

Nasdaq First  
North Premier:  
SDS

Year-end report

# Q4 2020

**Seamless**  
Distribution Systems

# Year-end report Q4

## October - December 2020

KSEK	2020 OCT-DEC	2019 OCT-DEC	2020 JAN-DEC	2019 JAN-DEC
Net sales	71,093	76,532	295,609	245,567
Operating profit/loss	3,633	4,793	21,458	14,421
Operating margin (EBIT)	5.1%	6.3%	7.3%	5.9%
EBITDA	11,295	1,881	50,116	24,165
EBITDA margin	15.9%	2.5%	17.0%	9.8%
Profit/Loss for the period after tax	2,243	2,920	12,517	8,029
Total cash flow	-1,134	10,221	-2,429	12,722
Earnings per share before and after dilution	0.25	0.38	1.50	1.04
Equity/assets ratio	37.2%	13.3%	37.2%	13.3%

### MATERIAL EVENTS DURING THE FOURTH QUARTER

- Seamless Distribution Systems (SDS) received an order worth SEK 14 million from one of Cameroon's largest mobile operators, which in turn belongs to Africa's largest operator group. The order, which is SDS's first in Cameroon, covers system installation for digital distribution and sales of electronic products. SDS will replace the operator's existing technology and service provider, where the central part of the delivery will be SDS's own flagship product ERS 360. In addition to the initial order value, recurring service revenues are expected in the future.

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Distribution Systems

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### FINANCIAL CALENDAR

Planned publication of annual report:	2021-03-19
Interim report Q1 2021	2021-04-22
Planned date for next AGM:	2021-04-22
Interim report Q2 2021	2021-07-22
Interim report Q3 2021	2021-10-21

# CEO's comments

To say the least, the unusual year 2020 is now behind us. Although we have done relatively well, the pandemic has naturally affected us. Despite this, we have been able to continue working according to our established strategy and the fourth quarter has been another quarter full of progress. We are now beginning to see how the economies of scale from the acquisition of eServ-Global in July 2019 are slowly but surely making an impact in the figures.

During the fourth quarter, our EBITDA improved to SEK 11.3. This is an increase of 500 percent compared to the same quarter in 2019 when the margin was SEK 1.9 million. This means that the operating margin is now at a healthy 15.9 percent. This improvement is taking place at the same time as our sales on an annual basis increase by more than 20 percent to SEK 296 million. The quarterly result is also burdened by the decline in the USD against SEK, but experience shows that the currency effects level off over time.

I am, of course, very proud that our work has led to such great successes during this turbulent time. At the same time, I would like to remind you that SDS has a business model with variations over the quarters and would like to highlight the importance of assessing the company's performance over a longer period. With these introductory words, I would also like to welcome all new shareholders who invested in the company in the rights issue that was carried out last autumn.

One of the most important business events of the quarter is our agreement in Cameroon, where we deliver our ERS 360 software. This is a deal that strengthens our already large presence with a leading mobile operator group in Africa and also means that we have now added another country to our growing list of over 50 markets as of today.

The company is now in the middle of a very exciting development phase where we work with many factors to grow both in size and profitability. Growth in sales is currently affected by acquisitions, but the long-term potential also exists in organic growth. Our focus on recruiting new customers means that the growth factor is at least as exciting as the acquisition growth.

So far, we have been able to publish deals with three new customers during the second half of 2020, two of which belong to leading operator groups. One of the operator groups is a completely new customer to us, which means that the potential to grow with this customer in additional markets is great. When we also study the growth in both population and mobile phone use in these markets, the equation becomes even more promising. My expectation is based on our good experiences from our journey with the MTN group, where we have grown from 1 to 19 mobile operators in as many emerging markets in Africa and the Middle East.

The business model that SDS has historically worked with has been based on selling licenses and integration services in the form of a larger initial one-off transaction, after which customers without exception purchased support and operating services worth around 15 to 20 percent of the initial transaction. As of the fourth quarter, our prioritized business model for new customers is SaaS pricing, which changes the one-time license to a recurring license fee. This means that the initial income for the installation will be slightly lower, but means that our recurring income will be significantly higher. This does not automatically mean that all customers accept this model, but we see concrete evidence that it is gaining ground more and more.



An example of this is our first deal in Ethiopia, which was made on the basis of this principle. The deal was made a few years ago and even though the recurring transaction-based income was initially lower than expected, we now see a significantly increased growth rate. We become more dependent on the customer's growth, but instead get a larger share of the long-term profitability in the customer's business.

That SDS with its virtual organization could handle telework during the pandemic year was a low odds, but that we could sell to new customers at a pace we had never seen before was a positive surprise. It was also very gratifying that in the Nordic distribution business SDD, we have, despite lost volume due to Covid-19, still managed to improve our result.

In this interim report, we have added a separate section on the outcome of the acquisitions of eProducts 2018 (now SDD) and eServGlobal 2019. I am extremely pleased that we can show in facts and figures how well these acquisitions have turned out. We knew we were buying badly managed companies, which we were convinced we could get the right side on. We have now proven that we possess the competence and the capacity required to be able to consolidate our industry and increase profitability and growth. The journey has just begun!

