



Nasdaq First North Premier: SDS

# Interim report Q1

## January - March 2019

**Seamless**  
Distribution Systems

# Interim report Q1

## January – March 2019

### SUMMARY

#### JANUARI - MARCH 2019

- Net sales amounted to MSEK 51.1 (12.2), an increase of 318.8 % compared to the same period the previous year.
- EBITDA result amounted to MSEK 6.2 (-3.0).
- EBITDA margin amounted to 12.1% (-24.8 %).
- Profit after tax amounted to MSEK 2.5 (-6.3).
- Earnings per share amounted to MSEK 0.32 (-0.91).
- Total cash flow amounted to MSEK 0.5 (-1.4).

### IMPORTANT EVENTS DURING THE FIRST QUARTER

#### JANUARY - MARCH 2019

- During the quarter, SDS launched its new product SFO "Sales force optimization"
- On January 1, SDS opened a new company, E-Distribution in Nigeria, Africa's largest economy, to create further presence on the African continent.

KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
Net sales	51,104	12,203	87,742
Net sales excluding withholding tax	48,635	10,622	80,376
Operating profit	3,463	-5,307	1,501
Operating margin	6.8%	-43.5%	1.7%
EBITDA result	6,203	-3,022	10,875
EBITDA margin	12.1%	-24.8%	12.4%
Profit after tax for the period	2,476	-6,310	412
Total cash flow	519	-1,414	429
Earnings per share, before and after dilution	0.32	-0.91	0.06
Equity/assets ratio	28.6%	15.7%	26.0%

**Seamless**  
Distribution Systems

**Seamless Distribution Systems AB**

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### FINANCIAL CALENDAR

Annual General Meeting	April 25, 2019
Interim report Q2 2019	July 18, 2019
Interim report Q3 2019	October 17, 2019

# CEO's comments

The Seamless Group displays strength and presents yet another excellent quarter. Our revenue totals SEK 51.1 million, which is an increase from SEK 12.2 million during the same quarter the previous year. We have a positive net profit of SEK 2.5 million for the quarter, compared to SEK -6.3 million the same quarter the previous year. SDS's part of the Group's business shows stability, primarily through revenue from the large projects in Nigeria and southern Africa. After our mobile operator customers have used up their annual budget during the last quarter of the year, there is often some seasonal variation, with a weaker first quarter in the order books, and this was the case this year as well.

This is the first full quarter to be impacted by the Nordic distribution business, SDD, and SDD sales were SEK 23.4 million. Profitability is progressing somewhat slower than expected, but we see a steady stream of new shops joining SDD's distribution network. This is constantly improving profitability as the fixed costs remain unchanged.

## **SDS IMPORTANT FOR THE HIGHEST LEAGUE**

The picture to the below shows Rob Shuter, Group President and CEO of MTN, and me, presenting a sculpture to mark our first joint ten years of digitalization. We met Rob Shuter and parts of the MTN management team for a couple of hours in our conference room at the big Mobile World Congress in Barcelona. We were able to present our insights regarding digitalization of MTN's distribution network and to have a dialogue about future scenarios for the area. The MTN Group is the seventh largest operator in the world and the largest in Africa, with mobile networks in 22 countries, 235 million mobile users and annual sales of SEK 88 billion.



## **SEAMLESS CREATES WORK AND BUSINESS INITIATIVES**

Together with the region's mobile operators, SDS creates an opportunity for daily revenue for more than a million people in Africa and the Middle East. This is done through SDS's solutions, which establish a platform for mobile transactions in these gigantic but undeveloped markets. An innovative example is that we give all mobile users the opportunity to immediately become retailers, so-called microentrepreneurs. Imagine, for example, an enterprising person in every village who uses their telephone to register direct as a retailer and provides their fellow villagers with digital services without complicated registration procedures. We call the function "Be your own boss".

## **MORE AND MORE REVENUE FLOWS**

The work on changing our business model towards an increased percentage of recurring revenues continues, but the dependence on major contracts to create an even revenue flow quarter after quarter remains. Our aim is to achieve a considerably larger percentage of recurring revenues but until this completely balances the cost mass, several major contracts per year are necessary and we can therefore expect continuing swings from quarter to quarter. Our acquisition of SDD distribution in the Nordic and international markets gives us a steady recurring revenue flow, albeit with a low margin. Furthermore, purchases by existing customers among mobile operators in Africa and the Middle East from our current comprehensive range of additional functions are in practice a recurring revenue flow. We see orders of this kind in the area, from a hundred thousand to a couple of million Swedish kronor, as a relatively stable and steady financial contribution, even though they are below the radar of our information policy, which stipulates press releases for orders of more than SEK 5 million.

