Q4

sinch

Year-end report January – December 2018

October – December 2018

- Net sales increased by 27 percent to SEK 1,151.3 million (909.3). Organic growth in local currency was 13 percent.
- Gross profit increased with 55 percent to SEK 309.9 million (199.8).
- EBITDA excluding items affecting comparability[1] (adjusted EBITDA) increased with 56 percent to SEK 109.4 million (70.1).
- Adjusted EBITDA amounted to SEK 2.04 (1.31) per share.
- EBITDA amounted to SEK 140.4 million (76.0).
- Operational foreign exchange gains and losses affected operating profit for the period by SEK -9.3 million (3.8).
- EBIT amounted to SEK 107.7 million (31.1).
- Profit after tax for the quarter was SEK 103.5 million (90.3).
- Basic and diluted earnings per share were SEK 1.93 (1.69).

January - December 2018

- Net sales increased by 30 percent to SEK 3,986.6 million (3,058.1). Organic growth in local currency was 15 percent.
- Gross profit increased with 29 percent to SEK 1,008.4 million (780.0).
- EBITDA excluding items affecting comparability[1] (adjusted EBITDA) increased with 24 percent to SEK 367.1 million (296.7).
- Adjusted EBITDA amounted to SEK 6.85 (5.73) per share.
- EBITDA amounted to SEK 373.3 million (263.2).
- Operational foreign exchange gains and losses affected operating profit for the year by SEK -13.4 million (-1.2).
- EBIT amounted to SEK 217.8 million (124.9).
- Profit after tax for the year was SEK 179.5 million (134.4).
- Basic and diluted earnings per share were SEK 3.35 (2.58).

Significant events during the quarter

- Sinch announced on 8 October its decision to redirect the investments previously made within Core Network as a Service and Internet of Things to advanced messaging services, RCS, voice services and Personalized Video. The company will meet its customer commitments but will not be further developing the business within Core Network as a Service and Internet of Things. The change will affect only a very small proportion of the company's customers but led to an impairment of non-current assets linked to IoT of SEK 9.2 million in the third quarter.
- Eva Lessing was appointed Chief Human Resources Officer of Sinch on 2 November. She is a member of the Sinch management team and reports to CEO Oscar Werner. Eva Lessing brings welcome experience from Snow Software and took up her role in January 2019. Lena Oldberg, Sinch's current Chief Human Resources Officer, will continue in the HR organization and report to Eva Lessing.
- Roshan Saldanha was appointed the new Chief Financial Officer of Sinch on 12 December. Most recently before joining the company, Saldanha was CFO of Tele2 Sverige AB. He begins his position with Sinch on 5 March 2019.
- Sinch announced on 20 December that it had successfully renegotiated and extended the company's credit facilities. The expanded credit facility gives Sinch access to debt financing of SEK 1,500 million, provided that the company meets a number of predetermined contractual conditions. This means that the scope of debt funding for M&A has been expanded by SEK 900 million compared to the company's earlier bank agreement. In addition to the credit facility of SEK 1,500 million, the company has access to an overdraft facility of SEK 200 million.

Significant events after the end of the quarter

- Jonathan Bean was appointed the new Chief Marketing Officer of Sinch on 8 February. Prior to joining Sinch, Bean served as Chief Marketing Officer of Mynewsdesk, a rapidly growing cloud platform for marketing and PR. Jonathan will begin his position with Sinch on 23 April.
- CLX Communications launched a new corporate brand identity for all business areas on 13 February. Products previously marketed under the CLX, Symsoft, Sinch and Vehicle brands will now be integrated into a single, cohesive offering: Sinch.

[1] See the table on page 3 for a specification of items affecting comparability.

Invitation to phone conference

Sinch will present the year-end report in a phone conference on 22 February at 9:00 CET. To participate in the presentation by phone, please call and state the code 5475538.

Sweden: +46 (0) 8 506 921 85
United Kingdom: +44 (0) 203 009 5710
United States: +1 917 720 0178

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

Message from the CEO

High growth and record earnings

We are pleased to report a strong end to the year with rising gross profit and EBITDA in all business lines. More and more businesses are using our cloud platform for mobile customer engagement and our traction with large US-based global tech companies continues to bear fruit.

We are growing our business both organically and through acquisitions. Gross profit was 55 percent higher in Q4 2018 compared to the same period last year, and acquired businesses contributed 16 percentage points of this increase. The positive currency impact, when calculated on revenues, was 8 percent. Compared to Q4 2017, adjusted EBITDA grew 56 percent.

It is particularly pleasing to see high growth and black numbers in Voice, Video and Verification. This achievement results from a range of client wins in number verification and a targeted effort to bring our innovative number masking product to the ride hailing industry. Number masking uses temporary numbers to protect the privacy of riders and drivers, and the service helps safeguard the financial integrity of the ride hailing platform since bookings are handled through the ride hailing platform rather than through phone calls between individual drivers and riders. Looking ahead, we will expand our scope to more countries, customers and use cases.

Our messaging business continues to perform well, with healthy growth in text messaging, rich media messaging and advanced personalized video messaging. Gross profit in our Enterprise Division grew 42 percent in the fourth quarter due to strong traction with large US tech companies, underlying growth with existing customers, and the acquisition of Unwire in spring 2018. We are also seeing higher gross profit per message, a development that reflects our ability to serve global enterprises who are looking to engage customers both in developed markets and overseas geographies that are more challenging to serve. This quarter we also saw a marked improvement in our Operator Division, which sells software to mobile operators, where earnings improved and the conversion of orders to revenue began to pick up after a slower period in early 2018.

In December 2018, we secured an expanded credit facility with improved terms and conditions. We now have access to SEK 1,500 million in debt financing, which is an increase in debt funding for M&A of SEK 900 million compared to the company's earlier bank agreements. We have an active M&A agenda and are seeking both complementary technology acquisitions and acquisitions where we can extract synergies by migrating acquired messaging traffic onto our own platform.

On 13 February, we launched a new shared brand for all our business units. Sinch is an informal synonym for easy, and the Sinch brand now represents the full breadth of our product portfolio and our leadership in fostering high-value interactions for brands and their customers.

Our fourth quarter results show how investment in our business, successful M&A, and the hard work of our many talented colleagues drives financial performance. We look forward to a busy and prosperous 2019!

Stockholm, 22 February 2019

Oscar Werner

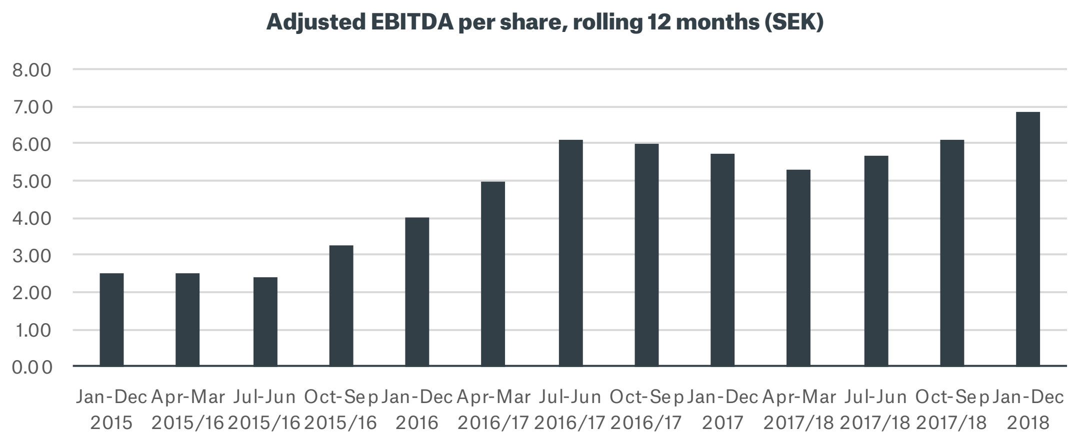
President and CEO

Sinch Group overview

For a list and definitions of financial measurements defined under IFRS and those not defined under IFRS, as well as operational measurements, please refer to page 21.

