Annual Report 2021

Simplifying life by bringing all people and businesses together.

Contents

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

Sinch's leading cloud communications platform lets businesses reach everyone on the planet, in seconds or less, through mobile messaging, email, voice and video. More than 150,000 businesses, including many of the world's largest companies and mobile operators, use Sinch's advanced technology platform to engage with their customers. Sinch has been profitable and fast-growing since its foundation in 2008. It is headquartered in Stockholm, Sweden, and has local presence in more than 60 countries. Shares are traded at NASDAQ Stockholm: XSTO:SINCH. Visit us at investors.sinch.com..

Sinch as an investment

1 Strong position in a global and growing market

Sinch is a leading provider in the growing global market for communications platforms as a service (CPaaS) and mobile customer engagement. We have more than 150,000 business customers and our products are used by both small local businesses and the world's biggest tech companies.

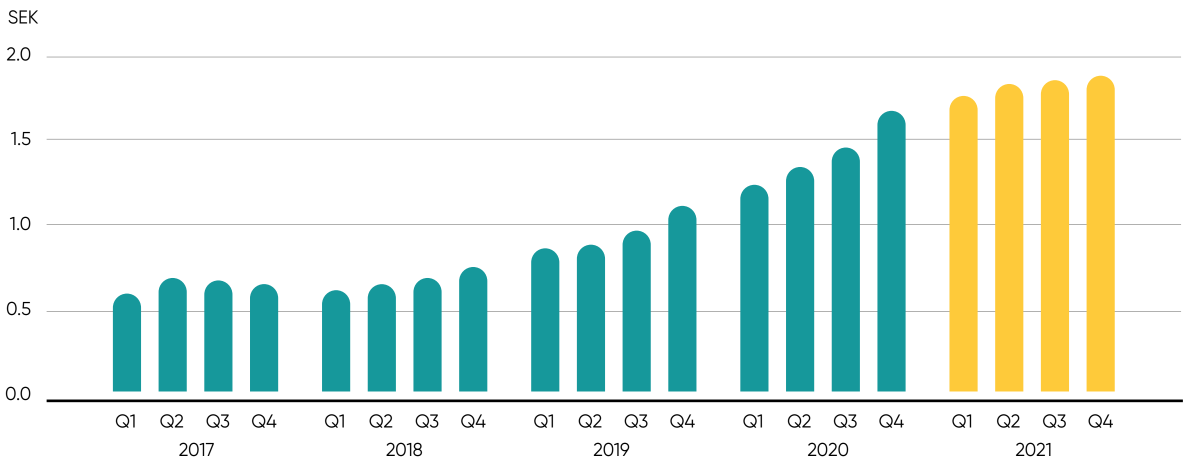
2 Industry leading product portfolio for customer communications

Sinch's cloud-based communications platform lets businesses interact with their customers via SMS, other messaging channels, voice, email and video. We ensure that Sinch has the most competitive offering in every communications channel, that Sinch solutions are scalable and that Sinch delivers high quality worldwide. Our industry is characterized by rapid technical development and we are further strengthening our competitiveness through investments in next generation messaging and artificial intelligence.

3 Organic and acquired growth

Sinch has always had sharp focus on growing the organic business while delivering good profitability. In parallel, we have successfully executed and integrated several strategic acquisitions that create economies of scale while adding new technology and new sales channels. Sinch reinforced its market-leading position with five acquisitions in 2021 that have virtually doubled the company's gross profit and its workforce.

Adjusted EBITDA per share (SEK)[1], RTM



1) The board of directors of Sinch has set a financial target to grow Adjusted EBITDA per share by more than 20 percent per year. Adjusted EBITDA is an Alternative Performance Measure (APM) and is disclosed with the purpose of clarifying the development in the underlying business. The historical development of this APM is shown on the chart above. See also the "Definitions" section, pages 127-128.

Sinch in brief

150,000+
customers

60+
countries with local presence

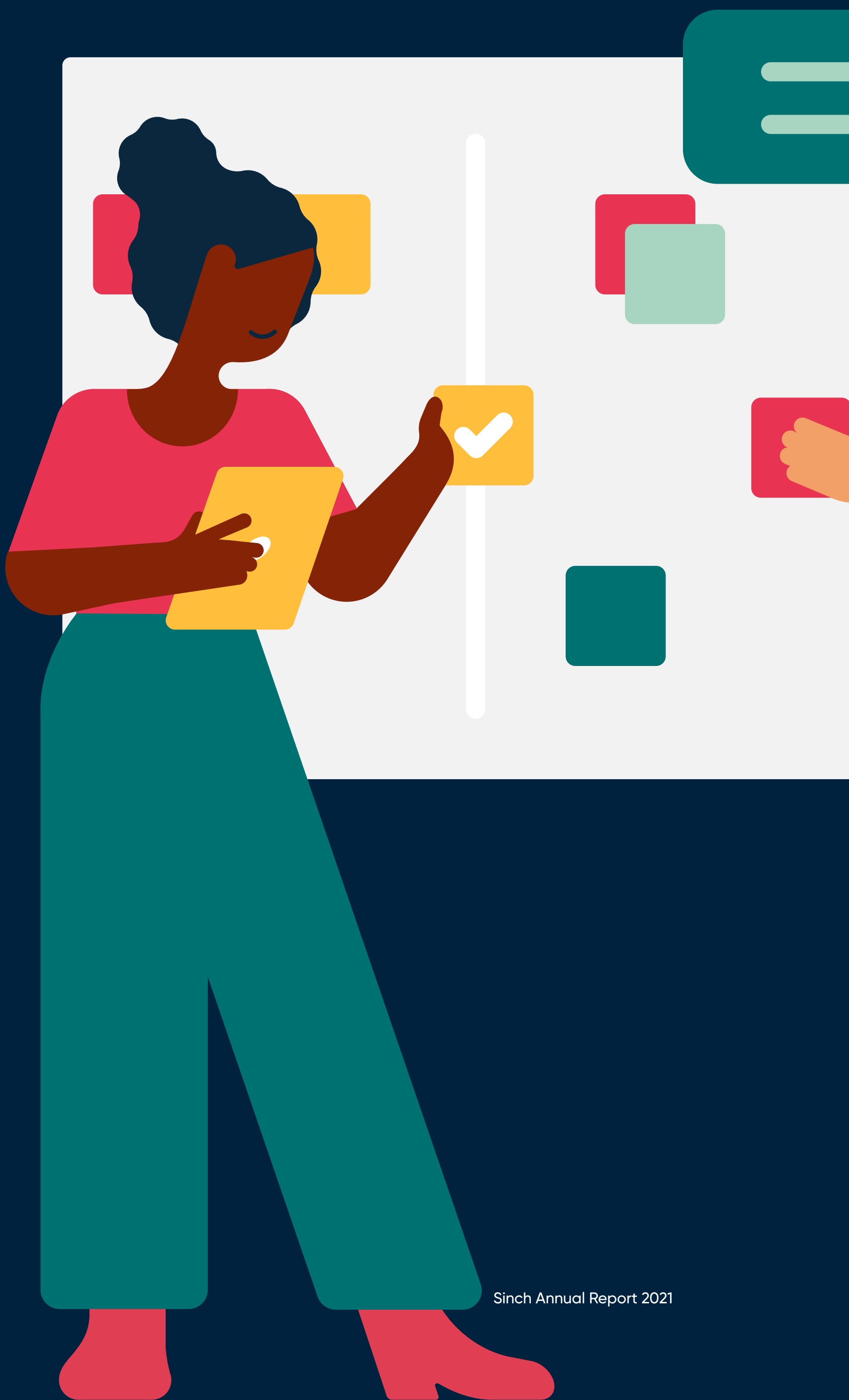
4,000+
employees at year-end 2021

200
billion mobile messages*

290
billion voice minutes*

310
billion emails*

* Texts, voice minutes and emails per year, measured at an annual rate at year-end.



600+

billion customer interactions per year
– texts, voice calls and emails

600+

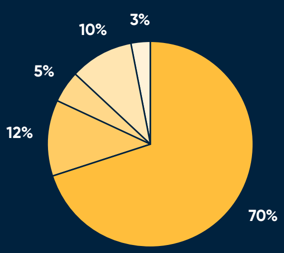
direct connected mobile operators in the Super Network

8 of 10

of the largest US-based tech companies are Sinch customers

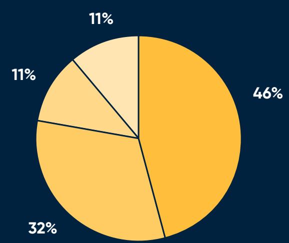
3,933

in gross profit, SEKm



Gross profit per segment 2021

Messaging	70%
Voice and Video	12%
Email	5%
Operators	10%
Other and eliminations	3%



Gross profit per product category 2021, pro forma[1)]

Messaging[2)]	46%
Voice	32%
Email	11%
SMB[3)]	11%

1) Gross profit pro forma amounted to SEK 7,743m, calculated as if all acquired entities had been consolidated on 1 January 2021.

2) Including Applications and some products sold to mobile operators which have been included in segment "Operators".

3) Small and Medium sized Businesses.

A brand new Sinch

2021 was a transformational year where we broadened our product offering, expanded our go-to-market capabilities and established Sinch as a recognised global leader in cloud communications. We continued our investments in both established and emerging messaging technologies, prepared our organization for future growth, and completed three significant acquisitions that doubled the size of our business. Our position in the market is stronger than ever.

A large and expanding market

We address a large and global growth market characterized by a high pace of innovation and strong competition. Rapid digitalization, a continued shift to cloud-based delivery models and a rising focus on customer experience are global themes that affect businesses throughout the world. This drives growth in our market, and we estimate the Total Addressable Market (TAM) for cloud communications to some USD 60 billion. We believe it is strategically important to address both large and established parts of this market, as well as emerging and fast-growing areas, to deliver long-term, profitable growth to our shareholders. The market remains fragmented with continued opportunity for consolidation through M&A.

Transformative acquisitions

The acquisitions of MessageMedia, Inteliquent and Pathwire have significantly increased our scale and diversified our earnings. In addition to our leading position in mobile messaging for large global enterprise customers, we now have best-of-breed products for small- and medium-sized businesses (SMB), cloud-based voice calling, and email delivery.

The full impact of these transactions is not fully reflected in our 2021 earnings since the transactions closed late in the year. We end the year with full-year run-rate revenues at SEK 23.1 billion, gross profit at SEK 7.7 billion, and adjusted EBITDA at SEK 3.4 billion. We handle more than 600 billion customer engagements per year through mobile messaging, email, and voice calling – reaching every phone in the world almost 100 times per year, on average.

Unmatched offering

The recent transactions means we have a leading product set that sets us apart from the competition. We have a best-of-breed offering for messaging, voice and email – enabling global delivery and leading quality without reliance on third-parties or middlemen. Colleagues in more than 60 countries allow us to cater to local requirements and ensure compliance with regulations throughout the world. Our greater scale also means we process more transactions on behalf of our customers and that we can better leverage our continued investments in Applications, AI and machine learning.

In addition to a strengthened product set, the acquisitions also add complementary go-to-market motions. Where Sinch's traditional strength has been in servicing large and global enterprise customers, we now also have an online sales motion adapted specifically to the needs of software developers and a turnkey SaaS product set built for small and medium sized customers.

Macroeconomic concerns

Financial markets were turbulent in 2021 with decreased risk appetite during the second half of the year. Profitability and cash flow are gaining more attention and risk assessment is becoming more central to investment decisions. With this in mind, it is comforting that Sinch has been profitable since it was founded in 2008, with equity issued only to finance acquisitions and never to fund operations.

Russia's invasion of Ukraine now adds a further element of geopolitical concern and uncertainty – and though our financial exposure is very limited, we must always prioritize the wellbeing of our colleagues and we are working actively to support all colleagues in the region.

A diverse and inclusive culture

Creating an environment where people thrive is a top priority. We want Sinch to be a place where people can be their best, can learn and grow, can have different opinions, and can express their full personality. A welcoming and inclusive culture is also a key component of our M&A strategy and a prerequisite for successful integration.

A tremendous opportunity

Digitalization is continuing at breakneck speed, and competition increasingly centers around customer experience. We offer cloud-based solutions that bring simplicity and scalability to communications and enable businesses to engage with their customers on their customers' own terms.

Although the second half of 2021 was affected by operational headwinds and decreased risk appetite in the market, we ended the year better positioned than ever. We have a tremendous opportunity ahead of us.

Oscar Werner
CEO

The year in brief

+102%
growth in net sales compared to 2020

+80%
growth in gross profit compared to 2020

34%
of gross profit translated into adjusted EBITDA[1]

+16%
Growth in EBITDA compared to 2020

1) Adjusted EBITDA is disclosed with the purpose of clarifying the development in the underlying business and is part of Sinch's financial targets. See also the "Definitions" section, pages 127-128.

Financial targets and outcomes

20 percent annual growth in adjusted EBITDA per share

Adjusted EBITDA per share grew by **13 percent** in 2021

Net debt of **<3.5x** adjusted EBITDA over time

Net debt/pro forma adjusted EBITDA was **3.2x** at year-end

Acquisitions

Sinch closed the acquisitions of Wavy, Inteliquent, MessageMedia, MessengerPeople and Pathwire in 2021.

- Wavy - closed 1 February – a leading provider of messaging services in Latin America.
- MessengerPeople – closed 1 November – a leading German supplier of B2C conversational messaging software.
- MessageMedia – closed 5 November – a leading provider of mobile messaging services to small and medium-sized businesses in the US, Australia, Europe and New Zealand.
- Pathwire – closed 7 December - provides the leading email delivery platform for marketers and developers to more than 100,000 customers.
- Inteliquent – closed 9 December – the largest independent provider of voice services in the US.

Please refer to the management report for further disclosures. Through the acquisitions, Sinch has reinforced and expanded its product portfolio, significantly bolstered its customer base and sales capacity, and has virtually doubled its size.

Financial

The annual general meeting of shareholders in Sinch AB (publ) resolved on 18 May in favor of a 10-for-1 stock split. The first day of trading in the company's shares after the stock split was 17 June 2021.

Sinch presented a change to the company's debt policy on 9 June. The new target is for net debt over time of below 3.5 times Adjusted EBITDA (measured on a rolling twelve months' basis). Before the change, the target was net debt below 2.5 times Adjusted EBITDA.

A number of new issues were executed during the year to partially finance the aforementioned acquisitions. See the management report for further information. In addition to the above, shares were issued in relation to exercise of warrants under the Group's incentive programs. See Note 7.

After the end of the period

- Sinch announced on 10 February 2022 that the board of directors, as per the press release dated 7 December 2021, had decided to implement a non-cash issue of 25.5 million shares to the sellers of Pathwire. The remaining 25.5 million shares will be issued in May 2022.

Organizational changes

After the end of the period

- Sinch announced on 3 February that the company will be organized into five business units: Enterprise & Messaging, Voice, Developer & Email, Applications and SMB. In conjunction, changes were made to the Sinch management team, including the addition of Inteliquent CEO Ed O'Hara, Pathwire CEO Will Conway and MessageMedia CEO Paul Perrett.

A growing global market

The digital communications market is large, global and growing. Businesses around the world now recognize that competitiveness starts with a first-class digital customer experience. They are making customer interaction a priority and are seeking cloud-based solutions to enhance their marketing, operations and customer service. They are meeting customer needs by engaging through the communications channels their customers know and love.

>60

USDbn

Total addressable market

Communications trends

The global market is driven by trend shifts in how businesses, their customers and people in general communicate and interact with each other. A clear shift towards digital communications now affects virtually all businesses. We have identified four trends that affect how our market is being shaped and developed.

- Digitalization
- Customer experience as competitive edge
- Increased usage of cloud services
- New communications channels

This comprehensive digitalization is happening at every level and in all businesses worldwide. Even things that were exclusively analog before, like healthcare and grocery shopping, are now digital. Businesses must adapt their communications and respond to greater demands for accessibility and simplicity.

A good customer experience is a clear competitive edge. The deciding factor for customers is increasingly the experience of purchasing and not just the product itself or how much it costs. Businesses must deliver personalized and relevant communication at the right time while managing more - and more complex - communications channels.

These days, businesses are expected to be accessible through the same communications channels used in personal contexts. The right channel is required for each individual customer experience. Depending on the occasion, SMS, email, app-based communication, voice calling or a combination of these channels may be the most attractive solution. Companies are doing business in a fragmented market in which channels like WhatsApp, Line, Telegram, Kakaotalk, Facebook Messenger and RCS are attractive platforms with millions of global users.

The cloud communications market

The boundaries of the overall cloud communications market are evolving and imprecise. Third party analysts size the market very differently, and this is partly due to different market definitions. This is particularly true for the related term CPaaS, or Communications-Platform-as-a-Service, which is sometimes used to describe select market segments in a more narrow sense.

Sinch's overall assessment - based on input from multiple sources including MobileSquared, Gartner, IDC and Radicati Group - is that the overall market size for the cloud communications market is approximately USD 60 billion. The largest segments comprise the messaging market (USD 20bn), voice services (USD 10bn), email (USD 15bn) and turnkey software for small and medium-sized businesses (USD 10bn). In addition, we have new and rapidly growing market segments like Conversational Marketing and Conversational Care, where businesses are looking for advanced interactive communication software through next-generation messaging. As cloud communication services are often used for two-factor authentication and one-time passwords, there is also an overlap to the market for digital ID management and user authentication.

Messaging

Businesses are increasingly discovering how SMS gets there when other communication methods fall by the wayside. The open rate for SMS messages is 4.5 times higher than email, and most people read their text messages within a minute or two of receipt. This is what makes SMS so attractive for businesses, and is the reason that business messaging (application-to-person, A2P) via SMS has grown into a global market worth an estimated USD 19 billion (MobileSquared).

In addition to B2C messaging via SMS, the use of new messaging services focused on interactivity is also rising. Conversational messaging provides an app-like experience but with no need to download and install an app. The market is fragmented across several different communications platforms, for which penetration varies in different parts of the world.

- Penetration is increasing for chat apps like WhatsApp, Viber, Wechat, KakaoTalk and Facebook Messenger. In addition to consumers using them to keep in touch with friends and family, these platforms also allow companies to interact with their customers.
- A rising number of mobile phones and operators support Rich Communications Services (RCS), an upgrade of current SMS technology. RCS supports new features like read receipts and group chat. The RCS standard is carrier-led and is being further developed by Google.
- Apple has launched Apple Business Chat inside iMessage. The service offers a rich feature set but is limited to customer-initiated use cases like customer service.

Combining SMS and new messaging channels, Sinch estimates the value of the global Messaging market to USD 20 billion.

Voice services

Programmable voice services refer to voice calls initiated by software or where the software is used to process or manage voice calls. They differ from ordinary person-to-person phone calls, which are made from one phone to another without the conversation having been initiated or amplified by software. Sinch estimates the size of the cloud voice services market at USD 10 billion, but third-party estimates vary widely. A related market which Sinch also addresses is voice interconnection services, where telecom operators select an aggregating third party to facilitate call termination to off-net numbers with other carriers.

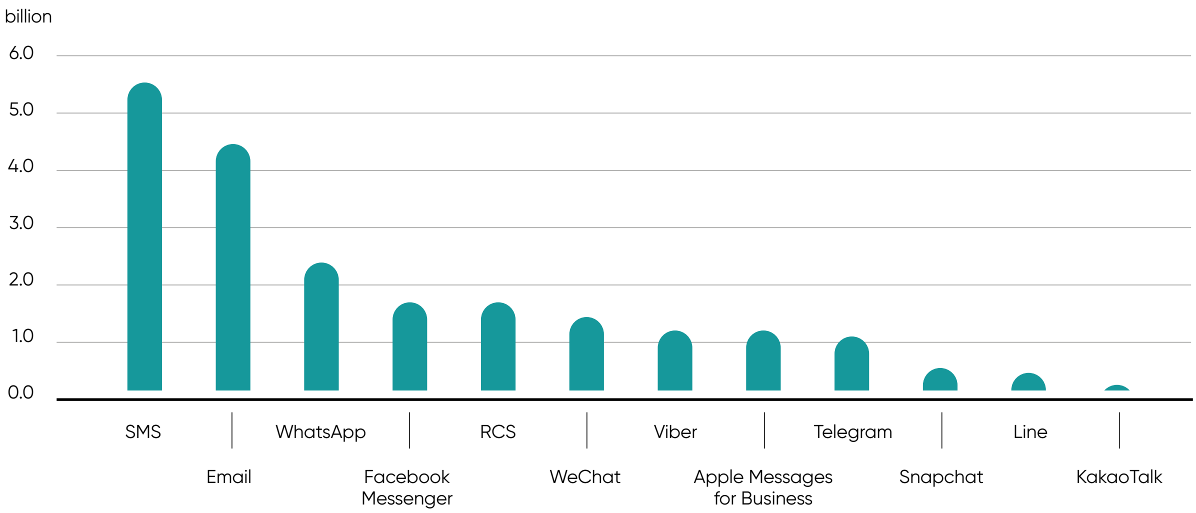
Email

Sinch estimates the size of the email services market at USD 15 billion, in line with third-party estimates by Radicati Group. About 60 percent of that refers to transactional emails, including emails the end user requests by, for example, registering a user account or resetting a password. The remainder of the market refers to marketing by email, where businesses send special offers and campaigns. Cloud solutions are clearly growing at the expense of traditional "on premise" solutions where companies operate their email software internally.

Turnkey software for small and medium-sized businesses

SMB often have particular needs for easy-to-use software that does not require programming or costly integration with other IT systems. These needs have created a special market segment for easy-to-use, web-based software for customer interaction via SMS and other messaging platforms. Sinch estimates the market size for this product category at USD 10 billion.

Active users per platform



Source: MobileSquared, Radicati, Sinch

A strategy for profitable growth

Sinch's overall objective is to be the global leader in CPaaS. That means we will be one of the largest providers in the market, benefit from our economies of scale and demonstrate profitable growth. It also means being the leader in customer satisfaction, driving innovation and being an attractive employer. We are a catalyst in the consolidation of our industry by means of value-adding acquisitions.

The three pillars of Sinch's strategy

1

Sinch will offer tools to deliver an enhanced digital customer experience
Every company in the world can benefit from modern technology to communicate more effectively with customers. As a result, the communications solutions market is vast, although the prerequisites for accepting new technology vary widely from one customer segment to the next. We want all businesses - large or small, global or local - to be able to benefit from our products. We are doing this by adapting Sinch products to various target groups through innovation and sales development, through partnerships with other tech companies and through acquisitions of complementary businesses.

2

Sinch will offer an industry-leading product portfolio for B2C communications
Sinch will offer leading products for the key ways in which businesses communicate with their customers. We make sure businesses can reach their customers using SMS, voice, video and email, along with next-generation messaging platforms like WhatsApp, RCS, Instagram and Apple Messages for Business. We give our customers the opportunity to use packaged solutions and easy-to-use applications, and to use our APIs and development tools to craft their own communications solutions.

3

Sinch will grow organically and through acquisitions
The digital communications market is large and global, but still fragmented. This makes acquisitions an important route to reaching new customer segments, expanding our product portfolio and creating economies of scale. Sinch therefore has an express strategy to combine organic and acquired growth - and has grown profitably since the company was founded in 2008.

Key success factors

Our Super Network for voice and messaging sets us apart from the competition. With APIs and appplications, it becomes a tool for enhanced customer interaction.

Super Network for messaging

Our cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through various forms of messaging, email, voice calls and video. The value chain varies between communications channels, and part of our offering is to make it easy for businesses to use various communication services without having to manage the underlying technical complexity.

Several of our most popular services are based on infrastructure owned by telecom operators. For a text to reach the addressee, the message has to be delivered by the recipient's mobile network operator (MNO), and to make that possible, we must deliver the message from our business customer to the right MNO. Underpinning this ability is our Super Network, a technological infrastructure with direct connections more than 600 MNOs – a position that has taken more than 10 years to build and solidify.

Our Super Network sets us apart from the competition. We can send messages directly to the recipient's MNO. Competitors that lack the same direct communications route are dependent upon third parties to deliver. Using unnecessary middlemen reduces the success rate, adds unwelcome latency, increases cost and may jeopardize sensitive customer data.

Legislation like GDPR in Europe compounds the complexity and holds businesses responsible for compliance, which increases the need for a provider that controls the entire route to the end customer. This is one of Sinch's unique strengths.

The Super Network is particularly relevant to customers in banking and finance, as well as the many customers who rely on Sinch messaging for one-time passwords (OTP) and Two Factor Authentication (2FA). With our prime quality network and bred-in-the-bone focus on quality, we are also particularly well placed to serve demanding businesses seeking high-quality message delivery to multiple countries.

We now send more than 200 billion messages a year via our Super Network: more than 6,000 per second. The high volume gives us scale that makes it possible for us to keep the cost per transaction down. We are continuing to grow the network with direct connections to even more operators. A single operator connection can take months to establish and MNOs often prefer to work with only a few large messaging partners.

Super Network for voice calls

With the acquisition of Inteliquent, the largest independent network carrier in the US, we now also have a Super Network for voice calls. We have agreements with local and regional carriers throughout the United States and our network reaches 95 percent of Americans via our own connections. In total, the network handles around 300 billion voice minutes per year and 115 million American phone numbers are connected to our network.

The Sinch network for voice calls gives us unique control in terms of call quality and costs, just as our global Super Network for messaging does.

Scalability with APIs

The majority of Sinch's revenues is derived from our open Application Programming Interfaces (API) for mobile messaging, voice calls and email. An API is a specific and defined way to draw on a technical capacity or instruct our technical infrastructure to perform a specific task. With just a few lines of code, Sinch can receive information to send a message to one or more recipients.

By using APIs, software developers can reuse existing technical solutions and focus exclusively on new functionality that solves a specific problem. In so doing, they share resources with others, which reduces the need to independently scale up their infrastructure to handle unforeseen spikes in traffic volume and usage. The result is a scalable, modular and cost-effective infrastructure that is creates the foundation for transition to cloud delivery models.

An IT architecture based on APIs has numerous practical advantages for purely company-internal software development. But using third-party APIs from external vendors offers additional commercial advantages. Services can be used on running account with very low initial costs, even though the functionality is based on costly infrastructure. For Sinch as a provider, increased usage of our APIs is a scalable revenue model that does not entail higher operating costs, resulting in higher margins and economies of scale.

Value-adding applications and integrations

In addition to our APIs, Sinch offers complete software applications and prebuilt integrations with popular cloud platforms like Salesforce, Adobe and Oracle.

While APIs are used by programmers, software applications have a graphic interface and can be used by entirely different target groups. By offering applications for groups including marketers and customer service staff, we make it easier for businesses to benefit from the communications services we otherwise offer via APIs.

Customers worldwide

Our offering is relevant to every business in the world seeking digital interaction with its customers. We believe large transaction volumes are required to create economies of scale, secure our profitability, and finance product development. That is why our go-to-market model combines direct sales to businesses and various channel partnerships.

Customer needs

We provide a cloud infrastructure that makes it possible for businesses to communicate with their customers through several different communications channels in an integrated way. Business usage of CPaaS falls into four broad needs categories.

- The company has in-house software developers who build unique solutions using the APIs provided by us as a CPaaS provider. Small companies in this category usually choose to become customers online, while larger customers often have a more structured procurement process in which several providers are evaluated and compared. In these cases, Sinch sells directly to the company.
- The company uses web-based software provided by us as a CPaaS provider. Instead of coding and using APIs, the company works in an interface that offers options for creating and sending messages, handling incoming replies, etc. With its acquisition of MessageMedia, Sinch has expanded its offering to include these tools.
- The company uses third-party software in which CPaaS services have been preintegrated, such as a reservations system for the restaurant industry. The software developer that builds the system makes it easy to send reminders by SMS when the restaurant owner selects a box in their reservations system. In this case, Sinch's customer is the company that built the reservations system, rather than the individual restaurant.
- The company is looking for a unique and company-specific solution, but lacks sufficient prior knowledge or development resources to independently design and deploy it. In this case we, as a CPaaS provider, supply consultancy and advisory services, either internally or through partners.

Sinch customers

Our goal is to achieve a leading, global position in CPaaS, where high transaction volumes enable good profitability and create scope to invest in continued growth and product development. The market is vast and global. Accordingly, we work with direct sales to business customers as well as indirect sales through partnerships and various sales channels. As a result, our addressable market is growing: we are reaching more potential business customers, handling higher transaction volumes and creating larger economies of scale.

Large businesses We sell to large, global business customers in industries including banking, technology and retail that require complete APIs and SaaS solutions. These customers select providers that are leaders in their product categories have high standards for quality, security and regulatory compliance. They seek global delivery capacity with total responsibility and no unnecessary middlemen and expect a pricing structure in parity with their transaction volumes, which are often very high. Some use our platform to reach their end consumers directly (B2C), while others build our products into a wider software offering that they offer to other companies (B2B2C).

Companies with in-house developers We set our sights on technically oriented customers that want to use our APIs to satisfy a unique communication need. Businesses can register on our website and then adapt the system to their preferences. These customers want a good user experience, a self-service option and clear documentation and sample code.

Small and medium-sized businesses We focus on SMB with limited development resources. A typical customer might be the local hairdresser or restaurant. Customers often seek packaged solutions in the form of easy-to-use applications that can be up and running - and creating customer benefit - fast. They want to communicate with their customers through a simple web interface and prefer preconfigured standard integrations with existing IT systems, with no need to handle code themselves or have programming skills.

Indirect channels Through indirect channels, we collaborate with strategic partners that benefit from our scale and expertise in cloud-based digital communications. These partners are often focused on one area, such as marketing or customer service, or on a specific geography or customer group.

Mobile network operators Sinch works with the world's many MNO in several different ways. A single operator can be a supplier, a customer and a sales channel all at once. Many MNOs leverage Sinch's Super Network by using our interconnect products. By acting as central hub, Sinch can ensure that messages and voice calls get through without each individual operator having to connect directly to all other operators. We also offer services that help MNOs protect their users from spam and that make sure the operators get paid for their services. In some cases, MNOs also serve as sales channels and offer our products to their business customers. MNOs also play a key role as suppliers to Sinch, as we pay large sums in the form of fees for sending messages and connecting calls all over the world.

The Sinch offering

Sinch is a leading global digital communications provider that sets itself apart with an offering that:

- Is global and able to deliver anywhere in the world without involving unnecessary subcontractors
- Is built to handle large communication volumes with no loss of quality or scalability
- Comprises a wide range of new and established digital communications channels
- Can handle regulatory complexity and guarantee compliance in each and every market
- Is able to deliver the right message, at the right time, in the right channel.

The majority of Sinch's revenues come from transaction fees for sending texts, connecting calls and sending emails. When our APIs are integrated in products and business processes, higher customer volumes lead to higher sales and gross profit for Sinch.

In addition to our communications APIs, we are also seeing rising demand for more complex solutions such as marketing and customer care. This becomes especially clear when businesses seek to benefit from more advanced next-generation communications channels like WhatsApp and RCS.

Messaging

SMS

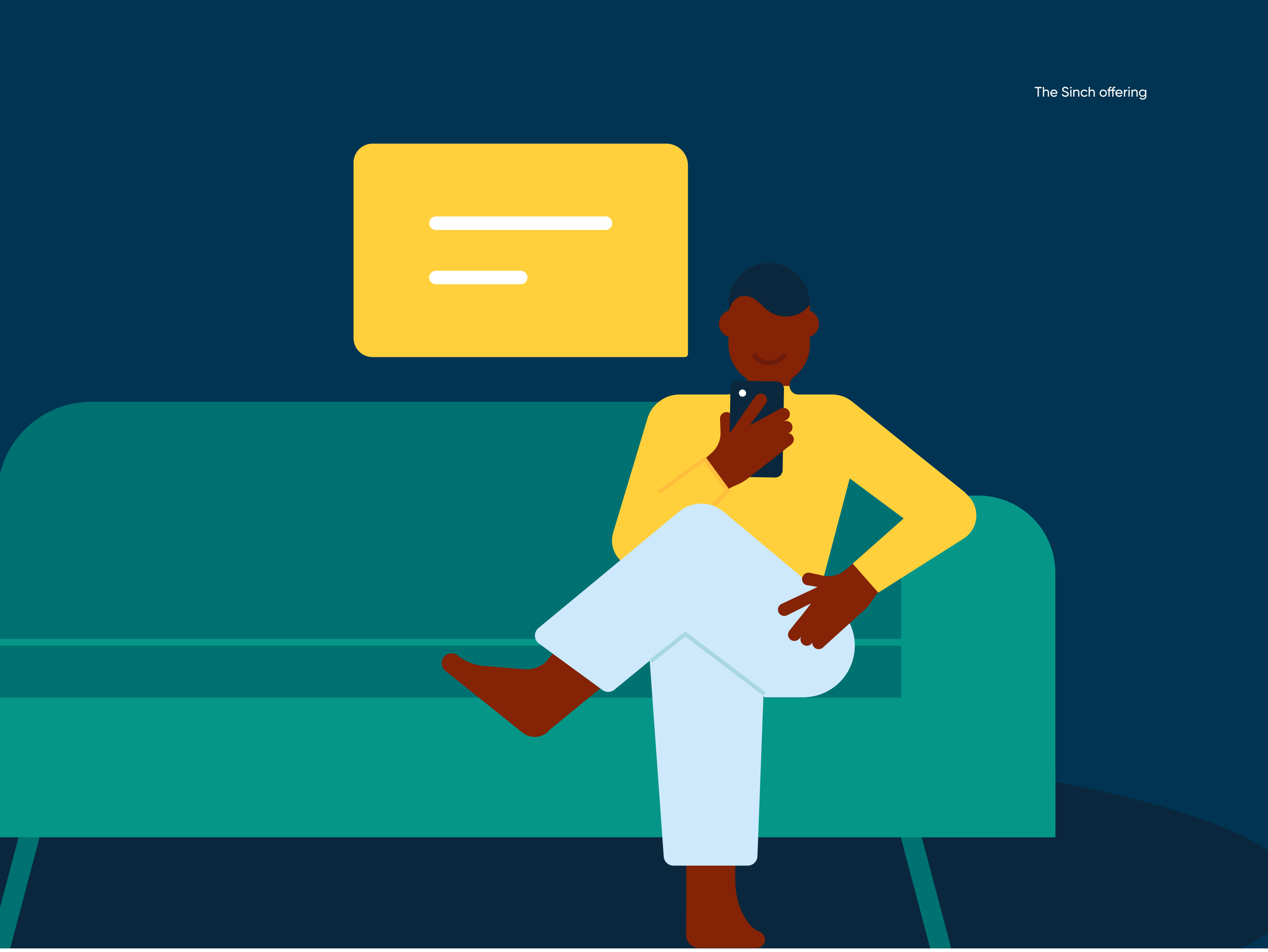
Anyone on the planet with a mobile phone can receive a message via SMS. More than five billion people own a mobile phone, and business messaging via SMS is an ever-expanding communications channel. SMS has 100 percent coverage of all mobile users worldwide and 98 percent of all SMS messages are read by the recipient. This makes business messaging via SMS a unique communications channel and gives businesses a tool that cuts through the noise when their messages are important or time-critical.

SMS is charged per message and the rate varies between operators and countries. The cost structure in which businesses pay a cost for each message creates a healthy barrier and solidifies SMS as a premium channel for key use cases.

We are messaging experts and thoroughly understand mobile operators as well as local regulations and technical conditions in various countries. For example, regulations pertaining to the content, method and the time of day B2C messages can be sent vary around the world. This creates complexity for global businesses, which we address by offering a solution that simplifies and assures the communication. We help companies send more than 200 billion B2C messages every year.

Conversational messaging

Several chat apps that are used for personal communications can now also be used for B2C communications. These messaging services offer good functionality in the form of read receipts, group chat features and the opportunity to share high-resolution images and video. Businesses can also offer clickable action buttons within the message flow, which makes it easy to to create interactive communication with their customers. There are also integrated payment solutions that make it possible for customers to buy merchandise from a company directly in these apps. The largest chat apps in the market are WhatsApp, Facebook Messenger, WeChat, Viber, Telegram, Instagram and Line.



Rich Communication Services (RCS) is another interesting messaging platform. Unlike the internet-based services above, RCS is a further development of SMS. In simple terms, it is a method of communication between a smartphone and a mobile operator intended to replace conventional SMS with upgraded, conversational messaging that supports more advanced technologies.

These messaging services have different rules for how and when businesses can engage with consumers. This creates an extra layer of complexity for businesses, especially because SMS is the only channel with 100 percent coverage. Businesses also have to manage multiple messaging platforms in parallel while engaging with consumers on their preferred platform.

Our Conversation API gathers all communications channels in a common API. Our offering enables the optimal messaging experience to every end customer, given the unique set of capabilities of each individual mobile handset. Our customer only has to integrate the API once. Afterwards, we can add new functionality and new channels without requiring the business customer to make any changes to their systems.

The Sinch offering enables cohesive dialogue between businesses and their customers where it is possible to switch between different communications channels. For example, a dialogue between a business and its customer may start with a web chat and then proceed on WhatsApp.

Conversation API is sold both directly to business customers and indirectly when Sinch integrates it in large cloud platforms like Salesforce, Adobe and Oracle.

Voice and Video

Sinch offers businesses the opportunity to use voice services in the form of calls between phones, apps and customer service with no need to manage a complicated network infrastructure. We accomplish this by separating the voice communication itself from the infrastructure. We can, for example, help businesses acquire local phone numbers in various countries that they can access through software. Common use cases include simple Interactive Voice Response systems, where customers choose among numbered menu choices, and automatic customer feedback surveys through voice calls to customers who have just spoken to a company's customer service. We also have products for next generation emergency calls (NG911).

The foundation of our offering is the Sinch Super Network for voice services in the US. We control the entire value chain and can link calls the entire way between end users who use different telecom operators without using middlemen or subcontractors. By owning our network, we ensure higher quality and better prices, which is particularly important in the competition for large-volume customers.

Sinch handles voice calls to phones in the public telephone network as well as entirely IP-based app-to-app calls. We have also been successful with Number Masking products, a service that for instance is popular among ride hailing companies who want drivers and passengers to reach each other without disclosing their private phone numbers. Sinch also uses voice calls as a method for verifying whether a phone number given by an individual actually belongs to that person.

Email

Sinch email services make it easy and efficient for businesses to reach their customers by email. With industry-leading APIs and applications, Sinch ensures that email is delivered instantly and directly to the recipient's main inbox without being discarded or getting stuck in filters.

Transactional email accounts for most of Sinch's business. This is email that the recipient has ordered or triggered, for example by registering an account or resetting a password. It may also involve a booking confirmation, a receipt or a notice that it is time to pay a bill.

Many people feel they receive too many unwanted emails, which in turn imposes demands on inbox suppliers, such as Gmail and Outlook. These companies have begun to help their users filter and block emails.

