Previous acquisitions

Contingent consideration (earnout) of SEK 11.3 million for Sinch Mobile AB was paid during the first quarter. The purchase agreement regarding Vehicle included maximum earnouts of USD 18 million based on the company's sales and EBITDA performance. An earnout of USD 8 million (SEK 74.4 million) was paid in the second quarter. Additional contingent consideration of USD 10 million is possible. The expected outcome is USD 6.5 million and is still recognized as a liability.

Acquisition analyses

Preliminary acquisition analyses for myElefant and TWW. Some uncertainty exists regarding taxable amount of acquired assets and liabilities, investigation not yet completed.

Fair value of acquired net assets	myElefant	TWW
Customer relationships	29,481	121,931
Operator relationships	–	12,273
Trademarks	1,352	–
Proprietary software	28,843	–
Other intangible assets	15	1,100
Right-of-use assets	8,106	–
Other intangible assets	662	1,826
Deferred tax assets	6,871	42,566
Other financial liabilities	636	–
Accounts receivable	19,345	28,206
Credit loss reserve	-476	-820
Accrued income	586	9,503
Other current receivables	8,742	25,049
Cash and cash equivalents	11,693	46,377
Deferred tax liabilities	-16,709	-45,629
Provisions	–	-6,217
Lease liability	-7,849	–
Other interest-bearing liabilities	-14,111	–
Accounts payable	-19,837	-31,350
Other current liabilities	-8,390	-12,449
Total acquired net assets	**48,961**	**192,366**

ALLOCATION OF PURCHASE CONSIDERATION

Purchase consideration	myElefant	TWW
Original purchase consideration	203,307	422,365
Additional purchase consideration, recognized as a liability	31,301	42,566
Cash and debt settlement, recognized as liability	–	37,159
Total consideration	**234,608**	**502,090**
Fair value of acquired net assets	-48,961	-192,366
Goodwill	**185,646**	**309,723**

EFFECTS OF ACQUISITIONS ON CONSOLIDATED CASH AND CASH EQUIVALENTS

Investing activities	myElefant	TWW	Sinch	Vehicle	Total
Original purchase consideration	203,307	422,365	–	–	625,671
Earnouts	–	–	11,347	74,444	85,791
Cash and cash equivalents in acquired subsidiaries	-11,693	-46,377	–	–	-58,071
Direct costs relating to acquisitions	5,327	9,751	–	–	15,079
Effects of acquisitions on cash and cash equivalents:	**196,941**	**385,739**	**11,347**	**74,444**	**668,471**

CONTRIBUTION OF ACQUIRED COMPANIES TO CONSOLIDATED SALES AND PROFIT

2019	myElefant	TWW	Total
Net sales	47,539	101,154	148,693
Profit after tax for the year	3,599	15,748	19,347

THE TABLE SHOWS SALES AND PROFIT AS IF THE ACQUISITIONS OF MYELEFANT AND TWW HAD TAKEN PLACE ON 1 JANUARY 2019

2019	myElefant	TWW	Other companies	Amortization of acquired assets	Total
Net sales	131,555	381,351	4,874,014	–	5,386,920
Profit after tax for the year	9,194	47,256	252,116	-17,698	290,868

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 (SEK 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 (SEK 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. Payment could be made during the third quarter of 2020 and 2022, respectively.

Sinch Mobile AB

The purchase agreement for Sinch Mobile AB also included a possible earnout based on the company's gross profit performance. As the target qualifying for the full earnout was not met, the provision for the earnout was adjusted by SEK 28.6 million to SEK 11.4 million (40.0). Payment was made in January 2019.

Acquisition analyses

Definitive 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
Earnouts	–	35,840
Additional purchase consideration, 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	–	3,119	–	–	3,119
Settlement, debts	-6,377	–	–	7,107	730
Earnouts	–	35,840	–	–	35,840
Settlement, cash and cash equivalents	7,980	2,687	–	–	10,667
Cash and cash 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	Amortization 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

NOTE 32.

Events after the end of the financial year

Acquisition of Chatlayer

On 19 March 2020, Sinch entered into a definitive agreement to acquire Chatlayer BV for an enterprise value of EUR 6.9 million on debt-free basis. The acquisition is financed using Sinch's available cash at hand.

ChatLayer.ai is a cloud-based software platform that lets businesses create multi-lingual chatbots and voicebots using Artificial Intelligence (AI) and Natural Language Understanding (NLU).

2019, Chatlayer generated revenue of about EUR 0.8 million, gross profit of about EUR 0.7 million and EBITDA of about EUR -0.9 million. The transaction was closed on 1 April 2020.

Acquisition of Wavy

On 26 mars 2020, Sinch entered into a definitive agreement to acquire Wavy, through the two legal entities Movile Internet Móvel S.A. and Wavy Global Holdings BV, for a total cash consideration of BRL 355 million and 1,534,582 new shares in Sinch. Using share price of SEK 311 and SEK/BRL exchange rate of 2.00, this corresponds to an enterprise value of SEK 1,187 million. The acquisition is financed through a combination of cash and debt facilities.

Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles over 13 billion messages per year. A strong commitment to innovation has also seen Wavy develop a leading position in next-generation, conversational messaging over WhatsApp.

In the 12 months ending 31 March 2020, Wavy is expected to record revenues of BRL 464 million (SEK 929 million), gross profit of BRL 130 million (SEK 261 million) and adjusted EBITDA of BRL 48 million (SEK 95 million). Wavy has 260 employees and 9 offices in 6 countries. Synergies from the combination of Sinch and Wavy are expected to reach BRL 15-20 million (SEK 30-40 million), over the coming 24 months.

Closing of the transaction is subject to customary closing conditions, including regulatory approval from CADE, Conselho Administrativo de Deferes Econômica, the competition authority in Brazil. The transaction is expected to close in H2 2020. Sinch has agreed to pay Movile a termination fee of BRL 30 million (SEK 60 million) if the transaction is not completed and certain conditions are met.

