



Nasdaq First North Premier: SDS

# January - December Year-end Report 2018

**Seamless**  
Distribution Systems

# Year-end report

## January – December 2018

### SUMMARY

#### OCTOBER - DECEMBER 2018

- Net sales amounted to MSEK 39.0 (14.2), an increase of 175.7 % compared to the same period the previous year.
- EBITDA result amounted to MSEK 9.1 (-3.8).
- EBITDA margin amounted to 23.4% (-26.8 %).
- Profit after tax amounted to MSEK 5.5 (-6.3).
- Earnings per share amounted to MSEK 0.72 (-0.91).
- Total cash flow amounted to MSEK 1.1 (-2.1).

### SUMMARY

#### JANUARY - DECEMBER 2018

- Net sales amounted to MSEK 87.7 (70.5), an increase of 24.4 % compared with the same period the previous year.
- EBITDA result amounted to MSEK 10.9 (11.0).
- EBITDA margin amounted to 12.4% (14.5%).
- Profit after tax amounted to MSEK 0.4 (-1.7).
- Earnings per share amounted to MSEK 0.06 (-0.27).
- Total cash flow amounted to MSEK 0.4 (0.3).

KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net sales	39,048	14,164	87,742	70,516
Net sales excluding withholding tax	36,710	12,838	80,376	61,370
Operating profit	6,665	-5,763	1,501	3,846
Operating margin	17.1%	-40.7%	1.7%	5.5 %
EBITDA result	9,149	-3,795	10,875	11,018
EBITDA margin	23.4%	-26.8%	12.4%	14.5 %
Profit after tax for the period	5,548	-6,263	412	-1,737
Total cash flow	1,062	-2,118	429	316
Earnings per share, before and after dilution	0.72	-0.91	0.06	-0.27
Equity/assets ratio	26.0%	24.8%	26.0%	24.8 %

**Seamless**  
Distribution Systems

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### FINANCIAL CALENDAR

Annual report 2018	March 22, 2019
Interim report Q1 2019	April 17, 2019
Annual General Meeting	April 25, 2019
Interim report Q2 2019	July 18, 2019

# CEO's comments

Hard and goal-oriented work has now resulted in an increased inflow of orders. In this quarter we have an "all time high" for company revenues, which totalled SEK 39 million, an increase from SEK 24 million the same quarter the previous year. Quarterly variations are natural when major projects are taken up as revenue over one or two quarters. Revenues for the full year totalled SEK 88 million.

We have a net profit of SEK 5.5 million for the quarter and a net profit for the full year of SEK 0.4 million, which is a good step forward towards long-term profitability.

After three quarters of very intensive work in the market, we carried out a number of large and strategic transactions in this quarter. Furthermore, during the quarter the company made its first acquisition through the purchase of eProducts Sweden AB (SDD), and even after a few months this can be regarded as very successful. SDD made a contribution of SEK 10.5 million to the Group's increase in revenues and SEK -0.29 million to operating profit. The negative figure is explained by the fact that we had acquisition costs in addition to the purchase price of SEK 0.26 million.

## SDS PLAYING IN THE TOP LEAGUE

Africa's largest market is Nigeria, where SDS made its first business deal several years ago. The highlight of the quarter is the record order where we were entrusted by Nigeria's and also Africa's largest mobile operator with delivering our digital platform for distribution and our system for precision marketing in the retail space. The order had a value of over SEK 20 million and shows that SDS has the ability to successfully complete campaigns.

Ethio Telecom is Africa's largest operator and after long and focused work SDS, together with its strategic local partner, has been chosen to supply technology and services that are part of the operator's modernisation and digitalisation drive. These two agreements illustrate the fact that SDS has world-class knowledge, capacity and competence.

## CHANGE IN BUSINESS MODEL

SDS's business model has historically consisted of project sales to new customers and subsequently recurring annual support revenues with additional sales of further functions. Strategically we are working to increase the percentage of recurring revenues so as to even out revenue flows and profitability. Two breakthroughs were made during the quarter:

The agreement in Ethiopia means that SDS together with its local partner supplies technology and services to Ethio Telecom, which is Africa's largest operator, with approximately 66 million mobile customers. SDS is to provide technology and expertise regarding digitalisation of a mobile operator's distribution. So far the customer has only distributed talk time through physical scratch cards. There is thus very great potential for rationalisation for the customer. SDS receives a certain percentage of the value distributed digitally and of the savings made and therefore has the potential to receive far better recurring revenues.

The other breakthrough is also a revenue-sharing business deal with a mobile operator in the Middle East that is launching a mobile wallet for payments, transfers between users and other services. This is a breakthrough for both our proprietary platform for payment services and the fact that the business model follows our new profit-sharing strategy. We thus benefit from the rationalisation effect that our customers enjoy when they use our systems.

## AN ACQUISITION AND THUS A NEW BUSINESS UNIT

In November we bought the assets and liabilities of eProducts Sweden AB from our old Parent Company. The business consists of distributing electronic products in Sweden and Denmark, primarily vouchers for topping up prepaid SIM cards for mobile phones. The opportunity to come up in the value chain and thus under our



own management be able to use our innovative software for digital distribution is the primary reason for the acquisition. But it also gives us access to the unique transaction exchange that enables sales of talk time between all Swedish mobile operators and most of Sweden's large commercial banks.

We have put the Scandinavian business in its own subsidiary, Seamless Digital Distribution AB, and it is reported as a segment of its own in our reporting. This distribution business can be expected to double the Group's sales in the time ahead.

