

Nasdaq First
North Premier:
SDS

Interim report

Q1 2020

Seamless
Distribution Systems

Interim report Q1

January - March 2020

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
Net sales	85,193	51,104	245,567
Operating profit/loss	6,035	3,463	14,421
Operating margin (EBIT)	7.1%	6.8%	5.9%
EBITDA	12,896	6,203	24,165
EBITDA marginal	15.1%	12.1%	9.8%
Profit/Loss for the period after tax	3,303	2,476	8,029
Total cash flow	-2,147	519	12,722
Earnings per share, before and after dilution	0.43	0.32	1.04
Equity/assets ratio	23.5%	28.6%	13.3%

MATERIAL EVENTS DURING THE FIRST QUARTER

- SDS received an order from CSG (www.csgi.com) as part of CSG's digital transformation project for Mongolia's market-leading telecom operator. The total order value was approximately SEK 14.5 million. In addition to expansion into a new market, the order also means that SDS has strengthened its product portfolio. The order is SDS's first collaboration with CSG and includes inventory management of physical goods in addition to SDS's market leading digital distribution solution.
- SDS received an order from one of Guinea's largest mobile operators. The order includes hardware and services worth SEK 2.3 million. The operator ordered the platform during the ongoing COVID-19 outbreak to strengthen and modernize its business-critical platform for refilling prepaid cards. In addition, SDS has received two orders, for a total value of SEK 1.7 million, from existing customers who are the leading mobile operators in Ivory Coast and Congo.
- The Board of Directors of Seamless Distribution Systems AB decided, subject to the approval of the Annual General Meeting, to carry out a directed set-off issue of SEK 19.7 million to the creditors who stood as lenders for the company's bridge loan from July 24, 2019. The Chairman of the Board Gunnar Jardelöv is part of this consortium. The Board is of the opinion that a directed offset issue will enable a strengthening of the company's balance sheet by reducing the company's indebtedness. At the Extraordinary General Meeting on March 19, it was decided to implement the set-off issue and it was fully subscribed so that SEK 19.7 million was converted into shares.
- In January, the company raised SEK 9.2 million in working capital from major shareholders. The company's CEO and chairman were both among the lenders. The loan runs for 6 months with a 15% interest rate.
- The Board of Directors of Seamless Distribution Systems AB (publ) has decided, due to the situation with Covid-19 (the new corona virus), to move the company's annual general meeting to Wednesday, June 3, 2020 at 10:00.

Seamless
Distribution Systems

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FINANCIAL CALENDAR

Interim report Q1 2020	2020-04-22
Annual General Meeting	2020-06-03
Interim report Q2 2020	2020-07-23
Interim report Q3 2020	2020-10-22



CEO's comments

I am proud to announce yet another excellent quarter where all parts of the SDS Group have continued to perform extremely well. We can see an improvement in all significant key figures where sales increased from the same quarter last year by 67% to SEK 85 million and EBIT by 74% to SEK 6 million. The order situation remains very good, even though the first quarter is normally one of the weaker quarters of the year.

Due to the prevailing situation with the spread of the corona virus, we have in March ruled on staff from all offices for home work, which has been done without affecting our production. The modern agile program development methodology has a working method, which correctly implemented is not affected by telework. In addition, since the company's inception, we have always worked with team members remotely. The same applies to our customer support and operation of customer systems, which have always had the main focus on monitoring and measures at a distance.

In essence, SDS stands strong in the turbulence that the corona virus has brought, which the company has also done in earlier times of turmoil. The need for technology development in mobile telephony in the developing markets is very high, which has meant that SDS has not been significantly affected by the troubled market situation. SDS has been developed to become a long-term stable partner to our customers through reliable products and employees who are genuinely interested in the customer's needs.

From the integration of last year's acquisition of eServGlobal, there are now no one-off effects. We can also begin to see positive effects on our key figures from the acquired growth. The customers who have come to know our broad product offering are now queuing up to migrate their current eServGlobal platform to the ERS 360 system, and we can also see that they have started to purchase additional features. The first migration is happening right now with one of our largest customers in the Middle East and more are under discussion.

Furthermore, the first quarter was characterized by a number of orders from existing customers. At the same time, we see that requests outside the customer base are becoming more frequent and that our pipeline of quotes for new customers has increased. We are now a significantly larger player in our market, which I believe both our customers and potential customers look positive to.

We can already see signs of this when we are more invited to tenders. We have also changed our sales organization to expose more parts of the company directly to customers, which has had a positive effect.

