Sinch Denmark ApS

Fruebjergvej 3

DK-2100 Copenhagen Ø

Central Business Registration No. 26 36 17 10

Annual Report 2018

The Annual General Meeting adopted the annual report on May 10, 2019

Chairman of the General Meeting

Jan Færch

Contents

Company details

Company

Sinch Denmark ApS
Fruebjergvej 3
DK-2100 Copenhagen Ø
Central Business Registration No: 26 36 17 10
Registered in Copenhagen

Phone: +45 5357 1434
Internet: www.sinch.com

Financial period: 1 January – 31 December
Incorporated: 26 April 2011

Board of Directors

Roshan Brice Saldanha, Chairman
Robert Paul Gerstmann
Björn Henrik Johannes Zethraeus

Executive Board

Jan Færch

Company auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Bankers

Danske Bank
Finanscenter København
Holmens Kanal 2
DK-1090 Copenhagen K

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Sinch Denmark ApS for the financial 1 January - 31 December 2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 for the Company and of the results of the Company's operations and cash Flows for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the review.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, May 10, 2019

Executive Board

Jan Færch

Board of Directors

Roshan Brice Saldanha Chairman	Robert Paul Gerstmann	Björn Henrik Johannes Zethraeus

Independent Auditor's report

To the Shareholder of Sinch Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sinch Denmark ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies for the Parent Company ("financial statements").

In our opinion, Management's Review includes a true and fair account of the matters addressed in the review.

We recommend the annual report for adoption at the Annual General Meeting.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other 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 opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent Auditor's report

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Company's Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of the Company's Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 financial statements.

Independent Auditor’s report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Independent Auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, May 10, 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Henrik Y Jensen
State Authorized Public Accountant
mne35442

Management Review

The Annual Report for Sinch Denmark ApS for 2018 has been prepared in accordance with the requirements of the Danish Financial Statements Act applying to enterprises of reporting class B with the adoption of requirements from medium-sized enterprises of reporting class C.

From 2018 and with reference to section 110 of the Danish Financial Statements Act, the annual report does not include consolidated financial statements.

Main Activity

The Company's main activity consist of Mobile Communication services and related supply of platforms and systems.

Development in the year

In 2018, the Company continued its focus on the sale Communication solutions to a various range of sectors worldwide.

The income statement for 2018 shows a result from operations (EBITDA) of KDKK 32,917 and a total profit after tax of KDKK 23,277. On 31 December 2018 the balance sheet shows equity of KDKK 24,542.

The Company's result for 2018 is considered acceptable.

Targets and expectations for the year ahead

Considering the investments made and the current market conditions, the last years positive development in the activities and operating earnings of Company is expected to continue in 2019.

Management believes that the Company's capital resources are adequate and appropriate for the entire financial year 2019.

Special risks - operating risks and financial risks

Market risks

There is no indication that continued growth cannot be achieved under the current economic and financial conditions.

Financial risks

The Company is not exposed to specific financial risks other than risks associated with normal business activities e.g. exposure to currency fluctuations and price adjustments.

Management Review

Basis of earnings

Research and development

As in previous years, development costs for specific platforms have been capitalized. The investments are expected to contribute significantly to earnings in the following years.

Intellectual capital resources

The most material intellectual capital resources consist of the Company’s employees. The employees will contribute to the Company’s earnings on a current basis in 2019.

Impact on the Environment

Management does not consider the Company to have activities that has a significant impact on the environment and therefore has not seen the need for a written policy.

Uncertainty relating to recognition and Measurement

In order to minimize the uncertainty which is inherent in the assessment and valuation of development projects, standardized measurement methods are applied, which are optimized on a current basis.

The annual report is prepared based on management's best estimates and judgments at the time of the presentation of the annual report. Reference is made to note 1 in the annual report, where uncertainty about recognition and measurement are further described.

Subsequent events

No material events affecting the assessment of the Annual Report have occurred after the balance sheet date.

Accounting policies

The Annual Report has been prepared in accordance with the requirements of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class B with the adoption of requirements from medium-sized enterprises of reporting class C.

In 2018, salaries capitalized as development projects in the balance sheet has been reclassified from staff cost to gross profit. Comparative figures have been adjusted accordingly.

The change does not affect the result, the equity or the financial position of the Company.

Accounting policies are otherwise unchanged from previous years.

The Financial Statements for 2018 are presented in KDKK.

With reference to section 110 of the Danish Financial Statements Act, the annual report for 2018 does not include a consolidated financial statement.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Income Statement *(continued)*

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods for resale and finished goods is recognized in the income statement when delivery is made, and risk has passed to the buyer. Revenue is recognized exclusive of VAT and net of discounts relating to sales.

