

Interim Report January – September 2019

July – September 2019

- Net sales increased by 24 percent to SEK 1,216.4 million (979.3). Organic growth in local currency was 20 percent.
- Gross profit increased by 37 percent to SEK 343.6 million (249.9). Organic growth in local currency was 33 percent.
- Adjusted EBITDA² increased by 55 percent to SEK 147.6 million (95.4).
- Adjusted EBIT³ amounted to SEK 131.5 million (90.8).
- Profit after tax for the quarter amounted to SEK 68.7 million (37.8).
- Diluted earnings per share were SEK 1.27 (0.71).

January – September 2019

- Net sales increased by 23 percent to SEK 3,494.9 million (2,835.3). Organic growth in local currency was 17 percent¹.
- Gross profit increased by 37 percent to SEK 954.2 million (698.5). Organic growth in local currency was 27 percent¹.
- Adjusted EBITDA² increased by 45 percent to SEK 374.0 million (257.7).
- Adjusted EBIT³ amounted to SEK 337.9 million (240.7).
- Profit after tax for the period amounted to SEK 179.8 million (76.1).
- Diluted earnings per share amounted to SEK 3.34 (1.42).

“We have built our cloud communications platform for scale with the world’s most demanding customers in mind. This quarter, we are seeing the results of these efforts” – Oscar Werner, CEO

Significant events after the quarter

- On 4 October, Sinch acquired 100 percent of the share capital in myElefant SAS. The company is based in France and has developed a cloud-based software platform for mobile customer engagement. myElefant has pioneered the use of mobile landing pages and is an early adopter of new messaging technologies such as RCS, Facebook Messenger and WhatsApp. The initial purchase consideration amounts to EUR 18.8 million (SEK 203.3 million). The purchase agreement provides for additional earnouts of maximum EUR 3 million based on gross profit growth. The acquisition was financed through Sinch’s available credit facilities.
- On 23 October, Sinch acquired 100 percent of the share capital in TWW do Brasil S.A. The company is the third largest messaging provider for enterprises in Brazil. TWW has more than 3,000 customers within the banking, retail and education sectors. The purchase consideration amounts to BRL 180.8 million (SEK 422.4 million) on a cash and debt free basis. The acquisition was financed through Sinch’s available credit facilities.

¹ Organic growth in local currency in comparable units. Unwire and Vehicle, two acquisitions that did not close until the end of March 2018, are included in the entire comparison period of January – September 2018 in order to calculate growth in comparable units.

² EBITDA excluding items affecting comparability. See page 3 for a specification of items affecting comparability.

³ EBIT excluding items affecting comparability and amortization of acquisition-related assets, which do not affect cash flow. See Note 4 for a specification of depreciation and amortization.

Invitation to phone conference

Sinch will present the interim report in a phone conference on 8 November at 09.00 CET. To participate in the phone conference, please call any of the following numbers and state the code 774 225 45#.

Sweden: +46 (0) 8 566 426 51
 UK: +44 (0) 333 300 08 04
 US: +1 631 913 14 22

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

Message from the CEO

Accelerating growth

We have built our cloud communications platform for scale with the world's most demanding customers in mind. This quarter, we are seeing the results of these efforts with accelerating growth in gross profit and EBITDA.

Gross profit in the third quarter rose 37 percent compared to the same period last year with underlying organic growth of 33 percent and exchange rate movements contributing 5 percent. Since pass-through fees vary significantly between products and geographies, we believe growth in gross profit is a more meaningful metric than revenue growth to track our performance. Adjusted EBITDA grew 55 percent as the added gross profit has a positive effect on EBITDA which more than offsets our increased OPEX for new product development.

Messaging is performing well with higher SMS volumes, rising interest in WhatsApp Business and continued geographical expansion of our personalized video messaging products. We invest extensively to expand our product capabilities and further increase the software component in our offering.

Our Tier 1 Global Connectivity Network offers end-to-end connectivity to hundreds of mobile operators without middlemen. This differentiates us from the competition and makes us particularly well-placed to serve demanding businesses with global operations. We serve 8 of the 10 largest US tech companies and continuously add resources to meet and exceed their needs. Despite strong competition, we believe our robust global platform and overarching commitment to quality will let us further expand our business with these customers.

Voice and Video continues to develop well and Q3 marked a step-change in both gross profit and EBITDA. Growth compared to the same period last year exceeds 150 percent as we grow our business with new and existing customers. We are particularly successful in Number Masking, where we help ride-hailing companies across the globe to connect calls between riders and drivers in a way that maintains privacy and protects platform monetization.

The software products we offer to Operators are based on the same underlying tech platform that we use to service businesses. Financial performance in this area is developing as planned with a range of new customer engagements.

The evolution from text notifications to rich media and advanced conversational messaging unlocks a wealth of new use cases and expands our addressable market. We believe that it is strategically correct to invest in these areas, particularly now that our current business is performing so well. Since most of these investments are booked as OPEX, this weighs on EBITDA before the new initiatives translate into revenues and profit.



In the weeks after the quarter ended, we closed two acquisitions that add to our scale, competitiveness, and profitability.

With myElefant, we are strengthening the software component in our offering with easy-to-use 'low code' tools that require minimal coding and let businesses design rich messaging experiences that work on all mobile handsets. With TWW, we gain local scale in the world's fifth largest mobile market and ensure leading direct connectivity, without middlemen, for our international customer base. Value-creating acquisitions are core to our strategy, and we continuously look for opportunities that can increase our scale and profitability or add complementary technology and go to market abilities.

Our products help businesses engage with their customers in a way that is immediate, personal, and relevant. We have a scalable business model and we work with some of the world's most demanding customers. It's an exciting time to lead Sinch!

Stockholm 8 November 2019

Oscar Werner
President and CEO

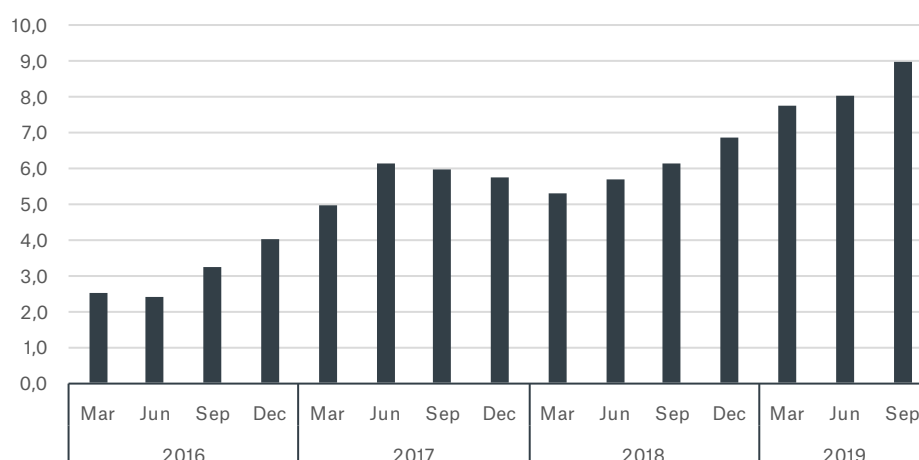
Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 20. The transition to IFRS 16 took place on 1 January 2019 and figures for earlier period have not been restated, see Note 1.

