



# SEAMLESS INTERIM REPORT THIRD QUARTER OF 2016

Seamless

Distribution AB (publ)  
Corp. id. no: 556610-2660

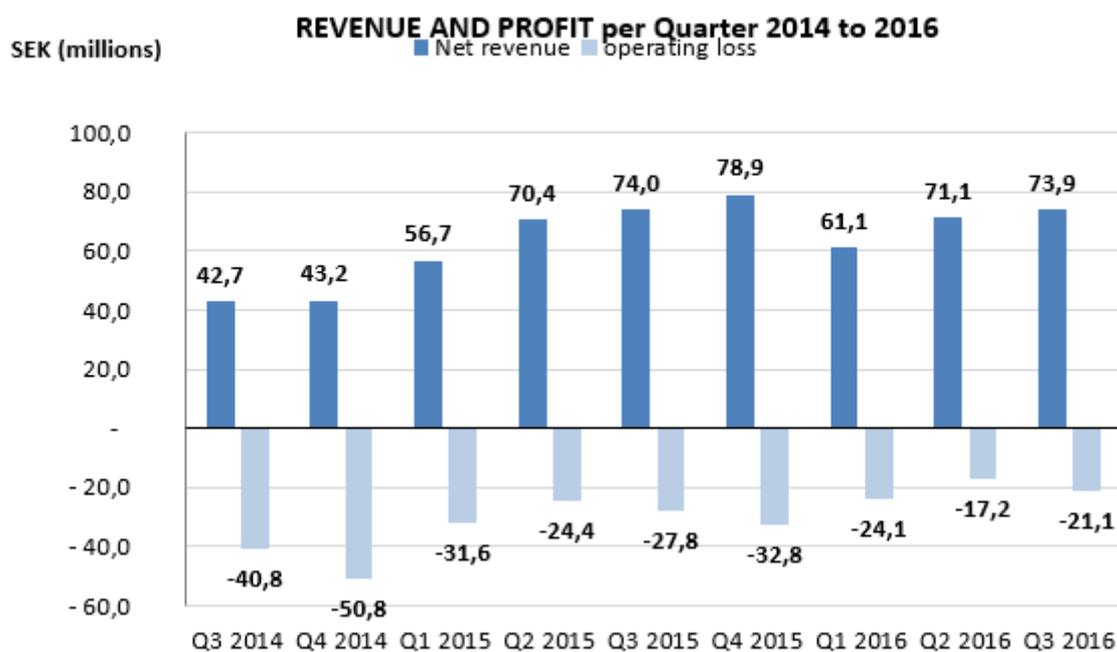


## INTERIM REPORT, THIRD QUARTER OF 2016

### July – September 2016

- Net sales was unchanged compared to the same period last year and amounted to SEK 73.9 million (74.0)
- Operating loss for the period SEK -21.1 million (-27.8), an improvement of 24 percent
- Loss after tax for the period SEK -21.0 million (-29.4)
- Earnings per share SEK -0.38 (-0.70)
- Cash flow before changes in working capital improved with SEK 3.4 million to -22.4 (-25.8), an improvement of 13 percent

| <b>Overview</b>                       | <b>Jul-Sept</b> | <b>Jul-Sept</b> | <b>Jan-Sept</b> | <b>Jan-Sept</b> | <b>Full-Year</b> |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <b>SEK thousand</b>                   | <b>2016</b>     | <b>2015</b>     | <b>2016</b>     | <b>2015</b>     | <b>2015</b>      |
| Net sales                             | 73 888          | 74 034          | 206 096         | 201 123         | 279 997          |
| Operating result                      | -21 074         | -27 775         | -62 412         | -83 848         | -116 637         |
| Financial net and taxes               | 38              | -1 617          | -1 500          | -1 840          | -2 671           |
| Loss for the period                   | -21 036         | -29 392         | -63 912         | -85 688         | -119 308         |
| Balance sheet total                   | 262 472         | 205 421         | 262 472         | 205 421         | 205 332          |
| Earnings per share, basic and diluted | -0.38           | -0.70           | -1.28           | -2.72           | -2.84            |
| Operating margin                      | neg             | neg             | neg             | neg             | neg              |
| Equity ratio                          | 59%             | 51%             | 59%             | 51%             | 50%              |
| Capitalized development costs         | 6 173           | 4 393           | 19 246          | 12 280          | 18 244           |
| Depreciation                          | -5 107          | -3 983          | -13 231         | -16 069         | -20 780          |



## Significant events during the period July – September 2016

- All European Seqr users can now use Seqr to pay all over the world. Contactless payment technology today allows for payments in approximately 30 million point-of-sales globally.
- The board of directors' of Seamless has resolved on a directed issue of convertible debentures of SEK 42 million to private and institutional investors.
- Seamless has received its first order in the Americas. A telecommunications operator has placed an order to purchase the ERS360 transaction platform, which handles the electronic top-up of prepaid accounts for mobile phones. In the first phase, the order value will correspond to MSEK 5.
- Seamless acquires MeaWallet AS through an issue in kind of new shares and simultaneously carries out a private placement. Through the acquisition Seamless controls important technology in the rapidly growing field of contactless payments. At the same time the company has carried out a direct issue of new shares in a private placement of approximately SEK 50 million to private and institutional investors.
- Seqr is launching contactless payments in Sweden using NFC technology (Near Field Communication). Contactless makes it possible to pay with SEQR at point of sale (POS) terminals that support NFC which is featured on almost all modern terminals, consequently it is now possible to pay with SEQR in any store that supports the functionality in Sweden or abroad, even if a retailer has no private agreement with Seqr.
- Seqr payment solution launches its recently announced international remittance service. Seqr users can now make international money transfers – or “remittances” – to non-SEQR users. Transfers from Sweden directly to India and Thailand will be the first deployment of the service.
- Seqr launches in Austria, Ireland, Malta and Luxembourg. The company's rapid expansion means that consumers can now use SEQR to make payments in 16 countries.

