

Interim Report January – June 2019

April – June 2019

- Net sales increased by 18 percent to SEK 1,176.7 million (997.4). Organic growth in local currency was 15 percent.
- Gross profit increased by 29 percent to SEK 321.1 million (248.6). Organic growth in local currency was 26 percent.
- Adjusted EBITDA² increased by 17 percent to SEK 114.2 million (97.4).
- Adjusted EBIT³ amounted to SEK 104.1 million (91.2).
- Profit after tax for the quarter amounted to SEK 53.3 million (29.0).
- Diluted earnings per share were SEK 0.98 (0.54).

January – June 2019

- Net sales increased by 23 percent to SEK 2,278.4 million (1,856.0). Organic growth in local currency was 16 percent¹.
- Gross profit increased by 36 percent to SEK 610.6 million (448.6). Organic growth in local currency was 24 percent¹.
- Adjusted EBITDA² increased by 39 percent to SEK 226.4 million (162.3).
- Adjusted EBIT³ amounted to SEK 206.3 million (149.9).
- Profit after tax for the period amounted to SEK 111.1 million (38.3).
- Diluted earnings per share amounted to SEK 2.06 (0.71).

“Although one-way business texting is now moving from early adopters to early majority, most businesses have yet to capitalize on the tremendous opportunities that rich media messaging and interactive conversations now bring about.”
– Oscar Werner, CEO

Significant events during the quarter

- A partnership between Sinch and WIT Software to accelerate the global use of next-generation messaging services through Rich Communication Services (RCS) was announced on 5 April. Sinch will be using WIT Software's technology as part of its RCS-as-a-Service offering to mobile operators that require an efficient and scalable solution to offer RCS to their subscribers and enterprise customers.
- On 11 April, Sinch announced changes to the company's management team aimed at closer collaboration between the teams that address operator customers and enterprise customers. The Sinch management team now consists of: Chief Executive Officer Oscar Werner, Chief Operating Officer Anders Olin, Chief Financial Officer Roshan Saldanha, Chief Human Resources Officer Eva Lessing, Chief Technology Officer Jonas Lindeborg, Chief Marketing Officer Jonathan Bean, Chief Strategy Officer and Head of Investor Relations Thomas Heath, Chief Evangelist and Co-Founder Robert Gerstmann, Head of Corporate Development and Co-Founder Björn Zethraeus and Head of Business Development and Co-Founder Johan Hedberg.
- The name change from CLX Communications AB (publ) to Sinch AB (publ) was registered at the Swedish Companies Registration Office on 20 June.

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 – June 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. 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 19 July at 9:00 CET. To participate in the phone conference, please call any of the following numbers and state the code 7278264.

Sweden: +46 (0) 8 506 921 85
UK: +44 (0) 203 009 5710
USA: +1 917 720 0178

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

Message from the CEO

Investing in growth

People across the world have come to rely on messaging as their preferred means to interact with friends and family. Simple and intuitive, messaging is personal but unobtrusive in a way that other forms of communication simply can't match. And although one-way business texting is now moving from early adopters to early majority, most companies have yet to capitalize on the tremendous opportunities that rich media messaging and interactive conversations now bring about. With our global reach and superior scale, Sinch is uniquely placed to benefit and we are investing significant resources in both our product, sales and marketing capabilities to meet this development.

The second quarter saw healthy growth in all business units with gross profit rising 29 percent compared to the same period last year. Underlying organic growth was 26 percent and exchange rate movements had a positive impact of 3 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.

Parts of the growth in gross profit is now reinvested into our business to capture longer-term growth opportunities. Over the past twelve months, we've added nearly 100 new colleagues through acquisitions and active recruitment. Despite the increase in headcount, adjusted EBITDA grew 17 percent compared to Q2 2018.

Beyond investments in product, our higher cost base also reflects new recruitments in sales and marketing and a range of more near-term projects in billing and routing to reduce our Cost of Goods Sold and increase the level of internal automation. These initiatives in operational efficiency are centered around Messaging, our largest business unit where financial performance is already strong.

Our business in Messaging continues to perform well with growth both from existing customers and new sales. Growth is fueled not least by the global, US-based tech companies who rely on our platform for high-quality international message delivery. Personalized video messaging also contributes meaningfully to our growth and we are expanding our team to keep up with customer demand. The sales funnel continues to grow, and we reached a key milestone with the launch of our video messaging product in two European markets during the quarter.

In Voice and Video, our focus is now on delivery as we won several new clients in late 2018. We are adding geographical coverage and engineering resources to ensure that our product is robust and scalable now that volumes are picking up.

Our software products for Operators are built off the same core tech platform that powers our enterprise business.



Financial performance in this segment is robust and we are becoming more relevant for larger mobile operators through the launch of our RCS-as-a-Service offering, which aims to speed up the deployment of next-generation messaging technologies.

We have built a leading, global platform for cloud communications, and the growth we see today is the result of these efforts. The opex investments we now make in our business will take some time to generate gross profit and EBITDA. Our long-term focus on profitable growth remains unchanged, and our overall financial target is to grow adjusted EBITDA per share by 20 percent per year whilst keeping Net debt/EBITDA below 2.5x over time.

Businesses increasingly compete on customer experience. Our products in messaging, voice and video enable digital customer engagement, at industrial scale, in a way that is immediate, personal and relevant. This is why we invest, and this is why we grow.