**Tommy Eriksson**  
CEO, Seamless Distribution Systems AB

# Financial overview

## October - December 2020

### NET SALES

Net sales during the fourth quarter amounted to MSEK 71,093 (76,532) thousand, a decrease of 7.1% compared with the same period last year. Other operating income amounted to SEK 2,920 (624) thousand. Sales are in line with the second and third quarters, but lower than the first quarter. The decrease, compared with the same quarter last year, is a consequence of the current external situation where customers have been more restrained with their budgets.

In October, SDS won a large order in Cameroon worth SEK 14 million. The order, which is the first for SDS in the country, could be recognized as revenue during the fourth quarter.

Net sales for the year amounted to SEK 295,609 (245,567) thousand, an increase of 20.4% compared with the same period last year. During the year 2019, eServ-Global will only be included from 25 July. Other operating income amounted to SEK 8,819 (28,107) thousand. In 2019, negative goodwill of 21,407 is included in other operating income.

Order intake during the year, despite the prevailing circumstances, was still good 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 fourth quarter amounted to SEK 70,380 (72,362) thousand, a decrease of 2.7% compared with the same period last year. During the fourth quarter of 2019, a restructuring reserve of SEK 8,000 thousand as well as acquisition costs of SEK 367 thousand was included in operating costs.

During the fourth 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 fourth quarter was negatively affected by the strengthened krona against the dollar by SEK 2,911 thousand.

Operating expenses during the year amounted to SEK 282,970 (259,253) thousand, an increase of 9.1% compared with the same period last year. With the acquisition of eServGlobal, a restructuring reserve of SEK 24,049 thousand is included, as well as acquisition costs of SEK 3,697 thousand in operating expenses during the twelve months of the year 2019.

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

### OPERATING PROFIT

The EBITDA result for the fourth quarter amounted to SEK 11,295 (1,881) thousand.

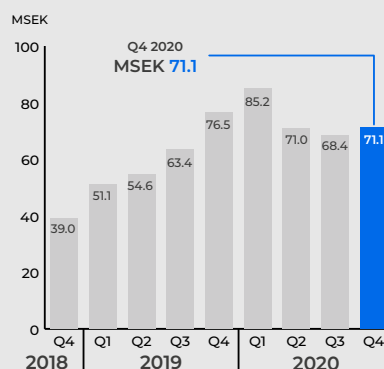
Net financial items for the quarter amounted to SEK -1,156 (-2,019) thousand.

Profit before tax amounted to SEK 2,476 (2,774) thousand. Earnings per share amounted to SEK 0.25 (0.38).

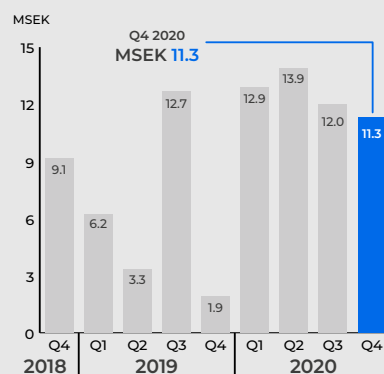
The EBITDA result for the year amounted to SEK 50,116 (24,165) thousand.

Net financial items for the year amounted to SEK -6,362 (-5,644) thousand.

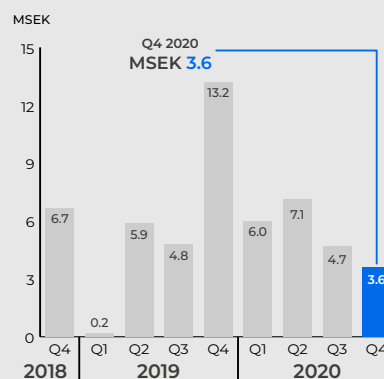
### Net sales MSEK 71,1



### EBITDA result MSEK 11,3



### EBIT result MSEK 3,6



Profit before tax amounted to SEK 15,096 (8,777) thousand.

Earnings per share amounted to SEK 1.50 (1.04).

## INVESTMENTS

During the fourth quarter, investments were made in product development to a value of SEK 7,697 (10,208) thousand. Amortization of intangible assets amounted to SEK -6,444 (-3,913) thousand. Investments in tangible assets amounted to SEK 1,516 M (389) for the quarter. Depreciation of tangible assets amounted to SEK -584 (-479) thousand.

During the year, investments were made in product development to a value of SEK 24,254 (25,520) thousand. Amortization of intangible assets amounted to SEK -23,843 (-7,047) thousand. Investments in tangible assets amounted to SEK 3,905 (868) thousand. Depreciation of tangible assets amounted to SEK -2,325 (-1,362) thousand.

### 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 SEK 10,892 thousand has been booked in the Group with depreciation of SEK -2,490 thousand and an interest expense of SEK -569 thousand, both of which have reimbursed the rental cost. The financial debt as of the end of December amounts to SEK 10,848 thousand.

