

Nasdaq First
North Premier:
SDS

Interim report

Q3 2020

Seamless
Distribution Systems

Interim report Q3

July - September 2020

KSEK	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP
Net sales	68,360	63,358	224,516	169,036
Operating profit/loss	4,685	5,930	17,825	9,628
Operating margin (EBIT)	6.9%	9.4%	7.9%	5.7%
Operating profit excluding acquisition costs	4,685	2,163	17,825	7,600
Operating margin (EBIT) excluding acquisition costs	6.9%	3.4%	7.9%	4.5%
EBITDA	12,029	12,763	38,821	22,284
EBITDA margin	17.6%	20.1%	17.3%	13.2%
EBITDA excluding acquisition costs	12,029	8,996	38,821	20,256
EBITDA margin excluding acquisition costs	17.6%	14.2%	17.3%	12.0%
Profit/Loss for the period after tax	1,811	3,648	10,274	5,108
Profit for the period after tax, excluding acquisition costs	1,811	-119	10,274	3,080
Total cash flow	225	4,777	-1,295	2,501
Earnings per share, before and after dilution	0.22	0.47	1.26	0.66
Equity/assets ratio	26.5%	14.0%	26.5%	14.0%

MATERIAL EVENTS DURING THE THIRD QUARTER

- Seamless Distribution Systems (SDS) received a breakthrough order worth SEK 7.5 million from one of the world's largest telecom operator groups. The order was received via SDS's Kenyan partner, Baran Telecom Networks, and relates to the delivery of a full-scale supply chain solution. The order is the first for this customer and means, in addition to expansion into a new market with future additional opportunities, that SDS significantly strengthens its customer base and product portfolio. SDS will implement a state-of-the-art, full-scale version of SFO "Sales Force Optimizations" product suite at the customer. It enables the telecom operator to control, monitor and optimize the entire sales and distribution chain for a complete range of physical and digital products.
- Seamless Distribution Systems (SDS) acquired a new customer in Tunisia and at the same time expanded its market presence in the region. The order involves software solutions that will optimize the mobile operator's distribution chain, from onboarding the customer to distributing the product. In this way, faster delivery times will be achieved.
- SDS received an order worth SEK 7 million from a leading mobile operator in Botswana. The deal comes from a customer who was part of the acquisition of eServGlobal in June 2019 and refers to a platform change from PayMobile to SDS's flagship product ERS 360 and a support agreement that runs over five years.
- SDS carried out a spreading issue which was heavily oversubscribed. SDS received approximately SEK 26.5 million and approximately 4,500 new shareholders. The final outcome of the rights issue, which was announced on September 16, 2020 (the "Offer"), shows that applications for subscription of approximately 2,111,000 shares have been received, corresponding to approximately SEK 98.4 million or 372 percent of the offered shares. The subscription price has been set at SEK 46.62 per share and the number of shares in the Offer has been set at 567,835. The Board of Directors of the Company decided on an allotment in accordance with the allotment principles set out in the information memorandum published on 16 September 2020. However, corresponding to a maximum of EUR 2.5 million (corresponding to approximately SEK 26.5 million), and aimed at the general public in Sweden. The offer entails a dilution effect of approximately 6.4 percent of the number of shares and votes in the Company. Through the Offer, SDS's share capital increases by SEK 56,783.50, from SEK 834,113.50 to SEK 890,897.00, and the number of shares in SDS increases by 567,835 shares, from 8,341,135 shares to 8,908,970 shares.
- During the quarter, SDS signed three reseller agreements regarding microcredit. The agreements have been signed with Nigeria, Rwanda and Congo's leading mobile operators. The agreements mean, among other things, that SDS charges a credit fee which is shared with the operators.
- In collaboration with ZainCash Iraq, a leading fintech player in the region, SDS has completed the payment of so-called helicopter money to the Iraqi people as a result of COVID-19. The order worth SEK 1.2 million from ZainCash Iraq included an extension of the software license and contributed to revenues during the second quarter of this year.

Seamless
Distribution Systems

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FINANCIAL CALENDAR

Year-end report Q4 2020	2021-02-18
Planned publication of annual report:	2021-03-19
Interim report Q1 2021	2021-04-22
Planned date for next AGM:	2021-04-22

CEO's comments

SDS third quarter has been eventful. We have continued to win business from both existing and new customers. It is gratifying that towards the end of the quarter we sold two new systems to completely new customers. Although we have felt some effects of the pandemic, we have continued to maintain a high business pace and performed very well. We have also carried out a very successful spread issue that was oversubscribed three times by 4,500 investors. This means that a few weeks after the issue, the net number of shareholders has increased by more than 3,000 at the same time as the company will receive SEK 26.5 million in capital.

The capital raising means that we can fully continue to work with the growth strategy we have previously presented. It also enables us to continue in a credible way to be part of the consolidation in the market that we are convinced will continue. The acquisition of eServGlobal was a big and important step in our growth journey and we are now ready to take the next step.

The work with eServGlobal's customers follows a continued positive trend and we are now nearing the end of the adaptation of the organization. Customers continue and deepen their discussions with us, which points to more possible new deals when the migrations are completed. During the quarter, another customer in Botswana decided on migration. The previous assessment from 2019 was that it will take three years to migrate all customers to SDS products. This still looks realistic.