**Tommy Eriksson**

*CEO, Seamless Distribution Systems AB*

# The Group

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

## NET SALES

Net sales during the first quarter amounted to KSEK 51,104 (12,203), an increase of 318.8 % compared to the same period the previous year. Net sales excluding withholding tax amounted to KSEK 48,635 (10,622), an increase of 357.9 % compared to the previous year. Other operating revenue amounted to KSEK 1,365 (851).

Sales during the first quarter were more than four times as large compared to the same period previous year. The great increase in revenues is largely due to a full quarter of SDD which contributed to KSEK 23,449 and that SDS in the first quarter completed the two major projects in Nigeria and Rwanda that was won during the fourth quarter of 2018. Although the order intake during the first quarter was weak, business opportunities continue to increase and the number of prospective customers remains at a highly satisfactory level.

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

## OPERATING EXPENSES

Operating expenses during the first quarter amounted to KSEK 49,005 (18,361), an increase of 166.9 % compared to the same period the previous year. The increase is explained primarily by SDD's material expenses, which amounted to KSEK 22,379.

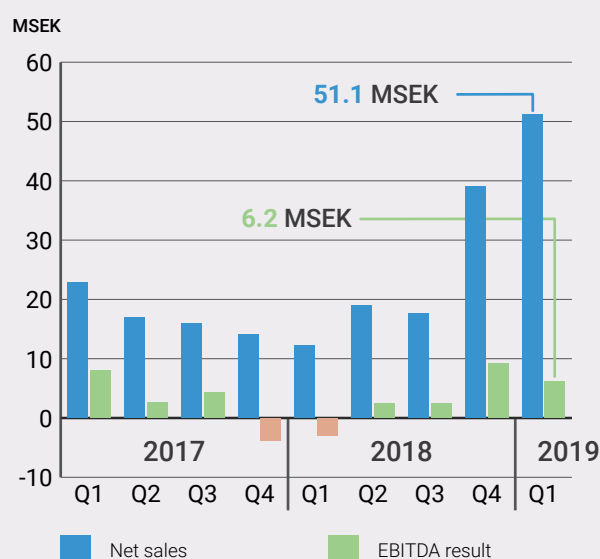
SDS's material expenses increased mainly due to the delivery of hardware to Sudan.

The increase in other external expenses is explained by the fact that SDS has more consultants and lower capitalised development costs than the same period the previous year. The increase in amortisation is a consequence of the fact that the company had high capitalised development costs throughout 2017 and the first half of 2018.

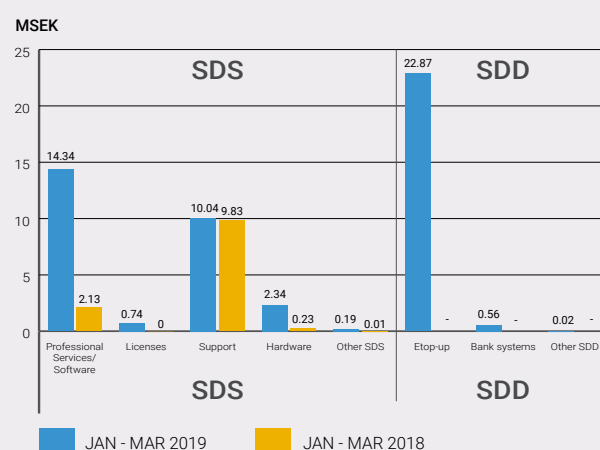
The decrease in personnel cost is due to the fact that SDS employees have been replaced by consultants.

The increase in other operating expenses is explained by the fact that the increased sales in SDS during the first quarter generate a higher withholding tax, since the withholding tax is a percentage of sales.

## Net sales and EBITDA result



## Net sales per product group





## OPERATING PROFIT

EBITDA result for the first quarter amounted to KSEK 6,203 (-3,022).

Net financial items for the quarter amounted to KSEK -875 (-919).

Profit before tax amounted to KSEK 2,588 (-6,225).

Earnings per share amounted to SEK 0.32 (-0.91).