The key to delivering email that is not filtered out is to uphold a good reputation through proper handling of IP addresses and sender addresses. With a delivery rate of 98 percent compared to the industry average of 82 percent, Sinch has a highly competitive offering to help businesses manage these challenges and make sure that emails reach the end customer.

Marketing mails are the second type of emails, where Sinch offers high-quality campaign tools that enable design, distribution and analysis of email campaigns.

Three attractive brands in the Sinch portfolio

- Mailgun – focused on developers and transactional email
- Mailjet – more focused on marketing, with easy-to-use applications for creating attractive emails that render well on various phones and with various email providers.
- Email on Acid – a tool for checking that an email looks good before it is sent. If emails look good, they will deliver better (higher delivery rate) and be more appealing to customers. The tool is built into both Mailgun and Mailjet and is sold as a separate tool for use in various cloud platforms. All together, we send more than 300 billion emails per year.

Applications

In addition to APIs, Sinch offers complete software applications for specific use cases and business users. The products allow businesses to leverage advanced messaging services with automated, AI-based interactivity (Chatlayer by Sinch) and software that lets customer service staff answer incoming messages and calls (Contact Pro and MessengerPeople).

Our offering in this area combines internal product development and complementary acquisitions. The pricing model for these solutions often combines fixed and variable components. In some cases, there is also demand for consultant services from Sinch or a third party.

Products for small and medium-sized businesses

Small and medium-sized businesses often have specific needs and less internal resources for IT development. They seek easy-to-use and turnkey solutions that swiftly generate customer benefit. Following the acquisition of MessageMedia, we have a stronger offering to customers in this segment with online sales through multiple well-established brands like SimpleTexting and ClickSend.

The Sinch offering for small and medium-sized businesses is especially strong in North America, Australia and New Zealand, but the customer need is global, which provides opportunities for further consolidation and growth in the future.

Acquisition as part of the business model

Sinch has an express strategy to combine organic and acquired growth. Our industry is undergoing rapid consolidation and Sinch is a driving force with 16 acquisitions since the IPO in 2015 that contribute scale and profitability as well as technology and go-to-market. Evaluating, acquiring and integrating related businesses is thus an important and established aspect of ongoing operations.

The team responsible for acquisitions includes several of our founders – people who have built up vast expertise and expansive networks in their 20 years in the industry. The board of directors plays a key role in financing our acquisitions and is committed to finding tailored financing solutions in each situation.

Once an acquisition has been announced, our integration team can plan how to incorporate the new business into Sinch. This is a comprehensive project and more than 100 people were involved in integrating acquired businesses in 2021. The focus of implementation is to deliver results in line with the forecast prepared during the acquisition process and realize identified cost and revenue synergies. To achieve long-term success, it is also essential that employees of acquired businesses feel part of and committed to Sinch and that current employees welcome and help new teams succeed. Consequently, issues related to company culture and human capital are at least as important as a successful technical integration and painless migration of customer and supplier agreements.

All companies acquired by Sinch meet certain fundamental criteria. Most importantly, they must have a sound company culture that is a good fit with the rest of Sinch. We also want them to have a solid business with a customer base and a product proven to create value. Finally, there must be distinct synergies, an area where we categorize acquisitions in two main areas: "Scale and Profitability" and "Technology and Go-to-Market."

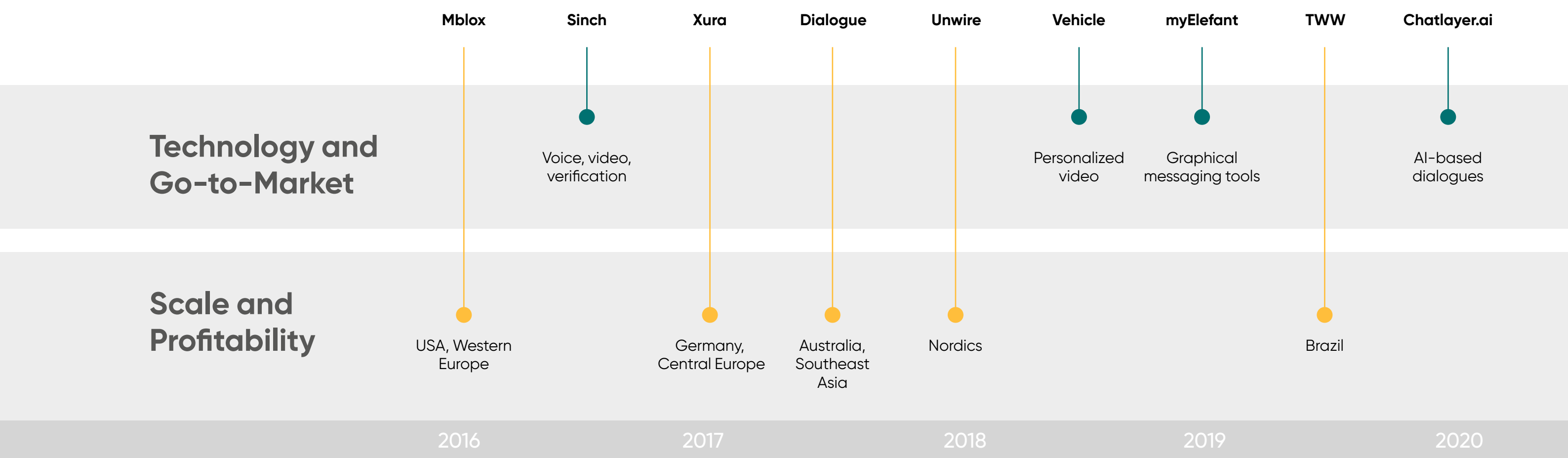
Scale and Profitability

Acquisitions in the Scale and Profitability category are aimed at achieving economies of scale through higher transaction volumes while boosting growth in Adjusted EBITDA per share (a Sinch financial target).

Acquiring businesses that operate in our existing product segments generates synergies in multiple ways. This is particularly clear in messaging, where many local and regional vendors have built successful businesses with strong customer relationships but lack the scale and finances required to develop a complete CPaaS offering or invest in next-generation messaging products. By acquiring this type of company, Sinch can reach customers in new geographies and build global presence faster than it could through organic establishment. This type of transaction is normally closed at a lower valuation than our internal valuation, which makes a positive contribution to returns to shareholders in Sinch.

We also achieve cost synergies by migrating acquired customers and suppliers to our global shared technology platform. We share fixed costs across a higher volume of transactions, achieve higher service levels, ensure competitive pricing and improve profitability. In so doing, we can benefit from the acquired entity's operator relationships and achieve higher message volumes that result in better prices for sending messages. This also benefits our existing customers, who gain a stronger global product with direct connections to more local operators with no unnecessary

Strategic acquisitions



middlemen. The acquisitions of Wavy and SAP Digital Interconnect are examples of this type of acquisition and focus has been on their integration in 2021.

Acquisitions in product areas where Sinch has not previously done business can also be put in the Scale and Profitability category when they make significant contributions to Sinch's overall profitability. The synergies in these transactions are found more on the revenue side than the cost side and further Sinch's general objective of driving profitable growth through a differentiated and competitive product offering to the most important customer segments in the CPaaS market. Several acquisitions in 2021 fit this profile: Inteliquent, MessageMedia and Pathwire all strengthen the financial profile and expand the offering to our customers.

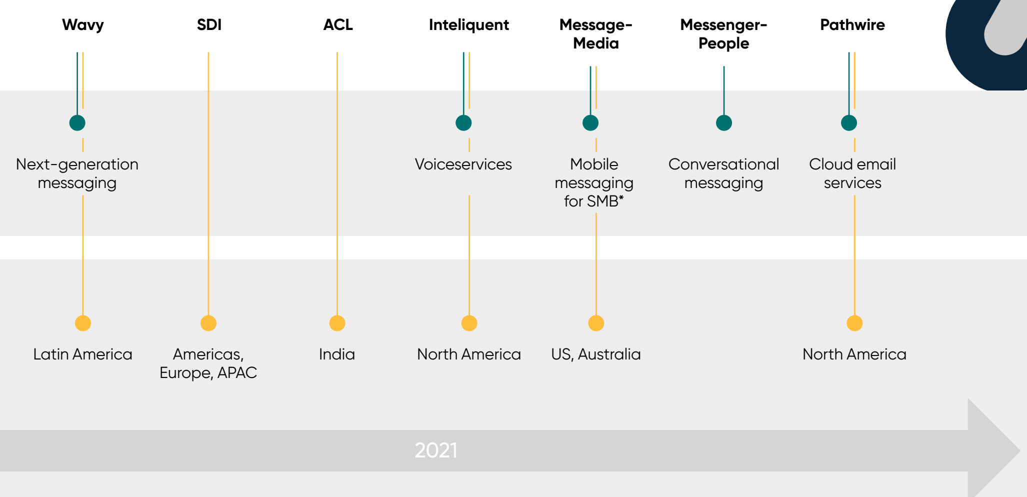
Technology and Go-to-Market

Acquisitions in this category are meant to augment organic product development and expand the Sinch product offering. This may involve both minor complementary product acquisitions and larger established businesses.

When we acquire small product companies, the main point is to accelerate the pace of innovation at Sinch and augment our existing offering with additional functionality. We save time compared to developing products organically and mitigate the risk by avoiding the earliest phases of innovation. A key factor in these contexts is that the acquired entity has successfully commercialized its idea and has proven product-market fit through sales. As part of Sinch, they gain the muscle to invest and can scale up their offering to a wider international market. The expansion is accelerated through cross selling and upselling to existing Sinch customers and vice versa. One example of this type of acquisition in 2021 was that of MessengerPeople, an innovative German company that has developed a scalable, easy-to-use platform for customer service via messaging apps like WhatsApp, iMessage and RCS.

Larger companies with complementary product ranges can also be put in the Technology and Go-to-Market category. Companies are increasingly opting to link different communications services to enhance the customer experience, where it is an advantage to select a provider that offers a complete product range. This involves acquisitions of established companies with a comprehensive business that would have been difficult for Sinch to develop on its own. These are businesses that offer leading products in their field and have experience managing customer segments that are new to Sinch.

Three major acquisitions of this type were closed in 2021. Inteliquent brings a powerful voice offering along with strong relationships with numerous US carriers. Pathwire augments our product portfolio with a world-leading email offering while giving us access to a vast network of software developers - key individuals with numerous successful, tech-oriented business customers. Finally, MessageMedia brings application expertise and a large, growing and online-based business focused on SMB customers.



*Small and medium-sized businesses

An attractive fundamental model

Sinch was founded with a cost-conscious ethos and scalability as a fundamental principle. We have been profitable from the start and have only raised funds from shareholders to finance acquisitions, and never to finance our operations. Profitable growth has always been the main objective.

To measure our financial performance, we focus primarily on:

- Growth in gross profit
- Adjusted EBITDA/gross profit

Unlike most other businesses, we focus on gross profit rather than revenues. The majority of gross profit in 2021 relates to Messaging. MNO tariffs vary widely from country to country, which has significant impact here.

Our revenues reflect the amounts we bill our customers, but a large part of that is paid to MNOs for sending messages and connecting calls. This pass-through billing is recognized as cost of goods and services sold.

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

The variations in operator tariffs also affect our margins. Changes in our gross margin more often reflect changes in the geographical mix rather than in underlying performance or competitiveness. The cost per message charged by operators can be ten times higher in one country than another, which means that our gross margin varies significantly between markets even though we earn the same gross profit per message.

For this reason, we also choose to augment the customary margin measurements with the alternative performance measurement of Adjusted EBITDA/gross profit to clarify performance in underlying operations. Adjustments to EBITDA include the costs of share-based incentive programs, operational currency effects and acquisition-related costs. By tracking this margin, we ensure that we maintain a competitive cost structure and healthy profitability regardless of fluctuations in operators' termination fees.

The key to profitability is scalability and the key to scalability is volume. While more calls and messages to MNOs lead to a higher cost of goods and services sold, our OPEX is partially fixed and does not scale with volume. Increasing traffic volumes – organically or through acquisitions – is thus the key factor in maintaining and growing our profitability. These economies of scale also offset our costs for product development, which are recognized primarily as OPEX and thus affect EBITDA.

We acquired significant businesses in 2021, including Inteliquent, the largest independent provider of voice services in the US, Pathwire, the leading vendor of cloud email services, MessageMedia, a leading vendor of mobile messaging services for SMB and MessengerPeople, which offers software that helps businesses communicate using interactive messaging platforms like WhatsApp and iMessage. The acquisitions were closed in late 2021 and thus had only minor impact on Sinch's operating results. The margin and growth profiles of the acquired entities differ from those of Sinch Messaging, but Sinch will continue to focus mainly on gross profit rather than revenues and on Adjusted EBITDA/gross profit.

Financial targets and outcomes

20 percent annual growth in adjusted EBITDA per share

Net debt of **<3.5x** Adjusted EBITDA over time

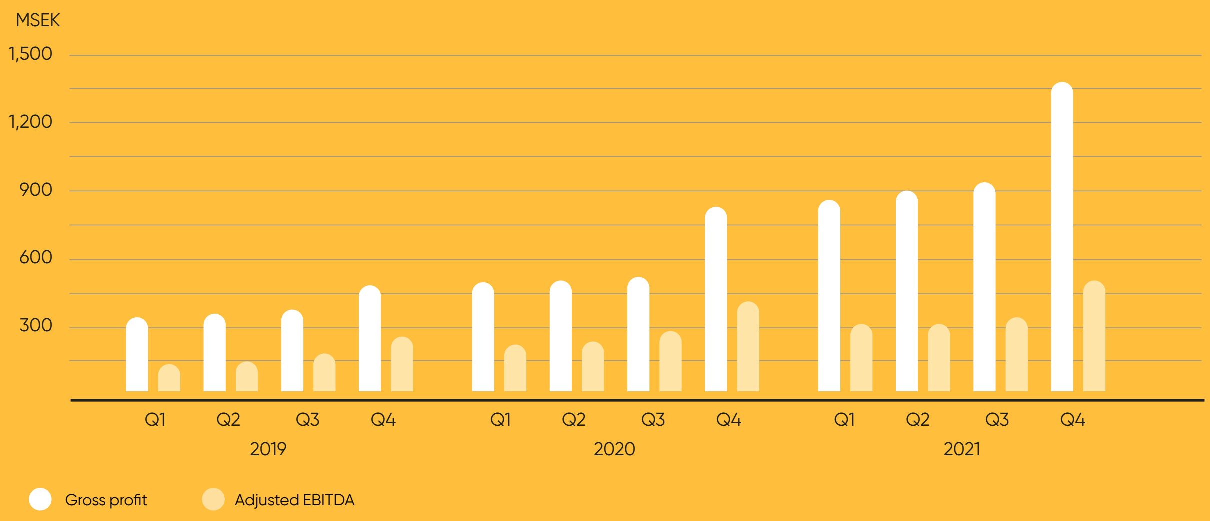
+13%

Adjusted EBITDA per share 2021

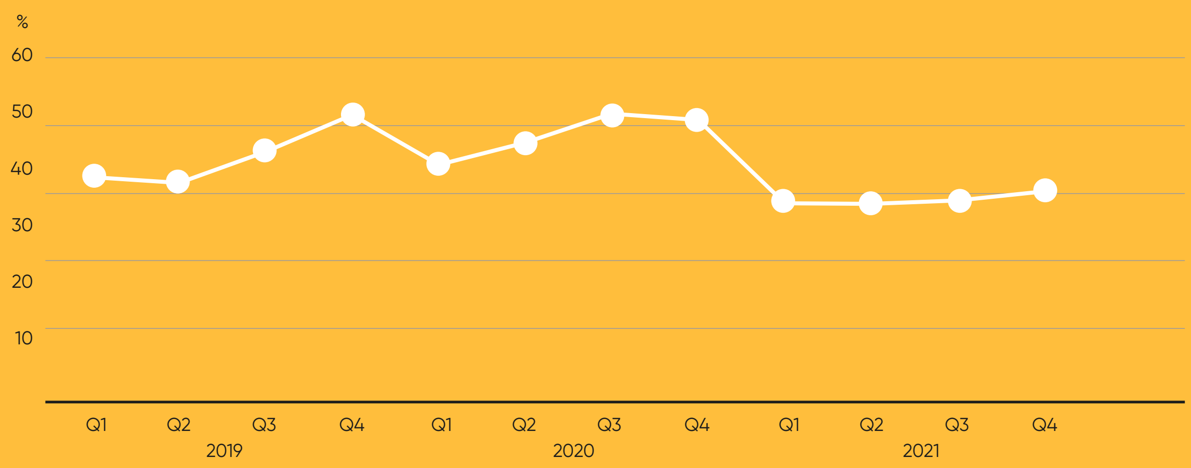
3.2x

Net debt/pro forma Adjusted EBITDA at year-end 2021

Gross profit and Adjusted EBITDA



Adjusted EBITDA/gross profit



Share performance and ownership structure

The information provided by Sinch AB (publ) to shareholders and the rest of the capital market is aimed at giving a fair picture of the company's progress, minimizing the risk of spreading rumors and speculation and increasing interest in the company's stock. The ambition is to always provide clear and current financial information.

The share

Sinch stock was listed on Nasdaq Stockholm on 8 October 2015 at an opening price of SEK 5.90 (adjusted for the stock split in the summer of 2021). The share is traded under the stock symbol SINCH. Sinch has been traded on Nasdaq Stockholm Large Cap since January 2021.

Share capital

Share capital in Sinch amounts to SEK 7,685,687 (6,317,367) divided among 768,568,748 outstanding shares (631,736,700). All shareholders have equal rights to a share in the company's assets and profit. The quotient value of the shares is 0.01 (0.10). A ten-for-one stock split was carried out in the summer of 2021 in each existing share in Sinch was replaced with ten new shares. Please refer to Note 20 for further information about the development of share capital.

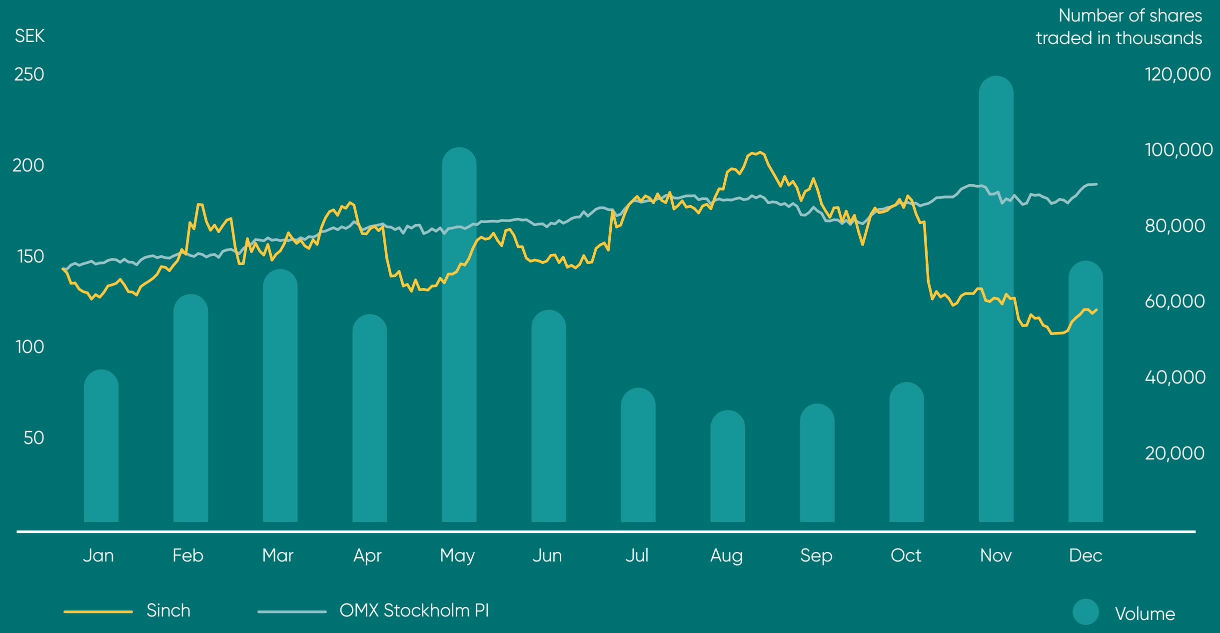
Dividend

The board of directors has decided to propose to the annual general meeting that no dividend be paid for financial year 2021 (-). It is the opinion of the board that the company is currently in a phase during which financial surpluses should be reinvested in continued growth, both organically and through acquisitions.

Shareholders

At year-end, Sinch had about 76,000 shareholders (24,000). The ten largest shareholders combined owned 62.6 percent of equity in Sinch (64.8). The company is not aware of any agreement between shareholders that limits their rights to transfer their shares.

Share



Source: Modular Finance

Ten largest shareholders as of 31 December 2021:

#	Shareholder	Number of shares	% of equity
1	Neqst D2 AB	110,024,381	14.3%
2	Capital Group	100,901,966	13.1%
3	Softbank	71,568,697	9.3%
4	AMF Pension & Fonder	41,257,918	5.4%
5	Swedbank Robur Fonder	39,823,767	5.2%
6	Alecta Pensionsförsäkring	33,418,283	4.3%
7	Temasek	22,851,408	3.0%
8	Kjell Arvidsson (P&CS Invest AB)	18,711,278	2.4%
9	Handelsbanken Fonder	18,412,545	2.4%
10	Movile International Holdings BV	15,345,820	2.0%
	Total top 10	**472,316,063**	**61,5%**
	Other	296,252,685	38,5%
	Total	**768,568,748**	**100.0%**

Prices in 2021 (adjusted), Nasdaq Stockholm, SEK

Volume weighted average price	Highest paid	Highest paid date	Lowest paid	Lowest paid date
143.3	204.8	6 Sep 2021	98.2	17 Dec 2021

Market cap last trading day 2021, SEKm

Number of shares	Share price, SEK	Market cap
768,568,748	115.1	88,462

Turnover of instruments in 2021, Nasdaq Stockholm

Turnover, SEKBn	Number of shares traded, Nasdaq	Number of transactions	Average daily turnover	Average daily volume	Average daily transactions	Trading days
101.15	705,727,163	2,451,778	399,821,888	2,789,435	9,691	100%

Shareholder distribution by category

Shareholder type	Number of shares	Equity	Voting rights	Number of known shareholders	Proportion of known shareholders
Swedish institutional shareholders	223,246,346	29.0%	29.0%	147	0.2%
Foreign institutional shareholders	315,088,771	41.0%	41.0%	210	0.3%
Other	168,609,288	21.9%	21.9%	2,608	3.4%
Swedish private individuals	45,362,974	5.9%	5.9%	73,060	96.1%
Anonymous shareholding	16,261,369	2.1%	2.1%		
Total	**768,568,748**	**100.0%**	**100.0%**	**76,025**	**100.0%**

Source: Modular Finance

Analysts

Analysts who cover the company:

Company	Analysts	Contact
ABG	Daniel Thorsson	daniel.thorsson@abgsc.se
Carnegie	Predrag Savinovic	predrag.savinovic@carnegie.se
Danske Bank	Andreas Joelsson	andreas.joelsson@danskebank.se
DNB	Stefan Gauffin	Stefan.gauffin@dnb.se
Handelsbanken	Daniel Djurberg	dadj03@handelsbanken.se
Nordea	Klas Danielsson	klas.danielsson@nordea.se
SEB	Pontus Wachtmeister	pontus.wachtmeister@seb.se
Goldman Sachs	Mohammed Moawalla	mohammed.moawalla@gs.com
Berenberg	Andreas Markou	andreas.markou@berenberg.com

See investor.sinch.com for the most recent shareholder and analyst lists.

Responsible and secure business

The fundamental point of departure for sustainability management at Sinch is to minimize the potential negative impacts of the business and benefit from the opportunities brought by sustainable business. Sinch's business model makes it possible for enterprises, organizations and individuals all over the world to communicate, swiftly and easily. Sinch creates value by generating long-term and profitable growth based on quality, economies of scale and innovations that make it easier for people and companies to meet. Sinch is committed to doing responsible and secure business while taking social and environmental responsibility in operations and in the value chain.

Our business and contribution to sustainable development

Our business

Sinch is a leading supplier of cloud-based communication services and digital customer interaction. We have more than 150 000 business customers worldwide and a growth strategy which is based on three pillars:

- We offer tools to deliver an enhanced digital customer experience
- We offer an industry-leading product portfolio for B2C communications
- We grow organically and through acquisitions

Sinch's cloud-based solutions enables businesses to communicate with their customers. We offer communication solutions in the following product categories:

- Messaging
- Voice and Video
- Email
- Applications
- Products for small and medium-sized businesses

Our contribution to sustainable development

Sinch aims to contribute to sustainable development. In 2021, we assesed which of the 17 UN Sustainable Development Goals (SDGs) where we believe that we have the greatest opportunity to contribute. The assessment was based on how our solutions can contribute to sustainable development and how we conduct our business within our focus areas.

Sinch makes it easier for people and businesses to meet. We reach every mobile phone on the planet. Our innovative solutions have the opportunity to increase access to information and communication technology and they can enable companies to manage economic, social and environmental challenges that they are facing.

Responsible business

Sinch is committed to doing business responsibly. As a global market actor, it is imperative that we act ethically in everything we do and in the partnerships we enter into. We are continuously working to develop our processes to ensure responsible and ethical conduct across the entire value chain.

Social responsibility

Sinch's greatest and most important assets are our employees. Diversity is a key factor for us where all employees should have equal opportunities to grow and develop. The health and wellbeing of our employees is essential. We want to unleash the power in our people, for everyone to be the best they can be at Sinch.

Environmental responsibility

Sinch takes responsibility for our environmental impact, in which our innovative solutions make it possible for businesses to reach their customers with less impact on the environment. We have initiated a project to reduce emissions in our operations and in the value chain and intend to set climate targets to limit global warming in line with the 1.5 degree target.

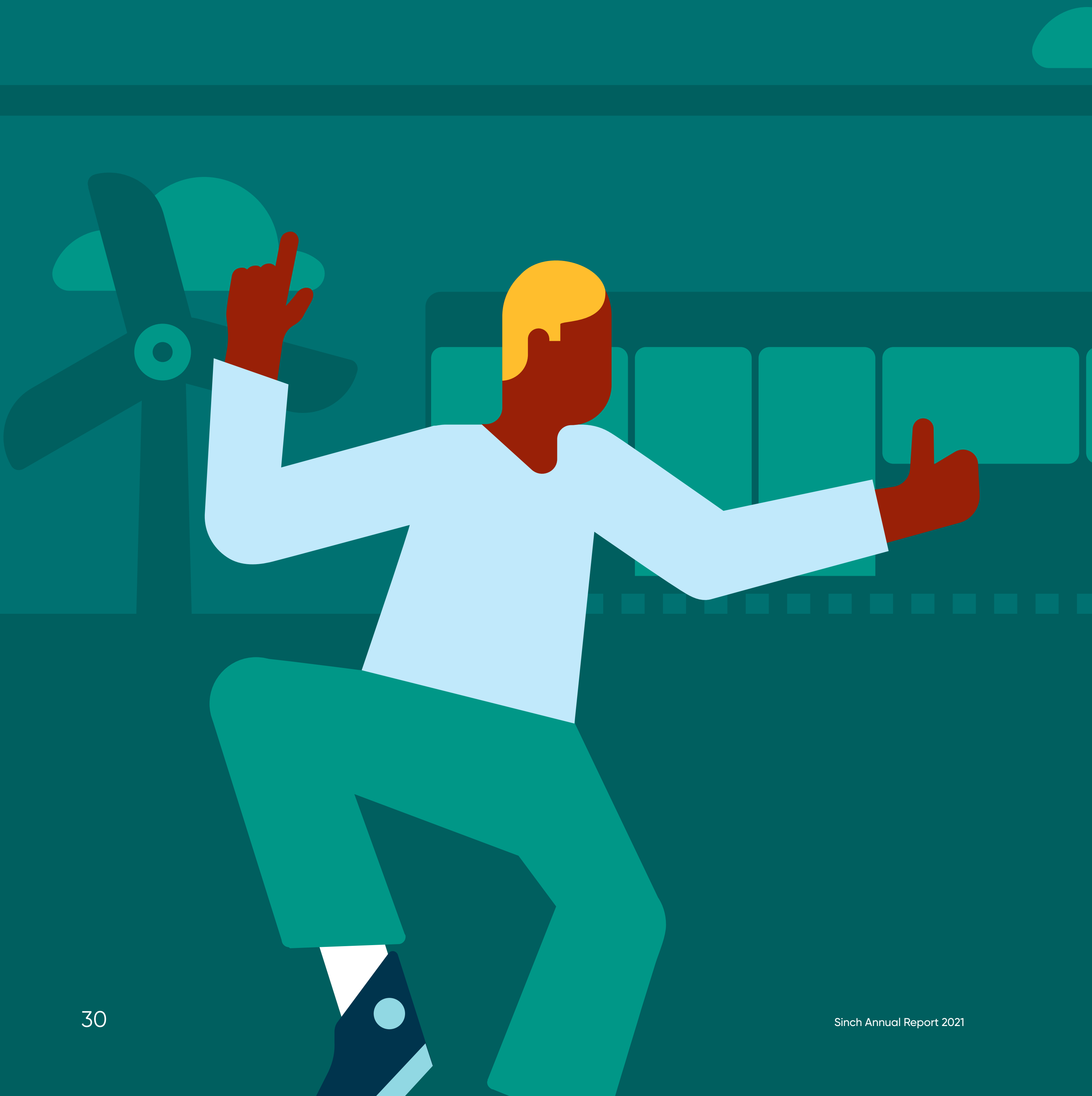
Our sustainability management program in 2021

We are growing steadily and acquiring companies in various parts of the world. With higher expectations from our stakeholders and the rapid development of sustainability regulations, it is vital that we continue safeguarding responsible business. We further reinforced our sustainability management program in 2021. Actions included establishing a new role for global coordination of our sustainability strategy.

The work involving our focus areas was among the topics discussed at the executive management level during the year. Within each focus area, we continued filling roles and responsibilities, developed processes and policies, and to a greater extent started measuring outcomes to be able to set targets linked to our sustainability work.

In addition to the already existing focus areas responsible business and social responsibility, environmental responsibility concerning the climate impact of the business has been added to our sustainability strategy during the year.

We will maintain our clear position that there is business benefit in being perceived as an ethical company by our customers, partners, employees and other stakeholders.



Governance and division of responsibility

Values

Sinch's core values describe how we work and imbue every aspect of the business. They are the foundation of our vision, "Simplifying life by bringing all people and businesses together", and are globally integrated in our people processes. We believe a vibrant company culture is a key prerequisite for success in a business that is growing rapidly, both organically and through acquisitions.

Board of directors

The board of directors has overall responsibility for the management of Sinch, which includes sustainability topics. The board is responsible for the corporate policies and governing documents as well as the sustainability report. At the end of each financial year, the board of directors performs a self-assessment of its work during the year.

CEO and executive management

The CEO is responsible for executing board decisions and strategies, supported by the management team. The management team ensures that designated individuals in the organization prepare decision input and perform analyses and monitoring. Sinch's General Counsel has operational responsibility for the sustainability program and reports to the CEO and the management team concerning ongoing activities, initiatives, monitoring and progress. The sustainability program is delegated to Sinch's sustainability coordinator and relevant functions in the organization for each focus area.

Code of Conduct and corporate governing documents

Sinch has various governing documents applicable to the Group, suppliers and partners. Our Code of Conduct applies to all employees, consultants and the board of directors. The Code of Conduct is accessible on our intranet and is appended to new employment contracts. We have equivalent Codes of Conduct for suppliers and partners that are appended to larger contracts and are accessible on the website. We also have a general travel policy. Our employee handbooks are tailored to each country in which Sinch operates, which helps us navigate our work environment regarding for example health and safety and anti-discrimination.

Global Compact

Sinch is a member of the UN Global Compact and supports the ten principles for responsible business with regard to human rights, labor, environment and anti-corruption. Our Code of Conduct is based on the ten principles and clarifies our position on these matters and the importance of sound business relationships. As a member of the UN Global Compact, we publish an annual Communication on Progress (CoP) that describes our work to implement the ten principles and how we are working to contribute to the UN sustainable development goals.

ISO 27001

During 2021, Sinch continued to certify additional parts of the business in accordance with the ISO 27001 information security management standard. Parts of Sinch's operations were certified in 2019 and the work is ongoing to include acquired companies and operations.

Our material sustainablity topics

Our materiality analysis is the basis for our sustainability strategy and the focus areas that describe the environmental, social and governance topics that are material to our business. The sustainability topics are assessed based on their impacts on us as a company and on our stakeholders. We maintain a continuous dialogue with our stakeholders to identify their expectations as to which sustainbility topics they consider important. We perform formalized stakeholder dialogues and perform annual employee surveys. In addition, we maintain ongoing communication with owners, directors, employees, investors, customers, suppliers and other stakeholders who have various expectations on Sinch.

In 2021, we followed up the stakeholder dialogue that was held with employees, customers, suppliers and the Sinch management team in 2020. The results have been communicated internally to employees to further clarify our strategic priorities related to sustainability. We also engaged continuously with our customers and investors during the year with increased focus on climate change, with regard to both reducing emissions and analyzing climate-related risks and opportunities.

In this year's review of the materiality analysis, we have taken into account stakeholder expectations, global and industry-specific sustainbility trends and the rapidly accelerating regulatory development. The earlier assessment of our most material sustainbility topics is largely unchanged. New for 2021 is that the climate impact of the business is included in the sustainability strategy as one of our focus areas.

We plan to update the materiality analysis in 2022 to account for the rapid development in the area of sustainability given our stakeholders' expectations on us, regulatory developments, and our ambition to promote sustainable business. We also plan to implement relevant standards for sustainability reporting.

Materiality analysis

Social responsibility

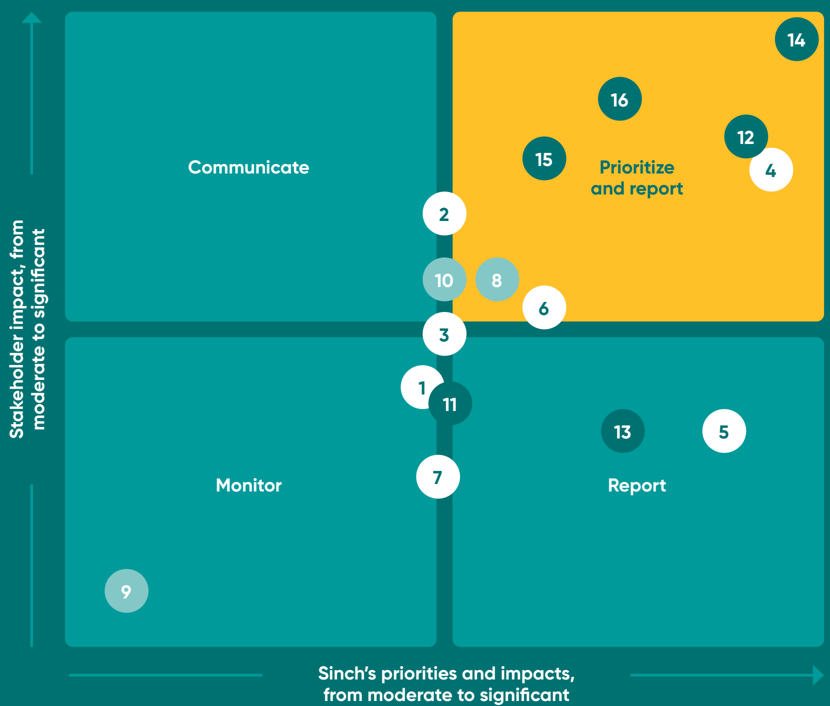
1 Social engagement
2 Skills and training
3 Personal development
4 Equal opportunity for all
5 Diversity
6 Health and wellbeing
7 The social impact of the product

Environmental responsibility

8 Climate impact of the business
9 Reduced consumption of resources
10 The positive environmental impact of the business

Responsible business

11 Respect for human rights
12 Data protection and information security
13 Responsible supply chain
14 Anti-corruption
15 Ethical responsibility
16 Legal compliance



Our sustainability strategy

Vision

"Simplifying life by bringing all people and businesses together."

Sustainability ambition

Sinch's sustainability ambition is to create value, ensure regulatory compliance and promote sustainable business. We want to take the next step in our sustainability work and plan to update our materiality analysis to further develop our ambition, set targets and measure how we contribute to sustainable development in our business, our value chain and the society.

Sinch's focus areas

Responsible business

- Anti-corruption
- Data protection and information security
- Ethical responsibility and legal compliance
- Responsible supply chain

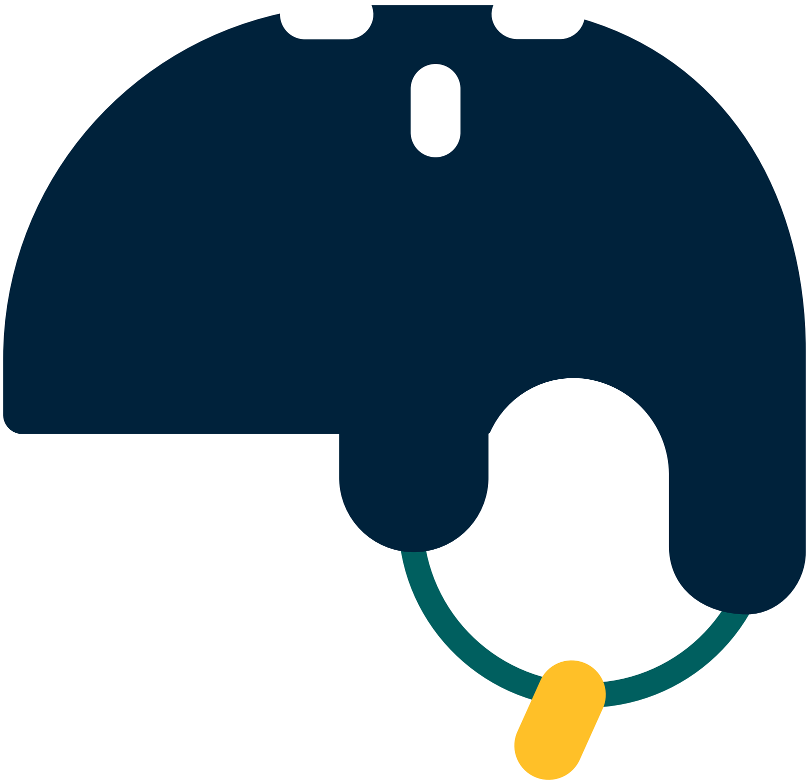
Social responsibility

- Equal opportunity for all
- Diversity
- Health and wellbeing

Environmental responsibility

- Climate impact of the business

Our focus areas



Responsible business

Anti-corruption

As we do business all over the world, including in high-risk countries, preventing corruption is an increasingly important topic for us. Our Code of Conduct clarify that we have zero tolerance to all forms of corruption. The Code of Conduct applies to all employees and is appended to new employment contracts. We have equivalent Codes of Conduct for our suppliers and partners. We continue to clearly emphasize and communicate that all types of corruption, such as bribes or deals on non-market-based terms, are prohibited within our organization. We have established channels to report compliance cases, which are handled with confidentiality and assessed by our legal team. During 2021, no cases of corruption were reported.