Contracts of work in progress are included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).This method is applied when total revenues and expenses and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

Cost of goods sold

Cost of goods sold includes costs incurred to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The Company's share of the enterprises' profits or losses after elimination of unrealized intragroup profits and losses and less or plus amortization of positive, or negative, goodwill is recognized in the income statement.

Accounting policies

Income Statement *(continued)*

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

The Company is jointly taxed with all Danish group companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intangible assets

Goodwill are measured at cost less accumulated amortizations. Goodwill is amortized straight-line over its estimated useful life which is estimated to be 10 years.

Intangible assets comprise uncompleted and completed development projects with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilization, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred.

Accounting policies

Balance sheet *(continued)*

Intangible assets *(continued)*

The cost of development projects comprises costs such as salaries and amortization that are directly and indirectly attributable to the development projects.

Completed development projects are amortized on a straight-line basis using the estimated useful lives of the assets. The amortization period is three years.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price and costs directly attributable to the acquisition until the time when the asset is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	4 years

Useful lifetime and scrap value are reassessed annually.

Investments in subsidiaries

Investments in subsidiaries are recognized and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or less unamortized positive, or negative, goodwill and plus or less unrealized intra-group profits or losses.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Company's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Investments in subsidiaries are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Balance sheet *(continued)*

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less provisions for bad debts.

Contracts work in progress

Contracts work in progress (construction contracts) is measured at the selling price of the work carried out at the balance sheet date. The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress.

Usually, the stage of completion is determined as the ratio between actual and total budgeted consumption of resources. For some projects where the consumption of resources cannot be applied as a basis, the ratio between completed and total sub-activities of the individual projects has been applied.

If the selling price of a construction contract cannot be made up reliably, it is measured at the lower of costs incurred and net realizable value.

Each contract in progress is recognized in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Contract work in progress

Costs of sales work and of securing contracts as well as financing costs are recognized in the income statement as incurred.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Prepayments (assets)

Prepayments comprise incurred costs relating to subsequent financial years.

Dividend

Dividend is recognized as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Financial debts

Other debts are measured at amortized cost, substantially corresponding to nominal value.

Accounting policies

Balance sheet *(continued)*

Prepayments (liabilities)

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Income statement for 2018

	Notes	2018 (KDKK)	2017 (KDKK)
Gross profit		**45.674**	**43.310**
Staff expenses	2	(12.727)	(13.670)
EBITDA		**32.947**	**29.640**
Depreciation and impairment losses		(3.188)	(6.119)
Loss before financial items		**29.759**	**23.521**
Income from subsidiaries	3	388	(327)
Financial income	4	71	217
Financial expenses	5	(350)	(283)
Profit before tax		**29.868**	**23.128**
Tax on profit for the year	6	(6.591)	(5.479)
Net profit for the year		**23.277**	**17.649**
Proposed distribution of profit			
Extraordinary dividend		21.900	0
Reserve for capitalized development		583	1.844
Reserves according to the equity method		(3.909)	(303)
Retained earnings		4.703	16.108
		23.277	**17.649**

Balance sheet – December 2018

	Notes	2018 (KDKK)	2017 (KDKK)
Development Projects		4.771	5.561
Intangible assets		**4.771**	**5.561**
Fixtures and equipment		359	134
Leasehold improvements		96	0
Tangible assets		**455**	**134**
Investments in group enterprises		2.873	6.842
Financial assets		**2.873**	**6.842**
Fixed assets		**8.099**	**12.537**
Trade receivables		12.303	11.860
Contracts of work in progress	7	0	66
Receivables from group enterprises		4.034	12.101
Deferred tax asset		0	3.858
Tax receivables		0	188
Other receivables		312	1
Prepayments	8	345	292
Receivables		**16.994**	**28.366**
Cash		**26.475**	**10.765**
Current assets		**43.469**	**39.131**
Assets		**51.568**	**51.668**

Balance sheet – December 2018

	Notes	2018 (KDKK)	2017 (KDKK)
Share capital	9	321	321
Retained earnings		20.499	15.839
Reserves for capitalized development		3.722	3.139
Reserves according to the equity method		0	3.909
Equity		**24.542**	**23.208**
Provision for deferred tax		854	0
Other provisions		1.493	1.443
Provisions		**2.347**	**1.443**
Bank Debt		30	99
Trade payables	10	16.507	17.288
Payables to group enterprises		763	4.388
Income tax		1.750	0
Other Payables		5.629	5.242
Short-term liabilities		**24.679**	**27.017**
Liabilities other than provisions		**24.679**	**27.017**
Equity, provisions and liabilities		**51.568**	**51.668**
Contingent assets, liabilities and other financial obligations	11		
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Statement of changes in equity 2018