Compared with the corresponding quarter last year, sales increased by 8% to SEK 68 million, while EBIT was SEK 4.7 million. This is despite the weakening dollar exchange rate having a negative impact on earnings of SEK 1.6 million. Our currency exposure to the dollar is limited by the fact that we also have the majority of our expenses in dollars. The beginning of the third quarter is often a quiet time in terms of sales, after which we usually see an acceleration towards the end. This was also the case this year and when we sum up the third quarter, we can establish a satisfactory order intake. In addition, our pipeline, which consists of recurring orders from existing customers as well as from new potential customers, has continued to grow.

It is particularly exciting that during the quarter we received an agreement with a new customer in Kenya, where there is great potential for a future opportunity for additional sales based on our new product for distribution and sales of both electronic and physical products. The customer is one of Africa's most influential mobile operators and we won the project in direct competition with our biggest competitors. Another interesting development in corona times is the three new customers for our microcredit service for the mobile operators' resellers. Here, we have for the past few years built up knowledge from the business in four relatively small markets and now have services about to be launched in three larger markets. Although this is not immediately apparent in the figures, it is a major step forward in both our fintech investment and our increase in recurring revenues.

As previously stated, as an already virtual company, we have been minimally affected by the corona pandemic. Working from home has worked great for us and we have no plans to return to the office this year. However, our Nordic distribution business has seen a weakening through the corona pandemic, which persists even though we still make a profit and turn over more than when we bought the business in 2018.



The capital from the issue gives us the opportunity to invest more in building a pipeline of potential acquisition objects. We get dedicated capacity to analyze the market in a structured way to find objects and to carry out analyzes faster and better in order to qualify and carry out due diligence before any bids.

Furthermore, the capital from the recent issue enables a broadening of our product offering regarding cloud-based services, while we can further increase the pace of our development work. With that said, the work continues to develop a world-leading portfolio of products which, through digitization of today's manual business flows, increase revenues and reduce costs for sales and distribution within the telecom vertical. We are now focusing primarily on the endpoints in the value chain with more AI-assisted analysis to utilize the 15 billion transactions our systems produce each year.

Tommy Eriksson
CEO, Seamless Distribution Systems AB

Financial overview

July - September 2020

NET SALES

Net sales during the third quarter amounted to KSEK 68,360 (63,358), an increase of 7.9% compared with the same period last year. In the third quarter of 2019, eServGlobal will only be included from 25 July. Other operating income amounted to KSEK 3,102 (24,056). In the third quarter of 2019, negative goodwill of 21,407 is included in other operating income. Sales are in line with the second quarter but lower than the first quarter. The decrease compared with the first quarter is due to the fact that sales at SDD are lower than expected largely due to the corona pandemic and that July is a holiday month in the markets in which SDS operates. In September, SDS won three major orders that could not be fully recognized as revenue during the third quarter.

Net sales for the nine months of the year amounted to KSEK 224,516 (169,036), an increase of 32.8% compared with the same period last year. During the nine months of 2019, eServGlobal will only be included from 25 July. Other operating income amounted to KSEK 5,899 (27,483). During the nine months of 2019, negative goodwill of 21,407 is included in other operating income.

Order intake during the nine months of the year has nevertheless been good under the prevailing circumstances and business opportunities continue to increase and the number of prospectuses is at a very satisfactory level.

The company's business model means that major projects affect revenues and earnings between quarters.

OPERATING EXPENSES

Operating expenses during the third quarter amounted to KSEK 66,777 (81,484), a decrease of 18.0% compared with the same period last year. During the third quarter of 2019, a restructuring reserve of KSEK 16,049 and acquisition costs of KSEK 1,591 were included in operating expenses.

During the third quarter, the company continued its restructuring and streamlining, which has had a positive effect with reduced personnel costs. This is largely due to layoffs and departures. The operating expenses for the third quarter were negatively affected by the strengthened Swedish krona against the dollar by approximately KSEK 1,626.

Operating expenses during the nine months of the year amounted to KSEK 212,590 (186,891), an increase of 13.8% compared with the same period last year. With the acquisition of eServGlobal, a restructuring reserve of KSEK 16,049 and acquisition costs of KSEK 3,330 are included in operating expenses during the nine months of 2019.

This year's increase in costs compared with those during nine months in 2019 is mainly explained by the fact that SDS acquired eServGlobal in 2019, which during the nine months of the year had an average of about 60 employees.

OPERATING PROFIT

EBITDA profit for the third quarter amounted to KSEK 12,029 (12,763). The EBITDA result for 2019, excluding acquisition-related events and restructuring costs, amounted to KSEK 8,996. (Negative goodwill amounted to KSEK 21,407, acquisition costs amounted to KSEK 1,591 and restructuring costs amounted to KSEK 16,049).

Net financial items for the quarter amounted to KSEK -1,719 (-1,596). Profit before tax amounted to KSEK 2,967 (4,339). Profit before tax 2019 excluding acquisition-

Net sales

MSEK 68,4



EBITDA result

MSEK 12,0



EBIT result

MSEK 4,7



related events and restructuring costs amounted to KSEK 572. Earnings per share amounted to SEK 0.22 (0.47).

The EBITDA result for the nine months of the year amounted to KSEK 38,821 (22,284). The EBITDA result for the year nine months 2019, excluding acquisition-related events and restructuring costs, amounted to KSEK 20,256. (Negative goodwill amounted to KSEK 21,407, acquisition costs amounted to KSEK 3,330 and the restructuring cost amounted to KSEK 16,049).

Net financial items for the nine months of the year amounted to KSEK -5,205 (-3,625).

Profit before tax amounted to KSEK 12,620 (6,003). Profit before tax for the nine months of 2019, excluding acquisition-related events & restructuring costs, amounted to KSEK 3,975. Earnings per share amounted to SEK 1.26 (0.66).