Sinch Group, SEK million	Q4 2018	Q4 2017	2018	2017
Net sales	1,151.3	909.3	3,986.6	3,058.1
Gross profit	309.9	199.8	1,008.4	780.0
Gross margin	26.9%	22.0%	25.3%	25.5%
Operating profit, EBITDA	140.4	76.0	373.3	263.2
EBITDA margin	12.2%	8.4%	9.4%	8.6%
Adjusted EBITDA	109.4	70.1	367.1	296.7
Adjusted EBITDA margin	9.5%	7.7%	9.2%	9.7%
Adjusted EBITDA/gross profit	35.3%	35.1%	36.4%	38.0%
Operating profit, EBIT	107.7	31.1	217.8	124.9
EBIT margin	9.4%	3.4%	5.5%	4.1%
Adjusted EBIT	76.7	37.1	220.8	170.3
Adjusted EBIT margin	6.7%	4.1%	5.5%	5.6%
Profit for the period	103.5	90.3	179.5	134.4
Net margin	9.0%	9.9%	4.5%	4.4%
Cash flow from operating activities	92.6	61.8	304.6	51.3
Net debt/Adjusted EBITDA RTM, multiple	1.1	1.2	1.1	1.2
Equity ratio	46.1%	49.3%	46.1%	49.3%
Diluted earnings per share, SEK	1.93	1.69	3.35	2.58
Average number of employees	391	351	385	340

Items affecting comparability, SEK million	Q4 2018	Q4 2017	2018	2017
Acquisition costs	-0.2	-0.1	-9.4	-9.3
Restructuring costs	-	-	8.9	-15.0
Integration costs	-2.7	-8.9	-27.2	-24.2
Proceeds from sale of PSMS business	-8.1	3.2	-8.1	3.3
Income adjusted earnout	42.0	11.8	42.0	11.8
Total items affecting EBITDA comparability	**31.0**	**5.9**	**6.2**	**-33.5**
Impairment goodwill Xura	-	-11.9	-	-11.9
Impairment tangible and intangible IoT assets	-	-	-9.2	-
Total items affecting EBIT comparability	**31.0**	**-6.0**	**-3.0**	**-45.3**



Operations

Sinch brings businesses and people closer with tools enabling personal engagement. Our cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through mobile messaging, voice and video. Demand for Sinch's services remains strong as more and more businesses use cloud communications solutions and the range of applications of our technology is widening.

Our Messaging offering 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 win organic market shares and continue consolidating the market through acquisitions, in defiance of fierce competition.

We are now seeing greater interest in advanced messaging services with multimedia and the potential for two-way communication. With our advanced, personalized video services, enterprises can reach their customers with dynamic, personalized video content tailored to the needs of the recipient. Providing information to new customers is an excellent application where, for example, we help leading American mobile network operators send personalized video greetings. Every new mobile customer receives a unique, personalized video containing information about their contract and help getting started. We see great future potential in the segment and strong demand from our customers.

We are now running a comprehensive development project in Rich Communication Services (RCS), which we believe is gradually approaching take-off. RCS is 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.

In addition to Messaging, efforts are ongoing with our cloud services for voice and video-based real-time services. Here, our offering includes temporary, anonymized numbers for ride-hailing services so that drivers and riders can easily contact each other without revealing their private mobile phone numbers. We also offer advanced number verification services, where we use text messaging and voice calls to help enterprises verify their customers' mobile numbers swiftly, easily and cost-effectively.

Sinch is focusing on geographies and market segments with favourable conditions for persistently good profitability. We are particularly competitive in international traffic and often win business where enterprises send messages to recipients in numerous countries. We are directly linked to more mobile network operators than our competitors and can guarantee safe and reliable delivery with no unnecessary middlemen. Through our Operator Division, we also help mobile network operators control their traffic flows and protect their networks against unauthorized use.

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. Our market is developing rapidly, and we see great opportunities for maintained high growth and profitability.

October – December 2018

Net sales

Consolidated net sales grew in the quarter by 27 percent to SEK 1,151.3 million (909.3). Amounts in parentheses refer to the corresponding quarter in the preceding year. Organic growth was 21 percent. Organic growth was positively affected during the quarter by the depreciation of the Swedish krona (SEK), primarily against EUR and GBP. The Group has significant revenues in foreign currencies and if exchange rates had been the same during the quarter as in the same quarter in 2017, revenues would have been about SEK 68.5 million lower and organic growth 13 percent.

The number of transactions in comparable units increased by about 7 percent during the quarter compared to the same quarter in 2017. 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.

The migration of acquired businesses' traffic to the Group's new Nova transaction system was completed in 2018. Nova enables higher cost-effectiveness and quality in our services, as well as faster, simpler integration of future acquisitions. Internal development resources have now been shifted to development of new tools and services to support growth and higher cost-effectiveness.

The sharper focus on new sales continues to have impact on organic growth. The effort to strengthen the sales and marketing organizations in Europe and Asia, further improve market segmentation and increase focus on major enterprise customers is proceeding as planned.

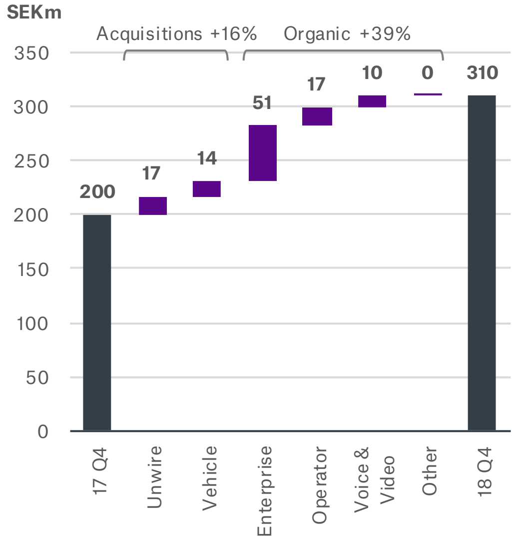
Gross profit

During the quarter, gross profit amounted to SEK 309.9 million (199.8) and the gross margin was 26.9 percent (22.0). The consolidated gross margin is significantly controlled by the Enterprise Division's gross margin. The key determining factor is in which markets traffic terminates, i.e., where the recipient's operator is domiciled. Gross profit per transaction is similar in most of the markets where Sinch does business, but the gross margin varies considerably due to differences in operators' traffic tariffs.

The volume mix between markets changes continuously and the gross margin fluctuates accordingly. As these fluctuations are beyond Sinch's control, our focus is on gross profit per transaction, not gross margin, as the guiding performance measurement. Sinch has for a long time had a strong position in several European markets, such as the United Kingdom, Germany and France, where the gross margin is lower than in markets such as the US. Volumes increased during the quarter in several other markets where the gross margin is higher, including China.

Gross profit was also affected by foreign exchange rates because consolidated revenues are not fully matched by costs in corresponding currencies.

Change in consolidated gross profit, Q4 2017 - Q4 2018



Organic growth in the chart above includes the effect of exchange rate fluctuations.

Operating profit

EBITDA amounted to SEK 140.4 million (76.0). EBIT was SEK 107.7 million (31.1). Scheduled amortization of acquired customer and operator relationships affected EBIT by SEK -21.1 million (-22.9).

As planned, costs in the Enterprise Division related to completion of the traffic migration from acquired businesses were phased out during the quarter. The internal qualified resources that were part of the Nova and migration projects will now be deployed to develop new products and services for the Enterprise Division.

Investments in Vehicle and Sinch Voice & Video to widen the product offerings of these operations in personalized video and voice-based communications are proceeding as planned.

The strong finish to 2018 resulted in higher bonus distributions, primarily to sales representatives. The company's express growth strategy has also led to higher costs for recruitment. Both of these factors reduced earnings for the quarter.

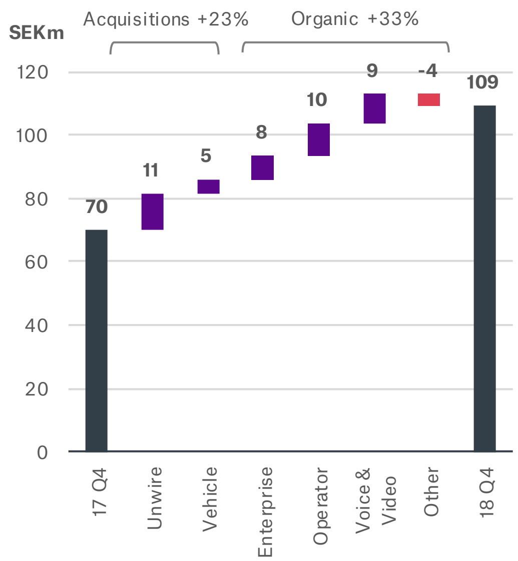
Acquisition and integration costs reduced earnings for the quarter by SEK -2.9 million (-9.0). Integration costs refer primarily to the remaining costs for development of Nova and other costs related to the migration of traffic to Nova. The earnout for Sinch was measured during the quarter at an amount lower than originally estimated because the targets for triggering the earnout were not fully met. This increased earnings for the quarter by SEK 42.0 million.

