



Nasdaq First North Premier: SDS

Year-end report

January - December 2019

Seamless
Distribution Systems

Year-end report

January – December 2019

SUMMARY

OCTOBER - DECEMBER 2019

- Net sales amounted to MSEK 76.5 (39.0), an increase of 96.0% compared to the same period the previous year.
- EBITDA amounted to MSEK 1.9 (9.1).
- The EBITDA margin was 2.5% (23.4%).
- EBITDA excluding acquisition-related events & restructuring costs amounted to MSEK 10.2.
- The EBITDA margin excluding acquisition-related events & restructuring costs was 13.4%.
- Profit after tax amounted to MSEK 2.9 (5.5).
- Profit after tax excluding acquisition-related events & restructuring costs amounted to MSEK 11.3.
- Earnings per share amounted to SEK 0.38 (0.72).
- Total cash flow amounted to MSEK 10.2 (1.1).

SUMMARY

JANUARY - DECEMBER 2019

- Net sales amounted to MSEK 245.6 (87.7), an increase of 179.9% compared to the same period last year.
- EBITDA amounted to SEK 24.2 M (10.9).
- The EBITDA margin was 9.8% (12.4%).
- EBITDA excluding acquisition-related events & restructuring costs amounted to MSEK 30.5.
- The EBITDA margin excluding acquisition-related events & restructuring costs was 12.4%.
- Profit after tax amounted to MSEK 8.0 (0.4).
- Profit after tax excluding acquisition-related events & restructuring costs amounted to SEK 14.4 million.
- Earnings per share amounted to SEK 1.04 (0.06).
- Total cash flow amounted to MSEK 12.7 (0.4).

KSEK	2019 OCT-DEC	2018 OCT-DEC	2019 JAN-DEC	2018 JAN-DEC
Net sales	76,532	39,048	245,567	87,742
Net sales excluding withholding tax	73,095	36,710	232,970	80,376
Operating profit/loss	4,793	6,665	14,421	1,501
Operating margin (EBIT)	6.3%	17.1%	5.9%	1.7%
Operating profit excluding acquisition costs	13,160	-	20,761	-
Operating margin (EBIT) excluding acquisition costs	17.2%	-	8.5%	-
EBITDA	1,881	9,149	24,165	10,875
EBITDA margin	2.5%	23.4%	9.8%	12.4%
EBITDA excluding acquisition costs	10,249	-	30,505	-
EBITDA margin excluding acquisition costs	13.4%	-	12.4%	-
Profit/Loss for the period after tax	2,920	5,548	8,029	412
Profit for the period after tax, excluding acquisition costs	11,288	-	14,368	-
Total cash flow	10,221	1,062	12,722	429
Earnings per share, before and after dilution	0.38	0.72	1.04	0.06
Equity/assets ratio	13.3%	26.0%	13.3%	26.0%

Seamless
Distribution Systems

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FINANCIAL CALENDAR

Annual report 2019	2020-03-25
Interim report Q1 2020	2020-04-22
Annual General Meeting	2020-04-23
Interim report Q2 2020	2020-07-23



CEO's comments

It is with great satisfaction that I look back on 2019 and my second year as CEO of SDS. The year, and not least the fourth quarter, was characterized by a strong business focus, where growth and increased profitability were prioritized.

We ended the year positively with Group revenues of SEK 77 million during the fourth quarter, bringing us to SEK 245 million for the full year. This represents a growth of 179.9 percent compared to 2018. The figures include the contribution from the successful acquisition of eServGlobal by five months. Operating profit, cleared from acquisition-related provisions, amounted to SEK 21 million. We have thus reserved for all expected effects of the acquisition and can thus fully focus on the current operations during the current year.

The last quarter of the year can only be described as a success. Thanks to technology at the forefront and a clear quality focus, we won our biggest business to date with our largest customer. The deal, worth SEK 20 million, was also our first in South Africa, which is the customer's home market. The deal was for the installation of our ERS 360 software suite. As part of the deal, there is also a new software and services for analyzing the huge amount of sales data that is collected in our transaction systems, a so-called Business Intelligence unit.

In the fourth quarter, the integration of our latest acquisition, eServGlobal, also continued at a high pace and the figures clearly show that we have made an exceptionally good acquisition. We have been able to generate greater synergy effects than we had initially identified. The first critical part of the integration has been successful throughout and I am now receiving feedback from the field that even eServGlobal's customers see the customer value that the acquisition creates.

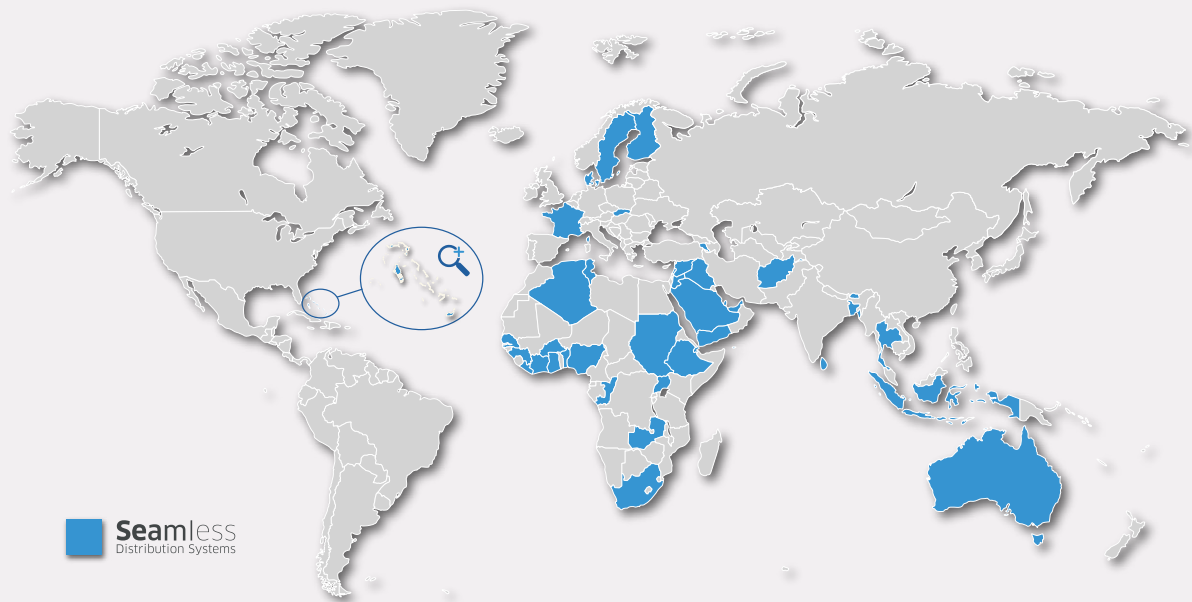
Following the acquisition of eServGlobal and the business in South Africa, SDS is now represented in 50 countries, compared with a presence in 30 countries a year ago. The geographical expansion is fully in line with our strategy to grow both organically and through acquisitions.

In addition to these key results, we have seen continued high growth in digitalisation with our customers (see the table on page 9), which has resulted in several major license upgrades. Our long-term focus on technology development combined with the work of our excellent sales organization gives me a strong belief in continued good order intake thanks to a pipeline of good quality and size. I am especially hopeful about Southeast Asia where, with the acquisition of eServGlobal, we established ourselves with both sales organization and customers.