Sinch Group, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Net sales	1,216.4	979.3	3,494.9	2,835.3	3,986.6	4,646.2
Gross profit	343.6	249.9	954.2	698.5	1,008.4	1,264.0
Gross margin	28.2%	25.5%	27.3%	24.6%	25.3%	27.2%
Operating profit, EBITDA	134.8	99.4	361.2	232.9	373.3	501.6
EBITDA margin	11.1%	10.2%	10.3%	8.2%	9.4%	10.8%
Adjusted EBITDA	147.6	95.4	374.0	257.7	367.1	483.4
Adjusted EBITDA margin	12.1%	9.7%	10.7%	9.1%	9.2%	10.4%
Adjusted EBITDA/gross profit	43.0%	38.2%	39.2%	36.9%	36.4%	38.2%
Operating profit, EBIT	86.6	50.0	228.7	110.1	217.8	336.4
EBIT margin	7.1%	5.1%	6.5%	3.9%	5.5%	7.2%
Adjusted EBIT	131.5	90.8	337.9	240.7	344.8	442.0
Adjusted EBIT margin	10.8%	9.3%	9.7%	8.5%	8.6%	9.5%
Profit for the period	68.7	37.8	179.8	76.1	179.5	283.3
Net margin	5.7%	3.9%	5.1%	2.7%	4.5%	6.1%
Cash flow from operating activities	23.1	-46.6	191.3	212.1	304.6	283.9
Net debt	445.0	514.2	445.0	514.2	405.5	445.0
Net debt/adjusted EBITDA R12M, multiple	0.9	1.6	0.9	1.6	1.1	0.9
Equity ratio	51.1%	45.6%	51.1%	45.6%	45.9%	51.1%
Adjusted EBITDA per share, diluted SEK	2.73	1.78	6.93	4.81	6.85	8.96
Diluted earnings per share, SEK	1.27	0.71	3.34	1.42	3.35	5.26
Average number of employees	454	393	429	375	385	422

Items affecting comparability and adjustments, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Acquisition costs	-12.9	-0.4	-12.9	-9.2	-9.4	-13.1
Restructuring costs	-	8.9	-	8.9	8.9	-
Integration costs	-	-4.5	-	-24.5	-27.2	-2.7
Proceeds from sale of PSMS business	-	-	-	-	-8.1	-8.1
Income adjusted earnout	-	-	-	-	42.0	42.0
Total items affecting EBITDA comparability	-12.9	4.0	-12.9	-24.9	6.2	18.1
Impairment tangible and intangible IoT assets	-	-9.2	-	-9.2	-9.2	-
Amortization of acquisition-related assets	-32.1	-35.6	-96.3	-96.6	-124.0	-123.7
Total adjustments in EBIT	-45.0	-40.8	-109.2	-130.6	-127.0	-105.6

Adjusted EBITDA per share, rolling 12 months (SEK)



Quarterly summary

	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Net sales, SEK million									
Messaging	726.2	857.9	812.4	947.7	921.8	1,070.3	1,025.3	1,096.7	1,126.2
Voice and Video	12.7	15.3	15.0	17.8	20.5	38.2	45.0	56.9	70.0
Operators	44.0	38.3	33.2	33.6	39.5	50.6	43.4	44.2	42.0
Other	-1.5	-2.2	-2.0	-1.7	-2.5	-7.8	-11.9	-21.2	-21.8
Total	781.4	909.3	858.6	997.4	979.3	1,151.3	1,101.8	1,176.7	1,216.4
Gross profit, SEK million									
Messaging	148.0	162.4	161.5	207.5	203.7	244.6	228.4	259.2	272.8
Voice and Video	9.5	9.5	8.8	10.1	11.6	20.0	21.6	21.7	31.7
Operators	39.1	28.0	29.7	30.8	35.0	45.2	39.6	40.2	39.1
Other	1.5	-0.1	-0.1	0.3	-0.3	0.1	0.0	0.0	0.0
Total	198.1	199.8	200.0	248.6	249.9	309.9	289.5	321.1	343.6
Gross margin									
Messaging	20.4%	18.9%	19.9%	21.9%	22.1%	22.9%	22.3%	23.6%	24.2%
Voice and Video	74.6%	61.8%	59.0%	56.6%	56.6%	52.4%	47.9%	38.2%	45.3%
Operators	88.9%	73.1%	89.5%	91.7%	88.6%	89.3%	91.2%	90.9%	93.0%
Total	25.4%	22.0%	23.3%	24.9%	25.5%	26.9%	26.3%	27.3%	28.2%
EBITDA, SEK million									
Messaging	62.7	79.1	71.8	108.3	93.9	102.6	107.8	112.2	134.9
Voice and Video	-3.7	-6.4	-4.5	-5.1	-3.7	2.7	2.1	1.4	12.2
Operators	17.3	0.5	1.4	3.5	8.2	10.8	9.6	4.9	4.6
Other	-9.3	2.9	-15.4	-26.5	1.0	24.3	-7.3	-4.3	-17.0
EBITDA, total	67.0	76.0	53.2	80.3	99.4	140.4	112.2	114.2	134.8
Items affecting comparability in EBITDA	-4.7	5.9	-11.8	-17.0	4.0	31.0	-	-	-12.9
Adjusted EBITDA	71.7	70.1	65.0	97.3	95.4	109.4	112.2	114.2	147.6
Adjusted EBITDA margin	9.2%	7.7%	7.6%	9.8%	9.7%	9.5%	10.2%	9.7%	12.1%
Adjusted EBITDA/gross profit	36.2%	35.1%	32.5%	39.2%	38.2%	35.3%	38.8%	35.6%	43.0%
Adjusted EBITDA/share diluted, SEK	1.34	1.31	1.21	1.82	1.78	2.04	2.08	2.11	2.73
Items affecting comparability and adjustments, SEK million									
Acquisition costs	-0.3	-0.1	-4.6	-4.3	-0.4	-0.2	-	-	-12.9
Restructuring costs	-	-	-	-	8.9	-	-	-	-
Integration costs	-4.5	-8.9	-7.2	-12.8	-4.5	-2.7	-	-	-
Capital gain/loss from sale of PSMS business	0.1	3.2	-	-	-	-8.1	-	-	-
Adjusted earnout	-	11.8	-	-	-	42.0	-	-	-
Items affecting EBITDA comparability	-4.7	5.9	-11.8	-17.0	4.0	31.0	-	-	-12.9
Impairment goodwill Xura	-	-11.9	-	-	-	-	-	-	-
Impairment tangible and intangible IoT assets	-	-	-	-	-9.2	-	-	-	-
Amortization acquisition-related assets	-27.7	-27.6	-26.7	-34.3	-35.6	-27.4	-33.3	-30.9	-32.1
Total adjustments in EBIT	-32.4	-33.6	-38.5	-51.4	-40.8	3.6	-33.3	-30.9	-45.0

July - September 2019

Net sales

Consolidated net sales grew in the quarter by 24 percent to SEK 1,216.4 million (979.3). Amounts in parentheses refer to the corresponding quarter in the preceding year.

Organic growth, in local currency and in comparable units, was 20 percent.

Growth was positively affected during the quarter by the depreciation 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 2018, revenues would have been lower by about SEK 38.8 million. The positive currency effect on consolidated net sales was thus 4 percent.

Gross profit

Consolidated gross profit rose during the quarter by 37 percent to SEK 343.6 million (249.9).

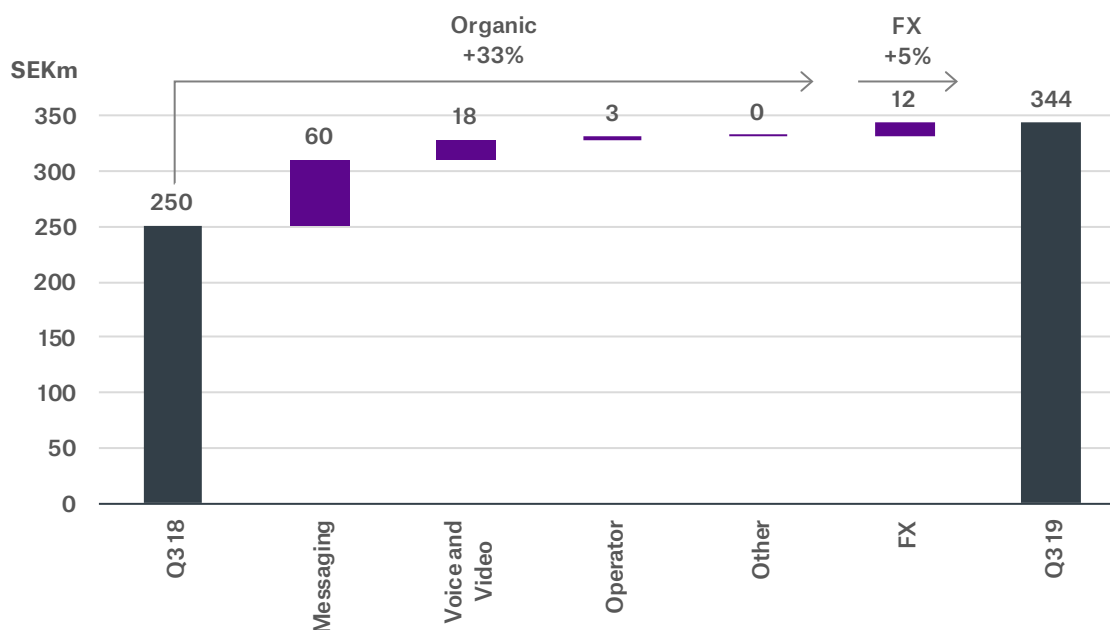
Organic growth, in local currency and in comparable units, was 33 percent. The positive effect of exchange rate changes during the quarter was SEK 12.3 million, corresponding to 5 percent.

