



Quarterly Report for October 1 - December  
31, 2014

# Seamless

# Seamless

## Fourth Quarter 2014 – Summary

- Net revenues on an annualized basis increased by 6% in comparison with the previous year.
- For the fourth quarter, sales declined in comparison with the same quarter last year by 17%.
- The launch of SEQR Shop Spot – where all advertising surfaces will become direct sales channels.
- Seamless receives a new order for the distribution of prepaid airtime and data via stored value cards and vouchers for top-up payments. The contract is initially worth over USD 1 million and comprises ERS distribution of eProducts and management of loading of stored value top-up cards and vouchers.
- The launch of direct access to bank accounts in Sweden was initiated – enabling all Swedes with a bank account to be SEQR customers, irrespective of bank.

## Quarterly Report for Q4 Oct 1 - Dec 31, 2014      Revenues in MSEK Q1 2011 – Q4 2014

Revenues amounted to	SEK 43,214 thousand (52,369)		<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Operating Profit amounted to	SEK -51,312 thousand (-29,605)	<b>Q1</b>	8,1	29,7	26,4	40,7
Operating Margin	Neg (Neg)	<b>Q2</b>	14,2	35,7	26,4	44,1
The after-tax financial results amounted to	SEK -50,812 thousand (-24,113)	<b>Q3</b>	9,0	34,2	56,1	42,7
Earnings per share before and after dilution	SEK -1.21 (-0.64)	<b>Q4</b>	28,6	34,7	52,4	43,2

<b>Summary (SEK 1,000s)</b>	<b>Oct-Dec 2014</b>	<b>Oct-Dec 2013</b>	<b>full year 2014</b>	<b>full year 2013</b>
Net revenues	43 214	52 369	170 754	161 273
Operating profit	-51 312	-29 605	-164 997	-95 798
Financial items, taxes	500	5 492	205	15 852
Net profit/loss for the quarter	-50 812	-24 113	-164 792	-79 946
Balance sheet total	256 419	416 748	256 419	416 748
Earnings per share, before and after dilution*	-1,21	-0,64	-3,94	-2,35
Operating margin	neg	neg	neg	neg
Equity ratio	74%	88%	74%	88%
Capitalized research and development expenses	7 933	7 523	24 162	19 192
Depreciation and amortization	-5 029	-5 676	-17 639	-12 136

# Seamless

## CEO's comment



Dear Shareholders,

As I write this, we are just about to launch a direct connection to consumer bank accounts in Sweden. Until now, SEQR has been a revolving credit for the consumers that use it. This fact has been seen as the single most important hurdle in achieving larger consumer adaption in the Swedish market by observers.

In the other markets where we are currently present, this direct debit link to the consumer bank accounts already exists, and in those markets we are working on adding the revolving credit as an alternative product. We believe that our product offering has to consist of Direct Debit, Revolving Credit and Prepaid solutions in every market where we are present. There is a demand for all these products in various degrees in all the markets.

Our competitive advantage over most other players in the mobile payment market is our independence from using the card "railroad tracks" which gives us a significant technological and cost advantage. However for certain markets, where the revenue stream is sufficiently profitable, we may also add the normal Visa/Mastercard as an option.

Our strategy has been clear from the start; create a large enough geographical footprint in order to be able to reach a positive cash flow even at an extremely low early consumer adaption rate.

We are today in live production in five markets with the SEQR product. These markets together represent around 30 million inhabitants and potential users of SEQR, assuming that everyone with a bank account can use our service. In this estimation we do not count Romania because our ability to reach consumers are limited to Garanti Bank's current client base.

After the first quarter 2015 and in the beginning of the second quarter, we will be live in production in eleven markets that represent approximately 600 million potential users of SEQR assuming that everybody with a bank account can use our service. This is very far ahead of any global competitor. We currently don't see any mobile payment service in live production in more than one country.

Our goals in 2013 and 2014 have been to build the ability to launch in these markets with a full product suite that is also portable across borders ( i.e. a consumer in one country can also use our service in any other country) and the ability to launch quickly in new markets.) This has been a big project and has taken most of the company's development resources both in man-hours and in capital. The money that we raised in 2013 was, in fact, targeted for this goal.

I am pleased to say that this work is now done and this has a few important effects for our company. First, all the resources that have been used in this heavy build-up period are now unnecessary. Therefore, the large production team has been laid off and various other costs associated with the build-up have been discontinued. This has a profound positive effect on the cost base of the company. Second, the company can now focus fully on the third step in our strategy, which is to increase consumer adaption and conversion rates in the markets that we are present, as well as expand easily into further markets.

If we look at our competitive situation, it is clear that we currently enjoy a significant advantage on a global basis. There is no other company in our sector globally who has achieved the breadth and depth of our offering with SEQR. This is where we wanted to be and what we planned for. Now is the time to convert this advantage into tangible results in the form of earnings. Although earnings obviously lag the geographical expansion, we believe that we will see significant effect of our increased footprint during 2015.

