

## Interim report, January - September 2021

### July - September 2021

- Net sales increased by 122 percent to SEK 3,938m (1,778). Organic growth in local currency was 41 percent.
- Gross profit increased by 86 percent to SEK 896m (481). Organic growth in local currency was 20 percent.
- Adjusted EBITDA<sup>1</sup> increased by 27 percent to SEK 298m (234).
- Adjusted EBIT<sup>2</sup> amounted to SEK 270m (219).
- Profit after tax for the quarter amounted to SEK 266m (96).
- Basic earnings per share were SEK 0.37 (0.16) and diluted earnings per share were SEK 0.36 (0.16).

### January - September 2021

- Net sales increased by 118 percent to SEK 10,970m (5,024). Organic growth in local currency was 42 percent.
- Gross profit increased by 86 percent to SEK 2,585m (1,388). Organic growth in local currency was 25 percent.
- Adjusted EBITDA<sup>1</sup> increased by 39 percent to SEK 851m (611).
- Adjusted EBIT<sup>2</sup> amounted to SEK 768m (565).
- Profit after tax for the period amounted to SEK 454m (230).
- Basic earnings per share were SEK 0.63 (0.38) and diluted earnings per share were SEK 0.62 (0.38).

“As in the previous quarters, we have continued to see broad-based growth across different customer segments and geographies.”

– Oscar Werner, CEO

### Significant events during the quarter

- Sinch announced on 24 August the appointment of Christina Raaschou as Chief Human Resources Officer and member of the executive management team, as of 10 January 2022. Raaschou was most recently with H&M Group and has also had senior HR roles with Unilever and Ericsson.
- Sinch informed the market on 22 September that it had entered into a binding agreement to acquire MessengerPeople, a leading German supplier of B2C conversational messaging software. The agreed consideration is EUR 48m on a cash and debt-free basis. Sinch will pay EUR 33.6m in cash and EUR 14.4m in the form of new shares in Sinch.
- Sinch announced on 30 September that it had entered into a definitive agreement to acquire Pathwire, a leading cloud-based email delivery platform, including its Mailgun, Mailjet and Email on Acid products for developers and marketers. Sinch will pay the sellers cash consideration of USD 925m and 51 million new shares in Sinch.
- 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). The issue proceeds will be used to partially finance the acquisition of Pathwire. The subscription price was SEK 164.60 per share.
- On the same date, 30 September, Sinch issued a notice of an extraordinary general meeting of shareholders in Sinch AB to be held 26 October 2021.

### Significant events after the end of the quarter

- The extraordinary general meeting held 26 October resolved in favor of all board proposals.
- Sinch has received all required regulatory approvals for the acquisition of MessageMedia, and will proceed with closing procedures in the near future.
- Sinch completed the acquisition of MessengerPeople on 1 November. Sinch paid EUR 33.6m in cash and EUR 14.4m in the form of 835,677 new shares in Sinch. The 835,677 shares were issued on the same day at a subscription price of SEK 171.78 per share.

<sup>1</sup> EBITDA before depreciation, amortization and impairments excluding items affecting comparability and adjustments. See Note 2 for a specification of items affecting comparability and adjustments.

<sup>2</sup> EBIT excluding items affecting comparability, adjustments and depreciation and amortization of acquisition-related assets that do not give rise to cash flows. See Note 5 for a specification of depreciation and amortization.

### Invitation to phone conference

Sinch will present the interim report in a webcast conference call on 2 November at 14:00 CET. Watch the presentation at [investors.sinch.com/webcast](https://investors.sinch.com/webcast) or call and register a couple of minutes in advance.

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## Message from the CEO

### Rapid expansion

We compete in a market characterized by growth, innovation and competition. Digital communications are increasingly critical for businesses to serve their customers, and finding success requires optimal use of both established and new communications channels.

Our cloud-based communications platform lets businesses use mobile messaging, voice calling and video to create a better customer journey and achieve measurable business outcomes. The acquisition of Pathwire, which we announced in September, extends our capabilities further with leading products for email and a strong go-to-market to software developers.

The third quarter saw continued positive momentum as we handled more than 45 billion customer interactions for businesses around the world. Gross profit in the third quarter was 86 percent higher than the same period last year. Organic growth was 20 percent, acquired businesses contributed 70 percent to the growth, and currency movements had a negative impact of 4 percent. Since pass-through fees vary significantly between products and geographies, we believe growth in gross profit is a more meaningful metric than revenue growth to track our performance.

The trend remains good for Messaging, with high growth in transaction volumes and revenues. Gross profit grew 67 percent compared to the third quarter last year, and 19 percent organically, despite increased carrier pass-through fees and renegotiated volume pricing for some of our larger customers. As in the previous quarters, we have continued to see broad-based growth across different customer segments and geographies.

Gross profit in our smaller Voice and video segment grew 44 percent organically due to robust demand for our number verification products. Adjusted EBITDA was negative as we prepare for the integration with Inteliquent, a transformative acquisition that will establish Sinch as a leader in US voice communications. Our Operator business recorded healthy underlying growth and solid profitability in both our established software offering and the Interconnect services we acquired from SAP last November.

M&A continues to be a key focus area and the acquisition of MessengerPeople closed on 1 November. MessengerPeople brings an innovative software suite for customer care via messaging apps that is already used by more than 700 businesses.



Looking ahead, we expect the acquisitions of MessageMedia, Inteliquent and Pathwire to complete during the second half of this year as originally outlined. Continuing to deliver both on our organic and acquired growth agenda is our foremost priority - as is successful technical and commercial integration of the businesses we have acquired. As we head into the fourth quarter, integration work continues particularly with SDI, where customer migrations are progressing well but where more work is needed to bring growth levels up to par with the rest of Sinch.

Stockholm, 2 November 2021

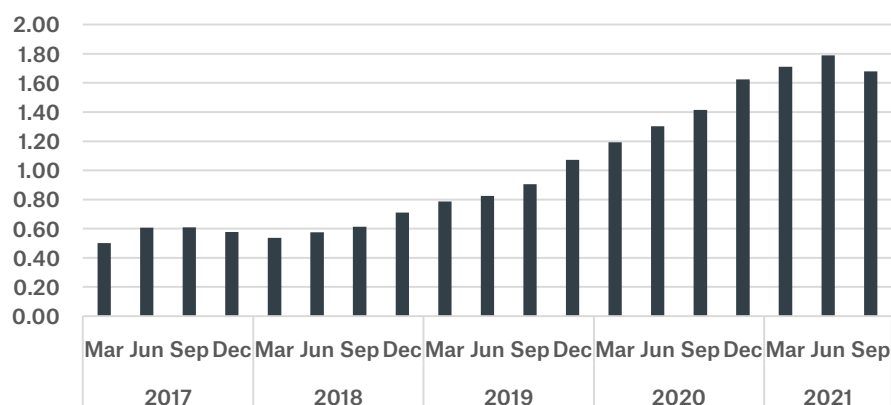
Oscar Werner  
President and Chief Executive Officer

## Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 25.

Sinch Group, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Net sales	3,938	1,778	10,970	5,024	8,023	13,969
Gross profit	896	481	2,585	1,388	2,183	3,381
Gross margin	23%	27%	24%	28%	27%	24%
Adjusted EBITDA	298	234	851	611	989	1,229
Adjusted EBITDA margin	8%	13%	8%	12%	12%	9%
Adjusted EBITDA/gross profit	33%	49%	33%	44%	45%	36%
EBITDA	157	215	501	536	715	680
EBITDA margin	4%	12%	5%	11%	9%	5%
Adjusted EBIT	270	219	768	565	922	1,124
Adjusted EBIT margin	7%	12%	7%	11%	11%	8%
EBIT	25	155	170	362	453	261
EBIT margin	1%	9%	2%	7%	6%	2%
Profit for the period	266	96	454	230	446	671
Cash flow from operating activities	-491	107	-143	506	454	-195
Net debt	-10,879	-972	-10,879	-972	-1,988	-10,879
Net debt/Adjusted EBITDA R12M, multiple	-8.9	-1.2	-8.9	-1.2	-2.0	-8.9
Equity ratio	79%	58%	79%	58%	65%	79%
Adjusted EBITDA/share after dilution, SEK	0.40	0.39	1.16	1.01	1.64	1.68
Diluted earnings per share for the period, SEK	0.36	0.16	0.62	0.38	0.74	0.92
Average number of employees	1,892	825	1,775	757	858	1,639
Average number of employees and consultants	2,349	992	2,202	917	1,025	1,946
<b>Items affecting comparability and adjustments, SEKm</b>	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>Jan-Sep 2021</b>	<b>Jan-Sep 2020</b>	<b>2020</b>	<b>R12M</b>
Acquisition costs	-24	-69	-65	-101	-134	-98
Additional acquisition costs	-	-	-	-	-27	-27
Integration costs	-59	-3	-164	-15	-90	-240
Income, adjusted earnout	0	61	0	65	64	0
Profit or loss from sale of property, plant and equipment/intangible assets	0	0	-1	0	0	-1
Profit or loss from sale/discontinuation of subsidiaries	-0	-	-	-	-11	-11
Costs of share-based incentive programs	-45	-4	-91	-18	-51	-124
Operational exchange rate gains/losses	-14	-5	-29	-6	-25	-48
<b>Total items affecting comparability in EBITDA</b>	<b>-142</b>	<b>-19</b>	<b>-350</b>	<b>-75</b>	<b>-274</b>	<b>-549</b>
Amortization of acquisition-related assets	-103	-44	-248	-128	-194	-314
<b>Total adjustments in EBIT</b>	<b>-245</b>	<b>-64</b>	<b>-598</b>	<b>-204</b>	<b>-469</b>	<b>-863</b>

### Adjusted EBITDA per share, R12M (SEK)



## Quarterly summary

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales, SEKm	2019	2019	2020	2020	2020	2020	2021	2021	2021
Messaging	1,126	1,444	1,534	1,562	1,718	2,768	3,083	3,380	3,568
Voice and Video	70	77	72	54	61	78	97	110	75
Operators	42	44	49	39	40	189	224	269	333
Other and eliminations	-22	-24	-32	-33	-41	-36	-54	-76	-38
<b>Total</b>	<b>1,216</b>	<b>1,541</b>	<b>1,624</b>	<b>1,622</b>	<b>1,778</b>	<b>2,999</b>	<b>3,350</b>	<b>3,682</b>	<b>3,938</b>

