

Invitation to purchase and admission to trading of shares in Seamless Distribution Systems AB at Nasdaq First North Premier

NASDAQ First North Premier is an alternative marketplace operated by the different exchanges within the Nasdaq group. Companies on Nasdaq First North Premier are not subject to the same rules as companies listed on the regulated main market. Instead, they are subject to less extensive rules and regulations adapted for smaller growth companies. An investment in a company traded on Nasdaq First North Premier may therefore entail more risk than an investment in a company listed on the regulated main market. All companies whose common shares are admitted to trading on Nasdaq First North Premier have a Certified Adviser who oversees compliance with the regulations. It is the stock exchange (Nasdaq Stockholm AB) that approves applications for admission to trading.

Joint Global Coordinators:

ABG
SUNDAL COLLIER

DNB
MARKETS

Important Information

Certain definitions

In this prospectus (the Prospectus), SDS or Company refer to Seamless Distribution Systems AB, company registration number 556979-4562, while Group refers to SDS and its wholly-owned Indian subsidiary, Seamless Private Limited. "Seamless" or "SDAB" refers to SDS's parent company Seamless Distribution AB, company registration number 556610-2660. "Offer" means the offer to acquire shares in SDS from Seamless set forth in the Prospectus.

"ABG" refers to ABG Sundal Collier AB, company registration number 556538-8674, while "DNB" refers to DNB Markets, part of DNB Bank ASA Sweden branch, company registration number 516406-0161. "Nasdaq First North Premier" refers to the trading platform Nasdaq First North in Stockholm's special segment Nasdaq First North Premier, as operated by Nasdaq Stockholm AB, company registration number 556420-8394. Nasdaq First North is a trading platform that is not subject to the same rules as the regulated market, Nasdaq Stockholm. "Euroclear" refers to Euroclear Sweden AB, company registration number 556112-8074.

Preparation and registration of the Prospectus

This Prospectus has been drawn up following a decision by the Board of Seamless on 19 June 2017 to offer its shareholders the opportunity to acquire up to 85 percent of the shares in SDS in return for payment, and by reason of the SDS Board's application for admission to trading of SDS shares on Nasdaq First North Premier. The Prospectus has been drawn up in accordance with the Swedish Financial Instruments Trading Act (1991:980), as well as European Parliament and Council Directive 2003/71/EC as amended by European Parliament and Council Directive 2010/73/EU and EU Commission Regulation 809/2004 as amended by EU Commission Regulation 486/2012.

The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (FSA) in accordance with the provisions of Chapter 2, sections 25 and 26 in the Swedish Financial Instruments Trading Act (1991:980). Approval and registration does not mean that the FSA provides an assurance that the facts as stated in the Prospectus are accurate or complete. The Prospectus is available on the Company's website, <https://sds.seamless.se>; on Seamless's website, <https://seamless.se/>; on ABG's website, www.abgsc.com; on DNB's website, www.dnb.no/emisjon; and on the FSA's website, www.fi.se. Hard copies of the Swedish Prospectus are available from the Company free of charge on request.

All information contained in the Prospectus should be considered carefully, particularly with regard to the specific circumstances set forth in the section Risk factors describing certain risks that an investment in SDS may entail. When investors make an investment decision, they have to make independent assessments of legal, fiscal, commercial, financial and other consequences of the investment, and rely on their own fact-finding, analyses and investigations regarding the Company. Each investor should, before acquisition or subscription of shares in SDS takes place, consult their own advisors.

Neither the Company nor Seamless has taken or will take any steps to allow a public offering in any other jurisdiction than Sweden. No purchase rights or shares in SDS ("Securities") have been registered or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any State or other jurisdiction in the United States, or any provincial law in Canada and may not be transferred or offered for disposal in or into the United States or Canada, or to a resident of Canada or on behalf of such a person other than in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, and others in the United States, or in exceptional cases that do not require registration under any provincial law in Canada. The securities are offered and sold in the United States solely to persons who are "qualified institutional buyers" as defined in Rule 144A of the Securities Act ("QIBs") in accordance with the exemption from the registration requirements of the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. The offer is not being made to persons resident in Australia, Japan, Hong Kong, Singapore or in any other jurisdiction in which participation would require additional prospectuses, registration or measures other than those required by Swedish law. Consequently, the Prospectus may not be distributed in or to said countries or any other country or jurisdiction where distribution or the Offer under this Prospectus requires such measures or otherwise contravenes the regulations that pertain in such a country or jurisdiction. Acquisition of shares in violation of the above restrictions may be void. Persons receiving copies of this Prospectus are required to inform themselves about such restrictions and comply with them. Measures that contravene these restrictions may constitute a breach of applicable securities laws.

Forward-looking information, market information, etc.

The Prospectus includes forward-looking statements and assumptions about future market conditions, operations and performance. Forward-looking statements are made by the Board and reflect the Company's current views on future events as well as financial, operational and other trends. There are forward-looking statements in several sections, including statements regarding the Company's current intentions, assessments and expectations, as expressed explicitly or implicitly. Forward-looking information is based on conditions prevailing on Prospectus publication day. The Company undertakes not to publish updates or revisions of statements regarding future circumstances as a result of new information or similar that arises after Prospectus publication day. Although the Company believes the expectations described in forward-looking statements to be reasonable, there is no guarantee that these will be realised or are correct. Investors should therefore not attach too much importance to these.

The section entitled Risk Factors describes factors that may cause actual performance or development to differ significantly from historical information or from forward-looking statements. The Prospectus contains historical market information and forecasts. Certain information has been obtained from third parties and the Company has correctly reproduced such information in the Prospectus. The Company has not verified figures, market data or other information used by third parties in the preparation of information used in the Prospectus. Thus where information has been obtained from third parties, the Company is only responsible for the correct reproduction of the information and such information should be read with this in mind. In so far as the Company is aware and can ascertain by comparison with other information published by the third party concerned, no information has been omitted in a manner that would render the reproduced information incorrect or misleading.

The figures reported in the Prospectus have in some cases been rounded and therefore do not necessarily agree with the tables in the Prospectus. All financial amounts are stated in Swedish kronor (SEK), unless otherwise stated. Where necessary, thousands of kronor are abbreviated TSEK, and millions of kronor as MSEK. Except where expressly indicated, no information in the Prospectus has been reviewed or audited by the Company's auditor. Financial information in the Prospectus relating to the Company and which is not included in the revised information, or which has been reviewed by the Company's auditors as stated here, derives from the Company's internal accounting and reporting systems.

Disputes

Any dispute arising by reason of the contents of the Prospectus and the Offer as well as legal proceedings stemming from them, may only be settled by a Swedish court. Swedish substantive law is exclusively applicable to the Prospectus and the Offer.

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Important dates

Last day for trading in the Seamless share with the right to the allocation of purchase rights	26 June 2017
Seamless shares traded excluding the right to the allocation of purchase rights	27 June 2017
The record date for the receipt of purchase rights in SDS	28 June 2017
Trading with purchase rights on the Mangold list	29 June - 12 July 2017
Application period	29 June - 14 July 2017
Estimated first day of trading in the SDS share on Nasdaq First North Premier	21 July 2017

Other

ISIN code for the SDS share	SE0009994445
Abbreviation (ticker symbol) for the SDS share on Nasdaq First North Premier	SDS
ISIN code for purchase rights	SE0004977437

Financial calendar

Interim report, January – June 2017	11 August 2017
Interim report, January – September 2017	22 November 2017
Year-end report	13 February 2018
Annual General Meeting	25 April 2018

Summary

The Prospectus summary comprises required information set out in paragraphs. Paragraphs are in alphabetical order in sections A-E (A. 1-E 7). This summary contains all the items required for the type of securities concerned and the issuer. Because certain items are not applicable to all types of Prospectus, there may be gaps in the alphabetical list. Even where an item is required to be included in the summary of relevant securities and the issuer, it is possible that no relevant information can be given regarding the item. The information is then replaced by a short description of the item along with the words "not applicable".

Section A - Introduction and warnings		
A.1	Introduction and warnings	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the securities must be based on an appraisal of the Prospectus in its entirety by the investor.</p> <p>If a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information to aid investors when considering whether to invest in such securities.</p>
A.2	Financial intermediaries	Not applicable. No financial intermediaries have been engaged.

Section B - Issuer and any guarantor(s)		
B.1	Company name and business name	The Company is registered as Seamless Distribution Systems AB with company registration number 556979-4562. The Company's shares will be traded on Nasdaq First North Premier under the ticker symbol SDS. ¹
B.2	Registered office and legal form	The Board's registered office is in Stockholm municipality. The Company was founded in Sweden and is a Swedish public limited company that operates in accordance with the Swedish Companies Act (2005:551).
B.3	Principle activity	<p>SDS was founded in 2014 and is part of Seamless Distribution AB. The company has its head office in Stockholm, in addition to local offices in Mumbai, Calcutta and Hyderabad in India. It also has local representation via consultants in Accra in Ghana, Lahore in Pakistan, Liege in Belgium, Dubai in the UAE, Quito in Ecuador, Lagos in Nigeria, Conakry in Guinea and Dallas in the USA.</p> <p>SDS is a burgeoning, global software development company specializing in technology solutions for mobile operators, banks, grocery stores and distributors. The Company's main business and product area is the digital distribution of airtime and mobile data for mobile telephony providers by offering systems for the electronic top-up of prepaid cards and support and Managed Operations (MOPS) associated with such systems. The ERS 360 transaction platform constitutes the hub of the Company's operation and each year it manages more than 5.3 billion transactions worldwide with the electronic cash card in 28 markets.</p>

¹ The Company's Board has sought approval for the admittance of the Company's shares to trading on Nasdaq First North Premier. Nasdaq First North has approved SDS application for admission to trading, subject to customary conditions, including that the Company meet Nasdaq First North Premier's distribution requirements.

Section B - Issuer and any guarantor(s)		
B.4a	Trends	<p>In digital distribution, trends clearly indicate that most mobile telephony operators today have some sort of platform for digital distribution and that the market is a so-called mature market. This means that market potential is primarily characterised by upgrades or exchanges, where existing platforms are replaced by new ones with greater capabilities for scalability and the launch of new products. SDS has since its inception shown that it is possible to capture market share in this niche and the Company's own analyses indicate that operators and competitors in many cases have failed to increase digitisation which leaves room for further increase in market share.</p> <p>The number of transactions in the ERS 360 system has grown steadily and at the beginning of the year the annual rate was 5.3 billion; the trend continues to rise, indicating that the SDS offer creates precisely the value that mobile telephony operators demand, namely digitisation.</p> <p>Since its foundation, SDS has been able to achieve its operational goals by winning over customers to the Company's ERS 360 system. These new customers are found within South Africa-based multinational MTN Group, with whom SDS enjoys the status of preferred supplier, but in recent years customers from outside MTN have also chosen SDS, which shows a competitive offering. MTN is a group of independent national mobile operators in many countries in Africa. SDS has a majority of the individual MTN operators as customers, and also many customers from other operators.</p> <p>The Company's business model, with a high proportion of recurring support revenue that increase in line with the number of customers, is anticipated to remain a stable source of income for the years ahead, though with some risk of price squeeze. Over the past year, recurring purchases of additional functions have proved to be a relatively reliable source of revenue even though it does not have the same long-term stability but is directly dependent on the Company's ability to sell and deliver new functions.</p> <p>New customer sales are characterised by occasional high revenue transactions with high margins and with sales cycles ranging from six months to several years. Because they still constitute a significant proportion of annual sales, income and margins must be reviewed over several quarters to give a true and fair view of the Company's growth. During the past two quarters, SDS has not signed any contracts with new customers, which in recent years takes place twice a year.</p> <p>For some time, the Company has had an express ambition to increase the proportion of sales with recurring revenue in relation to non-recurring receipts, which have hitherto constituted the main part of business. The newly developed reseller credit service launched in May 2017 where SDS itself is the credit provider, was well received in the initial customer contacts and is as far as we can tell, an entirely new offering. The Company is also actively engaged in offering ERS 360 with profit sharing as a commercial model, which over time is expected to increase the stability of sales and profits.</p>
B.5	Group	The Company has a subsidiary in India, Seamless Private Limited, which is wholly owned.

Section B - Issuer and any guarantor(s)																																																						
B.6	Major shareholders	<p>On Prospectus publication day, Seamless owns all the shares in the Company.</p> <p>The table below describes the ownership structure of SDS after completion of the Offer on the assumption that all shareholders in Seamless take full advantage of the Offer to acquire shares in SDS, based on information from Euroclear on 31 March 2017 and known changes since then.</p> <table border="1" data-bbox="595 562 1428 1137"> <thead> <tr> <th>Owners</th> <th>Number of shares and votes</th> <th>Percentage of total capital and votes (approx)</th> <th>Country</th> </tr> </thead> <tbody> <tr> <td>Seamless Distribution AB</td> <td>1,037,035</td> <td>15.00%</td> <td>Sweden</td> </tr> <tr> <td>Fredell & co AB*</td> <td>586.911</td> <td>8.49%</td> <td>Sweden</td> </tr> <tr> <td>Danske Invest Fonder</td> <td>443.839</td> <td>6.42%</td> <td>Sweden</td> </tr> <tr> <td>John Longhurst</td> <td>337.513</td> <td>4.88%</td> <td>Sweden</td> </tr> <tr> <td>Avanza Pension</td> <td>317.077</td> <td>4.59%</td> <td>USA</td> </tr> <tr> <td>Tikvah Management Llc</td> <td>314.969</td> <td>4.56%</td> <td>Sweden</td> </tr> <tr> <td>ÖstVäst Capital Management</td> <td>302.800</td> <td>4.38%</td> <td>USA</td> </tr> <tr> <td>Swedbank Försäkring</td> <td>180.148</td> <td>2.61%</td> <td>Sweden</td> </tr> <tr> <td>Kent Carlborn</td> <td>101.000</td> <td>1.46%</td> <td>Sweden</td> </tr> <tr> <td>Total, largest owners</td> <td>3,621,292</td> <td>52.38%</td> <td>Sweden</td> </tr> <tr> <td>Total, other owners</td> <td>3,292,273</td> <td>47.62%</td> <td></td> </tr> <tr> <td>Total, all owners</td> <td>6,913,565</td> <td>100%</td> <td></td> </tr> </tbody> </table> <p>*Fredell & co AB is wholly owned by Peter Fredell, CEO of Seamless.</p>	Owners	Number of shares and votes	Percentage of total capital and votes (approx)	Country	Seamless Distribution AB	1,037,035	15.00%	Sweden	Fredell & co AB*	586.911	8.49%	Sweden	Danske Invest Fonder	443.839	6.42%	Sweden	John Longhurst	337.513	4.88%	Sweden	Avanza Pension	317.077	4.59%	USA	Tikvah Management Llc	314.969	4.56%	Sweden	ÖstVäst Capital Management	302.800	4.38%	USA	Swedbank Försäkring	180.148	2.61%	Sweden	Kent Carlborn	101.000	1.46%	Sweden	Total, largest owners	3,621,292	52.38%	Sweden	Total, other owners	3,292,273	47.62%		Total, all owners	6,913,565	100%	
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B.7	Summary of historical financial information	<p>The following tables provide a summary of SDS's historical financial information. The financial information should be read together with the sections entitled "Operational and financial highlights," "Equity, liabilities and other financial information" and the historical financial information available in the section entitled "Historical financial information for the financial years 2015 and 2016" and the Interim report 1 January – 31 March 2017. Because the amounts indicated in this section have in some cases been rounded, the tables do not always add up precisely.</p> <p>Presentation of financial information</p> <p>Unless otherwise indicated, the financial information reported below was extracted from the Company's audited consolidated accounts for the financial year 2016 (12 months 01/01/2016 to 31/12/2016) and 2015 (15.5 months from 15/08/2014 to 31/12/2015) and the limited review of the Company's consolidated accounts for the first quarter of 2017 with comparative financial information from the first quarter of 2016, which has neither been audited nor subject to review. By way of comparison we also present the unaudited consolidated accounts in respect of the 12 month period 01/01/2015 to 31/12/2015. All of the consolidated accounts were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS).</p>																																																				

Section B - Issuer and any guarantor(s)

B.7	Summary of historical financial information	Income statement				
		Amounts in SEK thousand				
		Jan-Mar 2017 Revised	Jan-Mar 2016 Not revised	2016 Revised	2015 Not revised	15/08/2014 31/12/2015 Revised
Operating revenues						
Net sales	23,451	18,826	96,433	89,171	91,701	
Other operating income	-	551	801	1,680	1,752	
Total operational income	23,451	19,377	97,234	90,851	93,453	
Operating expenses						
Material costs	-1,350	-3,225	-14,897	-38,417	-39,856	
Other external expenses	-5,843	-7,880	-33,662	-16,203	-18,097	
Personnel expenses	-3,848	-1,764	-9,826	-5,164	-6,248	
Depreciation, amortisation and impairment	-571	-119	-975	-21	-21	
Other operating expenses	-4,450	-678	-6,044	-2,578	-2,745	
Total operating costs	-16,061	-13,665	-65,404	-62,384	-66,967	
Operating profit	7,390	5,712	31,831	28,467	26,486	
Financial income	-	-	194	-	-	
Financial expenses	-1,252	-6	-50	-37	-16	
Total financial items	-1,252	-6	144	-37	-16	
Profit before tax	6,138	5,706	31,974	28,430	26,470	
Income tax	-	-	-6,878	-5,741	-5,741	
Profit for the period	6,138	5,706	25,096	22,688	20,729	
Other comprehensive income						
Items for possible subsequent transfer to the income statement						
Exchange rate differences	90	-79	218	48	-307	
Total comprehensive income attributable to Parent Company shareholders	6,228	5,627	25,313	22,737	20,422	
Earnings per share calculated on total comprehensive income attributable to Parent Company shareholders						
Earnings per share before and after dilution (SEK)	8.31	11.41	50.19	45.38	41.46	
Average number of shares before and after dilution	738,957	500,000	500,000	500,000	500,000	

Section B - Issuer and any guarantor(s)					
B.7	Summary of historical financial information	Balance sheet			
		Amounts in SEK thousand			
		31/03/2017	31/03/2016	31/12/2016	31/12/2015
		Revised	Not revised	Revised	Revised
		ASSETS			
		Assets			
		Intangible assets			
	Capitalised expenditure for development work	11,863	2,646	7,525	1,209
	Total intangible assets	11,863	2,646	7,525	1,209
		Property, plant, and equipment			
	equipment	3,967	1,283	3,576	1,161
	Total property, plant and equipment	3,967	1,283	3,576	1,161
		Financial assets			
	Other non-current receivables	-	1,629	-	1,670
	Total financial assets	-	1,629	-	1,670
	Total non-current assets	15,830	5,558	11,101	4,040
		Current assets			
	Trade receivables	7,593	16,797	17,097	29,195
	Receivables from Group companies	79,209	36,973	57,508	22,001
	Other receivables	3,942	2,366	2,493	3,057
	Prepaid expenses and accrued income	16,776	16,651	11,833	10,054
	Total current receivables	107,520	72,787	88,931	64,307
	Cash and cash equivalents	4,880	2,052	1,558	2,114
	Total current assets	112,400	74,838	90,489	66,421
	TOTAL ASSETS	128,230	80,396	101,590	70,461

Section B - Issuer and any guarantor(s)

31/03/2017	31/03/2016	31/12/2016	31/12/2015	
				Revised
EQUITY				
Equity attributable to Parent Company shareholders				
Share capital	588	50	50	50
Reserves	1	-385	-89	-307
Other capital contributed	1,156	1,156	1,156	1,156
Retained earnings incl. profit for the period	7,686	6,506	1,548	800
Total equity	9,431	7,328	2,665	1,699
LIABILITIES				
Non-current liabilities				
Provisions	-	609	663	623
Non-current liabilities to Group companies	979	873	967	893
Total non-current liabilities	980	1,482	1,630	1,516
Current liabilities				
Trade payables	6,481	1,911	5,529	3,208
Current tax liabilities	790	69	777	-
Other current liabilities	30,811	197	89	182
Liabilities with Group companies	70,930	46,008	84,114	44,930
Accrued expenses and deferred income	8,807	23,401	6,785	18,926
Total current liabilities	117,819	71,586	97,295	67,246
Total liabilities	118,799	73,068	98,925	68,762
TOTAL EQUITY AND LIABILITIES	128,230	80,396	101,590	70,461
Pledged assets	-	-	-	-
Contingent liabilities	None	None	None	None

Section B - Issuer and any guarantor(s)							
B.7	Summary of historical financial information	Statement of cash flows					
		Amounts in SEK thousand					
		Jan-Mar 2017	Jan-Mar 2016	2016	2015	15/08/2014	
	Revised	Not revised	Revised	Not revised	Revised		
		Cash flow from operating activities					
		Operating profit before financial items	7,390	5,713	31,830	28,467	26,486
		Amortisations & depreciations	571	119	975	21	21
		Other items not affecting liquidity	-940	-14	60	-38	219
		Interest received	-	-	194	-	21
		Interest paid	-1,252	-6	-50	-37	-37
		Income taxes paid	-261	-166	592	-745	-765
		Cash flow from operating activities before change in working capital	5,508	5,646	33,601	27,668	25,945
		Cash flow from change in working capital					
		Increase/decrease in operating receivables	-18,008	-8,249	-23,122	-58,014	-64,555
		Increase/decrease in operating liabilities	-10,109	4,253	-1,396	32,688	41,793
		Total change in working capital	-28,117	-3,996	-24,518	-25,326	-22,762
		Cash flow from operating activities	-22,609	1,650	9,083	2,342	3,183
		Cash flow from investing activities					
		Investments in intangible assets	-4,905	-1,550	-7,274	-1,230	-1,230
		Investments in property, plant and equipment	-335	-152	-2,380	-613	-863
		Cash flow from investing activities	-5,240	-1,702	-9,654	-1,843	-2,093
		Cash flow from financing activities					
		Borrowing	30,625	-	-	-	-
		Shareholder contribution	-	-	-	-	-
		New share issue	538	-	-	-	-
		Cash flow from financing activities	31,163	-	-	-	-
		Cash flow for the period	3,314	-52	-570	499	1,090
		Increase/decrease in cash and cash equivalents					
		Cash and cash equivalent at beginning of year	1,558	2,114	2,114	1,577	986
		Exchange rate differences in cash and cash equivalents	8	-11	14	38	38
		Cash and cash equivalents at end of period	4,880	2,051	1,558	2,114	2,114

Section B - Issuer and any guarantor(s)

B.7	Summary of historical financial information	<p>Key indicator table</p> <p>The financial information in the table below was calculated based on the Company's audited consolidated accounts for the financial years 2016 and 2015 and also the Company's unaudited consolidated accounts for the 12 month period 2015 and the Company's consolidated accounts for the first quarter of 2017, which was subject to a limited review, with comparative financial information from the first quarter of 2016. All of the consolidated accounts were prepared in accordance with IFRS.</p> <p>Some of the key indicators presented below are so-called alternative indicators². SDS feels that the alternative key indicators taken together with the other key indicators presented are helpful when assessing the Company's financial position and development.</p>
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² Alternative key indicators refers to financial metrics covering historical earnings trends, financial position, financial performance or cash flow that are not defined or described in applicable rules for financial reporting such as IFRS.

Section B - Issuer and any guarantor(s)						
B.7	Summary of historical financial information	Amounts in SEK thousand	Jan-Mar	Jan-Mar	15/08/2014	
			2017	2016	2016	2015 31/12/2015
			Revised	Not revised	Not revised	
				Revised	Revised	
		Margins				
		Operating margin	31,5%	30,3%	33,0%	31,9%
		Net profit margin	26,2%	30,3%	33,2%	31,9%
		P/E Ratio	68,5%	70,5%	67,3%	68,7%
		Return				
		Return on total capital	5,8%	7,1%	31,5%	40,4%
		Return on capital employed	8,2%	7,3%	33,6%	42,4%
		Return on equity	65,1%	77,9%	1194,0%	1673,3%
		Operating cash flow				
		Cash flow conversion	0.96	0.97	0.93	0.97
		Capital structure				
		Balance sheet total	128,230	80,396	101,590	70,461
		Equity	9,431	7,328	2,665	1,699
		Equity/assets ratio	7,4%	9,1%	2,6%	2,4%
		Debt/equity ratio	403,8%	29,7%	240,0%	199,5%
		Working capital	-10,299	1,201	-8,364	-2,939
		Employees				
		Employees at end of period	63	40	52	36
		Average number of employees	58	38	46	31
		Consultants at end of period	73	51	61	40
		Average number of consultants	66	44	54	27
		Share data				
		Number of shares at the end of the period	5,876,531	500,000	500,000	500,000
		Average number of shares before and after dilution	738,957	500,000	500,000	500,000
		Equity per share (SEK)	12.76	14.66	5.33	3.40
		Earnings per share before and after dilution (IFRS key ratio) (SEK)	8.31	11.41	50.19	45.38
		Cash flow from operating activities per share before and after dilution (SEK)	-30.60	3.30	18.17	4.68
		Dividend per share (SEK)	-	-	-	-

Section B - Issuer and any guarantor(s)			
B.7	Summary of historical financial information	Definitions	
		Key indicators	
		Operating profit	Earnings before financial items and tax (EBIT).
		Cash flow from operating activities	Operating cash flow after changes in working capital.
		Margins	
		Operating margin	Earnings before financial items and tax (EBIT) as a percentage of operating income.
		Net profit margin	Earnings for the period before tax as a percentage of net sales.
		Return	
		Return on capital employed	Profit before tax plus financial expenses as a percentage of capital employed.
		Return on total capital	Profit before tax plus financial expenses (or operating profit plus financial income) as a percentage of total assets.
		Return on equity	Profit for the period as a percentage of shareholders' equity.
		Cash flow conversion	
		EBITDA	Operating profit plus depreciations.
		Capital structure	
		Equity/assets ratio	Equity as a percentage of total assets.
		Debt/equity ratio	Interest-bearing liabilities divided by average shareholders' equity.
		Employees	
Employees at end of period	Includes employees of the Company and its subsidiaries, does not include consultants.		
Consultants at end of period	Includes consultants in the Company and its subsidiaries.		

Section B - Issuer and any guarantor(s)								
B.7	Summary of historical financial information	<p>Share data</p> <table border="0"> <tr> <td>Equity per share</td> <td>Equity at the end of the period divided by the number of shares at the end of the period.</td> </tr> <tr> <td>Earnings per share before and after dilution</td> <td>Earnings for the period attributable to the Company's shareholders divided by the average number of shares for the period before and after dilution.</td> </tr> <tr> <td>Cash flow from operating activities per share before and after dilution</td> <td>Cash flow from operating activities divided by the average number of shares for the period before and after dilution.</td> </tr> </table> <p>Significant events after 31 March 2017</p> <p>On 8 June 2017, the Company acquired all intellectual property rights related to the ERS 360 transaction platform from SEQR Group AB for a purchase sum of SEK 31,250,000, of which SEK 25,000,000 was paid on the same day by promissory note, with SEK 6,250,000 payable in cash no later than 20 August 2017. Repayment of the loan under the promissory note, which may be paid early, is due on 31 May 2022; it carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.</p> <p>On 20 June 2017 the Company took up a loan from Seamless in the amount of SEK 32,487,000 (of which SEK 31,850,000 were paid out on Company instructions to an external lender to repay in full the Company's external loan financing including accrued interest, and SEK 637,000 was invoiced as an arrangement fee). The loan will fall due on 31 May 2022; it may be repaid early and carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.</p> <p>On 8 June 2017, SEQR Group AB transferred its receivable with the Company in the amount of SEK 25,000,000 to Seamless.</p> <p>Accordingly, as of Prospectus publication day, seamless will have a receivable of SEK 57,487,000 with the Company, while SEQR Group AB will have an SEK 6,250,000 receivable with the Company. The Company has in turn set-off claims against Seamless estimated to be around SEK 4,000,000, with which the Company intends to settle the principal in the Company's loan to Seamless, which would result in a net indebtedness to Seamless of around SEK 53,487,000.</p> <p>The agreements attributable to the events described above were entered into under market conditions. No significant changes in addition to the events described above have occurred with respect to the Company's financial position or its position in the market since 31 March 2017.</p>	Equity per share	Equity at the end of the period divided by the number of shares at the end of the period.	Earnings per share before and after dilution	Earnings for the period attributable to the Company's shareholders divided by the average number of shares for the period before and after dilution.	Cash flow from operating activities per share before and after dilution	Cash flow from operating activities divided by the average number of shares for the period before and after dilution.
Equity per share	Equity at the end of the period divided by the number of shares at the end of the period.							
Earnings per share before and after dilution	Earnings for the period attributable to the Company's shareholders divided by the average number of shares for the period before and after dilution.							
Cash flow from operating activities per share before and after dilution	Cash flow from operating activities divided by the average number of shares for the period before and after dilution.							
B.8	Pro forma financial information	Not applicable. The Prospectus does not contain pro forma financial information.						
B.9	Earnings forecast	Not applicable. The Prospectus does not contain a forecast or estimation of anticipated earnings.						
B.10	Remarks in the audit report	No remarks						

Section B - Issuer and any guarantor(s)		
B.11	Working capital	The Company has sufficient working capital to cover its needs over the 12 months following the date of this Prospectus. A surplus is anticipated to occur within six months. SDS cash and cash equivalents as of 31 March 2017 amounted to SEK 4,880 thousand. The Company has no overdraft facilities at the time of Prospectus publication.

C.1	Types of securities	Shares in Seamless Distribution Systems AB with ISIN code SE0009994445. There is only one class of shares in the Company.
C.2	Denomination	The shares are denominated in SEK.
C.3	Total number of shares in the Company	As of Prospectus publication day, the Company's registered share capital amounts to SEK 691,356.50 split between 6,913,565 shares. All shares are fully paid-up. Each share has a quota value of SEK 0.10.
C.4	Rights associated with the securities	Each share carries one vote at the AGM and all shares carry equal rights to a share of earnings and equal rights to a share of any surplus upon liquidation. Moreover, each share has an equal right to right of priority in the new issue of shares, share warrants and convertibles. Decisions regarding any dividend are taken by the AGM and disbursed by Euroclear. The right to dividends accrues to those who, on the record date resolved by the AGM, are registered shareholders in the share register kept by Euroclear.
C.5	Restrictions on free negotiability	Not applicable. Shares in the Company are not subject to restrictions concerning their negotiability.
C.6	Admission to trading	The Company has applied for and received approval, provided that the distribution requirement is met, for the listing of its shares on Nasdaq First North Premier. The estimated first trading day is 5 July 2017. The shares will be traded under the ticker symbol SDS.
C.7	Dividend policy	SDS's situation is one of high profitability, growth and strong cash flow. The Company currently intends to reinvest funds in new business areas such as reseller credit, in order to accelerate growth. The Board continuously evaluates capital needs in new business areas, balancing growth and profitability with a basic ambition to distribute funds to shareholders when expansion is assured and a stable capital structure achieved.