In the Nordic market, the SDD team reaps continued success by taking market shares from our largest competitor, thanks in large part to our substantial technological advantage. Especially positive is also that we mainly won dealers with higher margins, which was also a goal.

In summary, all strategic focus areas now work excellently and the year 2020 looks bright from my horizon. This is thanks to a long-term and determined work from all old and new employees in the SDS Group. They should all have a big thank you for the hard work they do every day and night for our customers.

Tommy Eriksson
CEO, Seamless Distribution Systems AB



eServGlobal

eServGlobal was acquired on July 24, 2019 and already after five months we can see good results in integration, efficiency and restructuring. Turnover, operating income and earnings have all improved compared to previous 12-month periods. SDS and eServGlobal are now fully integrated. The restructuring work in the Group has entered its final phase and is expected to be fully finished during the second quarter of 2020. The costs of the restructuring have been fully met during the third and fourth quarters of 2019. The main reason for the integration and restructuring has gone so quickly depends on the experience SDS has from previous efficiency improvements. The acquisition in November 2018 of the Nordic distribution business that is now run in the subsidiary SDD is also a good example of how SDS has managed to turn a struggling company with declining sales into a good business with increasing profitability.

Through the acquisition of eServGlobal, SDS has become one of the major independent players in the electronic distribution market in Africa, Asia and the Middle East. SDS has expanded its customer base with two new major operator groups. One of SDS's goals is that fixed costs should be covered by recurring revenue and through the acquisition, the recurring revenue doubles, which with expected synergies helps to bring SDS closer to this goal. Looking at eServGlobal individually for 2020, we now have a cost base of about EUR 4 million. Our expectation is that sales in the current year will increase slightly compared to 2019. eServGlobal has accumulated fiscal deficits of more than SEK 1 billion and out of future profits, the surplus of one million EUR is offset against the deficit and tax is paid in half of the value exceeding one million EUR.

SDS and eServGlobal match each other perfectly geographically and there is no overlap of customers. Regarding revenue side synergies, SDS has begun work on creating good group-level relationships at eServGlobal's two operator groups, Zain & Ooredoo. We have already received the go ahead to carry out our first system change with one of eServGlobal's previous customers and our expectation is that more system changes will be implemented during the year. The full potential of the two new operator groups together is to sell to a further 15 of their markets.

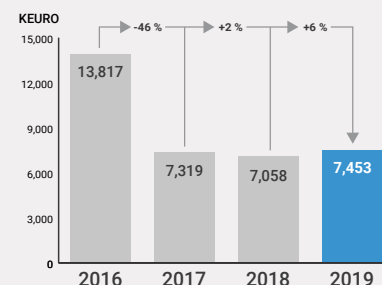
Comparison can be made with the very good results achieved at MTN where 16 of their total 19 markets today use ERS 360 from SDS. A 2018 study showed that the MTN markets that at that time had not yet chosen SDS had increased their turnover and transaction volume by 7 percent while the customers who chose SDS increased by 46 percent. Thus, by switching to SDS's system, we can show that SDS's advanced product portfolio can quickly increase customer profitability.

With the acquisition, the company has become a major player in the market, where investment in new product offerings can be sold to more customers. This results in increased competitiveness, which in turn enables even more new customers. The economies of scale also release a further increased ability to provide existing customers with the best operating support for stable operations. This is crucial for customer satisfaction because SDS systems normally handle a majority of the mobile operators' revenue streams.

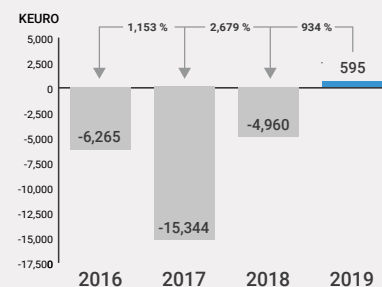
On the cost side, synergies have mainly arisen on the development, support and administration side. A restructuring reserve of SEK 8 million was booked during the quarter and a total of SEK 24 million during the year.

The synergies in this business, in terms of profitability and growth, will emerge in 2020, with a full effect in 2021.

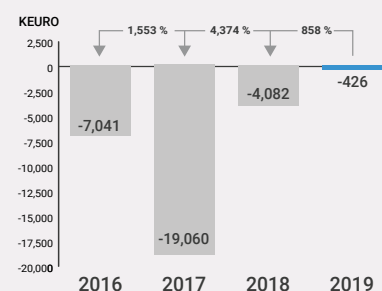
Revenue Development



EBIT Development



Net Income Development



The Group

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

NET SALES

Net sales in the fourth quarter amounted to KSEK 76,532 (39,048), an increase of 96.0% compared with the same period last year. Net sales excluding withholding tax amounted to KSEK 73,095 (36,710), an increase of 99.1% compared with the previous year. Other operating income amounted to KSEK 624 (528).

Sales in the fourth quarter were almost twice as high as in the same period last year. The large revenue increase is due to the contribution from SDS's new subsidiary eServGlobal, which amounted to KSEK 18,385 and SDD which amounted to KSEK 34,955. The large increase in transactions made an impact during the quarter as SDS received two major license upgrades totaling MUSD 1.

Net sales for the year amounted to KSEK 245,567 (87,742), an increase of 179.9% compared to the same period last year. Net sales excluding withholding tax amounted to KSEK 232,970 (80,377), an increase of 189.8% compared to the previous year. Other operating income amounted to KSEK 28,107 (2,404). Negative goodwill of KSEK 21,407 is recorded under other operating income.

During the year, the company completed three major installations and, although orders received for major projects in the second and third quarters were weak in SDS, it was offset by two major hardware deliveries during the second quarter, which, however, had a lower gross margin than the company's more traditional sales mix. At the end of the year, the company won one of its largest installations ever in South Africa where the entire order will be recognized in 2020. The large transaction increase during the year resulted in two major license upgrades totaling MUSD 1. The large increase is mainly due to SDS's new subsidiary eServGlobal, which contributed KSEK 31,118. The company is now entering 2020 with an order book amounting to MUSD 10.7 including support fees. At the same time, SDD's sales have increased by more than 49% since January and contributed KSEK 119,666 for the year.

The business opportunities in both companies continue to increase and the number of prospects remains at a very satisfactory level as we now enter 2020.

However, the company's business model means that larger projects can have a significant impact on revenue and earnings between quarters.

OPERATING EXPENSES

Operating expenses during the fourth quarter amounted to KSEK 72,362 (32,910), an increase of 119.9% compared to the same period last year. The increase is mainly explained by SDS's new subsidiary eServGlobal, which contributed costs of KSEK 4,248 and that SDD's material costs amounted to KSEK 33,358 during the quarter. In addition, a restructuring reserve of KSEK 8,000 was booked as well as acquisition costs of KSEK 367.