An integrity due diligence is performed prior to business acquisitions and partnerships of a riskier nature. In this process, we carefully examine all acquisitions and potential partnerships. The purpose is to evaluate the reputation of the potential acquisition and any integrity risks that are not identified in a legal and financial due diligence.

During 2021, Sinch appointed a Head of Compliance who is responsible for developing a corporate compliance program, in which anti-corruption is an integrated component. Within the compliance program, we have implemented a corporate anti-corruption policy. We have also updated contract clauses to further reinforce compliance.

Over the next few years, Sinch aims to establish functions in central areas to further reinforce governance as regards anti-corruption. For example, we will develop processes for third-party screenings and risk assessments, as well as anti-corruption training and communication.

Data protection and information security

Data protection

Data protection is an important aspect in our industry, both from a legal perspective and for Sinch and its customers to build trust. Under direction of the group's Data Protection Officer, we are continuously developing our data protection program, which is based on our data protection policy. The program is divided into three main categories, which includes upholding the existing program, developing its maturity level and working with data protection within Sinch's operations.

We are strengthening our guidelines and processes on an ongoing basis. Given our expansion, our focus during the year was on processes related to integration of acquired companies and their products, as well as further strengthening the procurement process and supplier management. We have also developed trainings related to data protection using various learning methods depending on the target group.

To effectively manage data protection risks, we work according to three lines of defense as a method in most processes, for example linked to sales-related data protection queries, procurement and product development. The method has been implemented in collaboration between different functions within Sinch, facilitated by increased training initiatives.

We have a process for managing requests of disclosing data to public authorities and intergovernmental organizations. Our legal team carries out a test of legitimacy and necessity before the data is disclosed to the requesting party.

Information security

Information and IT security are crucial to our business. We have an IT management team that meets monthly to discuss information and IT security, current issues and areas of potential improvement. Sinch has an information security policy and certifies the business within the ISO 27001 information security standard. The ISO certification covers all Sinch services as well as the Operations, Engineering, Legal, HR and Support departments. We are working continously to include acquired companies in our information security program and the ISO 27001 certification.

The Sinch security team was further reinforced during the year with competences in areas including security architecture, acquisitions and integration and risk management. We also strengthened our Security Operations Center, which continuously analyzes security nonconformances. Sinch performs weekly vulnerability scans of internal and external assets. The results of the scans reveal any deficiencies in the system, which are evaluated internally in order to take effective action and minimize risks. Internal IT security analyses are performed quarterly to evaluate compliance with our information security policy.

Many of our employees are still working from home due to the pandemic. We have continued working with communication and ensured full coverage of our security system, regardless of where our employees are physically located. The system performs ongoing checks of irregular behavior and immediately detects any nonconformances.

Sinch's information security training program is developed on an ongoing basis to achieve the desired level of competence in the company. Some of the areas included in the training program are malware, phishing, social media conduct, and the importance of secure passwords and data processing. We run regular

campaigns related to social engineering to ensure that our employees are informed about methods and tactics that potential hackers might use.

Over the next years, the information security team will focus on ensuring that all acquired companies are included in the security program and prepared for inclusion in the ISO 27001 certification. Ongoing development is also continuing, with focus on automation and standardization.

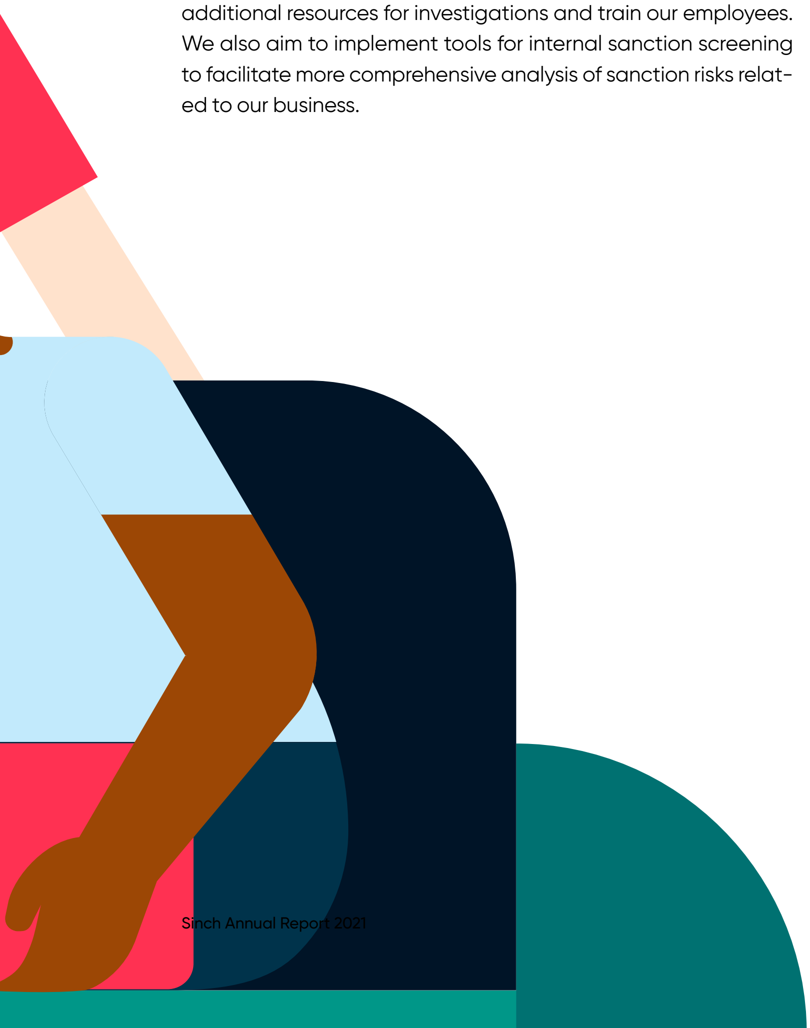
Ethical responsibility and legal compliance

It is important to us that business is conducted in a proper manner. We aim to be trustworthy and we shall deliver the services our customers expect to receive. An ethical compass is part of our company culture and we promote fair competition. We have a target that all employees should sign our Code of Conduct. By the end of 2021, 94 percent of the employees had signed the Code of Conduct.

In general, we have increased focus on regulatory compliance within Sinch. We are working according to the laws and regulations that apply in every country in which we operate. We have legal advisers who cover all countries where we do business and an internal legal department at the head office in Sweden that assesses legal risks and monitors compliance.

During 2021, we strengthened the process for reporting and investigations of compliance concerns. All reported cases are handled in strict confidentiality. Each case is analyzed in order for us to be able to take appropriate action. As a company active in acquisitions, it is important that the companies Sinch acquires are included in our processes and procedures related to ethics and compliance. We further developed the integration process in these areas in 2021.

Long-term, we are working to reinforce the whistleblower function with an independent compliance reporting solution, allocate additional resources for investigations and train our employees. We also aim to implement tools for internal sanction screening to facilitate more comprehensive analysis of sanction risks related to our business.



Human rights in business transactions

Protecting human rights is important to us. In some of the countries where we operate, there can be human rights risks related to the suppliers and customers we work with. It is a challenge to control every aspect of this, which we manage by carefully evaluating our customers, suppliers and partners. Our Code of Conduct clarifies that Sinch must not be involved in activities that constitute violations of human rights.

Sinch has strengthened the conditions for working more systematically with human rights in our business and value chain through developed processes and enhanced competence within compliance and sustainability. Sinch has issued a Modern Slavery Statement, which is available on our website. We are committed to preventing all forms of slavery and human trafficking in our own business and in our value chain. Although Sinch recognizes that the risk for modern slavery in the business is low, we work continuously to minimize potential risks that may arise.

Sinch is a member of the UN Global Compact and supports the ten principles, which includes human rights. In the coming year, we plan to perform a risk assessment to identify and manage risks related to human rights in our business and value chain. The risk assessment will be based on the UN Guiding Principles on Business and Human Rights (UNGP) .

There were no confirmed violations of human rights in 2021.

Responsible supply chain

We have a supply chain that extends across the globe. Our main suppliers are telecom companies operating in each country. Although it is challenging to have control throughout the entire supply chain in each country, we communicate continuously with our suppliers through face-to-face meetings and by email and phone.

We strengthened our procurement function during the year and improved how we evaluate and select which suppliers to engage with. Various functions within Sinch are working closely together to reinforce our processes in relation to suppliers. Sinch has also introduced a procurement policy and has continued to implement clearer guidelines for applying our Supplier Code of Conduct. Larger suppliers must accept the Supplier Code of Conduct unless they can present another governing document to verify compliance, such as their own Code of Conduct.

Sinch uses the rating system EcoVadis, which evaluates companies' sustainability performance within own operations and the value chain. EcoVadis evaluates sustainability perfomance within environment, labor and human rights, ethics, and sustainable procurement. This year, we achieved Silver, which is the same result as last year. In the coming years, we plan to further develop our supplier assessment process based on relevant sustainability criteria.

Social responsibility

Equal opportunity for all

Our values are an integral part of how we work and how we view our employees. Sinch is committed to providing everyone with equal opportunities to develop. All employees have goals and personal development plans that they pursue with the support of their line managers and the company. Working for Sinch means meeting people that dream big and win together. We want to unleash the power in our people, for everyone to be the best they can be. We continued our digital "Sinch Boosts" training initiatives in 2021 in areas covering for example better feedback and methods for objectives and key results.

In order to remain as leaders in our industry, we are working actively to retain employees and being an attractive employer. We value and reward deep expertise and have developed a recruitment process designed to attract the right talents to Sinch.

We are continuously improving our operational recruitment process to ensure a structured, data-driven and unbiased assessment process. This is improving the quality and contributing to a recruitment process that is both fair and professionally executed. We reinforced our Talent Acquisition Team during the year and improved our data-driven tools to ensure an even more professional recruitment process.

Career development opportunities and encouragement of internal mobility are key components to retaining skills within the company. We therefore advertise all available jobs internally and have a policy to interveiw all internal applicants and give them a chance to advance within the company. About 17 (18) percent of vacant positions were filled through internal recruitment during 2021.

We work in a male-dominated industry and are working hard in a goal-oriented manner to bring more women into the business. Of the people who started working for Sinch during the year, 34 (40) percent were women. The percentage is just below our target for 2021 aiming for at least 35 percent of new employees to be women.

Employee turnover was 20 percent in 2021 compared to 8.5 percent the year before. The increase was driven mainly by our globalization as some regions generally have higher employee turnover rate, as well as higher mobility and competition for talents in the industry.

We are continuously developing our processes to ensure that our employees thrive at Sinch. During the year, we developed our process for performance development, which will be introduced in 2022 as a further step in ensuring that our employees want to continue to develop together with us.

4,090
Number of employees including consultants (FTE) as of 31 December 2021

63
countries (43)

80+
languages spoken (70+)

Diversity

Diversity and inclusion are key factors for us and our various skills and experiences make us successful. Our diversity ambition strives for equality based on skills and our objective is to bring the right skills on board regardless of gender, sexual orientation, ethnicity or disability.

We are a workplace characterized by great diversity with employees in more than 60 countries, and together we speak more than 80 different languages. This means we can often talk to our customers in their native language, which is an advantage in our work and adds value to our customer relationships. Our corporate language is English and employees are not required to speak the local language where they are based.

In 2021, we have continued to develop our diversity plan as the company continues to grow. The plan aims to further clarify our level of ambition and define targets. We are also reviewing our people processes to involve the business and strengthen skills in the organization concerning these topics. We carried out two workshops during the year with the management team to ensure that we are prioritizing and working with diversity at the highest level in the organization. The internal communication has also been reinforced and clarified, for example through our intranet.

An inclusive culture where everyone feels like they belong is a key element in Sinch culture and success. We made it possible in 2021 for our employees to choose their preferred gender identity in our HR system.

At the end of the year, Sinch had 4,090 (1,778) employees including consultants. The significant increase is mainly due to acquisitions. Gender distribution and employees per region are reported based on employees excluding consultants (FTE) as of 31 December 2021. At the end of the year, group management consisted of 11 (12) members, including one (two) woman. The board of directors was composed of six (five) directors, including three (two) women.

Gender distribution, Employees

	2021	2020
Women	30%	24.5%
Men	69%	75.5%
Non-binary*	< 1%	-
Non-specified*	< 1%	-

*A new gender identity category introduced in 2021.

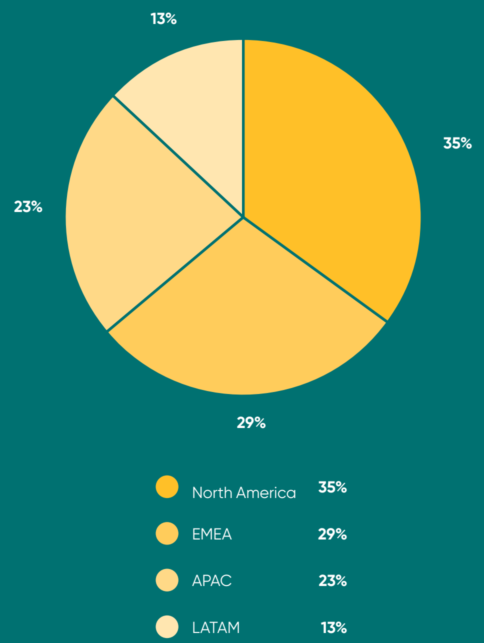
Gender distribution, Group management

	2021	2020
Women	9%	17%
Men	91%	83%

Gender distribution, Board of directors

	2021	2020
Women	50%	40%
Men	50%	60%

Employees per region:



Health and wellbeing

We promote work-life balance as the wellbeing of our employees benefits the individual, the company and its development. The pandemic continued to have an impact on how we work in 2021, where our focus was on ensuring the health and safety of our employees and their families. A key task in this effort is to support employees working from home with everything from providing practical tools to professional mental health support.

We are working to prevent absenteeism by identifying early signs if an employee is feeling unwell. We have established processes for providing support and offering counseling as needed. For example, we offer our employees in Sweden fitness and wellness benefits, medical insurance, flu shots and other health-promoting activities, such as time for exercise during working hours. Absenteeism in 2021 was again below one percent of annual working hours, corresponding to 0.76 percent based on employee data excluding recently acquired companies.

We regularly review our employees' work environment and are working on designing modern offices and methods based on future needs. During the third quarter of 2021, we have launched a concept for Ways of Working at Sinch to meet the needs of our employees. The concept is divided into three models:

- *Sincher@Office* - for people working mainly from a Sinch office
- *Hybrid Sincher* - for people working from home and the office
- *Sincher@Home* - for people mainly working from home or remote

Employees and their line managers choose the model jointly, taking into account both the employee's preferences and the demands of the role.

Employee survey

Each year, we conduct employee surveys, usually twice a year, that measure employee perceived engagement on a scale from one to ten. This year's employee survey resulted in a Net Promoter Score (NPS) of 8.4 (8.5). Given our expansion, the comprehensive onboarding work of our new employees and the challenges of the continued pandemic, we score high on the questions measured in the employee survey. Nevertheless, we are always working to ensure a good work environment for all Sinch employees.

8.4

Net Promoter score (NPS) (8.5)

#notocyberhate

Social engagement is a way for us to contribute to making the world a better place both locally and globally, preferably through initiatives that are related to our business. In line with last year's initiative Text for Humanity, the work for mental health online has continued. We participated in the #notocyberhate initiative launched by the Swedish Prince Couple's Foundation. #Notocyberhate is aimed at raising awareness of the harmful impact of cyber bullying and actively rejecting cyber hate. Sinch has participated in the initiative as a partner along with Facebook, Ingager, Fotografiska Stockholm and the Swedish Elite Football. The results of the partnership include a digital installation on cyber hate at Fotografiska Stockholm. Using the chatbot Virtual Buddy, created by Chatlayer by Sinch, young people and adults can get suggestions and concrete exercises to help us improve the online environment we all find ourselves in daily. More than 700 kids tested Virtual Buddy in 2021 through the initiative. We are all affected by what happens online, therefore we want to use our technology to promote positive change and counteract cyber hate.

Navgurukul
– Empowering women in India

Another project we engaged in during 2021 is Navgurukul in India. Founded in 2016, Navgurukul runs a fully funded software engineering skills program through a one-year residential course for young women from underprivileged families. The program guarantees jobs for the young women, who are often the first in their families to have an opportunity for higher technical education.

At the end of the program, students are awarded a Certificate in Software Programming, which is issued by the Directorate General of Training (DGT), Government of India.

The initiative with Navgurukul will be rolled out in 2022. In partnership with the Government of India, we will be building a school where 100 women will be provided fully financed education during the year.

Environmental responsibility

Climate impact of the business

Climate change is one of the greatest challenges of our time. Our stakeholders and the rapid regulatory changes have led to higher expectations for reducing emissions in line with the Paris Agreement and managing climate-related risks and opportunities in the value chain. We want to take responsibility for our environmental impact and we therefore included the climate impact of the business as an additional focus area in our sustainability strategy in 2021.

We are an expansive high-growth company with numerous acquisitions and multinational operations that are working to minimize the negative environmental impact of the business. We also see that our products and services have the potential to contribute to sustainable development through cloud and virtual communications.

Our Code of Conduct states our principles for mitigating the environmental impact of the business through actions including improving energy efficiency, recycling hardware and other recyclables, and developing innovative solutions. As a complement to the Code of Conduct, we also have a travel policy that ensures that we evaluate whether business travel is necessary and, when it is, which modes of transport should be used. We consider business travel a prerequisite for our continued expansion and development of our company, but we are trying to the greatest extent possible to conduct digital meetings instead of traveling to reduce our impact on the environment.

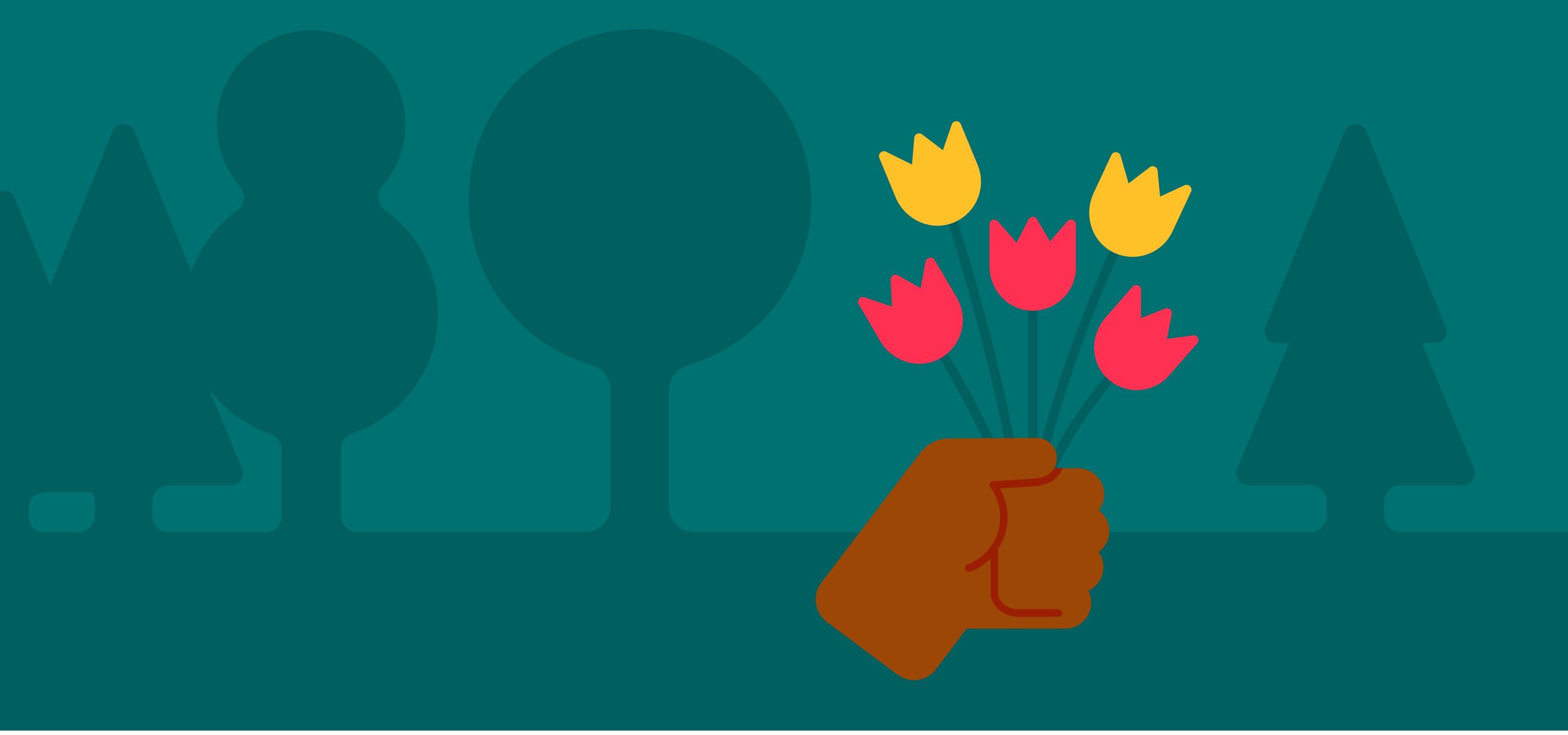
Emissions

In order to gain an overall understanding of our environmental impact, we initiated a project aimed at measuring and reporting our emissions according to the Greenhouse Gas Protocol in 2021. One step in this effort is that we reported our emissions to CDP for the first time with regard to our offices in the US, UK and Sweden. We continued during the year by measuring emissions by the Sinch Group related to our vehicle fleet and energy consumption in our premises, excluding the recently acquired companies MessageMedia, MessengerPeople, Inteliquent and Pathwire. We have also started to identify our material emissions in the value chain related to business travel and purchased goods an services related to data center and cloud services provided by our suppliers.

Energy consumption – Sinch measures energy consumption in our own premises and includes the sources of energy relevant to each location. In 2021, the total energy consumption at Sinch premises was approximately 1,573 kWh, of which approximately 90 percent corresponded to measured consumption. For premises where data on measured consumption is missing, the consumption has been estimated based on the premises' average annual consumption, or consumption for similar types of premises. Emissions for the period corresponded to approximately 492 tCO_2e.

Vehicle fleet – At year-end, Sinch had approximately 40 leased and owned cars in the vehicle fleet. Electric and hybrid cars make up approximately 9 percent of the total. Emissions are based on the quantity of fuel consumed and, for cars where this data is unavailable, mileage driven. Emissions in 2021 amounted to approximately 177 tCO_2e, including the lease agreements that expired during the year.

Business travel – Due to the ongoing pandemic, the number of business trips remained low. Business travel originating from headquarters in 2021 equaled approximately 56.5 tCO_2e, which is almost 77 percent lower than corresponding emissions in 2019. We are working towards reporting travel-related emissions for remaining parts of the business.



The result of this year's emission inventory is the first step towards measuring our emissions at Group level. We plan to further expand this effort in 2022. We will integrate acquired companies in the reporting and take more measures to account for our emissions in the value chain. During the year, we engaged with some of our larger suppliers of data center and cloud services, which are a key component to deliver our products and services. We aim to report these emissions and other matieral emissions in the value chain during next year. Together, this will be the basis for setting climate targets and action plans to reduce our emissions in line with the 1.5 degree target.

CO_2 emissions[1]

Scope	tCO_2e
Scope 1	177
Scope 2[2]	492
Scope 3	56.5

1) Sources for emission factors: Scope 1 - EPA; Scope 2 - supplier specific where available, IEA, EPA, AIB; Scope 3 - EPA, DEFRA

2) Market based approach, location based method equals to 507 tCO_2e

Reporting according to the EU Taxonomy

Sinch has evaluated the business to identify to what extent we are covered by the economic activities described in the Taxonomy Regulation ("Taxonomy") and the delegated act on *Climate change mitigation* and *Climate change adaptation.*[1] To identify relevant economic activities, certain assumptions have been deemed necessary to perform the assessment. The assessment has been based on if the definition of each economic activity and its technical screening criteria have been deemed applicable to our business that generates external turnover. Based on an assessment of the economic activities in the delegated act, the following activities in the Information and communication sector were identified as relevant for Sinch:

- Data processing, hosting and related activities
- Data-driven solutions for GHG emissions reduction
- Computer programming, consultancy and related activities

Currently, the definitions of the economic activities and their technical screening criteria have not been deemed applicable for us. Hence, zero percent of the turnover is related to eligible economic activities, of which zero percent of the operating and capital expenditures are related to the criteria necessary to be eligible. Other expenditures related to measures to reduce emissions or purchases of products and services related to eligible economic activities have not yet been assessed given that it is the first year that the regulation is applied.

Although we are currently not covered by the Taxonomy, we value the positive impact that mobile communication can contribute with to reduce emissions. We are monitoring the development of the Taxonomy and will re-evaluate the extent to which we are covered when new interpretations of the regulation emerges, and when additional activities and environmental objectives are adoped that may be relevant to our business.

The Information and communication sector has the potential to contribute to the sustainable transition of other sectors. We will continue to work with our ongoing initiatives to reduce our environmental impact, as well as evaluate how we can further contribute to sustainable development through our products and services.

1) Assessment based on information per 31 December 2021.

Risks

Material sustainability risks and risk management

Our most material sustainability risks are presented below.

Responsible business

Anti-corruption	
Corruption and bribery As Sinch conducts business globally, there is a risk that we unintentionally could become involved in corrupt business arrangements. There are certain aspects of our global operations that can affect the level of risk, for example countires with increased risk levels. We assess the risk of corruption to be relatively low for the great majority of our business.	*Description of risk management* We have zero tolerance for bribery and corruption, as stated in our Code of Conduct and anti-corruption policy. We regularly communicate the importance of ethical business to all employees. We hired a Head of Compliance during the year who is responsible for our anti-corruption program and we have adopted an anti-corruption policy that supplements our Code of Conduct. Over the next few years, we will continue implementing measures to improve assessment and management of risks in our business. Prior to acquiring a new company or entering into particularly risky contracts and partnerships, an integrity due diligence is performed, which is aimed at detecting concerns including the incidence of corrupt conduct.
Data protection	
Processing of personal data We have a responsibility to process personal data in accordance with applicable regulations and contractual conditions. Potential non-compliance or occurances of data breaches can affect how Sinch is perceived. This can lead to customer losses and financial consequences due to fines, liability claims and criminal law sanctions against the company or responsible persons within the company.	*Description of risk management* We assess, identify and continuously mitigate risks within the privacy program and risk management, which is embedded in the daily operations. Risk management is divided into preventive and reactive protective measures. Preventive measures include personal data management prior to entering into supplier contracts and monitoring of the same, as well as access management of various roles. Reactive measures in cases of suspected data breaches follow documented guidelines and processes, where we take additional action as needed. We have a process for handling requests from authorities for disclosure of data, so that legal assessment can be made of the legality of the request and obligations in accordance with applicable law.
Information security	
Management of cyber attacks Cyber attacks are occurring worldwide and there is generally a high risk of inadequate information security in most businesses and the trend is accelerating. Sinch is a company whose business transmits information digitally, which makes it crucial to identify and manage information security risks.	*Description of risk management* Sinch has stepped up its efforts related to information security risks and works according to our ISO 27001 management system, which is the basis of our security maturity program. In 2021, we included threat modeling and further developed the system architecture, with regard to information security. We have also reinforced our team with experts in security architecture, acquisition and integration of companies and risk management.

Ethical responsibility and legal compliance	
Compliance with the Code of Conduct We operate on a global market and there is a risk of noncompliance with our ethical values and guidelines, particularly due to lack of knowledge. There is also a risk that we will not successfully comply with all laws and regulations applicable to us in our business, especially considering our growth.	*Description of risk management* All employees must read and sign our Code of Conduct, which is available on our intranet. We regularly communicate the importance of ethical business conduct to all employees. We engage in constant dialoge about how we do business and we evaluate the risk of noncompliance with our Code of Conduct in the companies we acquire. We also have a Code of Conduct for suppliers and partners and, where applicable, assess their capacity to comply. In addition to the Code of Conduct, we are implementing measures to strengthen our capacity to manage risks associated with regulatory compliance in several key areas.
Respect for human rights We currently have employees, customers and suppliers in some countries identified as high-risk countries for violations of human rights. This can generally constitute a risk for our business. There is also a risk that our products and services could be used for purposes that are incompatible with fundamental human rights.	*Description of risk management* Our Code of Conduct is based on the ten principles of the UN Global Compact, which include human rights. All employees are required to comply with the Code of Conduct. We also have Codes of Conduct applicable to suppliers and partners that cover matters including human rights. Prior to acquisition of new companies and in connection with particularly risky contracts and partnerships, we carry out integrity due diligence that is aimed at detecting actions and conduct by our counterparties and stakeholders that can be considered violations of human rights. We plan to perform a specific risk analysis to ensure that Sinch does not cause, contribute to, or could be linked to violations of human rights.
Responsible supply chain	
Noncompliance in the supply chain Our suppliers are located all over the world and it is challenging to have control over the entire supply chain. There is a risk of deficient business ethics and that suppliers will fail to comply with agreed guidelines. Our initial assessment is that risks in the supply chain are relatively low.	*Description of risk management* Our larger suppliers are required to accept our Supplier Code of Conduct. If a supplier chooses not to accept the Code of Conduct, the contract will not be made unless the supplier can show another governing document to verify compliance, such as their own Code of Conduct. In our contracts, we ensure that the signing party assumes responsibility for its subcontractors and that credit checks are carried out when a financial risk exists. We expanded our procurement function during the year to improve how we evaluate and select suppliers. We also maintain close dialog with internal parties related to identified risk areas to reinforce our processes in relation to suppliers.

Social responsibility

Equal opportunity for all

Risk	Description of risk management
Loss or lack of qualified competence The risk of losing key competence within the company or being unable to attract key competence to the company is considered a risk to our business and continued development going forward.	*Description of risk management* We apply a recruitment model that ensures that our competence maintain a high standard. We train our managers and employees to have frequent and meaningful meetings, where clarity about expectations, feedback and coaching is included, in order to drive engagement. We measure employees' engagement through employee surveys and take necessary measures to retain our employees.

Diversity

Risk	Description of risk management
Discrimination against employees Even though we have an explicit policy of zero tolerance of discrimination and are striving for an equal workplace, there can be historical structures and behaviors embedded in our industry that can take time to change. Discriminating against people on the basis of gender, age, national origin, religion, sexual orientation, etc., is illegal. Shortcomings in that regard can result in a poorer workplace environment, difficulty recruiting and retaining employees, liability claims and reputational damage.	*Description of risk management* We have zero tolerance for discrimination on any grounds and strive for a culture characterized by diversity and inclusion. This is clearly expressed in our Code of Conduct, which is communicated to all employees. Counteracting discrimination and increasing inclusion is part of the manager's role and responsibility. In our HR processes, we work to attract, recruit and retain employees to ensure that no one is excluded on the basis of for example gender, sexual orientation or ethnicity. Through salary reviews and performance reviews, we identify any unfair differences between genders. We continously develop our diversity plan to work more strategically with diversity in pace with our rapid growth. In our employee surveys, we follow up and take action on feedback regarding diversity, inclusion and belonging.

Health and wellbeing

Risk	Description of risk management
Inadequate working conditions Our employees are our greatest and most important asset. We do business in an industry that is constantly changing. Given our rapid growth, organically and through acquisitions, there is a risk to our employees' health and wellbeing if we fail to maintain a sound work environment.	*Description of risk management* We are working actively to create work-life balance. We have processes for identifying when our employees are feeling unwell, which includes working with an external party that offers counseling. The goal is to identify signs of for example burnout at an early stage and, in doing so, prevent long-term absenteeism. We also continuously evaluate and act upon the results of our employee surveys and performance reviews to determine how we can further improve the work environment and employee wellbeing.

Environmental responsibility

Climate impact of the business

Risk	Description of risk management
Climate-related risks Global greenhouse gas emissions must be drastically reduced. Physical climate risks such as extreme weather events can cause damage to vital infrastructure in the value chain. This can lead to higher maintenance costs and loss of revenue if we are unable to deliver our products and services to our customers. Transition risks related to increased regulation and political initiatives can also entail higher costs as a result of, for example, carbon emissions pricing. Investors and customers have higher expectations on us to reduce emissions and analyze climate-related risks and opportunities in the business. Current and potential employees also expect us to work actively as a company with the climate issue if we are to be considered an attractive employer.	*Description of risk management* We established a role in 2021 to coordinate our sustainability program, which includes leading the effort to measure and mitigate our climate impact. We monitor regulatory developments and the rapid development of standards in the countries in which we operate. Our Code of Conduct governs how we should reduce our environmental impact in operations and the value chain. We also have a travel policy that takes environmental impact into consideration and requires assessment of whether travel is necessary. We will develop processes in the coming years to identify and manage climate-related risks and opportunities in the value chain based on the framework Taskforce on Climate-related Financial Disclosure (TCFD).

Said and done in 2021 and focus forward

Sustainability program and strategy

What did we say ahead of 2021?	What did we do during the year?	What is our focus forward?
- We will continue to work with our focus areas and include acquired companies in the sustainability program - We aim to clearly communicate our sustainability program to our employees and how they can contribute - We will assess whether to develop simple training materials about the sustainability program in connection with onboarding of new hires	- We appointed a role who coordinates our global sustainability program - We communicated our priorities internally and prepared a plan for further developing communication related to the sustainability program	- We will update our materiality analysis to consider increased expectations and the rapid regulatory development - Based on the updated materiality analysis, we will more clearly communicate how we are working with sustainability, both internally and externally

Responsible business

What did we say ahead of 2021?	What did we do during the year?	What is our focus forward?
- We will implement ISO 27001 across all operations, including acquired companies - We will remain committed to doing responsible and secure business and taking responsibility in the value chain	- We included acquired companies in our security program and are preparing them for ISO certification - We further developed governance in our focus areas with new roles, responsibilities and policies	- We will ensure that acquired companies are included in the security program and in the ISO 27001 certification - We will develop processes and systems for identifying and managing risks in our business and the value chain

Social responsibility

What did we say ahead of 2021?	What did we do during the year?	What is our focus forward?
- We will remain a fair employer as we grow	- We continued to develop our diversity plan and have developed the performance development process - We launched three models for Ways of Working at Sinch	- We will continue to raise our level of ambition and further develop our diversity strategy and targets - We will launch our performance development process

Environmental responsibility

What did we say ahead of 2021?	What did we do during the year?	What is our focus forward?
- We will initiate a project to improve energy efficiency	- We began to measure energy consumption in our premises and to report our emissions according to the Greenhouse Gas Protocol	- Will will set climate targets and action plans to reduce our emissions in line with the 1.5 degrees target

Auditor´s Report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2021-01-01 - 2021-12-31 on pages 28–47 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm April 22, 2022
Deloitte AB

Johan Telander
Authorized Public Accountant

5 questions to the Board Chair

Erik Fröberg has been director at Sinch since 2012 and Chairman of the Board since 2015.

What distinguishes Sinch as a company?
There are some key elements that we can trace back to the company's start in 2008 and that I would like to highlight.

From the very first moment, the ambition was to build a global company and to grow while maintaining profitability. Sinch has raised new capital only to finance acquisitions and never to finance operations. The combination of organic growth, acquired growth and profitability makes us unique in our industry.

In addition, the company culture is sound through-and-through and defined by high ethical and moral values. The founders played a large part in that and several of them are still active in the company. The inclusive culture has been vital to retaining all the smart and ambitious new colleagues who come to Sinch with every acquisition.

Sinch has from the beginning also had the ability to think big and not be afraid to make big changes. The company's shift from selling SMS in bulk packaging to leveraging cloud services to become a leading communications provider is impressive. Sinch's values are bred-in-the-bone, and the company has all the fundamental qualities it takes to be the best in the world.

What expectations should investors have on Sinch?
If we look at the whole picture, we see huge opportunities in our market. Businesses are still increasing their investments to enhance digital interaction with their customers and Sinch is there to help by providing applications and communications resources via the cloud. Although it is large and growing powerfully, the market is still in an early stage and still fragmented. We believe there will ultimately be two or three very large global players in this market and Sinch will absolutely remain one of them.

Investors should expect us to stay the course and achieve lofty goals where being an industry leader is the ultimate aim. They should also expect us to continue growing with profitability, both organically and through acquisitions. In other words, the swift pace of change at Sinch is not going to slow down any time soon.

To put a frame around this, the Board has defined two main financial targets: to grow Adjusted EBITDA per share by 20 percent annually and keep our net debt below 3.5 times Adjusted EBITDA over time.

What is the Board's take on Sinch's progress and performance in 2021?
We made three transformative acquisitions in 2021 that have moved the company from its position as a leader in messaging to a world leader in communications services. We now have an expansive and industry-leading product set, sales channels that reach customers in every category, regardless of size and technical maturity, and even greater scale opportunities.

As for performance, although we delivered persistent, profitable growth we did fall slightly short of our goal of 20 percent Adjusted EBITDA per share. One main reason is that the timing between dilution and EBITDA growth is out of sync in connection with large acquisitions, but we have also invested heavily during the year to prepare the integration of the new businesses.

Overall, though, what is most important is that our strategic position became substantially stronger in 2021. We are working long-term.

What did the Board focus on in 2021?
Above all, we devoted a great deal of time during the year to the three major and transformative acquisitions. We worked with the management to analyze and assess acquisition options, deal structures and organizational aspects. The Board also specifically engaged with financing issues. The acquisitions we made in 2021 would not have been possible without financing from a number of previous and new major shareholders. Thanks to our networks and capital markets expertise, we were able to help find financial backers and various financing solutions. On the whole, Sinch has a highly flexible and deeply committed Board that has met more than 30 times in different groups during the year.

What will be the key matters for the Board in 2022?
After having executed nine acquisitions in the last two years, we now have the best strategic position in the market. That said, smooth and effective integration of the new businesses naturally presents a challenge. This is not something that can be done in a single quarter. It will happen in stages over the next few years and coaching the management through the process will be a key task for the Board. This involves establishing structures, formulating objectives and, above all, creating a winning team. The conditions are superb. Sinch is an extraordinary company with fantastic employees whose ethical and moral values are set in stone, and that is one of the main reasons we will be a winner in our industry.

Corporate governance statement

Introduction

Sinch AB (publ) ("Sinch") is the parent company of the Sinch Group ("the Group") and has been listed on Nasdaq Stockholm since 8 October 2015. The board of directors of Sinch presents herewith the corporate governance statement for the 2021 financial year.