## NUMBER OF EMPLOYEES

The number of employees in the Group at the end of the period was 108 (132). The majority of the employees are software developers. In addition, SDS has approximately 131 (90) consultants, mainly in Pakistan and Ghana.

## CASH FLOW AND FINANCIAL POSITION

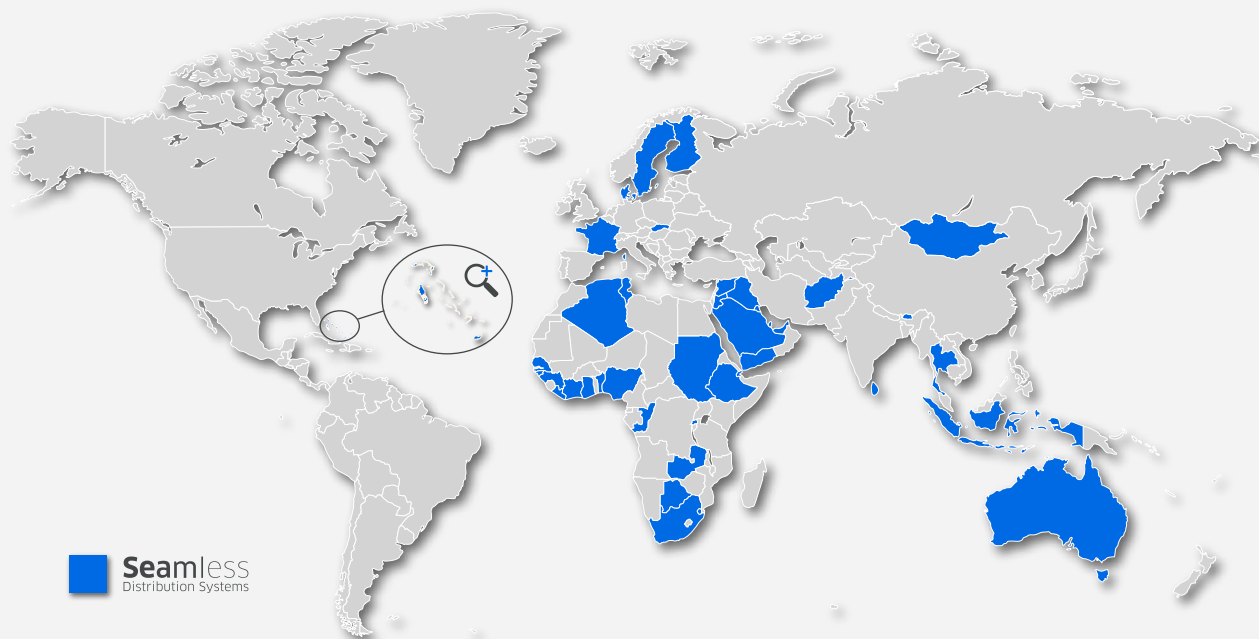
Cash and cash equivalents at the end of the period amounted to SEK 11,776 (14,850) thousand. Of the total overdraft facility of SEK 10,000 thousand, SEK 7,191 thousand was utilized.

During the third quarter, it was decided to carry out a rights issue. The issue was completed during the fourth quarter, with the number of shares in SDS increasing by 567,835 shares, from 8,341,135 shares to 8,908,970 shares. Furthermore, the company has received SEK 26.5 million before issue costs. The issue costs amounted to SEK 1.6 million.

SDS has four interest-bearing liabilities totaling SEK 68.2 million. The oldest debt is SEK 35 million and carries 10% interest. The debt, as well as 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 December, the loan amounts to SEK 3.8 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, in July the company secured 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 the loan plus interest must be paid at the time of repayment.

Cash flow during the fourth quarter from operating activities amounted to SEK -16,226 (17,312) thousand. The total cash flow amounted to SEK -1,134 (10,221) thousand. Cash flow during the twelve months of the year from operating activities amounted to SEK -15,297 (20,429) thousand. The total cash flow amounted to SEK -2,429 (12,722) thousand.

## SDS customers in the world



# Marketing and sales

During the fourth quarter, SDS gained a new customer in Cameroon. The customer is one of the country's largest mobile operators and also belongs to Africa's largest operator group. With the order in Cameroon, SDS expands its organizational growth in new markets and further strengthens its customer base within the operator group MTN. The deal includes the installation of a system for digital distribution and sales of electronic products with the possibility of expanding the system with more functions in the future. The order is important for continuing the long-term relationship and cooperation with MTN, where SDS delivers to 19 of MTN's total 21 customers.

Order bookings deteriorated during the fourth quarter compared with previous quarters due to the current external situation. Continued focus during the quarter was on increasing the recurring revenues that will take SDS closer to the goal that these will exceed the company's fixed costs.

In parallel with the relationship building in the customer base acquired from eServ-Global, the work of reshaping and strengthening the sales organization continues, which will strengthen the structure and presence in more markets. SDS aims to further increase the ability to analyze customer value based on the company's products. In this way, SDS in a consultative role can sell more based on a clearly articulated customer benefit.