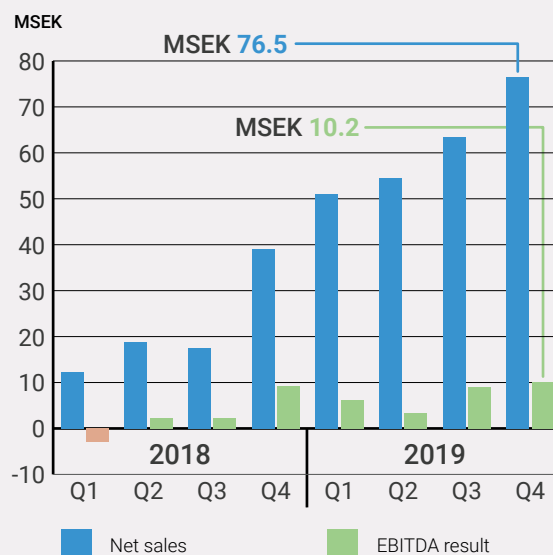
The increase in personnel costs is due to the Group now having more employees as a result of the acquisition in July. The company now has 76 more employees than in the fourth quarter of 2018.

The reduction in depreciation is due to the fact that eServGlobal changed its depreciation period from three to five years so that it ended up in line with the rest of the group.

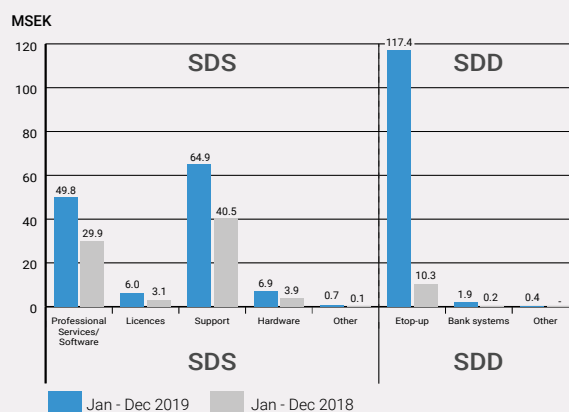
The increase in other operating expenses is mainly due to the restructuring reserve.

Operating expenses during the year amounted to KSEK 259,253 (88,645), an increase of 192.5% compared to the same period last year. The increase is explained by SDS's new subsidiaries, which increased costs by KSEK 30,069, SDD's material costs amounted to KSEK 114,419, acquisition costs of KSEK 3,697, restructuring reserve of KSEK 24,049, higher material costs as SDS implemented three major hardware deliveries and higher costs for employees and consultants as the Group has more employees than the same period last year.

Net sales and EBITDA result



Net sales per product group



OPERATING PROFIT

EBITDA for the fourth quarter amounted to KSEK 1,881 (9,149). EBITDA profit excluding acquisition-related events & restructuring costs amounted to KSEK 10,249. (Acquisition costs amounted to KSEK 367 and restructuring costs amounted to KSEK 8,000).

Net financial items for the quarter amounted to KSEK -2,019 (-897). The increase is due to the fact that the company has raised two loans as acquisition liquidity with the acquisition of eServGlobal. One loan is MSEK 10 from Handelsbanken and runs for two years with quarterly repayments and 6.62% annual interest rate. The second loan is MSEK 19 and originally matured for 6 months with a 15% annual interest rate, with interest falling due for repayment in January 2020. On December 23, this loan was extended to July 22, 2020.

Profit before tax amounted to KSEK 2,774 (5,768).

Profit before tax, excluding acquisition-related events & restructuring costs, amounted to KSEK 11,141.

Earnings per share amounted to SEK 0.38 (0.72).

EBITDA for the year amounted to KSEK 24,165 (10,875). EBITDA profit excluding acquisition-related events and restructuring costs amounted to KSEK 30,505. (Negative goodwill amounted to KSEK 21,407, acquisition costs amounted to KSEK 3,697 and restructuring costs of KSEK 24,049).

Net financial items amounted to KSEK -5,644 (-662). The low financial net 2018 is explained by the owner's consortium, which took over Inuvo's claim, postponed accrued interest of KSEK 3,000.

Profit before tax amounted to KSEK 8,777 (839).

Profit before tax, excluding acquisition-related events & restructuring costs, amounted to KSEK 15,116.

Earnings per share amounted to KSEK 1.04 (0.06).

INVESTMENTS

During the fourth quarter, investments in product development worth KSEK 10,208 (1,744) were made. The increase compared to previous quarters is due to the acquisition of eServGlobal. Depreciation of intangible assets amounted to KSEK 3,913 (-2,281) due to the fact that eServGlobal changed its depreciation period from three to five years so that it came into line with the rest of the Group. Investments in tangible assets amounted to KSEK 389 (333). Depreciation of tangible assets amounted to KSEK -479 (-203). Tangible assets for KSEK 767 were also disposed during the quarter.

During the year, investments in product development were made to a value of KSEK 25,520 (10,445). Depreciation of intangible assets amounted to KSEK -7,047 (-8,555). Investments in property, plant and equipment amounted to KSEK 868 (1,355). Depreciation of tangible assets amounted to KSEK -1,362 (-819).

Leases (IFRS 16)

In April 2019, the rental agreement for the new office premises in India took effect, and in addition, with the acquisition of eServGlobal, a place in France that falls under the new accounting standard IFRS 16 was added.

Under the new 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 11,805 has been booked in the Group with amortization of MSEK -1,335 and an interest expense of MSEK -358 both of which have reimbursed the rental cost. As of December 31, the financial liability amounted to MSEK 11,538.

NUMBER OF EMPLOYEES

The number of employees in the Group at the end of the period was 132 (56). The large increase compared to previous quarters is due to the acquisition of eServGlobal. The majority of employees are software developers. In addition, SDS has 90 consultants mainly in Pakistan and Ghana.

CASH FLOW AND FINANCIAL POSITION

Cash and cash equivalents amounted to KSEK 14,850 (2,266) at the end of the period. Of the total check credit of KSEK 10,000, KSEK 8,766 was utilized.

SDS has three interest-bearing liabilities totaling KSEK 68,602. The oldest debt is MSEK 35 and runs at 10% interest. The debt and accrued interest will be repaid in May 2022. With the acquisition on July 25, the company raised MSEK 29 in acquisition loans to be able to finance the purchase price and capital for restructuring. One loan is MSEK 10 from Handelsbanken and runs for two years with 6.62% interest. The loan is repaid quarterly and as of last December, the loan amounts to MSEK 7.5. Interest is paid quarterly. The second loan is MSEK 19 and was given by a consortium. The loan runs for 6 months with a 15% interest rate. Loans and interest matured at the end of January 2020. This loan was extended on 23 December. A new due date is July 22, 2020. The consortium consists of existing shareholders, including the Chairman of the Board, Gunnar Jardelöv.

