

Interim Report, January – September 2020

July – September 2020

- Net sales increased by 46 percent to SEK 1,777.7 million (1,216.4). Organic growth was 35 percent.
- Gross profit increased by 40 percent to SEK 480.6 million (343.6). Organic growth was 24 percent.
- Adjusted EBITDA¹ increased by 53 percent to SEK 226.0 million (147.6).
- Adjusted EBIT² amounted to SEK 210.7 million (131.5).
- Profit after tax for the quarter amounted to SEK 96.4 million (68.7).
- Diluted earnings per share were SEK 1.56 (1.27).

January – September 2020

- Net sales increased by 44 percent to SEK 5,023.8 million (3,494.9). Organic growth was 31 percent.
- Gross profit increased by 45 percent to SEK 1,387.6 million (954.2). Organic growth was 27 percent.
- Adjusted EBITDA¹ increased by 57 percent to SEK 586.8 million (374.0).
- Adjusted EBIT² amounted to SEK 541.2 million (337.9).
- Profit after tax for the period amounted to SEK 229.9 million (179.8).
- Diluted earnings per share were SEK 3.88 (3.34).

“In late October, Sinch announced the Conversation API for multichannel, interactive business messaging. It is a way for businesses to add new and powerful capabilities, without adding complexity, and we are excited to bring it to market.”

– Oscar Werner, CEO

Significant events during the quarter

- Sinch completed the first stage in the acquisition of ACL Mobile Ltd (ACL) on 1 September. The total consideration is INR 5,345 million (approx. SEK 630 million). The acquisition is financed with existing cash reserves and debt facilities. Headquartered in Delhi, India, the company has 288 employees and is a leading vendor of cloud communications services in India and Southeast Asia.
- Sinch launched a new Conversation API on 29 October, a single endpoint for interactive communication across a range of popular messaging channels like WhatsApp, Viber, RCS and SMS. The product gives businesses a simple way to future-proof their customer communications with support for current and future messaging channels.
- The small Voice and Video segment remains impacted by Covid-19, as a decline in travel has caused lower demand from app-based ride hailing companies. The overall impact on Sinch remains modest, however, since volumes in Messaging have increased.

Significant events after the end of the quarter

- Sinch closed the acquisition of SAP Digital Interconnect (SDI), a unit of SAP, on 1 November. The total cash consideration amounted to EUR 225 million and was financed with existing cash reserves and available credit facilities. SDI offers cloud communications services and serves more than 1,500 enterprise customers worldwide. The customer base includes many of the world’s most highly valued companies, including leading tech companies, banks, payment gateways, retailers and mobile operators. For the 12 months ended 31 March 2020, SDI recorded revenues 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.

¹ EBITDA 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 phone conference

Sinch will present the interim report in a phone conference on 3 November at 14:00 CET. Please ensure you are connected to the phone conference by calling in and registering shortly before the conference begins.

Sweden: +46 8 566 426 51
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 United States: +1 631 913 1422
 Access code: 345 565 62#

Register here to watch the presentation via Webcast: investors.sinch.com/webcast.

Message from the CEO

Technology for the digital era

We live in an age of innovation where mobile technology has placed the world at our fingertips. It is a digital era of empowered consumers where businesses compete on customer experience.

Sinch technology lets businesses engage with their customers on a one-to-one basis. Whether through voice, video, or messaging; we let businesses talk to their customers on their customers' own terms. Underpinning our delivery is a cloud-based platform that is scalable, redundant, and global.

Gross profit in the third quarter was 40 percent higher than the same period last year. Organic growth was 24 percent, acquired businesses contributed 21 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 53 percent higher than the same quarter the year before with 47 percent of our gross profit translating into Adjusted EBITDA.

Covid-19 affects our business, but the overall impact remains modest. Increased volumes in Messaging offset the negative effects we see in Voice and Video and Operators.

Gross profit in Messaging rose 57 percent in the quarter with organic growth at 35 percent. The high organic growth results from our close cooperation with some of the world's leading tech companies who rely on Sinch's global messaging capabilities. Looking ahead, we expect inorganic growth and improved sales momentum in the broader base to contribute a larger share of our overall growth. We will also work to extract cost and revenue synergies after closing the acquisitions of ACL Mobile on 1 September and SAP Digital Interconnect on 1 November.

In late October, Sinch announced the Conversation API for multichannel, interactive business messaging. It offers a single endpoint for communication across a range of popular messaging channels like WhatsApp, Viber, RCS and SMS. It is a way for businesses to add new and powerful capabilities, without adding complexity, and we are excited to bring it to market.

Voice and Video remains impacted by Covid-19 which has triggered a sharp drop in demand from ride hailing companies that use Sinch products for Number Masking. Volumes improved slightly towards the end of the quarter but uncertainty remains elevated.



We offer products to mobile operators that are based on the same technology that we use for enterprise messaging. These software sales are booked in the Operators segment and it is encouraging to see this business return to profitability. We are also making progress with the Sinch SMSF, our new technology suite for 5G messaging that we sell together with Ericsson.

It is a privilege to lead Sinch in this time of rapid change and opportunity.

We build technology that redraws the rules of customer engagement. We power customer interactions that are timely, relevant, and actionable. We let businesses turn an audience of a million, into a million audiences of one.

Stockholm, 3 November 2020

Oscar Werner
President and CEO

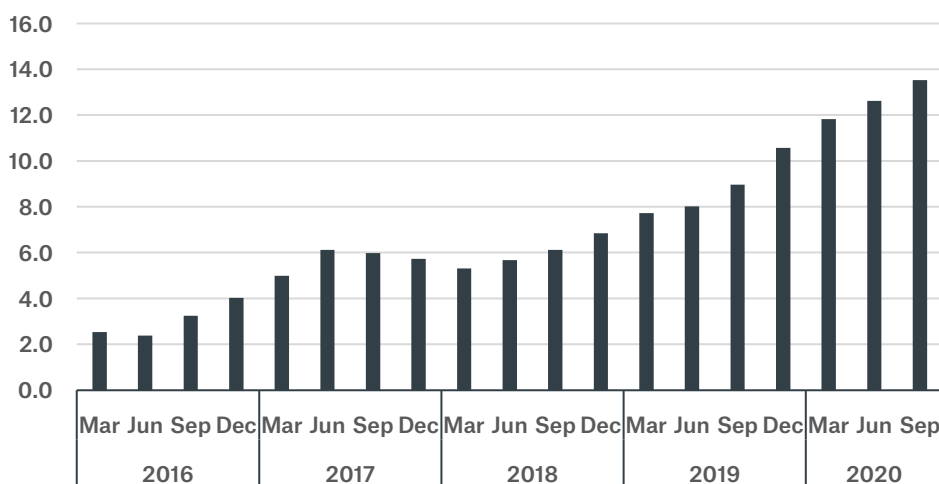
Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 22.