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

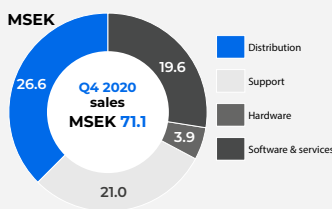
existing and new customers. Increased interest can also be seen from developed markets such as Europe, which indicates opportunities for further expansion based on the new product portfolio. Common to all markets is the interest in understanding more about their customer and their sales. The new cloud offering for analytics is therefore particularly promising for future additional sales of both recurring licenses and services.

Most of SDS'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 according to customer and market needs. During the quarter, SDS handled more than \$ 3.5 billion in its systems.

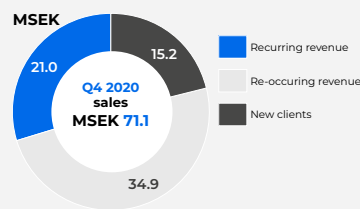
For SDD, the Group's distribution operations in the Nordic region, the sales loss continued during the fourth quarter, despite the fact that no existing customers were lost, after it was possible to stabilize sales during the third quarter after the loss at the beginning of the year. Satisfying during the fourth quarter, however, was the successful sale of a marketing solution via both the app and the terminal.

The Group has been affected by the Corona pandemic, but the assessment is that the impact is and will remain marginal. Switching to working from home has exceeded expectations and all installations that are carried out 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 regarding what is to be achieved by 2023.

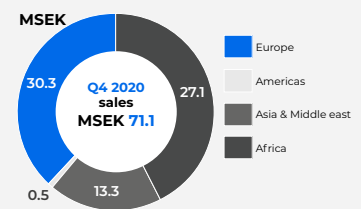
## Product offering



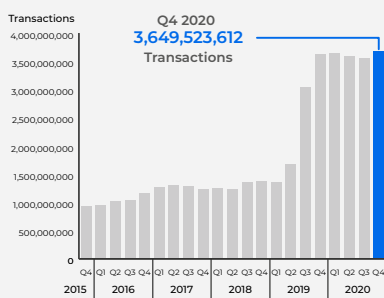
## Sales distribution



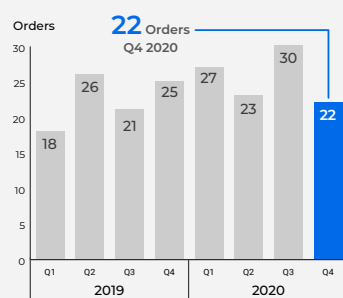
## Geographic sales



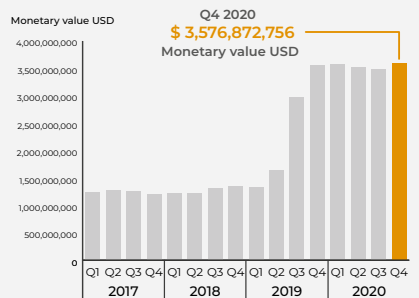
## Number of transactions handled by ERS 360 per quarter



## Number of orders won per quarter



## Monetary value managed by Seamless system per quarter



# Acquisitions

## eServGlobal

eServGlobal was acquired on July 24, 2019 and already after a few months from the time of acquisition, good results were shown in integration, streamlining and restructuring. Sales, operating profit and profit had all three improved during the acquisition year compared with previous twelve-month periods. Sales, operating profit and earnings improved further in 2020.

The restructuring work of eServGlobal, which in practice has meant that we have moved expertise from high-cost countries to our development centers in Pakistan and India, where SDS has for several years built up a Swedish organizational structure, which delivers as high capacity as the most modern development departments in the West. This is a strong contributing factor to the positive trend in earnings. Following the acquisition of eServGlobal, SDS now has an efficient process in place to be able to quickly move expertise so that the cost is significantly lower, but with a maintained effect.

The geographical availability of SDS and eServGlobal has made the SDS group a major player in the market. This in turn has led to increased competitiveness, which enables the growth of new customers. The relationship building with eServGlobal's existing customers continues to be strongly positive and the work of replacing all eServGlobal's products with SDS's in-house developed software continues.

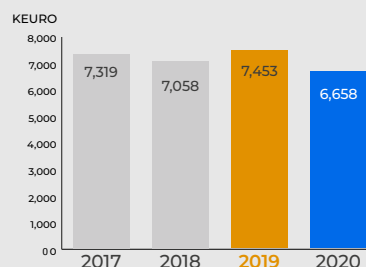
## Seamless Digital Distribution AB

Already from the acquisition day on November 10, 2018, the focus has been on streamlining and increased sales. SDD was able to connect more resellers to its network at a rapid pace and increased its relevance in the market. SDD's work to modernize distribution and streamlining resulted in the number of employees going from four to one, with continued high quality of delivery to customers and strong growth.