## NEW EXCITING PRODUCT OFFERINGS

SDS's structure capital and expertise in the form of its ability to sell, supply and receive payment in markets that are generally experienced as difficult are assets that we make use of through the expansion of the product portfolio. The work during the year has resulted in several new exciting offerings this quarter. We have already sold our first product in the field of mobile financial services in the Middle East. Our well-reputed transaction platform now also handles money for consumers and opens up a completely new product segment. In markets where bank services do not exist for ordinary consumers, great opportunities are opened up for mobile operators to extend their business into the field of financial consumer services. This deepens our participation in the Fintech niche and allows more offerings of this nature in many other markets.

SDS already has a strong offering in the field of distribution of digital products. We are now using the same platform to also launch a complete concept for the distribution of physical products, as well as automisation and optimisation of the business flow. One and the same person can then handle both delivery and sales as the system combines order and inventory management directly in the system. We call the offering Sales Force Optimisation, where modern digital user interfaces communicate efficiently with sophisticated systems that automise and optimise business processes and flows.

Through our deeply integrated systems with increasingly more functionality for the operators, we are becoming even more business-critical and long-term business partners for our customers. We can thus contribute to greater profitability for our customers. We thereby ourselves develop a long-term relationship with customers, which enables us to help them to continue making their businesses more efficient. This in its turn should give greater future profitability.

**Tommy Eriksson**

*CEO, Seamless Distribution Systems AB*

# The Group

The Group refers to the new Group that contains the Seamless Distribution Systems AB (SDS) and Seamless Digital Distribution AB (SDD) segments.

## NET SALES

Net sales during the fourth quarter amounted to KSEK 39,048 (14,164), an increase of 175.7 % compared to the same period the previous year. Net sales excluding withholding tax amounted to KSEK 36,710 (12,838), an increase of 185.9 % compared to the previous year. Other operating revenue amounted to KSEK 528 (1,135).

Sales during the fourth quarter more than doubled compared to the same period the previous year. The great increase in revenues is largely due to the five new orders that the company won during the quarter and to the fact that SDD contributed with KSEK 10,499. Business opportunities continue to increase and the number of prospective customers remains at a highly satisfactory level.

Net sales for the year amounted to KSEK 87,742 (70,516), an increase of 24.4% compared to the same period the previous year. Net sales excluding withholding tax amounted KSEK 80,376 (61,371), an increase of 31% compared to the previous year. Other operating revenue amounted to KSEK 2,404 (5,549).

The company's business model means that major projects impact revenues and profits from quarter to quarter.

## OPERATING EXPENSES

Operating expenses during the fourth quarter amounted to KSEK 32,910 (21,062), an increase of 56.3 % compared to the same period the previous year. The increase is explained primarily by SDD's material expenses, which amounted to KSEK 10,006.

SDS's material expenses increased somewhat due to the delivery of hardware to Ehtio Telekom.

The increase in other external expenses is explained by the fact that SDS has lower capitalised development costs than the same period the previous year. The increase in amortisation is a consequence of the fact that the company had high capitalised development costs during 2017.

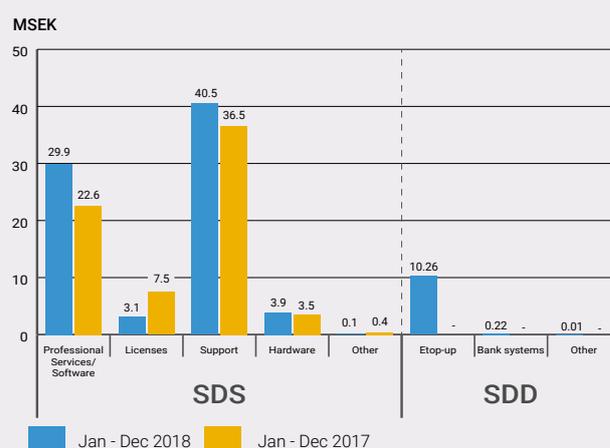
Operating expenses during the year amounted to KSEK 88,645 (72,219), an increase of 22.7 % compared to the same period the previous year. The increase is explained by SDD's material expenses, a higher cost of goods sold for the purchase of third-party products, expenses for the change of CEO (MSEK 1.9), higher amortisation and lower capitalised development costs.

The decrease in other operating expenses is explained by the fact that there were sales during the year to customers in countries that have no withholding tax or lower withholding tax compared to the previous year.

## Net sales and EBITDA result



## Net sales per product group



## OPERATING PROFIT

EBITDA result for the fourth quarter amounted to KSEK 9,149 (-3,795).

Net financial items for the quarter amounted to KSEK -897 (-1,741).

Profit before tax amounted to KSEK 5,768 (-7,504).

Earnings per share amounted to SEK 0.72 (-0.91).

EBITDA result for the year amounted to KSEK 10,875 (11,018).

Net financial items amounted to KSEK -662 (-5,547). Lower net financial items are explained by the fact that the new owner consortium, which took over Inuvo's receivable, waived the accrued interest of KSEK 3,000.

Profit before tax amounted to KSEK 839 (-1,700).

Earnings per share amounted to SEK 0.06 (-0.36).

## CAPITAL EXPENDITURE

During the fourth quarter there was capital expenditure for product development in the amount of KSEK 1,744 (3,217). Amortisation of intangible assets amounted to KSEK -2,281 (-1,968). Capital expenditure for property, plant and equipment amounted to KSEK 333 (47), of which KSEK 200 is attributable to the acquisition from eProducts' bankrupt's estate. Depreciation of property, plant and equipment amounted to KSEK -203 (-290).

During the year there was capital expenditure for product development in the amount of KSEK 10,445 (16,527). Amortisation of intangible assets amounted to KSEK -8,555 (-7,172). Capital expenditure for property plant and equipment amounted to KSEK 1,335 (172). Depreciation of property, plant and equipment amounted to KSEK -819 (-856).

## NUMBER OF EMPLOYEES

The number of employees in the Group at the end of the period was 56 (62). Most of the employees are software developers. In addition to this, SDS has approximately 80 consultants, mainly in Pakistan and Ghana.