Stockholm 19 July 2019

Oscar Werner
President and CEO

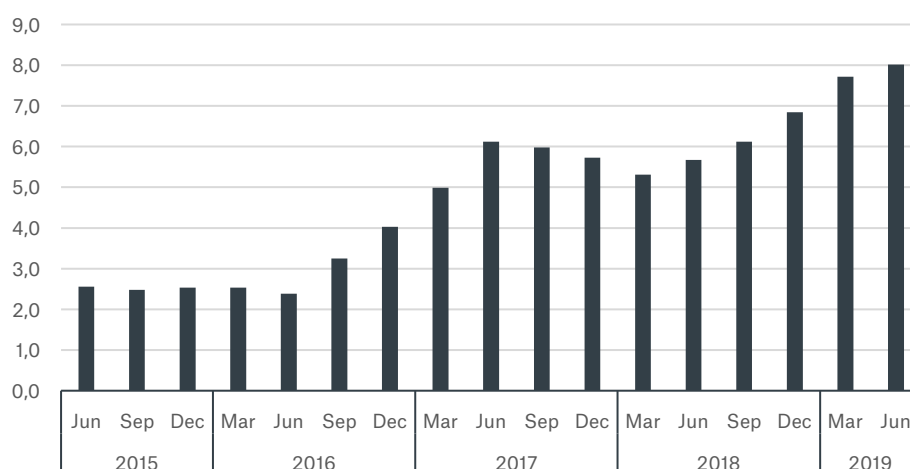
Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 19. 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	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Net sales	1,176.7	997.4	2,278.4	1,856.0	3,986.6	4,409.0
Gross profit	321.1	248.6	610.6	448.6	1,008.4	1,170.4
Gross margin	27.3%	24.9%	26.8%	24.2%	25.3%	26.5%
Operating profit, EBITDA	114.2	80.3	226.4	133.5	373.3	466.2
EBITDA margin	9.7%	8.1%	9.9%	7.2%	9.4%	10.6%
Adjusted EBITDA	114.2	97.4	226.4	162.3	367.1	431.2
Adjusted EBITDA margin	9.7%	9.8%	9.9%	8.7%	9.2%	9.8%
Adjusted EBITDA/gross profit	35.6%	39.2%	37.1%	36.2%	36.4%	36.8%
Operating profit, EBIT	73.2	39.8	142.1	60.1	217.8	299.8
EBIT margin	6.2%	4.0%	6.2%	3.2%	5.5%	6.8%
Adjusted EBIT	104.1	91.2	206.3	149.9	344.8	337.0
Adjusted EBIT margin	8.8%	9.1%	9.1%	8.1%	8.6%	7.6%
Profit for the period	53.3	29.0	111.1	38.3	179.5	252.3
Net margin	4.5%	2.9%	4.9%	2.1%	4.5%	5.7%
Cash flow from operating activities	130.2	209.9	168.3	258.7	304.6	214.2
Net debt	441.4	437.5	441.4	437.5	405.5	441.4
Net debt/adjusted EBITDA R12M, multiple	1.0	1.4	1.0	1.4	1.1	1.0
Equity ratio	48.7%	44.1%	45.9%	48.7%	45.9%	48.7%
Adjusted EBITDA per share, diluted SEK	2.11	1.82	4.20	3.03	6.85	8.01
Diluted earnings per share, SEK	0.98	0.54	2.06	0.71	3.35	4.69
Average number of employees	431	380	417	369	385	408

Items affecting comparability and adjustments, SEK million	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Acquisition costs	-	-4.3	-	-8.9	-9.4	-0.6
Restructuring costs	-	-	-	-	8.9	8.9
Integration costs	-	-12.8	-	-20.0	-27.2	-7.2
Proceeds from sale of PSMS business	-	-	-	-	-8.1	-8.1
Income adjusted earnout	-	-	-	-	42.0	42.0
Total items affecting EBITDA comparability	-	-17.0	-	-28.9	6.2	35.0
Impairment tangible and intangible IoT assets	-	-	-	-	-9.2	-9.2
Amortization of acquisition-related assets	-30.9	-34.3	-64.2	-61.0	-124.0	-63.0
Total adjustments in EBIT	-30.9	-51.4	-64.2	-89.8	-127.0	-37.2

Adjusted EBITDA per share, rolling 12 months (SEK)



