sinch

Annual Report 2020

Simplifying life by bringing all people and businesses together.

Contents

Sinch develops digital tools that let businesses and people talk to each other.

Powered by our cloud communications platform, enterprises can reach any mobile phone on the planet – within a second or two – via messaging, voice calls and video. Several of the biggest enterprises in the world are using Sinch's advanced technology platform to communicate with their customers and Sinch is an established software supplier to mobile operators worldwide. Sinch has delivered profitable growth since it was founded in 2008. The Group is headquartered in Stockholm, Sweden, and has a presence in more than 40 other countries. The share is listed on Nasdaq Stockholm: XSTO: SINCH. Visit us at investors.sinch.com.

Sinch as an investment

Global leader in a growing market

Sinch is a leader in a growing, global market for Communications Platforms as a Service (CPaaS) and mobile customer engagement. We serve some of the world's most demanding enterprise customers, including 8 out of the 10 largest US-based tech companies.

Next-generation messaging

Next-generation messaging is creating new opportunities for businesses to reach their customers with images, video, interactivity and artificial intelligence/machine learning. The market Sinch addresses is growing dramatically due to technological advances.

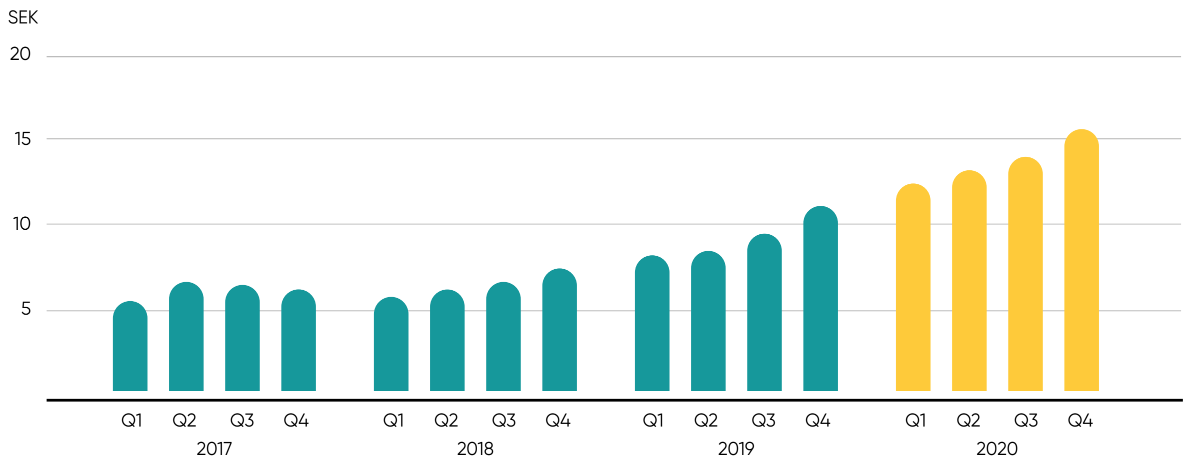
Strategic acquisitions

Sinch has successfully executed and integrated several strategic acquisitions for scale and profitability and tech and go-to-market. Profitable businesses are acquired at accretive valuation where Sinch can gain economies of scale and synergies, augmented by acquisitions of companies with complementary tech and sales resources that advance Sinch's organic growth. Four acquisitions were announced in 2020.

Profitable from day one

Sinch has been profitable since it was founded in 2008 and gross profit is more than ten times higher than at the IPO in 2015.

Adjusted EBITDA per share (SEK)



Sinch in brief

43 countries • Australia Austria Belgium Brazil Canada China Colombia Costa Rica Czech Republic Denmark Ecuador Finland France Germany Greece Guatemala Hungary India Iraq Israel Italy Jordan Kenya Kuwait Malaysia Mexico Netherlands New Zealand Poland Russia Serbia Singapore South Africa South Korea Spain Sweden The Philippines Tunisia Turkey United Arab Emirates Ukraine United Kingdom United States

1,778
employees at year-end 2020

400+
direct connections to MNOs

43
countries with local presence

132 billion
interactions per year

100%
Sinch reaches all mobile phones in the world

8 out of 10
the largest US-based tech companies are customers

Establishing Sinch as a global leader

We have set out make Sinch a global leader in mobile customer engagement. In 2020, we took several key steps to realize that vision with strong organic growth and strategic acquisitions in Asia and Latin America.

Revenues for the full year surpassed SEK 8.0 billion, up 59 percent from the the year before, and Gross Profit grew 57 percent to SEK 2.2 billion. Adjusted EBITDA was 59 percent higher than in 2019.

Underpinning these growth rates is an explicit strategy to add scale through both organic and acquired means. Acquisitions contributed nearly half of the overall growth and our long-term cooperation with several global, US-based tech companies contributed significantly to our organic performance during the year. Scale is imperative also to profitability, and our larger size means we can generate industry-leading profitability whilst investing forcefully in new product development.

Rapid Growth in Messaging

Growth was particularly strong in Messaging, our largest segment, where Gross Profit increased by 68 percent compared to 2019. Sinch is particularly competitive when businesses look for global delivery, to customers in multiple countries, and when quality is a key priority. We are directly connected to more than 400 mobile operators, which means that messages are delivered faster, and with a higher success rate, since there are no unnecessary middlemen.

SMS messaging continues to grow as businesses value its unrivalled open rates and 100% global reach. Every person with a mobile phone can receive SMS, and most people carry their phones with them at all times. This makes SMS the best choice for brief messages that break through the noise.

Expansion to India and Latin America

Expanding our presence in important local and regional markets helps expand our addressable market and strengthens our offering to global customers. With the acquisition of ACL Mobile, which closed in September, we have established Sinch as a leading provider of Messaging and CPaaS products in India, the world's second largest mobile market. This is a fast-growing, mobile-first economy with a population exceeding 1.3 billion. In 2020 we also announced the acquisition of Wavy, a transaction that closed in 2021 that makes Sinch the regional leader in Latin America and strengthens our ability to deliver innovate Messaging solutions through WhatsApp.

In November we closed the acquisition of SAP Digital Interconnect, our then-largest acquisition, which further adds to our scale and strengthens our market presence in the US, Europe and Asia. Integration work is now ongoing to migrate customers to our global platform, deliver synergies and begin cross- and upsell of our broadened, joint product portfolio.

Investments in Conversational Messaging

Alongside SMS, many businesses are now finding success with new messaging formats like WhatsApp, Viber, Messenger and RCS. These channels support a broader feature set with pictures and video, action buttons and read-receipts. Usage growth is particularly strong in Brazil and India as customers recognise the utility of interacting with businesses through the same messaging apps that they use to keep in touch with friends and family.

The fundamental driver here is customer experience. With Conversational Messaging, businesses engage with their customers on a one-to-one basis, through their customers' preferred messaging channels. This creates an app-like experience, delivered to your inbox, in a format with minimal threshold to engage and respond. And you can pick up a conversation with a business where you last left it, just like you would with a friend or family member.

We are now investing forcefully in the tools and capabilities that businesses need to deliver this experience. In 2020 we launched the Sinch Conversation API, a product that lets a businesses reach customers who use WhatsApp, RCS, SMS and more through a single integration with Sinch. We also invested in AI and machine learning capabilities through the acquisition of Chatlayer, a platform for multilingual chat- and voice bots that automatically understands and responds to customer questions.

Adding scale in Voice

Close cooperation with the world's many mobile operators is critical to ensure high-quality international connectivity. In 2020 we have expanded our cooperation with Ericsson, providing the technology that powers SMS messaging in 5G networks. And despite commercial headwinds triggered by the Covid-19 pandemic, we have continued to invest in our Voice & Video offering. A great customer experience will make use of of multiple communications channels and the acquisition of Inteliquent – which we announced in February 2021 – will establish Sinch as a leading CPaaS company also in voice.

Safeguarding our employees during Covid-19

We will look back at 2020 as a pivotal year where we truly established Sinch as a global leader in mobile customer engagement and CPaaS. We will also remember the year for the challenges brought on by the global Covid-19 pandemic. I want to take this opportunity to thank all Sinch colleagues for the hard work and commitment in this unprecedented time.

Teamwork drives our success, today and tomorrow.

Oscar Werner
CEO

The year in brief

+59%

growth in net sales over 2019

+57%

growth in gross profit over 2019

42%

of gross profit translated into adjusted EBITDA

+59%

growth in EBITDA over 2019

Financial targets and outcomes

20 percent annual growth in adjusted EBITDA per share

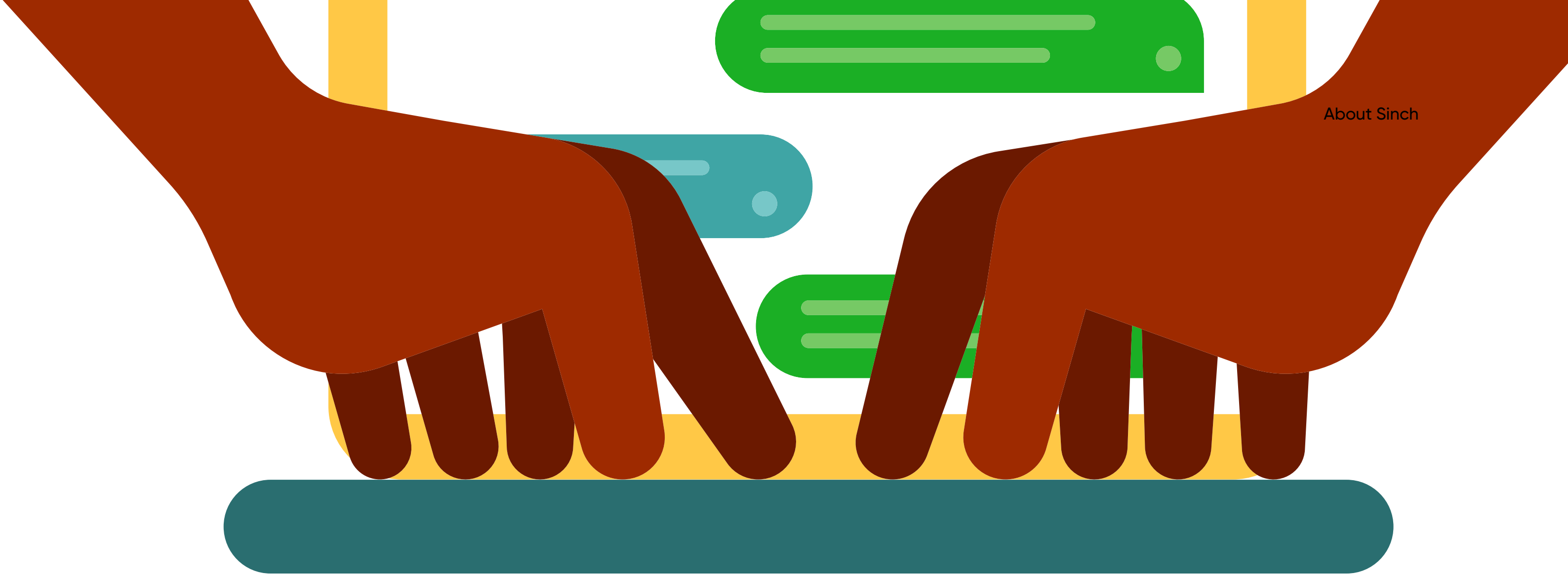
Adjusted EBITDA per share grew by **43 percent** in 2020

Net debt of **<2.5x** adjusted EBITDA over time

Net debt/adjusted EBITDA was **–2.2x** at year-end

Market

- Sinch was selected by Ericsson on 5 March to contribute messaging technology for their ongoing 5G rollout. Sinch SMSF (SMS Function), a cloud-based 3GPP specified messaging service, will be included in Ericsson's Core Network offering.
- On 4 June, Sinch was ranked the Top Messaging Innovator and Best Vendor in the North America category by more than 800 participating mobile network operators (MNOs) in the Roaming Consulting Company's Innovators Report 2020. Separately, Sinch was ranked as one of the few global Tier One vendors based on the evaluations of more than 500 MNOs all over the world and was honored as the top A2P SMS Messaging Vendor in North America in the A2P SMS Vendor Performance Report 2020.
- On 29 October, Sinch launched Sinch Conversation API, for collected two-way communication through populra messaging servies such as Whatsapp, Viber, RCS and SMS. The product gives companies a simple solution to secure their future customer communication with support of todays and tomorrows messaging services.



Acquisitions

- Belgian company Chatlayer BV was acquired on 19 March for EUR 5.6 million. Chatlayer is a cloud-based software platform that enables companies to create advanced, multilingual chatbots that understand both spoken language and text-based communications. Chatlayer uses Artificial Intelligence (AI) and Natural Language Understanding (NLU) to enable intelligent interactive communication between businesses and their customers via communication channels including mobile messaging apps, voice calls and web chat.
- The acquisition of Brazilian company Wavy was announced on 26 March, for a cash consideration of BRL 355 million (SEK 543m) and a non-cash issue of 1,534,582 new shares in Sinch. Wavy is a top-tier supplier of messaging services in Latin America with a leading position in next-generation conversational messaging. Wavy operates in Brazil, Mexico, Colombia, Peru, Chile, Argentina and Paraguay. The acquisition closed on 1 February 2021.
- The American company SAP Digital Interconnect ("SDI") was acquired on 5 May for EUR 230.4 million. SDI provides cloud communications services to more than 1,500 enterprise customers worldwide. The customer base includes many of the world's most highly valued companies, including top tech firms, banks, payment gateways, retailers and mobile operators. The acquisition closed on 1 November 2020.
- Indian company ACL Mobile was acquired on 15 June for about SEK 630 million. ACL Mobile is a leading vendor of cloud communications services in India and Southeast Asia. The company's platform enables businesses to interact with their customers through multiple channels including SMS, voice, email, IP messaging and WhatsApp. With an enterprise customer base exceeding 500, ACL Is particularly successful in the banking and financial services sector, where the ACL platform offers intelligent routing and granular access controls that meet the stringent demands of the financial sector. The acquisition closed on 1 September 2020.

After the end of the period

- Sinch's products within Business Support Systems (BSS) for mobile operators were sold on 1 February 2021 to eRate, a Norway-based telecommunications specialist focused on solutions in billing and rating.
- On 17 February 2021, Sinch acquired US company Inteliquent, the largest independent voice communications provider in the US, for total cash consideration of USD 1,140 million on a cash and debt-free basis. The acquisition establishes Sinch as the leader in voice connectivity for businesses and telecom carriers in the US. Inteliquent powers voice communications for the leading communication service providers and other businesses in North America. The company operates a fully redundant, geodiverse, carrier-grade Tier 1 network that is directly connected to every major telecom carrier and covers 94 percent of the US population.

Financial

- On 26 March, Sinch has resolved on a directed new share issue of 5,000,000 shares at a subscription price of SEK 300 per share. 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 raised SEK 1,500 million before issue costs.
- A directed issue of 1,052,631 shares was executed on 15 June at a subscription price of SEK 665 per share. The issue generated keen interest and was directed at selected Swedish and international institutional investors. The issue raised approximately SEK 700 million for Sinch before issue costs.
- A directed issue of 3,187,736 shares was executed on 30 November at a subscription price of SEK 1,050 per share and raised SEK 3.3 billion before issue costs for Sinch. After the issue, SB Management, a subsidiary of SoftBank Group Corp. became one of Sinch's largest shareholders.

Growing markets and a strong offering

More companies are realizing that they need to be able to reach their customers in a way that is immediate, relevant and pesonalized. They all need to find complementary ways to interact with their customers, whether that involves marketing, customer service or advice.

Sinch operates in several partially overlapping markets that cover:

Enterprise messaging via SMS

The market for enterprise messaging using SMS is a growing and global but highly fragmented market with an estimated total market size of USD 18 billion.

Rich & conversational messaging

The market for rich and conversational messaging using next-generation formats like WhatsApp, Facebook Messenger and RCS is expected to grow by 100-300 percent over the next few years.

Communications Platform-as-a-Service (CPaaS)

In the CPaaS market, a cloud-based software platform is offered to easily provide powerful and configurable messaging, voice and video communications. The estimated market size is USD 4-8 billion in 2021, with CAGR of 35-57 percent.

Software to MNOs

The market for software to mobile network operators covers products such as network infrastructure software, solutions for message handling, billing and policy control, base station subsystems (BSS) and fraud prevention.

Voice services

The market for programmable voice communications covers voice and telephony services that use software to connect or answer calls. IDC estimates the market size at USD 3,2 billion USD in 2021.

1,640 billion

enterprise messages sent worldwide in 2019

Enterprise messaging via SMS

Anyone on the planet with a mobile phone can receive a text via SMS. And more than five billion people own one, which makes SMS unique, with 100 percent coverage of all mobile phone users worldwide.

Businesses are increasingly discovering how SMS gets there when other communication methods fall short. The open rate for SMS messages is 4.5 times 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 why "application-to-person" messaging (A2P) via SMS has grown into a global market worth an estimated USD 18 billion.

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

Unlike email, SMS messaging is charged per message. Prices vary between operators and countries, but the per-message cost structure for businesses creates a healthy barrier and ensures that SMS, unlike email for instance, remains a premium channel for key use cases.

Sinch's offering

Sinch is particularly competitive in situations where businesses are seeking high-quality message delivery, with no middleman, in multiple countries. With our Super Network, we provide faster, more successful message deliveries than the competition. We are one of a few Tier -rated vendors in the world, with direct connections to more than 400 MNOs.

The significance of direct connections

Only a few vendors are classified as Tier 1 at the global level.

Tier 1 – Deliver messages directly to the recipient

Tier 2 – Deliver messages via another vendor, with one hop before reaching the recipient

Tier 3 – Deliver messages via another vendor, with two or more hops before reaching the recipient

The tier of the vendor used makes a huge difference in control over capacity and security. Each hop along the way to the recipient will affect latency and risks exposing the content to a third party.

Rich & conversational messaging

Text messages outcompete email with greater immediacy and superior read-rates. However, they are constrained by the 160-character message limit and do not support features smart phone users are used to, like images and video, group chat and read-receipts.

The next generation of mobile messaging eliminates this limitation.

Rich and conversational messaging provides an app-like experience, with no need to download and install an app. Users can tap easy action buttons like "Confirm," "No, thanks," or "Show me more information" directly from inside the text. These new features make messaging relevant for new use cases like marketing, customer service, and advice, which significantly expands the addressable market.

The market is fragmented across several different communications platforms, for which penetration varies in different parts of the world.

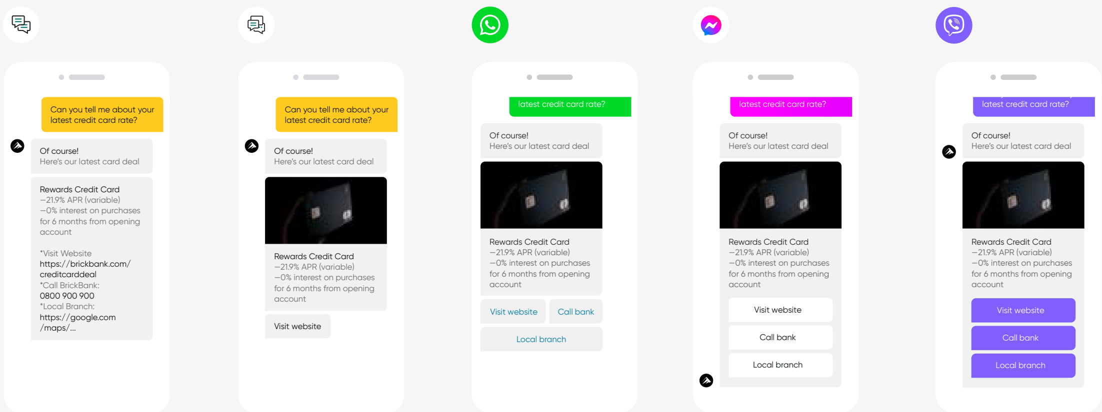
- Penetration is increasing for chat apps like WhatsApp, Viber, Wechat, KaKaoTalk, and Facebook Messenger. In addition to consumers using them to keep in touch with friends and family, these platforms also allow businesses to talk totheir customers.
- A rising number of mobile phones and operators support the next-generation SMS technology: Rich Communications Services (RCS). The technology supports new features like read receipts and group chat. The RCS standard is carrier-led and marketed by Google.
- Apple has launched Apple Business Chat inside 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 messaging 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 channel other than SMS has 100 percent reach, which requires the handling of multiple messaging services in parallel and meeting consumers on the service they are using.

Sinch's offering

Sinch's offering in Rich and Conversational Messaging enables the best possible messaging experience to every end customer, given the unique set of capabilities of individual mobile handsets. With our Conversation API, we can guarantee the best possible messaging experience - on any communication channel.

Sinch has also made considerable investments to enable stronger visual messaging experiences for phones that do not support RCS and does not have chat apps like WhatsApp. By sending a text with a link to a unique and personalized landing page, we combine the unsurpassed reach of SMS with the numerous features available in an mobile web browsers.



Through the Sinch Conversation API, businesses can guarantee the best possible messaging experience on every unique mobile phone.

Communications-Platform-as-a-Service

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

Although the distinction between the CPaaS market and the enterprise messaging market is not clear-cut, discussions of CPaaS tend to focus on the following factors:

- Developer tools and documentation that allow telecom capabilities like SMS and voice calling to be easily integrated in apps and services.
- Support for messaging, voice and video.

Incremental software that adds features in addition to sending a message or connecting a voice call. Examples here include anonymization features and omnichannel products that blend multiple communication channels like voice and texting in a cohesive offering.

The market is estimated at USD 4 to 8 billion in 2021, with CAGR of up to 57 percent.

Sinch's offering

The CPaaS solution is designed to help businesses use the latest communications features as quickly and painlessly as possible. Sinch offers developer support, training and guidance. Gartner describes Sinch as one of a few global "pure play CPaaS vendors" and our offering covers SMS, RCS, personalization services, sound services, verification services and firewall strategies.

Voice services

Programmable voice services refer to voice calls initiated by software or where the software is used to process or manage voice calls. They differ from ordinary person-to-person phone calls, which are made from one phone to another without the conversation having been initiated or amplified by software.

Common use cases include simple Interactive Voice Response systems, where customers choose among numbered menu choices or automated customer feedback surveys through voice calls to customers who have just spoken to a company's customer service. Programmatic phone numbers, which make it possible for businesses to acquire phone numbers via software APIs, are a closely related area. This makes it possible for businesses to assign unique incoming numbers to specific use cases or individuals, such as local numbers used to reach collaborative services like Zoom and Microsoft Teams.

Sinch's offering

Sinch powers voice calls using the public telephone network as well as data-based calls to apps. Although temporarily impacted by the global Covid-19 pandemic, Sinch has had great success with its Number Masking product that allows drivers and users of app-based ride hailing services to reach each other without disclosing their private phone numbers. Sinch also uses voice calls as a method for verifying whether a phone number given by an individual actually belongs to that person.

Software to MNOs

Sinch develops software solutions for mobile network operators, supplied 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. Following the acquisition of SAP Digital Interconnect, Sinch also offers services to mobile operators to simplify handling of person-to-person messaging.

Sinch's offering

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 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 enterprise messaging business. Our profound understanding of core telecom technologies sets us apart from our CPaaS competition and enables us to meet market needs that other service providers may struggle to deliver.

Through the acquisition of SDI, we can now handle several hundred billion private, person-to person messages that are sent between operators and rely on Sinch technology to reach their destination. We are particularly well placed to serve challenger operators who want flexible product offerings that can easily be scaled up 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.

Customers across the globe

Any business, anywhere on the planet, that wants to interact with its customers is a potential user of our products. We believe large transaction volumes are essential to creating economies of scale, securing profitability, and financing product development. That is why our go-to-market model combines direct sales to enterprises and various channel partnerships.

Business usage of CPaaS falls into three broad categories:

- The company uses software in which CPaaS services have been preintegrated, such as a reservations system for the restaurant industry or a CRM system for auto mechanics. The software developer that built the system makes it easy to send reminders by SMS when the restaurant owner selects a box in their reservations system. In this case, Sinch's customer is the company that built the reservations system, rather than the individual restaurant.

- The company has in-house software developers who build a unique solution using the APIs provided by a CPaaS provider. Small companies in this category usually choose to become customers online, while larger customers often have a more structured procurement process in which several CPaaS providers are evaluated and compared. In these cases, Sinch sells directly to the company.

- The company is seeking a unique and company-specific solution, but lacks sufficient prior knowledge or development resources to independently design and deploy it. In this case, the CPaaS provider supplies consultancy and advisory services, either itself or through partners.

Sinch divides its customer base into six main categories

Sinch's goal is to achieve a leading, global position in CPaaS, where high transaction volumes enable good profitability and create scope to invest in continued growth and product development.

The market is vast and global. Accordingly, Sinch works with direct sales to enterprise customers as well as indirect sales through various kinds of partnerships and sales channels. As a result, our addressable market is growing: we are reaching more potential enterprise customers, handling higher transaction volumes, and creating bigger economies of scale.

Enterprise customers We sell to companies in a wide range of sectors including banking and finance, retail and travel and logistics. We are particularly competitive when enterprises are seeking high-quality message delivery, with no middlemen, and when regulatory compliance and security are critical factors.

Global tech companies Our customers include eight of the ten largest US-based multinational tech companies and we have significant volumes with six of those eight. We are winning these accounts for several reasons, especially our focus on quality and regulatory compliance, experience handling large and demanding customers, and extensive network of direct MNO connections.

Application service providers Many software firms create products that use CPaaS functionality or offer messaging to add value to other offerings. An online restaurant reservations system is one such example – Sinch offers communications features that are built into a wider software solution for restaurants.

Cloud platforms Numerous companies use cloud-based software for Customer Relationship Management (CRM), Marketing Automation and customer support. These software platforms are often a logical launching pad for business/customer interaction and we take care of the communication to the end user for these platforms.

Wholesalers Many local and regional competitors have direct connections to mobile network operators in only one or two countries. To be able to send messages to MNOs abroad, they often use a multinational CPaaS provider like Sinch.

Mobile network operators We consider MNOs our strategic partners with a shared interest in protecting our ecosystem. We develop technologies that help MNOs protect their subscribers from spam, get paid for their services, and interact with their customers using advanced messaging products like personalized video messaging. Some MNOs can also work as sales channels by selling our products to their enterprise customers. Beyond their role as customers, MNOs play a key role as suppliers because we pay substantial fees for sending messages and connecting calls all over the world.

Growing organically and through acquisition

Sinch's strategy is to combine organic growth with growth through acquisition. We strive for profitable growth based on quality, scalability and innovation.

Sinch's strategy centers around two pillars that reinforce each other.

1 Offering leading, global, high-quality and reliable services to businesses looking to engage with their customers through mobile messaging, voice and video.

2 Offering Communications Platform-as-a-Service (CPaaS) that helps businesses leverage the new opportunities in rich media and conversational messaging made possible by technological evolution.

Our goal is to become the international market leader in both areas by combining organic initiatives and strategic acquisitions.

The world's best Super Network

Our cloud communications platform lets businesses reach any mobile phone on the planet, in a second or two, through text messaging, voice or video. Underpinning this ability is our Super Network; a technological infrastructure with direct connections more than 400 MNOs – a position that has taken more than 10 years to build and solidify.