## CASH FLOW AND FINANCIAL POSITION

Cash and cash equivalents at the end of the period amounted to KSEK 2,226 (1,847). Of the total overdraft of KSEK 10,000, KSEK 6,079 had been used. The company's trade receivables at the end of the period amounted to KSEK 30,444 and the overdraft is expected to be repaid during the first quarter of 2019.

SDS has an interest-bearing liability of KSEK 35,000 which carries 10 % interest. This liability and the accrued interest will be repaid during 2022.

Cash flow from operating activities during the fourth quarter amounted to KSEK -4,118 (-1,884). The total cash flow amounted to KSEK 1,062 (-2,118).

Cash flow from operating activities during the year amounted to KSEK 1,036 (-12,015). The total cash flow amounted to KSEK 429 (316).

## IMPORTANT EVENTS DURING THE FOURTH QUARTER

Seamless Distribution Systems AB (SDS) entered into an agreement with the insolvency administrator for Inuvo eProducts Sweden AB (eProducts) regarding the acquisition of the assets and liabilities of eProducts' business in Sweden. SDS paid SEK 200,000 in cash and the acquisition was made during October-November 2018. On November 19, 2018 SDS took over operations. The business has been placed in a company of its own called Seamless Digital Distribution AB.

Seamless Distribution Systems AB (publ) ("SDS") entered into an agreement with ABG Sundal Collier ASA ("ABGSC") whereby ABGSC would be the market maker for the SDS share as from November 1, 2018, within the framework of Nasdaq Stockholm AB's market making system.

Seamless Distribution Systems AB (Seamless) made a breakthrough in Ethiopia, the second largest market in Africa. The company entered into an agreement for an initial period of five years, covering an initial value of SEK 5 million. Furthermore, Seamless will receive some of the revenues generated by the digital distribution of electronic vouchers via its ERS platform. Seamless is collaborating with its partner, Smart Digital Technology, to help Ethio Telecom with digitalisation of the value chain for distribution of talk time, data packages and other e-products. Ethio Telecom is Africa's largest mobile operator and provides services to more than 66 million subscribers.

Seamless received an order with an initial value of more than SEK 2 million from a leading mobile operator in the Middle East. The first phase of the order is for a duration of three years and is for a digital wallet and the accompanying transaction platform. The order value covers the initial installation and a guaranteed minimum monthly fee during this first period. The company's revenue model in this deal is based on a recurring fee for each financial transaction handled via the Seamless platform, a so-called "revenue share model", which is the direction the company intends to work towards in the future. The services that will be offered via this platform are cash deposits, withdrawals from the digital wallet, money transfers from one person to another, payment of invoices and retail purchases.

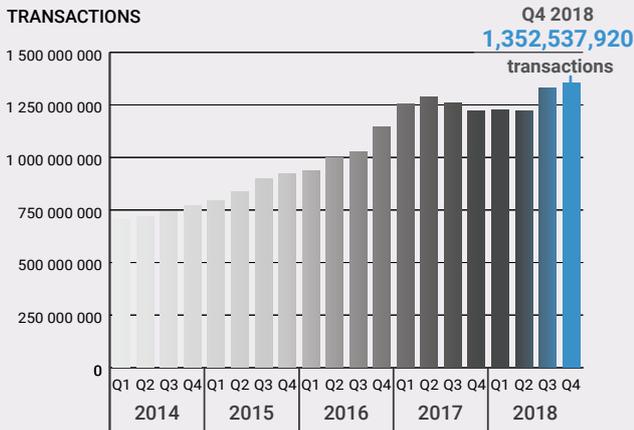
Seamless Distribution Systems AB received a first order for a system for the collection and processing of data for user authentication. The order also includes the latest generation of multi-function terminals. This system also enables sales of digital vouchers from MTN in Sudan. The value of the order is initially SEK 2.7 million.

Seamless Distribution Systems AB (SDS) received an initial order of SEK 20 million from a mobile operator in Nigeria. Nigeria is the largest market in Africa, with 197 million users and over 165 million mobile subscribers. The order comprises installation of a system for digital distribution and sales of electronic vouchers. The central part of the delivery is SDS's proprietary ERS 360 transaction exchange. It manages digital accounts and transactions, and supports a number of other technologies, such as communicating with sales agents, managing business logic for commission and incentives to retailers.

Seamless Distribution Systems AB (SDS) has received an initial order from the leading operator in Rwanda with a value of SEK 5 million for delivery of its system for managing digital distribution. The order comprises installation of a system for digital distribution, sales of electronic vouchers, and a system for precision marketing for retailers for the management of advanced commissions and incentives.

# ERS 360

## Number of customer transactions handled by the ERS 360 system per quarter



The ERS 360 system manages a large number of different transaction types. The most common transactions are sales of talk time to an end user, transfer of talk time between distributors and retailers, and requests from distributors and retailers regarding the balance of an account. SDD also uses ERS 360 for its distribution of talk time. SDD has just over 6 million transactions per year.

### Transactions in the ERS 360 system

A transaction is defined as a request from a user or a system with a subsequent reply from ERS 360.

- Example: A transaction occurs when a retailer sends a request to top up the talk time on a customer's telephone number, which is completed by confirmation to both the customer and retailer.
- Example: A retailer requests information on the balance of their inventory account.
- Example: A monetary transaction transfers value from one account to another, for example from a retailer to a customer or between two customers.

SDS's licensing revenues are not impacted by changes in volume within the framework of the agreed licence volume. A higher volume than that agreed requires that the customer extends their licence, which increases SDS's licensing revenues.

## MARKET OVERVIEW

SDS's customers mainly consist of mobile operators in Africa and the Middle East.

