



Seamless Interim Report Second Quarter

2017

Seamless

Corp. id. no: 556610-2660

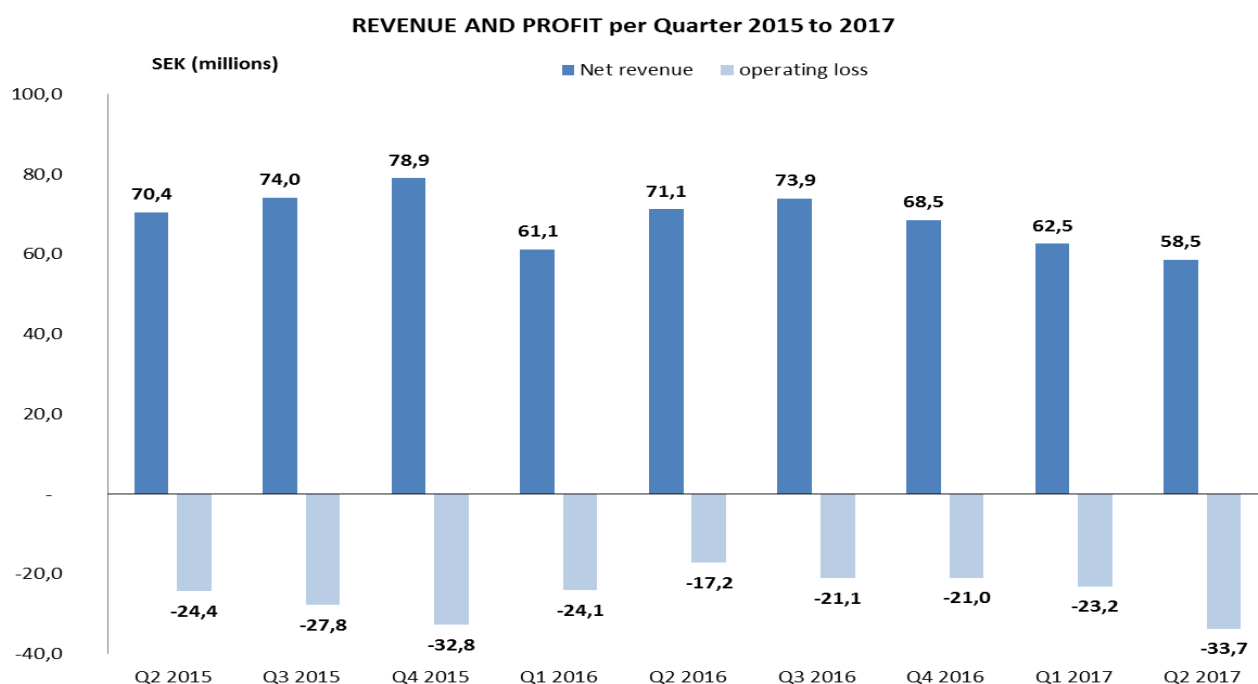


INTERIM REPORT, SECOND QUARTER OF 2017

April – June 2017

- Net sales for the period SEK 58.5 million (71.1)
- Operating loss for the period SEK -33.6 million (-17.2)
- Loss after tax for the period SEK -38.1 million (-17.3)
- Earnings per share SEK -0.65 (-0.36)
- Cash flow before changes in working capital for the period -29.7 (-14.1)

Overview	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full-Year
SEK thousand	2017	2016	2017	2016	2016
Net sales	58 521	71 145	121 003	132 208	274 549
Operating result	-33 657	-17 202	-56 809	-41 337	-83 460
Financial net and taxes	-4 483	-107	-6 559	-1 538	-3 467
Loss for the period	-38 140	-17 309	-63 368	-42 875	-86 927
Balance sheet total	263 339	212 144	263 339	212 144	251 284
Earnings per share, basic and diluted*	-0,65	-0,36	-1,08	-0,91	-1,66
Operating margin	neg	neg	neg	neg	neg
Equity ratio	30%	39%	30%	39%	54%
Capitalized development costs	9 655	6 537	20 661	13 073	35 009
Depreciation	-7 256	-4 205	-13 632	-8 125	-19 402



Significant events during the period April – June 2017

- Seamless Distribution Systems AB (SDS) announces the launch of Micro Credit service for resellers of mobile airtime. It is the first of its kind service that provides a unique value proposition of business continuity and improved market penetration by enhancing resellers' ability to always provide top-up. This service will be introduced to the market, enabling resellers to continue providing electronic airtime top-up even when they do not have adequate prepaid airtime credit available.
- Seamless Distribution AB has sold 1,000,000 of its earlier repurchased shares. With this transaction Seamless now holds no shares in itself.
- MeaWallet A/S ("MeaWallet") signs a license agreement with Tier 1 Card Issuer. MeaWallet will be responsible for installing and setting up the solution in the customer's local datacenter. Through this agreement, the card issuer can provide digital and mobile wallet services to its four million card holding clients, supporting four card schemes – local scheme, Mastercard, Visa and American Express, as well as the converged wallet service Masterpass. This is the first project where MeaWallet will be delivering digital cards running on the American Express network, positioning the MeaWallet as one of the most complete Token Hubs in this industry.
- iGaming Cloud partners with Seqr™ enabling them to offer the innovative mobile payment solution as a new digital payment option for its customers.
- Seamless wins the prestigious Global Telecom Business Award for its project "Be Your Own Boss"
- On 8 June 2017, SEQR Group AB has sold the intellectual property rights tied to the transaction platform ERS 360 to SDS. SEQR Group AB has transferred its claim against Seamless Distribution Systems AB of SEK 25,000,000 to Seamless Distribution AB.
- On 20 June 2017, Seamless Distribution AB provided a loan to SDS. At the same time all the claims between the two companies were offset against the capital amount on the SDS loan to Seamless Distribution AB, which resulted in a net debt from SDS to Seamless Distribution AB of SEK 54,282,423. For further information please refer to page 8.