## Significant events after the close of the reporting period

- Seqr is launching a peer-to-peer money transfer solution that enables users to instantly transfer money to each other regardless of where they are in the world. The service is now being rolled out for SEQR users in 14 countries.
- Seamless has obtained a Notice of Allowance (patent application no. 14/347,742) from the United States Patent and Trademark Office (USPTO) for its Seqr mobile payment solution. This implies that USPTO intends to announce the approval of the patent within three months following the payment of all fees.
- Seqr has been elected as the payment solution on the international fair Web Summit, a fair which gathers 15 000 companies and 7 000 CEO's. The fair was held in Lisbon on November 7 – 10, and approximately 50 000 participants will pay with Seqr.
- Seqr launches Contactless Payments and Gocardless Service in the UK. Seqr customers in the UK are now able to quickly and easily link their bank account to the Seqr app and make payments directly from their bank account.

## CEO's COMMENT

---

Dear Shareholders,

The third quarter of 2016 was a very active quarter for Seamless where we laid stepping stones in the development to strengthen our position as one of the world leaders in the mobile payment industry. Our acquisition of the Norwegian company MeaWallet is a central part of our strategy going forward. MeaWallet has developed the software and infrastructure which Seqr uses for NFC (contactless payments). Seqr launched this technology to its European users in September.

It is a large and important step that Seqr now works to pay with in all NFC enabled card terminals in the world. The technology has allowed Seqr to increase its acceptance network from approximately twenty thousand POS (Point-of-Sale) to somewhere around 30 million POS overnight. Within a few years, all card terminals in the world will be NFC enabled and accepting contactless payment.

The effect on Seqr as a business will be very profound. Seqr's largest bottleneck up to now has been the slow uptake from merchants. Up to the moment we launched contactless, we had to sign individual and bilateral agreements with each and every merchant. Now, Seqr does not have to deal with the merchants at all. If they accept card payments, they accept Seqr. This means that we can focus our sales and marketing efforts on consumer acquisition instead.

After the end of the quarter, we also released another exciting product for our users: Real time global peer to peer transfers. Our users can now send money to each other in real time wherever they are in the world. This is a revolutionary product which we believe that our users will appreciate greatly.

The Seamless group reports strong figures for the quarter. Our daughter company SDS (Seamless Distribution Systems) is doing particularly well with a year on year revenue growth of 29 percent and a growth in profit of 174 percent to approximately 10 MSEK. We are very satisfied with this development and we see further strong growth potential in the core offering of this business as well as some exciting product development.

In the sub-group Seamless E-products, the revenue shrunk but the result improved greatly from a loss of in excess of 3 MSEK to a loss of only three hundred thousand SEK. In this business, we also expect a continued strong improvement in both revenue and results.

Our sub-group Seqr increased its revenues from 1.8 MSEK to 2.6 MSEK, an increase of 45 percent. The result improved with 11 percent to a loss of 22.2 MSEK from a loss of 25.0 MSEK in 2015. We continue to see improvements going forward and expect that our contactless technology will accelerate the positive development further.

For our group as a whole, profit after tax improved with 28 percent and the trend toward total group profitability continues.

Today, the daughter companies and businesses of Seamless represent substantial values for our shareholders. As the stock market tends to adjust towards reasonable valuations over time, we are confident that these intrinsic values will be reflected in our share price.

Our company has only one goal: to create maximum value for our shareholders.

Best Regards,

Peter Fredell

## CONSOLIDATED

---

### Revenue and result

Seamless' revenues amounted to SEK 73 888 thousand (74 034) for the third quarter, which is an increase by 4% compared to the previous quarter and unchanged compared to last year. The sales are distributed between the various business segments, with 36 percent (28) from the SDS/Transaction Switch business segment, 60 percent (70) from the Distribution business segment, and 4 percent (2) from the Seqr business segment.

The consolidated operating loss amounted to SEK -21 074 thousand (-27 775) in the third quarter. Financial items for the second quarter amounted to SEK -96 thousand (-1 575). Earnings per share amounted to SEK -0.38 (-0.70) SEK for the quarter.

### Personnel

The Group had a total of 202 (154) employees at end of the quarter. In addition to this, Seamless has retained approximately 100 consultants – primarily in India, Ghana and Pakistan.

### Investments

During the quarter, investments have been made in a total amount of SEK 2 272 thousand (1 212). Product development costs have been capitalized at a value of SEK 6 173 thousand (4 393), while depreciation taken and amortization amounted to SEK -5 107 thousand (-3 983).

### Cash flow and financial position

Cash flow from operating activities amounted to SEK -31 493 thousand (-21 392) for the second quarter. Bank deposits and cash equivalents at the end of the quarter amounted to SEK 29 241 thousand (28 109). The company needs a liquidity fund of 2 MSEK in the Swedish operations to maintain its money transmitter license from the Financial Supervisory Authority. Corresponding liquidity base for the US market is appr. \$ 1 million when starting up the business, a total of appr. 8.5 MSEK.

The Group has interest bearing liabilities in the form of leases for hardware amounting to SEK -817 thousand (-1 602), divided between long-term debt of SEK -499 thousand (-757) and short-term debt of SEK -318 thousand (-845). An interest-bearing liability in the form of a convertible loan amounts to SEK 42 million with an annual interest rate of 7 percent. The interest during the quarter amounted SEK 258 thousand. The convertible loan will mature in 364 days after the date of issue, on August 28, 2017.

The Company has no interest-bearing liabilities to banks or other credit institutions apart from the convertible loan.

The board continually assesses the funding situation for the group and can use various methods for financing the current negative cash flow. Although the cash flow is continually improving, the group will be in need of further funding during the year ahead. Seamless has raised capital by two private placements, one in February of approximately 24.6 MSEK and one in July 2016 of approximately 50 MSEK. In August a directed issue of convertible debentures was issued, of a nominal value of SEK 42 million.

Seamless has an equity ratio of 59 (51) percent.

## Acquisition

The acquisition of MeaWallet AS was completed on July 20, 2016. The purchase price amounts to approximately SEK 42,8 million and payment is made through an issue in kind of 4,574,328 new shares in Seamless to existing holders of shares, shareholder loans and convertible debentures in MeaWallet, where 2,637,968 shares was paid with shares in MeaWallet and 1,936,360 shares was paid with shareholder loans and convertible debentures.