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For the uninitiated, or as simplification, one can describe it that we have managed to create a new "card" network that performs many more functions than the VISA / MasterCard network does. This accomplishment has not been easy and has been an extremely complex operation. We did this due to that we very early realized that the old VISA and MasterCard networks did not meet the requirements one need to have when launching an international mobile payment service, with all the opportunities that mobile payments provides.

A special mention of the new product "Shop Spot" or "Active Media" as we call it internally. This Service/product changes everything in both the media landscape as well as for the traditional sales channels I.e. Physical, and online stores. We have turned media itself into a sales channel. We can achieve very high margins in this segment since we currently are the only ones in the world that can use this channel.

I do not wish to comment upon our fourth quarter results in detail, as we do not run this company with a quarterly focus. Rather, the management has a two-year planning cycle in terms of our cost and revenue structure, our product and development, and overall strategy. I can only conclude by saying that the figures speak for themselves and correspond largely to the management and board's expectation.

Peter Fredell  
CEO



# Seamless

## The Group

### Revenues

On an annualized basis, Seamless' revenue increased by 6%, however looking only at the fourth quarter it decreased by 17% to SEK 43,214 thousand (52,369) in comparison with the corresponding quarter the previous year. The decrease in revenue is due to, as mentioned in previous quarterly reports, foremost a decrease in the revenues from the Distribution business segment.

Seamless started up its own distribution network in Sweden in mid-2013, which resulted in an increase in revenues of 64% in comparison with the corresponding period the previous year. During the fourth quarter of that year, the largest customer of the Seamless subsidiary Lettel declared bankruptcy. Lettel was engaged exclusively with distribution, and the bankruptcy of this particular customer did not affect sales for the Distribution business segment during the fourth quarter of 2013 very much, but on the other hand, the full impact was felt in Q1 2014. Revenues between Q4 2013 and Q1 2014 decreased from SEK 52.4 million to SEK 40.7 million. If on the other hand, one compares Q1 2014 to Q1 2013, revenues have increased significantly due to that the revenues from Seamless' Distribution operations in Sweden only commenced from Q3 2013 onwards, which is why the corresponding quarters for Q1 and Q2 2014 show an increase in revenues compared to Q1 and Q2 2013, while Q3 and Q4 2014 thus becomes the first quarters where both sales for Lettel and for Seamless' Swedish part of Distribution are included, while the decline in revenues as a result of the bankruptcy of Lettel's largest customer is reflected in the 2014 figures, which is why revenues have thus been reduced. Looking at the individual quarters of 2014, revenues for the Distribution business segment have remained at a consistent level throughout the year.

Revenues are distributed between the various business segments as follows: 27 percent (19) from the Transaction Switch business segment, 69 percent (76) from the Distribution business segment, and 4 percent (5) from the SEQR business segment.

### Financial Results

- The consolidated operating loss amounted to SEK -51,312 thousand (-29,605) in the fourth quarter.
- Net losses from financial items for the fourth quarter amounted to SEK 695 thousand (572).
- Earnings per share amounted to SEK -1.21 (-0.64) for the quarter.

### Employees

We had a total of 166 (143) employees at conclusion of the quarter. In addition to this, Seamless has retained approximately 35 consultants – primarily in India, Ghana and Pakistan.

### Investments

During the quarter, investments have been implemented with a value of SEK 6,515 thousand (11,909). Product development costs have been capitalized at a value of SEK 5,869 thousand (7,523), while depreciation taken and amortization amounted to SEK -5,029 thousand (-5,676).

### Cash Flow and Financial Position

For the fourth quarter, the cash flow from operating activities amounted to SEK -47,020 thousand (-11,351). Bank deposits and cash equivalents at the end of the quarter amounted to SEK 105,273 thousand (302,765).

The Group has interest-bearing liabilities in the form of leases for hardware amounting to SEK -2,030 thousand (-2,888), divided into long-term debt of SEK -423 thousand (-912) and short-term debt of SEK -1,607 thousand (-1,976). The Company has no interest-bearing liabilities to banks or other credit institutions.

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Other than the above, the Group has no borrowings. Seamless continues to maintain a strong financial position with an equity ratio of 74 percent (88).

As announced in press releases and in the previous quarterly report, savings measures has been taken during the third and fourth quarters, which will result in anticipated savings of about 80 million annually. The effects of these savings are expected to be seen during the first quarter of 2015 and onwards. Some of these savings measures has been to discontinue the Swedish part of Seamless development department, which resulted in that about 30 people had to leave the company.

The Board of Directors and senior management's view is that the financial position and liquidity are sufficient to fund the business operations for the approaching twelve month period.

## Parent company

The parent company's net sales for the quarter amounted to SEK 13,056 thousand (59) and net financial results amounted to a profit of SEK -256,064 thousand (loss of -6,735). Net financial gains/losses in the parent company was SEK -270,160 thousand (-2,058) and bank deposits/cash on hand amounted to SEK 69,041 thousand (258,889) at the end of the quarter. The parent company had 4 (4) employees at the close of the quarter.