Section D - Risks		
D.1	The main risks specific to the issuer or industry	<p>In the Prospectus, SDS identifies a number of risk factors considered to have a potential adverse effect on the Company's operations, financial position and earnings that might entail a fall in the value of the Company's shares and the associated purchase rights. The risk factors are not listed in order of importance or potential financial impact on the Company, and there may be additional risk factors which the Company is currently unaware of.</p> <p>Principal risks related to SDS and its industry include:</p> <p>General macroeconomic conditions</p> <p>The risk that general economic, financial and political conditions at the global and local level in the countries where the Company operates, develop unfavourably for the Company, which may have a significant adverse effect on the Company's operations, financial position and earnings.</p> <p>Dependent on major customers</p> <p>Companies within the MTN Group are important customers for SDS. Companies within the MTN Group accounted for approximately 73 percent of total sales in 2016. The Company provides software products, licences and services to companies in the MTN Group under group-wide framework agreements. These group-wide framework agreements, do not include any obligation for the companies in the MTN Group to buy products and services from SDS. The MTN Group is thus free to replace SDS as the supplier. The group-wide framework agreement regarding the provision of products and software licenses also includes a provision that gives the counterparty the right to unilaterally terminate the group-wide framework agreement with immediate effect in the event of a change in the majority ownership structure of the Company, which implementation of the Offer will result in. However, the Company will not obtain an exemption from the counterparty in this regard before completion of the Offer. The group-wide framework agreement regarding the provision of services that the Company uses was entered into between Seamless and MTN Dubai limited, and SDS will therefore need to become a contracting party to the agreement. However, the Company will not renegotiate the group-wide agreement before completion of the Offer in order to become a formal contracting party in this way. Were the MTN Group to cancel the group-wide framework agreement, change supplier or if demand from companies in the MTN Group for SDS's product and services should fall, it would have a significant adverse effect on SDS operations, financial position and earnings.</p> <p>Customer inflow and market penetration</p> <p>The Company is in an expansion phase where systems for digital distribution and credit services have recently set up or are setting up in a number of markets. The success of SDS is contingent on SDS solutions' achieving a good customer inflow and high degree of penetration in the markets into which they are introduced. There is a risk that the Company will not achieve the desired customer inflow or penetration on the markets where its systems and services are launched, and this can have a significant adverse effect on SDS's operations, financial position and earnings.</p>

Section D - Risks		
D.1	The main risks specific to the issuer or industry	<p>Dependent on continued prepaid mobile use</p> <p>The SDS operation is highly exposed to the continued prepayment of mobile calls, SMS and data by mobile telephone subscribers. Were the use of pay-as-you-go mobile traffic to stagnate, it could have a significant adverse effect on SDS's operations, financial position and earnings.</p> <p>Political risks</p> <p>In certain cases, the Company operates in politically unstable environments, which places great demands on adaptability and entails risks in respect of inter alia payment hedges, skills-supply and distribution systems. Political sanctions and trade blockades against certain countries could impact the Company further and lead to decreased sales. International law concerning measures against money laundering and terrorist financing may also make it difficult for the Company to get paid from customers in certain countries that are subject to political unrest, since banks can refuse to pass on payments from such areas, which may have a significant adverse effect on SDS's financial position and earnings.</p> <p>Currency risk</p> <p>The Company's head office is in Sweden but its operations are international. This entails significant cash flows in local currencies, which can lead to losses due to fluctuations in these currencies vis-à-vis the Company's accounting currency, the Swedish crown, which may have a significant adverse effect on SDS's earnings and financial position.</p> <p>Tax risk</p> <p>SDS carries on its operations in a number of countries and is affected by the tax laws valid in those countries at any given time. The tax situation is also affected by whether or not transactions between companies within the Group are considered priced at market rates. Laws, rules and practices are subject to change and the tax authorities in the countries concerned can make estimations and take decisions that deviate from SDS's understanding or interpretation of existing laws, rules, and practices. This may result in SDS paying additional taxes, in particular with regard to how the business is conducted overseas. This can have a negative effect on SDS's operations, financial position and earnings.</p>

Section D - Risks		
D.3	Risks specific to the securities	<p>The principal risks related to the shares and purchase rights include among others:</p> <p>General equity-related risks</p> <p>Risk and risk taking are an inevitable part of share ownership. Because investments in shares can both increase and decrease in value, there is a risk that investors will not get back what they invested.</p> <p>Lack of sales opportunities and liquidity in OTC trading</p> <p>There is a risk that an active trade in purchase rights will not do well under the OTC trade organised by Mangold Fondkommission AB, or that adequate liquidity will not be available during the period in which such securities are traded. This may result in the inability to sell purchase rights as quickly as holders wish or on acceptable terms, and that the difference between the bid price and ask price may be high. During the period of OTC trading, buyers should also take particular account of the risks associated with meeting Nasdaq First North Premier's customary conditions, such as distribution requirements.</p>
D.3	Risks specific to the securities	<p>Lack of liquidity in the Company's shares in trading on Nasdaq First North Premier</p> <p>There is a risk that liquidity will be inadequate when SDS shares are traded on Nasdaq First North Premier, provided that the customary conditions are met such as the Company's compliance with Nasdaq First North Premier's distribution requirements, resulting in shares not being traded on a daily basis and that the difference between the bid price and ask price may be large. If liquidity is limited, it can make it difficult for shareholders to divest their holdings and cause price fluctuations to increase.</p> <p>Dividend</p> <p>Because SDS is expected to be in an expansive investment phase over the next few years, the Company's distributable funds, if any, are likely to be reinvested in the business. In view of this, the return on any investment in the Company's depends mainly on the share price.</p>

Section E - The Offer		
E.1	Issue amount and issuance costs	<p>Because no new shares or other securities will be issued by SDS in conjunction with the preparation of this Prospectus, the Company will not receive any revenue from the shares issue.</p> <p>Seamless will bear all costs relating to the Offer and listing of SDS's shares, including compensation to ABG, DNB and other consultants, which is expected to amount to SEK 20 million.</p>
E.2a	Motive and use of proceeds	<i>Not applicable</i> . The Company is offering no new securities.

Section E - The Offer

E.3	Terms and conditions of the Offer	<p>The offer</p> <p>Ten purchase rights entitle the holder to acquire one share in SDS at a price of SEK 36 during the application period approved by the Board of Seamless, which is 29 June - 14 July. At the end of the application period, unused purchase rights will become invalid and valueless. The Offer includes a total of 5,876,530 shares in SDS.</p> <p>Offer price</p> <p>The Offer price is SEK 36 per share in SDS. The price has been established by the board of Seamless in consultation with ABG and DNB based on a number of factors, including a cash flow evaluation in which estimated future cash flows have been calculated based on their present value with a discount rate and a comparative valuation (so-called multiple valuation) in which a comparison is made with the market price of other comparable listed companies. In addition, when establishing the price of the Offer, consideration has also been made to discussions with particular institutional investors, the prevailing market situation, and estimates relating to the Company's business opportunities and profitability prospects. No broker's commission is payable.</p> <p>The record date for the receipt of purchase rights</p> <p>The Euroclear record date for the right to obtain purchase rights is 28 June 2017. The last day for trading in Seamless shares including the right to obtain purchase rights is 26 June in 2017. Shares in Seamless excluding the right to obtain purchase rights will be traded as of 27 June 2017.</p> <p>Trading with purchase rights</p> <p>Trading in purchase rights will take place during the period 29 June – 12 July 2017 as arranged by the Mangold list by Mangold Fondkommission AB. No financial compensation will be paid for unused purchase rights. To obtain compensation, purchase rights must be sold no later than 12 June 2017.</p> <p>Allocation and payment of shares without purchase rights</p> <p>In the event that not all shares under the purchase offer are acquired using purchase rights (primary purchase rights), the Board must decide, within the framework of the offer, on the allocation of SDS shares without the support of purchase rights, in which case allocation must take place in the following order:</p> <ol style="list-style-type: none"> a. Individuals who have acquired shares in SDS with the support of purchase rights (whether they were shareholders on the record date or not) and who have registered their interest to acquire further shares in SDS without the support of purchase rights pro rata in relation to the number of SDS shares acquired with the support of purchase rights. b. Others who have registered their interest in acquiring shares in SDS without the support of purchase rights – pro rata in relation to their level of registered interest. c. Those who have provided their guarantee commitment regarding the acquisition of shares in SDS that are not sold as per above.
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Section E - The Offer		
E.3	Terms and conditions of the Offer	<p>To the extent allocation as described above cannot be made pro rata, allocation must take place by drawing lots. Any allocations will be notified by the mailing of contract notes on or around 21 July 2017 and must be paid in accordance the instructions on the contract notes. Notification will only be sent to persons receiving an allocation. The estimated settlement date for shares without primary purchase rights will be around 23 July in 2017. If payment is not made in time, the shares may be transferred to others. If the selling price is lower than the purchase price in conjunction with such a transfer, the person who was first allocated the shares is liable to pay all or part of the difference.</p> <p>Those who wish to register for the purchase of shares without the support of purchase rights can do so using application form 2. The application form can be obtained from DNB's website, www.dnb.no/emisjon, and/or the SDS website, http://sds.seamless.se. Note that it is permitted to submit more than one application form; however, only the most recently dated application form will be considered. The application form must be completed, signed and sent to any of the below alternatives and must be received by DNB no later than 15:00 on 14 July 2017.</p>
E.4	Interests and conflicts of interest	<p>Under purchasing and guarantee commitments toward Seamless, a number of existing Seamless shareholders as well as external investors have undertaken to acquire shares in SDS under the Offer for an amount totalling SEK 131 million, of which around SEK 80 million consist of guarantee commitments.</p> <p>ABG and DNB are acting as financial advisors in connection with the Offer and have also provided the Company and Seamless advice in connection with the structuring and planning of the Offer and the planned listing on Nasdaq First North Premier, and have received compensation for such advice from Seamless. ABG and its affiliates, as well as DNB and its related parties, have provided and may in the future come to provide various financial consultancy services for the Company and its related parties, for which they have received, and can be expected to receive, fees and other compensation. The company does not consider there to be any risk of a conflict of interests.</p>
E.5	Sellers of shares and lock-up agreement	<p>As the owner of all the shares in SDS, Seamless will offer for sale on Prospectus publication day, 5,876,530 shares in SDS, equivalent up to around 85 percent of all the shares in the Company.</p> <p>Lock-up arrangement</p> <p>Seamless undertakes, or will undertake, not to sell, pledge or otherwise dispose of the 1,037,035 SDS shares, equivalent to about 15 percent of all shares in SDS that are not the subject of the offer, for a period of 360 days from the first day of trading with SDS shares on Nasdaq First North Premier (" the Lock-up period"). This undertaking will not apply in the event of a public offer addressed to all shareholders in the Company. After the end of each lock-up period, the shares may be offered for sale, which can affect the market price of the SDS share. ABG and DNB, acting as joint global coordinators in the lock-up agreement, may also grant an exception from this undertaking, which may be entirely discretionary.</p>
E.6	Dilution effect	Not applicable. The Company is offering no new securities.
E.7	Costs for the investor	Not applicable. No costs will be imposed on investors by the Offer.

Risk factors

Investments in shares and other securities is always associated with risk. A number of factors both within and beyond the Company's control affect or may affect the Company's operations, financial position and earnings and the value of the securities the Company issues. Listed below in no order of priority and without claiming to be exhaustive are a number of risk factors relating to SDS operations and future development. The risk factors described below include both general risks related to the Company's operations and risks directly associated with financial instruments and an investment in the securities the Company has issued. A potential investor should, prior to a decision on the acquisition of securities issued by the Company, carefully consider the risk factors described below. Additional risk factors that are not currently known or considered to be significant, might also affect the Company's future operations, financial position and earnings and thus the value of the Company's securities.

Risk factors related to SDS and the industry

Dependent on macroeconomic conditions

Like other companies, SDS is affected by general economic, financial and political circumstances at the global and local levels in the countries where the Company operates. The Company is active in developing markets with fragile economies characterised by political uncertainty, which entails an increased risk that the economies of these countries will not continue growing and developing, which in turn may have an adverse effect on demand for SDS products and services. Global economic conditions and adverse changes in the economies in which the Company operates, as well as in the world in general, can have a significant adverse effect on SDS operations, financial position and earnings.

Dependent on continued pay-as-you-go mobile use

The SDS operation is highly exposed to the continued prepayment of mobile calls, SMS and data by mobile telephone subscribers. Were the use of pay-as-you-go mobile traffic to stagnate, it could have a significant adverse effect on SDS's operations, financial position and earnings.

Dependent on major customers

Companies within the MTN Group are important customers for SDS. Companies within the MTN Group accounted for approximately 73 percent of total sales in 2016. The Company provides software products, licences and services to companies in the MTN Group under group-wide framework agreements. These group-wide framework agreements, do not include any obligation for the companies in the MTN Group to buy products and services from SDS. The MTN Group is thus free to replace SDS as the supplier. The group-wide framework agreement regarding the provision of products and software licenses also includes a provision that gives the counterparty the right to unilaterally terminate the group-wide framework agreement with immediate effect in the event of a change in the majority ownership structure of the Company, which implementation of the Offer will result in. However, the Company will not obtain an exemption from the counterparty in this regard before completion of the Offer. The group-wide framework agreement regarding the provision of services that the Company uses was entered into between Seamless and MTN Dubai limited, and SDS will therefore need to become a contracting party to the agreement. However, the Company will not renegotiate the group-wide agreement before completion of the Offer in order to become a formal contracting party in this way. Were the MTN Group to cancel the group-wide framework agreement, change supplier or if demand from companies in the MTN Group for SDS's product and services should fall, it would have a significant adverse effect on SDS operations, financial position and earnings.

Customer inflow and market penetration

The Company is in an expansion phase where systems for digital distribution and credit services have recently set up or are setting up in a number of markets. The success of SDS is contingent on SDS solutions' achieving a good customer inflow and high degree of penetration in the markets into which they are introduced. There is a risk that the Company will not achieve the desired customer inflow or penetration on the markets where its systems and services are launched, and this can have a significant adverse effect on

SDS's operations, financial position and earnings.

Expansion could come to have an affect on SDS operations and require greater liquidity

SDS is in an expansionary phase with the introduction of new services and new technologies that could place new demands on the Company's organisation and technology. There is a risk that the Company's current infrastructure, systems and organisation will not have the capacity to handle the additional load that may arise from expansion in existing or new markets. The Company may therefore need to make additional, as yet unknown, investments for an expansion to be successful. Should the Company have difficulty in securing adequate access to liquidity on terms acceptable to it, there is a risk that the Company will be unable to expand its operations at the planned rate and that new projects will be delayed or cancelled, which could have a significant adverse effect on SDS's operations, financial position and earnings.

Product development

The Company's operations demand continuous R&D. In the future, innovation and R&D may be necessary to a greater extent to broaden the Company's market offering and safeguard competitiveness and growth. If the Company does not continue to make product and technology advances or successful launches of a sufficient number of competitive products, it could have a significant adverse effect on SDS's operations, financial position and earnings.

Competition

SDS is exposed to competition from several other operators, many of whom have greater financial resources than SDS. The Company also intends to establish itself in a new market for credits, where the competitive situation in SDS's niche can be difficult to assess initially. As a result, the Company may find it difficult to find new, or maintain existing, market shares on acceptable terms, which could have a significant adverse effect on SDS operations, financial position and earnings.

Political risks

The Company sells its products in various parts of the world, primarily countries in Africa, the Middle East, Latin America and Asia. In certain cases, the Company operates in politically unstable environments, which places great demands on adaptability and entails risks in respect of inter alia payment hedges, skills-supply and distribution systems. Political sanctions and trade blockades against certain countries could impact the Company further and lead to decreased sales. International law concerning measures against money laundering and terrorist financing may also make it difficult for the Company to get paid from customers in certain countries that are subject to political unrest, since banks can refuse to pass on payments from such areas, which may have a significant adverse effect on SDS's financial position and earnings.

Different legal systems and legal procedures

The major part of the Company's technology is expected to continue being sold in markets elsewhere than Sweden. This means the Company may need to take account of a number of different legal systems under which it may be exposed to legal risks it has not been able to anticipate. Managing legal risks can lead to increased costs for legal advice, which may have an adverse affect on the Company's earnings.

Protecting intellectual property rights

The Company's future success is dependent on its ability to develop and enhance products to keep pace with technological change and meet new demands from the market. The Company has no patent protection for its technology and has no established strategy for seeking patent protection for its technology in the future. There is a risk that the Company has inadequate protection for its technology and is therefore more vulnerable to attack, which may have a significant adverse effect on SDS's operations, financial position and earnings.

Risk of infringement

A technology-intensive business such as SDS always runs the risk that the owner of a patent or other rights could claim that the Company is infringing the patent or rights. A third party's rights could also prevent the Company or any of its licensees from enjoying free use of a particular method or technique, which could mean that the Company incurs significant costs and liability or is forced to cancel or limit its investments in product development and the commercialisation of one or more of the Company's products. Costs for such disputes can have a significant adverse effect on the Company's financial position, even if the outcome of such a process is to the Company's advantage. The Company or its partners may also have to obtain a license in order to continue to produce or market the products and procedures covered. There is a risk that such licenses are not available on terms acceptable to the Company, which may have a significant adverse effect on SDS's operations, financial position and earnings.

Credit risk

Part of the Company's operations concerns lending airtime to resellers, which is associated with credit risk. In the event of delinquent or non-repayment from borrowers, the Company may suffer a credit loss. If credit losses occur and exceed the levels the Company considers acceptable for its operations, they may have a significant adverse effect on SDS's operations, financial position and earnings.

Risk of fraud

If the Company's system is the victim of fraud, the Company risks losses to its own credit services as well as being liable to its customers. If fraud occurs, it may have a significant adverse effect on the Company's earnings and financial position as well as on its reputation in the marketplace.

Confidentiality and expertise

The Company is dependent on confidentiality and expertise in developing its technology. There is a risk that the Company's employees, consultants, advisors or other persons act in breach of confidentiality agreements with respect to confidential information or that confidential information is disclosed in any other way and exploited by competitors, which may have a significant adverse effect on SDS's operations, financial position and earnings.

Security risks

The Company's computer-based systems are vulnerable to computer viruses and other similar disturbance factors that may be caused by customers or other users. This kind of problem can lead to technical faults, delays and temporary interruptions of the services the Company offers, resulting in increased costs and demands on resources. If comprehensive, reliable security systems are not developed and maintained, it may cause the Company's prospective customers to choose a different system. Were any of these risks to materialise, it could have a significant adverse effect on SDS's operations, financial position and earnings.

Dependency on staff and key staff members

The ability to attract and retain qualified personnel is of great importance for the Company's future development. In the event that it concludes contracts with major customers, SDS may find it difficult to meet its commitments if recruitment does not take place at the required pace and necessary capacity is thus not achieved. Furthermore, the Company is dependent on a number of key people in the areas of sales and product development. Given the competition with other companies for workers in the industry and related industries, there is a risk that the Company will not be able to attract and retain qualified personnel on acceptable terms, which could have a significant adverse effect on SDS's operations, financial position and earnings.

Collaboration with external parties

Part of SDS's strategy is to conclude licensing and revenue sharing agreements, currently primarily with Ericsson. The Company's revenue in such agreements is largely determined by SDS's counterparty's work and efforts to drive volume to end users. Economic crises, changes in internal priorities and personnel problems at the Company's business partners may have a negative effect on the partner's willingness or

ability to market and sell the Company's products. Lack of co-operation or involvement on the part of the Company's partners and the inability to conclude or renew cooperation agreements on terms acceptable to SDS, may have an adverse effect on the Company's operations, financial position and earnings.

Currency risk

The Company has its head office in Sweden but its business is international and includes two countries in Europe, nine in Africa, four in Asia, one in Latin America, and four in the Middle East. Because these operations involve significant cash flows in local currencies, there is an exposure to especially EUR, USD, NGN and THB, which can lead to losses due to fluctuations in these currencies vis-à-vis the Company's accounting currency, the Swedish crown, and this may have a significant adverse effect on SDS's earnings and financial position.

Tax risk

SDS is exposed to tax-related risks. SDS carries on its operations in a number of countries and is affected by the tax laws valid in those countries at any given time. These include corporation tax, value added tax and other indirect taxes. The tax situation is also affected by whether or not transactions between companies within the Group are considered priced at market rates.

Operations, including intragroup transactions, are conducted according to SDS's interpretation of existing laws, regulations, tax agreements, case law and the practices of tax authorities. However, it cannot be guaranteed that SDS in its interpretation and application of applicable laws, regulations, tax agreements, case law and the practices of tax authorities has been, or will continue to be, accurate. Laws, regulations, tax agreements, case law and the practices of tax authorities may also be subject to change, possibly with retroactive effect. The tax authorities in the countries concerned can make judgments and take decisions that deviate from SDS's understanding or interpretation of the laws, regulations, tax agreements, case law and the practices of tax authorities. This may result in SDS paying additional taxes, in particular with regard to how the business is conducted overseas. This can have a negative effect on SDS's operations, financial position and earnings.

It is possible that SDS will have to pay additional taxes, interest and any penalties in connection with any future tax audits and reassessments, which can have a significant adverse effect on SDS's operations, financial position or earnings. The timing of notifications when such a tax audit or review will take place varies from country to country where SDS conducts business.

Changed tax rules

Tax rules are constantly subject to change and among other things, a review of the interest deduction limitation rules is currently in progress. It is still uncertain how a future proposal on limitation rules may be formulated, and when these rules can come into force. Depending on SDS's capital structure at the time of introduction, the proposal could have an adverse effect on SDS's operations, financial position and earnings. Furthermore, the ongoing Base Erosion Profit Shifting (BEPS) project initiated by the OECD and which seeks to curb international tax planning, will affect SDS's structure and general tax situation.

Other changes in the regulations governing corporation tax and other taxes and charges, may also affect conditions for SDS operations and thus affect earnings. Such decisions or changes, possibly with retroactive effect, can significantly affect SDS's earnings and financial position.

Disputes and legal proceedings

As of Prospectus publication day, the Company is not subject to any legal process in court or other dispute proceedings. However, the Company may in the future become involved in disputes or proceedings within the framework of its operating activities. Such disputes can be time consuming, difficult to predict, disrupt normal operations, involve large sums of money, entail significant costs and lead to other non-financial consequences, which may have a significant adverse effect on the Company's operations, financial position and earnings.

Earnings potential and future capital needs

In the 2016 financial year, SDS reported a profit of SEK 31.9 million before tax. There is a risk that the Company will not be able to report profits or generate sufficient resources to finance its operations in the future. The Company may need to seek new external capital and there is a risk that new capital will not be obtainable or that it may not be obtainable on terms deemed favourable by the Company's shareholders. If external capital is acquired through a share issue, the Company's shareholders risk dilution of their holding. Alternatively, the Company may take up loans to cover its financing needs. Failure to generate profits to a satisfactory extent or failure to solve the resulting funding requirements may have a significantly adverse effect on the Company's operations, financial position and earnings, and even lead to corporate restructuring, bankruptcy or other winding up.

Risk factors related to the securities and offer

Stock market risk

Share ownership is unavoidably associated with risks and risk taking. Because the value of shares can fall, there is a risk that a shareholder will make a loss if the price of the shares sold is not equivalent to the shareholder's invested amount. Share price performance will depend on several factors, some of which are company-specific while others are linked to the stock market in general. These factors may increase share price volatility. The Company does not control all the factors that may affect the share price. Any decision to invest in securities issued by the Company should therefore be preceded by a careful analysis.

Lack of sales opportunities and liquidity in OTC trading

There is a risk that an active trade in purchase rights will not do well under the OTC trade organised by Mangold Fondkommission AB, or that adequate liquidity will not be available during the period in which such securities are traded. This may result in the inability to sell purchase rights as quickly as holders wish or on acceptable terms, and that the difference between the bid price and ask price may be high. During the period of OTC trading, buyers should also take particular account of the below risks associated with meeting Nasdaq First North Premier's customary conditions such as distribution requirements.

Lack of liquidity in the Company's shares in trading on Nasdaq First North Premier

There is a risk that when SDS shares are traded on Nasdaq First North Premier, provided that the customary conditions are met such as the Company's compliance with Nasdaq First North Premier's distribution requirements, liquidity will be inadequate, resulting in shares not being traded on a daily basis and that the difference between the bid price and ask price may be large. If liquidity is limited, it can make it difficult for shareholders to divest their holdings and cause price fluctuations to increase.

Risks linked to Nasdaq First North Premier's distribution requirements

The Company's Board has sought approval for the admittance of the Company's shares to trading on Nasdaq First North Premier. Nasdaq First North has approved SDS application for admission to trading, subject to customary conditions, including that the Company meets Nasdaq First North Premier's distribution requirements for shareholders' equity. Nasdaq First North Premier has a regulatory framework that includes, among other things, regulations concerning a requirement for an adequate supply and demand for an issuer's securities in order to achieve a functioning price mechanism. These regulations mean that a sufficient proportion of the issuer's securities must be in public ownership and that an issuer must have a sufficient number of holders of securities, known as distribution requirements. Unless the distribution requirements or customary conditions are met, the application for the listing of SDS shares may be refused.

Nasdaq First North Premier

Given that the customary conditions are met such as the Company's compliance with Nasdaq First North Premier's distribution requirements, the share will be listed on Nasdaq First North Premier. Nasdaq First North Premier is an alternative marketplace and does not have the same legal status as a regulated market. Companies whose shares are traded on Nasdaq First North Premier are governed by Nasdaq First North Premier's regulations – a less extensive regulatory framework adapted for small growth companies – and not by the legal requirements imposed on companies whose shares are traded on a regulated market. An investment in a company whose shares are traded on Nasdaq First North Premier entails more risk than an investment in a company listed on the regulated main market.

Share price variations

There is a risk that the share price undergoes major negative variations. Share price variations can arise due e.g. to major changes in buying and selling volumes, changes in the political and macro-economic situation and changes in the stock market's expectations of future profits. Share price variations are not necessarily linked to changes in the Company's underlying value or net asset value. Share price variations can also occur if a major shareholder decides to sell a lot of shares in a short period of time.

Dilution by future new share issues

The company may from time to time issue new shares and equity-related instruments in order to raise capital. All such issues can reduce the proportional ownership, voting rights and earnings per share for shareholders in the Company who choose not to exercise their right to subscribe for shares. The same applies if issues are aimed at people other than the Company's shareholders. Furthermore, any new issues may have a negative effect on the shares' market price.

Shareholders with significant influence

Following the Offer, the Company may in addition to Seamless, which will hold 15 percent of the shares in the Company depending on the level of participation, gain a number of major shareholders who through their respective holdings in the Company will have the ability to exercise control over the Company and influence inter alia matters that are subject to voting at the AGM such as resolutions on the allocation of profits. Major shareholders may also have the ability to prevent or hinder acquisition of the Company through a public tender offer if such an offer is subject to the customary condition of 90 percent acceptance. In the case that the level of participation in the Offer is low or non-existent, Seamless will remain in possession of a substantially larger equity interest in SDS than the 15 percent planned.

Dividend

Because SDS is expected to be in an expansive investment phase over the next few years, the Company's distributable funds, if any, are likely to be reinvested in the business. In view of this, the return on any investment in the Company's depends mainly on the share price.

Unsecured purchase and guarantee commitments

Seamless has received purchase and guarantee commitments from both existing Seamless shareholders and external investors to acquire shares in SDS under the Offer equivalent to SEK 131 million, of which around SEK 80 million consist of guarantee commitments. These commitments are not secured by any pledge, blocked funds or similar arrangement, which may entail a risk that the counterparties are unable to meet their purchase or warranty obligations. If all or part of these commitments are not honoured, it may mean Seamless is left holding a greater equity interest than would have been the case if the counterparties had fulfilled their commitments .

Invitation to acquire shares in SDS

In order to facilitate both SDS's and Seamless's continued development and growth, the Seamless Board has decided to offer shareholders in Seamless to acquire up to 85 percent of the shares in SDS, and in connection with this to allow SDS to be listed on Nasdaq First North Premier.

At the Seamless AGM on 20 April 2017, the Board of Seamless was authorised to pass a resolution on the sale of its wholly owned subsidiary, SDS. On 19 June 2017, the Board of Seamless resolved that up to 85 percent of the shares in SDS will be sold by awarding Seamless shareholders, on the record date of 28 June 2017, free purchase rights according to their pro rata shareholding in Seamless. One Seamless share entitles the holder to one purchase right. Ten purchase rights confer in turn the right to acquire one SDS share for SEK 36.

The Offer is guaranteed to around 62 percent through commitments from certain shareholders in Seamless to use their received purchase rights equivalent to around 24 percent of the Offer and through guarantee commitments relating to shares that were not sold in the Offer both from certain shareholders in Seamless and also from some external investors equivalent to around 38 percent of the Offer. These include Danske Invest Fonder and Kinnevik Consumer Finance. See more info under "Purchase and guarantee commitments" in the section entitled "Shares, share capital and ownership structure."

As a result of the offer, Seamless will obtain proceeds equating to at least SEK 131.0 million and max SEK 211.6 million before costs relating to the Offer. Seamless's expenses attributable to the offer, including remuneration of consultants, is expected to amount to SEK 20 million.

The Board of SDS has applied for and received approval, given that the customary conditions are met such as the Company's compliance with Nasdaq First North Premier's distribution requirement, for the listing of the Company's shares on Nasdaq First North Premier with the first day of trading anticipated on 21 July 2017.

For the reasons underlying the offer, please refer to the section entitled Background and reasons.

In accordance with the terms and conditions set forth in the Prospectus, shareholders and other investors are invited to acquire shares in Seamless Distribution Systems AB.

Stockholm, 27 June 2017

Seamless Distribution AB
The Board

Background and reasons

Following authorisation by the AGM of 20 April 2017, the Board of Seamless has resolved to dispose of up to 85 percent of the shares in the wholly owned subsidiary SDS to its shareholders.

The Board of Seamless does not feel that the current market value of Seamless reflects to a satisfactory degree the positive developments and the potential that exists within the Group's respective business areas. In order to draw attention to the values contained in the Group, the Board of Seamless has resolved to go ahead and split the Group by disposing of the major part of SDS. The reasons are multifaceted, but in summary they can be attributed to two aspects – the lack of synergies between SDS and the other principal operations conducted by Seamless through its subsidiary SEQR Group AB (SEQR) and the ambition to provide the best possible conditions for the future development of SDS and Seamless alike.

At present, the technological and industrial synergies between SDS and SEQR are extremely limited. SDS technology was essential to SEQR during the latter's start-up phase, but the technological exchange has since practically ceased. Also, the companies operate in different geographical markets and cater to different customer groups. In the light of the above, the Board of Seamless feels there is no longer any commercial logic in keeping the two subsidiaries within the same group.

Furthermore, the build-up of SEQR was largely financed by cash flow from SDS. This has meant that SDS has had limited access to capital for expansion. The Board of Seamless therefore feels that SDS, a Company for which a number of interesting expansion opportunities have been identified, would be in a better position to grow and continue its positive trends as an independent company.

The Board of Seamless has, in line with the above and reasons attributable to the assessed capital requirements of Seamless's other and remaining business areas and a very positive view of SDS and its development potential as a stand-alone company, resolved to offer Seamless shareholders purchase rights for the acquisition of 85 percent of the shares in SDS.

Under Offers directed at Seamless shareholders, in contrast to Offers directed at third parties, those shareholders who consider the Offer price to be favourable have the opportunity to acquire shares in SDS as the same outcome will be achieved by Seamless as if the sale of the shares had taken place to a third-party, i.e. the SDS shares concerned are disposed of and proceeds obtained. Furthermore, shareholders who do not wish to take advantage of the offer have the opportunity to attempt the sale of their allocated purchase rights through trading organised by the Mangold list. If shareholders choose not to make use of their allocated purchase rights, there are purchase and guarantee commitments to Seamless from certain shareholders and external investors to acquire shares in SDS totalling SEK 131 million, of which around SEK 80 million consists of guarantee commitments. Therefore, the Board of Seamless considers the initial sale of shares to its own shareholders to be more favourable for shareholders than if the Offer was first directed at third parties.

Furthermore, the Board of SDS has applied for and received approval, provided that the usual conditions such as the Company's compliance with Nasdaq First North Premier's distribution requirements, for the listing of the Company's shares on Nasdaq First North Premier. A listing will continue to be important for SDS, not only in respect of customers and its ability to recruit and retain employees, but also for access to capital for expansion should the need arise. The board's objective is, depending on market conditions, to list the Company's shares on the main list of Nasdaq Stockholm within 12 months of having listed on Nasdaq First North Premier. This Prospectus has been prepared in order to provide the shareholders of Seamless an opportunity to acquire shares in SDS under the terms of the present Offer and to enable the admission to trading of SDS shares on Nasdaq First North Premier. For further information, please refer to this Prospectus.

