

# **Sinch Denmark ApS**

Fruebjergvej 3

DK-2100 Copenhagen Ø

Central Business Registration No. 26 36 17 10

## **Annual Report 2019**

The Annual General Meeting adopted the annual report on May 15, 2020

**Chairman of the General Meeting**

**Jan Færch**

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# 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](http://www.sinch.com)

Financial period: 1 January – 31 December  
Incorporated: 10 December 2001

## 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 2019.

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 2019 for the Company and of the results of the Company's operations for 2019.

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 15, 2020

## **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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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 15, 2020

PricewaterhouseCoopers

**Statsautoriseret Revisionspartnerselskab**

CVR-no. 33 77 12 31

Ulrik Ræild  
State Authorized Public Accountant  
mne33262

Jesper Bo Winther  
State Authorized Public Accountant  
mne26864



# Management Review

The Annual Report for Sinch Denmark ApS for 2019 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.

## Main Activity

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

## Development in the year

In 2019, the Company continued its focus on the sale of Communication solutions to a various range of sectors worldwide.

The income statement for 2019 shows a result from operations (EBITDA) of KDKK 33.349 and a total profit after tax of KDKK 25.003. On 31 December 2019 the balance sheet shows equity of KDKK 49.464.

The Company's result for 2019 is considered acceptable.

## Targets and expectations for the year ahead

Considering the current market conditions, management expects that the past years positive development in the activities and operating earnings of the Company will continue in 2020.

In response to uncertainty around COVID-19, management in Sinch Group has initiated a range of precautionary initiatives to protect employees and ensure maintained service delivery in all circumstances. The direct financial impact of Covid-19 currently remains limited on an overall level.

The Company holds a strong financial position and expect relatively limited negative impact from COVID-19. Management therefore assess that the capital resources are adequate and appropriate for at least the coming year.

# Management Review

## **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**

Reference is made to disclosures relating to subsequent events in note 14.

Apart from the description in note 14, 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 2019, cash funds that are a part of a group cash pool has been reclassified from cash to receivables from group enterprises. 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 2019 are presented in KDKK.

With reference to section 110 of the Danish Financial Statements Act, the annual report for 2019 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 effected 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.

### **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, administration, sales and distribution as well as office expenses, etc.

### **Staff expenses**

Staff expenses comprise salaries and wages as well as other staff related 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 intra-group profits and losses and less or plus amortization of positive, or negative, goodwill is recognized in the income statement.

### **Financial income and expenses**

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

# Accounting policies

## Income Statement (*continued*)

### 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 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.

## Balance sheet

### Intangible assets

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.

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.

# Accounting policies

## Balance sheet (*continued*)

### 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 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.

### Receivables

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

# Accounting policies

## Balance sheet (*continued*)

### **Prepayments (assets)**

Prepayments comprise incurred costs relating to subsequent financial years.

### **Equity**

#### ***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.

### **Prepayments (liabilities)**

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

# Income statement for 2019

	Notes	2019 (KDKK)	2018 (KDKK)
<b>Gross profit</b>		<b>45.316</b>	<b>45.674</b>
Staff expenses	2	(11.967)	(12.727)
<b>EBITDA</b>		<b>33.349</b>	<b>32.947</b>
Depreciation and impairment losses		(2.526)	(3.188)
<b>Loss before financial items</b>		<b>30.823</b>	<b>29.759</b>
Income from subsidiaries	3	1.176	388
Financial income	4	75	71
Financial expenses		(337)	(350)
<b>Profit before tax</b>		<b>31.737</b>	<b>29.868</b>
Tax on profit for the year	5	(6.734)	(6.591)
<b>Net profit for the year</b>		<b>25.003</b>	<b>23.277</b>
<b>Proposed distribution of profit</b>			
Extraordinary dividend		0	21.900
Reserve for capitalized development		(78)	583
Reserves according to the equity method		611	(3.909)
Retained earnings		24.470	4.703
		<b>25.003</b>	<b>23.277</b>



## Balance sheet – December 2019

	Notes	2019 (KDKK)	2018 (KDKK)
Development Projects		4.670	4.771
<b>Intangible assets</b>	6	<b>4.670</b>	<b>4.771</b>
Fixtures and equipment		307	359
Leasehold improvements		82	96
<b>Tangible assets</b>		<b>389</b>	<b>455</b>
Investments in group enterprises		3.746	2.873
<b>Financial assets</b>		<b>3.746</b>	<b>2.873</b>
<b>Fixed assets</b>		<b>8.805</b>	<b>8.099</b>
Trade receivables		12.965	12.303
Receivables from group enterprises		48.162	29.490
Other receivables		237	312
Prepayments	7	254	345
<b>Receivables</b>		<b>61.618</b>	<b>42.450</b>
<b>Cash</b>		<b>49</b>	<b>1.019</b>
<b>Current assets</b>		<b>61.667</b>	<b>43.469</b>
<b>Assets</b>		<b>70.472</b>	<b>51.568</b>