The company's ERS 360 digital transaction platform manages the whole value chain for digital distribution of mobile call time. SDS has identified four underlying market factors that have a great impact on the company's long-term business:

- Population growth
- GDP growth
- Mobile penetration
- Mobile usage

All the above factors display positive trends, with particularly good growth in Africa, the Middle East, Asia and Latin America. These geographic areas are thus SDS's target markets both in the short term and the long term.

SDS has great potential in these markets, with strong market presence and a unique offering of system solutions for digital distribution of call time, text messages, data and other products.

High performance transaction systems for topping up prepaid SIM cards are central in these markets where 95 – 100 percent of all mobile telephone users use prepaid SIM cards. The lack of a functioning infrastructure means that the digital value chain is critical for mobile operators so that they can rapidly and cost-effectively provide their retailers with mobile

account balances, which are used for topping up call time, text messages, data and other products. In most of these markets the number of mobile telephone users is increasing rapidly, which increases SDS's potential when the demand for digital distribution grows. The ability to reach out to retailers and consumers with digital technology is also a strategically important tool for mobile operators. The lack of traditional banking and financial services in developing countries creates opportunities for mobile operators to offer consumers and small business owners mobile financial services.

### POTENTIAL IN SWEDEN AND DENMARK

The prepaid SIM card market in Sweden and Denmark has been in a downtrend for many years, but in the past year the decline has stopped and for certain operators this market has even increased. This is mainly due to an increased number of people born abroad who have difficulties in getting a subscription but also due to the fact that more and more of the products today used by households require a SIM card.

SDD has identified that the distribution market in Sweden and Denmark has lagged behind in its development. By transferring new advanced technology that SDS today uses in developing countries, mature markets in Scandinavia can also be made more effective and attractive.

Furthermore, SDD also sees great potential in selling vouchers from the operators that SDS collaborates with in developing countries so that people in Sweden and Denmark can top up their relatives' and friends' prepaid SIM cards in their native countries.



## MARKET AND SALES

The last quarter of the year is usually the best regarding incoming orders. There are two explanations for this: most rolling support agreements are renewed in December, which means an order for the new year ahead, and also many ongoing procurement processes are completed during the last months of the year and match the customers' annual investment budgets. In the fourth quarter of 2019 we beat the record for SDS's incoming orders, with accumulated orders at a value of almost 200% higher than the corresponding quarter (Q4) in 2016 and almost 70% higher than last year's fourth quarter (Q4 2017). This fine outcome is the result of hard processing of the market and increased customer commitment in the past 18 months. It is the consequence of four strategic business deals, and three of these were with new customers for SDS in new countries. We have been entrusted with entering into agreements in the two largest markets on the African continent: Nigeria, with 200 million inhabitants, and Ethiopia, with 110 million inhabitants. We have also entered into an agreement with Rwanda and with an operator in the Middle East for the delivery of digital wallets and mobile payment systems. This is in line with our strategy of focusing on new business models that can contribute to long-term recurring revenues. The agreement in Ethiopia includes a profit-sharing model, whereby SDS will receive a share of the profits that the delivered system will generate. SDS's present solutions for automised handling of offers of credit to mobile operators' retailers have been further developed, with increased volumes from previous customers and one new customer in West Africa who has launched the service together with SDS. The market processing during the

quarter has contributed to a number of ongoing customer discussions and procurement processes. The outlook for new agreements in 2019 therefore looks very good. Some of these opportunities are in parts of the world that can be regarded as new for SDS, so we have great hopes that we can expand the customer base and commitment in new areas in 2019.

During the quarter SDS bought IP rights and 150 terminals from eProduct's bankrupt's estate and immediately began the work of signing contracts with eProducts' old customers and operators in Sweden and Denmark. These customers and operators are now managed by the Group's new company, Seamless Digital Distribution AB. A consequence of the turbulence after eProducts' bankruptcy is that customers and operators are now reviewing their strategy and their distribution of prepaid SIM cards and other electronic products. The market has been characterised by few and financially weak players and SDD sees an opportunity to strengthen its position as it is a stable and long-term player. SDD's offering with SDS's technology behind it has proved to be an attractive player and since it started on November 19, 2018 SDD has managed to obtain three new chains and a number of independent shops. The increase totals more than 700 shops. In 2019 the company will introduce new technology in order to make the distribution markets in Sweden and Denmark more efficient. A new opportunity, which is still in an early phase, is also to be an international distributor of prepaid SIM cards in Africa, the Middle East and Asia, so-called international value transfer "IVT".

# Financial information

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net sales	39,048	14,164	87,742	70,516
Other operating revenue	528	1,135	2,404	5,549
<b>Total operating revenue</b>	<b>39,575</b>	<b>15,299</b>	<b>90,146</b>	<b>76,066</b>
Material expenses	-11,807	-1,473	-19,014	-4,530
Other external expenses	-11,459	-10,768	-35,063	-30,701
Personnel costs	-4,516	-2,823	-15,567	-15,433
Depreciation and amortisation	-2,484	-1,968	-9,374	-7,172
Other operating expenses	-2,645	-4,030	-9,627	-14,384
<b>Total operating expenses</b>	<b>-32,910</b>	<b>-21,062</b>	<b>-88,645</b>	<b>-72,219</b>
<b>Operating profit</b>	<b>6,665</b>	<b>-5,763</b>	<b>1,501</b>	<b>3,846</b>
Financial income	-	6	3,001	6
Financial expenses	-897	-1,747	-3,663	-5,554
<b>Net financial items</b>	<b>-897</b>	<b>-1,741</b>	<b>-662</b>	<b>-5,547</b>
<b>Profit before tax</b>	<b>5,768</b>	<b>-7,504</b>	<b>839</b>	<b>-1,701</b>
Income tax	-220	1,241	-428	-36
<b>Net profit for the period</b>	<b>5,548</b>	<b>-6,263</b>	<b>412</b>	<b>-1,737</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Translation differences	98	-51	4	-229
<b>Total comprehensive income attributable to Parent Company shareholders</b>	<b>5,646</b>	<b>-6,314</b>	<b>416</b>	<b>-1,966</b>