The capital loss on the sale of the PSMS business within Dialogue reduced earnings for the quarter by SEK -8.1 million. The sale was based on profit sharing with the buyers and was initially expected to generate larger earnings than is now estimated likely.

Adjusted for these items, EBITDA amounted to SEK 109.4 million (70.1) and EBIT to SEK 76.7 million (37.1).

Foreign exchange gains and losses affected operating profit for the quarter by SEK -9.3 million (3.8). The gains and losses are mainly attributable to ongoing remeasurements of outstanding trade receivables and trade payables.

Change in consolidated adjusted EBITDA, Q4 2017 - Q4 2018



Organic growth on the chart above includes the effect of exchange rate fluctuations.

Adjusted EBITDA per share was SEK 2.04 (1.31) for the quarter and SEK 6.85 SEK (5.73) for the rolling twelve months, an increase of 20 percent. The Group's financial target is annual growth of 20 percent. Adjusted EBITDA divided by gross profit was 35.3 percent (35.1) for the quarter.

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January – December 2018

Net sales

Consolidated net sales grew in the period by 30 percent to SEK 3,986.6 million (3,058.1). Amounts in parentheses refer to the corresponding period in the preceding year. Organic growth was 20 percent. Adjusted for currency effects, organic growth was 15 percent.

Gross profit

Gross profit for the year was SEK 1,008.4 million (780.0) and the gross margin was 25.3 percent (25.5).

Operating profit

EBITDA amounted to SEK 373.3 million (263.2). EBIT was SEK 217.8 million (124.9). Foreign exchange gains and losses affected operating profit for the year by SEK -13.4 million (-1.2). The gains and losses are mainly attributable to ongoing remeasurements of outstanding trade receivables and trade payables. Scheduled amortization of acquired customer and operator relationships affected EBIT by SEK -100.8 million (-89.7).

Acquisition and integration costs, impairments of property, plant and equipment and intangible assets related to IoT and capital loss on the sale of the PSMS business within Dialogue reduced profit for the year by SEK -53.9 million (-30.2). Reversal of an unutilized restructuring reserve and income related to adjusted earnout for Sinch increased profit for the year by SEK 50.9 million (-3.3). Adjusted for these items, EBITDA amounted to SEK 367.1 million (296.7) and EBIT to SEK 220.8 million (170.3).

Other income and expense items

Net financial expenses were SEK -16.5 million (-50.5), with interest costs amounting to SEK -22.4 million (-17.9) and foreign exchange differences to SEK 15.5 million (-33.9), as well as the interest component of the adjusted earnout for Sinch in the amount of SEK -13.4 million. Foreign exchange differences are attributable primarily to the remeasurement of financial assets and liabilities denominated in other currencies.

The Group's effective tax rate was -10.8 percent (80.6). See Note 4 for a reconciliation of tax on profit for the year. Net profit for the year amounted to SEK 179.5 million (134.4).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 28.5 million (30.2). Investments relate primarily to capitalized development expenditure of SEK 21.7 million (17.9). The investments consist both of development work and investments in hardware and software used for the operation of customer systems within the framework of the company's Managed Service offering. The company is also investing in developing solutions for RCS, Rich Communication Services.

The Group acquired 100 percent of the share capital in Unwire Communication ApS on 27 March, which was included in the consolidated accounts from that date. The purchase consideration was DKK 148 million (SEK 205.3 million) on a cash- and debt-free basis. Unwire is based in Copenhagen, Denmark and has about 20 employees. Unwire had sales in 2017 of approximately DKK 80 million (SEK 103.6 million) and gross profit of about DKK 45 million (SEK 57.9 million). EBITDA was about DKK 30 million (SEK 39.4 million), with an EBITDA margin of 38.0 percent. The acquisition was financed with expanded credit facilities of DKK 100 million (SEK 136.8 million) and cash reserves.

On 4 April, the Group acquired 100 percent of the share capital in Vehicle Agency LLC, which has about 10 employees and is based in Seattle, Washington. The company specializes in technology and solutions in personalized video and rich media communications solutions. Vehicle had sales in 2017 of approximately USD 5.9 million (SEK 50.5 million) and gross profit of about USD 3.4 million (SEK 29.4 million). EBITDA was about USD 0.9 million (SEK 7.9 million), with an EBITDA margin of 15.6 percent. The initial purchase consideration was USD 8 million (SEK 67.1 million) on a cash- and debt-free basis. In addition, an earnout of USD 4 million (SEK 35.8 million) was paid in July. The acquisition was financed with cash reserves. The purchase agreement provides for additional earnouts based on sales and EBITDA performance of a maximum of USD 18 million. The anticipated outcome discounted to present value amounts to USD 14.5 million (SEK 129.9 million) and has been recognized as a liability.

See Note 5 for further information about acquisitions.

Cash flow, Liquidity and financial position

Cash flow from operating activities amounted to SEK 304.6 million (51.3). Consolidated cash and cash equivalents at 31 December 2018 amounted to SEK 180.8 million (164.6). The bank overdraft facility amounted to SEK 200 million (100), of which none was drawn down (-). Cash flow in relation to operating profit fluctuates from quarter to quarter because many of the company's customers aim to maximize their liquidity by postponing payments to suppliers. Sinch is responding to this by increasing resources in the credit control function. Actual customer losses remain low and cash flow in relation to operating profit is stable over time.

The company's credit facilities were renegotiated and expanded in December. The expanded credit facility gives Sinch access to debt financing of SEK 1,500 million provided that the company meets a number of predetermined contractual conditions. This means that the scope of debt funding for M&A has been expanded by SEK 900 million compared to the company's earlier bank agreement.

Equity at 31 December 2018 amounted to SEK 1,664.2 million (1,494.6), corresponding to an equity ratio of 46.1 percent (49.3). Equity per share amounted to SEK 31.03 (27.86).

Employees

The average number of employees (full-time equivalents) in the Group amounted to 385 (340), of whom 21 percent (20) women. Sinch continues to recruit new employees, both in Sweden and internationally. Including consultants, the Group employs an average of approximately 465 people.

Enterprise Division

The Enterprise Division provides cloud-based communications solutions to the enterprise sector for effective communication with customers and employees.

Enterprise Division, SEK million	Q4 2018	Q4 2017	2018	2017
Net sales	1,049.1	857.9	3,700.1	2,847.1
Gross profit	230.8	162.4	780.7	599.8
Gross margin	22.0%	18.9%	21.1%	21.1%
Operating profit, EBITDA	98.1	79.1	363.3	287.8
EBITDA/Gross profit	42.5%	48.7%	46.5%	48.0%
EBITDA margin	9.4%	9.2%	9.8%	10.1%

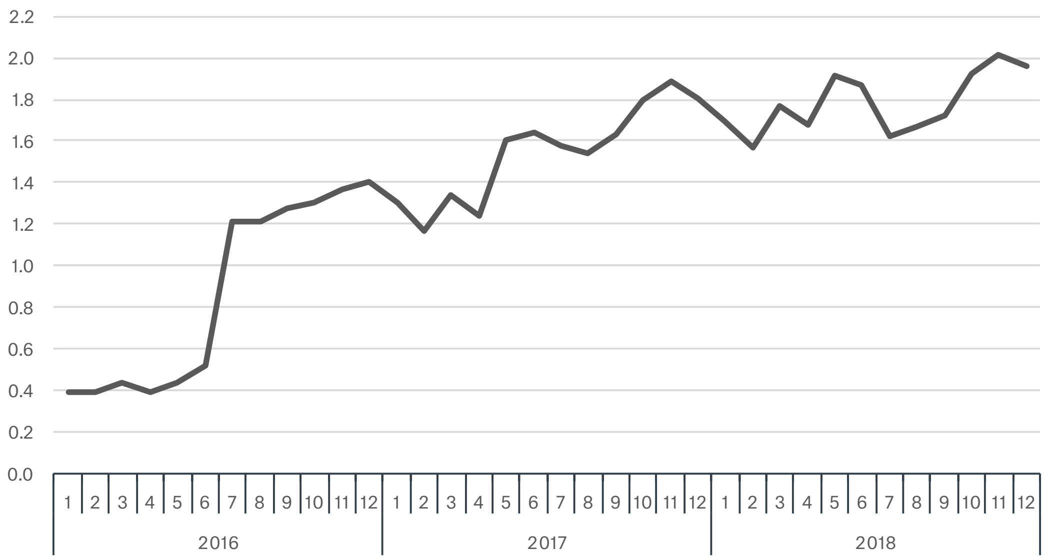
The Division's operations in A2P messaging continued developing well. The migration of traffic to Nova from the Mblox and Dialogue platforms is complete and focus going forward will be on continued organic growth of the combined customer base and the addition of new customers.