MeaWallet is a Norwegian technology company with 18 employees, based in Norway and Latvia. Through the acquisition Seamless controls important technology in the rapidly growing field of contactless payments.

The amount of acquisition related costs amounts to SEK 152 thousand on September 30 and are recognized as other external costs in the statement of comprehensive income. From the acquisition date to the end of the reporting period the revenue of MeaWallet amounts to SEK 1.1 million. If consolidation had occurred at the beginning of the year, the company would have brought the Group an additional approximately 2.9 million in revenue and -6.7 million in loss after tax. The goodwill of 7.7 million refers to personnel and expected synergies.

| <b>Acquisition analysis</b>                  | <b>Fair value reported in Group</b> |
|--|-------------------------------------|
| Intangible fixed assets                      | 44 481                              |
| Tangible fixed assets                        | 166                                 |
| Short-term receivables                       | 3 687                               |
| Liquid assets                                | 526                                 |
| Deferred tax liability                       | -6 247                              |
| Long-term liabilities                        | -17 720                             |
| Short-term liabilities                       | -6 178                              |
| <b>Net identified assets and liabilities</b> | <b>18 715</b>                       |
| Goodwill                                     | 7 665                               |
| <b>Total</b>                                 | <b>26 380</b>                       |
| <b>Purchase price</b>                        | <b>26 380</b>                       |
| <br>   |                                     |
| <b>Calculation Net cash outflow</b>          |                                     |
| Purchase price                               | -26 380                             |
| -financed through issue in kind              | 26 380                              |
| Acquired liquid assets                       | 526                                 |
| <b>Net cash outflow</b>                      | <b>526</b>                          |

## Parent Company

The parent company's net sales for the quarter amounted to SEK 945 thousand (1 963) and net financial result amounted to a loss of SEK -32 825 thousand (-77 306). Net gains/losses in the parent company from financial items amounted to SEK -29 924 thousand (-75 464). A write-down of shares in subsidiaries have had a one-time effect of SEK -29.5 million and the parent company had bank deposits/cash on hand in the amount of SEK 6 596 thousand (326). The parent company had 2 (4) employees at the close of the quarter.

## Transactions with closely related parties

Seamless has not engaged in any transactions with closely related parties.

## OTHER

### Accounting Policies

This quarterly report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is consistent with Swedish law via the application of the Swedish Financial Reporting Board's Recommendation RFR 1, Supplementary Accounting Policies for Groups, and RFR 2, Accounting for Legal Entities, in regard to the parent company. The same accounting policies, definitions of key figures, and methods of computation have been applied as in the most recent annual report for both the Group and the Parent Company, unless otherwise noted below.

### Significant risks and uncertainties in the business activities

Seamless' business operations are affected by a number of external factors where various risk factors may have an impact on the Company. These risk factors may result in an impact on the Company's ability to achieve its business objectives or targets. Seamless is in need of additional liquidity. The board continually assesses the funding situation for the group and can use various methods for financing the current negative cash flow. Although the cash flow is continually improving, the group will be in need of further funding during the year ahead. Seamless has raised capital by two private placements, one in February of approximately 24.6 MSEK and one in July 2016 of approximately 50 MSEK. In August a directed issue of convertible debentures was issued, of a nominal value of SEK 42 million.

This report contains forward looking statements that are based on Seamless' management's current expectations. Even though management believes that the expectations which are stated in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, future results could materially differ from those stated or implied in the forward-looking information due to, among other things, changes in economic, market and competitive conditions, changes in the regulatory environment and other political or governmental measures, fluctuations in exchange rates, and other factors.

The Parent Company has an ongoing tax litigation with the Swedish Tax Authorities. The maximum exposure is SEK 6 million. The amount is paid in and an appeal has been sent in by the Company. One of the subsidiaries of the Group has an ongoing tax audit.

For further reference, please refer to the statement in the latest Annual Report on its pages 20-22 and 71.

## BUSINESS SEGMENTS

|                        | Net Sales, SEK thousand |               |                |                |                | Growth, Net Sales compared to last year |            |           |            |            |
|------------------------|-------------------------|---------------|----------------|----------------|----------------|---|------------|-----------|------------|------------|
|                        | Jul-Sept                | Jul-Sept      | Jan-Sept       | Jan-Sept       | Full-Year      | Jul-Sept                                | Jul-Sept   | Jan-Sept  | Jan-Sept   | Full-Year  |
|                        | 2016                    | 2015          | 2016           | 2015           | 2015           | 2016                                    | 2015       | 2016      | 2015       | 2015       |
| SDS/Transaction Switch | 26 755                  | 20 750        | 71 140         | 59 563         | 90 486         | 29%                                     | 207%       | 19%       | 122%       | 136%       |
| eProducts              | 44 523                  | 51 494        | 128 199        | 136 084        | 181 982        | neg                                     | 53%        | neg       | 43%        | 46%        |
| SEQR                   | 2 587                   | 1 790         | 6 728          | 5 476          | 7 529          | 45%                                     | neg        | 23%       | 0%         | neg        |
| Group functions        | 23                      | -             | 29             | -              | -              | -                                       | -          | -         | -          | -          |
| <b>Seamless Group</b>  | <b>73 888</b>           | <b>74 034</b> | <b>206 096</b> | <b>201 123</b> | <b>279 997</b> | <b>0%</b>                               | <b>74%</b> | <b>2%</b> | <b>58%</b> | <b>64%</b> |