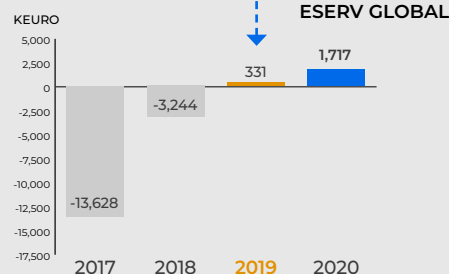
In 2020, SDD's new marketing solution was launched, where customers, whose products we distribute, can now communicate directly with retailers via both the app and the terminal. This will bring new opportunities for customers that have not been offered to them before and that contribute to increased sales.



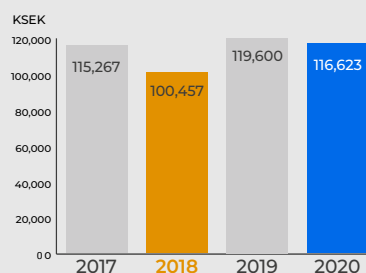
### Sales development



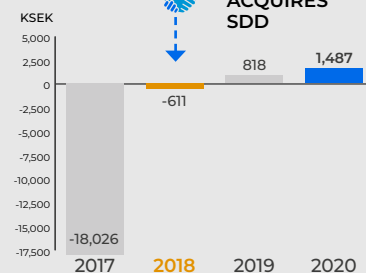
### EBITDA



### Sales development



### EBITDA



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2020 OCT-DEC	2019 OCT-DEC	2020 JAN-DEC	2019 JAN-DEC
<b>Operating revenue</b>				
Net sales	71,093	76,532	295,609	245,567
Other operating revenue	2,920	624	8,819	28,107 <sup>1)</sup>
<b>Total operating revenue</b>	<b>74,013</b>	<b>77,155</b>	<b>304,428</b>	<b>273,674</b>
<b>Operating expenses</b>				
Material expenses	-33,738	-39,090	-132,684	-131,726
Other external expenses	-14,302	-10,982	-56,022	-41,935
Personnel costs	-8,847	-12,216	-54,333	-34,696
Depreciation and amortization	-7,662	2,912	-28,658	-9,744
Other operating expenses	-5,832	-12,986 <sup>2)</sup>	-11,273	-41,152 <sup>2)</sup>
<b>Total operating expenses</b>	<b>-70,380</b>	<b>-72,362</b>	<b>-282,970</b>	<b>-259,253</b>
<b>Operating profit/loss</b>	<b>3,633</b>	<b>4,793</b>	<b>21,458</b>	<b>14,421</b>
<b>Financial items</b>				
Financial income	1	3	5	7
Financial expenses	-1,157	-2,022	-6,367	-5,652
<b>Net financial items</b>	<b>-1,156</b>	<b>-2,019</b>	<b>-6,362</b>	<b>-5,644</b>
<b>Profit/Loss before tax</b>	<b>2,476</b>	<b>2,774</b>	<b>15,096</b>	<b>8,777</b>
Income tax	-233	147	-2,579	-748
<b>Profit for the year attributable to the Parent Company's shareholders</b>	<b>2,243</b>	<b>2,920</b>	<b>12,517</b>	<b>8,029</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit for the year:</i>				
Translation differences	-2,330	-3,326	-2,924	-4,014
<b>Total comprehensive income attributable to Parent Company's shareholders</b>	<b>-87</b>	<b>-406</b>	<b>9,593</b>	<b>4,015</b>

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

2) Other operating expenses include a restructuring reserve of KSEK 8,000 for the quarter and KSEK 24,049 for the year



# CONSOLIDATED BALANCE SHEET

KSEK	2020-12-31	2019-12-31
<b>Assets</b>		
Intangible assets	81,961	82,743
- IP rights	15,083	17,750
- capitalized development costs	66,878	64,993
Tangible fixed assets	15,126	15,235
Financial assets	843	972
Inventories of finished goods	1,939	2,856
Accounts receivable	35,759	45,569
Other receivables	15,137	11,741
Prepayments and accrued income	57,285	34,112
Cash and cash equivalents	11,776	14,851
<b>Total assets</b>	<b>219,827</b>	<b>208,079</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	81,710	27,770
Other long-term liabilities	55,510	52,673
Overdraft	7,191	8,766
Trade payables	21,097	25,785
Current tax liabilities	628	508
Other current liabilities	33,959	63,553
Accrued liabilities and deferred income	19,732	29,024
<b>Total equity and liabilities</b>	<b>219,827</b>	<b>208,079</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

