

Year-end report January - December 2020

October - December 2020

- Net sales increased by 95 percent to SEK 2,999.5 million (1,540.7). Organic growth was 43 percent.
- Gross profit increased by 81 percent to SEK 795.7 million (439.9). Organic growth was 37 percent.
- Adjusted EBITDA¹ increased by 63 percent to SEK 325.7 million (199.5).
- Adjusted EBIT² amounted to SEK 303.7 million (185.7).
- Profit after tax amounted to SEK 212.6 million (94.7).
- Basic earnings per share were SEK 3.48 (1.77) and diluted earnings per share were SEK 3.37 (1.73).

January - December 2020

- Net sales increased by 59 percent to SEK 8,023.3 million (5,035.6). Organic growth was 34 percent.
- Gross profit increased by 57 percent to SEK 2,183.3 million (1,394.1). Organic growth was 30 percent.
- Adjusted EBITDA¹ increased by 59 percent to SEK 912.5 million (573.5).
- Adjusted EBIT² amounted to SEK 844.8 million (523.6).
- Profit after tax amounted to SEK 442.5 million (274.5).
- Basic earnings per share were SEK 7.56 (5.12) and diluted earnings per share were SEK 7.32 (5.06).

"We see a digital acceleration that drives usage of our products and contributes growth from the global tech companies who leverage our platform to engage with their customers." – Oscar Werner, VD

Significant events during the quarter

- Sinch closed the acquisition of SAP Digital Interconnect (SDI), a unit of SAP, on 1 November. The purchase consideration of EUR 225 million will be financed with cash reserves and available debt facilities. SDI offers cloud communications services and serves more than 1,500 enterprise customers worldwide. During the 12-month period that ended 31 March 2020, SDI generated sales of EUR 340 million, gross profit of EUR 94 million and adjusted EBITDA of EUR 15.4 million. Headquartered in San Ramon, California, the business has about 330 employees in 20 countries.
- 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.
- Covid-19 is still having negative impact on the small Voice and Video segment. The overall impact on the Sinch Group remains modest, however, because volumes in Messaging have increased in parallel.

Significant events after the end of the quarter

- On 1 February Sinch closed the acquisition of Wavy for a total cash consideration of BRL 355 million and 1,534,582 new shares in Sinch. During the twelve-month period that ended 31 March 2020, Wavy generated sales of BRL 464 million (SEK 928m), gross profit of BRL 130 million (SEK 260m) and Adjusted EBITDA of EUR 48 million (SEK 96m). Headquartered in Brazil, the business has about 260 employees in 6 countries.
- 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.
- Sinch announced on 17 February that it has entered into a definitive agreement to acquire Inteliquent, the largest independent voice communications provider in the United States, for a total cash consideration of USD 1,140 million. The acquisition broadens Sinch's product portfolio and establishes Sinch as the leader in voice connectivity for both enterprises and telecom carriers in the US.

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

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

Invitation to conference call

Sinch will present the year-end report in a webcast conference call on 18 February at 14:00 CET. Watch the presentation at investors.sinch.com/webcast or call in and register a few minutes in advance.

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Message from the CEO

Digital acceleration

A rapid transition to more digital ways of working is a clear consequence of the global Covid-19 pandemic. This digital acceleration drives usage of our products and contributes volume growth from the global tech companies who leverage our platform to engage with their customers.

We also grow our business through inorganic expansion. The acquisition of SAP Digital Interconnect (SDI) closed on 1 November and we are already hard at work with integration. Adding to our scale and realizing synergies lets us invest forcefully in new product development while continuing to deliver growth in earnings and cash flow.

Gross profit in the fourth quarter was 81 percent higher than the same period last year. Organic growth was 37 percent, acquired businesses contributed 49 percent, and currency movements had a negative impact of 5 percent. Since pass-through fees vary significantly between products and geographies, we believe growth in gross profit is a more meaningful metric than revenue growth to track our performance. Adjusted EBITDA in the quarter was 63 percent higher than the same quarter the year before.

Gross profit in Messaging rose 84 percent in the quarter with organic growth at 47 percent. Our commitment to quality is fundamental to this performance as our largest customers recognize our differentiation and continue to grow their business with us. Looking ahead, we expect inorganic growth and improved sales momentum in the broader base to contribute a larger share of our overall growth.

Conversational messaging on next-generation mobile channels is rapidly gaining momentum. We are seeing promising early traction with the Sinch Conversation API that we launched in October, a powerful API for multichannel, interactive business messaging through a single endpoint. We are also strengthening our capabilities in next-generation messaging through the acquisition of Wavy, closed on 1 February 2021, and it is exciting to see how the Wavy teams drive growth through their focus on innovation and dedication to customer experience.

Voice and Video remains impacted by Covid-19 due to lower demand from ride hailing companies that use Sinch products for Number Masking. Other voice products are performing better with increased sales of voice-based verification products causing an improvement in Q4 compared to the third quarter.

Our product offering to mobile operators has expanded significantly with the acquisition of SDI. We now handle several hundred billion private, person-to-person messages



that are sent between operators and rely on Sinch technology to reach their destination. Working closely with mobile operators is a strategic priority and ensures we can offer high-quality quality messaging and voice products without unnecessary middlemen.

I want to take this opportunity to thank our many hardworking colleagues who continue to deliver strong results in an unusual time.

We are establishing a leading, global position through organic investments and strategic acquisitions. We have significant local presence across five continents. We are in a period of rapid digital transformation that has only just started.

Stockholm, 18 February 2021

Oscar Werner
President and Chief Executive Officer

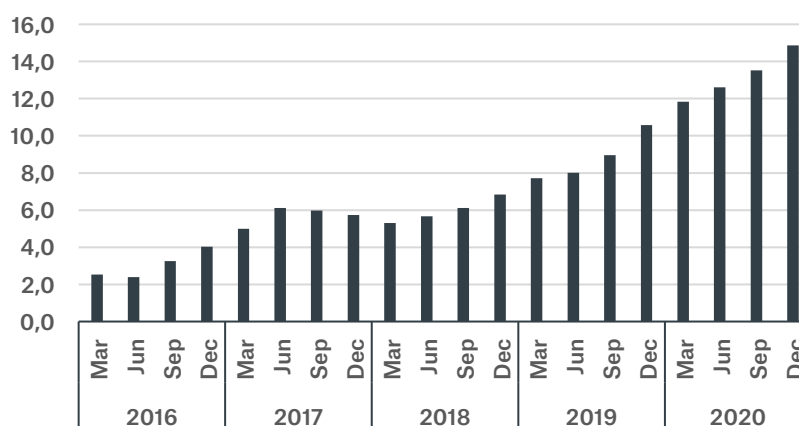
Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 21. The transition to IFRS 16 took place on 1 January 2019 and figures for earlier periods have not been restated. See Note 1.

Sinch Group, SEK million	Q4 2020	Q4 2019	2020	2019
Net sales	2,999.5	1,540.7	8,023.3	5,035.6
Gross profit	795.7	439.9	2,183.3	1,394.1
Gross margin	26.5%	28.6%	27.2%	27.7%
Adjusted EBITDA	325.7	199.5	912.5	573.5
Adjusted EBITDA margin	10.9%	13.0%	11.4%	11.4%
Adjusted EBITDA/gross profit	40.9%	45.4%	41.8%	41.1%
Operating profit, EBITDA	179.1	194.3	714.1	555.5
EBITDA margin	5.9%	12.6%	8.9%	11.0%
Adjusted EBIT	303.7	185.7	844.8	523.6
Adjusted EBIT margin	10.1%	12.1%	10.5%	10.4%
Operating profit, EBIT	91.0	142.9	452.9	371.6
EBIT margin	3.0%	9.3%	5.6%	7.4%
Profit for the period	212.6	94.7	442.5	274.5
Cash flow from operating activities	-51.8	135.9	453.9	327.3
Net debt (+)/Net cash (-)	-1,985.2	958.7	-1,985.2	958.7
Net debt/Adjusted EBITDA RTM, multiple	-2.2	1.7	-2.2	1.7
Equity ratio	64.2%	40.0%	64.4%	40.0%
Adjusted EBITDA/share, diluted, SEK	5.16	3.64	15.10	10.57
Diluted earnings per share for the period, SEK	3.37	1.73	7.32	5.06
Average number of employees	1,233	517	858	457
Average number of employees and consultants	1,490	654	1,025	572