Net sales

During the quarter, net sales increased by SEK 191.2 million compared to the corresponding period in 2017 to SEK 1,049.1 million (857.9), an increase of 22 percent. This was the first quarter that the Division delivered revenues above SEK 1,000 million. Organic growth was 18 percent. Adjusted for currency effects, organic growth was 11 percent.

The number of sent messages in comparable units increased by about 7 percent during the quarter compared to the same quarter in 2017. The higher transaction volume is the result of many of our existing customers steadily growing their business with us, while we have continued to gain new customers.

Number of A2P-transactions per month (billions)

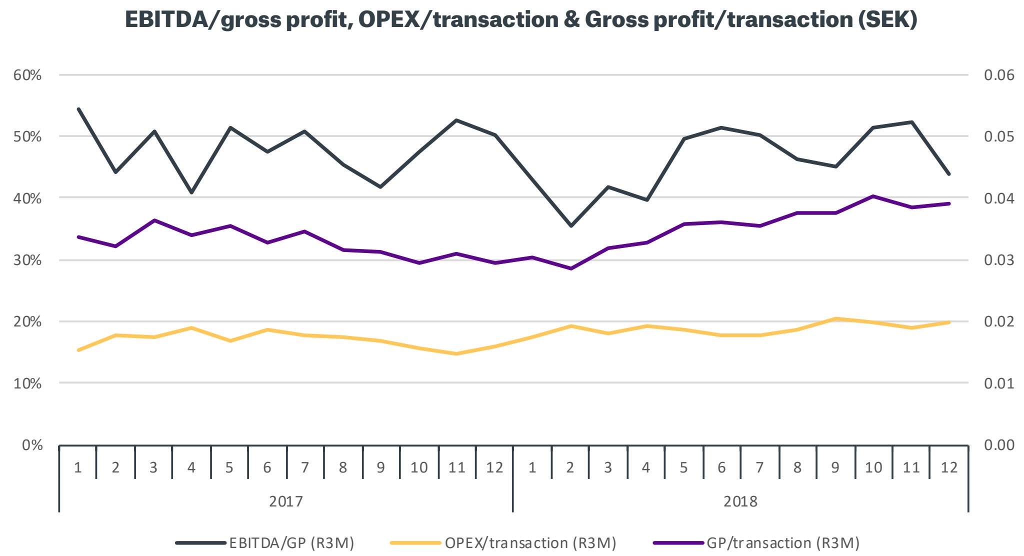


Profit

Gross profit increased during the quarter to SEK 230.8 million (162.4), an increase of 42 percent compared to the same quarter in the preceding year. EBITDA amounted to SEK 98.1 million (79.1). Foreign exchange gains and losses impacted the Division's operating profit during the quarter by SEK -9.6 million (2.3).

There was a small improvement in the gross margin during the quarter compared to the preceding quarter, due to an increase in traffic to certain markets where profitability is good.

Operating costs increased during the quarter, to a great extent as an effect of Sinch's express focus on continued growth, which requires further investments in product development, marketing and sales. Profit during the quarter was reduced by items including increased recruitment costs, which resulted in several key recruitments. Bonus distributions, mainly to sales representatives, were triggered by strong new sales during the quarter and the full year. However, the Division's underlying operating costs per sent message remain at a very competitive level. It is the express ambition of Sinch to be the market provider with the lowest operating cost per sent message and there is scope for additional improvements through continued automation and streamlining of internal processes.



EBITDA in relation to gross profit is a central performance measurement for the Division. Operating costs rose slightly during the quarter, as described above, but this was partially offset by rising traffic volumes.

Operator Division

The Operator Division develops software solutions for mobile operators and other service providers such as mobile virtual network operators (MVNOs). The Division delivers software solutions as both products and services to give operators the capacity to efficiently manage their service offerings in value added services (VAS) and business support systems, as well as to protect their networks and revenues.

Operator Division, SEK million	Q4 2018	Q4 2017	2018	2017
Net sales	50.6	38.3	156.8	168.7
Gross profit	45.2	28.0	140.6	144.0
Gross margin	89.3%	73.1%	89.7%	85.4%
Operating profit, EBITDA	10.8	0.5	23.8	41.9
EBITDA margin	21.3%	1.2%	15.2%	24.8%

Net sales

Net sales in the Operator division increased during the quarter by SEK 12.3 million to SEK 50.6 million (38.3). The quarter denoted a strong finish to a year that was initially relatively weak. However, the Operator Division's revenues may continue to fluctuate to a relatively great extent from one quarter to the next as major projects come in.

Profit

Gross profit rose during the quarter by SEK 17.2 million to SEK 45.2 million (28.0). EBITDA increased by SEK 10.3 million to SEK 10.8 million (0.5).

Foreign exchange gains and losses impacted the Division's operating profit during the quarter by SEK 0.1 million (1.6).

Other

As before, the objective in the Operator Division is to sharpen focus on the Division's core products and services and increase sales to new customers.

The Sinch Managed Service offering continues to attract great interest from existing and potential customers. This applies mainly to software for Fraud/Security and Messaging. Revenues from this business are of a recurring nature and Sinch has set a strategic objective to increase the share of recurring revenues in the Operator Division. We are confident that this offering will continue to develop in a positive direction.

Sinch Voice & Video

Sinch Voice & Video develops innovative cloud-based voice and video communications solutions.

Sinch Voice & Video, SEK million	Q4 2018	Q4 2017	2018	2017
Net sales	38.2	15.3	91.4	50.2
Gross profit	20.0	9.5	50.5	36.3
Gross margin	52.4%	61.8%	55.2%	72.3%
Operating profit, EBITDA	2.7	-6.4	-10.5	-19.2
EBITDA margin	7.2%	-41.9%	-11.5%	-38.3%

The development of the Sinch Voice & Video product portfolio is proceeding as planned, with extended functionality and geographical reach. There is also significant focus on boosting growth through cross-selling between companies in the Sinch Group. The work to coordinate product development, marketing and sales between the companies is ongoing.

Net sales

Net sales rose during the quarter by SEK 22.9 million to SEK 38.2 million (15.3). Sales are developing very positively, with both significant focus on deploying customers gained in new geographies as well as bringing in new customers and new markets in relation to existing customers.

Profit

Gross profit for the quarter amounted to SEK 20.0 million (9.5). EBITDA amounted to SEK 2.7 million (-6.4). The quarter thus marks a new phase in Sinch Voice & Video's development, where investments in product development and marketing are resulting in steady profit growth.

Foreign exchange gains and losses impacted Sinch Voice & Video's operating profit during the quarter by SEK 0.4 million (0.0).

Vehicle

Vehicle is a mobile video and rich media technology company that delivers personalized and dynamic video via MMS and digital advertising.

Vehicle, SEK million	Q4 2018	Q4 2017	2018*	2017
Net sales	21.2	-	52.3	-
Gross profit	13.8	-	36.6	-
Gross margin	65.3%	-	70.1%	-
Operating profit, EBITDA	4.5	-	13.4	-
EBITDA margin	21.3%	-	25.7%	-

**Vehicle was acquired on 4 April 2018 and is included in the consolidated accounts from that date.*

The main focus during the quarter was on cross-selling of Vehicle's products and services to Sinch's customer base in the US and Europe.

Net sales

Vehicle delivered net sales of SEK 21.2 million during the quarter. Sales are developing well, and Vehicle's offering is attracting keen interest among both American enterprise customers and European operators.