Our Super Network sets us apart from the competition. We can send messages directly to the recipient where competitors who lack our direct communications route 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 are continuing to grow our reach with direct connections to even more operators. A single operator connection can take months to establish and MNOs often prefer to work with only a few large messaging partners Along with volume pricing, this benefits providers with many enterprise customers. Data privacy regulations like GDPR add additional complexity and some countries require sensitive customer data to be handled locally and not in shared data centers. This is particularly relevant to customers in banking and finance, and for the many customers who rely on Sinch messaging for one-time passwords (OTP) and Two Factor Authentication (2FA). With our prime quality network and bred-in-the-bone focus on quality, we are also particularly well placed to serve demanding businesses seeking high-quality message delivery to multiple countries.

Progress in 2020

We increased the number of direct operator connections to more than 400 in 2020.

We also reinforced our Super Network with new direct connections in Latin America and India through the acquisitions of SDI, ACL, and Wavy. Laws and regulations like GDPR and the equivalents in other regions hold companies responsible for compliance, which increases the need for a Tier 1 vendor like Sinch.

Higher customer engagement with Communications Platform-as-a-Service (CPaaS)

Thus far, SMS is the only mobile channel with 100 percent reach and business usage of SMS is growing worldwide as more businesses discover its advantages. And yet, businesses have only scratched the surface of the potential and have not yet reaped the full benefit of everything that cloud communications and mobile technology have to offer. Our initiatives in these areas are aimed at:

1) Expanding our software offering (CPaaS) and adding value over and above the fundamental communications and messaging services.

2) Developing products that make it possible for businesses to easily use messaging services with images, video and interactive communication.

3) Create stronger customer relationships without sacrificing scalability.

New messaging channels like WhatsApp Business, Facebook Messenger, Apple Business Chat and Line are designed for images, video and interactivity. Where SMS is limited to 160 characters, the new channels can deliver an app-like experience. In this way, mobile messaging becomes relevant for a wider range of use cases, but it also becomes more complex for businesses to handle.

Progress in 2020

The acquisition of myElefant was integrated in 2020. The myElefant platform offers a sophisticated but easy to use promotional tool for producing mobile landing pages and we have begun the work to interweave the myElefant and Sinch offerings in video messaging.

Sinch Conversation API, which powers cohesive conversational communication from one platform to messaging services like WhatsApp, Viber, RCS and SMS.

The acquisition of Chatlayer.ai augmented our offering with a cloud-based software platform that uses AI-based technology to create advanced, multilingual chatbots that understand both spoken language and text-based communications.

Wavy, a leading Latin American tech firm, brought reinforced market presence in Latin America and expanded our offering in next-generation messaging with conversation and interactivity via WhatsApp.

Acquisition as part of the business model

Sinch is a global leader in a vast but highly fragmented market. Acquisitions are a route to achieving economies of scale, growing our profits and accelerating product development.

Sinch makes acquisitions in two main categories: "Scale and profitability" and "Technology and go-to-market."

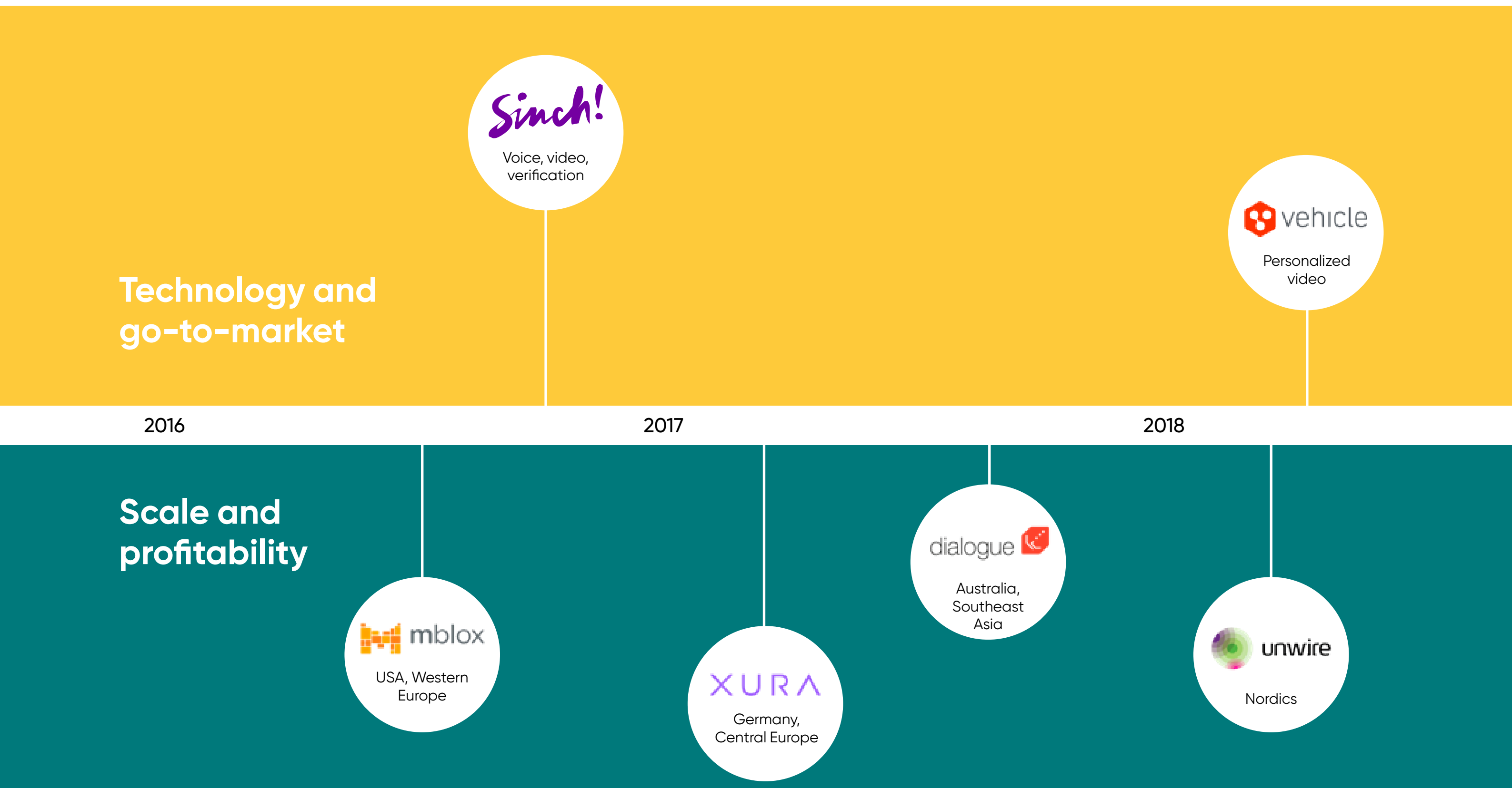
Scale and profitability

Acquisitions of companies that offer products that overlap Sinch's current offering categorized under "Scale and profitability."

Many local and regional enterprise messaging vendors have built successful businesses with strong customer relationships but lack the scale and finances required to develop a complete CPaaS offering or invest in next-generation messaging products. Sinch can acquire these companies at attractive valuation multiples and introduce the broad portfolio of Sinch products to the acquired customer base. By acquiring these companies, Sinch can expand its geographical breadth and build global presence faster than through organic establishment.

Acquisitions within "Scale and profitability" create economies of scale because customers originally served using a separate tech infrastructure can be managed using a shared and scalable platform. Sharing fixed costs across a higher volume of transactions makes it possible to achieve higher service levels, ensure competitive pricing, and improve profitability. Acquired companies can also contribute additional direct operator connections that expand the Sinch Super Network to additional geographies. Sinch can also secure more advantageous prices from MNOs when transaction volumes rise.

Strategic acquisitions



Three acquisitions were closed in this category in 2020: SAP Digital Interconnect (SDI), ACL Mobile, and Wavy (closed 1 February 2021).

Technology and go-to-market

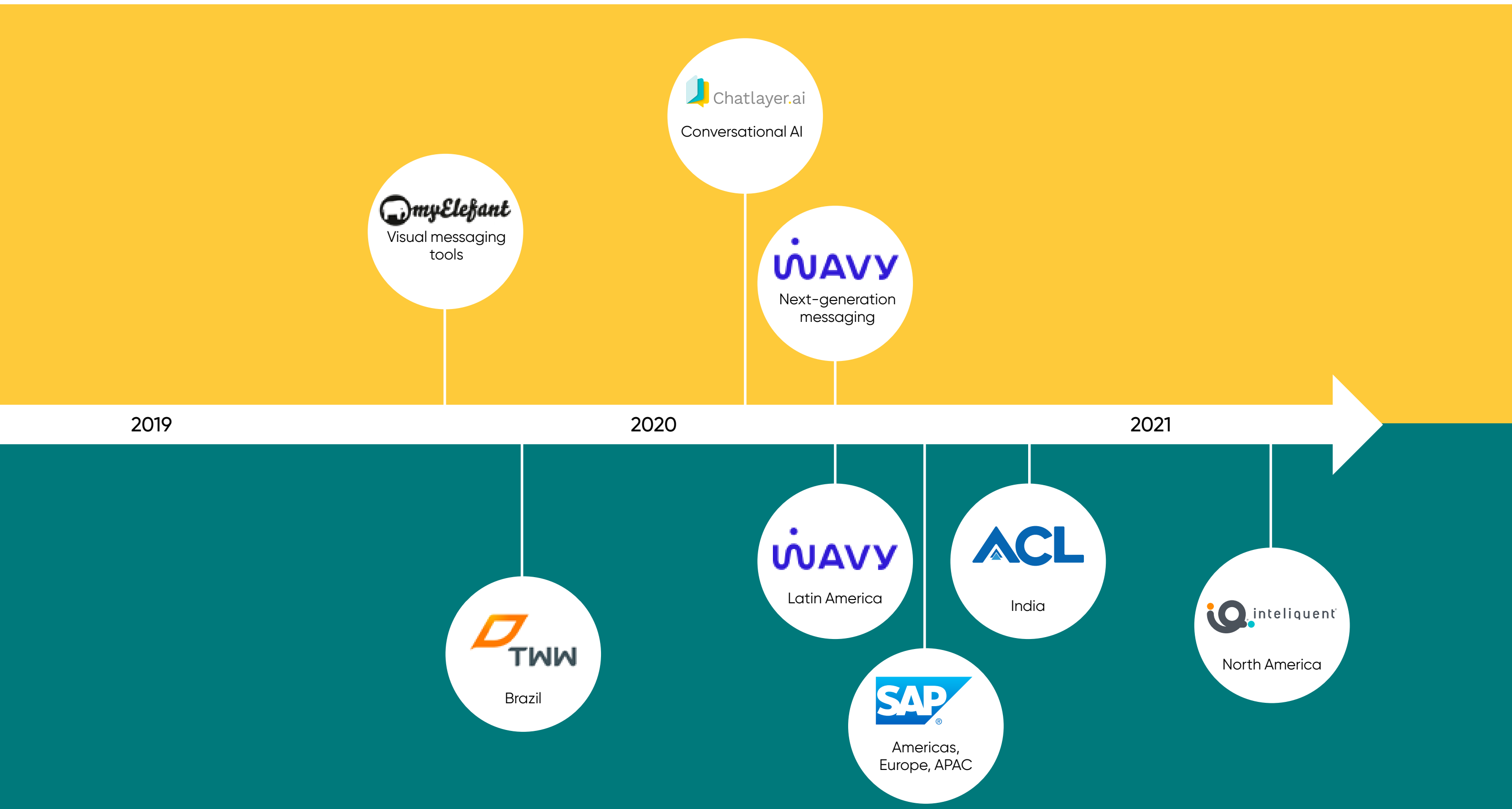
Acquisitions with "Technology and go-to-market" are aimed at expanding Sinch's product functionalities and augmenting our organic product development work. A successful team of entrepreneurs who have proven their business idea and commercialized a product often needs substantial investments to scale the offering to a wider multinational market. Sinch can accomplish goals and accelerate expansion through cross selling and upselling existing Sinch customers.

For products not found in Sinch's current line, targeted acquisitions can result in faster go-to-market and lower financial risks than organic investments to achieve comparable capacity. In 2020, the acquisition of Chatlayer fits into the "Technology and go-to-market" category. Chatlayer's chat and voicebot technology uses artificial intelligence and natural language understanding to understand and answer incoming messages in more than 100 languages – features customers often need to successfully use Sinch APIs for next-generation conversational messaging. The acquisition of Wavy has also added to "Technology and go-to-market" capacity in conversational messaging, meaning the transaction can be considered to fit both "Technology and go-to-market" and "Scale and profitability."

Successful integration

Identifying and executing acquisitions is only one component of building a strong and profitable company. To achieve long-term success, it is essential that employees of acquired businesses feel part of and committed to Sinch and that current employees welcome and help new teams succeed. Consequently, issues related to company culture and human capital are at least as important as a successful technical integration and painless migration of customer and supplier agreements.

We reinforced and scaled up our integration team in 2020 and filled a new role on the Sinch Group management team with exclusive focus on integration and direct reporting to the CEO. Particular attention is devoted to SDI, but the comprehensive integration efforts also pertain to Wavy and ACL.



An attractive financial model

Sinch was founded with a cost-conscious ethos and scalability as a fundamental principle. The company has been profitable from its first month in business and we have only had to raise money to finance acquisitions, never our own operations. Profitable growth has always been the main objective.

To measure our financial performance, we focus primarily on:

• Growth in gross profit

• Adjusted EBITDA/gross profit

Unlike most other businesses, we focus on gross profit rather than revenues. The reason is for this is that mobile operator fees vary widely between countries.

Our revenues reflect the amounts we charge our customers, but a large part of the income is paid out to mobile operators for connecting calls and transmitting messages. This pass-through billing is recognized as the cost of goods and services sold.

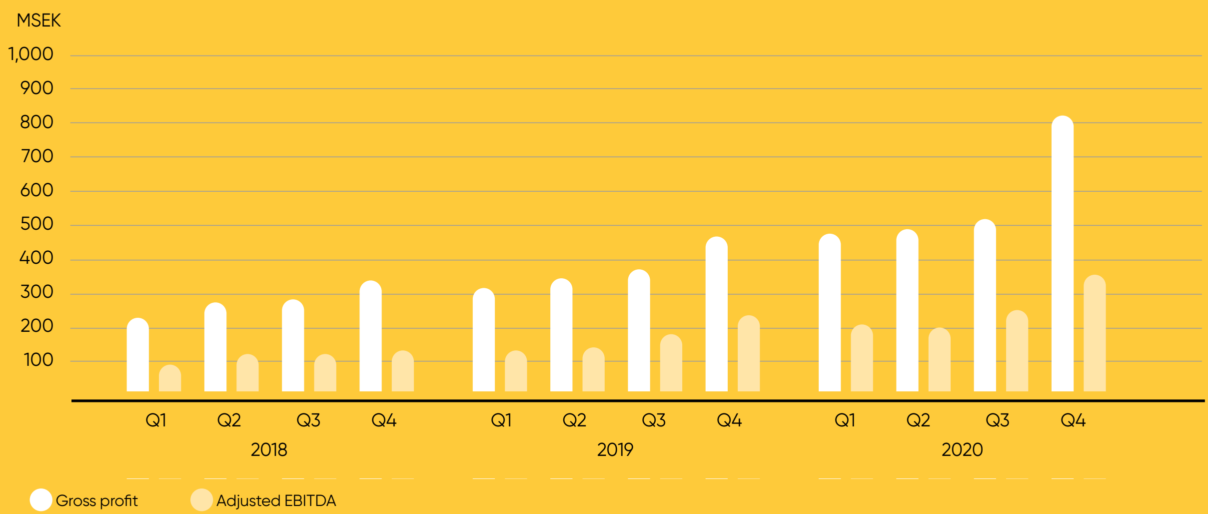
The wide variation in operator fees means that there is no direct relationship between revenues per message and gross profit per message. Consequently, management directs operations through targets for gross profit and gross profit growth rather than revenue-related targets.

The variations in operators' fees also affect our margins. Changes in our gross margin more often reflect changes in the geographical mix than in 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 significantly between markets even though we earn the same gross profit per message.

For this reason, we also choose to augment the customary margin measurements with the alternative performance measurement of adjusted EBITDA/gross profit. By tracking this margin, we ensure that we maintain a competitive 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. While more calls and messages to mobile operators lead to a higher cost of goods and services sold, our OPEX is partially fixed and does not scale with volume. Increasing traffic volumes – organically or through acquisitions - is thus the key factor in maintaining and growing profitability. These economies of scale also offset our costs for product development, which are recognized primarily as OPEX and thus affect EBITDA.

Gross profit and adjusted EBITDA



Financial targets and outcomes

20 percent annual growth in adjusted EBITDA per share

Net debt of **<2.5x** adjusted EBITDA over time

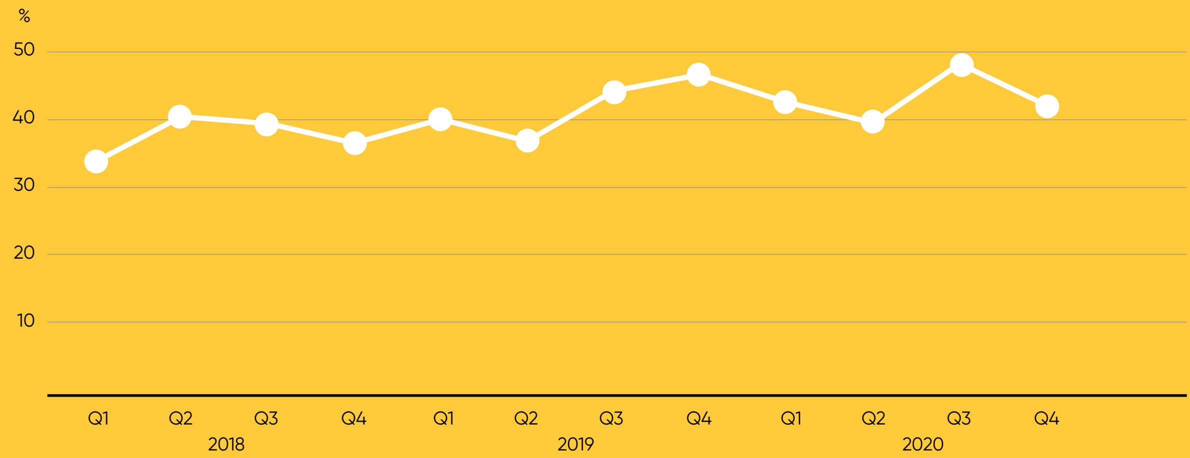
+43%

Adjusted EBITDA per share 2020

~2.2x

Net debt/Adjusted EBITDA at the end of 2020

Adjusted EBITDA/gross profit



Share performance and ownership structure

The information provided by Sinch AB (publ) to shareholders and the capital market is intended to provide a fair picture of the company's performance, minimize the risk of unfounded rumor and speculation and increase interest in the company's stock. The ambition is to always provide clear and up-to-date financial information.

The share

Sinch stock was listed on Nasdaq Stockholm on 8 October 2015 at an opening price of SEK 59. The share is traded under the stock symbol SINCH. As of January 2021, the Sinch share is listed on Nasdaq Stockholm large cap.

Share capital

Share capital in Sinch AB amounts to SEK 6,317,367 (5,360,208.90) divided among 63,173,670 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.

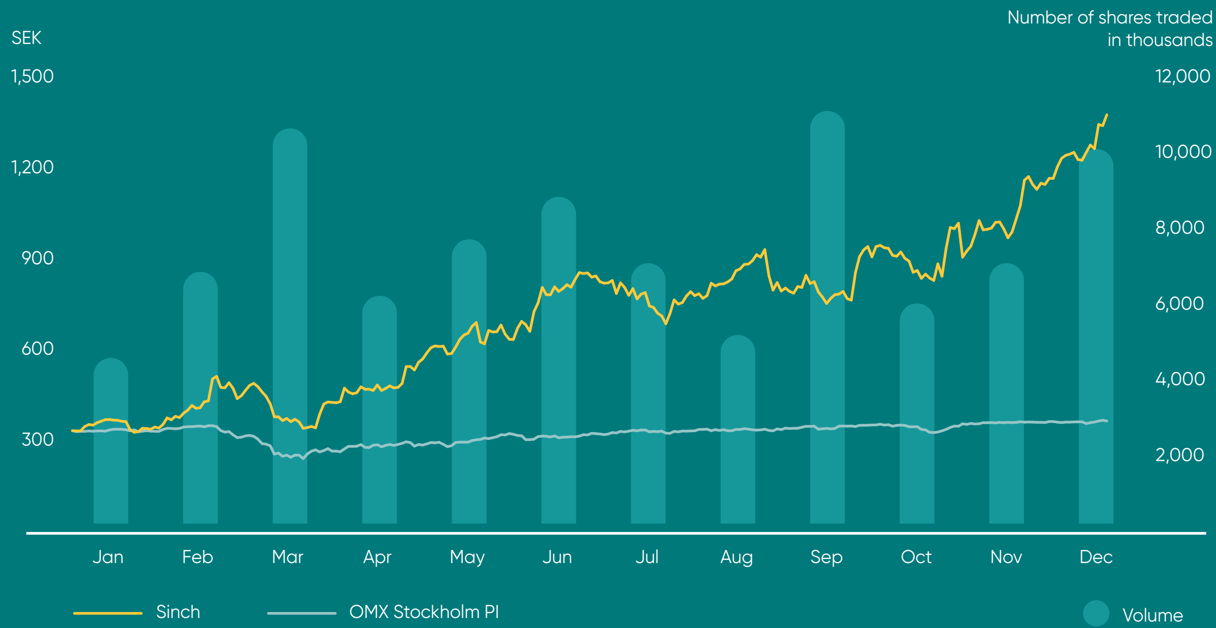
Dividend

The board of directors has decided to propose to the annual general meeting that no dividend be paid for the financial year of 2020 (-). The board has determined 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 24,000 shareholders. The ten largest shareholders combined owned 64.8 percent of equity in Sinch. The company is not aware of any agreement between shareholders that limits their rights to transfer their shares.

The share



Source: Modular Finance

Ten largest shareholders as of 31 December 2020

#	Shareholder	Number of shares	% of equity
1	Neqst D2 AB	10,686,833	16.9%
2	Softbank	6,579,000	10.4%
3	Swedbank Robur Fonder	5,891,100	9.3%
4	Capital Group	4,362,378	6.7%
5	AMF Pension & Fonder	3,185,558	5.0%
6	Alecta Pensionsförsäkring	2,693,316	4.3%
7	Kjell Arvidsson	2,600,000	4.1%
8	Handelsbanken Fonder	2,404,410	3.8%
9	Fourth National Swedish Pension Fund	1,403,140	2.2%
10	Johan Hedberg	1,273,324	2.0%
	Total top 10	**41,079,059**	**64.8%**
	Other	22,094,611	35.2%
	Total	**63,173,670**	**100.0%**

Prices during 2020 (adjusted), Nasdaq Stockholm, SEK

Volume weighted average price	Highest paid	Highest paid date	Lowest paid	Lowest paid date
679.58	1,354	29 Dec 2020	283.5	24 Jan 2020

Market cap last trading day 2020, MSEK

Number of shares	Share price, SEK	Market cap
63,173,670	1,340	84,653

Turnover of instruments in 2020, Nasdaq Stockholm

Turnover, SEK	Number of shares traded, Nasdaq	Number of transactions	Average daily turnover	Average daily volume	Average daily transactions	Trading days
59,843,460,257	88,059,610	1,145,814	237,474,048.6	349,442.9	4,547	100%

Shareholder distribution by category

Shareholder category	Number of shares	Equity	Voting rights	Number of known shareholders	Proportion of known shareholders
Swedish institutional shareholders	21,780,326	34.5%	34.5%	48	0.2%
Foreign institutional shareholders	19,156,768	30.1%	30.5%	139	0.6%
Other	12,677,065	20.1%	20.1%	1,200	5.0%
Swedish private individuals	6,033,259	9.6%	9.6%	22,469	94.2%
Anonymous shareholders	3,526,252	5.8%	5.4%	–	–
Total	**63,173,670**	**100.0%**	**100.0%**	**23,856**	**100.0%**

Source: Modular Finance

Analysts

Analysts who cover the company:

Company	Analyst	Contact
ABG	Daniel Thorsson	daniel.thorsson@abgsc.se
Carnegie	Predrag Savinovic	predrag.savinovic@carnegie.se
Danske Bank	Fredrik Lithell	fredrik.lithell@danskebank.se
DNB	Stefan Gauffin	Stefan.gauffin@dnb.se
Handelsbanken	Daniel Djurberg	dadj03@handelsbanken.se
Nordea	Fredrik Stenkil	fredrik.stenkil@nordea.com
SEB	Ramil Koria	ramil.koria@seb.se

Responsible and secure business

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's business model makes it possible for enterprises, organizations and individuals all over the world to communicate swiftly and easily. That saves time and travel. Sinch creates value by generating long-term and profitable growth based on quality, economies of scale and innovations that make it easier for people and companies to meet. Sinch is committed to doing responsible and secure business, being a fair employer and taking significant responsibility in the value chain.

About our world and our business

Business model and value creation

Sinch is a world leader in the cloud communication solutions market and operates globally as a supplier to enterprises and mobile operators. Solutions from Sinch enable business critical communication worldwide via mobile messaging, voice and video services. The Group is headquartered in Stockholm, Sweden, and had a presence in more than 40 countries, about 1,800 employees and consultants in every part of the world at the end of the year. 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 their extensive network of mobile network operators, create opportunities for enterprise customers and developers to build global communications including messaging and voice and video services into applications and business processes. Sinch handles all traffic within Messaging on its own communications platform. Sinch Messaging makes it possible for enterprises to send and receive customized text messages, primarily SMS, to and from their customers and employees all over the world, swiftly and easily. The services enable digital communication and reduce the need to travel, which is beneficial to us and our customers from the environmental and cost perspectives.

The **Operators** segment addresses mobile operators worldwide, offering innovative, stable and scalable products for mobile messaging, real-time business systems and communications firewalls. Sinch generates value for its customers in multiple ways, including limiting the risk of fraud and reducing the installation and operating costs of business-critical systems.

Our strategy centers around two pillars that reinforce each other:

- Offering leading, global, high-quality and reliable services to businesses looking to engage with their customers through mobile messaging, voice and video.
- Offering cloud-based software-as-a-service (Saas) to help businesses leverage the new opportunities of conversational messaging, interactivity, MMS and video.

In addition to organic development, acquired growth that adds economies of scale and profitability or technology and go-to-market is a key component of Sinch's strategy. Sinch established acquisition procedures and hired a dedicated integration process manager in 2020 to ensure that acquired entities understand and adopt Sinch's company culture and values.

About the sustainability report

This is Sinch's fourth sustainability report, which describes our sustainability management program and activities. The report refers to the 2020 financial year and covers the parent company Sinch AB (publ), company registration number 556882-8908. Acquired entities are successively included in Sinch's standard methods and processes, including the most material sustainability topics.