Sweden currently has less strict rules of conduct than many other countries, but most citizens act very responsibly. This is relevant for the subsidiary SDD's distribution operations in the Nordic region, as we can see that our sales have increased by 40% to SEK 33 million from the same quarter last year. During the quarter, SDD continued to connect more and more resellers to its network, which further increased our relevance in the market, where we are today the only major player offering a solution for smaller retailers and kiosks.

Our product portfolio continues to grow and most products are already available, or will soon be adapted for cloud services. The need for these services in the developing markets lies somewhat behind the developed world, which controls our actions in the near future. The customization means that the products can now be offered from SDS, or the customer's data center, as well as in public cloud services from, for example, Amazon. The new technology creates great added value in the form of more rational operation and management as well as an almost infinite scalability. In addition, the business model mainly consists of recurring revenue.

The need for telecommunications services today replaces physical meetings, which we believe will continue to some extent even after the freedom of movement has been restored. We also believe that the interest of mobile operators to invest in our products for increased sales and reduced costs will remain during the year. Despite prevailing external factors, all of our strategic focus areas continue to develop very satisfactorily and the year 2020 looks very bright from my horizon.

Tommy Eriksson
CEO, Seamless Distribution Systems AB

Financial overview

January - March 2020

NET SALES

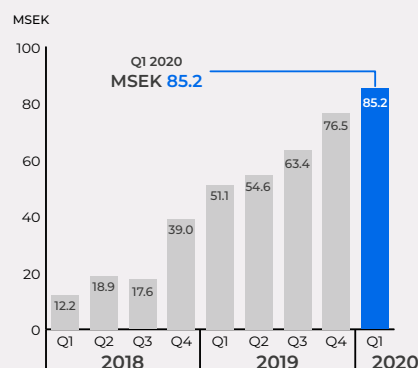
Net sales for the first quarter amounted to KSEK 85,193 (51,104), an increase of 67.7% compared to the same period last year. Other operating income amounted to KSEK 1,372 (1,365).

SDS entered 2020 with a large backlog of orders won in 2019. Work on these orders has begun during the first quarter. In addition, SDS has won a large order from a new customer in Mongolia, as well as an additional 26 additional orders from existing customers during the quarter.

Order bookings during the first quarter have been good and business opportunities continue to increase and the number of prospects is at a very satisfactory level.

The company's business model means that larger projects affect revenue and earnings between quarters.

Net sales



OPERATING EXPENSES

Operating expenses during the first quarter amounted to KSEK 80,529 (49,005), an increase of 64.3% compared to the same period last year.

The increase is mainly explained by the fact that SDS acquired eServglobal in 2019, which has about 60 employees during the first quarter. In addition, SDD's material costs have risen in step with increased sales and SDS has increased its development capacity.

OPERATING PROFIT

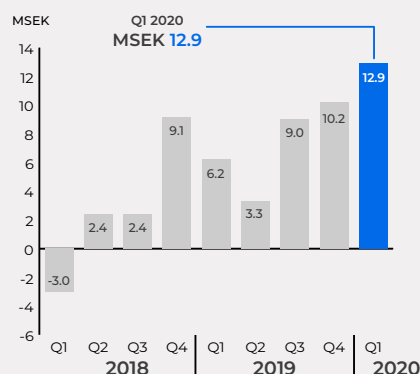
EBITDA for the first quarter amounted to KSEK 12,896 (6,203).

Net financial items for the quarter amounted to KSEK -1,914 (-875).

Profit before tax amounted to KSEK 4,121 (2,588).

Earnings per share amounted to SEK 0.43 (0.32).

EBITDA result



INVESTMENTS

During the first quarter, investments in product development worth KSEK 5,631 (1,860) were made. Depreciation of intangible assets amounted to KSEK -5,602 (-2,489). Investments in property, plant and equipment amounted to KSEK 1,622 (591). Depreciation of tangible assets amounted to KSEK -666 (-250).

Leasing (IFRS 16)

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

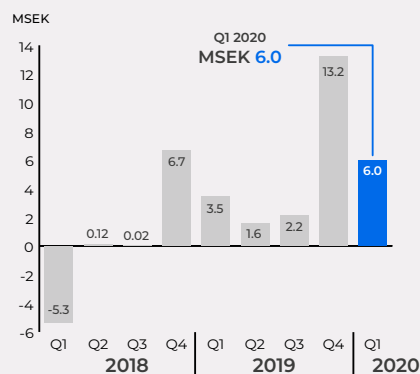
A right of use of KSEK 11,752 has been booked in the Group with amortization of KSEK -593 and an interest expense of KSEK -127 both of which have reimbursed the rental cost. As of last December, the financial liability amounted to KSEK 11,512.