New share issue

Sinch has, based on the issue authorization granted by the annual general meeting on 17 May 2019, resolved on a directed new share issue of 5,000,000 shares at a subscription price of SEK 300 per share, corresponding to a discount of 2.1 percent in relation to the closing price for the Company's share on 26 March 2020.

The directed new share issue generated a large interest and has been carried out to selected Swedish and international institutional investors. Through the directed new share issue, Sinch will raise SEK 1,500 million before issue costs. The Company intends to mainly use the proceeds to increase the Company's financial flexibility for new acquisitions and strengthen the Company's position as a relevant and competitive buyer.

Through the directed new share issue, the number of shares and votes in the Company will increase by 5,000,000 shares and votes, from 53,874,751 shares and votes to 58,874,751 shares and votes. The share capital will increase with SEK 500,000 from SEK 5,387,475.10 to SEK 5,887,475.10. The new share issue entails a dilutive effect for existing shareholders of approximately 9.3 percent based on the total number of shares in the Company at the time of the new share issue.

Increased credit facilities

Sinch is continuously evaluating its capital structure and financing sources to maintain financial flexibility to continue to pursue value creating opportunities through acquisitions. Sinch has per 26 March 2020 secured an increase in the existing credit facility of SEK 600 million for M&A provided that the Company meets certain pre-defined terms and conditions. After the increase, the facility will have a total commitment of SEK 1,850 million. In addition to the credit facility, Sinch has overdraft facilities of SEK 250 million in place, an increase of SEK 50 million from year-end.

Covid-19

In response to uncertainty around Covid-19, Sinch management has initiated a range of precautionary initiatives to protect employees and ensure maintained service delivery in all circumstances. The direct financial impact of Covid-19 currently remains limited on an overall level. Messaging volumes are developing as expected. In terms of negative effects, these are concentrated to the smaller Voice and Video segment where travel restrictions in select markets is causing decreased voice volumes of Number Masking services to ride hailing companies.

NOT 33.

Proposed allocation of profit

The Board of Directors will propose to the annual general meeting that no dividend be distributed for the financial year 2019.

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

Share premium reserve	1,363,190,520
Retained earnings	59,208,388
Profit for the year	62,037,706
Total	**1,484,436,614**

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

Carried forward to the share premium reserve	1,363,190,520
Retained	121,246,094
Total	**1,484,436,614**

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 15 May 2020.

Stockholm, 24 April 2020

ERIK FRÖBERG
Chairman

BRIDGET COSGRAVE
Director

RENÈE ROBINSON STRÖMBERG
Director

JOHAN STUART
Director

BJÖRN ZETHRAEUS
Director

OSCAR WERNER
Chief Executive Officer

Our audit report was submitted
24 April 2020, Deloitte AB

ERIK OLIN
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders in Sinch 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 Sinch AB (publ) for the financial year beginning 1 January 2019 and ending 31 December 2019. The annual accounts of the company are included on pages 24-86 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 2019 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts 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 2019 and of its financial performance and cash flows for the year then ended 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 annual accounts and consolidated accounts 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 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 annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of the annual accounts and the consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

ALLOCATION AND ACCRUALS OF REVENUE

DESCRIPTION OF RISK

Sinch's revenues 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 judgments 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 Messaging, Operator, and Voice and Video segments.

OUR AUDIT PROCEDURES

Our audit procedures included, but were not limited to:

- 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, and
- on a sample basis testing recognition of revenue related to service contracts ensuring revenue is recognized as services are being delivered.

ACCOUNTING FOR BUSINESS COMBINATIONS

DESCRIPTION OF RISK

In 2019, Sinch made acquisitions of myElefant and TWW do Brasil. 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 31.

OUR AUDIT PROCEDURES

Our audit procedures 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, Sinch recognizes significant 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. The impairment tests are complex and require significant management estimates and judgments in determining 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 and Note 12 describes the key assumptions applied by management in the annual impairment testing for cash generating units to which goodwill has been allocated.

OUR AUDIT PROCEDURES

Our audit procedures included, but were not limited to:

- assessing Sinch's policies and procedures for preparing 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 accounts and is found on pages 1-23. The Board of Directors and the CEO 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 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 RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts 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 fraud 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 accounts.

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 accounts. 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 must 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 accounts, 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 accounts, we have also audited the administration of the Board of Directors and the CEO of Sinch AB (publ) for the financial year 1 January 2019 to 31 December 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profit to be appropriated 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 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 the administration 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 manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration 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 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 skepticism 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 Sinch AB (publ) by the general meeting held 17 May 2019 and has been the company's auditor since 1 February 2012.

Stockholm, 24 April 2020
Deloitte AB

Erik Olin
Authorized Public Accountant

Corporate governance statement

Introduction

Sinch AB (publ), ("Sinch") was founded 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 2019 financial year.

This corporate governance statement was adopted by the board of directors on 24 April 2020 and is a report of how corporate governance was pursued at Sinch during the 2019 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 7,000 shareholders as of 31 December 2019.

SIGNIFICANT SHAREHOLDINGS

Shareholder	Number of shares	% of equity
Neqst D1 AB	8,608,279	16.1
Cantaloupe AB	8,205,646	15.3
Swedbank Robur	5,120,323	9.6
First National Swedish Pension Fund	4,972,372	9.3
Handelsbanken fonder	3,497,800	6.5
Kjell Arvidsson AB	3,316,000	6.2
Fourth National Swedish Pension Fund	3,151,706	5.9
Alecta Pensionsförsäkring, ömsesidigt	2,340,000	4.4
Salvis Investment Ltd.	1,991,244	3.7
AMF Försäkring och fonder	1,287,348	2.4
Total, 10 largest shareholders	**42,490,718**	**79.3**
Other shareholders	11,111,371	20.7
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.