The sustainability report was prepared in accordance with the provisions of chapters 6 and 7 of the Annual Accounts Act. There were no material changes in the application of reporting policies during the year.

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

Governance and division of responsibility

Values

Dream big. Win together. Keep it simple. Make it happen. Sinch's core values imbue the entire organization and are an integrated part of corporate decisionmaking.

Board of directors

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, which includes the Group Travel Policy, the Code of Conduct and the Sustainability Report. At the end of each financial year, the board of directors performs a self-assessment of its work during the year.

CEO and executive management

The CEO is responsible for executing board decisions and strategies, supported by the management team. The management team ensures that designated individuals prepare decision input and perform analyses and monitoring. Sinch's General Counsel has operational responsibility for the sustainability program. He reports to the CEO and the management team concerning ongoing activities, initiatives, monitoring and development. In addition, tasks based on the focus areas are delegated to the relevant functions in the organization.

The Code of Conduct and other internal policies

Sinch has various policies applicable to the entire Group, employees and suppliers. We have a general travel policy and 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, which was adopted in 2016 and updated in 2019, applies to all employees, consultants and directors. There has also been a Suppliers Code of Conduct in effect at Sinch for some time. Both codes are accessible on our intranet.

Global Compact

The Code of Conduct is based on the UN Global Compact's ten principles for sustainable business and clarify 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. Sinch has joined the Global Compact to actively support and work with these issues.

The UN Sustainable Development Goals

The UN Sustainable Development Goals are aimed at eradicating extreme poverty, reducing inequalities and injustices in the world, promoting peace and justice and addressing the climate crisis. Based on stakeholder engagement, the nature of the business and the business model, Sinch has chosen to perform a materiality analysis as the basis of its sustainability strategy, which takes the SDGs into account.

ISO 27001

During 2020, Sinch continued the project to certify additional parts of the business in accordance with the ISO 27001 information security management standard.

Stakeholder engagement

In order to devise a sustainability strategy that is relevant to our particular business, we must proceed from industry-specific conditions and the expectations of our stakeholders. We maintain constant engagement with our stakeholders to identify their opinions and assessments of the sustainability topics that are most significant, in various ways. We apply a formalized stakeholder engagement process and perform employee surveys a couple of times each year. In addition, we maintain ongoing communication with owners, directors, employees, investors, customers, suppliers and others who are interested in Sinch in various ways.

We engaged with stakeholders again in 2020 to find out how our stakeholders assess our sustainability work, threats and opportunities. The process allows us to clarify the topics that are most material and should be prioritized. The stakeholders included in the analysis were employees, customers, suppliers and the Sinch executive management team. A materiality analysis in which the opinions of our customers and employees were assigned the greatest weight was prepared based on the engagement process. In addition, we held qualitative dialogues with a number of investors during the year.

The analysis for 2020 resulted in a review of our sustainability strategy and the materiality analysis in which we consider sustainability trends in the industry and ranked the areas that are assessed as having high impact and are significant to us. The earlier assessment of our most significant topics is largely unchanged. Employees in particular wanted clear communication of the chosen sustainability strategy and ongoing initiatives, and would like to Sinch to ensure the sustainable approach during this phase of rapid growth. Dialogues with several stakeholders also showed that what is most important to them is that we are a fair employer that provides opportunities for development and that runs an ethical business with a strong anti-corruption program. In so doing, we will ensure that we are doing the right business and making the right acquisitions while attracting the right employees. The goal is to follow up the stakeholder engagement process and communicate how we are working with these topics in 2021.

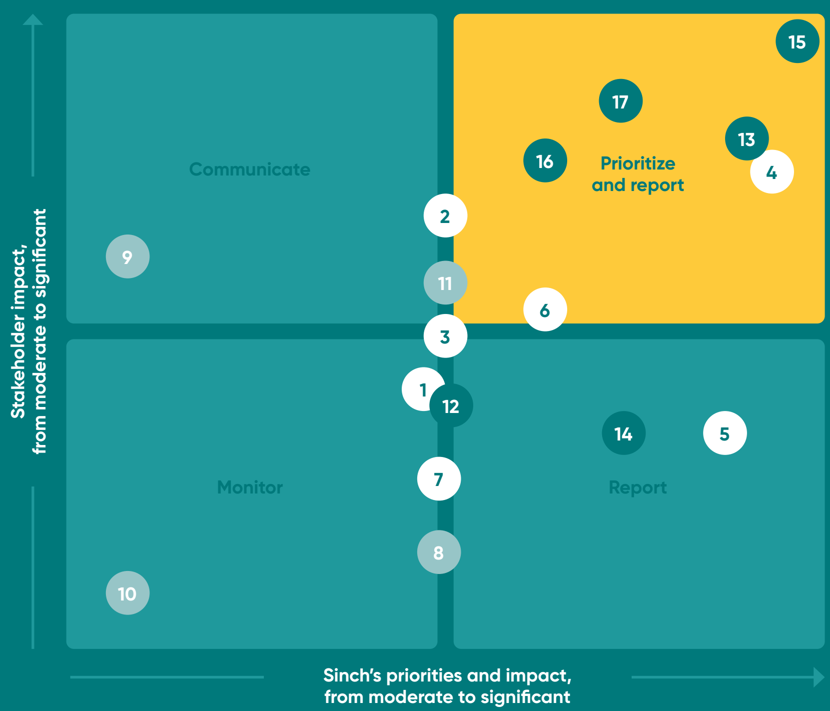
The results of the materiality analysis are shown in the focus areas, topics and outcome indicators presented in this report and on the chart below.

Materiality analysis

Social topics
1 Social engagement
2 Skills and training (employees)
3 Personal development (employees)
4 Equal opportunity
5 Diversity
6 Health and wellbeing
7 The social impact of the product

Environmental topics
8 Travel
9 Energy consumption
10 Reduced consumption of resources (e.g., electronic and office waste)
11 The positive environmental impact of the business

Responsible business
12 Human rights
13 Information and IT security (in business transactions and internally)
14 Responsible value chain
15 Anti-corruption
16 Ethical responsibility
17 Legal compliance



Risks

Material sustainability-related risks and risk management

Our most material sustainability risks are presented below.

Environmental topics

Carbon emissions

In recognition of the threat of climate change, there is consensus that global carbon 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 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.

Description of risk management

We 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 model 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 travel - for ourselves and our customers. The plans to limit our energy consumption have been postponed due to the pandemic and will instead be initiated in 2021.

Social conditions including human resources topics

Loss or lack of qualified employees

The risk of losing key skills within the company or being unable to attract key skills to the company is considered a major risk to our business and continued development going forward.

Description of risk management

We apply a recruitment model that is always used in recruitment to ensure that our collective skills and expertise maintain a high standard. We maintained our internal training program the year, which is under constant development and improvement, in order to achieve the desired level of skill in the company. The program improves our capacity to ensure that the right people are given the right training and enables relevant individual skills development. 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

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 an equal opportunity 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.

Description of risk management

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 to attract and hire the right talents. We further improved the operational recruitment process in 2020 to ensure more structured, data-driven and unbiased assessments. The purpose of the recruitment process is to ensure that no one is excluded on the basis of gender, sexual orientation or ethnicity.

Health and wellbeing

Our employees are our greatest and most important asset. Sinch is a high-growth company that is growing both organically and through business combinations and we operate in an industry that is constantly changing. Consequently, there is risk of impact on employee health and wellbeing and that we will be unable to maintain a healthy work environment.

Description of risk management

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 further improve the work environment and employee wellbeing.

Compliance with the Code of Conduct

Upholding high ethical standards is a top priority for us and our business. As we operate in more than 40 countries, however, there is risk of non-compliance with our ethical values and guidelines, particularly due to lack of knowledge.

Description of risk management

All employees must read and understand our Code of Conduct, which is available on our intranet. We also engage in constant dialogue about how we do business and we 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, assess our suppliers' own codes of conduct and their capacity to comply.

Respect for human rights

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.

Description of risk management

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. During the year, we continued working with a 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

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.

Description of risk management

The Code of Conduct contains guidelines on bribery, corruption and conflicts of interest. It 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

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 transmit information digitally. Accordingly, awareness and management of IT security risks is vital.

Description of risk management

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. This project continued during 2020. We have defined activities that are important to work with and to test our IT environment.

Our sustainability management program in 2020

The main topics discussed at the executive management level during the year were the work involved with our focus areas, the stakeholder analysis and the strategy project begun in 2019. 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, employees and other stakeholders.

IT security was another prioritized topic and the process of certification of to the information security management system under the ISO 27001 standard was completed during 2020 for large parts of the organization.

The Covid-19 pandemic

Employee health and safety was the main focus in 2020 and during the pandemic. It is vital that everyone feels they have a good work environment and can do their jobs without risking their health. We have taken action to make this possible and have given our employees the option to work from home to the greatest possible extent and in consultation with their line managers.

Our sustainability strategy

Vision

Sinch's vision is "Simplifying life by bringing all people and businesses together."

Sustainability ambition

Sinch's sustainability ambition is to create value, ensure regulatory compliance and promote sustainable business.

Main objective

Sinch's main objective is to become the international market leader by combining strong organic growth and strategic acquisitions. We create value by generating long-term and profitable growth built on quality, economies of scale and innovation.

Sinch's focus areas

Regulatory responsibility

We do business responsibly and securely

- Anti-corruption
- Data protection and information security
- Ethics and legal compliance

Social responsibility

We are a fair employer

- Equal opportunity for all
- Diversity
- Health and wellbeing

Responsible value chain

We are taking greater responsibility

- Sustainable supply chain

Our focus areas

We do business responsibly and securely

Regulatory responsibility

- Anti-corruption
- Data protection and information security
- Ethics and legal compliance

Anti-corruption

As we work all over the world, including in high-risk countries, preventing corruption is an increasingly important topic for us. We have a Code of Conduct applicable to all employees, which is appended to new employment contracts, and an equivalent Code of Conduct for 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. This entails critical examination of all acquisitions and partnerships in regions where corruption is rife. The idea is that such a process will evaluate the reputation of the potential acquisition and integrity risks, which are aspects not covered in legal and financial due diligence. We initiated a project during the year to prepare a more comprehensive anti-corruption program. No crimes of corruption were reported during the year.

Data protection and information security

Information and IT security are critically important to our business and these topics remained a matter of intense focus in 2019. We have an IT management team that meets monthly to discuss IT security, current issues and areas of potential improvement. The general IT security policy is subject to the approval of the Group CTO.

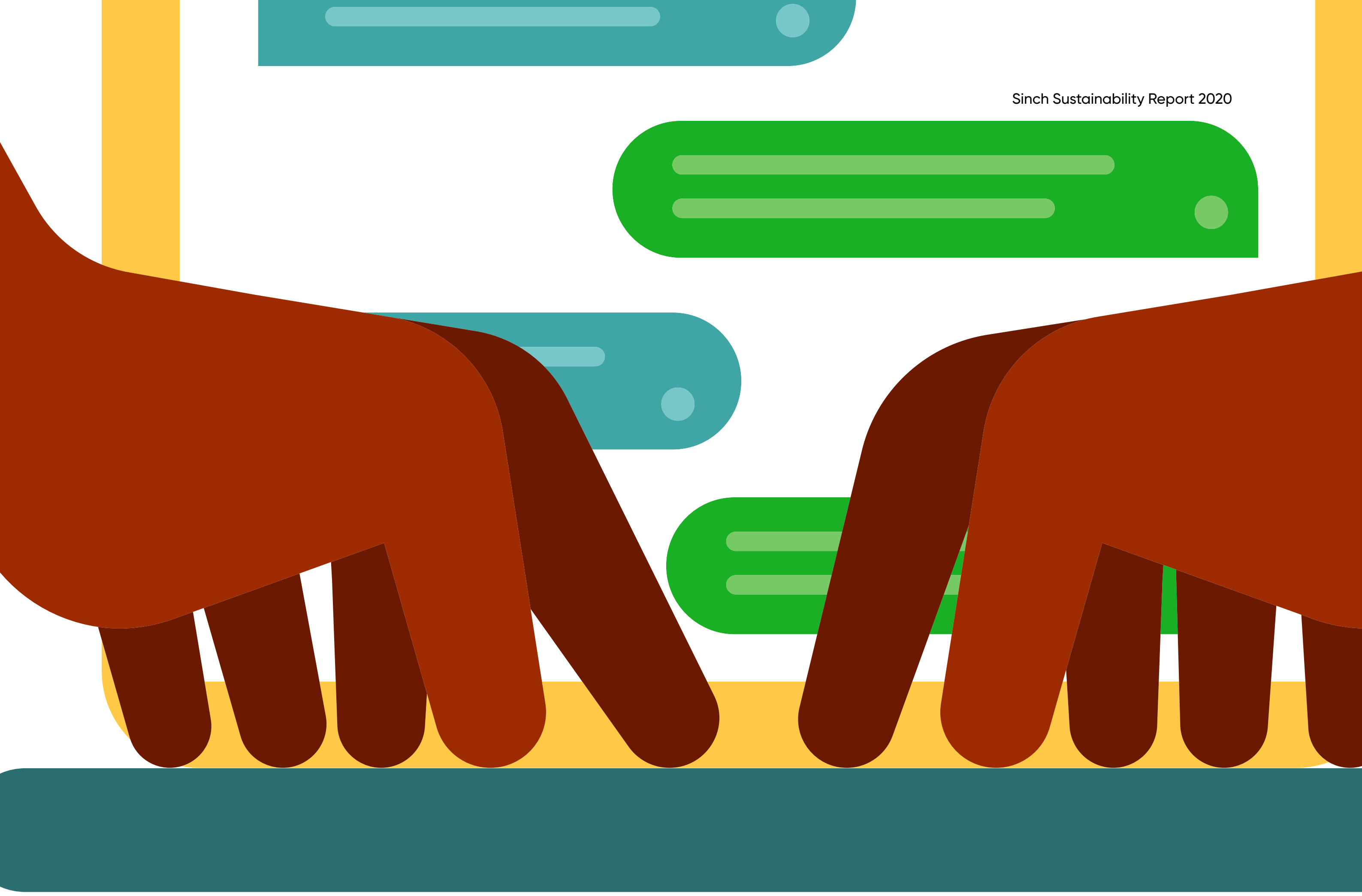
All new hires must undergo basic training in information security, IT security and data privacy. Completion of training is monitored. Some of the areas included in the IT security training are how we process personal data, how and what we post on social media and the importance of secure passwords and secure data processing. As many employees worked from home during the pandemic, we have increased IT security communications and made sure that our IT security system is full-coverage, regardless of where our employees are physically located. The system performs ongoing checks of irregular behavior and immediately detects any nonconformances.

A comprehensive process to certify large parts of the organization according to ISO 27001, the information security management standard, was carried out in 2020. The certification covers all Sinch services and the Operations, Legal, Security, HR and Support departments. In addition, four offices have been certified and we intend to certify an additional twelve offices and our development department in upcoming years. The Sinch security team was also significantly reinforced during the year and is maintaining its focus on improving information security actions. A Security Operations Center has been established, which analyzes security nonconformances around the clock. A new system has also been implemented that performs weekly security scans of internal and external assets. The results of the scan reveal any weaknesses in the system, which are assessed in our internal forums so that effective measures can be taken to minimize risk. Quarterly information security analyses are also performed jointly with stakeholders, which measure internal compliance with Sinch Information Security Policies. The focus of the information security team in 2021 will be on ensuring that all acquired companies are included in the security program and prepared to be included in the ISO 27001 certification. Ongoing development is also in progress, with focus on automation.

We maintained our internal training program the year, which is under constant development and improvement, in order to achieve the desired level of skill in the companies. The program improves our capacity to ensure that the right people are given the right training and that key skills are kept up to date. We reached our target for the proportion of completed trainings within the specified timeframe in 2020.

Data protection is still a prioritized area of sustainability in our business strategy. We 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 are implementing continuous measures and reconfiguring our IT systems to ensure they are adapted to current requirements. Sinch has a data protection representative and considerable effort was devoted during the year to further developing the maturity of our data protection systems, including all new companies in the program in forthcoming years. We improved our existing processes and work related to GDPR in 2020 and drafted policies that apply to the processing of customer and employee data. For example, we made changes in how incidents related to personal data are handled and updated the supplier assessment process and our own product development.

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 nonconformances they



have identified. As in 2019, there were no confirmed cases of loss of customer data in 2020. The partnership we began last year with a security firm has been fully implemented. As our growth continues, we will establish new partnerships with leading security firms so that we can more rapidly detect non-compliant security behaviors in our IT environments and ensure that we are running our business under the highest possible security protection.

Ethics and legal compliance

It is important to us that business is conducted in a due and proper manner. We aim to be trustworthy and we must perform the services our customers expect to receive. An ethical compass is part of our company culture and we promote fair competition.

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 have legal advisers who cover all countries where we do business and an internal legal affairs department at the head office in Sweden that assesses legal risks and monitors compliance. 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 can be taken to investigate and close the matter brought to attention through the report. Further work is being done to increase awareness of the Integrity Reporting Line and its purpose. We have generally increased focus on regulatory compliance within Sinch.

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 carefully evaluating our customers, suppliers and partners. Our Code of Conduct clearly expresses that Sinch must not participate in activities that constitute violations of human rights.

Sinch is a member of the UN Global Compact, whose principles include respect for human rights. We continued working with a system during the year that handles requests to disclose information to public authorities. We also established a separate communications channel, which is handled by our legal team, as well as guidelines that apply across the group. The team carries out a test of legitimacy and necessity before the information is disclosed to public authorities. There were no confirmed violations of human rights during the year.

We are a fair employer

Social responsibility

- Equal opportunity for all
- Diversity
- Health and wellbeing

Equal opportunity for all

Sinch is committed to providing everyone with equal opportunities to develop. We operate in a male-dominated industry and are working hard in a goal-oriented manner to bring more women into the business. We aim to have even gender distribution on the candidate short-list in our recruitment processes. Forty percent of new hires at Sinch in 2020 were women, which is a clear improvement over 2019, when the share was 28 percent.

We further improved the operational recruitment process in 2020 to ensure more a structured, data-driven and unbiased assessment process. This is improving quality and contributing to recruitment that is both fair and professionally executed.

To us, sustainable recruitment means facilitating career opportunities for our employees while challenging and developing our own skills. This means, for instance, that we advertise all vacant positions both internally and externally.

A comprehensive values project was carried out during the year in which all employees were invited to participate in the process in various forms of cross-functional workshops. More than 40 Culture Jams were held globally with the aim of generating commitment and engagement in the work to draft a credible formulation of the Group's values.

Diversity

Diversity and equal opportunity are key factors for us and our success is the product of our various skills and experiences. We are endeavoring to achieve equal opportunity based on skills and our steadfast objective is to bring the best skills on board regardless of gender, sexual orientation, ethnicity or disability. The structured, data-driven recruitment process that we have implemented allows us to more actively ensure that our recruitments are aligned with Sinch's diversity ambitions. Recruitment processes are faster and our recruiting managers have to spend less time on administration thanks to the support of talent teams and data-driven tools.

We are a multicultural workplace with employees in more than 40 countries, and together we speak more than 70 languages at the native speaker or professional level. This means we can often talk to our customers in their own language, which is an advantage in our work and adds value to our customer relationships.

English is our corporate language and employees are not generally required to be able to speak Swedish.

We carried out several different trainings during the year and switched over to more and shorter development initiatives in the form of digital meetings called "Sinch Boosts." These varied in content and scope and covered topics including health, diversity, inclusion and belonging.

The average number of employees (full-time equivalents, excluding consultants) was 858 (457), including 222 (103) women. The board was composed of five directors, two women and three men. There were eleven other senior management personnel in group management at the end of the year, including two women.

Health and wellbeing

There is no question that the wellbeing of our employees is critically important to the individual and to Sinch. We promote a good work/life balance because we believe happy employees help us progress and develop. We arrange health-promoting activities of various kinds, as in Sweden where we arrange group runs or walks for everyone as well as the opportunity to exercise during working hours. Beyond this, to the extent possible and in consultation with line managers, we also give our employees the option of working from home, as well as flexible hours and control over their working days. This became a high-priority matter in

8.5

Employee Satisfaction Index/ESI (8.3)

1,778

Number of employees including consultants (full-time equivalents/FTE) as of 31 December 2020

858

Average number of employees, excluding consultants (457)

2020 when the pandemic impacted everyone, all over the world. Due to the Covid-19 pandemic, our main focus was protecting the health and safety of our employees and their families. One important task in that effort was to provide support related to everything from practical equipment to mental health support to all employees who had to adjust their jobs and work from home.

We regularly review our employees' work environment and discussions are ongoing about how we should design modern offices and methods based on future needs. Other important discussions in the organization are centered on how we can prevent absenteeism by identifying signs at an early stage that an employee is struggling. We have established processes for providing support and offering counseling as needed. We offer employees in Sweden fitness and wellness benefits, medical insurance, flu shots and other health-promoting activities.

Absenteeism in 2020, excluding pregnancy-related leave, was again below 1 percent of annual working hours, at 0.67 percent compared to 0.73 percent in 2019. The absenteeism figure is based on data for Sweden, the UK and the US, which covers about 70 percent of our employees.

Our people

Each year, we conduct an employee survey in which the employees' perceived engagement is measured on a scale of one to ten. We reached the goal of 8.5 for the year, up from 8.3 in 2019. We conducted an additional survey this year due to the upheaval caused by the pandemic. In addition to the challenges of handling the pandemic, there was also a comprehensive onboarding project during the year covering all the employees who have joined the company through organic growth and acquisitions. It is a very good sign that our employee engagement score went up under these circumstances and shows that we have a strong company culture that is resilient to serious challenges.

Employee turnover was 8.5 percent in 2020 compared to 8 percent the year before. The workforce increased significantly compared to 2019, mainly due to acquisitions. About 18 (15) percent of vacant positions were filled through internal recruitment in 2020.

8.5

Employee turnover (8.0)

0.67%

Absenteeism (0.73)

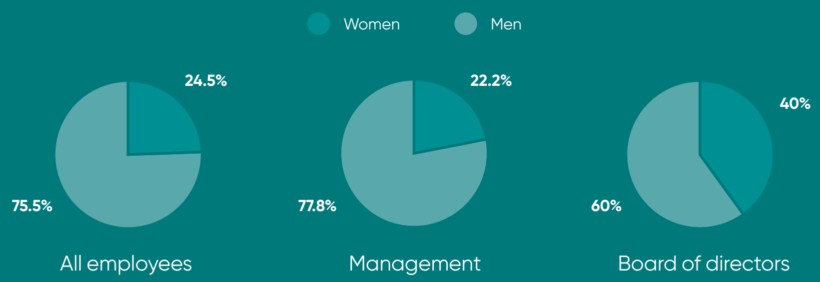
43

Number of countries

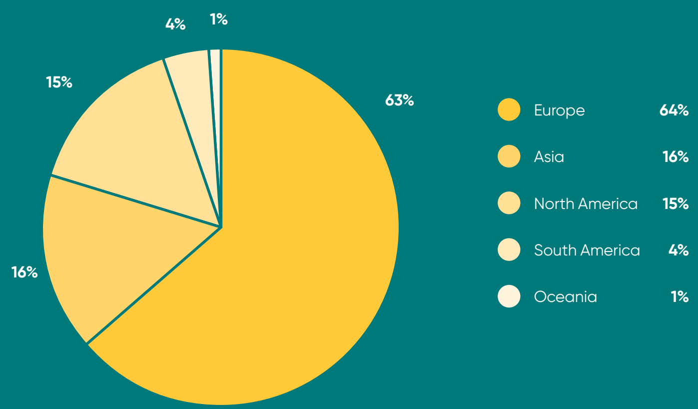
70+

Languages spoken

Gender distribution



Average number of employees



Sinch's values

A comprehensive project was carried out in 2020 to include all employees in a process to draft clear and well-supported values as a foundation that unites us and supports the fulfillment of the Sinch vision: "Simplifying life by bringing all people and businesses together." It is particularly important to have strong values in a company that is growing rapidly, both organically and through acquisitions. The values process welcomed all Sinch employees to participate in cross-functional teams and resulted in more than a thousand suggestions. The results of the process were presented in February 2021, along with the implementation effort to ensure that we are now living our values.

Sinch's four values:

Dream big

We make the impossible possible by dreaming big to solve our customers' problems and improve their businesses. Great things happen when we dare to challenge the status quo and find creative new ways to wow them. Driven by curiosity, we believe there is no such thing as failure, only continuous learning and development. Having big, crazy, ambitious goals drives our success.

Keep it simple

Sinch means simple and easy. It's how we want customers to feel when dealing with us: uncomplicated, down-to-earth and useful. Things stay simple when you are honest, open and act with integrity. Cut the fluff and talk straight! This also means spending our time and money wisely on things that really count. Eyes on the horizon, feet on the ground.

Win together

Great teams work faster and better together – creating meaningful impact for customers. Together as one global team, in close collaboration with our customers, we embrace diversity, meritocracy and care about every single individual. We build trust through open and honest relationships. It's all about the team: being inclusive, respectful and sharing our knowledge to empower all for personal growth. We collaborate, have fun and are stronger together.

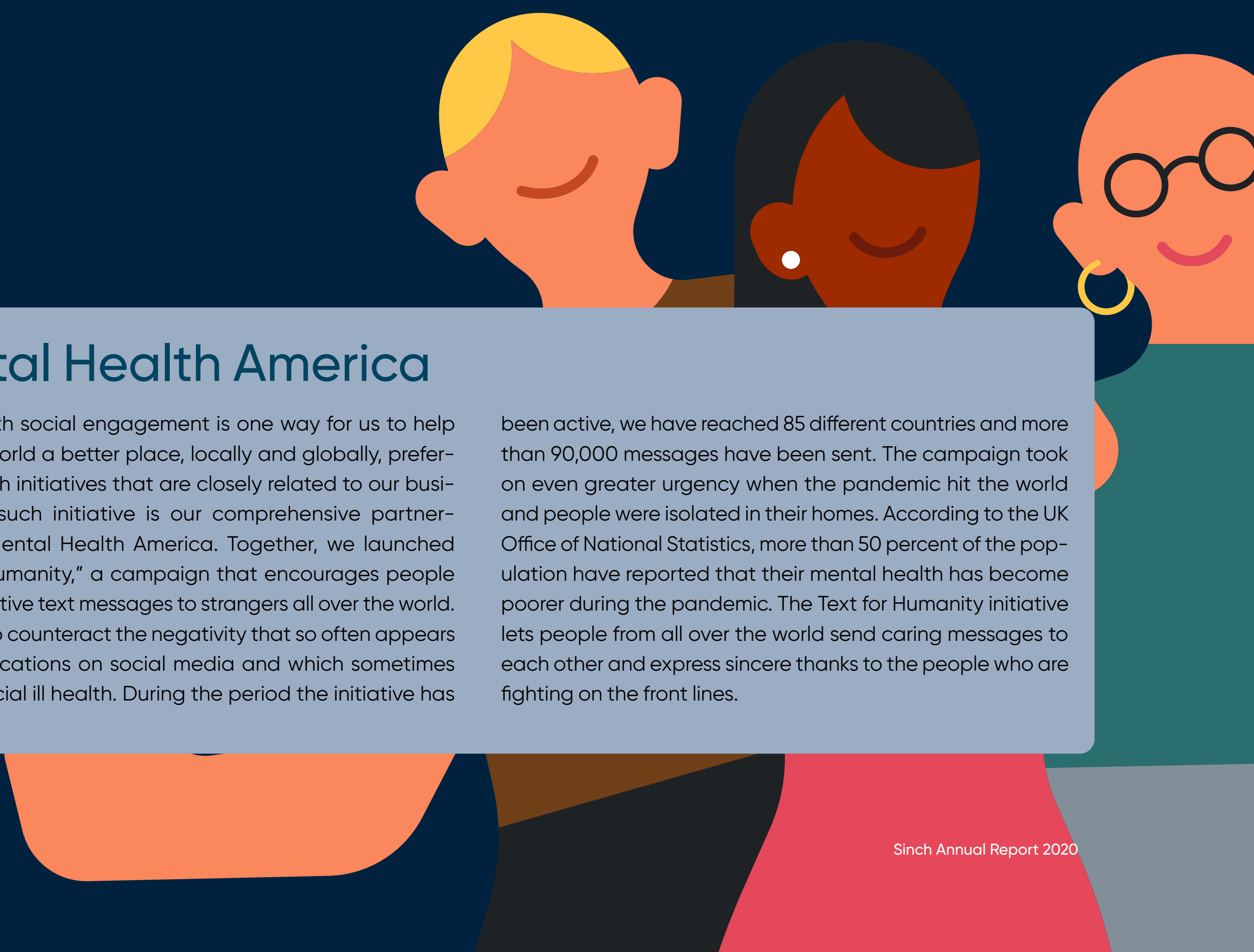
Make it happen

We make things happen and make them matter – for our customers and the world. We are "doers" who value getting results and don't overthink matters. We stay accountable for our actions, apply the highest ethical standards to set ourselves apart and always deliver. If we're not making an impact, we rethink the approach. Structure helps us, bureaucracy and excuses do not. No putting things off – let's get it done now.