This corporate governance statement was adopted by the board of directors on 19 April 2022 and is a report of how corporate governance was pursued at Sinch during the 2021 financial year. The corporate governance statement is not part of the statutory management report.

Principles of corporate governance

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

Shareholders

The company had approximately 76,000 shareholders as of 31 December 2021. As of December 31, 2021, the following direct or indirect shareholdings in the company represented at least one tenth of the voting rights for all shares in the company:

- Neqst D2 AB, 14,3%
- Capital Group 13,1%

Voting rights

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

Articles of Association

The current Articles of Association (see the company's website, investors.sinch.com) were adopted by the general meeting held 18 May 2021. The Articles of Association contain no specific provisions concerning the appointment and dismissal of directors or concerning amendments to the Articles of Association.

Annual General Meeting

The annual general meeting is the company's supreme governing body. The annual general meeting affords shareholders the opportunity to exert their influence. Under the Swedish Compa-

Significant shareholdings

#	Shareholder	Number of shares	% of equity
1	Neqst D2 AB	110,024,381	14.3
2	Capital Group	100,901,966	13.1
3	Softbank	71,568,697	9.3
4	AMF Pension & Fonder	41,257,918	5.4
5	Swedbank Robur Fonder	39,823,767	5.2
6	Alecta Pensionsförsäkring	33,418,283	4.3
7	Temasek	22,851,408	3.0
8	Kjell Arvidsson (P&CS Invest AB)	18,711,278	2.4
9	Handelsbanken Fonder	18,412,545	2.4
10	Movile International Holdings BV	15,345,820	2.0
	Total, 10 largest shareholders	**472,316,063**	**61.5**
	Other shareholders	296,252,685	38.5
	Total shares outstanding	**768,568,748**	**100.0**

nies Act, several matters of business are under the purview of the annual general meeting, such as adoption of the income statement and balance sheet, allocations of profit or treatment of loss, discharge of liability, election of directors, and election of auditors.

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

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

Annual general meeting

The 2021 annual general meeting was held 18 May 2021, which shareholders could attend by postal vote. Three hundred and fifty-seven shareholders representing 63.7 percent of votes and share capital attended the meeting. The annual general meeting resolved to adopt the financial statements for 2020, endorse the proposed allocation of profit, and discharge the CEO and board of directors from liability for the past financial year. The annual general meeting elected directors and decided directors' fees. The annual general meeting also resolved to introduce an incentive program, to execute a 10-for-1 share split, and to amend §5 of the Articles of Association so that the number of shares shall be a minimum of 250,000,000 and a maximum of 1,000,000,000.

The 2022 annual general meeting will be held 31 May 2022 and shareholders will be able to attend only by postal vote.

Extraordinary general meeting

Sinch held an extraordinary general meeting on 26 October 2021, which shareholders could attend only by postal vote, for decisions on the following matters: (i) Implementation of an incentive program and issuance of warrants and employee stock options for key employees and senior executives; (ii) issue of new shares to the sellers of Deliver Holdings LLC; and (iii) authorization of the board to decide to issue new shares.

Corporate governance model

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

Authorizations

The annual general meeting held 18 May 2021 resolved to authorize the board of directors to decide on one or more occasions prior to the next annual general meeting to increase the company's share capital through issue of new shares in the company. Under this authorization, the company's share capital may be increased by a maximum of twenty percent of authorized share capital as of the date when the board of directors exercises the authorization for the first time.

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

The purpose of the authorization and the reason for a possible waiver of shareholders' preemptive rights is to enable issues to finance acquisitions of companies or parts of companies and the Company's operations.

The extraordinary general meeting held 26 October 2021 resolved to authorize the board of directors to decide on one or more occasions prior to the next annual general meeting to increase the company's share capital through issue of new shares in the company. Under this authorization, the company's share capital may be increased by a maximum of ten percent of authorized share capital as of the date when the board of directors exercises the authorization for the first time.

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

The purpose of the authorization and the reason for a possible waiver of shareholders' preemptive rights is to enable issues to finance acquisitions of companies or parts of companies and the Company's operations.

By reason of the acquisition by Sinch of all shares in Deliver Holdings Inc., the EGM held 26 October 2021 further resolved to authorize the board of directors to decide on one or more occasions prior to the next annual general meeting to to execute a non-cash issue of up to 51,000,000 shares. The right to subscribe for the shares will accrue exclusively to Deliver Parent LLP and other direct and indirect shareholders in Deliver Holdings LLP (which owns the Pathwire Group) and payment shall be made through the addition of a claim for USD 1 billion.

Nominating committee

The annual general meeting appoints the nominating committee and decides which tasks it must perform before the next annual general meeting. As resolved by the annual general meeting held 15 May 2021, the four largest shareholders or shareholder groups (thus referring to directly registered shareholders and nominee registered shareholders) per the share register printed by Euroclear Sweden AB ("Euroclear") as of 30 September 2021 shall each appoint one representative to constitute the nominating committee, in addition to the chair of the board, for a term of office ending upon the appointment of a new nominating committee as mandated by the 2022 annual general meeting.

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

The nominating committee shall appoint the committee chair. The chair of the board or any other director shall not serve as chair of the nominating committee. The composition of the nominating committee shall be announced not later than six months before the annual general meeting. Prior to the 2022 Annual General Meeting, however, the composition was announced on the 21st of January 2022, as a result of the Nomination Committee being constituted only then, which is a deviation from the Code. If one or more shareholders who appointed representatives to the nominating committee is/are no longer among the four largest shareholders in Sinch at a point in time more than two months prior to the annual general meeting, the shareholder representative/s shall step down and a new member or members shall be appointed to represent the new shareholders that are then among the four largest shareholders. If a member of the nominating committee resigns before the work of the nominating committee is completed, the same shareholder who appointed the resigning member shall, if it is considered necessary, have the right to appoint a new member, or, if that shareholder is no longer among the four largest shareholders, the next largest shareholder in line, as per the principles set out above, but based upon Euroclear's printout of the share register, as soon as possible after the member has stepped down. Changes in the composition of the nominating committee shall be immediately publicized.

Leading up to the 2022 annual general meeting, the composition of the Sinch nominating committee was therefore as follows:

- Jonas Fredriksson, representing Neqst D2 AB
- Andreas Hansson, representerande Softbank
- Ulrik Grönvall, representing Swedbank Robur Fonder

- Tomas Risbecker, representing AMF Pension & Fonder
- Erik Fröberg, Board Chair, Sinch AB (publ)

Diversity policy

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

In the opinion of the nominating committee, the board of directors has an acceptable level of diversity with regard to age, experience and gender. Of the directors elected in 2021, three are women and make up 50 percent of the board of directors.

Directors' remuneration

The nominating committee presents a proposal concerning directors' fees to the annual general meeting for endorsement. The 2021 annual general meeting resolved in favor of the nominating committee's proposal.

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

Board of directors

Board composition

Since the 2021 annual general meeting, the board of directors has consisted of Erik Fröberg, Bridget Cosgrave, Renée Robinson Strömberg, Johan Stuart, Björn Zethraeus and Luciana Carvalho. Erik Fröberg served as board chair. The chair presides over and allocates board duties, maintains continuous contact with the CEO and CFO, ensures that directors are thoroughly prepared and represents Sinch in acquisition discussions and the like.

Board independence

The positions of dependency of directors in relation to the company, management, and shareholders is shown on the table on page 54. As shown in the table, Sinch complies with applicable rules concerning the independence of directors in relation to the company, management, and the company's major shareholders.

Board duties

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

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

In addition to the statutory meeting held after election by the annual general meeting, the board of directors met 21 times in 2021. The primary focus of the board during the year was on strategy, the business plan and budget and acquisitions and integration of acquired companies.

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

The work of the CEO and the board of directors is externally evaluated annually. The evaluation was performed in 2021 through a self-assessment of the work of the board by giving directors the opportunity to express their views on working methods, board materials, their own work and that of other directors and the scope of the board assignment. The board of directors also receives reports from the Audit Committee and the Compensation Committee and evaluates their work. The evaluation has been presented to the Nominating Committee.

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

Board meetings

The board holds ordinary meetings according to the plan below:

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

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

Board committee duties

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

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

Audit Committee

The members of the Audit Committee are Erik Fröberg and Johan Stuart (chair). The company's CFO and the head of internal control attend meetings of the Audit Committee. The company's auditor attended four out of five meetings of the Audit Committee during the year.

Compensation Committee

The members of the Compensation Committee are Erik Fröberg (chair) and Renée Robinson Strömberg.

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

Auditors

The audit firm elected for term of one year by the annual general meeting held 18 May 2021 is Deloitte AB. Johan Tellander, authorized public accountant, is the auditor in charge.

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

Group management

The board of directors appoints the CEO. The CEO oversees group management and makes decisions in consultation with other members of group management. As of 31 December 2021, the management team was comprised of CEO Oscar Werner, COO Anders Olin, CFO Roshan Saldanha, CSO and Head of Investor Relations Thomas Heath, CHRO Håkan Färdig, Chief Marketing Officer Jonathan Bean, CTO Jonas Lindeborg, Chief Evangelist and Co-Founder Robert Gerstmann, VP Integration Julie Rassat, Chief Service Officer Russ Green, Chief Business Development Officer Eduardo Henrique, and President and Managing Director, India, Sanjay Goyal.

Work of executive management

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

Governance and monitoring of the management team is based on the charter adopted by the board, the instruction for the CEO, and reporting instructions. Executive management and other managerial personnel manage day-to-day operations primarily through instruments such as budgets, performance management and reward systems, regular reporting and monitoring and employee meetings, and via a delegated decision structure with functional hierarchies (development, marketing, support, finance, etc.) from the parent company to subsidiary management teams. Focus during the year was on the business plan, growth issues, financing and the acquisition and integration of Inteliquent, MessageMedia, MessengerPeople and Pathwire.

Name	Year elected	Independent of the company	Independent of the owners	Position	Committee	Attendance board meetings	Attendance Audit Committee	Attendance Compensation Committee	Fee SEK 000s*	Number of shares/ warrants in Sinch, direct and indirect holdings*
Erik Fröberg	2012	Yes	No	Board Chair, Compensation Committee Chair	Compensation, Audit	22/22	5/5	9/9	1,750	1,473,970 direct holding – indirect holding through Neqst D2 AB
Bridget Cosgrave	2018	Yes	Yes	Director	–	21/22	–	–	700	3,500
Renée Robinson Strömberg	2017	Yes	Yes	Director	Compensation	22/22	–	9/9	750	340
Johan Stuart	2015	Yes	Yes	Director, Audit Committee Chair	Audit	22/22	5/5	–	1,050	90,000 direct holding
Björn Zethraeus	2017	No	No	Director	–	22/22	–	–	0	indirect holding through Neqst D2 AB
Luciana Carvalho	2021	No	No	Director	–	8/22	–	–	0	indirect holding through Movile International Holdings BV

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

**Holdings as per 31 December 2021.

Internal control of financial reporting

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

Control environment

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

The company established a separate internal control function during the year, which reports to the CFO.

The board has adopted a charter, CEO instruction, and instructions for financial reporting. In addition to these, there are operational polices and guidelines in several areas.

Risk assessment

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

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

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

Control activity

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

Information

Information about internal financial reporting control documents is available to relevant employees on the Sinch intranet. Information and training related to the internal control documents is also provided through activities aimed directly at finance managers and controllers within the group.

Monitoring

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

Stockholm, 19 April 2022

The board of directors of Sinch AB (publ)

Board of directors






1. Erik Fröberg

Born: 1957

Director of Sinch since: 2012, Chairman since 2015

Shareholding in Sinch (total, private & via companies): 1,473,970 privately and in addition an indirect holding through Neqst D2 AB

Warrants in Sinch: 0

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

Principal occupation: Partner and founder of Neqst.

Experience: Executive Vice President Cap Gemini Sweden; Executive Vice President LHS Group Inc, CEO Digiquant Inc, Special Advisor General Atlantic LP

Other significant directorships (company and position): Director of Digital Route AB and Varnish AB and chair of Xlent AB and Netlight AB.

Dependency on the company and its major shareholders: No/Yes

2. Johan Stuart

Born: 1957

Director of Sinch since: 2015

Shareholding in Sinch (total, private & via companies): 90,000

Warrants in Sinch: 0

Education: MSc in Economics from the Stockholm School of Economics

Principal occupation: –

Experience: Affibody Medical AB, Tradimus AB, XCounter AB, Hi3G Access AB, Utfors AB and companies within the Axel Johnson Group

Other significant directorships (company and position): Director of Digital Route AB and Best Practice Scandinavia AB.

Dependency on the company and its major shareholders: No/No

3. Bridget Cosgrave

Born: 1961

Director of Sinch since: 2018

Shareholding in Sinch (total, private & via companies): 3,500

Warrants in Sinch: 0

Education: MBA from the London Business School, MSC from World Maritime University, BA Hons from Queen's University, Canada

Principal occupation: Independent consultant, Director ADIMO srl

Experience: Founding CEO & Chair of BICS sa; SVP Enterprise Proximus; Deputy Director General ETSI; Director General Digital Europe; former non-executive director of S.E.S., Essilor, Eutelsat, Steria and Euskaltel

Other significant directorships (company and position): None

Dependency on the company and its major shareholders: No/No

4. Björn Zethraeus

Born: 1963

Director of Sinch since: 2017

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

Warrants in Sinch: 0

Education: MSc Engineering, Institute of Technology at Linköping University

Principal occupation: Head of Corporate Development and Co-Founder of Sinch

Experience: Executive positions with Ericsson, co-founder of Ericsson IPX AB, co-founder of Sinch, management consultant and acting manager with various network operators and mobile marketing companies

Other significant directorships (company and position): Director and CEO, Cantaloupe AB

Dependency on the company and its major shareholders: Yes/Yes

5. Renée Robinson Strömberg

Born: 1970

Director of Sinch since: 2017

Shareholding in Sinch (total, private & via companies): 340

Warrants in Sinch: 0

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

Principal occupation: Founder of and CEO Shiny Thing AB

Experience: More than 25 years of experience in the international high-tech industry including Drutt (acquired by Ericsson) and Tail-f Systems (acquired by Cisco).

Other significant directorships (company and position): Director of Doctrin AB

Dependency on the company and its major shareholders: No/No

6. Luciana Carvalho

Born: 1984

Director of Sinch since: 2021

Shareholding in Sinch (total, private & via companies): indirect through Movile International Holdings BV

Warrants in Sinch: 0

Education: Bachelor's Degree in Psychology from Pontificia Universidade Católica de Minas Gerais, Master's Degree in People Management from Fundação Getúlio Vargas, Stanford Executive Program from Stanford School of Business

Principal occupation: Director at Movile in São Paulo, Brazil

Experience: Various positions within HR and talent acquisition in Movile, Ambev, Santa Casa de Misericordia de Poços de Caldas and Essencial Assessoria de Recursos Humanos

Other significant directorships (company and position): Board member of Zoop

Dependency on the company and its major shareholders: Yes/Yes

Group management






1. Oscar Werner

Chief Executive Officer

Born: 1974

Employee since: 2018

Education: MsC in Economics from the Stockholm School of Economics, engineering studies at KTH, Stockholm

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

Shareholding in Sinch (total, private & via companies): 50,000

Warrants in Sinch: 333,334

2. Christina Raaschou

Chief Human Resources Officer

Born: 1977

Employee since: January 2022

Education: MSc Business Administration, University of Karlstad

Experience: Head of HR H&M Group Business Tech, senior HR roles within Ericsson & Unilever

Shareholding in Sinch (total, private & via companies): 337

Warrants in Sinch: 2,349

3. Jonas Lindeborg

Chief Technology Officer

Born: 1967

Employee since: 2016

Education: MBA in Leading Innovation from the Stockholm School of Economics

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

Shareholding in Sinch (total, private & via companies): 4,930

Warrants in Sinch: 26,599

4. Thomas Heath

Chief Strategy Officer

Born: 1981

Employee since: 2018

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

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

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

Warrants in Sinch: 66,667

5. Jonathan Bean

Chief Marketing Officer

Born: 1976

Employee since: 2019

Education: MBA from Henley Business School, degree in Communications from University of Leeds

Experience: With Mynewsdesk since 2009, head of marketing since 2015. Bean has won several marketing awards including the Cannes Lion, the Webby (New York), the Golden Egg (Stockholm) and the Drum (London). Prior to Mynewsdesk, he had various roles as a sales representative for SaaS solutions at Cision.

Shareholding in Sinch (total, private & via companies): 44,600

Warrants in Sinch: 23,330

6. Roshan Saldanha

Chief Financial Officer

Born: 1977

Employee since: 2019

Education: Master's degree from the University of Mumbai, chartered accountant in India

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

Shareholding in Sinch (total, private & via companies): 4,226

Warrants in Sinch: 83,334

Holdings in shares and warrants are reported as of December 31, 2022, also see investors.sinch.com.

Note regarding warrants/stock options : All programs except LTIP II 2021 were adopted prior to the 1:10 share split implemented 18 June 2021. In all of these programs, one stock option/warrant therefore gives the right to 10 shares. As LTIP II 2021 was adopted after the share split, one stock option gives the right to one share in this program.





7. Anders Olin

Chief Operating Officer

Born: 1966

Employee since: 2018

Education: Graduate Engineering Degree, KTH, Stockholm Experience: Several leading positions at Ericsson, including three years as a member of executive management, most recently as head of the Telecom Core business unit. Has worked abroad for 12 years and was a director of several local Ericsson companies.

Shareholding in Sinch (total, private & via companies): 7,000

Warrants in Sinch: 66,666

8. Julie Rassat

Vice President Integration

Born: 1979

Employee since: 2020

Education: BA in International Relations from University of Leeds, Master's in Finance from ESCP-EAP and MBA from the London Business School.

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

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

Warrants in Sinch: 6,500

9. Eduardo Henrique

President, Applications

Born: 1976

Employee since: 2021

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

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

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

Warrants in Sinch: 30,000

10. Ed O'Hara

President, Voice

Born: 1964

Employee since: 2018

Education: MBA Stanford University Graduate School of Business, bachelor's degree University of Notre Dame

Experience: CFO Datapipe, CFO Sidera Networks, CFO RCN Corporation residential and business services segment

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

Warrants in Sinch: 129,297

11. Will Conway

President, Developer & Email

Born: 1985

Employee since: 2013

Education: BA in Political Science at The University of Texas at San Antonio

Experience: Senior Sales Manager Rackspace OpenStack, General Manager Mailgun, CEO Pathwire

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

Warrants in Sinch: 200,000

12. Paul Perrett

President, SMB (Small and Medium-sized Businesses)

Born: 1975

Employee since: 2018

Education: Bachelor of Engineering (Chemical) at UNSW in Sydney, Australia

Experience: Over 20 years of executive experience in technology and SaaS businesses including COO of Melbourne IT, COO of Aconex, and CFO then CEO at MessageMedia.

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

Warrants in Sinch: 0

Sinch presented a new operating model on February 3, 2022 with the above presented group management team. In connection to the organizational change, Ed O'Hara, Will Conway and Paul Perett became members of the group management team, at the same time as Robert Gerstmann, Russ Green and Sanjay Goyal left it. In addition, Christina Raaschau succeeded Håkan Färdigh as head of HR and a member of group management in January 2022.

* Ed O'Hara, Will Conway and Paul Perrett were not part of Group Management on December 31, 2022 and their shareholdings are therefore not stated in this Annual Report. See investors.sinch.com for updated information.

Auditor´s Report on the corporate governance statement

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

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2021-01-01 – 2021-12-31 on pages 50–58 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinion

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

Stockholm April 22, 2022
Deloitte AB

Johan Telander
Authorized Public Accountant

Financial information

Management report

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

Business and organization

Sinch is a leading vendor of cloud communications services and digital customer interaction. Powered by the Sinch cloud communications platform, enterprises can reach every person on the planet – within a second or two – via messaging, email, voice calls and video.

Within **Messaging,** businesses use the Sinch cloud communications platform to reach their customers directly on their phones via SMS and next-generation messaging technologies like WhatsApp and RCS.

Voice and Video provides Sinch APIs for voice communications, making it possible for business customers, service providers and telecom operators to handle large volumes of voice calls, phone numbers and emergency calls with no need for costly investments in infrastructure.

Within **Email**, Sinch offers industry-leading deliverability of transactional and marketing emails to more than 100,000 customers worldwide.

Sinch services for mobile **Operators** simplify handling of person-to-person messaging. The offering also includes software solutions for mobile operators, supplied as both products and services, to provide mobile value added services (VAS), handle online charging systems (OCS) in real time, and to protect their networks and revenues.

The company's organization was successively revamped in 2021 to incorporate acquired businesses. Sinch announced on 3 February 2022 that it was implementing a new operating model with five business units supported by central functions. The five business units are Enterprise & Messaging, Voice, Developer & Email, Applications and SMB (small- and medium-sized businesses).

Corporate Governance and Sustainability reports

In accordance with the Swedish Annual Accounts Act, ch 6, 8§ and 11§, Sinch has elected to prepare the statutory corporate governance and sustainability reports as separated reports. The reports are presented on pages 50-55 and 28–47 of this document.

Significant events during the financial year

Sinch announced on 1 February that it is divesting the operator products in Business Support Systems to a Norwegian eRate.

Acquisition of Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy through acquisition of 100 percent of the shares in two companies, Movile Internet Móvel S.A. and Wavy Global Holdings BV. The acquisition closed on 1 February 2021. The total consideration amounted to SEK 2,675m. The acquisition was financed with a combination of cash reserves, debt facilities and through an issue inkind. The acquisition is included in the consolidated accounts from 1 February 2021. The fair value of acquired trade receivables amounts to SEK 198m. The contractual gross amount of trade receivables is SEK 198m. The purchase consideration was adjusted by BRL 109.8m (SEK 168.8m) during Q2. The entire increase has been recognized as goodwill.

Acquisition of Inteliquent

Sinch entered into a binding agreement on 17 February 2021 to acquire Inteliquent, the largest independent provider of voice services in the US. The acquisition closed on 9 December. The total consideration amounted to SEK 10,581m. In conjunction with the acquisition, Sinch repaid an external loan to Inteliquent's lenders in the amount of USD 529.1m. Inteliquent was acquired through acquisition of 100 percent of the shares in the legal entity Onvoy Holdings Inc. The acquisition was financed with a combination of cash reserves and debt facilities.

The business is headquartered in Chicago, Illinois and has more than 500 employees. Inteliquent comprises two business units that leverage the same underlying network. The CPaaS (Communications-Platform-as-a-Service) business comprises Inteliquent's enterprise-targeted API offering that lets businesses acquire phone numbers and embed voice calling in their own products or business processes. The IaaS (Infrastructure-as-a-Service) business includes a range of business-critical services to fixed and mobile telecom carriers, including services for off-net call termination and handling of calls to toll-free 1-800 numbers.

Execution of the transaction was subject to customary terms and conditions and approvals from CFIUS, FCC and US competition authorities. The remaining administrative approval is expected to be finalized within the near future.

The acquisition was included in the consolidated accounts from 9 December 2021. The fair value of acquired trade receivables amounted to SEK 534m. The contractual gross amount of trade receivables is SEK 658m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Acquisition of MessageMedia

Sinch entered into a binding agreement on 9 June to acquire MessageMedia, a leading provider of mobile messaging services to small and medium-sized enterprises in the US, Australia, New Zealand and Europe. Headquartered in Melbourne, Australia, the business has a workforce of more than 350 people. MessageMedia was acquired through acquisition of 100 percent of the shares in the legal entity Message 4U Pty Ltd. The acquisition closed on 5 November. The total consideration amounted to SEK 10,694m. Sinch paid cash consideration in AUD equivalent to SEK 9,245m plus 11,284,870 new shares in Sinch. The sellers have received 481,860 new shares in Sinch worth SEK 60m (at SEK 125.10 per share). The remaining new shares in Sinch, 10,803,010 in total, will be issued to the sellers during 2022.

The acquisition was included in the consolidated accounts from 5 November 2021. The fair value of acquired trade receivables amounted to SEK 218m. The contractual gross amount of trade receivables is SEK 222m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Acquisition of MessengerPeople

Sinch entered into a binding agreement on 22 September 2021 to acquire MessengerPeople, a leading SaaS platform for conversational messaging. The acquisition closed on 1 November. Total consideration amounted to SEK 508m, of which Sinch paid SEK 371m in cash and SEK 136m in the form of 835,677 new shares in Sinch (at SEK 162.85 per share).

MessengerPeople offers a cloud-based software solution that makes it easy for businesses to communicate with their customers via interactive messaging services like WhatsApp, Telegram and Apple Business Chat (iMessage). More than 700 companies currently use apps from MessengerPeople to interact with their customers. About 80 percent of these companies are based in the DACH region. The company has about 40 employees and is based in Munich, Germany.

The acquisition was included in the consolidated accounts from 1 November 2021. The fair value of acquired trade receivables amounts to SEK 4m. The contractual gross amount of trade receivables is SEK 4m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Acquisition of Pathwire

Sinch entered into a binding agreement on 30 September to acquire Pathwire, a leading cloud-based email delivery platform, including its Mailgun, Mailjet and Email on Acid products for developers and marketers. The acquisition closed on 7 December. The total consideration amounted to SEK 14,205m. To simplify the acquisition structure, the acquisition was made through a merger between the owner in the Pathwire Group, Deliver Holdings Inc, and a US subsidiary of Sinch, Pegasus Corp One, which later merged with Sinch's wholly owned subsidiary Pegasus Corp Two.

Cash settlement of SEK 8,776m was paid in the transaction. The sellers received 25,5 million new shares in February worth SEK 2,714m (at SEK 106.5 per share). The sellers will also receive 25.5 million new shares in Sinch, which will be delivered to the sellers in May 2022 and are worth SEK 2,715m (at SEK 106.5 per share).

More than 100,000 companies use Pathwire's products to interact with their customers, including major brands such as Lyft, Microsoft, Iterable, DHL and Etsy. Pathwire is headquartered in San Antonio, Texas and has about 290 employees.

The acquisition was included in the consolidated accounts from 7 December 2021. The fair value of acquired trade receivables amounts to SEK 68m. The contractual gross amount of trade receivables is SEK 83m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Share issues

Sinch issued 1,534,582 new shares on 1 February to Movile International Holdings BV as part of the consideration paid for the shares in Wavy. In consideration for the 1,534,582 shares, Sinch received assets in kind worth an estimated BRL 290,250,000.

A directed issue of 7,232,077 shares was executed on 24 May at a subscription price of SEK 1,300 per share (corresponding to SEK 130 per share after the share split on 17 June).

It was also announced on 30 September that Sinch had executed a directed issue of 40.1 million shares that raised total subscription proceeds of approximately SEK 6.6 billion (about USD 750m), in connection with the acquisition of Pathwire.

A directed issue of 835,677 shares was executed on 1 November in connection with the acquisition of MessengerPeople.

A directed issue of 481,860 shares was executed on 5 November in connection with the acquisition of MessageMedia.

Sinch executed a directed issue of 21 million shares on 1 December against total subscription proceeds of approximately SEK 3,469 billion to partially finance the acquisition of Pathwire. The new issue constituted the second part of the directed share issue of approximately 40 million shares announced on 30 September 2021 The subscribers comprised several institutional investors.

In addition to the above, shares were issued in relation to exercise of warrants under the Group's incentive program. See Note 7.

Important events after the end of the financial year

Sinch announced on 3 February 2022 that it was implementing a new operating model with five business units supported by central functions.

Sinch announced on 10 February 2022 that the board of directors, as per the press release dated 7 December 2021, had decided to execute a non-cash issue of 25.5 million shares to the sellers. The remaining 25.5 million shares will be issued in May 2022.

Sinch announced on 17 February that the company had entered into a credit agreement for approximately SEK 7,500m with a syndicate of nine banks. The agreement refinances the existing facility agreement from November 2016 and partially the bridge loans that were entered into in connection with acquisitions done in 2021. On the same date, the company notified the market that it had made a three-year loan agreement with the Swedish Export Credit Corporation in the amount of USD 110m.

Russia invaded Ukraine on the 24th of February, causing enormous human suffering. The situation has triggered a profound response from the management and employees of Sinch. Sinch's main priority has been to support employees affected by these tragic events, in Ukraine, in Russia and elsewhere. Actions to ensure compliance with the sanctions imposed after the invasion were implemented immediately and Sinch has stopped all new sales of Sinch products and services to customers based in Russia and Belarus. To support the Ukrainian people, Sinch has launched a matching program for employees focused on donations to the Ukraine Crisis Relief Fund. At year-end, Sinch had 59 employees in Ukraine and Russia. The Russian and Ukrainian markets accounted for around 1 permille of Sinch's total revenues in 2021.

Sinch Group overview

SEKm	2021	2020	Change
Net sales	16,177.2	8,023.3	102%
Gross profit	3,932.9	2,183.3	80%
Gross margin	24.3%	27.2%	-
EBITDA	830.6	714.1	16%
EBITDA margin	5.1%	8.9%	-
Adjusted EBITDA	1,321.9	989.4	34%
Adjusted EBITDA margin	8.2%	11.7%	-
Adjusted EBITDA/gross profit	33.6%	44.6%	-
EBIT	157.9	452.9	-65%
EBIT margin	1.0%	5.6%	-
Adjusted EBIT	1,161.1	921.8	26%
Adjusted EBIT margin	7.2%	10.5%	-
Profit for the year	907.5	446.0	104%
Cash flow from operating activities	334.4	453.9	-26%
Cash and cash equivalents	1,871.0	3,123.0	-40%

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, see pages 127–128.

Net sales

Consolidated net sales grew during the 2021 financial year by 102 percent to SEK 16,177m (8,023).

Organic growth, in local currency and excluding acquisitions, was 37 percent.

Gross profit

Gross profit increased by 80 percent to SEK 3,933m (2,183). Organic growth, in local currency and excluding acquisitions, was 18 percent. The negative effect of currency movements was SEK 62m, corresponding to 3 percent. The gross margin was 24 percent (27). The bulk of Sinch's cost of goods and services sold (COGS) consists of mobile operator traffic tariffs, which vary widely from one country to the next. Accordingly, Sinch focuses mainly on gross profit, which is similar regardless of country, rather than net sales and the gross margin.

Operating profit (EBITDA)

Consolidated EBITDA increased by 16 percent to SEK 831m (714) and Adjusted EBITDA was SEK 1,322m (989).

Consolidated EBIT decreased by 65 percent to SEK 158m (453). Adjusted EBITDA amounted to SEK 1,161m (922).

Adjusted EBITDA and Adjusted EBIT are reported to clarify performance in underlying operations. See also Note 2.

Items affecting comparability, SEKm	2021	2020
Acquisition costs	-168.9	-134.2
Adjusted earnout	0	37.8
Integration costs	-230.4	-90.1
Costs of share-based incentive programs	-105.9	-51.5
Operational foreign exchange gains/losses	0.1	-25.5
Other adjustments	10.8	-11
Total EBITDA adjustments	**-491.3**	**-274.5**
Amortization of acquisition-related assets	-511.8	-194.3
Total EBIT adjustments	**-1,003.1**	**-468.9**

Financial items

Net finance income was SEK 1,039m (-74), including interest expenses of SEK -60m (-38) and foreign exchange differences of SEK 1,099m (-34).

Tax

Tax on profit for the year amounted to SEK -289m (67) resulting in an effective tax rate of 24 percent (-18). The effective tax rate affected the acquired loss carryforwards during the previous year.

See Note 10 for further information that affected tax on profit for the year.

Profit for the year

Profit for the year increased by 103 percent to SEK 908m (446) compared with the preceding financial year.

Cash flow and liquidity

Cash flow from operating activities amounted to SEK 334m (454).

Net investments in intangible assets and property, plant and equipment amounted to SEK 178m (116). The investments refer mainly to capitalized development expenditure of SEK 98m (69), and investments in hardware and software. Investments in subsidiaries amounted to SEK 28,877m (2,885) in Inteliquent, MessageMedia, MessengerPeople, Pathwire and Wavyl. Share issues and warrants amounted to SEK 15,976m (5,529).

At the end of the year, the Group had cash and cash equivalents of SEK 1,871m (3,123) and an unused overdraft facility of SEK 471m (200).

Covid-19

Covid-19 continues to have a negative impact on the smaller Voice and Video segment. The overall impact on the Sinch Group remains moderate because volumes in Messaging have increased at the same time.

Messaging

Businesses use the Sinch cloud communications platform to reach their customers directly on their phones via SMS and next-generation messaging technologies like WhatsApp and RCS. Large business customers are served by the Sinch sales force, while small and medium-sized businesses (SMB) are offered easy-to-use turnkey solutions via the web. Sinch handles more than 200 billion messages at an annualized rate.

SEKm	2021	2020
Net sales	14,467.1	7,582.0
Gross profit	3,076.0	1,883.9
Gross margin	21.3%	24.8%
EBITDA	1,063.1	934.7
Adjusted EBITDA	1,249.7	988.0

The acquisitions of MessengerPeople and MessageMedia were closed in Q4 and each contributed to profit for the year in the segment.

Net sales

Messaging continued to develop well during the year and net sales grew by 91 percent to SEK 14,467m (7,582) compared to 2020. Acquired companies contributed 55 percent of growth and organic growth in local currency was 39 percent.

Increased transaction volumes from key strategic customers and higher rates in several geographies had positive impact on organic growth in net sales. Commercial partnerships with large multinational cloud platform providers that use products from Sinch for automated mobile marketing were an important source of growth.

Profit

Gross profit increased by 63 percent to SEK 3,071m (1,884). Acquired companies contributed 48 percent of growth and organic growth in local currency was 19 percent. The gross margin was 21 percent (25). The lower gross margin is explained mainly by growth in products, regions and customer groups where margins are lower.

EBITDA rose by 14 percent to SEK 1,063m (934) and the EBITDA margin was 7 percent (12). Adjusted EBITDA grew by 24 percent to SEK 1,249m (1,007) and the Adjusted EBITDA margin was 9 percent (13).

Voice and Video

Sinch APIs for voice communications make it possible for business customers, service providers and telecom operators to handle large volumes of voice calls, phone numbers and emergency calls with no need for costly investments in infrastructure. The backbone of the offering is the Sinch Super Network for voice calls, which reaches 95 percent of the US population and handles more than 300 billion voice minutes per year.

SEKm	2021	2020
Net sales	647.2	265.5
Gross profit	217.0	77.3
Gross margin	33.5%	29.1%
EBITDA	12.9	-6.7
Adjusted EBITDA	10.5	-5.0

The acquisition of the American company Inteliquent was closed in Q4 and contributed to profit for the segment in 2021.

Net sales

Net sales increased by 143 percent to SEK 647m (266) compared with 2020. The acquired entity (Inteliquent) accounted for 110 percent of growth and organic growth in local currency was 40 percent.

Profit

Gross profit amounted to SEK 217 million (77) and the gross margin was 33 percent (29). The consolidation of Inteliquent in Q4 was the main factor in the gross margin improvement.

EBITDA was SEK 13m (-7) and the EBITDA margin was 2 percent (-3).

Adjusted EBITDA was SEK 10m (-5) and the Adjusted EBITDA margin was 2 percent (-2).

Email

The segment includes Sinch's email business, which offers industry-leading deliverability of transactional and marketing emails to more than 100,000 customers worldwide.

SEKm	2021	2020
Net sales	81.0	-
Gross profit	63.8	-
Gross margin	78.8%	-
EBITDA	35.9	-
Adjusted EBITDA	36.4	-

The acquisition of Pathwire closed on 7 December and accounts for all profit in the new Email segment.

Net sales

Net sales amounted to SEK 81m (-). The acquired company Pathwire accounted for the entire increase.

Profit

Gross profit was SEK 64m (-). EBITDA was SEK 36m (-) and the EBITDA margin was 44 percent (-). Adjusted EBITDA was SEK 36m (0) and the Adjusted EBITDA margin was 45 percent (-).

Operators

The segment includes Sinch's mobile operator services, which simplify handling of person-to-person messaging. The segment also includes software solutions for mobile operators, supplied as both products and services, to provide mobile value added services (VAS), handle online charging systems (OCS) in real time, and to protect their networks and revenues.

SEKm	2021	2020
Net sales	1,182.2	317.1
Gross profit	452.9	200.0
Gross margin	38.3%	63.1%
EBITDA	164.0	23.9
Adjusted EBITDA	166.8	22.6

Net sales

Net sales grew by 273 percent to SEK 1,182m (317) compared with the preceding year. The acquired entity (SDI) accounted for 249 percent of growth and organic growth in local currency was 25 percent. The acquisition of SDI closed on 1 November 2020 and is included in organic growth from 1 November 2021.

Profit

Gross profit was SEK 453m (200). EBITDA was SEK 164m (25) and the EBITDA margin was 14 percent (8). Adjusted EBITDA was SEK 167m (27) and the Adjusted EBITDA margin was 14 percent (8).

The steep rise in profit is attributable to the acquisition of SDI.

Other and eliminations

Group-wide costs and eliminations and the customer service systems business that Sinch acquired through SAP Digital Interconnect (SDI) are reported in Other and eliminations.

SEKm	2021	2020
External revenue	125.2	22.1
Internal revenue	-325.4	-163.4
Net sales	-200.2	-141.3
Gross profit	123.2	21.9
EBITDA	-445.2	-237.0
Adjusted EBITDA	-140.8	-40.0

Net sales

Revenue from external customers increased to SEK 125m (22). SDI contributed the entire increase. Net sales in the segment are negative due to eliminations between operating segments.

Profit

Gross profit was SEK 123m (22) SDI contributed the entire increase. EBITDA was SEK -445m (-237) and Adjusted EBITDA was SEK -141m (-40). Adjusted EBITDA was reduced by group-wide costs.

Research and development

Sinch has a large staff of software developers and other technical personnel and several parts of the company are involved in product development. The cloud platform was further developed in 2021 to enable even more efficient scaling and management of increased traffic volume. Investments have also been made in systems for regulatory compliance, such as spam filter systems. Further development of next-generation conversational messaging systems enabled the addition of new channels, such as Instagram and Apple Messages for Business. In parallel, the integration of acquired businesses resulted in technical projects to migrate customers of Wavy, TWW and SDI to global shared platforms. The acquired entities MessageMedia, MessengerPeople, Pathwire and Inteliquent were consolidated at the end of Q4 and thus had limited impact on the company's total R&D in 2021.

Development expenses are capitalized as specified in Note 1 and amortized over 3 to 10 years. Capitalized expenses for internal hours spent during the year amounted to SEK 98.0m (69.4).

Environmental impact

Sinch's core business is software development and management of digital transactions and has limited environmental impact. Sinch has impact on the environment primarily through travel, hardware operation and disassembly and emissions in the value chain related to data centers and cloud services. Sinch is working to minimize these effects by measuring and reducing our emissions. This includes replacing travel with online communications and travel by modes such as rail that have less impact on the environment. Sinch also aspires to send outmoded hardware for recycling.