The Board of SDS is responsible for the information provided in this Prospectus. The Board of SDS hereby affirms that it has taken all reasonable precautions to ensure that the information contained in the Prospectus is to the best of its knowledge consistent with actual circumstances and that nothing likely to affect its content has been omitted.

Stockholm, 27 June 2017

The Board of Seamless Distribution Systems AB

The Board of SDS is responsible for the information provided in this Prospectus. However, Seamless confirms the binding nature of the conditions for the Offer in accordance with what is stated in the sections entitled Invitation to acquire shares in SDS and Conditions and instructions.

The Board of Seamless Distribution AB

Terms and conditions

Information about purchase rights

Resolution on the allocation of purchase rights

On 20 April 2017, the AGM of Seamless resolved to authorise the Board to decide on the divestment of Seamless's wholly owned subsidiary SDS. On 5 May 2017, the Board of Seamless resolved to initiate the preparatory work with a joint listing of the SDS subsidiary on the Nasdaq First North Premier and that Seamless should remain as minority owner in SDS. On 19 June 2017, the Seamless Board resolved that divestment would take place through the sale of up to 85 percent of the shares in SDS to the shareholders of Seamless. The sale will take place through the distribution of purchase rights to Seamless shareholders in proportion to each individual shareholder's holding in Seamless on the record date determined by the Board of Seamless, 28 June 2017, whereupon, for each share in Seamless, one (1) purchase right will be awarded, and where ten (10) purchase rights will entitle the holder to acquire one share in SDS. No additional action is required to be awarded purchase rights, other than being a registered Seamless shareholder on the record date for the acquisition of purchase rights (directly registered or through a nominee).

Offer price

The Offer price is SEK 36 per SDS share. The price has been established by the board of Seamless in consultation with ABG and DNB based on a number of factors, including a cash flow evaluation in which estimated future cash flows have been calculated based on their present value with a discount rate and a comparative valuation (so-called multiple valuation) in which a comparison is made with the market price of other comparable listed companies. In addition, when establishing the price of the Offer, consideration has also been made to discussions with particular institutional investors, the prevailing market situation, and estimates relating to the Company's business opportunities and profitability prospects. No broker's commission is payable.

The record date for obtaining purchase rights

The Euroclear record date for the right to obtain purchase rights is 28 June 2017. The last day for trading in Seamless shares including the right to obtain purchase rights is 26 June in 2017. Shares in Seamless excluding the right to obtain purchase rights will be traded as of 27 June 2017.

The Offer

Ten (10) purchase rights entitle the holder to acquire one share in SDS at a price of SEK 36 during the application period approved by the Board of Seamless, which is from 29 June - 14 July 2017. At the end of the application period, unused purchase rights will become invalid and valueless. The Offer includes a total of 5,876,530 shares in SDS.

Receipt of bid statement and purchase rights

Securities account holders who on the record date are listed in the Euroclear shares ledger of shareholders in Seamless, will receive purchase rights without having to take any action. Purchase rights will be available in shareholders' securities accounts (or securities account belonging to a party in some other way entitled to dividend) approximately two business days after the record date. In conjunction with the entry of purchase rights into the account record, a bid statement is issued, which is sent together with a Prospectus, an application form and a prepaid envelope to securities account holders.

Shareholders who keep their holdings in Seamless registered under asset managers with a bank or other nominee, receive no account information. Notification of the allocation of purchase rights, application and payment will instead be performed according to the procedures of the asset manager concerned.

Shareholders resident in certain unauthorised jurisdictions

The assignment of purchase rights and the transfer of shares when exercising purchase rights to persons resident in countries other than Sweden may be affected by securities legislation in such countries. As a

result, with certain exceptions, shareholders who have their shares directly registered in securities accounts with registered addresses in the USA, Australia, Canada, Japan, Hong Kong and Singapore or in any other jurisdiction where participation would require additional prospectuses, registration or actions other than those arising from Swedish law, will not receive the Prospectus. Furthermore, they will not receive purchase rights on their respective securities accounts. With regards to the purchase rights that would otherwise have been delivered to these shareholders, Seamless has commissioned DNB to sell, if possible through the trading of purchase rights arranged by Mangold Fondkommission AB, and pay any proceeds less costs and possible coupon tax, to such shareholders. However, amounts below SEK 100 will not be paid out.

Trading with purchase rights

Trading in purchase rights will take place during the period 29 June – 12 July 2017 as arranged by the Mangold list by Mangold Fondkommission AB. No financial compensation will be paid for unused purchase rights. To obtain compensation, purchase rights must be sold no later than 12 July 2017.

Note that only exchange members (Nasdaq Stockholm) may place orders on the Mangold list. Holders of purchase rights who wish to place orders on the Mangold list are therefore asked to contact their securities institution /asset manager / bank who will place the order on the Mangold list. The reason for this procedure is mainly to ensure that end customers are able to fulfil their commitment after placing orders.

Price information regarding purchase rights is available on Mangold's website at www.mangold.se/foretagstjanster/mangoldlistan. Shareholders who wish to place orders on the Mangold list are asked to call Mangold's Market Making Department, telephone +46-8 503 015 85.

Purchasing shares with the support of purchase rights

Ten (10) purchase rights entitle the holder to acquire one (1) share in SDS at a price of SEK 36 per share. Applications for the acquisition of SDS shares using purchase rights will take place from 29 June - 14 July 2017. If multiple applications are submitted by the same purchaser, only the first application registered will be considered. Application forms arriving late, incomplete or incorrectly completed may be left without action.

The purchase of shares with the support of purchase rights occurs in the same manner regardless of whether the holder

- i. Was allocated the pre-emption rights to be used by virtue of the fact that they were registered in the ledger of shareholders kept by Euroclear on the record date for allocation of purchase rights; or
- ii. Received the pre-emption rights in another way, i.e. through the acquisition of pre-emption rights when they were traded on the Mangold list.

Those who were not registered in the ledger kept by Euroclear on behalf of Seamless on the record date, but who nonetheless wish to register for the purchase of shares with the support of purchase rights, can do so by using application form 1. The application form can be obtained by contacting DNB in one of the ways listed below. Note that it is permitted to submit more than one application form; however, only the most recently dated application form will be considered. The signed application form must be sent or submitted in conjunction with payment to the address below and be received by DNB no later than 15:00 on 14 July 2017. Note that application for purchase is mandatory.

DNB Bank ASA. Sweden branch
Securities Services & Custody
SE 105 88 Stockholm, SWEDEN
Phone: + 46 473 45 40
Fax: +46 473 45 81
E-mail: Emissioner@dnb.se

Directly registered shareholders

Shareholders or their representatives who on the above-mentioned record date are registered in the ledger kept by Euroclear on behalf of Seamless, will receive pre-printed bid statements, application form 1, Prospectuses and stamped, addressed envelopes. The preprinted bid statement shows the number of purchase rights received, how many SDS shares they confer the right to purchase and the amount to pay when completing the purchase of SDS shares. The signed application form must be sent or submitted in conjunction with payment to the address below and be received by DNB no later than 15:00 on 14 July 2017. Note that application for purchase is mandatory.

DNB Bank ASA. Sweden branch
 Securities Services & Custody
 SE 105 88 Stockholm, SWEDEN
 Phone: + 46 473 45 40
 Fax: +46 473 45 81
 E-mail: Emissioner@dnb.se

Nominee-registered shareholders

Shareholders whose shareholdings in Seamless are registered with asset managers at banks or with other nominees will not receive bid statements, application forms or prospectuses. Payment from shareholders whose shareholdings in Seamless are registered with asset managers at banks or other nominee, must take place according to instructions from the asset manager or nominee concerned. Anyone who has a securities deposit with specific rules for securities transactions, such as IPS deposit, ISK deposit, or a deposit in an endowment insurance, should check with their asset managers if and how he or she can acquire shares through the Offer.

Payment

Directly registered shareholders

Purchases using purchase rights are made using the application form when making payment to the bankgiro account specified on the form; payment must be received by DNB no later than 14 July 2017 at 15:00 CET. In cases where all of the purchase rights received on the record date are used for purchases, the pre-printed application form may be used as the document for cash purchases. In cases where purchase rights are acquired or disposed of, or the number of purchase rights differs from what appears on the pre-printed application form, the pre-printed number of shares and purchase amount must be struck through and replaced by the correct number of shares and correct amount.

Note that payment to Bankgiro can take 1-2 business days, depending on the sending bank's procedures, and that this should be taken into account when payment is made. When registering new shares in the securities account, the account holder will receive a security statement with information on shares acquired in SDS.

Nominee-registered shareholders

Shareholders whose shareholdings in Seamless are registered with asset managers at banks or with other nominees will not receive bid statements, application forms or Prospectuses. Payment from shareholders whose shareholdings in Seamless are registered with asset managers at banks or other nominee, must take place according to instructions from the asset manager or nominee concerned.

Information to shareholders resident abroad with directly registered holdings

Shareholders in Seamless resident outside of Sweden and who are not subject to the restrictions described in the section entitled Shareholders resident in certain unauthorised jurisdictions, and who wish to participate in the Offer, must use the mailed application form when making the purchase. When the application form is mailed to the specified address, payment must be made in Swedish crowns (SEK) to the Bankgiro account specified on the application form.

DNB Bank ASA. Sweden branch
Securities Services & Custody
SE 105 88 Stockholm, SWEDEN
Phone: + 46 473 45 40
Fax: +46 473 45 81
Email: Emissioner@dnb.se

Upon payment, the purchaser's name and address and securities account number must be provided as described in the application form. The application form and payment must be received by DNB no later than 15:00 on 14 July 2017. An application form for shareholders resident abroad can also be obtained from DNB's website www.dnb.no/emisjon.

Insufficient or incorrect payment

If sufficient funds are not available on DNB's account at the latest by 15:00 on 14 July 2017 and/or the application form is incomplete or incorrectly completed, the application may be disregarded.

Purchasing shares without the support of purchase rights

Those who wish to register for the purchase of shares without the support of purchase rights can do so using application form 2. The application form can be obtained from DNB's website, www.dnb.no/emisjon, and/or the SDS website, <http://sds.seamless.se>. Note that it is permitted to submit more than one application form; however, only the most recently dated application form will be considered. The application form must be completed, signed and sent to any of the below alternatives and must be received by DNB no later than 15:00 on 14 July 2017.

Shareholders whose shares are registered with a bank or other asset manager, should report the purchase of shares without the support of purchase rights as per the instructions of the bank or asset manager concerned.

DNB Bank ASA. Sweden branch
Securities Services & Custody
SE 105 88 Stockholm, SWEDEN
Phone: + 46 743 45 40
Fax: +47 746 45 81
Email: Emissioner@dnb.se

Allocation and payment of shares without purchase rights

In the event that not all shares under the purchase offer are acquired using purchase rights (primary purchase rights), the Board must decide, within the framework of the purchase offer, on the allocation of SDS shares without the support of purchase rights, in which case allocation must take place in the following order:

- a. Individuals who have acquired shares in SDS with the support of purchase rights (whether they were shareholders on the record date or not) and who have registered their interest to acquire further shares in SDS without the support of purchase rights pro rata in relation to the number of SDS shares acquired with the support of purchase rights.
- b. Others who have registered their interest in acquiring shares in SDS without the support of purchase rights – pro rata in relation to their level of registered interest.
- c. Those who have provided their guarantee commitment regarding the acquisition of shares in SDS that are not sold as per above.

To the extent allocation as described above cannot be made pro rata, allocation must take place by drawing lots. Any allocations will be notified by the mailing of contract notes on or around 21 July 2017 and must be paid in accordance the instructions on the contract notes. Notification will only be sent to persons receiving an allocation. The estimated settlement date for shares without primary purchase rights will be around 23 July in 2017. If payment is not made in time, the shares may be transferred to others. If the selling price is lower than the purchase price in conjunction with such a transfer, the person who was first allocated the shares is liable to pay all or part of the difference.

Unused purchase rights

Note that applications must be made by no later than 14 July 2017. At the end of the application period, unused purchase rights will become invalid and valueless. After the 14 July 2017, unused purchase rights will be removed from the respective securities account without notification from Euroclear.

Listing on Nasdaq First North Premier

The Company's Board has applied for and received approval, provided that the usual requirements such as the Company's compliance with Nasdaq First North Premier's distribution requirements, for the listing of the Company's shares on Nasdaq First North Premier. Nasdaq First North Premier is a multilateral trading facility and does not have the same legal status as a regulated market. The first day of trading with SDS shares on Nasdaq First North Premier is scheduled for 21 July 2017, and the shares will be traded under the ticker symbol SDS.

Publication of the outcome of the Offer

It is anticipated that the final outcome of the Offer will be made public through a press release on or around 21 July 2017. The press release will be available on the Company's website, <http://sds.seamless.se>.

Entitlement to dividends

SDS shares confer the right to dividend on the first record date for dividends on SDS shares following the listing. Any dividends are paid out following a resolution by the AGM. This is taken care of by Euroclear or in the case of nominee-registered holdings, in accordance with the procedures of the nominee concerned. The right to dividends accrues to those who, on the record date resolved by the AGM, are registered shareholders in the share ledger kept by Euroclear. Regarding deductions for Swedish preliminary tax at source, see the section entitled "Tax matters in Sweden." Also refer to the section "Company Description – Financial Goals – Dividend Policy".

Information on the processing of personal data

Any person acquiring SDS shares under the Offer will provide personal data to DNB. Personal data will be processed in the information system to the extent necessary for the provision of services and the administration of customer events. Personal data gathered from sources other than the customer whom the processing concerns may also be processed. It may also occur that the personal data is processed in information systems in companies or organisations with which DNB collaborates. Address information may also be retrieved by DNB through automatic data processing at Euroclear.

Other

DNB assists Seamless and the Company with certain administrative services related to the Offer. The fact that DNB is issuing agent for the Offer does not per se mean that DNB regards any individual who has applied under the Offer (the Purchaser) as a customer.

DNB's receipt and processing of application forms or other types of application under the Offer, does not mean that a customer relationship arises between the Purchaser and DNB.

The Purchaser is considered to be a DNB customer only if DNB has provided advice to the Purchaser in relation to the Offer or has otherwise contacted the Purchaser individually regarding the Offer. Because DNB does not consider the Purchaser to be a customer for the application in the Offer, the regulations on the protection of investors under the Swedish Financial Markets Act (2007:528) are not applied to the application in the Offer. This means, among other things, that neither customer categorisations nor so-called suitability assessments will be carried out regarding applications to the Offer. Thus Purchasers are themselves responsible for ensuring they have sufficient experience and knowledge to understand the risks associated with the Offer.

Market overview

Information received from third parties has been reproduced accurately, and as far as the Company is aware and can ascertain by comparison with other information published by the third party concerned, no information has been omitted in a manner that would render the reproduced information incorrect or misleading.

Potential in emerging markets

SDS considers itself to have great potential in developing markets, with an emphasis on Africa, Asia and Latin America based on a strong market presence and a unique offering of system solutions for recharging prepaid cards. SDS's core competence is the digitisation of distribution from the provider to the consumer.

High performance transaction systems for topping up prepaid cards are central in developing markets where 95 to 100 percent of mobile phone users use prepaid cards. The lack of a functioning infrastructure means the electronic value chain is critical for mobile operators in order to provide their consumers with fast, cost-effective access to balances that can be used for topping up airtime, SMS, mobile data and other products.

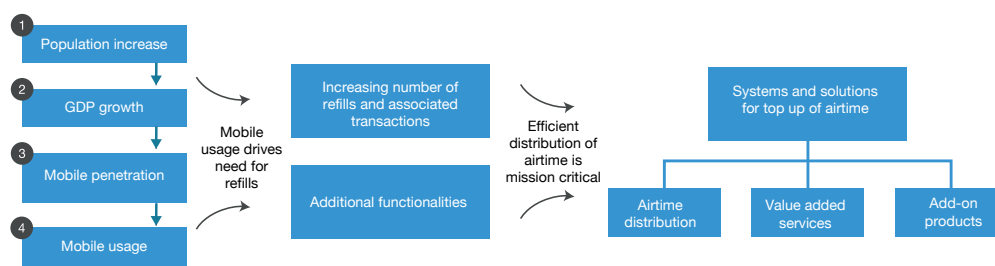
In most of these markets, mobile telephone usage is increasing along with the number of consumers, which boosts SDS potential as demand for topping up prepaid card grows. The ability to reach out to resellers and consumers with digital techniques is also a strategically important tool for mobile operators.

SDS customers comprise mainly mobile operators active in developing countries in Africa and the Middle East. The Company's basic range consists of the digital transaction system ERS 360 electronic recharge system that manages the entire value chain in the electronic distribution of call minutes. SDS's revenue model is based largely on the number of transactions processed by mobile operators through ERS 360. A transaction is defined in this Prospectus as each time a distribution system receives a request from a user or an external system and then sends a response. Transactions take place e.g. in the distribution of call minutes at the marketing stage, i.e. from the mobile operator to the end customer, when a reseller verifies his balance or when an end user transfers call minutes to another end user.

SDS has identified four underlying market factors that have a major impact on the Company's long-term business:

- Population growth
- GDP growth
- Mobile telephony penetration level
- Mobile telephone usage

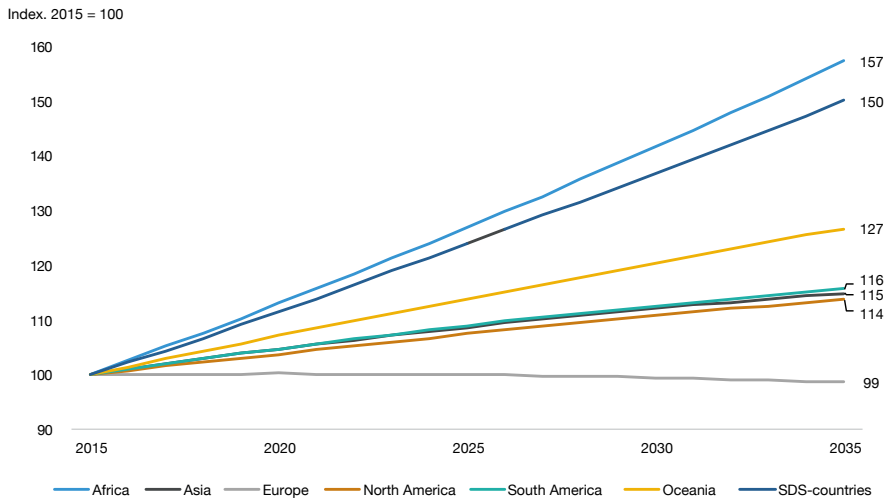
All of the above factors show positive trends worldwide with particularly good growth in Africa, the Middle East, Asia and Latin America. Thus the listed markets are SDS's primary objective in both the short and medium terms.



Population growth

In many parts of the world, especially in developed European and North American countries, population growth has slowed or completely stalled. The major driving force behind forecast global population growth over the next 20 years is expected to be Africa, where the population is anticipated to increase by almost 60 percent compared to 2015. In countries where SDS is primarily active³ (SDS countries), which comprise largely African countries, the population is expected to grow by 50 percent over the next 20 years compared to 2015⁴.

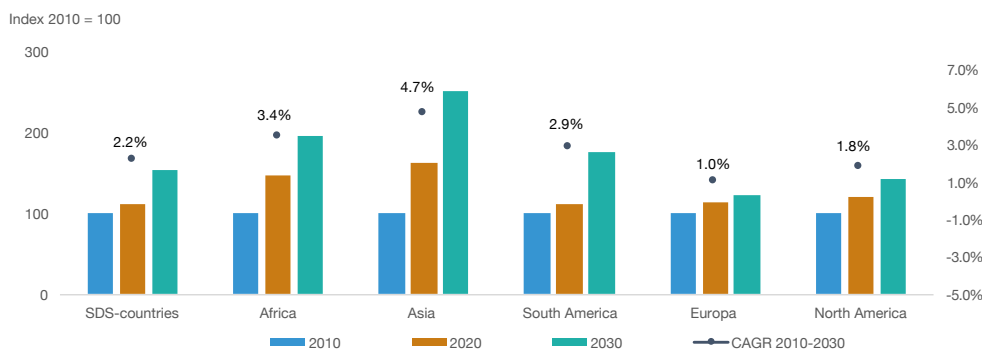
Forecast population growth⁵



GDP growth

An increasing gross domestic product (GDP) reflects increased prosperity and purchasing power, which drives up mobile usage and therefore the number of transactions. The largest relative GDP per capita growth between 2010 and 2030 is expected to occur in Asia with a compound annual growth rate (CAGR) of 4.7 percent, Africa (CAGR 3.4 percent) and Latin America (CAGR 2.9 percent). Over the same period of time, SDS countries are anticipated to grow with a compound annual growth rate of 2.2 percent, where the majority of the growth is forecast to take place between 2020 and 2030 (3.3 percent CAGR). However, the strong growth in SDS countries will be made from low levels which means that GDP per capita in these countries will continue to be among the lowest in the world⁶.

Forecast per capita GDP growth 2010 to 2030⁷



3 Afghanistan, Bahamas, Benin, Burkina Faso, Djibouti, Ivory Coast, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Republic of Congo, Syria, Sudan, Thailand, Yemen, Zambia, and Qatar

4 United Nations, 2015

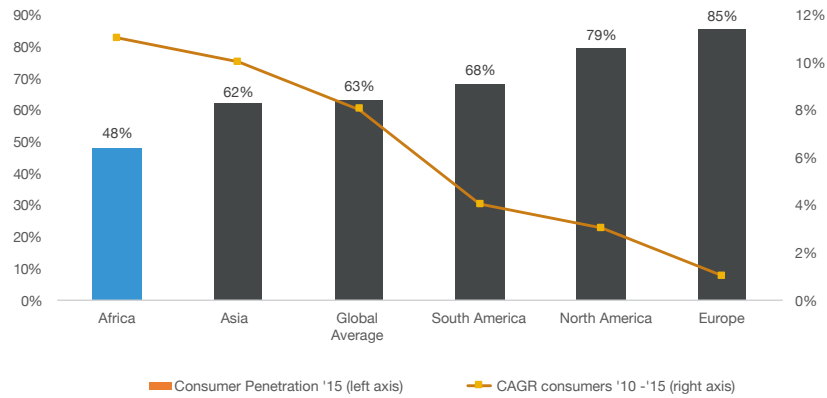
5 United Nations, 2015

6 European Commission, 2012; Asian Development Bank, 2011; African Development Bank, 2011

7 European Commission, 2012; Asian Development Bank, 2011; African Development Bank, 2011

Mobile telephony penetration level

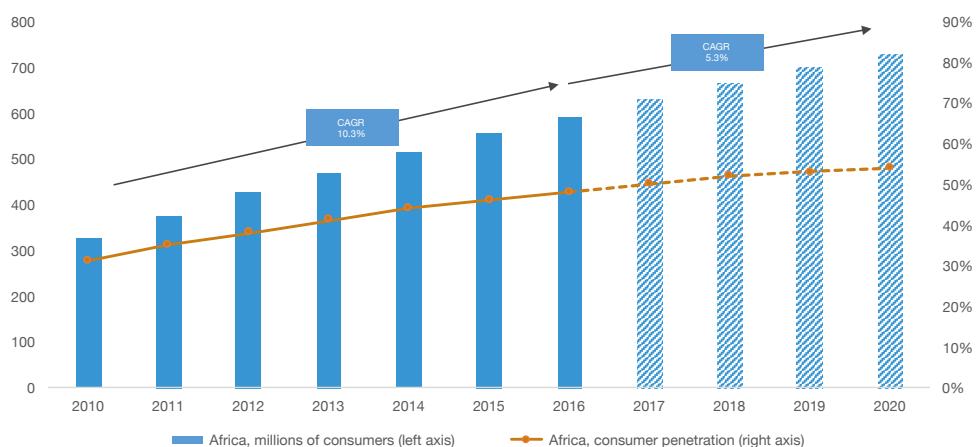
Mobile telephony penetration and growth ⁸



The number of people with mobile connections in Asia, Africa and the Middle East is expected to grow by over 5 percent per year up to 2020⁹. The trend is expected to continue at least until the regions reach the global average for mobile connections¹⁰. This suggests continued positive development in mobile penetration growth trends, i.e. the number of connections to mobile networks in relation to the entire population, in Asia, Africa and the Middle East.

The Company estimates that growth in digital distribution will continue to grow in developing countries, even after they achieve the global average in mobile penetration. This is because more mobile operators are expected to prefer effective digital distribution methods in the light of increasing cost pressure, and the increased number of end users will require access to the quick and easy top-up of prepaid cards. In 2016, Africa ranked lowest of all parts of the world in terms of consumer penetration¹¹, which was around 48 percent, compared with the global average of 63 percent. However Africa, with an average growth of over 10 percent annually, has had the highest compound annual consumer growth rate in the world for the last six years¹².

Number of consumers and consumer penetration in Africa 2010-2020¹³



⁸ GSMA, 2017

⁹ GSMA, 2017

¹⁰ GSMA, 2016

¹¹ Consumer penetration = the number of unique consumers who use mobile telephony/total number of unique consumers on the market

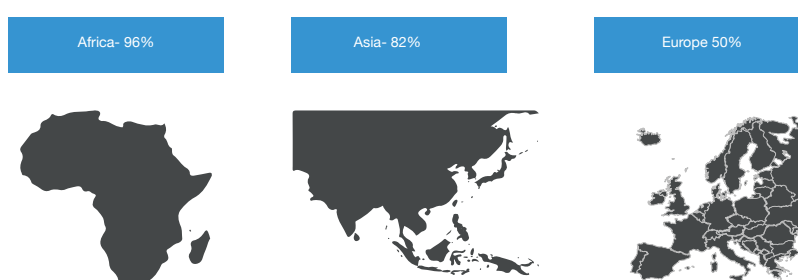
¹² GSMA, 2016

¹³ GSMA, 2016

Prepaid card market

Prepaid cards are predominant in mobile phone usage in Africa, in stark contrast to North America and Europe where the majority use mobile subscriptions. The degree of prepaid card usage among mobile customers in most African countries often varies between 95 to 100 percent, where the remaining 0 to 5 percent of mobile customers are subscribers. In countries where the level of economic development is lower, such as the Ivory Coast and Burkina Faso, the use of prepaid card is 100 percent, and in more economically developed countries like South Africa, 88 percent. Average prepaid card penetration in Africa is 96 percent, which is significantly higher than in Asia (82 percent) and Europe (50 percent)¹⁴.

Prepaid card penetration in different parts of the world in 2015 ¹⁵



In many African countries, the civil system is flawed or significantly simplified in relation to standards in industrialised Western countries¹⁶. Banking systems are in a similar position, where large parts of the populations of African countries have no bank accounts¹⁷. In comparison with Western countries, the neglected civil registration and banking systems constitute very high de facto barriers to the introduction of subscription services for mobile telephony by regional mobile phone operators. This is because subscription customers make use of mobile operators' offers before payment. Furthermore, because a large number of end customers in developing African countries have unpredictable disposable incomes compared to Western countries, the Company believes that the demand for subscription mobiles is limited in the short and medium terms.

In developing countries, a large part of the infrastructure for buying airtime, SMS and data credit is still physical. Codes for topping up mobile balance are often distributed in the form of scratch cards (prepaid cards) over large geographical areas. The disadvantage of physical distribution includes the fact that the cost of the scratch cards constitutes a large part of the value amount, i.e. the mobile operator's potential revenue. This is because value amount on scratch cards in developing African countries in many cases does not amount to more than about SEK 5¹⁸. The low value of the amounts thus create incentives for mobile operators and resellers to streamline distribution in order to reduce distribution costs. Furthermore, physical distribution is a slow, inefficient solution in that scratch cards need to be transported over great distances, resulting in high transport costs. Scratch cards and airtime are often classified in these countries as a form of currency, and shipments can therefore become targets for robbery or fraud. To reduce the risk of robbery, guards are sometimes hired to protect shipments, leading to additional higher distribution costs for mobile operators and distributors.

¹⁴ GRS, 2015, www.globalrewardsolutions.com/wp-content/uploads/GRS-Mobile-Top-up_Wireless-Market-Statistics-2015.pdf

¹⁵ GRS, 2015, www.globalrewardsolutions.com/wp-content/uploads/GRS-Mobile-Top-up_Wireless-Market-Statistics-2015.pdf

¹⁶ UNICEF, 2016

¹⁷ African Development Bank, 2011

¹⁸ Company estimates

Mobile sector size

Globally

Total global revenues in the telecom industry amount to USD 1,050 billion, which are expected to grow by 2.1 percent annually between 2016 and 2020 to reach USD 1,140 billion. Current revenues correspond to 4.4 percent of world GDP, and are expected to reach 4.9 percent of world GDP by 2020¹⁹.

According to the GSMA, the proportion of mobile users constituted two-thirds of the world's population at the end of 2016. This corresponds to a total of over 7.9 billion mobile connections with 4.8 billion unique customers. By the year 2020, almost three quarters of the world's population— or 5.7 billion people – is expected to use mobile services, while forecasts show that in the year 2020 there will be 9.7 billion mobile connections globally²⁰. From 2016 to 2020 the number of smart phones is also expected to increase from 1.9 billion to 5.7 billion, which leads to an increase in smart phones as a percentage of the total number of telephones from 51 percent to 65 percent, while mobile data traffic also shows strong growth (CAGR 47 percent 2016 to 2020).

Prospects for the mobile telephony ecosystem²¹

Mobile broadband connections to increase from 55% of total in 2016 to

73%

by 2020

Mobile data traffic to grow by a CAGR of

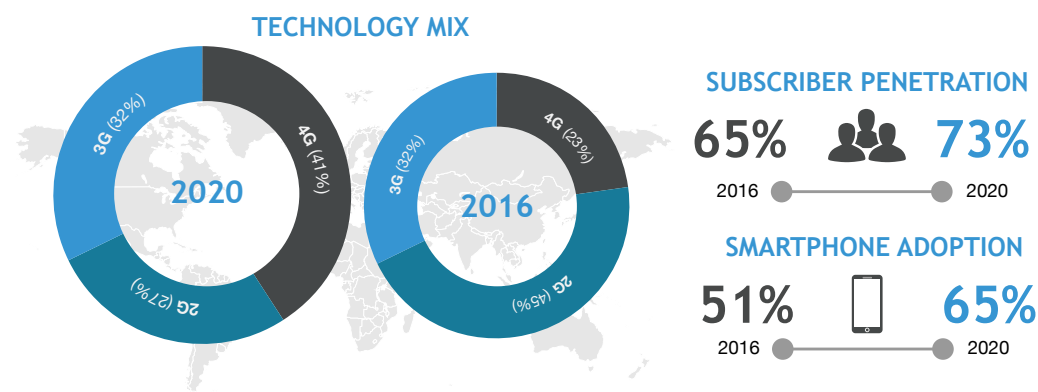
47%

over the period of 2016-2020

Global smartphone growth of 1.9b from 2016, will result in

5.7bn

smartphones by 2020



Africa

Throughout the whole of the African continent, IT and mobile communication constitute driving forces behind economic growth and development. SDS is positioning itself to become a leader in the digitisation of distribution in this region.

Macro factors such as a population growth of 2.5 percent²² and GDP growth of 3.6 percent²³ (2016) and a positive outlook for the telecom sector, mean SDS enjoys excellent conditions and good opportunities to grow in this region.