VOTING RIGHTS

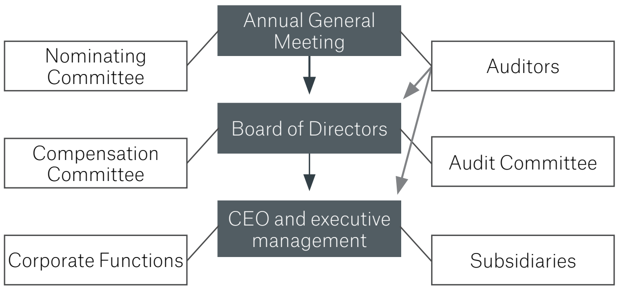
The articles of association impose no limits in the matter of how many votes each shareholder may cast at a general meeting.

Articles of association

The current Articles of Association (see the company's website, investors.sinch.com) was adopted by the general meeting held 17 May 2019. 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 it 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 2019 annual general meeting of shareholders in Sinch was held 17 May 2019 at Lindhagensgatan 126, Stockholm. 30 shareholders representing 74.62 percent of votes and share capital attended the meeting. The annual general meeting resolved to adopt the financial statements for 2018, 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 2020 annual general meeting will be held at Courtyard by Marriott, Rålambshovsleden 50 in Stockholm on 15 May 2020.

Authorizations

The annual general meeting held 17 May 2019 resolved to authorize the board of directors to decide on one or more occasions prior to the next annual general meeting 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 17 May 2019, 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 2019 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 2020 annual general meeting.

The majority of the members of the nominating committee shall be independent in relation to Sinch and executive 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 executive 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 2019. 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 2020 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 Sinch AB (publ)

The final composition of the nominating committee was published in the year-end report for 2019.

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 gender. Of the directors elected in 2019, two are women and make up 40 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 2019 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 2019 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 directors 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 are carried out 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 11 times in 2019 (of which on meetings per capsulam). The primary focus of the board during the year was on strategy, the business plan and budget and acquisitions and integration of acquired companies.

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

The work of the CEO and the board of directors is externally evaluated annually. The evaluation was performed in 2019 through a self-assessment of the work of the board by giving directors the opportunity to express their views on working methods, board materials, their own work and that of other directors and the scope of the board assignment. The board of directors also receives reports from the Audit Committee and the Compensation Committee and evaluates their work. The evaluation has been presented to the Nominating 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 annual general meeting, corporate governance report, annual report, sustainability report, review of insurance policies and pensions, interim report for the first quarter
- 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
- 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 Erik Fröberg 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

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 at year-end
Erik Fröberg	2012	Yes	No	Chairman of the Board, Chairman of the Compensation Committee	Audit, Compensation	12/12	1/3	1/1	730	230,502 private holding and 8,608,279 indirect holding
Kjell Arvidsson	2012	No	No	Director through 17 May 2019	Audit	3/3	2/2	–	–	3,316,000
Bridget Cosgrave	2018	Yes	Yes	Director	–	11/12	–	–	300	0
Renée Robinson Strömberg	2017	Yes	Yes	Director	Compensation	12/12	–	1/1	320	0
Johan Stuart	2015	Yes	Yes	Director, chairman of the Audit Committee	Audit	12/12	5/5	-	380	3,000
Björn Zethraeus	2017	No	No	Director	–	11/12	–	–	0	8,205,646 indirect holding

*Disclosures on directors' fees refer to the board year beginning at the end of the 2019 annual general meeting and ending at the end of the 2020 annual general meeting.

Auditors

The audit firm, elected for term of one year by the annual general meeting held 17 May 2019 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 2019, group management comprised the CEO Oscar Werner, COO Anders Olin, CFO Roshan Saldanha, Chief Strategy Officer Thomas Heath, Chief Human Resources Officer Eva Lessing, Chief Marketing Officer Jonathan Bean, Chief Product Officer Vikram Khandpur, CTO Jonas Lindeborg, Corporate Development and Co-founder Björn Zethraeus, Business Development and Co-founder Johan Hedberg and Evangelist and Co-founder Robert Gerstmann.

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. Executive 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 year was on the business plan, growth, financing and the acquisitions of myElefant and TWW.

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 has considered the need to establish a separate audit function. As the company has grown, the board has concluded that the audit function should be established and recruitment has begun.

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 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 obligated 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 Head 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, executive 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, 24 April 2020

The Board of Directors of Sinch AB (publ)

Board of Directors

ERIK FRÖBERG

Born: 1957
Director of Sinch since: 2012. Chairman since 2015.
Shareholding in Sinch (total, privately & via companies): 230,502 and 8,608,279 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.
Experience: Executive Vice President Cap Gemini Sweden; Executive Vice President LHS Group Inc; CEO Digiquant Inc; Special Advisor General Atlantic LP.
Other significant directorships (company and position): Digital Route AB; Xlent AB, chair; Varnish AB, director.
Dependency to the company and its major shareholders: Yes

BRIDGET COSGRAVE

Born: 1961
Director of Sinch since: 2018
Shareholding in Sinch (total, privately & via companies): 0
Warrants in Sinch: 0
Education: MBA from the London Business School, BA from Queen's University, Canada
Principal occupation: Global Product Owner Trade Finance at S.W.I.F.T. sc (as of 18 March 2019), Managing Director ADIMO sprl
Experience: Founding CEO & Chair of BICS sa, SVP Enterprise Proximus, Deputy Director General ETSI, Director General Digital Europe, former non-executive board member of S.E.S., Essilor, Eutelsat and Euskaltel
Other significant directorships (company and position): Director Ukkoverkot Oy and Every European Digital Sp. z o.o.
Dependency to the company and its major shareholders: No

RENÈE ROBINSON STRÖMBERG

Born: 1970
Director of Sinch since: 2017
Shareholding in Sinch (total, privately & 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

JOHAN STUART

Born: 1957
Director of Sinch since: 2015
Shareholding in Sinch (total, privately & 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 significant directorships (company and position): Digital Route AB, director; Best Practice Scandinavia AB, director.
Dependency to the company and its major shareholders: No

BJÖRN ZETHRAEUS

Born: 1963
Director of Sinch since: 2017
Shareholding in Sinch (total, privately & via companies): 8,205,646 through Cantaloupe AB. indirect through Cantaloupe AB
Warrants in Sinch: 0
Education: MSc Engineering, Institute of Technology at Linköping University
Principal occupation: Head of Corporate Development at 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