Significant events after the close of the reporting period

- Seamless Distribution AB appoints new CEO. The Board of Seamless Distribution AB has today terminated Peter Fredell's employment as CEO of Seamless. Tomas Jalling, who has been employed by Seamless as Head of Legal since December 2012, becomes Seamless' new CEO.
- Seamless Distribution AB appoints new operating Management. The new operating Management team, who will work with and support Tomas Jalling as CEO is formed from: James Connelley, Head of SEQR, Lars Sandtorv, Head of MeaWallet, Radoslaw Kozlowski, Head of Delivery, Martin N. Larsson, Head of Treasury/IR, Martin Schedin, CFO/HR, Geir Norlund, CIO.

- On July 21 the listing of SDS on Nasdaq First North Premier was completed. Through the divestment of SDS, Seamless Distribution AB receives 191 MSEK. Seamless Distribution ABs remains with a holding of 23 % of the shares in SDS corresponding to a value of approximately 53 MSEK.
- SEQR Payments AB, part of Seamless Distribution AB, has been approved by Mastercard as an issuer of Mastercard products in Europe. The partnership with Mastercard will enable Seqr to use its e-money license to open up innovative mobile payment opportunities within the European market and to drive forwards its growth agenda within the mobile payments industry.
- Seamless delivers contactless payment solution to a Hungarian Bank.
MeaWallet A/S ("MeaWallet"), part of Seamless Distribution AB, has signed an agreement with a Hungarian bank for delivery of MeaWallet's proprietary technology for contactless card payments. The bank is one of the major banks in Hungary, a market where more than half of the payment cards in use have contactless capabilities. The solution will enable the bank's clients to perform contactless card payments through the bank's existing banking application. This means that the subsidiary MeaWallet enters into a new geographical market. Furthermore, the agreement provides proof that the mobile payment solutions market is developing in the direction that MeaWallet has positioned itself for. The total order value in addition to an agreed upfront fee of 1MSEK is currently unknown, but is estimated to be between 3 and 5MSEK.

CEO's COMMENT

Business and finance review

The recent period has seen substantial positive change at Seamless. Management is intensively engaged on multiple fronts. First and foremost, the recent successful completion of the IPO of SDS provided critical funds to stabilise the company's financial position. Numerous actions are in progress to further solidify our financial situation in the coming months. These actions relate not only to funding, but also to cash burn. The blunt reality is that Seamless does not at this point have access to unlimited funds, and as such, Management is making critical choices to focus resource on highest probability of success investments. Management is also continuing to address the Company's structure in a way that will enable successful delivery of our growth strategy, but also reduces expenditures in non-critical areas. We have set a goal to move steadily toward cashflow breakeven by mid-2018.

Actions taken by Management and the new CEO to optimise our focus will produce annualised cash-cost benefits in excess of 15 MSEK by Q4 of this year. In tandem with this, investment in key focus areas will be enhanced. Looking at each of the three business lines:

e-Products

Actions already taken by Management and the new CEO will enable our largest revenue generating activity to move into profit as of Q4, following a multi-year period of reported losses. A reallocation of resource into markets and contracts that are profitable will likely produce some reduction in revenues as we move forward. Our core market, Sweden, has the unusual situation of being a low profit duopoly, and we are addressing loss-making contracts. In other markets, we are moving to increase pricing and reduce exposure to loss-making endeavors. Product innovation will be maintained, such that we can continue to offer enhanced revenue generating opportunities to our clients. The goal is for e-Products to become sustainably profitable as we move forward.

Seqr

Under the new leadership of James Connelley (previously Head of Sales for Seqr), our core B2C enterprise is moving rapidly to focus on highest probability of success opportunities, in revenue and profit pools that have a high chance of sustained growth. In addition, we are moving aggressively to monetise opportunities with major global vendors such as MasterCard. Seqr will continue to support our QR offering, particularly with a view to enabling global vendor-partners. Until now, revenue traction in Seqr has disappointed our earlier expectations, especially when compared to peer European fintech disruptors of similar maturity. Fortunately, Seqr is blessed not only with outstanding people in our development and sales areas, but product functionality that is considered amongst the best available in the market. The consumer experience will become front-and-center of our efforts, and a focus on key markets where we believe we can gain meaningful traction, or build on existing strengths - such as Sweden, Belgium and Germany. In B2B, Seqr is working closely with MeaWallet to connect with potential partners and clients to offer comprehensive payment/wallet solutions.

MeaWallet

Acquired by Seamless in July 2016, MeaWallet is now showing an acceleration in its order pipeline, and signed orders. MeaWallet is one of the leading European wallet providers, with solutions supporting Mastercard, Visa, Amex and local schemes, and MeaWallet's platform is now live in 20 countries. The long decision-making cycle of financial institutions results in some 'lumpiness' in quarterly delivery, but with PSD2 now a reality in Europe, MeaWallet is well positioned to accelerate growth as we move into 2018. Our goal is for MeaWallet to deliver profitable growth in the period ahead, in spite of the increase in resource required to deliver the anticipated increase in volumes.