|                        | Operating Result, SEK thousand |                |                |                |                 | Operating Margin |            |            |            |            |
|------------------------|--------------------------------|----------------|----------------|----------------|-----------------|------------------|------------|------------|------------|------------|
|                        | Jul-Sept                       | Jul-Sept       | Jan-Sept       | Jan-Sept       | Full-Year       | Jul-Sept         | Jul-Sept   | Jan-Sept   | Jan-Sept   | Full-Year  |
|                        | 2016                           | 2015           | 2016           | 2015           | 2015            | 2016             | 2015       | 2016       | 2015       | 2015       |
| SDS/Transaction Switch | 9 846                          | 3 590          | 25 914         | 22 074         | 27 254          | 37%              | 17%        | 36%        | 37%        | 30%        |
| eProducts              | -259                           | -3 255         | -1 587         | -3 659         | -4 827          | neg              | neg        | neg        | neg        | neg        |
| SEQR                   | -22 240                        | -24 984        | -59 725        | -89 321        | -119 888        | neg              | neg        | neg        | neg        | neg        |
| Group functions        | -8 421                         | -3 126         | -27 014        | -12 942        | -19 176         | neg              | neg        | neg        | neg        | neg        |
| <b>Seamless Group</b>  | <b>-21 074</b>                 | <b>-27 775</b> | <b>-62 412</b> | <b>-83 848</b> | <b>-116 637</b> | <b>neg</b>       | <b>neg</b> | <b>neg</b> | <b>neg</b> | <b>neg</b> |



## SEQR

The Seqr business segment encompasses a payment platform with a financial ecosystem that among other things enables payments in physical checkouts, online and on mobile devices, money transfers between users domestically and internationally, as well as an advertising platform and sales channel. The technology is a development of the Transaction Switch platform and has operations in Sweden, Finland, Romania, Belgium, the Netherlands, Germany, Portugal, Spain, France, Italy, Austria, Luxemburg, Malta, the USA and the UK/Ireland.

In July 2016 Seamless announced the acquisition of MeaWallet, a Norwegian technology company that specializes in Host Card Emulation (HCE) and Cloud Based Payments. MeaWallet has operations in Oslo, Norway and Riga, Latvia. MeaWallet will continue to operate under its own brand, but will form part of the SEQR business segment.

## Financial Results

With MeaWallet contributing its first revenues to the Seqr business segment, it was another record quarter for Seqr revenue, delivering 2,587 MSEK. At the end of the quarter, year to date revenue was 6,728 MSEK, 23% higher than for the same period in 2015.

Year to date, key Seqr metrics including transaction volume and customer downloads continue to show impressive double-digit growth versus 2015. Transaction volume is 35% higher and customer downloads 23% higher than in the same period in 2015.

## Activities and Market Outlook

In what was an incredibly busy quarter for SEQR, we announced two major strategic developments that will have a huge impact on both Seqr customer growth and Seqr business-to-business revenues in the remainder of 2016 and into 2017.

In early July we announced the launch of contactless (NFC) payments to SEQR customers in Sweden. This made it possible for customers to tap and pay with Seqr at any point of sale terminal that supports NFC, even if a retailer has no direct contract with Seqr. Whereas in the past acquiring merchants was a bottle neck in terms of expanding the SEQR acceptance network, today Seqr is now accepted at approximately 30 million points of sale worldwide.

Following the successful deployment of tap and pay functionality in Sweden, during September we opened up the service in all of the European markets where Seqr is available. Seqr customers in Europe can now download Seqr, connect their bank account to the Seqr app and spend at any NFC terminal worldwide immediately. In some markets this enables Seqr consumers to benefit from contactless payments before even their banks have started issuing contactless debit and credit cards.

Such a rapid expansion of the SEQR acceptance network will stimulate a significant increase in Seqr usage (and revenues) from our existing customer base, as well as an increase in demand for Seqr from new customer groups who are excited by the new technology.

Also in July, Seamless announced the acquisition of MeaWallet, the Norwegian technology company which provides the HCE and cloud based payment services which enable Seqr contactless payments. MeaWallet are one of only a handful of companies worldwide fully certified by MasterCard and Visa to provide such services, and as such it was strategically a very important acquisition for Seqr.

Firstly, Seqr now controls the technology that supports its own contactless solution, which is crucial as the Seqr consumer business expands rapidly. Secondly, the demand from banks, credit card issuers and other financial

institutions for MeaWallet services as they start developing their own mobile payment solutions is huge. And it is a demand that very few companies globally can meet.

Seqr is now uniquely placed, with the MeaWallet and Seqr offerings, to deliver a full set of business-to-business mobile payment services to prospective partners across the globe. With a strong pipeline and development projects already underway with a number of partners, we expect MeaWallet to deliver an increasingly significant proportion of Seqr revenues in Q4 and 2017.

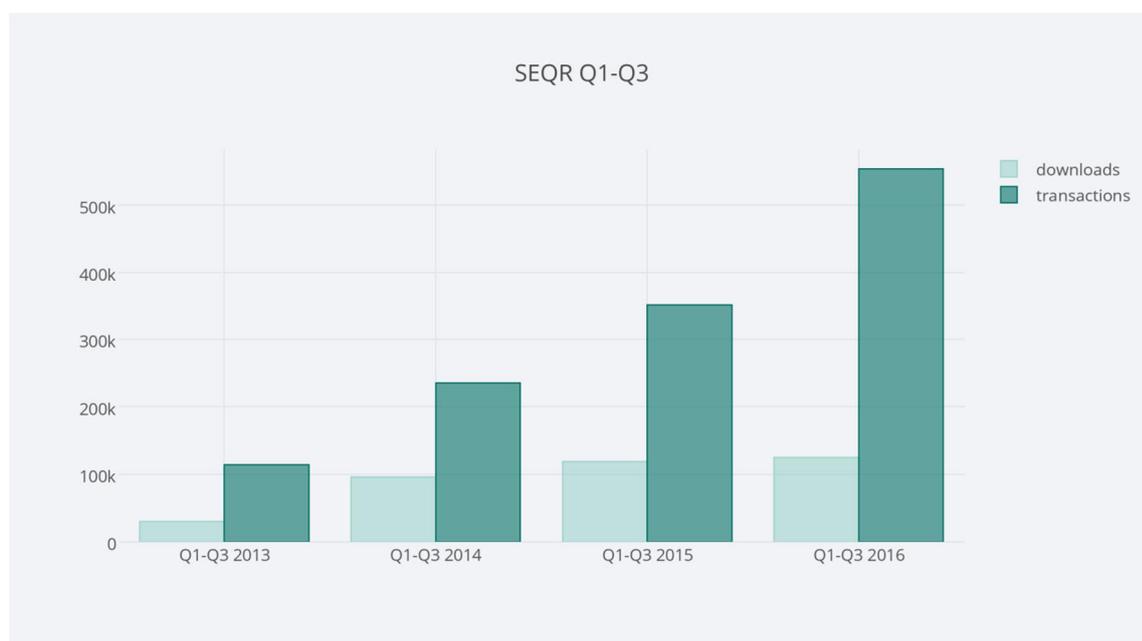
As well as the launch of Seqr contactless payments and the acquisition of MeaWallet, there were a number of other important market developments in the quarter.