## CAPITAL EXPENDITURE

During the first quarter there was capital expenditure for product development in the amount of KSEK 1,860 (3,085). Amortisation of intangible assets amounted to KSEK -2,489 (-1,992). Capital expenditure for property, plant and equipment amounted to KSEK 591 (146). Depreciation of property, plant and equipment amounted to KSEK -250 (-293).

## NUMBER OF EMPLOYEES

The number of employees in the Group at the end of the period was 61 (56).

Most of the employees are software developers. In addition to this, SDS has approximately 90 consultants, mainly in Pakistan and Ghana.

## CASH FLOW AND FINANCIAL POSITION

Cash and cash equivalents at the end of the period amounted to KSEK 2,797 (512). Of the total overdraft of KSEK 10,000, KSEK 0 had been used.

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

Cash flow from operating activities during the first quarter amounted to KSEK 8,148 (44). The total cash flow amounted to KSEK 519 (-1,414).

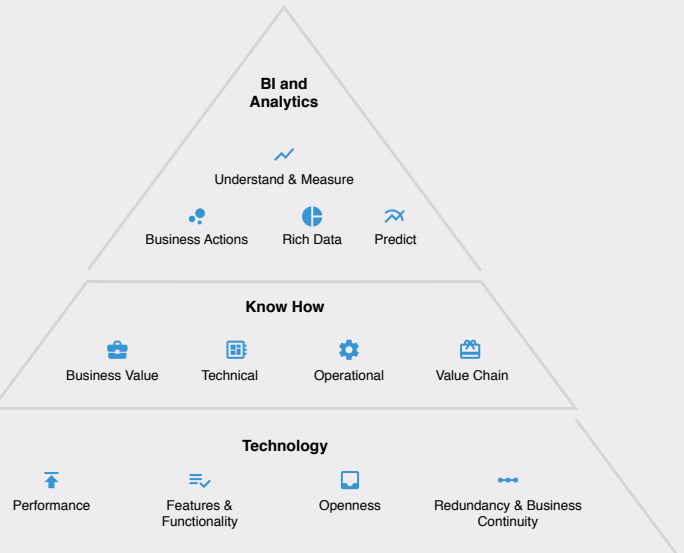
## MARKET NEEDS AND SDS'S OFFERING

Seamless works in the field of digitalization of logistic flows, which means distribution and management of electronic transactions.

Over the past 18 years Seamless has developed a proprietary software platform that is now in its fourth generation. The platform covers a complete range of functions that manage the entire value chain regarding digital distribution, and accompanying monetary transactions, in connection with trade in the value chain. There is a need ranging from stable management of basic logistic flows to advanced tools for precision marketing, and also for predictions based on analysis of large amounts of data.

Depending on the specific market, the platform can be configured to manage current flows and a combination of products, channels, end user tools, payment methods and other types of transactions. Even though there are similar customer needs for some of the products, such as topping up prepaid SIM cards, paying bills, subscription payments etc, there are basic differences between markets of varying degrees of maturity. These differences impact both distribution and the monetary flows.

In a developed market there are well-established retail infrastructures, with efficient and reliable IT networks that can be used as the backbone of the distribution system for digital products. However, such retail networks are in most cases not available in emerging markets. In Africa Seamless supplies software to network operators that build, manage and administrate in a so-called informal channel for sales and distribution of digital products. In Sweden, which is a mature market, Seamless runs a business for the distribution of SIM card top-ups for all active network operators in the country.



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

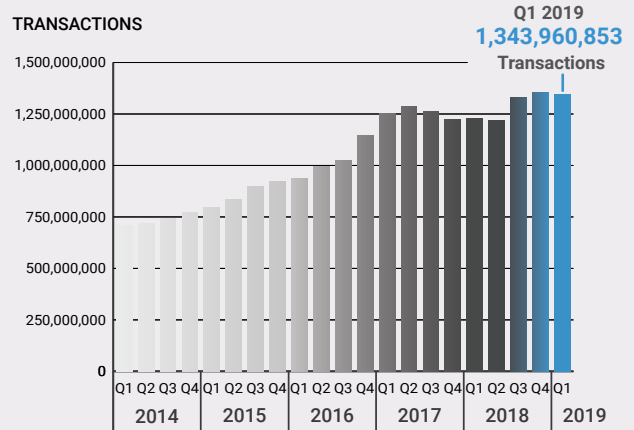
The channels used for distribution and payments are those that already exist within retail and banks.

Finally, it is important to facilitate payment between the various trade partners in a mainly cash payment market. Distribution must therefore be able to simplify use of locally available digital payment methods, for example "mobile money".