Items affecting comparability and adjustments, SEK million	Q4 2020	Q4 2019	2020	2019
Acquisition costs	-33.5	-2.2	-134.2	-15.1
Cost, adjusted earnout	-26.6	-	-26.6	-
Integration costs	-75.4	-3.0	-90.1	-3.0
Income, adjusted earnout	-0.2	-	64.4	-
Profit or loss from sale/discontinuation of subsidiaries	-11.0	-	-11.0	-
Total items affecting comparability in EBITDA	-146.6	-5.2	-197.6	-18.0
Amortization of acquisition-related assets	-66.1	-37.7	-194.3	-134.0
Total adjustments in EBIT	-212.7	-42.8	-391.9	-151.9

Adjusted EBITDA per share, rolling 12 months (SEK)



Quarterly summary

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Net sales, SEK million									
Messaging	1,070.3	1,025.3	1,096.7	1,126.2	1,444.2	1,534.3	1,562.0	1,718.1	2,767.6
Voice and Video	38.2	45.0	56.9	70.0	76.9	72.5	53.9	60.9	78.3
Operators	50.6	43.4	44.2	42.0	43.7	49.1	39.0	39.7	189.3
Other and eliminations	-7.8	-11.9	-21.2	-21.8	-24.2	-31.7	-33.0	-40.9	-35.6
Total	1,151.3	1,101.8	1,176.7	1,216.4	1,540.7	1,624.2	1,621.9	1,777.7	2,999.5
Gross profit, SEK million									
Messaging	244.6	228.4	259.2	272.8	364.0	374.3	412.2	429.0	668.5
Voice and Video	20.0	21.6	21.7	31.7	34.5	26.8	13.0	14.6	23.0
Operators	45.2	39.6	40.2	39.1	41.4	45.7	35.0	37.1	82.3
Other and eliminations	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.9
Total	309.9	289.5	321.1	343.6	439.9	446.7	460.3	480.6	795.7
Gross margin									
Messaging	22.9%	22.3%	23.6%	24.2%	25.2%	24.4%	26.4%	25.0%	24.2%
Voice and Video	52.4%	47.9%	38.2%	45.3%	44.9%	37.0%	24.2%	23.9%	29.3%
Operators	89.3%	91.2%	90.9%	93.0%	94.7%	92.9%	89.7%	93.4%	43.5%
Total	26.9%	26.3%	27.3%	28.2%	28.6%	27.5%	28.4%	27.0%	26.5%
EBITDA, SEK million									
Messaging	102.6	107.8	112.2	134.9	205.0	176.8	213.5	247.7	349.9
Voice and Video	2.7	2.1	1.4	12.2	10.8	8.7	-9.5	-5.8	-2.0
Operators	10.8	9.6	4.9	4.6	-3.4	8.9	-9.6	1.5	21.6
Other and eliminations	-6.7	-7.3	-4.3	-4.2	-12.9	-10.2	-18.0	-17.5	-43.9
Adjusted EBITDA, total	109.4	112.2	114.2	147.8	199.5	184.3	176.5	226.0	325.7
Items affecting comparability in EBITDA	31.0	-	-	-12.9	-5.2	-9.1	-30.8	-11.1	-146.6
EBITDA	140.4	112.2	114.2	134.8	194.3	175.2	145.7	214.9	179.1
Adjusted EBITDA margin	9.5%	10.2%	9.7%	12.1%	12.9%	11.3%	10.9%	12.7%	10.9%
Adjusted EBITDA/gross profit	35.3%	38.8%	35.6%	43.0%	45.4%	41.3%	38.3%	47.0%	40.9%
Adjusted EBITDA/share, diluted, SEK	2.04	2.08	2.11	2.73	3.64	3.34	2.90	3.65	5.16
Items affecting comparability and adjustments, SEK million									
Acquisition costs	-0.2	-	-	-12.9	-2.2	-6.4	-25.5	-68.8	-33.5
Additional acquisition costs	-	-	-	-	-	-	-	-	-26.6
Integration costs	-2.7	-	-	-	-3.0	-2.7	-8.8	-3.3	-75.4
Capital loss from sale of PSMS	-8.1	-	-	-	-	-	-	-	-
Income, adjusted earnout	42.0	-	-	-	-	-	3.5	61.0	-0.2
Loss from sale/discontinuation of subsidiaries	-	-	-	-	-	-	-	-	-11.0
Items affecting comparability in EBITDA	31.0	-	-	-12.9	-5.2	-9.1	-30.8	-11.1	-146.6
Amortization of acquisition-related assets	-27.4	-33.3	-30.9	-32.1	-37.7	-41.1	-42.8	-44.4	-66.1
Total adjustments in EBIT	3.6	-33.3	-30.9	-45.0	-42.8	-50.2	-73.5	-55.5	-212.7

October-December 2020

Net sales

Consolidated net sales grew in the period by 95 percent to SEK 2,999.5 million (1,540.7). Amounts in parentheses refer to the corresponding quarter in the preceding year. Organic growth was 43 percent. The acquisitions of Chatlayer, ACL and SDI contributed 57 percent. Chatlayer contributed SEK 6 million, ACL SEK 215 million and SDI SEK 654 million.

Growth was negatively affected during the quarter by the appreciation of the Swedish krona (SEK), primarily against EUR, USD and GBP. The Group has significant revenues in foreign currency and if exchange rates had been the same during the quarter as in the same quarter in 2019, revenues would have been about SEK 82 million higher. The negative currency effect on consolidated net sales was thus 5 percent.

Gross profit

Consolidated gross profit rose during the quarter by 81 percent to SEK 795.7 million (439.9).

Organic growth in local currency was 37 percent. The

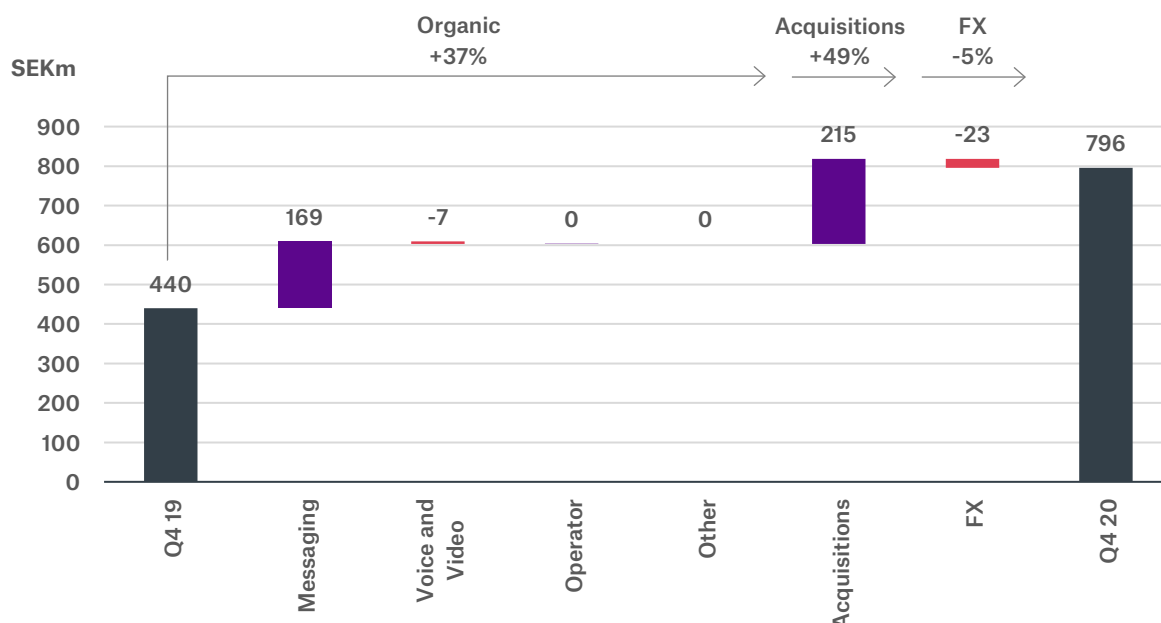
acquisitions of Chatlayer, ACL and SDI contributed 49 percent. Chatlayer contributed SEK 5 million, ACL SEK 49 million and SDI SEK 161 million. The negative effect of currency movements during the quarter was SEK 23 million, corresponding to 5 percent.