The gross margin amounted to 28.2 percent (25.5) and is affected by several factors. We deliver more messages to markets where the pass-through fee to mobile operators is lower, which generates a higher gross margin. We have growth in products with a higher gross margin, including personalized video messaging, which has a positive effect on the consolidated gross margin.

The mix countries that Sinch's enterprise customers send messages to is a key determining factor of the overall gross margin. Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely because operator traffic tariffs differ significantly from one country to the next. Consequently, changes in traffic patterns and the volume mix can have a high impact on net sales and gross margin even though there is no effect on gross profit in absolute numbers.

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

Change in consolidated gross profit, Q3 2018 - Q3 2019



EBITDA

EBITDA amounted to SEK 134.8 million (99.4).

EBITDA excluding items affecting comparability (adjusted EBITDA) increased by SEK 52.2 million to SEK 147.6 million (95.4), corresponding to an increase of 55 percent.

The transition to IFRS 16 has had a positive impact on EBITDA of SEK 6.9 million. Foreign exchange fluctuations also had positive impact on EBITDA because the positive exchange rate changes in gross profit were only partially offset by exchange rate effects on Sinch's cost base.

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

The Group's financial target is growth of adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 2.73 (1.78) for the quarter and SEK 8.96 SEK (6.12) for the rolling twelve months, an increase of 46 percent. Adjusted EBITDA divided by gross profit was 43.0 percent (38.2) for the quarter.

EBIT

EBIT amounted to SEK 86.6 million (50.0).

Acquisition-related amortization, which do not affect cash flow, reduced EBIT by SEK 32.1 million (35.6). The amortization arose mainly from planned amortization of acquired customer relationships and acquired software, see Note 4.

Adjusted EBIT, EBIT excluding items affecting comparability and amortization of acquisition-related assets, amounted to SEK 131.5 million (90.8).

Employees

The average number of employees (full-time equivalents) was 454 (393), of whom 22 percent (21) women. Sinch continues to recruit in Sweden and internationally. Including consultants, the Group employs an average of 573 (462) people.

January - September 2019

Net sales

Consolidated net sales grew in the period by 23 percent to SEK 3,494.9 million (2,835.3). Amounts in parentheses refer to the corresponding period in the preceding year.

Organic growth, in local currency and in comparable units, was 17 percent. Unwire and Vehicle, two acquisitions that did not close until the end of March 2018, are included in the entire comparison period of January - September 2018 in order to calculate growth in comparable units.

Gross profit

Gross profit was SEK 954.2 million (698.5) Organic growth, in local currency and in comparable units, was 27 percent. The positive effect of exchange rate changes during the period was SEK 37.2 million, corresponding to 5 percent. The gross margin amounted to 27.3 percent (24.6).

Operating profit

EBITDA amounted to SEK 361.2 million (232.9). EBITDA excluding items affecting comparability¹ (adjusted EBITDA) amounted to SEK 374.0 million (257.7). The transition to IFRS 16 has had a positive impact on EBITDA of SEK 20.3 million.

EBIT amounted to SEK 228.7 million (110.1). EBIT excluding items affecting comparability and acquisition-related amortization¹ (adjusted EBIT) amounted to SEK 337.9 million (240.7).

Other income and expense items

Net financial income was SEK 3.7 million (-5.3), with interest costs amounting to SEK -22.2 million (-16.6) and foreign exchange differences to SEK 23.6 million (6.2). The Group's effective tax rate was 22.6 percent (27.4). See Note 5 for a reconciliation of tax on profit or loss for the period. Net profit for the period amounted to SEK 179.8 million (76.1).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 33.3 million (21.5). Investments relate primarily to capitalized development expenditure of SEK 23.3 million (16.4).

Cash flow, liquidity and financial position

Cash flow from operating activities amounted to SEK 191.3 million (212.1). Consolidated cash and cash equivalents at 30 September 2019 amounted to SEK 168.1 million (180.8). The overdraft facility amounted to SEK 200 million (200), of which SEK 0 million (79.8) was utilized. Net debt amounted to SEK 445.0 million (514.2). The implementation of IFRS 16 on 1 January 2019 increased the company's net debt by SEK 83.8 million, see Note 1. Adjusted EBITDA R12M in relation to net debt was 0.9 (1.6). According to previously applied accounting policies the ratio was 0.8 (1.6).

Cash flow in relation to operating profit fluctuates from quarter to quarter because many of the company's customers maximize their liquidity by postponing payments to suppliers. Actual customer losses remain low and cash flow in relation to operating profit is stable over time.

Equity at 30 September 2019 amounted to SEK 1,957.2 million (1,664.2), corresponding to an equity ratio of 51.1 percent (45.9). Equity per share amounted to SEK 36.50 (31.03).

1) See table on page 3 and Note 4 for details.

Significant events after the quarter

- On 4 October, Sinch acquired 100 percent of the share capital in myElefant SAS. The acquired company is included in the consolidated accounts from that date in the Messaging segment. In 2018, myElefant had net sales of about EUR 10.5 million (SEK 108 million), gross profit of about EUR 3.1 million (SEK 32 million) and EBITDA of about EUR 0.8 million (SEK 8 million). The acquisition was financed through Sinch's available credit facilities. The initial purchase consideration amounted to EUR 18.8 million (SEK 203.3 million). The purchase agreement provides for additional earnouts of maximum EUR 3 million based on gross profit growth. myElefant is based in France and has developed a cloud-based Software-as-a-Service platform for mobile engagement with its customers. The company has pioneered the use of mobile landing pages and is an early adopter of conversational messaging technologies like RCS, Facebook Messenger and WhatsApp. The myElefant SaaS (Software-as-a-Service) platform is currently used by more than 160 enterprise customers, including leading brands such as Orange, Nespresso and Nissan. The company has per acquisition date 41 employees and consultants. The accounting for the business combination (acquisition analysis) was not completed by the reporting date and it was thus not possible to provide certain information in this interim report.
- On 23 October, Sinch acquired 100 percent of the share capital in TWW do Brasil S.A. (TWW). The acquired company is included in the consolidated accounts from that date in the Messaging segment. In 2018, TWW had net sales of about BRL 134 million (SEK 326 million), gross profit of about BRL 35 million (SEK 85 million) and EBITDA of about BRL 17.5 million (SEK 43 million). The acquisition was financed through Sinch's available credit facilities. The purchase consideration amounts to BRL 180.8 million (SEK 422.4 million) on a cash and debt free basis. TWW is based in Sao Paulo, Brazil, was founded in 1996 and is the third largest messaging provider for enterprises in Brazil. TWW has over 3,000 customers including many of Brazil's leading enterprises in the banking, retail and education sector. Messaging volumes are continuously increasing and in 2018, TWW delivered 3.4 billion messages on behalf of its customers. TWW has per acquisition date 37 employees. The accounting for the business combination (acquisition analysis) was not completed by the reporting date and it was thus not possible to provide certain information in this interim report.
- The acquisitions of myElefant SAS and TWW do Brasil S.A. were closed after the period's end. On a preliminary pro forma basis, where the purchase considerations are added to net debt and the adjusted EBITDA of the acquired companies are included, the adjusted EBITDA in relation to net debt was around 2.0 at the end of the period.