Group management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1. OSCAR WERNER
Chief Executive Officer
Born: 1974
Employee since: 2018
Education: MSc in Business Administration from the Stockholm School of Economics, Engineering Studies at Royal Institute of Technology, Stockholm
Experience: Business Unit President at TobiiTech, Business Unit President at Tobii Dynavox, CEO at Getupdated, VP Sales and VP Product & Marketing at Mblox, Co-Founder and CEO at 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: 17,820

3. JOHAN HEDBERG
Co-founder and Business Development
Born: 1973
Education: Graduate Engineering Degree, KTH, Stockholm
Experience: Co-founder and former CEO of Sinch, head of messaging services at Ericsson, founder of CoTraveller, IT consultant in CRM and ERP
Shareholding in Sinch (total, privately & via companies): 1,991,244 through Salvis Investment Ltd.
Warrants in Sinch: 0

4. BJÖRN ZETHRAEUS
Co-Founder & Corporate Development
Born: 1963
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
Shareholding in Sinch (total, privately & via companies): 8,205,646 through Cantaloupe AB.
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: Software developer, VP Development UIQ/Symbian, startup Mashmobile, CTO Mblox, VP Sinch Engineering
Shareholding in Sinch (total, privately & via companies): 493
Warrants in Sinch: 59,000

6. ROBERT GERSTMANN
Co-founder and Chief Evangelist
Born: 1975
Education: MSc in Industrial Economics and Management - International from the Institute of Technology at Linköping University
Experience: Co-founder of Sinch, Director of messaging business line at Mblox, product manager at Digital River (fka Netgiro) Shareholding in Sinch (total, privately & via companies): 171,043 and 8,205,646 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 at Danske Bank, Handelsbanken Capital Markets and 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: 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: 30,000

8. ROSHAN SALDANHA

Chief Financial Officer
Born: 1977
Employee since: March 2019
Education: Masters degree from the University of Mumbai, Chartered Accountant in India
Experience: With Tele2 since 2007, CFO for Tele2 Sweden from 2016. Several international financial assignments for Arthur Andersen, Citibank and the Kinnevik Group.
Shareholding in Sinch (total, privately & via companies): 0
Warrants in Sinch: 100,000

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): 6,400
Warrants in Sinch: 100,000

11. VIKRAM KHANDPUR

Chief Product Officer
Born: 1977
Employee sinch: December 2019
Education: B.E. in Instrumentation and Control Engineering from Netaji Subhas Institute of Technology, University of Delhi, Product Management certification from Haas School of Business, University of California, Berkeley
Experience: Held product leadership roles for multiple flagship software products at Microsoft for 13 years, held engineering management roles with multiple Fortune 500 companies, including Nokia and Philips Consumer Electronics. Also brings deep start-up experience having been the founder & CEO of companies in the mobile games and apps space
Shareholding in Sinch (total, privately & via companies): 0
Warrants in Sinch: 100,000

Auditor's opinion

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

ENGAGEMENT AND RESPONSIBILITY

The board of directors is responsible for the corporate governance statement for the financial year of 1 January 2019 to 31 December 2019 on pages 91-99 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 Statement. This means that our examination of the corporate governance statement s 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 statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph 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, 24 April 2020
Deloitte AB

Erik Olin
Authorized Public Accountant

Sustainability report

About the sustainability report

This is our third sustainability report, which describes our sustainability management program and activities. The report refers to the 2019 financial year and covers the parent company Sinch AB (publ), company registration number 556882-8908. All group companies included in Sinch's consolidated financial statements for the same period are included in the report, except the recently acquired subsidiaries myElefant and TWW. Companies in the Sinch Group are specified in Note 16 of the annual report. As of next year, myElefant and TWW will be included in our standard methods and processes, such as our most material sustainability topics.

The sustainability report was prepared in accordance with the provisions of chapters 6 and 7 of the Annual Accounts Act and thus fulfills legal requirements. There were no material changes in the application of reporting policies or to the scope of reporting during the year. The sustainability management program was however expanded in several respects in 2019 to cover the entire business, rather than only the former Operator Division.

Where we found errors in reports from previous years, we have made adjustments, marked the entries with * and provided an explanation. The ambition expressed last year to reinforce sustainability data reporting through a reporting service is still under consideration.

By endorsing the annual accounts and consolidated financial statements, the board of directors of Sinch has 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 30 countries, about 700 employees and consultants, 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 three segments: Messaging, Voice and Video and Operators.

Messaging and Voice and Video address the enterprise market and combine 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 and 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 from 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 Messaging 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 Operators segment.

Sinch's Operators segment addresses mobile telephone operators with innovative, stable and scalable products for mobile messaging, real-time business systems and communications firewalls. More than 80 mobile network operators in more than 40 countries use these products today. 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. Sinch generates value for its operator 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 14 of the annual report.

Our key sustainability topics

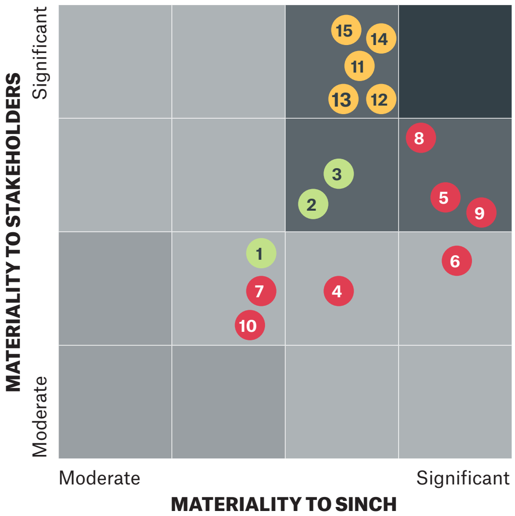
STAKEHOLDER ENGAGEMENT

We maintain constant engagement with our stakeholders. Through stakeholder engagement, we aim to identify stakeholders' opinions, expectations, needs and the sustainability topics they consider most significant to Sinch. We engage with owners, directors, employees, investors, customers, suppliers, and others who are interested in obtaining information from us and about us. This includes, for example, employee surveys and ongoing communications with customers. It is apparent in our dialogue with investors that their interest in sustainability has not waned.