In summary

The new Management team understands fully that our shareholders demand, and should receive, an acceptable return on their investment. Management also understands equally well that this can only come if the Company deliver products that offer economically beneficial solutions, and are of genuine enhanced day-to-day utility to users. These will be the guiding principles for the Company as we move forward.

Tomas Jalling

CEO

CONSOLIDATED

Revenue and result

Seamless' revenues during the second quarter amounted SEK 58 521 thousand (71 145), which is a decrease with 18% compared with the same period of the previous year. The sales are distributed between the various business segments, with 28 percent (36) from the Transaction Switch business segment, 66 percent (61) from the Distribution business segment, and 6 percent (3) from the SEQR business segment.

The consolidated operating loss amounted to SEK -33 657 thousand (-17 202) in the second quarter. Financial items for the second quarter amounted to SEK -4 714 thousand (-608). Earnings per share amounted to SEK -0.65(-0.36) SEK for the quarter.

Personnel

The Group had a total of 176 (161) employees at end of the quarter. In addition to this, Seamless has retained approximately 70 consultants – primarily in Ghana and Pakistan.

Investments

During the quarter, investments have been made in a total amount of SEK 9 785 thousand (6 244). Product development costs have been capitalized at a value of SEK 9 655 thousand (6 537), while depreciation taken and amortization amounted to SEK -7 256 thousand (-4 205).

Cash flow and financial position

Cash flow from operating activities amounted to SEK -66 934 thousand (-21 336) for the second quarter. Bank deposits and cash equivalents at the end of the quarter amounted to SEK 12 497 thousand (8 629). To maintain Swedish e-money license, the Company according to Financial Supervisory Authority is required an own funds requirement of about 4 million. For the US market, the liquidity should be equivalent to the average daily transaction volume.

The Group has interest bearing liabilities in the form of leases for hardware amounting to SEK -962 thousand (-844), divided between long-term debt of SEK -689 thousand (-499) and short-term debt of SEK -273 thousand (-345). 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 743 thousand. The convertible loan will mature in 364 days after the date of issue, on August 28, 2017. At the end of June 2017, the company arranged a bridge loan of 60 MKR, which was repaid in July.

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.

Seamless has an equity ratio of 30 (39) percent.

Divestment of subsidiary

On 8 June 2017, Seamless Distribution Systems acquired all intellectual property rights tied to the transaction platform ERS 360 from SEQR Group AB for a purchase sum of SEK 31.250.000; SEK 25.000.000 of which was paid the same day via promissory note and SEK 6.250.000 of which is to be paid in cash by 20 August 2017 at the latest. The loan under the promissory note matures on 31 May 2022, may be paid off prior to this date, and accrues an annual interest of 8 per cent which is capitalised and paid in connection with repayment of the loan. On 20 June 2017, Seamless Distribution Systems took out a loan of SEK 32.487.000 from Seamless (of which SEK 31.850.000 was disbursed to an external creditor, in accordance with Seamless Distributions Systems' instructions, in order to fully repay Seamless Distribution Systems' external loan financing, including accrued interest, and a SEK 637.000 offset was debited in the arrangement fee). The loan matures on 31 May 2022, may be paid off prior to this date, and accrues an annual interest of 8 per cent which is capitalised and paid in connection with repayment of the loan.

On 8 June 2017, SEQR Group AB transferred its claim against Seamless Distribution Systems of SEK 25.000.000 to Seamless Distribution AB. At the same time, Seamless had a claim against Seamless Distribution Systems of SEK 57.487.000, whilst SEQR Group AB has a claim against Seamless Distribution Systems of SEK 6.250.000. Seamless Distribution Systems in turn has counterclaims against Seamless totaling SEK 3.204.577, which Seamless Distribution Systems offset against the capital amount on Seamless Distribution Systems loan to Seamless, which resulted in a net debt to Seamless of SEK 54.282.423. These transactions are considered as intercompany transactions as of 30/06.

Assets and liabilities in disposal group held for sale	30 juni	30 juni
SEK thousand	2017	2016
Assets held for sale		
Intangible assets	16 609	-
- of which capitalized development cost	16 609	-
Tangible fixed assets	3 953	-
Accounts receivable	18 605	-
Other receivables	10 691	-
Prepaid expenses and accrued income	10 266	-
Cash and cash equivalents	2 077	-
Total assets	62 201	-
Liabilities held for sale		
Equity	8 604	-
Appropriation	757	-
Other long-term liabilities	30 378	-
Accounts payable	14 348	-
Current tax liabilities	714	-
Other current liabilities	218	-
Accrued expenses and prepaid income	7 182	-
Total equity and liabilities	62 201	-

Parent Company

The parent company's net sales for the quarter amounted to SEK 1 095 thousand (591) and net financial result amounted to a loss of SEK -10 782 thousand (-23 405). Net gains/losses in the parent company from financial items amounted to SEK -7 591 thousand (-19 689). The parent company had bank deposits/cash on hand in the amount of SEK 2 347 thousand (602). The parent company had 2 (2) employees at the close of the quarter.

Transactions with closely related parties

During the quarter Seamless has the following loans from closely related parties:

-Gunnar Jaderlöv through Contigo Förvaltning AB, SEK 5 000 000, with an arrangement fee of SEK 300 000. This loan was repaid during Q2.