The gross margin amounted to 26.5 percent (28.6) and is affected by several factors. The gross margin for Voice and Video fell from 44.9 percent to 29.3 percent, an effect of the changed product mix due to Covid-19. The gross margin also decreased in Operators, as the acquired operators' business from SDI has a lower margin, which dropped the segment's gross margin from 94.7 percent in Q4 2019 to 43.5 percent in the Q4 2020.

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

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

Change in consolidated gross profit, Q4 2019 - Q4 2020



EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 179.1 million (194.3).

EBITDA excluding items affecting comparability¹ (adjusted EBITDA) increased by SEK 126.2 million to SEK 325.7 million (199.5), corresponding to an increase of 63 percent. Excluding costs related to incentive programs, Adjusted EBITDA would have amounted to SEK 359.0 million (204.0), corresponding to a 76 percent increase.

The aggregate effect of currency movements on EBITDA was marginally negative.

The Group's financial target is growth of adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 5.16 (3.64) for the quarter and SEK 15.10 SEK (10.57) for the rolling twelve months, an increase of 43 percent. Adjusted EBITDA divided by gross profit was 40.9 percent (45.4) for the quarter.

Operating profit, EBIT

EBIT amounted to SEK 91.0 million (142.9).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK 66.1 million (37.7). The amortization arose mainly from planned amortization of acquired customer relationships and acquired software from business combinations. See Note 4.

Adjusted EBIT (EBIT excluding items affecting comparability and amortization of acquisition-related assets¹) amounted to SEK 303.7 million (185.7).

Employees

At the end of the quarter, the Group employed 1,778 (722) people, including consultants. The average for the quarter was 1,490 (654). The average number of employees (full-time equivalents, excluding consultants) was 1,233 (517), of whom 24 percent (25) women. Sinch continues to recruit in Sweden and internationally.

January-December 2020

Net sales

Consolidated net sales grew in the period by 59 percent to SEK 8,023.3 million (5,035.6). Amounts in parentheses refer to the corresponding period in the preceding year. Organic growth was 34 percent.

Gross profit

Gross profit rose 57 percent to SEK 2,183.3 million (1,394.1). Organic growth was 30 percent. The negative effect of currency movements during the period was SEK 23 million, corresponding to 1 percent. The gross margin amounted to 27.2 percent (27.7).

Operating profit, EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 714.1 million

(555.5). EBITDA excluding items affecting comparability¹ (adjusted EBITDA) amounted to SEK 912.5 million (573.5).

EBIT amounted to SEK 452.9 million (371.6). Adjusted EBIT excluding items affecting comparability and amortization of acquisition-related assets¹, amounted to SEK 844.8 million (523.6).

Other income and expense items

Net financial expense was SEK -73.5 million (-16.6), with interest costs amounting to SEK -37.7 million (-28.8) and foreign exchange differences to SEK -31.4 million (10.9). The Group's effective tax rate amounted to -16.6 percent (22.7), as a result of acquisition-related deficits. See Note 5 for a reconciliation of tax on profit for the year. Net profit for the year amounted to SEK 442.5 million (274.5).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 85.6 million (56.0). Investments relate primarily to capitalized development expenditure of SEK 69.4 million (38.6).

Cash flow, liquidity and financial position

Cash flow from operating activities amounted to SEK 453.9 million (327.3). Consolidated cash and cash equivalents at 31 December 2020 amounted to SEK 3,123.0 million (466.3).

On 26 March, Sinch secured an expansion of existing credit facilities to SEK 1,850 million, provided that the company meets certain covenants. As of 31 December 2020, SEK 1,500 million (0) of the credit facilities had been utilized. In addition to the credit facilities, Sinch has access to an overdraft facility of SEK 200 million.

Net debt¹ amounted to SEK -1,985.2 million (958.7). Net debt in relation to Adjusted EBITDA RTM amounted to -2.2 (1.7). According to previously applied accounting policies, the outcome was -2.3 (1.6). ¹A negative value indicates a net receivable.

A directed issue of 5,000,000 shares was executed on 26 March at a subscription price of SEK 300 per share, which was followed on 15 June by a directed issue of 1,052,631 shares executed at a subscription price of SEK 665 per share. A directed issue of 3,187,736 shares was executed on 30 November at a subscription price of SEK 1,050 per share. The issues generated keen interest and were directed at selected Swedish and international institutional investors. The issues raised SEK 1,500 million, SEK 700 million and SEK 3.3 billion for Sinch before issue costs.

Equity at 31 December 2019 amounted to SEK 7,509.1 million (1,998.6), corresponding to an equity ratio of 64.5 percent (40.0). Equity per share amounted to SEK 118.86 (37.27).

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

Messaging

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

Messaging, SEK million	Q4 2020	Q4 2019	2020	2019
Net sales	2,767.6	1,444.2	7,581.9	4,692.5
Gross profit	668.5	364.0	1,883.9	1,124.4
Gross margin	24.2%	25.2%	24.8%	24.0%
Adjusted EBITDA	349.9	205.0	988.0	559.9
EBITDA	316.5	202.4	933.7	557.3
Adjusted EBITDA/gross profit	52.3%	55.6%	52.4%	49.6%
Adjusted EBITDA margin	12.6%	14.0%	13.0%	11.9%

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

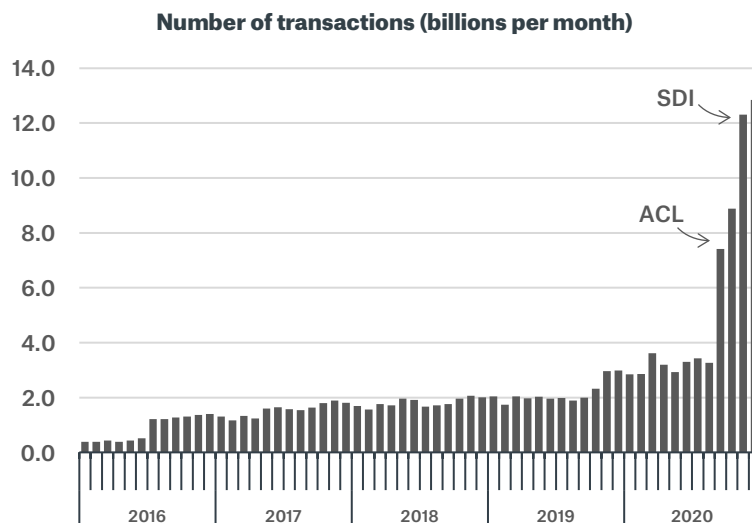
Sinch launched a new product in late October that simplifies management of interactive communication across popular messaging channels like WhatsApp, RCS, Viber and SMS. Sinch Conversation API offers all of these services in a common API, eliminating the complexity that managing multiple parallel communications challenges otherwise presents to enterprises. In addition, it provides a clearly better user experience to the end user when communication with a business can continue across different channels with maintained context and without unnecessary repetitions. The product launch is a result of Sinch's targeted effort in next-generation messaging where we see great potential even though the market is still in an early phase.

Sinch closed the acquisition of SAP Digital Interconnect (SDI) on 1 November. The acquisition brought 1,500 enterprise customers to Sinch, including several of the most highly valued tech companies, banks, payment service providers, retailers and mobile operators. A comprehensive project is ongoing to integrate the acquired business, accelerate its growth and mine economies of scale.

On 1 February, the acquisition of Wavy was also closed. Wavy is a leading enterprise messaging provider in Latin America that operates in seven countries and has carried out a successful initiative within next-generation messaging. Wavy will be amalgamated with the business from TWW, one of the biggest messaging services providers in Brazil, which Sinch acquired in late 2019.