NUMBER OF EMPLOYEES

The number of employees in the Group at the end of the period was 132 (61).

The majority of employees are software developers. In addition, SDS has about 90 consultants mainly in Pakistan and Ghana.

EBIT result



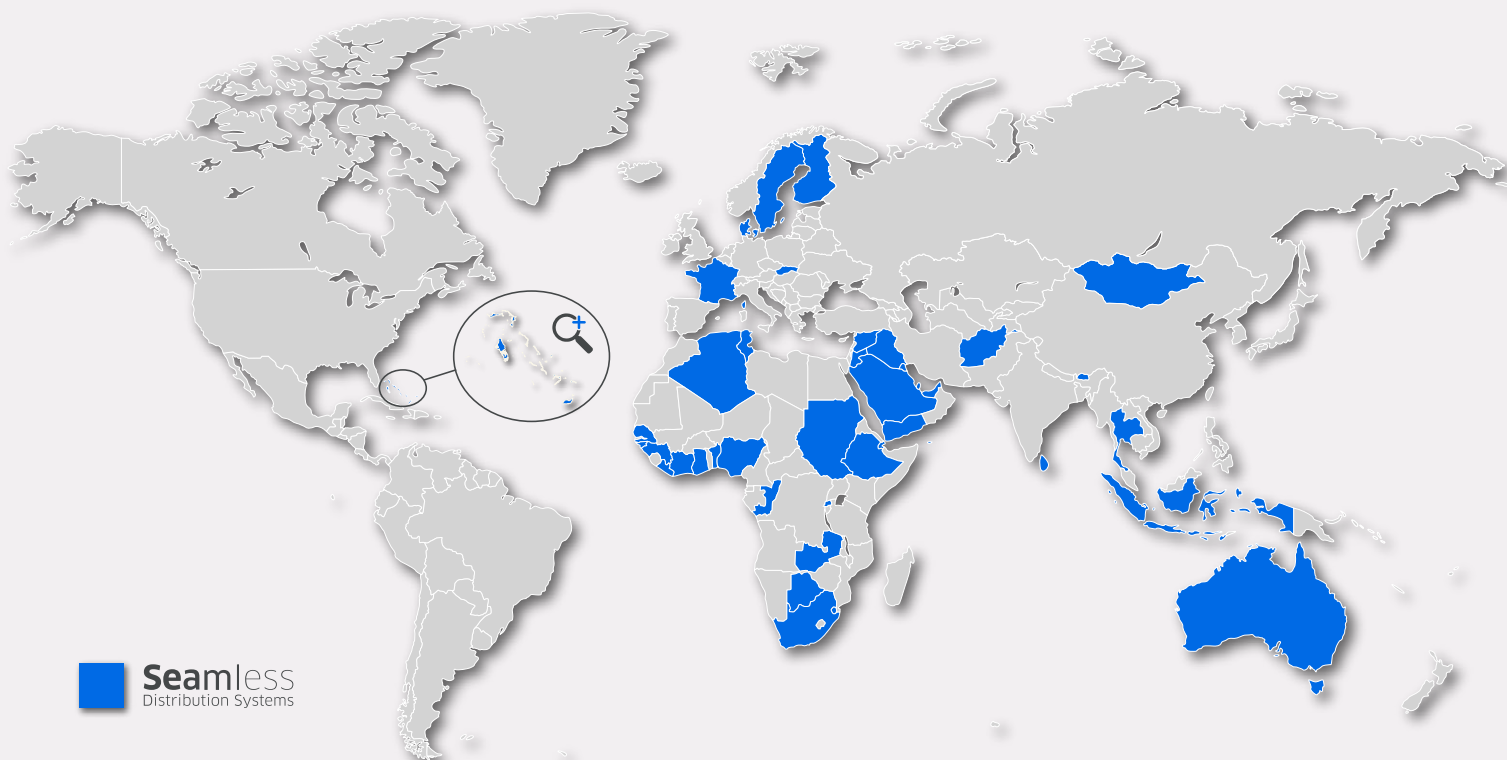
CASH FLOW AND FINANCIAL POSITION

Cash and cash equivalents amounted to KSEK 13,006 (2,797) at the end of the period. Of the total credit check of KSEK 10,000, SEK 9,432 was utilized.