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## Business Segments

	Net sales (SEK 1,000s)				Net sales growth compared with the corresponding period of the previous year			
	Oct-Dec 2014	Oct-Dec 2013	full year 2014	full year 2013	Oct-Dec 2014	Oct-Dec 2013	full year 2014	full year 2013
Transaction Switch	11 581	10 094	38 415	41 115	15%	neg	neg	neg
Distribution	29 722	39 865	124 571	111 761	neg	105%	11%	35%
SEQR	1 911	2 410	7 768	8 398	neg	-	neg	-
Not able to be	-	-	-	-	-	-	-	-
<b>The Seamless Group</b>	<b>43 214</b>	<b>52 369</b>	<b>170 754</b>	<b>161 273</b>	<b>neg</b>	<b>51%</b>	<b>6%</b>	<b>20%</b>

	Operating profit, (SEK 1,000s)				Operating margin			
	Oct-Dec 2014	Oct-Dec 2013	full year 2014	full year 2013	Oct-Dec 2014	Oct-Dec 2013	full year 2014	full year 2013
Transaction Switch	6 932	690	9 741	5 506	62%	7%	26%	13%
Distribution	-6 191	-4 028	-11 763	-10 622	neg	neg	neg	neg
SEQR	-40 869	-22 263	-135 555	-70 178	neg	neg	neg	neg
Not able to be	-11 184	-4 004	-27 420	-20 504	neg	neg	neg	neg
<b>The Seamless Group</b>	<b>-51 312</b>	<b>-29 605</b>	<b>-164 997</b>	<b>-95 798</b>	<b>neg</b>	<b>neg</b>	<b>neg</b>	<b>neg</b>

## Transaction Switch

Operations in: Seamless Payments AB

Established in: 2001

Products include: E-TopUp, Value-Added Services (VAS) and Managed Operations (MOPS)

### Background

Seamless supplies systems for electronic topup of stored value cards and vouchers for top-up payments and other eProducts such as gift cards and prepaid debit cards. The system is a more effective and secure alternative to the former physical vouchers (scratch cards) containing a top-up/reloading code. The system increases the range of products the reseller has on offer, without taking up valuable shelf space, and makes possible much a faster distribution in the market. This offers a huge competitive advantage for telecommunications providers and mobile network operators that operate in countries where infrastructure and security is a challenge. The system additionally offers the customers of our mobile network operators the possibility to establish, administer and monitor a network of resellers who ensure that, firstly, the subscriber base is increased, and secondly that their consumption of cellular airtime/data is supplied in a timely and efficient manner.

Since the initial installation, some 10 years ago, the development of the Seamless ERS 360 platform has followed the new needs and constantly increasing market demands as more and more products and services are introduced electronically, and ERS 360 is now in its fourth generation of technology.

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Further development and improvements have focused primarily on increased performance, security, and ease of use for the user. The Seamless ERS 360 platform is installed and in operation at several mobile network operators who are handling massive volumes of transactions and significant amounts of money, and contains a comfortable capacity in order to be able to handle further growth.

## **Market developments in Q4 2014**

The highlights of the quarter include that we received and announced a significantly large order of over U.S. \$1,000,000 from a mobile network operator in East Africa. This is a delivery of a standard ERS 360 platform, which means minimal adjustments and therefore good profit margins. We expect the system to be operational by the first quarter of 2015, and therefore will start generating support revenues during 2015.

We have also delivered extensions of functionality at a number of customers. We have further increased our market penetration and see the results in a growing number of inquiries both directly as well as via our major strategic partners.

We have experienced a stronger partnership with one of our major customers, a mobile network operator group in Africa, which means we feel very positive about the opportunities to be able to deliver our platform already in 2015 to new countries in Africa where the operator is actively engaged in business operations.

The transaction volume for electronic loading of top-up cards/vouchers managed by Seamless' transaction switch has also continued to increase in this quarter. Several of our customers have decided to discontinue their previous strategy with a mix of physical vouchers and electronic distribution, in order to instead increase their profitability by investing one hundred percent in the electronic channel. We thus have evidence of our customers' significant and increasing confidence in ERS 360 as product and for our service organization's ability to ensure extremely high availability, flexibility and scalability.

With the establishment of the business segment as a separate subsidiary, we have launched a product management function focused on transaction gear. The intention is to use some of our increased capacity to introduce and standardize new features, while attracting both existing and new customers with new functionality. The product strategy entails, by repetitive sales of identical functionality, shorter lead times as well as improved profitability.

## **Market Outlook**

Our existing mobile network operator customers continue to provide Seamless stable and growing revenues from support and maintenance, as well as from "managed operations" where Seamless has management responsibility for the customer's platform. In addition to this, we go into the new business year with a healthy order book, new product offerings, and as well a long and growing list of new business opportunities.

Our good and well-dispersed customer base provides us with solid experience from various markets, and as well good references from successful customers, which provides the essential preconditions in order to significantly increase the sales volume in 2015 in comparison to the previous year.

We have the ambition, and have already taken significant steps towards winning several new customers in 2015 in the regions where we have been active for several years. We also reinforce our market penetration in the continents where we have a smaller customer base and therefore have a huge growth potential.