Employees

At the end of the year, the Group employed 4,090 (1,778) people, including consultants. The average number of employees during the year was 1,937 (858) and out of these, 28 percent were women (26). The average age of the workforce was 38 (39).

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

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

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

Proposed resolution on executive compensation policy

The board of directors of Sinch AB (publ) proposes the following executive compensation policy. Policy guidelines do not apply to compensation decided by the general meeting. The 2021 policy guidelines are presented in Note 7.

For the purposes of these guidelines, "executives" comprise "inside directors," i.e., directors who have entered into an employment contract with the company or a Group company, the CEO, deputy CEO (if applicable) and other members of the senior executive team who report to the aforementioned persons. The company's senior executive team currently comprises twelve senior executives, including the CEO.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain skilled and qualified employees. Compensation to the CEO and other senior executives should therefore reflect Sinch's need to recruit and motivate qualified employees by means of a compensation package that is perceived to be fair and competitive.

The board of directors is empowered to depart from the guidelines for cause in individual cases and the departure is necessary to serve the company's long-term interests, including sustainability, or assure the company's financial viability.

In the preparation of the board of directors' proposal for these guidelines for compensation to the CEO and other senior executives, salary and employment conditions for employees of the company have been considered by including information about the employees' total compensation, the components of the compensation and increase and growth rate over time, in the decision input for the board of directors.

Compensation consists of the following components:

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

Fixed base pay

Base pay must be market-based and reflect the employee's position, qualifications, experience and individual performance.

Short-term variable pay;

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

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

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

Long-term variable pay

Long-term variable pay may encompass share-related incentive programs. These guidelines do not apply to compensation decided or approved by the general meeting and thus do not apply to the company's share-related incentive programs LTI 2016, LTI 2018, LTI 2019, LTI 2020 and LTI II 2020, LTI 2021, LTI II 2021 and the proposed LTI 2022.

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

Market-based compensation

The company has acquired high quality benchmark data from third-party sources to ensure that compensation to the CEO and other senior executives reflects what generally applies to executives in comparable positions in other companies. Compensation based on market conditions is also ensured through recruitment processes when executives are recruited externally.

Pensions

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

Other benefits

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

Pay during period of notice

As a general rule, employment contracts between the Company and senior executives shall be on an indefinite basis. If the company terminates the CEO's employment, the period of notice shall be a maximum of six months. If the CEO resigns, the period of notice shall be six months. A period of notice applies between the Company and other senior executives of three to six months, whether the employee resigns or is terminated.

Fixed base pay and, if applicable, severance pay during a period of notice shall not exceed an amount equivalent to fixed base pay for two years.

Compensation to company founders

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

Compensation consists of the following components:

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

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

Approval

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

New recruitments, changes in pay and other significant changes regarding senior executives other than the CEO are subject to approval by the board chair. Minor adjustments, and ongoing costs are subject to approval by the CEO.

Payment of fixed base pay is managed by local payroll departments and is subject to prior approval by the local HR representative. Payment of short-term variable pay is subject to approval by the CEO as regards other senior executives and by the board chair as regards the CEO.

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

Controls and decision process

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

The Compensation Committee shall, in relation to the board of directors, have a preparatory function in respect of compensation policies, compensation and other terms of employment for senior executives.

Consequently, the Compensation Committee shall prepare a proposed executive compensation policy and guidelines, which the board of directors shall present to the annual general meeting for decision. The Committee shall also evaluate the application of the policy resolved by the annual general meeting.

The board of directors shall at least every fourth year or upon material changes to the guidelines, present a proposal on compensation policy and guidelines to the annual general meeting for resolution.

The policy shall be applied in relation to every commitment pertaining to compensation to senior executives and every change of such a commitment that is decided subsequent to the annual general meeting at which the policy was adopted. Thus, policy guidelines have no impact on preexisting contractual obligations. Adopted policy and guidelines may also be amended through resolution by any other general meeting.

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

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

The following measures are taken annually to check and assure compliance with the policy:

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

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

Risks specific to the company, its operations and the industry

Risks and risk management

Sinch is exposed to a number of risks that could impact the Group's business, earnings and financial position. Sinch continuously evaluates, identifies, and manages the risks to which the company is exposed. The general risks assessed as most material to the company are described below. In addition to these, there are financial risks that could cause fluctuations in the company's results of operations and cash flows due to currency movements, interest rate levels, refinancing and credit risks. See Note 29 for further disclosures concerning financial risks and how they are managed.

Technology

Sinch provides communication services based on several technologies with various advantages and drawbacks. Messaging and Voice extensively use operator-based standards, such as SMS. The main advantage here is that they work on every mobile phone on the planet and all users know how they work. There are, however, alternative technologies and services that can also be used to send texts and connect voice calls. The standards that large parts of our business are based upon could be replaced by one or more solutions launched by leading global software and mobile developers, which constitutes a risk.

To mitigate that risk, Sinch offers all significant communication channels along with applications that make it easy to mix them and optimize communication. Sinch also collaborates closely with industry-leading software developers.

Competition

Sinch is one of the biggest CPaaS vendors but the market is fragmented and there are numerous local and regional competitors. New, niched competitors could also use other technology that offers lower costs to certain customers and applications. In addition, large customers often use multiple suppliers of the same service to provide flexibility. All of these are various facets of competition that lead to a risk of price and margin pressure.

Sinch initiates more than 600 billion customer interactions - texts, emails, voice calls and chats every year. This creates massive economies of scale and ways to achieve lower operating costs than the competition and mitigates the effects of price and margin pressure.

Supplier price increases

Mobile operators have a monopoly on sending texts to their own customers. Sinch therefore pays a fee to the mobile operator for every text sent. These traffic tariffs vary widely from one country to the next and have substantial impact on the usage of SMS services in individual markets. When mobile operators raise their traffic tariffs, prices rise for Sinch's end customers and the number of messages falls over time. Likewise, other channel partners like Whatsapp and Facebook can change their pricing models and affect the price and volume of communication services. This represents a risk of lower revenues and gross profit for Sinch.

To reduce the risk of being impacted by these price changes, Sinch ensures its capacity to offer communication across several alternative channels, such as SMS and conversational messaging. As Sinch has widened and differentiated its offering through new acquisitions, it is less affected by price changes within individual channels.

Scams

Sinch has contracts with more than 500 operators all over the world and always complies with established regulations for communication services. For example, Sinch always pays the traffic tariff. Less scrupulous competitors exploit loopholes and technical solutions to avoid paying these fees to the operators. This gives rise to "gray market" and "black market" traffic, which causes revenue leaks for the operators. Another unwanted effect of zeroing the cost to send a message is that the number of unwanted messages in the form of mass advertising or scam attempts rises, which in turn damages user trust in the channel.

Sinch offers services in which operators' networks are encapsulated and gray- and black-market traffic is blocked using solutions including firewalls and spam filters. Sinch also sells these solutions to operators and is working closely with industry organizations and regulators to reduce gray- and black-market traffic.

Dependence upon key individuals

Like many other successful tech companies, Sinch is dependent upon a number of key individuals. These may include senior management personnel as well as individuals who possess critical knowledge about products, the business or the industry.

Sinch is working actively with the order of succession and skills development to reduce dependency on key individuals. As the company grows, the business will also become less dependent on the skills and contributions of specific individuals.

Regulation

The telecom market is subject to extensive regulation on the national and international levels. Regulation can affect costs when taxes and tariffs are applied to new communication services for example, as well as the prices of national and international communication services.

By collaborating with industry organizations and regulators, Sinch is facilitating planning and the capacity to prepare for forthcoming changes.

Cyber security

Sinch offers cloud services. The services and the infrastructure are both exposed to cyber attacks. This might involve DDOS attacks, for example, attacks through software aimed at extortion or computer viruses that affect the performance of our systems in various ways and can, in the worst case, lead to downtime. The company's own IT environment can also be the victim of attacks, which can result in lower productivity or, in the extreme, to entire workplaces being knocked out.

To mitigate the risk of impact due to attacks, Sinch is investing in IT security in the form of equipment, use of outside experts and training of Sinch employees.

Outlook

Sinch is in prime position to benefit from the strong growth in the market for enterprise cloud communications. The company has an expansive and industry-leading offering, direct and indirect sales channels that reach customers large and small, economies of scale by virtue of its size and a strong financial position.

Sinch does not publish forecasts.

Parent company

The parent company's operations consist only of certain group management functions. At the end of the period, the parent company had 17 (13) employees. The average number of employees during the period was 9 (11).

- Net sales were SEK 174.8m (64.2).
- Operating profit (-loss) was SEK -81,1m (-154,4)
- Net profit for the year was SEK 243.2m (-65.2).
- Equity amounted to SEK 34,172.5m (6,953.1)
- Net investments in intangible assets and property, plant and equipment amounted to SEK -m (16.1).

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

Proposed allocation of profit

The board of directors will propose to the annual general meeting that no dividend is distributed for the 2021 financial year.

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

Share premium reserve	34,028,960,402
Retained earnings	-107,355,902
Profit for the year	243,195,664
Total	**34,164,800,164**

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

Carried forward to the share premium reserve	34,028,960,402
Carried forward to retained earnings	135,839,792
Total	**34,164,800,164**

Multi-year review, consolidated

Income statements

SEKm	2021 12 mos	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos
Net sales	16,177.2	8,023.3	5,035.6	3,986.6	3,058.1	2,333.9
Cost of goods and services sold	-12,244.4	-5,840.0	-3,641.4	-2,978.2	-2,278.1	-1,691.6
Gross profit	**3,932.9**	**2,183.3**	**1,394.1**	**1,008.4**	**780.0**	**642.3**
Other revenue	191.7	197.8	103.1	109.6	59.5	40.8
Work performed by the entity and capitalized	98.0	69.4	38.6	21.7	17.9	22.7
Employee benefits expenses	-1,837.4	-869.4	-537.6	-405.1	-312.6	-281.7
Other expenses	-1,554.6	-866.2	-442.7	-361.4	-281.7	-262.2
Operating profit, EBITDA	**830.6**	**714.9**	**555.5**	**373.3**	**263.2**	**161.9**
Depreciation, amortization and impairments	-672.7	-262.0	-183.9	-155.5	-138.3	-49.5
Operating profit, EBIT	**157.9**	**452.9**	**371.6**	**217.8**	**124.9**	**112.5**
Financial income	2,393.2	714.0	41.9	22.6	185.2	105.1
Finance costs	-1,354.2	-787.5	-58.5	-39.1	-235.7	-96.2
Profit before tax	**1,197.0**	**379.4**	**355.0**	**201.3**	**74.4**	**121.4**
Tax	-289.4	66.6	-80.6	-21.8	60.0	-9.8
Profit for the year	**907.5**	**446.0**	**274.5**	**179.5**	**134.4**	**111.6**
Attributable to:						
Owners of the parent	907.1	445.9	274.6	179.5	133.9	111.3
Non-controlling interests	0.4	0.1	-0.1	0.0	0.5	0.2

Balance sheets

SEKm	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Intangible assets	47,416.7	5,254.9	2,791.4	2,145.5	1,763.6	1,564.9
Property, plant and equipment	1,607.9	154.0	106.2	18.9	23.1	14.2
Financial assets	62.0	14.1	12.0	15.1	29.2	11.4
Deferred tax assets	824.9	403.9	237.6	191.9	191.4	29.6
Current assets excluding cash and cash equivalents	5,297.8	2,684.3	1,377.4	1,074.2	858.7	587.2
Cash and cash equivalents	1,871.0	3,123.0	466.3	180.8	164.6	115.3
Total assets	**57,080.5**	**11,634.4**	**4,990.9**	**3,626.3**	**3,030.6**	**2,322.6**
Equity	34,053.3	7,512.6	1,998.6	1,664.2	1,494.6	865.0
Non-current liabilities	7,317.7	1,587.0	1,777.0	841.6	638.3	744.6
Current liabilities	15,709.4	2,534.8	1,215.3	1,120.5	897.8	713.0
Total equity and liabilities	**57,080.5**	**11,634.4**	**4,990.9**	**3,626.3**	**3,030.6**	**2,322.6**

Cash flow statement

SEKm	2021 12 mos	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos
Cash flow from operating activities	334.4	453.9	327.3	304.6	51.3	107.6
Cash flow from (-used in) investing activities	-29,060.4	-2,972.4	-712.4	-370.4	-562.6	-1,053.4
Cash flow from financing activities	26,453.9	5,231.4	673.1	75.5	564.2	989.2
Cash flow for the year	**-2,272.0**	**2,712.9**	**288.0**	**9.8**	**52.9**	**43.4**
Cash and cash equivalents at the beginning of the financial year	3,123.0	466.3	180.8	164.6	115.3	71.0
Exchange rate differences in cash and cash equivalents	1,020.0	-56.2	-2.4	6.4	-3.7	1.0
Cash and cash equivalents at the end of the financial year	**1,871.0**	**3,123.0**	**466.3**	**180.8**	**164.6**	**115.3**

Key data

	2021 12 mos	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos
Return on equity, %	4.2	9.4	15.0	11.4	11.4	24.6
Gross margin, %	24.3	27.2	27.7	25.3	25.5	27.5
EBITDA margin, %	5.1	8.9	11.0	9.4	8.6	6.9
EBIT margin, %	1.0	5.6	7.4	5.5	4.1	4.8
Net margin, %	7.4	4.7	7.1	5.0	2.4	5.2
Equity/assets ratio, %	59.7	64.6	40.0	45.9	49.3	37.2
EBITDA, SEKm	830.6	714.9	555.5	373.3	263.2	161.9
EBITDA adjustments, SEKm	-491.3	-274.2	-26.7	-8.1	-35.6	-76.1
Adjusted EBITDA, SEKm	1,321.9	989.1	582.2	381.4	298.8	238.1
Adjusted EBITDA/gross profit, %	33.6	45.3	41.8	37.8	38.3	37.1
Net debt, SEKm	10,658.4	-1,988.5	958.7	405.5	348.8	368.6
Net debt/Adjusted EBITDA, multiple	8.1	-2.2	1.7	1.1	1.2	1.5
Interest coverage ratio, multiple	2.8	12.9	14.0	9.9	7.1	14.2

Share data

	2021 12 mos	2020 12 mos	2019 12 mos	2018 12 mos	2017 12 mos	2015/16 18 mos
Total shares outstanding at the end of the year	768,568,748	631,736,700	536,020,890	536,020,890	536,020,890	495,344,420
Weighted average number of shares, before dilution*	700,923,800	584,945,860	536,020,890	536,020,890	520,026,930	427,063,580
Weighted average number of shares, after dilution*	716,527,452	604,135,000	542,342,750	536,020,890	520,026,930	432,122,360
Basic earnings per share, SEK	1.29	0.76	0.51	0.33	0.26	0.26
Diluted earnings per share, SEK	1.26	0.74	0.51	0.33	0.26	0.26
Dividend per share, SEK	0	0	0	0	0	0

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

Income statement
Consolidated

	Note	2021	2020
Net sales	3	**16,177,224**	**8,023,308**
Other operating income	4	191,682	197,772
Work performed by the entity and capitalized	13	98,049	69,404
Cost of goods and services sold		-12,244,353	-5,840,047
Other external expenses	5, 6	-1,305,913	-683,012
Employee benefits expenses	7	-1,837,394	-869,361
Other operating expenses	4	-248,669	-183,200
Operating profit before depreciation, amortization and impairments, EBITDA		**830,626**	**714,863**
Depreciation, amortization and impairments	13, 14, 15	-672,679	-261,974
Operating profit, EBIT		**157,947**	**452,889**
Financial income	8	2,393,197	713,972
Finance expenses	8	-1,354,158	-787,459
Profit before tax		**1,196,985**	**379,401**
Current tax	10	-377,997	-142,501
Deferred tax	10	88,555	209,123
Profit for the year		**907,543**	**446,023**
Attributable to:			
Owners of the parent		907,116	445,907
Non-controlling interests		427	116
Earnings per share, SEK			
Basic	11	1.29	0.76
Diluted	11	1.26	0.74

Consolidated statement of comprehensive income
Consolidated

	Note	2021	2020
Profit for the year		907,543	446,023
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss for the period			
Translation differences		553,230	-362,500
Hedge accounting net investment		43,556	-146,247
Tax effect of items in other comprehensive income	10	-18,928	32,939
Other comprehensive income for the year		**577,859**	**-475,808**
Comprehensive income for the year		**1,485,402**	**-29,785**
Attributable to:			
Owners of the parent		1,485,829	-29,668
Non-controlling interests		-427	-116

Statement of financial position
Consolidated

	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Goodwill	12	27,142,539	3,298,264
Customer relationships	13	13,965,988	1,481,221
Operator relationships	13	284,960	144,841
Proprietary software	13	5,079,497	322,289
Other intangible assets	13	943,763	8,303
Property, plant and equipment	14	707,474	99,744
Right-of-use assets	15	900,471	54,302
Financial assets	16	62,049	14,143
Deferred tax assets	10	824,948	403,930
Total non-current assets		**49,911,688**	**5,827,037**
Current assets			
Accounts receivable	17	3,870,256	1,926,355
Tax assets		197,539	52,780
Other current receivables	18	297,528	115,730
Accrued income and prepaid expenses	17, 19	932,506	589,463
Cash and cash equivalents	30	1,870,990	3,123,034
Total current assets		**7,168,820**	**5,807,362**
Total assets		**57,080,508**	**11,634,399**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		7,686	6,317
Other capital contributions		31,987,602	6,933,620
Reserves		178,042	-400,165
Accumulated losses including profit for the year		1,879,332	972,216
Equity attributable to owners of the parent		**34,052,661**	**7,511,988**
Non-controlling interests		677	597
Total equity		**34,053,338**	**7,512,586**
Non-current liabilities			
Deferred tax liabilities	10	5,573,464	508,334
Other non-current liabilities, interest-bearing	21	1,706,885	992,362
Other non-current liabilities, non-interest-bearing	22	37,379	86,278
Total non-current liabilities		**7,317,727**	**1,586,974**
Current liabilities			
Contract liabilities/Advance payments from customers	3	40,302	59,567
Provisions	23	48,831	82,460
Accounts payable		1,424,138	679,783
Tax liabilities		325,106	36,848
Other current liabilities, interest-bearing	21	10,816,846	142,203
Other current liabilities, non-interest-bearing	22	217,303	201,707
Accrued expenses and prepaid income	24	2,836,916	1,332,270
Total current liabilities		**15,709,443**	**2,534,839**
Total equity and liabilities		**57,080,508**	**11,634,399**

Statement of changes in equity
Consolidated

	Share capital	Other capital contribu-tions	Reserves	Retained earnings	Total equity attrib-utable to owners of the parent	Non-con-trolling interests	Total equity
Opening balance at 1 January 2020	**5,360**	**1,390,831**	**75,425**	**526,310**	**1,997,926**	**699**	**1,998,624**
Profit for the year				445,907	445,907	116	446,023
Other comprehensive income			-475,590		-475,590	-217	-475,808
Share-based payments		20,643			20,643		20,643
Issued shares for warrants	33	42,286			42,319		42,319
New share issue	924	5,546,165			5,547,089		5,547,089
Issue expenses, net after tax		-66,306			-66,306		-66,306
Closing balance at 31 December 2020	**6,317**	**6,933,620**	**-400,165**	**972,216**	**7,511,988**	**597**	**7,512,586**
Profit for the year				907,116	907,116	427	907,543
Other comprehensive income			578,207		578,207	-348	577,859
Share-based payments		113,663			113,663		113,663
Issued shares for warrants	78	100,198			100,276		100,276
New share issue	1,291	24,937,248			24,938,538		24,938,538
Issue expenses, net after tax		-97,127			-97,127		-97,127
Closing balance at 31 December 2021	**7,686**	**31,987,602**	**178,042**	**1,879,332**	**34,052,661**	**677**	**34,053,338**

Statement of cash flows
Consolidated

	Note	2021	2020
Cash flow from operating activities			
Profit before tax		1,196,985	379,401
Adjustment for non-cash items	30	245,211	324,036
Income tax paid		-254,425	-101,335
Cash flow from operating activities before changes in working capital		**1,187,771**	**602,102**
Change in inventories		-610	362
Change in accounts receivable		463,526	-158,673
Change in other current receivables		-1,674,615	-434,138
Change in accounts payable		205,581	-98,054
Change in other current liabilities		147,060	542,321
Cash flow from operating activities		**328,714**	**453,920**
Investing activities			
Acquisition of intangible assets	13	-112,825	-73,431
Acquisition of property, plant and equipment	14	-65,518	-42,932
Change in financial receivables		-3,549	28,601
Acquisition of subsidiaries, net effect on cash and cash equivalents	31	-28,876,911	-2,884,594
Cash flow from investing activities		**-29,058,803**	**-2,972,356**
Financing activities			
New borrowing	21	10,845,564	-
Amortization of bank loan	21	-312,649	-267,229
Amortization of lease liability		-54,558	-30,425
New share issue/warrants	20	15,975,574	5,529,004
Cash flow from financing activities	30	**26,453,931**	**5,231,350**
Cash flow for the year		**-2,276,158**	**2,712,915**
Cash and cash equivalents at the beginning of the financial year		3,123,034	466,297
Exchange rate differences in cash and cash equivalents		1,024,116	-56,178
Cash and cash equivalents at the end of the financial year	30	**1,870,990**	**3,123,034**

Income statement
Parent company

	Note	2021	2020
Net sales	1	**174,769**	**64,241**
Other operating income	4	3,996	3,155
Operating expenses			
Other external expenses	5, 6	-205,301	-195,197
Employee benefits expenses	7	-37,441	-25,924
Operating profit before other operating expenses, depreciation, amortization and impairments		**-63,976**	**-153,724**
Other operating expenses	4	-17,125	-633
Depreciation, amortization and impairments	13, 14, 15	-4,814	-2,933
Operating loss		**-85,915**	**-157,290**
Interest income and similar profit items	8	1,978,873	240,711
Interest expenses and similar loss items	8	-1,136,991	-279,774
Profit or loss after net financial income/expenses		**755,967**	**-196,353**
Appropriations	9	-447,338	88,616
Profit or loss before tax		**308,629**	**-107,737**
Tax on profit or loss for the year	10	-65,434	42,567
Profit or loss for the year [1]		**243,195**	**-65,170**

1) Profit or loss for the year coincides with comprehensive income for the year.

Balance sheet
Parent company

	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	13	6,707	3,180
Property, plant and equipment	14	5,240	16,760
Financial assets			
Investments in group companies	16	2,972,980	2,526,923
Non-current receivables, group companies	16	6,567,221	4,118,996
Total financial assets		**9,540,201**	**6,645,919**
Deferred tax assets		6,866	42,567
Total non-current assets		**9,559,013**	**6,708,426**
Current assets			
Receivables from group companies		36,626,854	145,554
Tax assets		30,652	6,354
Other current receivables	18	33,436	14,967
Accrued income and prepaid expenses	19	197,813	41,040
Cash and bank balances	30	-1,311	1,325,109
Total current assets		**36,887,444**	**1,533,024**
TOTAL ASSETS		**46,446,457**	**8,241,450**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	7,686	6,317
Total restricted equity		**7,686**	**6,317**
Share premium reserve		34,028,960	6,956,985
Retained earnings		-107,356	54,941
Profit or loss for the year		243,195	-65,170
Total non-restricted equity		**34,164,800**	**6,946,755**
Total equity		**34,172,486**	**6,953,073**
Untaxed reserves	25	**42,884**	**30,766**
Deferred tax liabilities	10	-	1,352
Total provisions		**-**	**1,352**
Non-current liabilities			
Liabilities to credit institutions	21	908,549	961,990
Other non-current liabilities		-	11
Total non-current liabilities		**908,549**	**962,001**
Current liabilities			
Accounts payable		105,042	35,248
Liabilities to group companies		509,826	177,761
Liabilities to credit institutions	21	10,680,748	70,319
Other current liabilities	22	2,543	3,240
Accrued expenses and prepaid income	24	24,380	7,690
Total current liabilities		**11,322,539**	**294,259**
TOTAL EQUITY AND LIABILITIES		**46,446,457**	**8,241,450**

Statement of changes in equity
Parent company

	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance at 1 January 2020	**5,360**	**1,363,191**	**121,247**	**1,489,797**
Profit for the year			-65,170	-65,170
Share-based payments		5,343		5,343
Shares issued for warrants	33	42,253		42,286
New share issue	924	5,546,198		5,547,122
Issue expenses, net after tax			-66,306	-66,306
Closing balance at 31 December 2020	**6,317**	**6,956,985**	**-10,228**	**6,953,073**
Profit for the year			243,195	243,195
Share-based payments		-2,013		-2,013
Shares issued for warrants	78	100,198		100,276
New share issue	1,291	26,973,791		26,975,081
Issue expenses, net after tax			-97,127	-97,127
Closing balance at 31 December 2021	**7,686**	**34,028,961**	**135,841**	**34,172,486**

Cash flow statement
Parent company

	Note	2021	2020
Cash flow from operating activities			
Profit or loss after net financial income/expenses		755,968	-196,353
Adjustment for non-cash items	30	-68,908	-12,089
Income tax paid		-30,184	-126
Cash flow from operating activities before changes in working capital		**656,876**	**-208,568**
Change in other current receivables		-236,387	-66,090
Change in accounts payable		67,372	21,556
Change in other current liabilities		-92,277	37,144
Cash flow from operating activities		**395,583**	**-215,958**
Investing activities			
Acquisition of intangible assets		-	-3,180
Acquisition of property, plant and equipment		-	-12,873
Change in financial receivables, group companies		-28,249,999	-3,679,018
Acquisitions of subsidiaries	31	-	-2,025,175
Cash flow from investing activities		**-28,249,999**	**-5,720,246**
Financing activities			
Borrowings, bank and bond loans	21	10,648,677	-
Amortization of bank loan	21	-132,255	-251,948
Change in financial liabilities, group companies		-	2,002,640
Rights issue/warrants		15,975,574	5,510,393
Cash flow from financing activities		**26,527,996**	**7,261,085**
Cash flow for the year		**-1,326,420**	**1,324,881**
Cash and cash equivalents at the beginning of the financial year		1,325,109	228
Cash and cash equivalents at the end of the financial year	30	**-1,311**	**1,325,109**

Reclassifications 2021: Change in financial liabilities, group companies to Change in financial receivables, group companies.

Notes

note 1 Accounting policies

General information

Sinch AB (publ), corporate registration number 556882-8908 is a public limited liability company incorporated in Sweden and domiciled in Stockholm. The address of the company's headquarters is Lindhagensgatan 74, 112 18 Stockholm, Sweden. The company and its subsidiaries ("Sinch" or "the Group") provide cloud communications services and digital customer interaction to the enterprise sector, messaging, voice and email.

Compliance with standards and law

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the EU. The Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups have also been applied. The parent company and the Group apply the same accounting policies, except where specified below under "Parent company accounting policies."

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

Functional currency and presentation currency

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

Judgments and estimations in the financial statements

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

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

Key sources of estimation uncertainty

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

Business combinations

The Group closed several acquisitions in 2021 and 2022. In the measurement of identifiable assets and liabilities related to acquisitions of subsidiaries or businesses, items in the acquired entity's balance sheet as well as items that had not been recognized in the acquired entity's balance sheet, such as customer relationships, proprietary software and operator relationships, must be measured at fair value. As quoted prices are normally not available for the assets and liabilities to be measured, other valuation techniques must be applied. These valuation techniques are based on several different assumptions. Accounts receivable are another example of a key item in the statement of financial position (balance sheet) where it can be difficult to assess the extent to which the receivables are doubtful and thus the extent to which they can be expected to be paid. Other items that can be difficult to identify and measure are contingent liabilities that may have arisen in the acquired entity in connection with disputes, for example. Adjustments of the entities' balance sheets may be required depending on which financial reporting standards were previously applied. This refers to adaptations to Group accounting policies, the frequency at which closing accounts are prepared and access to data of various kinds that may be required to measure identifiable assets and liabilities. All balance sheet items are thus subject to estimations and judgments. This also means that a preliminary measurement may need to be carried out and subsequently adjusted. All acquisition estimates are subject to final adjustment within one year of the acquisition date.

The Group's accounting policies for business combinations are described below in Note 1. Additional disclosures on the effects of business combinations are provided in Note 31.

Measurement of intangible assets - Useful lives

The estimated useful lives of intangible assets such as customer relationships, proprietary software, operator relationships and trademarks are specified below in Note 1. The Group has esti-

Note 1 cont.

mated the useful lives based on assessed technical development. Actual useful lives may be shorter or longer, depending upon technical development, the actions of competitors and other external factors. If the estimated life of an asset has been estimated as shorter the value would be lower and if it has been assessed as longer, the value would be higher.

Measurements of intangible assets - Impairment testing of goodwill and other intangible assets

When goodwill and other (primarily acquisition-related) intangible assets are tested for impairment, the carrying amount is compared to the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal (net selling price) and its value in use. As quoted prices are normally not available to measure the net selling price of assets and liabilities, the value in use is normally that which is compared to the carrying amount. Calculation of value in use is based on assumptions and assessments. The most significant assessments are presented in Note 12. The overall effect is that key accounting judgments and estimates are applied to the measurement of goodwill and other intangible assets (primarily acquisition-related). A sensitivity analysis covering organic sales growth, operating margin and WACC is provided in Note 12.

In calculating the recoverable amount of cash generating units for assessing goodwill may be impaired, several assumptions about future conditions and estimations of parameters have been made. These are disclosed in note 12. As understood by the description in Note 12, changes in the conditions for these assumptions and estimations could have material effect on the value of goodwill.

Tax

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

Expected credit losses

The Group's loss allowance for expected credit losses mainly refers to accounts receivable and contract assets. The allowance constitutes the management's best estimation of expected credit losses, but naturally entails uncertainty about future outcomes. The uncertainty is addressed through an established process and method to estimate the required allowance, se under heading impairments page 86.

Leases

The leases to which the Group is party refer mainly to premises, communications equipment and vehicles. Leases are recognized as right-of-use assets (ROU), non-current lease liabilities and current lease liabilities. Accounting for leases according to IFRS 16 requires estimates and judgments to be made. The areas in which assessments and judgments are applied include determination of the discount rate and the lease term. Lease liabilities are initially measured as the present value of future lease payments. As the interest rate implicit in the Group's leases is not usually readily determinable, the incremental borrowing rate for each country is used to calculate present value. This is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. ROU assets are initially measured at the same amount as the lease liabilities. A change in interest rates can increase or decrease the present value of lease liabilities and, consequently, ROU assets taking into account any advances and initial direct costs. Such a change can also affect the cost recognized in the income statement and the distribution between depreciation and interest costs.

The lease term is negotiated separately for each lease. It is important to determine the correct lease term because this affects the size of ROU assets and lease liabilities. Additionally, the length of the lease term affects whether the rules for short-term leases can be applied and the leases thus excluded from the lease liabilities recognized according to IFRS 16. In determining the lease term, management considers all available information that provides an economic incentive to exercise an extension option or to not exercise a termination option. An extension option is included in the lease term only if it is reasonably certain that the lease will be extended (or not terminated). Extension options are not usually included in the lease liability because the Group can replace the assets without significant costs or disruptions to the business. A change in the lease term can increase or decrease the present value of lease liabilities and, consequently, ROU assets.

New and amended IFRSs and interpretations 2021

The new or amended standards and interpretations that went into effect during the reporting period have had no impact on these financial statements.

Sinch has no loan debt, significant leases or derivatives that are affected by the switch from IBOR rates to other reference rates. Some exposure to IBOR rates may be found in other commercial agreements. The exposure and impact have been assessed as insignificant.

Note 1 cont.

New and amended IFRSs and interpretations not yet effective

A number of new or amended standards and interpretations will not become effective until the next reporting period or later and have not been early applied in the preparation of these financial statements. There is no plan to early apply new standards or amendments that become effective for annual periods subsequent to 2022. New and amended standards and interpretations that will become effective in the future are not expected to have material impact on Sinch's financial statements.

Classification of current and non-current items

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

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which financial information is available. An operating segment's results are subsequently reviewed by the entity's chief operating decision maker (CODM) in order to assess the performance of and allocate resources to the operating segment. The CEO has been identified as the CODM. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. Please refer to Note 2 Segment reporting for further information concerning the division and presentation of operating segments.

Consolidation policies and business combinations

Subsidiaries

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

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

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

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

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

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

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

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

Transactions eliminated upon consolidation

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

Foreign currency

Transactions in foreign currency

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

Financial statements of foreign operations

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

Note 1 cont.

Revenue

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

Sinch's revenues arise mainly from sales of mobile messaging services, initial software licenses and upgrades, hardware and support.

Sales of goods and services

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

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

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

Revenue from separate support contracts

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

Revenue from separate upgrades of software licenses

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

Leases

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

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

Leases in which the Group is the lessee

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

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

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

The Group determines the incremental borrowing rate as follows:

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

The incremental borrowing rate is allocated to various terms depending on the duration of the leases.

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

- Fixed payments, including in-substance fixed payments.
- Variable lease payments linked to an index or rate, initially measured using the index or rate as of the commencement date.
- Any amounts expected to be payable under residual value guarantees.
- The settlement amount for a purchase option the Group is reasonably certain will be exercised.
- Penalties payable upon termination of the lease if the estimated lease term reflects that such termination will occur.

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

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

Note 1 cont.

ROU assets are amortized or depreciated on a straight-line basis across the shorter of the useful life of the asset and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use is amortized or depreciated over the useful life of the underlying asset.
Estimated useful lives:

- Premises 3-10 years
- Rented connection capacity 2-15 years
- Other 1-3 years

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

See "Impairments" for information concerning impairment testing.

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

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

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

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

Financial income and expense

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

Taxes

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

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

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

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

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

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

Earnings per share

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

Intangible assets

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

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

Note 1 cont.

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

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

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

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

- Licenses, 3-5 years
- Customer relationships, 5-15 years
- Operator relationships, 5-10 years
- Trademarks 1-2 years
- Proprietary software 3-10 years

Property, plant and equipment

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

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

Depreciation of property, plant and equipment
Assets are depreciated on a straight-line basis across the estimated useful life of the asset.
Estimated useful lives:

- Computers, 3 years
- Equipment, 5 years

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

Impairments

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

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

Note 1 cont.

Reversals of impairment losses

Impairment losses for assets covered by IAS 36 are reversed if there is both an indication that the impairment loss no longer exists and there has been a change in the assumptions used to determine the recoverable amount. Impairment losses for goodwill are never reversed. Reversals are done only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognized, less any amortization or depreciation if the impairment had not been recognized.

Financial instruments

Initial recognition and measurement

Accounts receivable and debt instruments are recognized when they are issued. Other financial assets and financial liabilities are recognized when Sinch becomes a party to the contractual provisions of the instrument. Financial assets, except accounts receivable that do not have a significant financing component and financial liabilities are measured upon initial recognition at fair value plus, in the case of financial instruments not measured at FVTPL, transaction costs directly attributable to the business combination or the issue. Accounts receivable that do not have a significant financing component are measured at the transaction price.

Financial assets

Classification and subsequent measurement

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

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

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

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL.

Financial assets and liabilities at FVTPL

Subsequent measurement

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

Financial assets measured at amortized cost

Subsequent measurement

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

Cash and cash equivalents are covered by the general model.

Impairments

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

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

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

Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held for trading, such as a derivative instrument, or if it has been designated as such upon initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net gains and losses, including interest expenses, are recognized in profit or loss. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method. Interest expenses and exchange rate gains and losses are recognized in profit or loss. Gains or losses in connection with derecognition are also recognized in profit or loss. See Note 29 regarding financial liabilities identified as hedging instruments.

Derecognition from the statement of financial position

Financial assets

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

Financial liabilities

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

Note 1 cont.

Offsetting
Financial assets and financial liabilities are offset and recognized net on the statement of financial position only when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. There are no recognized financial instruments that have been offset or that are covered by legally binding master netting agreements or comparable agreements, but had not been offset as of 31 December 2021 and 31 December 2020.

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

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

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

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

Provisions

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

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

Employee benefits

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

Defined contribution pension plans
All pension solutions in the Group are classified as defined contribution pension plans. Accordingly, the Group's obligation is limited to the contributions the Group has committed to pay. In such case, the size of the employee's pension depends upon the contributions the company pays to the plan or to an insurance company and upon the return on capital generated by the contributions. Consequently, the actuarial risk (that pension benefits will be lower than expected) and the investment risk (that the invested assets will be insufficient to generate the expected benefits) are borne by the employee. The company's obligations regarding payments to defined contribution plans are recognized in profit or loss as the employees render services.

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

Note 1 cont.

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

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

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

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

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

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

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

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

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

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

Financial guarantees
The parent company's financial guarantee contracts consist primarily of guarantee commitments to the benefit of subsidiaries. Under financial guarantees, the company has an obligation to compensate the holder of a debt instrument for losses the holder incurs because a specified debtor does not remit payment as due under contractual terms. In relation to reporting of financial guarantees, the parent company applies a relief rule permitted by the Swedish Financial Reporting Board compared with the rules in IFRS 9. The relief rule refers to financial guarantees issued to the benefit of subsidiaries. In these cases, the rules in IAS 37.14 and 37.36 are applied instead, according to which financial guarantees are recognized as a provision in the balance sheet when

Note 1 cont.

the parent company has a legal or constructive obligation that has arisen as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation. It must also be possible to reliably estimate the amount.

Equity-settled programs extended to employees of subsidiaries

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

Anticipated dividends

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

Revenue

Services performed by the parent company are recognized in profit or loss when the service is complete. Revenue in the parent company refers in all material respects to internal group services.

Leases

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

Taxes

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

Group contributions and shareholder contributions

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

Mergers

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

Receivables from Group companies

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

note 2 Segment reporting

2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Revenue from external customers	**14,335.3**	**512.2**	**81.0**	**1,123.5**	**125.2**	**16,177.2**
Revenue from other segments	131.8	135.0	-	58.6	-325.4	0.0
Net sales	**14,467.1**	**647.2**	**81.0**	**1,182.2**	**-200.2**	**16,177.2**
Gross profit	**3,076.0**	**217.0**	**63.8**	**452.9**	**123.2**	**3,932.9**
EBITDA[1]	**1,063.1**	**12.9**	**35.9**	**164.0**	**-445.2**	**830.6**
EBITDA adjustments	-186.7	2.4	-0.5	-2.8	-304.4	-492.0
Adjusted EBITDA	1,249.7	10.5	36.4	166.8	-140.8	1,322.6
Depreciation, amortization and impairments						-672.7
EBIT						**158.0**
Finance income and expenses						1,039.0
Profit before tax						**1,197.0**
Non-current assets[2]						**49,024.7**

1) Corporate includes EBITDA for the parent company in the amount of SEK -70.9m.