Working for Sinch

A lot of people want to work at Sinch. In 2019, we had about 4,000 applications. In 2020, that number rose to about 60,000. Despite the pandemic and several ongoing integration processes, our employee satisfaction index also rose during the year. Our capacity to manage continued growth and skills provision is based on a strong company culture, structured integration and recruitment processes and good people.

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 the opposite of egotistical. And we get things done. Working for us, as a genuinely 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. With the relatively high number of acquisitions we are making, maintaining the company culture is a challenge – but our clear values and a structured integration process make it possible.



Mental Health America

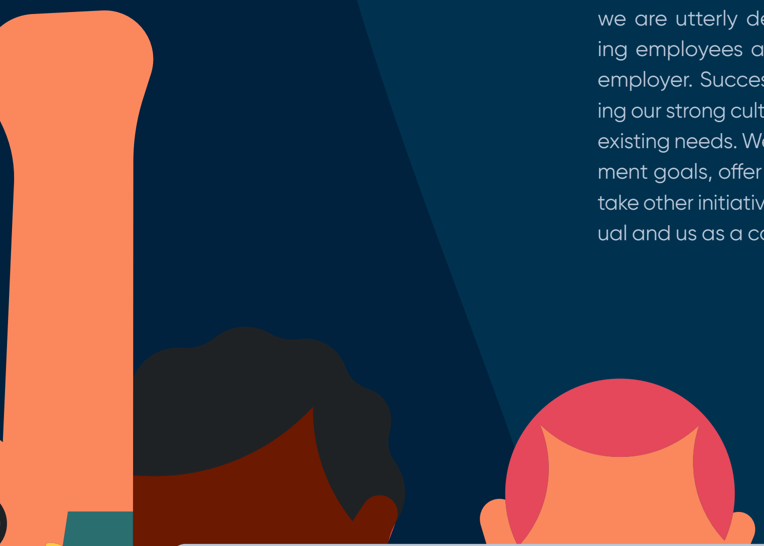
Working with social engagement is one way for us to help make our world a better place, locally and globally, preferably through initiatives that are closely related to our business. One such initiative is our comprehensive partnership with Mental Health America. Together, we launched "Text For Humanity," 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. During the period the initiative has been active, we have reached 85 different countries and more than 90,000 messages have been sent. The campaign took on even greater urgency when the pandemic hit the world and people were isolated in their homes. According to the UK Office of National Statistics, more than 50 percent of the population have reported that their mental health has become poorer during the pandemic. The Text for Humanity initiative lets people from all over the world send caring messages to each other and express sincere thanks to the people who are fighting on the front lines.

Growing with Sinch

We value and reward our deep expertise in every field 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. We reinforced our Talent Acquisition Team during the year and improved our data-driven tools to ensure an even more professional recruitment process.

In order to remain an industry leader, we are utterly dependent upon retaining employees and being an attractive employer. Success depends on upholding our strong culture and working to meet existing needs. We set individual development goals, offer leadership training and take other initiatives that grow the individual and us as a company.

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 and, as policy, all internal applicants are interviewed and given the chance to advance within the company.



Instituto Alicerce Foundation

Another project we engaged in this year was the school project we initiated in Brazil in 2020. Inadequate education is one of Brazil's greatest challenges. At the moment, that means several hundred thousand young Brazilians enter the job market every year with very few prospects. When Sinch began doing business in the Brazilian market in 2019, we chose to address this problem in line with our motto, "Building the Future," by becoming an Education Partner to the Instituto Alicerce Foundation.

The aim of the program is to strengthen underprivileged youth and develop their skills in reading, writing and arithmetic, along with their social skills, until they enter the job market. The program also helps the mothers of these young people reenter the job market.

The goals of our involvement are to:

- Fund one-year Alicerce Educação Scholarships for 100 young people.
- Help reopen and restore a new unit at Instituto Alicerce.

The outcome of the project thus far is that 103 scholarships were awarded in February 2021. The Covid pandemic has forced Brazil to close schools, which unfortunately limited young people's educational opportunities during the year, but the pandemic has not affected the results of our involvement. Sinch aims to keep supporting the young people when the schools reopen and continue helping them towards a better future.

We are taking greater responsibility

Social responsibility

- Sustainable supply chain

Sustainable supply chain

We operate in more than 40 countries and have a supply chain that extends across the entire world. Our main suppliers are telecom companies operating in each country. 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 this year we achieved Silver. This was below the Gold level recognition we received in previous years, even though we have implemented numerous improvement measures. We believe the explanation lies in the powerful expansion we have undergone in the last year, which meant that the requirements for achieving Gold were also increased. We implemented clearer guidelines during the year for the application of our Suppliers Code of Conduct.

Environmental topics

The reduced environmental impact of the business

In our view, there is no question that we must take responsibility for the environmental impact of our business, even though it is not considered the most significant component of our total impact. We must run our business responsibly and 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. If we can be involved in reducing the need for travel and thus reduce emissions, it is good for us, good for the environment and good for our customers. Increased virtual and cloud-based communication can also reduce the use of paper, which we consider positive. Sinch also aspires to send outmoded hardware for recycling.

Reduced consumption of resources

As air travel accounts for a large share of our carbon emissions, we apply a travel policy to ensure that business travel is carried out in the best possible way in terms of environmental impact. For example, the policy establishes that we must not fly unnecessarily and must travel by train to the extent possible in order to reduce carbon emissions. We also seek to hold meetings via phone and video to the greatest extent possible instead of traveling to reduce negative environmental impact. Considerable air travel is unavoidable for an expanding high-growth company like Sinch with many business acquisitions and multinational operations. We are aware of the impact of this travel while recognizing that it is essential to continue expanding and developing the company. Nevertheless, we carefully consider all travel decisions and are making every effort to hold virtual meetings to an increasing extent. Travel was reduced significantly in 2020, partly as a consequence of our policy, but also as a clear effect of the pandemic. We have successfully maintained the business and leveraged new technology to develop new ways to carry out acquisitions.

We recycle at all larger offices – four in Sweden and three outside Sweden. More than half of our employees work at one of these offices.

We will be reviewing electricity usage in our own and leased data centers and evaluating whether we should prepare special specifications concerning the energy provided to us by landlords and suppliers.

What did we say ahead of 2020 and what have we delivered?

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.	• The work has proceeded as planned. We carried out a new stakeholder engagement process during the year to update our sustainability strategy and we increased the number of focus areas. • As described in the report, several initiatives have been taken in the areas of anti-corruption, data protection and an ethical approach to business.
We will also maintain our focus on attracting and recruiting even more talents and increasing the number of women in our organization.	• We have strengthened our HR organization with a Talent Acquisition Team and have implemented a streamlined internal and external recruitment system. The number of applicants increased from about 4,000 in 2019 to about 60,000 in 2020. As well, our goal-oriented effort to increase the proportion of women employees at all levels has been successful. The proportion of women at the company rose from 26.6 percent last year to 29.1 percent (excluding acquisitions) in 2020 and the percentage of women at the managerial level also increased compared to 2019.
We will maintain our focus on leadership training to continue reinforcing leadership within Sinch and will digitalize HR functions to better align with our status as a global business.	• Training initiatives continued during the year, adjusted for the pandemic with more but shorter training initiatives, some of which were open to all employees and others specifically for managers. An internal digital job platform was launched to create faster processes, ensure a good candidate experience and support internal job mobility.
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.	• A comprehensive project was carried out to certify parts of the organization.
We have also decided to work with an energy consumption plan.	• The project has been postponed somewhat due to the pandemic.

Focus forward

We are continuing to work according to the seven prioritized sustainability focus areas and are ensuring that our newly acquired companies are covered by the sustainability program. The work to implement ISO 27001 across the entire organization, including recently added companies, is also continuing. The project to improve energy efficiency will begin during the year.

Finally, we intend to more clearly communicate to our employees the design of our sustainability program and how they can contribute. We are assessing whether to produce simple training materials about the sustainability program in connection with new hires. The bigger we get, the more responsibility is expected of us and we will maintain our commitment to doing responsible and secure business, being a fair employer and taking greater responsibility in the value chain.

Auditor's opinion on the statutory sustainability report

To the general meeting of the shareholders of Sinch AB (publ), corporate identity number 556882-8908.

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2020 as defined by the Board of Directors on pages 26–43 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 statutory sustainability report has been prepared.

Stockholm 23 April 2021
Deloitte AB

Johan Telander
Authorized Public Accountant

Financial information

Management report

Sinch was founded on the fundamental principle of cost-consciousness and scalability. The company has been profitable from its first month in business and we have only had to borrow money to finance acquisitions, never our own operations. Profitable growth has always been the main objective.

Business and organization

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

Messaging 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 to protect their networks and revenues.

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

Sustainability report

In accordance with the Swedish Annual Accounts Act, ch 6, s 11, Sinch has elected to prepare the statutory sustainability report as a separate report. The sustainability report is presented on pages 26–43 of this document.

Significant events during the financial year

Acquisition of Chatlayer BV

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

Acquisition of SAP Digital interconnect (SDI)

The acquisition of SAP Digital Interconnect (SDI), a unit within SAP SE, was closed on 1 November for total cash consideration of EUR 230.4 million (SEK 2,387.5m) at an exchange rate SEK 10.3675/ EUR 1 and an additional purchase price of EUR 12.4 million (SEK 124.2 million) with an exchange rate of SEK 10.0375 / EUR 1. The acquisition was financed with existing cash reserves and available debt facilities. SDI offers cloud communication services and consists of three business segments. Programmable Communications addresses enterprise customers and comprises SDI's API-based offerings for customer interaction through SMS, push notifications, email, WhatsApp, WeChat, and Viber. Programmable Communications will be consolidated in the Messaging segment. Carrier Messaging comprises several business-critical services for mobile operators, including products for handling person-to-person (P2P) messages, and will be consolidated in the Operators segment. Enterprise Solutions includes products for customer service, including cloud-based contact center solutions and services to manage advisory information in emergencies. Enterprise Solutions will be consolidated in the Other segment.

During the 12-month period ending 31 March 2020, SDI generated sales of EUR 340 million (SEK 3,570m), gross profit of EUR 94 million (SEK 987m), and Adjusted EBITDA of EUR 15.4 million (SEK 161.7m). Headquartered in San Ramon, California, the business has about 330 employees in 20 countries. The acquisition is included in the consolidated accounts from 1 November 2020. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 1,338.2 million arose upon acquisition, mainly attributable to the expertise contributed by the employees of SDI. The estimated useful lives of assets are ten years for customer relationships; ten years for operator relationships; and three to five years for technology; The acquisition analysis may need to be revised because the purchase consideration is preliminary and the value of intangible assets may change upon in-depth analysis.

Acquisition of ACL mobile Ltd (ACL)

The first stage of the acquisition of ACL was completed on 1 September when Sinch acquired 81.45 percent of share capital. The remaining portion of share capital was acquired through a call option before the end of the year. As Sinch is entitled to returns associated with an ownership interest and has control over the company through shares with potential voting rights, ACL was included in the consolidated accounts from 1 September in the Messaging segment. The total consideration will be INR 5,345 million (SEK 629 million). The acquisition will be financed with a combination of existing cash reserves and debt facilities. ACL is a leading vendor of cloud communications services in India and Southeast Asia. During the 12-month period ending 31 March

2020, ACL generated sales of INR 4,959 million (SEK 607m), gross profit of INR 1,901 million (SEK 134m), and adjusted EBITDA of INR 480 million (SEK 59m). With its headquarters in Delhi, India, and foreign offices in the United Arab Emirates and Malaysia, ACL has 288 employees. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 258.2 million arose upon acquisition, mainly attributable to the expertise contributed by the employees of ACL. The estimated useful lives of assets are as follows: proprietary software, ten years; brand six months; customer relationships five to ten years; and operator relationships ten years.

Acquisition of Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy, including the two companies Movile Internet Móvel S.A. and Wavy Global Holdings BV, for cash consideration of BRL 355 million (SEK 543 million) and a non-cash issue of 1,534,582 new shares in Sinch. The acquisition will be financed with a combination of existing cash reserves and debt facilities. Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles more than 13 billion messages a year. With its sharp focus on innovation, Wavy has also achieved a leading position within next-generation interactive messaging via WhatsApp. During the twelve-month period ending on 31 March 2020, Wavy generated sales of BRL 466 million (SEK 929m), gross profit of BRL 130 million (SEK 260m) and Adjusted EBITDA of BRL 47 million (SEK 94m).

Wavy has about 260 employees and nine offices in six countries. The merger of Sinch and Wavy is expected to generate synergies of BRL 15-20 million (SEK 30-40 million) in the next 24 months. Execution of the transaction is subject to customary terms and conditions and the approval of the Brazilian competition authority CADE, Conselho Administrativo de Deferes Econômica. The transaction was expected to close in the fourth quarter of 2020. Sinch closed the acquisition of Wavy on 1 February 2021.

Rights issues

On 26 March, Sinch has resolved on a directed new share issue of 5,000,000 shares at a subscription price of SEK 300 per share. 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 raised SEK 1,500 million before issue costs.

A rights issue of 1,052,631 shares was executed on 15 June at a subscription price of SEK 665 per share. The issue generated keen interest and was directed at selected Swedish and international i nstitutional investors. The issue raised approximately SEK 700 million for Sinch before issue costs.

A rights issue of 3,187,736 shares was executed on 30 November at a subscription price of SEK 1,050 per share. The rights issue raised approximately SEK 3.3 billion before issue costs for Sinch. After the issue, SB Management, a subsidiary of SoftBank Group Corp. became one of Sinch's largest shareholders.

Sinch Group overview

SEK million	2020	2019	Change
Net sales	8,023.3	5,035.6	59%
Gross profit	2,183.3	1,394.1	57%
Gross margin	27.2%	27.7%	–
EBITDA	714.9	555.5	29%
EBITDA margin	8.9%	11.0%	–
Adjusted EBITDA	912.5	573.5	59%
Adjusted EBITDA margin	11.40%	11.4%	–
Adjusted EBITDA/gross profit	41.8%	41.1%	–
EBIT	452.9	371.6	22%
EBIT margin	5.6%	7.4%	–24%
Adjusted EBIT	844.9	523.6	61%
Adjusted EBIT margin	10.5%	10.4%	–
Profit for the year	446.0	274.5	61%
Cash flow from operating activities	453.9	327.3	39%
Cash and cash equivalents	3,123.0	466.3	570%

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, see page 105.

Net sales

Consolidated net sales grew during the financial year by 59 percent to SEK 8,023.3 million (5,035.6).

Acquired companies contributed 24 percent of growth. Organic growth in local currency was 34 percent.

Gross profit

Consolidated gross profit increased by 57 percent to SEK 2,183.3 million (1,394.1). Acquired companies contributed 26 percent of growth. Organic growth in local currency was 30 percent. The gross margin amounted to 27.2 percent (27.7).

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 29 percent to SEK 714.9 million (555.5). The improvement in EBITDA is due to the increase in gross profit having been only partially offset by higher operating costs. Consolidated EBIT rose by 22 percent to SEK 452.9 million (371.6).

Items affecting comparability, SEK million	**2020**	**2019**
Acquisition costs	–134.2	–15.1
Cost, adjusted earnout	–26.6	–
Integration costs	–90.1	–3.0
Profit or loss from sale/discontinuation of subsidiaries	–11.0	–
Income, adjusted earnout	64.4	–
Items affecting comparability in EBITDA	**–197.6**	**–18.0**
Acquisition-related amortization	–194.3	–134.0
Total EBIT adjustments	**–391.9**	**–151.9**

Adjusted for items affecting comparability, EBITDA increased by 59 percent to SEK 912.5 million (573.5) and EBIT rose by 61 percent to SEK 844.8 million (523.6), excluding total adjustments.

Financial items

Net financial expenses were SEK -73.5 million (-16.6) including interest expenses of SEK -37.7 million (-28.8) and foreign exchange differences of SEK -32.2 million (10.9). 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 66.6 million (-80.6) at an effective tax rate of -17.6 percent (22.7). Unrecognized tax losses from acquisitions has impacted the effective tax rate.

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

Profit for the year

Profit for the year increased by 62 percent to SEK 446.0 million (274.5) compared with the preceding financial year.

Cash flow and liquidity

Cash flow from operating activities was SEK 453.9 million (327.3).

Net investments in intangible assets and property, plant, and equipment amounted to SEK 85.6 million (56.0). The investments refer mainly to capitalized development expenditure of SEK 69.4 million (38.6), and investments in hardware and software.

Investments in subsidiaries amounted to SEK 2,884.6 million (648.4) in ACL, Chatlayer and SDI. New share issue and warrants amounted to 5,529.0 million (0).

At the end of the year, the Group had cash and cash equivalents of SEK 3,123.0 million (466.3) and an unused overdraft facility of SEK 200 million (200).

Covid-19

Covid-19 continues to have a negative impact on the smaller segment Voice and Video. However, the overall effect on the entire Group remains moderate as volumes have increased at the same time in Messaging Services

Messaging

SEK million	**2020**	**2019**
Net sales	7,582.0	4,692.5
Gross profit	1,883.9	1,124.4
Gross margin	24.8%	24.0%
Adjusted EBITDA	988.0	559.9
Adjusted EBITDA margin	13.0%	11.9%

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

Net sales

Messaging delivered sustained good performance during the year and is experiencing powerful growth. Net sales grew by 62 percent to SEK 7,582.0 million (4,692.5) compared with 2019. Acquired companies contributed 24 percent of growth. Organic growth in local currency was 38 percent.

Sinch's goal-oriented focus on large, strategic customers and growth in personalized video messaging sales 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 rose by 68 percent to SEK 1,883.9 million (1,124.4). Acquired companies contributed 27 percent of growth. Organic growth in local currency was 40 percent. The gross margin was 24.8 percent (24).

Adjusted EBITDA rose by 76 percent to SEK 988,0 million (559,9 and the adjusted EBITDA margin was 13,0 percent (11.9).

Operators

SEK million	2020	2019
Net sales	317.1	173.3
Gross profit	200.0	160.2
Gross margin	63.1%	92.5%
Adjusted EBITDA	22.6	15.7
Adjusted EBITDA margin	7.1%	9.1%

Net sales

Net sales in Operators increased by 83 percent to SEK 317.1 million (173.3) compared with 2019. The acquired companies accounted for the entire growth.

Profit

Gross profit was SEK 200.0 million (160.2)

Adjusted EBITDA was SEK 22.6 million (15.7) and the adjusted EBITDA margin was 7.1 percent (9.1).

The Operators business is project-based and thus fluctuates more 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	2020	2019
Net sales	265.5	248.8
Gross profit	77.3	109.5
Gross margin	29.1%	44.0%
Adjusted EBITDA	−8.5	26.6
Adjusted EBITDA margin	−3.2%	10.7%

Net sales

Net sales rose by 7 percent to SEK 265.5 million (249.8) compared with 2019. Lower demand due to the Covid-19 pandemic had significant negative impact on the business during Q1 and Q2 2020. Business volumes in Q4 were higher than in Q3, with increased sales of Sinch's number verification products.

Profit

Gross profit amounted to SEK 77.3 million (109.5) and the gross margin was 29.1 percent (44.0). The adjusted EBITDA amounted to SEK -8,5 million (26.6) and the adjusted EBITDA margin was -3.2 percent (10.7).

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.

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 are amortized over 3 years. Capitalized expenses for internal hours spent during the year amounted to SEK 69.4 million (38.6).

Total expenditure for research and development expensed during the year was SEK 176.5 million (215.6).

Environmental impact

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 858 (457). Women make up 26 percent of the workforce (23). The average age of the workforce is 39 (40).

The company applies a rigorous recruitment process and used 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.

Proposed 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. The guidelines do not apply to compensation decided by the general meeting. The 2020 guidelines are presented in Note 7.

The members of the senior executive team are directors of the company who have entered into an employment contract with the company or a group company, the CEO, vice CEO (if applicable), and other members of group management who report to the aforementioned persons. Group management 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 skilled and qualified employees. Compensation to the CEO and other senior executives should therefore reflect Sinch's need to recruit and motivate qualified employees by means of a compensation package that is perceived as fair and competitive.

The board of directors is empowered to depart from the guidelines for cause in individual cases and if the departure is necessary to serve company's long-term interests, including sustainability, or assure 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 considered by including information about the employees' total compensation, components of compensation and the increase and growth rate over time in the decision input for the board of directors.

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/resignation

Fixed base pay
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 targets may also be used to sharpen focus on achieving the Group's strategic plans. Targets must be specific, clear, measurable, subject to deadlines, and adopted by the board of directors. They should also be designed to promote the company's business strategy, long-term interests and sustainability. The extent to which the criteria have been met is assessed/determined at the end of the relevant measurement period.

The Compensation Committee is responsible for the assessment regarding variable pay to the CEO and other senior executives. The CEO is responsible for the assessment regarding variable pay to other senior executives.

Levels and targets for variable pay to the CEO are defined by the board of directors. Short-term variable pay shall not exceed 30 percent of fixed base pay, as compensation to senior management should be primarily based on long-term incentives.

Long-term variable pay
Long-term variable pay may encompass share-related incentive programs. These guidelines do not apply to compensation 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, LTI 2020 and LTI 2020:2, and the proposed LTI 2021.

Each year, the board of directors will evaluate whether a long-term share-related incentive program should be proposed to the annual general meeting. The purpose of offering a share-related incentive program is to ensure that the interests of senior executives coincide with those of the company's shareholders. Individual, long-term ownership among key individuals can be expected to stimulate keener interest in the business and its profitability, increase motivation, and enhance the sense of belonging with the company, thereby promoting the company's business strategy, long-term interests, and sustainability. Long-term share-related incentives also enhance the company's potential to attract and recruit new executives.

Market-based compensation
The Company has acquired high quality benchmark data from third-party sources to ensure that compensation to the CEO and other senior executives reflects what generally applies to executives in comparable positions in other companies. Market-based compensation is also assured in recruitment processes when 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 with other companies, and should normally be based upon defined contribution pension plans. Senior executives retire at the relevant/appropriate age of retirement. Pension benefits may not exceed 35 percent of fixed base pay to the extent higher contributions are not required under an applicable collectively agreed pension plan.

Other benefits
Other benefits of employment may include health insurance and fitness/wellness programs. The costs of such benefits shall not exceed 6 percent of fixed base pay.

Pay during period of notice
As a general rule, employment contracts 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, if applicable, severance pay during a period of notice shall not exceed an amount equivalent to fixed base pay for two years.

Compensation to company founders
Compensation to company founders is subject to approval by the board of directors. Founders are exempt from the requirement of market-based pay, i.e. their fixed base pay and other compensation may be lower than the market rate, as they are compensated through their shareholdings in the company.

Compensation consists of the following components:

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

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

Approval

Changes in terms, conditions, and compensation to the CEO are subject to approval by the board chair. Ongoing costs such as travel expenses for the CEO are subject to approval by the CFO, and quarterly summaries shall be sent to the board chair.

New recruitments, changes in pay and other significant changes regarding senior executives other than the CEO are subject to approval by the board chair. Minor adjustments, and ongoing costs are subject to approval by the CEO. Payment of fixed base pay is managed by local payroll departments and is subject to prior approval by the local HR representative. Payment of short-term variable pay is subject to approval by the CEO as regards other senior executives and by the board chair as regards the CEO.

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

Controls and decision process

The company has a Compensation Committee which consists of two directors. The board chair is also chair of the Compensation Committee.

The Compensation Committee shall, in relation to the board of directors, have a preparatory function in respect compensation policies, compensation and other terms of employment for senior executives. Consequently, the Compensation Committee shall prepare proposed guidelines for compensation to senior executives, which the board of directors shall present to the annual general meeting for decision. The Committee shall also evaluate the application of the guidelines resolved by the annual general meeting

The board of directors shall at least every fourth year or upon material changes to the guidelines, present a proposal on guidelines to the annual general meeting for resolution. The guidelines shall be applied in relation to every commitment pertaining to compensation to senior executives and every change of such a commitment that is decided subsequent to the annual general meeting at which the guidelines were adopted. Thus, the guidelines have no impact on preexisting contractual obligations. Resolved guidelines may also be amended by means of a resolution by any other general meeting.

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

The Compensation Committee shall also monitor and evaluate ongoing and ended programs for variable pay to senior executives as well as the current structure and levels of compensation in the company. Furthermore, the Compensation Committee shall annually prepare a report detailing compensation to senior executives paid during the financial year. The compensation report shall be made available to the shareholders on the company's website no later than three weeks before the annual general meeting. Within the scope of and based on the guidelines, the board of directors shall annually decide on the specific revised terms of compensation for each senior executive and make any other necessary decisions concerning compensation to senior executives. The CEO or other senior executives shall not be present when the Compensation Committee discusses and decides on matters related to compensation insofar as they are affected by such matters.

The following measures are taken annually to verify compliance with the guidelines

- Collection of documented annual targets for short-term variable pay.
- Checking of a random sample of approved salary payments.
- Review of sample reports generated by payroll systems to identify any unusual payments.

The result of the checks are summarized and reported to the Compensation Committee.

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

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.

Macroeconomic factors

Sinch does business in several markets around the world. Consequently, Sinch is affected, like other companies, by general economic, financial, and political developments at the international level, as well as by conditions specific to certain countries or regions.