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## Distribution

Operations in: Sia Lettel, Seamless Payments and SEQR Nordics

Established in: 2011

Products include: Physical and electronic distribution of mobile TopUp/refill codes and other electronic products via retail outlets, banks and online channels.

## Background

### eProducts

The concept eProducts encompasses a wide range of products such as mobile TopUp/refill codes, electronic gift cards, and prepaid debit cards. For merchants, eProducts provide the opportunity to increase sales and consumer inflows without the requirement of making a financial investment, and as well, it avoids tying up capital or the need to maintain an inventory with the products taking up valuable display space in the store. With the electronic distribution of these products, voucher and stored value codes are delivered digitally. This means that the value of the product is not transferred until the actual purchase by the consumer. Retailers of eProducts have traditionally included such outlets as supermarkets, convenience stores and kiosks. The majority of Seamless' sales and distribution of eProducts involves the electronic sale of prepaid cards.

### Technology

Two distribution technologies are available globally for mobile TopUp.

- “eVoucher” – where a voucher with a unique code is distributed electronically with this voucher code being printed out from the reseller's card terminal or directly via the cash register.
- “Direct TopUp” – where the consumer's prepaid SIM is topped-up via that the phone number and the amount to be credited based on the stated amount. Adding funds to a cell phone account takes place directly at the mobile network operator and the consumer receives an SMS confirming the transaction.

In some markets the eVoucher is the dominant technology, while in other markets, Direct TopUp is more dominant. In mature markets such as Sweden, the typical situation is that both technologies are used in parallel, as they satisfy different needs and address different consumer behaviors. Seamless offers both of these solutions in one single technological platform.

### Market developments in Q4 2014

From the time in the third quarter when the Company was able to make the announcement concerning the agreement with Ingram Micro Mobility Sweden AB and Ingram Micro Mobility Denmark A/S (“Ingram Micro Mobility”) to acquire the company's distribution of prepaid mobile services in Sweden and Denmark, a large part of the time during the fourth quarter has been focused on linking up with Ingram Micro Mobility's customers in Sweden and Denmark. At the present time, it appears that the outcome of the agreement will be lower than previously communicated. The current assessment is that the revenues in the Distribution business segment will increase by about SEK 70 million annually as a result of the acquisition. As the acquisition is dependent upon a number of factors that will not be determined until June 30, 2015, therefore this is still a preliminary assessment of the outcome. Thus, as of now it is still not known what the final sales base will be on the settlement date, which is why it is not possible to state the final purchase price at the present time.

### Market Outlook

Seamless is currently active within the Distribution business segment in two geographic markets: Sweden and Latvia. In terms of distribution, the acquisition of Ingram Micro Mobility means that during 2015 these business activities will be expanded to Denmark.

Due to the acquisition of Ingram Micro Mobility, the revenue and the profit margin for the Distribution business segment will increase as from Q1 2015.

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## SEQR

Operations in: Seamless Payments, Seamless Remittance, Seamless Romania, SEQR Finland, SEQR BeNeLux and SEQR Nordics.

Established in: 2012

Products include: Mobile Payments

### **Background**

SEQR's vision is to transform the payments industry and to be the best and most intelligent mobile payment solution for merchants and consumers. Via its brand promise, SEQR will make the routine of daily shopping simpler, more rewarding, and more profitable. Quite simply, A smarter way to pay.

Mobile payments have been a hot topic of discussion internationally over the past ten years. Initially, there was a lot of talk about that mobile payments would spread most rapidly in Africa and the Middle East, in places where banking and a payment infrastructure is nonexistent or deficient. The mobile network operators in these countries have been seen as they would naturally take on the role as introducer and disseminator of mobile payments, since the operators already have the required infrastructure, and since it is both easier and cheaper in most of these places to put up an additional cell tower versus expanding banking and cards infrastructure. In these countries, this has been about solving a real problem, where the problem for instance consisted of that wages are paid out in cash and the worker then had no way to transfer the money to family/relatives/friends living in other cities as the worker has the money in the form of cash but nowhere to deposit these funds in order to effect the transfer.

In the United States and Europe, the first realistic possibility of mobile payments was introduced with the launch of Apple's iPhone, in 2007. Prior to that, the mobile network operators were completely constrained by what was possible to transfer/capitalize on via the use of mobile telephony. In these markets however, the infrastructure for alternatives to cash payments and the transfer of money has been established and in use for some time, with payments by credit and debit cards being the prevailing option in the present situation.

For consumers in Europe and the United States, that they therefore have the possibility of paying by mobile device at a store, or are able to transfer money from their mobile device, has not meant that any real everyday problems have been resolved, or that one's everyday tasks have been made simpler or easier. Payment cards work quite well in general, so why change a habitual pattern and start to pay with one's cellphone instead? Just because it is possible?