# ERS 360

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

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

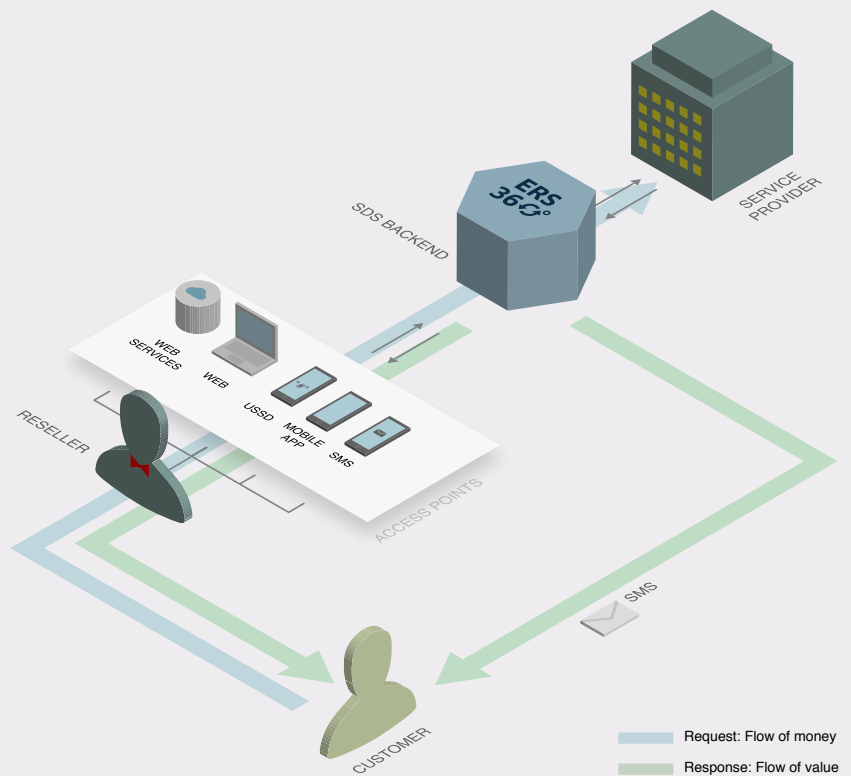


*[Transaction growth is an indicator of increasing activity in digital channels and thus also creates value for Seamless' customers.]*

## MARKET TRENDS

The basic aim of the value chain for digital distribution and electronic transactions is to manage the flow of product value from the distributor/retailer to the consumer and the monetary flow in the other direction, from the consumer to the distributor/retailer.

In developed markets these flows in most cases exist in the form of existing retail or bank networks and infrastructure. In emerging markets these flows are built up around telecom operators' infrastructure. This is the main reason that the main product focus during the past decade has been the topping up of speaking time on a prepaid SIM card. This is one of telecom operators' core products and due to the fact that prepaid SIM cards in emerging markets are by far and away the predominant type of subscription, the topping up of speaking time is the largest product. In 2018 prepaid SIM cards accounted for a total of 71% (5.7 billion) of all mobile connections and 32% (USD 265 billion) of all service revenue. In emerging markets the figures for prepaid SIM cards are even greater. For example, they account for 94% of all connections and 80% of revenues in Africa.



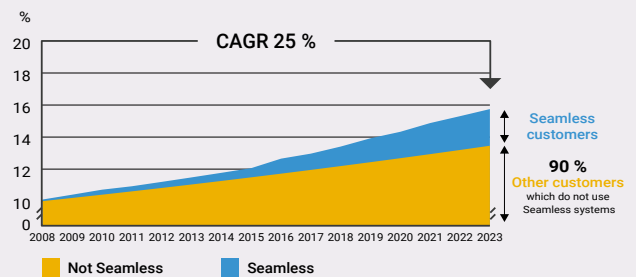
In addition to macroeconomic factors in emerging markets (such as population growth, GDP, mobile penetration and higher usage of mobile services), which all make a positive contribution to Seamless' long-term development, we have observed in the past year a greatly increased interest in greater efficiency and automatization in digital distribution channels. This can be seen primarily in the fact that new digital products in the value flow are added and that processes related to payment and so-called "supply chain management" are automated.

Now that smart phones are sold in emerging markets for just a few tens of dollars, there is now a trend that mobile data is rapidly increasing its share and has now passed 20% of total sales of prepaid SIM card top-ups. This is a significant trend in the development of the market and it requires that the operator has the ability to manage these new products in terms of distribution as well as the new user interface that we have become accustomed to in the developed countries.