Seqr was put live in 4 new Eurozone countries, making Seqr available to consumers in Malta, Luxemburg, Austria and Ireland. With the upcoming launch of the Seqr PrePaid account, which will uniquely enable instant peer-to-peer payments internationally, it is important we added these additional countries to the Seqr geographic footprint.

Our International Remittance service in partnership with Xpress Money, announced earlier in 2016, was launched. Seqr customers in Sweden can now send money to Thailand and India directly through the Seqr app even though Seqr is not available in those countries. Remitted funds are collected in the relevant country through Xpress Money’s network of agents.

In the future we expect to open up the International Remittance service to new countries and new corridors. Across Seqr’s more established markets such as Sweden, Belgium and Portugal we have continued to see strong demand from merchants and partners for the fully integrated Seqr service with new merchants contracted, integrations ongoing and store roll outs completed.

Finally, in the USA, the process continues of securing its Money Transmitter Licenses in all 50 states. By the end of the quarter Seqr has now been licensed in 18 states.



The figure show the number of downloads of the Seqr app (for the iOS and Android platform), and transactions within the SEQR platform in the first three quarters 2013 – 2016.

## Transaction Switch/Seamless Distribution Systems

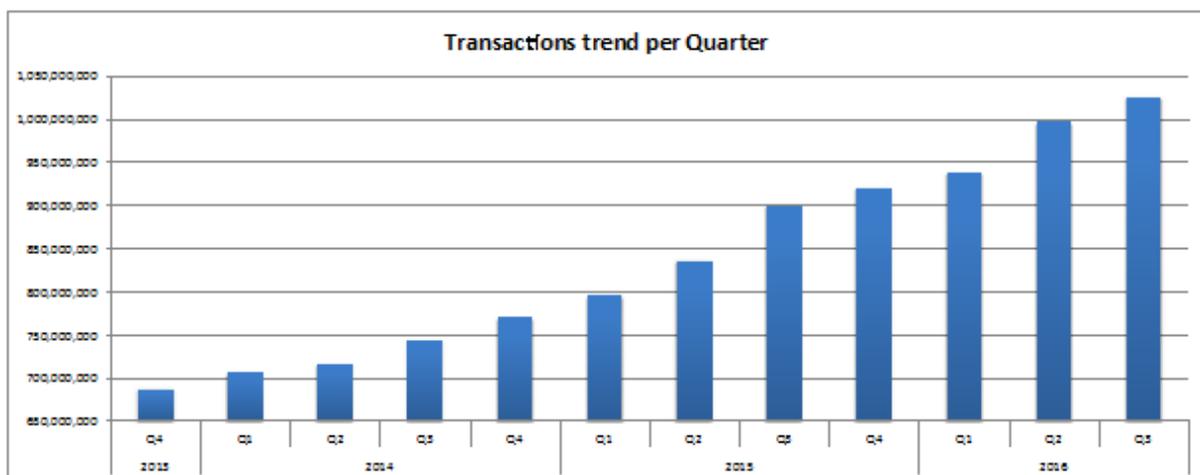
Seamless Distribution Systems, also referred to as Transaction Switch, supplies the system for the management of the distribution network of primarily electronic adding of funds to prepaid value cards/SIMs, along with other eProducts extending from gift cards to prepaid debit cards to mobile banking. The system increases the range of products the reseller has to offer, without taking up valuable shelf space, and facilitates a much more rapid distribution in the marketplace. The hub of the operations is the internally developed proprietary ERS 360° platform, which remains continually under further development in order to respond to the needs of the market since its initial installation some 15 years ago. Our clients can be found all over the world, but are mainly in Africa and the Middle East, where telecommunications companies constitute our largest group of customers. Currently, the platform handles 4.3 billion transactions annually with a total value of USD 6 billion, divided among 20 markets.

### Financial Results

As expected, the order intake for the third quarter was excellent and in line with our sales plan. We won a new customer in the Americas, which shows that our efforts in the west are beginning to yield results. The deal also shows that we are competitive, even against locally strong rooted competitors.

We have also seen orders from existing customers for several interesting new functions, which increases our already good product functionality. In addition to this, customer transaction volumes are increasing, which resulted in a further license upgrade this quarter.

Thanks to a strong order book, sales followed our plan in the third quarter. This quarter also showed an increase over the previous quarter, as well as an increase over the third quarter of last year. Earnings are also in line with expectations, and are also very satisfactory. The strong earnings are attributable to our product mix this year consisting more of software and services.



### Activities and Market Outlook

We are highly active in all of our existing markets, as well as in the Americas. We have also planned to begin studying and visiting a new region of the world. We continuously work on market surveys and market analysis. This information is used to identify markets where electronic distribution is under-established and to generate insight to deepen our customer dialog and argumentation in sales.

The strong growth in sales of the new program functions and services this year meant that we continuously strengthened mainly in development and services. During the quarter, we established a new function for

Business Consulting. The aim is to further increase our added value, share best practices between customers and invest in support of customers' greater use of the electronic channel.

The marketing department does continuous surveys of customer satisfaction with good feedback. We also launched a new website to more easily be able to update it with news. We are addressing a substantially larger amount of requests from new customers by making it easier to contact us over the new website.