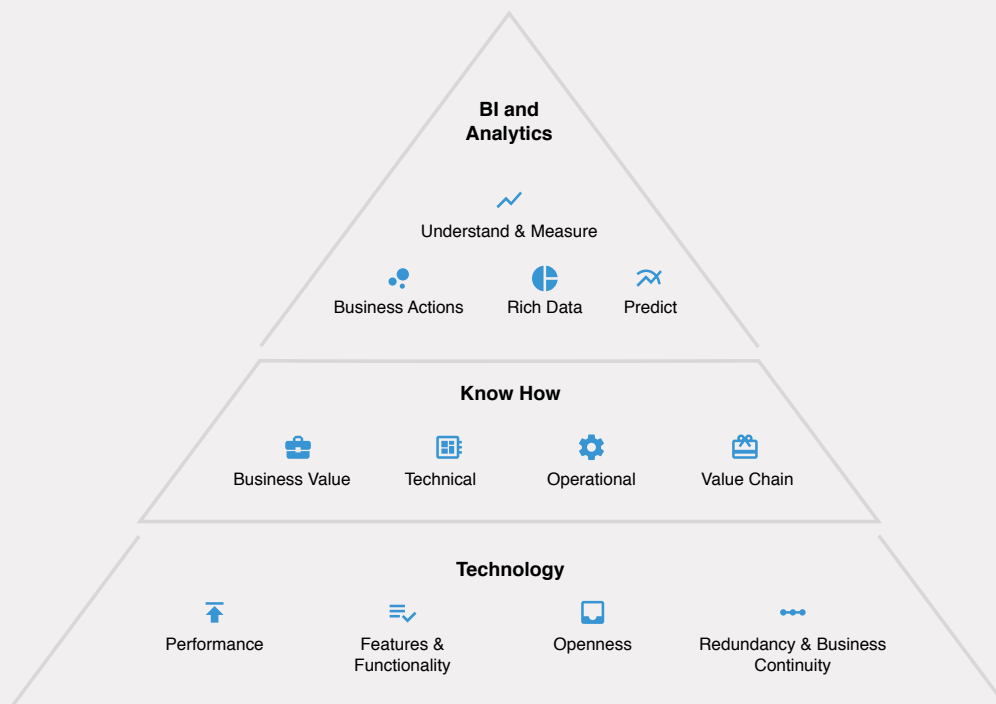
According to the company's planning, the company expects that cash flows from operating activities will be sufficient to repay the loan to the consortium, which at December 31 amounts to MSEK 20.1 including interest. Due to uncertainties in order intake and payment flows, the company discusses and negotiates opportunities for an extended overdraft credit. However, as of December 31, 2019, there is no guarantee that an extended overdraft credit will be obtained.

Cash flow during the fourth quarter from operating activities amounted to KSEK 17,312 (-4,118). Total cash flow amounted to KSEK 10,221 (1,062).

Cash flow during the year from operating activities amounted to KSEK 20,429 (1,036). Total cash flow amounted to KSEK 12,722 (429).

MATERIAL EVENTS DURING THE FOURTH QUARTER

- SDS AB has secured an order of MSEK 6.3 from one of the region's largest mobile operators, in the largest market in the Middle East. The order comes from one of eServGlobal's customers. eServGlobal was acquired by SDS in July this year. This larger order is a concrete proof of confidence in SDS's ability to consolidate its niche.
- SDS receives major breakthrough order in South Africa worth MSEK 20. SDS has received an order from one of South Africa's largest mobile operators, which is also Africa's largest carrier group with operations and business in several countries. The order is the first SDS taken in the country and has an initial value of MSEK 20. South Africa is the region's most advanced market and the deal thus further strengthens SDS's position on the African continent. With around 100 million mobile subscribers, South Africa is the region's most developed market but at the same time has large elements of a developing market. This complexity places specific demands on the platform that will handle digital distribution and business understanding of the local ecosystem. A contributing reason for SDS winning the order is the company's leading software, its stability and SDS's ability to deliver business support in connection with the introduction and construction of a well-functioning ecosystem around the customer's digital business.
- SDS announces an updated strategy. Due to the acquisition of eServGlobal, the SDS Board has decided to present an updated strategy for the business. SDS is active in the fintech area and is working on digitizing logistic and financial flows in emerging countries. To a large extent, this means developing and selling system solutions for digital distribution of call time, mobile data and mobile financial services to SDS customers, who are the mobile operator or distributors in emerging countries. The acquisition of eServGlobal increases SDS's customer base in the Middle East and gives SDS a presence in Southeast Asia. The updated strategy aims to set the company's goals in the short and long term.
- SDS extends the acquisition loan of MSEK 19 which was raised on July 22, 2019 with the acquisition of eServGlobal by 6 months. Repayment will now be made on July 22, 2020. The loan continues with a 15% annual interest rate and loans and capitalized interest can be repaid in whole or in part in advance. In connection with this, SDS raises additional working capital up to MSEK 10 from private investors. The Chairman of the Board Gunnar Jardelöv and SDS Managing Director Tommy Eriksson are included. The reason for increased working capital is that the company needs to strengthen its liquidity in order to increase the pace of the restructuring of the acquisition of eServeGlobal, compared with the plans for the acquisition. This loan runs for a maximum of 6 months, but the intention is to repay the loan in whole or in part in advance. The loan has an annual interest rate of 15%, which is capitalized and paid out in connection with the repayment.



Customer needs in the field of digital distribution irrespective of market are extensive. Seamless delivers products and services in all areas.

MARKET NEEDS AND OFFERING

Seamless works with the digitalization of logistics flows, which entails the distribution and management of electronic transactions.

Over the past 30 years, SDS has developed and refined its own proprietary software platform, which today serves more than half a billion people worldwide. Our system handles the entire value chain for digital distribution for our customers. This includes managing some of the world's largest sales networks, along with several million resellers selling a portfolio of digital products. SDS systems control the billions of electronic transactions carried out in these sales networks.

The platform's starting point stems from the need for stable management of digital value transactions. In addition, the platform has advanced tools for precision marketing and powerful data analysis.

Depending on the application, SDS platform can be configured to include a number of digital services in addition to existing business flows. These services include variations of end-user tools, payment methods, transaction types, and advanced incentive models that are applicable throughout the value chain.

Business needs vary depending on how mature the market is. SDS covers the need from undeveloped markets in West Africa and parts of the Middle East where mobile operators have barely launched 3G to advanced markets in Europe and America. Regardless of the market, the consumer need for a range of products such as refill of prepaid SIM cards, invoice payment and subscription payment etc. remains.

Developed markets have established retail infrastructure and IT networks that serve as a backbone for digital distribution. The challenge of reaching out to retailers is technically more challenging in emerging markets. In Sweden, SDS runs its own subsidiary, which distributes vouchers & prepaid SIM cards for telecom operators. In this case, existing retail and banking networks are used for distribution. At SDS, we have long experience of both development and operation of our systems. We use our own software to run our Sweden-based distribution business. This means that we have knowledge of our platform and a unique offer that adds value to both existing and new customers.

In Africa, SDS provides advanced software solutions to mobile operators using informal channels to sell and distribute digital products. In the developing markets, cash is still the means of payment in almost all occasions. Many players with the mobile operators at the forefront are taking initiatives to digitize the payment. SDS has a comprehensive solution for all forms of payment and works actively with both mobile operators and other local players to increase the digitalisation of payment flows. A priority area where SDS is particularly well positioned is the digitization of payments between the several million small businesses that actively use ERS 360.

SDS systems use ERS 360, which generates a huge amount of data to provide strategic insights to customers. This information, processed by our analysis tools, enables deep and predictable observations of eg. market trends, enabling customers to make more informed business decisions.

MARKET TRENDS

The basic goal of a digital distribution solution is to manage transaction flows from the supplier, through the reseller, to the end user and vice versa.

In developed markets, these flows usually occur in existing retail or bank infrastructure. But in emerging markets, these flows are usually built around telecommunications infrastructure. For this reason, top-up services have been a central focus for the past decade. This is still a core product in the telecom industry where vouchers & prepaid SIM cards still dominate, especially in developing markets.