-Gunnar Jaderlöv through Contigo Förvaltning AB, SEK 5 000 000, with an arrangement fee of SEK 100 000 and an interest of 20% after due date. Interest during Q2 amounted to SEK 41 096. This loan was repaid during Q2.

-Tomas Klevbo through KLEVCO AB, SEK 2 500 000, with an arrangement fee of SEK 50 000 and an interest of 20% after due date. Interest during Q2 amounted to SEK 20 548. This loan was repaid during Q2.

-John Longhurst, SEK 2 500 000, with an arrangement fee of SEK 50 000 and an interest of 20% after due date. Interest during Q2 amounted to SEK 20 548. This loan was repaid during Q2.

-John Longhurst, SEK 1 500 000, with an interest of 6%. This loan has been repaid in July 2017.

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.

Disposal groups held for sale and discontinued operations

Disposal groups are classified as assets held for sale when their carrying amounts will mainly be recovered through a sale transaction and a sale is considered highly likely. They are recognised at the lower of the carrying amount and fair value less selling expenses. Deferred tax assets, assets attributable to compensation to employees, financial assets, investment properties and contractual rights in insurance agreements are, however, exempt from this valuation requirement.

The Group recognises a loss on the basis of a decrease in value for every initial and subsequent impairment of the asset (or disposal group) to the equivalent of fair value less selling expenses. A gain is recognised for every

subsequent increase in the fair value less selling expenses, but not to an amount higher than the accumulated value of impairment losses previously recognised. A gain or loss that was not previously recognised when a fixed asset (or disposal group) is sold shall be recognised as of the date the asset or disposal group is removed from the statement of financial position.

Fixed assets (including such that are a part of a disposal group) are not depreciated as long as they are classified as being held for sale. Interest and other expenses attributable to the liabilities in a disposal group held for sale are recognised continuously.

Fixed assets held for sale and assets in a disposal group held for sale are recognised separately from other assets in the balance sheet. The liabilities attributable to a disposal group held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a part of a company that has either been divested or is classified as held for sale and constitutes an independent significant line of business or an operation that is conducted in a geographic area, is a part of a single coordinated plan to divest an independent significant line of business or an operation conducted in a geographic area or is a subsidiary that has been acquired exclusively for the purpose of being resold. The results from the discontinued operations are recognised separately in the income statement. The assets and liabilities of the discontinued operation are classified as assets held for sale.

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.

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 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 19-21 and 68.

BUSINESS SEGMENTS

	Net Sales, SEK thousand					Growth, Net Sales compared to last year				
	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full-Year 2016	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full-Year 2016
Transaction Switch	16 475	25 559	39 484	44 385	96 096	neg	10%	neg	14%	6%
eProducts	38 862	43 123	75 269	83 676	169 093	neg	neg	neg	neg	neg
Seqr	3 184	2 457	6 250	4 141	9 360	30%	36%	51%	12%	24%
Group functions	-	6	-	6	-	-	-	-	-	-
Seamless Group	58 521	71 145	121 003	132 208	274 549	neg	1%	neg	4%	neg

	Operating Result, SEK thousand					Operating Margin				
	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full-Year 2016	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full-Year 2016
Transaction Switch	2 143	9 766	9 984	16 068	33 129	13%	38%	25%	36%	34%
eProducts	-820	109	-1 749	-1 328	-2 230	neg	0%	neg	neg	neg
Seqr	-25 250	-18 027	-47 405	-37 485	-78 356	neg	neg	neg	neg	neg
Group functions	-9 730	-9 050	-17 639	-18 592	-36 003	neg	neg	neg	neg	neg
Seamless Group	-33 657	-17 202	-56 809	-41 337	-83 460	neg	neg	neg	neg	neg



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, via its proprietary QR code network and through Mastercard global NFC network, 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.

Earnings

Seqr continued its recent trend of quarter on quarter sales growth with another record quarter in terms of net sales at 3,183 MSEK, a 4% increase on Q1 2017. This also represents a 130% net sales growth versus the same Q2 period in 2016. Operating costs were slightly higher in the quarter due to investments in information technology, increased sales and exhibitions activity and an amortization adjustment. Operating result for Seqr was therefore -19,515 MSEK before depreciation.

Key Seqr consumer metrics including new Seqr app downloads and transaction volume continue to show impressive double-digit growth versus 2016. Transaction volume is 52% higher and new customer downloads are 24% higher than in the same period in 2016.

Activities/market prospects

It was an incredibly busy quarter for Seqr, with both Seqr on the business-to-consumer side and MeaWallet on the business-to-business side making significant steps forward in terms of both product & market development and business performance.

At the end of Q1 2017 Seqr announced it had joined forces with Mastercard to launch Masterpass into the Seqr payments app. Masterpass enables Seqr users to make fast and secure digital payments throughout the Masterpass online and in app acceptance network. Development work has been ongoing through Q2 on integrating Masterpass and will be ready for launch in Q3, enabling Seqr user to shop at approximately 340,000 online retailers in 34 countries around the world.

After Masterpass launch Seqr will be accepted for payment across its own proprietary QR code network, at all Mastercard NFC terminals and where Masterpass is accepted on line and in app. This will give Seqr an unrivalled level of global acceptance.