# CONSOLIDATED BALANCE SHEET

KSEK	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
Intangible assets	44,272	43,147
- IP rights	20,466	22,750
- capitalised development costs	23,805	20,397
Property, plant and equipment	2,172	1,665
Financial assets	480	585
Inventories of finished goods	2,450	282
Trade receivables	30,444	13,385
Other receivables	949	2,342
Prepaid expenses and accrued income	8,509	2,651
Cash and cash equivalents	2,266	1,847
<b>Total assets</b>	<b>91,543</b>	<b>65,905</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	23,756	16,340
Other long-term liabilities	37,625	37,125
Overdraft	6,079	3,168
Trade payables	10,876	2,613
Current tax liabilities	43	194
Other current liabilities	933	864
Accrued liabilities and deferred income	12,232	5,601
<b>Total equity and liabilities</b>	<b>91,543</b>	<b>65,905</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

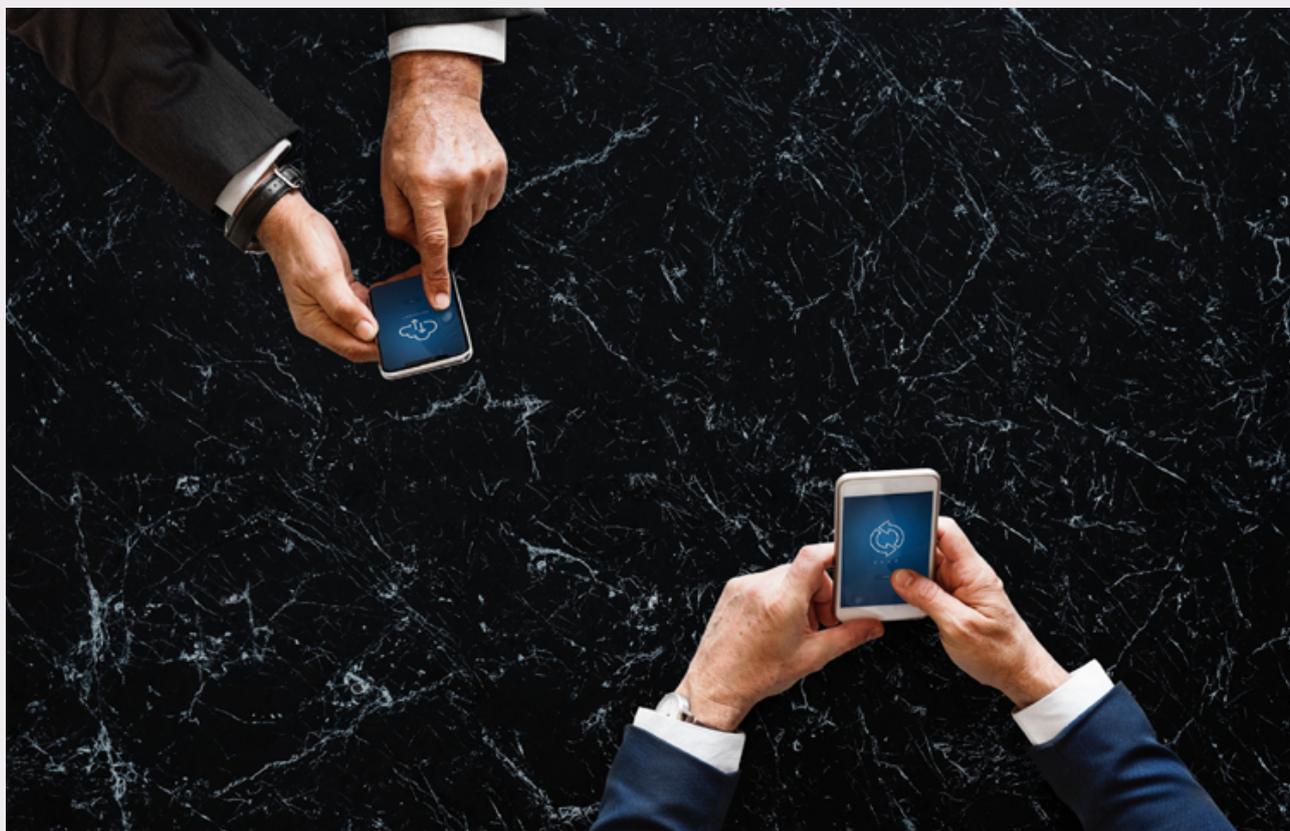
KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
<b>At beginning of period</b>	<b>18,110</b>	<b>7,654</b>	<b>16,340</b>	<b>2,665</b>
Comprehensive income for the period	5,646	-6,314	416	-1,966
New share issue	-	-	7,000	641
Shareholder contribution	-	15,000	-	15,000
<b>At end of period</b>	<b>23,756</b>	<b>16,340</b>	<b>23,756</b>	<b>16,340</b>

## CONSOLIDATED CASH FLOW STATEMENT

KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Cash flow from operating activities before change in working capital	8,369	-7,476	10,437	3,483
Change in working capital	-12,487	5,592	-9,401	-15,498
Cash flow from operating activities	-4,118	-1,884	1,036	-12,015
Cash flow from investing activities	-1,899	-2,796	-11,018	-40,873
Cash flow from financing activities	7,079	2,562	10,411	53,204
Cash flow for the period	1,062	-2,118	429	316
Cash and cash equivalents at the beginning of the period	1,116	3,940	1,847	1,558
Exchange rate differences in cash and cash equivalents	88	25	-10	-27
<b>Cash and cash equivalents at end of period</b>	<b>2,266</b>	<b>1,847</b>	<b>2,266</b>	<b>1,847</b>