Transaction volume

The acquisition of ACL Mobile resulted in a sharp increase in the number of sent messages in September, followed by another increase in November with the acquisition of SDI. Total transaction volume in the fourth quarter rose by 354 percent compared to the same quarter last year and Sinch handled more than 12 billion messages in December. The increase in comparable units was 44 percent compared to the corresponding quarter last year.



Net sales

During the quarter, net sales increased by SEK 1,323.4 million compared to the corresponding period in 2018 to SEK 2,767.6 million (1,444.2), an increase of 92 percent. Of this increase, 49 percentage points are attributable to acquisitions and -5 percentage point to adverse currency movements. Organic growth in local currency was 48 percent. The acquisition of Chatlayer contributed SEK 5.7 million, ACL SEK 215 million and SDI SEK 486 million.

Sinch's goal-oriented focus on large, strategic customers and the company's initiatives towards broader growth across the entire customer base 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.

Gross profit

Gross profit increased during the quarter to SEK 668.5 million (364.0), an increase of 84 percent compared to the same quarter in the preceding year. Of this increase, 41 percentage points are attributable to acquisitions and -4 percentage points to adverse currency movements. Organic growth in local currency was 47 percent. The acquisition of Chatlayer contributed SEK 4.8 million, ACL contributed SEK 49 million and SDI contributed SEK 97 million.

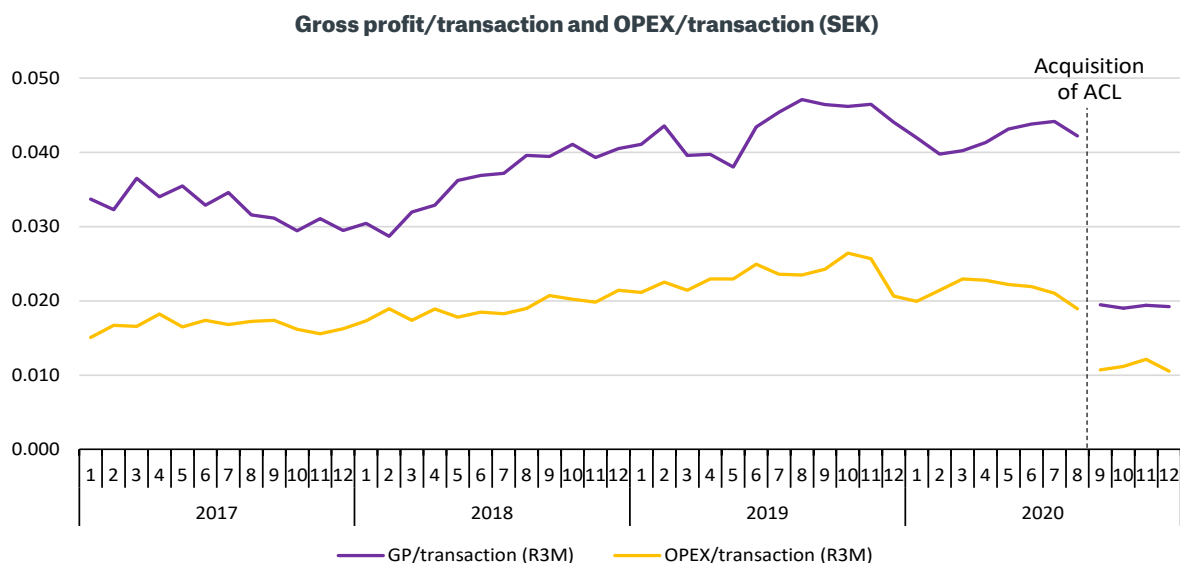
Overall, we are seeing a persistently strong trend in North America and more cautious growth in Europe and Asia. It should be noted, however, that the strong development in North America is partly due to that many large, global tech firms are based in the US. Although these companies have local operations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

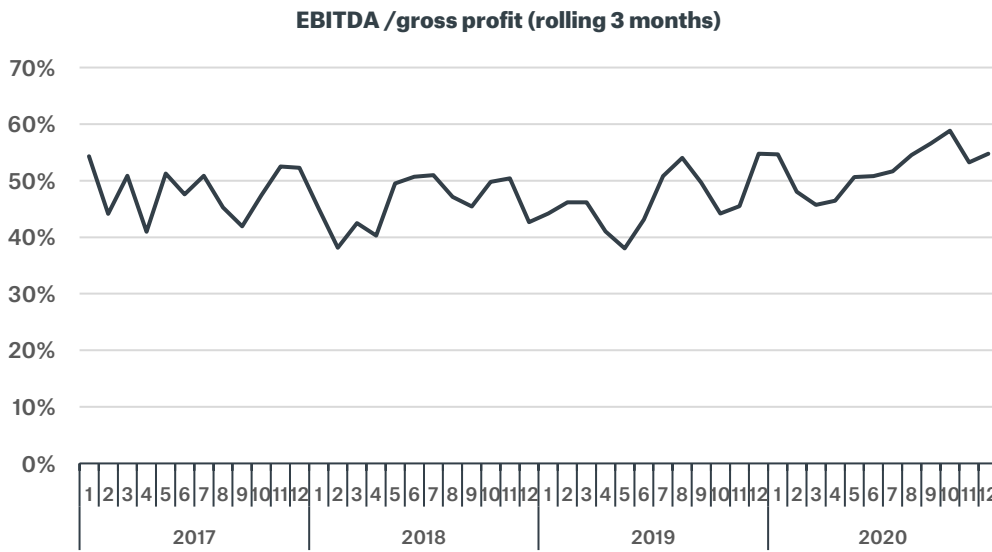
Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely from country to country. This is because operator traffic tariffs differ substantially from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and gross margin even though there is no effect on gross profit in absolute numbers. For this reason, Sinch focuses on gross profit per transaction, not gross margin, as the guiding performance measurement. The gross margin fell by 1.0 percent in the fourth quarter compared to the same period in the preceding year. The change is largely attributable to acquisitions, as Chatlayer, ACL and SDI had an aggregate negative effect of 1.5 percentage points on the gross margin.

EBITDA

During the quarter, Adjusted EBITDA increased by SEK 150.0 million compared to the corresponding quarter in 2019 to SEK 349.9 million (205.0), an increase of 71 percent. The aggregate effect of currency movements resulted in marginally negative impact on EBITDA.

Sinch's financial focus is to grow gross profit and EBITDA in absolute numbers. As one aspect of this work, the company measures several key performance indicators linked to cost efficiency and scalability. As these performance indicators are calculated per transaction, however, they are clearly impacted by acquisitions with a different financial profile. Sinch consolidated operations in ACL Mobile from 1 September, which limits comparability before and after that date. ACL benefits from economies of scale due to its competitive cost base combined with high transaction volumes, resulting in substantially lower OPEX per transaction. At the same time, gross profit per transaction for traffic within India is considerably lower than in western markets due to generally lower costs in the country.





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

Messaging also benefited in the fourth quarter from positive seasonal effects with higher activity around Black Friday and the Christmas holidays. In particular, December was stronger than expected for both Sinch’s base business and acquired operations in SDI.

Voice and Video

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

Voice and Video, SEK million	Q4	Q4	2020	2019
	2020	2019		
Net sales	78.3	76.9	265.5	248.8
Gross profit	23.0	34.5	77.3	109.5
Gross margin	29.3%	44.9%	29.1%	44.0%
Adjusted EBITDA	-2.0	10.8	-8.5	26.6
EBITDA	-0.2	10.8	-6.7	26.6
Adjusted EBITDA margin	-2.6%	14.1%	-3.2%	10.7%

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

Net sales

Net sales rose during the quarter by SEK 1.4 million to SEK 78.3 million (76.9). Lower demand due to the Covid-19 pandemic had significant negative impact on the business during the first and second quarters of 2020. Business volumes in Q4 were higher than in Q3, with increased sales of Sinch's number verification products.

Profit

Gross profit for the quarter amounted to SEK 23.0 million (34.5). Changes in the product mix had adverse impact on the gross margin, which amounted to 29.3 percent (44.9). Adjusted EBITDA was SEK -2.0 million (10.8).