Our operations are affected by additional risks, including civil unrest, acts of terrorism, economic and geopolitical instability and conflict, pandemics, exchange controls, economies exposed to significant fluctuations, the effects of climate change and difficulties enforcing contracts and collecting debts through local legal systems.

Pandemics, such as the Covid-19 pandemic, could potentially have severe impact on local and global operations related to e.g. service delivery, research and development, as well as in relation to our customers and suppliers, and have significant financial and non-financial consequences.

Downtime and comparable

Sinch relies on its technical systems and 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 can 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 shortcomings 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 refunds 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 obtained through legislation and agreements (primarily license and non-disclosure agreements) with customers, employees, partners, and other parties. However, it could 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 will be inadequate or impaired by gaps or shortcomings. If any of the risks are realized, it could have material adverse 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 are realized, it could have material adverse impact on Sinch's business, earnings, and financial position.

Dependence upon key individuals
Sinch is dependent upon senior 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 risk
Currency risk refers to the risk that fluctuations in exchange rates will have adverse impact on Sinch's cash flow, earnings, and balance sheet. The company's presentation currency is SEK. Sinch is a global operation, which entails significant cash flows in currencies other than SEK. Thus, fluctuations in exchange rates may have material adverse impact on Sinch's business, earnings, and financial position. See 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 understand-

ing 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 might have retroactive effect, could cause material adverse impact on Sinch's business, earnings or financial position.

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 other businesses. 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 publish forecasts.

Parent company

The parent company's operations consist only of certain group management functions. At the end of the period, the parent company had 13 (9) employees. The average number of employees during the period was 11 (10).

- Net sales were SEK 64.2 million (45.7).
- Operating profit (-loss) was SEK -154.4 million (-33.9)
- Net profit (-loss) for the year was SEK -65.2 million (62.0).
- Equity amounted to SEK 6,953.1 million (1,489.8)
- Net investments in intangible assets and property, plant, and equipment totaled SEK 16.1 million (2.2).

Refer to the Group management report for further information about 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 2020 financial year.

The following non-restricted equity in the parent company is at the disposal of the annual general meeting, SEK:	
Share premium reserve	6,956,984,612
Retained earnings	54,940,570
Profit for the year	–65,169,852
Total	**6,946,755,330**

The Board of Directors proposes that profit be allocated as follows, SEK:	
Carried forward to the share premium reserve	6,956,984,612
Carried forward to retained earnings	–10,229,282
Total	**6,946,755,330**

Multi-year review, consolidated

Income statement

SEK million	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos	2014/15 12 mos
Net sales	8,023.3	5,035.6	3,986.6	3,058.1	2,333.9	844.4
Cost of goods and services sold	−5,840.0	−3,641.4	−2,978.2	−2,278.1	−1,691.6	−592.5
Gross profit	**2,183.3**	**1,394.1**	**1,008.4**	**780.0**	**642.3**	**251.9**
Other revenue	197.8	103.1	109.6	59.5	40.8	29.6
Work performed by the entity and capitalized	69.4	38.6	21.7	17.9	22.7	3.3
Employee benefits expenses	−869.4	−537.6	−405.1	−312.6	−281.7	−124.7
Other expenses	−866.2	−442.7	−361.4	−281.7	−262.2	−66.9
Operating profit, EBITDA	**714.9**	**555.5**	**373.3**	**263.2**	**161.9**	**93.1**
Depreciation, amortization, and impairments	−262.0	−183.9	−155.5	−138.3	−49.5	−4.4
Operating profit, EBIT	**452.9**	**371.6**	**217.8**	**124.9**	**112.5**	**88.7**
Financial income	714.0	41.9	22.6	185.2	105.1	0.9
Finance costs	−787.5	−58.5	−39.1	−235.7	−96.2	−19.8
Profit before tax	**379.4**	**355.0**	**201.3**	**74.4**	**121.4**	**69.8**
Tax	66.6	−80.6	−21.8	60.0	−9.8	−16.8
Profit for the year	**446.0**	**274.5**	**179.5**	**134.4**	**111.6**	**52.9**
Attributable to:						
Owners of the parent	445.9	274.6	179.5	133.9	111.3	53.2
Non-controlling interests	0.1	−0.1	0.0	0.5	0.2	−0.3

Balance sheet

SEK million	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	30 Jun 2015
Intangible assets	5,254.9	2,791.4	2,145.5	1,763.6	1,564.9	65.9
Property, plant, and equipment	154.0	106.2	18.9	23.1	14.2	4.7
Financial assets	14.1	12.0	15.1	29.2	11.4	2.6
Deferred tax assets	403.9	237.6	191.9	191.4	29.6	0.2
Current assets excluding cash and cash equivalents	2,684.3	1,377.4	1,074.2	858.7	587.2	189.8
Cash and cash equivalents	3,123.0	466.3	180.8	164.6	115.3	71.0
Total assets	**11,634.4**	**4,990.9**	**3,626.3**	**3,030.6**	**2,322.6**	**334.2**
Equity	7,512.6	1,998.6	1,664.2	1,494.6	865.0	41.5
Non-current liabilities	1,587,0	1,777.0	841.6	638.3	744.6	94.3
Current liabilities	2,534.8	1,215.3	1,120.5	897.8	713.0	198.5
Total equity and liabilities	**11,634.4**	**4,990.9**	**3,626.3**	**3,030.6**	**2,322.6**	**334.2**

Cash flow statement

SEK million	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos	2014/15 12 mos
Cash flow from operating activities	453.9	327.3	304.6	51.3	107.6	94.9
Cash flow from (-used in) investing activities	–2,972.4	–712.4	–370.4	–562.6	–1,053.4	–9.8
Cash flow from financing activities	5,231.4	673.1	75.5	564.2	989.2	–70.2
Cash flow for the year	**2,712.9**	**288.0**	**9.8**	**52.9**	**43.4**	**14.9**
Cash and cash equivalents at the beginning of the financial year	466.3	180.8	164.6	115.3	71.0	55.9
Exchange rate differences in cash and cash equivalents	–56.2	–2.4	6.4	–3.7	1.0	0.2
Cash and cash equivalents at the end of the financial year	**3,123.0**	**466.3**	**180.8**	**164.6**	**115.3**	**71.0**

Key data

	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos	2014/15 12 mos
Return on equity, %	9.4	15.0	11.4	11.4	24.6	–121.8
Gross margin, %	27.2	27.7	25.3	25.5	27.5	29.8
EBITDA margin, %	8.9	11.0	9.4	8.6	6.9	11.0
EBIT margin, %	5.6	7.4	5.5	4.1	4.8	10.5
Net margin, %	5.6	5.5	4.5	4.4	4.8	6.3
Equity/assets ratio, %	64.6	40.0	45.9	49.3	37.2	12.4
Items affecting comparability in EBITDA, SEK million	–197.6	–18.0	6.2	–33.5	–76.1	4.0
Adjusted EBITDA, SEK million	912.5	573.5	367.1	296.7	238.1	89.1
Adjusted EBITDA/gross profit, %	41.8	41.1	36.4	38.0	37.1	35.4
Net debt, SEK million	–1,988.5	958.7	405.5	348.8	368.6	8.9
Net debt/Adjusted EBITDA, multiple	–2.2	1.7	1.1	1.2	1.5	0.1
Interest coverage ratio, multiple	12.9	14.0	9.9	7.1	14.2	4.5

Share data

	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos	2014/15 12 mos
Total shares outstanding at the end of the year	63,173,670	53,602,089	53,602,089	53,602,089	49,534,442	1,081,081
Weighted average number of shares, before dilution*	58,494,586	53,602,089	53,602,089	52,002,693	42,706,358	34,853,978
Weighted average number of shares, after dilution*	60,413,500	54,234,275	53,602,089	52,002,693	43,212,236	34,892,690
Basic earnings per share, SEK	7.62	5.12	3.35	2.58	2.58	1.53
Diluted earnings per share, SEK	7.38	5.06	3.35	2.58	2.55	1.52
Dividend per share, SEK	–	–	–	–	–	–

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

Income statement
Consolidated

	Note	2020	2019
Net sales	3	**8,023,308**	**5,035,553**
Other operating expenses	4	197,772	103,131
Work performed by the entity and capitalized	13	69,404	38,560
Cost of goods and services sold		–5,840,047	-3,641,449
Other external expenses	5, 6	–683,012	-328,748
Employee benefits expenses	7	–869,361	-537,603
Other operating expenses	4	–183,200	-113,936
Operating profit before depreciation, amortization and impairments, EBITDA		**714,863**	**555,508**
Depreciation, amortization and impairments	13, 14, 15	–261,974	-183,866
Operating profit, EBIT		**452,889**	**371,642**
Financial income	8	713,972	41,897
Finance expenses	8	–787,459	-58,507
Profit before tax		**379,401**	**355,032**
Current tax	10	-142,501	-83,824
Deferred tax	10	209,123	3,261
Profit for the year		**446,023**	**274,469**
Attributable to:			
Owners of the parent		445,907	274,614
Non-controlling interests		116	-145
Earnings per share, SEK			
Basic	11	7.62	5.12
Diluted	11	7.38	5.06

Statement of comprehensive income
Consolidated

	Note	2020	2019
Profit for the year		446,023	274,469
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss for the period			
Translation differences		-362,143	61,356
Hedge accounting, net investment		-146,247	-5,745
Tax effect of items in other comprehensive income	10	32,939	1,229
Other comprehensive income for the year		**-475,451**	**56,840**
Comprehensive income for the year		**-32,958**	**331,309**
Attributable to:			
Owners of the parent		-32,848	331,518
Non-controlling interests		-110	-209

Statement of financial position
Consolidated

	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	12	3,298,264	1,753,906
Customer relationships	13	1,481,221	764,003
Operator relationships	13	144,841	106,824
Proprietary software	13	322,289	162,694
Other intangible assets	13	8,303	3,924
Property, plant, and equipment	14	99,744	29,676
Right-of-use assets	15	54,302	76,567
Financial assets	16	14,143	11,987
Deferred tax assets	10	403,930	237,648
Total non-current assets		**5,827,037**	**3,147,228**
Current assets			
Inventory		–	362
Accounts receivable	17	1,926,355	1,159,641
Tax assets		52,780	23,802
Other current receivables	18	115,730	57,259
Accrued income and prepaid expenses	3, 19	589,463	136,338
Cash and cash equivalents	30	3,123,034	466,297
Total current assets		**5,807,362**	**1,843,699**
Total assets		**11,634,399**	**4,990,927**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		6,317	5,360
Other capital contributions		6,933,619	1,390,831
Reserves		-400,165	75,425
Accumulated losses including profit for the year		972,216	526,309
Equity attributable to owners of the parent		**7,511,987**	**1,997,926**
Non-controlling interests		599	699
Total equity		**7,512,586**	**1,998,624**
Non-current liabilities			
Deferred tax liabilities	10	508,334	270,334
Other non-current liabilities, interest-bearing	21	992,362	1,366,972
Other non-current liabilities, non-interest-bearing	22	86,278	139,717
Total non-current liabilities		**1,586,974**	**1,777,023**
Current liabilities			
Contract liabilities/Advance payments from customers	3	59,567	26,478
Provisions	23	82,460	21,318
Accounts payable		679,784	481,907
Tax liabilities		36,848	9,726
Other current liabilities, interest-bearing	21	142,203	58,051
Other current liabilities, non-interest-bearing	22	201,707	36,878
Accrued expenses and prepaid income	24	1,332,270	580,922
Total current liabilities		**2,534,839**	**1,215,280**
Total equity and liabilities		**11,634,399**	**4,990,927**

Statement of changes in equity
Consolidated

	Share capital	Other capital contributions	Reserves	Retained earnings	Total equity attri-butable to owners of the parent	Non-controlling interests	Total equity
Opening balance at 1 January 2019	**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**
Profit for the year				445,907	445,907	116	446,023
Other comprehensive income			-475,590		-475,590	-216	-475,806
Share-based remuneration		20,643			20,643		20,643
Issued shares for warrants	33	42,253			42,286		42,286
New share issue	924	5,546,198			5,610,051		5,610,051
Issue expenses, net after tax		-66,306			-66,306		-66,306
Closing balance at 31 December 2020	**6,317**	**6,933,619**	**-400,165**	**972,216**	**7,511,987**	**599**	**7,512,586**

Statement of cash flows
Consolidated

	Note	2020	2019
Cash flow from operating activities			
Profit before tax		379,401	355,032
Adjustment for non-cash items	30	324,036	215,874
Income tax paid		-101,335	-117,402
Cash flow from operating activities before changes in working capital		**602,102**	**453,503**
Change in inventories		362	327
Change in accounts receivable		-158,673	-220,755
Change in other current receivables		-434,138	-15,618
Change in accounts payable		-98,054	-1,043
Change in other current liabilities		542,321	110,838
Cash flow from operating activities*		**453,920**	**327,254**
Investing activities			
Acquisition of intangible assets	13	-73,431	-38,679
Acquisition of property, plant, and equipment	14	-42,932	-17,347
Change in financial receivables		28,601	12,120
Acquisition of subsidiaries, net effect on cash and cash equivalents	31	-2,884,594	-668,471
Cash flow from investing activities		**-2,972,356**	**-712,377**
Financing activities			
New borrowing	21	–	1,453,413
Amortization of bank loan	21	-267,229	-756,667
Amortization, lease liability		-30,425	-25,772
New share issue/Warrants	20	5,529,004	2,116
Cash flow from financing activities	30	**5,231,350**	**673,091**
Cash flow for the year		**2,712,915**	**287,967**
Cash and cash equivalents at the beginning of the financial year		466,297	180,759
Exchange rate differences in cash and cash equivalents		-56,178	-2,429
Cash and cash equivalents at the end of the financial year	30	**3,123,034**	**466,297**

* in 2020, cash flow from operating activites includes effect from acquisitions.

Income statement
Parent company

	Note	2020	2019
Net sales	1	**64,241**	**45,689**
Other operating expenses	4	3,155	224
Operating expenses			
Other external expenses	5, 6	−195,197	−50,379
Employee benefits expenses	7	−25,924	−28,985
Other operating expenses	4	−633	−427
Operating profit before depreciation, amortization and impairments		**−154,357**	**−33,879**
Depreciation, amortization and impairments	13, 14, 15	−2,933	−1,956
Operating loss		**−157,290**	**−35,835**
Interest income and similar profit items	8	240,711	200,216
Interest expenses and similar profit items	8	−279,774	−62,438
Profit after net financial income/expenses		**−196,353**	**101,943**
Appropriations	9	88,616	−25,680
Profit/loss before tax		**−107,737**	**76,263**
Tax on profit/loss for the year	10	42,567	−14,225
Profit/loss for the year*		**−65,170**	**62,038**

* Profit for the year coincides with comprehensive income for the year.

Balance sheet
Parent company

	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	13	3,180	–
Property, plant, and equipment	14	16,760	6,820
Financial assets			
Deferred tax assets		42,567	–
Investments in group companies	16	2,526,923	501,749
Non-current receivables, group companies	16	4,118,996	2,442,618
Total financial assets		**6,688,486**	**2,944,366**
Total non-current assets		**6,708,426**	**2,951,186**
Current assets			
Receivables from group companies		145,554	6,833
Tax assets		6,354	–
Other current receivables	18	14,967	7,097
Accrued income and prepaid expenses	19	41,040	12,542
Cash and bank balances	30	1,325,109	228
Total current assets		**1,533,024**	**26,700**
TOTAL ASSETS		**8,241,450**	**2,977,887**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	6,317	5,360
Total restricted equity		**6,317**	**5,360**
Share premium reserve		6,956,985	1,363,191
Retained earnings		54,941	59,208
Profit/loss for the year		−65,170	62,038
Total non-restricted equity		**6,946,755**	**1,484,437**
Total equity		**6,953,073**	**1,489,797**
Untaxed reserves	25	**30,766**	**28,381**
Deferred tax liabilities	10	1,352	1,352
Total provisions		**1,352**	**1,352**
Non-current liabilities			
Liabilities to credit institutions	21	961,990	1,268,625
Other non-current liabilities	22	11	–
Total non-current liabilities		**962,001**	**1,268,625**
Current liabilities			
Accounts payable		35,248	10,785
Tax liabilities		–	11,825
Liabilities to group companies		177,761	121,382
Liabilities to credit institutions	21	70,319	36,183
Financial lease liability	21	–	–
Other current liabilities	22	3,240	2,003
Accrued expenses and prepaid income	24	7,690	7,553
Total current liabilities		**294,259**	**189,731**
TOTAL EQUITY AND LIABILITIES		**8,241,450**	**2,977,887**

Statement of changes in equity
Parent company

	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance at 1 January 2019	**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**
Profit for the year			−65,170	−65,170
Share-based remuneration		5,343		5,343
Issed shares for warrants	33	42,253		42,286
New share issue	924	5,546,198		5,547,122
Issue expenses, net after tax			−66,306	−66,306
Closing balance at 31 December 2020	**6,317**	**6,956,985**	**−10,228**	**6,953,073**

Cash flow statement

Parent company

	Note	2020	2019
Cash flow from operating activities			
Profit/loss after net financial income/expenses		–196,353	101,943
Adjustment for non-cash items	30	–12,089	19,269
Income tax paid		–126	–69
Cash flow from operating activities before changes in working capital		**–208,568**	**121,142**
Change in other current receivables		–157,090	14,178
Change in accounts payable		21,556	8,312
Change in other current liabilities		37,144	–21,744
Cash flow from operating activities		**–306,958**	**121,887**
Investing activities			
Acquisition of immater		–3,180	–
Acquisition of property, plant, and equipment		–12,873	–2,175
Change in financial receivables, group companies		–3,679,018	–817,058
Acquisitions of subsidiaries	31	–2,025,175	–11,397
Cash flow from investing activities		**–5,720,246**	**–830,631**
Financing activities			
Borrowings, bank and bond loans	21	–	1,453,413
Amortization of bank loan	21	–251,948	–756,085
Amortization of lease liability		–	–128
Change in financial liabilities, group companies		2,002,640	15,339
Rights issue/warrants		5,510,393	2,116
Group contribution received/provided		91,000	–5,853
Cash flow from financing activities		**7,352,085**	**708,803**
Cash flow for the year		**1,324,881**	**59**
Cash and cash equivalents at the beginning of the financial year		228	168
Cash and cash equivalents at the end of the financial year	30	**1,325,109**	**228**

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 Sinch-developed software solutions for mobile operators – supplied as both a product and a service.

Compliance with standards and law

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

Basis for preparation of the financial statements: assets and liabilities are recognized at historical cost, other than certain financial instruments measured at fair value.

Functional currency and presentation currency

The parent company's functional currency is the Swedish krona (SEK), which is also the presentation currency for the parent and the Group. Accordingly, the financial statements are presented in 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, estimations and 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

Portions of consolidated sales originate from large and complex projects under fixed-price contracts. Revenue is recognized successively as projects are completed. 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. 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 could result in erroneous reporting of consolidated sales and profit.

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 current and deferred tax liabilities and tax assets , particularly as regards the value of deferred tax assets. Consequently, the company must estimate the extent to which 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 2020, the carrying amount of deferred tax assets was SEK 403,930 thousand (237,648) and the carrying amount of deferred tax liabilities was SEK 508,334 thousand (270,334).

New and amended IFRSs and interpretations for 2020

The new or amended standards and interpretations that went into effect during the reporting period have had no impact on these financial statements. The Covid-19-related amendment to IFRS 16 concerning rebates, rent reductions and other concessions has had no material impact on Sinch's financial statements.

note 1 Cont.

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 2021. 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.

Interest rate benchmark reform

Phase 2 of the amendments to standards including IFRS 9 and IFRS 7 refer to the Interest Rate Benchmark Reform that took effect 1 January 2021. In brief, the amendments allow companies to reflect the effects of switching from interest rate benchmarks such as STIBOR to other interest rate benchmarks without giving rise to accounting effects that would not provide useful information to users of financial statements. The Group is affected by the Interest Rate Benchmark Reform mainly in its exposure to interbank offered rates (IBORs) in its external borrowing. The exposure to IBORs is limited to borrowings of SEK 976 million, but the company is monitoring the changes and their impact.

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 (CODM) in order to assess the performance of and allocate resources to the operating segment. The CEO has been identified as the CODM. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. Please refer to Note 2 Segment Reporting for further information concerning the division and presentation of operating segments.

Consolidation policies and business combinations

Subsidiaries

Subsidiaries are entities that Sinch AB (publ) controls. 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, the resulting gain is a "bargain purchase" and recognized in profit and loss for the year.

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

note 1 Cont.

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 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 average payment terms of Net 30 Days. Extended payment terms may occur in connection with isolated software license sales in the Operators segment. Advance payments by customers for SMS distribution also occur in the Messaging segment.

Sales of goods and 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 the percentage of completion. 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.

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

In addition to message handling, revenue from services provided on running account may include e.g., support* or operation of the customer's software. Sinch has satisfied its performance obligation once the message has been delivered, or incrementally as time is expended and the revenue is recognized when the service is provided/performed.

Revenue from message handling is recognized at a specific date; from support and operation as the service is performed; and from sales of initial software licenses at a fixed price through application of the percentage of completion method.

Costs related to message handling services provided on running account comprise the cost to the operator used to deliver the message. Costs for other services provided on running account comprise employee benefits expenses for the employees who perform the services and is calculated based on agreed salary and associated social security contributions and other benefits.

*Support contracts are usually at a fixed price over a defined period of time and revenue is recognized over the term of the contract, although some support contracts are performed on a running account basis.

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

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 begins or upon remeasurement of a lease that contains several components, lease or non-lease components, the Group allocates the consideration payable under the contract to 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 deprecated to the end of the period of use.

note 1 Cont.

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 interest rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the Group's incremental borrowing rate is used, which reflects the Group's credit risk.

The Group determines the incremental borrowing rate as follows:

- When possible, financing recently obtained from an outside part is used as the starting point, which is then adjusted to reflect changes in financing conditions since the financing was obtained.
- Adjustments are made for the specific terms and conditions of the lease, e.g., duration of the lease term, country, currency and security.

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. When the index changes, 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 with the lease term is remeasured. This occurs in conjunction with 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 are depreciated on a straight-line basis across the shorter of the useful life of the asset and the lease term. If the company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the useful life of the underlying asset.

Estimated useful lives:

- Premises 3–10 years
- Other 1–3 years

ROU assets and lease liabilities are not recognized for leases with a term of 12 months 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.

Refer to the 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.

Financial income and expense

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

Taxes

The Group's total tax expense comprises current and deferred tax. Tax is recognized in profit 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.

note 1 Cont.

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 ares 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 year
- 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.

note 1 Cont.

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 recognized in 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

Trade receivables 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 measured at fair value through profit or loss, transaction costs directly attributable to the business combination or the issue. Trade receivables 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 or fair value through profit and 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.
- 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.

Cash and cash equivalents are covered by the general model.

Impairments

Sinch reports a loss allowance for expected credit losses on financial assets measured at amortized cost or fair value through other comprehensive income and contractual assets. Simplified rules apply to accounts receivable and contractual assets, according to which the Group must report expected credit losses for the asset's remaining time to maturity. For all other financial assets, the Group must measure the loss allowance at an amount equal to 12 months' expected credit losses. For financial instruments for which there has been a significant increase in credit risk, an allowance is recognized based on expected credit losses over the lifetime of the asset.

note 1 Cont.

The Group's exposure to credit risk is primarily attributable to accounts receivable. The simplified approach is used to estimate credit losses on accounts receivable and contractual assets using a provision matrix based on historical events, current conditions, and forecasts of future economic conditions. Loss allowances on cash and cash equivalents are based on the institution's credit rating.

Impairments of accounts receivable and contractual assets are recognized in operating profit or loss. Impairments of cash and cash equivalents and non-current receivables are recognized in financial income and expenses.

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 FVTPL 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 FVTPL at fair value 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 derecognizes a financial asset from the statement of financial position when the contractual rights to receive the cash flows from the financial asset expire or Sinch has transferred the contractual rights to receive the cash flows.

Financial liabilities

Sinch removes a financial liability from the statement of financial position when the obligations specified in the contract are discharged, canceled, or expire. When a financial asset is removed, the difference between 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. There are no recognized financial instruments that have been offset or that are covered by legally binding master netting agreements or comparable agreements, but had not been offset as of 31 December 2020 and 31 December 2019.

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 expense.

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.

Upon designation and inception, the relationship between the hedging instrument and the hedged item must be documented along with the Group's risk management objectives and risk management strategy for the hedge. The documentation thus comprises an assessment of how the hedging instrument is expected to be effective in offsetting changes in exchange rates in the hedged item. Hedge effectiveness is assessed based on the following criteria:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk should not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship should be the same as that derived from the actual quantity of the hedged item and the quantity of the hedging instrument actually used in the economic hedge.

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.

note 1 Cont.

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 for the last three years in each series. The cost of share-based payments is based on the fair value of the warrants 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 over the vesting period 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 an exercise right. Social insurance fees attributable to the employee benefits expense that arises upon vesting are expensed over the vesting period. The provision for social insurance fees is based on the fair value of the warrants at the reporting date. Fair value is measured using the same model that was used when the warrants were issued.

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

Contingent liabilities

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

Statement of cash flows

The statement of cash flows 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 are 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 state-

note 1 Cont.

ment 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 includes 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 and loss when the service is complete. Revenue in the parent company refers in all material respects to internal group services.

Leases

Lease payments are recognized as an expense on a straight-line basis over the lease term.

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.

Receivables from Group companies

The parent company applies corresponding impairment losses as the Group for expected credit losses on current and non-current receivables due from Group companies. No significant increase of credit risk had been deemed to exist for any claim against a Group company as of the reporting date. It has been assessed that expected credit losses are insignificant and therefore no loss allowance has been recognized.

note 2 Segment reporting

2020, SEK million	Messaging	Voice and Video	Operators	Corporate and eliminations[2]	Group
Revenue from external customers	**7,466,1**	**243,1**	**292,0**	**22,1**	**8,023,3**
Revenue from other segments	115,9	22,4	25,1	−163,4	0,0
Gross profit	**1,883,9**	**77,3**	**200,0**	**21,9**	**2,183,1**
Adjusted EBITDA	988,0	−8,5	22,6	−89,6	912,5
Items affecting comparability	−54,3	1,8	2,3	−147,5	−197,6
EBITDA	**933,7**	**−6,7**	**24,9**	**−237,0**	**714,9**
Depreciation, amortization and impairments					−262,0
EBIT					**452,9**
Financial income and expenses					−73,5
Profit before tax					**379,4**
Non-current assets[1]					**5,409,0**

[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.

[2] Corporate includes EBITDA for the parent company in the amount of SEK −19.4 million.

2019, SEK million	Messaging	Voice and Video	Operators	Corporate and eliminations[2]	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**
Adjusted EBITDA	559.9	26.6	15.7	−28.7	573.5
Items affecting comparability	−2.6	–	–	−15.4	−18.0
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 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.

[2] 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.