Quarterly summary

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Net sales, SEK million									
Messaging	696.7	726.2	857.9	812.4	947.7	921.8	1,070.3	1,025.3	1,096.7
Voice and Video	10.8	12.7	15.3	15.0	17.8	20.5	38.2	45.0	56.9
Operators	40.7	44.0	38.3	33.2	33.6	39.5	50.6	43.4	44.2
Other	-3.0	-1.5	-2.2	-2.0	-1.7	-2.5	-7.8	-11.9	-21.2
Total	745.2	781.4	909.3	858.6	997.4	979.3	1,151.3	1,101.8	1,176.7
Gross profit, SEK million									
Messaging	149.8	148.0	162.4	161.5	207.5	203.7	244.6	228.4	259.2
Voice and Video	8.4	9.5	9.5	8.8	10.1	11.6	20.0	21.6	21.7
Operators	34.0	39.1	28.0	29.7	30.8	35.0	45.2	39.6	40.2
Other	-1.5	1.5	-0.1	-0.1	0.3	-0.3	0.1	0.0	0.0
Total	190.7	198.1	199.8	200.0	248.6	249.9	309.9	289.5	321.1
Gross margin									
Messaging	21.5%	20.4%	18.9%	19.9%	21.9%	22.1%	22.9%	22.3%	23.6%
Voice and Video	77.9%	74.6%	61.8%	59.0%	56.6%	56.6%	52.4%	47.9%	38.2%
Operators	83.6%	88.9%	73.1%	89.5%	91.7%	88.6%	89.3%	91.2%	90.9%
Total	25.6%	25.4%	22.0%	23.3%	24.9%	25.5%	26.9%	26.3%	27.3%
EBITDA, SEK million									
Messaging	74.7	62.7	79.1	71.8	108.3	93.9	102.6	107.8	112.2
Voice and Video	-4.4	-3.7	-6.4	-4.5	-5.1	-3.7	2.7	2.1	1.4
Operators	5.5	17.3	0.5	1.4	3.5	8.2	10.8	9.6	4.9
Other	-26.5	-9.3	2.9	-15.4	-26.5	1.0	24.3	-7.3	-4.3
EBITDA, total	49.3	67.0	76.0	53.2	80.3	99.4	140.4	112.2	114.2
Items affecting comparability in EBITDA	-24.6	-4.7	5.9	-11.8	-17.0	4.0	31.0	-	-
Adjusted EBITDA	73.9	71.7	70.1	65.0	97.3	95.4	109.4	112.2	114.2
Adjusted EBITDA margin	9.9%	9.2%	7.7%	7.6%	9.8%	9.7%	9.5%	10.2%	9.7%
Adjusted EBITDA/gross profit	38.8%	36.2%	35.1%	32.5%	39.2%	38.2%	35.3%	38.8%	35.6%
Adjusted EBITDA/share diluted, SEK	1.45	1.34	1.31	1.21	1.82	1.78	2.04	2.08	2.11
Items affecting comparability and adjustments, SEK million									
Acquisition costs	-5.7	-0.3	-0.1	-4.6	-4.3	-0.4	-0.2	-	-
Restructuring costs	-15.1	-	-	-	-	8.9	-	-	-
Integration costs	-3.8	-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	-24.6	-4.7	5.9	-11.8	-17.0	4.0	31.0	-	-
Impairment goodwill Xura	-	-	-11.9	-	-	-	-	-	-
Impairment tangible and intangible IoT assets	-	-	-	-	-	-9.2	-	-	-
Amortization acquisition-related assets	-27.3	-27.7	-27.6	-26.7	-34.3	-35.6	-27.4	-33.3	-30.9
Total adjustments in EBIT	-51.9	-32.4	-33.6	-38.5	-51.4	-40.8	3.6	-33.3	-30.9

April - June 2019

Net sales

Consolidated net sales grew in the quarter by 18 percent to SEK 1,176.7 million (997.4). Amounts in parentheses refer to the corresponding quarter in the preceding year.

Organic growth, in local currency and in comparable units, was 15 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 28.6 million. The positive currency effect on consolidated net sales was thus 3 percent.

Gross profit

Consolidated gross profit rose during the quarter by 29 percent to SEK 321.1 million (248.6).

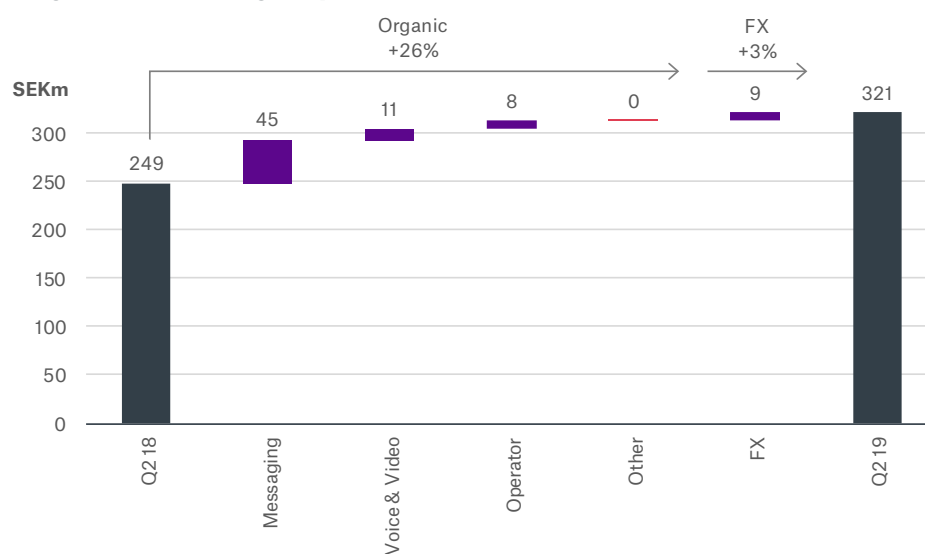
Organic growth, in local currency and in comparable units, was 26 percent. The positive effect of exchange rate changes during the quarter was SEK 8.7 million, corresponding to 3 percent.

The gross margin amounted to 27.3 percent (24.9) and is affected by several factors. Growth in products with a higher gross margin, including personalized video messaging, has a positive effect on the consolidated gross margin.

A key determining factor is to which countries Sinch's enterprise customers send messages. 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 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, Q2 2018 - Q2 2019



EBITDA

EBITDA amounted to SEK 114.2 million (80.3).

EBITDA excluding items affecting comparability (adjusted EBITDA) increased by SEK 16.8 million to SEK 114.2 million (97.4), corresponding to an increase of 17 percent.

The transition to IFRS 16 has had a positive impact on EBITDA of SEK 6.8 million. The total impact of foreign exchange fluctuations on EBITDA was negligible, since the positive exchange rate effects in gross profit were offset by exchange rate changes in 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 2.11 (1.82) for the quarter and SEK 8.01 SEK (5.68) for the rolling twelve months, an increase of 41 percent. Adjusted EBITDA divided by gross profit was 35.6 percent (39.2) for the quarter.

EBIT

EBIT amounted to SEK 73.2 million (39.8).

Acquisition-related amortization, which do not affect cash flow, reduced EBIT by SEK 30.9 million (34.3). 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 104.1 million (91.2).

January - June 2019

Net sales

Consolidated net sales grew in the period by 23 percent to SEK 2,278.4 million (1,856.0). Amounts in parentheses refer to the corresponding period in the preceding year.

Organic growth, in local currency and in comparable units, was 16 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 - June 2018 in order to calculate growth in comparable units.