## eProducts/Distribution

Seamless eProducts Sweden (with its subsidiaries Seamless eProducts Latvia and Seamless eProducts Denmark) encompasses physical and electronic distribution of eProducts such as TopUp (adding funds/voucher codes for mobile devices) and other digital products (gift cards/prepaid cards) via merchants, banks and online channels.

Seamless connects together all wireless carriers and banks so that the consumers will be able to add additional funds to their stored-value card or mobile wallet via the bank's channels: mobile device banking, Internet banking, and telephone banking.

Globally, there are two distribution technologies for adding funds to mobile devices: eVoucher\* and Direct TopUp\* - where Seamless offers both in one technical platform.

## Financial Results

Earnings for the business segment improved considerably compared with 2015. Growth is stable.

### Sweden

The number of contracted stores has continued to increase, albeit at a slower pace than previously, and now takes place through organic growth. The transaction volume is stable with normal seasonal variation.

### Denmark

The Danish subsidiary became operational in 2015 and the establishment in the market of Seamless distribution of eProducts is progressing according to plan. Negotiations are under way with several chains and contracts have been signed with TeleGreenland, TelePost and Expert.

### Latvia

Transaction volumes are lower than for the corresponding period in 2015. Activities are being done to strengthen volume and earnings.

### Bank Top-up

The partnership with Mobile Carriers and Banks in the Swedish market means that Seamless has created technology and communication solutions for all parties so that the consumer will be able to add additional funds to their stored-value card/mobile wallet via the banks' sales channels (mobile device banking, Internet banking, and telephone banking). The volume of transactions via the banks is stable.

---

\*"eVoucher" – a voucher with a unique code is distributed electronically and where this voucher code is printed out from the reseller's card terminal or directly via the checkout register.

\*"Direct TopUp" – funds are added to the consumer's prepaid SIM by stating the telephone number and the desired amount to be credited. Adding funds to a pre-paid cellular phone account takes place directly at the wireless carrier and the consumer receives an SMS confirming the transaction.

## Activities and Market Outlook

In Sweden the on-going work with stores and other outlets, as well as a general effort with automating processes, continues. Changes that see breakthroughs first in Sweden, and then in other markets. A distribution contract has been signed with the wireless carrier Hallon and Paysafecard. In addition, collaboration has begun with Elavon, a bank-independent card redeemer, to broaden Seamless' offering to merchants.

Major changes have occurred in the Danish market on the carrier side at the beginning of the year since Telenor decided, on short notice, to cease prepaid card sales. This created problems for those distributors who had a large share of Telenor in their sales volume, and inversely provides an interesting potential for growth for Seamless.

In Latvia, we see again a negative impact on the distribution of TopUp and prepaid cards from the mobile carrier's price competition in subscription sales. This clearly benefits the consumer, as they receive more calls/data time for money, but disadvantages other parties. Non carrier-related products/services are in development in order to create alternative stable revenue.

As previously reported, the joint cooperation with wireless carriers and banks in the Swedish market has expanded with the inclusion of Danske Bank. Additional mobile carriers' products will be added step by step to the range of products Danske Bank offers to its customers.

## eProducts

The eProducts concept includes a range of products, such as direct TopUp, voucher codes, adding funds to mobile wallets, and electronic gift cards/prepayments of various kinds. For merchants, eProducts provide the opportunity to increase sales and consumer inflows without the requirement of making a financial investment, tying up capital, needing to maintain an inventory or for the products to take up display space in the store. With the electronic distribution of these products, vouchers and stored value codes are delivered digitally, and the store does not incur any outlays until the product is sold.

For merchants, eProducts provide the opportunity to increase sales and consumer inflows without the requirement of making a financial investment, tying up capital, needing to maintain an inventory or for the products to take up display space in the store. With the electronic distribution of these products, vouchers and stored value codes are delivered digitally, and the store does not incur any outlays until the product is sold.

## FINANCIAL INFORMATION - CONSOLIDATED

| <b>Group report over total earnings</b>                                | <b>Jul-Sept</b> | <b>Jul-Sept</b> | <b>Jan-Sept</b> | <b>Jan-Sept</b> | <b>Full-Year</b> |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| <b>SEK thousand</b>  | <b>2016</b>     | <b>2015</b>     | <b>2016</b>     | <b>2015</b>     | <b>2015</b>      |
| Net Sales  | 73 888          | 74 034          | 206 096         | 201 123         | 279 997          |
| Other operating income   | 100             | -1 247          | 210             | 167             | 538              |
| Material costs   | -47 153         | -62 525         | -139 492        | -156 538        | -220 573         |
| Other external costs   | -21 217         | -17 758         | -57 537         | -54 947         | -78 803          |
| Personnel costs  | -18 172         | -16 168         | -53 431         | -57 153         | -74 809          |
| Depreciation   | -5 107          | -3 983          | -13 231         | -16 069         | -20 780          |
| Other operating costs  | -3 413          | -128            | -5 027          | -431            | -2 207           |
| <b>Operating result</b>  | <b>-21 074</b>  | <b>-27 775</b>  | <b>-62 412</b>  | <b>-83 848</b>  | <b>-116 637</b>  |
| Financial net  | -96             | -1575           | -1345           | -1650           | -2 187           |
| <b>Profit before tax</b>   | <b>-21 170</b>  | <b>-29 350</b>  | <b>-63 757</b>  | <b>-85 498</b>  | <b>-118 824</b>  |
| Income tax   | 134             | -42             | -155            | -190            | -484             |
| <b>Loss for the period</b>   | <b>-21 036</b>  | <b>-29 392</b>  | <b>-63 912</b>  | <b>-85 688</b>  | <b>-119 308</b>  |
| <b>OTHER COMPREHENSIVE INCOME</b>                                      |                 |                 |                 |                 |                  |
| Currency translation differences                                       | 1 018           | 155             | 949             | 574             | 386              |
| Total comprehensive income attributable to parent company shareholders | <b>-20 018</b>  | <b>-29 237</b>  | <b>-62 963</b>  | <b>-85 115</b>  | <b>-118 922</b>  |