2) Of which Australia SEK 6,204.0m; Belgium SEK 84.8m; Brazil SEK 1,916.2m; Denmark SEK 176.6m; Finland SEK 943.1m; France SEK 2,901.3m; Germany SEK 541.6m; India SEK 606.1m; Mexico SEK 126.2m; Netherlands SEK 742.1m; Sweden SEK 246.7m; United Kingdom SEK 868.9m; United States SEK 33,559.4m; and rest of the world SEK 108.6m.

2020, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Revenue from external customers	**7,466.1**	**243.1**	**-**	**292.0**	**22.1**	**8,023.3**
Revenue from other segments	115.9	22.4	-	25.1	-163.4	0.0
Net sales	**7,582.0**	**265.5**	**-**	**317.1**	**-141.3**	**8,023.3**
Gross profit	**1,883.9**	**77.3**	**-**	**200.0**	**21.9**	**2,183.1**
EBITDA[1]	935.0	-7.0	-	24.0	-237.0	715.0
EBITDA adjustments	-73.0	-1.0	-	-3.0	-197.0	-274.0
Adjusted EBITDA	1,007.0	-5.0	-	27.0	-40.0	989.0
Depreciation, amortization and impairments						-262.0
EBIT						**453.0**
Financial income and expenses						-73.5
Profit before tax						**379.5**
Non-current assets[2]						**5,409.0**

1) Corporate includes EBITDA for the parent company in the amount of SEK -141.2m.

2) Of which Belgium SEK 79.9m; Brazil SEK 292.8m; China SEK 47.4m Denmark SEK 181.88m; Finland SEK 325.7m; France SEK 390.0m; Germany SEK 176.1m; India SEK 567.1m; Singapore SEK 47.5m; Sweden SEK 278.0m; United Kingdom SEK 429.1m; United States SEK 2.572.2m; and rest of the world SEK 21.4m.

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

Directly attributable items and EBITDA adjustments have been included in operating profit for each segment to clarify performance in underlying operations. Assets and liabilities are not monitored by executive management broken down by segment.

Non-current assets include intangible assets, property, plant and equipment and right-of-use assets.

The Group's operating segments are Messaging, Voice and Video, Email and Operators.

* The acquisitions of MessengerPeople and MessageMedia were closed in November and were consolidated in the Messaging segment. Revenues in Messaging consist of fees for handling messages and executing and handling of personalized and dynamic video and MMS messages for enterprises. The costs consist mainly of fees to telecom operators, advertising costs and payroll.

note 2 cont.

- Inteliquent was consolidated in the Voice and Video segment from 9 December and accounts for the majority of profit generated in the segment. Revenues in Voice & Video consist mainly of fees for handling voice and video communications. The costs consist mainly of fees to telecom operators, payroll and operating overheads related to telecom networks.
- The acquisition of Pathwire accounts for all profit in the new Email segment. Revenues in the Email segment consist mainly of fees for executing and handling business email. The costs consist mainly of payroll and overheads for cloud-based data services.
- Revenues within Operators consist mainly of software licenses including upgrades and support fees. The costs consist mainly of payroll.
- Corporate consists of the parent company and unallocated items.

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

The Group has one customer (1) that singlehandedly contributed 10% or more to consolidated revenues. The customer is reported in the Messaging segment.

note 3 Revenue from contracts with customers

2021	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External net sales distributed by customer country/region						
France	664,952	1,193	7,859	27,112	292	701,408
Sweden	350,838	6,172	469	31,184	56,849	445,513
Germany	401,846	3,182	3,229	15,187	705	424,150
Other EU countries	2,321,306	59,606	9,053	195,536	57,617	2,643,119
Brazil	812,200	82	1,088	521	0	813,891
India	906,252	121	979	16,929	0	924,282
Singapore	403,234	19,423	1,450	4,123	0	428,230
United Kingdom	1,390,971	18,122	6,081	112,460	4,753	1,532,386
Australia	296,287	4,386	1,688	36,943	0	339,303
USA	5,422,017	382,142	38,028	211,175	485	6,053,846
Rest of the world	1,365,369	17,801	11,030	472,361	4,534	1,871,095
Total	**14,335,274**	**512,230**	**80,955**	**1,123,531**	**125,235**	**16,177,224**
External net sales distributed by product/service						
Messaging services	14,071,508	512,230	80,955	992,259	10,065	15,667,016
Initial software licenses and upgrades	23,725	0	0	37,735	60,932	122,391
Support	3,357	0	0	93,538	0	96,894
Other	236,684	0	0	0	54,238	290,922
Total	**14,335,274**	**512,230**	**80,955**	**1,123,531**	**125,235**	**16,177,224**
Point in time of revenue recognition						
Over time	1,015,017	292,236	36,430	135,770	54,238	1,533,692
At a specific date	13,320,256	219,993	44,525	987,761	70,997	14,643,533
Total	**14,335,273**	**512,230**	**80,955**	**1,123,531**	**125,235**	**16,177,224**

note 3 cont.

2020	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External net sales distributed by customer country/region						
France	460,075	1,176		4,103	38	465,392
Sweden	361,035	11,349		28,835	445	401,664
Germany	332,819	2,019		5,276	8,708	348,822
Other EU countries	565,089	49,232		65,940	12,358	692,619
Brazil	251,484	268		219	-	251,971
India	259,511	99		3,055	-	262,665
Singapore	160,638	18,835		916	-	180,389
United Kingdom	806,065	5,174		22,198	117	833,554
Australia	132,080	2,573		8,697		143,350
USA	3,754,215	98,824		22,666	-	3,875,705
Rest of the world	383,060	53,596		130,113	407	567,176
Total	**7,466,071**	**243,145**		**292,018**	**22,073**	**8,023,307**
External net sales distributed by product/ service						
Messaging services	7,410,945	241,455		145,888	8,597	7,806,885
Initial software licenses and upgrades	10,954	-		38,746	13,476	63,176
Support	6,073	-		107,378	-	113,451
Other	38,099	1,690		6	-	39,795
Total	**7,466,071**	**243,145**		**292,018**	**22,073**	**8,023,307**
Point in time of revenue recognition						
Over time	157,344	-		146,130	-	303,474
At a specific date	7,308,727	243,145		145,888	22,073	7,719,833
Total	**7,466,071**	**243,145**		**292,018**	**22,073**	**8,023,307**

note 4 Other operating income and other operating expenses

	Group		Parent company	
Other operating income	**2021**	**2020**	**2021**	**2020**
Exchange rate gains	164,557	131,077	4,177	3,155
Adjustment of earnout liability	13,198	64,378	-	-
Other	13,927	2,317	-181	-
Total	**191,682**	**197,772**	**3,996**	**3,155**

	Group		Parent company	
Other operating expenses	**2021**	**2020**	**2021**	**2020**
Exchange rate losses	-164,439	-167,853	-17,125	-633
Confirmed/realized credit losses	-63,913	-3,597	-	-
Change in expected credit losses	-20,317	-11,750	-	-
Total	**-248,669**	**-183,200**	**-17,125**	**-633**

note 5 Auditor's fees

	Group		Parent company	
	2021	**2020**	**2021**	**2020**
Statutory audit services				
Deloitte	9,685	5,225	2,273	994
Other audit firms	2,379	309	-	-
Audit-related services				
Deloitte	479	417	447	64
Other audit firms	60	-	-	-
Tax services				
Deloitte	-	-	-	-
Other audit firms	1,335	-	-	-
Other services				
Deloitte	4	-	-	-
Other audit firms	3,437	203	-	-
Total	**17,379**	**6,153**	**2,720**	**1,058**

note 6 Other external expenses

	Group		Parent company	
Other external costs	**2021**	**2020**	**2021**	**2020**
Acquisition costs	-165,864	-134,238	-	-
Integration costs	-230,427	-90,097	-40,437	-107,503
Capital loss, sale of subsidiary	-459	-11,846	-	-
Other external costs	-909,163	-446,831	-164,864	-87,694
Total	**-1,305,913**	**-683,012**	**-205,301**	**-195,197**

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

	Group		Parent company	
Salaries and other compensation	**2021**	**2020**	**2021**	**2020**
Salaries and other compensation	1,459,931	641,837	24,604	17,375
(of which variable pay)	162,045	65,775	2,990	1,401
Other benefits	91,554	19,031	54	96
Pension expenses	67,812	42,258	4,311	3,173
Other social security expenses	211,873	146,319	8,868	6,118
Total	**1,831,170**	**849,445**	**37,836**	**26,762**

	2021					
Compensation to senior management personnel - Group	**Base pay, fee**	**Variable pay**	**Other benefits**	**Pension expenses**	**Other social security expenses**	**Total**
Erik Fröberg, Chair*	1,377	-	-	-	433	**1,809**
Luciana Carvalho, director (May-Dec)	467	-	-	-	147	**613**
Bridget Cosgrave, director*	567	-	-	-	178	**745**
Renée Robinson Strömberg, director*	607	-	-	-	191	**797**
Johan Stuart, director*	760	-	-	-	239	**999**
Björn Zethraeus, director*	764	-	7	89	262	**1,122**
CEO Oscar Werner	4,432	-	134	-	76	**4,642**
Other senior management personnel (5 individuals, of whom 2 for part of the year)*	9,202	1,117	34	1,443	2,836	**14,634**
Other senior management personnel (7 individuals)	15,847	2,682	562	1,368	2,742	**23,201**
Total senior management personnel	**34,022**	**3,799**	**737**	**2,900**	**7,103**	**48,562**

*Parent company

	2020					
Compensation to senior management personnel - Group	**Base pay, fee**	**Variable compen-sation**	**Other benefits**	**Pension expenses**	**Other social security expenses**	**Total**
Erik Fröberg, Chair*	730	-	-	-	229	**959**
Bridget Cosgrave, director*	300	-	-	-	94	**394**
Renée Robinson Strömberg, director*	320	-	-	-	101	**421**
Johan Stuart, director*	380	-	-	-	119	**499**
Björn Zethraeus, director*	875	-	7	90	277	**1,249**
CEO Oscar Werner	4,229	797	127	-	70	**5,222**
Other senior management personnel (4 individuals)*	6,855	881	30	1,818	2,800	**12,384**
Other senior management personnel (8 individuals, of whom 5 for part of the year)	9,474	710	174	1,512	2,387	**14,256**
Total senior management personnel	**23,163**	**2,387**	**338**	**3,420**	**6,077**	**35,385**

*Parent company

note 7 cont.

Compensation to senior management personnel - Group

Board of Directors
As resolved by the 2021 annual general meeting, directors' fees are paid as follows: SEK 700 thousand to external directors; SEK 1,500 thousand to the Board Chair; SEK 100 thousand to members of the Audit Committee and SEK 250 thousand to the Chair of the Audit Committee; SEK 50 thousand to members of the Compensation Committee and SEK 100 thousand to the Chair of the Audit Committee. Inside (executive) directors receive base pay in their capacity as senior management personnel.

Chief Executive Officer
In accordance with the guidelines adopted for 2021, the CEO is entitled to fixed pay, variable pay and other compensation. In accordance with the adopted guidelines, variable pay is capped at 30 percent of fixed pay. A six-months' period of notice of termination or resignation applies between the company and the CEO. Upon resignation by the employee or in the event of a breach of contract no severance is paid. Other benefits consist of health insurance.

Other senior management personnel
In addition to CEO Oscar Werner, executive management in 2021 included Anders Olin, Eva Lessing (to April 2021), Håkan Färdig (from May 2021), Jonas Lindeborg, Jonathan Bean, Julie Rassat, Robert Gerstmann, Roshan Saldanha, Russ Green, Sanjay Goyal and Thomas Heath.

In 2020, in addition to CEO Oscar Warner and director Björn Zethraeus, executive management included Eva Lessing, Jonas Lindeborg, Jonathan Bean, Robert Gerstmann, Roshan Saldanha, Thomas Heath, Julie Rassat (from 22 December 2020), Russ Green (from 22 December 2020) and Sanjay Goyal (from 22 December 2020) Björn Zethraeus, Johan Hedberg and Vikram Khandpur were members of executive management until 22 December 2020.

Other senior management personnel are entitled to fixed pay, variable pay and other benefits. Variable pay is based on business targets and, in accordance with the guidelines adopted, is capped at 30 percent of fixed pay. Other benefits consist of health insurance and company cars.

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

Long-term share-related incentive programs
All programs except LTIP II 2021 were adopted prior to the 1:10 share split implemented on 18 June 2021. In all of these programs, one stock option/warrant therefore gives the right to 10 shares. As LTIP II 2021 was adopted after the share split, one stock option gives the right to one share in this program.

Outstanding share-related incentive programs
The company has the following outstanding share-related incentive programs.

LTI II 2021. The extraordinary general meeting (EGM) held 26 October 2021 adopted the board proposal regarding an incentive program directed at senior executives and key employees and approved the issue of a maximum of 3,210,000 warrants and approved the transfer of warrants. The subsidiary has subscribed for a total of 3,210,000 warrants, and 3,111,413 warrants and employee stock options have been acquired by or granted to participants. No warrants or employee stock options had been exercised as of the date of this report and no further warrants or employee stock options will be offered under LTI II 2021. Employee stock options vest at 20 percent of the total number of granted options on the first anniversary of the grant date and at an additional 5 percent on the last day of each of the subsequent 16 calendar quarters. The total vesting period after which all granted employee stock options have vested is five years after the grant date. Vested employee stock options can be called during a period of six years after the grant date. Employee stock options were granted on two occasions: December 2021 and February 2022.

Accordingly, the subscription prices for the warrants (which shall correspond to the fair market value of the share, calculated based on the closing price of the company's share on Nasdaq Stockholm on the last trading day immediately preceding the grant date for each employee stock option) has been set at SEK 102.15 per share and SEK 94.10 per share. Upon full exercise of all warrants and employee stock options that are, or may be, acquired or granted to participants, a maximum of 3,111,413 shares will be issued by the company.

LTI 2021. The annual general meeting (AGM) held 18 May 2021 adopted the board proposal regarding an incentive program directed at senior executives and key employees and approved the issue of a maximum of 323,000 warrants and approved the transfer of warrants. The subsidiary has subscribed for a total of 323,000 warrants and 311,885 warrants and employee stock options have been acquired by or granted to participants. No warrants or employee stock options under LTI 2021 had been exercised as of the date of this report and no further warrants or employee stock options will be offered under LTI 2021. The program is divided into series, serie 1-3 with exercise periods of 17 June – 17 September 2024, 17 March - 18 June 2025 and 16 March – 16 June 2026. All participants have been granted one third of their warrants in each series. Series 4 vest at 20 percent of the total number of granted options on the first anniversary of the grant date and at an additional 5 percent on the last day of each of the subsequent 16 calendar quarters. The total vesting period after which all granted employee stock options have vested is five years after the grant date. Vested employee stock options can be called during a period of six years after the grant date. The subscription price for warrants and employee stock options was set at SEK 1,400.70 per share (SEK 140.07 following the stock split), SEK 1,528.00 per share (SEK 152.80 after the stock split) and SEK 1,655.30 per share (SEK 165.53 after the stock split) through exercise of warrants in Series 1-3. As regards serie 4, employee stock options were granted on three occasions: twice in June 2021 and once in December 2021. Accordingly, the subscription prices for the warrants in series 4 (which shall correspond to the fair market value of the share, calculated based on the closing price of the company's share on Nasdaq Stockholm on the last trading day immediately preceding the grant date for each employee stock option) has been set at SEK 1,538.50 per share (SEK 153.85 after the stock split) and SEK 1,021.50 per share (SEK 102.15

note 7 cont.

after the stock split). Upon full exercise of all warrants and employee stock options that are, or may be, acquired or granted to participants, a maximum of 311,885 shares will be issued by the company. Among senior executives, Sanjay Goyal, Jonas Lindeborg and Julie Rassat were invited to participate in the incentive program. These individuals have respectively subscribed for 20,000, 2,265 and 3,910 stock options. The stock options were granted in June 2021.

LTI II 2020. The EGM held 27 November 2021 adopted the board proposal regarding an incentive program directed at senior executives and key employees and approved the issue of a maximum of 470,260 warrants and approved the transfer of warrants. The subsidiary has subscribed for a total of 470,260 warrants, and 422,889 warrants and employee stock options have been acquired by or granted to participants. No warrants or employee stock options had been exercised as of the date of this report and no further warrants or employee stock options will be offered under LTI II 2020. The program is divided into series, series 1-3 with exercise periods of 15 December 2023 – 15 March 2024, 15 September–15 December 2024 and 15 September–15 December 2025. All participants have been granted one third of their warrants in each series. Series 4 vest at 20 percent of the total number of granted options on the first anniversary of the grant date and at an additional 5 percent on the last day of each of the subsequent 16 calendar quarters. The total vesting period after which all granted employee stock options have vested is five years after the grant date. Vested employee stock options can be called during a period of six years after the grant date. The subscription price was set at SEK 1,361 per share (SEK 136.10 after the stock split) subscribed through exercise of warrants in series 1-3. As regards series 4, employee stock options were granted on three occasions: twice in November 2020 and once in February 2021. Accordingly, the subscription prices for the warrants in series 4 (which shall correspond to the fair market value of the share, calculated based on the closing price of the company's share on Nasdaq Stockholm on the last trading day immediately preceding the grant date for each employee stock option) has been set at SEK 1,040 per share (SEK 104 after the stock split), SEK 1,206 per share (SEK 120,60 after the stock split) and SEK 1,422 per share (SEK 142.20 after the stock split). Upon full exercise of all warrants and employee stock options that are, or may be, acquired or granted to participants, a maximum of 422,889 shares will be issued by the company.

Of the individuals considered senior management personnel as of the reporting date, two were invited to participate in the program and have subscribed for 256,500 warrants. The stock options were allotted in November 2020.

LTI 2020 . The AGM held 15 May 2020 adopted the board proposal regarding an incentive program directed at senior executives and key employees and approved the issue of a maximum of 580,000 warrants and approved the transfer of warrants. The subsidiary has subscribed for a total of 580,000 warrants, and 327,800 warrants and employee stock options have been acquired by or granted to participants, of which a number of warrants and employee stock options had been exercised (series 7) as of the date of this report. No further warrants or employee stock options will be offered under LTI 2020. The program is divided into series, serie 1-6 with exercise periods of 15 June – 15 September 2023, 15 March – 17 June 2024 and 17 March – 18 June 2025. All participants have been granted one third of their warrants in each series. Series 7 vest at 20 percent of the total number of granted options on the first anniversary of the grant date and at an additional 5 percent on the last day of each of the subsequent 16 calendar quarters. The total vesting period after which all granted employee stock options have vested is five years after the grant date. Vested employee stock options can be called during a period of six years after the grant date. The subscription price for warrants and employee stock options in series 1-6 was set at SEK 602 per share (SEK 60.20 after the stock split).

As regards series 7, employee stock options were granted on three occasions: June 2020, November 2020 and February 2021. Accordingly, the subscription prices for the warrants in series 7 (which shall correspond to the fair market value of the share, calculated based on the closing price of the company's share on Nasdaq Stockholm on the last trading day immediately preceding the grant date for each employee stock option) has been set at SEK 624 per share (SEK 62.40 after the stock split) and SEK 1,422 per share (SEK 142.20 after the stock split). Upon full exercise of all warrants and employee stock options that are, or may be, acquired or granted to participants, a maximum of 327,800 shares will be issued by the company.

Of the individuals considered senior management personnel as of the reporting date, two were invited to participate in the program and have subscribed for 50,000 warrants. The stock options were allotted in November 2020 and February 2021.

The company repurchased 300 employee stock options in 2020-2021.

LTI 2019. The AGM held 17 May 2019 adopted the board proposal regarding an incentive program directed at key employees and approved the issue of a maximum of 510,000 warrants and approved the transfer of warrants. The subsidiary has subscribed for a total of 510,000 warrants, and 326,000 warrants have been acquired by or granted to participants. No warrants or employee stock options under LTI 2019 had been exercised as of the date of this report and no further warrants or employee stock options will be offered under LTI 2019. The program is divided into three series, with exercise periods of 22 June–22 September 2022, 22 March– 22 June 2023 and 21 March–21 June 2024. All participants have been granted one third of their warrants in each series. The subscription price was set at SEK 174.10 per share (SEK 17.41 after the stock split). Upon full exercise of all warrants and employee stock options that have been acquired by or granted to participants, a maximum of 326,000 shares will be issued by the company.

Of the individuals considered senior management personnel as of the reporting date, two were invited to participate in the program and have subscribed for 60,000 warrants. The warrants were allotted in June and November 2019.

The company repurchased 3,000 employee stock options in 2021.

LTI 2018. The AGM held 18 May 2018 adopted the board proposal regarding an incentive program directed at key employees and approved the issue of a maximum of 1,500,000 warrants and approved the transfer of warrants. The subsidiary has subscribed for a total of 1,500,000 warrants, and 1,380,920 warrants and employee stock options have been acquired by or granted to participants, of which a number of warrants and employee stock options had been exercised (series 1 and 4) as of the date

note 7 cont.

of this report. No further warrants or employee stock options will be offered under LTI 2018. The program is divided into three series, with exercise periods of 22 June–22 September 2021, 22 March–22 June 2022 and 2023. All participants have been granted one third of their warrants in each series The subscription price was set at SEK 91.30 per share (SEK 9.13 after the stock split). Upon full exercise of all warrants and employee stock options that have been acquired by or granted to participants, a maximum of 380,920 shares will be issued by the company.

Of the individuals considered senior management personnel as of the reporting date, four were invited to participate in the program and have subscribed for 714,000 warrants. The warrants were allotted in October 2018. Two additional individuals considered senior management personnel at the reporting date were invited to participate in the program at a later date and have subscribed for 70,000 warrants. The warrants were allotted in the period of January-March 2019.

The company repurchased 30,900 employee stock options in 2018-2021.

LTI 2016. The EGM held 5 December 2016 adopted the board proposal regarding an incentive program directed at key employees and approved the issue of a maximum of 1,500,000 warrants and approved the transfer of warrants. The subsidiary has subscribed for a total of 1,500,000 warrants, and 1,215,700 warrants and employee stock options have been acquired by or granted to participants, of which a number of warrants and employee stock options had been exercised (series 1, 2, 3, 4, 5 and 6) as of the date of this report. No further warrants or employee stock options will be offered under LTI 2016. The program is divided into three series, with exercise periods of 16 January–16 April 2020, 2021 and 2022, respectively. All participants have been granted one third of their warrants in each series. The subscription price was set at SEK 127.67 per share (SEK 12.77 after the stock split). Upon full exercise of all warrants and employee stock options that have been acquired by or granted to participants, a maximum of 334,499 shares will be issued by the company.

Of the individuals considered senior management personnel as of the reporting date, one were invited to participate in the program and have subscribed for 60,000 warrants. The warrants were allotted in January 2017.

The company repurchased 109,200 employee stock options in 2017-2021.

Payroll costs for vested employee stock options in all programs were included in profit or loss in 2021 in the amount of SEK -115.7m (-15.3) with a corresponding increase in equity. Social insurance expenses are included in the amount of SEK 9.8m (-35.6), recognized as a provision in the statement of financial position. The potential dilutive effect upon exercise of all employee stock options in all programs is 3.0 percent (4.1).

More information about the company's long-term incentive programs, including applicable performance criteria, is provided on the company's website, sinch.com.

	2021-12-31		2020-12-31	
	Rights to no of future shares	**Average exercise price per share**	**Rights to no of future shares**	**Average exercise price per share**
At 1 January	**29,880,770**	**30.98**	**26 231 200**	**11.35**
Granted	5,239,528	119.46	7,060,050	94.57
Forfeited	-1,272.910	27.72	-98.340	9.13
Exercised	-7,770,080	11.85	-3,3212,140	12.77
Expired	-83,060	12.77	-	-
Outstanding at 31 December	**25,994,248**	**56.06**	**29,880,770**	**30.98**

Average number of employees	**2021**	**Of whom men**	**2020**	**Of whom men**
SE Sweden	400	295	335	260
AR Argentina	3	1	-	-
AT Austria	1	1	1	1
AU Australia	33	23	8	6
BE Belgium	26	19	12	10
BR Brazil	271	158	35	8
CA Canada	10	4	8	4
CL Chile	1	1	-	-
CN China	9	6	3	2
CO Colombia	12	5	2	2
CR Costa Rica	1	1	1	1
CZ Czech Republic	6	2	3	1
DE Germany	25	10	18	8
DK Denmark	19	15	19	15
ES Spain	21	14	7	6
FI Finland	73	63	16	13
FR France	63	43	49	33
GB United Kingdom	95	65	55	40
GR Greece	1	-	1	-
GT Guatemala	1	1	1	1
HU Hungary	1	1	1	1
IN India	397	326	91	77
IL Israel	-	-	1	1
IQ Iraq	2	2	2	2
IT Italy	9	7	2	2
JO Jordan	1	1	1	1
KE Kenya	2	2	-	-
KR South Korea	-	-	1	1
MX Mexico	38	22	1	1
MY Malaysia	14	8	4	2
NL Netherlands	5	5	1	1
NZ New Zealand	4	4	1	1
PE Peru	3	3	-	-
PH Philippines	1	-	1	-
PK Pakistan	1	1	-	-
PL Poland	26	25	24	23
RS Serbia	2	1	-	-

note 7 cont.

RU Russia	1	0	-	-
SG Singapore	51	33	14	9
TN Tunisia	1	1	-	-
TR Turkey	1	1	1	1
UA Ukraine	2	2	1	1
UAE United Arab Emirates	23	21	15	14
UY Uruguay	2	-	-	-
US United States	286	202	122	86
Total	**1,944**	**1,395**	**858**	**635**
Of which, parent company (Sweden)	9	6	11	7

	31 Dec 2021		31 Dec 2020	
Senior management personnel	**Number on reporting date**	**Of whom men**	**Number on reporting date**	**Of whom men**
Group				
Directors	6	3	5	3
Other senior management personnel	11	10	12	10
Parent company				
Directors	6	3	5	3
Other senior management personnel	4	4	5	4

note 8 Financial income and expenses

Group	**2021**	**2020**
Interest income	11,272	3,759
Exchange rate gains	2,364,299	708,223
Other financial income	17,626	1,990
Financial income	**2,393,197**	**713,972**
Interest expenses, leases	-7,123	-2,294
Other interest expenses	-52,437	-35,431
Exchange rate losses	-1,265,068	-742,456
Other financial expenses	-29,530	-7,278
Finance expenses	**-1,354,158**	**-787,459**
Net financial income and expenses	**1,039,038**	**-73,487**

Parent company	**2021**	**2020**
Interest income	3,142	1,038
Interest income, group companies	88,893	31,107
Exchange rate gains	1,886,839	208,566
Other financial income	0	
Interest income and similar profit items	**1,978,873**	**240,711**
Interest expenses, group companies	-173	-4,167
Other interest expenses	-47,659	-34,189
Exchange rate losses	-1,064,441	-235,264
Other financial expenses	-24,718	-6,154
Interest expenses and similar loss items	**-1,136,991**	**-279,774**

note 9 Appropriations

Parent company	**2021**	**2020**
Provision to tax allocation reserve	-9,500	157
Accelerated depreciation/amortization	-2,618	-2,541
Group contribution provided	-435,220	-
Group contribution received	-	91,000
Total	**-447,338**	**88,616**

note 10 Taxes

	Group		Parent company	
Tax in profit and loss	**2021**	**2020**	**2021**	**2020**
Current tax	-389,922	-146,529	-31,047	–
Current tax from preceding year	11,925	4,028	-37	–
Deferred tax related to timing differences	135,945	72,102	1,352	–
Deferred tax on loss carry-forwards (LCFW)	-47,390	138,238	-35,701	42,567
Deferred tax on changed tax rate	-	-1,217	-	–
Total	**-289,442**	**66,621**	**-65,434**	**42,567**

Current tax recognized directly against equity amounts to SEK 25,199 thousand (0) and refers to tax on issue costs.

Deferred tax recognized in other comprehensive income amounts to SEK -18,928 thousand (32,939) and refers to the tax portion of hedge accounted amounts arising from net investments in subsidiaries.

	Group		Parent company	
Reconciliation of tax expense for the year	**2021**	**2020**	**2021**	**2020**
Profit before tax	1,196,985	379,401	308,629	-107,737
Tax calculated according to the Swedish tax rate, 20.6%	-246,579	-81,192	-63,578	23,056
Current and deferred tax from previous years	15,389	3,235	6,148	-
Effect of changed tax rates	32,575	411	-	-
Tax effect of non-deductible expenses	-21,951	-3,221	-7,977	-6,392
Tax effect of non-taxable revenue	1,230	19,090	-	4,902
Tax effect of utilized negative interest net	-		-	20,967
Tax on standard interest rate, tax allocation reserves	-27	-51	-27	34
Tax effect of non-capitalized LCFW	-15,568	-34,530	-	-
Tax effect of previously non-capitalized LCFW	1,357	157,496	-	-
Foreign tax deducted at source	-8,744	27,146	-	-
Effect of foreign tax rates	-47,125	-21,763	-	-
Tax on profit for the year per income statement	**-289,442**	**66,621**	**-65,434**	**42,567**

note 10 cont.

Tax rate

The parent company's current tax rate is 20.6 percent (21.4). The Group's effective tax rate is 24.2 percent (17.6).

	Group	
	31 Dec 2021	**31 Dec 2020**
Deferred tax assets		
LCFW	265,820	318,495
Depreciation and amortization	1,333	38,156
Warrants and derivatives	7,721	7,839
Goodwill from net assets acquisition	-	-
Provisions	550,074	39,440
Other	-	-
Total deferred tax assets	**824,948**	**403,930**
Deferred tax liabilities		
Untaxed reserves	-68,579	-31,544
Warrants and derivatives	0	-1,352
Proprietary software	-1,375,871	-18,609
Customer relationships	-3,182,115	-373,319
Operator relationships	-31,465	-67,528
Trademarks	-434,728	-720
Provisions	-480,706	-15,262
Total deferred tax liabilities	**-5,573,464**	**-508,334**
Net deferred tax	**-4,748,516**	**-104,405**

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

	Group 2021				
Change in deferred tax	**Opening balance at 1 Jan 2021**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Through acquisition or disposal**	**Closing balance at 31 Dec 2021**
Non-current assets	-416,258	105,818	-	-4,713,738	-5,024,178
Provisions	49,854	77,726	-	-	127,580
LCFW	313,209	-47,390	-	-	265,820
Untaxed reserves	-19,628	-48,952	-	-	-68,579
Hedge accounting net investment	-26,576	1,352	-18,928	-	-44,152
Changed tax rate	-5,006	-	-	-	-5,006
Total	**-104,405**	**88,555**	**-18,928**	**-4,713,738**	**-4,748,516**

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

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

note 10 cont.

The following are included in the statement of financial position	Group	
	31 Dec 2021	31 Dec 2020
Deferred tax asset utilized after more than 12 months	265,820	313,209
Deferred tax liability settled after more than 12 months	-5,240,244	-460,176

Loss carryforwards - Group

Deferred tax assets relating from loss carryforwards (LCFW) are recognized to the extent that it is probable that they can be used against taxable income. The final years these LCFW can be used are shown on the table.

	31 Dec 2021		31 Dec 2020	
Maturity, LCFW	**LCFW**	**Tax effect**	**LCFW**	**Tax effect**
2021	–	–	12,569	2,640
2022	211	122	12,569	2,640
2023	23	6	12,569	2,640
2024	5	1	12,569	2,640
2025	547	144	12,569	2,640
2026	4,170	1,160	12,592	2,646
2027	–	–	12,569	2,640
2028	–	–	12,569	2,640
2029	–	–	12,569	2,640
2030	–	–	12,569	2,640
2031	–	–	12,569	2,640
Maturity after 2031	25,238	5,680	12,569	2,640
Unlimited useful life	896,881	258,708	1,032,706	281,523
Total	**927,075**	**265,820**	**1,183,557**	**313,209**

	31 Dec 2021		31 Dec 2020	
LCFW by country	**LCFW**	**Tax effect**	**LCFW**	**Tax effect**
Brazil	405,856	137,991	430,888	145,000
France	–	–	5,696	1,595
Spain	4,160	1,040	9,032	2,710
United Kingdom	281,662	63,686	227,472	43,220
Sweden	130,905	26,966	86,439	17,806
USA	33,943	7,563	150,828	31,680
Rest of the world	70,549	28,574	273,202	71,198
Total	**927,075**	**265,820**	**1,183,557**	**313,209**

	31 Dec 2021		31 Dec 2020	
Non-capitalized LCFW	**LCFW**	**Tax effect**	**LCFW**	**Tax effect**
Belgium	26,148	6,537	–	–
Brazil	12,244	4,163	–	–
Korea	–	–	27	6
Germany	14,751	4,868	–	–
Total	**53,143**	**15,568**	**27**	**6**

The carryforwards above with an unlimited useful life have not been capitalized because uncertainty prevails as to whether sufficient future taxable profits will be generated.

note 11 Earnings per share

Basic earnings per share	**2021**	**2020**
Profit for the year attributable to owners of the parent	907,116	445,907
Weighted average number of ordinary shares outstanding, before dilution	700,923,800	584,945,860
Basic earnings per share, SEK	**1.29**	**0.76**

Diluted earnings per share	**2021**	**2020**
Profit for the year attributable to owners of the parent	907,116	445,907
Weighted average number of ordinary shares outstanding, before dilution	700,923,800	584,945,860
Weighted average warrants outstanding	15,603,652	19,189,143
Weighted average shares outstanding, after dilution	716,527,452	604,135,003
Diluted earnings per share, SEK	**1.27**	**0.74**

note 12 Goodwill

Group	**2021**	**2020**
Cost on the opening date	3,310,621	1,766,751
Investments for the year	375,869	-
Through acquisitions of group companies, see Note 31	22,934,949	1,824,541
Disposals/retirements for the year	-11,307	-
Reclassifications	-7,734	-
Translation differences	552,731	-280,676
Accumulated cost on the closing date	**27,155,129**	**3,310,616**
Impairments on the opening date	-12,357	-12,845
Translation differences	-234	493
Accumulated impairments on the closing date	**-12,590**	**-12,352**
Carrying amount	**27,142,539**	**3,298,264**

Goodwill per cash-generating unit	**31 Dec 2021**	**31 Dec 2020**
Messaging, excluding acquisitions during the year	3,249,791	1,431,925
Messaging, Chatlayer	-	37,386
Messaging, ACL	-	317,841
Messaging, SDI	-	1,406,407
Messaging, Wavy	2,200,474	-
Messaging, MessageMedia	7,218,564	-
Messaging, MessengerPeople	411,269	-
Operators, excluding acquisitions during the year	3,103	13,785
Email, excluding acquisitions during the year	-	-
Email, Pathwire	8,444,131	-
Voice and Video, excluding acquisitions during the year	90,920	90,920
Voice and Video, Inteliquent	5,524,285	-
Total	**27,142,539**	**3,298,264**

note 12 cont.

Impairment testing of goodwill

Goodwill is tested for impairment annually or when there are indications that an impairment loss has occurred. As several acquisitions were closed in the last two months of the year. supplemental impairment testing was performed as of 31 December 2021 that includes all acquisitions. The recoverable amount for a cash-generating unit (CGU) is determined based on estimated value in use. These estimates are based on cash flow projections, which are based on financial budgets approved by the management covering a five-year period. In the assessment of future cash flows assumptions are made, primarily concerning sales growth, operating margin based on the current year and discount rate (WACC). The estimated growth rate and the forecast operating margin are based on the company's budgets and forecasts for each unit.

The growth rate after the forecast period coincides with the Group's long-term assumptions about inflation and long-term market growth. The discount rate reflects country-specific risks associated with the asset. The company has determined that all CGUs can mainly be categorized as companies in a growth phase but with strong and stable cash flows based on existing business relationships. All CGUs are characterized by their continuous development of new products and services that complement the current business.

Due to the application of IFRS 16, impairment tests have been modified to include right-of-use assets in the carrying amounts of CGUs, but not lease liabilities.

	Discount rate before tax*		Long-term growth rate	
CGU	**2021**	**2020**	**2021**	**2020**
Messaging, excluding acquisitions during the year	9.7%	7.5%	2.0%	2.0%
Messaging, Chatlayer	-	7.5%	2.0%	2.0%
Messaging, ACL	-	7.5%	2.0%	2.0%
Messaging, SDI	-	18.2%	2.0%	2.0%
Messaging, myElefant	9.7%	-	2.0%	-
Messaging, TWW	9.7%	-	2.0%	-
Messaging, MessageMedia	9.7%	-	2.0%	-
Messaging, Messenger-People	9.7%	-	2.0%	-
Operators	9.5%	7.5%	2.0%	2.0%
E-mail, Excluding acquisitions during the year	9.4%	-	2.0%	-
E-mail, Pathwire	9.4%	-	2.0%	-
Voice and Video, excluding acquisitions during the year	9.7%	7.5%	2.0%	2.0%
Voice and Video, Inteliquent	9.7%	-	2.0%	-

* In annual report 2020 discount rate was reported after tax

Sensitivity analysis

The recoverable amount exceeds the carrying amount for all cash-generating units. Impairment testing for the CGUs Messaging and Operators has shown that there is a healthy margin before changes in the discount rate, sales growth and EBITDA margin would give any indication of impairment.

As expected, the margins are narrower for the CGUs dominated by the acquisitions in December, Inteliquent (Voice and Video) and Pathwire (Email). An increase of the discount rate by three percentage points in the forecast period would be an indicator of impairment for Voice and Video. An increase of the discount rate by one percentage point or a decrease in sales growth by one percentage point would be an indicator of impairment for Email.