Sinch Group, SEK million	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Net sales	1,777.7	1,216.4	5,023.8	3,494.9	5,035.6	6,564.5
Gross profit	480.6	343.6	1,387.6	954.2	1,394.1	1,827.5
Gross margin	27.0%	28.2%	27.6%	27.3%	27.7%	27.8%
Operating profit, EBITDA	214.9	134.8	535.8	361.2	555.5	730.2
EBITDA margin	12.1%	11.1%	10.7%	10.3%	11.0%	11.1%
Adjusted EBITDA	226.0	147.6	586.8	374.0	573.5	786.3
Adjusted EBITDA margin	12.7%	12.1%	11.7%	10.7%	11.4%	12.0%
Adjusted EBITDA/gross profit	47.0%	43.0%	42.3%	39.2%	41.1%	43.0%
Operating profit, EBIT	155.2	86.6	361.9	228.7	371.6	504.8
EBIT margin	8.7%	7.1%	7.2%	6.5%	7.4%	7.7%
Adjusted EBIT	210.7	131.5	541.2	337.9	523.6	726.9
Adjusted EBIT margin	11.9%	10.8%	10.8%	9.7%	10.4%	11.1%
Profit for the period	96.4	68.7	229.9	179.8	274.5	324.6
Cash flow from operating activities	107.4	23.1	505.7	191.3	327.3	641.7
Net debt	-971.8	445.0	-971.8	445.0	958.7	-971.8
Net debt/adjusted EBITDA R12M, multiple	-1.2	0.9	-1.2	0.9	1.7	-1.2
Equity ratio	58.2%	51.1%	58.2%	51.1%	40.0%	58.2%
Adjusted EBITDA per share, diluted SEK	3.65	2.73	9.89	6.93	10.57	13.53
Diluted earnings per share, SEK	1.56	1.27	3.88	3.34	5.06	4.81
Average number of employees	825	454	757	429	457	661
Average number of employees and consultants	992	573	917	534	572	751

Items affecting comparability and adjustments, SEK million	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Acquisition costs	-68.8	-12.9	-100.8	-12.9	-15.1	-103.0
Integration costs	-3.3	-	-14.7	-	-3.0	-17.7
Income adjusted earnout	61.0	-	64.5	-	-	64.5
Total items affecting EBITDA comparability	-11.1	-12.9	-51.0	-12.9	-18.0	-56.1
Amortization of acquisition-related assets	-44.4	-32.1	-128.3	-96.3	-134.0	-165.9
Total adjustments in EBIT	-55.5	-45.0	-179.2	-109.2	-152.0	-222.1

Adjusted EBITDA per share, rolling 12 months (SEK)



Quarterly summary

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Net sales, SEK million									
Messaging	921.8	1,070.3	1,025.3	1,096.7	1,126.2	1,444.2	1,534.3	1,562.0	1,718.1
Voice and Video	20.5	38.2	45.0	56.9	70.0	76.9	72.5	53.9	60.9
Operators	39.5	50.6	43.4	44.2	42.0	43.7	49.1	39.0	39.7
Other and eliminations	-2.5	-7.8	-11.9	-21.2	-21.8	-24.2	-31.7	-33.0	-40.9
Total	979.3	1,151.3	1,101.8	1,176.7	1,216.4	1,540.7	1,624.2	1,621.9	1,777.7
Gross profit, SEK million									
Messaging	203.7	244.6	228.4	259.2	272.8	364.0	374.3	412.2	429.0
Voice and Video	11.6	20.0	21.6	21.7	31.7	34.5	26.8	13.0	14.6
Operators	35.0	45.2	39.6	40.2	39.1	41.4	45.7	35.0	37.1
Other and eliminations	-0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	249.9	309.9	289.5	321.1	343.6	439.9	446.7	460.3	480.6
Gross margin									
Messaging	22.1%	22.9%	22.3%	23.6%	24.2%	25.2%	24.4%	26.4%	25.0%
Voice and Video	56.6%	52.4%	47.9%	38.2%	45.3%	44.9%	37.0%	24.2%	23.9%
Operators	88.6%	89.3%	91.2%	90.9%	93.0%	94.7%	92.9%	89.7%	93.4%
Total	25.5%	26.9%	26.3%	27.3%	28.2%	28.6%	27.5%	28.4%	27.0%
EBITDA, SEK million									
Messaging	93.9	102.6	107.8	112.2	134.9	205.0	176.8	213.5	247.7
Voice and Video	-3.7	2.7	2.1	1.4	12.2	10.8	8.7	-9.5	-5.8
Operators	8.2	10.8	9.6	4.9	4.6	-3.4	8.9	-9.6	1.5
Other and eliminations	-3.0	-6.7	-7.3	-4.3	-4.2	-12.9	-10.2	-18.0	-17.5
Adjusted EBITDA, total	95.4	109.4	112.2	114.2	147.6	199.5	184.3	176.5	226.0
Items affecting comparability in EBITDA	4.0	31.0	-	-	-12.9	-5.2	-9.1	-30.8	-11.1
EBITDA	99.4	140.4	112.2	114.2	134.8	194.3	175.2	145.7	214.9
Adjusted EBITDA margin	9.7%	9.5%	10.2%	9.7%	12.1%	12.9%	11.3%	10.9%	12.7%
Adjusted EBITDA/gross profit	38.2%	35.3%	38.8%	35.6%	43.0%	45.4%	41.3%	38.3%	47.0%
Adjusted EBITDA/share diluted, SEK	1.78	2.04	2.08	2.11	2.73	3.64	3.34	2.90	3.65
Items affecting comparability and adjustments, SEK million									
Acquisition costs	-0.4	-0.2	-	-	-12.9	-2.2	-6.4	-25.5	-68.8
Restructuring costs	8.9	-	-	-	-	-	-	-	-
Integration costs	-4.5	-2.7	-	-	-	-3.0	-2.7	-8.8	-3.3
Capital loss from sale of PSMS business	-	-8.1	-	-	-	-	-	-	-
Adjusted earnout	-	42.0	-	-	-	-	-	3.5	61.0
Items affecting EBITDA comparability	4.0	31.0	-	-	-12.9	-5.2	-9.1	-30.8	-11.1
Impairment tangible and intangible IoT assets	-9.2	-	-	-	-	-	-	-	-
Amortization acquisition-related assets	-35.6	-27.4	-33.3	-30.9	-32.1	-37.7	-41.1	-42.8	-44.4
Total adjustments in EBIT	-40.8	3.6	-33.3	-30.9	-45.0	-42.8	-50.2	-73.5	-55.5

July - September 2020

Net sales

Consolidated net sales grew in the period by 46 percent to SEK 1,777.7 million (1,216.4). Amounts in parentheses refer to the corresponding period in the preceding year. Organic growth was 35 percent. The acquisitions of TWW, myElefant, Chatlayer and ACL contributed 15 percent. TWW contributed SEK 97.0 million, myElefant SEK 20.5 million, Chatlayer SEK 4.5 million and ACL SEK 59.9 million.

The Swedish krona (SEK) strengthened during the quarter, primarily against EUR and GBP, and weakened against USD. 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 51.6 million higher. The negative currency effect on consolidated net sales was thus -4 percent.

Gross profit

Consolidated gross profit rose during the quarter by 40 percent to SEK 480.6 million (343.6).

Organic growth was 24 percent. TWW, myElefant, Chatlayer and ACL contributed 21 percent. TWW contributed SEK 48.9 million, myElefant SEK 7.1 million,

Chatlayer SEK 4.1 million and ACL SEK 11.6 million. The negative effect of currency movements during the quarter was SEK -15.6 million, corresponding to -5 percent.