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Gross profit, SEKm	2019	2019	2020	2020	2020	2020	2021	2021	2021
Messaging	273	364	374	412	429	668	691	724	715
Voice and Video	32	35	27	13	15	23	13	20	21
Operators	39	41	46	35	37	82	87	104	133
Other and eliminations	-0	0	0	0	0	22	28	22	26
<b>Total</b>	<b>344</b>	<b>440</b>	<b>447</b>	<b>460</b>	<b>481</b>	<b>796</b>	<b>820</b>	<b>869</b>	<b>896</b>

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Gross margin	2019	2019	2020	2020	2020	2020	2021	2021	2021
Messaging	24%	25%	24%	26%	25%	24%	22%	21%	20%
Voice and Video	45%	45%	37%	24%	24%	29%	14%	18%	28%
Operators	93%	95%	93%	90%	93%	43%	39%	39%	40%
<b>Total</b>	<b>28%</b>	<b>29%</b>	<b>28%</b>	<b>28%</b>	<b>27%</b>	<b>27%</b>	<b>24%</b>	<b>24%</b>	<b>23%</b>

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
EBITDA, SEKm	2019	2019	2020	2020	2020	2020	2021	2021	2021
Messaging	134	209	174	217	251	365	285	301	281
Voice and Video	11	12	7	-6	-6	0	-9	-12	-13
Operators	2	-0	4	-5	3	25	18	41	54
Other and eliminations	-4	-8	-8	-6	-15	-11	-26	-47	-23
<b>Adjusted EBITDA</b>	<b>144</b>	<b>213</b>	<b>177</b>	<b>200</b>	<b>234</b>	<b>378</b>	<b>269</b>	<b>284</b>	<b>298</b>
Items affecting comparability and adjustments in EBITDA	-9	-19	-2	-54	-19	-199	-76	-132	-142
EBITDA	135	194	175	146	215	179	192	152	157
Adjusted EBITDA margin	12%	14%	11%	12%	13%	13%	8%	8%	8%
Adjusted EBITDA/gross profit	42%	48%	40%	43%	49%	48%	33%	33%	33%
Adjusted EBITDA/share after dilution, SEK	0.27	0.39	0.32	0.33	0.39	0.60	0.41	0.41	0.40

Items affecting comparability and adjustments, SEKm (Note 2)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2019	2019	2020	2020	2020	2020	2021	2021	2021
Acquisition costs	-13	-2	-6	-26	-69	-33	-17	-24	-24
Additional acquisition costs	-	-	-	-	-	-27	-	-	-
Integration costs	-	-3	-3	-9	-3	-75	-31	-75	-59
Income, adjusted earnout	-	-	-	4	61	-	0	0	0
Profit or loss from sale of property, plant and equipment/intangible assets	-	-	-	-	-	-	-1	-	-
Profit or loss from sale/discontinuation of subsidiaries	-	-	-	-	-	-11	-	-	-
Costs of share-based incentive programs	-	-4	-2	-12	-4	-33	-29	-18	-45
Operational exchange rate gains/losses	4	-9	10	-11	-5	-19	0	-15	-14
<b>Items affecting comparability in EBITDA</b>	<b>-9</b>	<b>-19</b>	<b>-2</b>	<b>-54</b>	<b>-19</b>	<b>-199</b>	<b>-76</b>	<b>-132</b>	<b>-142</b>
Amortization of acquisition-related assets	-32	-38	-41	-43	-44	-66	-70	-75	-103
<b>Total adjustments in EBIT</b>	<b>-41</b>	<b>-56</b>	<b>-43</b>	<b>-97</b>	<b>-64</b>	<b>-265</b>	<b>-146</b>	<b>-207</b>	<b>-245</b>

## July - September 2021

### Net sales

Consolidated net sales grew in the period by 122 percent to SEK 3,938m (1,778).

Organic growth, in local currency and excluding acquisitions, was 41 percent. The acquisitions of ACL, SDI, and Wavy contributed 82 percent. ACL contributed SEK 161m, SDI SEK 1,039m and Wavy SEK 253m.

Growth was negatively affected during the quarter by the appreciation of the Swedish krona (SEK), primarily against EUR, USD and GBP. The Group has significant revenues in foreign currency and if exchange rates had been the same during the quarter as in the same quarter in 2020, revenues would have been about SEK 19m higher. The negative currency effect on consolidated net sales was thus 1 percent.

### Gross profit

Consolidated gross profit rose during the quarter by 86 percent to SEK 896m (481).

Organic growth in local currency was 20 percent.

Acquisitions contributed 70 percent, as follows: ACL SEK 32m, SDI SEK 247m and Wavy SEK 58m. The negative effect of currency movements was 4 percent for the quarter, corresponding to SEK 17m.

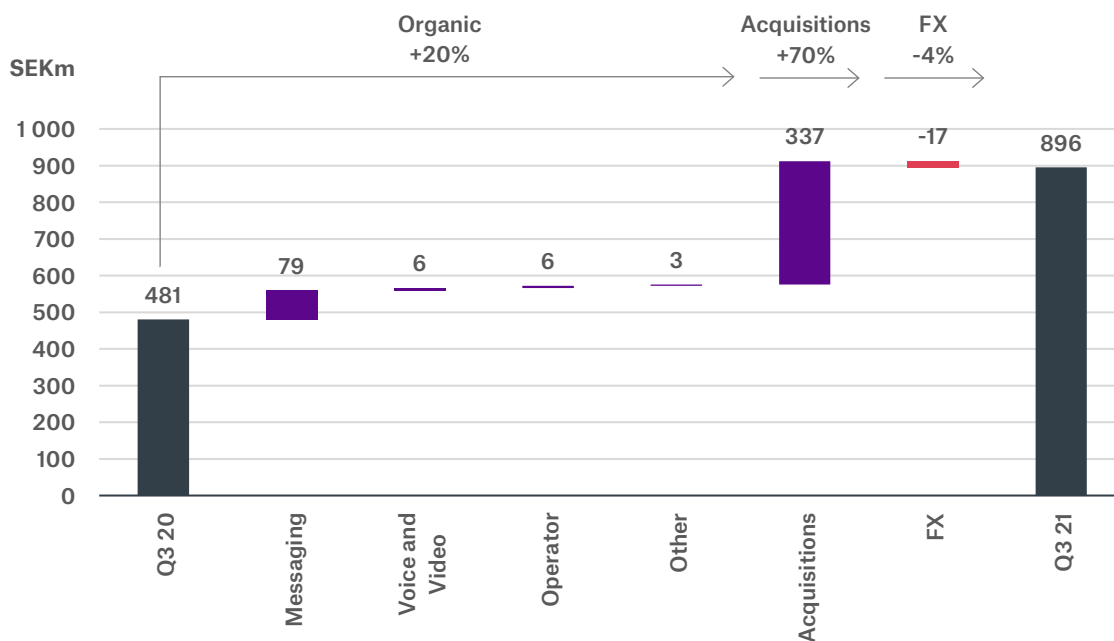
The gross margin amounted to 23 percent (27) and is affected by several factors. Messaging services are a growth market, but also a fiercely competitive one. As a result, gross profit has not grown as fast as traffic volumes and revenues in the third quarter.

Several additional factors affected the gross margin in Q3. The gross margin for parts of the businesses acquired from ACL and SDI is lower than the Group average. This is particularly apparent in the Operators segment, where the gross margin fell from 93 percent in Q3 2020 to 40 percent in Q3 2021.

An additional determining factor is destination countries to which Sinch enterprise customers send messages. Although Sinch's gross profit per transaction is similar in most markets, gross margin varies widely reflecting operator traffic tariffs which differ significantly country by country. Consequently, traffic pattern and volume mix variations can have high impact on net sales and gross margin without effecting gross profit in absolute numbers.

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

### Change in consolidated gross profit, Q3 2020 - Q3 2021



## EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 157m (215).

EBITDA excluding items affecting comparability<sup>1</sup> (Adjusted EBITDA) rose by SEK 64m to SEK 298m (234), corresponding to an increase of 27 percent.

Adjusted EBITDA is affected by currency movements because Sinch has revenues and costs denominated in currencies other than SEK. If exchange rates had been the same during the quarter as during the corresponding quarter in 2020, Adjusted EBITDA would have been about 4 percent higher. Accordingly, currency movements reduced Adjusted EBITDA by about SEK 9m.

The definition of Adjusted EBITDA was changed ahead of Q2 2021. The costs of share-based incentive programs and operational exchange rate gains/losses are considered items that affect comparability and are not included in Adjusted EBITDA. Adjusted EBITDA for previous periods has been updated to align with the new definition, see Note 2 for details.

The Adjusted EBITDA margin was 7.6 percent for the quarter, down from 13.2 percent in the same period last year. A lower gross margin than in the preceding year accounted for three quarters of the change, corresponding to 4.2 percent. The margin is also affected by scale-up investments to prepare Sinch for future acquisitions.

The Group's financial target is growth of Adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share increased by 19 percent to SEK 0.40 (0.39) for the quarter and SEK 1.68 SEK (1.41) for the rolling twelve months. Adjusted EBITDA divided by gross profit was 33 percent (49) for the quarter.

## EBIT

EBIT amounted to SEK 25m (155).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK 103m (44). The amortization arose mainly from planned amortization of acquired customer relationships and acquired software. See Note 5.

Adjusted EBIT (EBIT excluding items affecting comparability and amortization of acquisition-related assets<sup>1</sup>) amounted to SEK 270m (219).

## Cash flow

Cash flow before the change in working capital amounted to SEK 244m (145). The change in working capital reduced cash flow by SEK -735m (-38), due mainly to prepaid mobile operator traffic tariffs. Cash flow from operating activities amounted to SEK -491m (107).