Operators

Sinch develops software solutions for mobile operators, as both products and services, to provide mobile value added services (VAS), handle online charging systems (OCS) in real time, and to protect their networks and revenues. Following the acquisition of SAP Digital Interconnect, Sinch also offers services to mobile operators to simplify handling of person-to-person messaging.

Operators, SEK million	Q4	Q4	2020	2019
	2020	2019		
Net sales	189.2	43.7	317.1	173.3
Gross profit	82.3	41.4	200.0	160.2
Gross margin	43.5%	94.7%	63.1%	92.5%
Adjusted EBITDA	21.6	-3.4	22.6	15.7
EBITDA	20.6	-3.4	24.9	15.7
Adjusted EBITDA margin	11.4%	-7.8%	7.1%	9.1%

Sinch's software sales to mobile operators are project-based and thus more volatile than the other business segments. Several future-oriented initiatives were begun in 2019, including sharper focus on products to secure mobile operators' revenues from messaging, RCS-as-a-Service to speed up the rollout of RCS and the development of Sinch SMSF to handle messaging in 5G networks. Following the acquisition of SDI, Sinch also offers services for handling person-to-person traffic between mobile operators through Advanced SMS Hubbing.

Net sales

Net sales rose during the quarter by SEK 145.5 million to SEK 189.2 million (43.7). The acquisition of SDI contributed SEK 146 million to the increase.

Profit

Gross profit increased during the quarter to SEK 82.3 million (41.4), an increase of 99 percent compared to the same quarter in the preceding year. The acquisition of SDI contributed SEK 42.7 million to the increase. The gross margin fell to 43.5 percent (94.7) because the gross margin is lower for the acquired operators' business from SDI. Adjusted EBITDA increased by SEK 25.0 million to SEK 21.6 million (-3.4).

Condensed income statement

Sinch Group, SEK million	Note	Q4 2020	Q4 2019	2020	2019
Net sales		2,999.5	1,540.7	8,023.3	5,035.6
Cost of goods sold and services		-2,203.8	-1,100.7	-5,840.0	-3,641.4
Gross profit		795.7	439.9	2,183.3	1,394.1
Other operating income		34.1	26.6	197.8	103.1
Work performed by the entity and capitalized		19.8	15.3	69.4	38.6
Other external costs		-293.0	-90.0	-683.0	-328.7
Employee benefits expenses		-311.5	-160.6	-869.4	-537.6
Other operating expenses		-66.0	-36.7	-183.2	-113.9
EBITDA		179.1	194.3	714.9	555.5
Depreciation, amortization and impairment	4	-88.1	-51.4	-262.0	-183.9
EBIT		91.0	142.9	452.9	371.6
Finance income		11.9	6.0	5.7	18.6
Finance expenses		-45.3	-26.2	-79.2	-35.2
Profit before tax		57.6	122.6	379.4	355.0
Current tax		-27.5	-25.8	-145.4	-83.8
Deferred tax		182.5	-2.2	208.4	3.3
Profit for the period		212.6	94.7	442.4	274.5
Attributable to:					
Owners of the parent		212.6	94.7	442.3	274.6
Non-controlling interests		0.0	0.0	0.1	-0.1

Earnings per share

Sinch Group, SEK	Q4 2020	Q4 2019	2020	2019
- Basic	3.48	1.77	7.56	5.12
- Diluted	3.37	1.73	7.32	5.06

Condensed statement of comprehensive income

Sinch Group, SEK million	Q4 2020	Q4 2019	2020	2019
Profit for the period	212.6	94.7	442.4	274.5
Other comprehensive income or loss				
Items that may subsequently be reclassified to profit or loss for the period				
Translation differences	-139.1	-53.1	-362.1	61.2
Hedge accounting net investments	-137.3	-2.7	-146.2	-5.7
Tax effect of items in other comprehensive income	31.0	0.6	32.9	1.2
Other comprehensive income or loss for the period	-245.4	-55.2	-475.5	56.7
Comprehensive income or loss for the period	-32.8	39.5	-33.1	331.2
Attributable to:				
Owners of the parent	-32.8	39.6	-33.1	331.4
Non-controlling interests	-0.0	-0.1	-0.1	-0.2

Condensed balance sheet

Sinch Group, SEK million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Goodwill		3,298.3	1,753.9
Customer relationships		1,481.2	764.0
Operator relationships		144.8	106.8
Proprietary software		322.3	162.7
Other intangible non-current assets		8.3	3.9
Right-of-use assets		54.3	76.6
Other tangible non-current assets		99.7	29.7
Non-current financial assets		14.1	12.0
Deferred tax assets		403.2	237.6
Total non-current assets		5,826.3	3,147.2
Tax receivables		52.8	23.8
Other current receivables		2,631.5	1,353.6
Cash and cash equivalents		3,123.0	466.3
Total current assets		5,807.4	1,843.7
TOTAL ASSETS		11,633.7	4,990.9
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	3	7,508.5	1,997.9
Non-controlling interests		0.6	0.7
Total equity		7,509.1	1,998.6
Deferred tax liability		508.3	270.3
Non-current liabilities, interest-bearing		995.6	1,329.8
Non-current liabilities, non-interest-bearing		86.3	139.8
Total non-current liabilities		1,590.2	1,739.9
Current liabilities, interest-bearing		142.2	95.2
Provisions		79.2	21.3
Tax liability		39.7	9.7
Other current liabilities, non-interest-bearing		2,273.3	1,126.1
Total current liabilities		2,534.4	1,252.4
TOTAL EQUITY AND LIABILITIES		11,633.7	4,990.9
Financial instruments measured at fair value			
Derivative instruments with positive fair value		-	6.4
Derivative instruments with negative fair value		0.0	2.1

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

Condensed statement of changes in equity

Sinch Group, SEK million	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Retained earnings	Total		
Opening balance 1 January 2019	5.4	1,386.8	18.5	252.6	1,663.3	0.9	1,664.2
Comprehensive income for the period			56.9	274.6	331.4	-0.2	331.2
Warrants		4.1			4.1		4.1
Issue expenses, net after tax				-0.9	-0.9		-0.9
Closing balance 31 December 2019	5.4	1,390.8	75.4	526.3	1,997.9	0.7	1,998.6
Opening balance 1 January 2020	5.4	1,390.8	75.4	526.3	1,997.9	0.7	1,998.6
Comprehensive income for the period			-475.5	442.4	-33.1	-0.1	-33.2
New share issue/Warrants	1.0	5,609.1			5,610.1		5,610.1
Issue expenses, net after tax		-66.3			-66.3		-66.3
Closing balance 31 December 2020	6.3	6,933.6	-400.1	950.6	7,508.5	0.6	7,509.1

Condensed statement of cash flows

Sinch Group, SEK million	Not e	Q4 2020	Q4 2019	2020	2019
Cash flow before changes in working capital		154.9	149.7	602.1	453.5
Change in working capital		-206.7	-13.7	-148.2	-126.2
Cash flow from operating activities		-51.8	135.9	453.9	327.3
Net investments in tangible and intangible assets		-19.5	-22.7	-85.6	-56.0
Change in financial receivables		-8.3	11.4	-2.2	12.1
Acquisition of Group companies	6	-2,189.9	-580.6	-2,884.6	-668.5
Cash flow from investing activities		-2,217.7	-591.9	-2,972.4	-712.4
New borrowing/loan arrangement fees		-	1,453.4	-	1,453.4
Amortization bank loan		-28.9	-683.8	-267.2	-756.7
Amortization lease liability		-8.4	-6.9	-30.4	-25.8
New share issue/warrants	3	3,317.6	1.4	5,529.0	2.1
Cash flow from financing activities		3,280.3	764.1	5,231.4	673.1
Cash flow for the period		1,010.8	308.1	2,712.9	288.0
Opening balance cash and cash equivalents for the period		2,113.3	168.1	466.3	180.8
Exchange rate differences in cash and cash equivalents		-1.3	-9.9	-56.2	-2.4
Closing balance cash and cash equivalents for the period		3,123.0	466.3	3,123.0	466.3