INVESTMENTS

During the third quarter, investments were made in product development to a value of KSEK 5,782 (9,319). Amortization of intangible assets amounted to KSEK -6,065 (-5,856). Investments in tangible assets amounted to KSEK 1,748 (148). Depreciation of tangible assets amounted to KSEK -580 (-391).

During the nine months of the year, investments were made in product development to a value of KSEK 17,221 (14,928). Amortization of intangible assets amounted to KSEK -17,399 (-11,009). Investments in tangible assets amounted to KSEK 2,389 (497). Depreciation of tangible assets amounted to KSEK -1,741 (-883).

Leases (IFRS 16)

According to that standard, an asset (the right to use a leased asset) and a financial liability relating to the obligation to pay leasing fees must be reported.

A right of use of KSEK 11,914 has been booked in the Group with depreciation of KSEK -1,855 and an interest expense of KSEK -420, both of which have reimbursed the rental cost. The financial debt as of the end of September amounts to SEK 11,803 thousand.

NUMBER OF EMPLOYEES

The number of employees in the Group at the end of the period was 112 (145). The majority of the employees are software developers. In addition, SDS has approximately 123 (90) consultants, mainly in Pakistan and Ghana.

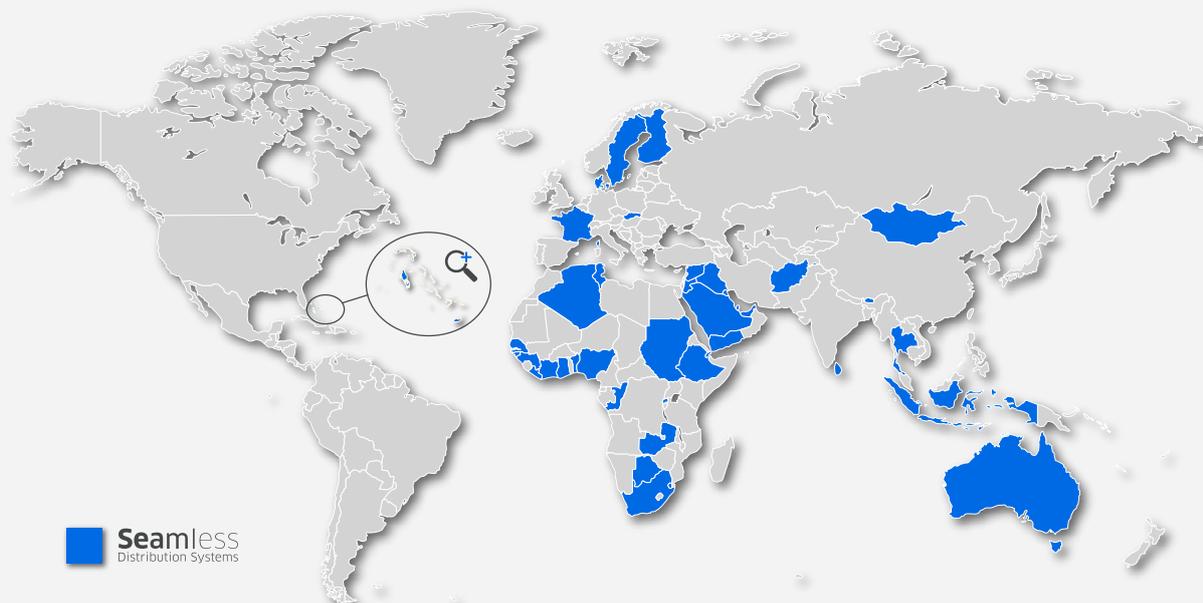
CASH FLOW AND FINANCIAL POSITION

Cash and cash equivalents at the end of the period amounted to KSEK 13,484 (4,836). Of the total overdraft facility of KSEK 10,000, KSEK 9,094 was utilized.

SDS has four interest-bearing liabilities totaling SEK 67.7 million. The oldest debt is SEK 35 million and carries 10% interest. The debt and accrued interest will be repaid in May 2022. The second loan is originally SEK 10 million from Handelsbanken and EKN and runs for two years with 6.62% interest. The loan is repaid quarterly and as of the end of September, the loan amounts to SEK 4.3 million. Interest is paid quarterly. In January 2020, the company took out a loan to increase working capital of SEK 9.2 million from major shareholders. The loan ran for 6 months with 15% interest. The company's CEO and chairman of the board were among the lenders. In July 2020, the loan was extended by 12 months while the interest rate was reduced to 10%. The company's CEO remains as a lender. In addition, the company secured a loan of just under 4% interest from Almi of SEK 7 million in July, backed by a loan of SEK 3 million at 4% interest from private investors. The company's CEO and chairman of the board are among the lenders. The loan runs for 12 months and the loan plus interest must be paid at the time of repayment.

Cash flow during the third quarter from operating activities amounted to KSEK -2,188 (-6,415). The total cash flow amounted to KSEK 225 (4,777). Cash flow during the nine months of the year from operating activities amounted to KSEK 664 (3,117). The total cash flow amounted to KSEK -1,295 (2,501).