Profit

Gross profit for the quarter was SEK 13.8 million. EBITDA was SEK 4.5 million. Foreign exchange gains and losses impacted Vehicle's operating profit during the quarter by SEK 0.0 million.

Quarterly summary

Sinch Group, SEK million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Net sales	622.2	745.2	781.4	909.3	858.6	997.4	979.3	1,151.3
Gross profit	191.3	190.7	198.1	199.8	200.0	248.6	249.9	309.9
Gross margin	30.7%	25.6%	25.4%	22.0%	23.3%	24.9%	25.5%	26.9%
Operating profit, EBITDA	70.8	49.3	67.0	76.0	53.2	80.3	99.4	140.4
EBITDA margin	11.4%	6.6%	8.6%	8.4%	6.2%	8.1%	10.2%	12.2%
Items affecting comparability	-10.1	-24.6	-4.7	5.9	-11.8	-17.0	4.0	31.0
Adjusted EBITDA	80.9	74.0	71.7	70.1	65.0	97.4	95.4	109.4
Adjusted EBITDA margin	13.0%	9.9%	9.2%	7.7%	7.6%	9.8%	9.7%	9.5%
Adjusted EBITDA/Gross profit	42.3%	38.8%	36.2%	35.1%	32.5%	39.2%	38.2%	35.3%
Adjusted EBITDA per share, diluted SEK	1.63	1.45	1.34	1.31	1.21	1.82	1.78	2.04

Enterprise Division, SEK million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Net sales	566.4	696.7	726.2	857.9	812.4	935.2	903.3	1,049.1
Gross profit	139.6	149.8	148.0	162.4	161.5	198.8	189.6	230.8
Gross margin	24.7%	21.5%	20.4%	18.9%	19.9%	21.3%	21.0%	22.0%
Operating profit, EBITDA	71.4	74.7	62.7	79.1	71.8	106.1	87.3	98.1
EBITDA/Gross profit	51.1%	49.9%	42.4%	48.7%	44.4%	53.4%	46.0%	42.5%
EBITDA margin	12.6%	10.7%	8.6%	9.2%	8.8%	11.3%	9.7%	9.4%

Operator Division, SEK million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Net sales	45.6	40.7	44.0	38.3	33.2	33.6	39.5	50.6
Gross profit	42.7	34.0	39.1	28.0	29.7	30.8	35.0	45.2
Gross margin	93.8%	83.6%	88.9%	73.1%	89.5%	91.7%	88.6%	89.3%
Operating profit, EBITDA	18.6	5.5	17.3	0.5	1.4	3.5	8.2	10.8
EBITDA margin	40.8%	13.5%	39.4%	1.2%	4.2%	10.4%	20.7%	21.3%

Sinch Voice & Video, SEK million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Net sales	11.4	10.8	12.7	15.3	15.0	17.8	20.5	38.2
Gross profit	8.9	8.4	9.5	9.5	8.8	10.1	11.6	20.0
Gross margin	78.2%	77.9%	74.6%	61.8%	59.0%	56.6%	56.6%	52.4%
Operating profit, EBITDA	-4.7	-4.4	-3.7	-6.4	-4.5	-5.1	-3.7	2.7
EBITDA margin	-41.3%	-40.9%	-29.0%	-41.9%	-30.4%	-28.5%	-17.9%	7.2%

Vehicle, SEK million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Net sales	-	-	-	-	-	12.5	18.5	21.2
Gross profit	-	-	-	-	-	8.7	14.1	13.8
Gross margin	-	-	-	-	-	69.4%	76.0%	65.3%
Operating profit, EBITDA	-	-	-	-	-	2.2	6.7	4.5
EBITDA margin	-	-	-	-	-	17.8%	36.0%	21.3%

Items affecting comparability

Sinch Group, SEK million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Acquisition costs	-3.1	-5.7	-0.3	-0.1	-4.6	-4.3	-0.4	-0.2
Restructuring costs	-	-15.1	-	-	-	-	8.9	-
Integration costs	-7.0	-3.8	-4.5	-8.9	-7.2	-12.8	-4.5	-2.7
Proceeds from sale of PSMS business	-	-	0.1	3.2	-	-	-	-8.1
Adjusted earnout	-	-	-	11.8	-	-	-	42.0
Total items affecting EBITDA comparability	**-10.1**	**-24.6**	**-4.7**	**5.9**	**-11.8**	**-17.0**	**-2.9**	**31.0**
Impairment goodwill Xura	-	-	-	-11.9	-	-	-	-
Impairment tangible and intangible IoT assets	-	-	-	-	-	-	-9.2	-
Total items affecting EBIT comparability	**-10.1**	**-24.6**	**-4.7**	**-6.0**	**-11.8**	**-17.0**	**-5.2**	**31.0**

Condensed income statement

Sinch Group, SEK million	Q4 2018	Q4 2017	2018	2017
Net sales	**1,151.3**	**909.3**	**3,986.6**	**3,058.1**
Cost of goods sold and services	-841.5	-709.5	-2,978.2	-2,278.1
Gross profit	**309.9**	**199.8**	**1,008.4**	**780.0**
Other operating income	57.6	26.6	109.6	59.5
Work performed by the entity and capitalized	5.3	5.8	21.7	17.9
Other external costs	-86.2	-62.2	-280.3	-243.6
Employee benefits expenses	-119.2	-85.7	-405.1	-312.6
Other operating expenses	-27.0	-8.3	-81.1	-38.1
EBITDA	**140.4**	**76.0**	**373.3**	**263.2**
Depreciation, amortization and impairment	-32.7	-44.9	-155.5	-138.3
EBIT	**107.7**	**31.1**	**217.8**	**124.9**
Finance income	42.5	9.9	148.5	185.2
Finance expenses	-53.8	-22.5	-165.0	-235.7
Profit before tax	**96.5**	**18.5**	**201.3**	**74.4**
Current tax	0.8	2.1	-41.1	-33.3
Deferred tax	6.2	69.7	19.3	93.3
Profit for the period	**103.5**	**90.3**	**179.5**	**134.4**
Attributable to:				
Owners of the parent	103.5	90.3	179.5	133.9
Non-controlling interests	0.0	0.0	0.0	0.5

Earnings per share

Sinch Group, SEK	Q4 2018	Q4 2017	2018	2017
- Basic	1.93	1.69	3.35	2.58
- Diluted	1.93	1.69	3.35	2.58

Condensed statement of comprehensive income

Sinch Group, SEK million	Q4 2018	Q4 2017	2018	2017
Profit for the period	**103.5**	**90.3**	**179.5**	**134.4**
Other comprehensive income or loss				
Translation differences	-23.7	23.9	-12.8	26.9
Hedge accounting net investments	1.7	5.5	-6.3	-9.3
Tax effect on items in other comprehensive income	-0.7	-1.4	1.0	2.1
Other comprehensive income for the period	**-22.7**	**28.1**	**-18.0**	**19.7**
Total comprehensive income for the period	**80.7**	**118.4**	**161.5**	**154.1**
Attributable to:				
Owners of the parent	80.6	118.0	161.7	153.8
Non-controlling interests	0.1	0.4	-0.2	0.2

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Condensed balance sheet

Sinch Group, SEK million	Note	12/31/2018	12/31/2017
ASSETS			
Goodwill		1,221.8	963.4
Customer relationships		682.6	575.9
Operator relationships		102.9	108.2
Proprietary software		135.8	112.3
Other intangible non-current assets		2.3	3.9
Tangible non-current assets		18.9	23.1
Non-current financial assets		15.1	29.2
Deferred tax assets		191.9	191.4
Total non-current assets		**2,371.4**	**2,007.3**
Tax receivables		1.3	1.7
Other current receivables		1,058.6	857.1
Cash and cash equivalents		180.8	164.6
Total current assets		**1,240.6**	**1,023.3**
TOTAL ASSETS		**3,612.0**	**3,030.6**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	3	1,663.3	1,493.4
Non-controlling interests		0.9	1.1
Total equity		**1,664.2**	**1,494.6**
Provision for deferred taxes		218.4	196.2
Provision for restructuring costs		-	11.3
Other provisions		27.7	0.2
Total provisions		**246.1**	**207.7**
Non-current liabilities, interest bearing		487.3	387.7
Non-current liabilities, non-interest bearing		147.5	54.3
Total non-current liabilities		**634.8**	**442.1**
Current liabilities, interest bearing		98.9	125.7
Tax liabilities		21.2	45.1
Other current liabilities, non-interest bearing		946.9	715.5
Total current liabilities		**1,067.0**	**886.4**
TOTAL EQUITY AND LIABILITIES		**3,612.0**	**3,030.6**
Financial instruments measured at fair value			
Derivatives with positive fair value		0.7	1.3
Derivatives with negative fair value		4.1	0.1

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 2017 Annual Report.