Other disclosures

Sinch Group, SEK million	Q4 2020	Q4 2019	2020	2019
Share information				
Basic earnings per share, SEK	3.48	1.77	7.56	5.12
Diluted earnings per share, SEK	3.37	1.73	7.32	5.06
Basic weighted average number of shares	61,036,836	53,602,089	58,494,586	53,602,089
Diluted weighted average number of shares	63,163,246	54,753,931	60,413,500	54,234,275
Total number of shares at the end of the period	63,173,670	53,602,089	63,173,670	53,602,089
Financial position				
Equity attributable to owners of the parent	7,508.5	1,997.9	7,508.5	1,997.9
Equity ratio	64.5%	40.0%	64.5%	40.0%
Net investments in tangible and intangible assets	19.5	22.7	85.6	56.0
Cash and cash equivalents	3,123.0	466.3	3,123.0	466.3
Net debt (+)/Net cash (-)	-1,985.2	958.7	-1,985.2	958.7
Net debt/Adjusted EBITDA RTM, multiple	-2.2	1.7	-2.2	1.7
Employee information				
Average FTEs	1,233	517	858	457
Percentage female	24%	25%	26%	23%
Key figures				
EBITDA margin	6.0%	12.6%	8.9%	11.0%
EBIT margin	3.0%	9.3%	5.6%	7.4%

Segment reporting

An operating segment is defined as a business activity that is able to generate revenues and incur costs, whose operating results are regularly reviewed by the entity's chief executive officer and for which separate financial information is available. The Sinch Group's operating segments are Messaging, Operators and Voice and Video. Vehicle was previously a separate segment, but as of 2019 is included in Messaging. Earlier periods have been restated.

Q4 2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	2,736.9	59.1	181.4	22.1	2,999.5
Internal revenue	30.6	19.2	7.9	-57.7	-
Gross profit	668.5	23.0	82.3	21.9	795.7
Adjusted EBITDA	349.9	-2.0	21.6	-43.9	325.7
Items affecting comparability	-33.5	1.8	-1.1	-113.9	-146.6
EBITDA	316.5	-0.2	20.6	-157.8	179.0
Depreciation and amortization					-88.1
EBIT					91.0
Net finance expense					-45.7
Profit before tax					45.2

Following the acquisition of SAP Digital Interconnect, SDI's operations within customer service systems are included in Other and eliminations. These operations contributed net sales of SEK 22 million and gross profit of SEK 22 million in the fourth quarter.

Employee benefits expenses of SEK -33.3 million related to incentive programs are included in Other and eliminations. See Note 3.

Items affecting comparability in Other and eliminations amount to SEK -113.9 million. These items are allocated as follows: acquisition costs, SEK -17.8 million; integration costs, SEK -54.8 million; additional acquisition costs, SEK 27.7 million; loss from discontinuation of subsidiaries, SEK -13.6 million.

Q4 2019, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	1,421.9	76.8	41.9	-	1,540.7
Internal revenue	22.3	0.1	1.8	-24.2	-
Gross profit	364.0	34.5	41.4	0.0	439.9
Adjusted EBITDA	205.0	10.8	-3.4	-12.9	199.5
Items affecting comparability	-2.6	-	-	-2.5	-5.2
EBITDA	202.4	10.8	-3.4	-15.5	194.3
Depreciation and amortization					-51.4
EBIT					142.9
Net finance expense					-20.3
Profit before tax					122.7

EBITDA for the parent company was SEK -7.0 million. Unallocated items include acquisition costs of SEK -2.2 million.

2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	7,466.1	243.1	292.0	22.1	8,023.3
Internal revenue	115.9	22.4	25.1	-163.3	-
Gross profit	1,883.9	77.3	200.0	21.9	2,183.3
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	-237.1	714.9
Depreciation and amortization					-262.0
EBIT					452.9
Net finance expenses					-73.5
Profit before tax					379.4

EBITDA for the parent company was SEK -141.2 million, including acquisition and integration costs of SEK -107.5 million. Unallocated items include acquisition and integration costs of SEK -53.7 million, income from adjusted earnout of SEK 59.8 million and employee benefits expenses related to incentive programs of SEK -51.9 million.

2019, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
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External revenue	4,619.8	248.5	167.3	-	5,035.6
Internal revenue	72.7	0.4	6.0	-73.1	-
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 and amortization					-183.9
EBIT					371.6
Net finance expense					-16.6
Profit before tax					355.0

EBITDA for the parent company was SEK -19.4 million. Unallocated items include acquisition costs of SEK -15.1 million.

Distribution of external net sales

Q4 2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer's country/region					
Sweden	104.4	5.5	7.7	0.4	118.0
France	160.1	0.5	4.1	-	164.7
United Kingdom	256.3	1.1	20.0	0.1	277.5
Germany	94.6	0.2	2.6	8.7	106.1
Other EU countries	165.0	11.6	31.7	12.4	220.7
Brazil	78.9	-	0.2	-	79.1
India	199.9	-	3.1	-	203.0
Singapore	74.4	5.2	0.9	-	80.5
USA	1,413.1	22.1	22.4	-	1,457.6
Rest of the world	190.2	12.9	88.7	0.5	292.3
Total	2,736.9	59.1	181.4	22.1	2,999.5
Net sales by product/service					
Messaging	2,719.2	57.4	145.9	8.6	2,931.1
Initial software licenses and upgrades	5.2	-	8.5	13.5	27.2
Support	1.7	-	27.0	-	28.7
Other	10.8	1.7	-	-	12.5
Total	2,736.9	59.1	181.4	22.1	2,999.5
Net sales allocation per point in time					
Over time	138.5	-	35.5	-	174.0
At one point in time	2,598.4	59.1	145.9	22.1	2,825.5
Total	2,736.9	59.1	181.4	22.1	2,999.5

Q4 2019, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer's country/region					
Sweden	90.3	2.8	8.6	-	101.8
France	144.6	0.3	-	-	144.9
United Kingdom	190.6	1.2	0.5	-	192.3
Germany	85.3	1.9	0.7	-	87.9
Other EU countries	124.6	27.8	14.1	-	166.5
USA	590.1	20.1	0.0	-	610.3
Rest of the world	196.4	22.7	18.0	-	237.1
Total	1,421.9	76.8	41.9	-	1,540.7

Net sales by product/service

Messaging	1,356.0	76.8	-	-	1,432.9
Initial software licenses and upgrades	-	-	13.6	13.6	13.6
Support	1.4	-	28.3	28.3	29.8
Other	64.4	-	-	-	64.4
Total	1,421.9	76.8	41.9	-	1,540.7

Net sales allocation per point in time

Over time	1.4	-	41.9	-	43.4
At one point in time	1,420.5	76.8	-	-	1,497.3
Total	1,421.9	76.8	41.9	-	1,540.7

2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer's country/region					
Sweden	361.0	11.3	28.8	0.4	401.5
France	460.1	1.2	4.1	-	465.4
United Kingdom	806.1	5.2	22.2	0.1	833.6
Germany	332.8	0.2	5.3	8.7	348.8
Other EU countries	565.1	49.2	65.9	12.4	692.6
Brazil	251.5	0.3	0.2	-	252.0
India	259.5	0.1	3.1	-	262.7
Singapore	160.6	18.8	0.9	-	180.3
USA	3,754.2	98.8	22.7	-	3,875.7
Rest of the world	515.2	56.2	138.8	0.5	710.7
Total	7,466.1	243.1	292.0	22.1	8,023.3
Net sales by product/service					
Messaging	7,410.9	241.4	145.9	8.6	7,806.8
Initial software licenses and upgrades	11.0	-	38.7	13.5	63.2
Support	6.1	-	107.4	-	113.5
Other	38.1	1.7	-	-	39.8
Total	7,466.1	243.1	292.0	22.1	8,023.3
Net sales allocation per point in time					
Over time	157.3	-	146.1	-	303.4
At one point in time	7,308.8	243.1	145.9	22.1	7,719.9
Total	7,466.1	243.1	292.0	22.1	8,023.3

2019, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer's country/region					
Sweden	325.6	12.3	32.2	-	370.0
France	455.2	0.5	-	-	455.7
United Kingdom	711.1	5.5	4.2	-	720.8
Germany	363.5	7.8	2.7	-	374.0
Other EU countries	458.7	86.1	53.7	-	598.5
USA	1,745.8	61.2	2.6	-	1,809.6
Rest of the world	559.9	75.2	71.9	-	707.0
Total	4,619.8	248.5	167.3	-	5,035.6

Net sales by product/service

Messaging	4,499.3	248.5	-	-	4,747.7
Initial software licenses and upgrades	-	-	64.5	-	64.5
Support	6.2	-	102.8	-	109.0
Other	114.3	-	-	-	114.3
Total	4,619.8	248.5	167.3		5,035.6

Net sales allocation per point in time

Over time	4.8	-	167.3	-	172.1
At one point in time	4,615.0	248.5	-	-	4,863.4
Total	4,619.8	248.5	167.3		5,035.6

Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The group's operational and strategic management functions have been centralized to the parent company. At the end of the period, the parent company had 13 (9) employees. The parent company has no external business activities and the risks are mainly related to the operations of the subsidiaries. The cost increase in 2020 is mainly attributable to integration and acquisition costs related to SDI.