SDS customers in the world



Marketing and sales

During the third quarter, SDS gained two completely new customers, one in Kenya and one in Tunisia. The customer in Kenya is considered one of the most technically advanced customers in the African market and it is very gratifying that SDS, in the same procurement as our main competitors, was selected to implement its SFO solution in Kenya. The customer in Tunisia has also ordered a very advanced KYC (customer awareness) solution which will hopefully be implemented by more operators. With these customers, SDS is broadening its product portfolio and can now offer new solutions and concepts, which aim to increase sales at the operators' resellers. In addition to this, SDS has also received three new microcredit agreements in Nigeria, Rwanda and Congo. The number of resellers that we have in this service as our own, profiled customers is now being further expanded and SDS sees the potential to be able to offer its resellers new services in addition to credit for talk time.

During the third quarter, order intake improved compared with quarter two, but due to the fact that July is a holiday month in the markets in which SDS operates, the orders came later in the quarter and have therefore not had time to be converted into revenue.

The relationship building in the customer base acquired from eServGlobal continued during the third quarter and this has resulted in another customer in Botswana switching to SDS software ERS360. This will give the customer access to SDS's entire product portfolio of additional functions and be a great potential for the customer to increase sales and reduce their costs. Our customers gain increased insight into their business and tools to stimulate further additional sales at their retailers.

The work continues to reshape and strengthen the sales organization, which will strengthen the structure and presence in more markets. SDS aims to, based on our products, further increase our ability to analyze customer value in order to sell more in a consultative way on the basis of clearly articulated customer value. Of particular interest is the company's new product family for digitization

of sales and distribution of physical products, which has attracted great interest from both existing and many new customers. We also see interest from developed markets such as Europe, which indicates opportunities for further expansion based on the new product portfolio. Common to all markets is the interest in understanding more about their customer and their sales, which is why the new cloud offering for analytics is particularly promising for future additional sales of both recurring licenses and services.

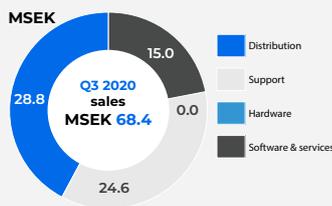
Continued focus was placed during the quarter on increasing the recurring revenues that will take SDS closer to the goal that these will exceed the company's fixed costs.

During the quarter, SDS handled more than \$ 3.5 billion in its systems. Most of the company's customers' goal is for 100 percent of their sales to take place digitally, which paves the way for continued growth in existing customers. The company's product portfolio is high-tech, well-developed and continues to broaden with the needs of customers and the market.

During the third quarter, SDD, the Group's distribution operations in the Nordic region, stabilized its sales following the loss from the first quarter. However, the Corona pandemic is still affecting as SDD has not lost any customers but sees a decrease in sales among customers due to consumers staying at home. SDD loses about 15 thousand codes a month compared to the same period last year. This corresponds on behalf of SDD to approximately SEK 1.5 million per month in sales.

The Group has been affected by the Corona pandemic, but the assessment is that the impact is and will remain marginal. The company can carry out its work fully from home and all installations take place remotely. The growth strategy that was established in the autumn of 2019 has now been revised in the autumn of 2020 and SDS now has clear goals of what is to be achieved by 2023.

Product offering



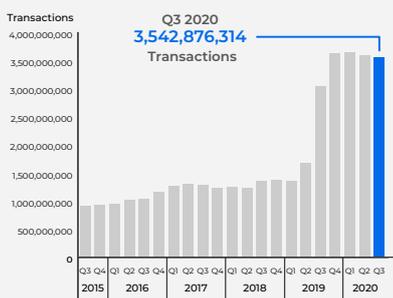
Sales distribution



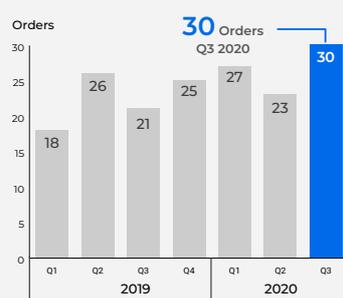
Geographic sales



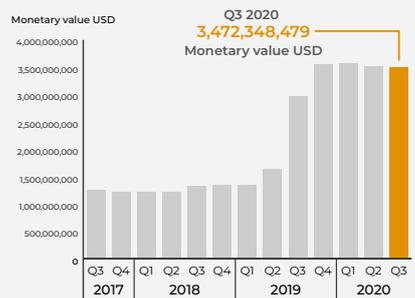
Number of transactions handled by ERS 360 per quarter



Number of orders won per quarter



Monetary value managed by Seamless system per quarter



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP
Operating revenue				
Net sales	68,360	63,358	224,516	169,036
Other operating revenue	3,102	24,056 ¹⁾	5,899	27,483 ¹⁾
Total operating revenue	71,461	87,414	230,415	196,519
Operating expenses				
Material expenses	-29,995	-31,902	-98,947	-92,636
Other external expenses	-13,688	-8,139	-41,720	-30,953
Personnel costs	-11,021	-13,987	-45,485	-22,480
Depreciation and amortization	-7,344	-6,833	-20,996	-12,656
Other operating expenses	-4,728	-20,623 ²⁾	-5,442	-28,166 ²⁾
Total operating expenses	-66,777	-81,484	-212,590	-186,891
Operating profit/loss	4,685	5,930	17,825	9,628
Financial items				
Financial income	2	4	4	4
Financial expenses	-1,719	-1,596	-5,210	-3,629
Net financial items	-1,718	-1,591	-5,205	-3,625
Profit/Loss before tax	2,967	4,339	12,620	6,003
Income tax	-1,156	-690	-2,345	-895
Profit for the year attributable to the Parent Company's shareholders	1,811	3,648	10,274	5,108
Other comprehensive income				
<i>Items that may be reclassified to profit for the year:</i>				
Translation differences	427	-890	-593	-688
Total comprehensive income attributable to Parent Company's shareholders	2,238	2,758	9,681	4,420