SDS has three interest-bearing liabilities totaling MSEK 57.6. 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. The largest loan of MSEK 19 was set off against shares on March 19, 2020. The second loan is MSEK 10 from Handelsbanken and runs for two years with 6.62% interest. The loan is repaid quarterly and at the end of March the loan amounts to MSEK 6.3. Interest is paid quarterly. In January 2020, the company took a working capital loan of MSEK 9.2 from major shareholders. The loan runs for 6 months with a 15% interest rate. The company's CEO and Chairman of the Board are among the lenders.

Cash flow during the first quarter from operating activities amounted to KSEK -3,569 (8,148). Total cash flow amounted to KSEK -2,147 (519).

Seamless customers in the world



Marketing and sales

During the first quarter, SDS has focused on completing the projects commissioned last year. In addition, the company won its first new customer through a new partner, CSG in Asia. Furthermore, relationship building has continued to be very positive with the customers who came to us with the acquisition of eServ-Global and this has resulted in eServGloba's largest customer switching to SDS software ERS360. This will bring many opportunities for the customer that they have not had before in the form of increased sales and insights in their business.

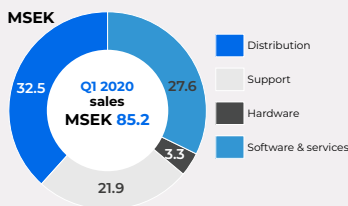
In addition to the work on finalizing last year's order book, the work continues to increase the company's pipeline. Order bookings were very good during the first quarter. In parallel with ongoing procurement and business discussions, work is underway to repurpose and strengthen the sales organization, 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.

SDS sees a continued increase in the transaction platform during the first quarter and more orders have been taken than before. During the quarter, SDS managed more than \$ 3.5 billion in its systems. 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 also expect, partly, license expansions and partly the need for new functions as the markets become more sophisticated. The company's product portfolio is high-tech, well-developed and continues to broaden with the needs of customers and the market.

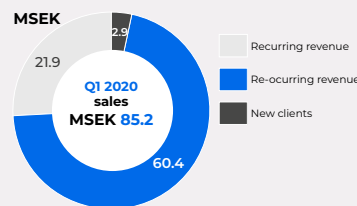
SDD, the Group's distribution operations in the Nordic region, continued to increase during the first quarter and the development is satisfactory.

The Group has not yet been affected by corona and the assessment is that the impact will be marginal. The company can fully perform its work from home and all installations can be done remotely.

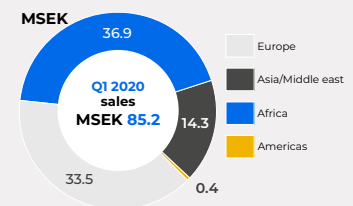
Product offering



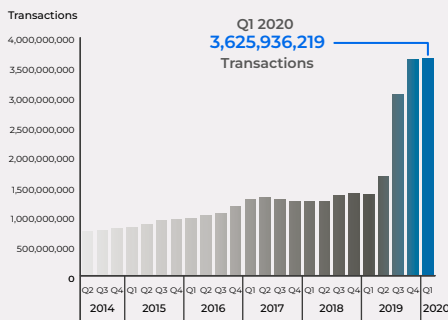
Sales distribution



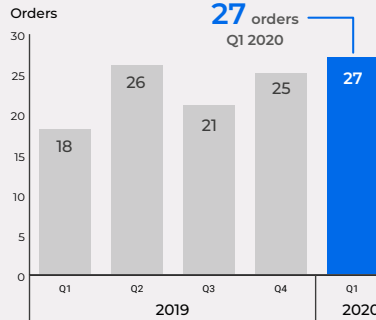
Geographic sales



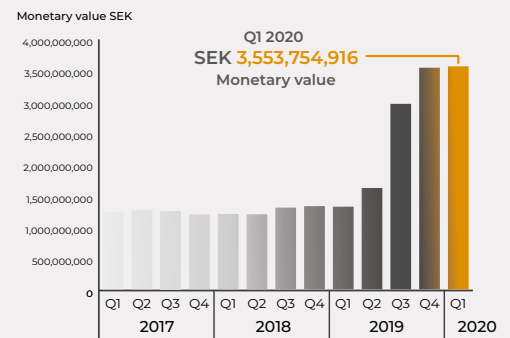
Number of transactions handled by ERS 360 per quarter