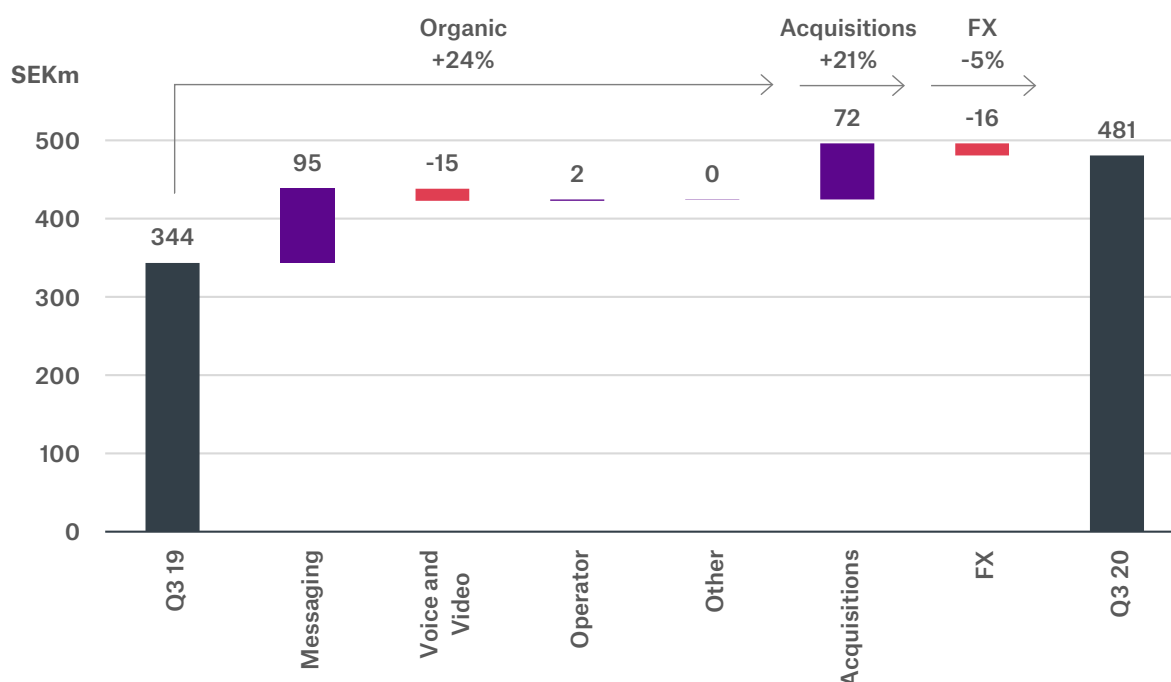
The consolidated gross margin decreased to 27.0 percent (28.2). This is mainly due to a change in mix where the small, high-margin Operators segment grows slower than the larger Messaging segment.

The gross margin within Messaging, which is the largest segment, increased to 25.0 percent (24.2). One reason for this improvement is that the gross margins of the acquired businesses TWW, myElefant and Chatlayer are higher than the group average. In addition, growth in existing products with a higher gross margin, including personalized video messaging, 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 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, Q3 2019 - Q3 2020



EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 214.9 million (134.8).

EBITDA excluding items affecting comparability¹ (adjusted EBITDA) increased by SEK 78.3 million to SEK 226.0 million (147.6), corresponding to an increase of 53 percent.

Currency movements had an aggregate negative effect on EBITDA of SEK -14.7 million. Of the total currency effect, SEK -4.7 million arose from remeasurements of balance sheet items.

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

The Group's financial target is growth of adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 3.65 (2.73) for the quarter and SEK 13.53 SEK (8.96) for the rolling twelve months, an increase of 51 percent. Adjusted EBITDA divided by gross profit was 47.0 percent (43.0) for the quarter.

Operating profit, EBIT

EBIT amounted to SEK 155.2 million (86.6).

Acquisition-related depreciation and amortization, which do not affect cash flow, reduced EBIT by SEK 44.4 million (32.1). The depreciation and amortization arose mainly from planned amortization of acquired customer relationships and acquired software. See Note 4.

Adjusted EBIT (EBIT excluding items affecting comparability and depreciation and amortization of acquisition-related assets¹) amounted to SEK 210.7 million (131.5).

Employees

At the end of the quarter, the Group employed 1,162 (587) people, including consultants. The average number of employees for the quarter was 992 (573). The average number of employees (full-time equivalents, excluding consultants) was 825 (454), of whom 27 percent (22) women.

January – September 2020

Net sales

Consolidated net sales grew in the period by 44 percent to SEK 5,023.8 million (3,494.4). Organic growth was 31 percent.

Gross profit

Gross profit was SEK 1,378.6 million (954.2) Organic growth was 27 percent. The effect of currency movements was low

and amounted to SEK -0.6 million. The gross margin amounted to 27.6 percent (27.3).

Operating profit, EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 535.8 million (361.2). EBITDA excluding items affecting comparability¹ (adjusted EBITDA) amounted to SEK 586.8 million (374.0).

EBIT amounted to SEK 361.9 million (228.7). Adjusted EBIT (EBIT excluding items affecting comparability and depreciation and amortization of acquisition-related assets), amounted to SEK 541.2 million (337.9).

Other income and expense items

Net financial expense was SEK -40.1 million (3.7), with interest costs amounting to SEK -27.9 million (-22.2) and foreign exchange differences to SEK -10.7 million (23.6). The Group's effective tax rate was 28.5 percent (22.6). See Note 5 for a reconciliation of tax on profit or loss for the period. Net profit for the period amounted to SEK 229.9 million (179.8).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 66.1 million (33.3). Investments relate primarily to capitalized development expenditure of SEK 49.6 million (23.3).

Cash flow, liquidity and financial position

Cash flow from operating activities amounted to SEK 505.7 million (191.3). Consolidated cash and cash equivalents on 30 September 2020 amounted to SEK 2,113.3 million (168.1).

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

Net debt amounted to SEK -971.8 million (445.0). Adjusted EBITDA R12M in relation to net debt was -1.2 (0.9). The negative net debt is intended to finance announced but not yet finalized acquisitions.

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

Equity on 30 September 2020 amounted to SEK 4,220.5 million (1,998.6 on 31 December 2019), corresponding to an equity ratio of 58.2 percent (40.0 on 31 December 2019).

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 RCS and WhatsApp. The product segment also includes personalized video messaging, where unique video messages are customized for each and every recipient.

Messaging, SEK million	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Net sales	1,718.1	1,126.2	4,814.4	3,248.3	4,692.5	6,258.6
Gross profit	429.0	272.8	1,215.5	760.4	1,124.4	1,579.5
Gross margin	25.0%	24.2%	25.2%	23.4%	24.0%	25.2%
Adjusted EBITDA	247.7	134.9	638.1	354.9	559.9	843.1
EBITDA	233.8	134.9	617.3	354.9	557.3	819.6
Adjusted EBITDA/gross profit	57.7%	49.5%	52.5%	46.7%	49.8%	53.4%
Adjusted EBITDA margin	14.4%	12.0%	13.3%	10.9%	11.9%	13.5%

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 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, an area where we see great potential even though market is still in an early phase.

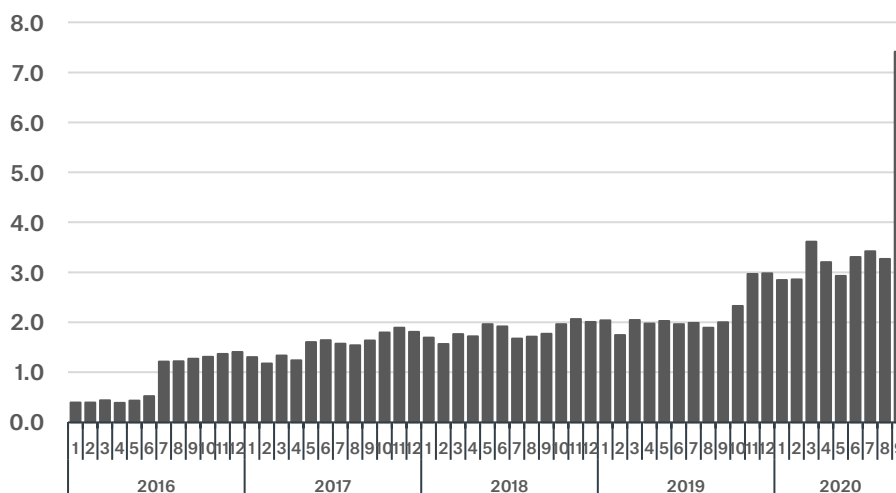
The first stage of the acquisition of ACL Mobile, a leading vendor of cloud communications services in India and Southeast Asia, was completed on 1 September. The remaining consideration has been recognized as a liability and the company has been fully consolidated. With an enterprise customer base exceeding 500, ACL is particularly successful in the banking and financial services sector, where the company's proprietary Axiom platform offers intelligent routing and granular access controls that meet the stringent demands of the financial sector. Covid-19 had clearly negative impact on ACL's business during the first half of 2020, but operations gradually strengthened in August and September. The collaboration with Sinch's global organization is off to a good start, as cross-selling of the Chatlayer platform for AI-based customer interaction to Indian customers began in September.