In 2018, vouchers & prepaid SIM cards accounted for 71% of all mobile communications and 32% (USD 265 billion) of service revenue. In emerging markets, the numbers for certificates & prepaid SIM cards are even greater. For example, they account for 94% of all mobile communications and 80% of service revenues in Africa.

Demand for digital distribution solutions has increased significantly in recent years as telecom operators discovered the potential of digital product and payment technology. These systems must handle large volumes of transactions simultaneously, without disruption, and offer a variety of features, products and sales channels. The telecom operators are looking for business partners who understand their operations and the reality of their specific markets and who can also contribute to an environmentally efficient solution. The latter is not least important as all operators work with issues such as 'sustainable environment'.

SDS is one of the leading players in this field. We deliver a mature, stable and feature-rich solution while having the expertise to provide consulting services to clients, and jointly lead them to success.

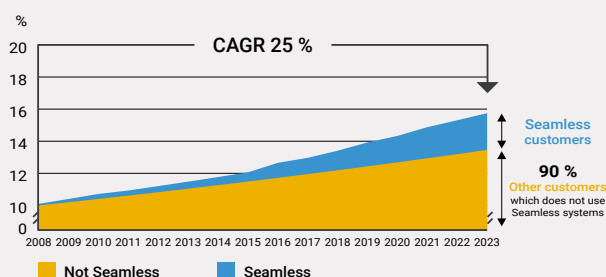
SDS's latest acquisition, eServGlobal, has a strong product range and a broad customer base. The lack of consultative engagement with customers caused the growth to stagnate. In recent years, the market has shown a need for consolidation. SDS has taken a strong position to lead this step towards consolidation, with the expertise to work with customers to guide them in both technology and business information.

Over the past year, we have seen a rapidly growing interest in automation of digital distribution channels in emerging markets. This, together with economic growth (population growth, increased GDP, mobile impact and mobile inclusion) contributes positively to SDS's long-term growth.

Smartphones are now being sold in developing markets at prices that make them accessible to many, and the demand for mobile data is increasing further. In some countries in the Middle East and Africa, mobile data now accounts for over 50% of vouchers & prepaid SIM cards handled by SDS systems. This trend requires operators to handle the new products and to provide the user experience that has become standard in more mature markets.

SDS has customers and platforms in operation in 16 African countries. These include Africa's two largest countries in terms of population, Nigeria and Ethiopia, which together have a population of about 300 million inhabitants. This means that SDS solutions provide digital distribution for about 40% of Africa's total population.

Customers with Seamless system



Seamless's own surveys indicate significantly better annual growth among its own customers compared to customers with digital distribution solutions from other suppliers.

SDS is a leading global player that provides advice and delivers technical platforms and business knowledge for digital distribution. We have a particularly strong position in Africa in terms of number of customers, markets and transaction value. There is a clear opportunity to further strengthen this position through continued consolidation of the industry. Furthermore, SDS can become a supplier for additional products from other suppliers that can expand our customers' operations.

During the second quarter of 2019, SDS announced the acquisition of eServGlobal, an industry colleague and competitor. The acquisition increases SDS's customer base in North Africa, the Middle East and Southeast Asia. This is partly due to customer relationships with two of the region's largest mobile operator groups, Ooredoo and Zain.

For SDD, SDS Digital Distribution, the securities market and prepaid SIM card market in Sweden and Denmark were declining for many years. During the past year, however, the downturn was halted, and some operators have even seen an upturn. This is partly the result of an influx of migrants who find it difficult to get a telephone subscription, but also because more and more products used in households today need a SIM card.

SDD has noted that the distribution market in Sweden and Denmark is lagging behind in this regard. By using the technology that SDS today offers in emerging markets, mature markets in Scandinavia can also be streamlined. Thus, SDD is working to modernize the distribution so that the operators can communicate directly with their resellers.

There is also a great potential for SDD to sell vouchers from the operators that SDS works with in emerging markets. This would enable people in Sweden or Denmark to replenish their relatives and friends' SIM cards in their respective countries.

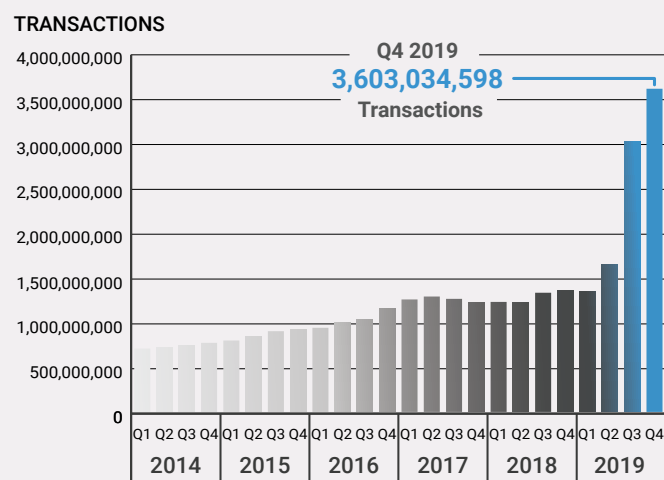
ERS 360°

The ERS 360 system handles a large number of different transaction types. The most common transactions are: sales of call time, mobile data or other digital products to the end customer, transfer of value between distributor and retailer and the balance request by a distributor or retailer.

During the fourth quarter of 2019, we have seen an increase in the number of transactions handled by SDS ERS 360 platforms by over 19% compared to the previous quarter. In addition, eServGlobal contributes 750 million transactions in the quarter, which means that SDS handles more than 3.6 billion transactions in the quarter and will handle more than 14.5 billion transactions on an annual basis. This is strong evidence of increased use and value creation. Despite greatly increasing volumes in a short period of time, the platform is constantly connected. Today we have 99.998% so called uptime.

SDD also uses the ERS 360 platform for handling its distribution of call time. SDD has just over six million transactions in one year.

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



Growth in transactions is an indicator of increasing activity in digital channels and thus also value added for Seamless's customers.

MARKET AND SALES

During the fourth quarter SDS has focused on securing order bookings for 2020. This has been done, among other things, through a large order from South Africa and in addition to a number of significant license upgrades that together contributed positively to the good result for the quarter. Furthermore, relationship building has continued to be very positive with the customers who came to us with the acquisition of eServGlobal.

In December, the sales organization was strengthened with a new sales director, Rutger Reman. Rutger has previously held several senior positions within the Ericsson Group and is an MBA from the Gothenburg School of Business. He has lived and worked in Egypt, Qatar and became CEO of Ericsson Nigeria in 2016. From 2018, Rutger has worked as a consultant and advisor to the management groups in a number of smaller companies and comes with a great knowledge of several relevant markets. Rutger's predecessor, Bogdan Sacuiu, will continue to be involved in SDS as a senior adviser and will continue to be a major shareholder in the company.

In addition to securing the quarter's order book in the form of new orders and renewals of support agreements, the work continues to increase the company's pipeline. In parallel with ongoing procurement and business discussions, work is underway to repurpose and strengthen the sales organization, which will strengthen the structure and presence in more markets. Continued focus on recurring revenue will take SDS closer to the goal of exceeding the company's fixed costs.