## Employees

At the end of the quarter, the Group employed 2,424 (1,162) people, including consultants. The average number of employees and consultants for the quarter was 2,349 (992). The average number of employees was 1,892 (825), of whom 28 percent (27) women.

## January - September 2021

### Net sales

Consolidated net sales grew in the period by 118 percent to SEK 10,970m (5,024). Organic growth, in local currency and excluding acquisitions, was 42 percent.

### Gross profit

Gross profit was SEK 2,585m (1,388). Organic growth, in local currency and excluding acquisitions, was 25 percent. The negative effect of currency movements was SEK 77m, corresponding to 6 percent. The gross margin was 24 percent (28).

### Operating profit/EBIT

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 501m (536). EBITDA excluding items affecting comparability (Adjusted EBITDA) was SEK 851m (611).

EBIT amounted to SEK 170m (362). Adjusted EBIT (EBIT excluding items affecting comparability and amortization of acquisition-related assets) was SEK 768m (565).

### Other income and expense items

Net financial income was SEK 424m (-40) including interest costs of SEK -44m (-28) and foreign exchange differences of SEK 481m (-11). The acquisition of Inteliquent, announced in February 2021 but not yet closed, will be paid for in USD. In preparation, Sinch has therefore increased its exposure to USD, which had a positive effect on net financial income. The Group's effective tax rate was 24 percent (29). Net profit for the period amounted to SEK 454m (230).

### Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 103m (66). The change is primarily attributable to acquisitions. The investments include capitalized development expenditure of SEK 61m (50).

### Cash flow, liquidity and financial position

Cash flow before the change in working capital amounted to SEK 692m (447). The change in working capital reduced cash flow by SEK -834m (59), due mainly to prepaid mobile operator traffic tariffs in the third quarter. There has been a reclassification in the cash flow between net investments in property, plant and equipment and intangible assets and new issue/warrants due to the Wavy acquisition during the first quarter. There has also been a reclassification from realized to unrealized exchange rate differences. The reclassification causes a lack of comparability between the quarters during the year. Cash flow from operating activities amounted to SEK -143m (506). Consolidated cash and cash equivalents as of 30 September 2021 amounted to SEK 11,934m (2,113).

Net debt amounted to SEK -10,879m (-972). Adjusted EBITDA R12M in relation to net debt was -8.9 (-1.2). The negative net debt is intended to finance announced but not yet finalized acquisitions. Sinch's financial target is that net

debt over time shall be below 3.5 times Adjusted EBITDA (measured on a rolling twelve months basis).

Sinch's long-term credit facilities comprise a total commitment of SEK 1,752m. As of 30 September 2021, SEK 252m (-) of the long-term credit facilities had been utilized. In addition, issued senior unsecured bonds amounted to SEK 750m (750) as of 30 September 2021. Sinch has also raised short-term financing of SEK 8,200m to secure the financing of contracted acquisitions. In addition, Sinch has access to an overdraft facility of SEK 200m. As of 30 September 2021, SEK none (-) of the short-term credit facilities had been utilized. The credit facilities are conditional upon the company's fulfillment of a number of agreed covenants.

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). The issue proceeds will be used to partially finance the acquisition of Pathwire. The subscribers were a number of institutional investors and the subscription price was SEK 164.60 per share.

Equity as of 30 September 2021 amounted to SEK 19,628m (4,220), corresponding to an equity ratio of 79 percent (58).

- 1) Details are provided in the table on page 3 and in Note 2.

## Messaging

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

Messaging, SEKm	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
Net sales	3,568	1,718	10,031	4,814	7,582	12,798
Gross profit	715	429	2,130	1,215	1,884	2,799
Gross margin	20%	25%	21%	25%	25%	22%
Adjusted EBITDA	281	251	867	643	1,007	1,232
EBITDA	230	234	716	617	934	1,013
Adjusted EBITDA/gross profit	39%	59%	41%	53%	53%	44%
Adjusted EBITDA margin	8%	15%	9%	13%	13%	10%

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

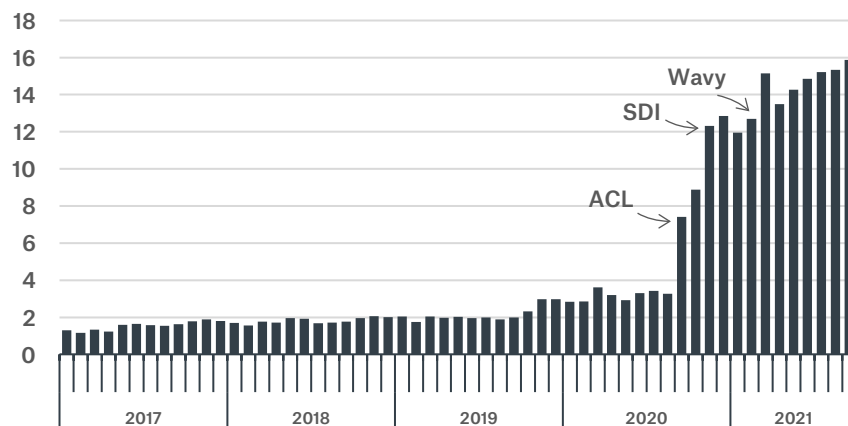
A comprehensive effort is in progress to integrate the operations acquired through SAP Digital Interconnect on 1 November 2020 and Wavy on 1 February 2021. The aim is to extract economies of scale by migrating customers and traffic to the Sinch global technology platform and accelerate organic growth in the acquired businesses. Ongoing platform development is also continuing to manage rising traffic volumes, comply with stricter regulatory standards related to data processing, add more direct connections to mobile operators and increase the degree of automation in customer and support systems.

Sinch informed the market on 22 September that it had entered into a binding agreement to acquire MessengerPeople, a leading German supplier of B2C conversational messaging software. The company offers cloud-based software 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 (Germany, Austria and Switzerland). With its easy-to-use apps for business users, MessengerPeople complements the Sinch API-based offering for large businesses and channel partners. The transaction closed on 1 November 2021.

### Transaction volume

Transaction volume in Q3 rose by 229 percent compared to the same quarter last year and Sinch handled slightly below 16 billion messages in September. The increase in comparable units was 56 percent compared to the same quarter last year. The number of sent messages rose sharply through the acquisition of ACL Mobile and further through the acquisitions of SDI in November 2020, and Wavy in February 2021. Seasonal effects in March had positive impact on volume in India.

**Number of transactions (billions per month)**





### Net sales

Net sales rose in Q3 by SEK 1,753m compared to the corresponding period in 2020 to SEK 3,568m (1,815), an increase of 97 percent. Of this increase, 63 percentage points are attributable to acquisitions and -1 percentage points to currency movements. Organic growth in local currency was 35 percent. The acquisition of ACL contributed SEK 161m, the acquisition of SDI contributed SEK 729m and the acquisition of Wavy contributed SEK 253m. Organic growth was previously driven by large, American tech companies but we saw broader growth in other customer segments during the quarter. Growth has been particularly good in Europe in a marked improvement over the preceding year. The change is the result of comprehensive investments in the product portfolio, sales organization and marketing in recent years. Corresponding initiatives are now being taken to accelerate the growth rate in the customer base acquired through SDI. This will affect future organic growth because SDI will be included as of 1 November 2021 in the base used to calculate organic growth.

### Gross profit

Gross profit increased in Q3 to SEK 715m (429), up 67 percent compared to the same quarter in the preceding year. Of this increase, 53 percentage points are attributable to acquisitions and -4 percentage points to currency movements. Organic growth in local currency was 19 percent. The acquisition of ACL contributed SEK 32m, the acquisition of SDI contributed SEK 136m and the acquisition of Wavy contributed SEK 58m. Compared to previous quarters, we are seeing distinct organic improvement in Europe, where organic growth is being driven both by new customers and increasing commitments from current customers.

The gross margin was 20 percent for the quarter, down 5 percentage points compared to the same quarter in 2020. The margin was negatively affected in Q3 by volume discounts for business customers with rapidly growing traffic volumes and by currency movements. The margin is also affected by changes in the customer mix and the countries to which Sinch's business customers send messages.

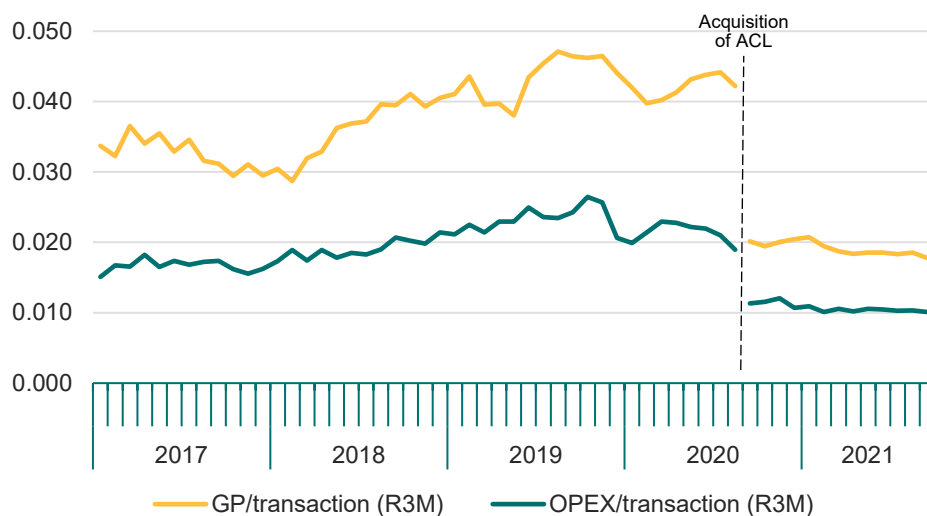
Even though Sinch's gross profit per transaction is relatively similar in most markets, the gross margin varies widely from country to country because operator traffic tariffs differ substantially from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high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