- 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 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

2020	Messaging	Voice and Video	Operators	Other and elimi-nations	Group
External net sales distributed by country/region					
Sweden	361,035	11,349	28,835	445	401,664
France	460,075	1,176	4,103	38	465,392
United Kingdom	806,065	5,174	22,198	117	833,554
Germany	332,819	2,019	5,276	8,708	348,822
Other EU countries	565,089	49,232	65,940	12,358	692,619
Brazil	251,484	268	219	–	251,971
India	259,511	99	3,055	–	262,665
Singapore	160,638	18,835	916	–	180,389
United States	3,754,215	98,824	22,666	–	3,875,705
Rest of the world	515,140	56,169	138,810	407	710,526
Total	**7,466,071**	**243,145**	**292,018**	**22,073**	**8,023,307**
External net sales distributed by products and services					
Messaging services	7,410,945	241,455	145,888	8,597	7,806,885
Initial software licenses and upgrades	10,954	–	38,746	13,476	63,176
Support	6,073	–	107,378	–	113,451
Other	38,099	1,690	6	–	39,795
Total	**7,466,071**	**243,145**	**292,018**	**22,073**	**8,023,307**
Point in time of revenue recognition					
Over time	157,344	–	292,018	–	449,362
At a specific date	7,308,727	243,145	–	22,073	7,573,945
Total	**7,466,071**	**243,145**	**292,018**	**22,073**	**8,023,307**

2019	Messaging	Voice and Video	Operators	Other and elimi-nations	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	559902	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
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**

note 3 Cont.

Revenue-related contract assets and contract liabilities

Contract assets	Group 31 Dec 2020	Group 31 Dec 2019
Accrued income	450,160	93,216
Impairment reserve	–3,709	–498
Total contract assets	**446,451**	**92,718**

Assets have increased through the acquisitions of SDI and ACL (See Note 31) and that the Group has provided more sevices before the agreed payment dates for fixed-prised assignments.

Contract liabilities/Advance payments from customers	Group 2020	Group 2019
Balance at opening date	26,478	26,424
Revenue reported as attributable to contract liabilities that existed at the beginning of the year	–9,236	–25,287
Payment from customers for performance obligations not satisfied at year-end	43,325	24,350
Translation differences	–1,000	990
Balance on the closing date	**59,567**	**26,478**

The increase in 2020 is due to a larger advance payment from a customer.

note 4 Other operating income and other operating expenses

	Group		Parent company	
Other operating expenses	**2020**	**2019**	**2020**	**2019**
Exchange rate gains	131,077	100,052	3,155	223
Recovered previously impaired accounts receivable	–	–	–	–
Adjustment of earnout liability	64,378	–	–	–
Other	2,317	3,079	–	1
Total	**197,772**	**103,131**	**3,155**	**224**

	Group		Parent company	
Other operating expenses	**2020**	**2019**	**2020**	**2019**
Exchange rate losses	–167,853	–103,170	–633	–427
Confirmed customer losses	–3,597	–7,306	–	–
Provision for doubtful receivables	–11,750	–3,460	–	–
Total	**–183,200**	**–113,936**	**–633**	**–427**

note 5 Auditor's fees

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Statutory audit services				
Deloitte	5,225	2,934	994	554
Other audit firms	309	415	–	–
Audit-related services				
Deloitte	417	202	64	169
Other audit firms	–	–	–	–
Tax services				
Deloitte	–	–	–	–
Other audit firms	–	–	–	–
Other services				
Deloitte	–	–	–	–
Other audit firms	203	295	–	–
Total	**6,153**	**3,847**	**1,058**	**723**

note 6 Other external expenses

	Group		Parent company	
Other external expenses	**2020**	**2019**	**2020**	**2019**
Acquisition costs	–134,238	–15,079	–	–
Restructuring costs	–	–	–	–
Integration costs	–90,097	–2,957	–107,503	–
Capital loss, sale of mobile payments business	–11,846	–	–	–
Other external costs	–446,831	–310,712	–87,694	–35,852
Total	**–683,012**	**–328,748**	**–195,197**	**–35,852**

note 7 Employees, employee benefits expense and compensation to senior management personnel

Salaries and other compensation	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Salaries and other compensation	641,837	389,225	17,375	16,548
(of which variable pay)	65,775	41,240	1,401	1,911
Other benefits	19,031	4,901	96	3,926
Pension expenses	42,258	29,843	3 ,173	3,239
Other social security expenses	146,319	90,279	6,118	5,425
Total	**849,445**	**514,247**	**26,762**	**29,138**

	2020					
Compensation to senior management personnel – Group	**Base pay, fee**	**Variable compen-sation**	**Other benefits**	**Pension expenses**	**Other soci-al 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*	875	–	7	90	277	**1,249**
CEO Oscar Werner	4,229	797	127	–	70	**5,223**
Other senior management personnel (4 individuals)*	6,855	881	30	1,818	2,800	**12,384**
Other senior management personnel (8 individuals, of whom 5 for part of the year)	9,474	710	174	1,512	2,387	**14,256**
Total senior management personnel	**23,163**	**2,387**	**338**	**3,420**	**6,077**	**35,385**

* Parent company

	2019					
Compensation to senior management personnel – Group	**Base pay, fee**	**Variable compen-sation**	**Other benefits**	**Pension expenses**	**Other soci-al 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

note 7 Cont.

Compensation to senior management personnel – group

Board of directors

As resolved by the 2020 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 2020, 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. A six–months' peri– od of notice of termination or resignation applies between the company and the CEO. Upon termination by the employee or in the event of a breach of contract no severance is paid. Other benefits consist of health insurance and in 2019 reimbursement of additional costs related to relocation to the United States.

Other senior management personnel

In addition to CEO Oscar Werner, executive management in 2020 included Anders Olin, Eva Lessing, Jonas Lindeborg, Jonathan Bean, Robert Gerstmann, Roshan Saldanha, Thomas Heath, Julie Rassat (from 22 December 2020), Russ Green (from 22 December 2020) and Sanjay Goyal (from 22 December 2020). Björn Zetehraus, Johan Hedberg and Vikram Khandpur as part of executive management through 22 December 2020.

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 2019), Jonathan Bean (from April 2019) and Vikram Khandpur (from December 2019). Odd Bolin was part of executive management through February 2019 and Johan Rosendahl through March 2019.

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 2020 II

Under the incentive program adopted by the extraordinary AGM on 27 November 2020, 422,889 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2020 II is 470,260. The program is divided into three series, with exercise periods of 15 December 2023–15 March 2024, 15 September– 15 December 2024 and 19 September–15 December 2025. All participants have been granted one third of their warrants in each series. The average value per warrant was SEK 162.41 at grant date. The exercise price is SEK 1,361 per share in all series.

Participants in Sweden have paid a premium of SEK 162.41 per warrant, through which Sinch has realized SEK 2.7 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 outside of Sweden 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.

Among senior executives, Sanjay Goyal and Julie Rassat were invested to participate in the incentive program. These individuals have respectively subscribed for 250,000 and 6,500 warrants each. The warrants were granted in November 2020.

Incentive program, LTI 2020

Under the incentive program adopted by the AGM on 15 May 2020, 327,800 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2020 is 580,000. The program is divided into three series, with exercise periods of 15 June–15 September 2023, 15 March– 17 June 2024 and 17 March–18 June 2025. All participants have been granted one third of their warrants in each series. The average value per warrant was SEK 135.57 at grant date. The exercise price is SEK 602 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 135.57 per warrant, through which Sinch has realized SEK 3.0 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.

Among senior executives, Eva Lessing, Vikram Khandpur and Russ Green were invested to participate in the incentive program. These individuals have respectively subscribed for 800, 100,000 and 20,000 warrants each. The warrants were granted in July, June and November 2020."

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 exe-

note 7 Cont.

cutives 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 par– ticipants 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 exer– cise 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.

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 1,380,920 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 par– ticipants 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 exer– cise 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 par– ticipants 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 exer– cise point or if the participant wishes to transfer the warrants. The company repurchased 24,900 warrants in 2018–2020.

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 senior management personnel invited to participate in the incentive program were Oscar Werner, Lena Oldberg, Thom–as 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 invit– ed to participate in the incentive program and respectively sub– scribed 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 gen–eral meeting held 5 December 2016, 1,215,700 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 wish–es to transfer the warrants. The company repurchased 109,200 warrants in 2017–2020.

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 qual– ify to subscribe for shares.

The senior management personnel invited to participate in the incentive program were Odd Bolin, Lena Oldberg, Johan Rosendahl, Neil Warner and Jonas Lindeborg. These individ– uals 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 2020 in the amount of SEK –15.3 million (–0.8), with a corresponding increase in equity. Social security expenses are included in the amount of SEK –35.6 million (–4.8), recognized as a provision in the balance sheet. The potential dilutive effect upon exercise of all employee warrants in all programs is 6.5 percent (5.6).

note 7 Cont.

Average number of employees	2020	Of whom men	2019	Of whom men
SE Sweden	335	260	235	196
AT Austria	1	1	–	–
AU Australia	8	6	6	4
BE Belgium	12	10	–	–
BR Brazil	35	8	7	1
CA Canada	8	4	5	3
CN China	3	2	–	–
CO Colombia	2	2	–	–
CR Costa Rica	1	1	–	–
CZ Czech Republic	3	1	–	–
DE Germany	18	8	11	6
DK Denmark	19	15	19	16
ES Spain	7	6	4	4
FI Finland	16	13	–	–
FR France	49	33	8	6
GB United Kingdom	55	40	51	36
GR Greece	1	–	–	–
GT Guatemala	1	1	–	–
HU Hungary	1	1	–	–
IN India	91	77	1	–
IL Israel	1	1	–	–
IQ Irak	2	2	1	1
IT Italy	2	2	–	–
JO Jordan	1	1	–	–
KR Korea	1	1	–	–
MX Mexico	1	1	–	–
MY Malaysia	4	2	1	–
NL Netherlands	1	1	–	–
NZ New Zeeland	1	1	–	–
PH Philippines	1	–	–	–
PL Poland	24	23	2	2
SG Singapore	14	9	6	5
TR Turkey	1	1	1	1
UA Ukraine	1	1	–	–
UAE United Arab Emirates	15	14	13	12
US USA	122	86	87	59
Total	**858**	**635**	**457**	**354**
Of which, parent company (Sweden)	11	7	10	7

	31 Dec 2020		31 Dec2019	
Senior management personnel	**Number on reporting date**	**Of whom men**	**Number on reporting date**	**Of whom men**
Group				
Directors	5	3	5	3
Other senior management personnel	11	10	11	10
Parent company				
Directors	5	3	5	3
Other senior management personnel	5	4	5	4

note 8 Financial income and expenses

Group	2020	2019
Interest income	3,759	3,735
Exchange rate gains	708,223	34,210
Other financial income	1,990	3,952
Financial income	**713,972**	**41,897**
Interest expenses, leases	−2,294	−1,935
Other interest expenses	−35,431	−26,852
Exchange rate losses	−742,456	−23,270
Other financial expenses	−7,278	−6,451
Finance expenses	**−787,459**	**−58,507**
Net financial income and expenses	**−73,487**	**−16,611**

Parent company	2020	2019
Interest income	1,038	1,045
Interest income, group companies	31,107	142,177
Exchange rate gains	208,566	56,994
Interest income and similar profit items	**240,711**	**200,216**
Interest expenses, group companies	−4,167	−8,345
Other interest expenses	−34,189	−26,510
Exchange rate losses	−235,264	−23,262
Other financial expenses	−6,154	−4,321
Other interest income and similar profit items	**−279,774**	**−62,438**

note 9 Appropriations

Parent company	2020	2019
Provision to tax allocation reserve	157	−19,649
Accelerated depreciation/amortization	−2,541	−179
Group contribution provided	–	−5,853
Group contribution received	91,000	–
Total	**88,616**	**−25,680**

note 10 Taxes

Tax in profit and loss	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Current tax	−146,529	−80,875	–	−12,872
Current tax from preceding year	4,028	−2,949	–	–
Deferred tax related to timing differences	72,102	22,699	–	−1,352
Deferred tax on loss carry-forwards (LCFW)	138,238	−19,687	42,567	–
Deferred tax on changed tax rate	−1,217	249	–	–
Total	**66,621**	**−80,563**	**42,567**	**−14,225**

Current tax recognized directly against equity amounts to SEK 18,053 thousand (258) and refers to tax on issue costs. Deferred tax recognized in other comprehensive income amounts to SEK 32,939 thousand (1,229) and refers to the tax portion of hedge accounted amounts arising from net investments in subsidiaries.

Reconciliation of tax expense for the year	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Profit before tax	379,401	355,032	−107,737	76,263
Tax calculated according to the Swedish tax rate, 21.4% (22)	−81,192	−75,977	23,056	−16,320
Current and deferred tax from previous years	3,221	−1,227	–	–
Effect of changed tax rates	411	1,626	–	–
Tax effect of non-deductible expenses	−3,173	−5,749	−6,392	−69
Tax effect of non-taxable revenue	19,090	2,733	4,902	–
Tax effect of utilized negative interest net	–	–	20,967	2,172
Tax on standard interest rate, tax allocation reserves	−51	−54	34	−7
Tax effect of non-capitalized LCFW	−34,530	−823	–	–
Tax effect of utilized non-capitalized LCFW	157,496	2,872	–	–
Withholding taxes	27,146	−1,186	–	–
Effect of foreign tax rates	−21,763	−2,779	–	–
Tax on profit for the year in income statement	**66,621**	**−80,563**	**42,567**	**−14,225**

Tax rate

The parent company's current tax rate is 21.4 percent (21,4). The Group's effective tax rate is −17,6 percent (22,7).

	Group 31 Dec 2020	Group 31 Dec 2019
Deferred tax assets		
LCFW	318,495	168,666
Depreciation and amortization	38,156	46,504
Warrants and derivatives	7,839	7,973
Provisions	39,440	14,504
Total deferred tax assets	**403,930**	**237,648**
Deferred tax liabilities		
Untaxed reserves	−31,544	−17,382
Warrants and derivatives	−1,352	−1,352
Proprietary software	−18,609	−31,524
Customer relationships	−373,319	−186,337
Operator relationships	−67,528	−26,539
Trademarks	−720	−303
Provisions	−15,262	−6,896
Total deferred tax liabilities	**−508,334**	**−270,334**
Net deferred tax	**−104,405**	**−32 686**

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.

note 10 Cont.

Change in deferred tax	Group 2020 Opening balance at 1 Jan 2020	Recognized in profit or loss	Recognized in other compre-hensive income	Through acquisition or disposal	Closing balance at 31 Dec 2020
Non-current assets	−200,018	32,360	–	−248,600,	−416,258
Provisions	7,608	42,246	–	–	49,854
LCFW	174,274	138 238	–	698,	313,209
Untaxed reserves	−17,383	−2,245	–	–	−19,628
Warrants and derivatives	6,621	−259	−32,939	–	−26,576
Changed tax rate	−3,789	−1,217	–	–	−5,006
Total	**−32,686**	**209,122**	**−32,939**	**−247,902**	**−104 405**

Change in deferred tax	Group 2019 Opening balance at 1 Jan 2019	Recognized in profit or loss	Recognized in other compre-hensive income	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**	**−12,902**	**−32,686**

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

The following are included in the balance sheet	Group 31 Dec 2020	31 Dec 2019
Deferred tax asset utilized after more than 12 months	313,209	194,955
Deferred tax liability settled after more than 12 months	−460,176	−204,874

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.

Maturity loss carry-forwards	31 Dec 2020 Loss carry-forwards	Tax effect	31 Dec 2019 Loss carry-forwards	Tax effect
2020	–	–	14,307	3,004
2021	12,569	2,640	14,307	3,004
2022	12,569	2,640	14,307	3,004
2023	12,569	2,640	14,307	3,004
2024	12,569	2,640	14,307	3,004
2025	12,569	2,640	14,307	3,004
2026	12,592	2,646	14,307	3,004
2027	12,569	2,640	14,307	3,004
2028	12,569	2,640	14,307	3,004
2029	12,569	2,640	14,307	3,004
Maturity after 2029	37,707	7,920	86,136	18,089
Unlimited useful life	1,032,706	281,523	523,714	120,534
Total	**1,183,557**	**313,209**	**752,916**	**168,666**

Loss carry-forward divided by country	31 Dec 2020 Loss carry-forwards	Tax effect	31 Dec 2019 Loss carry-forwards	Tax effect
Brazil	430,888	145,000	119,258	40,548
France	5,696	1,595	5,183	1,451
Spain	9,032	2,710	10,744	2,686
Great Britain	227,472	43,220	275,194	52,287
Sweden	86,439	17,806	113,335	23,562
USA	150,828	31,680	229,202	48,132
Rest of the world	273,202	71,198	–	–
Total	**1,183,557**	**313,209**	**752,916**	**168,666**

Non-capitalized loss carry-forwards	31 Dec 2020 Loss carry-forwards	Tax effect	31 Dec 2019 Loss carry-forwards	Tax effect
Brazil	–	–	633,907	215,528
Korea	27	6	–	–
Norway	–	–	4,187	921
Total	**27**	**6**	**638,094**	**216,449**

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	2020	2019
Profit for the year attributable to owners of the parent	445,907	274,614
Weighted average number of ordinary shares outstanding, before dilution	58,494,586	53,602,089
Basic earnings per share, SEK	**7.62**	**5.12**

Diluted earnings per share	2020	2019
Profit for the year attributable to owners of the parent	445,907	274,614
Weighted average number of ordinary shares outstanding, before dilution	58,494,586	53,602,089
Weighted average warrants outstanding	1,918,914	632,186
Weighted average shares outstanding, after dilution	60,413,500	54,234,275
Diluted earnings per share, SEK	**7.38**	**5.06**

note 12 Goodwill

Group	2020	2019
Cost on the opening date	1,766,751	1,234,490
Through acquisitions of group companies, see Note 31	1,824,541	495,370
Translation differences	−280,676	36,891
Accumulated cost on the closing date	**3,310,616**	**1,766,751**
Impairments on the opening date	−12,845	−12,650
Translation differences	493	−195
Accumulated impairments on the closing date	**−12,352**	**−12,845**
Carrying amount	**3,298,264**	**1,753,906**

Goodwill per cash-generating unit	2020	2019
Messaging, excluding acquisitions during the year	1,431,925	1,165,266
Messaging, Chatlayer	37,386	–
Messaging, ACL	317,841	–
Messaging, SDI	**1,406,407**	
Messaging, myElefant	–	178,731
Messaging, TWW	–	305,204
Operators	13,785	13,785
Voice and Video	90,920	90,920
Total	**3,298,264**	**1,753,906**

Impairment testing of goodwill

Goodwill is tested for impairment annually or when there are indications that an impairment loss has occurred. The recover- able 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 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	**2020**	**2019**	**2020**	**2019**
Messaging, excluding acquisitions during the year	6.3%	8.0%	2.0%	2.0%
Messaging, Chatlayer	6.3%	–	2.0%	–
Messaging, ACL	6.3%	–	2.0%	–
Messaging, SDI	15.3%	–	2.0%	–
Messaging, myElefant	–	19.6%	–	2.0%
Messaging, TWW	–	17.2%	–	2.0%
Operators	6.2%	8.6%	2.0%	2.0%
Voice and Video	6.3%	7.9%	2.0%	2.0%

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 fore- cast period will not entail a need for impairment in any of the cash-generating units.

Chatlayer, ACL and SDI were acquired during 2020. 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 2020	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	**262,972**	**28,937**	**1,068,066**	**149,824**	**2,812**	**1,512,610**
Capitalized expenditure for the year	69,404	4,027	–	–	–	73,431
Through acquisitions of group companies	166,605	21,735	988,310	70,377	11,930	1,258,957
Disposals/retirements	–	–54	–	–	–	–54
Translation differences	–17,639	–6,954	–182,270	–20,612	–645	–228,119
Accumulated cost on the closing date	**481,342**	**47,691**	**1,874,106**	**199,589**	**14,097**	**2,616,824**
Amortization on the opening date	**–100,278**	**–26,096**	**–304,062**	**–43,000**	**–1,729**	**–475,165**
Amortization for the year	–62,100	–20,567	–132,117	–17,046	–11,974	–243,804
Through acquisitions of group companies	–	–	–	–	–	–
Disposals/retirements	–	32	–	–	–	32
Translation differences	3,325	6,114	43,295	5,298	736	58,768
Accumulated amortization on the closing date	**–159,053**	**–40,516**	**–392,884**	**–54,748**	**–12,968**	**–660,169**
Carrying amount	**322,289**	**7,174**	**1,481,221**	**144,841**	**1,129**	**1,956,655**

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**

	Parent company	
Licenses	**2020**	**2019**
Cost on the opening date	**372**	**372**
Purchases for the year	3,180	–
Accumulated cost on the closing date	**3,552**	**372**
Amortization on the opening date	**–372**	**–248**
Amortization for the year	–	–124
Accumulated amortization on the closing date	**–372**	**–372**
Carrying amount	**3,180**	**–**

note 14 Property, plant, and equipment

Computers and equipment	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Cost on the opening date	**93,145**	**74,033**	**10,559**	**8,384**
Purchases for the year	42,932	17,347	12,873	2,175
Through acquisitions of group companies	276,869	11,973	–	–
Reclassifications	15	–1,757	–	–
Disposals/retirements	–1,798	–9,132	–	–
Translation differences	–38,511	680	–	–
Accumulated cost on the closing date	**372,652**	**93,145**	**23,432**	**10,559**
Depreciation on the opening date	**–63,469**	**–55,136**	**–3,739**	**–1,907**
Depreciation for the year	–240,332	–9,041	–2,933	–1,832
Through acquisitions of group companies	–	–9,451	–	–
Reclassifications	–	1,757	–	–
Disposals/retirements	1,651	9,127	–	–
Translation differences	29,243	–725	–	–
Accumulated depreciation on the closing date	**–272,908**	**–63,469**	**–6,672**	**–3,739**
Carrying amount	**99,744**	**29,676**	**16,760**	**6,820**

note 15 Leases

Agreements where the Group is a lessee mainly relate to the lease of office space. To a very limited extent, the Group is a lessor as certain subletting of premises takes place for a limited period. The leasing agreements do not contain any special terms or restrictions. Extension options exist to a very limited extent and the Group does not assess that these will be exercised.

2020	Group Premises	Group Other	Group Total ROU assets
Cost on the opening date	**100,791**	**372**	**101,163**
Additional ROU	7,374	–	7,374
Through acquisitions of group companies	1,914	1,542	3,456
Translation differences	–5,502	–	–5,502
Accumulated cost on the closing date	**104,577**	**1,915**	**106,492**
Amortization on the opening date	**–24,444**	**–152**	**–24,596**
Amortization for the year	–28,055	–1,480	–29,534
Translation differences	1,940	–	1,940
Accumulated amortization on the closing date	**–50,558**	**–1,632**	**–52,190**
Carrying amount	**54,019**	**283**	**54,302**

2019	Group Premises	Group Other	Group 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	**–**	**–**	**–**
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 46,805 thousand (70,021).

Lease expenses

Group	2020	2019
Depreciation on ROU assets	–29,337	–24,665
Interest expenses, lease liabilities	–2,248	**–1,935**
Variable charges not included in lease liability	–1,760	–1,206
Income from subletting of premises	690	3,614
Cost of short-term and low-value leases	–3,466	–7,570
Total	**–36,121**	**–31,762**

Cash outflow

The total cash flow attributable to leasing agreements in 2020 was SEK 37,432 thousand (32,869).

note 16 Financial assets

Non-current receivables	Group 31 Dec 2020	Group 31 Dec 2019	Parent company 31 Dec 2020	Parent company 31 Dec 2019
Non-current VAT receivable	3,057	3,177	–	–
Deposits	8,825	7,787	–	–
Non-current receivables, group companies	–	–	4,118,996	2,442,618
Other non-current receivables	2,261	1,022	–	–
Total	**14,143**	**11,987**	**4,118,996**	**2,442,618**

Investments in group companies	Parent company 31 Dec 2020	Parent company 31 Dec 2019
Cost on the opening date	501,749	501,699
Acquired subsidiaries	2,025,174	50
Accumulated cost on the closing date	**2,526,923**	**501,749**

note 16 Cont.