Seamless has customers and operational platforms in 14 African countries. These include the two largest countries in Africa in terms of number of inhabitants, Nigeria and Ethiopia, which together have a population of almost 500 million people. This means that Seamless' platforms and solutions facilitate sales of digital products for approximately 40% of Africa's total population and are to be found in 25% of the countries in Africa.

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

## Customers with Seamless system



[Seamless' own surveys indicate significantly better annual growth for the company's own customers compared to customers with digital distribution solutions from other suppliers.]

By transferring new advanced technology that SDS today uses in emerging countries, mature markets in Scandinavia can also be made more effective and attractive.

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



## MARKET AND SALES

During the first quarter we observed increased activity in the market, both in the form of commitment on the part of existing customers and in the form of new procurement processes with new potential customers. The latter are a consequence of two factors: Seamless is a well-known and respected company with stable and reliable systems and services, and we are experiencing a period of new investments and changes of system for those types of solutions and services that Seamless supplies.

During the quarter we saw increased use of Seamless' transaction platform by several customers, which has led to orders of both licence expansion and extended functionalities. Several of the large transactions that we had anticipated would be concluded during the first quarter have been delayed, which has impacted the inflow of orders for the quarter. The outlook for many of these being concluded with an agreement during the second quarter and the remainder of the year continues to look good.

Systems and services for which delivery began during the last quarter of the previous year have already been started up or will be started up soon and this leads to the start of support services and managed operations, which will lead to new orders and thus recurring revenues.

Seamless' new solutions address customers' needs in several industries in existing and new verticals. An example of this is optimization and automation of companies' logistic chain and activities linked to sales and distribution. These innovative and graphically attractive digitalization solutions have been met with great interest by several customers. We see increased commitment on the part of a number of existing and new customers, and moreover in parts of the world that may be regarded as new for SDS.



# Financial information

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
Net sales	51,104	12,203	87,742
Other operating revenue	1,365	851	2,404
<b>Total operating revenue</b>	<b>52,468</b>	<b>13,054</b>	<b>90,146</b>
Material expenses	-27,512	-1,531	-19,014
Other external expenses	-11,649	-7,155	-35,063
Personnel costs	-4,087	-5,232	-15,567
Depreciation and amortisation	-2,740	-2,285	-9,374
Other operating expenses	-3,018	-2,157	-9,627
<b>Total operating expenses</b>	<b>-49,005</b>	<b>-18,361</b>	<b>-88,645</b>
<b>Operating profit</b>	<b>3,463</b>	<b>-5,307</b>	<b>1,501</b>
Financial income	-	-	3,001
Financial expenses	-875	-919	-3,663
<b>Net financial items</b>	<b>-875</b>	<b>-919</b>	<b>-662</b>
<b>Profit before tax</b>	<b>2,588</b>	<b>-6,225</b>	<b>839</b>
Income tax	-112	-85	-428
<b>Net profit for the period</b>	<b>2,476</b>	<b>-6,310</b>	<b>412</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Translation differences	194	87	4
<b>Total comprehensive income attributable to Parent Company shareholders</b>	<b>2,670</b>	<b>-6,223</b>	<b>416</b>

# CONSOLIDATED BALANCE SHEET

KSEK	31 MARCH 2019	31 MARCH 2018	31 DECEMBER 2018
<b>ASSETS</b>			
Intangible assets	44,409	44,239	44,272
- IP rights	19,797	22,167	20,466
- capitalised development costs	24,612	22,072	23,805
Property, plant and equipment	1,843	1,493	2,172
Financial assets	1,393	477	480
Inventories of finished goods	1,752	324	2,450
Trade receivables	24,736	10,891	30,444
Other receivables	910	695	949
Prepaid expenses and accrued income	14,665	4,016	8,509
Cash and cash equivalents	2,798	512	2,266
<b>Total assets</b>	<b>92,493</b>	<b>64,649</b>	<b>91,543</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	26,427	10,118	23,756
Other long-term liabilities	38,500	37,875	37,625
Overdraft	-	2,041	6,079
Trade payables	11,961	1,669	10,876
Current tax liabilities	260	14	43
Other current liabilities	1,188	916	933
Accrued liabilities and deferred income	14,161	12,017	12,232
<b>Total equity and liabilities</b>	<b>92,496</b>	<b>64,649</b>	<b>91,543</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