### EBITDA

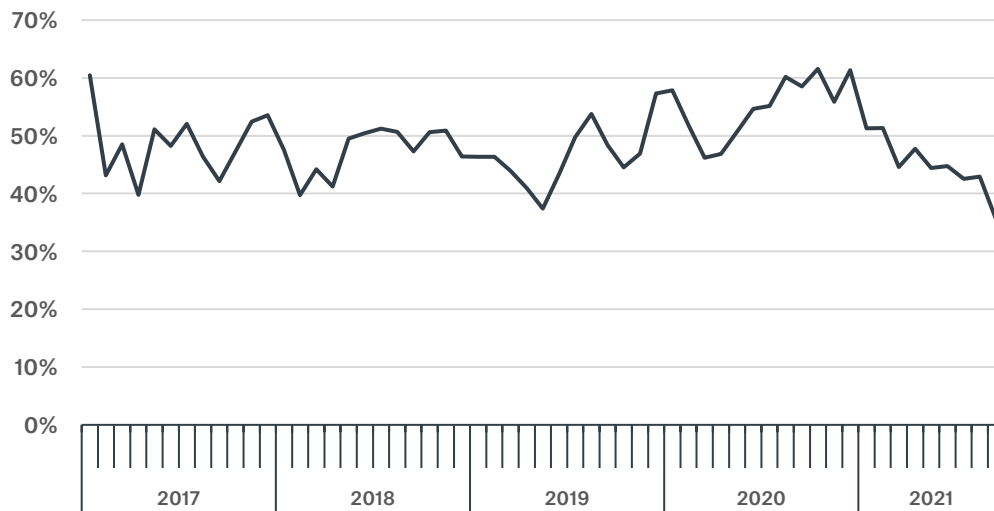
During the quarter, Adjusted EBITDA increased by SEK 29m compared to the corresponding quarter in 2020 to SEK 281m (251), up by 12 percent. Currency movements reduced adjusted EBITDA by -4 percent. EBITDA was SEK 230m (234).

Sinch's financial focus is to grow gross profit and EBITDA in absolute numbers. As one aspect of this work, the company measures several key performance indicators linked to cost efficiency and scalability. As these performance indicators are calculated per transaction, however, they are clearly impacted by acquisitions with a different financial profile. Sinch consolidated operations in ACL Mobile as of 1 September 2020, which limits comparability before and after that date. ACL benefits from economies of scale due to its competitive cost base combined with high transaction volumes, resulting in substantially lower OPEX per message. At the same time, gross profit per transaction for traffic within India is considerably lower than in other markets due to generally lower costs in the country.

**Gross profit/transaction and OPEX/transaction (SEK)**



### Adjusted EBITDA /gross profit (rolling 3 months)



Adjusted EBITDA in relation to gross profit is a key measurement of efficiency and scalability. The measurement shows the underlying margin and is not affected by changes in operator traffic tariffs.

With higher volumes, Sinch achieves economies of scale that have positive impact on Adjusted EBITDA. At the same time, a large share of operating profit is being reinvested in future-oriented initiatives to develop new products and drive future growth. Several initiatives are ongoing to increase the growth rate in the business acquired from SAP in late 2020. Operating profit has also been affected negatively in 2021 by scale-up investments to prepare Sinch for acquisitions that have been announced during the year but have not yet closed.

In parallel, Sinch is working determinedly to realize synergies in acquired businesses by migrating customers to the common Sinch technology platform, a process that is expected to improve the margin profile when complete.

## Voice and Video

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

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
Voice and Video, SEKm	2021	2020	2021	2020		
Net sales	75	61	282	187	266	360
Gross profit	21	15	54	54	77	77
Gross margin	28%	24%	19%	29%	29%	21%
Adjusted EBITDA	-13	-6	-34	-5	-5	-34
EBITDA	-12	-6	-25	-6	-7	-26
Adjusted EBITDA margin	-17%	-10%	-12%	-3%	-2%	-9%

Sinch has a competitive offering in Number Verification, where we help enterprises and app developers verify their customers' mobile phone numbers. A new Data Verification product was launched in Q2, where we can offer a faster, simpler and more secure way to verify numbers compared to one-time codes via SMS and automated voice calls. We also have a strong position in Number Masking for app-based ride hailing services, which allows drivers and riders to easily contact one another without revealing their private mobile phone numbers.

### Net sales

Net sales rose during the quarter by SEK 14m to SEK 75m (61). The increase was driven mainly by higher volumes in Sinch's Number Verification products. Net sales fell compared to Q2 due to the discontinuation of certain sales at lower margins.

### Profit

Gross profit during the quarter amounted to SEK 21m (15), corresponding to a gross margin of 28 percent. The gross margin rose by 10 percentage points compared to Q2 because certain occasional sales at low margins have been discontinued. Adjusted EBITDA amounted to SEK -13m (-6). Preparatory work has commenced within Voice and Video ahead of Sinch's acquisition of Inteliquent, which is expected to close in the second half of 2021. EBITDA was SEK -12m (-6).

## Operators

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

Operators, SEKm	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
Net sales	333	40	826	128	317	1015
Gross profit	133	37	324	118	200	407
Gross margin	40%	93%	39%	92%	63%	40%
Adjusted EBITDA	54	3	113	2	27	138
EBITDA	53	1	109	4	25	129
Adjusted EBITDA margin	16%	8%	14%	2%	8%	14%

Sinch's software sales to mobile operators are project-based and thus more volatile than the other business segments. Several future-oriented initiatives are in progress in the Operators segment, including sharper focus on products to secure mobile operators' revenues from messaging, RCS-as-a-Service to accelerate the rollout of RCS and the development of Sinch SMSF to handle messaging in 5G networks.

### Net sales

Net sales rose during the quarter by SEK 294m to SEK 333m (40). The acquisition of SDI contributed SEK 288m, while Sinch's existing software business grew by SEK 6m compared to the corresponding period last year.

### Profit

Gross profit rose during the quarter by SEK 96m to SEK 133m (37). The acquisition of SDI contributed SEK 90m to the increase. The gross margin fell to 40 percent (93) because the gross margin is lower for the acquired operators business from SDI. Adjusted EBITDA increased by SEK 51m to SEK 54m (3) due to the acquisition of SDI combined with good growth and cost control in Sinch's existing software business. EBITDA rose to SEK 53m (1) for the same reason.

## Other and eliminations

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
Other and eliminations, SEKm	2021	2020	2021	2020		
External revenue	21	0	78	0	22	100
Internal revenue	-60	-41	-247	-106	-163	-305
Net sales	-38	-41	-169	-106	-141	-205
Gross profit	26	0	76	0	22	98
Adjusted EBITDA	-23	-15	-95	-28	-40	-107
EBITDA	-114	-15	-298	-79	-237	-456

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

### Net sales

Net revenues from external customers increased in Q3 by SEK 21m to SEK 21m (0). The entire increase was contributed by the acquisition of SDI. Net sales in the segment are negative due to eliminations between operating segments.

### Profit

Gross profit rose during the quarter by SEK 26m to SEK 26m (0). SEK 21m of this increase was contributed by the acquisition of SDI. Adjusted EBITDA was SEK -23m (-15) and was affected by group-wide scale-up investments aimed at preparing the company for planned and future acquisitions. EBITDA was SEK -114m (-15) and was affected by several consolidated items affecting comparability and adjustments. These are specified in greater detail in Note 2.

## Condensed income statement

Sinch Group, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
<b>Net sales</b>	<b>3,938</b>	<b>1,778</b>	<b>10,970</b>	<b>5,024</b>	<b>8,023</b>	<b>13,969</b>
Cost of goods sold and services	-3,042	-1,297	-8,385	-3,636	-5,840	-10,589
<b>Gross profit</b>	<b>896</b>	<b>481</b>	<b>2,585</b>	<b>1,388</b>	<b>2,183</b>	<b>3,381</b>
Other operating income	46	97	103	164	198	137
Work performed by the entity and capitalized	21	17	61	50	69	81
Other external costs	-270	-165	-801	-401	-683	-1,083
Employee benefits expenses	-460	-176	-1,278	-558	-869	-1,590
Other operating expenses	-77	-38	-169	-106	-183	-246
<b>EBITDA</b>	<b>157</b>	<b>215</b>	<b>501</b>	<b>536</b>	<b>715</b>	<b>680</b>
Depreciation and amortization	-132	-60	-331	-174	-262	-419
<b>EBIT</b>	<b>25</b>	<b>155</b>	<b>170</b>	<b>362</b>	<b>453</b>	<b>261</b>
Net finance income/expenses	276	-20	424	-40	-74	391
<b>Profit before tax</b>	<b>301</b>	<b>135</b>	<b>594</b>	<b>322</b>	<b>379</b>	<b>652</b>
Income tax	-35	-39	-140	-92	67	19
<b>Profit for the period</b>	<b>266</b>	<b>96</b>	<b>454</b>	<b>230</b>	<b>446</b>	<b>671</b>
<b>Attributable to:</b>						
Owners of the parent	266	96	454	230	446	671
Non-controlling interests	0	0	0	0	0	0

## Earnings per share

Sinch Group, SEK	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Basic	0.37	0.16	0.63	0.38	0.76	0.93
Diluted	0.36	0.16	0.62	0.38	0.74	0.92

## Condensed statement of comprehensive income

Sinch Group, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
<b>Profit for the period</b>	<b>266</b>	<b>96</b>	<b>454</b>	<b>230</b>	<b>446</b>	<b>671</b>
<b>Other comprehensive income or loss items that may subsequently be reclassified to profit or loss for the period</b>						
Translation differences	127	-44	127	-223	-362	350
Hedge accounting net investment	63	-9	124	-9	-146	-13
Tax effect of items in other comprehensive income	-13	2	-26	2	33	5
<b>Other comprehensive income or loss for the period</b>	<b>178</b>	<b>-51</b>	<b>226</b>	<b>-230</b>	<b>-476</b>	<b>342</b>
<b>Comprehensive income or loss for the period</b>	<b>444</b>	<b>45</b>	<b>680</b>	<b>0</b>	<b>-30</b>	<b>1,013</b>
<b>Attributable to:</b>						
Owners of the parent	444	45	680	0	-30	1,013
Non-controlling interests	0	0	0	0	0	0