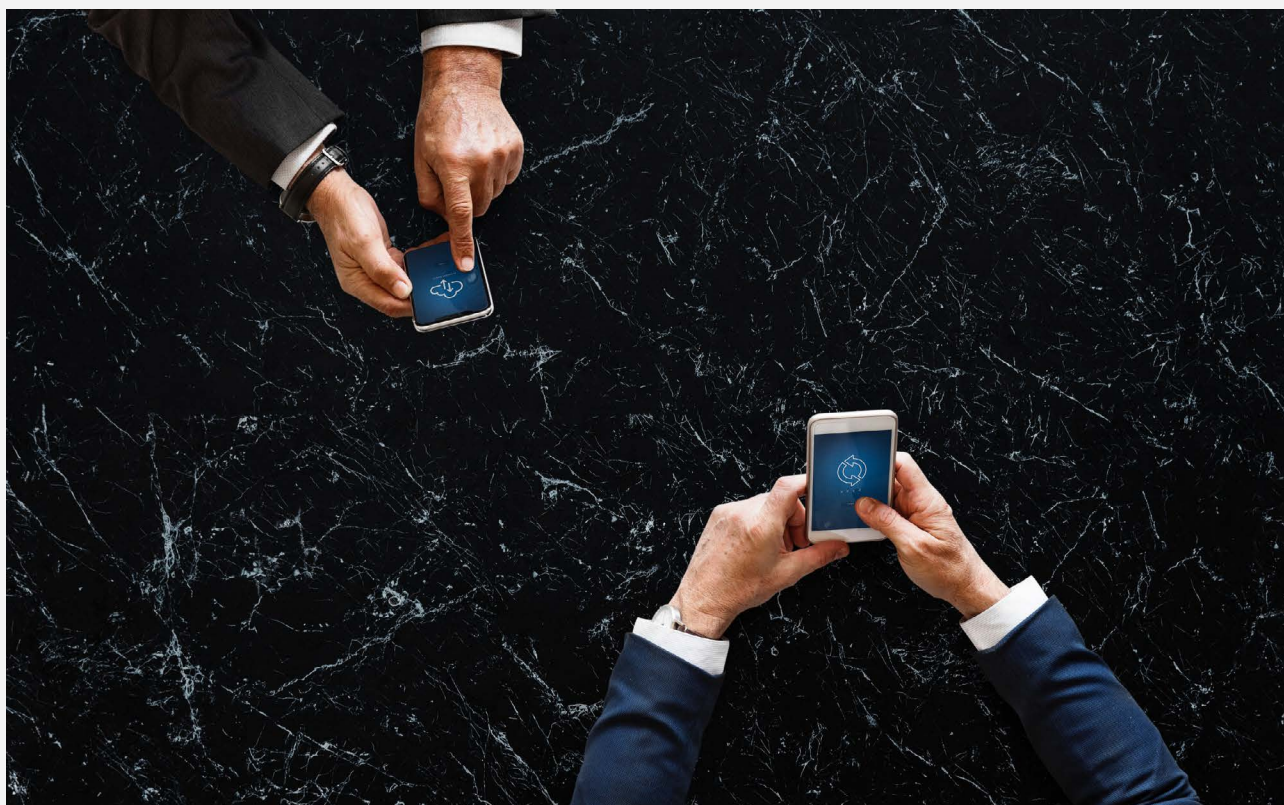
KSEK	2020 OCT-DEC	2019 OCT-DEC	2020 JAN-DEC	2019 JAN-DEC
<b>At beginning of period</b>	<b>57,139</b>	<b>28,176</b>	<b>27,770</b>	<b>23,756</b>
Comprehensive income for the period	-87	-406	9,593	4,015
Offsetting share issue	-	-	19,689	-
Shareholder contribution	24,657	-	24,657	-
<b>At end of period</b>	<b>81,709</b>	<b>27,770</b>	<b>81,709</b>	<b>27,770</b>

## CONSOLIDATED CASH FLOW STATEMENT

KSEK	2020 OCT-DEC	2019 OCT-DEC	2020 JAN-DEC	2019 JAN-DEC
Cash flow from operating activities before change in working capital	11,198	5,260	42,109	-5,861
Change in working capital	-27,424	12,052	-57,406	26,290
Cash flow from operating activities	-16,226	17,312	-15,297	20,429
Cash flow from investing activities	-8,204	-15,368	-29,386	-53,120
Cash flow from financing activities	23,296	8,277	42,254	45,413
Cash flow for the period	-1,134	10,221	-2,429	12,722
Cash and cash equivalents at beginning of period	13,484	4,836	14,850	2,266
Exchange rate differences in cash and cash equivalents	-575	-207	-646	-138
<b>Cash and cash equivalents at end of period</b>	<b>11,775</b>	<b>14,850</b>	<b>11,775</b>	<b>14,850</b>

## KEY RATIOS AND FIGURES

KSEK	2020 OCT-DEC	2019 OCT-DEC	2020 JAN-DEC	2019 JAN-DEC
Return on equity	4.1%	11.3%	22.9%	31.2%
Earnings per share SEK, before and after dilution	0.25	0.38	1.50	1.04
Operating profit/loss, KSEK	3,633	4,793	21,458	14,421
Growth in net sales	-7.1%	96.0%	20.4%	179.9%
Operating margin (EBIT)	5.1%	6.3%	7.3%	5.9%
Average number of shares before and after dilution	8,877,424	7,691,343	8,340,501	7,691,343
Number of shares outstanding at end of reporting period	8,908,970	7,691,343	8,908,970	7,691,343
Quick ratio	159%	89%	159%	89%
Equity/assets ratio	37.2%	13.3%	37.2%	13.3%
Equity, KSEK	81,710	27,770	81,710	27,770
Equity per share	9.20	3.61	9.20	3.61
Number of employees at end of period	108	132	108	132