Number of orders won per quarter



Monetary value managed by Seamless system per quarter



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
Operating revenue			
Net sales	85,193	51,104	245,567
Other operating revenue	1,372	1,365	28,107
Total operating revenue	85,564	52,468	273,674
Operating expenses			
Material expenses	-39,594	-27,512	-131,726
Other external expenses	-15,518	-11,649	-41,935
Personnel costs	-18,414	-4,087	-34,696
Depreciation and amortization	-6,861	-2,740	-9,744
Other operating expenses	-143	-3,018	-41,152
Total operating expenses	-80,529	-49,005	-259,253
Operating profit/loss	6,035	3,463	14,421
Financial items			
Financial income	2	-	7
Financial expenses	-1,917	-875	-5,652
Net financial items	-1,915	-875	-5,645
Profit/Loss before tax	4,121	2588	8,776
Income tax	-818	-112	-748
Net profit/loss for the period	3,303	2,476	8,028
Other comprehensive income			
<i>Items that may be reclassified to profit for the year:</i>			
Translation differences	1,818	194	-4,014
Total comprehensive income attributable to Parent Company shareholders	5,121	2,670	4,014

CONSOLIDATED BALANCE SHEET

KSEK	2020-03-31	2019-03-31	2019-12-31
Assets			
Intangible assets	84,979	44,409	82,743
- IP rights	17,084	19,797	17,750
- capitalized development costs	67,895	24,612	64,993
Tangible fixed assets	16,298	1,843	15,235
Financial assets	931	1,393	972
Inventories of finished goods	2,284	1,752	2,856
Accounts receivable	45,008	24,736	45,569
Other receivables	15,435	910	11,741
Prepayments and accrued income	45,746	14,665	34,112
Cash and cash equivalents	13,006	2,798	14,851
Total assets	223,687	92,496	208,079
EQUITY AND LIABILITIES			
Equity	52,581	26,427	27,770
Other long-term liabilities	53,529	38,500	52,673
Overdraft	9,432	-	8,766
Trade payables	31,543	11,961	25,785
Current tax liabilities	724	260	508
Other current liabilities	47,777	1,188	63,553
Accrued liabilities and deferred income	28,101	14,161	29,024
Total equity and liabilities	223,687	92,496	208,079

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
At beginning of period	27,770	23,756	23,756
Comprehensive income for the period	5,121	2,670	4,015
Offsetting share issue	19,689	-	-
Shareholder contribution	-	-	-
At end of period	52,580	26,427	27,770

CONSOLIDATED CASH FLOW STATEMENT

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
Cash flow from operating activities before change in working capital	9,893	5,332	-5,861
Change in working capital	-13,462	2,816	26,290
Cash flow from operating activities	-3,569	8,148	20,429
Cash flow from investing activities	-7,920	-2,425	-53,120
Cash flow from financing activities	9,342	-5,204	45,413
Cash flow for the period	-2,147	519	12,722
Cash and cash equivalents at beginning of period	14,851	2,266	2,266
Exchange rate differences in cash and cash equivalents	302	12	-137
Cash and cash equivalents at end of period	13,006	2,797	14,851

KEY RATIOS AND FIGURES

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
Return on equity	8.7%	9.9%	31.2%
Earnings per share SEK, before and after dilution	0.43	0.32	1.04
Operating profit/loss, KSEK	6,035	3,463	14,421
Growth in net sales	66.7%	318.8%	179.9%
Operating margin (EBIT)	7.1%	6.8%	5.9%
Average number of shares before and after dilution	7,770,762	7,691,343	7,691,343
Number of shares outstanding at end of reporting period	8,341,355	7,691,343	7,691,343
Quick ratio	110%	156%	89%
Equity/assets ratio	23.5%	28.6%	13.3%
Equity, KSEK	52,580	26,427	27,770
Equity per share	6.77	3.44	3.61
Number of employees at end of period	132	61	132



PARENT COMPANY INCOME STATEMENT

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
Net sales	40,053	28,248	97,236
Other operating revenue	786	1,349	6,646
Operating expenses	-28,934	-26,648	-106,751
Operating profit/loss	11,905	2,948	-2,869
Net financial items	-2,006	-875	-4,890
Profit/Loss after financial items	9,899	2,074	-7,759
Income tax	-52	-	-
Net profit/loss for the period	9,847	2,074	-7,759