## Condensed balance sheet

Sinch Group, SEKm	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
<b>ASSETS</b>				
Goodwill		5,546	1,936	3,298
Customer relationships		1,669	776	1,481
Operator relationships		181	204	145
Proprietary software		369	275	322
Other intangible assets		18	9	8
Right-of-use assets		54	62	54
Other property, plant and equipment		102	76	100
Financial assets		17	15	14
Deferred tax assets		537	222	404
<b>Total non-current assets</b>		<b>8,495</b>	<b>3,573</b>	<b>5,827</b>
Tax assets		124	35	53
Other current receivables		4,288	1,533	2,632
Cash and cash equivalents		11,934	2,113	3,123
<b>Total current assets</b>		<b>16,346</b>	<b>3,681</b>	<b>5,807</b>
<b>TOTAL ASSETS</b>		<b>24,841</b>	<b>7,255</b>	<b>11,634</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to owners of the parent	4	19,627	4,220	7,512
Non-controlling interests		1	1	1
<b>Total equity</b>		<b>19,628</b>	<b>4,220</b>	<b>7,513</b>
Deferred tax liability		631	330	508
Non-current liabilities, interest-bearing		964	1,050	993
Non-current liabilities, non-interest-bearing		68	62	86
<b>Total non-current liabilities</b>		<b>1,664</b>	<b>1,442</b>	<b>1,587</b>
Current liabilities, interest-bearing		91	91	142
Provisions		64	31	82
Tax liability		234	35	37
Other current liabilities, non-interest-bearing		3,160	1,435	2,273
<b>Total current liabilities</b>		<b>3,550</b>	<b>1,592</b>	<b>2,535</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,841</b>	<b>7,255</b>	<b>11,634</b>
<b>Financial instruments measured at fair value</b>				
Derivative instruments with positive value		0	0	0
Derivative instruments with negative value		0	5	0

The carrying amount is considered to be a reasonable estimate of the fair value of all financial assets and liabilities. The financial assets and liabilities are attributable to measurement levels 2 and 3. For information on the measurement techniques, see Note 28 in the 2020 Annual Report.

## Condensed statement of changes in equity

	Attributable to owners of the parent							
Sinch Group, SEKm	Share capital	Other capital contributions	Reserves	Retained earnings	Total	Non-controlling interests	Total equity	
<b>Opening balance 1 January 2020</b>	<b>5</b>	<b>1,391</b>	<b>75</b>	<b>526</b>	<b>1,998</b>	<b>1</b>	<b>1,998</b>	
Profit for the period				230	230		230	
Other comprehensive income or loss			-230		-230	0	-230	
Share-based payments								
Shares issued for warrants	0	42			42		42	
Rights issue	1	2,205			2,206		2,206	
Issue expenses, net of tax		-26			-26		-26	
<b>Closing balance 30 September 2020</b>	<b>6</b>	<b>3,612</b>	<b>-155</b>	<b>756</b>	<b>4,220</b>	<b>1</b>	<b>4,220</b>	
<b>Opening balance 1 January 2021</b>	<b>6</b>	<b>6,934</b>	<b>-400</b>	<b>972</b>	<b>7,512</b>	<b>1</b>	<b>7,513</b>	
Profit for the period				454	454		454	
Other comprehensive income or loss			230		230	0	230	
Share-based payments		85			85		85	
Shares issued for warrants	0	92			92		92	
Rights issue	1	11,279			11,280		11,280	
Issue expenses, net of tax		-25			-25		-25	
<b>Closing balance 30 September 2021</b>	<b>7</b>	<b>18,364</b>	<b>-170</b>	<b>1,426</b>	<b>19,628</b>	<b>1</b>	<b>19,628</b>	

## Condensed statement of cash flows

Sinch Group, SEKm	Note	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Cash flow before changes in working capital		244	145	692	447	602	846
Change in working capital		-735	-38	-834	59	-148	-1,041
<b>Cash flow from (-used in) operating activities</b>		<b>-491</b>	<b>107</b>	<b>-143</b>	<b>506</b>	<b>454</b>	<b>-195</b>
Net investments in property, plant and equipment and intangible assets		-38	-22	-103	-66	-86	-122
Change in financial receivables		1	8	-1	6	-2	-10
Acquisition of Group companies	6	22	-569	-661	-695	-2,885	-2,851
<b>Cash flow from (-used in) investing activities</b>		<b>-14</b>	<b>-583</b>	<b>-765</b>	<b>-755</b>	<b>-2,972</b>	<b>-2,983</b>
Amortization of bank loans		-37	-26	-130	-238	-267	-159
Amortization lease liability		-6	-8	-32	-22	-30	-41
New issue/warrants	4	39	-1	9,471	2,211	5,529	12,789
<b>Cash flow from financing activities</b>		<b>-4</b>	<b>-34</b>	<b>9,308</b>	<b>1,951</b>	<b>5,231</b>	<b>12,589</b>
<b>Cash flow for (-used in) the period</b>		<b>-510</b>	<b>-509</b>	<b>8,400</b>	<b>1,702</b>	<b>2,713</b>	<b>9,793</b>
Opening balance cash and cash equivalents for the period		12,264	2,651	3,123	466	466	2,113
Exchange rate differences in cash and cash equivalents		179	-28	410	-55	-56	409
<b>Closing balance cash and cash equivalents for the period</b>		<b>11,934</b>	<b>2,113</b>	<b>11,934</b>	<b>2,113</b>	<b>3,123</b>	<b>11,934</b>



## Other disclosures

Sinch Group, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
<b>Share information</b>						
Basic earnings per share, SEK	0.37	0.16	0.63	0.38	0.76	0.93
Diluted earnings per share, SEK	0.36	0.16	0.62	0.38	0.74	0.92
Basic weighted average number of shares	725,603,080	598,122,800	719,607,612	603,468,141	584,945,864	717,555,218
Diluted weighted average number of shares	741,585,429	599,760,230	734,775,614	603,077,051	604,134,997	732,149,818
Total number of shares at the end of the period	727,163,370	599,859,340	727,163,370	599,859,340	631,736,700	727,163,370
<b>Financial position</b>						
Equity attributable to owners of the parent	19,627	4,220	19,627	4,220	7,512	19,627
Equity ratio	79%	58%	79%	58%	65%	79%
Net investments in property, plant and equipment and intangible assets	38	22	103	66	86	122
Cash and cash equivalents	11,934	2,113	11,934	2,113	3,123	11,934
Net debt	-10,879	-972	-10,879	-972	-1,988	-10,879
Net debt/Adjusted EBITDA R12M, multiple	-8.9	-1.2	-8.9	-1.2	-2.0	-8.9
<b>Employee information</b>						
Average FTEs	1,892	825	1,775	757	858	1,639
Average FTEs, women	530	223	497	204	223	443
Percentage female	28%	27%	28%	27%	26%	27%
<b>Key data</b>						
EBITDA margin	4%	12%	5%	11%	9%	5%
EBIT margin	1%	9%	2%	7%	6%	2%

\*Historic average number of shares restated after new issue for comparison.

## Segment reporting

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

Q3 2021, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	3,538	61	317	21	3,938
Internal revenue	30	14	16	-60	0
<b>Net sales</b>	<b>3,568</b>	<b>75</b>	<b>333</b>	<b>-38</b>	<b>3,938</b>
<b>Gross profit</b>	<b>715</b>	<b>21</b>	<b>133</b>	<b>26</b>	<b>896</b>
<b>Adjusted EBITDA</b>	<b>281</b>	<b>-13</b>	<b>54</b>	<b>-23</b>	<b>298</b>
Items affecting comparability and adjustments	-51	1	-1	-91	-142
<b>EBITDA</b>	<b>230</b>	<b>-12</b>	<b>53</b>	<b>-114</b>	<b>157</b>
Depreciation and amortization					132
<b>EBIT</b>					<b>25</b>
Net finance income					276
<b>Profit before tax</b>					<b>301</b>

Q3 2020, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	1,686	58	33	-	1,778
Internal revenue	32	3	6	-41	0
<b>Net sales</b>	<b>1,718</b>	<b>61</b>	<b>40</b>	<b>-41</b>	<b>1,778</b>
<b>Gross profit</b>	<b>429</b>	<b>15</b>	<b>37</b>	<b>-</b>	<b>481</b>
<b>Adjusted EBITDA</b>	<b>251</b>	<b>-6</b>	<b>3</b>	<b>-15</b>	<b>234</b>
Items affecting comparability and adjustments	-18	0	-2	0	-19
<b>EBITDA</b>	<b>234</b>	<b>-6</b>	<b>1</b>	<b>-15</b>	<b>215</b>
Depreciation and amortization					-60
<b>EBIT</b>					<b>155</b>
Net finance income					-20
<b>Profit before tax</b>					<b>135</b>

Jan-Sep 2021, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	9,947	163	783	78	10,970
Internal revenue	84	119	44	-247	0
<b>Net sales</b>	<b>10,031</b>	<b>282</b>	<b>826</b>	<b>-169</b>	<b>10,970</b>
<b>Gross profit</b>	<b>2,130</b>	<b>54</b>	<b>324</b>	<b>76</b>	<b>2,585</b>
<b>Adjusted EBITDA</b>	<b>867</b>	<b>-34</b>	<b>113</b>	<b>-95</b>	<b>851</b>
Items affecting comparability and adjustments	-151	8	-4	-203	-350
<b>EBITDA</b>	<b>716</b>	<b>-25</b>	<b>109</b>	<b>-298</b>	<b>501</b>
Depreciation and amortization					-331
<b>EBIT</b>					<b>170</b>
Net finance income					424
<b>Profit before tax</b>					<b>594</b>