## KEY RATIOS AND FIGURES

KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Return on equity	27.7%	-52.2%	2.1%	-18.3%
Earnings per share SEK, before and after dilution	0.72	-0.91	0.06	-0.27
Operating profit, KSEK	6,665	-5,764	1,501	3,846
Growth in net sales, %	175.7%	-43.6%	24.4%	-27.0%
Growth in net sales excl. withholding tax, %	185.9%	-42.6%	31.0%	-32.2%
Operating margin, %	17.1%	-40.7%	1.7%	5.5%
Average number of shares before and after dilution	7,691,343 7,691,343	6,913,565 6,913,565	6,913,565 7,334,861	6,395,048 6,395,048
Number of shares outstanding at end of reporting period	7,691,343	6,913,565	7,691,343	6,913,565
Quick ratio	175%	163%	175%	163%
Equity/assets ratio	26.0%	24.8%	26.0%	24.8%
Equity, KSEK	23,756	16,340	23,756	16,340
Equity per share	3.09	2.36	3.24	2.56
Number of employees at end of period	56	62	56	62



## PARENT COMPANY INCOME STATEMENT

KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net sales	28,818	13,543	77,512	68,960
Other operating revenue	528	1,135	2,403	5,549
Operating expenses	-22,842	-19,066	-79,541	-71,508
Operating profit	6,504	-4,387	374	3,002
Net financial items	-886	-1,009	-624	-4,815
Profit after financial items	5,618	-5,396	-250	-1,813
Income tax	0	777	0	-11
<b>Net profit for the period</b>	<b>5,618</b>	<b>-4,619</b>	<b>-250</b>	<b>-1,824</b>

## PARENT COMPANY BALANCE SHEET

KSEK	December 31, 2018	December 31 2017
<b>ASSETS</b>		
Non-current assets	46,484	45,034
Current assets	38,977	18,017
<b>Total assets</b>	<b>85,461</b>	<b>63,051</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	20,599	13,849
Long-term liabilities	37,500	37,000
Current liabilities	27,362	12,202
<b>Total equity and liabilities</b>	<b>85,461</b>	<b>63,051</b>
Pledged assets	10,000	10,000
Contingent liabilities	None	None

# Segment information

Seamless's business consists of two business units – **Seamless Distribution Systems AB (SDS)** and **Seamless Digital Distribution AB (SDD)**

## Net sales

KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
SDS	28,818	14,164	77,512	70,517
SDD <sup>1</sup>	10,499	-	10,499	-
Intra-Group support fee <sup>2</sup>	-269	-	-269	-
<b>Seamless Group</b>	<b>39,048</b>	<b>14,164</b>	<b>87,742</b>	<b>70,517</b>

## Operating profit

KSEK	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
SDS	6,957	-5,763	1,793	3,846
SDD <sup>1</sup>	-23	-	-23	-
Intra-Group support fee <sup>2</sup>	-269	-	-269	-
<b>Seamless Group</b>	<b>6,665</b>	<b>-5,763</b>	<b>1,501</b>	<b>3,846</b>

1) SDD only has net sales and operating profit starting November 19. SDD had acquisition costs of KSEK 262.

2) SDS invoices a support fee of USD 21,750 each month to SDD in line with market rates.

## ABOUT SEAMLESS DISTRIBUTION SYSTEMS (SDS)

SDS supplies systems for the management of distribution networks for electronic topping up of prepaid SIM cards and eProducts ranging from gift vouchers to mobile bank services. The company offers its corporate customers a holistic solution for digital transactions. The system is a supplement to a sophisticated distribution system and a platform for a number of advanced functions for, amongst other things, campaign management and sales management. The hub of the business is the proprietary ERS 360° platform that has been constantly developed to meet the market's needs since the first installation 15 years ago. The company has customers worldwide but primarily in Africa and the Middle East, where mobile operators constitute the largest customer group. Today the platform manages 5.3 billion transactions annually at a value of more than USD 8 billion in 30 markets.

SDS has approximately 133 co-workers, both employees and consultants, in Sweden, Belgium, Ghana, USA, Pakistan, India, Ecuador and the United Arab Emirates.

## OM SEAMLESS DIGITAL DISTRIBUTION (SDD)

SDD distributes electronic products via retailers, for example recharges of mobile prepaid SIM cards and funds for payment online, and uses SDS's proprietary ERS 360 platform for digital delivery. SDD also supplies the technology platform that enables top-up via the largest banks in Sweden. SDD's ERS platform manages approximately six million transactions annually at a value of SEK 500 million in the two markets where SDD operates, Sweden and Denmark. SDD has three co-workers, both employees and consultants, and supports just over 2,000 sales sites.

# Notes

Seamless Distribution Systems AB (publ) is a Swedish public company, (corporate ID number 556979-4562) with its registered office in Stockholm, Sweden. The SDS share is listed on Nasdaq Stockholm, First North Premier.

## NOTE 1 - RISKS AND ACCOUNTING PRINCIPLES

### RISKS AND UNCERTAINTY FACTORS

Seamless' business is impacted by a number of external factors, where different risk factors can impact the company. These risk factors can impact the company's ability to achieve business and financial objectives. The risks that SDS has identified as important for the business are as follows: market risks include political risks and dependence on a few large customers. Operative risks include increased competition, changes in laws and regulations, the ability to keep and attract key employees, technological developments, the ability to keep and attract customers, corruption and unethical business methods. Financial risks include financing, liquidity, credit, interest and currency risks.

For a detailed description of the risk factors that are assessed to be of particular importance for the Group's future development, please refer to the Annual Report for 2017, pages 29-30. In the assessment of the management, there are no significant changes from the risk assessment that was made in the Annual Report for 2017.