## Balance sheet – December 2019

	Notes	2019 (KDKK)	2018 (KDKK)
Share capital	8	321	321
Retained earnings		44.888	20.499
Reserves for capitalized development		3.644	3.722
Reserves according to the equity method		611	0
<b>Equity</b>		<b>49.464</b>	<b>24.542</b>
Provision for deferred tax		871	854
Other provisions		1.322	1.493
<b>Provisions</b>		<b>2.193</b>	<b>2.347</b>
Bank Debt		26	30
Trade payables	9	14.199	16.507
Payables to group enterprises		31	763
Income tax		108	1.750
Other Payables		4.300	5.629
Prepayments	10	151	0
<b>Short-term liabilities</b>		<b>18.815</b>	<b>24.679</b>
<b>Liabilities other than provisions</b>		<b>18.815</b>	<b>24.679</b>
<b>Equity, provisions and liabilities</b>		<b>70.472</b>	<b>51.568</b>
Contingent assets, liabilities and other financial obligations	11		
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## Statement of changes in equity 2019

	<b>Share Capital</b> KDKK	<b>Reserves for De- velop- ment</b>	<b>Reserves accord- ing to the eq- uity method</b>  KDKK	<b>Retained earnings</b>  KDKK	<b>Total</b> KDKK
Equity at 1 January	321	3.722	0	20.499	24.542
Profit/loss for the year		(78)	611	24.470	25.003
Exchange rate adjustment	0	0	0	(81)	(81)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Equity at 31 December</b>	<b>321</b>	<b>3.644</b>	<b>611</b>	<b>44.888</b>	<b>49.464</b>
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# 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 unpredictability. 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 net book value of KDKK 4.670. The assessed valuation at the balance sheet date involves a degree of estimation uncertainty.

Development projects relates to development of operating platforms and standard components within the area 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 are 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

	<b>2019</b>	<b>2018</b>
	(KDKK)	(KDKK)
<b>2 Staff expenses</b>		
Salaries and wages	10.634	11.202
Pension costs	841	843
Other social security costs	166	165
Other staff expenses	326	517
	<b>11.967</b>	<b>12.727</b>
Average number of employees	19	19
<b>3 Income from investments in subsidiaries</b>		
Share of earnings in subsidiaries	1.176	388
	<b>1.176</b>	<b>388</b>
<b>4 Financial income</b>		
Financial income from group enterprises	72	68
Other financial income	3	3
	<b>75</b>	<b>71</b>
<b>5 Tax on loss for the year</b>		
Current tax	6.708	1.878
Change in deferred tax	16	4.713
Adjustments concerning previous years	10	0
	<b>6.734</b>	<b>6.591</b>

# Notes

	<b>2019</b>	<b>2018</b>
	(DKKK)	(DKKK)
<b>6 Intangible assets</b>		
Cost, January 1	49.819	47.539
Additions	2.241	2.280
Disposals	(2.272)	0
Cost, December 31	<u>49.788</u>	<u>49.819</u>
Amortization and impairment, January 1	45.048	41.979
Amortization for the year	2.342	3.069
Disposals	(2.272)	0
Amortization and impairment, December 31	<u>45.118</u>	<u>45.048</u>
<b>Carrying amount, December 31</b>	<b><u>4.670</u></b>	<b><u>4.771</u></b>

## 7 Prepayments (asset)

Prepayments under assets comprise incurred costs relating to subsequent financial years.

## 8 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.

	<b>2019</b>	<b>2018</b>
	(DKKK)	(DKKK)
<b>9 Trade Payables</b>		
Trade Payables	12.279	12.714
Settlement Payables	1.920	3.793
	<b><u>14.199</u></b>	<b><u>16.507</u></b>

# Notes

## **10 Prepayments (liabilities)**

Prepayments under liabilities comprise received income for recognition in subsequent financial years.

## **11 Contingent assets, liabilities and other financial obligations**

The Company's total lease obligation amounts to KDKK 1.715 (2018: KDKK 2.685), where KDKK 810 (2018: KDKK 921) falls due within 1 year and KDKK 905 (2018: KDKK 1.764) falls due within 2-5 years.

## **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 Sinch Holding AB, Lindhagensgatan 74, vån 7 112 18 Stockholm.

## **14 Subsequent events**

### **COVID-19**

The COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurring after the balance sheet date (31 December 2019), and therefore a non-adjusting event to the Company.

In response to uncertainty around COVID-19, management in Sinch Group has initiated a range of precautionary initiatives to protect employees and ensure maintained service delivery in all circumstances. The direct financial impact of COVID-19 currently remains limited on an overall level. Messaging volumes are developing as expected.

The Company holds a strong financial position and expect relatively limited negative impact from COVID-19. Management therefore assess that the capital resources are adequate and appropriate for at least the coming year.