| <b>Consolidated Balance Sheet</b>        | <b>30 Sept</b> | <b>30 Sept</b> | <b>31 Dec</b>  |
|--|----------------|----------------|----------------|
| <b>SEK thousand</b>                      | <b>2016</b>    | <b>2015</b>    | <b>2015</b>    |
| <b>ASSETS</b>                            |                |                |                |
| Intangible assets                        | 108 624        | 42 844         | 45 050         |
| - of which goodwill                      | 13 806         | 5 966          | 5 791          |
| - of which capitalized development costs | 49 272         | 34 275         | 36 760         |
| - of which customer agreements           | 744            | 993            | 900            |
| - of which other intangible assets       | 44 802         | 1 610          | 1 599          |
| Tangible fixed assets                    | 15 335         | 15 834         | 14 823         |
| Deferred tax                             | 27 767         | 27 817         | 27 846         |
| Other long-term receivables              | 2 915          | 7 515          | 4 980          |
| Inventories of finished goods            | 4 485          | 9 010          | 6 165          |
| Accounts receivables                     | 36 722         | 41 825         | 49 483         |
| Other receivables                        | 22 972         | 21 532         | 20 883         |
| Prepaid expenses and accrued income      | 14 411         | 10 935         | 13 097         |
| Cash and cash equivalents                | 29 241         | 28 109         | 23 005         |
| <b>Total assets</b>                      | <b>262 472</b> | <b>205 421</b> | <b>205 332</b> |
| <b>EQUITY AND LIABILITIES</b>            |                |                |                |
| Equity                                   | 155 723        | 105 738        | 102 636        |
| Appropriation                            | 720            | 633            | 635            |
| Other non-current liabilities            | 659            | 29 952         | 28 746         |
| Deferred tax liability                   | 6 389          | 345            | 336            |
| Trade accounts payable                   | 26 894         | 30 714         | 34 365         |
| Current tax liability                    | 728            | 453            | 945            |
| Other current liabilities                | 47 006         | 4 363          | 3 390          |
| Accrued expenses and deferred income     | 24 353         | 33 223         | 34 279         |
| <b>Total Equity and Liabilities</b>      | <b>262 472</b> | <b>205 421</b> | <b>205 332</b> |

| <b>Consolidated statement of changes in equity,</b><br>SEK thousand | Jul-Sept<br>2016 | Jul-Sept<br>2015 | Jan-Sept<br>2016 | Jan-Sept<br>2015 | Full-Year<br>2015 |
|---|------------------|------------------|------------------|------------------|-------------------|
| <b>Balance at start of period</b>                                   | <b>82 621</b>    | <b>133 971</b>   | <b>102 636</b>   | <b>190 365</b>   | <b>190 365</b>    |
| Comprehensive income for the period                                 | -20 018          | -29 238          | -62 963          | -85 115          | -118 922          |
| New share issue   | 94 638           | -                | 119 245          | -                | 32 790            |
| Transaction costs   | -1 518           | -                | -3 203           | -                | -1 080            |
| Reclassification  | -                | -                | 8                | -                | -                 |
| Options program   | -                | 1 005            | -                | 1 005            | -                 |
| Share repurchase  | -                | -                | -                | -517             | -517              |
| <b>As per end of the period</b>                                     | <b>155 723</b>   | <b>105 738</b>   | <b>155 723</b>   | <b>105 738</b>   | <b>102 636</b>    |

| <b>Consolidated statement of cash flows,</b><br>SEK thousand | Jul-Sept<br>2016 | Jul-Sept<br>2015 | Jan-Sept<br>2016 | Jan-Sept<br>2015 | Full-Year<br>2015 |
|--|------------------|------------------|------------------|------------------|-------------------|
| Cash flow from operations before changes in working capital  | -22 390          | -25 843          | -58 339          | -70 997          | -99 413           |
| Change in working capital                                    | -9 103           | 4 451            | -9 823           | -12 399          | -14 670           |
| Cash flow from operating activities                          | -31 493          | -21 392          | -68 162          | -83 396          | -114 083          |
| Cash flow from investing activities                          | -2 272           | -1 212           | -16 305          | -24 272          | -28 025           |
| Cash flow from financing activities                          | 53 722           | 29 587           | 90 130           | 29 677           | 59 121            |
| <b>Cash flow during the period</b>                           | <b>19 957</b>    | <b>6 983</b>     | <b>5 663</b>     | <b>-77 991</b>   | <b>-82 987</b>    |
| Cash and cash equivalents at beginning of period             | 8 629            | 21 020           | 23 005           | 105 273          | 105 273           |
| Exchange difference of cash and cash equivalents             | 655              | 106              | 573              | 827              | 719               |
| <b>Cash and cash equivalents at end of period</b>            | <b>29 241</b>    | <b>28 109</b>    | <b>29 241</b>    | <b>28 109</b>    | <b>23 005</b>     |

| <b>Key figures</b>                                       | Jul-Sept<br>2016 | Jul-Sept<br>2015 | Jan-Sept<br>2016 | Jan-Sept<br>2015 | Full-Year<br>2015 |
|--|------------------|------------------|------------------|------------------|-------------------|
| Return on equity   | neg              | neg              | neg              | neg              | neg               |
| Earnings per share, basic and diluted, SEK               | -0.38            | -0.70            | -1.28            | -2.04            | -2.84             |
| Operating income, SEK thousand                           | -21 074          | -27 775          | -62 412          | -83 848          | -116 637          |
| Growth Net sales (compared to the same period last year) | 0%               | 74%              | 2%               | 58%              | 64%               |
| Operating margin   | neg              | neg              | neg              | neg              | neg               |
| Average number of shares, basic and diluted              | 55 276 123       | 41 910 274       | 50 043 464       | 41 910 274       | 42 001 501        |
| Liquidity  | 103%             | 149%             | 103%             | 149%             | 146%              |
| Equity ratio   | 59%              | 51%              | 59%              | 51%              | 50%               |
| Equity, SEK thousand                                     | 155 723          | 105 738          | 155 723          | 105 738          | 102 636           |
| Equity per share, SEK                                    | 2.65             | 6.06             | 2.65             | 2.52             | 2.25              |
| Number of employees at end of period                     | 202              | 154              | 202              | 154              | 158               |