1) Other operating income includes negative goodwill of KSEK 21,407

2) Other operating expenses include a restructuring reserve of KSEK 16,049S

CONSOLIDATED BALANCE SHEET

KSEK	2020-09-30	2019-09-30	2019-12-31
Assets			
Intangible assets	82,566	71,145	82,743
- IP rights	16,417	17,528	17,750
- capitalized development costs	66,149	53,617	64,993
Tangible fixed assets	15,883	16,304	15,235
Financial assets	1,346	1,044	972
Inventories of finished goods	1,271	2,081	2,856
Accounts receivable	27,935	44,256	45,569
Other receivables	15,202	14,272	11,741
Prepayments and accrued income	57,896	47,491	34,112
Cash and cash equivalents	13,484	4,836	14,851
Total assets	215,583	201,427	208,079
EQUITY AND LIABILITIES			
Equity	57,140	28,176	27,770
Other long-term liabilities	55,590	52,558	52,673
Overdraft	9,094	-	8,766
Trade payables	25,957	19,595	25,785
Current tax liabilities	637	142	508
Other current liabilities	41,826	65,819	63,553
Accrued liabilities and deferred income	25,339	35,137	29,024
Total equity and liabilities	215,583	201,427	208,079

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

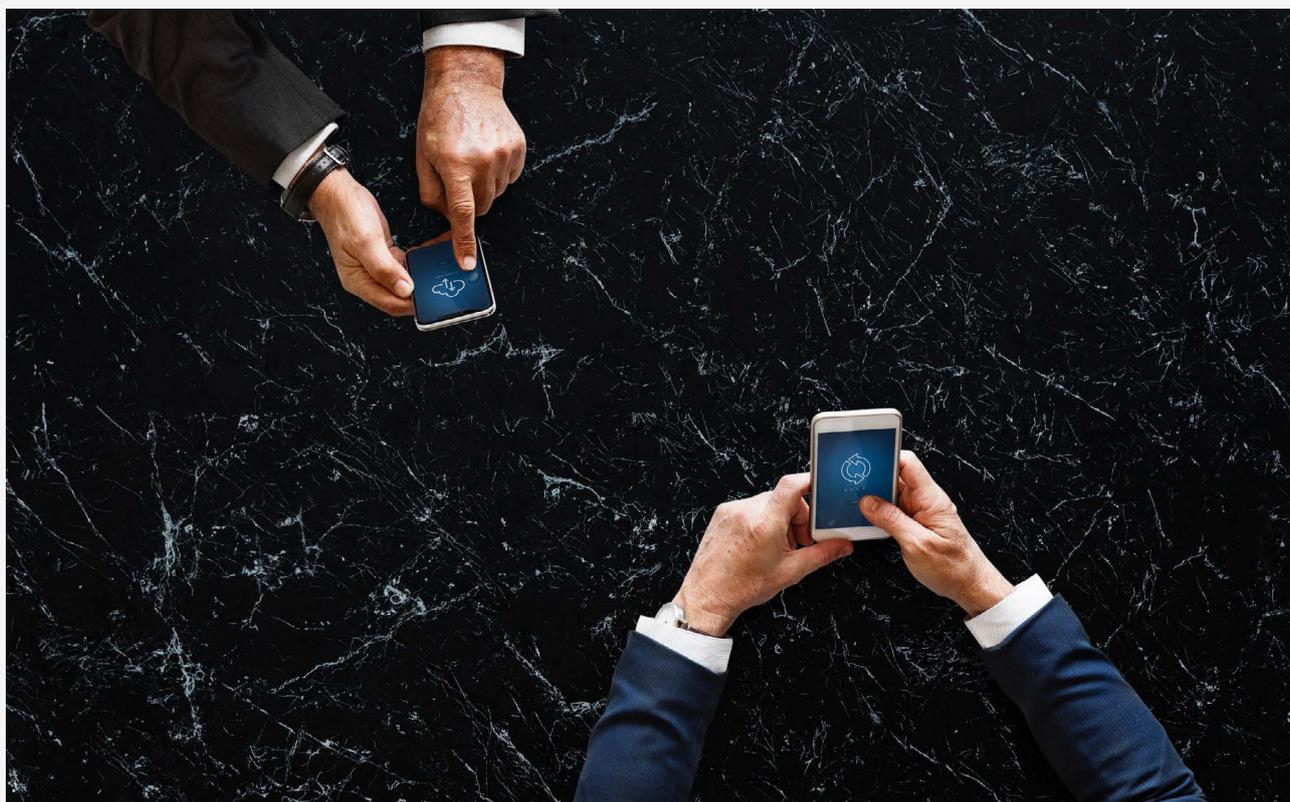
KSEK	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP
At beginning of period	54,901	25,418	27,770	23,756
Comprehensive income for the period	2,238	2,758	9,681	4,420
Offsetting share issue		-	19,689	-
Shareholder contribution		-		-
At end of period	57,140	28,176	57,140	28,176

CONSOLIDATED CASH FLOW STATEMENT

KSEK	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP
Cash flow from operating activities before change in working capital	9,344	-17,827	30,911	-11,121
Change in working capital	-11,267	11,412	-29,982	14,238
Cash flow from operating activities	-1,923	-6,415	929	3,117
Cash flow from investing activities	-8,146	-26,877	-21,182	-37,752
Cash flow from financing activities	10,294	38,069	18,958	37,136
Cash flow for the period	225	4,777	-1,295	2,501
Cash and cash equivalents at beginning of period	13,265	2	14,850	2,266
Exchange rate differences in cash and cash equivalents	-6	57	-71	69
Cash and cash equivalents at end of period	13,484	4,836	13,484	4,836