Gross profit

Gross profit was SEK 610.6 million (448.6) Organic growth, in local currency and in comparable units, was 24 percent. The positive effect of exchange rate changes during the period was SEK 25.0 million, corresponding to 5 percent.

The gross margin amounted to 26.8 percent (24.2).

Operating profit

EBITDA amounted to SEK 226.4 million (133.5). EBITDA excluding items affecting comparability (adjusted EBITDA) amounted to SEK 226.4 million (162.3). The transition to IFRS 16 has had a positive impact on EBITDA of SEK 13.4 million.

EBIT amounted to SEK 142.1 million (60.1). EBIT excluding items affecting comparability and acquisition-related amortization (adjusted EBIT) amounted to SEK 206.3 million (149.9).

Other income and expense items

Net financial expense was SEK -2.8 million (-3.5), with interest costs amounting to SEK -14.0 million (-10.4) and foreign exchange differences to SEK 11.4 million (1.5). The Group's effective tax rate was 20.3 percent (32.3). See Note 5 for a reconciliation of tax on profit or loss for the period. Net profit for the period amounted to SEK 111.1 million (38.3).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 19.5 million (14.9). Investments relate primarily to capitalized development expenditure of SEK 15.3 million (11.0).

Cash flow, liquidity and financial position

Cash flow from operating activities amounted to SEK 168.3 million (258.7). Consolidated cash and cash equivalents at 30 June 2019 amounted to SEK 185.5 million (180.8). Net debt amounted to SEK 441.4 million (405.5). 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 1.0 (1.4). According to previously applied accounting policies the ratio was 0.9 (1.4).

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 June 2019 amounted to SEK 1,824.9 million (1,664.2), corresponding to an equity ratio of 48.7 percent (45.9). Equity per share amounted to SEK 34.03 (31.03).

Employees

The average number of employees (full-time equivalents) was 417 (369), of whom 21 percent (21) women. Sinch continues to recruit in Sweden and internationally. Including consultants, the Group employs an average of approximately 520 people.

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.

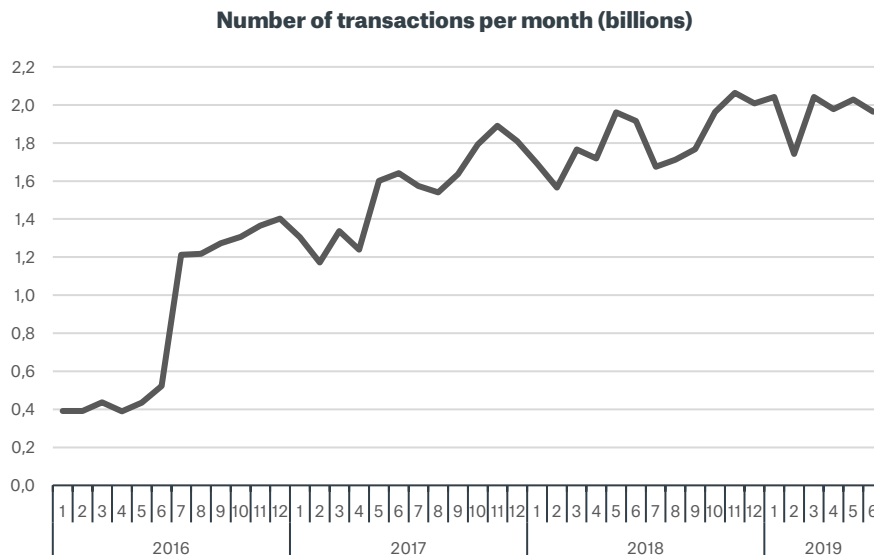
Messaging, SEK million	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Net sales	1,096.7	947.7	2,122.0	1,760.1	3,752.3	4,114.2
Gross profit	259.2	207.5	487.5	369.0	817.3	935.8
Gross margin	23.6%	21.9%	23.0%	21.0%	21.8%	22.7%
Operating profit, EBITDA	112.2	108.3	220.0	180.1	376.7	416.5
EBITDA/gross profit	43.3%	52.2%	45.1%	48.8%	46.1%	44.5%
EBITDA margin	10.2%	11.4%	10.4%	10.2%	10.0%	10.1%

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 launched these services in Europe during the quarter.

Transaction volume

The number of sent messages in comparable units increased by about 7 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 149.0 million compared to the corresponding quarter in 2018 to SEK 1,096.7 million (947.7), an increase of 16 percent. Foreign exchange fluctuations accounted for 3 percentage points of the increase and organic growth in local currency was 13 percent. Sinch's goal-oriented focus on large, strategic customers and growth in the sales of personalized video messaging had positive impact on net sales during the quarter.

Gross profit

Gross profit increased during the quarter to SEK 259.2 million (207.5), an increase of 25 percent compared to the same quarter in the preceding year. Exchange rate changes accounted for 3 percentage points of the increase and organic growth in local currency was 22 percent.

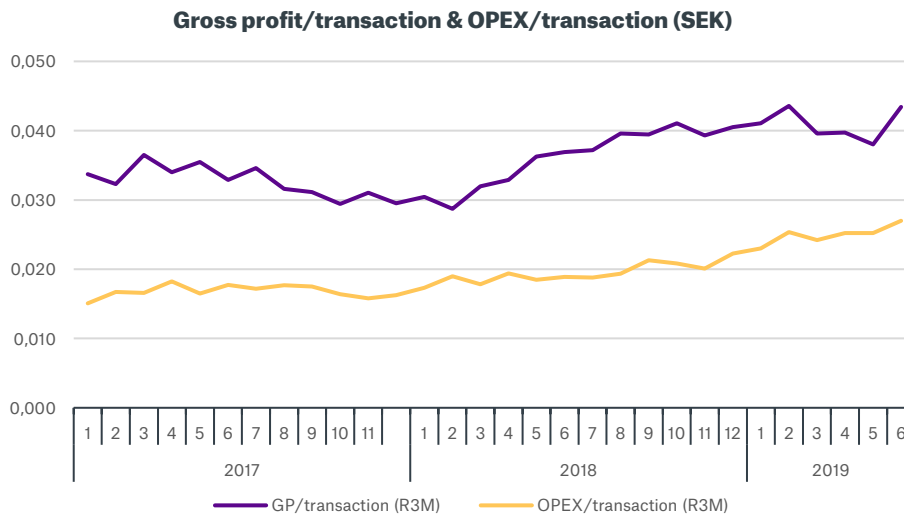
Overall, we continue to see strong development in North America, whilst we see room to improve our growth rates in Europe and Asia.