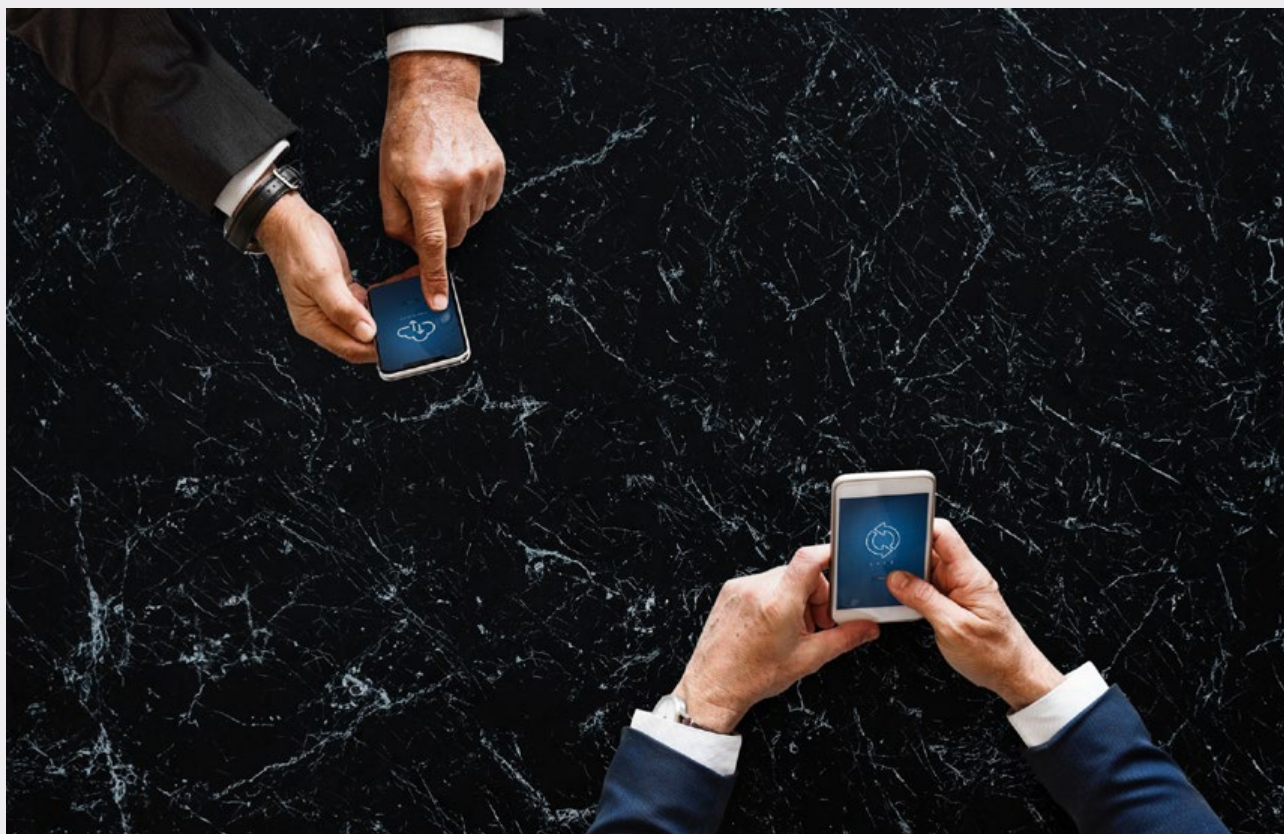
KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
<b>At beginning of period</b>	<b>23,756</b>	<b>16,340</b>	<b>16,340</b>
Comprehensive income for the period	2,670	-6,223	416
New share issue	-	-	7,000
Shareholder contribution	-	-	-
<b>At end of period</b>	<b>26,427</b>	<b>10,118</b>	<b>23,756</b>

## CONSOLIDATED CASH FLOW STATEMENT

KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
Cash flow from operating activities before change in working capital	5,332	-5,715	10,437
Change in working capital	2,816	5,759	-9,401
Cash flow from operating activities	8,148	44	1,036
Cash flow from investing activities	-2,425	-1,686	-11,018
Cash flow from financing activities	-5,204	228	10,411
Cash flow for the period	519	-1,414	429
Cash and cash equivalents at the beginning of the period	2,266	1,847	1,847
Exchange rate differences in cash and cash equivalents	12	80	-10
<b>Cash and cash equivalents at end of period</b>	<b>2,797</b>	<b>512</b>	<b>2,266</b>