| <b>Quarterly overview</b>                    | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net sales                                    | 42 662  | 43 214  | 56 679  | 70 411  | 74 034  | 78 873  | 61 063  | 71 145  | 73 888  |
| Operating result                             | -40 738 | -51 312 | -31 651 | -24 422 | -27 775 | -32 789 | -24 136 | -17 202 | -21 074 |
| Earnings per share, basic and diluted*       | -0.97   | -1.21   | -0.76   | -0.58   | -0.70   | -0.80   | -0.55   | -0.36   | -0.38   |
| Growth Net sales (compared to prev. quarter) | -3%     | 1%      | 31%     | 24%     | 5%      | 7%      | -23%    | 17%     | 0%      |
| Liquidity                                    | 499%    | 248%    | 245%    | 153%    | 149%    | 146%    | 100%    | 82%     | 103%    |
| Equity ratio                                 | 85%     | 74%     | 77%     | 67%     | 51%     | 50%     | 50%     | 39%     | 59%     |
| Equity, SEK thousand                         | 253 998 | 190 365 | 158 127 | 133 971 | 105 738 | 102 636 | 99 646  | 82 621  | 155 723 |
| Equity per share, SEK                        | 6.06    | 4.54    | 3.77    | 3.20    | 2.52    | 2.25    | 2.05    | 1.70    | 2.65    |

## FINANCIAL INFORMATION – PARENT COMPANY

| <b>Parent company income statement</b> | Jul-Sept       | Jul-Sept       | Jan-Sept       | Jan-Sept       | Full-Year       |
|--|----------------|----------------|----------------|----------------|-----------------|
| SEK thousand                           | 2016           | 2015           | 2016           | 2015           | 2015            |
| Net sales                              | 945            | 1 963          | 2 610          | 5 888          | 7 848           |
| Other operating income                 | 12             | 303            | 9              | -167           | 70              |
| Operating expenses                     | -3 858         | -4 108         | -11 947        | -13 266        | -20 087         |
| <b>Operating result</b>                | <b>-2 901</b>  | <b>-1 842</b>  | <b>-9 328</b>  | <b>-7 544</b>  | <b>-12 169</b>  |
| Net financial items                    | -29 924        | -75 464        | -80 105        | -75 464        | -95 892         |
| <b>Earnings before tax</b>             | <b>-32 825</b> | <b>-77 306</b> | <b>-89 433</b> | <b>-88 003</b> | <b>-108 061</b> |
| Income tax                             | -              | -              | -              | -              | -               |
| <b>Income for the period</b>           | <b>-32 825</b> | <b>-77 306</b> | <b>-89 433</b> | <b>-83 008</b> | <b>-108 061</b> |

| <b>Parent company balance sheet</b> | 30 Sept        | 30 Sept        | 31 Dec         |
|-------------------------------------|----------------|----------------|----------------|
| SEK thousand                        | 2016           | 2015           | 2015           |
| <b>ASSETS</b>                       |                |                |                |
| Fixed assets                        | 16 634         | 51 949         | 23 288         |
| Current assets                      | 159 883        | 58 077         | 115 269        |
| <b>Total Assets</b>                 | <b>176 517</b> | <b>110 026</b> | <b>138 557</b> |
| <b>EQUITY AND LIABILITIES</b>       |                |                |                |
| Equity                              | 109 016        | 61 996         | 82 408         |
| Long-term liabilities               | -              | 29 000         | 28 000         |
| Short-term liabilities              | 67 501         | 19 030         | 28 149         |
| <b>Total equity and liabilities</b> | <b>176 517</b> | <b>110 026</b> | <b>138 557</b> |
| Pledged assets                      | -              | -              | -              |
| Contingent liabilities              | None           | None           | None           |



## Seamless share Jul-Sept 2016

|                                  |                     |
|----------------------------------|---------------------|
| Price trend third quarter        | -2.42%              |
| Ticker symbol                    | SEAM                |
| Market Cap (per 30 Sept)         | SEK 473.061 million |
| High                             | SEK 11.15           |
| Low                              | SEK 7.30            |
| Total no of shares (per 30 Sept) | 58 765 305          |

**FINANCIAL CALENDAR**

|              |                        |
|--------------|------------------------|
| 9 Feb 2017   | Interim report Q4      |
| 15 Mar 2017  | Annual report 2016     |
| 20 Apr 2017  | Annual General meeting |
| 25 Apr 2017  | Interim report Q1      |
| 19 July 2017 | Interim report Q2      |

**About Seamless**

Seamless is one of the world's largest suppliers of payment systems for mobile phones. Founded in 2001 and active in 39 countries, Seamless handles more than 4.3 billion transactions annually through 675 000 active sales outlets. Seamless has three main business areas including the SDS/transaction switch, the technology provider for the distribution of e-products and the mobile payment platform SEQR. Seamless shares are traded on NASDAQ OMX Stockholm. [www.seamless.se](http://www.seamless.se)

The Seamless interim report for the period July – September 2016 has been approved for publication by the Board of Directors, by its decision on November 16, 2016. This financial report has been subjected to a review by the Company's auditors.

**Certification**

The Board of Directors and the CEO for Seamless Distribution AB (publ) declare that the interim report gives a true and fair view of the Company and Group's business operations, financial position and financial results in terms of net profits/losses, and describes the principal risks and uncertainties that the Company, and the companies included in the Group, face.

Stockholm November 16, 2016

Hein Pretorius  
Chairman of the Board of Directors

Kristin Berdan  
Member of the Board

Tomas Klevbo  
Member of the Board

Peter Fredell  
Member of the Board/  
Chief Executive Officer

Robin Saunders  
Member of the Board

Seamless Distribution AB (publ), Corporate identification no. 556610 – 2660  
All information is published on [www.seamless.se](http://www.seamless.se) immediately after public release.

**CONTACT DETAILS**

For further information, please contact:

Peter Fredell, CEO  
[Peter.fredell@seamless.se](mailto:Peter.fredell@seamless.se) +46 8 564 878 00