In the quarter Seqr also launched card to up functionality having integrated Adyen card acquiring capabilities. Seqr Go customers are now able to add funds to their Seqr Pre-paid account directly from any credit or debit card. Enabling card top up functionality gives Seqr customers the flexibility to add funds to their Seqr account without connecting their bank account. Providing this greater flexibility will lead to a more active and engaged customer base. Card top up functionality will be extended to all Seqr customers in Q3.

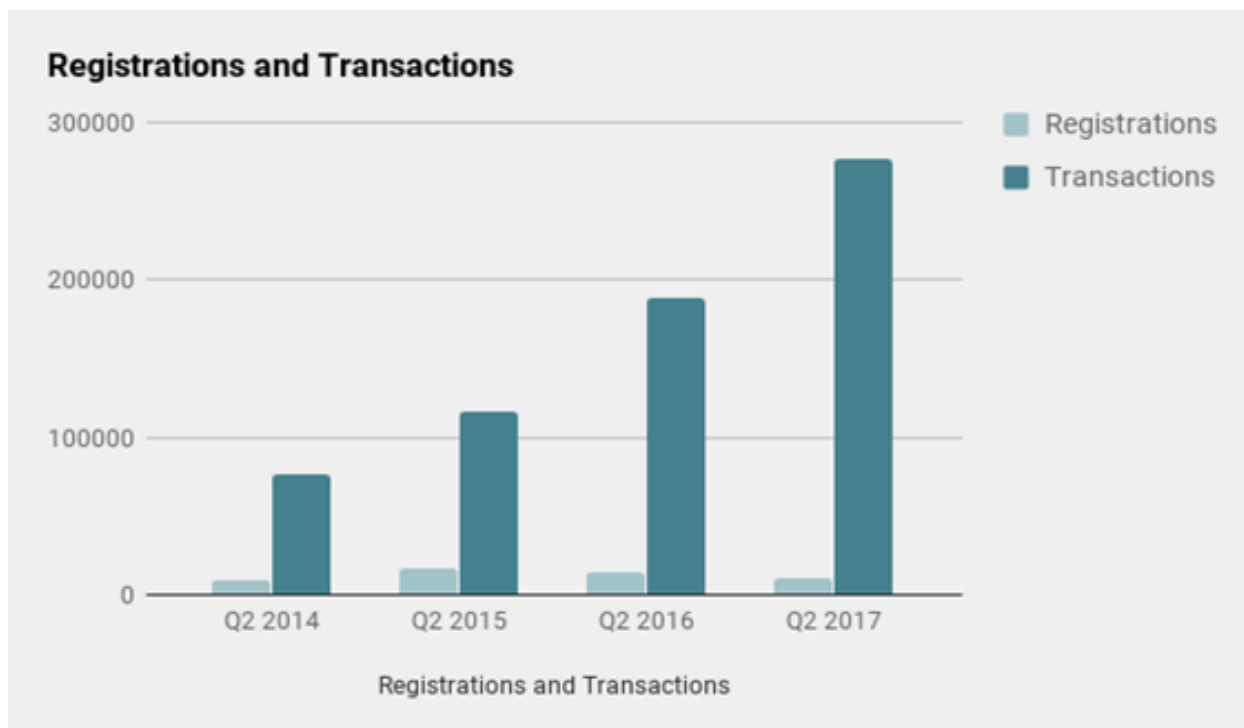
We continued to focus our efforts to grow the Seqr fully integrated QR code payment service on underserved sectors where we can acquire new users at low cost and / or where we can command higher margin transaction fee income, making particularly strong progress in the areas of Gaming and Vending. In May iGaming Cloud, a gaming platform provider which is part of Gaming Innovation Group, contracted to use Seqr, paving the way for Seqr to be accepted by approximately 40 operators. For the Vending sector we further enhanced our Unattended Payments Service and now have now contracted, or are in the process of contracting, with a number of vending machine operators which will see Seqr accepted at hundreds of vending machines across Europe.

As well progress in these sectors and the delivery of important product improvements from Seqr development teams, quarter 2 also continued to show strong growth in our key Seqr performance metrics. Transaction volumes and customer downloads of the Seqr app were up 20% and 6% respectively on Q1 2017. The growth in these metrics has been achieved with minimal marketing investment and we expect more significant growth as our marketing investment increases in the second half of the year. Our top 3 countries for active Seqr customers are Sweden, Belgium and Germany, where the number of German users has more than trebled since the beginning of 2017. We expect this growth trajectory to continue in the German market where Seqr has first mover advantage.

Closing out on Seqr, in the USA we continued the process of securing our Money Transmitter Licenses and are now licensed in 31 of 50 states.



Moving lastly to MeaWallet as Seqrs' business-to-business proposition, MeaWallet delivered a very strong revenue performance in Q2 and announced a major new partnership having signed a License Agreement with a large Tier 1 Card Issuer.



The figure shows the number of downloads of the SEQR apps (for the iOS and Android platform), and transactions within the SEQR platform in the first two quarters 2014 – 2017.

Through the agreement the Card Issuer will provide digital and mobile wallet services to their four million card holders, supporting four card schemes – local scheme, Mastercard, Visa and American Express, as well as the converged wallet service Masterpass. This is the first project where MeaWallet will be delivering digital cards running on the American Express network, positioning the MeaWallet as one of the most complete Token Hubs in the industry.

MeaWallet has a very strong new business pipeline and expects to announce new agreements with other tier 1 banks and card issuers throughout Q3 and the remainder of 2017.