Jan-Sep 2020, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	4,729	184	111	-	5,024
Internal revenue	85	3	17	-106	0
<b>Net sales</b>	<b>4,814</b>	<b>187</b>	<b>88</b>	<b>-66</b>	<b>5,024</b>
<b>Gross profit</b>	<b>1,215</b>	<b>54</b>	<b>118</b>	<b>-</b>	<b>1,388</b>
<b>Adjusted EBITDA</b>	<b>643</b>	<b>-5</b>	<b>2</b>	<b>-28</b>	<b>611</b>
Items affecting comparability and adjustments	-25	-1	2	-51	-75
<b>EBITDA</b>	<b>617</b>	<b>-6</b>	<b>4</b>	<b>-79</b>	<b>536</b>
Depreciation and amortization					-174
<b>EBIT</b>					<b>362</b>
Net finance income					-40
<b>Profit before tax</b>					<b>322</b>

## Distribution of external net sales

Q3 2021, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
<b>Net sales by customer country/region</b>					
France	158	1	15	-	174
Sweden	42	4	7	16	70
Germany	87	0	5	0	92
Other EU countries	561	21	57	15	654
Brazil	233	-	10	-	243
India	234	0	-7	-	227
Singapore	75	2	1	-	78
United Kingdom	390	-	25	-	416
USA	1,322	15	81	0	1,419
Rest of the world	423	18	123	1	565
<b>Total</b>	<b>3,526</b>	<b>61</b>	<b>317</b>	<b>33</b>	<b>3,938</b>
<b>Net sales by product/service</b>					
Communication services	3,493	61	288	3	3,845
Initial software licenses and upgrades	6	-	7	14	27
Support	1	-	22	-	22
Other	27	-	-	16	43
<b>Total</b>	<b>3,526</b>	<b>61</b>	<b>317</b>	<b>33</b>	<b>3,938</b>
<b>Net sales allocation per point in time</b>					
Over time	249	0	29	16	294
At one point in time	3,277	61	288	17	3,643
<b>Total</b>	<b>3,526</b>	<b>61</b>	<b>317</b>	<b>33</b>	<b>3,938</b>

Q3 2020, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
<b>Net sales by customer country/region</b>					
France	98	0	-	-	98
Sweden	132	2	7	-	140
Germany	63	0	1	-	65
Other EU countries	145	8	12	-	166
Brazil	20	-	-	-	20
India	60	0	-	-	60
Singapore	86	14	-	-	100
United Kingdom	146	1	1	-	148
USA	902	25	-	-	927
Rest of the world	34	8	13	-	54
<b>Total</b>	<b>1,686</b>	<b>58</b>	<b>33</b>	<b>-</b>	<b>1,778</b>

<b>Net sales by product/service</b>					
Communication services	1,672	58	-	-	1,730
Initial software licenses and upgrades	4	-	11	-	15
Support	2	-	23	-	24
Other	9	-	-	-	9
<b>Total</b>	<b>1,686</b>	<b>58</b>	<b>33</b>	<b>-</b>	<b>1,778</b>

<b>Net sales allocation per point in time</b>					
Over time	18	-	33	-	51
At one point in time	1,669	58	-	-	1,727
<b>Total</b>	<b>1,686</b>	<b>58</b>	<b>33</b>	<b>-</b>	<b>1,778</b>

Jan-Sep 2021, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
<b>Net sales by customer country/region</b>					
France	457	1	21	0	479
Sweden	213	6	23	42	284
Germany	298	1	9	0	309
Other EU countries	1,122	51	141	44	1,358
Brazil	553	-	10	-	563
India	624	0	3	-	627
Singapore	311	11	3	-	325
United Kingdom	941	-	72	-	1,013
USA	4,319	48	181	0	4,549
Rest of the world	1,097	45	318	2	1,462
<b>Total</b>	<b>9,935</b>	<b>163</b>	<b>783</b>	<b>90</b>	<b>10,970</b>

<b>Net sales by product/service</b>					
Communication services	9,848	163	684	3	10,697
Initial software licenses and upgrades	17	-	30	46	92
Support	2	-	69	-	71
Other	68	-	-	41	109
<b>Total</b>	<b>9,935</b>	<b>163</b>	<b>783</b>	<b>90</b>	<b>10,970</b>

<b>Net sales allocation per point in time</b>					
Over time	723	-	99	41	863
At one point in time	9,212	163	683	49	10,107
<b>Total</b>	<b>9,935</b>	<b>163</b>	<b>782</b>	<b>90</b>	<b>10,969</b>

Jan-Sep 2020, SEKm	Messaging	Voice and Video	Operators	Other and eliminations	Group
<b>Net sales by customer country/region</b>					
France	300	1	0	-	301
Sweden	257	6	21	-	284
Germany	238	2	3	-	243
Other EU countries	400	38	34	-	472
Brazil	173	0	-	-	173
India	60	0	-	-	60
Singapore	86	14	-	-	100
United Kingdom	550	4	2	-	556
USA	2,341	77	0	-	2,418
Rest of the world	325	43	50	-	418
<b>Total</b>	<b>4,729</b>	<b>184</b>	<b>111</b>	<b>-</b>	<b>5,024</b>
<b>Net sales by product/service</b>					
Communication services	4,692	184	-	-	4,876
Initial software licenses and upgrades	6	-	30	-	36
Support	4	-	80	-	85
Other	27	-	-	-	27
<b>Total</b>	<b>4,729</b>	<b>184</b>	<b>111</b>	<b>-</b>	<b>5,024</b>
<b>Net sales allocation per point in time</b>					
Over time	19	-	111	-	129
At one point in time	4,710	184	-	-	4,894
<b>Total</b>	<b>4,729</b>	<b>184</b>	<b>111</b>	<b>-</b>	<b>5,024</b>

## Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The group's operational and strategic management functions have been centralized to the parent company. At the end of the period, the parent company had 17 (16) employees. The parent company has no external business activities and the risks are mainly related to the operations of the subsidiaries.

### Condensed parent company income statement and balance sheet

SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Operating income	23	17	65	46	67	86
Operating costs	-59	-85	-172	-136	-222	-257
<b>EBITDA</b>	<b>-36</b>	<b>-68</b>	<b>-107</b>	<b>-90</b>	<b>-154</b>	<b>-171</b>
Depreciation and amortization	-1	-1	-4	-2	-3	-5
<b>EBIT</b>	<b>-38</b>	<b>-68</b>	<b>-110</b>	<b>-92</b>	<b>-157</b>	<b>-176</b>
Finance income & expense	275	37	432	38	-39	355
<b>Profit or loss after financial items</b>	<b>238</b>	<b>-31</b>	<b>322</b>	<b>-54</b>	<b>-196</b>	<b>179</b>
Appropriations	0	0	0	0	89	89
<b>Profit before tax</b>	<b>238</b>	<b>-31</b>	<b>322</b>	<b>-54</b>	<b>-108</b>	<b>268</b>
Tax on profit for the period	-50	5	-113	10	43	-80
<b>Profit for the period*</b>	<b>188</b>	<b>-26</b>	<b>209</b>	<b>-44</b>	<b>-65</b>	<b>187</b>

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

SEKm	30 Sep 2021	30 Sep 2020	31 Dec 2020
<b>ASSETS</b>			
Intangible assets	7	0	3
Property, plant and equipment (tangible assets)	6	9	17
Financial assets	3,391	2,988	6,688
<b>Total non-current assets</b>	<b>3,404</b>	<b>2,997</b>	<b>6,708</b>
<b>Total current assets</b>	<b>14,887</b>	<b>2,778</b>	<b>1,533</b>
<b>TOTAL ASSETS</b>	<b>18,291</b>	<b>5,776</b>	<b>8,241</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	453	6	6
Non-restricted equity	16,539	3,659	6,947
<b>Total equity</b>	<b>16,992</b>	<b>3,665</b>	<b>6,953</b>
Untaxed reserves	31	28	31
Provisions	8	1	1
Non-current liabilities	928	995	962
Current liabilities	332	1,086	294
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,291</b>	<b>5,776</b>	<b>8,241</b>

### Note 1 - Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable provisions of the Annual Accounts Act. Disclosures in accordance with IAS 34 *Interim Financial Reporting* are provided in notes and elsewhere in the interim report. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 *Accounting of Legal Entities*. The accounting policies and estimation methods are unchanged from those applied in the 2020 annual report. There are no amendments to IFRS standards in 2021 that are expected to have material impact on the Group's results of operations and financial position.

Risks and uncertainties relevant to Sinch are described in the 2020 Annual Report. Thus far during the year, Sinch has not had material changes in profitability due to Covid-19 that would affect the use of assets, such as deferred tax assets and intangible assets. Risk assessment is performed on an ongoing basis and impairment tests are performed if circumstances indicate that such assets may be impaired.

### Note 2 - Operating profit

As of Q2 2021, items affecting comparability and adjustments in EBITDA also include the costs of incentive programs and operational

exchange rate gains and losses. Operational exchange rate gains and losses include realized and unrealized currency movements in operating liabilities and receivables, but does not include translation differences recognized in other comprehensive income. Adjusted EBITDA in earlier periods is reported according to the updated definition and has thus been restated retroactively.

Following this change, employee benefits expenses included in Adjusted EBITDA are reduced by the costs for incentive programs in accordance with IFRS 2 Share-based Payment and the provision for social insurance fees based on the fair value of the warrants at the reporting date.

Operating income and other operating costs are reduced by realized and unrealized exchange rate gains and losses. These operational exchange rate gains/losses thus refer to specific items affecting comparability in Sinch's income statement. Adjusted EBITDA excludes these items but is still affected by currency movements because Sinch has revenues and costs denominated in currencies other than SEK.

The change in Adjusted EBITDA is aimed at increasing comparability between periods when analyzing Sinch's business. The exchange rate gains and losses that arise in operations due to temporary fluctuations in exchange rates can have relatively large effect on individual quarters, although the net cost has been negligible over time. Excluding these profit and loss items from Adjusted EBITDA provides better opportunity to understand Sinch's business and the trend in the underlying cost base.

The costs of incentive programs are clarified and divided into payroll costs and social insurance costs, where payroll costs are, in accordance with IFRS 2, an estimated cost that does not affect cash flow and social insurance costs fluctuate with Sinch's price per share. Excluding these costs from Adjusted EBITDA ensures that short-term changes in the share price do not impede analysis of the underlying business and makes it easier to relate Adjusted EBITDA to Sinch's cash flow.