## KEY RATIOS AND FIGURES

KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
Return on equity	9.9%	-8.3%	2.1%
Earnings per share SEK, before and after dilution	0.32	-0.91	0.06
Operating profit, KSEK	3,463	-643	1,501
Growth in net sales, %	318.8%	-48.0%	24.4%
Growth in net sales excl. withholding tax, %	357.9%	-46.4%	31.0%
Operating margin, %	6.8%	43.5%	1.7%
Average number of shares before and after dilution	7,691,343 7,691,343	6,913,565 6,913,565	6,913,565 7,334,861
Number of shares outstanding at end of reporting period	7,691,343	6,913,565	7,691,343
Quick ratio	156%	124%	175%
Equity/assets ratio	28.6%	15.6%	26.0%
Equity, KSEK	26,427	10,118	23,756
Equity per share	3.44	1.46	3.24
Number of employees at end of period	61	62	56



## PARENT COMPANY INCOME STATEMENT

KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
Net sales	28,248	12,203	77,512
Other operating revenue	1,349	851	2,403
Operating expenses	-26,648	-18,768	-79,541
Operating profit	2,948	-5,714	374
Net financial items	-875	-904	-624
Profit after financial items	2,074	-6,618	-250
Income tax	-	-	0
<b>Net profit for the period</b>	<b>2,074</b>	<b>-6,618</b>	<b>-250</b>

## PARENT COMPANY BALANCE SHEET

KSEK	31 MARCH 2019	31 MARCH 2018	31 DECEMBER 2018
<b>ASSETS</b>			
Non-current assets	46,755	46,123	46,484
Current assets	36,067	16,791	38,977
<b>Total assets</b>	<b>82,822</b>	<b>62,913</b>	<b>85,461</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	22,673	7,231	20,599
Long-term liabilities	38,375	39,916	37,500
Current liabilities	21,774	15,766	27,362
<b>Total equity and liabilities</b>	<b>82,822</b>	<b>62,913</b>	<b>85,461</b>
Pledged assets	10,000	10,000	10,000
Contingent liabilities	None	None	None

# Segment information

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

## Net sales

KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
SDS	28,249	12,203	77,512
SDD <sup>1</sup>	23,449	-	10,499
Intra-Group support fee <sup>2</sup>	-594	-	-269
<b>Seamless Group</b>	<b>51,104</b>	<b>12,203</b>	<b>87,742</b>

## Operating profit

KSEK	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
SDS	3,541	-5,307	1,793
SDD <sup>1</sup>	516	-	-23
Intra-Group support fee <sup>2</sup>	-594	-	-269
<b>Seamless Group</b>	<b>3,463</b>	<b>-5,307</b>	<b>1,501</b>

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

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

## ABOUT SEAMLESS DISTRIBUTION SYSTEMS (SDS)

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

SDS has approximately 143 co-workers, both employees and consultants, in Sweden, Belgium, Ghana, USA, Pakistan, India, South Africa, Ecuador and the United Arab Emirates.

## ABOUT SEAMLESS DIGITAL DISTRIBUTION (SDD)

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

# Notes

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

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## NOTE 1 - RISKS AND ACCOUNTING PRINCIPLES

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### RISKS AND UNCERTAINTY FACTORS

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

For a detailed description of the risk factors that are assessed to be of particular importance for the Group's future development, please refer to the Annual Report for 2018, pages 27-28. In the assessment of the management, there are no significant changes from the risk assessment that was made in the Annual Report for 2018.

### ACCOUNTING PRINCIPLES

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

### CHANGED ACCOUNTING PRINCIPLES AS FROM 2019

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

#### IFRS 16 Leases

IFRS 16 was published in January 2016 and is applied for financial years beginning on January 1, 2019 and subsequently. IFRS 16 Leases replaces existing IFRS related to the reporting of leases, such as IAS 17 Leases and IFRIC 4. Implementation of the standard means that almost all lease contracts will be recognised in the lessee's balance sheet, as no distinction is made any longer between operating and finance leases. According to the new standard, an asset (the right to use a leased asset) and a financial liability regarding the obligation to pay leasing fees shall be recognised. Short-term leases and leases for which the underlying asset is of low value are exempted.