If mobile payments are to achieve acceptance among the general public, it is required that the value to the customer and the benefits they receive increases. Therefore some of the things that should be found in a mobile payment service are as follows:

- Digital receipts – to have all of one's receipts saved in one single place, without the annoying problem of having to walk around with a wallet bursting with receipts.
- Digital promotions and discount coupons that can be utilized directly at the payment, instead of a tedious process to redeem them, or that one has to remember to bring them to the store.
- The possibility to link all of their bonus/loyalty cards to the service. Again, this is to avoid having to carry a wallet bursting with customer club cards, and having to remember to use them when making the purchase. In a well-functioning mobile payment solution, the customer club/loyalty points should be automatically registered at a purchase, without the consumer needing to remind the retailer that they are a member.
- Security – credit card numbers are stolen all the time. The ability to emulate card information in the mobile device allows sensitive data to be sent with each transaction. A functional mobile payment solution that will achieve wide acceptance among the general public must result in increased security for the consumers, so that they can rest assured that their data, consumer information and foremost,

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account information, are being stored in a secure and safe way with the supplier of the service.

For the retailer, credit card payments are simple and quick, while costs relating to the handling of cash decreases. Meanwhile however, the merchant pays substantial sums for this service, primarily to the card-issuing banks. The introduction a new method of payment, irrespective of whether it is a “mobile” one or something else, will rarely lead to increased levels of sales or increased revenue for the merchant, as sales will overwhelmingly will be determined by the range of products and what promotional deals are offered, not based on how the payment is made. What then is the merchant’s incentive to introduce “mobile payments”?

The gaining of acceptance among retailers for mobile payments deals with, above all, being able to fulfill two criteria:

1. It may not take longer nor be more complicated than the current cash/card transactions. If a need arises to open another checkout line because the lines grow so long due to that the payment system or instrument is substandard, then the costs to the retailer increases, customer satisfaction declines, and the mobile payment solution will be discarded. The system must be at least as fast or faster than the present method of payment.
2. Mobile payment systems may not entail any significant costs in terms of financial investment for the retailer. As the retailer does not know in advance whether the system will be utilized to any significant extent, a high level of investment costs will take away a large part of the incentives for implementation of mobile payments. If one looks at the vast majority of players worldwide who have solutions for mobile payments, these are based on Near Field Communication. What this technology involves is that the checkout/POS terminals must be replaced with new terminals that support this. The replacement of all checkout/POS terminals is a relatively expensive undertaking and a tedious process that is time consuming as well.
3. Price per transaction – it is important the recurring costs are at the same level, or less expensive, than what the retailers are presently paying today to the banks for processing credit card payments. Again, a business will not likely sell more by introducing mobile payments in their physical store, so a higher cost per transaction to the retailer than what they pay today will frustrate the broad dissemination of mobile payments at retailers worldwide. The vast majority of mobile payment solutions presently available are based one way or another on credit/debit card payments, which means that the price which the retailer will have to pay per transaction when a payment is made via a mobile device will in most cases be higher than for a simple credit/debit card payment. This is because the players who introduced their mobile payment solution for the retailer we are talking about in this example also have to earn money, and they do this by adding a margin on top of the existing cost for the processing of card payments.

There are a few parties active in this field who can fulfill a couple of the above criteria. Seamless is the only company that currently can actually fulfill all of them.

## **Market developments in Q4 2014**

During the fourth quarter, a number of important joint cooperation agreements and customer agreements were signed in Sweden as well as in other countries where SEQR is available. In Sweden, among the parties whom we signed agreements with is JYSK, for the implementation of SEQR in their 134 stores in Sweden.

In Belgium, during the third quarter of 2014, it was confirmed that the Colruyt Group, one of Belgium’s largest retail groups with annual sales of over € 8 billion, will be linked to join SEQR. In September, the online shops Collishop, DreamLand and Dreambaby became the first part of the Group to offer SEQR as a payment method. The rollout in all physical stores, with nearly 5,000 POS, began at the end of 2014 and is expected to be completed during the first quarter of 2015. A few of Colruyt’s stores in France have, in the first weeks of 2015,

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been activated with SEQR which means that even the French can now begin to pay with SEQR.

Interest in SEQR from retailers as well as consumers has been considerable since its launch in Belgium and Portugal. New stores will be continually added, and despite the fact that the marketing of SEQR has been extremely limited, the influx of new customers has exceeded expectations.

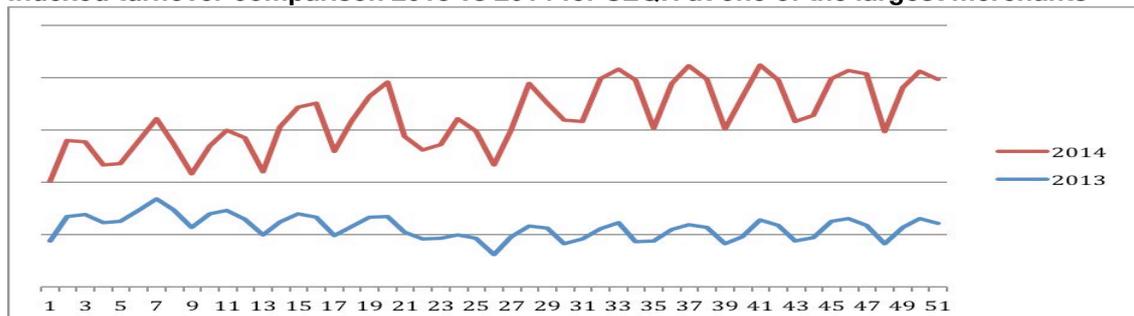
The biggest news from a product perspective was the launch of SEQR Shop Spot a service that converts all social media to a sales channel. Direct from the social media, the purchase is implemented and the product is then sent to the selected address. The feature is aimed at retailers, brands and social media, while at the same time it totally changes the shopping experience for the consumer.