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. Traffic increased within countries including the US and China, where the gross margin is relatively high.

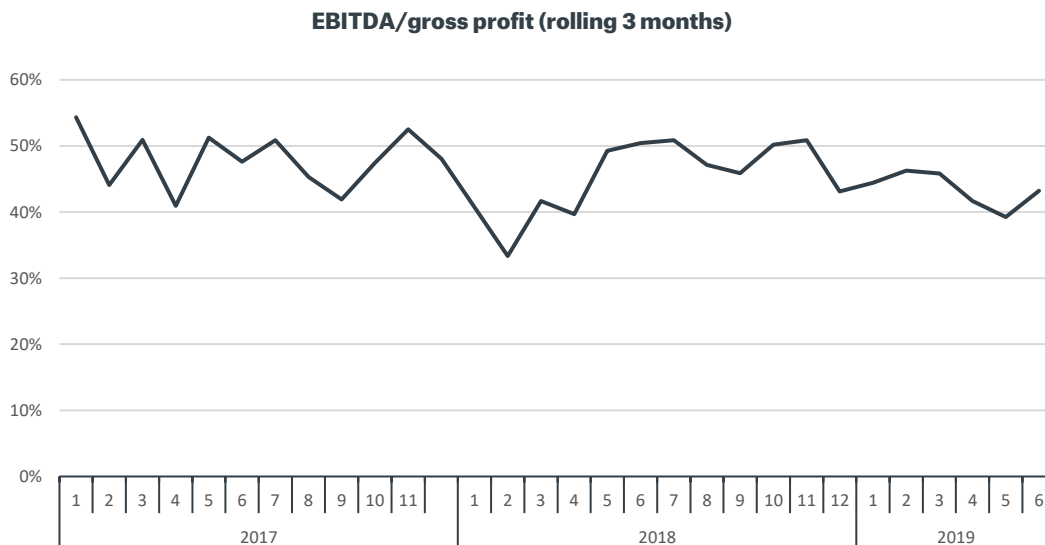
Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely from country to country. This is because operator traffic tariffs differ substantially from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high impact 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 3.9 million compared to the corresponding quarter in 2018 to SEK 112.2 million (108.3), an increase of 4 percent. The total impact of foreign exchange fluctuations on EBITDA was negligible, since the positive exchange rate effects in gross profit were offset by exchange rate changes in Sinch's cost base.



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 RCS, an upgrade of SMS that provides a richer user experience and allows our enterprise customers to send high-resolution images and video. The technology 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. Operating costs in relation to gross profit rose slightly during the quarter due to initiatives for future growth.

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	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Net sales	56.9	17.8	101.9	32.7	91.4	160.6
Gross profit	21.7	10.1	43.3	18.9	50.5	74.9
Gross margin	38.2%	56.6%	42.5%	57.7%	55.2%	46.6%
Operating profit, EBITDA	1.4	-5.1	3.5	-9.6	-10.5	2.6
EBITDA margin	2.5%	-28.5%	3.5%	-29.3%	-11.5%	1.6%

Operations in Voice and Video are developing according to plan, with product improvements and greater geographical reach. We are working actively with several mobile operators to make our services available in additional geographies.

Our focus on Number Masking for app-based ride hailing services are continuing to produce results. The service 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 39.1 million to SEK 56.9 million (17.8). The company won several contracts in 2018 that we plan to launch in 2019. Moving forward, we see strong potential to gain new customers and handle new markets for our existing customers.

Profit

Gross profit for the quarter amounted to SEK 21.7 million (10.1). The gross margin was 38.2 percent. EBITDA amounted to SEK 1.4 million (-5.1). 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	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Net sales	44.2	33.6	87.6	66.7	156.8	177.6
Gross profit	40.2	30.8	79.7	60.5	140.6	159.9
Gross margin	90.9%	91.7%	91.1%	90.6%	89.7%	90.0%
Operating profit, EBITDA	4.9	3.5	14.5	4.9	23.8	33.4
EBITDA margin	11.0%	10.4%	16.5%	7.3%	15.2%	18.8%

The operator business is continuing to develop well, with improved sales and profitability. We launched RCS-as-a-Service during the quarter, a new offering to mobile operators intended to accelerate the use of RCS.

Net sales

Net sales rose during the quarter by SEK 10.6 million to SEK 44.2 million (33.6). 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 9.4 million to SEK 40.2 million (30.8). EBITDA increased by SEK 1.4 million to SEK 4.9 million (3.5).