The rapid increase in the use of SDS's transaction platform reported during the third quarter has also continued during the fourth quarter. As a result, a number of license expansions were also received during the fourth quarter. Most of the company's customers have the goal of 100% of their sales being digital, which paves the way for continued growth among existing customers. SDS can expect both license expansions and the need for new functions as the markets become more sophisticated. The company's product portfolio is high-tech, well-developed and continues to grow with the needs of customers and the market.

SDD, the Group's distribution operations in the Nordic region, increased further in the fourth quarter with more than 230 new retailers. Sales have increased by more than 49% since January 2019. In addition to continued growth in the coming years, the new distribution system will be launched, which will enable direct communication between telephone operators and their resellers.

Financial information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2019 OCT-DEC	2018 OCT-DEC	2019 JAN-DEC	2018 JAN-DEC
Net sales	76,532	39,048	245,567	87,742
Other operating revenue	624 ¹⁾	528	28,107 ¹⁾	2,404
Total operating revenue	77,155	39,575	273,674	90,146
Material expenses	-39,090	-11,807	-131,726	-19,014
Other external expenses	-10,982	-11,459	-41,935	-35,063
Personnel costs	-12,216	-4,516	-34,696	-15,567
Depreciation and amortization	2,912	-2,484	-9,744	-9,374
Other operating expenses	-12,986 ²⁾	-2,645	-41,152 ²⁾	-9,627
Total operating expenses	-72,362	-32,910	-259,253	-88,645
Operating profit/loss	4,793	6,665	14,421	1,501
Financial income	3	-	7	3,001
Financial expenses	-2,022	-897	-5,652	-3,663
Net financial items	-2,019	-897	-5,644	-662
Profit/Loss before tax	2,774	5,768	8,777	839
Income tax	147	-220	-748	-428
Net profit/loss for the period	2,920	5,548	8,029	412
OTHER COMPREHENSIVE INCOME				
Translation differences	-3,326	98	-4,014	4
Total comprehensive income attributable to Parent Company shareholders	-406	5,646	4,015	416

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

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

CONSOLIDATED BALANCE SHEET

KSEK	31 DECEMBER 2019	31 DECEMBER 2018
ASSETS		
Intangible assets	82,743	44,272
– IP rights	17,750	20,466
– capitalized development costs	64,993	23,805
Property, plant and equipment	15,235	2,172
Financial assets	972	480
Inventories of finished goods	2,856	2,450
Trade receivables	45,569	30,444
Other receivables	11,741	949
Prepaid expenses and accrued income	34,112	8,509
Cash and cash equivalents	14,851	2,266
Total assets	208,079	91,543
EQUITY AND LIABILITIES		
Equity	27,770	23,756
Other long-term liabilities	52,673	37,625
Overdraft	8,766	6,079
Trade payables	25,785	10,876
Current tax liabilities	508	43
Other current liabilities	63,553	933
Accrued liabilities and deferred income	29,024	12,232
Total equity and liabilities	208,079	91,543

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

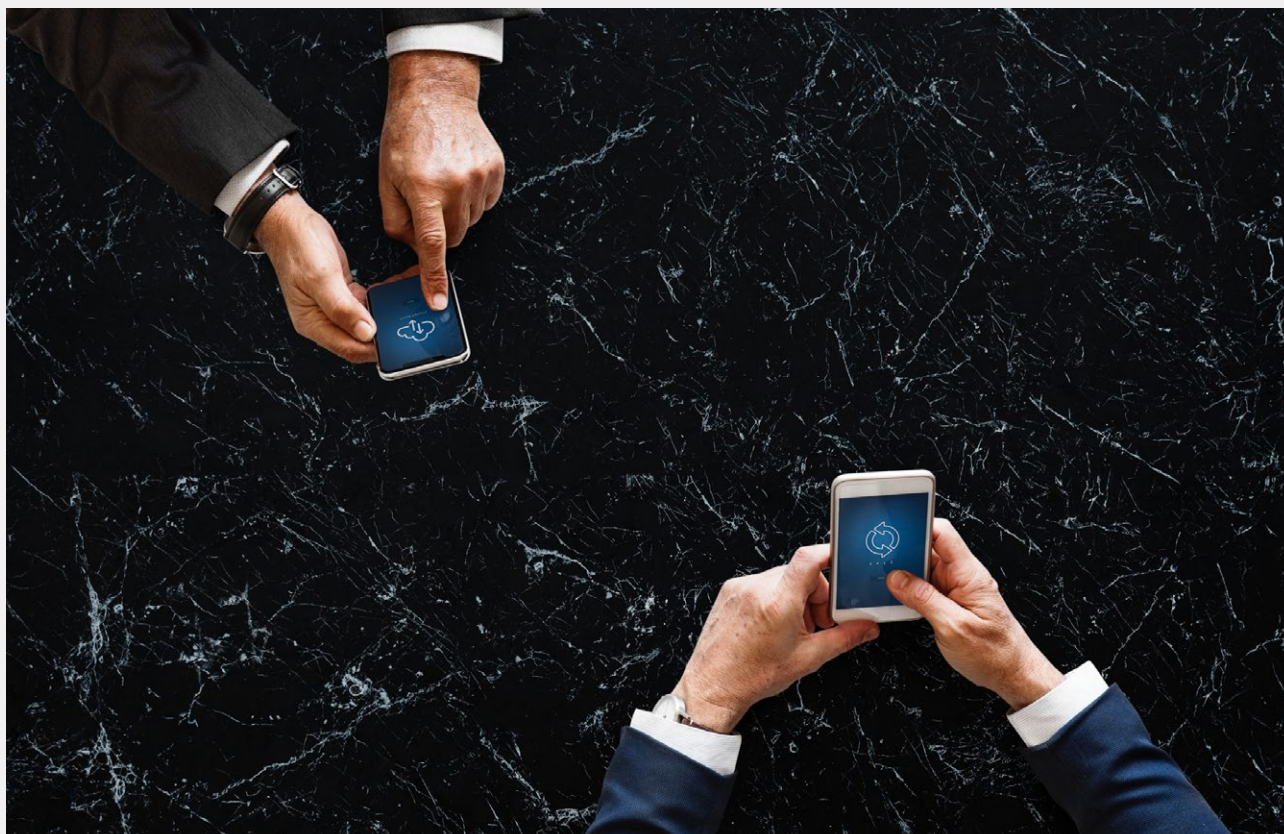
KSEK	2019 OCT-DEC	2018 OCT-DEC	2019 JAN-DEC	2018 JAN-DEC
At beginning of period	28,176	18,110	23,756	16,340
Comprehensive income for the period	-406	5,646	4,015	416
New share issue		-		7,000
Shareholder contribution		-		-
At end of period	27,770	23,756	27,770	23,756

CONSOLIDATED CASH FLOW STATEMENT

KSEK	2019 OCT-DEC	2018 OCT-DEC	2019 JAN-DEC	2018 JAN-DEC
Cash flow from operating activities before change in working capital	5,260	8,369	-5,861	10,437
Change in working capital	12,052	-12,487	26,290	-9,401
Cash flow from operating activities	17,312	-4,118	20,429	1,036
Cash flow from investing activities	-15,368	-1,899	-53,120	-11,018
Cash flow from financing activities	8,277	7,079	45,413	10,411
Cash flow for the period	10,221	1,062	12,722	429
Cash and cash equivalents at beginning of period	4,836	1,116	2,266	1,847
Exchange rate differences in cash and cash equivalents	-207	88	-138	-10
Cash and cash equivalents at end of period	14,850	2,266	14,850	2,266