Furthermore, GSMA studies show that 6.7 percent of the contribution to GDP in the region will come directly from the mobile ecosystem and can be translated to \$153 billion in annual revenues, of which mobile operator revenues of \$53 billion are projected to grow to \$61 billion by 2020.²⁴

19 GSMA, 2017

20 'The Mobile Economy 2017', GSMA, <http://www.gsma.com/mobileeconomy/>

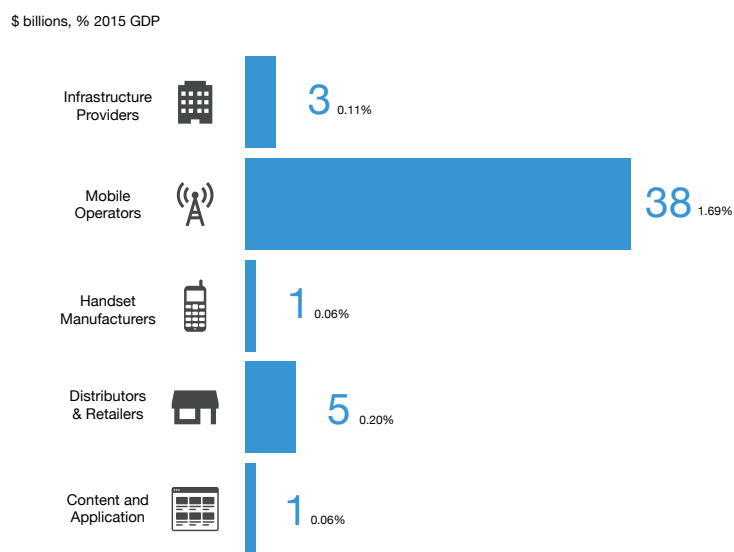
21 'The Mobile Economy 2017', GSMA, <http://www.gsma.com/mobileeconomy/>

22 Worldometer 2017, <http://www.worldometers.info/world-population/Afrika-population/>

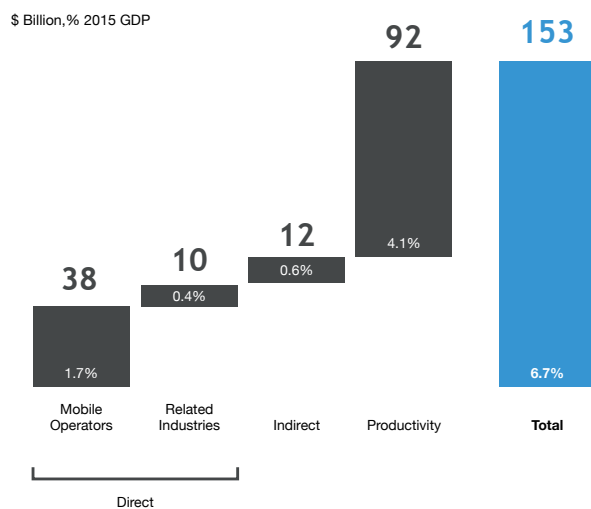
23 African Development Bank, 2016, https://www.afdb.org/fileadmin/uploads/afdb/.../AEO_2016_Report_Full_English.pdf

24 GSMA, 2016

Mobile ecosystem contributions to GDP²⁵



These factors of mobile ecosystem are direct contributors (in billion dollars) towards African GDP



These factors of mobile ecosystem are direct and indirect contributors (in billion dollars) towards African GDP

The underlying market trend in Africa also means additional potential for SDS and the Company's Offer. The total number of mobile connections is estimated to reach 1.3 billion by 2020 in Africa, an increase of 34 percent in less than five years²⁶. This will lead to a growing mobile market with increasing consumption of airtime, data and value added services.

There are almost 200 operators in more than 100 operator groups in Africa²⁷ which is SDS's addressable market.

Asia

25 'The Mobile Economy Africa 2016', GSMA; <http://www.gsma.com/mobileeconomy/Africa>

26 'The Mobile Economy Africa 2016', GSMA; <http://www.gsma.com/mobileeconomy/Africa>

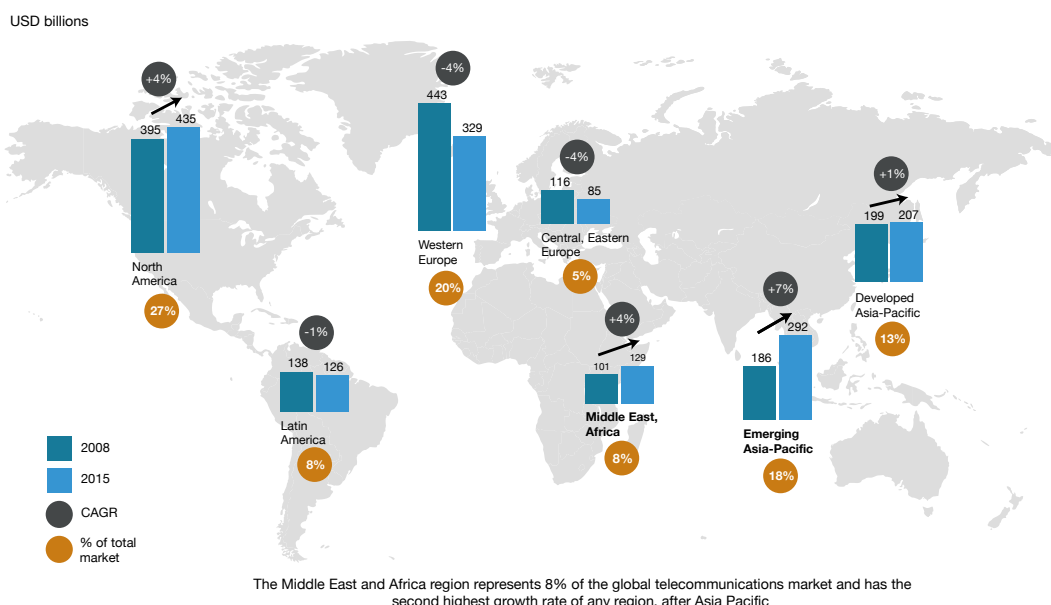
27 GSMA Intelligence, 2016

GSMA studies show that Asia-Pacific is enjoying a positive trend in terms of customer growth, which is expected to amount to two-thirds of the estimated 860 million new customers worldwide by the end of 2020. The Asia-Pacific region is the largest region in terms of customers and is forecast to grow by an average of 4.5 percent annually between 2015 and 2020²⁸. SDS focuses increasingly on penetrating this market by addressing both mobile operators and distributors.

Middle East

In the Middle East and North Africa, the penetration of mobile connections exceeds 501 million, with an expected 3.6 percent annual growth between 2014 and 2020. The contribution to GDP is estimated at 4.5 percent, which is valued at USD 164 billion by 2020.

The size of the telecom markets, 2015



Regional development is beneficial to SDS²⁹ focus on Africa, Asia and the Middle East with positive annual growth and increasing mobile penetration.

The biggest mobile operator groups in Africa, Asia and the Middle East²⁹

Operators	Global presence (total number of countries)	Presence in Asia, Africa and the Middle East (Number of countries)	Number of customers, global
MTN	24	24	240.0 M
Orange	32	23	110.0 M
Airtel	19	19	342.0 M
Etisalat	18	18	167.0 M
Vodafone	26	13	538.7 M
Tigo	13	5	24.8 M
Globacom	4	4	37.6 M

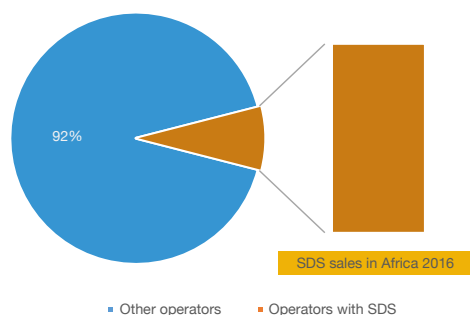
Among the mobile operators, MTN is one of the biggest in the region and SDS has secured more than

²⁸ GSMA, 2017

²⁹ 'The Mobile Economy 2015' GSMA; <http://www.gsma.com/mobileeconomy/global/2015/>

half of a total of 21 MTN accounts in Africa and the Middle East. SDS has a close relationship with MTN and the systems are without exception business critical for MTN. System deliveries are complemented by professional services, support, management and operations.

SDS's share of mobile operators in Africa³⁰



SDS customers make up 8 percent of the total number of operators in Africa. SDS customers in Africa accounted for a total of SEK 75 million of SDS revenue in 2016.

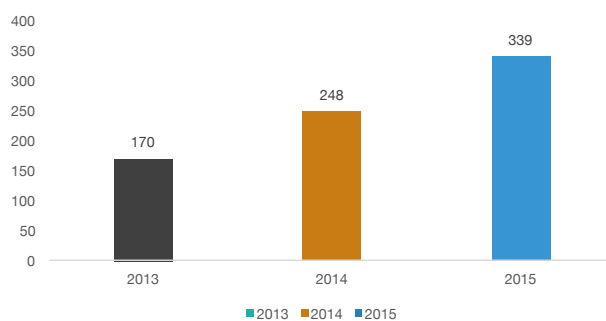
Mobile advertising

The mobile phone is a common channel for advertising in Africa, mainly through spam SMS, i.e. SMS messages sent out in large numbers with little or no effect.

The need of advertisers to reach private individuals via SMS and get their message read and noted has great potential for SDS. Based on the fact that SDS sends billions of SMSs annually, usually in the form of receipts for balance top-ups, the Company has built a concept that allows the insertion of advertising along with relevant messages such as confirmations of prepaid card balances.

The mobile advertising market in Africa and the Middle East has seen strong growth averaging more than 40 percent per year in the past few years, to reach a total market of USD 339 billion in 2015.

Mobile advertising in Africa and the Middle East 2013 to 2015³¹



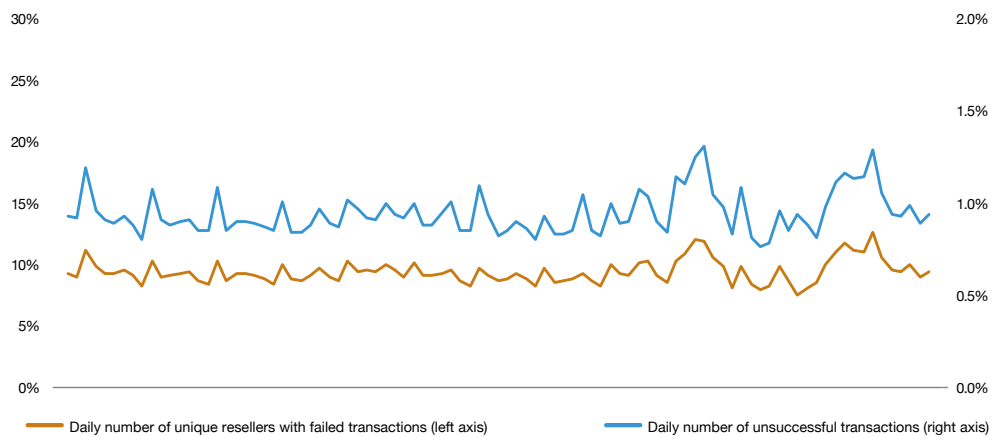
³⁰ Company reports, 2015

³¹ the Company, 2015

Reseller credits

When a mobile airtime reseller runs out of airtime from a particular operator, the reseller has two alternatives – either switch and only sell airtime from another mobile operator or go to his supplier and top up with more airtime for onward distribution. However, the latter option is not only often time consuming, but also alternative revenue streams for both the reseller and the mobile operator vanish. Offering resellers the opportunity to purchase airtime electronically via credit removes the underlying problem of dwindling stock, which would benefit both resellers and distributors.

Illustrative patterns for sales lost due to low inventory



The figure illustrates how great a proportion of a reseller's attempted sales fail due to low stock and how large a proportion of resellers experience the situation on a daily basis.

SDS's own market studies show that about 1 percent of the total number of monetary transactions in African mobile operators' systems fail due to inadequate stocks of airtime with resellers.

Competitive position

SDS currently has several competitors in the electronic distribution market in Africa and the Middle East. SDS assesses the opportunities to grow through up-selling to current customers as good, and that there are also great opportunities to capture market share from competitors by providing a deeper, more customised product offering. Given that SDS's three main electronic distribution competitors on the African market have been bought up in the last five years, the Company feels that there is a great interest in companies exposed to the African economy.

Company	Offer	Customer base	Transactions per year	Other information
Mahindra Comviva ³²	Mobile financial services, mobile payments, mobile electronic wallet refill, solutions etc.	>1 billion	>21 billion	Acquired by the Tech Mahindra conglomerate in 2012
Utiba ³³	Provides transaction platforms with mobile financial services	500 million	>12 billion	Acquired by Amdocs 2014
Telepin ³⁴	Platform for mobile uploads, financial services, marketing solutions and electronic distribution networks, etc.	>132 million	15.7 billion	Acquired by Volaris, 2017
Zazoo ³⁵	Mobile banking solutions, prepaid sales, smart card technology, etc.	>15 million	1.4 billion	
Estel ³⁶	Electronic distribution solutions e.g. e-recharge, e-top-up, coupon management, etc. Also provides mobile banking solutions	n/a	n/a	
Telcom Live Content Inc. ³⁷	Offers discount coupons with prepayment, tools for the sale of mobile services and mobile banking solutions	>250 million	14.6 billion	
Mode ³⁸	Credit provider for airtime and nano loans	>250 million	n/a	

The Company's focus on new product and service areas closely associated with digital distribution, enables stronger customer relationships. The reseller credit service in particular ties customers closer to SDS as it is a service managed entirely by SDS and the fact that it requires no investment from the customer. Competitors currently offering distribution systems might follow suit and also offer this service, but minor, capital-poor competitors or software suppliers without SDS's extensive service offering can be expected to find it difficult to compete. Competition from specialist lenders currently active in the consumer market providing credit to mobile customers are not able to offer the same integrated service as SDS because integration with the ERS 360 distribution system cannot be done as efficiently.

Business description

SDS's business idea

is to develop and provide transaction systems and services for mobile operators in developing countries.

SDS in brief

Seamless Distribution Systems AB (SDS) was founded in 2014 to focus on and develop Seamless's original business idea of selling digital distribution solutions. SDS enjoyed very good growth and profitability during 2015 and 2016. The parent company, Seamless Distribution AB (SDAB) has been traded on Nasdaq since June 2012 under the ticker symbol SEAM. Before that, shares were traded on Nasdaq SDAB First North between 2006 and 2012. The company has its head office in Stockholm, in addition to local offices in Mumbai, Calcutta and Hyderabad in India. It also has local representation via consultants in Accra in Ghana, Lahore in Pakistan, Liege in Belgium, Dubai in the UAE, Quito in Ecuador, Lagos in Nigeria, Conakry in Guinea and Dallas in the USA.

SDS is a provider of distribution systems for digital products and services for mobile telephony operators and distributors. The Company's main business and product areas are:

Digital distribution system:

The delivery of systems for the management of distribution networks mainly for the electronic recharge of prepaid cards, but also electronic products ranging from gift cards to mobile banking services;

Support and operational services:

Services for the operation and administration of systems SDS sells to its customers. The product offer ranges from traditional support to the complete supervision and management of systems, known as managed services;

Credit services for resellers:

A newly launched service that manages credit for airtime, data and other digital products to resellers.

The fourth generation of the ERS 360 transaction platform developed by the Seamless Group, which was recently acquired by SDS from SDS SEQR Group AB, constitutes the hub of the Company's business and each year processes more than 5.3 billion transactions through 675,000 active outlets in 28 countries.

Strategy

SDS's strategy is to develop and deliver systems and services to mobile operators and distributors all over the world and to establish new product and service offerings based on its proprietary transaction exchange. SDS strives to create value for its shareholders through profitable growth and stable cash flows. The goal is to grow mainly through organic growth. SDS seeks to achieve its objectives for both the short and long terms through the following overall strategies.

Existing customers, new functions and increased usage

SDS works closely with the customer with both technical and business professionals. The goal is to identify opportunities to further increase the penetration of the digital distribution channel and thus increase customer profits. A large number of accessible additional functions for ERS 360 can be sold, which in turn will increase the number of transactions in the system with a subsequent need for license expansion. All sales contribute to increased support charges, which are calculated as a percentage of the purchase price.

Integrations and channels

Additional, improved integration capabilities and channels mean even closer collaboration with other customer subsystems. Many integrations seek to enhance ERS 360's various contact points for communication with resellers and end customers, where the system is used as a primary channel to the market, e.g. SMS receipts when topping up prepaid cards.

Service quality

A key differentiation in challenging SDS customer environments is to offer a very high level of support and operational services. The Company is actively engaged in ensuring that ERS 360 will always be the most reliable system and that there is always a high level of technical expertise available to provide advice and remedy every type of disruption. This allows high service charges to be maintained and creates credence for upsales.

Geographical expansion

SDS campaigns in existing markets where its existing customers operate. SDS's products enable the Company's customers to be more competitive through aggressive marketing. For example, it enables real-time campaigns that generate profits for resellers when sales targets are achieved. Other markets in the West, East and North Africa are processed in parallel. Also, the Company continues to process the Middle East from its base in Dubai.

SDS is also working on step-by-step local establishment and expansion in Latin America and the remaining parts of Asia.

Product development and innovations

Customer-specific solutions are developed together with existing customers where ownership of the finished product is retained by SDS. Because the business benefits these solutions bring are often of a general nature, they can also be sold to other customers. Thus SDS's product development has hitherto been mainly customer-financed.

The investment in innovation and in-house development that began in 2016 and which concentrates on establishing credit services mainly in cooperation with the existing customer base continues. The aim is to establish SDS as a creditor as a complement to the Company's traditional software licensing business.

Productivity

Continued profitable expansion is contingent upon SDS's continued investment in productivity increases in all parts of the business where above all software development can be automated and optimised through the use of agile methods supplemented by management tools that follow lean methodology.

Financial objectives

When it was set up in 2014, SDS established financial goals for the first years of operation. The goal was to rapidly increase sales with sustained or higher profitability, which was achieved. The aim is for the Company's core business of selling ERS 360 to continue growing by approximately 20 percent per year with an operating margin of 20 to 30 percent.

With regard to the Company's newly started business area for reseller credits, there is uncertainty regarding the Group's future revenue distribution and with that the levels of earnings (margins) and capital tied up. Accordingly, the Board has chosen for the time being not to present any financial targets for the Group as a whole. The intention is to establish such targets once it is known how the new business area is developing.

Dividend policy

SDS's situation is one of high profitability, growth and strong cash flow. The Company currently intends to reinvest funds in new business areas such as reseller credit, in order to accelerate growth. The Board continuously evaluates capital needs in new business areas, balancing growth and profitability with a basic ambition to distribute funds to shareholders when expansion is assured and a stable capital structure achieved.

Operational goals

To reach its financial goals, SDS needs to achieve the following key operational targets:

- An average of at least two new ERS 360 per year
- Expansion into and establishment in a new market outside of Africa and the Middle East by no later than 2018
- The first production customer offering reseller credits must be active by no later than the third quarter of 2017

Strengths and opportunities

SDS considers the Company's strengths and opportunities to be as follows:

Strong structural growth for mobile telephones in Africa and the Middle East

SDS primary markets are Africa and the Middle East where especially Africa is in the spotlight for the Company's sales organisation. Africa is characterised by strong macro trends such as population growth, where the population is anticipated to increase by almost 60 percent by the year 2035 in relation to 2015, equivalent to an average annual increase of 2.3 percent. Africa's GDP – a measure of its economic prosperity – is expected to increase by an average of 3.4 percent a year between 2010 and 2030, which is one of the highest growth rates in the world. Population growth and increasing prosperity is expected to lead to increased mobile use both in terms of a greater number of individuals using mobile telephony and the level of individual use. Furthermore, 95 percent of mobile users in Africa are prepaid card customers, one of SDS's focus areas.

In Africa today, the distribution of airtime is largely in the form of physical vouchers (scratch cards) that lack flexibility and which are expensive to make and distribute. The migration from physical vouchers to digital distribution is driven by an increasing need for effective distribution as the use of mobile phones grows and general price pressure on mobile services increases.

Tried-and-tested, scalable business model with a unique position in an attractive niche market

SDS focuses on the area of digital distribution, and the Company counts itself as one of the leading players in this market through a newly developed product portfolio of functions that complement the ERS 360 system developed over many years. With its focus on software, including the high-margin products for upselling, and the reuse of customised solutions, the Company has a scalable business model.

The Company's customers are to a large extent major established, reputable mobile operators in Africa and the Middle East. Long-term investments in high quality and customer satisfaction mean SDS enjoys a strong position and good references upon which to build further. End-user mobile balance top-up, which represents the major part of mobile operators' earnings, are processed using SDS products that are thus mission critical for mobile operators. At the same time, technological integration is extensive, which means the system would require large investments to replace.

SDS is positioned to put growth to good use and respond to greater demand

SDS has the ability to understand and offer practical customer solutions that address business problems in particular with the sales and marketing organisations of mobile operators. This means operators increase their competitiveness through the use of digital distribution as a strategic tool. The Company is well positioned to respond to greater demand not only in Africa and the Middle East, but also in Latin America. The efficiency gains resulting from SDS's digital offering repays customer investments quickly.

In addition to increased profits when mobile operators digitise distribution, SDS offers a number of tools to mobile operators' sales organisations which not only increase information about when, where and how the sale of balance takes place but also gives the mobile operator the ability to centrally manage and motivate sales directly at the reseller. Aiming this type of service at mobile operators' sales organisation is appreciated by the Company's customers, and is a contributing factor to the increased penetration of digital distribution among mobile operators. The increased penetration of digital distribution means that SDS is growing with its existing customers, partly because the customers are growing in absolute terms and also because their sales through the digital channel are growing as a proportion of total sales.

Although many mobile operators today have invested in systems for digital distribution, SDS's own market research indicates that competing systems in many cases have failed to achieve greater digitisation at the distribution level, partly because the systems lack or only include inadequate tools for mobile operators' sales organisations. Therefore, with its current competitive product and service offer, SDS appears to be in a good position to replace competing platforms with customers where competing systems have not provided the desired digitisation effects.

Unique platform and effective development organisation for further expansion through new products

SDS has a strong, established development organisation. Many new business opportunities are identified in the Company's ongoing work with customers. SDS's development organisation works closely with customers to take advantage of business opportunities through new custom products, developments that are often wholly or partially funded by the customer. This strategy means that SDS sells licenses to the customer, but at the same time retains the rights to the newly-developed products. Because the Company has for many years built up capacity and is used to working with product development in low-cost countries, it has good abilities and procedures in place to invest in product development while maintaining profitability. In its dialogues with customers, SDS has identified several product development opportunities closely related to digital distribution, including the opportunity to deliver an airtime credit service to resellers and a service for reaching mobile customers with advertising.

Sound financial history with high cash flow generation

Following the incorporation of its operations in 2014, SDS has been able to exploit the possibilities identified by the Company and has turned them into sales that have generated very good earnings. This is against a background of stable sales amounting to SEK 91.7 in 2015 and SEK 96.4 million in 2016. SDS has a strong financial position and a history of profitability with stable cash flow generation. In recent years, the strong cash flows from SDS operations have been used elsewhere in the Seamless Group. Despite a period of limited resources available for reinvestment in SDS due to parent company Seamless Distribution AB's priority focus within the SEQR product area, the Company has established and increased recurring revenues and cash flows through the sale, delivery and management of systems that are business critical for the customer. Over the period, SDS has demonstrated its ability to win new customers with an attractive level of profitability.

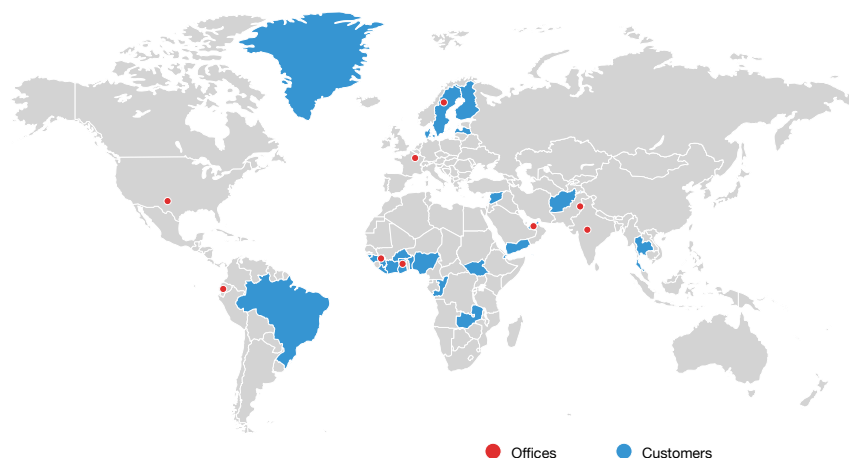
Customer base

SDS's ERS 360 software processes more than 5.3 transactions annually in 28 markets. In these markets, SDS has the following two customer groups:

- **Mobile operators:** Companies offering mobile telecommunications services such as mobile telephony and mobile data to customers. Telecommunication is made available either via the Company's own mobile networks or by selling capacity in another mobile operator's network.
- **Distributors:** Companies that sell products via electronic value distribution. Distributors are located in the value chain between the mobile operator and end customer.

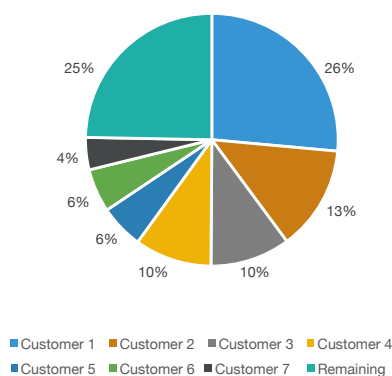
SDS does business and is represented in markets located on four continents, but the Company is geographically concentrated mainly in Africa and the Middle East. As a result of this global market presence, SDS has established several regional offices to ensure committed local involvement. The aim is to understand customers and their needs, both of which are critical for the success of sales and delivery alike.

The offices and customers per geographical region of SDS (incl. consultants)



The diagram below presents the proportion of the Company's sales that are made to its five single biggest customers. The Company's five biggest operator customers were responsible for almost 66 percent of sales in 2016. In addition to these, there were only two customers – with 26 percent and 13 percent of sales respectively – that constituted more than 10 percent of SDS's sales.

SDS sales per customer 2016



SDS not only provides systems that are mission critical for customers, and the Company also offers aftermarket services and all-in-all this contributes to the overall strength of SDS's relations. One of SDS's

closer customer relationships is with the multinational MTN Group based in South Africa, with whom SDS has a priority position as a supplier at Group level. MTN is a group of independent national mobile operators in many countries in Africa. 12 independent mobile operators within the MTN Group are customers of the Company and this accounted for around 73 percent of the Company's sales in 2016.

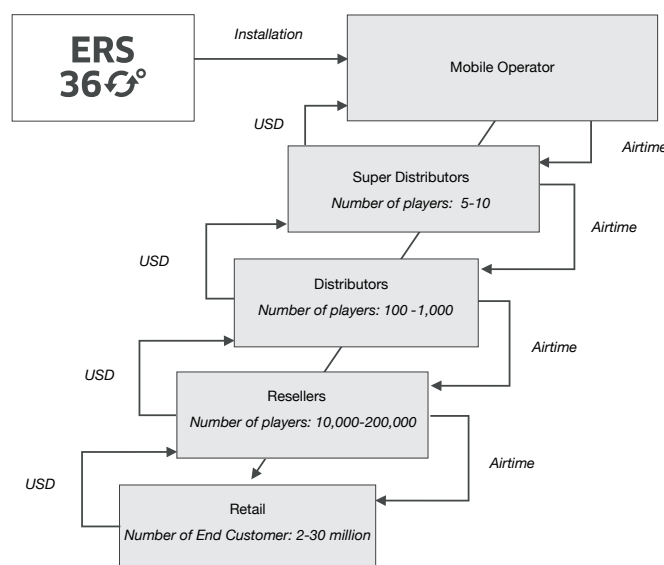
MTN uses SDS systems in more than half of the 21 countries where it operates and where the system is without exception business critical. The customer relationship with MTN is an example of the basis for SDS expansion into new markets where it has an opportunity to further capitalise on market share and expand to

include other operators in the same geographical region.

Value chain for the top up and distribution of airtime for pay-as-you-go mobile phones

In transactions with mobile operators, ERS 360 is integrated into the mobile operator's internal prepaid card system and other operator subsystems including direct connection to mobile networks using so-called SIGTRAN/SS7 protocols. The integration enables distribution of mobile operator airtime, and also means that ordinary mobile phones can be used as points of sale. With that, ERS 360 allows anyone with access to a simple mobile telephone can become a reseller for the mobile operator.

Illustrative distribution chain in an African nation



Airtime is distributed through a value chain consisting of multiple retail levels where the number of players at every level in the chain gradually increases the closer to the end customer they are. At the top of the value chain are the mobile operators, who only deal with a small number of super distributors. The super distributors are usually owned by wealthy individuals or families. These companies are responsible for the continued distribution of airtime, in the form of redemption codes, over large land areas comprising a number of towns and villages. Super distributors buy airtime, which is supplied in the form of redemption codes, from the mobile operator to a value that exceeds the purchase price paid, and this ultimately constitutes the super distributor's profits. The same principle applies when the super distributors resell airtime to distributors who represent the next level of the value chain. Distributors are responsible for a smaller area which might consist of a town or a number of smaller villages. The distributors then sell on the redemption codes to their network of resellers, who are often individuals that sell airtime for a side income. The resellers are responsible for smaller areas in cities or parts of villages where they are able to reach end customers from minor points of sale along roads, streets and squares.

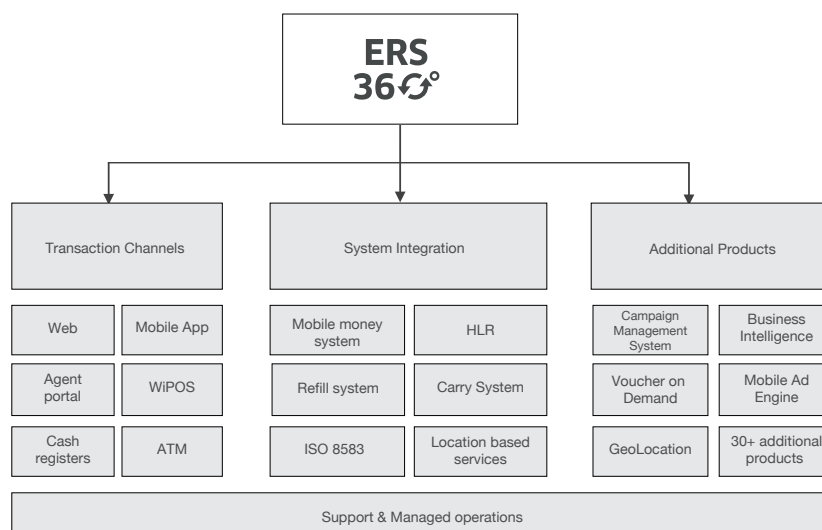
Offer

Digitisation of distribution

SDS digitises the distribution of value (e.g. airtime) and vouchers (e.g. redemption codes associated with a certain amount of airtime, so-called mobile balances) and works today with its primary focus on the telecoms industry. As a result, SDS, as a global supplier of electronic transaction platforms, has developed digital distribution systems that replace manual distribution methods. SDS's business transactions are characterised by a strong focus and commitment to the customer and excellent product reliability. This is complemented by a focus on high quality and excellence in all its services from business analysis to operations.

The Company operates in 28 countries worldwide; it focuses on emerging markets mainly in Africa, the Middle East and Latin America, and mobile operators are its largest customer group. In these markets, SDS offers products and services that can be divided into five different categories; ERS 360, transaction channels, system integration, supplementary products, and support and managed operations.