Condensed income statement

Sinch Group, SEK million	Note	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Net sales		1,176.7	997.4	2,278.4	1,856.0	3,986.6	4,409.0
Cost of goods sold and services		-855.6	-748.8	-1,667.8	-1,407.4	-2,978.2	-3,238.7
Gross profit		321.1	248.6	610.6	448.6	1,008.4	1,170.4
Other operating income		25.6	14.7	51.5	37.2	109.6	124.0
Work performed by the entity and capitalized		9.1	6.3	15.3	11.0	21.7	26.0
Other external costs		-79.6	-75.5	-148.7	-140.9	-280.3	-288.1
Employee benefits expenses		-132.6	-104.2	-252.1	-187.5	-405.1	-469.7
Other operating expenses		-29.4	-9.6	-50.2	-34.9	-81.1	-96.3
EBITDA		114.2	80.3	226.4	133.5	373.3	466.2
Depreciation, amortization and impairment	4	-41.1	-40.5	-84.2	-73.4	-155.5	-166.3
EBIT		73.2	39.8	142.1	60.1	217.8	299.8
Finance income		42.7	55.5	167.5	68.9	148.5	247.1
Finance expenses		-50.2	-55.1	-170.3	-72.4	-165.0	-262.9
Profit before tax		65.7	40.3	139.4	56.6	201.3	284.1
Current tax		-18.2	-17.7	-33.0	-28.2	-41.1	-45.9
Deferred tax		5.8	6.4	4.7	9.9	19.3	14.1
Profit for the period		53.3	29.0	111.1	38.3	179.5	252.3
Attributable to:							
Owners of the parent		53.2	29.0	111.2	38.1	179.5	252.5
Non-controlling interests		0.0	0.0	-0.1	0.1	0.0	-0.2

Earnings per share

Sinch Group, SEK	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
- Basic	0.99	0.54	2.07	0.71	3.35	4.71
- Diluted	0.98	0.54	2.06	0.71	3.35	4.69

Condensed statement of comprehensive income

Sinch Group, SEK million	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Profit for the period	53.3	29.0	111.1	38.3	179.5	252.3
Other comprehensive income or loss						
Translation differences	-14.6	18.8	53.2	48.9	-12.8	-8.5
Hedge accounting net investments	0.6	5.5	-7.8	-12.1	-6.3	-2.0
Tax effect on items in other comprehensive income	-0.1	-1.2	1.7	2.7	1.0	0.0
Other comprehensive income for the period	-14.1	23.1	47.1	39.5	-18.0	-10.5
Total comprehensive income for the period	39.2	52.2	158.1	77.8	161.5	241.9
Attributable to:						
Owners of the parent	39.2	51.9	158.3	77.8	161.7	242.2
Non-controlling interests	0.0	0.2	-0.1	0.0	-0.2	-0.4

Condensed balance sheet

Sinch Group, SEK million	Note	6/30/2019	6/30/2018	12/31/2018
ASSETS				
Goodwill		1,258.6	1,268.9	1,221.8
Customer relationships		659.5	727.7	682.6
Operator relationships		99.5	112.0	102.9
Proprietary software		137.0	150.2	135.8
Other intangible non-current assets		2.0	3.0	2.3
Right-to-use assets		78.2	-	-
Other tangible non-current assets		19.1	22.8	18.9
Non-current financial assets		12.9	24.5	15.1
Deferred tax assets		192.9	206.7	191.9
Total non-current assets		2,459.7	2,515.7	2,371.4
Tax receivables		21.7	6.5	15.6
Other current receivables		1,083.5	864.9	1,058.6
Cash and cash equivalents		185.5	177.0	180.8
Total current assets		1,290.8	1,048.4	1,254.9
TOTAL ASSETS		3,750.5	3,564.1	3,626.3
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	3	1,824.1	1,571.5	1,663.3
Non-controlling interests		0.8	1.2	0.9
Total equity		1,824.9	1,572.7	1,664.2
Deferred tax liability		213.7	235.3	218.4
Non-current liabilities, interest bearing		500.3	452.2	487.3
Non-current liabilities, non-interest bearing		66.3	216.2	147.5
Total non-current liabilities		780.3	903.7	853.2
Current liabilities, interest bearing		126.6	162.3	99.0
Provisions		29.4	10.4	27.7
Tax liabilities		20.4	38.5	35.5
Other current liabilities, non-interest bearing		968.9	876.7	946.7
Total current liabilities		1,145.3	1,087.8	1,109.0
TOTAL EQUITY AND LIABILITIES		3,750.5	3,564.1	3,626.3
Financial instruments measured at fair value				
Derivatives with positive fair value		1.4	0.6	0.7
Derivatives with negative fair value		3.3	2.0	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						Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Retained earnings	Total			
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			39.6	38.1	77.8	0.0	77.8	
Warrants issue		0.6			0.6		0.6	
Closing balance 30 June 2018	5.4	1,378.3	76.3	111.8	1,571.6	1.2	1,572.7	
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			47.1	111.2	158.3	-0.1	158.1	
Warrants issue		2.7			2.7		2.7	
Issue expenses, net after tax				-0.2	-0.2		-0.2	
Closing balance 30 June 2019	5.4	1,389.5	65.6	363.6	1,824.1	0.8	1,824.9	

Condensed statement of cash flows

Sinch Group, SEK million	Note	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Cash flow before changes in working capital		74.0	40.2	159.9	72.7	223.6	310.9
Changes in working capital		56.2	169.7	8.4	186.1	81.0	-96.7
Cash flow from operating activities		130.2	209.9	168.3	258.7	304.6	214.2
Net investments in tangible and intangible assets		-12.0	-8.8	-19.5	-14.9	-28.5	-33.1
Change in financial receivables		-3.0	0.1	-1.6	-19.6	-20.4	-2.4
Acquisition of subsidiary	6	-74.4	-81.1	-85.8	-283.0	-321.5	-124.3
Cash flow from investing activities		-89.4	-89.8	-106.9	-317.6	-370.4	-159.7
New borrowing		-	-	-	136.8	722.2	585.4
Amortization of bank loan		-24.1	-40.6	-48.2	-73.2	-654.0	-629.0
Amortization lease liability		-6.3	-	-12.5	-	-0.2	-12.6
New share issue/warrants	3	0.5	0.0	2.4	0.0	7.4	9.9
Cash flow from financing activities		-29.9	-40.6	-58.3	63.6	75.5	-46.4
Cash flow for the period		10.9	79.5	3.1	4.8	9.8	8.1
Opening balance cash and cash equivalents		174.5	92.3	180.8	164.6	164.6	177.0
Exchange rate differences in cash and cash equivalents		0.2	5.2	1.7	7.7	6.4	0.4
Closing balance cash and cash equivalents		185.5	177.0	185.5	177.0	180.8	185.5