The acquisition of SAP Digital Interconnect closed after the end of the quarter and integration of the acquired business is now a key focus. The work to finalize the acquisition of Wavy is continuing in parallel.

Transaction volume

The acquisition of ACL Mobile resulted in a sharp increase in the number of sent messages in the third quarter. The increase was 265 percent compared to the same quarter the year before and Sinch handled more than 7 billion messages in September. The increase in comparable units was 19 percent compared to the corresponding quarter last year.

Number of transactions per month (billions)



Net sales

During the quarter, net sales increased by SEK 591.8 million compared to the corresponding period in 2019 to SEK 1,718.1 million (1,126.2), an increase of 53 percent. Of this increase, 16 percentage points are attributable to acquisitions and -4 percentage points to currency movements. Organic growth was 40 percent. The acquisition of TWW contributed SEK 97.0 million, myElefant SEK 20.5 million, Chatlayer SEK 4.5 million and ACL SEK 59.9 million.

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

Gross profit

Gross profit increased during the quarter to SEK 429.0 million (272.8), an increase of 57 percent compared to the same quarter in the preceding year. Of this increase, 26 percentage points are attributable to acquisitions and -4 percentage points to currency movements. Organic growth was 35 percent. The acquisition of TWW contributed SEK 48.9 million, myElefant SEK 7.1 million, Chatlayer SEK 4.1 million and ACL SEK 11.6 million during the third quarter.

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

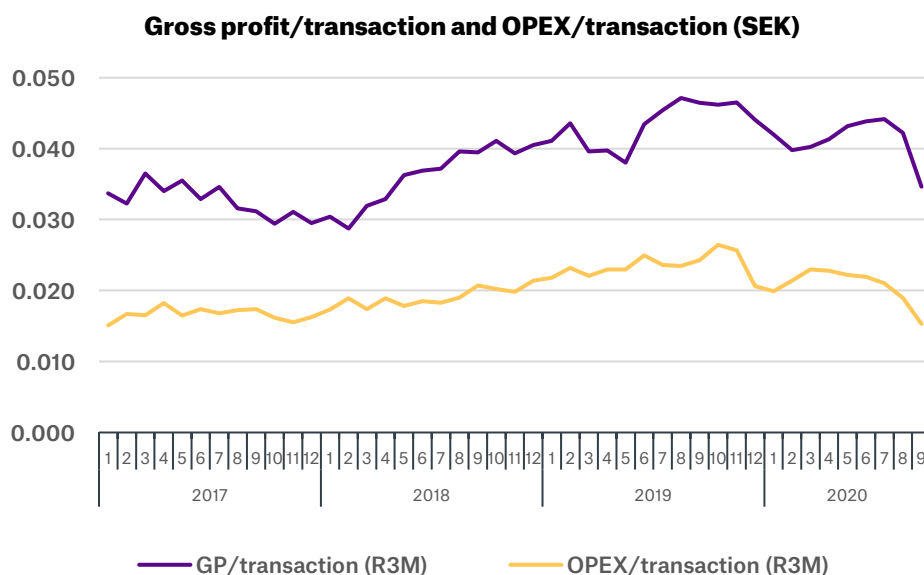
The gross margin rose by 0.8 percentage points during the quarter compared to the same quarter last year. Sinch has acquired several businesses in the last year whose gross margins are higher than the segment average. Growth in existing and new products with higher software content also had positive impact on the margin.

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

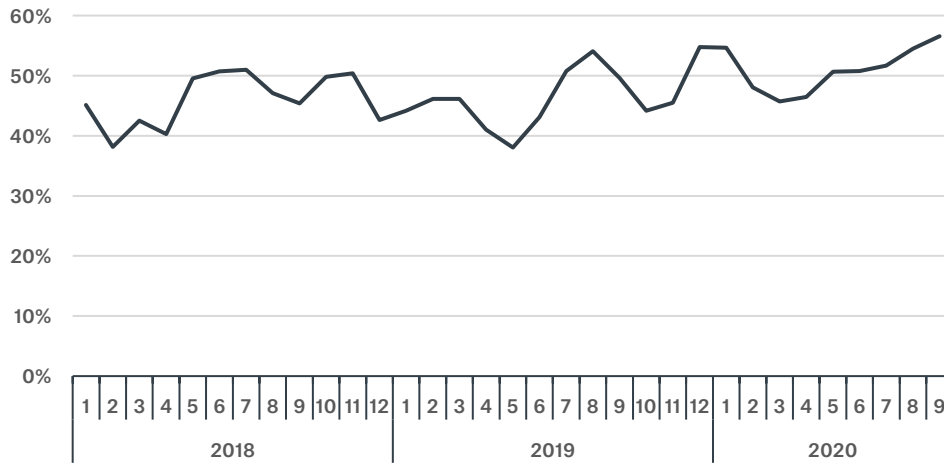
EBITDA

During the quarter, Adjusted EBITDA increased by SEK 112.8 million compared to the corresponding quarter in 2019 to SEK 247.7 million (134.9), an increase of 84 percent. The business benefits from economies of scale since a rise in gross profit does not render a corresponding increase in the cost base.

The acquisition of ACL Mobile has had major impact on Sinch's average performance metrics per transaction. ACL benefits from economies of scale due to its competitive cost base combined with high transaction volumes, resulting in considerably 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.



Adjusted EBITDA /gross profit (rolling 3 months)



Adjusted 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, Adjusted EBITDA /gross profit is higher than in the same period last year because gross profit growth has a high incremental margin. Compared to the second quarter 2020, Adjusted EBITDA in the third quarter also benefited from positive seasonal effects and reduced currency effects on the cost base.

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	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Net sales	60.9	70.0	187.2	171.9	248.8	264.2
Gross profit	14.6	31.7	54.4	75.0	109.5	88.9
Gross margin	23.9%	45.3%	29.0%	43.6%	44.0%	33.7%
Adjusted EBITDA	-5.8	12.2	-6.5	15.8	26.6	4.4
EBITDA	-5.8	12.2	-6.5	15.8	26.6	4.4
Adjusted EBITDA margin	-9.5%	17.5%	-3.5%	9.2%	10.7%	1.6%

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 decreased during the quarter by SEK 9.1 million to SEK 60.9 million (70.0). 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 were relatively stable in the third quarter, with a minor improvement at the end of the quarter.

Profit

Gross profit for the quarter amounted to SEK 14.6 million (31.7). Changes in product mix had a negative impact on the gross margin, which was 23.9 percent (45.3). Adjusted EBITDA amounted to SEK -5.8 million (12.2).