SDS's Customer value proposition

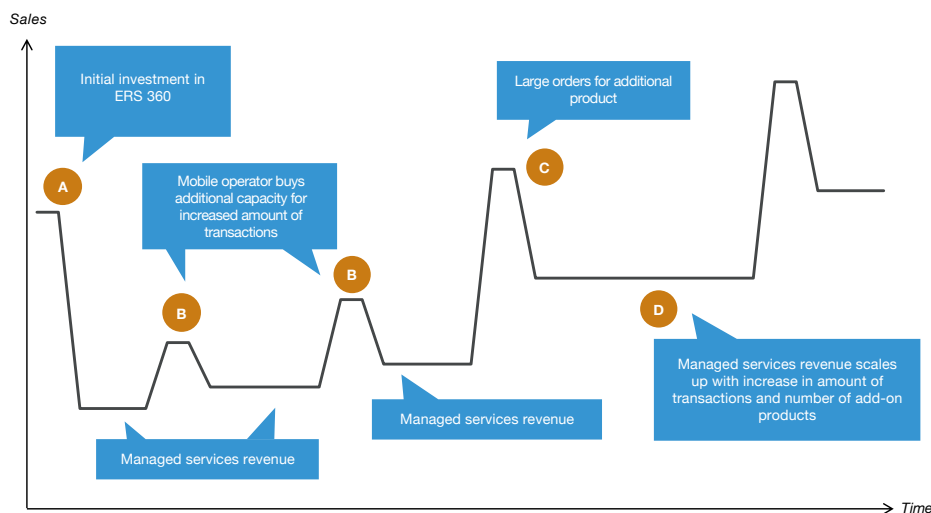


The revenue model in a nutshell

ERS 360 is software for sale to customers who are typically mobile operators. When Seamless wins a new customer, it sells a perpetual ERS 360 license together with installation and integration services. It also signs an ongoing support contract, which is priced as a percentage of the sales price and renewed annually. Opportunities for up-sales follow the initial project. Up-sales usually consist of one of two things: The first is a license for extended capacity which is necessary if the mobile operator has more transactions than were included in the basic ERS 360 scope of supply. The second is an optional feature that is described in the figure above. The function can be one of three types: A new transaction channel is the way in which the user communicates with ERS 360 e.g. via the Internet, smart phone, point-of-sale terminal or ordinary telephone. A system integration is a technical connection to one of the customer's other systems for receiving or transmitting data, e.g. for reading off information about a user's geographic location. Lastly, ERS 360 can also be supplemented by major or minor add-on products such as an advanced reporting module.

When up-sales are made, support fees are raised accordingly at the agreed percentage for support. While SDS's main business is thus the sale of licenses and services, some deals also include hardware, usually in the form of servers, which are bought in, marked up and sold.

Illustrative examples of revenue over time from a customer



- A. The mobile operator makes a basic investment in ERS 360, typically paying between USD 0.2 million and USD 2 million. The basic offer includes a license for a fixed number of transactions per month along with basic functionality.
- B. Once basic installation is complete, the operator can increase the number of transactions per month and handle more users by purchasing an add-on license. These licenses are sold at high margins and with little effort.
- C. The additions to ERS 360 basic functions have been described above. By purchasing them, operators improve their competitiveness. The development of new functions requires effort, but they can often be sold to more than one customer as the rights remain with SDS and the functions are often relevant for most customers.
- D. Because the system is very advanced and complex, it can only be maintained by SDS. Administration support is offered for a running charge that is a percentage of the purchase price for the basic system and all of its add-ons.

ERS 360

The central services for business functions are realised in the transaction platform developed within the Seamless Group under the brand name ERS 360. ERS 360 was previously operated by SDS under license from SEQR Group AB, a company in the Seamless Group. On 7 June 2017, SDS acquired all intellectual property rights associated with ERS 360 including the brand, once and for all from SEQR Group AB. The ERS 360 transaction platform constitutes the hub of the Company's operations. The platform processes the end-to-end solutions for mobile network operators in order to electronically distribute airtime and other electronic products through various transaction channels. In this context, distribution means that the system keeps track of inventory balances for all stakeholders as well as all inventory movements from one entity to another in the supply chain using transaction channels as the method of communicating with the system e.g. via the internet or SMS. The ERS 360 software is SDS's core product whose license gives mobile operators access to a number of basic functions that enable electronic distribution in the mobile operator's system, but with a limited volume of transactions. The license is not fixed term but it is usually supplemented over time with additional licenses to extend the system's maximum permissible transaction volume.

Upselling

Sales of the ERS 360 core product have the effect of locking in the customer while opening up a channel for continued sales in the form of additional functions and function changes (known as CRs, Change Requests). Sales of new functions take place when the customer buys a license from SDS, at which time the function is unlocked for use. When new functions are sold, customisations are necessary to integrate the function into the operator's other systems. Even in simple installations, a large number of integrations are made. SDS charges a fixed price for all change requests. Moreover, integrations contribute further to the lock-in effect and the system becomes even more business critical for the customer. Upsales take place mainly within three categories, namely transaction channels, system integrations and supplementary products.

Transaction channels

SDS offers access to additional transaction channels for electronic distribution, which are sold as an option to the core product. In addition to sales of licenses, the category contributes to upsales in the form of hardware adapted to the integration such as the proprietary WiPOS terminal – a handheld terminal for printing physical value codes.

System integrations

System integrations allow additional functions in the telecom operators' systems by integrating the software with other existing products and services. An integration with the mobile operator's HLR provides geographical information that can determine where a transaction is carried out, e.g. to direct distributors to certain territories or to produce a report where transactions are shown on a map.

Supplementary products

SDS customers are also offered license-based supplementary products consisting of additional functions and peripheral systems. New add-on functions and peripheral systems are developed constantly based both on customer requests and SDS's strategic initiatives, which means the category is gradually becoming an increasingly important source of revenue for the Company. Campaign overview and geographic optimisation are products that SDS has developed in collaboration with customers. In these cases, the customer bears the development cost, but SDS retains the rights to the system and has the opportunity to sell the product to other mobile operators. In addition to this, the Company carries out in-house product development. Examples of in-house developed products include reseller credits, which are addressed later in this chapter. When developing products in-house, SDS analyses markets and tries to find niche areas hitherto unpenetrated.

Support and managed operations

SDS always offers operations, installation and support services at various service levels tailored to customer needs. The most common is known as managed operations, where SDS is responsible for the entire operation and supervision of the distribution system, which frees the customer's own staff from system administration. The service is carried out by the SDS offices in Pakistan and India.

Support services ensure recurring revenue streams for SDS, and historically they have proven to be very profitable, with steady growth and an increasing customer base and transactions. At the same time, customers are tied to SDS for the long-term, and support services contribute further to the lock-in effect. An annual fee is charged for operational and support services based on a percentage of the customer's total existing purchases of licenses from SDS. This means that income from support and managed operations increases with additional sales of both the core product and additional functions.

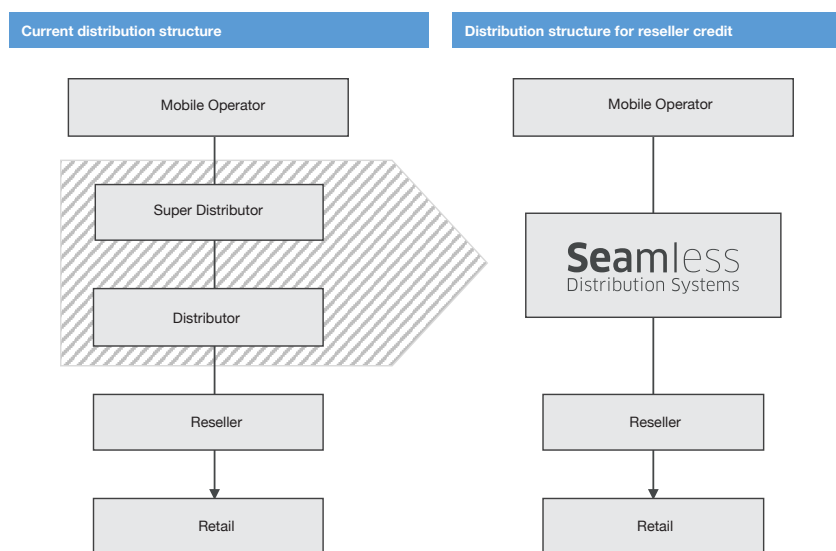
Today, SDS has its internal production in a modern data centre in India. It not only supplies the internal needs of agile product development but also ensures there is capacity and skills for future cloud services in concepts such as SaaS – Software as a Service.

Reseller credit

In 2016 and 2017, SDS developed a new service for microcredit to resellers, with the aim of meeting an under-exploited market need. Resellers are offered credit by SDS and can make sure they are able to continue running their business, even when stock runs out. This takes place through a financial service for instant loans with built-in user profiling and automatic redemption, which means stable revenue streams for SDS.

The service is designed such that SDS buys airtime from telecommunications operators and then offers reseller credit in the form of airtime based on individual creditworthiness. In practice, this means SDS takes over part of the physical supply chain.

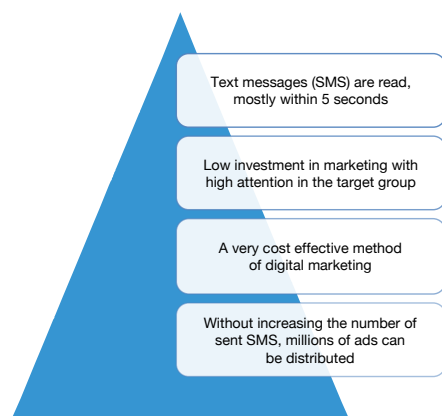
Distribution structure for reseller credits



resellers then automatically repay the credit, including charges the next time they top up stock. By offering credit to resellers entirely digitally, the Company expects to be able to invoice operators for margins similar to those in the existing physical distribution structure.

The basic functionality is fully developed and ready for delivery to the customer.

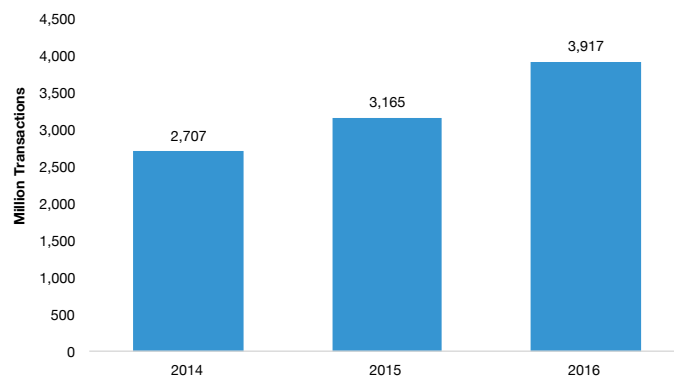
Mobile phone advertising



SDS's Ad Engine product means the Company is able to respond to the growing mobile advertising market in developing countries with a unique concept. Because of the great amount of SMS traffic already processed by the ERS 360 system, SDS is able to offer a unique value to advertisers by attaching ads based on the recipients profile.

The Company estimates that the product, which embeds ads in SMS responses to mobile phone money transfers (e.g., balance top ups), could guarantee 97 to 99 percent attention for such ads. Today, notifications in the ERS 360 system in response to monetary transactions number more than 3.9 billion annually.

Annual growth of SDS monetary transactions

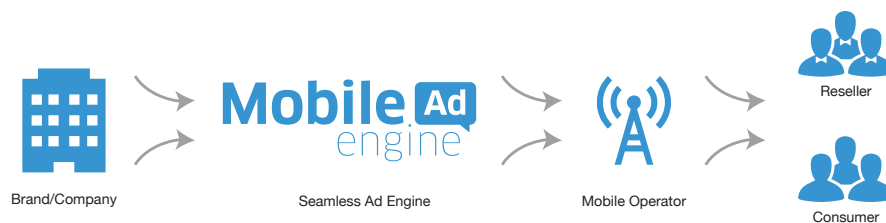


Ad Engine potential

SDS's presence in over 28 countries worldwide enables the Company to reach out to around 200 million of its mobile operators' customers. According to Company estimates, a medium-sized player in Africa can reach on average up to 6 million customers, 40,000 resellers and approximately 70 million transaction messages per month.

SDS expects the Ad Engine advertising business model to further increase stable, recurring income for the Company. The operation will be run by sharing profit with mobile operators while SDS signs up advertisers with the offer of enabling them to reach millions of a given mobile operator customers in real time. Thus the ads meet a growing demand without increasing the amount of SMS messages received by end users. The concept has been described and some functions developed.

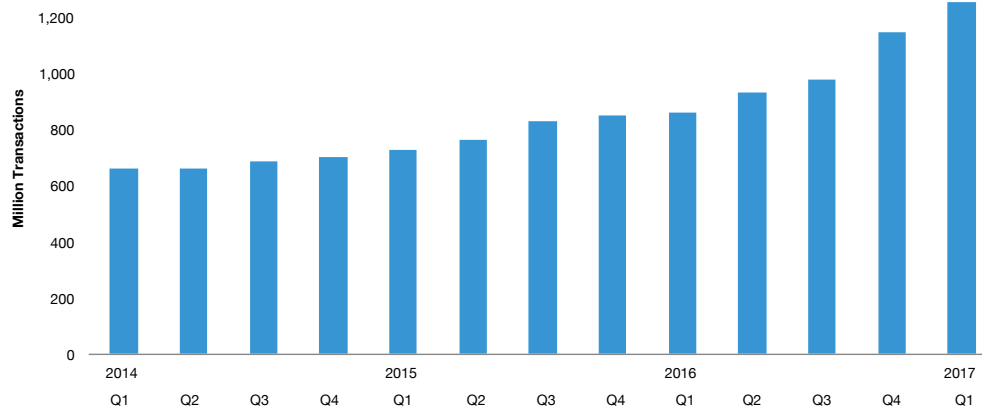
SDS's mobile advertising flow



Transaction growth

Since 2014, SDS has seen its customers' transactions grow from just over 600 million per month to over 1.25 billion.

Transactions per quarter



The ERS 360 system handles a large number of different types of transactions. In a typical distribution system, the most common transactions are threefold: The sale of airtime to the customer, transfer of airtime between distributor and resellers and balance inquiries from distributors or resellers.

Transactions in the ERS 360 system

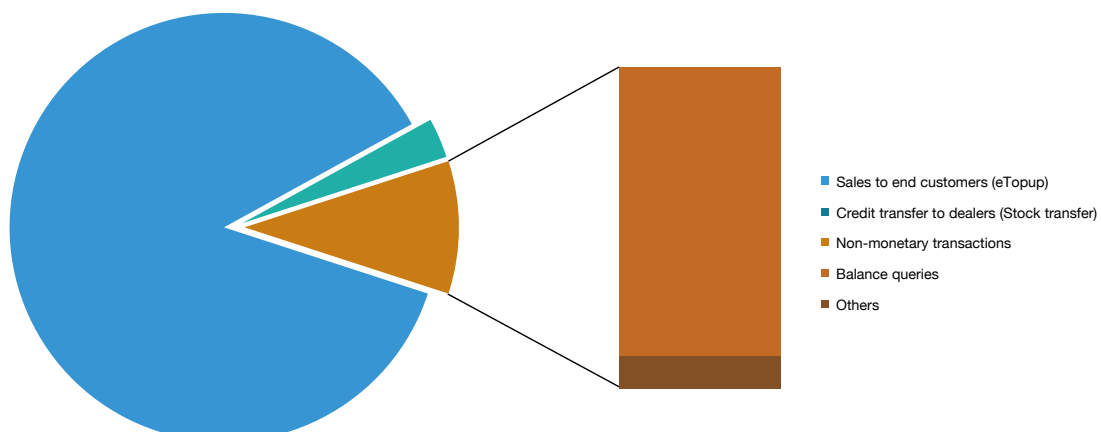
A transaction is defined as a request from a user or a system with a subsequent response from ERS 360

Example: A transaction takes place when the reseller sends a request to top up airtime to a customer's phone number, which ends with a confirmation to the customer as well as the reseller.

Example: A reseller requests information about the balance on his or her account.

Example: A monetary transaction moves value from one account to another, such as from a reseller to a customer or between two clients.

Illustrative examples of distribution between the transaction types at a ERS 360 customer



Business models

SDS uses various types of business models depending on the business area. The different business models are described below.

Sales of goods and services attributable to ERS 360

SDS's offer and provision of the ERS 360 platform includes services related to custom software including installation and licensing, managed operations or support, and associated hardware.

Installation

Installation is carried out in all cases under fixed-price contracts and revenue is calculated by the stage of completion of the specific installation determined on the basis of expenditure at the end of the reporting period in relation to estimated total expenditure. Revenue is recognised only when it is probable that the economic benefits associated with the installation will flow to SDS. In most cases, these services require the customer to approve the various parts of the project before it can be considered certain that the economic benefits will flow to SDS.

License and expansion package (Pay-as-you-grow)

The most common license model is based on a one-time fee or a so-called license charge with a predetermined number of transactions per month. If the number of transactions exceeds this level, the customer must purchase extra license capacity. The customer pays a one-time fee for the right to use the specific modules and functions. Thus SDS grows together with its customers as volume increases and whenever a new service is introduced.

In some cases, SDS also uses a so-called "revenue share" model. This involves sharing revenues between SDS and a mobile operator or distributor based on the number of transactions sold in the system. Revenue is recognised when the service is used by the customer; it is reported as the fair value of what SDS has received and will receive, through a reconciliation of the number of transactions carried out during the period. The initial cost for the customer in this business model is very low, but if the customer is successful, there are opportunities for good profits once cost recovery is achieved. Revenue sharing is a popular model, especially within mobile payment services.

Managed Operations and Support

SDS offers two kinds of service; managed operations in which SDS is responsible for operations and management of the ERS 360 platform, and support where SDS manages the system at the customer's request.

The fees for these services are largely dependent on the level of service, such as response times and accessibility requirements. The fees are also based on the system's size, cost, and the number of high-value-added services (VAS) included. Contracts usually extend over a year and revenue is periodised on a straight-line basis over the term of the contracts.

Hardware

SDS sells goods in the form of hardware (usually servers). Revenues from the sale of products are reported at the fair value of what was received or will come to be received and which corresponds to the amount received for sold goods less discounts and VAT.

Credit services to resellers as a virtual distributor

At the beginning of May 2017, SDS launched a new service involving credits to airtime and mobile data resellers. After entering into a service agreement with a mobile operator, SDS buys airtime and mobile data from the operator in order to lend to resellers. The credit is repaid the next time the reseller tops up his stock with a distributor, whereupon SDS receives a distributor's margin. This service is operated under the direction of SDS with the use of the mobile operator's network as the channel.

Organisation

Head office in Stockholm

Stockholm is home to the headquarters and the central financial function, administration and business development.

Local representation

Sales take place through SDS direct sellers under the direction of SDS's Head of Sales.

Technical centre

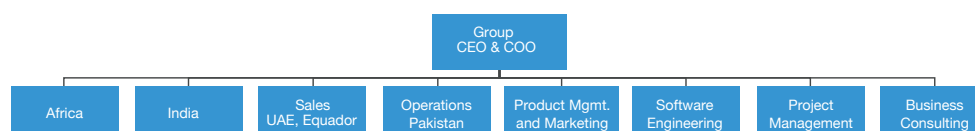
SDS established a development and support centre in Calcutta, India, where SDS internal IT is also brought together in an external data centre. A further development and support centre is located in Lahore, Pakistan. MOPS is controlled from headquarters in Lahore with a round-the-clock network operations centre (NOC). SDS has no permanent establishment in Lahore, but the work is carried out by Synavos Solutions Pvt Ltd, which runs the business through its full-time consultants. There is also a support centre in Accra, Ghana, geographically close to many SDS customers. The Accra operation also consists of full-time workers, individually employed consultants, and offices and infrastructure provided by a local company, TX Systems Pvt Ltd.

Operational structure

SDS's current operational structure is presented below. Group management consists of the CEO and the COO. The CEO and the Group President are responsible for the day-to-day management of SDS. This means responsibility for ongoing investments and divestments, personnel, financial and economic issues, contacts with Company stakeholders such as public authorities, financial markets and other market issues and information to the Board.

Three heads of department, two regional managers and two combined departmental heads/regional managers report to the COO in Group management as illustrated below.

Operational structure



Regional managers are responsible for employees, the company, offices and the financial and administrative departments in their regions. The COO is responsible for personnel in other regions. The heads of department have overall responsibility for their respective areas in consultation with the regional manager in a matrix.

Follow-up is on an ongoing basis through consultation, reports and meetings with departmental heads. Group management, in consultation with other departmental heads, is responsible for the formulation of the Group's overall business strategy, governance, policies, financing, capital structure and risk management. It also discusses issues concerning potential acquisitions and group-wide projects.

Typically, Group management and other departmental heads meet twice per month to follow-up and run current projects and operational matters. The subsidiary in India has a management board that consists of a COO who is a representative from the Company and two local representatives in India.

The CEO, the head of business consulting (who is also the acting head of software development) and the

head of the Indian operation are employed by the company while the others are consultants.

As of 1 January 2017, SDS's employees are organised mainly into six categories other than the 10 individuals who work in Company management:

Sales (12 employees)

The office in Dubai is the hub of the sales organisation. There is a local presence in every region where SDS operates and it has local representation in Accra in Ghana, Mumbai in India and Quito in Ecuador, which takes care of sales of SDS products and services. SDS also has agreements with agents for certain selected markets to safeguard existing customer relations and ensure a local presence. This can be a crucial factor in some customer negotiations.

Operations (36 employees)

Employees in this field work with customer technical service, documentation and system administration. System administrators are responsible for all installation and system configuration with customers; they monitor systems and safeguard operational reliability. Customer service/Network Operations Centre (NOC) maintains day-to-day contact with customers and monitors both customers and internal systems.

Product management (7 employees)

Employees within product management manage and improve the Company's products and services in respect of technical documentation and product management. The group is responsible for all marketing such as, social media, internet, press releases, the development of artwork and marketing materials, market analysis and planning future marketing activities.

Software development (66 employees)

This area includes various roles such as developers, testers, application developers, system architects and scrum masters. They develop and improve the SDS platform, develop new products and next-generation transaction exchanges for electronic payments and transfers. They also test and assure the quality of the services under development internally, as well as ensuring compatibility with third-party applications and components when these are integrated into SDS products.

Project management (5 employees)

Project managers are responsible for customer projects from start until system handover to the customer and product support. The project office is responsible for portfolio management and coordination of resources from all parts of the Company.

Business consulting

The head of business consulting (who is also the acting head of software development) heads up a special department in the Company that currently has no employees.

Economy, internal administration and office services (10 employees)

There are employees from this department in the local offices and in the Group department in Stockholm. The Company's acting CFO heads up the finance department and is responsible for the Company's finances and financial controlling. His assignments include controlling the sales process, orders received, liquidity analyses, sensitivity analyses, invoicing and cash flows etc. The Company has recruited a new CFO on a consultative basis, and he is scheduled to take up his post in September 2017. The intention of the company is that Lars Kevsjö will be the acting CFO up until the Company's new CFO takes up his post in September 2017.

Research and development

The focus for research and development in 2015 was on building capacity and expertise in low-cost countries where SDS is established. In 2016, the focus was on expanding and improving the capabilities of the ERS 360 platform and streamlining development and delivery. At the end of 2016 and the beginning of 2017, the focus has been on developing the new reseller credit service offer. In this way, the Company seeks to take additional market share and offer a complete solution for digital distribution.

Background

Start-up with system development for electronic distribution - 2001 to 2005

Seamless was founded in 2001 with the business idea of developing and selling systems for the electronic distribution of vouchers for mobile telephony with the aim of replacing the physical vouchers hitherto used. Initially, customers consisted of distributors in Sweden, but global expansion soon began with agreements signed with distributors in 2005, notably in Nigeria and Thailand.

Growth with a focus on mobile operators - 2006 to 2013

With the ERS 360 basic system for electronic distribution up and running, Seamless launched expansion into new market segments. By now the time was ripe for mobile operators in developing countries to switch from physical to electronic distribution, and Seamless began investing in the segment. As a result of the investment, Seamless signed a framework agreement with Ericsson in 2007 and MTN in 2008 regarding the Seamless electronic distribution system. At the end of 2009, an agreement was signed with MTN Ghana whose capacity requirement of up to 1,000 transactions per second drove the development of the fourth generation of the ERS 360 software. During the final years of this period, Seamless made major investments in the new SEQR mobile payments business area, which held back operations in the other business areas.

Continued expansion in developing countries - 2014 to 2017

SDS was founded in the autumn of 2014 as a subsidiary of Seamless in order to focus on its core business, the delivery of systems and services for electronic distribution to mobile operators in developing countries. This was achieved by placing the main part of the former transaction exchange business area in the start-up company, SDS. SDS also moved all operations except central management closer to customers, thus including low-cost countries. The formation of SDS reversed a downward sales and profitability trend and by 2015 revenue had already increased by 136 percent compared to the previous year, and the Company has since established itself as one of the leading suppliers of systems for digital distribution to mobile operators through deals in several major African markets.

Year	Event
2014	<ul style="list-style-type: none"> The SDS subsidiary was formed in September in order to allow a more focused and independent commitment to Seamless's original business. First SDS agreement signed with MTN Zambia, the country's leading mobile operator with over 5.4 million mobile users
	<ul style="list-style-type: none"> During the year, SDS signs several large orders for the completely newly developed WiPOS terminal. A contract is signed with MTN Guinea Bissau at the beginning of the year. Bissau is one of Africa's smallest and poorest countries, where SDS's easy-to-use user interface is customised for resellers who are illiterate. In late summer, agreements are signed with Globacom Nigeria and Globacom Ghana. Nigeria is Africa's largest market and Globacom is the second largest mobile operator with more than 30 million mobile users.
2016	<ul style="list-style-type: none"> SDS is awarded a major order from MTN Ivory Coast, the country's leading mobile operator with 8.3 million mobile customers. The Company achieves its first order in North America from the newly established mobile operator Aliv in the Bahamas. Aliv becomes SDS's launch customer for the new Android reseller application. A great number of new product add-ons such as modules for sales campaigns and mobile data sales are developed, launched and sold during the year.

Summary of financial information

The following tables provide a summary of SDS's historical financial information. The financial information should be read together with the sections entitled "Operational and financial highlights," "Equity, liabilities and other financial information" and the historical financial information available in the section entitled "Historical financial information for the financial years 2015 and 2016" and the Interim report 1 January – 31 March 2017. Because the amounts indicated in this section have in some cases been rounded, the tables do not always add up precisely.

Presentation of financial information

Unless otherwise indicated, the financial information presented below was obtained as follows:

- i. Figures for the financial years 2016 (12 months from 01/01/2016 to 31/12/2016) and 2015 (15.5 months from 15/08/2014 to 31/12/2015) were taken from the Company's audited consolidated financial statements, which can be found in the section entitled Historical financial information for the years 2015 and 2016.
- ii. Figures for the first quarter of 2017 were taken from the Company's reviewed interim report, which can be found in the section entitled "Interim report 1 January 2017 – 31 March 2017."
- iii. Figures for the first quarter of 2016, as well as those for the 12-month period of 2015, were taken from internal systems and have been neither audited nor subject to review.

All of the consolidated accounts were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS").

Income statement

Amounts in SEK thousand	Jan-Mar 2017 Revised	Jan-Mar 2016 Not revised	2016 Revised	2015 Not revised	15/08/2014 31/12/2015 Revised
Operating revenues					
Net sales	23,451	18,826	96,433	89,171	91,701
Other operating income	-	551	801	1,680	1,752
Total operational income	23,451	19,377	97,234	90,851	93,453
Operating expenses					
Material costs	-1,350	-3,225	-14,897	-38,417	-39,856
Other external expenses	-5,843	-7,880	-33,662	-16,203	-18,097
Personnel expenses	-3,848	-1,764	-9,826	-5,164	-6,248
Depreciation, amortisation and impairment	-571	-119	-975	-21	-21
Other operating expenses	-4,450	-678	-6,044	-2,578	-2,745
Total operating costs	-16,061	-13,665	-65,404	-62,384	-66,967
Operating profit	7,390	5,712	31,831	28,467	26,486
Financial income	-	-	194	-	-
Financial expenses	-1,252	-6	-50	-37	-16
Total financial items	-1,252	-6	144	-37	-16
Profit before tax	6,138	5,706	31,974	28,430	26,470
Income tax	-	-	-6,878	-5,741	-5,741
Profit for the period	6,138	5,706	25,096	22,688	20,729
Other comprehensive income					
Items for possible subsequent transfer to the income statement					
Exchange rate differences	90	-79	218	48	-307
Total comprehensive income attributable to Parent Company shareholders	6,228	5,627	25,313	22,737	20,422
Earnings per share calculated on total comprehensive income attributable to Parent Company shareholders					
Earnings per share before and after dilution (SEK)	8.31	11.41	50.19	45.38	41.46
Average number of shares before and after dilution	738,957	500,000	500,000	500,000	500,000

Balance sheet

Amounts in SEK thousand				
	31/03/2017	31/03/2016	31/12/2016	31/12/2015
	Revised	Not revised	Revised	Revised
ASSETS				
Assets				
Intangible assets				
Capitalised expenditure for development work	11,863	2,646	7,525	1,209
Total intangible assets	11,863	2,646	7,525	1,209
Property, plant, and equipment				
equipment	3,967	1,283	3,576	1,161
Total property, plant and equipment	3,967	1,283	3,576	1,161
Financial assets				
Other non-current receivables	-	1,629	-	1,670
Total financial assets	-	1,629	-	1,670
Total non-current assets	15,830	5,558	11,101	4,040
Current assets				
Trade receivables	7,593	16,797	17,097	29,195
Receivables from Group companies	79,209	36,973	57,508	22,001
Other receivables	3,942	2,366	2,493	3,057
Prepaid expenses and accrued income	16,776	16,651	11,833	10,054
Total current receivables	107,520	72,787	88,931	64,307
Cash and cash equivalents	4,880	2,052	1,558	2,114
Total current assets	112,400	74,838	90,489	66,421
TOTAL ASSETS	128,230	80,396	101,590	70,461

Amounts in SEK thousand				
	31/03/2017	31/03/2016	31/12/2016	31/12/2015
	Revised	Not revised	Revised	Revised
EQUITY				
Equity attributable to Parent Company shareholders				
Share capital	588	50	50	50
Reserves	1	-385	-89	-307
Other capital contributed	1,156	1,156	1,156	1,156
Retained earnings incl. profit for the period	7,686	6,506	1,548	800
Total equity	9,431	7,328	2,665	1,699
LIABILITIES				
Non-current liabilities				
Provisions	-	609	663	623
Non-current liabilities to Group companies	979	873	967	893
Total non-current liabilities	980	1,482	1,630	1,516
Current liabilities				
Trade payables	6,481	1,911	5,529	3,208
Current tax liabilities	790	69	777	-
Other current liabilities	30,811	197	89	182
Liabilities with Group companies	70,930	46,008	84,114	44,930
Accrued expenses and deferred income	8,807	23,401	6,785	18,926
Total current liabilities	117,819	71,586	97,295	67,246
Total liabilities	118,799	73,068	98,925	68,762
TOTAL EQUITY AND LIABILITIES	128,230	80,396	101,590	70,461
Pledged assets	-	-	-	-
Contingent liabilities	None	None	None	None

Statement of cash flows

Amounts in SEK thousand	Jan-Mar	Jan-Mar			15/08/2014
	2017	2016	2016	2015	31/12/2015
	Revised	Not revised	Revised	Not revised	Revised
Cash flow from operating activities					
Operating profit before financial items	7,390	5,713	31,830	28,467	26,486
Amortisations & depreciations	571	119	975	21	21
Other items not affecting liquidity	-940	-14	60	-38	219
Interest received	-	-	194	-	21
Interest paid	-1,252	-6	-50	-37	-37
Income taxes paid	-261	-166	592	-745	-765
Cash flow from operating activities before change in working capital	5,508	5,646	33,601	27,668	25,945
Cash flow from change in working capital					
Increase/decrease in operating receivables	-18,008	-8,249	-23,122	-58,014	-64,555
Increase/decrease in operating liabilities	-10,109	4,253	-1,396	32,688	41,793
Total change in working capital	-28,117	-3,996	-24,518	-25,326	-22,762
Cash flow from operating activities	-22,609	1,650	9,083	2,342	3,183
Cash flow from investing activities					
Investments in intangible assets	-4,905	-1,550	-7,274	-1,230	-1,230
Investments in property, plant and equipment	-335	-152	-2,380	-613	-863
Cash flow from investing activities	-5,240	-1,702	-9,654	-1,843	-2,093
Cash flow from financing activities					
Borrowing	30,625	-	-	-	-
Shareholder contribution	-	-	-	-	-
New share issue	538	-	-	-	-
Cash flow from financing activities	31,163	-	-	-	-
Cash flow for the period	3,314	-52	-570	499	1,090
Increase/decrease in cash and cash equivalents					
Cash and cash equivalent at beginning of year	1,558	2,114	2,114	1,577	986
Exchange rate differences in cash and cash equivalents	8	-11	14	38	38
Cash and cash equivalents at end of period	4,880	2,051	1,558	2,114	2,114

Key indicator table

The financial information in the table below was calculated based on the Company's audited consolidated accounts for the financial years 2016 and 2015 and also the Company's unaudited consolidated accounts for the 12 month period 2015 and the Company's consolidated accounts for the first quarter of 2017, which was subject to a limited review, with comparative financial information from the first quarter of 2016. All of the consolidated accounts were prepared in accordance with IFRS.