Sinch Group	Corporate ID	Registered office	% of equity and votes 31 Dec 2020	31 Dec 2019	Carrying amount 31 Dec 2020	31 Dec 2019
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 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	–	–
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	–	–
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	2,025,175	50
Sinch Germany GmbH	HRB 202010	Germany	100	100	–	–
CLX Networks Australia PTY Ltd	608286979	Australia	100	100	–	–
Chatlayer B.V	0691.917.430	Belgium	100	–	–	–
Beijing Zhang Zhong Hu Dong Information Technology Co., Ltd	91110108802106771E	China	100	–	–	–
Sinch Telecomunicaciones Spain SL	B82966078	Spain	100	100	–	–
Mblox Asia Pacific PTE LTD*	200007936G	Singapore	–	100	–	–
Sinch Finland OY	1549817–1	Finland	100	–	–	–
Sinch Finland Systems OY	0736045–5	Finland	100	–	–	–
myElefant SAS	524353299	France	100	100	–	–
Mblox Malaysia Sdn Bhd	870260–U	Malaysia	100	–	–	–
Sinch UK Ltd	03049312	United Kingdom	100	100	–	–
Mblox SA (PTY) Ltd	2012/217923/07	South Africa	100	100	–	–
Sinch U.S. Holding Inc.	20163012208	United States	100	100	–	–
Sinch America, Inc.	77220277010	United States	100	100	–	–
Sinch Engage LLC	46–0553309	United States	100	100	–	–
Sinch Interconnect LLC	3166804	United States	100	–	–	–
Dialogue Group Ltd	06766972	United Kingdom	100	100	–	–
Dialogue Communications Ltd	3042634	United Kingdom	100	100	–	–
Sinch Australia PTY Ltd	812 155 238	Australia	100	100	–	–
Dialogue Malta Ltd	C66149	Malta	100	100	–	–
Sinch Singapore PTE LTD	2013–14618–E	Singapore	100	100	–	–
Sinch Technology (Beijing) Co. Ltd	91110108MA01UQ-P87U	China	100	–	–	–
Sinch Hong Kong Ltd	72211247	Hong Kong	100	–	–	–
Sinch Denmark ApS	26361710	Denmark	100	100	–	–
Sinch Denmark AB	556484–7918	Stockholm	100	100	–	–
CLX Communications Norway AS*	990454108	Norway	–	100	–	–
Sinch Korea Co., Ltd	110111–7692878	Korea	100	–	–	–
Sinch Communications LLC	1207700431410	Russia	100	–	–	–
Sinch Latin America Holding AB	559212–5487	Stockholm	100	100	50	50
TWW do Brasil S.A.	01.126.946/0001–61	Brazil	100	100	–	–
Sinch Mobile AB	556969–5397	Stockholm	100	100	151,699	151,699
Sinch Cloud Communication Services India Pvt. Ltd.	U74999M-H2017FTC29470	India	100	–	–	–
ACL Mobile Ltd	U74999M-H2017FTC29470	India	100	–	–	–
ACL Mobile DMCC	JLT 5040	United Arab Emirates	100	–	–	–
ACL Technologies Pte Ltd Sdn	U72900D-L2000PTC105180	India	100	–	–	–
ACL Max Global Sdn Bhd	832473–T	Malaysia	100	–	–	–
Sinch Mobile Inc.*	37–1539008	United States	–	100	–	–
Carrying amount in the parent company					**2,526,874**	**501,749**

*The company was liquidated in 2020.
**The company is in liquidation.

note 17 Accounts receivable

Accounts receivable	Group 31 Dec 2020	Group 31 Dec 2019
Accounts receivable	1,955,656	1,172,627
Expected credit losses		
Balance at opening date	−12,986	−9,931
Through acquisitions of group companies	−9,731	−1,308
Reversals of previous provisions	14,247	5,273
Confirmed customer losses	3,880	8,212
Provisions for the year	−26,230	−14,955
Translation differences	1,519	−277
Balance on the closing date	**−29,301**	**−12,986**
Net accounts receivable	**1,926,355**	**1,159,641**

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 2020	Group 31 Dec 2019
Not due	1,340,339	814,074
Past due 1–30 days	262,781	249,724
Past due 31–60 days	143,689	37,438
Past due 61–90 days	35,919	20,703
Past due >91 days	168,042	50,689
Total	**1,950,770**	**1,172,627**

note 18 Other current receivables

Other current receivables	Group 31 Dec 2020	Group 31 Dec 2019	Parent company 31 Dec 2020	Parent company 31 Dec 2019
VAT receivable	96,657	23,081	14,691	777
Derivatives	–	6,383	–	6,320
VAT receivable, Australia, from sellers of Mblox and Dialogue	376	9,401	–	–
Other current receivables	18,697	18,394	276	–
Total	**115,730**	**57,259**	**14,967**	**7,097**

note 19 Prepaid expenses and accrued income

Prepaid expenses and accrued income	Group 31 Dec 2020	Group 31 Dec 2019	Parent company 31 Dec 2020	Parent company 31 Dec 2019
Prepaid rent	1,697	589	3,351	3,416
Prepaid lease charges	–	441	–	94
Prepaid insurance premiums	1,617	2,374	–	1,420
Prepaid services	–	11,665	–	1,146
Prepaid license fees	–	6,101	–	3,115
Prepaid data communications	–	5,916	–	40
Prepaid traffic costs	52,394	10,900	–	–
Accrued revenue from contracts with customers*	450,160	93,216	–	–
Other	83,596	5,137	37,689	3,311
Total	**589,463**	**136,338**	**41,040**	**12,542**

* Accrued revenue from contracts with customers has increased by the acquisitions of SDI and ACL.

note 20 Equity

Shares and share capital, SEK	Ordinary shares	Share capital
Opening balance at 1 January 2019	**53,602,089**	**5,360,209**
Rights issue	–	–
Closing balance at 31 December 2019	**53,602,089**	**5,360,209**
Rights issue	9,240,367	924,037
Warrants	331,214	33,121
Closing balance at 31 December 2020	**63,173,670**	**6,317,367**

At 31 December 2020, authorized share capital comprised 63 173 670 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 2019	**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**
Translation differences	−362,282
Hedge accounting, net investment in foreign operations	−146,247
Deferred tax	32,939
Closing balance at 31 December 2020	**−400,165**

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 instru- ments for a net investment in a foreign operation.

note 21 Other current and non-current liabilities, interest-bearing

ÖOther non-current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Bank loan	230,536	536,952	216,544	523,917
Senior unsecured bonds	745,446	744,709	745,446	744,709
Lease liability	16,380	48,153	7,989	16,544
Total	**992,362**	**1,329,813**	**969,979**	**1,285,169**

Other current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Bank loan	111,778	36,183	70,319	36,183
Lease liability	30,425	21,868	6,100	10,243
Total	**142,203**	**58,051**	**76,420**	**46,426**

On 19 November 2019 Sinch issued a senior unsecured bond of the total amount of SEK 750 million. The bond have a tenor of five years and a floating interest rate of 3 months STIBOR plus 250 bps. On 26 March 2020, Sinch credit facilities were renegotiated and expanded, which provides access to a loan facility of SEK 1,850 million, given that Sinch fulfills a number of pre-agreed conditions. As of December 31, 2020, SEK 1,500 million of the credit facilities were unused. The loans have an interest rate of three months 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 2020, 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		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Earnout, Caleo Technologies AB	–	5,997	–	-
Earnout, Vehicle Agency LLC	–	60,561	–	-
Earnout, myElefant	30,113	31,301	–	-
Earnout, TWW	53,878	41,859	–	-
Other non-current liabilities	2,287	–	11	-
Total	**86,278**	**139,717**	**11**	**–**

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

Other current liabilities, non-interest-bearing	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
VAT, withholding taxes	66,088	28,997	3,334	2,008
Derivatives	10	2,084	–	–
Earnout, SAP Digital Interconnect	124,234	–	–	–
Funds belonging to a third party*	2,132	3,936	–	–
Other current liabilities	9,242	1,861	-93	-5
Total	**201,707**	**36,878**	**3,240**	**2,003**

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

note 23 Provisions

Other provisions	Group	
	31 Dec 2020	31 Dec 2019
Provision for VAT, Australian operations	376	9,401
Provision for social security expenses, share ownership plan	41,507	4,955
Other provisions	40,577	6,962
Total	**82,460**	**21,318**

The majority of the increase in the provisions for social, security expences, share ownership is due to the increase in the stock value.

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

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.

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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accrued salaries	49,926	32,587	895	594
Accrued annual leave pay	50,123	20,012	1,750	826
Accrued social security contributions, including pension	41,592	19,330	1,183	471
Accrued interest expenses	1,940	2,702	1,940	2,702
Accrued external services	18,009	27,642	1,922	2,899
Accrued traffic costs	1,146,809	476,183	–	–
Other items	23,871	2,467	–	61
Total	**1,332,270**	**580,922**	**7,690**	**7,553**

note 25 Untaxed reserves

	Parent company	
Untaxed reserves	31 Dec 2020	31 Dec 2019
Tax allocation reserves	26,070	26,227
Accelerated depreciation/amortization	4,696	2,155
Total	**30,766**	**28,381**

note 26 Pledged assets

As pledged assets for own debt and provisions	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Shares	–	–	–	–
Corporate mortgages	–	–	–	–
Guarantees	39 147	8,516	–	–
Total	**39 147**	**8,516**	**–**	**–**

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

The table below presents the Group's financial assets and liabilities, recognized at carrying amount and fair value, classified in the categories in accordance with IFRS 9.

Group 31 Dec 2020	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Carrying amount	Fair value
Financial assets at fair value						
Derivatives, Level 2, Note 18	–	–	–	–	–	–
Financial assets not recognized at fair value						
Deposits paid, Note 16	8,825	–	–	–	8,825	8,825
Accounts receivable, Note 17	1,926,355	–	–	–	1,926,355	1,926,355
Accrued revenue from contracts with customers, Note 19	450,160	–	–	–	450,160	450,160
Cash and cash equivalents	3,123,034	–	–	–	3,123,034	3,123,034
Total financial assets	**5,508,373**	**–**	**–**	**–**	**5,508,373**	**5,508,373**
Financial liabilities at fair value						
Derivatives, Level 2, Note 22	–	–	–	10	10	10
Earnout, Level 3, Note 22	–	–	83,990	–	83,990	83,990
Financial liabilities not recognized at fair value						
Non-current loans payable, Note 21	–	975,982	–	–	975,982	975,982
Current loans payable, Note 21	–	111,778	–	–	111,778	111,778
Funds belonging to a third party, Note 22	2,132	–	–	–	2,132	2,132
Accrued interest expense, Note 24	–	1,940	–	–	1,940	1,940
Accounts payable	679,783	–	–	–	679,783	679,783
Total financial liabilities	**681,916**	**1,089,700**	**83,990**	**10**	**1,855,616**	**1,855,616**

The Group's maximum credit risk in financial assets is forformed by the amounts in the table above.

note 28 Cont.

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

Levels

IFRS 13 Valuation at fair value contains a valuation hierarchy regarding input data to the valuations. Financial assets and lia- bilities measured at fair value in the bal- ance 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 reg- ularly 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 mar- ket 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 deter- mined using valuation techniques where significant input is based on unobservable data.

Determination of fair value

Sinch uses the following methods and assumptions to deter- mine 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 for- ward rate and spot rate on the reporting date.

Earnouts - Earnouts referring to the acquisition of shares in subsi- diaries are measured at level 3 to the present value of future cash flows based on forecasts of the entities' future per- formance. A percentage increase in cash flow leads to the cor- responding percentage increase in earnout at unchanged dis- count 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.

note 28 Cont.

Net gains / losses from financial assets and liabilities by valuation category

Group 2020	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
Exchange rate differences in operating profit	−17 368	−10	–	−4 484	**−21 862**
Interest income/interest expenses	2 126	−33 851	–	52	**−31 673**
Exchange rate differences in net financial income/expenses	−124 220	–	−305	−52 019	**−176 544**
Total	**−139 462**	**−33 861**	**−305**	**−56 451**	**−230 079**

Group 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
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**

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 different instruments 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 2020	31 Dec 2019
Granted credit limits		
Revolving line of credit	1,500,000	900,000
Total granted credit limits	**1,500,000**	**900,000**
Allocated credit limits	–	210,000
Unallocated credit limits	**1,500,000**	**690,000**
Available bank balances	3,123,034	466,297
Liquidity reserve	**4,623,034**	**1,156,297**
Other credit limits		
Bank overdraft facility	200,000	200,000

At year-end, Sinch's financial liabilities amounted to SEK 1,857.7 million (1,948.2), see Note 28, and the maturity structure is shown on the table below.

note 29 Cont.

Maturity structure, financial liabilities

		31 Dec 2020						
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	**11,288**	1,350	1,594	8,344	–	–	–
Bank loan	DKK	**72,859**	6,072	18,215	48,572	–	–	–
Bank loan	GBP	**85,151**	7,096	21,288	56,767	–	–	–
Bank loan	USD	**117,567**	2,265	6,796	108,505	–	–	–
Bank loan	EUR	**10,347**	502	2,150	2,802	2,401	1,548	945
Bank loan	INR	**45,104**	42,010	1,238	933	492	206	225
Senior unsecured bonds	SEK	**828,286**	4,890	14,668	19,558	19,558	769,612	–
Derivatives	SEK	**10**	–	10	–	–	–	–
Accounts payable	See table	**679,783**	679,783	–	–	–	–	–
Funds belonging to a third party	DKK	**2,132**	2,132	–	–	–	–	–
Accrued interest	DKK, GBP, SEK, USD	**1,940**	1,940	**–**	**–**	**–**	**–**	**–**
Additional purchase consideration	BRL, EUR, USD	**86,035**	2,965	41,053	13,110	14,633	14,273	–
Total		**1,940,502**	**751,005**	**107,012**	**258,591**	**37,084**	**785,639**	**1,171**

		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**

* 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. Interest rate base is STIBOR, CIBOR and LIBOR 3M. The interest rate varies depending on the currency in which the loan is taken out, the average interest rate for all loans is 2.1 percent.

Market risk

Market risk is the risk that the fair value of cash flows 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 cash flows 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 35.1 million (43.1). The sensitivity analysis assumes that all other factors, such as exchange rates, remain constant.

Currency risk

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

note 29 Cont.

bilities 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 -25.5 million (-3.1) in operating profit and at SEK -31.4 million (10.9) 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 2020							
Original currency	**Accounts receivable**	**Accrued income**	**Prepaid traffic costs**	**Cash and cash equivalents**	**Accounts payable**	**Accrued traffic costs**	**Bank loans and bonds**	**Total**
AED	1,645	8,013	–	750	–2,027	–15,125	–	–6,745
AUD	54,957	–	–	32,057	–18,000	–3,878	–	65,136
BRL	31,299	30,530	15,681	106,459	–34,990	–38,865	–	110,113
CAD	14,808	–	–	11,029	–2,093	–91	–	23,654
CHF	–	–	–	–	–767	–1,341	–	–2,108
DKK	9,372	34	–	23,987	–4,045	–10,902	–72,859	–54,413
EUR	960,223	94,985	–11,848	200,648	–244,742	–254,617	–10,347	734,302
GBP	121,817	34,113	2,692	74,850	–67,146	–340,522	–85,150	–259,346
NOK	2,811	191	–	228	–404	25,189	–	28,015
NZD	536	–	–	4,942	–1,972	–78	–	3,428
PLN	–	–	–	1,574	–3,029	–3,405	–	–4,860
SGD	36,474	14,919	–	20,612	–4,068	7,449	–	75,387
TRY	109	–	–	432	–128	–	–	413
USD	453,485	195,451	45,631	331,257	–158,017	–404,976	–117,567	345,265
ZAR	–	9	–	742	4	5	–	760
Other currencies	213,357	71,704	238	34,379	–66,042	–64,185	–45,104	144,347
Foreign currencies	**1,900,892**	**449,949**	**52,394**	**843,947**	**–607,465**	**–1,105,342**	**–331,027**	**1,203,347**
SEK	20,576	211	–	2,279,087	–72,318	–35,412	–756,733	1,435,410
Total	**1,921,469**	**450,160**	**52,394**	**3,123,034**	**–679,783**	**–1,140,754**	**–1,087,761**	**2,638,758**

	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**

note 29 Cont.

Sensitivity to transaction exposure

Based on transaction exposure as of 31 December 2020 above and excluding any currency hedges, Sinch's profit before tax would have been affected by +/– SEK 120.3 million (43.4) if exchange rates against the Swedish krona were to change by 10 percent. The largest exposures are against BRL, DKK, EUR, GBP and USD. If exchange rates for these currencies against the Swedish krona were to change by 10 percent, Sinch's profit before tax would be affected by SEK +/– 11 million (7), SEK 5.4 million (13.8), SEK 73.4 million (47.3), SEK 25.9 million (8.5) and SEK 34.5 million (6.5), respectively.

Translation exposure

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

	31 Dec 2020			31 Dec 2019		
Original currency	**Net investment**	**Hedged net investment**	**Net exposure**	**Net investment**	**Hedged net investment**	**Net exposure**
AED	–3 194	–	–3 194	8,444	–	8,444
AUD	7 804	–	7 804			
BRL	324 368	–	324 368	386,631	–	386,631
CAD	30 927	–	30 927	28,408	–	28,408
CNY	61 283	–	61 283			
DKK	212 588	–72 859	139 729	209,397	–106,854	102,543
EUR	740 941	–	740 941	366,138	–316,243	49,895
GBP	203 716	–85 150	118 566	468,149	–109,442	358,707
HKD	–5 382	–	–5 382			
INR	393 313	–	393 313	–20	–	–20
KRW	–183	–	–183			
MYR	–1 768	–	–1 768	6	–	6
NOK	–	–	–	7,183	–	7,183
PLN	1 554	–	1 554	1,185	–	1,185
RUB	–5	–	–5			
SGD	–42 655	–	–42 655	4,899	–	4,899
TRY	–330	–	–330	–124	–	–124
USD	2 488 020	–1 894 452	593 567	1,353,903	–481,033	872,870
ZAR	103	–	103	87	–	87
Total	**4 411 100**	**–2 052 461**	**2 358 638**	**2,834,288**	**–1,013,572**	**1,820,716**

Sensitivity to translation exposure

Consolidated equity would be affected by SEK +/– 235.9 million (182.1) 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 2020 as above, including hedges but excluding any effect on equity due to the currency translation of other items included in profit for the year. Please refer to Note 1 Accounting and measurement principles with regard to hedge accounting.

Credit risk

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. 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 and contractual assets.

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. The Group's maximum financial cedit exposure consists of the fair values of the financial assets. See Note 28. At the end of 2020, the total financial credit exposure excluding accounts receivables and contractual assets was SEK 3,131.9 million (474.1), of which cash and cash equivalents were SEK 3,123.0 million (466.3).

Sinch shall limit its exposure to financial counterparties by using banks and financial institutions that hold high credit ratings. Credit loss reserves on cash and cash equivalents are based on credit institutions' ratings. At year-end, surplus funds were mainly invested in major banks with global presence from primarily the Nordic coun- tries, Australia and Brazil.

The maximum credit risk exposure for Sinch's financial assets amounts to SEK 5,508.4 million (1,733.3), 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 - million (0.1) at year-end.

note 29 Cont.

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. The Group's exposure to credit risk is mainly attributable to accounts receivable. The credit exposure in accounts receivable at the turn of the year amounted to SEK 1,926.4 million (1,159.6). 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 sys- tem which cannot be exceeded. The simplified model is used to calculate credit losses on accounts receivable and contractual assets through a commission matrix that is based on past events, current conditions and forecasts for future financial conditions.

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. For information on the age structure of accounts receivable and provisions for doubtful accounts receivable, see Note 17. For information on contractual receivables, see Note 3.

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 opportuni- ties 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 tar- get during a period immediately after a business combination. As per 2020-12-31, the net debt/adjusted EBITDA was -2,2 (1,7) .

note 30 Cash flow

	Group		Parent company	
Cash and cash equivalents	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Cash and bank balances	3,123,034	466,297	1,325,109	228

	Group		Parent company	
Interest	**2020**	**2019**	**2020**	**2019**
Interest received	5,759	3,735	32,144	143,222
Interest paid	–29,681	–24,579	–39,117	–32,582
Net interest	**–23,922**	**–20,844**	**–6,973**	**110,641**

Adjustment for non-cash items in cash flow from operating activities	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Depreciation, amortization and impairments	261,974	183,866	2,933	1,956
Profit or loss from sale of equipment	28	–95	–	–
Change in loss allowance	15,347	10,766	–	–
Unrealized exchange rate differences	–77,424	–5,161	–20,581	21,359
Acquisition costs	66,578	15,079	–	
Fair value derivatives	4,337	–7,896	6,320	–6,320
Not paid/received interest	–1,335	2,273	–762	2,273
Write-down receivable Mblox sellers, GST Australia	–	11,086	–	–
Warrants vesting	41,606	5,352	–	–
Other provisions	12,924	605	–	–
Total	**324,036**	**215,874**	**–12,089**	**19,269**

note 30 Cont.

Avstämning skulder hänförliga till finansieringsverksamheten – Koncernen	Opening balance at 1 January 2020	Cash flow	Non-cash items: Acquisitions/disposals	Change in fair value	Exchange rate changes	Closing balance at 31 December 2020
Bank loan	573,135	−254,891	53,107	–	−29,036	342,315
Senior unsecured bonds	744,709	−411	–	1,149	–	745,446
Lease liability	70,021	−30,648	10,830	–	−3,398	46,805
Total	**1,387,864**	**−285,950**	**63,938**	**1,149**	**−32,434**	**1,134,566**

Reconciliation of liabilities attributable to financing activities - Group	Opening balance at 1 January 2019	Cash flow	Non-cash items: Acquisitions/disposals	Change in fair value	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 - Parent company	Opening balance at 1 January 2020	Cash flow	Ej kassaflödespåverkande poster: Acquisitions/disposals	Change in fair value	Exchange rate changes	Closing balance at 31 December 2020
Bank loan	560,100	−244,201	–	–	−29,035	286,863
Senior unsecured bonds	744,709	−411	–	1,149	–	745,446
Liability to group companies, utilized cash pool	83,901	−3,762,918	–	–	–	−3,679,017
Total	**1,388,709**	**−4,007,530**	**–**	**1,149**	**−29,035**	**−2,646,707**

Reconciliation of liabilities attributable to financing activities - Parent company	Opening balance at 1 January 2019	Cash flow	Ej kassaflödespåverkande poster: Acquisitions/disposals	Change in fair value	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	–	–	–	–
Liability to group companies, utilized cash pool	68,562	15,339	–	–	–	83,901
Total	**650,030**	**712,540**	**–**	**85**	**26,055**	**1,388,709**

note 31 Acquisition of Group companies

2020

Chatlayer

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

ACL

The first stage of the acquisition of ACL was completed on 1 September when 81.45 percent of share capital was acquired.

The remaining portion of share capital will be acquired through a call option before the end of the year. Through potential voting shares, Sinch has the right to return linked to its ownership interest and has control over the company. ACL is included 100 percent in the Group's accounts from September 1 in the Messaging segment as Sinch has through potential voting shares the right to a return linked to ownership interests and holds control over the company. The total consideration is INR 5,345 million (SEK 629m). The acquisition will be financed with a combination of existing cash reserves and debt facilities. ACL is a leading vendor of cloud communications services in India and Southeast Asia. During the 12-month period ending 31 March 2020, ACL generated sales of INR 4,959 million (SEK 607m), gross profit of INR 1,901 million (SEK

note 31 Cont.

134m) and adjusted EBITDA of INR 480 million (SEK 59m). With its headquarters in Delhi, India and foreign offices in the United Arab Emirates and Malaysia, ACL has 288 employees. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 258.2 million arose upon acquisition, mainly attributable to the expertise contributed by the employees of ACL. The estimated useful lives of assets are as follows: proprietary software, ten years; brand six months; customer relationships five to ten years; operator relationships ten years. The fair value of acquired accounts receivable amounts to SEK 188.5 million. The contractual gross amount for accounts receivable is SEK 196.1 million, of which SEK 7.6 million can probably not be recovered. The acquisition analysis may need to be changed as the value of the intangible assets may change after an in-depth analysis.

SDI

The acquisition of SAP Digital Interconnect (SDI), a unit within SAP SE, for total cash consideration of EUR 230.4 million (SEK 2,387.5m) at an exchange rate of SEK 10.3675/EUR 1.0 was closed on 1 November and an additional purchase price of EUR 12.4 million (SEK 124.2 million) with an exchange rate of SEK / EUR 10.0375. The acquisition was financed with existing cash reserves and available debt facilities.

SDI offers cloud communication services and consists of three business segments. Programmable Communications addresses enterprise customers and comprises SDI's API-based offerings for customer interaction through SMS, push notifications, email, WhatsApp, WeChat and Viber. Programmable Communications will be consolidated in the Messaging segment. Carrier Messaging comprises several business-critical services for mobile operators, including products for handling person-to-person (P2P) messages, and will be consolidated in the Operators segment. Enterprise Solutions includes products for customer service, including cloud-based contact center solutions and services to manage advisory information in emergencies. Enterprise Solutions will be consolidated in the Other segment. During the 12-month period ending 31 March 2020, SDI generated sales of EUR 340 million (SEK 3,570m), gross profit of EUR 94 million (SEK 987m) and Adjusted EBITDA of EUR 15.4 million (SEK 161.7m). Headquartered in San Ramon, California, the business has about 330 employees in 20 countries. The acquisition is included in the consolidated accounts from 1 November 2020.

According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 1,338.2 million arose upon acquisition, mainly attributable to the expertise contributed by the employees of SDI. The estimated useful lives are ten years for customer relationships, ten years for operator relationships and three to five years for technology. The fair value of acquired accounts receivable amounts to SEK 449.4 million. The contractual gross amount for accounts receivable is SEK 449.8 million, of which SEK 0.4 million can probably not be recovered. The acquisition analysis may need to be revised because the consideration is preliminary and the value of intangible assets and deferred tax liabi may change upon in-depth analysis.

Acquisitions after the reporting date

Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy through acquisition of 100% of the shares in two companies, Movile Internet Móvel S.A. and Wavy Global Holdings BV, for cash consideration of BRL 355 million (SEK 543m) and a non-cash issue of 1,534,582 new shares in Sinch. The acquisition, be financed with a combination of existing cash reserves and debt facilities, closed on 1 February 2021. Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles more than 13 billion messages a year. With its sharp focus on innovation, Wavy has also achieved a leading position within next-generation interactive messaging via WhatsApp.

During the twelve-month period ending on 31 March 2020, Wavy generated sales of BRL 466 million (SEK 932m), gross profit of BRL 130 million (SEK 260m) and Adjusted EBITDA of BRL 47 million (SEK 94m). Wavy has 260 employees and nine offices in six countries. The merger of Sinch and Wavy is expected to generate synergies of BRL 15 - 20 million (SEK 30 - 40m) in the next 24 months. Execution of the transaction was subject to customary terms and conditions and the approval of the Brazilian competition authority CADE, Conselho Administrativo de Deferes Econômica.

The acquisition is included in the consolidated accounts from 1 February 2021. The fair value of acquired accounts receivable amounts to SEK 198.2 million. The contractual gross amount for accounts receivable is SEK 198.2 million. The acquisition analysis may need to be changed when the purchase price is preliminary and the value of the intangible assets and unpaid tax may change after an in-depth analysis.

Previous acquisitions

During the year, cash, working capital and liabilities were settled amounting to SEK 37.2 million and additional consideration of SEK 1.3 million was paid regarding TWW. The additional consideration refers to compensation for the tax value of utilized loss carryforwards. The agreement to purchase the minority interest in Caleo provided for a potential earnout based on license sales. Set targets to qualify for the remaining earnout of SEK 4.0 million have only partially been met and the earnout was adjusted downwards by SEK 3.5 million in the second quarter. SEK 0.5 million was paid in the third quarter. The purchase agreement for Vehicle provided for a potential earnout based on the company's sales and EBITDA performance. USD 4 million was paid in 2018 and USD 8 million was paid in 2019. The set targets to qualify for the remaining earnout of USD 6.5 million (SEK 61m) have not been met and were written down during the year.

note 31 Cont.

Fair value of acquired net assets, SEK million	SDI*	Chat-layer	ACL*	Wavy* **
Customer relationships	851,850	–	141,200	251,420
Operator relationships	41,450	–	112,700	43,645
Trademarks	–	–	3,600	7,684
Proprietary software	62,175	52,300	51,900	58,245
Right-of-use assets	–	1,900	1,000	–
Other intangible assets	–	–	3,200	1,333
Buildings	–	–	27,400	–
Other intangible assets	10,728	100	12,900	10,721
Leased assets	**–**	**–**	**–**	9,315
Financial assets	7,189	–	7,300	258
Accounts receivable	449,826	2,800	196,100	198,168
Deferred tax asset	**–**	**–**	**–**	41,813
Credit loss allowance	−443	–	−7,600	–
Accrued income	53,519	200	59,900	–
Other current assets	5,071	–	45,600	96,026
Current tax receivable	3,930	–	–	–
Cash and cash equivalents	276,206	5,800	16,800	191,039
Deferred tax liability	−243,849	−13,100	−87,500	−119,939
Lease liability	–	−1,800	−1,000	−9,315
Other non-current liabilities	–	−16,400	−8,300	–
Accounts payable	−206,427	−1,600	−95,100	−54,648
Current interest-bearing liabilities	–	−300	−9,000	–
Other current liabilities	−261,970	−9,000	−100,700	−142,854
Total acquired net assets	**1,049,256**	**20,900**	**370,400**	**582,911**

* The acquisition analysis is preliminary.