Sinch's financial target is defined as growth in Adjusted EBITDA per share. The future cost of Sinch's incentive programs to existing shareholders is reflected there as dilution, through an increased number of shares. By applying the new definition of Adjusted EBITDA, we ensure that the cost to shareholders in Sinch is not counted twice. Sinch's definition of Adjusted EBITDA also becomes more directly comparable with other listed competitors.

### Reconciliation items related to operating profit

Items affecting comparability and adjustments, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Acquisition costs	-24	-69	-65	-101	-134	-98
Additional acquisition costs	-	-	-	-	-27	-27
Integration costs	-59	-3	-164	-15	-90	-240
Income, adjusted earnout	-	61	0	65	64	0
Profit or loss from sale of property, plant and equipment/intangible assets	-	-	-1	-	-	-1
Profit or loss from sale/discontinuation of subsidiaries	-0	-	-	-	-11	-11
Costs of share-based incentive programs	-45	-4	-91	-18	-51	-124
Operational exchange rate gains/losses	-14	-5	-29	-6	-25	-48
<b>Total items affecting comparability in EBITDA</b>	<b>-142</b>	<b>-19</b>	<b>-350</b>	<b>-75</b>	<b>-274</b>	<b>-549</b>
Amortization of acquisition-related assets	-103	-44	-248	-128	-194	-314
<b>Total adjustments in EBIT</b>	<b>-245</b>	<b>-64</b>	<b>-598</b>	<b>-204</b>	<b>-469</b>	<b>-863</b>

Acquisition costs, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Messaging	-	-2	-1	-2	-18	-16
Voice and Video	-	-	-	-	-	-
Operators	-	-	-	-	-1	-1
Other and eliminations	-24	-66	-64	-98	-116	-82
<b>Acquisition costs 1)</b>	<b>-24</b>	<b>-69</b>	<b>-64</b>	<b>-101</b>	<b>-134</b>	<b>-98</b>

1) Reported as other external costs

Cost, adjusted earnout, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Messaging	-	-	-	-	-27	-27
Voice and Video	-	-	-	-	-	-
Operators	-	-	-	-	-	-
Other and eliminations	-	-	-	-	-	-
<b>Cost, adjusted earnout<sup>2)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-27</b>	<b>-27</b>

2) Reported as other external costs

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
<b>Integration costs</b>						
Messaging	-48	-11	-120	-18	-12	-114
Voice and Video	-	-	-	-	-	-
Operators	-2	-	-4	-	-1	-5
Other and eliminations	-9	8	-40	4	-78	-121
<b>Integration costs<sup>3</sup></b>	<b>-59</b>	<b>-3</b>	<b>-164</b>	<b>-15</b>	<b>-90</b>	<b>-240</b>

3) Reported as other external costs

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
<b>Income, adjusted earnout, SEKm</b>						
Messaging	-	-	0	-	1	1
Voice and Video	-	-	-	-	-	-
Operators	-	-	-	4	2	-1
Other and eliminations	-	61	-	61	61	-
<b>Income, adjusted earnout<sup>4</sup></b>	<b>-</b>	<b>61</b>	<b>0</b>	<b>65</b>	<b>64</b>	<b>0</b>

4) Reported as other operating income

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
<b>Profit or loss from sale of non-current assets</b>						
<b>Non-current assets, SEKm</b>						
Messaging	-	-	-	-	-	-
Voice and Video	-	-	-	-	-	-
Operators	-	-	-1	-	-	-1
Other and eliminations	-	-	-	-	-	-
<b>Profit or loss from sale of property, plant and equipment/intangible assets, SEKm<sup>5</sup></b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-1</b>

5) Reported as other operating income or other operating costs

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
<b>Profit or loss from sale/discontinuation of subsidiaries, SEKm</b>						
Messaging	0	-	-	-	1	1
Voice and Video	-	-	-	-	2	2
Operators	-	-	-	-	-	-
Other and eliminations	-	-	-	-	-14	-14
<b>Profit or loss from sale/discontinuation of subsidiaries<sup>6</sup></b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-11</b>	<b>-11</b>

6) Reported as other operating income or other operating costs

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
<b>Costs of share-based incentive programs, SEKm</b>						
Cost of vested warrants per IFRS 2	-34	-3	-86	-4	-15	-98
Social insurance costs	-11	-1	-5	-14	-36	-27
<b>Costs of share-based incentive programs<sup>7</sup></b>	<b>-45</b>	<b>-4</b>	<b>-91</b>	<b>-18</b>	<b>-51</b>	<b>-124</b>

7) Reported as employee benefits expenses. Recognized in the Other and eliminations segment

	Q3	Q3	Jan-Sep	Jan-Sep	2020	R12M
	2021	2020	2021	2020		
<b>Operational exchange rate gains/losses, SEKm</b>						
Messaging	-2	-4	-29	-4	-18	-43
Voice and Video	1	0	8	-1	-3	6
Operators	1	-2	1	-1	-5	-3
Other and eliminations	-13	1	-8	1	1	-8
<b>Operational exchange rate gains/losses<sup>8</sup></b>	<b>-14</b>	<b>-5</b>	<b>-29</b>	<b>-6</b>	<b>-25</b>	<b>-48</b>
<b>Of which:</b>						
Realized exchange rate gains/losses	-21	-5	-50	-6	-25	-69
Unrealized exchange rate gains/losses	7	-	21	-	-	21
<b>Operational exchange rate gains/losses<sup>8</sup></b>	<b>-14</b>	<b>-5</b>	<b>-29</b>	<b>-6</b>	<b>-25</b>	<b>-48</b>

8) Reported as other operating income or other operating costs



### Note 3 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 88m (7). The increase in issued guarantees arises from the acquisitions of ACL and Wavy.

### Note 4 - Incentive programs

Under the incentive program (LTI 2021) adopted by the AGM on 18 May 2021, 176,988 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2021 is 323,000.

During the period of January-September, 326,882 warrants from LTI 2016 were exercised with a corresponding increase in the number of shares outstanding. The exercise price was SEK 127.67 per share. During the third quarter, 432,486 warrants from LTI 2018 and 16,640 warrants from LTI 2020 were exercised, where each warrant carried 10 shares. The exercise price was SEK 9.13 per share for LTI 2018 and SEK 62.40 per share for LTI 2020. Equity was increased by SEK 92m through the exercise of warrants.

Total costs for the incentive programs recognized on the income statement amount to SEK 91m (18) for the period of January to September. Payroll costs for vested warrants are included in profit and loss for 2020 in the amount of SEK 86m (4), with a corresponding increase in equity. Social insurance costs are included in the amount of SEK 5m (14), with a corresponding increase of provisions in the balance sheet. Payroll costs reduced profit in Q3 by SEK 34m (3) and social insurance costs reduced profit by SEK 11m (1).

All warrants have been assessed as dilutive during the quarter because the exercise price has been lower than the average share price. The potential dilutive effect, as measured at the inception of the programs, is 3.1 percent (4.1) upon exercise of all warrants in all programs.

Please refer to Note 7 of the 2020 annual report for detailed information concerning the group's incentive programs LTI 2016, LTI 2018, LTI 2019, LTI 2020 and LTI 2020 II.

### Note 5 - Depreciation, amortization and impairments

Depreciation, amortization and impairments, SEKm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	2020	R12M
Amortization acquired customer relationships	-71	-29	-169	-87	-132	-214
Amortization acquired operator relationships	-7	-5	-19	-13	-17	-24
Amortization acquired trademarks	-2	-1	-7	-1	-4	-9
Amortization acquired software	-22	-10	-52	-27	-41	-67
<i>Total acquisition-related amortization</i>	<i>-103</i>	<i>-44</i>	<i>-248</i>	<i>-128</i>	<i>-194</i>	<i>-314</i>
Amortization proprietary software	-10	-4	-25	-13	-20	-32
Amortization licenses	-1	0	-3	-1	-1	-4
<b>Total amortization intangible assets</b>	<b>-114</b>	<b>-48</b>	<b>-276</b>	<b>-142</b>	<b>-216</b>	<b>-350</b>
Property, plant and equipment (tangible assets)	-8	-4	-26	-10	-17	-32
Right-of-use assets	-10	-8	-29	-21	-30	-37
<b>Total depreciation</b>	<b>-131</b>	<b>-60</b>	<b>-331</b>	<b>-174</b>	<b>-262</b>	<b>-419</b>

### Note 6 - Acquisition of group companies

#### Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy through acquisition of 100% of the shares in two companies, Movel Internet Móvel S.A. and Wavy Global Holdings BV, for cash consideration of BRL 383m (SEK 545m) and a non-cash issue of 1,534,582 new shares in Sinch. The acquisition closed on 1 February 2021. The acquisition will be financed with a combination of existing cash reserves and debt facilities. Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles more than 13 billion messages a year. With its sharp focus on innovation, Wavy has also achieved a leading position within next-generation interactive messaging via WhatsApp.

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

The acquisition is included in the consolidated accounts from 1 February 2021. The fair value of acquired trade receivables amounted to SEK 198.2m. The contractual gross amount of trade receivables is SEK 198.2m. The purchase consideration was adjusted by BRL 109.8m (SEK 168.8m) during Q2. The entire increase has been recognized as goodwill. The acquisition analysis may need to be revised because the consideration is preliminary, and the value of intangible assets and deferred tax may change upon in-depth analysis.

#### Inteliquent

On 17 February 2021, Sinch closed a binding agreement to acquire Inteliquent, the largest independent voice communications provider in the US, for total cash consideration of USD 1,140m on a cash and debt-free basis. Inteliquent was acquired through acquisition of

100% of the shares in the legal entity Onvoy Holdings Inc. The acquisition was financed with a combination of existing cash reserves and debt facilities. During the twelve-month period ending 31 December 2020, Inteliquent had revenues of USD 533m, gross profit of USD 256m, EBITDA of USD 135m and CAPEX of USD 32m. 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 is subject to customary conditions, including clearance from CFIUS and US competition authorities and the approval of the FCC, certain regulatory authorities and the granting of other permits. The transaction is expected to close before the end of the year. Consequently, the acquisition is not yet included in the consolidated accounts.