Condensed parent company income statement and balance sheet

SEK million	2020	2019
Operating revenue	64.2	45.7
Operating costs	-221.5	-80.8
EBIT	-157.3	-35.1
Finance income & expense	-39.1	137.3
Profit or loss after financial items	-196.4	102.2
Appropriations	57.2	-35.8
Tax on profit for the year	24.5	-14.2
Profit for the year*	-143.2	52.1

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

SEK million	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets	3,029.4	2,981.7
Current assets	5,145.7	47.5
TOTAL ASSETS	8,175.1	3,029.2
EQUITY AND LIABILITIES		
Equity	6,875.0	1,479.9
Untaxed reserves	30.8	28.4
Deferred tax liability	1.4	1.4
Appropriations	-	-
Non-current liabilities	962.0	1,285.2
Current liabilities	306.0	234.4
TOTAL EQUITY AND LIABILITIES	8,175.1	3,029.2

Note 1 - Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable provisions of the Annual Accounts Act. Disclosures in accordance with IAS 34 *Interim Financial Reporting* are provided in notes and elsewhere in the interim

report. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 *Accounting of Legal Entities*. The accounting policies and estimation methods are unchanged from those applied in the 2019 annual report. There were no amendments of IFRS in 2020 that had material impact on the Group's results of operations and financial position.

Note 2 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 39.1 million (8.5).

Note 3 - Incentive programs

Under the incentive program (LTI 2020) adopted by the AGM on 15 May 2020, 297,800 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 will be granted one third of their warrants in each series. The average fair 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 pay a premium of SEK 135.57 per warrant. These participants will receive 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 will be granted their warrants against no monetary consideration and their warrants will vest over the term 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 Sinch's adjusted EBITDA per share for the last three years of the term of the program must have increased by a minimum of 10 percent per year on average to qualify to subscribe for shares.

Sinch held an extraordinary general meeting on 27 November 2020 at which shareholders resolved to institute an additional long-term incentive program LTI 2020 II. Under this incentive program, 407,089 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 will be granted one third of their warrants in each series. The average fair 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 pay a premium of SEK 162.41 per warrant. These participants will receive 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 Sweden will be granted their warrants against no monetary consideration and their warrants will vest over the term 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 Sinch's adjusted EBITDA per share for the last three years of the term of the program must have increased by a minimum of 10 percent per year on average to qualify to subscribe for shares. During the period of January-December, 318,816 warrants from LTI 2016 were exercised with a corresponding increase in the number of shares outstanding. The exercise price was SEK 127.67 per share and the exercise increased Sinch's equity by SEK 40.7 million.

Payroll costs for vested warrants are included in profit and loss for 2020 in the amount of SEK -15.3 million, with a corresponding increase in equity. Social security expenses are included in the amount of SEK -35.6 million, with a corresponding increase of provisions in the balance sheet. SEK -11.8 million in payroll costs and SEK -21.5 million in social security expenses were recognized in profit and loss during the fourth quarter. All warrants have been assessed as dilutive during the quarter because the exercise price has been lower than the average share price. The potential dilutive effect upon exercise of all warrants in all programs is 6.5 percent. Please refer to Note 7 of the 2019 annual report for detailed information concerning the group's incentive programs LTI 2016, LTI 2018 and LTI 2019.

Note 4 - Depreciation, amortization and impairments

Depreciation, amortization and impairments, SEK million	Q4 2020	Q4 2019	2020	2019
Amortization acquired customer relationships	-45.4	-25.8	-132.1	-92.9
Amortization acquired operator relationships	-4.4	-3.8	-17.0	-14.2
Amortization acquired trademarks	-2.2	-0.3	-3.7	-0.4
Amortization acquired software	-14.1	-7.7	-41.5	-26.5
<i>Total acquisition-related amortization</i>	<i>-66.1</i>	<i>-37.7</i>	<i>-194.3</i>	<i>-134.0</i>
Amortization proprietary software	-7.2	-4.0	-20.3	-15.5
Amortization licenses	-0.4	-0.3	-1.1	-0.7
Total amortization intangible assets	-73.7	-42.0	-215.8	-150.1
Depreciation tangible fixed assets	-5.8	-2.9	-16.1	-9.1

Depreciation right-of-use assets	-8.3	-6.5	-29.5	-24.7
Total depreciation	-87.7	-51.4	-261.5	-183.9

Note 5 - Reconciliation of tax for the period

Reconciliation of tax expense for the period	2020	2019
Profit before tax	379.4	355.0
Tax calculated at Swedish tax rate, 21.4% (21.4)	-81.2	-76.0
Tax attributable to previous years	3.2	-1.2
Tax effect of non-deductible expenses	-3.2	-5.7
Tax effect of non-taxable revenue	19.1	2.7
Tax on standard interest rate, tax allocation reserves	-0.1	-0.1
Tax effect of non-capitalized loss carryforwards	-34.5	-0.8
Tax effect of utilized and identified previously non-capitalized loss carryforwards	156.8	2.9
Foreign withholding tax	24.3	-1.2
Effect of changed tax rates	0.4	1.6
Effect of foreign tax rates	-21.8	-2.8
Tax on profit for the period according to income statement	63.0	-80.6

Note 6 - Acquisition of group companies

Chatlayer

On 19 March 2020, Sinch entered into a binding agreement to acquire Chatlayer BV for total consideration of EUR 5.6 million (SEK 61.7 million) on a debt-free basis. The acquisition was financed with 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 was thus included 100 percent in the consolidated accounts from 1 September in the Messaging segment. The total consideration is INR 5,345 million (approx. SEK 630m). 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; operator relationships ten years.

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. 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 acquisition analysis may need to be revised because the consideration is preliminary and the value of intangible assets 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, Móvil Internet Móvil S.A. and Wavy Global Holdings BV, for cash consideration of BRL 355 million (SEK 710m) 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 Defesa Econômica.

The acquisition was included in the consolidated accounts from 1 February 2021. Accounting for the business combination (acquisition analysis) was not complete by the reporting date, which means it has not been possible to provide certain information in this year-end report. As analysis of closing balances is ongoing, no preliminary PPA has been prepared.

Previous acquisitions

During the first quarter, 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 in the third quarter.