A formalized stakeholder engagement process was carried out in 2017 and 2018 to clarify the topics that are the most important for us to prioritize and work with. This resulted in a materiality analysis in which we considered sustainability trends specific to the industry and globally and ranked them in terms of our impact and materiality to Sinch. The engagement process shows that stakeholders believe that recruitment of the right employees and how Sinch is clearly working to retain them in the organization is the key topic. Employer Branding remains important, as do the ethical aspects of how Sinch does business. Ongoing stakeholder engagement during the year confirmed that the results of our materiality analysis still apply.

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

Sinch's materiality analysis



ENVIRONMENTAL TOPICS

1. Travel
2. The positive environmental impact of the business
3. Reduced consumption of resources

SOCIAL TOPICS

4. Social engagement
5. Skills and training
6. Personal development
7. Diversity
8. Equal opportunity for all
9. Health and well-being
10. The social impact of the product

RESPONSIBLE AND SECURE BUSINESS

11. Anti-corruption
12. Human rights in business transactions
13. Data protection and information security
14. Ethics and legal compliance
15. Responsible supply chain

General management approach 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, supported by the management team. The management team ensures that operations and designated individuals prepare decision input and perform analyses. The CEO and the management team assist the board in executing board decisions. The board of directors carries out a self-assessment at the end of each year to evaluate its work. 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 statement, on page 92.

The fundamental point of departure for sustainability management at Sinch is to minimize the potential negative impacts of the business and benefit from the opportunities brought by sustainable business. Sinch has various policies that apply to the entire group, our employees, and our suppliers. We have local employee handbooks tailored to each country in which Sinch operates. We also have a health and safety policy and an anti-discrimination policy to help us navigate our work environment. The Code of Conduct adopted in 2016 applies to all employees, consultants and directors and was updated in late 2019. Activities related to the Code of Conduct were implemented during the year and will continue in 2020. The Code of Conduct is based on the UN Global Compact's 10 principles for sustainable business and clarifies 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 our intranet.

FOCUS AREAS IN 2019

The main topics discussed at the board level during the year were anti-corruption efforts, data protection and ethics in business. We adopted a strategy in the autumn of 2019 for future efforts related to these topics. Our work with data protection is a key topic in our sector from the legal risk perspective and because it is an aspect that is important to many of our customers. We are growing steadily and acquiring companies in various parts of the world. It is therefore imperative to continue ensuring an ethical platform for our business and zero tolerance of corruption. We will maintain our clear position that there is business benefit in being perceived as an ethical company by our customers, partners and other stakeholders.

The board of directors and management team focused on equal opportunity and diversity last year and we continued those efforts at the group management level in 2019. IT security was another prioritized topic for the management team, as it is a key area in which to maintain strength. The process to become certified under ISO 27001 that began last year intensified during 2019 and completion is planned for the spring of 2020.

Material sustainability risks and risk management

Our key sustainability risks in the areas of our prioritized sustainability topics are presented below.

The environment

CARBON EMISSIONS	DESCRIPTION OF RISK MANAGEMENT
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. We see 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 our environmental impact is not currently significant, we do have an impact through the energy that data centers use to manage our data and through air travel and the resulting carbon emissions.	We continuously monitor political developments and potential new legislation in the countries in which we operate. All employees must comply with the travel policy. The focus of the policy is that our employees should prioritize the use of transport modes that have minor climate impact and that video conferencing should be used to the greatest possible extent to reduce emissions. Our business is generally 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. In 2020, we also plan for activities to limit our climate impact related to energy consumption.

Social conditions including human resources topics

LOSS OR LACK OF QUALIFIED EMPLOYEES	DESCRIPTION OF RISK MANAGEMENT
The risk of losing key skills within the company or being unable to attract key skills to the company is perceived as a major risk to our business and continued development going forward.	We apply a recruitment model that is always used in recruitment to ensure that our collective skills and expertise maintain a high standard. We appointed a special team in 2019 that is focused on attracting and hiring talented individuals who are a good fit with the company. We measure employee engagement through employee surveys to get feedback on how employees perceive their work and us as an employer.

EQUAL OPPORTUNITY FOR ALL	DESCRIPTION OF RISK MANAGEMENT
We are 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 a gender-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.	We have zero tolerance for discrimination on any grounds and strive for a culture characterized by diversity and equal opportunity. This is clearly expressed in our Code of Conduct, which is communicated to all employees. HR applies a carefully designed recruitment process, which was further improved during 2019, to attract and hire the right talents. The recruitment process' purpose is to ensure that no one is excluded on the basis of gender, sexual orientation, or ethnicity.

HEALTH AND WELL-BEING	DESCRIPTION OF RISK MANAGEMENT
Our employees are our greatest and most important asset. We do business in a constantly changing industry and are growing rapidly, organically and through the acquisition of other companies. Accordingly, one possible risk is that employee health and well-being might be negatively affected and that we will be unable to maintain a physically and psychologically healthy work environment.	We promote a healthy work/life balance and work 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 we work 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 absenteeism. 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.

COMPLIANCE WITH THE CODE OF CONDUCT	DESCRIPTION OF RISK MANAGEMENT
Upholding high ethical standards is a top priority for us and our business. As we operate in more than 30 countries, however, we have identified a risk of non-compliance with our ethical values and guidelines, particularly due to lack of knowledge.	All 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 and evaluate the risk of breaches of our Code of Conduct in the companies we acquire. We have a Suppliers Code of Conduct and, where applicable, evaluate the supplier's own code of conduct and assess their capacity to comply.