Operators

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

Operators, SEK million	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Net sales	39.7	42.0	127.9	129.6	173.3	171.6
Gross profit	37.1	39.1	117.7	118.8	160.2	159.2
Gross margin	93.4%	93.0%	92.1%	91.7%	92.5%	92.7%
Adjusted EBITDA	1.5	4.6	0.9	19.1	15.7	-2.5
EBITDA	1.5	4.6	4.3	19.1	15.7	0.9
Adjusted EBITDA margin	3.9%	11.0%	0.7%	14.7%	9.1%	-1.4%

The Operators business is project-based and thus more volatile than the other business segments. Several future-oriented initiatives were begun in 2019, including sharper focus on products 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.

Net sales

Net sales decreased during the quarter by SEK -2.3 million to SEK 39.7 million (42.0). New sales were adversely affected by a more uncertain business climate due to the ongoing Covid-19 pandemic, but business with existing customers remains stable. Sinch's new SMSF product for 5G messaging is now being marketed together with Ericsson and is receiving positive feedback from operators in several parts of the world.

Profit

Gross profit decreased during the quarter by SEK -2.0 million to SEK 37.1 million (39.1). Adjusted EBITDA decreased by SEK 3.1 million to SEK 1.5 million (4.6).

Condensed income statement

Sinch Group, SEK million	Note	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Net sales		1,777.7	1,216.4	5,023.8	3,494.9	5,035.6	6,564.5
Cost of goods sold and services		-1,297.1	-872.9	-3,636.2	-2,540.7	-3,641.4	-4,737.0
Gross profit		480.6	343.6	1,387.6	954.2	1,394.1	1,827.5
Other operating income		96.7	25.0	163.7	76.6	103.1	190.2
Work performed by the entity and capitalized		16.7	8.1	49.6	23.3	38.6	64.9
Other external costs		-164.9	-90.0	-401.3	-238.7	-328.7	-491.4
Employee benefits expenses		-175.7	-124.9	-557.8	-377.0	-537.6	-718.4
Other operating expenses		-38.5	-27.0	-105.9	-77.2	-113.9	-142.7
EBITDA		214.9	134.8	535.8	361.2	555.5	730.2
Depreciation, amortization and impairment	4	-59.7	-48.2	-173.9	-132.4	-183.9	-225.3
EBIT		155.2	86.6	361.9	228.7	371.6	504.8
Finance income		-9.9	150.8	-6.2	318.3	18.6	-305.9
Finance expenses		-10.5	-144.4	-33.9	-314.6	-35.2	245.5
Profit before tax		134.7	93.0	321.8	232.4	355.0	444.5
Current tax		-41.5	-25.1	-117.8	-58.0	-83.8	-143.6
Deferred tax		3.2	0.8	26.0	5.5	3.3	23.8
Profit for the period		96.4	68.7	229.9	179.8	274.5	324.6
Attributable to:							
Owners of the parent		96.3	68.8	229.8	180.0	274.6	324.5
Non-controlling interests		0.1	-0.1	0.1	-0.2	-0.1	0.1

Earnings per share

Sinch Group, SEK	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
- Basic	1.61	1.28	3.99	3.36	5.12	4.94
- Diluted	1.56	1.27	3.88	3.34	5.06	4.81

Condensed statement of comprehensive income

Sinch Group, SEK million	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Profit for the period	96.4	68.7	229.9	179.8	274.5	324.6
Other comprehensive income or loss						
Translation differences	-43.8	61.1	-223.1	114.3	61.2	-276.3
Hedge accounting net investments	-9.4	4.8	-8.9	-3.0	-5.7	-11.6
Tax effect on items in other comprehensive income	2.0	-1.0	1.9	0.6	1.2	2.5
Other comprehensive income for the period	-51.2	64.8	-230.2	111.9	56.7	-285.4
Total comprehensive income for the period	45.2	133.6	-0.2	291.7	331.2	39.2
Attributable to:						
Owners of the parent	45.2	133.6	-0.1	291.8	331.4	39.5
Non-controlling interests	0.0	0.0	-0.1	-0.1	-0.2	-0.2

Condensed balance sheet

Sinch Group, SEK million	Note	9/30/2020	9/30/2019	12/31/2019
ASSETS				
Goodwill		1,935.5	1,307.2	1,753.9
Customer relationships		776.3	668.1	764.0
Operator relationships		203.6	99.4	106.8
Proprietary software		274.8	132.9	162.7
Other intangible non-current assets		9.0	2.0	3.9
Right-to-use assets		62.1	73.6	76.6
Other tangible non-current assets		75.5	23.2	29.7
Non-current financial assets		14.8	11.8	12.0
Deferred tax assets		221.9	188.0	237.6
Total non-current assets		3,573.5	2,506.3	3,147.2
Tax receivables		35.0	24.2	23.8
Other current receivables		1,533.1	1,128.3	1,353.6
Cash and cash equivalents		2,113.3	168.1	466.3
Total current assets		3,681.3	1,320.6	1,843.7
TOTAL ASSETS		7,254.8	3,826.9	4,990.9
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	3	4,219.9	1,956.4	1,997.9
Non-controlling interests		0.6	0.8	0.7
Total equity		4,220.5	1,957.2	1,998.6
Deferred tax liability		329.9	211.4	270.3
Non-current liabilities, interest bearing		1,050.5	483.9	1,329.8
Non-current liabilities, non-interest bearing		61.8	69.8	139.8
Total non-current liabilities		1,442.2	765.0	1,739.9
Current liabilities, interest bearing		91.1	129.2	95.2
Provisions		31.4	29.8	21.3
Tax liabilities		34.5	41.0	9.7
Other current liabilities, non-interest bearing		1,435.2	904.8	1,126.1
Total current liabilities		1,592.2	1,104.7	1,252.4
TOTAL EQUITY AND LIABILITIES		7,254.8	3,826.9	4,990.9
Financial instruments measured at fair value				
Derivatives with positive fair value		0.3	0.9	6.4
Derivatives with negative fair value		5.4	1.7	2.1

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

Condensed statement of changes in equity

Sinch Group, SEK million	Attributable to owners of the parent company					Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Retained earnings	Total		
Opening balance 1 January 2019	5.4	1,386.8	18.5	252.6	1,663.3	0.9	1,664.2
Total comprehensive income			111.8	180.0	291.8	-0.1	291.7
Warrants issue		1.8			1.8		1.8
Issue expenses, net after tax				-0.7	-0.7		-0.7
Closing balance 30 Sep 2019	5.4	1,388.6	130.4	431.9	1,956.4	0.8	1,957.2
Opening balance 1 January 2020	5.4	1,390.8	75.4	526.3	1,997.9	0.7	1,998.6
Total comprehensive income			-229.9	229.8	-0.1	-0.1	-0.2
Warrants issue	0.6	2,247.8			2,248.5		2,248.5
Issue expenses, net after tax		-26.3			-26.3		-26.3
Closing balance 30 Sep 2020	6.0	3,612.3	-154.5	756.1	4,219.9	0.6	4,220.5