Condensed statement of changes in equity

	Attributable to owners of the parent company						
CLX Group, SEK million	**Share capital**	**Other capital contributions**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Opening balance 1 January 2017	**5.0**	**881.5**	**17.1**	**-44.3**	**859.1**	**5.9**	**865.0**
Total comprehensive income			19.9	133.9	153.8	0.2	154.1
Acquisition of minority share in Caleo				-7.9	-7.9	-5.0	-12.9
Warrants issue		8.4			8.4		8.4
New share issue	0.4	487.7			488.1		488.1
Issue expenses, net after tax				-8.0	-8.0		-8.0
Closing balance 31 Dec 2017	**5.4**	**1,377.7**	**37.0**	**73.7**	**1,493.3**	**1.1**	**1,494.6**
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			-17.8	179.5	161.7	-0.2	161.5
Warrants issue		9.1			9.1		9.1
Issue expenses, net after tax				-0.5	-0.5		-0.5
Closing balance 31 Dec 2018	**5.4**	**1,386.8**	**18.9**	**252.6**	**1,663.3**	**0.9**	**1,664.2**

Condensed statement of cash flows

Sinch Group, SEK million	Note	Q4 2018	Q4 2017	2018	2017
Cash flow before changes in working capital		81.7	55.2	223.6	189.2
Changes in working capital		10.9	6.6	81.0	-138.0
Cash flow from operating activities		**92.6**	**61.8**	**304.6**	**51.3**
Net investments in tangible and intangible assets		-7.0	-14.0	-28.5	-30.2
Change in financial receivables		-2.7	-6.1	-20.4	-6.2
Acquisition of subsidiary	5	-0.2	-61.9	-321.5	-526.1
Cash flow from investing activities		**-9.8**	**-82.0**	**-370.4**	**-562.6**
New borrowing		585.4	0.1	722.2	515.8
Amortization of bank loan		-540.9	-31.6	-654.2	-436.9
Bank overdraft facility		-79.8	-	-	-
New share issue/warrants	3	-0.7	0.3	7.4	485.3
Cash flow from financing activities		**-36.0**	**-31.2**	**75.5**	**564.2**
Cash flow for the period		**46.8**	**-51.4**	**9.8**	**52.9**
Cash and cash equivalents at the beginning of the period		132.5	212.4	164.6	115.3
Exchange rate differences in cash and cash equivalents		1.5	3.5	6.4	-3.7
Cash and cash equivalents at the end of the period		**180.8**	**164.6**	**180.8**	**164.6**

Other disclosures

Sinch Group, SEK million	Q4 2018	Q4 2017	2018	2017
Share information				
Basic earnings per share, SEK	1.93	1.69	3.35	2.58
Diluted earnings per share, SEK	1.93	1.69	3.35	2.58
Basic weighted average number of shares*	53,602,089	53,602,089	53,602,089	52,002,693
Diluted weighted average number of shares*	53,695,511	53,602,089	53,602,089	52,002,693
Number of ordinary shares at the end of the period	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
Financial position				
Equity attributable to owners of the parent	1,663.3	1,493.4	1,663.3	1,493.4
Equity ratio	46.1%	49.3%	46.1%	49.3%
Equity per share, SEK	31.03	27.86	31.03	27.86
Net investments in tangible and intangible assets	7.0	14.0	28.5	30.2
Cash and cash equivalents	180.8	164.6	180.8	164.6
Net debt	405.5	348.8	405.5	348.8
Net debt/EBITDA RTM, multiple	1.1	1.2	1.1	1.2
Employees				
Number of FTEs	391	351	385	340
Percentage female	21%	20%	21%	20%
Key figures				
Operating margin, EBITDA	12.2%	8.4%	9.4%	8.6%
Operating margin, EBIT	9.4%	3.4%	5.5%	4.1%
Net margin, profit for the period	9.0%	9.9%	4.5%	4.4%

*Historical average number of shares has been recalculated after new share issue for comparison.

Segment reporting

An operating segment is defined as a business activity that is able to generate revenues and incur costs, whose operating results are regularly reviewed by the entity's chief executive officer and for which separate financial information is available. The Group's operating segments consist of the Enterprise Division, the Operator Division, Sinch Voice & Video and Vehicle. Items below EBITDA and items affecting comparability are not allocated to the segments.

Q4 2018, SEK million	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Parent company, unallocated items and eliminations	Group
External revenue	**1,043.0**	**49.1**	**38.1**	**21.2**	**-**	**1,151.3**
Internal revenue	6.1	1.5	0.1	-	-7.7	-
Gross profit	**230.8**	**45.2**	**20.0**	**13.8**	**0.1**	**309.9**
EBITDA	**98.1**	**10.8**	**2.7**	**4.5**	**24.3**	**140.4**
Depreciation, amortization and impairment						-32.7
EBIT						**107.7**
Finance expenses						-11.2
Profit before tax						**96.5**

EBITDA for the parent company amounts to SEK 34.1 million, of which adjusted earnout Sinch amounts to SEK 42.0 million. Unallocated items include acquisition costs of SEK -0.2 million, integration costs of SEK -2.7 million and loss from proceeds of sale PSMS of SEK -8.1 million.

Q4 2017, SEK million	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Parent company, unallocated items and eliminations	Group
External revenue	**857.2**	**36.9**	**15.1**	**-**	**-**	**909.3**
Internal revenue	0.7	1.4	0.2	-	-2.2	-
Gross profit	**162.4**	**28.0**	**9.5**	**-**	**0.0**	**199.8**
EBITDA	**79.1**	**0.5**	**-6.4**	**-**	**2.9**	**76.0**
Depreciation, amortization and impairment						-44.9
EBIT						**31.1**
Finance expenses						-12.6
Profit before tax						**18.5**

EBITDA for the parent company amounts to SEK -2.4 million. Unallocated items include acquisition costs of SEK -0.1 million, integration costs of SEK -8.9 million, gain from proceeds of sale PSMS of SEK 0.1 million and adjustment earnout Xura of SEK 11.8 million.

2018, SEK million	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Parent company, unallocated items and eliminations	Group
External revenue	**3,691.8**	**151.5**	**91.0**	**52.3**	**-**	**3,986.6**
Internal revenue	8.2	5.3	0.4	-	-13.9	-
Gross profit	**780.7**	**140.6**	**50.5**	**36.6**	**0.0**	**1,008.4**
EBITDA	**363.3**	**23.8**	**-10.5**	**13.4**	**-16.7**	**373.3**
Depreciation, amortization and impairment						-155.5
EBIT						**217.8**
Finance expenses						-16.5
Profit before tax						**201.3**

EBITDA for the parent company amounts to SEK 17.8 million, of which adjusted earnout Sinch amounts to SEK 42.0 million. Unallocated items include acquisition costs of SEK -9.4 million, integration costs of SEK -27.2 million, released unused restructuring provision of SEK 8.9 million and loss from proceeds of sale PSMS of SEK -8.1 million.

2017, SEK million	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Parent company, unallocated items and eliminations	Group
External revenue	**2,844.9**	**163.2**	**50.0**	**-**	**-**	**3,058.1**
Internal revenue	2.3	5.5	0.2	-	-8.0	-
Gross profit	**599.8**	**144.0**	**36.3**	**-**	**-0.1**	**780.0**
EBITDA	**287.8**	**41.9**	**-19.2**	**-**	**-47.3**	**263.2**
Depreciation, amortization and impairment						-138.3
EBIT						**124.9**
Finance expenses						-50.5
Profit before tax						**74.4**

EBITDA for the parent company amounts to SEK -12.9 million. Unallocated items include acquisition costs of SEK -9.3 million, restructuring costs of SEK -15.0 million, integration costs of SEK -24.2 million, gain from proceeds of sale PSMS of SEK 3.3 million and adjusted earnout Xura of SEK 11.8 million.