Some of the key indicators presented below are so-called alternative indicators³². SDS feels that the alternative key indicators taken together with the other key indicators presented are helpful when assessing the Company's financial position and development.

For definition and purpose, see the Alternative ratios section on the following page.

Amounts in SEK thousand	Jan-Mar 2017 Revised	Jan-Mar 2016 Not revised	2016 Revised	2015 Not revised	15/08/2014 31/12/2015 Revised
Margins					
Operating margin	31,5%	30,3%	33,0%	31,9%	28,9%
Net profit margin	26,2%	30,3%	33,2%	31,9%	28,9%
P/E Ratio	68,5%	70,5%	67,3%	68,7%	71,7%
Return					
Return on total capital	5,8%	7,1%	31,5%	40,4%	37,6%
Return on capital employed	8,2%	7,3%	33,6%	42,4%	39,5%
Return on equity	65,1%	77,9%	1194,0%	1673,3%	1557,6%
Operating cash flow					
Cash flow conversion	0.96	0.97	0.93	0.97	0.97
Capital structure					
Balance sheet total	128,230	80,396	101,590	70,461	70,461
Equity	9,431	7,328	2,665	1,699	1,699
Equity/assets ratio	7,4%	9,1%	2,6%	2,4%	2,4%
Debt/equity ratio	403,8%	29,7%	240,0%	199,5%	199,5%
Working capital	-10,299	1,201	-8,364	-2,939	-2,939
Employees					
Employees at end of period	63	40	52	36	36
Average number of employees	58	38	46	32	31
Consultants at end of period	73	51	61	40	40
Average number of consultants	66	44	54	27	24
Share data					
Number of shares at the end of the period	5,876,531	500,000	500,000	500,000	500,000
Average number of shares before and after dilution	738,957	500,000	500,000	500,000	500,000
Equity per share (SEK)	12.76	14.66	5.33	3.40	3.40
Earnings per share before and after dilution (IFRS key ratio) (SEK)	8.31	11.41	50.19	45.38	41.46
Cash flow from operating activities per share before and after dilution (SEK)	-30.60	3.30	18.17	4.68	6.37
Dividend per share (SEK)	-	-	-	-	-

³² Alternative key indicators refers to financial metrics covering historical earnings trends, financial position, financial performance or cash flows that are not defined or described in applicable rules for financial reporting such as IFRS.

Alternative key indicators

The new guidelines from Esma (European Securities and Markets Authority) on alternative key indicators began to apply in the 2016 financial year. For this reason, SDS publishes an explanation of how these indicators should be used, definitions and comparisons between the Group's alternative indicators and the presentation according to IFRS. In the financial statements made by SDS, alternate ratios are presented as a complement to the metrics defined or specified in the applicable regulations for financial reporting, such as revenue, profit or loss or earnings per share. Alternative indicators specified in their context give clearer or more detailed information than the metrics defined in the applicable rules for financial reporting. The alternative key indicators are provided based on their use by management in assessing financial performance and as such they are considered to make valuable information available for analysts and other stakeholders. SDS regularly uses alternative indicators as a complement to the key indicators that usually represent generally accepted accounting principles. Because the alternative key indicators derived from SDS's consolidated financial statements do not measure financial performance or liquidity in accordance with IFRS, they should not be considered alternatives to net income, operating income or other key indicators that are arrived at in compliance with IFRS or as an alternative to cash flow as a measure of the Group's liquidity. The following table presents definitions of SDS's key indicators. Calculation of the alternative key indicators is presented separately below.

Non-IFRS-based key indicators and performance metrics	Description	Purpose
EBITDA	Refers to operating profit before depreciation, amortisation and impairment losses.	EBITDA provides a picture of profit generated by operating activities.
P/E Ratio	Prices divided by earnings. Total costs in relation to total revenues.	Gives an idea of the size of costs in relation to revenues. The difference shows the Company's profits for the period. The ratio shows how big the Company's margins are, if any losses are made or if it is a high-margin business. The key indicator is easy to use for all companies and shows how profitable or efficient a company has been overall during a period and can provide an analysis of how efficiently it works with its cost structure.
Return on total capital	Profit for the year divided by shareholders' equity.	This ratio is one of the most important key indicators and can be said to show a company's actual operational efficiency regardless of how capital is financed, because financial costs are not taken into account. It is a metric used to evaluate whether or not a company's operations provide an acceptable return on the resources the company has at its disposal. The indicator is affected by different kinds of rationalisations, price changes, sales and inventory volumes, capacity utilisation and the operation's capital requirements. Only interest expenses and financial items lack relevance to how the ratio trends.

Non-IFRS-based key indicators and performance metrics		
	Description	Purpose
Return on capital employed	Profit for the year divided by capital employed (assets less non-interest-bearing liabilities).	Return on capital employed = operating profit + finance income as % of capital employed. Capital employed is equal to total assets less non-interest-bearing liabilities. The ratio indicates the company's profitability in relation to equity and externally financed (borrowed) capital, unlike return on total capital that includes all liabilities. Thus, capital employed in a company is either the capital loaned by the owners, who usually receive compensation in the form of dividends, or lent by banks and financial institutions, which receive compensation in the form of interest. The ratio is not only affected by the same factors as return on total capital, but also by the amounts of the interest-bearing and non-interest-bearing liabilities the company has. Because the ratio only takes into account that part of the capital which requires a return, it is used for assessing investments, where a high value indicates that the return on the invested money is good.
Return on equity	Profit for the year divided by average shareholders' equity.	Shows the return generated on the total capital invested by all shareholders in the Company. Return on equity shows the operation's return during the year on the owners' invested capital and can be compared with the current bank interest rate or returns from alternative investments. Return on equity should always be higher than the bank interest rate as it will then also cover a premium for the risk that the business entails. The ratio should always be analysed together with the equity/assets ratio and debt/equity ratio. Companies with poor equity/assets ratios and little equity such as minor start-up companies can achieve a very high return on equity in a single year through high earnings.
Cash flow conversion	EBITDA (Earnings before interest, taxes, depreciation and amortisation) less investments in assets, in relation to EBITDA.	The key indicator describes, in a simple manner, the proportion of profit generated from operating activities that is converted into free cash flow.
Equity/assets ratio	Equity as a percentage of total assets.	The equity/assets ratio is one of the most common key indicators for companies. The equity/assets ratio indicates how large a proportion of total assets (i.e. balance sheet total) has been financed with equity. The equity/assets ratio indicates the stability or the ability to withstand losses and survive in the longer term. A change in the equity/assets ratio from one year to the next usually shows whether a company's profitability has been sufficient in relation to growth (increase in assets).

Non-IFRS-based key indicators and performance metrics		
	Description	Purpose
Debt/equity ratio	Liabilities through equity.	This indicator shows how big a company's debt is in proportion to its equity and reveals in this way its financial strength. If a company has a high debt/equity ratio, it also has a low equity/assets ratio. Both key indicators address a company's equity, but the debt/equity ratio compares equity with the company's liabilities, whereas the equity/assets ratio compares it with a company's total assets.

Quarter data

MSEK	2015				2016				2017
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Net sales	16.3	21.3	21.1	30.4	18.8	25.6	26.8	25.3	23.5
Operating profit	7.7	11.0	4.7	5.0	5.7	9.1	9.8	7.2	7.4

Working capital (excluding cash and bank balances)

MSEK	2015				2016				2017
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
Trade receivables	6.6	15.0	19.0	29.2	16.8	15.8	18.5	17.1	7.6
Other receivables	0.7	10.1	21.4	25.1	39.3	46.5	53.9	60.0	83.2
Prepaid expenses and accrued income	6.0	6.7	11.5	10.1	16.7	26.8	38.5	11.8	16.8
Other current liabilities	9.4	14.9	27.5	45.1	46.3	81.2	95.1	85.0	102.5
Net working capital, excluding cash and bank balances	3.9	16.9	24.3	19.2	26.5	7.8	15.9	4.0	5.0
% of rolling 12 month average sales	8,8%	30,1%	34,4%	21,2%	28,3%	8,1%	15,6%	4,1%	5,0%

Historically, the Company itself has not handled cash and bank balances as this was dealt with by other companies and operations within the rest of the Seamless Group. Cash and bank balances do not form part of the Company's working capital and are therefore excluded from this table.

Definitions

Key indicators

Operating profit	Earnings before financial items and tax (EBIT).
Cash flow from operating activities	Operating cash flow after changes in working capital.

Margins

Operating margin	Earnings before financial items and tax (EBIT) as a percentage of operating income.
Net profit margin	Earnings for the period before tax as a percentage of net sales.

Return

Return on capital employed	Profit before tax plus financial expenses as a percentage of capital employed.
Return on total capital	Profit before tax plus financial expenses (or operating profit plus financial income) as a percentage of total assets.
Return on equity	Profit for the period as a percentage of shareholders' equity.

Cash flow conversion

EBITDA	Operating profit + depreciations
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Capital structure

Equity/assets ratio	Equity as a percentage of total assets.
Debt/equity ratio	Interest-bearing liabilities divided by average shareholders' equity.

Employees

Employees at end of period	Includes employees of the Company and its subsidiaries, does not include consultants.
Consultants at end of period	Includes consultants in the Company and its subsidiaries.

Share data

Equity per share	Equity at the end of the period divided by the number of shares at the end of the period.
Earnings per share before and after dilution	Earnings for the period attributable to the Company's shareholders divided by the average number of shares for the period before and after dilution.
Cash flow from operating activities per share before and after dilution	Cash flow from operating activities divided by the average number of shares for the period before and after dilution.

Operational and financial highlights

The operational and financial review is intended to facilitate the understanding and evaluation of trends and fluctuations in SDS's operating profits and financial position. Historical performance is not necessarily an accurate indicator of future performance. The information in this section should be read in conjunction with the information in the sections entitled Summary of financial information; Equity, liabilities and other financial information and SDS's consolidated financial statements, including the associated notes, which appear elsewhere in this Prospectus.

Unless otherwise indicated, the financial information presented below was obtained as follows:

- i. Figures for the financial years 2016 (12 months from 01/01/2016 to 31/12/2016) and 2015 (15.5 months from 15/08/2014 to 31/12/2015) were taken from the Company's audited consolidated financial statements, which can be found in the section entitled Historical financial information for the years 2015 and 2016.*
- ii. Figures for the first quarter of 2017 were taken from the Company's reviewed interim report, which can be found in the section entitled "Interim report 1 January 2017 – 31 March 2017."*
- iii. Figures for the first quarter of 2016, as well as those for the 12-month period of 2015, were taken from internal systems and have been neither audited nor subject to review.*

All of the consolidated accounts were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS).

This section contains certain forward-looking statements. Such forward-looking statements are necessarily dependent on assumptions, data, or methods that may be incorrect or imprecise, and which perhaps cannot be realised. All forward-looking statements involve risks and uncertainties, including, but not limited to, those described in the section entitled Risk factors. As a result, SDS's real economic performance may differ materially from what the forward-looking statements suggest.

This section presents a history of the financial development of SDS for the 2015 financial year (15.5 months, 15/08/2014-31/12/2015), the 12 month period for 2015 (01/01 2015-31/12/2015), the 2016 financial year (12 months; 01/01/2016-31/12/2016) and the first quarter periods 1 January – 31 March in 2016 and 2017.

Introduction

Seamless Distribution Systems AB (SDS) supplies distribution systems for digital products and services for mobile telephony operators and distributors.

SDS was founded in 2014 to Concentrate on and develop parent Company Seamless Distribution AB's original business idea of selling digital distribution solutions for mobile operators. The core of SDS's offer comprises the ERS 360 distribution platform with revenues from the sale of basic licensing and recurring purchases and deliveries of additional functions and capacity licenses as well as increasing support and operating income. During 2016 and 2017, SDS has developed a new service for micro-credit to resellers of airtime and mobile data. The service will be unique once in use by customers.

The positive transaction volume trend for the ERS 360 systems installed with customers has remained unbroken since SDS began in 2014. This stable growth shows how successful digitisation is for SDS customers, for whom it means increased competitiveness, flexibility and lower distribution costs compared to traditional methods.

The company has its head office in Stockholm, in addition to local offices in Mumbai, Calcutta and Hyderabad in India. It also has local representation via consultants in Accra in Ghana, Lahore in Pakistan, Liege in Belgium, Dubai in the UAE, Quito in Ecuador, Lagos in Nigeria, Conakry in Guinea and Dallas in the USA.

Key factors affecting the operation's financial performance

The financial performance of SDS has been affected, and is likely to continue being affected, by a number of factors, some of which are beyond the Company's control. This section includes the key factors that SDS considers to have affected the Group's operating profit and cash flow during the period covered by the historical financial information in the Prospectus, and which it anticipates will continue to have an affect in the future. Listed below are the factors which, in SDS's opinion, have the greatest impact on the Company's financial performance:

- Sales volume and pricing
- Personnel expenses
- Development of new concepts
- Expansion and restructuring
- Macroeconomic factors

Sales volume and pricing

SDS net sales are dependent upon periodic support fees, recurring purchases of additional functions from existing customers and sales of the ERS 360 system to new customers. The annually renegotiated support contract fees grow with the number of customers and additional orders from existing customers. Purchases of additional functions are affected by how interested customers are in further and enhancing the digitalisation of their distribution.

During 2015, a major part of sales volume for additional functions derived from the Company's newly developed WiPOS hardware terminal. In 2016, sales volumes were dominated instead by software and services to new customer sign-ups. Two major new customers influenced annual sales and earnings positively in 2016. A renegotiated framework agreement with the MTN Group meant a stronger position for the Company in the Group but also that withholding tax (see Note 8 in the section entitled Financial reports for the financial years 2015 – 2016) is applied to all sales except hardware compared to beforehand when withholding tax was only applied to services.

Personnel expenses

Because SDS is a knowledge company, qualified personnel are a vital asset. The Company was established when this resource was a strong restraining factor on sales. In order to get sufficient expertise at a reasonable cost, SDS focussed on three major technical centres in India, Pakistan and Ghana. Thus expenses per employee (employees and consultants) fell drastically from 2014 to 2015, after which increasing sales of new functions to new and existing customers demanded constant growth among all personnel categories. During 2016, investments were also made in increased productivity through the rationalisation of software development and by developing of a number of new concepts such as reseller credits and mobile advertising, which resulted in an increase in the number of employees in software development. Pay trends in countries where SDS operates are relatively high compared to Sweden, and even though levels of pay are lower, they has a negative effect on earnings.

Development of new concepts

SDS has historically engaged in development of new functions in close cooperation with customers, where the customer has paid for the development of a function and SDS has retained ownership of the software with the opportunity to sell it to more customers. Capitalisation of development costs related to customer developments as well as SDS's own investments in new concepts, began in 2016. Capitalisation has had a positive impact on earnings.

Expansion

SDS is working proactively to reach new markets. The sales department and the marketing department established in 2016 are central to these efforts and have through a number of initiatives affected the

Company's marketing expenses. The cost of setting up in Latin America affects expenses through a number of local representatives there. New markets in Africa, Latin America and Asia have been addressed together with Business Sweden, all of whom invoice for their local services.

Currency

The Company reports financial figures in SEK, but invoices and has expenses in other currencies, mainly USD and EUR. Accordingly, changes in exchange rates between SEK and other currencies affect financial items in the Company's accounting.

Macroeconomic factors

The Company believes that the macroeconomic factors have hitherto played a limited part in the Company's sales and earnings, but that today could in future affect the Company's business to a greater extent in connection with an increasing market share. Other factors are mobile operators' sales and earnings trends where the markets in Africa are under strong price pressure. However, the Company believes this to be an advantage as SDS's offering significantly increases the competitive ability of mobile operators, while reducing their distribution costs. But price pressure can occur as a result of increased competition in mobile telephony, which may affect the Company's earnings.

Description of the key items in the consolidated financial statements according to IFRS

Net sales

SDS's net sales and profitability are dependent on the number of products sold and installation services carried out. Sales volumes are affected primarily by general market demand, SDS's ability to provide an attractive customer value proposition and the company's competitiveness in relation to other actors.

Net sales consist of sales of the Company's products and services. Customers are typically major global mobile operators. The product mix consists of both hardware and software. Software comprises license revenues (typically installations of the Company's ERS 360 software) and support/MOPS. Selling-in processes are typically long, from a few months to more than a year, and can therefore vary at the quarterly level. Revenues arise when a binding contract is concluded with the customer and the development work for any customisations has begun. License revenue comprise not only the software itself, but also installation services, integration services with other systems, modifications according to customer requirements, as well as capacity licenses in transaction volumes. The licenses are typically perpetual with a large initial payment. Capacity licenses are valid for a particular volume of transactions (system notifications) per time period. When transactions increase in the customer's ERS 360 installation, the capacity license has to be raised, which usually leads to higher licensing revenue over the period with an existing customer. Usually, support services have a proportional fee related to the license amount.

Other external costs

Other external costs usually comprise the cost of consultants active in the technical centres. Because these consultants work in companies that supply exclusively to SDS, the expenses and the consultants are included in figures for employees (employees plus consultants) in SDS.

Personnel expenses

Personnel expenses consist of expenses for the employees in the Company. The Company also has expenses for consultants, and these are taken into account in the Company's personnel expenses (employees plus consultants).

Depreciations and impairments

The Company has not charged any impairment losses. Depreciations and amortisations have been made on tangible and intangible assets respectively. The tangible assets comprise e.g. servers in the data centre in India. The values are small and are written down according to established practices. Intangible assets are capitalised development costs. They are amortised according to plan over five years.

Other operating expenses

Other operating expenses include withholding tax. A renegotiated framework agreement with the MTN Group meant a stronger position for the Company in the Group but also that withholding tax (see Note 8 in the section entitled Financial reports for the financial years 2015 – 2016) is applied to all sales except hardware compared to beforehand when withholding tax was only applied to services.

Non-IFRS-based performance metrics and key performance indicators

SDS calculates and reports performance metrics as well as adjusted performance metrics and key indicators as supplemental information in the Prospectus. The Company's feels that these and similar measures are widely used by certain investors, equity analysts and other interested parties as a supplementary means of measuring earnings trends. The non-IFRS-based performance metrics and key indicators calculated by SDS are not necessarily comparable with the performance metrics and key indicators with similar designations in other companies and they have certain limitations as analytical tools. Accordingly, they should not be considered separately from the Company accounts drawn up in accordance with IFRS. The metrics that have not been calculated according to IFRS are not earnings metrics according to IFRS and do not replace e.g. operating profit, net profit or other metrics established according to IFRS.

Summary of non-IFRS-based earnings metrics & key indicators

MSEK	1 January -31 March		1 January -31 December	
	2017	2016	2016	2015
EBITDA	8.0	5.8	32.8	28.5
EBITDA margin	33,8%	31,0%	34,0%	31,9%
Amortisation of intangible assets	-0.6	-0.1	-1.0	-0.0
Depreciation of property, plant and equipment	-	-	-	-
Operating profit EBIT	7.4	5.7	31.8	28.5
Operating margin	31,4%	30,3%	33,0%	31,9%

Consolidated statement of operating cash flow in summary

MSEK	1 January -31 March		1 January -31 December	
	2017	2016	2016	2015
EBITDA	8.0	5.8	32.8	28.5
Cash flow from changes in working capital excluding Group contributions	3.1	-3.9	6.7	0.2
Cash flow from investments in property, plant and equipment and intangible fixed assets	-5.2	-1.7	-9.6	-1.8
Operating cash flow for the period	5.9	0.2	29.9	26.9
Cash flow conversion	73.8%	4,0%	91,2%	94,3%

Q1 2017 compared to Q1 2016

Introduction

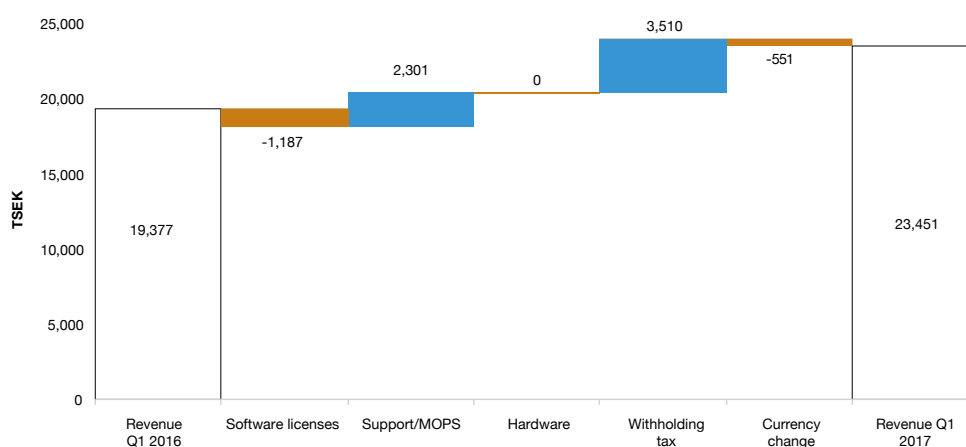
SDS has intensified and broadened the Company's direct involvement with a number of strategic customers concerning collaboration for new innovative products and services. A number of new concepts have been very successful and the Company expects to be able to convert these into booked orders moving forward.

SDS has worked intensively with campaigns in new regions such as Latin America and Asia, while the Company continues efforts to find new customers in our strong, existing markets in Africa and the Middle East. During the quarter, SDS was invited to participate in a number of procurements that as yet have not been concluded.

During 2016, the Company worked on streamlining the development process. The first end result was launched in the 2017 New Year, and SDS now has a fully automated build process and quality assurance. The outcome is faster delivery of development work to both existing and new customers. SDS has also created an internal cloud platform for the R&D department. In order to support a change in the product mix towards pure license sales with a large proportion of new functions and, moving forward, also new products, the number of employees in SDS has grown over the past year. This means that the Company's personnel expenses during the first quarter increased compared to the same quarter last year. At the same time, this creates capacity for fast deliveries to customers and the development of new services and products.

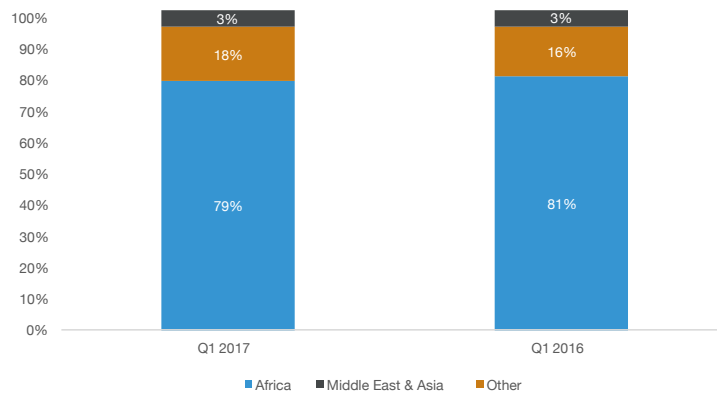
Operating revenues

Revenue, quarter 1, 2017 compared to quarter 1, 2016 (SEK thousand)

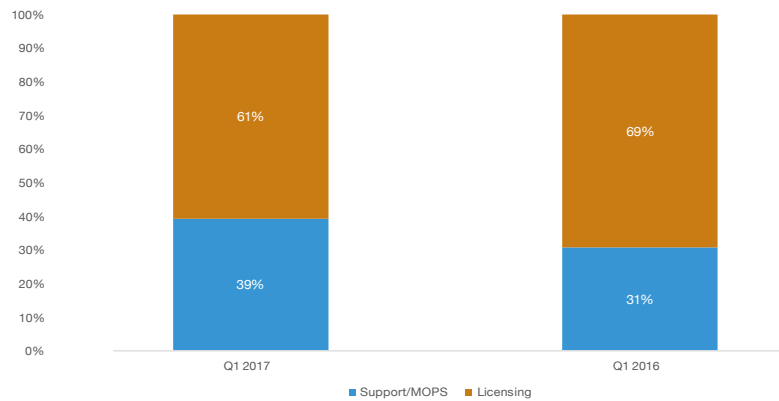


Revenues improved in the first quarter of 2017 compared to 2016. Revenues amounted to SEK 23,451 thousand compared to SEK 19,377 thousand for the corresponding period in 2016. This corresponds to an increase of 21 percent. The focus on software instead of hardware has continued. New customers have been added and existing customers have grown their operations, both in respect of software licenses and support/MOPS. Software licenses fell by SEK 1,187 thousand; Support/MOPS contributed SEK 2,301 thousand. Hardware sales remained unchanged. Withholding tax increased by SEK 3,510 thousand. Exchange-rate changes reduced sales by SEK 551 thousand. A renegotiated framework agreement with the MTN Group meant a stronger position for the Company in the Group but also that withholding tax (see Note 8 in the section entitled Financial reports for the financial years 2015 – 2016) is applied to all sales except hardware compared to beforehand when withholding tax was only applied to services.

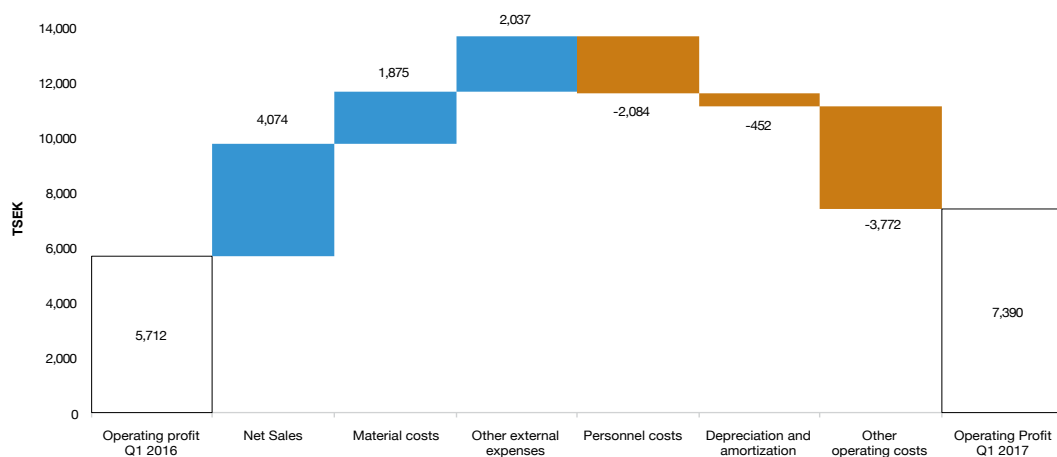
Geographical revenue breakdown



Revenue breakdown by product and service categories



Operating profit



In the first quarter of 2017, operating profit amounted to SEK 7,390 thousand compared to SEK 5,712 thousand for the first quarter of 2016. The improvement in operating profit can primarily be attributed to higher sales of SEK 4,074 thousand, lower material costs of SEK 1,875 thousand and lower other external costs at SEK 2,037 thousand. Other external costs fell as development costs were capitalised. In consequence, depreciations also increased by SEK 452 thousand. Other operating expenses, largely

comprising withholding tax, increased by SEK 3,772 thousand. Personnel expenses increased by SEK 2,084 thousand due to more employees. The cost of consultants amounted to SEK 3,518 thousand for the first quarter of 2017, compared with SEK 5,478 thousand for the first quarter of 2016, equating to a decrease of SEK 1,960 thousand, owing to the fact that the Company has capitalised consultant costs for development as intangible assets in the balance sheet. Thus personnel expenses (consultants' and employees' expenses) for the first quarter of 2017 amounted to SEK 7,366 thousand compared to SEK 7,242 thousand for the first quarter of 2016, an increase of SEK 124 thousand.

Net financial income

Financial expenses during the first quarter of 2017 in the amount of SEK 1,252 thousand relates to interest on loans from an external lender. The Company has not had any financial income.

Profit for the period

In the first quarter of 2017, profit amounted to SEK 6,138 thousand compared to SEK 5,706 thousand in the corresponding period for 2016. The improvement in profit can be attributed primarily to higher sales and lower material costs.

Cash flow

Total net cash flow for the first quarter of 2017 amounted to SEK 3,314 thousand compared to SEK -52 thousand for the first quarter of 2016. Cash and cash equivalents on 31 March 2017 amounted to SEK 4,880 thousand compared to SEK 2,051 thousand at the end of March, 2016.

Cash flow from operating activities amounted to SEK -22,609 thousand in the first quarter of 2017 compared to SEK 1,650 thousand in the first quarter of 2016. Cash flow from operating activities before changes in working capital amounted to SEK 5,508 thousand in the first quarter of 2017 compared to SEK 5,646 thousand in the first quarter of 2016. Interest paid on the loan from a foreign lender affected cash flow from operating activities before changes in working capital during the first quarter of 2017. Cash flow attributable to changes in working capital amounted to SEK -28,117 thousand in the first quarter of 2017 compared to SEK -3,996 thousand in the first quarter of 2016. The Company completed projects faster during the first quarter of 2017 than during the corresponding quarter in 2016 and worked down accounts receivable. The external loan that SDS raised during the first quarter of 2017 has been used for the most part by other companies within the Seamless group, which has driven up receivables and impaired the cash flow from operating activities. Cash flow from investing activities during the first quarter of 2017 amounted to SEK -5,240 thousand compared to SEK -1,702 thousand for the first quarter of 2016. The main investments consisted of capitalised development costs.

Cash flow from financing activities during the first quarter of 2017 amounted to SEK 31,163 thousand compared to SEK 0 for the first quarter of 2016. The loan from an external lender explains this change.

Balance sheet

As of 31 March 2017, assets totalled SEK 15,830 thousand, compared to SEK 5,558 thousand on 31 March 2016. The increase stems primarily from the increase in intangible assets in the form of capitalised development costs as well as an increase in property, plant and equipment. On 31 March 2017, intangible assets amounted to SEK 11,863 thousand; property, plant and equipment totalled SEK 3,967 thousand, and financial assets SEK 0. The corresponding figures for 31 March 2016 were SEK 2,646 thousand for intangible assets, SEK 1,283 thousand in respect of property, plant and equipment, and SEK 1,629 thousand for financial assets.

Current assets amounted to SEK 107,520 thousand at the end of the first quarter in 2017, up from SEK 72,787 thousand during the same period in 2016. An increase in receivables from Group companies from SEK 36,973 thousand on 31 March 2016 to SEK 79,209 thousand on 31 March 2017 explains the increase in current assets. Receivables have increased since SDS became the company within the Seamless Group generating a positive cash flow and whose surplus has been distributed among the other companies in the Group. The increase is also explained by the external loan of SEK 30.6 million raised by the Company in the first quarter of 2017, which was transferred to the rest of the Group. However, accounts receivable decreased from SEK 16,797 thousand on 31 March 2016 to SEK 7,593 thousand on 31 March 2017 as the Company's invoice management has become more efficient.