Condensed statement of cash flows

Sinch Group, SEK million	Note	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Cash flow before changes in working capital		145.0	144.0	447.2	303.8	453.5	596.9
Changes in working capital		-37.6	-120.9	58.5	-112.5	-126.2	44.8
Cash flow from operating activities		107.4	23.1	505.7	191.3	327.3	641.7
Net investments in tangible and intangible assets		-21.9	-13.7	-66.1	-33.3	-56.0	-88.9
Change in financial receivables		8.3	5.2	6.1	0.7	12.1	17.5
Acquisition of subsidiary	6	-569.0	-2.1	-694.7	-87.9	-668.5	-1,275.4
Cash flow from investing activities		-582.6	-10.7	-754.8	-120.4	-712.4	-1,346.7
New borrowing		-	-	-	-	1,453.4	1,453.4
Amortization of bank loan		-25.6	-27.5	-238.3	-72.9	-756.7	-922.0
Amortization lease liability		-8.1	-6.4	-22.1	-18.9	-25.8	-29.0
New share issue/warrants	3	-0.6	-1.7	2,211.4	0.7	2.1	2,212.8
Cash flow from financing activities		-34.2	-35.6	1,951.1	-91.0	673.1	2,715.2
Cash flow for the period		-509.4	-23.2	1,702.0	-20.2	288.0	2,010.2
Opening balance cash and cash equivalents		2,650.6	185.5	466.3	180.8	180.8	168.1
Exchange rate differences in cash and cash equivalents		-27.9	5.8	-55.0	7.5	-2.4	-64.9
Closing balance cash and cash equivalents		2,113.3	168.1	2,113.3	168.1	466.3	2,113.3

Other disclosures

Sinch Group, SEK million	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Share information						
Basic earnings per share, SEK	1.61	1.28	3.99	3.36	5.12	4.94
Diluted earnings per share, SEK	1.56	1.27	3.88	3.34	5.06	4.81
Basic weighted average number of shares	59,985,934	53,602,089	57,641,707	53,602,089	53,602,089	65,720,942
Diluted weighted average number of shares	61,957,987	54,050,750	59,230,795	53,929,680	54,234,275	67,451,797
Total number of shares at the end of the period	59,985,934	53,602,089	59,985,934	53,602,089	53,602,089	59,985,934
Financial position						
Equity attributable to owners of the parent	4,219.9	1,956.4	4,219.9	1,956.4	1,997.9	4,219.9
Equity ratio	58.2%	51.1%	58.2%	51.1%	40.0%	58.2%
Net investments in tangible and intangible assets	21.9	13.7	66.1	33.3	56.0	88.9
Cash and cash equivalents	2,113.3	168.1	2,113.3	168.1	466.3	2,113.3
Net debt	-971.8	445.0	-971.8	445.0	958.7	-971.8
Net debt/adjusted EBITDA R12M, multiple	-1.2	0.9	-1.2	0.9	1.7	-1.2
Employees						
Number of FTEs	825	454	757	429	457	661
Percentage female	27%	22%	27%	21%	23%	27%
Key figures						
EBITDA margin	12.1%	11.1%	10.7%	10.3%	11.0%	11.1%
EBIT margin	8.7%	7.1%	7.2%	6.5%	7.4%	7.7%

Segment reporting

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

Q3 2020, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	1,686.3	58.0	33.5	-	1,777.7
Internal revenue	31.8	2.9	6.2	-40.9	-
Gross profit	429.0	14.6	37.1	0.0	480.6
Adjusted EBITDA	247.7	-5.8	1.5	-17.5	226.0
Items affecting comparability	-13.9	0.0	-0.1	2.9	-11.1
EBITDA	233.8	-5.8	1.5	-14.7	214.9
Depreciation and amortization					-59.7
EBIT					155.2
Net financial expense					-20.5
Profit before tax					134.7

EBITDA for the parent company was SEK -64.4 million, including acquisition and integration costs of SEK -50.6 million. Unallocated items include acquisition and integration costs of SEK -7.6 million, income adjusted earnout of SEK 61.1 million and employee benefits expenses related to incentive programs of SEK -3.6 million.

Q3 2019, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	1,105.9	69.8	40.7	-	1,216.4
Internal revenue	20.3	0.1	1.4	-21.8	-
Gross profit	272.8	31.7	39.1	0.0	343.6
Adjusted EBITDA	134.9	12.2	4.6	-4.2	147.6
Items affecting comparability	-	-	-	-12.9	-12.9
EBITDA	134.9	12.2	4.6	-17.0	134.8
Depreciation and amortization					-48.2
EBIT					86.6
Net financial expense					6.4
Profit before tax					93.0

EBITDA for the parent company was SEK -3.7 million. Unallocated items include acquisition costs of SEK -12.9 million.

Jan-Sep 2020, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	4,729.1	184.1	110.6	-	5,023.8
Internal revenue	85.2	3.2	17.2	-105.7	-
Gross profit	1,215.5	54.4	117.7	0.0	1,387.6
Adjusted EBITDA	638.1	-6.5	0.9	-45.7	586.8
Items affecting comparability	-20.8	0.0	3.4	-33.6	-51.0
EBITDA	617.3	-6.5	4.3	-79.3	535.8
Depreciation and amortization					-173.9
EBIT					361.9
Net financial expense					-40.1
Profit before tax					321.8

EBITDA for the parent company was SEK -79.5 million, including acquisition and integration costs of SEK -54.0 million. Unallocated items include acquisition and integration costs of SEK -40.6 million, income adjusted earnout of SEK 61.1 million and employee benefits expenses related to incentive programs of SEK -18.6 million.

Jan-Sep 2019, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	3,197.8	171.6	125.4	-	3,494.9
Internal revenue	50.4	0.3	4.2	-54.9	-
Gross profit	760.4	75.0	118.8	0.0	954.2
Adjusted EBITDA	354.9	15.8	19.1	-15.7	374.0
Items affecting comparability	-	-	-	-12.9	-12.9
EBITDA	354.9	15.8	19.1	-28.6	361.2
Depreciation and amortization					-132.4
EBIT					228.7
Net financial expense					3.7
Profit before tax					232.4

EBITDA for the parent company was SEK -12.4 million. Unallocated items include acquisition costs of SEK -12.9 million.

Distribution of external net sales

Q3 2020, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
France	97.9	0.2	-	98.1
UK	146.3	1.1	0.6	147.9
Sweden	131.7	1.6	6.8	140.1
Germany	63.1	0.3	1.2	64.5
Other countries in the European Union	145.3	8.4	11.9	165.6
Brazil	20.4	0.0	-	20.4
India	59.6	0.1	-	59.6
Singapore	86.3	13.7	-	99.9
USA	902.0	25.2	0.0	927.3
Rest of the world	33.6	7.5	13.0	54.1
Total	1,686.3	58.0	33.5	1,777.7
Net sales by product/service				
Messaging	1,672.2	58.0	0.0	1,730.2
Initial software licenses and upgrades	3.9	-	11.0	14.8
Support	1.6	-	22.5	24.1
Other	8.6	-	-	8.6
Total	1,686.3	58.0	33.5	1,777.7
Net sales allocation per point in time				
Over time	17.6	-	33.5	51.1
At one point in time	1,668.6	58.0	0.0	1,726.6
Total	1,686.3	58.0	33.5	1,777.7

Q3 2019, MSEK	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
France	83.9	0.1	-	84.0
UK	180.6	1.3	0.7	182.6
Sweden	76.2	2.7	9.6	88.6
Germany	97.6	1.8	0.7	100.0
Other countries in the European Union	115.9	28.4	11.4	155.7
USA	430.3	17.8	1.6	449.8
Rest of the world	121.5	17.7	16.6	155.8
Total	1,105.9	69.8	40.7	1,216.4
Net sales by product/service				
Messaging	1,084.7	69.8	-	1,154.5
Initial software licenses and upgrades	-	-	17.6	17.6
Support	1.7	-	23.1	24.8
Other	19.5	-	0.0	19.5
Total	1,105.9	69.8	40.7	1,216.4
Net sales allocation per point in time				
Over time	19.2	-	40.7	59.8
At one point in time	1,086.7	69.8	-	1,156.6
Total	1,105.9	69.8	40.7	1,216.4