Respect for human rights	DESCRIPTION OF RISK MANAGEMENT
At present, we have employees, customers and suppliers in some countries identified as high-risk countries for violations of human rights. This can generally constitute a risk for our business. We have, however, determined that there is relatively low risk of violation of human rights in our type of business.	Our Code of Conduct is based on the 10 principles adopted by the UN, which include human rights. All employees are required to comply. We also have a Suppliers Code of Conduct that covers matters including human rights. We established a special process during the year for requests received from public authorities so that a legal assessment can be made and principles including respect for human rights can be maintained. During the year, we also set up a special process for handling requests from authorities for disclosure of data, so that legal assessment can be made of the legality of the request. Prior to each acquisition of a new company and in connection with particularly risky contracts and partnerships, we obtain "integrity due diligence" analyses that are aimed at detecting actions and conduct that can be considered violations of human rights.

Corruption and bribery	DESCRIPTION OF RISK MANAGEMENT
We have zero tolerance for bribery and corruption, as clearly expressed in our Code of Conduct. We estimate the risk of corrupt conduct as relatively low, but recognize that the risk may increase as we establish operations in new geographical markets.	The Code of Conduct contains guidelines on bribery, corruption and conflicts of interests. The Code of Conduct has been communicated to all employees and the importance of compliance has also been emphasized in connection with the presentation of the company's business strategy. Anti-corruption work has been adopted as a priority sustainability topic and we will be working to further reduce these risks in future years. Prior to each acquisition of a new company and in connection with particularly risky contracts and partnerships, we obtain "integrity due diligence" analyses that are aimed at detecting concerns including the incidence of corrupt conduct.

IT SECURITY	DESCRIPTION OF RISK MANAGEMENT
Generally speaking, cyber attacks are occurring worldwide and there is thus high risk of inadequate IT security in most businesses. This is also an increasing trend. Sinch is a company whose business is to transmit information digitally. Accordingly, awareness and management of IT security risks is vital.	Sinch has stepped up its efforts related to IT security risks due to the accelerating global trend. For this reason, we have also opted to certify the business under ISO 27001 in order to improve risk assessment and management of these issues at the same time. We have defined activities that are important to work with and to test our IT environment.

Our sustainability management program in 2019

OUR SOCIAL TOPICS

Working for us means coming every day to a workplace where passion is a main ingredient – something we are very proud of. We are energetic, pragmatic and humble, 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. 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.

Working with charity and social engagement is not the most significant sustainability topic for us. Nevertheless, helping and doing what we can, locally and globally, to make the world a better place is important to us as a company. We collaborate extensively with Mental Health America, with which we partnered to launch Text For Humanity, a campaign that encourages people to send positive text messages to strangers all over the world. The aim is to counteract the negativity that so often appears in communications on social media and which sometimes leads to social ill health. We also chose to give our Christmas donation in 2019 to Mental Health America. 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.

SKILLS AND PROFESSIONAL DEVELOPMENT

We value and reward our employees' deep expertise in their fields and we have therefore 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. In the past year, we added several people in recruitment, where a Talent Acquisition team that includes recruitment experts has been appointed to ensure a professional recruitment process.

In order to remain an industry leader, we are utterly dependent upon retaining employees and being an attractive employer. To succeed, we must maintain a good culture, where one of the hygiene factors is 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. That all employees should have a professional development plan is also expected. If the employee needs leadership training, the HR department is involved in the selection. A pilot project was begun in 2019 for a leadership program for 18 managers in Sweden at various levels. The project has been evaluated, and as we see a continued need to strengthen our managers leadership skills, the program will continue in other countries as well during 2020.

Employee turnover during the year was 8 percent, down from the preceding year, when it was 9 percent. We are delighted that the figure has dropped 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 gained through acquisitions and to make sure new employees feel they are part of our culture.

Career development opportunities and encouragement of internal mobility are another necessary component to retain skills within the company. 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. We increased our workforce in 2019 compared to the number of employees in 2018. About 15 (10) percent of vacant positions were filled through internal recruitment during 2019.

EQUAL OPPORTUNITY FOR ALL

Diversity and equal opportunity are key factors for us and our success is the product of our various skills and experiences. One of our guidelines governing future employment is that the right skills are what matters - regardless of gender, sexual orientation or ethnicity. English is our corporate language and employees are not required to be able to speak Swedish. We are a multicultural workplace with employees in more than 30 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. This is something we encourage and consider a strong advantage in our work.

We work in a male-dominated industry and are working hard to bring more women into the business. One of our targets is that at least one of the candidates for advertised positions should be a woman. Women made up 28 percent of new hires in 2019. We will be taking further concerted action on this issue in the next few years maintain strong emphasis on gender balance in recruitment.

The average number of employees in 2019 was 457 (385), of whom 103 (79) were women. There were five directors on the board as of the reporting date, including two women. There were eleven other senior management personnel in group management, 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	2019	Of whom men	2018	Of whom men
SE Sweden	235	196	192	164
AU Australia	6	4	6	4
BR Brazil	7	1	-	-
CA Canada	5	3	4	2
DE Germany	11	6	10	5
DK Denmark	19	16	19	16
ES Spain	4	4	3	3
FR France	8	6	3	2
GB Great Britain	51	36	57	40
IN India	1	-	1	-
IQ Iraq	1	1	1	1
KW Kuwait	-	-	1	-
MY Malaysia	1	-	-	-
PL Poland	2	2	-	-
SG Singapore	6	5	4	4
TR Turkey	1	1	3	3
UAE United Arab Emirates	13	12	15	13
US United States	87	59	70	49
Total	**457**	**354**	**385**	**306**
Of which, parent company (Sweden)	10	7	11	7

HEALTH AND WELL-BEING

Employee health and well-being is critically important to us. We promote a good work/life balance because we believe that results in happy and committed employees who help us progress and develop. We have health-promoting activities aimed at promoting work/life balance, such as group runs or walks that all employees are invited to join. We have also introduced a free fitness and wellness hour per week for all employees in Sweden, 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 flexitime and the opportunity to control their own working days.

We continuously monitor the work environment and have carried out several office-based projects globally to improve and expand our premises and our business. We provided work environment training in 2018, which continued in 2019. This year's training was aimed mainly at new or recently appointed managers in Sweden. 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 and offers counseling if an employee needs support. Absenteeism in 2019, excluding pregnancy-related leave, was below 1 percent (0.73) of annual working hours. The absenteeism figure is based on data for Sweden, the UK and the US, which covers about 80 percent of our employees. All employees in Sweden were offered flu shots during the year. We offer employees in Sweden fitness and wellness benefits. We also offer health insurance, massage and regular chiropractic treatment.