The social media represents a larger interface with consumers than sales in physical stores and online shopping combined. The social media's primary role so far has been simply to deliver consumers to physical stores and online shopping. Now social media itself becomes a direct sales channel. It is hoped that this will provide a major impact on the social media's revenue channels and increase conversions from advertising to actual purchases.

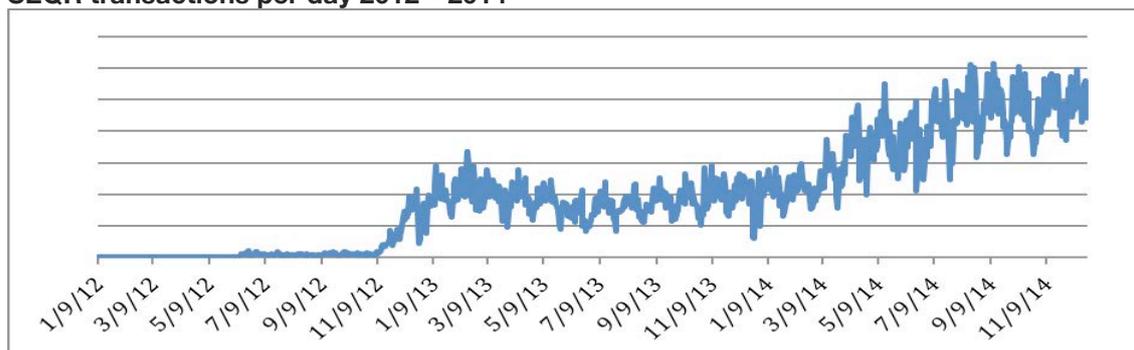
The purchase is made by scanning a QR code that is displayed on the surface one wants to use as a sales channel. It could be an ad or banner, a projection on a building wall, a physical product, promotional video or a commercial. The consumer agrees to the purchase with a pin code, and receive the product or service delivered directly to their home or office address. Advertisers and commerce can function by quickly measuring where and when consumers shop and thereby adapting the messages, channels and platforms for an effective sales promotion.

With Shop Spot, SEQR's functionality is expanded from being a means of payment to also being the tool or vehicle for the entire purchase. In this manner SEQR provides a whole new shopping experience for the consumer. A further effect of the launch of Shop Spot is that the roll-out rate of SEQR can be increased in geographic terms as the integration vis-à-vis large retail chains is not a requirement in order to be able to launch SEQR in a new country anymore.

## Indexed turnover comparison 2013 vs 2014 for SEQR at one of the largest merchants



## SEQR transactions per day 2012 – 2014



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## Significant events during the reporting period

The following events of a significant character occurred during the reporting period:

### Significant events during the reporting period

- The Board of Directors of Seamless decided on two instances, within the framework of the authorization for the acquisition of its own shares (up to a maximum of 10 percent of the shares) which was obtained at the AGM on April 8, 2014, to repurchase 1,000,000 of the Company's own shares.
- Seamless strengthens its U.S. team via the hiring of Beverly Cole, who becomes Head of Sales for the United States. Beverly has extensive experience working with companies within the fields of finance and technology, having held several senior positions, and comes from her most recent position at First Data Merchant Services where she was Senior Vice President and Strategic Account Leader for Bank of America.
- The transaction platform business operations were incorporated as a subsidiary via the establishment of the company Seamless Distribution AB. The traditional business as an IT provider of the ERS transaction platform is placed in the company. The move took place during the autumn and is part of the work Seamless has underway to streamline its operations from a strategic perspective. For the position of CEO of Seamless Distribution AB, Tommy Eriksson, former CTO of Seamless, was appointed.
- Seamless receives its second largest ever order with a new order for the distribution of prepaid airtime and data via stored value cards and vouchers for top-up payments. The order comes from a large mobile and Internet Service Provider in Africa, and in connection with this Seamless enters in to a new market. The company intends to implement the Seamless transaction platform, ERS 360, to manage the distribution of prepaid airtime and data/Internet access time for their mobile customers via cards and vouchers for top-up payments. The order gives the new subsidiary Seamless Distribution Systems AB, which transaction gear now belongs to, a rocket start. The contract is initially worth over USD 1 million and comprises ERS distribution of eProducts and management of loading of stored value top-up cards and vouchers.
- JYSKS's customers can pay by mobile device as they have chosen to implement SEQR as a payment solution in their Swedish stores. Danish JYSK Group is an international retail chain with 2,200 stores in 36 countries with annual sales of approx. € 2.9 billion.
- No external funding is needed for the foreseeable future after the new cost savings have been implemented. The Board of Directors has adopted a budget for 2015. The decision means additional cost savings, resulting in that Seamless will not be needing any external financing within the foreseeable future. As previously announced, the savings have already commenced. The additional cost reductions that were decided upon will mean a savings of SEK 80 million compared with expenditures in 2014.