Other disclosures

Sinch Group, SEK million	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Share information						
Basic earnings per share, SEK	0.99	0.54	2.07	0.71	3.35	4.71
Diluted earnings per share, SEK	0.98	0.54	2.06	0.71	3.35	4.69
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	54,098,531	53,602,089	53,938,308	53,602,089	53,602,089	53,830,864
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	1,824.1	1,571.5	1,824.1	1,571.5	1,663.3	1,824.1
Equity ratio	48.7%	44.1%	48.7%	44.1%	45.9%	48.7%
Equity per share, SEK	34.03	29.32	34.03	29.32	31.03	34.03
Net investments in tangible and intangible assets	12.0	8.8	19.5	14.9	28.5	33.1
Cash and cash equivalents	185.5	177.0	185.5	177.0	180.8	185.5
Net debt	441.4	437.5	441.4	437.5	405.5	441.4
Net debt/EBITDA R12M, multiple	1.0	1.4	1.0	1.4	1.1	1.0
Employees						
Number of FTEs	431	380	417	369	385	408
Percentage female	21%	21%	21%	21%	21%	21%
Key figures						
EBITDA margin	9.7%	8.1%	9.9%	7.2%	9.4%	10.6%
EBIT margin	6.2%	4.0%	6.2%	3.2%	5.5%	6.8%
Net margin, profit for the period	4.5%	2.9%	4.9%	2.1%	4.5%	5.7%

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.

Q2 2019, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	1,077.3	56.8	42.5	-	1,176.7
Internal revenue	19.4	0.1	1.7	-21.2	-
Gross profit	259.2	21.7	40.2	0.0	321.1
EBITDA	112.2	1.4	4.9	-4.3	114.2
Depreciation, amortization and impairment					-41.1
EBIT					73.1
Net financial expense					-7.5
Profit before tax					65.6

Parent company EBITDA amounts to SEK -3.8 million.

Q2 2018, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	947.2	17.7	32.4	-	997.4
Internal revenue	0.5	0.1	1.2	-1.7	-
Gross profit	207.5	10.1	30.8	0.3	248.6
EBITDA	108.3	-5.1	3.5	-26.5	80.3
Depreciation, amortization and impairment					-40.5
EBIT					39.8
Net financial expense					0.5
Profit before tax					40.3

Parent company EBITDA amounts to SEK -8.2 million. Unallocated items include acquisition costs of SEK -4,3 million and integration costs of SEK -12.8 million.

Jan-Jun 2019, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	2,091.9	101.8	84.8	-	2,278.4
Internal revenue	30.1	0.2	2.8	-30.3	-
Gross profit	487.5	43.3	79.7	0.0	610.6
EBITDA	220.0	3.5	14.5	-11.6	226.4
Depreciation, amortization and impairment					-84.2
EBIT					142.1
Net financial expense					-2.8
Profit before tax					139.4

Parent company EBITDA amounts to SEK -8.7 million.

Jan-Jun 2018, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	1,759.2	32.5	64.3	-	1,856.0
Internal revenue	1.0	0.2	2.4	-3.6	-
Gross profit	369.0	18.9	60.5	0.3	448.6
EBITDA	180.1	-9.6	4.9	-41.9	133.5
Depreciation, amortization and impairment					-73.4
EBIT					60.1
Net financial expense					-3.5
Profit before tax					56.6

Parent company EBITDA amounts to SEK -13.6 million. Unallocated items include acquisition costs of SEK -8.9 million and integration costs of SEK -20.0 million.

Distribution of external net sales

Q2 2019, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	86.9	3.1	6.4	96.4
France	114.8	0.1	-	114.9
UK	170.5	1.9	1.7	174.1
Germany	82.3	1.9	0.7	84.8
Other countries in the European Union	109.8	16.9	18.5	145.2
USA	402.9	15.6	0.3	418.7
Rest of the world	110.1	17.4	15.0	142.5
Total	1,077.3	56.8	42.5	1,176.7
Net sales by product/service				
Messaging	1,059.4	56.8	-	1,116.2
Initial software licenses and upgrades	-	-	15.8	15.8
Support	1.7	-	26.7	28.4
Other	16.3	-	-	16.3
Total	1,077.3	56.8	42.5	1,176.7
Net sales allocation per point in time				
Over time	2.0	-	42.5	44.5
At one point in time	1,075.3	56.8	-	1,132.2
Total	1,077.3	56.8	42.5	1,176.7

Q2 2018, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	56.0	3.6	8.8	68.5
France	120.4	-	-	120.4
UK	141.7	0.7	0.4	142.8
Germany	89.5	-	0.9	90.5
Other countries in the European Union	141.8	5.2	8.7	155.7
USA	289.8	4.6	0.0	294.4
Rest of the world	108.1	3.6	13.4	125.2
Total	947.2	17.7	32.4	997.4
Net sales by product/service				
Messaging	944.5	17.7	-	962.2
Initial software licenses and upgrades	0.2	-	9.0	9.2
Support	1.3	-	23.4	24.7
Other	1.3	-	-	1.3
Total	947.2	17.7	32.4	997.4
Net sales allocation per point in time				
Over time	0.7	-	32.4	33.1
At one point in time	946.5	17.7	-	964.3
Total	947.2	17.7	32.4	997.4