PARENT COMPANY BALANCE SHEET

KSEK	2020-03-31	2019-03-31	2019-12-31
Assets			
Fixed assets	71,910	46,755	72,444
Current assets	65,200	36,067	41,152
Total assets	137,110	82,822	113,596
Equity and liabilities			
Equity	42,376	22,673	12,840
Long-term liabilities	51,386	38,375	49,766
Current liabilities	43,349	21,774	50,990
Total equity and liabilities	137,110	82,822	113,596
Pledged assets	15,000	10,000	15,000
Contingent liabilities	none	none	none

Segment information

Seamless's operations consist of two business units –

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

Net sales

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
SDS	52,973	28,249	128,361
SDD	32,844	23,449	119,666
Intra-Group support fee ¹	-622	-594	-2,460
Seamless Group	85,193	51,104	245,567

Operating profit

KSEK	2020 JAN-MAR	2019 JAN-MAR	2019 JAN-DEC
SDS	5,749	3,541	13,683
SDD	908	516	3,198
Intra-Group support fee ¹	-622	-594	-2,460
Seamless Group	6,035	3,463	14,421

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

Seamless Distribution Systems

ABOUT SEAMLESS DISTRIBUTION SYSTEMS (SDS)

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

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

Seamless Digital Distribution

ABOUT SEAMLESS DIGITAL DISTRIBUTION (SDD)

SDD distributes electronic products 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 and serves more than 2,500 outlets.

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

Notes

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

NOTE 1 - RISKS AND ACCOUNTING PRINCIPLES

RISKS AND UNCERTAINTY FACTORS

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

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

ACCOUNTING PRINCIPLES

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

NOTE 2 - DISTRIBUTION OF NET SALES

KSEK	SDS	
	2020 JAN-MAR	2019 JAN-MAR
Professional services/software	26,167	14,345
Licences	756	740
Support	21,856	10,041
Hardware	3,264	2,341
Other	305	187
SDS total	52,348	27,654

KSEK	SDD	
	2020 JAN-MAR	2019 JAN-MAR
Etop-up	32,040	22,871
Bank systems	463	559
Other	341	19
SDD total	32,844	23,449

NOTE 3 - NET SALES BY GEOGRAPHIC AREA

KSEK	SDS	
	2020 JAN-MAR	2019 JAN-MAR
Africa	36,916	24,786
Middle East and Asia	14,316	2,070
Other	1,116	798
SDS total	52,348	27,654

KSEK	SDD	
	2020 JAN-MAR	2019 JAN-MAR
Sweden	30,092	22,306
Denmark	2,752	1,143
Other	-	-
SDD total	32,844	23,449

NOTE 4 - TRANSACTIONS WITH RELATED PARTIES

For information on related parties, see the Group's Annual Report for 2019, page 64. In addition, the company received a working capital loan of SEK 9.2 million from major shareholders. The loan 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. SDS CEO and Chairman of the Board are among the lenders.

NOTE 5 - MATERIAL EVENTS AFTER THE REPORTING PERIOD

Seamless Distribution Systems (SDS) received a new order of SEK 2.5 million from a mobile operator in the largest market in the Middle East. The order, which amounts to SEK 2.5 million, was received from a customer for eServ-Global, which was acquired by SDS in July last year, and is an addition to the order received in October last year. In addition, SDS has received three orders, for a total value of approximately SEK 6 million, from existing customers.

SDS presented a progress report on Covid-19 and announced that it was not significantly affected by the troubled market situation. The business continues to come from existing customers. The company's assessment is a continued positive picture of the order situation.

Other information

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on June 3, 2020 at 10:00 in 7A Central's room "Clara 2", Vasagatan 7, 1010 27 Stockholm. Shareholders who wish to attend the AGM must be included in the share book kept by Euroclear Sweden AB no later than 28 May 2020. Participants must also register to Seamless Distribution Systems AB no later than 28 May 2020 at 12:00.

AUDIT

This report has not 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 March has been approved for publication in accordance with the Board's decision on April 21, 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 material risks and uncertainties that the Parent Company and the companies that are part of the Group face.

Stockholm, 21 April 2020

Tomas Klevbo

Gunnar Jardelöv
Chairman of the Board

Leif Brandel

Martin Roos

Tommy Eriksson
CEO

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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 margin	Operating profit/loss before depreciation and amortization and financial items 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 profit/loss (EBIT)	Profit/Loss before financial items and tax.
Profit/Loss after tax	Profit/Loss after financial items and tax.
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'.