Distribution of external net sales by segment

Q4 2018, SEK million	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Parent company, unallocated items and eliminations	Group
Net sales by customers country/region						
Sweden	74.7	7.5	3.7	-	-	86.0
France	140.9	-	0.1	0.1	-	141.1
UK	163.2	0.5	0.9	-	-	164.6
Germany	98.9	0.7	1.0	-	-	100.7
Other countries in the European Union	130.7	11.5	9.9	-	-	152.1
USA	322.1	1.8	16.2	21.1	-	361.2
Rest of the world	112.4	27.1	6.2	-	-	145.7
Total	**1,043.0**	**49.1**	**38.1**	**21.2**	**-**	**1,151.3**
Net sales by products/services						
Messaging	1,037.6	-	38.1	19.4	-	1,095.1
Initial software licenses and upgrades	0.2	13.3	-	-	-	13.5
Hardware	-	-	-	-	-	-
Support	2.1	35.8	-	0.6	-	38.4
Other	3.1	0.0	-	1.3	-	4.4
Total	**1,043.0**	**49.1**	**38.1**	**21.2**	**-**	**1,151.3**
Net sales allocation per point in time						
Over time	0.4	10.7	-	-	-	11.2
At one point in time	1,042.6	38.4	38.1	21.2	-	1,140.2
Total	**1,043.0**	**49.1**	**38.1**	**21.2**	**-**	**1,151.3**

2018, SEK million	Enterprise Division	Operator Division	Sinch Voice & Video	Vehicle	Parent company, unallocated items and eliminations	Group
Net sales by customers country/region						
Sweden	232.0	32.0	15.0	-	-	279.0
France	466.3	-	0.2	0.1	-	466.6
UK	603.1	1.8	2.8	-	-	607.8
Germany	363.4	3.5	1.3	-	-	368.3
Other countries in the European Union	508.3	40.4	18.4	-	-	567.2
USA	1,048.7	2.2	39.5	52.2	-	1,142.5
Rest of the world	470.0	71.6	13.8	-	-	555.3
Total	**3,691.8**	**151.5**	**91.0**	**52.3**	**-**	**3,986.6**
Net sales by products/services						
Messaging	3,683.9	-	91.0	46.6	-	3,821.6
Initial software licenses and upgrades	0.8	43.9	-	-	-	44.8
Hardware	-	0.0	-	-	-	0.0
Support	4.0	107.5	-	1.7	-	113.3
Other	3.1	0.0	-	3.9	-	7.0
Total	**3,691.8**	**151.5**	**91.0**	**52.3**	**-**	**3,986.6**
Net sales allocation per point in time						
Over time	1.4	39.2	-	-	-	40.6
At one point in time	3,690.4	112.3	91.0	52.3	-	3,946.0
Total	**3,691.8**	**151.5**	**91.0**	**52.3**	**-**	**3,986.6**

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Parent company

CLX Communications AB (publ) (name change to Sinch AB (publ) in progress) owns and manages 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 13 (7) 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	2018	2017
Operating revenue	30.9	13.0
Operating costs	-14.8	-26.2
EBIT	**16.1**	**-13.2**
Finance income & expenses	57.7	-110.4
Profit/loss after financial items	**73.8**	**-123.5**
Appropriations	-45.6	133.6
Tax on profit for the year	0.0	-2.3
Profit for the year*	**28.2**	**7.8**

*Profit for the year coincides with comprehensive income for the year

SEK million	12/31/2018	12/31/2017
ASSETS		
Non-current assets	2,162.5	2,046.1
Current assets	58.8	186.7
TOTAL ASSETS	**2,221.3**	**2,232.9**
EQUITY AND LIABILITIES		
Equity	1,454.0	1,418.2
Untaxed reserves	8.6	8.3
Non-current liabilities	498.7	427.4
Current liabilities	260.0	378.9
TOTAL EQUITY AND LIABILITIES	**2,221.3**	**2,232.9**

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 the 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*. None of the new or amended IFRS standards or interpretations from the IFRS Interpretations Committee which apply from 1 January 2018 has had any material impact on Sinch's financial statements.

Sinch began applying IFRS 9 *Financial Instruments* as of 1 January 2018. The standard supersedes IAS 39. IFRS 9 contains rules for recognition, classification and measurement, impairments, derecognition and general rules for hedge accounting. The application of IFRS 9 has had no material effect on the financial performance or position of the Group or the parent company and no adjustments have been made to opening balances at 1 January 2018.

Effective 1 January 2018, Sinch applies IFRS 15 *Revenue from Contracts with Customers*, which supersedes IAS 15 and IAS 18. Sinch's revenues are derived mainly from sales of services where performance obligations, the point in time at which control of the service is passed to the customer and payment terms are all clearly identifiable. The transition to IFRS 15 has had no effect on Sinch's financial statements, other than the extended disclosures that must be presented for the current financial year in accordance with the forward-looking method. Distribution of revenues is presented on page 16.

Apart from the above, the accounting policies and estimation methods are unchanged from those applied in the 2017 annual report.

IFRS 16 Leases will supersede *IAS 17 Leases* and application is mandatory from 1 January 2019. An implementation project was carried out in preparation for the initial application of IFRS 16. The aim was to identify differences between IFRS 16 and IAS 17, collect data in order to analyze the impact of the differences and establish procedures for accounting for leases after the implementation.

IFRS 16 requires the lessee to report virtually all leases on the statement of financial position (balance sheet). Consequently, leases will no longer be classified as either operating or finance leases. The underlying asset in the lease is recognized in the statement of financial position. In subsequent periods, the Right of Use (ROU) asset is carried at cost less accumulated depreciation and impairment, if any, and adjusted for any remeasurement of the lease liability. The lease liability is recognized in the statement of financial position and is continuously carried at amortized cost less the amount of lease payments made. The lease liability is subsequently remeasured when changes occur in, for example, the lease term, residual value and future lease payments.

The income statement will be affected through the replacement of operating costs attributable to operating leases by depreciation and interest expenses. Short-term leases (12 months or less) and leases where the underlying asset has a low value do not have to be recognized in the balance sheet and Sinch has applied this option. Sinch will apply the modified retroactive approach to the transition as regards leases previously reported as operating leases. Under this approach, the lease liability is calculated as the present value of remaining lease payments discounted using the incremental borrowing rate at date of initial application and comparison years are not adjusted. Leases previously classified as finance leases have not been restated upon transition to IFRS 16.

The ROU asset is measured at the sum of the lease liability adjusted for any prepaid or accrued lease payments. The lease liability and the ROU asset are recognized in the opening balance as of 1 January 2019. Estimated adjustments of opening balance as of 1 January 2019 amount to SEK 89 million for the *ROU asset* item, SEK 83 million for the *Lease liability* item and SEK -6 million for the *Prepaid rent asset* item. No adjustment was found necessary for Equity.

Note 2 – Pledged assets and contingent liabilities

The shares in CLX Communications Holding AB, CLX Networks AB and Symsoft AB have been pledged as collateral for the obligations within the current loan agreement. The group value of the pledged assets on 31 December 2018 amounted to SEK 2,427.7 million (382.6). In addition, floating charges in CLX Networks AB of SEK 20 million (20) and in Symsoft AB of SEK 25 million (25) have been pledged as collateral for the loan agreement. Other guarantees amounted to SEK 6.5 million (5.6).

Note 3 – Incentive program

Within the framework of the incentive program adopted by the annual general meeting held 18 May 2018, 1,306,600 warrants have been subscribed for by senior executives and key employees within Sinch, including 500,000 warrants subscribed by CEO Oscar Werner. The program is divided into three series, with exercise periods of 22 June - 22 September 2021, 22 March - 22 June 2022 and 2023, respectively. All participants have been granted one third of their warrants in each series. The average fair value per warrant was SEK 8.03 at grant date. The exercise price is SEK 91.30 per share in all series.

Participants outside the US and the UK have paid a premium of SEK 8.03 per warrant, through which Sinch has realized SEK 8.1 million in equity. These participants received 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 were 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 of 10 percent per year to qualify to subscribe for shares.