### ACCOUNTING PRINCIPLES

The consolidated accounts have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. These have been presented in the consolidated accounts for 2017. The Group's functional currency is SEK, which is also the reporting currency. This report has been drawn up in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. The Parent Company's summary financial reports have been drawn up in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for legal entities.

### CHANGED ACCOUNTING PRINCIPLES AS FROM 2018

The Group has begun to apply IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, as from January 1, 2018.

#### *Financial instruments: Recognition and Measurement (IFRS 9)*

The new impairment model means that allowances for credit losses primarily with regard to trade and similar receivables are recognised earlier. An impairment allowance is made for all these receivables corresponding to the credit losses that are expected to arise over their remaining lifetime and not just for the receivables that have displayed objective evidence of an impairment requirement.

#### *Revenue from Contracts with Customers (IFRS 15)*

IFRS 15 is a comprehensive standard for deciding how large the revenues to be recognised are and when these revenues are to be recognised.

The introduction of IFRS 15 has not entailed any impact on the Group's financial reports over and above greater disclosure requirements. See the table below for the division of revenues.

The Parent Company's and the Group's financial reports are not impacted by the transfer to IFRS 9 and IFRS 15.

### NEW ACCOUNTING PRINCIPLES FROM 2019

#### *New standards and interpretations that have not yet been applied by the Group*

A number of new standards and interpretations come into force for the financial year beginning January 1, 2019 and have not been applied in the drawing up of this financial report. None of these is expected to have a significant impact on the Group's financial reports, with the exception of those that follow:

#### *IFRS 16 Leases*

IFRS 16 was published in January 2016 and shall be applied for financial years beginning on January 1, 2019 and subsequently. IFRS 16 Leases replaces existing IFRS related to the reporting of leases, such as IAS 17 Leases and IFRIC 4.

Implementation of the standard will mean that almost all lease contracts will be recognised in the lessee's balance sheet, as no distinction is made any longer between operating and finance leases. According to the new standard, an asset (the right to use a leased asset) and a financial liability regarding the obligation to pay leasing fees shall be recognised. Short-term leases and leases for which the underlying asset is of low value are exempted.

The Group has six rental contracts for office premises that are classified as operating leases. Otherwise, the Group has no other operating or finance leases. At closing day on December 31, 2018, the Group's non-cancellable operating lease obligations amounted to TSEK 948. These obligations are recognised as short-term leases. These will be recognised as a cost on a straight-line basis over the term of the lease. Furthermore, the Group has a new long-term lease for office premises that begins on April 19, 2019 and has a term of five years. The right of use regarding the new office premises will be recognised as from April 19, 2019.

The Group will apply the standard when the standard comes into force on January 1, 2019. The Group intends to apply the simplified transition method and will not recalculate the comparative figures. Rights of use are valued at an amount corresponding to the lease liability adjusted for prepaid or accrued lease fees attributable to the contract at December 31, 2018.

## NOTE 2 - DIVISION OF NET SALES

KSEK	SDS	
	2018 Jan - Dec	2017 Jan - Dec
Professional services/software	29,896	22,614
Licences	3,137	7,458
Support	40,480	36,550
Hardware	3,868	3,522
Other	131	373
<b>SDS Total</b>	<b>77,512</b>	<b>70,517</b>
<b>Of which withholding tax</b>	<b>7,365</b>	<b>9,146</b>

KSEK	SDD	
	2018 Jan - Dec	2017 Jan - Dec
Etop-up	10,264	-
Bank systems	223	-
Other	12	-
<b>SDD Total</b>	<b>10,499</b>	<b>-</b>

\* SDD only has net sales and operating profit starting November 19.

## NOTE 4 - TRANSACTIONS WITH RELATED PARTIES

For information on related parties, please refer to the Group's Annual Report for 2017, page 59. During the second quarter a consortium consisting of external investors, members of the Board and senior executives of SDS acquired all of Invuo's shares in SDS and took over the loan of SEK 35 million and accrued interest. Of the accrued interest taken over from Invuo 3.0 MSEK was waived in SDS's favour. The consortium includes the Board members Gunnar Jardelöv, Tomas Klevbo and Leif Brandel as well as the CEO Tommy Eriksson and the Sales Director Bogdan Sacuiu. Martin Schedin (CFO) invoices a fee in line with market rates directly through his own company. The fee is paid on a continual basis and can therefore vary from quarter to quarter.

## NOTE 3 - NET SALES PER GEOGRAPHIC AREA

KSEK	SDS	
	2018 Jan - Dec	2017 Jan - Dec
Africa	61,333	44,385
Middle East and Asia	12,655	22,650
Other	3,524	3,482
<b>SDS Total</b>	<b>77,512</b>	<b>70,517</b>

KSEK	SDD	
	2018 Jan - Dec	2017 Jan - Dec
Sweden	10,315	-
Denmark	184	-
Other	-	-
<b>SDD Total</b>	<b>10,499</b>	<b>-</b>

\* SDD only has net sales and operating profit starting November 19.

## NOTE 5 - SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have been reported after the reporting period.

# Other information

## ELECTION COMMITTEE & ANNUAL GENERAL MEETING

SDS's Election Committee for the 2019 Annual General Meeting comprises John Longhurst (own shares), Lars Rodert (ÖstVäst Kapital), Vesa Varis (own shares), and Gunnar Jardelöv (Chairman of the Board of SDS AB). The Election Committee has appointed John Longhurst as its Chairman. Shareholders wishing to submit proposals to the Election Committee can do so by email to "valberedning@seamless.se" or by post to "SDS Valberedning, Box 353, 101 27 Stockholm" no later than March 15, 2019. The Election Committee's proposals will be presented in the notice convening the 2019 Annual General Meeting and will be published on SDS's website together with the Election Committee's reasoned statements. The Annual General Meeting will be held in Stockholm on April 25, 2019.