The Group has six rental contracts for office premises that are classified as operating leases. Otherwise, the Group has no other operating or finance leases. These obligations are recognised as short-term leases. These will be recognised as a cost on a straight-line basis over the term of the lease. Furthermore, the Group has a new long-term lease for office premises that begins on April 19, 2019 and has a term of five years. The right of use regarding the new office premises will be recognised as from April 19, 2019.

The Group 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 lease fees.

## NOTE 2 - DIVISION OF NET SALES

KSEK	SDS		
	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
Professional services/ software	14,345	2,127	29,896
Licences	740	-	3,137
Support	10,041	9,826	40,480
Hardware	2,341	234	3,868
Other	187	15	131
<b>SDS Total</b>	<b>27,654</b>	<b>12,203</b>	<b>77,512</b>
<b>Of which withholding tax</b>	<b>2,469</b>	<b>1,581</b>	<b>7,365</b>

KSEK	SDD	
	2019 JAN-MAR	2018 JAN-MAR
Etop-up	22,871	-
Bank systems	559	-
Other	19	-
<b>SDD Total</b>	<b>23,449</b>	<b>-</b>

\* SDD only has net sales and operating profit starting November 19 2018.

## NOTE 3 - NET SALES PER GEOGRAPHIC AREA

KSEK	SDS		
	2019 JAN-MAR	2018 JAN-MAR	2018 JAN-DEC
Africa	24,786	8,370	61,333
Middle East and Asia	2,070	2,779	12,655
Other	798	1,054	3,524
<b>SDS Total</b>	<b>27,654</b>	<b>12,203</b>	<b>77,512</b>

KSEK	SDD	
	2019 JAN-MAR	2018 JAN-MAR
Sweden	22,306	-
Denmark	1,143	-
Other	-	-
<b>SDD Total</b>	<b>23,449</b>	<b>-</b>

\* SDD only has net sales and operating profit starting November 19 2018.

## NOTE 4 - TRANSACTIONS WITH RELATED PARTIES

For information on related parties, please refer to the Group's Annual Report for 2018, page 64. No significant changes have occurred during the first quarter of related parties or in agreements with related parties.



# Other information

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on April 25, 2019 at 10.00 in 7A Odenplan's local "Saga 3", Norrtullsgatan 6, 113 26 Stockholm.

## AUDITORS' REVIEW

This report has not been reviewed by the company's auditors.

## ADVISERS

The company's Certified Adviser is Mangold Fondkommission AB, tel: +46 8 5030 1550, CA@mangold.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, Box 353, 101 27 Stockholm, or via email, [sds.info@seamless.se](mailto:sds.info@seamless.se).

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Seamless Distribution Systems' year-end report has been approved for publication in accordance with the decision of the Board of Directors on April 16, 2019. The Board of Directors and the CEO of Seamless Distribution Systems AB (publ) certifies that this year-end report gives a fair view of the Parent Company's and Group's activities, position and results and describes essential risks and uncertainty factors that the Parent Company and the companies that are part of the Group face.

April 16, 2019  
Stockholm

**Tomas Klevbo**

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

**Leif Brandel**

**Ayesha Amilon**

**Tommy Eriksson**  
*CEO*

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# Financial definitions and alternative performance measures

<b>Return on equity</b>	Profit after tax in relation to average equity.
<b>EBITDA</b>	Operating profit before depreciation and amortisation and financial items.
<b>EBITDA %</b>	Operating profit before depreciation and amortisation and financial items as a percentage of revenue.
<b>Equity per share</b>	Equity in relation to the total number of shares outstanding.
<b>Average number of shares</b>	Weighted average number of shares outstanding during the period.
<b>Quick ratio</b>	Cash and cash equivalents including current investments and current receivables in relation to current liabilities.
<b>Equity/assets ratio</b>	Equity including minorities in relation to balance sheet total.
<b>Growth in net sales</b>	Net sales for the period in relation to net sales for the previous period.
<b>Earnings per share</b>	Profit after tax in relation to the average number of shares.
<b>Operating profit (EBIT)</b>	Profit before financial items and tax.
<b>Operating margin (EBIT) %</b>	Profit before financial items and tax as a percentage of revenue.
<b>Withholding tax</b>	Local withholding tax on sales of royalties, licences and consultancy services is charged in many of the African countries where SDS has customers. Withholding tax varies between 10–20 %, depending on the country and is deducted from the invoiced amount before the customer pays the supplier. SDS recognises net sales including withholding tax and deducts the corresponding amount as an expense under the item “Other operating expenses”.