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

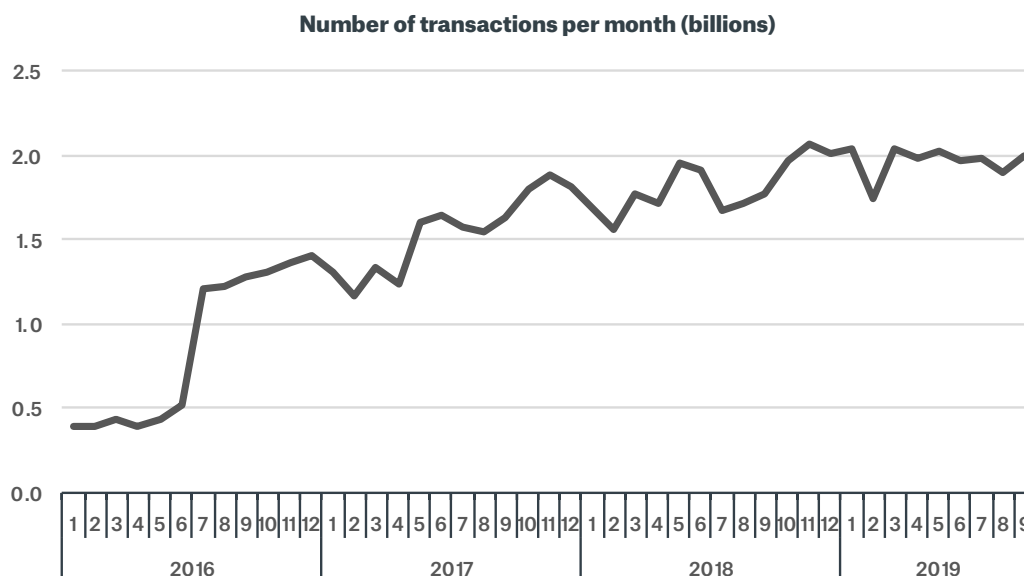
Messaging, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Net sales	1,126.2	921.8	3,248.3	2,682.0	3,752.3	4,318.6
Gross profit	272.8	203.7	760.4	572.7	817.3	1,005.0
Gross margin	24.2%	22.1%	23.4%	21.4%	21.8%	23.3%
EBITDA	134.9	93.9	354.9	274.1	376.7	457.5
EBITDA/gross profit	49.5%	46.1%	46.7%	47.9%	46.1%	45.5%
EBITDA margin	12.0%	10.2%	10.9%	10.2%	10.0%	10.6%

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.

We are now making significant investments in next generation messaging services with support for multimedia and two-way interactivity. These initiatives span both communication channels like RCS and WhatsApp, as well as the overarching software that is needed to manage advanced, interactive dialogues. We see significant potential in these areas even though these new markets remain immature. We are also expanding our offering around personalized video messaging and offer these services in several markets.

Transaction volume

The number of sent messages in comparable units increased by about 14 percent during the quarter compared to the same quarter in 2018. The higher transaction volume is the result of the majority of our existing customers steadily growing their business with us, while we have continued to gain new customers.



Net sales

During the quarter, net sales increased by SEK 204.4 million compared to the corresponding quarter in 2018 to SEK 1,126.2 million (921.8), an increase of 22 percent. Foreign exchange fluctuations accounted for 4 percentage points of the increase and organic growth in local currency was 19 percent. Sinch's targeted focus on large, strategic customers and growth in the sales of personalized video messaging had a positive impact on net sales during the quarter. Growth is fueled not least by Sinch's commercial relationships with large, international cloud platform vendors who leverage Sinch capabilities for mobile marketing automation.

Gross profit

Gross profit increased during the quarter to SEK 272.8 million (203.7), an increase of 34 percent compared to the same quarter last year. Exchange rate changes accounted for 4 percentage points of the increase and organic growth in local currency was 30 percent.

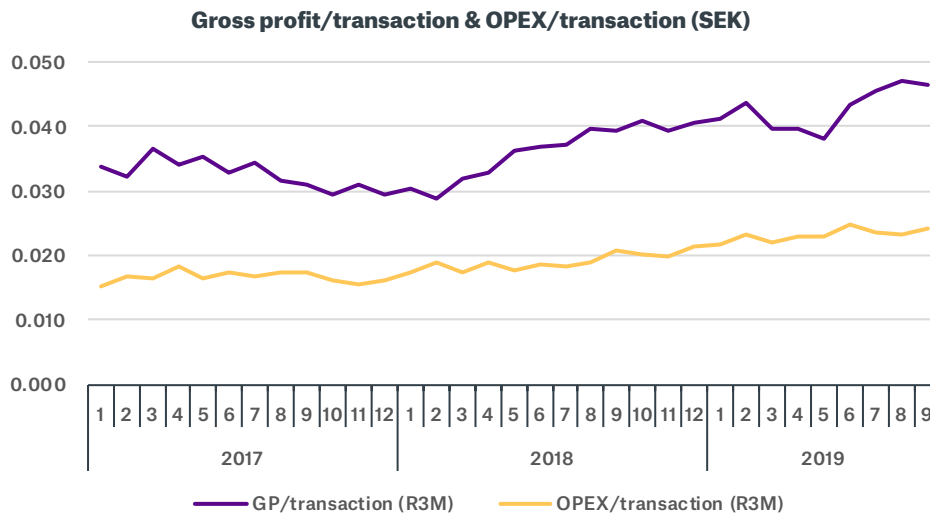
Overall, we continue to see strong development in North America with more modest growth rates in Europe and potential to increase our growth in Asia. However, a part of the strong development in North America stems from large, global tech companies which are

based in the USA. Even though these companies have global operations, their revenues are allocated to the USA since Sinch's geographical accounting is based on the location of customers' headquarters.

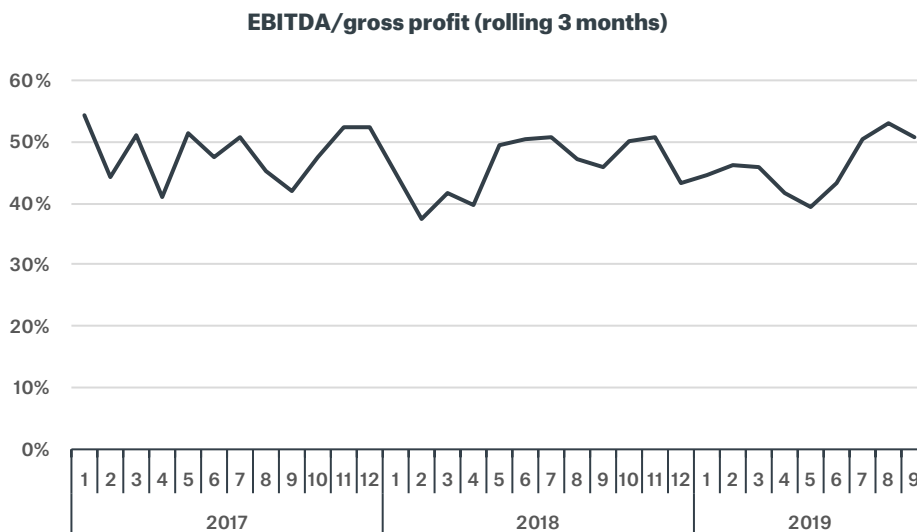
The gross margin improved during the quarter compared to the same quarter last year, due to higher traffic to countries where the gross margin is higher and higher volumes in personalized video messaging. Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely from country to country. This is because operator traffic tariffs differ substantially from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and gross margin even though there is no effect on gross profit in absolute numbers. For this reason, Sinch focuses on gross profit per transaction, not gross margin, as the guiding performance measurement.