KEY RATIOS AND FIGURES

KSEK	2019 OCT-DEC	2018 OCT-DEC	2019 JAN-DEC	2018 JAN-DEC
Return on equity	11.3%	27.7%	31.2%	2.1%
Earnings per share SEK, before and after dilution	0.38	0.72	1.04	0.06
Operating profit/loss, KSEK	4,793	6,665	14,421	1,501
Growth in net sales	96.0%	175.7%	179.9%	24.4%
Growth in net sales excl. withholding tax	99.1%	185.9%	189.8%	31.0%
Operating margin (EBIT)	6.3%	17.1%	5.9%	1.7%
Average number of shares before and after dilution	7,691,343 7,691,343	7,691,343 7,691,343	7,691,343 7,691,343	6,913,565 7,334,861
Number of shares outstanding at end of reporting period	7,691,343	7,691,343	7,691,343	7,691,343
Quick ratio	89%	175%	89%	175%
Equity/assets ratio	13.3%	26.0%	13.3%	26.0%
Equity, KSEK	27,770	23,756	27,770	23,756
Equity per share	3.61	3.09	3.61	3.24
Number of employees at end of period	132	56	132	56



PARENT COMPANY INCOME STATEMENT

KSEK	2019 OCT-DEC	2018 OCT-DEC	2019 JAN-DEC	2018 JAN-DEC
Net sales	25,626	28,818	97,236	77,512
Other operating revenue	616	528	6,646	2,403
Operating expenses	-27,343	-22,842	-106,751	-79,541
Operating profit/loss	-1,101	6,504	-2,869	374
Net financial items	-1,308	-886	-4,890	-624
Profit/Loss after financial items	-2,409	5,618	-7,759	-250
Income tax	-	0	-	0
Net profit/loss for the period	-2,409	5,618	-7,759	-250

PARENT COMPANY BALANCE SHEET

KSEK	31 DECEMBER 2019	31 DECEMBER 2018
ASSETS		
Non-current assets	72,444	46,484
Current assets	41,152	38,977
Total assets	113,596	85,461
EQUITY AND LIABILITIES		
Equity	12,840	20,599
Long-term liabilities	49,766	37,500
Current liabilities	50,990	27,362
Total equity and liabilities	113,596	85,461
Pledged assets	15,000	10,000
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	2019		2018	
	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
SDS	42,210	28,818	128,361	77,512
SDD	34,955	10,499	119,666	10,499
Intra-Group support fee ²⁾	-633	-269	-2,460	-269
Seamless Group	76,532	39,048	245,567	87,742

Operating profit ¹⁾

KSEK	2019		2018	
	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
SDS	12,829	6,957	20,022	1,793
SDD	964	-23	3,198	-23
Intra-Group support fee ²⁾	-633	-269	-2,460	-269
Seamless Group	13,160	6,665	20,760	1,501

1) Operating profit is adjusted for acquisition-related events and restructuring costs:

- In the quarter, MSEK 0.4 in acquisition costs and MSEK 8 in restructuring costs were booked
- For the full year, negative goodwill of MSEK 21.4, acquisition costs of MSEK 3.7 and restructuring costs of MSEK 24.0 were booked

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

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 holistic 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 230 employees 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 \$ 12 billion and enables the people of emerging countries to become part of the mobile revolution.

ABOUT SEAMLESS DIGITAL DISTRIBUTION (SDD)

SDD distributes electronic products through retail, such as mobile cash card charges and payment methods for online payment. 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 distributed among employees and consultants and serves more than 2,000 outlets.

Notes

Seamless Distribution Systems AB (publ) is a Swedish public company (corporate identity 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 goals and financial objectives. The risks that SDS has identified as material to 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 material to the Group's future development, please refer to the Annual Report for 2018, pages 27–28. Management deem that there were no material changes from the risk assessment made in the Annual Report for 2018.

ACCOUNTING PRINCIPLES

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. These have been presented in the Group's Annual Report for 2018. The Group's functional currency is Swedish krona (SEK), which is also the reporting currency. This report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. The Parent Company's summary financial reports have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for legal entities.

CHANGED ACCOUNTING PRINCIPLES AS FROM 2019

The Group applies IFRS 16, Leases, as from 1 January 2019.

IFRS 16 Leases

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

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

The Group holds seven leases for office premises that are classified as operating leases. Otherwise, the Group has no other operating or financial leasing agreements. These commitments are reported as short-term leasing agreements and will be recognized as an expense in the income statement on a straight-line basis over the lease period. Furthermore, the Group has two long-term contracts for office premises, one of which was initiated on April 19, 2019 and has a term of five years and the other was added with the acquisition of eServGlobal on July 25, 2019. That premises has a term of approximately 6 years. The right of use with regard to the new office premises will be reported from 19 April 2019 and 25 July 2019.

The Group applies 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 leasing fees.

NOTE 2 - ACQUISITION OF ESERVGLOBAL

On July 25, 2019, 100% of the shares in eServGlobal SAS were acquired. eServGlobal is a global provider of prepaid charging cards and mobile financial services. The operating company is located in France and development and support staff are located in both France and Bucharest, Romania. The company in Romania is 50% owned. In addition, there is a technical center in a wholly owned subsidiary in Jakarta, Indonesia. Like SDS, eServGlobal has its sales staff in Dubai.

Information on purchase price, net assets acquired and negative goodwill is shown below:

Purchase price:

KSEK

Cash and cash equivalents	21,258
Total paid purchase price	21,258

The assets and liabilities recognized as a result of the acquisition are as follows:

KSEK

Real value

Cash and cash equivalents	7,462
Intangible assets	20,652
Tangible fixed assets	11,483
Accounts receivable and other receivables	61,372
Accounts payable and other liabilities	-58,304
Total identifiable net assets	42,665

Negative goodwill

21,407

In the consolidated report on the total profit, the amount of negative goodwill is reported as other revenue. Negative goodwill arises in an acquirer's financial report when the price paid for an acquisition is less than the fair value of its net assets. As part of the acquisition, the Group has decided to restructure the business in order to achieve the desired synergies and cost savings.

Revenues and result in acquired operations:

The acquired business contributed revenues of KSEK 31,118 and a profit of KSEK 974 to The Group for the period 25 July 2019 to 31 December 2019. If the acquisition had been completed on 1 January 2019, consolidated pro forma for revenues and result as of 31 December 2019 shows at KSEK 295,097 and KSEK 2,584 respectively.

Acquisition-related costs:

Acquisition-related costs of KSEK 3,697 are included in the item Other external expenses in the Group's report on comprehensive income and in the ongoing operations in the cash flow analysis.