Jan-Jun 2019, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	159.0	6.7	13.9	179.7
France	226.6	0.1	-	226.8
UK	339.9	3.0	3.0	345.9
Germany	180.6	4.1	1.3	186.0
Other countries in the European Union	218.3	29.9	28.2	276.4
USA	725.5	23.2	1.0	749.6
Rest of the world	242.1	34.7	37.3	314.1
Total	2,091.9	101.8	84.8	2,278.4
Net sales by product/service				
Messaging	2,058.6	101.8	-	2,160.3
Initial software licenses and upgrades	-	-	33.3	33.3
Support	3.0	-	51.4	54.4
Other	30.4	-	-	30.4
Total	2,091.9	101.8	84.8	2,278.4
Net sales allocation per point in time				
Over time	3.7	-	84.8	88.5
At one point in time	2,088.2	101.8	-	2,189.9
Total	2,091.9	101.8	84.8	2,278.4

Jan-Jun 2018, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	101.9	7.6	18.5	128.1
France	230.4	-	-	230.4
UK	259.9	1.3	0.8	262.0
Germany	179.6	-	2.1	181.8
Other countries in the European Union	272.0	6.3	17.3	295.6
USA	452.7	12.7	0.0	465.4
Rest of the world	262.4	4.7	25.6	292.7
Total	1,759.2	32.5	64.3	1,856.0
Net sales by product/service				
Messaging	1,755.5	32.5	-	1,788.0
Initial software licenses and upgrades	0.5	-	19.9	20.5
Support	1.8	-	44.4	46.2
Other	1.3	-	-	1.3
Total	1,759.2	32.5	64.3	1,856.0
Net sales allocation per point in time				
Over time	0.7	-	64.3	65.1
At one point in time	1,758.4	32.5	-	1,790.9
Total	1,759.2	32.5	64.3	1,856.0

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 (9) 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-Jun 2019	Jan-Jun 2018	2018
Operating revenue	20.9	12.5	30.9
Operating costs	-37.3	-26.9	-26.2
EBIT	-16.4	-14.4	-25.9
Finance income & expenses	26.0	75.6	71.1
Profit after financial items	9.6	61.2	45.2
Appropriations	-	-	-45.6
Tax on profit for the period	-2.1	-13.5	0.0
Profit for the period*	7.5	47.7	-0.4

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

SEK million	6/30/2019	6/30/2018	12/31/2018
ASSETS			
Non-current assets	2,226.2	2,169.1	2,133.9
Current assets	60.7	184.6	59.5
TOTAL ASSETS	2,286.9	2,353.6	2,193.4
EQUITY AND LIABILITIES			
Equity	1,435.3	1,465.9	1,425.4
Untaxed reserves	8.6	8.3	8.6
Appropriations	-	40.0	11.4
Non-current liabilities	472.5	452.0	487.2
Current liabilities	370.5	387.5	260.9
TOTAL EQUITY AND LIABILITIES	2,286.9	2,353.6	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 01/01/2019
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	841.6	58.9	900.5
Current liabilities	1,120.5	24.9	1,145.4
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 June 2019 amounted to SEK 2,574.1 million (446.2). 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 7.1 million (3.8).

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 during the second quarter. 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 2.7 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	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	2018	R12M
Amortization acquired customer relationships	-21.2	-24.5	-44.7	-43.5	-87.0	-88.3
Amortization acquired operator relationships	-3.4	-3.6	-6.9	-6.9	-13.7	-13.7
Amortization acquired trademarks	0.0	-0.1	-0.1	-0.1	-0.3	-0.3
Amortization acquired proprietary software	-6.3	-6.1	-12.4	-10.4	-22.9	-24.9
<i>Total acquisition-related amortization</i>	<i>-30.9</i>	<i>-34.3</i>	<i>-64.2</i>	<i>-61.0</i>	<i>-124.0</i>	<i>-127.2</i>
Amortization and impairment own developed software	-1.8	-2.2	-3.5	-4.3	-16.0	-15.2
Amortization and impairment licenses	-0.1	-0.7	-0.3	-1.4	-3.9	-2.8
Total amortization and impairment	-32.8	-32.8	-37.1	-68.0	-66.7	-144.0
Depreciation and impairment tangible fixed assets	-2.2	-3.3	-4.2	-6.6	-11.5	-9.1
Depreciation right-to-use assets	-6.1	-	-12.0	-	-	-12.0
Total depreciation and impairment	-41.1	-40.5	-84.2	-73.4	-155.5	-166.3

Note 5 - Reconciliation of tax for the period

Reconciliation of tax expense for the period	2019	2018
Profit before tax	139.4	56.6
Tax calculated at Swedish tax rate, 21.4% (22)	-29.8	-12.4
Tax attributable to previous years	-0.5	0.2
Tax effect of non-deductible expenses	-1.3	-3.0
Tax effect of non-taxable revenue	0.0	1.4
Tax on standard interest rate, tax allocation reserves	0.0	0.0
Tax effect of non-capitalized loss carryforwards	0.0	-2.6
Effect of foreign tax rates	3.3	-1.9
Tax on profit for the period according to income statement	-28.3	-18.3

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.

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 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.

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 in relation to net sales 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.

Forthcoming reporting dates

Interim Report Q3 2019 8 November

Outlook

Sinch does not publish forecasts.

Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include risks related to currency fluctuations, dependence on certain strategic partners, technological change, dependence on key personnel, 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.

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Stockholm, 19 July 2019

Erik Fröberg
Chairman of the Board

Bridget Cosgrave

Renée Robinson Strömberg

Johan Stuart

Björn Zethraeus

Oscar Werner
President and Chief Executive Officer

The risks described for the Group may also have an indirect impact on the parent company.

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.

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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. This report has not been subject to review by the company's independent auditor.