EBITDA

During the quarter, EBITDA increased by SEK 41.0 million compared to the corresponding quarter in 2018 to SEK 134.9 million (93.9), an increase of 44 percent. The total impact of foreign exchange fluctuations on EBITDA was positive, since the positive exchange rate effects in gross profit also affected EBITDA.



Profit was reduced by several future-oriented initiatives aimed at driving growth. These costs comprise mainly employee benefits expenses. The company is developing software for new messaging services like WhatsApp and RCS, an upgrade of SMS that provides a richer user experience and encourages interactive customer dialogue with intuitive menu selections where users can, for example, check in or book a new appointment with a simple tap of a button.



EBITDA in relation to gross profit is a key measurement of efficiency and scalability. The measurement shows the underlying margin and is not affected by changes in operator traffic tariffs. Even though forward-looking growth initiatives increase the costs for product development, EBITDA/gross profit remains relatively stable since added gross profit has a high incremental margin.

Voice and Video

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

Voice and Video, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Net sales	70.0	20.5	171.9	53.2	91.4	210.1
Gross profit	31.7	11.6	75.0	30.5	50.5	95.0
Gross margin	45.3%	56.6%	43.6%	57.3%	55.2%	45.2%
EBITDA	12.2	-3.7	15.8	-13.3	-10.5	18.5
EBITDA margin	17.5%	-17.9%	9.2%	-24.9%	-11.5%	8.8%

Voice and Video is performing very well with more customers and increased geographical reach. We are particularly successful in Number Masking for app-based ride hailing services, a service that allows drivers and riders to easily contact each other without revealing their private mobile phone numbers. We are also seeing good demand for our number verification offering, where we help enterprises verify their customers' mobile phone numbers.

Net sales

Net sales rose during the quarter by SEK 49.5 million to SEK 70.0 million (20.5). A key focus in 2019 has been to launch operations based on contracts won in 2018, and to ensure high delivery quality when the business is rapidly growing. We see good opportunities to win new customers and grow our business with existing customers also in the future.

Profit

Gross profit for the quarter amounted to SEK 31.7 million (11.6). The gross margin was 45.3 percent (56.6). EBITDA amounted to SEK 12.2 million (-3.7). The business achieved positive EBITDA in the fourth quarter of 2018 and is continuing to develop well.

Operators

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

Operators, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Net sales	42.0	39.5	129.6	106.2	156.8	180.1
Gross profit	39.1	35.0	118.8	95.4	140.6	164.0
Gross margin	93.0%	88.6%	91.7%	89.9%	89.7%	91.0%
EBITDA	4.6	8.2	19.1	13.1	23.8	29.9
EBITDA margin	11.0%	20.7%	14.7%	12.3%	15.2%	16.6%

The operator business is developing as anticipated but is more project-based and hence more volatile than other parts of the business. We launched RCS-as-a-Service during the second quarter, a new offering to mobile operators intended to accelerate the use of RCS. The initiative has been well received but many operators have cautious attitude to RCS and are hesitant to invest.

Net sales

Net sales rose during the quarter by SEK 2.5 million to SEK 42.0 million (39.5). The quarter was characterized by successful conversion of orders to revenue with good sales of business support systems (OCS) and VAS products. However, revenues in Operators could also vary relatively widely from quarter to quarter in the future as major products come through the pipeline.

Profit

Gross profit rose during the quarter by SEK 4.1 million to SEK 39.1 million (35.0). EBITDA decreased by SEK 3.6 million to SEK 4.6 million (8.2).

Condensed income statement

Sinch Group, SEK million	Note	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Net sales		1,216.4	979.3	3,494.9	2,835.3	3,986.6	4,646.2
Cost of goods sold and services		-872.9	-729.4	-2,540.7	-2,136.8	-2,978.2	-3,382.2
Gross profit		343.6	249.9	954.2	698.5	1,008.4	1,264.0
Other operating income		25.0	14.9	76.6	52.1	109.6	134.2
Work performed by the entity and capitalized		8.1	5.4	23.3	16.4	21.7	28.6
Other external costs		-90.0	-53.2	-238.7	-194.2	-280.3	-324.9
Employee benefits expenses		-124.9	-98.4	-377.0	-285.9	-405.1	-496.2
Other operating expenses		-27.0	-19.1	-77.2	-54.0	-81.1	-104.2
EBITDA		134.8	99.4	361.2	232.9	373.3	501.6
Depreciation, amortization and impairment	4	-48.2	-49.4	-132.4	-122.8	-155.5	-165.1
EBIT		86.6	50.0	228.7	110.1	217.8	336.4
Finance income		150.8	37.1	318.3	106.0	148.5	360.8
Finance expenses		-144.4	-38.8	-314.6	-111.3	-165.0	-368.4
Profit before tax		93.0	48.3	232.4	104.8	201.3	328.9
Current tax		-25.1	-13.7	-58.0	-41.8	-41.1	-57.3
Deferred tax		0.8	3.2	5.5	13.1	19.3	11.7
Profit for the period		68.7	37.8	179.8	76.1	179.5	283.3
Attributable to:							
Owners of the parent		68.8	37.9	180.0	76.1	179.5	283.4
Non-controlling interests		-0.1	-0.1	-0.2	0.0	0.0	-0.2

Earnings per share

Sinch Group, SEK	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
- Basic	1.28	0.71	3.36	1.42	3.35	5.29
- Diluted	1.27	0.71	3.34	1.42	3.35	5.26

Condensed statement of comprehensive income

Sinch Group, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Profit for the period	68.7	37.8	179.8	76.1	179.5	283.3
Other comprehensive income or loss						
Translation differences	61.1	-38.0	114.3	10.9	-12.8	90.5
Hedge accounting net investments	4.8	4.1	-3.0	-8.0	-6.3	-1.3
Tax effect on items in other comprehensive income	-1.0	-0.9	0.6	1.8	1.0	-0.1
Other comprehensive income for the period	64.8	-34.8	111.9	4.7	-18.0	89.2
Total comprehensive income for the period	133.6	3.0	291.7	80.8	161.5	372.4
Attributable to:						
Owners of the parent	133.6	3.4	291.8	81.1	161.7	372.4
Non-controlling interests	-0.1	-0.4	-0.1	-0.4	-0.2	0.0

Condensed balance sheet

Sinch Group, SEK million	Note	9/30/2019	9/30/2018	12/31/2018
ASSETS				
Goodwill		1,307.2	1,239.4	1,221.8
Customer relationships		668.1	694.1	682.6
Operator relationships		99.4	106.8	102.9
Proprietary software		132.9	139.6	135.8
Other intangible non-current assets		2.0	0.8	2.3
Right-to-use assets		73.6	-	-
Other tangible non-current assets		23.2	21.2	18.9
Non-current financial assets		11.8	23.0	15.1
Deferred tax assets		188.0	197.7	191.9
Total non-current assets		2,506.3	2,422.5	2,371.4
Tax receivables		24.2	1.7	15.6
Other current receivables		1,128.3	916.7	1,058.6
Cash and cash equivalents		168.1	132.5	180.8
Total current assets		1,320.6	1,051.0	1,254.9
TOTAL ASSETS		3,826.9	3,473.5	3,626.3
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	3	1,956.4	1,583.0	1,663.3
Non-controlling interests		0.8	0.8	0.9
Total equity		1,957.2	1,583.8	1,664.2
Deferred tax liability		211.4	223.8	218.4
Non-current liabilities, interest bearing		483.9	0.3	487.3
Non-current liabilities, non-interest bearing		69.8	177.1	147.5
Total non-current liabilities		765.0	401.2	853.2
Current liabilities, interest bearing		129.2	646.4	99.0
Provisions		29.8	1.5	27.7
Tax liabilities		41.0	24.8	35.5
Other current liabilities, non-interest bearing		904.8	815.9	946.7
Total current liabilities		1,104.7	1,488.5	1,109.0
TOTAL EQUITY AND LIABILITIES		3,826.9	3,473.5	3,626.3
Financial instruments measured at fair value				
Derivatives with positive fair value		0.9	0.9	0.7
Derivatives with negative fair value		1.7	1.4	4.1

The carrying amount is considered to be a reasonable estimate of the fair value of all financial assets and liabilities. The financial assets and liabilities are attributable to measurement levels 2 and 3. For information on the measurement techniques, see Note 31 in the 2018 Annual Report.