	Share Capital KDKK	Reserves for Development	Reserves according to the equity method KDKK	Retained earnings KDKK	Total KDKK
Equity at 1 January	321	3.139	3.909	15.839	23.208
Extraordinary dividend	0	0	0	(21.900)	(21.900)
Profit/loss for the year	0	583	(3.909)	26.603	23.277
Exchange rate adjustment	0		0	(43)	(43)
Equity at 31 December	**321**	**3.722**	**0**	**20.499**	**24.542**

Notes

1 Uncertainty about recognition and measurement

Accounting uncertainties, estimates and assumptions

In the presentation of the annual report, the calculation of the carrying value of certain assets and liabilities is associated with a number of judgments, estimates and assumptions about future events. These are often based on factors which at the time of the presentation of the annual report, are considered sound and correct by the management of the company. By their very nature, these are subject to some uncertainty and predictability. Below some of the key estimation uncertainties and assumptions relating to the valuation of development projects and tax are mentioned. The annual report is prepared based on management's best estimates and judgments at the time of the presentation of the annual report.

Development projects

In the annual report development projects are recognized with a book value of KDKK 4,771. The assessed valuation at the balance sheet date involve a degree of estimation uncertainty.

Development projects relates to development of operating platforms and standard components within the areas of Mobile Communication. The development projects are progressing in line with management's expectations.

The development projects form the basis for ongoing sales to existing customers and is also expected to form the basis for sale to new customers and new markets.

Management regularly assesses the market opportunities for the development projects.

Notes

	2018 (KDKK)	2017 (KDKK)
2 Staff expenses		
Salaries and wages	11.202	12.000
Pension costs	843	822
Other social security costs	165	153
Other staff expenses	517	695
	12.727	**13.670**
Average number of employees	19	20
3 Income from investments in subsidiaries		
Share of earnings in subsidiaries	388	(327)
	388	**(327)**
4 Financial income		
Financial income from group enterprises	68	36
Exchange adjustments	0	157
Other financial income	3	24
	71	**217**
5 Financial expenses		
Financial expenses to group enterprises	0	39
Exchange adjustments	200	0
Other financial expenses	150	244
	350	**283**

Notes

	2018 (KDKK)	2017 (KDKK)
6 Tax on loss for the year		
Current tax	1.878	(4.869)
Change in deferred tax	4.713	(629)
Adjustments concerning previous years	0	19
	6.591	**(5.479)**
7 Contract of work in progress		
Selling price of production for the period	0	66
Payments received on account	0	0
	0	**66**
Recognized in the balance sheet as follows:		
Contract of work in progress	0	66
Prepayments	0	0
	0	**66**
Other prepayments received	0	0
	0	**66**

8 Prepayments (asset)

Prepayments comprise incurred costs relating to subsequent financial years.

9 Share capital

Share capital consists of 320.572 shares of a nominal value of DKK 1. The shares have not been divided into classes.

There have been no changes in the share capital in the previous 5 years.

Notes

	2018	2017
	(KDKK)	(KDKK)
10 Trade Payables		
Trade Payables	12.714	11.286
Adjustments concerning previous years	3.793	6.002
	16.507	**17.288**

11 Contingent assets, liabilities and other financial obligations

The Company's total lease obligation amounts to KDKK 2.685 (2017: KDKK 0), where KDKK 921 (2017: KDKK 0) falls due within 1 year and KDKK 1.764 (2017: 0) falls due within 2-5 years.

Securities

Debt to banks are secured by pledge in Sinch Denmark ApS assets of DKK 20m.

Other

The Company is jointly taxed with other Danish companies for parts of the year 2018. The Danish tax-group companies are jointly and severally liable for tax on jointly taxed incomes etc. Moreover, the Danish tax-group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income.

Cash balance in the amount of KDKK 50 is pledged as security for the Company's bank debt.

12 Transactions with related parties

Transactions with related parties has been conducted in line with the arm's length principles.

13 Information on consolidated financial statements

The Company is included in the Group Annual Report of Unwire Holding ApS, Gammeltorv 18, DK-1457 Copenhagen K for the period January 1 – March 22, 2018.

The Company is included in the Group Annual Report of Sinch Holding AB, Lindhagensgatan 74, vån 7 112 18 Stockholm for the period March 23 – December 31, 2018.