## PARENT COMPANY INCOME STATEMENT

KSEK	2020 OCT-DEC	2019 OCT-DEC	2020 JAN-DEC	2019 JAN-DEC
Net sales	38,071	25,626	130,301	97,236
Other operating revenue	2,914	616	8,737	6,646
Operating expenses	-42,356	-27,343	-125,904	-106,751
Operating profit/loss	-1,370	-1,101	13,134	-2,869
Net financial items	-213	-1,308	-5,272	-4,890
Profit/Loss after financial items	-1,584	-2,409	7,862	-7,759
Income tax	-91	-	-746	-
<b>Net profit/loss for the period</b>	<b>-1,675</b>	<b>-2,409</b>	<b>7,116</b>	<b>-7,759</b>

## PARENT COMPANY BALANCE SHEET

KSEK	2020-12-31	2019-12-31
<b>Assets</b>		
Fixed assets	71,621	72,444
Current assets	102,803	41,152
<b>Total assets</b>	<b>174,424</b>	<b>113,596</b>
<b>Equity and liabilities</b>		
Equity	64,302	12,840
Long-term liabilities	44,500	41,000
Current liabilities	65,622	59,756
<b>Total equity and liabilities</b>	<b>174,424</b>	<b>113,596</b>
Pledged assets	22,000	15,000
Contingent liabilities	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	2020	2019
	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
SDS	45,066	42,210	181,419	128,361
SDD	26,604	34,955	116,622	119,666
Intra-Group support fee <sup>1</sup>	-577	-633	-2,432	-2,460
<b>Seamless Group</b>	<b>71,093</b>	<b>76,532</b>	<b>295,609</b>	<b>245,567</b>

## Operating profit

KSEK	2020	2019	2020	2019
	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
SDS	3,120	4,462	20,164	13,683
SDD	1,090	964	3,726	3,198
Intra-Group support fee <sup>1</sup>	-577	-633	-2,432	-2,460
<b>Seamless Group</b>	<b>3,633</b>	<b>4,793</b>	<b>21,458</b>	<b>14,421</b>

1) 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 solutions and services for digital sales and distribution to private individuals through mobile operators in emerging countries. The company offers its corporate customers a complete solution for digital distribution and management of electronic transactions. 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 650 million mobile users through more than 3,000,000 active points of sale. 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, enabling the people of emerging countries to become part of the mobile revolution.

SDS considers itself to have a unique position in the market, especially with regard to the offer to the telecom sector, as the platform forms the backbone of a mobile operator's sales business. Through its long experience, SDS has a deep understanding of how the retail infrastructure of mobile operators works. The offers are focused on supporting and digitizing every step of the sales process with the goal of providing the opportunity to sell any product, at any time and through any channel.

In addition, SDS has completed all its products so that they support micro-services, which means that those who use the system can roll out updates immediately and thus get a completely 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 delivers the technical platform that enables TopUp via the largest banks in Sweden. SDD's ERS platform handles approximately six million transactions worth SEK 500 million annually in the two markets in which SDD is active, Sweden and Denmark. SDD has one employee and serves just over 2,500 points of sale.

In 2020, SDD has continued with the development of the App and web portal, which was launched in 2019 and which enables direct communication between retailers and mobile operators, to which both customers and suppliers have reacted very positively.

# 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-DEC	2019 JAN-DEC
Professional services/software	76,592	49,821
Licences	2,892	6,029
Support	91,744	62,465
Hardware	7,145	6,858
Other	614	728
<b>SDS total</b>	<b>178,987</b>	<b>125,901</b>

KSEK	SDD	
	2020 JAN-DEC	2019 JAN-DEC
Etop-up	114,347	117,352
Bank systems	1,976	1,916
Other	299	398
<b>SDD total</b>	<b>116,622</b>	<b>119,666</b>

## NOTE 3 - NET SALES BY GEOGRAPHIC AREA

KSEK	SDS	
	2020 JAN-DEC	2019 JAN-DEC
Africa	115,074	99,119
Middle East and Asia	58,826	23,750
Other	5,087	3,032
<b>SDS total</b>	<b>178,987</b>	<b>125,901</b>

KSEK	SDD	
	2020 JAN-DEC	2019 JAN-DEC
Sweden	107,184	111,083
Denmark	9,438	8,583
Other	-	-
<b>SDD total</b>	<b>116,622</b>	<b>119,666</b>

## 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" no later than March 9, 2021. The Nomination Committee's proposal will be presented in the notice to the 2021 Annual General Meeting and will be published on the SDS website together with the Nomination Committee's motivating opinion. Seamless's Annual General Meeting will take place on April 22, 2021. If an individual shareholder wishes to have a resolution matter considered at the meeting, this must be notified in writing to the Board no later than seven weeks before the Annual General Meeting, which is March 4, 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](http://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](mailto:sds.info@seamless.se).

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Seamless Distribution Systems' interim report for January to December has been approved for publication in accordance with the Board's decision on 17 February 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, material risks and uncertainties faced by the company and the companies included in the group.