Condensed statement of changes in equity

Sinch Group, SEK million	Attributable to owners of the parent company						
	Share capital	Other capital contributions	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance 1 January 2018	5.4	1,377.7	36.7	73.7	1,493.4	1.1	1,494.6
Total comprehensive income			5.1	76.1	81.1	-0.4	80.8
Warrants issue		9.3			9.3		9.3
Issue expenses, net after tax				-0.4	-0.4		-0.4
Closing balance 30 September 2018	5.4	1,387.0	41.8	149.3	1,583.0	0.8	1,583.8
Opening balance 1 January 2019	5.4	1,386.8	18.5	252.6	1,663.3	0.9	1,664.2
Total comprehensive income			111.9	180.0	291.8	-0.1	291.7
Warrants issue		1.8			1.8		1.8
Issue expenses, net after tax				-0.7	-0.7		-0.7
Closing balance 30 September 2019	5.4	1,388.6	130.4	431.9	1,956.4	0.8	1,957.2

Condensed statement of cash flows

Sinch Group, SEK million	Note	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Cash flow before changes in working capital		144.0	69.3	303.8	142.0	223.6	385.5
Changes in working capital		-120.9	-116.0	-112.5	70.1	81.0	-101.6
Cash flow from operating activities		23.1	-46.6	191.3	212.1	304.6	283.9
Net investments in tangible and intangible assets		-13.7	-6.6	-33.3	-21.5	-28.5	-40.2
Change in financial receivables		5.2	1.9	0.7	-17.7	-20.4	-2.0
Acquisition of subsidiary	6	-2.1	-38.3	-87.9	-321.4	-321.5	-88.0
Cash flow from investing activities		-10.7	-43.0	-120.4	-360.6	-370.4	-130.3
New borrowing		-	-	-	136.8	722.2	585.4
Amortization of bank loan		-27.5	-40.1	-72.9	-113.3	-654.0	-613.7
Amortization lease liability		-6.4	-	-18.9	-	-0.2	-19.0
Bank overdraft facility		-	79.8	-	79.8	-	-79.8
New share issue/warrants	3	-1.7	8.1	0.7	8.1	7.4	0.0
Cash flow from financing activities		-35.6	47.9	-91.0	111.5	75.5	-127.0
Cash flow for the period		-23.2	-41.8	-20.2	-37.0	9.8	26.6
Opening balance cash and cash equivalents		185.5	177.0	180.8	164.6	164.6	132.5
Exchange rate differences in cash and cash equivalents		5.8	-2.8	7.5	4.9	6.4	9.0
Closing balance cash and cash equivalents		168.1	132.5	168.1	132.5	180.8	168.1

Other disclosures

Sinch Group, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Share information						
Basic earnings per share, SEK	1.28	0.71	3.36	1.42	3.35	5.29
Diluted earnings per share, SEK	1.27	0.71	3.34	1.42	3.35	5.26
Basic weighted average number of shares	53,602,089	53,602,089	53,602,089	53,602,089	53,602,089	53,602,089
Diluted weighted average number of shares	54,050,750	53,602,089	53,929,680	53,602,089	53,602,089	53,877,594
Number of ordinary shares at the end of the period	53,602,089	53,602,089	53,602,089	53,602,089	53,602,089	53,602,089
Total number of shares at the end of the period	53,602,089	53,602,089	53,602,089	53,602,089	53,602,089	53,602,089
Financial position						
Equity attributable to owners of the parent	1,956.4	1,583.0	1,956.4	1,583.0	1,663.3	1,956.4
Equity ratio	51.1%	45.6%	51.1%	45.6%	45.9%	51.1%
Equity per share, SEK	36.50	29.53	36.50	29.53	31.03	36.50
Net investments in tangible and intangible assets	13.7	6.6	33.3	21.5	28.5	40.2
Cash and cash equivalents	168.1	132.5	168.1	132.5	180.8	168.1
Net debt	445.0	514.2	445.0	514.2	405.5	445.0
Net debt/adjusted EBITDA R12M, multiple	0.9	1.6	0.9	1.6	1.1	0.9
Employees						
Number of FTEs	454	393	429	375	385	422
Percentage female	22%	21%	21%	21%	21%	21%
Key figures						
EBITDA margin	11.1%	10.2%	10.3%	8.2%	9.4%	10.8%
EBIT margin	7.1%	5.1%	6.5%	3.9%	5.5%	7.2%
Net margin, profit for the period	5.7%	3.9%	5.1%	2.7%	4.5%	6.1%

Segment reporting

An operating segment is defined as a business activity that is able to generate revenues and incur costs, whose operating results are regularly reviewed by the entity's chief executive officer and for which separate financial information is available. The Sinch Group's operating segments are Messaging, Operators and Voice and Video. Vehicle was previously a separate segment, but as of 2019 is included in Messaging. Earlier periods have been restated. Items below EBITDA and items affecting comparability are not allocated to the segments.

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

Parent company EBITDA amounts to SEK -3.7 million. Unallocated items include acquisition costs of SEK -12,9 million.

Q3 2018, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	920.8	20.4	38.1	-	979.3
Internal revenue	1.1	0.1	1.4	-2.5	-
Gross profit	203.7	11.6	35.0	-0.4	249.9
EBITDA	93.9	-3.7	8.2	1.0	99.4
Depreciation, amortization and impairment					-49.4
EBIT					50.0
Net financial expense					-1.8
Profit before tax					48.3

Parent company EBITDA amounts to SEK -2.6 million. Unallocated items include acquisition costs of SEK -0,4 million, integration costs of SEK -4.5 million and released unused restructuring provision of SEK 8.9 million.

Jan-Sep 2019, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	3,197.8	171.6	125.4	-	3,494.9
Internal revenue	50.4	0.3	4.2	-50.7	-
Gross profit	760.4	75.0	118.8	0.0	954.2
EBITDA	354.9	15.8	19.1	-28.6	361.2
Depreciation, amortization and impairment					-132.4
EBIT					228.7
Net financial expense					3.7
Profit before tax					232.4

Parent company EBITDA amounts to SEK -12.4 million. Unallocated items include acquisition costs of SEK -12,9 million.

Jan-Sep 2018, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	2,680.0	52.9	102.4	-	2,835.3
Internal revenue	2.1	0.2	3.8	-6.1	-
Gross profit	572.7	30.5	95.4	-0.1	698.5
EBITDA	274.1	-13.3	13.1	-41.0	232.9
Depreciation, amortization and impairment					-122.8
EBIT					110.1
Net financial expense					-5.3
Profit before tax					104.8

Parent company EBITDA amounts to SEK -16.2 million. Unallocated items include acquisition costs of SEK -9.2 million, integration costs of SEK -24.5 million and released unused restructuring provision of SEK 8.9 million.