Transaction Switch/Seamless Distribution Systems

Seamless Distribution Systems (SDS) AB, previously known as Transaction Switch, provides systems for the management of distribution networks primarily for the online top-up of prepaid cards, as well as eProducts covering everything from gift cards to mobile banking services. As well as being a sophisticated distribution system, it is also a platform for a number of advanced functions for campaign and sales management. The hub of the business is Seamless' own ERS 360° platform which it has been constantly developing ever since the first installation 15 years ago, in order to meet the needs of the market. It has customers all over the world, primarily in Africa and the Middle East, where telecommunications companies are the major customer group. Today, the platform handles 5.3 billion transactions annually, to a value of over USD 8 billion on 28 markets.

Financial result

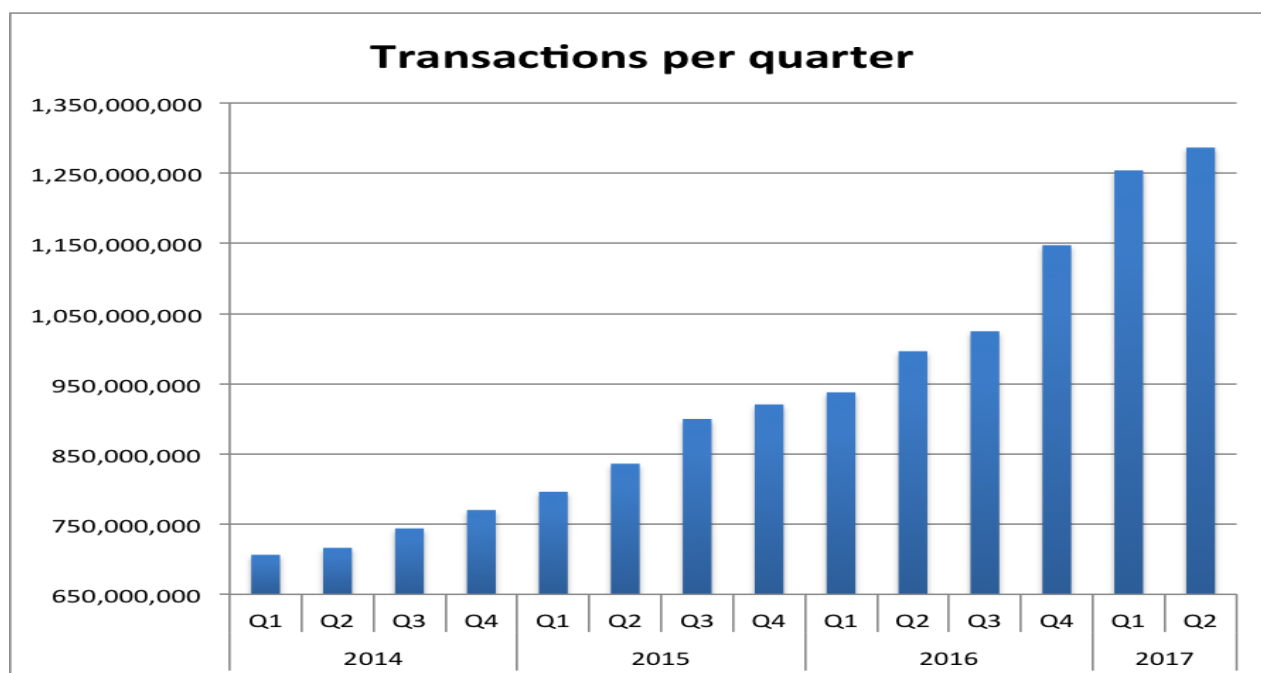
During the second quarter of 2017, the transaction volume continued to increase; an unbroken trend since SDS was launched in 2014. Though SDS's revenues are not directly affected by the transaction volume, this is still an indicator for the business value which SDS delivers to its customers.

The quarter ended with SDS gaining a new mobile operator as a customer in Africa. The customer is a new startup and the business will not affect transaction volumes or revenues to any great extent in the short-term. Sales in the second quarter were otherwise characterised by continued sales of capacity licenses and additional features to existing customers, in addition to recurring revenues from support and operating services.

The turnover of MSEK 16.4 for the quarter is lower than the figure for the same quarter in the previous year, due to the fact that there were more major projects with successive revenue recognition. It is a natural part of SDS' business model thus far that the turnover and financial result are affected by larger projects. The results of the quarter have also been affected by a negative net financial income arising from loans for the group taken in SDS.

Payroll and consulting expenses have decreased somewhat in relation to previous quarters in connection with a review of productivity in the organization's delivery segment. At the same time, they will rise again in Sweden due to the requirement for corporate governance entailed by the listing of SDS AB which took place at First North Premier on 21 July 2017.

Concrete results from the past year's productivity projects in the development division are now seen in deliveries where it has been possible to reduce both the total workload and the delivery time. One example is the new customer which entered into a contract at the end of the quarter and which is due to launch ERS360 as early as July.



Activities and market prospects

The quarter has seen major focus on customer relations, with trips, meetings and follow-ups of the workshops given in the first quarter. We see increased activity and great interest from existing customers both for our traditional additional features and the service for retail credit. Our regular customer survey also provided both a higher response frequency and even better grades than before, which shows that we are maintaining and improving the experience of SDS as a reliable and attractive supplier of quality.

eProducts/Distribution

Seamless eProducts Sweden (with the subsidiaries Seamless eProducts Latvia and Seamless eProducts Denmark) encompasses physical and electronic distribution of eProducts, such as the Distribution of electronic prepaid cards (refill codes) and other electronic products through retailers, banks and online channels.