Wavy, Inteliquent, MessageMedia, MessengerPeople and Pathwire were acquired in 2021. Chatlayer, ACL and SDI were acquired in 2020.

note 13 Other non-current intangible assets

Group 2021	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	**481,342**	**47,691**	**1,874,106**	**199,589**	**14,097**	**2,616,824**
Capitalized expenditure for the year	98,049	14,776	-	-	-	112,825
Through acquisitions of group companies	4,949,151	10,817	12,587,659	172,181	937,323	18,657,130
Reclassifications	3,985	10,182	1,538	-	-	15,705
Disposals/retirements	-13,520	-7,887	-	-	-	-21,407
Translation differences	58,361	4,049	280,351	20,448	-4,241	358,968
Accumulated cost on the closing date	**5,577,367**	**79,629**	**14,743,654**	**392,217**	**947,179**	**21,740,047**
Amortization on the opening date	**-159,053**	**-40,516**	**-392,884**	**-54,748**	**-12,968**	**-660,169**
Amortization for the year	-179,739	-13,847	-316,403	-45,381	-13,975	-569,345
Through acquisitions of group companies	-151,400	-6,250	-25,048	2,743	-	-179,955
Reclassifications	1	7,521	-249	-	-	7,273
Disposals/retirements	6,862	701	-	-	-	7,563
Translation differences	-14,542	-3,012	-43,082	-9,872	-699	-71,206
Accumulated amortization on the closing date	**-497,870**	**-55,404**	**-777,666**	**-107,257**	**-27,641**	**-1,465,838**
Carrying amount	**5,079,497**	**24,225**	**13,965,988**	**284,960**	**919,538**	**20,274,209**

Group 2020	Proprietary software	Licenses	Customer relationships	Operator relationships	Trademarks	Total other non-current intangible assets
Cost on the opening date	**262,972**	**28,937**	**1,068,066**	**149,824**	**2,812**	**1,512,610**
Capitalized expenditure for the year	69,404	4,027	-	-	-	73,431
Through acquisitions of group companies	166,605	21,735	988,310	70,377	11,930	1,258,957
Reclassifications	-	-	-	-	-	-
Disposals/retirements	-	-54	-	-	-	-54
Translation differences	-17,639	-6,954	-182,270	-20,612	-645	-228,119
Accumulated cost on the closing date	**481,342**	**47,691**	**1,874,106**	**199,589**	**14,097**	**2,616,824**
Amortization on the opening date	**-100,278**	**-26,096**	**-304,062**	**-43,000**	**-1,729**	**-475,165**
Amortization for the year	-60,578	-1,137	-127,869	-16,840	-3,690	-210,114
Through acquisitions of group companies	-1,522	-19,430	-4,248	-206	-8,284	-33,690
Reclassifications	-	-	-	-	-	-
Disposals/retirements	-	32	-	-	-	32
Translation differences	3,325	6,114	43,295	5,298	736	58,768
Accumulated amortization on the closing date	**-159,053**	**-40,516**	**-392,884**	**-54,748**	**-12,968**	**-660,169**
Carrying amount	**322,289**	**7,174**	**1,481,221**	**144,841**	**1,129**	**1,956,655**

	Parent company	
Licenses	**2021**	**2020**
Cost on the opening date	**3,552**	**372**
Purchases for the year	0	3,180
Reclassifications	9,051	-
Disposals/retirements	-3,180	-
Accumulated cost on the closing date	**9,424**	**3,552**
Amortization on the opening date	**-372**	**-372**
Amortization for the year	-1,749	-
Reclassifications	-595	-
Accumulated amortization on the closing date	**-2,716**	**-372**
Carrying amount	**6,707**	**3,180**

note 14 Property, plant and equipment

Computers and equipment	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Cost on the opening date	**372,652**	**93,145**	**23,432**	**10,559**
Purchases for the year	65,518	42,932	-	12,873
Through acquisitions of group companies	1,497,907	276,869	-	-
Reclassifications	-13,304	15	-9,051	-
Disposals/retirements	-25,935	-1,798	-	-
Translation differences	107,938	-38,511	-	-
Accumulated cost on the closing date	**2,004,776**	**372,652**	**14,381**	**23,432**
Depreciation on the opening date	**-272,908**	**-63,469**	**-6,672**	**-3,739**
Depreciation for the year	-44,007	-16,650	-2,905	-2,933
Through acquisitions of group companies	-929,476	-223,682	-	-
Reclassifications	902	0	436	-
Disposals/retirements	19,548	1,651	-	-
Translation differences	-71,292	29,243	-	-
Accumulated depreciation on the closing date	**-1,297,302**	**-272,908**	**-9,142**	**-6,672**
Carrying amount	**707,474**	**99,744**	**5,240**	**16,760**

note 15 Leases

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

2021	Group Premises	Rented connection capacity	Other	Total ROU assets
Cost on the opening date	**104,577**	**-**	**1,915**	**106,492**
Additional ROU	95,427	-	23,316	118,744
Through acquisitions of group companies	634,435	125,428	2,445	762,308
Reclassifications	-13,106	-	-	-13,106
Terminated contracts	-22,523	-	-7,241	-29,765
Translation differences	20,065	25,721	57	45,843
Accumulated cost on the closing date	**818,877**	**151,149**	**20,491**	**990,517**
Amortization on the opening date	**-50,558**	**-**	**-1,632**	**-52,190**
Amortization for the year	-49,974	-1,072	-13,721	-64,767
Through acquisitions of group companies	-	-	0	0
Reclassifications	4,880	0	0	4,808
Disposals/retirements	19,655	0	4,974	24,630
Translation differe-es	-2,267	-242	-18	-2,526
Accumulated amortization on the closing date	**-78,335**	**-1,314**	**-10,397**	**-90,046**
Carrying amount	**740,542**	**149,835**	**10,094**	**900,471**

note 15 cont.

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

Lease liabilities

Lease liabilities at year-end amounted to SEK 901,869 thousand (46,805).

Lease expenses

Group	2021	2020
Depreciation on ROU assets	-59,257	-29,337
Interest expenses, lease liabilities	-7,123	-2,248
Variable charges not included in lease liability	-1,521	-1,760
Income from subletting of premises	-	690
Cost of short-term and low-value leases	-17,466	-3,466
Total	**-85,367**	**-36,121**

Cash outflow

The total cash flow attributable to leasing agreements in 2021 was SEK 85,367 thousand (37,432).

note 16 Financial assets

Non-current receivables	Group 31 Dec 2021	Group 31 Dec 2020	Parent company 31 Dec 2021	Parent company 31 Dec 2020
Non-current VAT receivable	3,114	3,057	-	-
Deposits	20,381	8,825	-	-
Non-current receivables, group companies	-	-	3,100,821	4,118,996
Deferred contract costs	17,837	-	-	-
Other non-current receivables	20,716	2,261	-	-
Total	**62,049**	**14,143**	**3,100,821**	**4,118,996**

Investments in group companies	Parent company 31 Dec 2021	Parent company 31 Dec 2020
Cost on the opening date	2,526,923	501,749
Acquired subsidiaries	446,057	2,025,174
Accumulated cost on the closing date	**2,972,980**	**2,526,923**

note 16 cont.

Sinch Group	Corporate ID	Registered office	% of equity and votes 31 Dec 2021	% of equity and votes 31 Dec 2020	Carrying amount 31 Dec 2021	Carrying amount 31 Dec 2020
Sinch Sweden AB	**556747-5495**	**Stockholm**	**100**	**100**	**249,950**	**249,950**
CLX Networks South Africa (PTY) Ltd	2013/128948/07	South Africa	100	100	–	–
CLX Networks Italy S.R.L.*	4265200230	Italy	–	100	–	–
PT Sinch Technology Indonesia	1265000552082	Indonesia	0.4	–	–	–
Sinch Communications Canada Inc.	924-4933	Canada	100	100	–	–
Sinch Turkey Telekomünikasyon LTD. STI.	866349	Turkey	51	51	–	–
Sinch Italy S.R.L.	04491540961	Italy	100	100	–	–
Sinch France S.R.L.	448324285	France	100	100	–	–
Sinch Operator Software AB	**556353-1333**	**Stockholm**	**100**	**100**	**100,000**	**100,000**
Sinch Poland Sp z o.o.	0000643951	Poland	100	100	–	–
Sinch Holding AB	**559061-2791**	**Stockholm**	**100**	**100**	**2,025,175**	**2,025,175**
Sinch Germany GmbH	HRB 202010	Germany	100	100	–	–
CLX Networks Australia PTY Ltd	608286979	Australia	100	100	–	–
Sinch Australia Holding PTY LTD	ABN 650 744 479	Australia	100	–	–	–
Message4U Pty Ltd	ACN 095 453 062	Australia	100	–	–	–
WholesaleSMS Pty Ltd	ACN 169 517 202	Australia	100	–	–	–
SMS Broadcast Pty Ltd	ACN 127 334 785	Australia	100	–	–	–
SMS Central Australia Pty Ltd	ACN 141 611 645	Australia	100	–	–	–
Streetdata Pty Ltd	ACN 092 709 030	Australia	100	–	–	–
Text Messaging Technologies Pty Ltd	ACN 140 426 204	Australia	100	–	–	–
Mobipost Pty Ltd	ACN 087 914 930	Australia	100	–	–	–
DirectSMS Pty Ltd	ACN 114 992 880	Australia	100	–	–	–
MessageMedia ESOP Pty Ltd	ACN 603 146 336	Australia	100	–	–	–
MessageNet Pty Ltd	ACN 082 712 589	Australia	100	–	–	–
ClickSend Pty Ltd	ACN 165 918 525	Australia	100	–	–	–
Bulletin.net Pty Ltd	ACN 119 955 805	Australia	100	–	–	–
MessageMedia Europe Limited	3771735	United Kingdom	100	–	–	–
Bulletin.net (NZ) Limited	847056	New Zealand	100	–	–	–
Mobipost NZ Limited	2357000	New Zealand	100	–	–	–
MessageMedia U.S.A. Inc	27-2034769	USA	100	–	–	–
SimpleTexting LLC	85-3394518	USA	100	–	–	–
Sinch B.V	0691.917.430	Belgium	100	100		–
Beijing Zhang Zhong Hu Dong Information Technology Co., Ltd	91110108802106771E	China	100	100	–	–
Sinch Telecomunicaciones Spain SL	B82966078	Spain	100	100	–	–
Sinch Finland OY	1549817-1	Finland	100	100	–	–
Sinch Finland Systems OY	0736045-5	Finland	100	100	–	–
myElefant SAS	524353299	France	100	100	–	–
Mblox Malaysia Sdn Bhd	870260-U	Malaysia	100	100	–	–
Sinch UK Ltd	03049312	United Kingdom	100	100	–	–
Mblox SA (PTY) Ltd	2012/217923/07	South Africa	100	100	–	–
Sinch U.S. Holding Inc.	20163012208	USA	100	100	–	–
Sinch America, Inc.	77220277010	USA	100	100	–	–
Sinch Engage LLC	46-0553309	USA	100	100	–	–
Sinch Interconnect LLC	3166804	USA	100	100	–	–
Onvoy Holdings, Inc.	32-0482384	USA	100	–	–	–
Onvoy, LLC	41-1624131	USA	100	–	–	–
Onvoy Ltd	84-1797016	USA	100	–	–	–
Onvoy International Holdings, Inc.	11386989	United Kingdom	100	–	–	–
Onvoy Netherlands, B.V.	RSIN 860260367	Netherlands	100	–	–	–
Acrobits, S.R.O.	CZ28487923	Czech Republic	100	–		–
Alien Licensing, GmbH	CHE-116.371.684	Switzerland	100	–	–	–
Onvoy Communications Limited	3771951OH	Ireland	100	–	–	–
ANPI Business, LLC	04-3520968	USA	100	–	–	–
ANPI India Research & Development Pvt. Ltd.	U73100DL2014FTC-266307	India	99	–	–	–
ANPI, LLC	37-1348433	USA	100	–	–	–
ANPI India Research & Development Pvt. Ltd.	U73100DL2014FTC-266307	India	1	–	–	–
Broadvox, LLC	31-1795439	USA	100	–	–	–
Onvoy Spectrum, LLC	47-3389357	USA	100	–	–	–
Inteliquent, Inc.	31-1786871	USA	100	–	–	–

note 16 cont.

Sinch Group	Corporate ID	Registered office	% of equity and votes		Carrying amount	
			31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Neutral Tandem - Puerto Rico, LLC	26-4280147	Puerto Rico	100	-	-	-
Voyant Communications, LLC	26-1360206	USA	100	-	-	-
Phaxio Blocker	83-4283961	USA	100	-	-	-
MessengerPeople Inc.	5124591	USA	100	-	-	-
MessengerPeople GmbH	HRB 238421	Germany	100	-	-	-
Dialogue Group Ltd	06766972	United Kingdom	100	100	-	-
Dialogue Communications Ltd	3042634	United Kingdom	100	100	-	-
Sinch Australia PTY Ltd	812,155,238	Australia	100	100	-	-
Dialogue Malta Ltd	C66149	Malta	100	100	-	-
Sinch Singapore PTE LTD	2013-14618-E	Singapore	100	100	-	-
Sinch Technology (Beijing) Co. Ltd	91110108MA01U-QP87U	China	100	100	-	-
Sinch Hong Kong Ltd	72211247	Hong Kong	100	100	-	-
Sinch Denmark ApS	26361710	Denmark	100	100	-	-
Sinch Denmark AB	556484-7918	Stockholm	100	100	-	-
PT Sinch Technology Indonesia	1265000552082	Indonesia	99.6	-	-	-
Sinch Korea Co., Ltd	110111-7692878	Korea	100	100	-	-
Sinch Communications LLC	1207700431410	Russia	100	100	-	-
Taiwan Sinch Limited	90771936	Taiwan	100	100	-	-
Sinch Latin America Holding AB	**559212-5487**	**Stockholm**	**100**	**100**	**446,106**	**50**
TWW do Brasil S.A.	01.126.946/0001-61	Brazil	100	100	-	-
Sinch Brazil S.A.	CNPJ: 08.654.191/0001-17	Brazil	100	-	-	-
Cyclelogic do Brasil Mobile Solutions Ltda	CNPJ: 02.554.300/0001-48	Brazil	100	-	-	-
Sinch Netherlands BV	RSIN: 859656937	Netherlands	100	-	-	-
Cyclelogic Argentina S.R.L.	CUIT: 33-69561065-9	Argentina	100	-	-	-
Cyclelogic Chile Comunicaciones SPA.	RUT: 76.115.115-0	Chile	100	-	-	-
Cyclelogic Colombia S.A.S.	NIT: 8300484255	Colombia	100	-	-	-
Cyclelogic Ecuador S.A	RUC: 0992456809001	Ecuador	100	-	-	-
Cyclelogic de México, S. de R.L.	RFC: CME030325CPA	Mexico	100	-	-	-
Compertime Mexico S/A	RFC: COM080812831	Mexico	100	-	-	-
Sinch Panama S.A.	RUC: 2618804-1-836421	Panama	100	-	-	-
Cyclelogic de Peru SAC	RUC: 20516964414	Peru	100	-	-	-
Nedimix S.A.	RUT: 215095650017	Uruguay	100	-	-	-
Sinch Mobile AB	**556969-5397**	**Stockholm**	**100**	**100**	**151,699**	**151,699**
Sinch Cloud Communication Services India Pvt. Ltd.	U74999MH-2017FTC29470	India	100	100	-	-
ACL Mobile Ltd	U74999MH-2017FTC29470	India	100	100	-	-
Sinch DMCC	JLT 5040	United Arab Emirates	100	100	-	-
ACL Technologies Pte Ltd Sdn	U72900DL2000PTC-105180	India	100	100	-	-
Sinch Malaysia Sdn Bhd	832473-T	Malaysia	100	100	-	-
Pegasus Corp 2	**88-0711777**	**USA**	**100**	**-**	**-**	**-**
Deliver Intermediate Holdco Inc.	83-4016249	USA	100	-	-	-
Mailgun Technologies Inc.	81-5151296	USA	100	-	-	-
Mailgun Technologies SAS	877523639	France	100	-	-	-
Mailjet SAS	524536992	France	100	-	-	-
Mailjet Bulgaria	UIC 204787523	Bulgaria	100	-	-	-
Mailjet GmBH	HRB 156505	Germany	100	-	-	-
Mailjet Emailing SL	NIF 0B87790879	Spain	100	-	-	-
Mailjet SAAS LTD	9801918	United Kingdom	100	-	-	-
Mailjet Inc.	46-5566257	USA	100	-	-	-
Email on Acid, LLC	27-1659446	USA	100	-	-	-
Carrying amount in the parent company					**2,972,930**	**2,526,874**

*The company was liquidated in 2021.

note 17 Accounts receivable

Accounts receivable	Group 31 Dec 2021	Group 31 Dec 2020
Unbilled accounts receivable	1,605,810	
Accounts receivable	2,400,268	1,955,656
Total accounts receivable	**4,006,078**	**1,955,656**
Expected credit losses		
Balance at opening date	-29,302	-12,986
Through acquisitions of group companies	-142,499	-9,731
Reversals of previous provisions	128,076	14,247
Confirmed customer losses	63,913	3,880
ECL allowance for the year	-151,349	-26,230
Translation differences	-4,662	1,519
Balance on the closing date	**-135,882**	**-29,302**
Net accounts receivable	**3,870,256**	**1,926,355**

The carrying amount for accounts receivable, net after credit loss allowance, has been assessed as equal to fair value. Confirmed customer losses include a large non-recurring effect when derecognition has occurred due to a confirmed bankruptcy. Accounts receivable and the ECL allowance have increased compared to the preceding year, primarily due to acquisitions.

Aging report Accounts receivable	Group 31 Dec 2021	Group 31 Dec 2020
Not due	3,161,577	1,345,225
Past due 1-30 days	372,172	262,781
Past due 31-60 days	78,725	143,689
Past due 61-90 days	66,754	35,919
Past due >91 days	326,850	168,042
Total	**4,006,078**	**1,955,656**

Revenue-related contract assets and contract liabilities

Contract assets	Group 31 Dec 2021	Group 31 Dec 2020
Accrued income	341,666	450,160
Impairment reserve	-2,904	-3,709
Net contract assets	**338,762**	**446,451**

Contract liabilities/Advance payments from customers	Group 31 Dec 2021	Group 31 Dec 2020
Balance at opening date	59,567	26,478
Revenue recognized as derived from contract liabilities that existed at the beginning of the year	-37,608	-9,236
Payment from customers for performance obligations not satisfied at year-end	16,978	43,325
Translation differences	1,365	-1,000
Balance on the closing date	**40,302**	**59,567**

note 18 Other current receivables

Other current receivables	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
VAT receivable	216,987	96,657	14,967	14,691
Derivatives	18,543	-	18,469	-
VAT receivable, Australia, from sellers of Mblox and Dialogue	394	376	-	-
Other current receivables	60,241	18,697	-	276
Total	**296,164**	**115,730**	**33,436**	**14,967**

note 19 Prepaid expenses and accrued income

Prepaid expenses and accrued income	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Prepaid rent	663	1,697	3,410	3,351
Prepaid leasing charges	-11,626	-	-	-
Prepaid insurance premiums	7,629	1,617	539	-
Prepaid traffic costs	380,811	52,394	-	-
Accrued revenue from contracts with customers	338,762	450,160	-	-
Other	216,266	83,596	193,863	37,689
Total	**932,506**	**589,463**	**197,813**	**41,040**

note 20 Equity

Shares and share capital, SEK	Ordinary shares	Share capital
Opening balance at 1 January 2020	**536,020,890**	**5,360,209**
Warrants	3,312,140	33,121
Rights issue	92,403,670	924,037
Closing balance at 31 December 2020	**631,736,700**	**6,317,367**
Warrants	7,770,080	77,701
Rights issue	129,061,968	1,290,620
Closing balance at 31 December 2021	**768,568,748**	**7,685,687**

At 31 December 2021, authorized share capital comprised 768,568,748 shares. The quotient value of the shares is 0.01 (0.10). All shares are fully paid.

note 20 cont.

Reserves	Translation reserve
Opening balance at 1 January 2020	**75,425**
Translation differences	-362,282
Hedge accounting, net investment in foreign operations	-146,247
Deferred tax	32,939
Closing balance at 31 December 2020	**-400,165**
Translation differences	505,252
Hedge accounting, net investment in foreign operations	91,883
Deferred tax	-18,928
Closing balance at 31 December 2021	**178,042**

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

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

Other non-current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Bank loan	168,763	230,536	158,549	216,544
Senior unsecured bonds	750,000	745,446	750,000	745,446
Lease liability	768,357	16,380	-	7,989
Other long-term liabilities	19 765	-	-	-
Total	**1,706,885**	**992,362**	**908,549**	**969,979**

Other current liabilities, interest-bearing	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Bank loan	10,683,334	111,778	10,680,748	70,319
Lease liability	133,512	30,425	-	6,100
Total	**10,816,846**	**142,203**	**1,068 0,748**	**76,420**

Sinch issued senior a unsecured bond on 19 November 2019 in the total amount of SEK 750m. The bond has a tenor of five years and a floating interest rate of 3 months STIBOR plus 250 bps. On 26 March 2020, Sinch credit facilities were renegotiated and expanded, providing access to a loan facility of SEK 1,850m. As of 31 December 2021, SEK 41m of the credit facilities were unused. In addition to the above, acquisition financing was secured for the acquisitions made in 2021 and SEK 9,200m of the acquisition financing was unused as of 31 December 2021. The loans have an interest rate of three months with STIBOR, CIBOR and LIBOR 3M as the interest base. After the reporting date, Sinch refinanced the majority of external debt specified in Note 32. Sinch has a granted bank overdraft facility of SEK 471m (200). As of 31 December 2021, SEK 0m (0) had been used.

note 22 Other current and non-current liabilities, non-interest-bearing

Other non-current liabilities, non-interest-bearing	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Earnout, myElefant	-	30,113	-	-
Earnout, TWW	-	53,878	-	-
Other non-current liabilities	30,599	2,287	-	11
Total	**30,599**	**86,278**	**-**	**11**

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

Other current liabilities, non-interest-bearing	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
VAT, tax withheld at source	203,266	66,088	2,514	3,334
Derivatives	136	10	-	-
Earnout SAP Digital Interconnect	-	124,234	-	-
Funds belonging to a third party*	5,215	2,132	-	-
Other current liabilities	8,687	9,242	29	-93
Total	**217,304**	**201,707**	**2543**	**3,240**

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

note 23 Provisions

Other provisions	Group	
	31 Dec 2021	31 Dec 2020
Provision for VAT, Australian operations	394	376
Provision for social security expenses, share ownership plan	31,752	41,507
Other provisions	16,685	40,577
Total	**48,831**	**82,460**

The majority of the increase in the provisions for social security expenses related to share ownership programs is due to the increase in the stock value.

note 24 Accrued expenses and prepaid income

Accrued expenses and prepaid income	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Accrued salaries	144,013	49,926	2,994	895
Accrued annual leave pay	120,259	50,123	2,612	1,750
Accrued social security contributions, including pension	53,143	41,592	1,927	1,183
Accrued interest expenses	9,532	1,940	9,532	1,940
Accrued external services	243,555	18,009	7,316	1,922
Accrued traffic costs	2,098,625	1,146,809	0	-
Other items	167,789	23,871	0	-
Total	**2,836,916**	**1,332,270**	**24,380**	**7,690**

note 25 Untaxed reserves

	Parent company	
Untaxed reserves	31 Dec 2021	31 Dec 2020
Tax allocation reserves	35,570	26,070
Accelerated depreciation/amortization	7,314	4,696
Total	**42,884**	**30,766**

note 26 Pledged assets

As pledged assets for own debt and provisions	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Guarantees	95,382	39,147	-	-
Total	**95,382**	**39,147**	**-**	**-**

note 27 Related-party transactions

Group

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

Parent company

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

Disclosures concerning compensation to senior management personnel are provided in Note 7.

note 28 Financial assets and liabilities

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

note 28 cont.

Group 31 Dec 2021	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Carrying amount	Fair value
Financial assets at fair value						
Derivatives, Level 2, Note 18	–	–	–	–	–	–
Financial assets not recognized at fair value	**-**	**-**	**-**	**-**	**-**	**-**
Deposits paid, Note 16	20,381	–	–	–	20,381	20,381
Accounts receivable, Note 17	2,275,126	–	–	–	2,275,126	2,275,126
Accrued revenue from contracts with customers, Note 19	1,941,006	–	–	–	1,941,006	1,941,006
Cash and cash equivalents	1,870,990	–	–	–	1,870,990	1,870,990
Total financial assets	**6,107,503**	**-**	**-**	**-**	**6,107,503**	**6,107,503**
Financial liabilities at fair value						
Derivatives, Level 2, Note 22	–	–	–	136	136	136
Earnout, Level 3, Note 22	–	–	6,780	–	6,780	6,780
Financial liabilities not recognized at fair value						
Long-term loans payable, Note 21	918,763	–	–	–	918,763	918,763
Short-term loans payable, Note 21	10,683,334	–	–	–	10,683,334	10,683,334
Funds belonging to a third party, Note 22	5,215	–	–	–	5,215	5,215
Accrued interest expense, Note 24	–	9,532	–	–	9,532	9,532
Accounts payable	1,424,138		–	–	1,424,138	1,424,138
Total financial liabilities	**13,031,450**	**9,532**	**6,780**	**136**	**13,047,897**	**13,047,897**

The Group's maximum credit risk is consists of the amounts in the table above. As in the preceding year, the "cash and cash equivalents" item on the statement of financial position consists entirely of bank deposits.

Group 31 Dec 2020	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Carrying amount	Fair value
Financial assets at fair value						
Derivatives, Level 2, Note 18	–	–	–	–	–	–
Financial assets not recognized at fair value						
Deposits paid, Note 16	8,825	–	–	–	8,825	8,825
Accounts receivable, Note 17	1,921,468	–	–	–	1,921,468	1,921,468
Accrued revenue from contracts with customers, Note 19	450,160	–	–	–	450,160	450,160
Cash and cash equivalents	3,123,034	–	–	–	3,123,034	3,123,034
Total financial assets	**5,503,486**	**–**	**–**	**–**	**5,503,486**	**5,503,486**
Financial liabilities at fair value						
Derivatives, Level 2, Note 22	–	–	–	10	10	10
Earnout, Level 3, Note 22	–	–	83,990	–	83,990	83,990
Financial liabilities not recognized at fair value						
Long-term loans payable, Note 21	975,982	-	–	–	975,982	975,982
Short-term loans payable, Note 21	111,778	-	–	–	111,778	111,778
Funds belonging to a third party, Note 22	2,132	–	–	–	2,132	2,132
Accrued interest expense, Note 24	–	1,940	–	–	1,940	1,940
Accounts payable	679,783	–	–	–	679,783	679,783
Total financial liabilities	**1,769,675**	**1,940**	**83,990**	**10**	**1,855,616**	**1,855,616**

note 28 cont.

Levels

IFRS 13 Fair Value Measurement contains a hierarchy that categorizes inputs to valuation techniques used to measure fair value. Financial assets and liabilities measured at fair value in the balance sheet, or where the fair value is disclosed, are classified in one of three levels based on the information used to measure fair value.

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

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

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

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

Determination of fair value

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

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

Earnouts - Earnouts referring to the acquisition of shares in subsidiaries are measured at level 3 to the present value of future cash flows based on forecasts of the entities' future performance. Future growth rate and earnings capacity are significant assessments in this estimate that are based on forecasts of the entities' future performance. A percentage increase in cash flow leads to the corresponding percentage increase in the earnout at an unchanged discount rate; however, earnouts are capped at a maximum amount. See Note 31.

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

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

Group 2021	Financial assets and liabilities measured at amortized cost.	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Exchange rate differences in operating profit	68,456	-51	-	299	**68,704**
Interest income/interest expenses	7,783	-58,381	-	-	**-50,598**
Exchange rate differences in net financial income/expenses	1,131,395	-	-	160,555	**1,291,950**
Total	**1,207,634**	**-58,432**	**-**	**160,854**	**1,310,055**

Group 2020	Financial assets and liabilities measured at amortized cost.	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Total
Exchange rate differences in operating profit	-17,368	-10	–	-4,484	**-21,862**
Interest income/interest expenses	2,126	-33,851	–	52	**-31,673**
Exchange rate differences in net financial income/expenses	-124,220	–	-305	-52,019	**-176,544**
Total	**-139,462**	**-33,861**	**-305**	**-56,451**	**-230,079**

note 29 Risk exposure and risk management

In the course of its operations, Sinch is exposed to various types of financial risk. Financial risk refers to fluctuations in the company's earnings and cash flow consequent upon changes in exchange rates, interest rates, refinancing risks and credit risks. Sinch aims to minimize the effects of these risks by using various instruments to hedge risk exposure. The frameworks for exposure, management and monitoring of financial risks are set by the board of directors in the finance policy which is revised annually and which specifies the permitted use of derivative instruments. Within the Group, the Treasury Department has operational responsibility for securing the Group's financing and managing cash liquidity, financial assets and financial liabilities. The Group takes advantage of economies of scale and synergies by means of a centralized Treasury Department. Compliance with policies and exposure are reviewed on a continuous basis. The Group does not engage in speculative trading in financial instruments.

Liquidity risk and financing risk

Liquidity risk is the risk that the Group might have difficulty performing its obligations associated with financial liabilities. Liquidity planning is used to manage liquidity risk and minimize the cost of financing the Group. The Group's policy is to minimize the borrowing requirement by using surplus liquidity in the Group in cash pools. Liquidity risks for the Group are managed centrally within the parent company. Sinch has a granted bank overdraft facility of SEK 471m (200) to manage fluctuations in cash flow, none of which had been drawn as of 31 December 2021 (–). Loan financing is subject to covenants, i.e., that certain performance indicators are met. The performance indicators are calculated based on Sinch's EBITDA, interest expenses and net debt. Sinch analyzes these performance indicators on an ongoing basis.

Group	31 Dec 2021	31 Dec 2020
Granted loan limits		
Revolving line of credit	1,500,000	1,500,000
Bridge facilities	9,200,000	
Total granted loan limits	**10,700,000**	**1,500,000**
Allocated loan limits	10,659,152	–
Unallocated loan limits	**40,848**	**1,500,000**
Available bank balances	1,865,296	3,123,034
Liquidity reserve	**1,906,144**	**4,623,034**
Other credit limits		
Bank overdraft facility	471,000	200,000

At year-end, Sinch's financial liabilities amounted to SEK 13,047.9m (1,855.6), see Note 28, and the maturity structure is shown in a table below.

Maturity structure, financial liabilities

	31 Dec 2021				31 Dec 2020			
SEKm	**< 1 year**	**> 1 < 2 years**	**> 2 < 3 years**	**> 3 years**	**< 1 year**	**> 1 < 2 years**	**> 2 < 3 years**	**> 3 years**
Bank loan	10,883,698	4,093	1,754	1,170	110,576	225,923	2,896	2,924
Senior unsecured bonds	18,630	18,630	768,630		18,661	18,661	18,661	768,661
Derivatives (liability	136				10			
Accounts payable	1,418,444				679,783			
Funds belonging to a third party	-1,832				2,132			
Accrued interest	9,532				1,940			
Additional purchase consideration (earnouts)	-				44,018	13,110	14,633	14,273

SEKm	Original currency	31 Dec 2021	31 Dec 2020
Bank loan	SEK	9,810,800	11,287
Bank loan	DKK	49,553	72,859
Bank loan	GBP	-	85,151
Bank loan	USD	982,726	117,567
Bank loan	EUR	7,057	10,347
Bank loan	INR	1,961	45,104
Senior unsecured bonds	SEK	750,000	828,286

Market risk

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

note 29 cont.

Interest rate risk

The Group's primary interest rate risk arises through long-term borrowing at variable rates, which exposes the Group to interest rate risk relating to cash flows. Interest rate risk is the risk that the fair value of cash flows or future cash flows from a financial instrument will vary due to changes in market rates. Interest rate risk can lead to a change in cash flows. The fixed interest term is a significant factor affecting the interest rate risk. Sinch's loan financing is carried at a three-month rate. An interest change of 100 points based on interest-bearing liabilities at the reporting date would affect the Group's future profit before tax by +/- SEK 116.0m (35.1). The sensitivity analysis assumes that all other factors, such as exchange rates, remain constant.

Currency risk

Transaction exposure is the risk that currency movements in connection with sales and purchases in foreign currency could affect consolidated cash flows and profit or loss. The Group's sales are transacted mainly in foreign currencies, primarily EUR, USD and GBP. The Group's costs are incurred in foreign currencies, primarily EUR, USD and GBP, in addition to SEK. Currency movements have greater impact on revenues than on costs. The Group has significant net currency exposure. See the table below. The Group did not engage in currency hedging in 2021 other than in relation to translation exposure arising from net investments in subsidiaries.

Currency risk also arises in the translation of the assets and liabilities of foreign subsidiaries to the parent company's functional currency, i.e., translation exposure. Hedge accounting is applied in the accounts as regards net investments in foreign subsidiaries through the raising of loans in the corresponding currency. See the table below for hedging relationships, all of which are effective.

Exchange rate differences are included in the parent company income statement at SEK 0.1m (-36.8) in operating profit or loss and at SEK 1,099.0m (-34.2) in financial expenses.

Transaction exposure

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

	31 Dec 2021							
Original currency	**Accounts receivable**	**Accrued income**	**Prepaid traffic costs**	**Cash and cash equivalents**	**Accounts payable**	**Accrued traffic costs**	**Bank and bond loans**	**Total**
AED	2,073	9,034	-	562	-6,148	9,483	-	15,004
AUD	138,908	966	661	158,689	-42,321	-57,608	-	199,294
BRL	69,146	90,355	116,436	135,634	-62,442	-236,032	-	113,097
CAD	18,511	662	-	1,121	-22,039	11,695	-	9,950
CHF	-	-	-	19	-1,126	-389	-	-1,496
CNY	1,040	2,556	-	22,852	-893	-2,384	-	23,171
DKK	21,585	-	-	-29	-9,017	-15,008	-	-2,470
EUR	1,627,616	28,917	520	198,954	-623,159	568,710	-7,101	1,794,457
GBP	244,594	1,818	-	84,345	-243,909	-618,255	-	-531,407
INR	238,267	87,126	-	-6,464	-66,655	-151,493	-1,961	98,819
NOK	8,727	1,821	-	674	-6,249	50,524	-	55,497
NZD	7,888	-	-	13,021	-2,590	5,738	-	24,058
PLN	1	-	-	116	-5,728	-4,804	-	-10,416
SGD	39,095	23,911	1,840	20,719	-5,692	-21,305	-	58,568
TRY	-	-	-	387	-112	-126	-	149
USD	1,387,906	55,767	226,333	556,074	-205,973	-1,579,227	-1,032,235	-591,355
ZAR	394	373	33,743	851	67	31	-	35,459
Other currencies	56,113	33,157	1,268	93,321	-61,075	-47,011	-	75,773
Foreign currency	**3,861,864**	**336,462**	**380,800**	**1,280,845**	**-1,365,062**	**-2,087,461**	**-1,041,297**	**1,366,153**
SEK	8,392	5,203	11	590,145	-59,077	-11,164	-10,560,800	-10,027,290
Total	**3,870,256**	**341,666**	**380,811**	**1,870,990**	**-1,424,138**	**-2,098,625**	**-11,602,097**	**-8,661,137**

note 29 cont.

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

Sensitivity to transaction exposure
Based on transaction exposure as of 31 December 2021 above, and excluding any currency hedges, Sinch's profit before tax would have been affected by +/– SEK 136.6m (120.3) if exchange rates against SEK were to change by 10 percent. The largest exposures are against AUD, BRL, EUR, GBP and USD. If exchange rates for these currencies against SEK were to change by 10 percent, Sinch's profit before tax would be affected by +/- SEK 19.9m (6.5), SEK 11.3m (11.0), SEK 179.4m (73.4) , SEK 53.1m (25.9) and SEK 59.1m (34.5), respectively.

note 29 cont.

Translation exposure

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

	31 Dec 2021					
Original currency	Net investment	Hedged net investment	Net exposure	Net investment	Hedged net investment	Net exposure
AED	-13,523	–	-13,523	-3,194	–	-3,194
ARL	40,039	-	40,039	-	-	-
AUD	43,492	–	43,492	7,804	–	7,804
BGN	-2	-	-2	-	-	-
BRL	1,407,265	–	1,407,265	324,368	–	324,368
CAD	40,700	–	40,700	30,927	–	30,927
CHF	114	-	114	-	-	-
CLP	3,858	-	3,858	-	-	-
CNY	15,519	–	15,519	61,283	–	61,283
COP	19,412	-	19,412	-	-	-
CZK	1,499	-	1,499	-	-	-
DKK	245,091	-49,580	195,580	212,588	-72,859	139,729
EUR	5,743,324	–	5,743,324	740,941	–	740,941
GBP	1,211,063	–	1,211,063	203,716	-85,150	118,566
HKD	-2,554	–	-2,554	-5,382	–	-5,382
IDR	-109	-	-109	-	-	-
INR	436,828	–	436,828	393,313	–	393,313
KRW	-160	–	-160	-183	–	-183
MXN	125,134	-	125,134	-	-	-
MYR	-3,425	–	-3,425	-1,768	–	-1,768
NOK	–	–	-	–	–	–
NZD	2,845	-	2,845	-	-	-
PEN	-3,098	-	-3,098	-	-	-
PLN	2,141	–	2,141	1,554	–	1,554
RUB	-99	–	-99	-5	–	-5
SGD	-57,416	–	-57,416	-42,655	–	-42,655
TRY	-15	–	-15	-330	–	-330
TWD	2,741	-	2,741	-	-	-
USD	28,376,198	-2,082,274	26,293,924	2,488,020	-1,894,452	593,567
ZAR	401	–	401	103	–	103
Total	**44,446,513**	**-2,131,785**	**42,314,728**	**4,411,100**	**-2,052,461**	**2,358,638**

Sensitivity to translation exposure

Consolidated equity would be affected by SEK +/- 4,231.5m (235.9) if SEK were to change by 10 percent against all the currencies against which Sinch has translation exposure, based on the exposure as of 31 December 2021 as above, including hedges but excluding any effect on equity due to the currency translation of other items included in profit for the year. Please refer to Note 1 Accounting policies regarding measurement principles and hedge accounting.

Credit risk

Credit risk describes the Group's risks in financial assets and arises if a counterparty fails to perform its contractual payment obligation towards Sinch. Credit risk is divided between financial credit risk, which refers to the risk in interest-bearing assets and derivatives, and customer credit risk, which refers to the risk in accounts payable and contract assets.

Financial credit risk

Financial credit risk is the risk the Group runs in relation to financial counterparties related to placements of surplus funds, balances in bank accounts and investments in financial assets. Credit risk in the form of counterparty risk also arises upon use of derivatives and consists of the risk that a potential profit will not be realized if the counterparty fails to perform its part of the contract. The Group's maximum financial credit risk corresponds to the fair values of financial assets. See Note 28. At year-end 2021, total financial credit exposure excluding accounts receivable and contract assets was SEK 1,891.4m (3,131.9), whereof cash and bank balances SEK 1,871.0 m (3,123.0).

Sinch will limit its exposure to financial counterparties by using banks and financial institutions with high credit ratings. The Group's financial interest-bearing assets consist mainly of bank deposits. There is some concentration of credit risk in cash and cash equivalents where deposits are placed with banks with high

Note 29 cont.

credit ratings. At year-end, surplus funds were placed mainly in large banks with global presence, primarily in the Nordics, USA, Australia and Brazil.

Loss allowances for cash and cash equivalents are covered by the general model and based on the credit institution's rating.

The loss allowance for these assets is based on twelve months' expected credit losses and amounted at year-end to SEK 0.1m (0.1).

Customer credit risk

The risk that Sinch's customers will not meet their obligations, i.e., that payment is not obtained from customers, is a customer credit risk. The Group's exposure to credit risk is primarily attributable to accounts receivable and to a lesser extent to contract assets. Credit exposure in accounts receivable amounted to SEK 3,870.3m (1,926.4) at year-end. Sinch has historically had very low credit losses. Sinch's credit risk related to accounts receivable has a high degree of risk diversification through a wide variety of customer categories in a large number of geographical markets and that many of the Group's customers are highly reputable companies with high credit ratings. Sinch has some concentration of credit risk among large customers. The five largest customers account for about 30 percent of accounts receivable and contract assets. The largest customers operate primarily in the telecom and financial sectors and generally have public investment grade ratings from credit institution.