Distribution of external net sales

Q3 2019, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	76.2	2.7	9.6	88.6
France	83.9	0.1	-	84.0
UK	180.6	1.3	0.7	182.6
Germany	97.6	1.8	0.7	100.0
Other countries in the European Union	115.8	28.4	11.5	155.7
USA	430.3	17.8	1.6	449.8
Rest of the world	121.5	17.7	16.6	155.8
Total	1,105.9	69.8	40.7	1,216.4
Net sales by product/service				
Messaging	1,084.7	69.8	-	1,154.5
Initial software licenses and upgrades	-	-	17.6	17.6
Support	1.7	-	23.1	24.8
Other	19.5	-	-	19.5
Total	1,105.9	69.8	40.7	1,216.4
Net sales allocation per point in time				
Over time	19.2	-	40.7	59.8
At one point in time	1,086.7	69.8	-	1,156.6
Total	1,105.9	69.8	40.7	1,216.4

Q3 2018, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	55.3	3.7	6.0	65.0
France	95.0	0.1	-	95.1
UK	180.1	0.7	0.5	181.2
Germany	84.8	0.3	0.7	85.9
Other countries in the European Union	105.5	2.2	11.7	119.4
USA	304.9	10.5	0.4	315.9
Rest of the world	95.1	2.9	18.9	116.9
Total	920.8	20.4	38.1	979.3
Net sales by product/service				
Messaging	918.1	20.4	-	938.5
Initial software licenses and upgrades	0.1	-	10.7	10.8
Support	1.3	-	27.4	28.7
Other	1.3	-	0.0	1.3
Total	920.8	20.4	38.1	979.3
Net sales allocation per point in time				
Over time	0.3	-	38.1	38.4
At one point in time	920.5	20.4	-	940.9
Total	920.8	20.4	38.1	979.3

Jan-Sep 2019, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	235.2	9.4	23.6	268.3
France	310.5	0.2	-	310.8
UK	520.5	4.2	3.7	528.5
Germany	278.1	5.9	2.0	286.1
Other countries in the European Union	334.1	58.3	39.6	432.1
USA	1,155.8	41.0	2.6	1,199.4
Rest of the world	363.6	52.4	53.9	469.9
Total	3,197.8	171.6	125.4	3,494.9
Net sales by product/service				
Messaging	3,143.2	171.6	-	3,314.8
Initial software licenses and upgrades	-	-	50.9	50.9
Support	4.7	-	74.5	79.2
Other	49.9	-	-	49.9
Total	3,197.8	171.6	125.4	3,494.9
Net sales allocation per point in time				
Over time	22.9	-	125.4	148.3
At one point in time	3,174.9	171.6	-	3,346.5
Total	3,197.8	171.6	125.4	3,494.9

Jan-Sep 2018, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	157.3	11.3	24.5	193.0
France	325.4	0.1	-	325.5
UK	440.0	2.0	1.3	443.2
Germany	264.5	0.3	2.9	267.6
Other countries in the European Union	377.5	8.5	29.0	415.1
USA	757.7	23.3	0.4	781.3
Rest of the world	357.6	7.6	44.4	409.6
Total	2,680.0	52.9	102.4	2,835.3
Net sales by product/service				
Messaging	2,673.5	52.9	-	2,726.5
Initial software licenses and upgrades	0.7	-	30.7	31.3
Support	3.1	-	71.7	74.9
Other	2.6	-	0.0	2.6
Total	2,680.0	52.9	102.4	2,835.3
Net sales allocation per point in time				
Over time	1.0	-	102.4	103.4
At one point in time	2,678.9	52.9	-	2,731.9
Total	2,680.0	52.9	102.4	2,835.3

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 9 (13) 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

SEK million	Jan-Sep 2019	Jan-Sep 2018	2018
Operating revenue	32.2	22.0	30.9
Operating costs	-56.7	-39.5	-56.9
EBIT	-24.6	-17.4	-25.9
Finance income & expenses	85.3	60.2	71.1
Profit after financial items	60.7	42.8	45.2
Appropriations	-	-	-45.6
Tax on profit for the period	-13.0	-9.5	0.0
Profit for the period*	47.7	33.3	-0.4

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

SEK million	9/30/2019	9/30/2018	12/31/2018
ASSETS			
Non-current assets	2,273.4	2,148.8	2,133.9
Current assets	78.4	34.9	59.5
TOTAL ASSETS	2,351.7	2,183.7	2,193.4
EQUITY AND LIABILITIES			
Equity	1,473.9	1,459.7	1,425.4
Untaxed reserves	8.6	8.3	8.6
Appropriations	-	40.0	11.4
Non-current liabilities	441.3	-	487.2
Current liabilities	428.0	675.7	260.9
TOTAL EQUITY AND LIABILITIES	2,351.7	2,183.7	2,193.4

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*. Apart from that described below, none of the new or amended IFRS standards or interpretations from the IFRS Interpretations Committee which apply from 1 January 2019 has had any material impact on Sinch's financial statements.

IFRS 16 *Leases* is applied from 1 January 2019. Sinch has applied the modified retrospective approach to the transition to IFRS 16, meaning that the comparative year has not been restated. Consequently, amounts reported for the year are not fully comparable to previous years.

In brief, under IFRS 16, leases are recognized as right-of-use (ROU) assets with a corresponding lease liability. This does not apply to short-term leases and leases where the underlying asset is of low value. Lease payments are divided into payments of the lease liability and finance charges. The finance charge is apportioned over the term of the lease so that an amount is allocated to each period that corresponds to a constant periodic rate of interest on the liability recognized in the respective period. Lease liabilities are recognized at the present value of future lease payments. Future lease payments are discounted at the interest rate implicit in the lease if that rate can be readily determined; otherwise, the Group's incremental borrowing rate is used.

The Group's ROU assets are recognized at cost and constitute the initial present value of the lease liability adjusted for any prepaid or accrued lease payments. ROU assets are amortized on a straight-line basis across the shorter of the useful life of the asset and the term of the lease.

SEK million	Closing balance 12/31/2018	Effect of IFRS 16	Opening balance 1/1/2019
Non-current assets	2,371.4	88.8	2,460.2
Current assets	1,254.9	-5.0	1,249.9
Total assets	3,626.3	83.8	3,710.1
Equity	1,664.2	-	1,664.2
Non-current liabilities	853.2	58.9	912.1
Current liabilities	1,109.0	24.9	1,133.9
Total equity and liabilities	3,626.3	83.8	3,710.1

Apart from the above, the accounting policies and estimation methods are unchanged from those applied in the 2018 Annual Report.

Note 2 - Pledged assets and contingent liabilities

The shares in Sinch Holding AB, Sinch Sweden AB and Sinch Operator Software AB (2018: Sinch Sweden AB and Sinch Operator Software AB) have been pledged as collateral for the company's obligations under current credit agreements. The consolidated value of pledged assets at 30 September 2019 amounted to SEK 2,718.0 million (450.3). In addition, floating charges in Sinch Sweden AB of SEK 20 million (20) and Sinch Operator Software AB of SEK 25 million (25) have been pledged as collateral for the loan agreement. Other guarantees amounted to SEK 7.3 million (4.5).

Note 3 - Incentive program

Within the framework of the incentive program (LTI 2019) adopted by the annual general meeting held 17 May 2019, 73,500 warrants have been subscribed for by senior executives and key employees within Sinch. Maximum amount of warrants in LTI 2019 amounts to 510,000.

The program is divided into three series, with exercise periods of 22 June – 22 September 2022, 22 March – 22 June 2023 and 21 March – 21 June 2024. Participants are granted one third of their warrants in each series. The average fair value per warrant was SEK 14.98 at grant date. The exercise price is SEK 174.10 per share in all series.

Participants outside the US and the UK pay a premium of SEK 14.98 per warrant. These participants receive their warrants with no obligations, but Sinch has the right to repurchase the warrants if the participant's employment with the company ends before the respective exercise point or if the participant wishes to transfer the warrants. Participants in the US and the UK are granted their warrants against no monetary consideration and their warrants will vest over the course of the warrant program. For these participants, the warrant program contains terms and conditions according to which the participant must be an employee of Sinch during the vesting period and that Sinch's earnings per share must have increased by a minimum 10 percent per year to qualify to subscribe for shares.

Please refer to Note 8 of the 2018 Annual Report for detailed information concerning the group's incentive program LTI 2016 and LTI 2018.

Sinch has through LTI 2018 and LTI 2019 realized SEK 1.6 million in equity regarding premiums. Payroll costs for vested warrants are included in profit and loss for 2019 in the amount of SEK 0.2 million, with a corresponding increase in equity. Social insurance costs are included in the amount of SEK 0.9 million, recognized as a provision in the balance sheet. The total cost of all warrant programs is expected to be approximately SEK 8 million distributed across the term of the programs. The warrants in LTI 2016 and LTI 2018 have been assessed as dilutive during the quarter because the exercise price has been lower than the average share price. The potential dilutive effect upon exercise of all warrants in all programs is 5.6 percent.