Cash and cash equivalents as of 31 March 2017 amounted to SEK 4,880 thousand, which is an increase from 31 March 2016, when cash and cash equivalents amounted to SEK 2,052 thousand. The increase in cash and cash equivalents derives from the positive cash flow the Company is experiencing.

During the first quarter of 2017, shareholders' equity had increased to SEK 9,431 thousand from SEK 7,328 thousand on 31 March 2016. The primary factor behind this increase was the Company's operating surplus.

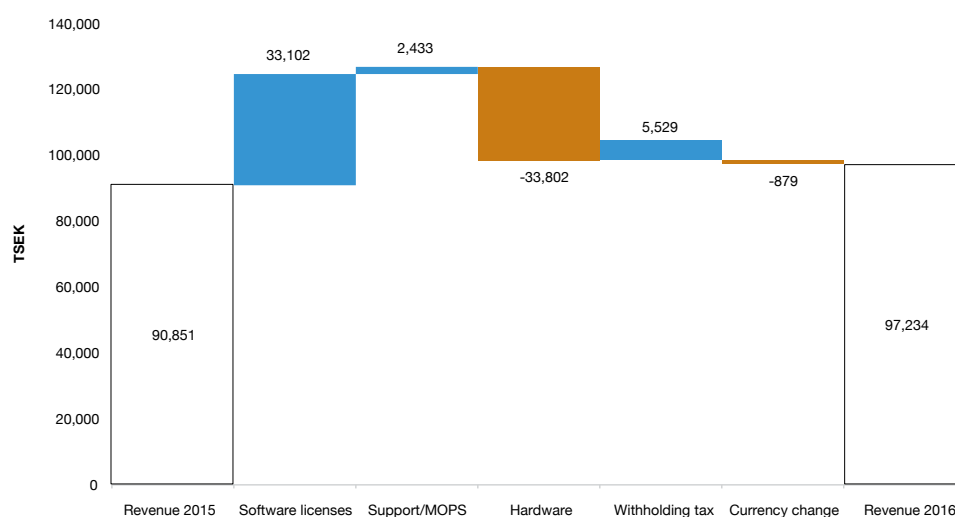
As of 31 March 2017, the Company's liabilities amounted to SEK 118,799 thousand, compared to SEK 73,068 thousand on 31 March 2016. Non-current liabilities fell to SEK 980 thousand on 31 March 2017 from SEK 1,482 thousand on 31 March 2016. As of 31 March 2017, current liabilities amounted to SEK 117,819 thousand, which is an increase from 31 March 2016, when current liabilities amounted to SEK 71,586 thousand. The increase is partly explained by an increase in liabilities to Group companies from SEK 46,008 thousand on 31 March 2016 to SEK 70,930 thousand on 31 March 2017 when SDS made a Group contribution on 31 December 2016 which was greater than that of 31 December 2015, and SDS had a greater need to borrow more money from the parent company on 31 March 2017 than on 31 March 2016. The increase is also explained by the external loan of SEK 30,600 thousand the Company raised in the first quarter of 2017 and which is reported under Other current liabilities. At the same time, accrued expenses and deferred income were reduced from SEK 23,401 thousand on 31 March 2016 to SEK 8,807 thousand on 31 March 2017, as the Company had a major project during the first quarter of 2016 that had been invoiced but whose earnings were not yet recognised.

Financial position

Cash and cash equivalents as per 31 March 2017 amounted to SEK 4,880 thousand, which is an increase from the end of March 2016, when cash and cash equivalents amounted to SEK 2,052 thousand. The increase in cash and cash equivalents derives from the positive cash flow the Company is experiencing.

2016 (12 months) compared to 2015 (12 months)

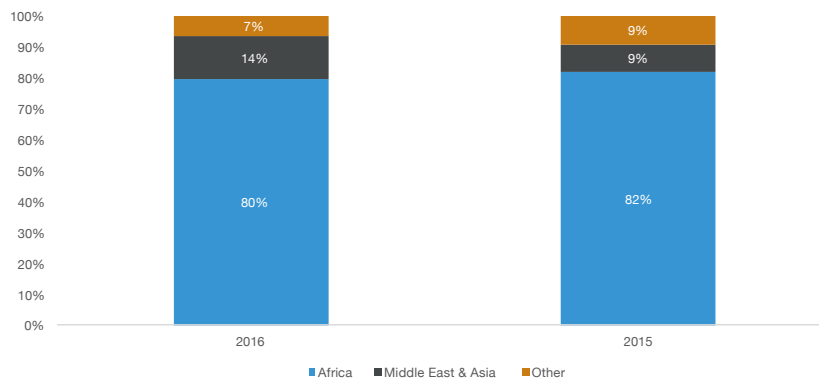
Operating revenues



Operating income improved to SEK 97,234 thousand during 2016 compared to SEK 90,851 thousand in 2015. The improvement represents an increase of 7 percent and is related to increased turnover in sales of the ERS 360 software solution. Two major ERS 360 customers outweighed the decline in hardware sales. During 2016, the focus was on increasing the proportion of licenses and services, which increased by SEK 33,102 thousand, resulting in a slower increase in revenue but a significant improvement in earnings.

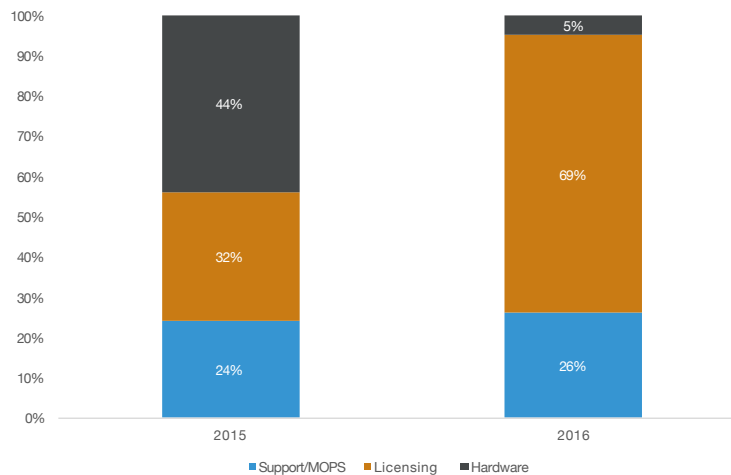
Revenues from support/MOPS rose by SEK 2,433 thousand through increased support to existing customers and the addition of new customers. Sales during 2015 were attributable largely to WiPOS hardware. During 2015, SDS's product mix included a major proportion of hardware in the form of terminals (WiPOS), which led to a very rapid increase in revenue compared to the previous year. Hardware fell by SEK 33,802 thousand from 2015 to 2016. A renegotiated framework agreement with the MTN Group meant a stronger position for the Company in the Group but also that withholding tax (see Note 8 in the section entitled Financial reports for the financial years 2015 – 2016) is applied to all sales except hardware compared to beforehand when withholding tax was only applied to services. Withholding tax therefore increased by SEK 5,529 thousand. Exchange-rate changes reduced sales by SEK 879 thousand.

Geographical revenue breakdown

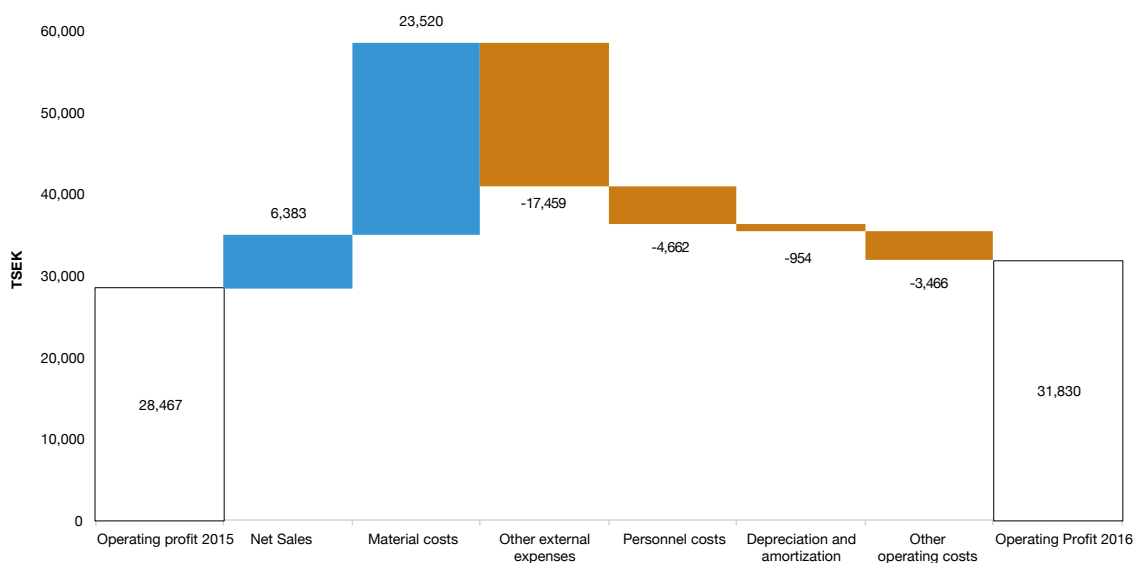


SDS's biggest market is Africa, followed by the Middle East. Strategic efforts are in progress to expand the existing products into new markets, both in Latin America and in Asia.

Revenue breakdown by product and service categories



Operating profit



In 2016, operating profit amounted to SEK 31,830 thousand compared to SEK 28,467 thousand in 2015. Compared to 2015, the operating margin in 2016 increased from 31.9 percent to 33 percent. The improvement in operating profit is mainly attributable to reduced material costs of SEK 23,520 thousand. Other external expenses increased by SEK 17,459 thousand as development costs to consultants in software production increased. Expenses for consultants amounted to SEK 23,603 thousand in 2016 compared to SEK 11,436 thousand in 2015, an increase of SEK 12,167 thousand. Personnel expenses also increased by SEK 4,662 thousand. Thus personnel expenses (consultants' and employees' expenses) for 2016 amounted to SEK 33,429 thousand compared to SEK 16,600 thousand in 2015, an increase of SEK 16,829 thousand.

Net financial income

In the case of full years, financial items refers solely to exchange rate changes.

Cash flow

Total cash flow for 2016 amounted to SEK-570 thousand compared to SEK 1,514 thousand for 2015. The deterioration in cash flow is attributable to negative cash flow from investing and financing activities despite a stronger cash flow from operating activities. Cash and cash equivalents at year-end 2016 amounted to SEK 1,558 thousand, and SEK 2,114 thousand at year-end 2015.

Cash flow from operating activities amounted to SEK 9,083 thousand for 2016 compared to SEK 2,342 thousand in 2015. The difference is related to the Company's improved operating profit. Cash flow from operating activities before changes in working capital amounted to SEK 33,601 thousand in 2016 compared to SEK 27,668 thousand in the previous year. Depreciations increased in 2016 which, combined with the increased operating profit, meant that the outcome was better than for 2015.

Cash flow related to the change in working capital in 2016 amounted to SEK -24,518 thousand. In 2015, the same item amounted to SEK -25,326 thousand. The negative profit from change in working capital is due to the fact that Company transferred its surplus of capital to other companies within the Seamless group.

Cash flow from investing activities amounted to SEK 9,654 thousand in 2016. The corresponding amount in 2015 was SEK -1,843 thousand. The negative cash flow from investing activities was due to the fact that the Company began capitalising its development costs in 2016, which was not done in 2015.

Balance sheet

As of 31 December 2016, assets amounted to SEK 11,101 thousand, compared to SEK 4,040 thousand on 31 December 2015. Intangible assets amounted to SEK 7,525 thousand; property plant and equipment to SEK 3,576 thousand, and financial assets to SEK 0 as of 31 December 2016. The equivalent figures for 31 December 2015 are SEK 1,209 thousand for intangible assets; SEK 1,161 thousand for property, plant and equipment, and SEK 1,670 thousand for financial assets.

The increase of intangible assets is attributable to capitalised costs for development work linked to the increase in sales of software in 2016.

As of 31 December 2016, current assets amounted to SEK 88,931 thousand, compared with SEK 64,307 thousand on 31 December 2015. The increase in receivables from Group companies from SEK 22,001 thousand on 31 December 2015 to SEK 57,508 thousand on 31 December 2016 explains the increase in current assets. Receivables have increased since SDS became the company within the Seamless Group generating a positive cash flow and whose surplus has been distributed among the other companies in the Group. However, trade receivables have decreased from SEK 29,195 thousand on 31 December 2015 to SEK 17,097 thousand on 31 December 2016, as the Company's invoice management has become more efficient.

As of 31 December 2016, cash and cash equivalents amounted to SEK 1,558 thousand, compared to SEK 2,114 thousand on 31 December 2015. The decrease derives from the negative cash flow the Company is experiencing.

During 2016, shareholders' equity increased from SEK 1,699 thousand in 2015 to SEK 2,665 thousand.

As of 31 December 2016, the Company's liabilities amounted to SEK 98,925 thousand, compared to SEK 68,762 thousand on 31 December 2015. Non-current liabilities amounted to SEK 1,630 thousand on 31 December 2016, which is slightly more than on 31 December 2015, when non-current liabilities amounted to SEK 1,516 thousand. As of 31 December 2016, the Company's current liabilities amounted to SEK 97,295 thousand, compared to SEK 67,246 thousand on 31 December 2015. The increase is partly explained by an increase in liabilities to Group companies from SEK 44,930 thousand on 31 March 2015 to SEK 84,114 thousand on 31 December 2016, when SDS made a Group contribution on 31 December 2016 which was greater than that of 31 December 2015, and SDS had a greater need to borrow more money from the parent company on 31 December 2016 than on 31 December 2015. At the same time, accrued expenses and deferred income fell from SEK 18,926 thousand on 31 December 2015 to SEK 6,785 thousand on 31 December 2016, as the Company had a major project at the end of 2015 that had been invoiced but whose earnings were not yet recognised.

Financial position

As of 31 December 2016, cash and cash equivalents amounted to SEK 1,558 thousand, compared to SEK 2,114 thousand on 31 December 2015. The decrease derives from the negative cash flow the Company is experiencing.

Equity, debt and other financial information

The financial information in this section is intended to facilitate the understanding and evaluation of SDS's financial position, capital requirement and future prospects even if information about the historical financial position does not necessarily give an accurate indication of the current position and future needs. The information in this section should be read in conjunction with the information in the sections entitled Summary of financial information; Operational and financial overview, and other financial information and SDS's consolidated financial statements, including the associated notes, which appear elsewhere in this Prospectus.

Unless otherwise indicated, the financial information presented below was obtained as follows:

- *Figures for the financial years 2016 (12 months from 01/01/2016 to 31/12/2016) and 2015 (15.5 months from 15/08/2014 to 31/12/2015) were taken from the Company's audited consolidated financial statements, which can be found in the section entitled Historical financial information for the years 2015 and 2016.*
- *Figures for the first quarter of 2017 were taken from the Company's reviewed interim report, which can be found in the section entitled "Interim report 1 January 2017 – 31 March 2017."*
- *Figures for the first quarter of 2016, as well as those for the 12-month period of 2015, were taken from internal systems and have been neither audited nor subject to review.*

All of the consolidated accounts were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS).

This section contain certain forward-looking statements. Such forward-looking statements are necessarily dependent on assumptions, data, or methods that may be incorrect or imprecise, and which perhaps cannot be realised. All forward-looking statements involve risks and uncertainties, including, but not limited to, those described in the section entitled Risk factors. As a result, SDS's real economic performance and financial position may differ materially from what the forward-looking statements suggest. For further information about forward-looking statements, refer to the section entitled "Important information, forward-looking information, market information, etc."

Capitalisation

The table below summarises SDS's capital structure as of 31 March 2017.

Shareholder's equity and indebtedness, 31 March 2017	SEK thousand
Total current liabilities	117,819
With guarantee	-
Secured loans	-
Unsecured loans	117,819
Total non-current liabilities	980
With guarantee	-
Secured loans	-
Unsecured loans	980
Total equity*	9,431
Share capital	588
Statutory reserve	-
Other reserves	1
Other capital contributed	1,156
Retained earnings incl. comprehensive income for the year	7,686

Of current liabilities as of 31 March 2017, SEK 70,930 thousand are in respect of Seamless Distribution AB Group.

Net debt

The table below summarises SDS's net debt/equity ratio as of 31 March 2017.

Net debt/equity ratio as of 31 March 2017	SEK thousand
A. Cash	-
B. Cash and cash equivalents	4,880
C. Easy-to-sell securities	-
D. Total liquidity (A)+(B)+(C)	4,880
E. Current receivables	107,520
F. Current bank debt	-
G. Current portion of non-current liabilities	-
H. Other current liabilities	117,819
I. Total current liabilities (F)+(G)+(H)	117,819
J. Net current indebtedness (I) - (E) - (D)	5,419
K. Non-current bank loans	-
L. Bond issue	-
M. Other non-current loans	-
N. Long-term indebtedness (K)+(L)+(M)	-
O. Net indebtedness (J)+(N)	5,419

Of the current receivables as of 31 March 2017, SEK 79,209 thousand are in respect of Seamless Distribution AB Group.

Pledged assets and contingent liabilities

The Group has no assets pledged as collateral in the form of floating charges or issued contingent liabilities as of 31 March 2017. No changes have been made in respect of the transactions carried out since then.

Statement on working capital

In the Company's estimation, existing working capital is sufficient for the current needs over the 12 months following the date of this Prospectus.

Investments

The following table summarises SDS's total investment in non-current assets.

Investments in non-current assets

Amounts, SEK million	Jan-Mar 2017	Jan-Mar 2016	2016	2015
Intangible assets	4.9	1.5	7.3	1.2
Property, plant, and equipment	0.3	0.1	2.4	0.6
Investments in non-current assets	5.2	1.7	9.7	1.8
% of net sales	22%	9%	10%	2%

SDS investments concerned mainly capitalised expenditures for development. Investments in tangible assets are made in smaller amounts, typically for servers in the Company's data centre. Development costs that are directly attributable to the development and testing of the unique ERS 360 IT platform and which are controlled by Seamless Group (which was acquired by SDS in 2017) are reported as intangible assets given certain criteria. For further information on the Company's intangible assets, refer to Note 13 in the section entitled Financial report and consolidated financial statements for the financial years 2015-2016.

At the time of Prospectus publication, SDS has not decided on or entered into any commitment in respect of significant current or future investments.

Assets

Intangible assets consist of capitalised development costs. All rights are pertaining to the development of software are retained by SDS, regardless as to whether such development takes place on the customer's initiative or if it is an SDS innovation.

Non-current assets at the end of the period

Amounts, SEK million	31/03/2017	31/03/2016	31/12/2016	31/12/2015
Intangible assets	11.9	2.6	7.5	1.2
Property, plant, and equipment	4.0	1.3	3.6	1.2
Total	15.8	3.9	11.1	2.4

Property plant and equipment

As of 31 March 2017, property plant and equipment consisted of server hardware and equipment amounting to SEK 3,967 thousand. For further information on the Company's property plant and equipment, refer to Note 14 in the section entitled Historical financial information for the financial years 2015 and 2016.

Intangible assets

R&D policy

Intangible assets consist of capitalised development costs amounting to SEK 11,863 thousand as of 31 March 2017. For further information on the Company's property plant and equipment, refer to Note 13 in the section entitled "Historical financial information for the financial years 2015 and 2016."

In 2015, development costs were reported in the income statement as they arose. The company was involved in no collaborations with, and had therefore no costs for, sponsorship of research institutions during the year.

On the recommendation of the auditor, the Company began capitalising development costs during the last quarter 2016. Software developments in progress as part of customer projects and also as part of improvements to internal programmes and processes, were reported as assets in the balance sheet as they were considered to be technically and commercially useful and the rights accrued to the Company. The majority of all software development generates economic benefits for the Company as it sold or put to use. The carrying amount includes directly attributable expenditures such as pay, materials and services. Other development costs were reported in the income statement as they arose. Development expenditures were initially reported in the balance sheet at cost less accumulated depreciation and any impairment losses.

Tax situation

Historically, the Group's principal sales and most of the Group's earnings have been generated in Sweden. The tax rate for Swedish public liability companies is 22 percent.

Financial exposure and risk management

Financial risk refers to the movements in the Company's revenues and cash flows as a result of changes in foreign exchange rates and interest rates. The Company's financial policy for financial risk management involves a framework of guidelines and directives in the form of risk mandates and restrictions on financing activities. The main risks identified by the company are managed on an ongoing basis at different levels in the SDS organisation and under the overall strategic planning process. This allows SDS to discover and manage risks at an earlier stage. The Company's management team also reports day-to-day risk issues to the Board, which bears ultimate responsibility for the Company's risk management. Responsibility for the

Company's financial transactions and risks is handled centrally by the parent company's finance department. The overall objective of risk management is to provide cost-effective financing and to minimise the negative impact of market fluctuations on the Company's earnings. SDS is exposed to different types of financial risks through its operations. Examples of these include credit, foreign exchange and interest rate risks, financing and liquidity risks as well as operational risk and market risk. See also the section entitled Historical financial information for the years 2015 and 2016 in Note 3 Risk management.

Sensitivity analysis

A sensitivity analysis in respect of exchange rate changes is presented in Note 3 Financial risk management in the section entitled Historical financial information for the years 2015 and 2016. The assessment assumes that all other factors remain unchanged. The sensitivity analysis does not constitute a profit forecast.

Significant events after 31 March 2017

On 8 June 2017, the Company acquired all intellectual property rights related to the ERS 360 transaction platform from SEQR Group AB for a purchase sum of SEK 31,250,000, of which SEK 25,000,000 was paid on the same day by promissory note, with SEK 6,250,000 payable in cash no later than 20 August 2017. Repayment of the loan under the promissory note, which may be paid early, is due on 31 May 2022; it carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.

On 20 June 2017 the Company took up a loan from Seamless in the amount of SEK 32,487,000 (of which SEK 31,850,000 were paid out on Company instructions to an external lender to repay in full the Company's external loan financing including accrued interest, and SEK 637,000 was invoiced as an arrangement fee). The loan will fall due on 31 May 2022; it may be repaid early and carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.

On 8 June 2017, SEQR Group AB transferred its receivable with the Company in the amount of SEK 25,000,000 to Seamless.

Accordingly, as of Prospectus publication day, seamless will have a receivable of SEK 57,487,000 with the Company, while SEQR Group AB will have an SEK 6,250,000 receivable with the Company. The Company has in turn set-off claims against Seamless estimated to be around SEK 4,000,000, with which the Company intends to settle the principal in the Company's loan to Seamless, which would result in a net indebtedness to Seamless of around SEK 53,487,000.

The agreements attributable to the events described above were entered into under market conditions. No significant changes in addition to the events described above have occurred with respect to the Company's financial position or its position in the market since 31 March 2017.

Trends and future prospects

In digital distribution, trends clearly indicate that most mobile telephony operators today have some sort of platform for digital distribution and that the market is a so-called mature market. This means that market potential is primarily characterised by upgrades or exchanges, where existing platforms are replaced by new ones with greater capabilities for scalability and the launch of new products. SDS has since its inception shown that it is possible to capture market share in this niche and the Company's own analyses indicate that operators and competitors in many cases have failed to increase digitisation which leaves room for further increase in market share.

The number of transactions in the ERS 360 system has grown steadily and at the beginning of the year the annual rate was 5.3 billion; the trend continues to rise, indicating that the SDS offer creates precisely the

value that mobile telephony operators demand, namely digitisation.

Since its foundation, SDS has been able to achieve its operational goals by winning over customers to the Company's ERS 360 system. These new customers has come from MTN, where SDS enjoys the status of preferred supplier, but in recent years customers from outside MTN have also chosen SDS, which shows a competitive offering.

The Company's business model, with a high proportion of recurring support revenue that increase in line with the number of customers, is anticipated to remain a stable source of income for the years ahead, though with some risk of price squeeze. Over the past year, recurring purchases of additional functions have proved to be a relatively reliable source of revenue even though it does not have the same long-term stability but is directly dependent on the Company's ability to sell and deliver new functions.

New customer sales are characterised by occasional high revenue transactions with high margins and with sales cycles ranging from six months to several years. Because they still constitute a significant proportion of annual sales, income and margins must be reviewed over several quarters to give a true and fair view of the Company's growth. During the past two quarters, SDS has not signed any contracts with new customers, which in recent years takes place twice a year.

For some time, the Company has expressed its ambition to increase the proportion of sales with recurring revenue in relation to non-recurring receipts, which have hitherto constituted the main part of business. The newly developed reseller credit service launched in May 2017 where SDS itself is the credit provider, was well received in the initial customer contacts and is as far as we can tell, an entirely new offering. The Company is also actively engaged in offering ERS 360 with profit sharing as a commercial model, which over time is expected to increase the stability of sales and profits.

The board, senior executives and auditor

The Board

According to the articles of association, the company's Board must comprise three to five board members, with a maximum of five alternates. Board members are elected annually at the AGM for the period until the end of the next AGM. Since the extraordinary general meeting on 8 June 2017, the Company's Board consists of four people, including the Chairman, and has its registered office in Stockholm, Sweden. Current members of the Board are presented below. All of the members of the Board can be reached at the Company's address, Vasagatan 7, SE 111 20 Stockholm SWEDEN.

The table below lists the members of the Board with information about their positions, year of birth, independence according to the Swedish Code of Corporate Governance (**Corporate Code**) and their shareholding in the Company as of Prospectus and Offer publication date under the assumption that this information is fully utilised by everyone primarily eligible in this regard. Shareholdings in the Company comprise own, direct, indirect and related party holdings.

Name	Year of birth	Independent in relation to the Company and its management ³³	Independent in relation to major shareholders ³⁴	Shareholding on Prospectus publication day (including holdings by related parties and through legal entities)	Presumed shareholding after the Offer (including holdings by related parties and through legal entity)
Gunnar Jardelöv, Chairman	1947	Yes	Yes	-	85,548
Tomas Klevbo, Board member	1965	Yes	No	-	110,000 ³⁵
Leif Brandel, Board member	1950	Yes	Yes	-	81,211
Mikael Hult, Board member	1955	Yes	Yes	-	-

Gunnar Jardelöv has been Chairman of the SDS board since 23 March 2017. Gunnar Jardelöv currently has board assignments in Contigo Förvaltning AB, Svenska Terminalinvest AB, Ekapaif AB, Affigo AB, Recondoil AB, ISR Immune System Regulation AB, ISR Immune System Regulation Holding AB (publ), AB Göteborgs Kreditkassa, Derma Cure Sverige AB and Bäckebo's Fastighets AB.

During the past five years, Gunnar Jardelöv has been, but is no longer, a board member of SensysGatso Group AB, Scandinavian Storage Systems AB and Seamless as well as a limited partner in Conmigo Management KB and the Managing Director of Scandinavian Storage Systems.

Gunnar Jardelöv is an MBA from the Gothenburg School of Business, Economics and Law at the University of Gothenburg.

³³ According to the definition in the Corporate Code, item 4.4.

³⁴ According to the definition in the Corporate Code, item 4.5.

³⁵ Owned via endowment insurance in Avanza pension

Tomas Klevbo has been an SDS board member since 23 March 2017. Tomas Klevbo is currently CEO and a member of the board of Klevco AB and a board member of Seamless.

During the past five years, Tomas Klevbo has been, but is no longer, a fund manager at Danske Capital.

Tomas Klevbo has an MBA from the University of Stockholm.

Leif Brandel has been an SDS board member since 8 June 2017. Leif Brandel is currently owner and board chairman of Zaysan International INC, Luxembourg. Bäckebol Fastighet AB, N.E.W.S Invest AB, Vasastaden 8:12 Fastighets AB, Bellmansgatan 4-10 Fastighet AB, Evion Hotell & Restaurang AB Tidbloms Hotell and Olskrogens Hotell och Restaurang AB.

For the last five years, but not any longer, Leif Brandel has been the owner and CEO of Palm Beach Hotel Group Ltd.

Leif Brandel holds an MBA from the Stockholm School of Economics.

Mikael Hult has been an SDS board member since 8 June 2017. Mikael Hult is currently CEO and board chairman of Mild AB, board chairman of Indentive AB and a board member of RISE SICS East AB.

During the past five years Mikael Hult was, but is no longer, CEO, chairman and a board member of CybAero AB; Director of Incubation and senior project manager at Innovationsbron AB; senior project manager at Swedish Incubators & Science Parks, a board member of Aurorum Business Incubator AB, a board member of Northport AB, board chairman of Expanding Concepts AB, a co-opted board member in Syncore Technologies, board member of Indentive AB and a board member of Intuitive Aerial AB.

Mikael Hult studied industrial engineering at Linköping University Faculty of Science and Engineering.

Senior executives

The table below lists the Company's senior executives with information about their names, year of birth, current position, year of employment and their shareholding in the Company as of Prospectus and Offer publication date under the assumption that this information is fully utilised by everyone primarily eligible in this regard. All senior executives listed below can be reached at the Company's address: Vasagatan 7, SE 111 20 Stockholm, SWEDEN.

Name	Year of birth	Position	Employed by Company since	Shareholding on Prospectus publication day (including holdings by related parties and through legal entities)	Presumed shareholding after the Offer (including holdings by related parties and through legal entity)
Albin Rännar	1974	Chief Executive Officer	2017	-	-
Tommy Eriksson	1961	Chief Operating Officer and Deputy CEO	2010 ³⁶	-	6,506
Lars Kevsjö	1958	acting CFO	2017	-	-

³⁶ Engaged as a consultant in 2010. Engaged as COO and Deputy CEO as of 4 May 2017.

Albin Rännar – CEO

Albin Rännar has been the Company's CEO since 04 May 2017. Albin Rännar currently has no board memberships.

In the past five years, Albin Rännar has also been, but is no longer, head of market surveillance at Sveriges Aktiesparares Riksförbund (the Swedish Shareholders Association) and CEO at Nordic Investor Services AB.

Albin Rännar has an MSc in Economics and Business Administration from the Stockholm School of Economics.

Tommy Eriksson – Chief Operating Officer (COO) and Deputy CEO

Tommy Eriksson has been COO and Deputy CEO in the Company since 4 May 2017. Between 2014 and 2017 Tommy Eriksson was, via the company Naviq AB (in which Tommy Eriksson is part owner), CEO of SDS. Tommy Eriksson currently has board memberships within the Naviq Group and E-Distribution Systems Pvt Ltd.

In the past five years, Tommy Eriksson has also been, but is no longer, CEO and a board member of SDS, CEO and Chairman of Exformation Care AB, CEO and Chairman of The Mollet AB, board member and part owner of Synavos Solution Pvt Ltd, and a board member of other companies within the Seamless Group.

Tommy Eriksson has an MSc in engineering physics from the University of Uppsala.

Lars Kevsjö - acting. CFO

Lars Keven has been the acting CFO of the Company since 15 June 2017. Lars Kevsjö is currently the owner, CEO and Chairman of Pendylen Konsult AB.

For the last five years, but no longer, Lars Kevsjö has been the interim CFO of the Mawell Group Inc. and CFO of Enea Software AB.

Lars Kevsjö has a Bachelor Degree in Business Administration from the University of Stockholm.

Remunerations and benefits to board members and senior executives

The Chairman of the Board and board members are paid fees as resolved by the AGM. The Board decides on the remuneration policy for senior executives, in the light of proposals from the remunerations committee. Individual remuneration to the CEO is approved by the Board on the recommendation of the remunerations committee, while the individual remunerations of other senior executives are determined by the CEO after consultation with the remunerations committee.