EMPLOYEE SURVEY

Each year, we conduct an employee survey in which the employees' perceived engagement is measured on a scale of one to ten. The score rose during the year from the 7.4 we had in 2018 to 8.3 for 2019. We are pleased to have exceeded the target for 2019, which was 8.1. We have now come through the arduous period that entailed restructuring processes, etc., that has had negative impact on results. We also believe that our new management and strategy may have helped boost profits and that we have successfully integrated new acquisitions in the organization.

Responsible and secure business

ETHICS AND LEGAL COMPLIANCE

It is important to us that business is conducted in a due and proper manner. We must keep our promises to our customers and not use dubious methods to further 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. An ethical compass is part of our corporate culture. We promote fair competition in which we keep our promises.

There is no question that we must work 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. We implemented the Sinch Integrity Reporting Line in 2019, a dedicated channel employees can use to report breaches of our Code of Conduct. All reported cases are dealt with confidentially and all cases will be analyzed so that appropriate actions are taken to investigate and conclude that brought to attention through the report.

ANTI-CORRUPTION

As we work all over the world, including in some high-risk countries, preventing corruption is a material issue for us. We have a Code of Conduct applicable to all employees, which is appended to new employment contracts. We also have an equivalent Code of Conduct that applies to our suppliers. We have clearly emphasized and communicated during the year that all types of corruption, such as bribes or deals on non-market-based terms are prohibited within our organization. As an aspect of reinforcing anti-corruption efforts, we have begun to carry out "integrity due diligence" before entering into partnerships of a riskier nature. The idea is that such a process will evaluate the reputation of the potential acquisition, which is an aspect not covered in legal and financial due diligence. We also improved the channel for reporting non-conformances and departures from our Code of Conduct in 2019. No crimes of corruption were reported during the year.

RESPONSIBLE SUPPLY CHAIN

We operate in more than 30 countries and have a supply chain that extends across the entire world. Maintaining control of all aspects in all countries is a challenge, but we communicate with our suppliers on a daily basis through face-to-face meetings and by email and telephone. We work according to EcoVadis, which is an online CSR rating system that helps companies mitigate the risk in their supply chains. EcoVadis also evaluates the companies that work according to their system and, for the fourth year running, we 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.

HUMAN RIGHTS IN BUSINESS TRANSACTIONS

Protecting human rights in business transactions is important to us. In some of the countries where we do business, there can be risk of human rights abuses by the suppliers and customers we work with. It is difficult to maintain control over every aspect of this, but we seek to manage it by evaluating our customers, suppliers and partners as carefully as possible. Our Code of Conduct clearly expresses that Sinch must not participate in activities that constitute violations of human rights.

We concluded the Operators Division's separate commitment to the UN Global Compact and instead entered into equivalent membership for Sinch as a whole. The 10 principles of the UN Global Compact include respect for human rights. We implemented a system during the year that handles requests to provide information to public authorities. Such matters must be channeled through our chief legal counsel to ensure that there is a legal basis for the queries. There were no confirmed violations of human rights during the year.

DATA PROTECTION AND INFORMATION SECURITY

Information and IT security are critically important to our business and these topics were a matter of intense focus in 2019. We have an IT management group that meets monthly and discusses IT security, ongoing issues and potential areas for improvement. The general IT security policy is subject to the approval of the Group CTO. We updated, improved and adjusted our policies in the area during the year to ensure that they are current and relevant to our business and business environment. Data protection is included as a priority area of sustainability in our adopted business strategy.

All new hires must undergo basic training in information security, IT security and data protection and completion of training is monitored. Some of the areas included in the IT security training are how we process personal data, how and what we post on social media and the importance of secure passwords and secure data processing. We decided last year to certify parts of the organization according to ISO 27001, the information security standard. Efforts were thus ongoing during the entire year to prepare the organization for certification in 2020. As the first step, the idea is to certify the processes that affect our delivery to customers. A life cycle awareness plan will also be rolled out over the next year. This will improve our ability to ensure that the right people are provided the right kind of training and that important skills are maintained through regular training.

We have improved the quality of our business continuity planning and disaster recovery plans and carried out exercises of both during the year. We continuously evaluate our IT systems to ensure that they uphold a high standard of quality and process data in a secure manner. As part of the evaluation of the IT systems, we implement continuous measures and redesign our IT systems on an ongoing basis to ensure they are adapted to current requirements.

In order to determine whether our systems leak information or do not securely process customer data, we have an internal system in which employees can report any non-conformances they have identified. As in 2018, there were no confirmed cases of loss of customer data in 2019. Aimed at further reinforcing IT security, we also established a partnership with a security firm that is building a new security center for us so that we can more rapidly detect non-compliant security behaviors in our IT environments. We have also performed our own tests by shutting down a data center to verify that information is moved to another working center without affecting the customer experience of our services.

The environment

THE POSITIVE ENVIRONMENTAL IMPACT OF THE BUSINESS

Environmental impact is not our most material sustainability topic, but we still believe it is important to reduce the impact we have. We must run our business responsibly with consideration for the environment, the company's customers, employees and investors. We aspire to steadily reduce the negative environmental impact of our business. Generally speaking, since the aim of our business is for users of our products and services to communicate virtually to a greater extent than before, we are helping reduce the need for travel and transportation by means including cloud services. If we can be involved in reducing the need for travel and thus reduce emissions, it is good for us, the environment and our customers. Increased virtual communication can also reduce the use of paper, which we consider positive.

REDUCED CONSUMPTION OF RESOURCES

As air travel accounts for a large share of our emissions of greenhouse gases, we apply a travel policy to ensure that business travel is carried out with regard to the environment. 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 also seek to hold meetings via phone and video as far as possible instead of traveling to reduce the negative environmental impact of flying. We are, however, in an expansionary period of numerous new acquisitions, which involves considerable travel by air. We are aware of the impact of this travel while recognizing that it is essential to continue expanding and developing the company.