Jan-Sep 2020, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
France	300.0	0.7	-	300.7
UK	549.8	4.1	2.2	556.1
Sweden	256.7	5.8	21.2	283.7
Germany	238.2	1.8	2.6	242.7
Other countries in the European Union	400.1	37.7	34.2	472.0
Brazil	172.6	0.3	-	172.9
India	59.6	0.1	-	59.6
Singapore	86.3	13.7	-	99.9
USA	2,341.1	76.8	0.2	2,418.1
Rest of the world	324.7	43.2	50.1	418.1
Total	4,729.1	184.1	110.6	5,023.8
Net sales by product/service				
Messaging	4,691.7	184.1	-	4,875.8
Initial software licenses and upgrades	5.7	-	30.3	36.0
Support	4.4	-	80.4	84.7
Other	27.3	-	0.0	27.3
Total	4,729.1	184.1	110.6	5,023.8
Net sales allocation per point in time				
Over time	18.9	-	110.6	129.5
At one point in time	4,710.3	184.1	0.0	4,894.3
Total	4,729.1	184.1	110.6	5,023.8

Jan-Sep 2019, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
France	310.5	0.2	-	310.8
UK	520.5	4.2	3.7	528.5
Sweden	235.2	9.4	23.6	268.3
Germany	278.1	5.9	2.0	286.1
Other countries in the European Union	334.1	58.3	39.6	432.0
USA	1,155.8	41.0	2.6	1,199.4
Rest of the world	363.6	52.4	53.9	469.9
Total	3,197.8	171.6	125.4	3,494.9
Net sales by product/service				
Messaging	3,143.2	171.6	-	3,314.8
Initial software licenses and upgrades	-	-	50.9	50.9
Support	4.7	-	74.5	79.2
Other	49.9	-	0.0	49.9
Total	3,197.8	171.6	125.4	3,494.9
Net sales allocation per point in time				
Over time	22.9	-	125.4	148.3
At one point in time	3,174.9	171.6	-	3,346.5
Total	3,197.8	171.6	125.4	3,494.9

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 16 (9) employees. The parent company has no external business activities and the risks are mainly related to the operations of the subsidiaries. The increase operating costs during 2020 are mainly attributable to integration and acquisition costs for SDI of SEK 50.6 million.

Condensed parent company income statement and balance sheet

SEK million	Jan-Sep 2020	Jan-Sep 2019	2019
Operating revenue	45.7	32.2	45.7
Operating costs	-137.8	-56.7	-81.5
EBIT	-92.1	-24.6	-35.8
Finance income & expenses	38.4	85.3	137.8
Profit after financial items	-53.7	60.7	101.9
Appropriations	0.0	0.0	-51.4
Tax on profit for the period	10.1	-13.0	-14.2
Profit for the period*	-43.6	47.7	62.0

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

SEK million	9/30/2020	9/30/2019	12/31/2019
ASSETS			
Non-current assets	2,997.5	2,273.4	2,951.2
Current assets	2,778.2	78.4	26.7
TOTAL ASSETS	5,775.6	2,351.7	2,977.9
EQUITY AND LIABILITIES			
Equity	3,664.8	1,473.9	1,489.8
Untaxed reserves	28.4	8.6	28.4
Appropriations	1.4	0.0	1.4
Non-current liabilities	995.4	441.1	1,268.7
Current liabilities	1,085.7	428.1	189.7
TOTAL EQUITY AND LIABILITIES	5,775.6	2,351.7	2,977.9

Note 1 - Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable provisions of the Annual Accounts Act. Disclosures in accordance with IAS 34 *Interim Financial Reporting* are provided in notes and elsewhere in the interim report. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 *Accounting of Legal Entities*. The accounting policies and estimation methods are unchanged from those applied in the 2019 annual report. There are no amendments to IFRS standards in 2020 that have 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 7.3 million (7.3).

Note 3 - Incentive programs

Under the incentive program (LTI 2020) adopted by the AGM on 15 May 2020, 178,750 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 133.78 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 133.78 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 that 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-September, 331,214 warrants from LTI 2016 were exercised with a corresponding increase in the number of shares outstanding. The exercise price was SEK 127.67 per share and the exercise increased Sinch's equity by SEK 42.3 million.

Payroll costs for vested warrants are included in profit and loss for 2020 in the amount of SEK -3.5 million, with a corresponding increase in equity. Social security expenses are included in the amount of SEK -15.0 million, with a corresponding increase of provisions in the balance sheet. SEK -2.5 million in payroll costs and SEK -1.1 million in social security expenses were recognized in profit and loss during the third 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 6.0 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 impairment, SEK million	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	2019	R12M
Amortization acquired customer relationships	-28.6	-22.3	-86.7	-67.0	-92.9	-112.6
Amortization acquired operator relationships	-4.7	-3.5	-12.6	-10.4	-14.2	-16.4
Amortization acquired trademarks	-0.9	0.0	-1.5	-0.1	-0.4	-1.7
Amortization acquired proprietary software	-10.1	-6.3	-27.4	-18.8	-26.5	-35.2
<i>Total acquisition-related amortization</i>	<i>-44.4</i>	<i>-32.1</i>	<i>-128.3</i>	<i>-96.3</i>	<i>-134.0</i>	<i>-165.9</i>
Amortization own developed software	-3.5	-7.9	-13.1	-11.4	-15.5	-17.2
Amortization licenses	-0.4	-0.1	-0.8	-0.4	-0.7	-1.0
Total amortization	-48.3	-40.1	-142.2	-108.1	-150.1	-184.1
Depreciation tangible fixed assets	-3.5	-2.0	-10.4	-6.2	-9.1	-13.3
Depreciation right of use assets	-7.8	-6.2	-21.3	-18.1	-24.7	-27.8
Total depreciation	-59.6	-48.2	-173.8	-132.4	-183.9	-225.2

Note 5 - Reconciliation of tax for the period

Reconciliation of tax expense for the period	2020	2019
Profit before tax	321.8	232.4
Tax calculated at Swedish tax rate, 21.4%	-68.9	-49.7
Tax attributable to previous years	2.5	-1.2
Tax effect of non-deductible expenses	-24.7	-4.6
Tax effect of non-taxable revenue	13.1	0.0
Tax on standard interest rate, tax allocation reserves	-	0.0
Tax effect of non-capitalized loss carryforwards	-1.0	-1.1
Tax effect of utilized non-capitalized loss carryforwards	0.4	-
Withholding taxes	-3.8	-
Effect of foreign tax rates	-9.5	4.1
Tax on profit for the period according to income statement	-91.9	-52.6

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 61.7m) 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.

Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy, including the two companies Movable Internet Móvel S.A. and Wavy Global Holdings BV, for cash consideration of BRL 355 million and a non-cash issue of 1,534,582 new shares in Sinch. In total, this corresponds to consideration of SEK 1,187 million on a debt-free basis at a price per share of SEK 311 and an exchange rate of SEK/BRL 2.00. 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 260 employees and nine offices in six countries. The merger of Sinch and Wavy is expected to generate synergies of BRL 15-20 million (SEK 30-40m) in the next 24 months. Execution of the transaction is subject to customary terms and conditions and the approval of the Brazilian competition authority CADE, Conselho Administrativo de Defesa Econômica. The transaction is expected to close in the fourth quarter of 2020. If the transaction is not carried out, and provided that certain criteria are met, Sinch will pay Movable a cancellation fee of BRL 30 million (SEK 60m).