KEY RATIOS AND FIGURES

KSEK	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP
Return on equity	4.5%	14.0%	25.4%	19.7%
Earnings per share SEK, before and after dilution	0.22	0.47	1.26	0.66
Operating profit/loss, KSEK	4,685	5,930	17,825	9,628
Growth in net sales	7.9%	260.2%	32.8%	247.1%
Operating margin (EBIT)	6.9%	9.4%	7.9%	5.7%
Average number of shares before and after dilution	8,341,135	7,691,343	8,151,011	7,691,343
Number of shares outstanding at end of reporting period	8,341,135	7,691,343	8,341,135	7,691,343
Quick ratio	122%	92%	122%	92%
Equity/assets ratio	26.5%	14.0%	26.5%	14.0%
Equity, KSEK	57,140	28,176	57,140	28,176
Equity per share	6.85	3.66	7.01	3.66
Number of employees at end of period	112	145	112	145



PARENT COMPANY INCOME STATEMENT

KSEK	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP
Net sales	25,844	17,429	92,230	71,610
Other operating revenue	3,091	2,633	5,823	6,030
Operating expenses	-27,077	-24,305	-83,551	-79,408
Operating profit/loss	1,858	-4,244	14,502	-1,768
Net financial items	-1,521	-1,641	-5,059	-3,582
Profit/Loss after financial items	337	-5,886	9,443	-5,350
Income tax	-655	-	-655	-
Net profit/loss for the period	-318	-5,886	8,788	-5,350

PARENT COMPANY BALANCE SHEET

KSEK	2020-09-30	2019-09-30	2019-12-31
Assets			
Fixed assets	70,915	71,140	72,444
Current assets	69,688	32,503	41,152
Total assets	140,603	103,643	113,596
Equity and liabilities			
Equity	41,320	15,249	12,840
Long-term liabilities	43,625	40,125	41,000
Current liabilities	55,658	48,269	59,756
Total equity and liabilities	140,603	103,643	113,596
Pledged assets	22,000	15,000	15,000
Contingent liabilities	none	none	none

Segment information

Seamless's operations consist of two business units –

Seamless Distribution Systems AB (SDS) and **Seamless Digital Distribution AB (SDD)**

Net sales

KSEK	2020		2019	
	JUL-SEP	JUL-SEP	JAN-SEP	JAN-SEP
SDS	40,012	31,970	136,353	86,151
SDD	28,937	32,007	90,018	84,711
Intra-Group support fee ³	-589	-619	-1,855	-1,827
Seamless Group	68,360	63,358	224,516	169,035

Operating profit

KSEK	2020		2019	
	JUL-SEP	JUL-SEP ¹	JAN-SEP	JAN-SEP ²
SDS	4,335	1,889	17,044	7,194
SDD	939	893	2,636	2,233
Intra-Group support fee ³	-589	-619	-1,855	-1,827
Seamless Group	4,685	2,163	17,825	7,600

1) Operating profit July-September 2019 is without negative goodwill of MSEK 21.4, acquisition costs of MSEK 1.6 and costs for restructuring of MSEK 16.0

2) Operating profit January-September 2019 is without negative goodwill of MSEK 21.4, acquisition costs of MSEK 3.3 and costs for restructuring of MSEK 16.0

3) SDS invoices a monthly market support fee of USD 21,750 to SDD

Seamless
Distribution Systems

ABOUT SEAMLESS DISTRIBUTION SYSTEMS (SDS)

SDS is a Swedish software company that provides digital sales and distribution solutions and services to private individuals through mobile operators in emerging countries. The company offers its corporate customers a complete solution for digital distribution and electronic transaction management. SDS acquired eServGlobal in July 2019. The SDS Group now has customers in all parts of the world in more than 50 countries worldwide and reaches over 500 million mobile users through more than 2,000,000 active sales outlets. SDS has approximately 220 employees and consultants in Sweden, France, Romania, Belgium, Ghana, Nigeria, USA, Pakistan, India, Indonesia, South Africa, Ecuador and the United Arab Emirates. With over 30 years of experience, SDS focuses on high customer satisfaction and efficient operation. SDS handles over 14.5 billion transactions annually, worth more than \$ 14 billion and enables the people of emerging countries to become part of the mobile revolution.

In 2019, SDS moved even more into the fintech area with our mobile money services, which is a "swish" -like service that offers transfer of money between mobiles, payment with mobile in business and microcredit to retailers. In 2019, new products were developed that will further increase sales at the retailer and provide valuable information to distributors and operators. These products include multi-terminals where the reseller can sell all the operators' offers. A Business Intelligence tool that will help operators and distributors interpret the transactions that flow through ours and their systems so that correct business decisions can be made. A warehouse and distribution system to handle the physical flows as well as a campaign and bonus system. In addition, SDS has completed its ERS 360 platform to support micro-services, which means that those using the system can roll out updates immediately and thus get a whole new scalability and reduction of the cost side.

Seamless
Digital Distribution

ABOUT SEAMLESS DIGITAL DISTRIBUTION (SDD)

SDD distributes electronic products via retail, such as mobile prepaid card charges and online payment methods. SDD uses SDS's proprietary ERS 360 platform for digital delivery. SDD also supplies the technical platform that enables TopUp through the largest banks in Sweden. SDD's ERS platform handles approximately six million transactions annually worth SEK 500 million in the two markets on which SDD is active, Sweden and Denmark. SDD has two employees and serves more than 2,500 outlets.