Seamless ties together all mobile operators and banks to enable consumers to buy refills of prepaid cards through the banks' channels: mobile, Internet and telephone banking.

Globally, there are two distribution technologies for mobile top-up: eVoucher* and Direct TopUp* where Seamless offers both in the same technical platform.

Earnings

Sales and earnings for the business area declined compared with the same quarter in 2016. This is related to the continuing weak market development, as well as higher technical costs.

Sweden

The number of contracted stores continues to grow, but the total sales volume has decreased.

Denmark

The establishment of Seamless distribution of eProducts in the Danish market is progressing according to plan.

Latvia

The transaction volume is lower than the corresponding period in 2016, but earnings have improved.

Bank topup

The cooperation with mobile operators and banks in the Swedish market means that Seamless has created technology and communication solutions for all parties to enable consumers to buy refills of prepaid cards through the banks' sales channels (mobile, Internet and telephone banking). Sales volumes through banks are stable. A comprehensive system upgrade of the banking system's central transaction exchange and integration work was completed during the period.

Activities and market prospects

Seamless eProducts is continuing the on-going work with stores and activities, as well as general work to automate processes and further develop the technical support.

In addition, further cooperation agreements have been signed with GoDream, a large Nordic supplier of digital and physical gift cards. The roll-out of GoDream products through Seamless' retail channels is being prepared and will take place soon.

In Latvia, we see a continuing negative impact on prepaid card distribution from the mobile operators' price competition in subscription sales. Of course, this benefits the consumer who gets more talk/data time for the money, but is a disadvantage to the other parties. Products/services not tied to operators are under development to create alternative stable sales and Paysafecard is now included in Seamless' offering to Latvian resellers.

eProducts

The term eProducts includes a number of products, such as prepaid cards/refill codes, electronic gift cards and other kinds of prepaid vouchers. For retailing, eProducts provide an opportunity to increase sales and an influx

of consumers without requiring investments, tied-up capital, inventory or the products demanding store space. In the electronic distribution of these products, value codes are delivered digitally and the store incurs a cost only when the product is sold.

For retailing, eProducts provide an opportunity to increase sales and an influx of consumers without requiring investments, tied-up capital, inventory or the products demanding store space. In the electronic distribution of these products, value codes are delivered digitally and the store incurs a cost only when the product is sold.

*“eVoucher” – where 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” – where funds are added to the consumer’s prepaid SIM via that the telephone number and the desired amount to be credited is stated. 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

FINANCIAL INFORMATION - CONSOLIDATED

Group report over total earnings	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full-Year
SEK thousand	2017	2016	2017	2016	2016
Net Sales	58 521	71 145	121 003	132 208	274 549
Other operating income	214	52	-153	111	2 995
Material costs	-40 158	-47 825	-77 389	-92 339	-184 569
Other external costs	-16 648	-17 912	-31 562	-36 320	-73 281
Personnel costs	-23 845	-17 950	-46 856	-35 259	-77 380
Depreciation	-7 256	-4 205	-13 632	-8 125	-19 402
Other operating costs	-4 485	-507	-8 220	-1 613	-6 373
Operating result	-33 657	-17 202	-56 809	-41 337	-83 460
Financial net	-4 714	-608	-7095	-1249	-2 750
Profit before tax	-38 371	-17 810	-63 904	-42 586	-86 210
Income tax	231	501	536	-289	-717
Loss for the period	-38 140	-17 309	-63 368	-42 875	-86 927
OTHER COMPREHENSIVE INCOME					
Currency translation differences	-1 239	316	-1374	-68	3 418
Total comprehensive income attributable to parent company shareholders	-39 379	-16 993	-64 742	-42 943	-83 509

Consolidated Balance Sheet	30 juni	30 juni	31-dec
SEK thousand	2017	2016	2016
ASSETS			
Intangible assets	107 998	52 163	118 386
- of which goodwill	14 032	5 878	14 344
- of which capitalized development costs	72 368	44 053	80 510
- of which customer agreements	563	788	697
- of which other intangible assets	21 036	1 444	22 835
Tangible fixed assets	10 134	14 842	14 880
Deferred tax	27 774	27 792	27 849
Other long-term receivables	586	3 813	3 115
Inventories of finished goods	3 391	9 224	4 115
Accounts receivables	17 181	28 443	35 810
Other receivables	14 462	29 886	21 399
Prepaid expenses and accrued income	9 191	37 352	17 067
Cash and cash equivalents	10 420	8 629	8 663
Total assets held for sale	62 201	0	0
Total assets	263 339	212 144	251 284
EQUITY AND LIABILITIES			
Equity*	69 137	82 621	135 762
Appropriation	203	700	889
Other non-current liabilities	30 441	659	380
Deferred tax liability	5 375	294	6322
Trade accounts payable	26 767	30 976	40 264
Current tax liability	903	992	2224
Other current liabilities	54 175	42 363	47 166
Accrued expenses and deferred income	14 137	53 539	18 277
Total liabilities held for sale	62 201	0	0
Total Equity and Liabilities	263 339	212 144	251 284

*Equity shown in the consolidated balance sheet has been adjusted with SDS' equity (8,604 SEK thousand)