Fair value acquired net assets, SEK million	SDI ¹	Chatlayer	ACL ¹
Customer relationships	851.9	-	141.2
Operator relationships	41.5	-	112.7
Trademarks	-	-	3.6
Proprietary software	62.2	52.3	51.9
Right-of-use assets	0.0	1.9	1.0
Other intangible assets	-	-	3.2
Buildings	-	-	27.4
Other tangible assets	10.7	0.1	12.9
Financial assets	7.2	0.0	7.3
Accounts receivable	449.8	2.8	196.1
Credit loss allowance	-0.4	-	-7.6
Accrued income	53.5	0.2	59.9
Other current assets	5.1	0.0	45.6
Current tax receivable	3.9	-	-
Cash and cash equivalents	276.2	5.8	16.8
Deferred tax liability	-243.8	-13.1	-87.5
Lease liability	-	-1.8	-1.0
Other non-current liabilities	-	-16.4	-8.3
Accounts payable	-206.4	-1.6	-95.1
Current interest-bearing liabilities	-	-0.3	-9.0
Other current liabilities	-262.0	-9.0	-100.7
Total acquired net assets	1,049.3	21.0	370.4

Purchase consideration, SEK million	SDI	Chatlayer	ACL
Consideration paid	2,387.5	61.7	515.9
Remaining consideration	124.2	-	112.7
Total consideration	2,511.7	61.7	628.6

Fair value acquired net assets	-1,049.3	-21.0	-370.4
Goodwill	1,462.4	40.7	258.2

¹ The acquisition analysis is preliminary.

Investing activities 2020, SEK million	SDI	Chatlayer	ACL	Wavy	Caleo	myElefant	TWW	Total
Consideration paid	2,387.5	61.7	515.9	-	-	-	-	2,965.1
Additional consideration	124.2	-	-	-	0.5	-	1.3	126.0
Settlement cash and cash equivalents	-	-	-	-	-	-	46.4	46.4
Settlement working capital and debt	-	-	-	-	-	-	-9.2	-9.2
Cash and equivalents in acquired Group companies	-276.2	-5.8	-16.8	-	-	-	-	-298.8
Direct costs relating to acquisitions	37.0	2.0	6.1	8.2	-	0.3	1.5	55.1
Effect on cash and cash equivalents	2,275.5	57.9	505.2	8.2	0.5	0.3	40.0	2,884.6

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

Acquired entities' contribution in 2020, SEK million	SDI¹	Chatlayer	ACL	Total
Net sales	564.0	12.5	305.1	881.6
Profit after tax for the year	-	-8.7	20.4	11.7

¹This measurement should not be used to track this transaction.

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

2020, SEK million	SDI¹	Chatlayer	ACL	Other Sinch companies	Amortization of acquired assets	Total
Net sales	3,650.4	15.4	700.7	7,141.7	-	11,508.2
Profit or loss after tax for the year	-	-10.2	41.8	424.2	-127.0	328.8

¹This measurement should not be used to track this transaction.

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.

Gross margin

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

Gross profit

Net sales less the cost of goods and services sold.
Illustrates the company's internal value creation excluding costs paid to suppliers (mobile operators).

Net investments in property, plant and equipment and intangible assets

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

Interest-bearing liabilities

Bond loans, bank loans, lease liabilities and pension provisions.
Used to calculate net debt.

Net debt

Interest-bearing liabilities less cash and cash equivalents.
Used to track the debt trend and visualize the size of refinancing requirements.

Net debt/Adjusted EBITDA RTM

Net debt divided by adjusted EBITDA, past 12 months.
Shows how many years it would take to pay the company's debts in full presuming that net debt and EBITDA are constant and disregarding other cash flows.

OPEX

Other external expenses and employee benefits expenses adjusted for items affecting comparability.

Equity ratio

Equity as a percentage of total assets.
Illustrates the company's financial position. A good equity ratio equips the company to manage periods of economic downturn and the financial basis for growth.

EBIT

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

EBITDA

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

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

Items affecting comparability

Non-recurring items such as capital gains/losses, impairments, acquisition costs, integration costs and restructuring costs.
Separate reporting of items affecting comparability clarifies the trend in the underlying business.

Adjusted EBIT

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

Enables comparison of profitability over time, regardless of 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 plant, property and equipment and amortization of other intangible assets are included, as this is a measure of the use of resources necessary to generate profit.

Adjusted EBITDA

EBITDA adjusted for items affecting comparability.
Enables comparison of profitability over time, regardless of the effects of items affecting comparability. This key performance measurement is also adjusted for items affecting comparability to increase comparability over time.

Adjusted EBITDA per share

Adjusted EBITDA divided by the volume-weighted average number of shares outstanding for the period after dilution.
Measures the earnings per share generated by the business adjusted for the effect of items affecting comparability.

Adjusted EBITDA/gross profit

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

EBIT margin/Adjusted EBIT margin

EBIT/Adjusted EBIT in relation to net sales.

EBITDA margin/Adjusted EBITDA margin

EBITDA/Adjusted EBITDA in relation to net sales.

Operational measurements

Percentage women

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

Number of shares at the end of the period

Number of shares at the end of the period.

Average number of employees and consultants

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

Organic growth

Growth adjusted for acquisition and currency effects.

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

About Sinch

Sinch develops digital tools that enable personal interaction between enterprises and individuals. Powered by the Sinch cloud communications platform, enterprises can reach every mobile phone on the planet - within a second or two - via messaging, voice calls and video. Several of the biggest enterprises in the world are using Sinch's advanced technology platform to communicate with their customers and Sinch is an established software supplier to mobile operators worldwide. Sinch has delivered profitable growth since it was founded in 2008. The Group is headquartered in Stockholm, Sweden, and has a presence in more than 40 other countries. The share is listed on Nasdaq Stockholm, XSTO: SINCH.

Dividend

The board of directors has decided to propose to the Annual General Meeting that no dividend be paid for financial year 2020. The position of the board of directors is that the company is in a phase during which financial surpluses should be reinvested in continued growth, both organically and through acquisitions.

Outlook

Sinch does not publish forecasts.

Forthcoming reporting dates

Interim report, Jan - Mar 2021	28 April 2021
Interim report, Jan - Jun 2021	16 July 2021
Interim report, Jan - Sep 2021	2 November 2021

Annual report

The annual report for the 2020 financial year will be available on the company's website at investors.sinch.com no later than three weeks before the AGM.

Annual General Meeting

The Annual General Meeting will be held Friday 18 May 2020 at 14.00 CET in Stockholm. The venue for the meeting will be announced in connection with notice of the meeting.

Nominating Committee

The members of the Sinch AB nominating committee are:

- Jonas Fredriksson, representing Neqst D1 AB
- Ulrik Grönvall, representing Swedbank Robur Fonder
- Tomas Risbecker, representing AMF Pension & Fonder
- Marcus Lüttgen, representing Alecta
- Erik Fröberg, Chairman of Sinch AB (publ)

Impact of Covid-19

The spread of Covid-19 is accelerating digitalization, which is increasing the need for the services Sinch provides. But the global pandemic is also generating uncertainty about economic development in the near term. Covid-19 is having adverse impact on the small Voice and Video segment because the drop in travel has triggered lower demand from app-based ride hailing services. We have also noted that many operator customers are being more cautious in their investment decisions, which is constraining sales in the Operators segment. The overall impact on the Sinch Group

remains modest, however, because volumes in Messaging have increased in parallel. Apart from this, Sinch does not anticipate changes in profitability due to Covid-19 of such materiality that would affect the use of assets such as deferred tax assets and intangible assets. Risk assessment is performed on an ongoing basis and impairment tests are performed if circumstances indicate that such assets may be impaired. There have been no material changes in our customer relationships that have required increases to credit loss allowances.

Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include risks related to currency fluctuations, dependence on certain strategic partners, technological change, dependence on key personnel, pandemics, tax risks and political risks related to the multinational nature of the Group's activities. Risk management is an integral part of Sinch's management, and risks are described in more detail in Note 32 of the 2019 annual report. The risks described for the Group may also have an indirect impact on the parent company. Pandemics, such as the one caused by Covid-19, can have serious impact on our local and global operations. Although we are working to institute continuity measures and ensure that we continue to meet the needs of our customers and mitigate the impact on our business, disruptions in the global economy and the businesses and operations of our customers, suppliers and partners could cause disruptions to our business and entail material impact on our operations and financial position.

Forward-looking statements

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

Assurance

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

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Stockholm, 18 February 2021

Erik Fröberg
Chairman of the Board

Bridget Cosgrave

Renée Robinson Strömberg

Johan Stuart

Björn Zethraeus

Oscar Werner
President and Chief Executive Officer

Note: Sinch AB (publ) is required to publish the information in this interim report pursuant to the EU market abuse regulation. The information was submitted for publication on 18 February 2021 at 07.30 CET.

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