In 2019, SDD has introduced solutions that SDS uses in developing countries. SDD launched its new App and web portal that enables direct communication between the reseller and mobile operator or another supplier that the reseller buys products from.

Notes

Seamless Distribution Systems AB (publ) is a Swedish public company, (corporate identity number 556979-4562) based in Stockholm, Sweden. The SDS shares are listed on Nasdaq Stockholm, First North Premier.

NOTE 1 - RISKS AND ACCOUNTING PRINCIPLES

RISKS AND UNCERTAINTY FACTORS

Seamless operations are affected by a number of external factors where different risk factors can affect the company. These risk factors can have an impact on the company's ability to achieve business goals and financial goals. The risks SDS identified as significant for the business are as follows: Market risks include political risks and the dependence of a few large customers. Operational risks include increased competition, changes in laws and regulations, the ability to retain and attract key employees, technological development, the ability to retain and attract customers, corruption and unethical business practices. Financial risks: includes financing, liquidity, credit, interest rate and currency risks.

For a detailed description of the risk factors that are considered to be of material importance for the Group's future development, please refer to the Annual Report for 2019, pages 29-30. The management's assessment is that there are no significant changes in the risk assessment made in the 2019 annual report.

ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as presented in the Group's Annual Report for 2019. The Group's functional currency is Swedish kronor, which is also the reporting currency. This report has been prepared in accordance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act. The parent company's financial statements in summary have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The IASB has published additions to standards effective from January 1, 2020 or later. These additions have had no material impact on SDS's financial reports.

NOTE 2 - DISTRIBUTION OF NET SALES

KSEK	SDS	
	2020 JAN-SEP	2019 JAN-SEP
Professional services/software	57,415	31,750
Licences	2,924	5,003
Support	70,728	40,308
Hardware	3,130	6,623
Other	301	640
SDS total	134,498	84,324

KSEK	SDD	
	2020 JAN-SEP	2019 JAN-SEP
Etop-up	88,401	82,937
Bank systems	1,479	1,439
Other	138	335
SDD total	90,018	84,711

NOTE 3 - NET SALES BY GEOGRAPHIC AREA

KSEK	SDS	
	2020 JAN-SEP	2019 JAN-SEP
Africa	84,811	65,111
Middle East and Asia	45,548	16,516
Other	4,139	2,697
SDS total	134,498	84,324

KSEK	SDD	
	2020 JAN-SEP	2019 JAN-SEP
Sweden	82,835	79,043
Denmark	7,183	5,668
Other	-	-
SDD total	90,018	84,711

NOTE 4 - TRANSACTIONS WITH RELATED PARTIES

For information on related parties, see the Group's annual report for 2019, page 64. In addition, the company received a working capital loan of SEK 9.2 million from major shareholders. The loan ran for 6 months with 15% interest. This loan was extended in July 2020 by 12 months and a new interest rate of 10%. The loan can be repaid in advance and interest must be paid at the time of repayment. SDS CEO is among the lenders. In addition, in July the company took out a loan of just under 4 percent interest from Almi of SEK 7 million, backed by a loan of SEK 3 million at 4% interest from private investors. The company's CEO and chairman of the board are among the lenders. The loan runs for 12 months and can be repaid in advance. Loans plus interest must be paid at the time of repayment.

NOTE 5 - MATERIAL EVENTS AFTER THE REPORTING PERIOD

No material events have been reported after the reporting period.

Other information

NOMINATION COMMITTEE & AGM

The SDS Nomination Committee for the 2021 Annual General Meeting consists of John Longhurst (own shares), Lars Rodert (ÖstVäst Kapital), Roland Wallman (own shares), and Gunnar Jardelöv (Chairman of the Board of SDS AB). The Nomination Committee has appointed John Longhurst as its chairman. Shareholders who wish to submit proposals to the Nomination Committee can do so by e-mail to "valberedning@seamless.se" or by letter to "SDS Nomination Committee, Hangövägen 29, 115 41 Stockholm".

Seamless's Annual General Meeting is scheduled for April 22, 2021.

AUDIT

This report has been reviewed by the company's auditors.

ADVISERS

The company's Certified Adviser is FNCA Sweden AB.

Telephone: 08-528 00 399

E-mail: info@fnca.se

DISTRIBUTION OF INFORMATION

All information is published on the company website, www.sds.seamless.se, immediately after it has been made public.

Financial reports can also be ordered from SDS AB, Hangövägen 29, 115 41 Stockholm, or by e-mail to sds.info@seamless.se.

Seamless Distribution Systems' interim report for January to September has been approved for publication in accordance with the Board's decision of October 21, 2020. The Board of Directors and the CEO of Seamless Distribution Systems AB (publ) assure that the interim report provides a fair overview of the parent company's and the Group's operations, position and results and describes material risks and uncertainties that the Parent Company and the companies that are part of the Group face.