Warrants	
Opening balance 1 January 2018	1,205,700
Allocation of warrants	1,306,600
Closing balance 31 December 2018	**2,512,300**
Of which in own custody	56,500

Vested warrants	
Vested as per 1 January 2018	98,785
Vested during the year	104,424
Vested as per 31 December 2018	**203,209**
Warrants not yet vested	396,291

Payroll costs for vested warrants are included in profit and loss for 2018 in the amount of SEK 0.9 million, with a corresponding increase in equity. Social insurance costs are included in the amount of SEK 0.1 million, recognized as a provision in the balance sheet. The total cost of the warrant program is expected to be approximately SEK 6 million distributed across the term of the program. Please refer to Note 21 of the 2017 annual report for detailed information concerning the group's incentive programs adopted in 2016. The warrants have been assessed as dilutive in the fourth quarter since the exercise price was below the average share price during the period. The warrants have not been assessed as dilutive for the full year 2018 because the exercise price has exceeded the average share price. The potential dilutive effect upon exercise of all employee warrants is 4.7 percent.

Note 4 – Reconciliation of tax on profit for the year

Reconciliation of tax expense for the year	2018	2017
Profit before tax	201.3	74.4
Tax calculated at Swedish tax rate, 22%	-44.3	-16.4
Tax attributable to previous years	19.9	-4.5
Tax effect of non-deductible expenses	-1.7	-3.2
Tax effect of non-taxable revenue	7.7	1.2
Tax on standard interest rate, tax allocation reserves	0.0	0.0
Tax effect of non-capitalized loss carryforwards	-0.5	-0.4
Tax effect of use of non-capitalized loss carryforwards	0.6	-
Tax effect of previously non-capitalized loss carryforwards	-	46.0
Foreign tax deducted at source	-0.3	-1.1
Effect of changed tax rates	-1.8	40.8
Effect of foreign tax rates	-1.4	-2.5
Tax on profit for the year according to income statement	**-21.8**	**60.0**

Note 5 – Acquisition of group companies

Unwire

The acquisition of 100 percent of the share capital in Unwire Communication ApS was closed on 27 March, and the company was included in the consolidated accounts from that date. The purchase consideration was DKK 148 million (SEK 205.3 million) on a cash- and debt-free basis. The acquisition was financed with expanded credit facilities of DKK 100 million (SEK 136.8 million) and cash reserves. According to the preliminary acquisition analysis, goodwill of SEK 128.2 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Unwire. The estimated useful life of proprietary software and customer relationships in PSMS is three years. The estimated useful life of other customer relationships and operator relationships is ten years.

Vehicle

The acquisition of 100 percent of the share capital in Vehicle Agency LLC was closed on 4 April and the company was included in the consolidated accounts from that date. The initial purchase consideration was USD 8 million (SEK 67.1 million) on a cash- and debt-free basis. In addition, an earnout of USD 4 million (SEK 35.8 million) was paid in July. The acquisition was financed with cash reserves. The purchase agreement provides for additional earnouts based on sales and EBITDA performance of a maximum of USD 18 million. The anticipated outcome discounted to present value amounts to USD 14.5 million (SEK 129.9 million) and has been recognized as a liability. According to the preliminary acquisition analysis, goodwill of SEK 146.0 million arose upon acquisition, mainly attributable to the expertise and expanded geographic range contributed by Vehicle. The estimated useful life of proprietary software and customer relationships is ten years and the estimated useful life of the trademark is one year.

Acquisition analysis - preliminary

Fair value acquired net assets, SEK million	Unwire	Vehicle
Customer relationships	73.7	71.7
Customer relationships, PSMS	5.5	-
Operator relationships	3.9	-
Trademark	-	0.4
Proprietary software	12.5	27.8
Other intangible and tangible non-current assets	0.2	2.1
Deferred tax assets	7.8	-
Current assets	21.0	10.6
Cash and cash equivalents	8.0	2.7
Deferred tax liability	-21.0	-21.0
Current liabilities	-32.8	-1.6
Total acquired net assets	**78.7**	**92.6**

Purchase price allocation

Purchase consideration, SEK million	Unwire	Vehicle
Original purchase consideration	205.3	67.1
Additional purchase consideration	-	35.8
Additional purchase consideration, debt	-	129.9
Settlement working capital	-6.4	3.1
Settlement debt	-	-
Settlement cash and cash equivalents	8.0	2.7
Total purchase consideration	**206.9**	**238.7**
Fair value acquired net assets	-78.7	-92.6
Goodwill	**128.2**	**146.0**

Effects of acquisitions on consolidated cash and cash equivalents

Investing activities 2018, SEK million	Unwire	Vehicle	Sinch	Dialogue	Total
Original purchase consideration	205.3	67.1	-	-	272.4
Settlement working capital	-6.4	3.1	-	-	-3.3
Settlement debt	-	-	-	7.1	7.1
Additional purchase consideration	-	35.8	-	-	35.8
Settlement cash and cash equivalents	8.0	2.7	-	-	10.7
Cash and cash equivalents in acquired entity	-8.0	-2.7	-	-	-10.7
Expenses directly linked to the acquisition	5.9	2.4	0.1	1.0	9.4
Effect on consolidated cash and cash equivalents	**204.8**	**108.4**	**0.1**	**8.1**	**321.5**

Contribution of acquired companies to consolidated net sales and profit after tax

2018, SEK million	Unwire	Vehicle
Net sales	90.8	52.3
Profit after tax for the period	26.3	9.5

The following table shows net sales and profit after tax as if the acquisitions had taken place on 1 January 2018

2018, SEK million	Unwire	Vehicle	Other entities	Amortization acquired assets	Total
Net sales	119.3	63.6	3,843.0	-	4,025.9
Profit after tax for the period	35.6	10.6	90.4	-40.3	96.3

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 EBIT/EBITDA to show the underlying results of operations excluding non-recurring items such as capital gains/losses, acquisition costs, and restructuring and integration costs. 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 property, plant and equipment and intangible assets
Investments in property, plant and equipment and intangible assets during the period less divested property, plant and equipment and intangible assets.

Net margin
Net profit after tax for the period in relation to net sales.

Interest-bearing liabilities
Bank loans and finance leasing liabilities.

Net debt
Interest-bearing liabilities less cash and cash equivalents.

Equity 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, IPO expenses, 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.

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, recalculated as full-time equivalents.

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 excluding the contribution of acquired units to net sales in relation to net sales in the comparison period.

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

About Sinch

Sinch is a leading vendor of cloud communications services and solutions for enterprises and mobile operators. Mobile communications services from Sinch make it possible for enterprises to reach their customers swiftly, securely, and cost-effectively through mobile messaging services, voice services and video. Solutions from Sinch are used for business-critical communication worldwide and the company has grown profitably since it was founded in 2008. The Group is headquartered in Stockholm, Sweden, and has a presence in an additional 20 countries. Sinch is listed on Nasdaq Stockholm: SINCH.

Dividend

The board of directors has decided to propose to the annual general meeting that no dividend be paid for financial year 2018. It is the opinion of the board that the company is currently in a phase during which financial surpluses should be reinvested in continued growth, both organically and through acquisitions.

Forthcoming reporting dates

Annual General Meeting	17 May
Interim Report Q1 2019	17 May
Interim Report Q2 2019	19 July
Interim Report Q3 2019	8 November

The 2018 annual report will be available on the company's website at investors.sinch.com no later than three weeks before the AGM.

Outlook

Sinch does not publish forecasts.

Nomination Committee

The members of the Sinch Nominating Committee are:

- 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 of CLX Communications AB (publ), name change to Sinch AB (publ) in progress

Shareholders wishing to make proposals to the nomination committee can do so by writing to: CLX Communications AB (publ) (name change to Sinch AB (publ) in progress), Lindhagensgatan 74, 112 18 Stockholm, Sweden, or by email to nomination@sinch.com. Proposals for the AGM must be received by the nomination committee by 15 March.

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 2017 annual report. 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.

Headquarters

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(Name change to Sinch AB (publ) in progress)
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Stockholm, 22 February 2019

Erik Fröberg Chairman	Kjell Arvidsson	Bridget Cosgrave
Renée Robinson Strömberg	Johan Stuart	Björn Zethraeus
Oscar Werner *President and CEO*		

Note: The information in this interim report is such that CLX Communications AB (publ) (name change to Sinch AB (publ) in progress) is required to publish pursuant to the EU market abuse regulation. The information was submitted for publication on 22 February 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. This report has not been subject to review by the company's independent auditor.