Note 4 - Depreciation, amortization and impairments

Depreciation, amortization and impairment, SEK million	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	2018	R12M
Amortization acquired customer relationships	-22.3	-25.6	-67.0	-69.1	-87.0	-85.0
Amortization acquired operator relationships	-3.5	-3.7	-10.4	-10.6	-13.7	-13.5
Amortization acquired trademarks	0.0	-0.1	-0.1	-0.2	-0.3	-0.2
Amortization acquired proprietary software	-6.3	-6.2	-18.8	-16.6	-22.9	-25.0
<i>Total acquisition-related amortization</i>	<i>-32.1</i>	<i>-35.6</i>	<i>-96.3</i>	<i>-96.6</i>	<i>-124.0</i>	<i>-123.7</i>
Amortization and impairment own developed software	-7.9	-8.9	-11.4	-13.2	-16.0	-14.2
Amortization and impairment licenses	-0.1	-2.2	-0.4	-3.6	-3.9	-0.7
Total amortization and impairment	-32.8	-40.1	-46.7	-108.1	-113.4	-144.0
Depreciation and impairment tangible fixed assets	-2.0	-2.7	-6.2	-9.4	-11.5	-8.4
Depreciation right-to-use assets	-6.2	-	-18.1	-	-	-18.1
Total depreciation and impairment	-48.2	-49.4	-132.4	-122.8	-155.5	-165.1

Note 5 - Reconciliation of tax for the period

Reconciliation of tax expense for the period	2019	2018
Profit before tax	232.4	104.8
Tax calculated at Swedish tax rate, 21.4% (22)	-49.7	-23.1
Tax attributable to previous years	-1.2	-4.1
Tax effect of non-deductible expenses	-4.6	-2.1
Tax effect of non-taxable revenue	0.0	0.3
Tax on standard interest rate, tax allocation reserves	0.0	0.0
Tax effect of non-capitalized loss carryforwards	-1.1	0.0
Effect of changed tax rates	-	0.1
Effect of foreign tax rates	4.1	0.2
Tax on profit for the period according to income statement	-52.6	-28.7

Note 6 - Acquisition of group companies

Contingent consideration (earnout) of SEK 11.3 million for Sinch Voice and Video was paid during the first quarter. Acquisition costs of SEK 2.1 million related to the acquisitions of myElefant and TWW have been paid during the third quarter.

The purchase agreement for Vehicle included additional purchase considerations of a maximum of USD 18 million, which are based on the company's sales and EBITDA performance. During the second quarter, USD 8 million (SEK 74.4 million) was paid out. An additional USD 10 million can be earned, the expected outcome amounts to USD 6.5 million and remains as debt.

Unwire is included in the Messaging segment. In order to calculate growth in comparable units, Unwire is included in the entire comparison period of Q1 2018, even before the company was acquired. In Q1 2018, Unwire had net sales of SEK 27.2 million, gross profit of SEK 17.1 million and EBITDA of SEK 12.2 million.

Vehicle is included in the Messaging segment. In order to calculate growth in comparable units, Vehicle is included in the entire comparison period of Q1 2018, even though the company had not yet been acquired. In Q1 2018, Vehicle had net sales of SEK 10.6 million, gross profit of SEK 8.4 million and EBITDA of SEK 2.8 million.

Definitions

Financial measurements defined under IFRS

Gross profit

Net sales less the cost of goods and services sold.

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.

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. For instance, EBITDA is reported as a key figure because it illustrates the underlying results of operations without the effect of depreciation and amortization, which provides a more comparable measurement when depreciation and amortization refer to historical investments. The company has also chosen to report the performance measurement of adjusted EBITDA to show the underlying results of operations excluding non-recurring items such as capital gains/losses, acquisition costs, and restructuring and integration costs. Adjusted EBIT is adjusted for non-recurring items and depreciation and amortization of acquisition-related assets. 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.

Financial measurements not defined under IFRS

Gross margin

Gross profit in relation to net sales.

Equity per share

Equity at the end of the period attributable to owners of the parent company divided by the number of shares at the end of the period.

Net investments in tangible and intangible assets

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

Net margin

Net profit for the period in relation to net sales.

Interest-bearing liabilities

Bank loans and lease liabilities.

Net debt

Interest-bearing liabilities less cash and cash equivalents.

Equity/assets ratio

Equity as a percentage of total assets.

Operating profit, EBIT

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

Operating profit, EBITDA

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

OPEX

Other external costs and employee benefits expenses.

Items affecting comparability

Non-recurring items such as capital gains/losses, impairments, acquisition costs, integration costs and restructuring costs.

Adjusted EBIT

Profit for the period before financial income, financial expenses and tax, adjusted for items affecting comparability and amortization of acquisition-related assets.

Adjusted EBITDA

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

Adjusted EBITDA per share

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

EBIT margin / Adjusted EBIT margin

EBIT/Adjusted EBIT in relation to net sales.

EBITDA margin / Adjusted EBITDA margin

EBITDA/Adjusted EBITDA in relation to net sales.

Operational measurements

Percentage women

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

Number of ordinary shares at the end of the period

Number of ordinary shares at the end of the period.

Average number of employees

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

Organic growth

Change in net sales and gross profit in relation to net sales and gross profit in the comparison period, adjusted for acquired units.

Total shares outstanding at the end of the period

Total ordinary shares outstanding at the end of the period.

About Sinch

Sinch develops digital tools that enable personal interaction between enterprises and individuals. Powered by our cloud communications platform, enterprises can reach every mobile phone on the planet - within a second or two - via messaging, voice calls and video. Several of the biggest enterprises in the world are using Sinch's advanced technology platform to communicate with their customers and Sinch is an established software supplier to mobile operators worldwide. Sinch has delivered profitable growth since it was founded in 2008. The Group is headquartered in Stockholm, Sweden, and has a presence in more than 30 other countries. The share is listed on Nasdaq Stockholm: XSTO: SINCH.

Outlook

Sinch does not publish forecasts.

Forthcoming reporting dates

Year-end report, Jan – Dec 2019	20 February 2020
Interim report, Jan – Mar 2020	29 April 2020
Half-yearly report, Jan – Jun 2020	17 July 2020
Interim report, Jan – Sep 2020	3 November 2020

Annual Report

The Annual Report for the 2019 financial year will be available on the company's website, investors.sinch.com, no later than three weeks before the AGM.

AGM

The Annual General Meeting will be held on Friday 15 May 2020 at 14.00 CET in Stockholm. The venue for the meeting will be communicated in connection with notice of the meeting.

Nomination Committee

Sinch AB's nomination committee has the following composition:

- Rikard Salanto, representing Cantaloupe AB
- Jonas Fredriksson, representing Neqst D1 AB
- Thomas Wuolikainen, representing Fjärde AP-fonden
- Joachim Spetz, representing Swedbank Robur
- Erik Fröberg, Chairman of the Board Sinch AB (publ)

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, as well as tax risks and political risks related to the multinational nature of the Group's activities. Risk management is an integral part of Sinch's management, and risks are described in more detail in Note 32 of the 2018 Annual Report.

Forward-looking statements

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

Assurance

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

Headquarters

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Stockholm 8 November 2019

Erik Fröberg
Chairman of the Board

Bridget Cosgrave

Renée Robinson Strömberg

Johan Stuart

Björn Zethraeus

Oscar Werner
President and Chief Executive Officer

Note: Sinch AB (publ) is required to publish the information in this interim report pursuant to the EU market abuse regulation. The information was submitted for publication on 8 November 2019 at 07.30 CET.

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

Auditor's review report

Introduction

We have reviewed the interim report for Sinch AB (publ) for the period 1 January 2019 to 30 September 2019. 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 8 November 2019

Deloitte AB

Erik Olin
Authorized Public Accountant