Stockholm, February 17, 2021

**Tomas Klevbo**

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

**Pia Hofstedt**

**Martin Roos**

**Tommy Eriksson**  
*CEO*

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## ADDRESS (HEAD OFFICE)

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Hangövägen 29, 115 41 Stockholm

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**E-mail:** [sds.info@seamless.se](mailto:sds.info@seamless.se)

**Website:** [www.sds.seamless.se](http://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 31 December 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

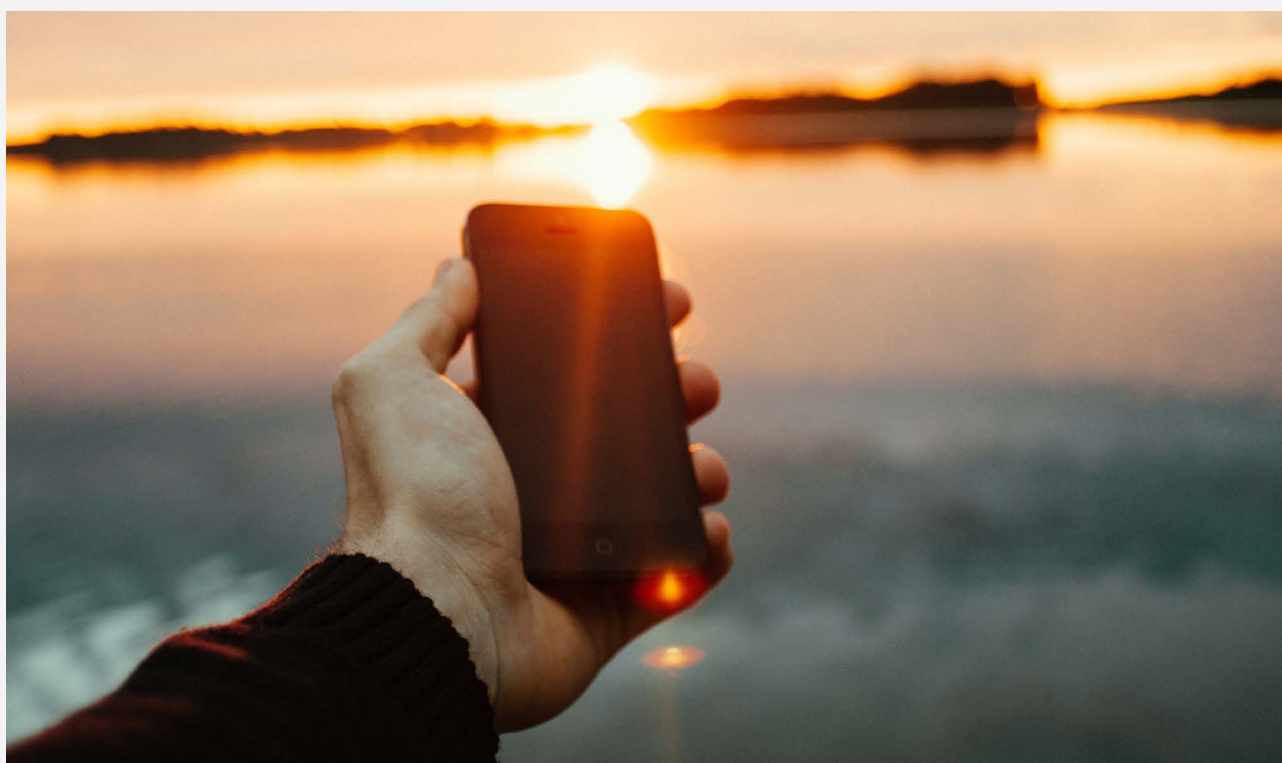
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 17 February, 2021

**Öhrlings PricewaterhouseCoopers AB**

**Henrietta Segenmark**

*Authorized Public Accountant*





# Financial definitions and alternative performance measures

<b>Average number of shares</b>	Weighted average number of shares outstanding during the period.
<b>EBITDA</b>	Operating profit/loss before depreciation and amortization of tangible and intangible assets and financial items.
<b>EBITDA margin (%)</b>	Operating profit/loss before depreciation and amortization of tangible and intangible assets and financial items as a percentage of revenue.
<b>Equity/assets ratio</b>	Equity including minorities in relation to balance sheet total.
<b>Equity per share</b>	Equity in relation to the total number of shares outstanding.
<b>Earnings per share</b>	Profit/Loss after tax in relation to the average number of shares.
<b>Growth in net sales</b>	Net sales for the period in relation to net sales for the preceding period.
<b>Operating margin (EBIT) (%)</b>	Profit/Loss before financial items and tax as a percentage of revenue.
<b>Operating profit/loss (EBIT)</b>	Profit/Loss before financial items and tax.
<b>Profit/Loss after tax</b>	Profit/Loss after financial items and tax.
<b>Quick ratio</b>	Cash and cash equivalents including current investments and current receivables in relation to current liabilities.
<b>Return on equity</b>	Profit after tax in relation to average equity.
<b>Withholding tax</b>	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.