Stockholm, 21 October 2020

Tomas Klevbo

Gunnar Jardelöv
Chairman of the Board

Pia Hofstedt

Martin Roos

Tommy Eriksson
CEO

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Tel: +46 8 58 63 34 69

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Website: www.sds.seamless.se

Auditor's report

Seamless Distribution Systems AB (publ) corp. reg. no. 556979-4562

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of Seamless Distribution Systems AB (publ) as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

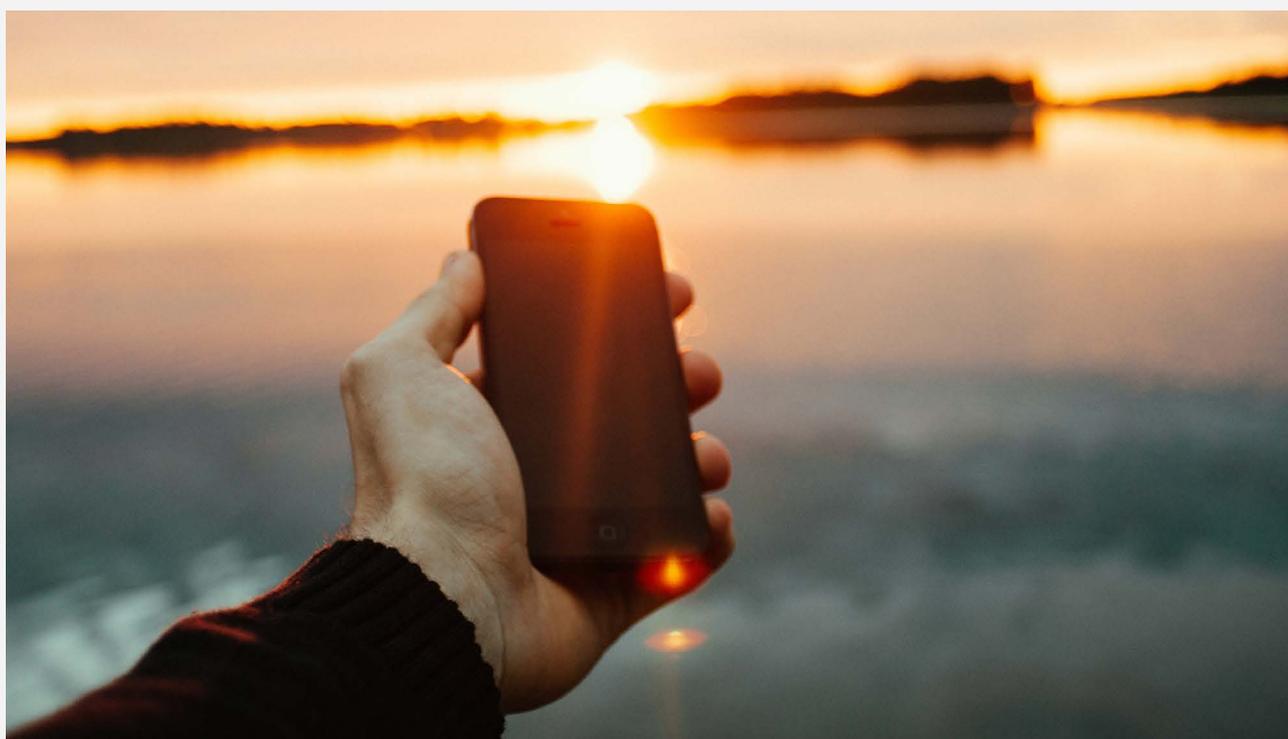
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 21 October 2020

Öhrlings PricewaterhouseCoopers AB

Henrietta Segenmark

Authorized Public Accountant



Financial definitions and alternative performance measures

Average number of shares	Weighted average number of shares outstanding during the period.
EBITDA	Operating profit/loss before depreciation and amortization and financial items.
EBITDA excluding acquisition & restructuring costs	Operating profit/loss before depreciation and amortization and financial items, less negative goodwill, acquisition & restructuring costs for the period.
EBITDA margin	Operating profit/loss before depreciation and amortization and financial items as a percentage of revenue.
EBITDA margin excluding acquisition & restructuring costs	Operating profit/loss before depreciation and amortization and financial items, less negative goodwill, acquisition & restructuring costs for the period, as a percentage of revenue.
Equity/assets ratio	Equity including minorities in relation to balance sheet total.
Equity per share	Equity in relation to the total number of shares outstanding.
Earnings per share	Profit/Loss after tax in relation to the average number of shares.
Growth in net sales	Net sales for the period in relation to net sales for the preceding period.
Operating margin (EBIT)	Profit/Loss before financial items and tax as a percentage of revenue.
Operating margin (EBIT) excluding acquisition & restructuring costs	Profit/Loss before financial items and tax, less negative goodwill, acquisition & restructuring costs for the period, as a percentage of revenue.
Operating profit/loss (EBIT)	Profit/Loss before financial items and tax.
Operating profit/loss (EBIT) excluding acquisition & restructuring costs	Profit/Loss before financial items and tax, less negative goodwill, acquisition & restructuring costs for the period.
Profit/Loss after tax	Profit/Loss after financial items and tax.
Profit/Loss after tax excluding acquisition & restructuring costs	Profit/Loss after financial items and tax, less negative goodwill, acquisition & restructuring costs for the period.
Quick ratio	Cash and cash equivalents including current investments and current receivables in relation to current liabilities.
Return on equity	Profit after tax in relation to average equity.
Withholding tax	Local withholding tax on the sales of royalties, licenses and consulting services is charged in many of the countries where SDS has customers. Withholding tax varies between 10–20% depending on the country and is deducted from the invoiced amount before the customer pays the supplier. SDS reports net sales including withholding tax and books the withholding tax that can be deducted according to the double taxation agreements as a receivable from the tax authority. The withholding tax that cannot be deducted is booked as a tax expense in the income statement.