## AUDITORS' REVIEW

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

## DIVIDEND

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for fiscal year 2018.

## ADVISERS

The company's Certified Adviser is Mangold Fondkommission AB, tel: +46 8 5030 1550.

## DISTRIBUTION OF INFORMATION

All information is published on the company website, [www.sds.seamless.se](http://www.sds.seamless.se), immediately after it has been made public.

Financial reports can also be ordered from SDS AB, Box 353, 101 27 Stockholm, or via email, [sds.info@seamless.se](mailto:sds.info@seamless.se)

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Seamless Distribution Systems' year-end report has been approved for publication in accordance with the decision of the Board of Directors on February 12, 2019. The Board of Directors and the CEO of Seamless Distribution Systems AB (publ) certifies that this year-end report gives a fair view of the Parent Company's and Group's activities, position and results and describes essential risks and uncertainty factors that the Parent Company and the companies that are part of the Group face.

February 12, 2019  
Stockholm

**Tomas Klevbo**

**Gunnar Jardelöv**  
*Chairman of the Board*

**Leif Brandel**

**Ayesha Amilon**

**Tommy Eriksson**  
*CEO*

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# 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 31 December 2018 and the twelve-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

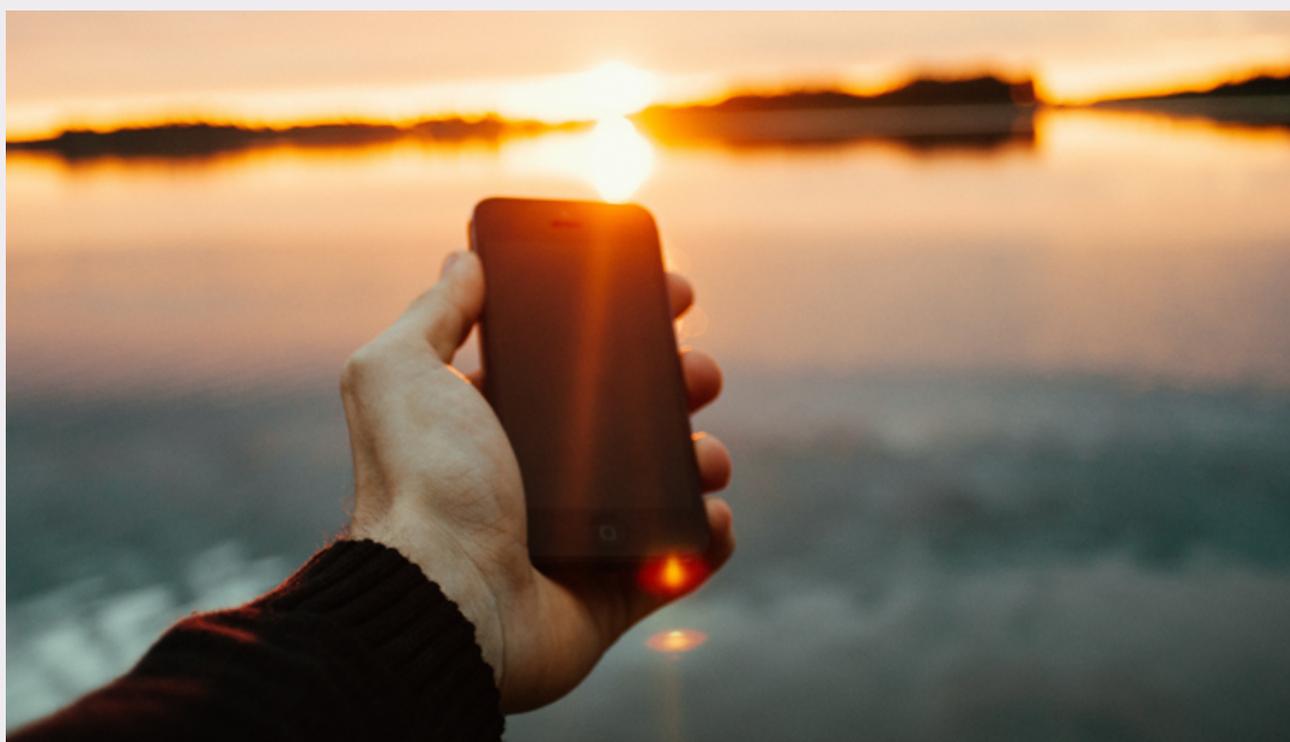
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm 13 februari 2019

**Öhrlings PricewaterhouseCoopers AB**

**Niklas Renström**

*Authorized Public Accountant*



# Financial definitions and alternative performance measures

<b>Return on equity</b>	Profit after tax in relation to average equity.
<b>EBITDA</b>	Operating profit before depreciation and amortisation and financial items.
<b>EBITDA %</b>	Operating profit before depreciation and amortisation and financial items as a percentage of revenue.
<b>Equity per share</b>	Equity in relation to the total number of shares outstanding.
<b>Average number of shares</b>	Weighted average number of shares outstanding during the period.
<b>Quick ratio</b>	Cash and cash equivalents including current investments and current receivables in relation to current liabilities.
<b>Equity/assets ratio</b>	Equity including minorities in relation to balance sheet total.
<b>Growth in net sales</b>	Net sales for the period in relation to net sales for the previous period.
<b>Earnings per share</b>	Profit after tax in relation to the average number of shares.
<b>Operating profit (EBIT)</b>	Profit before financial items and tax.
<b>Operating margin (EBIT) %</b>	Profit before financial items and tax as a percentage of revenue.
<b>Withholding tax</b>	Local withholding tax on sales of royalties, licences and consultancy services is charged in many of the African 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 recognises net sales including withholding tax and deducts the corresponding amount as an expense under the item “Other operating expenses”.