Consolidated statement of changes in equity, SEK thousand	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full-Year 2016
Balance at start of period	110 760	99 646	135 762	190 365	102 636
Comprehensive income for the period	-39 379	-16 993	-64 742	-55 877	-83 509
New share issue	0	0	0	0	119 245
Transaction costs	0	-32	0	0	-3 227
Reclassification	0	0	0	0	16
Options program	360	0	721	0	0
Sale of shares	6 000	0	6 000	-517	0
As per end of the period	77 741	82 621	77 741	133 971	135 762

Consolidated statement of cash flows, SEK thousand	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full-Year 2016
Cash flow from operations before changes in working capital	-29 765	-14 184	-50 220	-35 949	-67 477
Change in working capital	-37 169	-7 152	-5 696	-720	1 775
Cash flow from operating activities	-66 934	-21 336	-55 916	-36 669	-65 702
Cash flow from investing activities	-9 785	-6 244	-18 845	-14 033	-35 283
Cash flow from financing activities	78 627	11 419	78 640	36 408	84 988
Cash flow during the period	1 908	-16 161	3 879	-14 294	-15 997
Cash and cash equivalents at beginning of period	10 614	24 664	8 663	23 005	23 005
Exchange difference of cash and cash equivalents	-25	126	-45	-82	1 655
Cash and cash equivalents at end of period	12 497	8 629	12 497	8 629	8 663

Key figures	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full-Year 2016
Return on equity	neg	neg	neg	neg	neg
Earnings per share, basic and diluted, SEK	-0,65	-0,36	-0,91	-0,91	-1,66
Operating income, SEK thousand	-33 657	-17 202	-56 809	-41 337	-83 460
Growth Net sales (compared to the same period last year)	-18%	1%	-8%	4%	58%
Operating margin	-0,58	-0,24	-0,83	-0,62	neg
Average number of shares, basic and diluted	58 765 305	48 635 421	58 765 305	47 370 857	52 223 924
Liquidity	78%	82%	78%	82%	77%
Equity ratio	30%	39%	30%	39%	54%
Equity, SEK thousand	77 741	82 621	77 741	82 621	135 762
Equity per share, SEK	1,32	1,70	1,32	1,70	2,31
Number of employees at end of period	176	161	176	161	200

Quarterly overview	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Net sales	70 411	74 034	78 873	61 063	71 145	73 888	68 453	62 482	58 521
Operating result	-24 422	-27 775	-32 789	-24 136	-17 202	-21 074	-21 048	-23 153	-33 657
Earnings per share, basic and diluted*	-0,58	-0,70	-0,80	-0,55	-0,36	-0,38	-0,39	-0,43	-0,65
Growth Net sales (compared to prev. quarter)	24%	5%	7%	-23%	17%	0%	-7%	-9%	-6%
Liquidity	153%	149%	146%	100%	82%	103%	77%	60%	78%
Equity ratio	67%	51%	50%	50%	39%	59%	54%	44%	30%
Equity, SEK thousand	133 971	105 738	102 636	99 646	82 621	155 723	135 762	110 761	77 741
Equity per share, SEK	3,20	2,52	2,25	2,05	1,70	2,65	2,31	1,88	1,32

FINANCIAL INFORMATION – PARENT COMPANY

Parent company income statement	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full-Year
SEK thousand	2017	2016	2017	2016	2016
Net sales	1 095	591	2 190	1 665	4 260
Other operating income	0	-330	0	-3	1 274
Operating expenses	-4 286	-3 977	-7 422	-8 088	-17 007
Operating result	-3 191	-3 716	-5 232	-6 426	-11 473
Net financial items	-7 591	-19 689	-34 076	-50 181	-115 544
Earnings before tax	-10 782	-23 405	-39 308	-56 607	-127 017
Income tax	0	0	0	0	0
Income for the period	-10 782	-23 405	-39 308	-56 607	-127 017

Parent company balance sheet	30 June	30 June	31 Dec
SEK thousand	2017	2016	2016
ASSETS			
Fixed assets	46 955	16 516	16 811
Total current assets	152 030	113 035	163 756
Total Assets	198 985	129 551	180 567
EQUITY AND LIABILITIES			
Equity	57 327	48 721	90 634
Long-term liabilities	60 000	0	0
Short-term liabilities	81 658	80 830	89 933
Total equity and liabilities	198 985	129 551	180 567
Pledged assets	-	-	-
Contingent liabilities	None	None	None

Seamless share Apr-Jun 2017

Price trend first quarter	-26,76%
Ticker symbol	SEAM
Market Cap (per 30 Jun)	SEK 305.58 million
High	SEK 7.90
Low	SEK 4.30
Total no of shares (per 30 Jun)	58 765 305

FINANCIAL CALENDAR

15 Nov 2017	Interim report Q3
15 Feb 2018	Interim report Q4
15 Mar 2018	Annual report 2017

About Seamless

Seamless is one of the world's largest suppliers of payment systems for mobile phones. Founded in 2001 and active in 35 countries, Seamless handles more than 5.3 billion transactions annually through 675 000 active sales outlets. Seamless has three main business areas including the 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

The Seamless interim report for the period April – June 2016 has been approved for publication by the Board of Directors, by its decision on August 9, 2017. 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 August 9, 2017

John Longhurst
Chairman of the Board of Directors

Petra Sas
Member of the Board

Tomas Klevbo
Member of the Board

Peter Fredell
Member of the Board

Robin Saunders
Member of the Board

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

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