CONT. NOTE 2 - ACQUISITION OF ESERVGLOBAL

Cash purchase price - cash outflow

KSEK	2019 JAN-DEC
Cash flow for acquiring subsidiaries:	
Cash purchase price on acquisition day	21,258
Deducted: Acquired cash and cash equivalents	-7,462
Net outflow of cash and cash equivalents - investment activities	13,796

NOTE 3 - DISTRIBUTION OF NET SALES

KSEK	SDS	
	2019 JAN-DEC	2018 JAN-DEC
Professional services/software	49,821	29,896
Licences	6,029	3,137
Support	64,925	40,480
Hardware	6,858	3,868
Other	728	131
SDS Total	128,361	77,512
Of which withholding tax	12,597	7,365

KSEK	SDD	
	2019 JAN-DEC	2018 JAN-DEC
Etop-up	117,352	10,264
Bank systems	1,916	223
Other	398	12
SDD Total	119,666	10,499

NOTE 4 - NET SALES BY GEOGRAPHIC AREA

KSEK	SDS	
	2019 JAN-DEC	2018 JAN-DEC
Africa	99,119	61,333
Middle East and Asia	23,750	12,655
Other	5,492	3,524
SDS Total	128,361	77,512

KSEK	SDD	
	2019 JAN-DEC	2018 JAN-DEC
Sweden	111,083	10,315
Denmark	8,583	184
Other	-	-
SDD Total	119,666	10,499

NOTE 5 - TRANSACTIONS WITH RELATED PARTIES

For information on related parties, see the Group's annual report for 2018, page 64. In addition, a consortium lent SEK 19 million to the company. This loan was an acquisition liquidation for the acquisition of eServGlobal on July 25, 2019. The consortium includes the Chairman of the Board Gunnar Jardelöv, who lent MSEK 4. The loan runs for 6 months with a 15% interest rate. The loan can be repaid in advance and interest must be paid at the time of repayment. Board member Martin Roos was commissioned by the Board to conduct a market survey of South America during the fourth quarter. This assignment was in addition to the board fees and the cost was KSEK 305.

NOTE 6 - SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have been reported after the reporting period.

Other information

NOMINATION COMMITTEE & ANNUAL GENERAL MEETING

SDS's Nomination Committee for the Annual General Meeting 2020 consists of John Longhurst (own shares), Lars Rodert (ÖstVäst Kapital), Roland Wallman (own shares), and Gunnar Jardelöv (Chairman 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, Box 353, 101 27 Stockholm" by March 10, 2020. The nomination committee's proposals will be presented in the notice to the 2020 Annual General Meeting and will be published on SDS's website together with the Nomination Committee's reasoned opinion. Seamless Annual General Meeting will take place on April 23, 2019 at 10.00 in 7A Central's premises "Svea", Vasagatan 7, 101 27 Stockholm. If an individual shareholder wishes to have an issue addressed at the AGM, this must be reported in writing to the Board no later than seven weeks before the AGM, which is March 5, 2020.

AUDIT

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

ADVISERS

The company's Certified Adviser is FNCA Sweden AB, telephone +46 (0)8 528 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, Box 353, SE-101 27 Stockholm, Sweden, or by e-mail to sds.info@seamless.se

Seamless Distribution Systems' interim report for January to December has been approved for publication in accordance with a Board resolution on February 12, 2020. The Board of Directors and the CEO of Seamless Distribution Systems AB (publ) ensure that the interim report provides a fair overview of the parent company's and the Group's operations, position and results and describes essential risks and uncertainty factors that the Parent Company and the companies that are part of the Group face.

Stockholm, 12 February 2020

Tomas Klevbo

Gunnar Jardelöv
Chairman of the Board

Leif Brandel

Martin Roos

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 2019 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

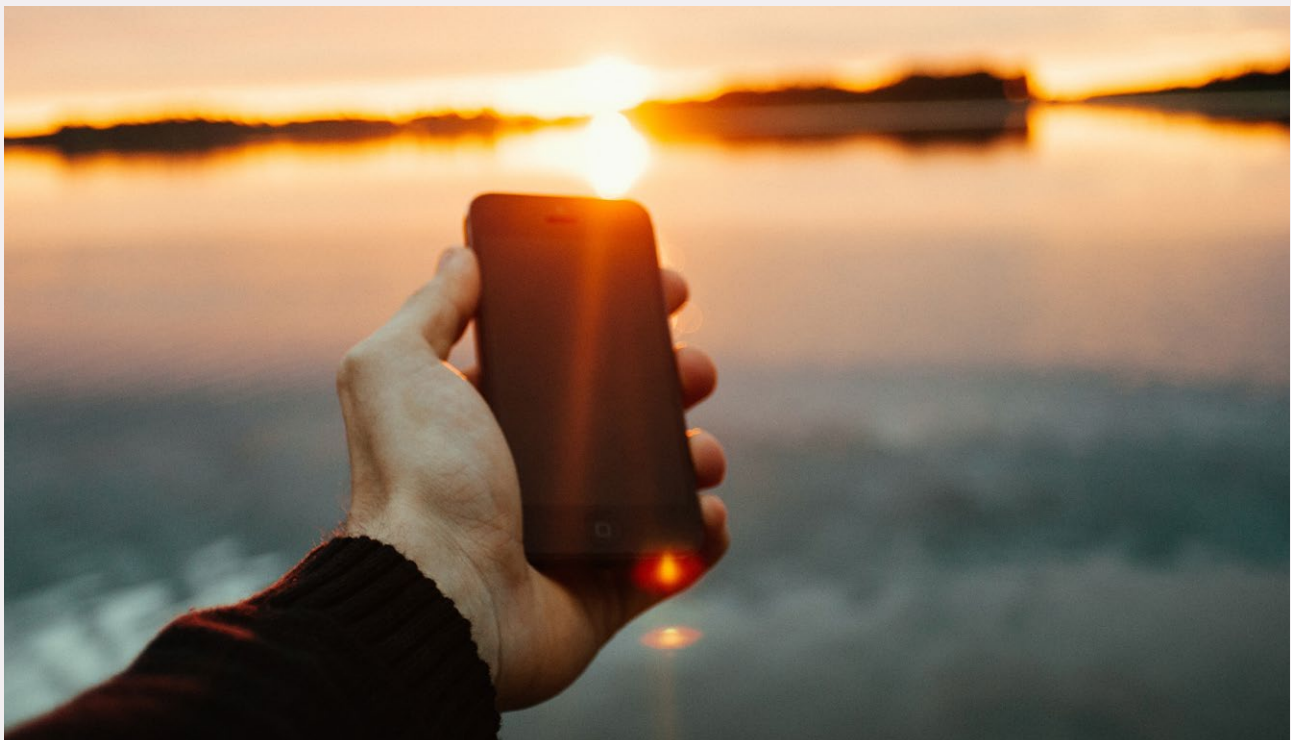
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

EMPHASIS OF MATTER

Without impacting our opinions stated above, we wish to bring attention to the fact that in the interim report, under paragraph Cash flow and financial position, it is stated that due to uncertainty in order intake and payment flows the cash flow from operating activities may not be sufficient to repay the loan to the consortium, which at December 31 2019 amounts to MSEK 20.1 including interest and which is due for payment in July 2020. In order to secure the company's going concern status, it is decisive that the funding going forward is secured.

Stockholm, 12 February 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 sales of royalties, licences and consultancy services is charged in many of the African countries where SDS has customers. Withholding tax varies, at 10%–20% depending on the country, and is deducted from the invoiced amount before the customer pays the supplier. SDS recognizes net sales including withholding tax and deducts the corresponding amount as an expense under the item 'Other operating expenses'.

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