We recycle at all larger offices - five in Sweden and three outside Sweden. In total, more than half of our employees work at one of these offices.

We decided in 2019 to review electricity usage in our own and leased data centers and to evaluate whether we should prepare special specifications concerning the energy provided to us by lessors and suppliers.

OUTLOOK FOR 2020

We will maintain our sustainability management program in 2020 on the same path, with special focus on anti-corruption efforts, data protection and an ethical approach to business transactions.

We will also maintain our focus on attracting and recruiting even more talents and increasing the number of women in our organization. We will maintain our focus on leadership training to continue reinforcing leadership within Sinch and digitalize HR functions to better align with our status as a global business. Moreover, we will focus on working with ethical aspects and anti-corruption and certifying parts of our operations within the IT security framework according to ISO 27001. Lastly, we have also decided to work with an energy consumption plan for 2020.

AUDITOR'S OPINION ON THE STATUTORY SUSTAINABILITY REPORT

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

ENGAGEMENT AND RESPONSIBILITY

The board of directors is responsible for the sustainability report for the 2019 financial year on pages 101-108 and for its preparation in accordance with the Annual Accounts Act.

SCOPE OF THE EXAMINATION

Our examination of the corporate governance statement was conducted in accordance with FAR's auditing standard RevR 12 The Auditor's Examination of the Statutory 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 opinion.

OPINION

A sustainability report has been prepared.

Stockholm, 24 April 2020
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 Sinch AB (publ) that the annual general meeting will be held on Friday, 15 May 2020 at 14:00 CET in the meeting venue Kungsholmen 2 at Hotell Courtyard by Marriott, Rålambshovsleden 50 in Stockholm, Sweden.

Registration

Shareholders who wish to attend the annual general meeting must be entered in the share register kept by Euroclear Sweden AB by Friday, 8 May 2020, and must notify of their intent to attend by Monday 11 May 2020.

Shareholders must notify Sinch of their intention to participate through the website www.sinch.com (only applicable to individuals), by post to Computershare AB, "AGM of Sinch AB", Box 5267, SE-102 46 Stockholm, or by telephone +46 (0) 771-24 64 00.

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

Proxy and advisors

Shareholders who intend to be represented by proxies must submit a written and dated proxy form to Computer Share AB by post at the above adress, well in advance of the annual general meeting.

If the shareholder is a legal person, proof of registration, or equivalent authorization appointing the authorized signatory for the company, must be enclosed to the power of attorney. Proxy forms are available on the company's website, www.sinch.com.

A shareholder or proxy may bring one or two advisors to the annual general meeting.

Nominee-registered shares

Shareholders whose shares are registered to a nominee must temporarily re-register the shares in their own name in the sahre register maintained by Euroclear Sweden AB, to be entitled to attend the meeting. Such registration must be executed by Friday, 8 May 2020. The shareholder should contact the nominee well in advance of the aforementioned date.

Forthcoming reporting dates

Interim report, January–March 2020	29 April 2020
Half-yearly report, January–June 2020	17 July 2020
Interim report, January–September 2020	3 November 2020

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.
API	Application Programming Interface, refers to a defined interface that exposes a capability and makes it accessible through software. As an example, the Sinch SMS API lets a developer reach any mobile phone in the world using a few lines of code that call upon the API, submit the phone number, and specify the message to send.
API-first	A software architecture where APIs are built and documented before any user interface or applications are constructed that draw on capabilities exposed through the API. The approach aims to create a modular and scalable architecture with clearly-defined boundaries between technical elements.
BSS	Acronym for Business Support Systems.
Chatbot	A software that responds to user input in a chat conversation.
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.
Concatenation	Combining more than one messages into one, to send SMS that are longer than 160 characters.
CPaaS	Acronym for Communications Platform-as-a-Service, a type of cloud service that provides programs and applications over the internet.
Delivery receipt	A notification to the sender that a message has been delivered to a handset. Standard in SMS. In WhatsApp and other chat apps, this is denoted as two grey check marks.
Grey route	Routing a message to a mobile subscriber in a fraudulent way that avoids paying fees to the subscriber's mobile operator.
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.
Landing page	A personalized web page that is reached by clicking a link in an SMS or in an email.
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.
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.
MVNO	Acronym for Mobile Virtual Network Operator.
Opt-in	When a customer gives a business explicit consent to be contacted, for example through SMS.
OTP	An abbreviation for One-Time-Password, and is one of the most common use cases for businesses to send Application-to-Person SMS.
P2P	Person-to-Person messaging refers to messages sent between people to one another. These days, P2P messaging is typically bundled into a mobile subscription without any marginal cost per message.
P2A	Application-to-Person messaging refers to messages sent from a person to a software application, i.e. 'inbound' from an end user to a business.
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.
Read receipt	A notification to the sender that a message has been read by the recipient. Not available in SMS. In WhatsApp and other chat apps, this is denoted as two blue check marks.
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.
Session	A time-based billing window for messaging, such as 24 hours, that is priced as a unit. Session pricing complements per-message pricing and is attractive to drive uptake of conversational use cases in messaging.
Sinch	The word Sinch is an informal American synonym for easy. We're building cloud-based technology that is easy to deploy, easy to scale and easy for end users to appreciate.
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.
Verified SMS	A technology promoted by Google to enable Verified Senders in SMS.
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 SE-112 18 Stockholm	+46 (0) 8 566 166 00
ATLANTA	United States	7000 Central Parkway Suite 1480 Atlanta, Georgia 30328	
LONDON	United Kingdom	CAP House 4th Floor 9–13 Long Lane London, EC1A 9HA	

Other presence

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	Sao Paulo	Brazil
Copenhagen	Denmark	Seattle	United States
Lima	Peru	Sheffield	United Kingdom
Linköping	Sweden	Singapore	Singapore
Los Angeles	United States	Sydney	Australia
Louisiana	United States	Toronto	Canada
Lund	Sweden	Warsaw	Poland

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