** The purchase consideration has been paid in 2021.

Allocation of purchase consideration

Purchase consideration, SEK million	SDI	Chat-layer	ACL	Wavy
Consideration paid	2,387,500	61,700	628,600	543,222
Paid consideration own shares	–	–	–	1,961,195
Remaining consideration	124,234	–	–	–
Total consideration	2,511,700	61,700	628,600	2,504,417
Fair value of acquired net assets	−1,049,300	−21,000	−370,400	−582,911
Goodwill	**1,462,400**	**40,700**	**258,200**	**1,921,506**

Effects of acquisitions on consolidated cash and cash equivalents

Investing activities 2020, SEK million	SDI	Chatlayer	ACL	Wavy	Caleo	myElefant	TWW	Total
Consideration paid	2,387,500	61,700	628,600	–	–	–	–	3,077,800
Additional consideration	–	–	–	–	500	–	1,300	1,800
Settlement cash and cash equivalents	–	–	–	–	–	–	46,400	46,400
Settlement working capital and debt	–	–	–	–	–	–	−9,200	−9,200
Cash and equivalents in acquired Group companies	−276,206	−5,800	−16,800	–	–	–	–	−298,806
Direct costs related to aquisitions	48,500	2,000	6,100	8,200	–	300	1,500	66,600
Effects of acquisitions on cash and cash equivalents:	**2,159,794**	**57,900**	**617,900**	**8,200**	**500**	**300**	**40,000**	**2,884,594**

Direct costs in connection with acquisitions are included in Other external costs in the income statement.

Contribution of acquired companies to consolidated sales and profit

2020	SDI*	Chatlayer	ACL	Total
Net sales	564,000	12,500	305,100	881,600
Profit after tax for the year	–	−8,700	20,400	11,700

* This measurement should not be used to track this transaction.

The table shows sales and profit for the year as if the acquisitions had taken place on 1 january 2020

2020	SDI*	Chatlayer	ACL	Other Sinch companies	Amortization of aquired assets	Total
Net sales	3,650,400	15,400	700,700	7,141,700	–	11,508,200
Profit after tax for the year	–	−10,200	41,800	424,200	−127,000	328,800

* This measurement should not be used to track this transaction.

note 31 Cont.

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.

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**

note 32 Cont.

Effects of acquisitions on consolidated cash and cash equivalents

Investing activities	myElefant	TWW	Sinch Mobile	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

note 32 Events after the end of the financial year

Acquisition of Wavy

On 1 February, the acquistion of Wavy was completed. More information can be found in note 31.

Divestment Business Support Systems

Sinch announced on 1 February that Business Support Systems (BSS) products for mobile operators will be sold to Norway-based eRate. The sale aligns with a strategic decision to focus forward-looking investments around Sinch's core segments and has not material financial impact on Sinch's gross profit or EBITDA.

Acquisition Inteliquent

On 17 February 2021, Sinch entered into a binding agreement to acquire Inteliquent, the largest independent voice services provider in the United States, for a total cash purchase price of USD 1.140 million on a cash and debt-free basis. Inteliquent is acquired through the acquisition of 100% of the shares in the legal entity Onvoy Holdings Inc. The acquisition is financed through a combination of cash and loan facilities, and upon completion of the transaction, Sinch will pay the seller a cash purchase price of USD 1.140 million.

During the 12-month period ended 31 December 2020, Inteliquent had revenue of USD 533 million, gross profit of USD 256 million, EBITDA of USD 135 million and capex of USD 32 million. The company has over 500 employees in the United States and is headquartered in Chicago, Illinois. Inteliquent consists of two business units that use the same underlying network. The CPaaS business (Communications-Platform-as-Service) includes Inteliquent's enterprise-oriented API offering that enables companies to acquire telephone numbers and embed voice calls in their own products or business processes. The IaaS operations (Infrastructure-as-a-Service) comprise a number of business-critical services to fixed and mobile telecom operators, including services for call termination to other networks and call handling for toll-free 1-800 numbers.

Completion of the transaction is subject to customary conditions, including approval from CFIUS and US competition authorities as well as approval from the FCC, certain regulatory authorities and the receipt of other permits.

note 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 2020.

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

Share premium reserve	6,956,984,612
Retained earnings	54,940,570
Profit for the year	−65,169,852
Total	**6,946,755,330**

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

Carried forward to the share premium reserve	6,956,984,612
Retained	−10,229,282
Total	**6,946,755,330**

Certification and signatures

The board of directors and the CEO declare 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 18 May 2021.

Stockholm, 23 April 2021

Erik Fröberg
Chairman

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Oscar Werner
Chief Executive Officer

Our audit report was submitted
23 April 2021
Deloitte AB

Johan Telander
Authorized Public Accountant

Auditor’s report

To the general meeting of the shareholders of Sinch AB (publ corporate identity number 556882-8908

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Sinch AB (publ) for the financial year 2020-01-01 - 2020-12-31. The annual accounts and consolidated accounts of the company are included on pages 46-100 in 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 2020 and its financial performance and cash flow for the year then ended 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 2020 and their financial performance and cash flow 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 administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated 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 of the audit 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, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Allocation and cut-off of revenue
Description of risk
Sinch´s revenues are primarily generated from messaging services.

Sinch revenues is an significant financial statement item contiaining a large amount of small transactions individually priced based on customer specific agreements. Accurate revenue recognition require satisfactory policies, systems and internal controls. There is a risk that revenues are not complete, that transactions are not accurately recorded 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 & 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,
- data analysis testing the accuracy, completeness and correct period in revenue recognition.

Accounting for business combinations
Description of risk
In 2020 Sinch closed the acquisitions of ACL Mobile, Chatlayer and SAP Digital Interconnect (SDI). Accounting for business combinations requires significant judgments and estimates to determine the fair value of acquired assets and assumed liabilities.

The group’s accounting policy for business combinations is described in note 1 and further disclosures regarding effects of the business combinations can be found 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 principles 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, or when necessary, management tests the carrying value for impairment based on identified cash generating units. The impairment tests are complex and require significant management estimates and judgment in determining the group's cash generating units as well as future growth rates, profit margins, investment levels and discounts 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 tests for cash generating units to which goodwill have been allocated.

Our audit procedures

Our audit procedures included, but were not limited to:

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

Other information than the annual accounts and consolidated accounts

The other information include the Remuneration report and pages 1-43, 105 and 117-119 in this document also including other information than the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for this other information

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and 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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director 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 scepticism 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 Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 and 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 for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure 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 Managing Director of Sinch AB (publ) for the financial year 2020-01-01 - 2020-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director 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 Managing Director

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 Managing Director 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, 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 Managing Director in any material respect:

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

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

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

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

Deloitte AB, was appointed auditors of Sinch AB (publ) by the general meeting of the shareholders on the 2020-05-15 and has been the company's auditors since 2012-02-01.

Stockholm April 23, 2021
Deloitte AB

Johan Telander
Authorized Public Accountant

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. Refer to investors.sinch.com for a reconciliation.

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

Purpose: Return on equity is a measurement of profitability in relation to the carrying amount of equity. Return on equity is a measurement of how investments are used to generate higher earnings and return on shareholders' capital.

Gross margin
Definition: Gross profit divided by net sales.

Purpose: The gross margin reflects the percentage of sales that comprises internal value creation and is not paid to suppliers (mobile operators).

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

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

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

Purpose: Used to calculate return on total equity.

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 to calculate return on equity.

Net debt
Definition: Interest-bearing liabilities less cash and cash equivalents

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

Organic growth
Definition: Growth adjusted for acquisitions and currency effects.

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

Gross profit growth
Definition: Gross profit for the year divided by gross profit in the preceding year.

Purpose: Gross profit growth is more relevant than net sales growth because the cost of goods sold varies widely among geographical markets.

Interest-bearing liabilities
Definition: Bank loans, bonds, overdraft facilities, and lease liabilities.

Purpose: Used to calculate 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.

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

Purpose: Enables comparisons of profitability over time, regardless of the effects of the rate of depreciation/amortization of non-current assets, financing structure and the corporation tax rate.

Adjusted EBIT
Definition: EBIT adjusted for items affecting comparability that affected EBIT and acquisition-related depreciation, amortization and impairment.

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

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

Purpose: Enables comparisons of profitability over time, regardless of the effects of the rate of depreciation and amortization of non-current assets, financing structure and the corporation tax rate. This key performance measurement 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 year, after dilution.

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

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

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

Acquisition-related amortization
Definition: Amortization of acquired customer relationships, operator relationships, brands, and proprietary software.

Purpose: The level of acquisition-related amortization is reported separately because is relates 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 measurement illustrates the company's operating margin excluding the cost of goods sold (fees to mobile operators), which can partially be regarded as pass-through billing.

Debt/equity ratio
Definition: Net debt divided by adjusted EBITDA.

Purpose: Shows how many years it would take to pay off the company's debts assuming that net debt and EBITDA are constant and with no consideration of other cash flows, such as interest, taxes, and investments.

Equity ratio
Definition: Equity as a percentage of total assets

Purpose: Illustrates the company's financial position. A good equity/assets ratio equips the company to manage periods of economic downturn and the financial basis 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.

Corporate governance statement

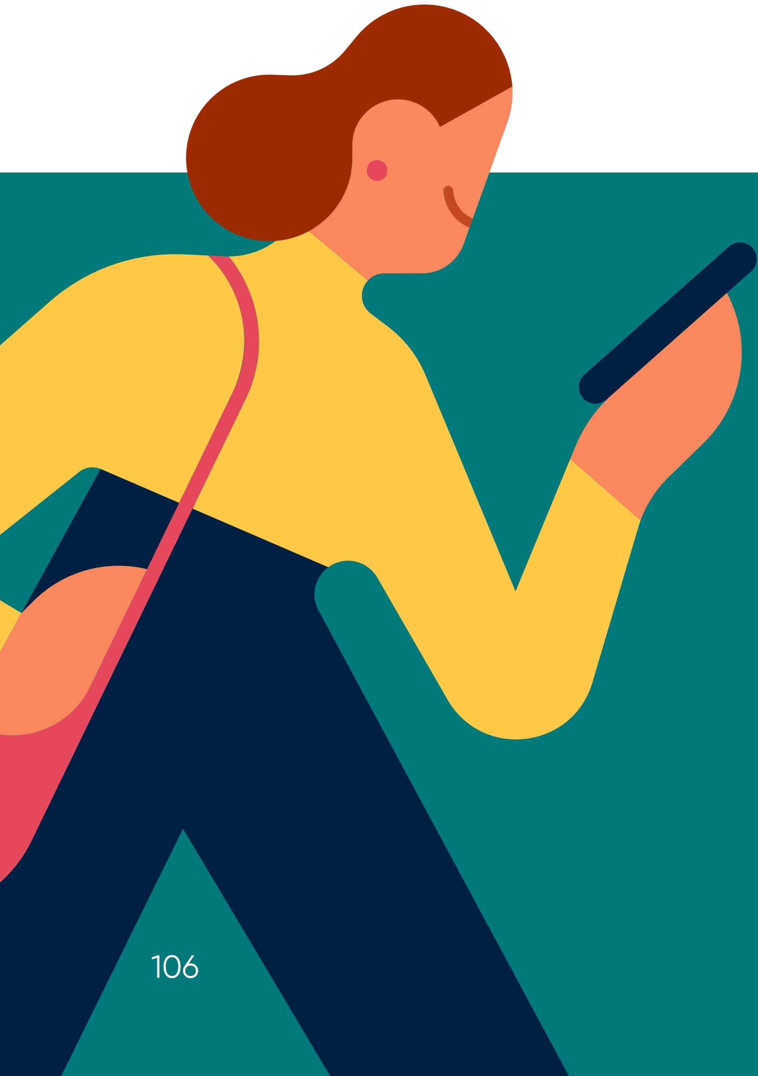
Introduction

Sinch AB (publ) ("Sinch") is the parent company of the Sinch Group ("the Group") and has been listed on Nasdaq Stockholm since 8 October 2015. The board of directors of Sinch presents herewith the corporate governance statement for the 2020 financial year.

This corporate governance statement was adopted by the board of directors on 23 April 2021 and is a report of how corporate governance was pursued at Sinch during the 2020 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 24,000 shareholders as of 31 December 2020.

Voting rights

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

Articles of Association

The current Articles of Association (see the company's website, investors.sinch.com) were adopted by the general meeting held 15 May 2020. The Articles of Association contain no specific provisions concerning the appointment and dismissal of directors or concerning amendments to the Articles of Association.

Annual General Meeting

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

Significant shareholdings

#	Shareholder	Number of shares	% of equity
1	Neqst D2 AB	10,686,833	16.9
2	Softbank	6,579,000	10.4
3	Swedbank Robur	5,891,100	9.3
4	Capital Group	4,362,378	6.7
5	AMF Pension & Fonder	3,185,558	5.0
6	Alecta Pensionsförsäkring	2,693,316	4.3
7	Kjell Arvidsson AB	2,600,000	4.1
8	Handelsbanken fonder	2,404,410	3.8
9	Fourth National Swedish Pension Fund	1,403,140	2.2
10	Salvis Investment Ltd.	1,273,324	2.0
	Total, 10 largest shareholders	**41,079,059**	**64.8**
	Other shareholders	22,094,611	35.2
	Total shares outstanding	**63,173,670**	**100.0**

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 a printout or other presentation of the entire share register representing 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 annual general meeting of shareholders in Sinch was held 15 May 2020 in the Kungsholmen 2 meeting venue at the Courtyard by Marriott Stockholm, Rålambshovsleden 50, Stockholm. Shareholders were also able to attend by postal vote. One hundred and five shareholders representing 64.4 percent of votes and share capital attended the meeting. The annual general meeting resolved to adopt the financial statements for 2019, endorse the proposed allocation 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 2021 annual general meeting will be held 18 May 2021 and shareholders will be able to attend only by postal vote.

Extraordinary general meeting

Sinch held an extraordinary general meeting on 27 November 2020, which shareholders could attend only by postal vote. The meeting was held to decide whether to establish an incentive program and to issue warrants and employee stock options for key employees and senior executives.

Authorizations

The annual general meeting held 15 May 2020 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 issue of new shares in the company. Under this authorization, the company's share capital may

Corporate governance model

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

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 and the Company's operations. Decisions in accordance with the board of directors' proposal require the support of shareholders with at least two thirds of the votes cast and the shares represented at the general meeting.

By reason of the acquisition by Sinch of all shares in Movile Internet Móvel S.A. and Wavy Global Holdings BV, the AGM further resolved to authorize the board of directors to resolve on one or more occasions prior to the next annual general meeting to execute a non-cash issue of up to 1,534,582 shares.

Nominating committee

The annual general meeting appoints the nominating committee and decides which tasks it must perform before the next annual general meeting. As resolved by the annual general meeting held 15 May 2020, 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 2020 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 2021 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 2020. 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 2021 annual general meeting, the composition of the Sinch nominating committee was therefore as follows:

- Jonas Fredriksson, representing Neqst D2 AB
- Ulrik Grönvall, representing Swedbank Robur Fonder
- Tomas Risbecker, representing AMF Pension & Fonder
- Marcus Lüttgen, representing Alecta
- Erik Fröberg, Chairman of Sinch AB (publ)

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 2020, 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 2020 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 2020 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 on page 110. 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 statutory meeting held after election by the annual general meeting, the board of directors met 11 times in 2020 (of which two meetings were held per capsulam). The primary focus of the board during the year was on strategy, the business plan and budget 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 assessed annually. The assessment was performed in 2020 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 statement, 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 head of internal control of financial reporting attends meetings as required. The company's auditor attended three out of four 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.

Auditors

The audit firm elected for term of one year by the annual general meeting held 15 May 2020 is Deloitte AB. Johan Telander, 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, the management team was comprised of CEO Oscar Werner, COO Anders Olin, CFO Roshan Saldanha, CSO and Head of Investor Relations Thomas Heath, Chief Human Resources Officer Eva Lessing, Chief Marketing Officer Jonathan Bean, CTO Jonas Lindeborg, Chief Evangelist and Co-Founder Robert Gerstmann, VP Integration Julie Rassat, Chief Service Officer Russ Green and President and Managing Director, India Sanjay Goyal.

Work of executive 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 Chatlayer, Wavy, ACL Mobile and SDI Interconnect.

Name	Year elected	Independent of the company	Independent of the owners	Position	Committee	Attendance board meetings	Attendance Audit Committee	Attendance Compensation Committee	Fee SEKk*	Number of shares/ warrants in Sinch, direct and indirect holdings**
Erik Fröberg	2012	Yes	No	Chairman of the Board, Chairman of the Compensation Committee	Compensation, Audit	17/17	3/4	5 /5	730	0 direct holding, indirect holding through Neqst D2 AB
Bridget Cosgrave	2018	Yes	Yes	Director	–	17/17	–	–	300	1,000
Renée Robinson Strömberg	2017	Yes	Yes	Director	Compensation	17/17	–	5/5	320	0
Johan Stuart	2015	Yes	Yes	Director, chairman of the Audit Committee	Audit	17/17	4/4	–	380	14,000 direct holding, 5,000 indirect holding
Björn Zethraeus	2017	No	No	Director	–	17/17	–	–	0	0 direct holding, indirect holding through Neqst D2 AB

* Disclosures on directors' fees refer to the board year beginning at the close of the 2020 AGM and ending at the close of the 2021 AGM.

** Holdings as of per 31 Demceber 2020.

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.

During the year, the company has set up a special function for internal control reporting to the company's CFO.

The board has adopted a charter, CEO instruction, and instructions for financial reporting. 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 is 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. 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, 23 April 2021

The Board of Directors of Sinch AB (publ)



Board of directors


1. Erik Fröberg

Born: 1957

Director of Sinch since: 2012, chairman since 2015

Shareholding in Sinch (total, private & via companies): indirect holding through Neqst D2 AB

Warrants in Sinch: 0

Education: MSc in Engineering Physics, KTH Royal Institute of Technology.

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): Director of Digital Route AB and Varnish AB and chairman of Xlent AB.

Dependency on the company and its major shareholders: Yes

2. Johan Stuart

Born: 1957

Director of Sinch since: 2015

Shareholding in Sinch (total, private & via companies): 3,000

Warrants in Sinch: 0

Education: MSc in Economics, 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): Director of Digital Route AB and Best Practice Scandinavia AB.

Dependency on the company and its major shareholders: Independent

3. Bridget Cosgrave

Born: 1961

Director of Sinch since: 2018

Shareholding in Sinch (total, private & via companies): 1,000

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 SCRL, 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 director 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

Relationship of dependency to the company and its major shareholders: Independent

4. Björn Zethraeus

Born: 1963

Director of Sinch since: 2017

Shareholding in Sinch (total, private & via companies): indirect holding through Neqst D2 AB

Warrants in Sinch: 0

Education: MSc Engineering, Institute of Technology at Linköping University

Principal occupation: Head of Corporate Development and Co-Founder of 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 on the company and its major shareholders: Yes

5. Renèe Robinson Strömberg

Born: 1970

Director of Sinch since: 2017

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch: 0

Education: Degree in Chinese Studies and Economics from Kalamazoo College and an MBA from the Stephen M. Ross School of Business, University of Michigan.

Principal occupation: Founder of and coach at Shiny Thing AB

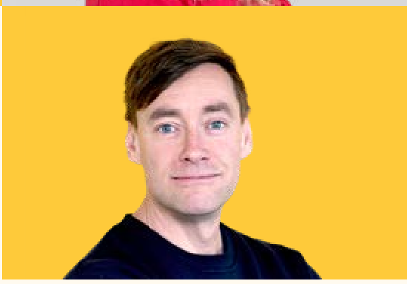
Experience: More than 20 years of experience in the international high-tech industry

Other significant directorships (company and position): None

Relationship of dependency to the company and its major shareholders: Independent



Group manage-ment




1. Oscar Werner

CEO

Born: 1974

Employee since: 2018

Education: MSc in Economics, Stockholm School of Economics, engineering studies at KTH, Stockholm

Experience: Business Unit President TobiiTech, Business Unit President Tobii Dynavox, CEO Get-updated, VP Sales and VP Product & Marketing mBlox, Co-founder and CEO CoTraveller.

Shareholding in Sinch (total, private & 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, Lund University

Experience: Head of Human Resources Snow Software, manager 3Academy, Head of Learning and Development JM, manager CityMail Academy

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch: 18,620

(Stepped down in April 2021)

3. Jonas Lindeborg

Chief Technology Officer

Born: 1967

Employee since: 2016

Education: MBA in Leading Innovation, Stockholm School of Economics

Experience: Developer, Head of Development UIQ/Symbian, startup Mashmobile, CTO Mblox, VP Sinch Engineering

Shareholding in Sinch (total, private & via companies): 493

Warrants in Sinch: 44,000

4. Robert Gerstmann

Chief Evangelist and Co-Founder

Born: 1975

Education: MSc in Industrial Economics and Management - International, Institute of Technology at Linköping University

Experience: Co-founder of Sinch, Director of Messaging at Mblox, Product Manager at Digital River (formerly Netgiro)

Shareholding in Sinch (total, private & via companies): 15,515 and indirect through Neqst D2 AB

Warrants in Sinch: 0

5. Thomas Heath

Chief Strategy Officer

Born: 1981

Employee since: 2018

Education: B.A in Politics, Philosophy and Economics, University of Oxford, MSc with a concentration in finance, Stockholm School of Economics

Experience: Equity analyst at Danske Bank, Handelsbanken Capital Markets, and Öhman Fondkommission

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch: 100,000





6. Jonathan Bean

Chief Marketing Officer

Born: 1976

Employee since: April 2019

Education: MBA, Henley Business School, Degree in Communications, 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, private & via companies): 0

Warrants in Sinch: 30,000

7. Roshan Saldanha

Chief Financial Officer

Born: 1977

Employee since: March 2019

Education: MSc, University of Mumbai, chartered accountant in India

Experience: Tele2 since 2007, CFO Tele2 Sweden from 2016. Several international financial assignments for Arthur Andersen, Citibank and the Kinnevik Group

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch: 100,000

8. Anders Olin

Chief Operating Officer

Born: 1966

Employee since: 2018

Education: MSc in Engineering, KTH, Stockholm

Experience: Several leading positions at Ericsson, including three years as a member of executive 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, private & via companies): 7,000

Warrants in Sinch: 100,000

9. Julie Rassat

VP Integration

Born: 1979

Employee since: 2020

Education: BA in International Relations, University of Leeds, MSc in Finance, ESCP-EAP, MBA, London Business School.

Experience: Extensive experience of more than 30 transactions, including at Thomson Reuters where she was Senior Director, Acquisition Integration EMEA & APAC. Prior to this, she worked in strategy and business planning and as a financial analyst at BDPME

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch. 6,500

10. Russ Green

Chief Service Officer

Born: 1962

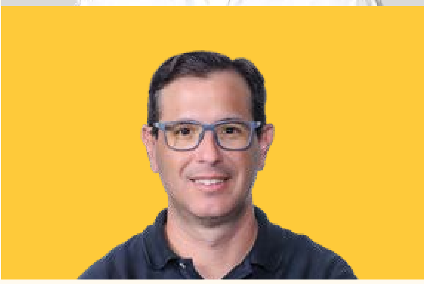
Employee since: 2020

Education: BSc in Chemical Engineering, University of Cape Town, MSc in Computer Systems Engineering, University of Edinburgh

Experience: General Manager of Technology and Communications Products at SAP Digital Interconnect, executive positions in product management and development at two startup companies in data management and mobile communications.

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch: 20,000



11. Sanjay Goyal

President and Managing Director, India

Born: 1969

Employee since: 2020

Education: BSc in Mechanical Engineering, University of Texas at Austin.

Experience: As the founder and CEO of ACL Mobile, Sanjay has more than 20 years of experience in Messaging and CPaaS in India and Southeast Asia.

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch: 250,00

12. Eduardo Henrique

(Start from February 2021)

Chief Business Development Officer

Born: 1976

Employee since: February 2021

Education: Stanford University Graduate School of Business, BSc in Computer Science from Universidade Estadual de Campinas, BSc in Digital Marketing from Fundação Escola de Comércio Álvaro Penteado.

Experience: CEO of Wavy, co-founder of Movile, Head of Global Expansion at Playkids.

Shareholding in Sinch (total, private & via companies): 0

Warrants in Sinch: 30,000

Björn Zethraeus, Johan Hedberg, and Vikram Khandpur were part of the management team in 2020, but stepped down on 22 December 2020.

The auditor's examination of the Corporate Governance Report

To the general meeting of the shareholders of Sinch AB (publ), corporate identity number 556882-8908

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance report of the fiscal year 2020-01-01 – 2020-12-31 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinion

A corporate governance report 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 23 April, 2021
Deloitte AB

Johan Telander
Authorized public accountant

Annual general meeting, definitions and acronyms, addresses

Annual general meeting

Notice is hereby given to the shareholders in Sinch AB (publ) that the annual general meeting will be held on Tuesday, 18 May 2021. In order to prevent the spread of the coronavirus infection (COVID-19), the board has decided that the annual general meeting shall be held without physical presence of shareholders, proxies and/or external parties and that the shareholders shall have the opportunity to vote by post prior to the general meeting.

Shareholders will have the opportunity to ask questions in writing prior to the annual general meeting, see further under the heading "Shareholders' right to request information" below.

Right to attend the annual general meeting

Shareholders who wish to attend the annual general meeting must:

- be registered in the share register kept by Euroclear Sweden AB on Friday 7 May 2021 or, if the shares are registered in the name of a nominee, request that the shares are registered in the shareholder's own name for voting purposes by the nominee not later than on Tuesday 11 May 2021, and
- notify their intention to participate by having submitted a postal vote in accordance with the instructions under the heading "Voting by post" below in such manner that Computershare AB has received the postal vote by Monday 17 May 2021, at the latest. Please note that a notification to attend the annual general meeting can only be done by a postal vote.

Shareholders with nominee-registered shares held via a bank or other nominee must request the nominee to register them in the shareholder's own name in the share register kept by Euroclear Sweden AB in order to participate in the annual general meeting. As set out above, the nominee must have performed such registration with Euroclear Sweden AB by Tuesday 11 May 2021. Therefore, the shareholder must contact its nominee well in advance of such day and re-register its shares in accordance with the nominee's instructions.

Voting by post

The board has decided that the shareholders shall have the opportunity to exercise their voting rights by a postal vote pursuant to Sections 20 and 22 of the Swedish Act (2020:198) on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations. When voting by post, the shareholder shall use the voting form and follow the Company's instructions that are available on the Company's website: www.sinch.com and at the Company's offices, Lindhagensgatan 74, SE-112 18, Stockholm. A completed and signed voting form should be sent by mail to Computershare AB, "AGM of Sinch AB", Box 5267, SE-102 46 Stockholm. Completed forms must be received by Computershare AB by Monday 17 May 2021, at the latest. The completed and signed form may alternatively be submitted electronically and is then to be sent to info@computershare.se. Shareholders can also submit their postal votes electronically with BankID through the Company's website: www.sinch.com. If the shareholder votes by proxy, a written and dated power of attorney shall be enclosed with the voting form. Proxy form is available upon request and on the Company's website: www.sinch.com. If the shareholder is a legal entity, a certificate of incorporation or other authorization document shall be enclosed with the voting form.

Shareholders are not allowed to include special instructions or conditions in the postal vote. If special instructions or conditions are included, such postal vote becomes invalid. Further information and conditions can be found in the voting form.

Forthcoming reporting dates

Interim report, January–March 2021	**28 April 2021**
Half-yearly report, January–June 2021	**16 July 2021**
Interim report, January–September 2021	**2 November 2022**

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	
Delhi	India	ACL Mobile Limited 7th Floor, Tower-4 Express Trade Towers 2, B-36 Sector-132, Noida 201 301	
San Paolo	Brazil	Rua do Rocio 220 6th floor Vila Olímpia São Paulo	

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