#### **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. At the date the acquisition was announced, the estimated consideration amounted to USD 1.3 billion on a cash and debt-free basis. Sinch will pay USD 1.1 billion in cash and the remainder in 1,128,487 new shares in Sinch. When the deal was announced, this corresponded to total consideration of SEK 10,745m. Headquartered in Melbourne, Australia, the business has a workforce of more than 350 people.

Close of the transaction is subject to customary terms, conditions and regulatory approvals from the Australian Foreign Investment Review Board (FIRB), Australian Competition and Consumer Commission (ACCC) and US competition authorities. The acquisition is expected to close before the end of the year. Consequently, the acquisition is not yet included in the consolidated accounts.

#### **MessengerPeople**

Sinch entered into a binding agreement on 22 September 2021 to acquire MessengerPeople, a leading software-as-a-service platform for conversational messaging. The acquisition closed on 1 November. The agreed consideration is EUR 48m on a cash and debt-free basis. Sinch will pay EUR 33.6m in cash and EUR 14.4m in the form of 835,677 new shares in Sinch. At a EUR/SEK exchange rate of 9.937 on 31 October, and a share price of SEK 163.40 this corresponds to total consideration of SEK 470m. As the transaction closed after the reporting date, the acquisition is not included in the consolidated accounts. The acquisition was executed the day before the interim report was published. Consequently, it was impossible for practical reasons to disclose information about the acquisition analysis or recalculate the purchase consideration based on the share price and exchange rate in effect on 1 November.

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 (Germany, Austria and Switzerland). The company had sales of USD 3.8m and EBITDA of USD -1.2m in 2020. The company has about 40 employees and is based in Munich, Germany.

#### **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. The acquisition will be financed through a combination of cash, shares and debt facilities. When the transaction closes, Sinch will pay the sellers a cash settlement of USD 925m. The sellers will also receive 51 million new shares in Sinch, which will be delivered to the sellers in February and May 2022.

Sinch will pay the sellers USD 925m in cash and 51 million new shares in Sinch. The day before the deal was announced, this corresponded to consideration of approximately USD 1.9bn (at a share price of SEK 164.60), or SEK 16.6bn. The acquisition will be financed through a combination of cash, shares and debt facilities. Pathwire is headquartered in San Antonio, Texas and has about 290 employees.

Pathwire will be acquired through a merger with a subsidiary of Sinch, Pegasus Corp One, which is incorporated in Delaware. Execution of the transactions is subject to customary conditions, including a premerger notification and review by the Federal Trade Commission and the US Department of Justice. The transaction is expected to close in late 2021. Consequently, the acquisition is not yet included in the consolidated accounts.

#### **Previous acquisitions**

The final consideration of EUR 12.3m (SEK 124.2m) for the acquisition of SDI was paid in Q1. The acquisition analysis is still preliminary because the value of intangible assets and deferred tax may change upon in-depth analysis.

An earnout of SEK 9m has been paid for the acquisition of myElefant. The remaining debt amounts to EUR 1.75m and is expected to be paid within one year.

Fair value of acquired net assets, SEKm	ACL <sup>2</sup>	SDI <sup>3</sup>	Wavy <sup>1</sup>
Customer relationships	137	852	272
Operator relationships	29	42	45
Trademarks	4	-	8
Amortization proprietary software	52	62	61
Other intangible assets	-	-	1
Buildings	27	-	-
Other property, plant and equipment	13	11	11
Leased assets	1	-	9
Financial assets	-	7	0
Trade receivables	188	449	198
Accrued income	60	54	-
Deferred tax assets	-	4	42
Other current assets	46	5	101
Cash and cash equivalents	17	276	186
Deferred tax liability	-57	-244	-128
Non-current liabilities	-8	-	-
Lease liability	-1	-	-9
Trade payables	-95	-206	-55
Current interest-bearing liabilities	-9	-	-
Other current liabilities	-101	-262	-143
<b>Total acquired net assets</b>	<b>303</b>	<b>1,049</b>	<b>599</b>

<sup>1</sup> The acquisition analysis is preliminary but has not changed since Q2.

<sup>2</sup> There were typographical errors in the acquisition analysis in the annual report, but the acquisition analysis and the accounting report have not been changed.

<sup>3</sup> The acquisition analysis remains preliminary.

Purchase consideration, SEKm	ACL	SDI	Wavy
Consideration paid	636	2,511	714
Consideration paid, own shares	-	-	1,961
<b>Total consideration</b>	<b>636</b>	<b>2,511</b>	<b>2,675</b>
Fair value of acquired net assets	-303	-1,049	-599
<b>Goodwill</b>	<b>333</b>	<b>1,462</b>	<b>2,076</b>

Investing activities 2021, SEKm	MyElefant	SDI	Wavy	Total
Consideration paid	9	124	714	847
Cash and cash equivalents in acquired companies	-	-	-186	-186
Direct costs relating to acquisitions	-	-	-	-
<b>Effects on cash and cash equivalents:</b>	<b>9</b>	<b>124</b>	<b>528</b>	<b>661</b>

Direct costs relating to acquisitions are included in the item "Other external expenses" on the income statement. Direct costs of acquisitions expected to close in Q4 are included in items affecting comparability and adjustments on page 3.

Acquired companies' contribution 2021, SEKm	Wavy
Net sales	675
Profit after tax for the year	28

The following table shows sales and profit for the year as if the acquisitions had taken place on 1 January 2021

2021, SEKm	Messenger People	Wavy	Other Sinch companies	Total
Net sales	39	752	10,306	11,097
Profit after tax for the year	4	47	438	489

## 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. Please refer to [investors.sinch.com](http://investors.sinch.com) for a reconciliation of these financial measurements and organic growth.

#### Gross margin

Gross profit in relation to net sales.

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

#### Gross profit

Net sales less the cost of goods and services sold.

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

#### Net investments in property, plant and equipment and intangible assets

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

#### Interest-bearing liabilities

Bond loans, bank loans and lease liabilities.

*Used to calculate net debt.*

#### Net debt

Interest-bearing liabilities less cash and cash equivalents.

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

#### Net debt/Adjusted EBITDA RTM

Net debt divided by adjusted EBITDA, past 12 months.

*Shows how many years it would take to pay off the company's debts presuming that net debt and EBITDA are constant and with no consideration of other cash flows.*

#### OPEX

Other external expenses and employee benefits expenses

#### Equity ratio

Equity as a percentage of total assets.

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

#### EBIT

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

#### EBITDA

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

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

Items affecting comparability and adjustments

Non-recurring items such as capital gains/losses, impairments, acquisition costs, integration costs and restructuring costs, as well as certain regularly recurring items that also affect comparability, such as operational exchange rate gains/losses and the costs of share-based incentive programs.

*Separate reporting of items affecting comparability and adjustments clarifies the trend in the underlying business.*

#### Adjusted EBIT

EBIT excluding items affecting comparability, adjustments and depreciation and amortization of acquisition-related assets that do not give rise to any cash flows.

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

#### Adjusted EBITDA

EBITDA excluding items affecting comparability and adjustments.

*Enables comparison of profitability over time, regardless of the effects of acquisition costs, integration costs and other items affecting comparability.*

#### Adjusted EBITDA per share

Adjusted EBITDA divided by the volume-weighted average number of shares outstanding for the period after dilution.

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

#### Adjusted EBITDA/gross profit

Adjusted EBITDA divided by gross profit.

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

#### EBIT margin/Adjusted EBIT margin

EBIT/Adjusted EBIT in relation to net sales.

#### EBITDA margin/Adjusted EBITDA margin

EBITDA/Adjusted EBITDA in relation to net sales,

## **Operational measurements**

### **Percentage female**

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

### **Number of ordinary shares at the end of the period**

Number of ordinary shares at the end of the period.

### **Average number of employees and consultants**

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

### **Organic growth**

Growth adjusted for acquisition and currency effects.

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

### **Total shares outstanding**

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

## **Terms and acronyms**

See page 118 of the 2020 Annual Report for Sinch AB (publ) for definitions of terms and acronyms used in this report.

## About Sinch

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

## Forthcoming reporting dates

Year-end report 2021	17 February
Interim report Q1, Jan-Mar 2022	28 April
Interim report Q2, Jan-Jun 2022	20 July
Interim report Q3, Jan-Sep	2 November

## Outlook

Sinch does not publish forecasts.

## Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include risks related to currency fluctuations, dependence on certain strategic partners, technological change, dependence on key personnel, pandemics, tax risks and political risks related to the multinational nature of the Group's activities. Risk management is an integral part of Sinch's management, and risks are described in more detail in the 2020 annual report. The risks described for the Group may also have an indirect impact on the parent company. Pandemics, such as the one caused by Covid-10, can have serious impact on our local and global operations.

## For additional information, please contact:

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Stockholm, 2 November 2021

Erik Fröberg  
Chairman of the Board

Bridget Cosgrave  
Director

Renée Robinson Strömberg  
Director

Johan Stuart  
Director

Björn Zethraeus  
Director

Luciana Carvalho  
Director

Oscar Werner  
President and Chief Executive Officer

Note: Sinch AB (publ) is required to publish the information in this interim report pursuant to the EU Market Abuse Regulation. The information was released for publication by the contact person above on 2 November 2021 at 07:30 CET.

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

Although we are working to institute continuity measures and ensure that we continue to meet the needs of our customers and mitigate the impact on our business, disruptions in the global economy and the businesses and operations of our customers, suppliers and partners could cause disruptions to our business and entail material impact on our operations and financial position.

## Forward-looking statements

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

## Assurance

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

## Headquarters

Sinch AB (publ)  
Lindhagensgatan 74  
112 18 Stockholm, Sweden  
Corporate ID 556882-8908  
sinch.com

## **Auditor's review report**

### **Introduction**

We have performed a review of the condensed interim financial statements (interim report) for Sinch AB (publ) as per 30 September 2021 and the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

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

### **Conclusion**

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

Stockholm, 2 November 2021  
Deloitte AB

Johan Telander  
Authorized Public Accountant