### Significant events after the close of the reporting period

- Changes in Seamless Group Management – Seamless undertook the following changes in the Group Management after the close of the reporting period. Annika Blomé, Chief Product Officer, became a new member of Group Management. At the same time, Anders Forssten resigned as Chief Marketing Officer. The changes were implemented on February 1, 2015.

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## **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 through 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.

### **Deferred tax**

Recognised deferred tax assets of the Group amounted to SEK 27.7 (27.7) million and relates to deferred taxes on loss carry forwards related to Swedish companies, which have no maturity date. The reason for the recent negative results are primarily our investment in SEQR with large marketing and sales costs. This investment is something the company can control, which means that if we want to, we can suspend cost flow and just focus on our established segments Transaction Switch and Distribution. Group management has carefully examined the value of the deferred tax assets and estimates that, based on historical and expected positive results from the Transaction Switch and Distribution in the coming years, it convincingly indicates that the company will be able to utilize the deferred tax assets and thereby justify the amount carried forward. Unrecognized tax loss carry forwards within the Group amounts to about 37 million.

### **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. As no significant changes have occurred during the quarter regarding material risks and uncertainties. For further reference, please refer to the statement in the latest Annual Report on its pages 24-26.

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.

# Seamless

## Financial Information - The Group

<b>Group report over total earnings SEK thousand</b>	<b>Oct-Dec 2014</b>	<b>Oct- Dec 2013</b>	<b>Full year 2014</b>	<b>Full year 2013</b>
Net Sales	43 214	52 369	170 754	161 273
Other operating income	1 302	591	1 566	1 356
Material costs	-36 315	-46 494	-141 627	-122 844
Other external costs	-25 693	-8 577	-84 844	-51 870
Personnel costs	-27 214	-21 818	-92 125	-71 320
Depreciation	-5 029	-5 676	-17 639	-12 136
Other operating costs	-1 577	-	-1 082	-257
<b>Operating result</b>	<b>-51 312</b>	<b>-29 605</b>	<b>-164 997</b>	<b>-95 798</b>
Financial net	695	572	482	295
<b>Profit before tax</b>	<b>-50 617</b>	<b>-29 033</b>	<b>-164 515</b>	<b>-95 503</b>
Income tax	-195	4 920	-277	15 556
<b>Profit for the period</b>	<b>-50 812</b>	<b>-24 113</b>	<b>-164 792</b>	<b>-79 946</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Currency translation differences	190	323	609	37
<b>Total comprehensive income attributable to parent company shareholders</b>	<b>-50 622</b>	<b>-23 790</b>	<b>-164 183</b>	<b>-79 909</b>

<b>Consolidated Balance Sheet SEK thousand</b>	<b>Dec 31 2014</b>	<b>Dec 31 2013</b>
<b>ASSETS</b>		
Intangible assets	41 631	31 378
- of which goodwill	6 032	5 671
- of which capitalized development costs	34 362	24 291
- of which customer agreements	1 198	1 350
- of which other intangible assets	39	66
Tangible fixed assets	16 379	13 452
Deferred tax	27 787	27 773
Other long-term receivables	2 094	428
Inventories of finished goods	8 472	3 402
Accounts receivables	25 048	22 335
Other receivables	23 532	5 034
Prepaid expenses and accrued income	6 203	10 181
Cash and cash equivalents	105 273	302 765
<b>Total assets</b>	<b>256 419</b>	<b>416 748</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	190 365	367 458
Appropriation	654	76
Other non-current liabilities	423	912
Deferred tax liability	339	285
Trade accounts payable	29 381	24 909
Current tax liability	232	352
Other current liabilities	15 827	11 484
Accrued expenses and deferred income	19 198	11 272
<b>Total Equity and Liabilities</b>	<b>256 419</b>	<b>416 748</b>

# Seamless

## Financial Information - The Group (con't)

Consolidated statement of changes in equity, SEK thousand	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
<b>Balance at start of period</b>	<b>253 997</b>	<b>82 381</b>	<b>367 457</b>	<b>137 110</b>
Comprehensive income for the period	-50 622	-23 790	-164 183	-79 909
New share issue	-	320 000	-	320 000
Transaction costs	-	-14 882	-	-14 882
Conducted new share issue	-	714	-	714
Options program	-	3 034	100	4 424
Share repurchase	-13 009	-	-13 009	-
<b>As per end of the period</b>	<b>190 365</b>	<b>367 457</b>	<b>190 365</b>	<b>367 457</b>