Sinch also applies a policy of credit checking its customers, whereupon information about customers' financial position is obtained from credit rating firms. Credit classifications are done to a certain extent; for example, the customer may be required to pay in advance. For those customers who pay in arrears, individual credit limits are set in the transaction system that cannot be exceeded. The simplified approach is used to estimate expected credit losses on accounts receivable and contract assets where a loss allowance has been made for the lifetime of the receivables. The loss allowance is based on information from previous events, current circumstances and forecasts of future economic circumstances. Management's expectations for changes in external risks and future customer payment behavior are taken into account. Loss allowances are determined according to individual assessments for most of the Group's accounts receivable and for major customers. In addition, individual loss allowances are determined for accounts receivable assessed as problematic. A provision matrix is also applied to accounts receivable that are not individually assessed. Provision matrices state increased loss allowance percentages based on the number of days the receivables are past due. Regional distribution and customer groupings are taken into account when individual allowances and group allowances according to the provision matrix are determined.

See Note 17 for disclosures on ECL allowances for accounts receivable and contract assets and the aging structure of accounts receivable.

Capital management

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

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

Dividend policy

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

Debt policy

Sinch's capital structure should enable a high degree of financial flexibility and enable acquisitions. Sinch's target is for net debt over time to be lower than 3.5 times adjusted EBITDA measured on a rolling twelve months' basis. "Over time" means that the company's debt is permitted to temporarily exceed the set target during a period immediately after a business combination. At 31 December 2021, net debt/adjusted EBITDA was -8.1 (2.2).

note 30 Cash flow

Cash and cash equivalents	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Cash and bank balances	1,870,990	3,123,034	-1,311	1,325,109

Interest	Group		Parent company	
	2021	2020	2021	2020
Interest received	11,531	5,759	82,817	32,144
Interest paid	-45,176	-29,681	-40,239	-39,117
Net interest	**-33,644**	**-23,922**	**42,578**	**-6,973**

Adjustment for non-cash items in cash flow from operating activities	Group		Parent company	
	2021	2020	2021	2020
Depreciation and amortization	647,630	261,974	4,814	2,933
Profit or loss from sale of equipment	3,180	28	3,180	–
Change in credit loss allowance	84,230	15,347	-	–
Unrealized exchange rate differences	-715,045	-77,424	-56,808	-20,581
Acquisition costs	166,011	66,578	-	–
Fair value derivatives	-18,469	4,337	-18,469	6,320
Not paid/received interest	7,521	-1,335	-1,625	-762
Warrants vesting	105,921	41,606	-	–
Other provisions	-35,767	12,924	-	–
Total	**245,211**	**324,036**	**-68,908**	**-12,089**

Note 30 cont.

Reconciliation of liabilities attributable to financing activities – Group	Opening balance at 1 Jan 2021	Cash flow	Non-cash items: Acquisitions/ disposals	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 Dec 2020
Bank loan	342,315	10,552,161	3,752	0	27,146	10,925,374
Senior unsecured bonds	745,446	-	-	4,554	-	750,000
Lease liability	46,805	-54,558	907,556	-	2,066	901,869
Total	**1,134,566**	**10,497,603**	**911,308**	**4,554**	**29,212**	**12,577,243**

Reconciliation of liabilities attributable to financing activities – Group	Opening balance at 1 Jan 2020	Cash flow	Non-cash items: Acquisitions/ disposals	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 Dec 2020
Bank loan	573,135	-254,891	53,107	–	-29,036	342,315
Senior unsecured bonds	744,709	-411	–	1,149	–	745,446
Lease liability	70,021	-30,648	10,830	–	-3,398	46,805
Total	**1,387,864**	**-285,950**	**63,938**	**1,149**	**-32,434**	**1,134,566**

Reconciliation of liabilities attributable to financing activities – Parent	Opening balance at 1 Jan 2021	Cash flow	Non-cash items: Acquisitions/ disposals	Non-cash items: Change in fair value	Non-cash items: Exchange rate changes	Closing balance at 31 Dec 2020
Bank loan	286,863	10,526,908	-	-	25,526	10,839,297
Senior unsecured bonds	745,446	-	-	4,554	-	750,000
Liability to group companies, utilized cash pool	-3,679,017	212,618	-	-	-	-3,466,399
Total	**-2,646,708**	**10,739,526**	**0**	**4,554**	**25,526**	**8,122,898**

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

note 31 Acquisition of Group companies

2021

Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy through acquisition of 100 percent of the shares in two companies, Movile Internet Móvel S.A. and Wavy Global Holdings BV. The acquisition closed on 1 February 2021. The total consideration amounted to SEK 2,675m. The acquisition was financed with a combination of 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. Wavy has 260 employees and nine offices in six countries. Execution of the transaction was subject to customary terms and conditions and the approval of the Brazilian competition authority CADE, Conselho Administrativo de Deferes Econômica.

The acquisition is included in the consolidated accounts from 1 February 2021. The fair value of acquired accounts receivable amounts to SEK 198m. The contractual gross amount of accounts receivable is SEK 198m. The purchase consideration was adjusted by BRL 109.8m (SEK 168.8m) in Q2 2021. The increase is attributable to adjustments of working capital and cash and is recognized in as goodwill in its entirety. Goodwill of SEK 2,076m is mainly attributable to products and skills related to new types of messaging services and Wavy's strong position in the South American markets.

Note 31 cont.

Inteliquent

Sinch entered into a binding agreement on 17 February 2021 to acquire Inteliquent, the largest independent provider of voice services in the US. The acquisition closed on 9 December. The total consideration amounted to SEK 10,581m. In conjunction with the acquisition, Sinch repaid an external loan to Inteliquent's lenders in the amount of USD 529.1m.

Inteliquent was acquired through acquisition of 100 percent of the shares in the legal entity Onvoy Holdings Inc. The acquisition was financed with a combination of cash reserves and debt facilities. The business is headquartered in Chicago, Illinois and has more than 500 employees. Inteliquent comprises two business units that leverage the same underlying network. The CPaaS (Communications-Platform-as-a-Service) business comprises Inteliquent's enterprise-targeted API offering that lets businesses acquire phone numbers and embed voice calling in their own products or business processes. The IaaS (Infrastructure-as-a-Service) business includes a range of business-critical services to fixed and mobile telecom carriers, including services for off-net call termination and handling of calls to toll-free 1-800 numbers.

Execution of the transaction was subject to customary terms and conditions and approvals from CFIUS, FCC and US competition authorities. The remaining administrative approval is expected to be finalized within the near future.

The acquisition was included in the consolidated accounts from 9 December 2021. The fair value of acquired accounts receivable amounted to SEK 534m. The contractual gross amount of accounts receivable is SEK 658m. Goodwill of SEK 5,544m is mainly attributable to complementary product offerings and growth in customer base. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

MessageMedia

Sinch entered into a binding agreement on 9 June to acquire MessageMedia, a leading provider of mobile messaging services to small and medium-sized businesses in the US, Australia, New Zealand and Europe. Headquartered in Melbourne, Australia, the business has a workforce of more than 350 people. MessageMedia was acquired through acquisition of 100 percent of the shares in the legal entity Message 4U Pty Ltd. The acquisition closed on 5 November. The total consideration amounted to SEK 10,657m. Sinch paid cash consideration in AUD equivalent to SEK 9,245m plus 11,284,870 new shares in Sinch.

The sellers have received 481,860 new shares in Sinch worth SEK 60m (at SEK 125.10 per share). The remaining 10,803,010 shares, worth SEK 1,351m, will be issued during 2022.

The acquisition was included in the consolidated accounts from 5 November 2021. The fair value of acquired accounts receivable amounted to SEK 218m. The contractual gross amount of accounts receivable is SEK 222m. Goodwill of SEK 6,919m is mainly attributable to complementary product offerings and expected growth in new customer groups. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

MessengerPeople

Sinch entered into a binding agreement on 22 September 2021 to acquire MessengerPeople, a leading SaaS platform for conversational messaging. The acquisition closed on 1 November. Total consideration amounted to SEK 508m, of which Sinch paid SEK 371m in cash and SEK 136m in the form of 835,677 new shares in Sinch (at SEK 162.85 per share).

MessengerPeople offers a cloud-based software solution that makes it easy for businesses to communicate with their customers via interactive messaging services like WhatsApp, Telegram and Apple Business Chat (iMessage). More than 700 companies currently use apps from MessengerPeople to interact with their customers. About 80 percent of these companies are based in the DACH region. The company has about 40 employees and is based in Munich, Germany.

The acquisition was included in the consolidated accounts from 1 November 2021. The fair value of acquired accounts receivable amounts to SEK 4m. The contractual gross amount of accounts receivable is SEK 4m. Goodwill of SEK 387m is mainly attributable to the skills and expertise brought by MessengerPeople. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Pathwire

Sinch entered into a binding agreement on 30 September to acquire Pathwire, a leading cloud-based email delivery platform, including its Mailgun, Mailjet and Email on Acid products for developers and marketers.

More than 100,000 companies use Pathwire's products to interact with their customers, including major brands such as Lyft, Microsoft, Iterable, DHL and Etsy. Pathwire is headquartered in San Antonio, Texas and has about 290 employees.

The acquisition closed on 7 December. The total consideration amounted to SEK 14,205m. Pathwire was acquired through a merger with a subsidiary of Sinch, Pegasus Corp One, incorporated in Delaware.

Cash settlement of SEK 8,776m was paid in the transaction. The sellers received 25,5 million new shares in February worth SEK 2,714m (at SEK 106.5 per share). The sellers will also receive 25.5 million new shares in Sinch, which will be delivered to the sellers in May 2022 and are worth SEK 2,715m (at SEK 106.5 per share).

The acquisition was included in the consolidated accounts from 7 December 2021. The fair value of acquired accounts receivable amounts to SEK 68m. The contractual gross amount of accounts receivable is SEK 83m. Goodwill of SEK 8,529m is mainly attributable to complementary products and expected growth in the customer base. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

note 31 cont.

Previous acquisitions

The final consideration of EUR 12.3m (SEK 127m) for the acquisition of SDI was paid in Q1 2021. The amount has been corrected from SEK 124m to account for a foreign exchange difference of SEK 3m. The acquisition analysis for SDI was revised following in-depth analysis, and intangible assets were reallocated. The value of accounts receivable was also adjusted downwards by SEK 38m. The acquisition analysis is now final.

An earnout of SEK 9m was paid during the year for the acquisition of myElefant.

Fair value of acquired net assets, SEKm	Wavy	MessageMedia[1]	MessengerPeople[1]	Inteliquent[1]	Pathwire[1]
Customer relationships	272	4,229	115	3,794	4,094
Operator relationships	45	17	-	-	-
Trademarks	8	58	2	118	751
Proprietary software	61	990	5	1,289	2,083
Other intangible assets	1	5	0	293	30
Right-of-use assets	9	13	3	697	77
Other property, plant and equipment	11	7	0	568	5
Financial assets	-	12	0	31	19
Deferred tax assets	42	-	5	366	54
Accounts receivable	198	222	4	658	83
Credit loss allowance	0	-4	0	-124	-15
Tax assets	-	-	-	10	31
Accrued income	-	38	-	62	71
Other current assets	101	15	1	0	8
Cash and cash equivalents	186	91	52	437	390
Deferred tax liability	-128	-1,520	-40	-1,715	-1,670
Non-current interest-bearing liabilities	-9	-16	-1	-616	-66
Other interest-bearing liabilities	-	-2	-2	-8	-
Accounts payable	-55	0	0	-58	-38
Current interest-bearing liabilities	-	-280	-	-84	-10
Other current liabilities	-143	-	-20	-59	-30
Tax liability	-	-50	-1	-7	-4
Accrued expenses and prepaid income	-	-89	-	-616	-187
Total acquired net assets	**599**	**3,738**	**121**	**5,037**	**5,676**

1) The acquisition analysis is preliminary.

Purchase consideration, SEKm	Wavy	MessageMedia	MessengerPeople	Inteliquent	Pathwire
Consideration paid	2,675	9,306	508	10,581	8,776
Remaining consideration to be paid	-	1,351	-	-	5,429
Total consideration	2,675	10,657	508	10,581	14,205
Fair value of acquired net assets	-599	-3,738	-121	-5,037	-5,676
Goodwill	**2,076**	**6,919**	**387**	**5,544**	**8,529**

Effects of acquisitions on consolidated cash and cash equivalents

2021, SEKm	MyElefant	SDI	Wavy	MessageMedia	MessengerPeople	Inteliquent	Pathwire	Total
Consideration paid	9	127	714	9,245	371	10,581	8,776	29,823
Cash and equivalents in acquired subsidiaries [1]	-	-	-186	-92	-52	-413	-369	-1,112
Direct costs relating to acquisitions [2]	-	-		51	14	45	56	166
Effects on cash and cash equivalents:	**9**	**127**	**528**	**9,204**	**333**	**10,213**	**8,463**	**28,877**

1) The acquisistion date rate is used in the table "Fair value acquired net assets" and the average rate is used for cash flow and in this table..
2) Direct costs relating to acquisitions are included in the item "Other external expenses" on the income statement.

Note 31 cont.

Acquired companies' contribution 2021, SEKm	Wavy	Message-Media	Messenger-People	Inteliquent	Pathwire	Other Sinch com-panies	Total
Net sales	950	247	10	293	81	14,596	16,177
Gross profit	212	142	10	141	64	3,364	3,933
Profit after tax for the year	**42**	**46**	**3**	**36**	**29**	**725**	**881**

The following table shows sales and profit for the year as if the acquisitions had taken place on 1 January 2021

2021, SEKm	Wavy	Message-Media	Messenger-People	Inteliquent	Pathwire	Other Sinch com-panies	Total
Net sales	1,041	1,423	54	4,957	1,078	14,596	23,149
Gross profit	237	880	51	2,378	833	3,364	7,743
Profit after tax for the year[1]	**60**	**128**	**8**	**310**	**-363**	**725**	**868**

1) Does not include the additional amortization of intangible assets that would have arisen if the acquisitions had occurred on 1 January 2021.

2020

Chatlayer

On 19 March 2020, Sinch entered into a binding agreement to acquire Chatlayer BV for total consideration of EUR 5.6m (SEK 62m) 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. According to the acquisition analysis, non-tax-deductible goodwill of SEK 41m arose upon acquisition, mainly attributable to the expertise contributed by the employees of Chatlayer.

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 was acquired through a call option before the end of the year. ACL was included at 100 percent in the consolidated accounts from 1 September in the Messaging segment. Through potential voting shares, Sinch has the right to return linked to its ownership interest and has control over the company. The total consideration amounted to INR 5,414m (SEK 636m). The acquisition was 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. 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 303m arose upon acquisition, mainly attributable to the expertise contributed by the employees of ACL. The fair value of acquired accounts receivable amounts to SEK 188.5m. The contractual gross amount of trade receivables is SEK 196.1m.

SDI

The acquisition of SAP Digital Interconnect (SDI), a unit within SAP SE, was closed on 1 November for total cash consideration of EUR 230.4m (SEK 2,388m) at an exchange rate of SEK 10.3675/EUR 1.0 and an earnout of EUR 12.4m (SEK 124m, adjusted to SEK 127 m during 2021). 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. Headquartered in San Ramon, California, the business has about 330 employees in 20 countries. The acquisition was included in the consolidated accounts from 1 November 2020. According to the preliminary acquisition analysis, non-tax-deductible goodwill of SEK 1,338.2m arose upon acquisition, mainly attributable to the expertise contributed by the employees of SDI. According to the preliminary analysis, the fair value of acquired accounts receivable was SEK 449m, which was reduced to SEK 412m following in-depth analysis in 2021. The contractual gross amount of trade receivables was SEK 450m.

note 31 cont.

Fair value of acquired net assets, SEKm	ACL[1]	SDI	Chat-layer
Customer relationships	137	912	-
Operator relationships	29	124	-
Trademarks	4	-	-
Proprietary software	52	155	52
Other intangible assets	-	-	-
Right-of-use assets	1	-	2
Other property, plant and equipment	27	7	0
Financial assets	13	-	-
Deferred tax assets	-	7	-
Accounts receivable	196	450	3
Credit loss allowance	-8	-38	-
Tax assets	-	4	-
Accrued income	60	54	0
Other current assets	46	6	-
Cash and cash equivalents	17	277	6
Deferred tax liability	-57	-293	-13
Non-current interest-bearing liabilities	-9	-	-18
Other interest-bearing liabilities	-	-	-
Accounts payable	-95	-207	-2
Current interest-bearing liabilities	-9	-	0
Other current liabilities	-101	-263	-9
Tax liability	-	-	-
Accrued expenses and prepaid income	-	-	-
Total acquired net assets	**303**	**1,194**	**21**

1) There were typographical errors in the acquisition analysis in the 2020 annual report. The acquisition analysis and accounting report have not changed.

Allocation of purchase consideration

Purchase consideration, SEKm	ACL	SDI	Chat-layer
Consideration paid	636	2,388	62
Remaining consideration to be paid	-	127	-
Total consideration	636	2,515	62
Fair value of acquired net assets	-303	-1,194	-21
Goodwill	**333**	**1,321**	**41**

Effects of acquisitions on consolidated cash and cash equivalents

2020, SEKm	ACL	SDI[2]	Chatlayer	Wavy	Caleo	myElefant	TWW	Total
Original purchase consideration	636	2,388	62	-	-	-	-	3,086
Earnouts		-			0		1	1
Settlement, cash and cash equivalents							46	46
Settlement, working capital and liabilities							-9	-9
Cash and equivalents in acquired subsidiaries	-17	-276	-6	-	-	-	-	-299
Direct costs relating to acquisitions[1]	6	48	2	8	-	0	2	66
Effects on cash and cash equivalents:	**625**	**2,160**	**58**	**8**	**0**	**0**	**40**	**2,891**

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

2) The final consideration of EUR 12.3m (SEK 127m) for the acquisition of SDI was paid in Q1 2021.

Contribution of acquired companies to consolidated sales and profit

2020, SEKm	ACL	SDI[1]	Chatlayer	Total
Net sales	305	564	13	882
Profit after tax for the year	**20**	**-**	**-9**	**11**

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

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

2020, SEKm	ACL	SDI[1]	Chatlayer	Other companies	Depreciation/amortization of acquired assets	Total
Net sales	701	3,650	15	7,142	-	11,508
Profit after tax for the year	**42**	**-**	**-10**	**424**	**-127**	**329**

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

note 32 Events after the end of the financial year

Year-end report
Sinch published the year-end report for 2021 on 17 February.

New business model
Sinch announced on 3 February that the company will be organized into five business units: Enterprise & Messaging, Voice, Developer & Email, Applications and SMB. In conjunction, changes were made to the Sinch management team, including the addition of Inteliquent CEO Ed O'Hara, Pathwire CEO Will Conway and MessageMedia CEO Paul Perrett.

Non-cash issue of shares to the sellers of Pathwire
Sinch announced on 10 February that the board of directors, as per the press release dated 7 December 2021, had decided to implement a non-cash issue of 25.5 million shares to the sellers of Pathwire. The remaining 25.5 million shares will be issued in May 2022.

New credit agreement
Sinch announced on 17 February that the company had entered into a credit agreement for approximately SEK 7,500m with a syndicate of nine banks. On the same date, the company notified the market that it had made a three-year loan agreement with the Swedish Export Credit Corporation in the amount of USD 110m.

Impact of the Russian invasion of Ukraine
Russia invaded Ukraine on the 24th of February, causing enormous human suffering. The situation has triggered a profound response from the management and employees of Sinch. Sinch's main priority has been to support employees affected by these tragic events, in Ukraine, in Russia and elsewhere. Actions to ensure compliance with the sanctions imposed after the invasion were implemented immediately and Sinch has stopped all new sales of Sinch products and services to customers based in Russia and Belarus. To support the Ukrainian people, Sinch has launched a matching program for employees focused on donations to the Ukraine Crisis Relief Fund.

At year-end, Sinch had 59 employees in Ukraine and Russia. The Russian and Ukrainian markets accounted for around 1 permille of Sinch's total revenues in 2021.

note 33 Proposed allocation of profit

The board of directors will propose to the annual general meeting that no dividend is distributed for the 2021 financial year.

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

Share premium reserve	34,028,960,402
Retained earnings	-107,355,902
Profit for the year	243,195,664
Total	**34,164,800,164**

The board of directors proposes that profit be allocated as follows, SEK:

Carried forward to the share premium reserve	34,028,960,402
Retained	135,839,792
Total	**34,164,800,164**

Certification and signatures

The board of directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, and that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden. The annual report and the consolidated financial statements present fairly, in all material respects, the financial position and financial performance of the parent company and the Group. The management report for the parent company and the Group presents a fair overview of the development of the parent company's and the Group's operations, financial position and financial performance and describes significant risks and uncertainties faced by the parent company and the companies included in the Group The consolidated financial statements and the parent company financial statements will be presented to the annual general meeting for adoption on 31 May 2022.

Stockholm, Tuesday 19 April 2022

Erik Fröberg
Chair

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Luciana Carvalho
Director

Oscar Werner
Chief Executive Officer

Our audit report was submitted
22 April 2022
Deloitte AB

Johan Telander
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sinch AB (publ) for the financial year 2021-01-01 - 2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 60-122 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Key Audit Matters

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

Acquisition of Wavy, MessageMedia, Pathwire and Inteliquent

On February 1, 2021, Sinch acquired 100 percent of the shares in the two companies Movile Internet Móvel S.A. and Wavy Global Holdings BV ("Wavy"). The total consideration paid amounted to MSEK 2 675.

On November 5, 2021, Sinch acquired 100 percent of the shares in Message 4U Pty Ltd ("MessageMedia"). The total consideration paid amounted to MSEK 10 694.

On December 7, 2021, Sinch acquired 100 percent of the shares Pathwire through a merger with a subsidiary of Sinch, Pegasus Corp One. The total consideration paid amounted to MSEK 14 205.

On December 9, 2021, Sinch acquired 100 percent of the shares in Onvoy Holdings Inc ("Inteliquent"). The total consideration paid amounted to MSEK 10 581.

Accounting for business combinations requires significant judgments and estimates by management to determine the fair value of acquired assets and assumed liabilities.

Disclosures regarding acquisitions are included in note 1 Accounting principles and note 31 Acquisition of Group companies.

Our audit procedures included, but were not limited to:

- evaluating the applied methodology and assumptions made by management including those related to the allocation of the purchase price;
- assessment of purchase price allocation utilizing our valuation specialists to review fair values assigned to acquired assets and assumed liabilities;
- assessing disclosures in the financial statements for compliance with IFRS 3 – Business Combinations.

Valuation of intangible assets

Sinch reports intangible assets of MSEK 47 417 as of 31 December 2021. For cash generating units ("CGUs") which contain intangible assets, the determination of recoverable amount, being the higher of fair value less costs to sell and value in use, requires judgement on behalf of management in both identifying and valuing the CGUs. Management prepared impairment assessments by CGUs, as required under accounting standards. Such calculations are based on management's judgements of variables such as sales growth, EBITDA margin, terminal growth rate of free cash flow, and discount rate.

Disclosures regarding intangible assets are included in note 1 Accounting principles, note 12 Goodwill and note 13 Other non-current intangible assets.

Our audit procedures included, but were not limited to:

- evaluating the design and implementation of relevant internal controls over the impairment assessment process including identifying indicators of impairment;

- with the support of our internal valuation specialists, evaluate and challenge key assumptions in management's valuation model, including assumptions of sales growth, EBITDA margin, terminal growth rate, and discount rate;
- test the arithmetic accuracy of the valuation model used by management, and
- evaluate the appropriateness of disclosures in the financial statements.

Revenue recognition of messaging services

Sinch´s revenues arise mainly from sales of mobile messaging services. The group´s revenues contain many small transactions individually priced based on customer specific agreements. Accurate revenue recognition requires adequate accounting principles, systems and internal controls. There is a risk that revenues are not complete, that transactions are not accurately recorded and that revenues are not reported in the correct period.

Disclosures regarding revenues from sales of messaging services are included in note 1 Accounting principles and note 3 Revenue from contracts with customers.

Our audit procedures included, but were not limited to:

- evaluate the design and implementation of relevant internal controls over the revenue process;
- data analysis testing the accuracy, completeness and correct period in revenue recognition;
- evaluate the appropriateness of disclosures in the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-59 and 128-132. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evi-

dence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sinch AB (publ) (publ) for the financial year 2021-01-01 - 2021-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Sinch AB (publ) for the financial year 2021-01-01 – 2021-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report bad52d9140091d84c608cd0a096893f8e9105744a503712fd8f7c4a9e3a4b85d has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sinch AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Deloitte AB, was appointed auditors of Sinch AB (publ) by the general meeting of the shareholders on the 2021-05-18 and has been the company's auditors since 2012-02-01.

Stockholm April 22, 2022
Deloitte AB

Johan Telander
Authorized Public Accountant

Definitions

Financial measurements defined under IFRS:

Earnings per share, basic and diluted
Net profit for the period attributable to owners of the parent divided by the volume-weighted average number of shares outstanding in the period before/after dilution.

Financial measurements not defined under IFRS:

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

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

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

Gross margin
Definition: Gross profit divided by net sales

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

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

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

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

Purpose: Used to calculate return on total equity.

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

Purpose: Used to calculate return on equity.

Net 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.

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

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

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

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

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

Purpose: Used to calculate net debt.

Interest coverage ratio
Definition: EBIT plus interest income divided by interest expenses.

Purpose: Indicates the company's ability to cover its interest expenses.

EBIT

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

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

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

Integration cost

Integration costs arise upon acquisition of businesses and may include adaptation of processes, branding and technical systems. Costs are non-recurring, but unlike restructuring costs, they are related to the company's ongoing and future operations.

Adjusted EBIT
Definition: EBIT amended with the same adjustments that are applied to Adjusted EBITDA; and excluding depreciation and amortization of acquisition-related assets that do not give rise to any cash flows

Purpose: 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. 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
Definition: EBITDA after adjustments.

Purpose: Enables comparison of profitability over time, regardless of the effects of acquisition costs, integration costs and adjustment items.

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

Purpose: Measures the operating earnings per share generated by the business adjusted for acquisition costs, integration costs and other adjustment items.

EBITDA adjustments

Acquisition costs, integration costs, operational foreign exchange gains/losses, costs of share-based incentive programs and non-recurring adjustments.

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

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

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

Purpose: The level of acquisition-related amortization is reported separately because it relates to the price of historical acquisitions rather than current investments in the business.

EBIT margin/Adjusted EBIT margin
Definition: EBIT/Adjusted EBIT divided by net sales.

EBITDA margin /Adjusted EBITDA margin
Definition: EBITDA/Adjusted EBITDA divided by net sales,

Adjusted EBITDA/gross profit
Definition: Adjusted EBITDA divided by gross profit.

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

Net debt/Adjusted EBITDA RTM
Definition: Net debt divided by adjusted EBITDA, past 12 months.

Purpose: Shows how many years it would take to pay off the company's debts presuming that net debt and adjusted EBITDA are constant and with no consideration of other cash flows.

OPEX
Other external expenses and employee benefits expenses

Equity ratio
Definition: Equity as a percentage of total assets

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

Operational measurements

Percentage women
Average number of women in relation to the average total number of employees during the period, recalculated as full-time equivalents.

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

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

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

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

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

Annual general meeting, terms and acronyms, addresses

Annual general meeting

The annual general meeting of shareholders in Sinch AB (publ) will be held on Tuesday, 31 May 2022. In view of the risk of transmission of the coronavirus (Covid-19) the board has decided that the annual general meeting shall be held without physical presence of shareholders, proxies and/or external parties and that the shareholders shall have the opportunity to exercise their voting rights by post.

Right to attend the annual general meeting

Shareholders who wish to attend the annual general meeting must:

- be registered in the share register kept by Euroclear Sweden AB on Friday 20 May 2022 or, if the shares are nominee-registered, request the nominee to register the shares in the shareholder's own name ("voting rights registration") by Tuesday 24 May 2022, and
- notify their intention to participate by having cast their postal vote as instructed under "Voting by post" below in such manner that Computershare AB receives the postal vote by Monday 30 May 2022. Please note that notice of attendance at the annual general meeting can only be done by a postal vote.

Shareholders with nominee-registered shares held via a bank or other nominee must request the nominee to register the shares in the shareholder's own name in the share register kept by Euroclear Sweden AB in order to participate in the annual general meeting. As set out above, the nominee must have performed such registration with Euroclear Sweden AB by Tuesday 24 May 2022. Therefore, the shareholder must contact the nominee well in advance of this date and re-register the shares in accordance with the nominee's instructions.

Voting by post

The board has decided that the shareholders shall have the opportunity to exercise their voting rights by a postal vote pursuant to Sections 20 and 22 of the Swedish Act (2020:198) on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations. When voting by post, the shareholder shall use the voting form and follow the company's instructions that are available on the Company's website, sinch.com, and at the company's offices at Lindhagensgatan 74, SE-112 18, Stockholm. A completed and signed voting form should be sent by post to Computershare AB, "AGM of Sinch AB", Box 5267, SE-102 46 Stockholm, Sweden. Completed forms must be received by Computershare AB by Monday 30 May 2022. The completed and signed form may alternatively be submitted electronically, sent by email to info@computershare.se. Shareholders can also submit their postal votes electronically using BankID through the Company's website, sinch.com. If the shareholder votes by proxy, a written and dated power of attorney shall be enclosed with the voting form.

Proxy forms are available upon request and on the Company's website, sinch.com. If the shareholder is a legal entity, a certificate of incorporation or other authorization document shall be enclosed with the voting form.

Shareholders are not allowed to include special instructions or conditions in the postal vote. If special instructions or conditions are included, the postal vote will be invalid. Further information and conditions are provided on the voting form.

Forthcoming reporting dates

Interim report, January–March 2022	**28 April 2022**
Half-yearly report, January–June 2022	**21 July 2022**
Interim report, January–September 2022	**2 November 2022**

SINCH explains the terms and acronyms

A2P	Acronym for Application-to-Person, which describes communication from an enterprise application (or system) to a person's mobile phone. This is as opposed to Person-to-Person (P2P) communication.
API	Application Programming Interface, refers to a defined interface that exposes a capability and makes it accessible through software. As an example, the Sinch SMS API lets a developer reach any mobile phone in the world using a few lines of code that call upon the API, submit the phone number, and specify the message to send.
API-first	A software architecture where APIs are built and documented before any user interface or applications are constructed that draw on capabilities exposed through the API. The approach aims to create a modular and scalable architecture with clearly-defined boundaries between technical elements.
BSS	Acronym for Business Support Systems.
Chatbot	Software that responds to user input in a chat conversation.
CPaaS	Acronym for Communications Platform-as-a-Service, a type of cloud service that provides programs and applications over the internet.
Gray route	Routing a message to a mobile subscriber in a fraudulent way that avoids paying fees to the subscriber's mobile operator.
ISO certification:	Certification of a business or organization against ISO standards. Certification means that the business or organization applies a systematic quality management system that assures the quality of the objects of quality assurance.
Landing page	A personalized web page that is reached by clicking a link in an SMS or in an email.
Delivery receipt	A notification to the sender that a message has been delivered to a handset. Standard in SMS. In WhatsApp and other chat apps, this is denoted as two gray check marks.
IoT	Acronym for Internet of Things, an umbrella term for the connected society where different things, devices, etc., are connected and thus able to communicate so that their behavior can be adapted to the situation to get smarter.
Read receipt	A notification to the sender that a message has been read by the recipient. Not available in SMS. In WhatsApp and other chat apps, this is denoted as two blue check marks.
MMS	Acronym for Multimedia Messaging Service, a further development of SMS that enables sending of multimedia, such as pictures and video clips between mobile phones.
MMSC	Acronym for Multimedia Messaging Service Center, the equipment mobile operators use to handle MMS.
MNO	Acronym for Mobile Network Operator.
Cloud services	ITC services provided over the internet on an external resource instead of the user's own computers; i.e., the option to manage programs, data storage, capacity and processing power via the internet.
MVNO	Acronym for Mobile Virtual Network Operator.
Opt-in	When a customer gives a business explicit consent to be contacted, for example through SMS.
OTP	An abbreviation for One-Time-Password, and is one of the most common use cases for businesses to send Application-to-Person SMS.
P2A	Application-to-Person messaging refers to messages sent from a person to a software application, i.e., inbound messages from an end user to a business.
P2P	Person-to-Person messaging refers to messages sent between people to one another. These days, P2P messaging is typically bundled into a mobile subscription without any marginal cost per message.
RCS	Acronym for Rich Communication Services, a further development of SMS and MMS that enables the sending of more advanced communications, such as text, pictures and video, between individuals or groups.
SaaS	Acronym for Software-as-a-Service, a type of cloud service that provides programs and applications over the internet.
Concatenation	Combining more than one message into one to send SMS that are longer than 160 characters.
SDK	Acronym for Software Development Kits, SDK are a set of development tools that make it possible for software developers to build applications for a specific program bundle, hardware platform, game console, operating system or comparable.
Session	A time-based billing window for messaging, such as 24 hours, that is priced as a unit. Session pricing complements per-message pricing and is attractive to drive uptake of conversational use cases in messaging.
Sinch	The word Sinch is an informal American synonym for easy. We build cloud-based technology that is easy to deploy, easy to scale and easy for end users to appreciate
SMS	Acronym for Short Message Service, a service for short text messages sent to and from mobile phones.
SMSC	Acronym for Short Message Service Center, the equipment mobile operators used to handle SMS.
Tier 1 Super Network	The Sinch Tier 1 Super Network comprises more than 300 direct commercial relationships and technical links with the world's largest mobile operators. It reaches all five billion people who own a mobile device and gives Sinch a major competitive advantage that others have difficulty achieving.
TTM	Acronym for Time To Market, the time it takes from when a product or service is created until it is available for sale.
Verified SMS	A technology provided by Google to enable verified senders of SMS.
VPaaS	Acronym for Video Platform-as-a-Service, a type of cloud service that provides video communications over the internet.

Largest Sinch offices

	Country	Address	Telephone
Stockholm – Headquarters	Sweden	Lindhagensgatan 74 112 18 Stockholm, Sweden	+46 (0) 8 566 166 00
Atlanta	USA	7000 Central Parkway Suite 1480 Atlanta, Georgia 30328 USA	
Chicago	USA	550 W. Adams St., Suite 900, Chicago, IL 60661	
Delhi	India	ACL Mobile Limited 7th Floor, Tower-4 Express Trade Towers 2, B-36 Sector-132, Noida 201 30	
Melbourne	Australia	367 Collins Street, Melbourne	
San Antonio	USA	112 E Pecan St #1135, San Antonio, TX 78205, United States	
São Paulo	Brazil	Rua do Rocio 220 6th Floor Vila Olímpia, São Paulo	

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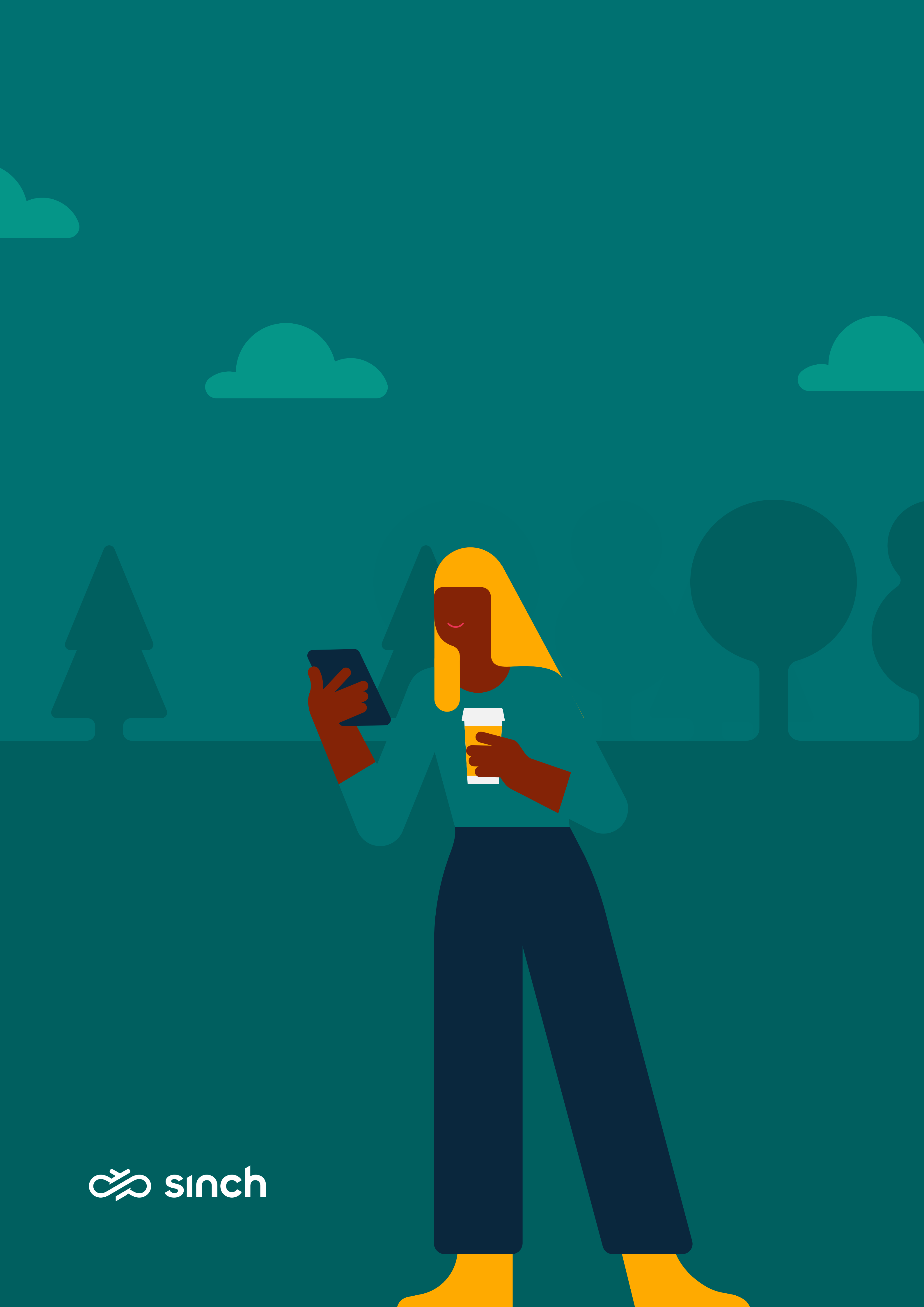
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