SDI

The acquisition of SAP Digital Interconnect (SDI), a unit within SAP, was closed after the end of the quarter on 1 November, for total cash consideration of EUR 225 million (SEK 2,362.5m) at an exchange rate SEK/EUR 10.50. The acquisition is 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. Carrier Messaging comprises several business-critical services for mobile operators, including products for handling person-to-person (P2P) messages. Enterprise Solutions includes products for customer service, including cloud-based contact center solutions and services to manage advisory information in emergencies. During the 12-month period ending 31 March 2020, SDI generated sales of EUR 340 million (SEK 3,570m), gross profit of EUR 94 million (SEK 987m) and Adjusted EBITDA of EUR 15.4 million (SEK 161.7m). Headquartered in San Ramon, California, the business has about 330 employees in 20 countries. SDI is included in the consolidated accounts from 1 November, the accounting for business combinations (acquisition analysis) is per the reporting date incomplete, therefore certain information could not be provided in this interim report.

ACL

The first stage of the acquisition of ACL was closed on 1 September when 81.45 percent of the share capital was acquired. The remaining portion of the share capital is acquired through a call option before the end of the year. Through potential voting shares, Sinch has the right to a return linked to ownership interests and holds control over the company, ACL is thus included at 100 percent in the consolidated accounts from 1 September in the Messaging segment. The total consideration amounts to INR 5,345 million (approximately SEK 630m) and the consideration for the remaining portion of INR 959 million has been recognized as a liability. The acquisition is 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 1,091 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, mainly attributable to the expertise contributed by the employees of ACL. The estimated useful lives

of assets are as follows: proprietary software, ten years; trademark six months; customer relationships five to ten years; and operator relationships ten years.

Previous acquisitions

During the first quarter, cash as well as working capital and liabilities amounting to SEK 37.2 million was settled and an additional purchase consideration of SEK 1.3 million was paid out in respect of TWW. The additional purchase consideration refers to compensation for the tax value of used loss carryforwards. The purchase agreement for the minority's share in Caleo included a possible earnout based on license sales. Set targets for obtaining the remaining earnout of SEK 4.0 million have only been partially achieved, thus the earnout was adjusted downwards by SEK 3.5 million in the second quarter and SEK 0.5 million was paid in the third quarter. The purchase agreement for Vehicle included a possible earnout based on the company's sales and EBITDA development. In 2018 and 2019, USD 4 million and USD 8 million respectively was paid out. Set targets to receive the remaining earnout of USD 6.5 million (SEK 61m) have not been achieved and thus written down during the third quarter.

Fair value acquired net assets, SEK million	Chatlayer	ACL ¹
Customer relationships	-	141.2
Operator relationships	-	112.7
Trademark	-	3.6
Proprietary software	52.3	51.9
Right of use assets	1.9	1.0
Other intangible assets	-	3.2
Buildings	-	27.4
Other non-tangible assets	0.1	12.9
Financial fixed assets	0.0	7.3
Accounts receivable	2.8	196.1
Credit loss reserve	-	-7.6
Accrued income	0.2	59.9
Other short-term receivables	0.0	45.6
Cash and cash equivalents	5.8	16.8
Deferred tax liability	-13.1	-87.5
Leasing liability	-1.8	-1.0
Other long-term liabilities	-16.4	-8.3
Accounts payable	-1.6	-95.1
Short-term liabilities, interest bearing	-0.3	-9.0
Other short-term liabilities	-9.0	-100.7
Total acquired net assets	21.0	370.4

Purchase consideration, SEK million	Chatlayer	ACL
Paid purchase price	61.7	515.9
Remaining purchase price to pay	-	112.7
Total purchase consideration	61.7	628.6
Fair value acquired net assets	-21.0	-370.4
Goodwill	40.7	258.2

¹ The acquisition analysis for ACL is preliminary

Investing activities 2020, SEK million	Chatlayer	ACL	SDI	Wavy	Caleo	myElefant	TWW	Total
Paid purchase price	61.7	515.9	-	-	-	-	-	577.6
Remaining purchase price to pay	-	-	-	-	0.5	-	1.3	1.8
Settlement cash and cash equivalents	-	-	-	-	-	-	46.4	46.4
Settlement working capital and debt	-	-	-	-	-	-	-9.2	-9.2
Cash and cash equivalents in acquired entity	-5.8	-16.8	-	-	-	-	-	-22.6
Expenses directly linked to the acquisition	2.0	6.1	82.6	8.2	-	0.3	1.5	100.7
Effect on consolidated cash and cash equivalents	57.9	505.2	82.6	8.2	0.5	0.3	40.0	694.7

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

Acquired entities contribution 2020, SEK million	Chatlayer	ACL	Total
Net Sales		6.9	65.8
Profit after tax for the year		-4.1	3.5
			-0.7

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

2020, SEK million	Chatlayer	ACL	Other Sinch entities	Amortization acquired assets	Total
Net Sales	9.8	461.4	4,776.6	-	5,247.8
Profit after tax for the year	-5.6	24.9	239.7	-28.4	230.6

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. For reconciliation, please refer to investors.sinch.com.

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 and bank loans, lease liabilities and provision for pensions.
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 R12M

Net debt divided by adjusted EBITDA for the last twelve months.
Shows how many years it would take to pay off the company's debt, provided that the net debt and EBITDA are constant and without regard to other cash flows.

OPEX

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

Equity/assets ratio

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

Operating profit, EBIT

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

EBITDA

Profit for the period before financial income, financial expenses, tax and depreciation, amortization and impairment of intangible 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 depreciation and amortization of acquisition-related assets.
Enables comparison of profitability over time, regardless of amortization and impairment of acquisition-related intangible assets and independent of 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 non-current assets 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 30 other countries. The share is listed on Nasdaq Stockholm, XSTO: SINCH.

Outlook

Sinch does not publish forecasts.

Forthcoming reporting dates

Year-end report, Jan - Dec 2020	18 February 2021
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 on Friday 18 May 2021 at 14:00 CET in Stockholm. The venue for the meeting will be communicated in connection with notice of the meeting.

Nominating Committee

The members of the Sinch AB nominating committee are:

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

Impact of Covid-19

The ongoing spread of Covid-19 is causing an acceleration in digitalization, a development which increases demand for the type of services offered by Sinch. At the same time, the global pandemic creates uncertainty around or near-term financial development. Covid-19 has a negative impact on the smaller Voice and Video segment, since a decrease in travelling has lowered demand from ride hailing companies. We also note more cautious purchasing behaviour among some mobile operator customers, which hampers sales in the Operators segment. The overall impact on Sinch remains modest, however, since volumes in Messaging have increased. Moreover, Sinch does not anticipate changes in profitability due to Covid-19 of such materiality that it 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.

No significant changes have taken place in our customer relationships that have led to increased credit loss reserves.

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-10, 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.

Headquarters

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Stockholm, 3 November 2020

Erik Fröberg
Chairman of the Board

Bridget Cosgrave

Renée Robinson Strömberg

Johan Stuart

Björn Zethraeus

Oscar Werner
President and Chief Executive Officer

Note: Sinch AB (publ), is required to publish the information in this interim report pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication on 3 November 2020 at 07:30 CET.

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

Auditor's review report

Introduction

We have reviewed the interim report for Sinch AB (publ) for the period of 1 January - 30 September 2020. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the group in accordance with IAS 34 and the Annual Accounts Act, and for the parent company in accordance with the Annual Accounts Act.

Stockholm, 3 November 2020

Deloitte AB

Johan Telander
Authorized Public Accountant