Consolidated statement of cash flows, SEK thousand	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Cash flow from operations before changes in working capital	-46 700	-24 225	-147 348	-83 746
Change in working capital	-320	121 874	-1 383	-1 219
Cash flow from operating activities	-47 020	-11 351	-148 731	-84 965
Cash flow from investing activities	-9 508	-11 909	-35 740	-37 191
Cash flow from financing activities	-13 415	311 899	-13 628	411 004
<b>Cash flow during the period</b>	<b>-69 943</b>	<b>288 639</b>	<b>-198 099</b>	<b>288 847</b>
Cash and cash equivalents at beginning of period	175 050	14 213	302 765	14 004
Exchange difference of cash and cash equivalents	166	-86	607	-85
<b>Cash and cash equivalents at end of period</b>	<b>105 273</b>	<b>302 766</b>	<b>105 273</b>	<b>302 765</b>

Key figures	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Return on equity	neg	neg	neg	neg
Earnings per share, basic and diluted, SEK	-1,21	-0,64	-3,94	-2,35
Operating income, SEK thousand	-51 312	-29 605	-164 997	-95 798
Growth Net sales (compared to the same period last year)	-17%	51%	6%	20%
Operating margin	neg	neg	neg	neg
Average number of shares, basic and diluted	41 910 274	37 937 263	41 871 967	34 064 253
Liquidity	248%	709%	248%	709%
Equity ratio	74%	88%	74%	88%
Equity, SEK thousand	190 365	367 457	190 365	367 457
Equity per share, SEK	4,54	8,95	4,54	8,95
Number of employees at end of period	166	143	166	143

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## Financial Information - The Parent Company

Parent company income statement SEK thousand	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Net sales	13 056	59	18 452	42
Other operating income	4 989	-	6 055	7
Operating expenses	-3 949	-4 735	-22 748	-21 101
<b>Operating result</b>	<b>14 096</b>	<b>-4 677</b>	<b>1 759</b>	<b>-21 051</b>
Net financial items	-270 160	-2 058	-270 110	-2 076
<b>Earnings before tax</b>	<b>-256 064</b>	<b>-6 735</b>	<b>-268 351</b>	<b>-23 127</b>
Income tax	-	-	-	-
<b>Income for the period</b>	<b>-256 064</b>	<b>-6 735</b>	<b>-268 351</b>	<b>-23 127</b>

Parent company balance sheet SEK thousand	Dec 31 2014	Dec 31 2013
<b>ASSETS</b>		
Fixed assets	32 407	81 857
Total current assets	135 857	350 156
<b>Total Assets</b>	<b>168 264</b>	<b>432 012</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	144 516	425 777
Long-term liabilities	-	-
Short-term liabilities	23 748	6 235
<b>Total equity and liabilities</b>	<b>168 264</b>	<b>432 012</b>
Pledged assets	-	-
Contingent liabilities	None	None

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## The Seamless share – Jan-Dec 2014

Price trend	-77.8%
Ticker symbol	SEAM
Market Cap (Dec 31)	SEK 459 Million
Highest share price	49.50
Lowest share price	7.75
Total number of shares (Dec. 31)	41,910,274

## Upcoming financial reports

March 17, 2015	2014 Annual Report
May 6, 2015	Quarterly report – Q1, 2015
May 4, 2015	2015 Annual General Meeting
July 29, 2015	Quarterly report – Q2, 2015
November 11, 2015	Quarterly report – Q3, 2015
February 17, 2016	Quarterly Report – Q4, 2015
March 17, 2016	2015 Annual Report

## About Seamless

Founded in 2001 with business operations in 26 countries, Seamless processes over 3.1 billion transactions annually via 525,000 active sales outlets. It is Seamless' proprietary transaction platform that forms the basis of SEQR. More than 4,600 merchants have chosen SEQR, and in Sweden today, one can shop at Hemköp, Willys, Tempo, McDonald's, Burger King, Ur&Penn, MyWay, Webhallen and Dormy, using SEQR. In 2013, SEQR was launched in Romania, and in the spring of 2014, in Belgium and Finland. In 2013, SEQR received recognition by winning in the "Best Mobile Money Deployment in Europe" category from the Mobile Money Global Awards. Seamless shares are traded on NASDAQ OMX Stockholm, under the ticker symbol SEAM. [www.seamless.se](http://www.seamless.se)

Seamless has offices in: Accra, Atlanta, Brussels, Bucharest, Calcutta, Helsinki, Lahore, Lisbon, Mumbai, Riga, Lodz, London and Stockholm.

The Seamless quarterly report for the period October– December 2014 has been approved for publication by the Board of Directors, by its decision on February 15, 2015. This financial report has not 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, February 15, 2015

Michael Sundin  
Chairman of the Board of Directors

Martin Börresen  
Member of the Board

Omar Cordes  
Member of the Board

Peter Fredell  
Member of the Board/  
Chief Executive Officer

Robin Saunders  
Member of the Board

Seamless Distribution AB (publ) Org. no. 556610 - 2660

All information is published on [www.seamless.se](http://www.seamless.se) immediately after public release.

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