In the case that the position of CEO is ended for any reason other than because the CEO retires or is dismissed, then as compensation for his commitment to the competition and recruitment ban for 12 months from the termination of the position, the CEO will be entitled to compensation from the Company of an amount up to 110,000 SEK per month. The CEO is also entitled to a pension benefit in an amount equivalent to 14 percent of monthly salary.

Beyond what is given above, the Company has not entered into any agreement with board members or senior executives about benefits to be paid to them upon conclusion of the assignment.

Remuneration to board members

On 24 May 2017, the AGM resolved that a fee in the amount of SEK 400,000 be paid to the Chairman of the Board and SEK 300,000 each to the other board members. Fees are not paid to board members employed by the Company. As long as Seamless is a shareholder in the Company, no fees will be paid to board members employed by Seamless or companies within the Seamless Group. At the same AGM it was further

resolved that, given that tax-related conditions so allow and that it is cost neutral for the Company, board members would be given the opportunity to invoice board fees through a company and that the fee thus invoiced should be increased by an amount corresponding to employer's National Insurance contributions fees and statutory VAT.

Remunerations to senior executives

The Company's CEO, Albin Rännar, has been a full-time employee of the Company since 4 May 2017. His employment contract can be terminated by the Company on 12 months' notice and on 6 months' notice by the CFO. Albin Rännar's salary amounts to SEK 110,000 per month. The pension provision is 14 percent. In the case that the position of CEO is ended for any reason other than because the CEO retires or is dismissed, then as compensation for his commitment to the competition and recruitment ban for 12 months from the termination of the position, Albin Rännar will be entitled to compensation from the Company of an amount up to 110,000 SEK per month.

The Company's COO and Deputy CEO Tommy Eriksson, in his capacity as a consultant, receives variable remuneration based on a market rate hourly fee of SEK 1,295 (excluding VAT) through Naviq AB (in which Tommy Eriksson is a partner). On average, Tommy Eriksson invoices SDS around SEK 220,000 per month excluding VAT through the company Naviq AB. The contract is a standard contract with a three months' notice period which, in accordance with the current terms and conditions, expires on 31/12/2017 and has run since 2010.

The Company's acting CFO, Lars Kevsjö, in his capacity as a consultant through the company Pendylen Konsult AB (of which Lars Kevsjö is a part owner), receives variable remuneration based on a market rate hourly fee of SEK 1,300 (excluding VAT). As the consultancy agreement between the Company and Lars Kevsjö (via the company Pendylen Konsult AB) was entered into on 15 June 2017, Lars Kevsjö has not yet invoiced the Company on the Prospectus publication day. The agreement is a standard consultancy agreement, which can be terminated in compliance with a mutual notice period of one month.

Remunerations during the financial year 2016

No remunerations were paid to board members or to the Chairman of the Board for the financial year 2016. During the 2016 financial year, the Company's then CEO Tommy Eriksson, in his capacity as a consultant, received compensation in the amount of SEK 2,383 thousand through the company Naviq AB.

Other information regarding the Board and senior executives

None of the above board members or senior executives have been convicted of fraud-related crimes over the past five years, (ii) have been involved in bankruptcy, liquidation or corporate reconstruction as board members or senior executives; (iii) have been the subject of Investigations or interventions from authorities or a ban on business activity or (iv) have been the subject of charges or sanctions by authorities or organisations representing a particular profession and which are publicly regulated.

None of the above board members or senior executives have any family relationships with each other. There are no conflicts of interest between board members or the senior executives and the Company. There are no special agreements with major shareholders, customers or suppliers, under which any of the above board members or senior executives have been elected as members of a board or have obtained senior management positions. Furthermore, none of the board members, senior executives or the auditor has had any direct or indirect participation in business transactions with the Company that were unusual in their nature as regards the terms.

None of the board members or senior executives have entered into any agreement with any major shareholder, customer, supplier or other party under which agreement the person in question has been elected to the Board in the Company or taken up a position as CEO or other senior executive position.

Auditor

The auditing company Öhrlings PricewaterhouseCoopers AB was elected as the Company's auditor for the first time at the extraordinary General Meeting on 18 September 2014 and re-elected at the AGM on 24 May 2017. Authorised public accountant Niklas Renström, born 1974, is auditor-in-charge and a member of the Swedish Institute for Professional Authorised Public Accountants. The Company has no deputy auditors. The address of Öhrlings PricewaterhouseCoopers AB is Torsgatan 21, SE 113 97 Stockholm SWEDEN.

Corporate governance

introduction

Governance of SDS takes place through the AGM, the Board and the CEO in compliance with the Swedish Companies Act, the Company's Articles of Association and the Swedish Code of Corporate Governance (Corporate Code). The Company auditor, who is appointed by the AGM, reviews the Company's accounts and the administration of the Company by the Board and the CEO.

Corporate Code

The Corporate Code does not apply to companies whose shares are noted on Nasdaq First North Premier; however, on 1 January 2016 Nasdaq's recommendation to comply with the Corporate Code came into force. Accordingly, the Company intends to apply the Corporate Code as from the date SDS shares are listed on Nasdaq First North Premier. The Corporate Code allows deviations provided that deviations and selected alternative solutions are described and the reason for the deviation is explained in the Company's corporate governance report (according to the so-called comply-or-explain principle).

According to the Corporate Code, included among the things a company must have are a nomination committee and a remunerations committee. The Corporate Code also includes other requirements regarding the composition of each of these committees and requirements concerning the composition of the Board. The Corporate Code stipulates that a company must observe certain requirements for independence in respect of board composition. Among other things, these requirements mean that (i) no more than one board member may be a member of the management of the Company or subsidiary, (ii) the majority of the board members must be independent in relation to the Company and management and (iii) at least two of these independent board members must also be independent in relation to the major shareholders (i.e. shareholders who directly or indirectly control ten percent or more of the shares or votes in the Company).

Annual General Meeting

The annual general meeting is the Company's highest decision-making body in which all shareholders have the right to participate. The annual general meeting (AGM) is held within six months of the end of the financial year. At the AGM, the Company's annual report is reviewed and resolutions are passed on such matters as dividend distribution, discharge of the Board from liability, election of the auditor and elections to the Board for the period until the next AGM. Notice to attend the AGM must be promulgated in the Official Swedish Gazette (Post- och Inrikes Tidningar) and by making the notice to attend available on the Company's website. When Notice to attend is promulgated, the Company must place an advertisement in the business daily Dagens Industri, informing that Notice to attend has been given.

Nomination Committee

The AGM of 24 May 2017 passed resolutions on the following principles for the appointment to the nomination committee. Prior to the 2018 AGM, the nomination committee must comprise, in addition to the Chairman of the Board, representatives of the three largest shareholders in terms of voting rights or groups of shareholders in the Company (which refers both to directly registered shareholders and nominee registered shareholders) according to Euroclear Sweden AB's printout of the share register as of 01 August 2017. Should any of these shareholders choose to waive the right to nominate a representative, said right will be transferred to the next shareholder with a larger shareholding. Where necessary, if a member leaves the nomination committee before its work is concluded a replacement member must be appointed by the shareholder who appointed the departing member, or if this shareholder is no longer one of the four largest shareholders registered by the owner, the largest of the four largest shareholders who have not appointed

any member to the nomination committee. The composition of the nomination committee and how it can be contacted must be published on the Company's website.

The main task of the nomination committee is to prepare the AGM's resolutions regarding the election and remuneration of board members and auditors. The nomination committee's tasks also include proposing the AGM Chairman and drawing up proposals regarding the number of board members and where applicable, the auditor or auditing company and election of Chairman of the Board.

No compensation will be paid to the members of the nomination committee. The nomination committee's term of office ends when the succeeding nomination committee is made known.

The Board

Board procedures

The Board is the highest decision-making body during the period between general meetings. The duties of the Board are governed by the Swedish Companies Act and the Company's articles of association. The Board takes decisions on matters relating to:

- Strategies, business plans and budgets;
- Annual reports, interim reports and year-end reports;
- Important changes in the Company's organisation and operation, internal control and risk management;
- Major investments, acquisitions and other changes in the Group's structure;
- Loans and other financing issues of a significant character; and
- The Company's compliance with applicable regulations.

The work of the Board follows the rules of procedure established annually at the statutory Board meeting following the AGM. The rules of procedure govern the decision-making process within SDS, the conduct of meetings and the allocation of work between the Board, the Chairman, Board committees and the CEO.

The duties and rules of procedure for the committees are laid down by the Board in written instructions. The primary task of the committees is to prepare matters for presentation to the Board for decisions.

The CEO takes care of day-to-day management under the Board's guidelines and instructions. The allocation of work between the Board and the CEO is described in a written instruction.

Board Chairman

The Chairman of the Board leads the work of the Board and makes sure it carries out its tasks; the Chairman represents the Board in relation to the owners and maintains contact with the owners. The Chairman is also responsible for initiating the annual assessment of the work of the Board and the CEO. The Chairman makes sure the Board receives adequate information, decision support data and the training necessary for its work to function effectively, and makes sure that the Board's decisions are implemented.

Composition of the Board

According to the articles of association, the SDS Board must comprise three to five members, with a maximum of five alternates. Board members are elected annually at the AGM for the period until the end of the next AGM. The current Board comprises Gunnar Jardelöv, Tomas Klevbo, Leif Brandel and Mikael Hult. The work of the Board is led by its Chairman, Gunnar Jardelöv.

Board members are presented in more detail in the section entitled "The Board, senior executives and auditors."

Committees

Audit committee

The obligation to establish an audit committee complies with the Swedish Companies Act and applies only to companies whose shares are admitted to trading on a regulated market. Thus SDS is not required to set up an audit committee but has chosen to establish one on a voluntary basis. The audit committee's main roles include reviewing the Company's governance, internal control and financial information based on the Board's mandate and applicable regulations, as well as preparing matters in these areas for Board decisions.

The audit committee also prepares matters assuring the quality of financial reporting prior to Board decisions; it meets with the SDS auditor on an ongoing basis and stays informed about the scope and extent of the audit and discusses the perception of the Company's risks.

The audit committee is also tasked with evaluating external audit operations, informing the Board about the outcome and providing assistance with proposals for an auditor. The audit committee currently comprises Gunnar Jardelöv, Tomas Klevbo, Leif Brandel and Mikael Hult. Gunnar Jardelöv is Chairman.

Remunerations committee

The remunerations committee's main task is to propose principles for remuneration and other conditions of employment for senior executives prior to Board decisions. Remuneration to SDS's CEO is determined by the Board based on the recommendations of the remunerations committee. Remunerations to other senior executives are decided by the CEO in consultation with the remunerations committee. The remunerations committee monitors remuneration structures and levels within the Company. The remunerations committee comprises Gunnar Jardelöv, Tomas Klevbo, Leif Brandel and Mikael Hult. Gunnar Jardelöv is Chairman.

Chief Executive Officer

Albin Rännar is the Chief Executive Officer of SDS. The CEO is responsible for the day-to-day management and control of the Company's operations. The instructions for the CEO are adopted annually in conjunction with the statutory Board meeting where the division of responsibilities between the Board and the CEO are defined. The CEO reports regularly to the Board on business development and the development of different products and follows up strategy and the decisions taken by the Board.

The CEO and other senior executives are presented in more detail in the section entitled The Board, senior executives and auditors.

Internal control

The Board's responsibility for internal control is governed by the Swedish Companies Act, the Swedish Annual Accounts Act (1995:1554) and the Corporate Code. To maintain and develop a well-functioning control environment, the Board has established an audit committee and adopted a number of relevant documents fundamental to financial reporting. These include the Board's rules of procedure and instructions for the CEO and for financial reporting. Furthermore, an effective control environment requires a developed structure that undergoes constant review. Responsibility for the day-to-day work of maintaining the control environment is primarily that of the CEO, who must ensure that there are effective internal controls and formal procedures that ensure the reliability of external financial reporting and its compliance with applicable accounting policies, laws and regulations and other requirements for listed companies. The CEO reports regularly to the Board and at every scheduled Board meeting he also presents an economic and financial report of operations covering a period of three months. The Board has evaluated the need for an internal audit function and considers the follow-up presented above to be sufficient to ensure the effectiveness of internal control. The need for an internal audit function is reviewed annually by the Board.

Financial reporting and follow-up

The Board continually receives reports on the Company's operations from the CEO, including the Company's performance trends, financial position, liquidity and credit as well as information on key business events and any other event, circumstance or relationship not yet made public that is likely to be of material importance for the Company's shareholders as far as the Board is aware. Reporting must be sufficient to enable the Board to make informed assessments of the matters under consideration. In addition, the Company's audit committee prepares proposals for decisions concerning issues linked to the Group's accounting, financial reporting and internal controls as well as financial risk exposure and risk management. The Company's finance function is managed by its CFO.

The Company strives to regularly provide accurate, reliable and timely financial information regarding the Company in accordance with the laws, regulations and other Nasdaq First North requirements for listed companies. The financial information must be published regularly in the form of interim reports and year-end reports, as well as in regulatory press releases containing essential news and price-sensitive information, in accordance with the policy for communication and the provision of information described below.

Audit

The auditor has to review the Company's annual report and accounts and the administration of the Board and the CEO. After the end of each financial year, the auditor must provide an audit report to the AGM. According to the Company's articles of association, the Company must have one or two auditors, with not more than two deputy auditors or a registered auditing practice.

The auditor elected for the period until the next AGM is Öhrlings PricewaterhouseCoopers AB, with Niklas Renström as auditor-in-charge. The auditor examines the administration, financial statements, internal procedures and control systems as well as interim accounts and annual accounts. The Board meets with the auditor annually for a statement on whether or not the Company's organisation is such that its accounting and administration are controlled in a reliable manner.

The Company's auditor is presented in more detail in the section entitled The Board, senior executives and auditor.

Provision of information

The Company has adopted a policy for communication and the provision of information that sets guidelines for both internal and external communication and seeks to assure high quality in the Company's communication, maintain good relations with the media and ensure that legislation is complied with. SDS's information and communication must provide employees, investors and the market accurate, timely and adequate information on every occasion to enable a fair assessment of the Company's operations, financial position and ability to fulfil its obligations.

In this context, the Company has also adopted a policy on insider information to ensure that the processing of insider information and publication thereof is carried out correctly by the Company, its employees and persons related to them, and that the Company and its employees comply with the requirements of applicable insider legislation and Nasdaq's regulations.

Other information

Certified Adviser

The Company has engaged Mangold fondkommission AB as its Certified Adviser.

Shares, share capital and ownership structure

Share information

According to the Company's articles of association, the Company's share capital may not be less than SEK 587,653.10 or more than SEK 2,350,612.40 split between at least 5,876,531 shares and not more than 23,506,124 shares. As of Prospectus publication day, the Company's registered share capital amounted to SEK 691,356.50 split between 6,913,565 shares. Each share has a quota value of SEK 0.10. There is only one class of shares. Each share carries one vote at the AGM and all shares carry equal rights to a share of earnings and equal rights to a share of any surplus upon liquidation. Moreover, each share has an equal right to right of priority in the new issue of shares, share warrants and convertibles. A differentiation of the shareholders' rights to vote their shares and the right to the Company's assets and earnings necessitates an amendment to the articles of association, which requires a qualified majority.

Resolutions on any dividends are passed by the AGM. All shareholders entered in the share register maintained by Euroclear Sweden are entitled to receive dividends on the record date determined by the AGM. The dividend is usually paid to the shareholders through Euroclear as a cash amount per share, but payment can also be made in considerations other than cash (distribution in kind). If a shareholder cannot be reached through Euroclear, the shareholder's claim on the Company remains in respect of the dividend amount; such claims are subject to a ten-year limitation period. If a limitation comes into force, the dividend amount to accrues to the Company. Subject to the limitations imposed by banks or clearing systems introduced in the relevant jurisdictions, there are no restrictions on the right to dividends for shareholders resident outside of Sweden. However, shareholders who are not resident in Sweden are usually subject to Swedish withholding tax; refer to the section entitled Tax matters in Sweden.

The Company's shares have been issued in accordance with Swedish law, are fully paid and freely transferable. The Company's shares are denominated in SEK. The shares are not subject to offers made as a result of a mandatory bid, buy-out or sell-out rights. No public offer has been made for the shares in SDS during the current or preceding financial year.

Share capital growth

Year	Event	Quotient Value, SEK	Change in the number of shares	Change in share capital, SEK	Total number of shares	Total share capital
2014	Incorporation	1.00	50,000	50,000.00	50,000	50,000.00
2017	Split	0.10	450,000	0.00	500,000	50,000.00
2017	New share issue	0.10	5,376,531	537,653.10	5,876,531	587,653.10
2017	New share issue	0.10	1,037,034	103,703.40	6,913,565	691,356.50

At the extraordinary shareholders meeting on 21 March 2017, the Company resolved to implement a 10:1 split, which means one (1) share is split into ten (10) shares, and it also resolved that shares must number 5,876,531 at a minimum and 23,506,124 at a maximum. The same general meeting further resolved to increase share capital by SEK 537,653.10 to SEK 587,653.10 through a rights issue of 5,376,531 shares at a subscription price corresponding to the quota value of the share (after completion of the 10:1 split) of SEK 0.10 per share. At the extraordinary general meeting of 17 May 2017, it was resolved to increase the Company's share capital by SEK 103,703.40 to SEK 691,356.50 through a rights issue of 1,037,034 shares at a subscription price corresponding to the quota value of the share.

The above measures were carried out in connection with the Company's change of company category from

private to public, which requires a registered share capital of at least SEK 500,000, and to achieve a capital structure in the Company adapted to the Offer.

Central securities depository

Shares in the Company are registered in a record-day register in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479). The register is kept by Euroclear, which also administers the Company's shares ledger and registers the shares in the Company by person. No share certificates are issued for the Company's shares. The ISIN code of the Company's shares is SE0009994445.

Marketplace for the Company's shares

The Board of SDS has applied for and received approval, provided that the usual requirements such as the Company's compliance with Nasdaq First North Premier's distribution requirements, for the listing of the Company's shares on Nasdaq First North Premier. The board's objective is, depending on market conditions, to list the Company's shares on the main list of Nasdaq Stockholm within 12 months of having listed on Nasdaq First North Premier.

Lock-up arrangement

Seamless undertakes, or will undertake, not to sell, pledge or otherwise dispose of the 1,037,035 SDS shares, equivalent to about 15 percent of all shares in SDS that are not the subject of the offer, for a period of 360 days from the first day of trading with SDS shares on Nasdaq First North Premier ("the Lock-up period"). This undertaking will not apply in the event of a public offer addressed to all shareholders in the Company. After the end of the Lock-up period, the shares may be offered for sale, which can affect the market price of the SDS share. ABG and DNB, acting as joint global coordinators in the Lock-up agreement, may also grant an exception from this undertaking, which may be entirely discretionary.

Purchase and guarantee commitments

The Seamless shareholders set out below have made commitments to Seamless not to i) sell any of their shares in Seamless before the record date for the allocation of the purchase rights or ii) make use of all or part of the purchase rights assigned to the shareholders in order to acquire shares in SDS during the Offer, corresponding to an approximate total of SEK 51 million, through purchase commitments. The purchase commitments corresponds to a total of around 24 percent of the total Offer.

The purchase commitments were entered into in June 2017. No compensation will be paid to those who have provided their purchase commitments. Furthermore, under the guarantee commitments toward Seamless, ten investors have committed to acquire shares in SDS that have not been acquired with the support of primary or subsidiary purchase rights or without purchase rights during the application period for the Offer, up to a total amount of around SEK 80 million. The guarantee commitments correspond to a total of around 38 percent of the total Offer. SDS-shares shall be allocated pro rata between the investors who have provided guarantee commitments in relation to the guaranteed amount. Note that SDS is not a party to the contracts relating to the guarantee commitments.

The following shareholders in Seamless have signed purchase commitments:

- Danske Invest Fonder, Box 7523, 103 92 Stockholm, SEK 15,794,208
- ÖstVäst Capital Management, Birger Jarlsgatan, 8 4TR, 114 34 Stockholm, SEK 10,900,800
- John Longhurst, 43-13 Faehlmanni, Tallinn, 10125, Estonia, SEK 12,150,468

- Gunnar Jardelöv, Götabergsgatan 32 apt. 1403, 411 34 Gothenburg, SEK 3,079,692
- Tomas Klevbo, Morabergsvägen 41, 133 33 Saltsjöbaden, SEK 3,726,000
- Varis Förvaltning in Gothenburg, Hildedalsgatan 18, 417 05, Gothenburg, SEK 1,260,000.
- Leif Brandel, Hamnvägen 52, 475 41 Hönö, SEK 2,923,596
- Leif Klevbo, Askrikegatan 9 apt 1302, 115 57 Stockholm, SEK 1,080,000

The following investors have undertaken the following guarantee commitments:

- Kinnevik Consumer Finance 1, Box 2094, 103 13 Stockholm, SEK 21,158,004
- ÖstVäst Capital Management, Birger Jarlsgatan, 8 4TR, 114 34 Stockholm, SEK 10,577,754
- Tomas Klevbo, Morabergsvägen 41, 133 33 Saltsjöbaden, SEK 3,000,000
- Danske Invest Fonder, Box 7523, 103 92 Stockholm, SEK 7,850,184
- The listed company Grenspecialisten, Box 4042, 203 11 Malmö, SEK 3,500,000
- Challma Holding, Box 123, 147 22 Tumba, SEK 3,000,000
- John Longhurst, 43-13 Faehlmanni, Tallinn, 10125, Estonia, SEK 7,000,000
- Navare Invest AB, Hamngatan 11, 111 47 Stockholm, SEK 3,000,000
- Range Capital, Harben House, Harben Parade, Finchley Road, London, NW3 6LH, UK, SEK 5,000,000
- Varis Förvaltning in Gothenburg, Hildedalsgatan 18, 417 05, Gothenburg, SEK 5,000,000
- Jan Johansson Förvaltnings AB, Kungsgatan 13, 14 tr, 111 56 Stockholm, SEK 2,000,000
- Lars Hallén, Frejavägen 10, 181 32 Lidingö, SEK 5,000,000
- Erik Adielsson, Catchdriving AB, Albyvägen 6, 19492, Upplands Väsby, SEK 2,000,000
- Per Köhlqvist, Fällbrunavägen 34, 137 91 Väserhaninge, SEK 1,000,000
- Lars-Gunnar Berntson, Rua Conde de Castelo Melhor 73, 4Dto, Sao Joao do Estoril, 2765-310 Estoril, Portugal, SEK 1,000,000

The guarantee commitments entail a right to compensation from Seamless of 7 percent of the guaranteed amount. Guarantee compensation amounts to approximately SEK 4 million. Contracts relating to guarantee commitments made were entered into in June 2017. All of the investors who have provided guarantee commitments can be reached through Seamless using the contact details listed in the section "Addresses" at the end of the Prospectus. Investors are advised that neither purchase nor guarantee commitments are secured by pledges, restricted funds or similar arrangements. Also refer to the risk "Unsecured purchase and guarantee commitments" in the section entitled Risk factors.

Ownership structure

As of Prospectus day, all shares in the Company are held by Seamless. The table below describes the ownership structure of SDS after completion of the Offer on the assumption that all shareholders in Seamless take full advantage of the Offer to acquire shares in SDS, based on information from Euroclear on 31 March 2017 and known changes since then. Information on the Board's and senior executives' shareholdings under the same assumption is shown under the headings "Board" and "Senior executives" in the section entitled "The Board, senior executives and auditor" in this Prospectus.

Owners	Number of shares and votes	Percentage of total capital and votes (approx)	Country
Seamless Distribution AB	1,037,035	15.00%	Sweden
Fredell & co AB*	586.911	8.49%	Sweden
Danske Invest Fonder	443.839	6.42%	Sweden
John Longhurst	337.513	4.88%	Sweden
Avanza Pension	317.077	4.59%	USA
Tikvah Management Llc	314.969	4.56%	Sweden
ÖstVäst Capital Management	302.800	4.38%	USA
Swedbank Försäkring	180.148	2.61%	Sweden
Kent Carlbom	101.000	1.46%	Sweden
Total, largest owners	3,621,292	52.38%	Sweden
Total, other owners	3,292,273	47.62%	
Total, all owners	6,913,565	100%	

*Fredell & co AB is wholly owned by Peter Fredell, CEO of Seamless.

Shareholders' agreement

As far as the Board is aware, there are no shareholders' agreements or other agreements between shareholders in the Company that seek to exert joint influence over the Company, nor is the Board aware of any agreements or similar that could lead to a change in the control of the Company.

Convertible shares, share warrants and other share-based instruments

As of Prospectus day, there are no outstanding warrants, convertibles, or other share-based financial instruments issued by SDS.

Share-based incentive programmes

There are no outstanding share-based incentive programmes in SDS.

Articles of Association

**ARTICLES OF ASSOCIATION
FOR
Seamless Distribution Systems AB
556979-4562**

Section 1 Company

The Company's business name is Seamless Distribution Systems AB. The Company is a public company (publ).

Section 2 Registered office

The Board's registered office is in Stockholm municipality, Stockholm County.

Section 3 Operation

The Company on its own, or through subsidiaries, conducts software development operations, consulting, sales within data and telecommunication and carries on related business.

Section 4 Share capital

Share capital may not be less than SEK 587,653.10 or more than SEK 2,350,612.40.

Section 5 Number of shares

The number of shares may not be lower than 5,876,531 or higher than 23,506,124.

Section 6 The Board and auditors

The Board must comprise no fewer than three (3) and no more than five (5) members, with a maximum of five (5) alternates.

The Company may have no more than 2 auditors and 2 deputy auditors or a registered public accounting practice.

Section 7 Notice to attend

Notice to attend the AGM must be promulgated in the Official Swedish Gazette (Post- och Inrikes Tidningar) and by making the notice to attend available on the Company's website. When Notice to attend is promulgated, the Company must place an advertisement in the business daily Dagens Industri, informing that Notice to attend has been given.

Shareholders who wish to attend the AGM must be listed in a printout or other reproduction of the complete shares ledger in respect of the circumstances five weekdays before the meeting and also submit an application to the Company no later than the date specified in the notice to attend. The specified registration date may not fall on a Saturday, Sunday, a public holiday, Midsummer Eve, Christmas Eve or New Year's Eve and may not fall earlier than five working days before the meeting.

Section 8 AGM agenda

The AGM is held within six (6) months of the end of the financial year.

At the AGM, the following matters must be addressed:

1. Election of Chairman for the Meeting.
2. Preparation and approval of the voting list.
3. Election of one (1) or two (2) persons to approve the minutes.
4. Determination of whether the meeting has been duly convened.
5. Approval of the agenda.
6. Presentation of the annual report and the auditors' report and where appropriate, the consolidated

financial statements and their associated auditor's report.

7. Resolutions on
 - adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and any consolidated balance sheet,
 - the allocation of the Company's profit or loss according to the adopted balance sheet, and
 - discharge from liability of the Board and the CEO.
8. Determination of board and auditors' fees.
9. Election of board members and alternates and an auditing practice or auditors and any deputy auditors.
10. Other matters to be addressed by the meeting in accordance with the Swedish companies Act (2005:551) or the articles of Association.

Section 9 Financial year

The company's financial year is the calendar year.

Section 10 Record day provision

The Company's shares must be registered in a record-day register according to the Swedish Financial Instruments Accounts Act (SFS 1998:1479).

Shareholders or nominees who are registered in the shares ledger on the record date and listed in a record-day register in compliance with Chapter 4 of the Swedish Financial Instruments Accounts Act (1998:1479) in accordance with chapter 4, section 18 para 1 lines 6-8 in said law are assumed to be competent to exercise the rights conferred by Chapter 4. Section 39, Swedish Companies Act (2005:551).

Legal matters and additional information

General company information

The name of the Company is Seamless Distribution Systems AB, its trade name is SDS and its company registration number is 556979-4562. It is a public limited Company with its registered office in Stockholm and is domiciled in Sweden. The Company was founded in Sweden on 16 July 2014 and registered by the Swedish Companies Registration Office on 15 August 2014; it was registered under the current Company name on 24 September 2014. The Company's legal form is governed by, and the rights of shareholders may only be changed in accordance with, the Swedish Companies Act. The articles of association were adopted at an extraordinary general meeting on 21 March 2017.

According to its articles of association, the Company conducts software development operations, consulting, sales within data and telecommunication and carries on related business on its own, or through subsidiaries.

The Company's head office address is Vasagatan 7, SE 111 20 Stockholm SWEDEN.

The Company has a wholly owned subsidiary, Seamless Private Limited, located in India.

Name	Corporate registration number	Country	Domicile
Seamless Private Limited	U72900MH2010FTC206234	India	Mumbai

Important agreements

Local partner agreements

The Company has entered into local partner agreements, among other places in the UAE as well as a number of countries in Africa. The majority of partner agreements concern the marketing of the Company's products where the partner provides the Company with leads to potential clients. Other agreements entered into with local partners in e.g. Pakistan and Ghana seek to boost technical capacity.

MTN

Certain individual national mobile operators within the multinational MTN Group are important customers for SDS, and together they accounted for around 73 percent of SDS's total sales in 2016. SDS supplies software products, licences and services to companies in the MTN Group. To this end, group-wide framework agreements have been signed with the MTN Group, which are presented below.

Group-wide framework agreement for the provision of products and software licenses

SDS has entered into a group-wide framework agreement dated 29 September 2016 with MTN Group, signed with Global Sourcing Company LLC (GSC) concerning the supply of products and software licenses. Group-wide framework agreement specifies standardised conditions and a single price list. The Group-wide framework agreement includes country-specific agreements with the MTN Group for the countries concerned, each of which contains conditions more specific than those in the main agreement. Purchase of products and software licences takes place when an MTN Group company, under both the group-wide framework agreement and the relevant specific agreement, places a purchase order. The group-wide framework agreement's function is thus to provide standardised conditions and a single price list as the basis for country-specific contracts and purchase orders between SDS and the companies within the MTN Group. Thus the group-wide agreement contains no commitment from the companies within the MTN Group to acquire products from SDS but serves solely as a framework. The purchase of products is carried out under separate agreements.

It should be noted that the group-wide framework agreement states that SDS must inform GSC and relevant companies in the MTN Group within 48 hours of the publication of a change in the structure of majority ownership of the Company. GSC and MTN Group may then unilaterally terminate the group-wide framework agreement with immediate effect. Implementation of the Offer entails a change of control. It must also be emphasised that the group-wide framework agreement has a mutual right of termination with only 60 days notice. Were the group-wide framework agreement to be terminated by the MTN Group, it would be negative for the Company, but since the agreement itself contains no commitment to buy products and software licenses from SDS, there is a risk that the MTN Group ceases buying products and software licenses from SDS regardless of the group-wide framework agreement's existence. In view of this, the Company does not intend, before completion of the Offer, to obtain exemptions from the counterparty relating to the change of control provision in the group-wide framework agreement.

Group-wide framework agreement for services

SDS uses a group-wide agreement with MTN Group regarding the provision of services. However, this group-wide framework agreement was concluded between Seamless and MTN Dubai Limited, due to the fact that the agreement was concluded on 22 September 2008 when SDS operations were still being carried out in Seamless; accordingly, SDS will have to become a contracting party to the agreement.

In a similar manner to which the group-wide framework agreement in respect of the provision of products and software licenses, this group-wide framework agreement's function is to provide standardised conditions and a single price list as the basis for country-specific contracts and purchase orders between SDS and the companies within the MTN Group in respect of services. Thus the group-wide agreement contains no commitment from the companies within the MTN Group to purchase services from SDS but serves solely as a framework. The purchase of services is carried out under separate agreements. In view of this, the Company does not intend, before completion of the Offer, to renegotiate the group-wide framework agreement to thus become a formal contracting party.

Lock-up arrangement

Seamless undertakes, or will undertake, not to sell, pledge or otherwise dispose of the 1,037,035 SDS shares, equivalent to about 15 percent of all shares in SDS that are not the subject of the offer, for a period of 360 days from the first day of trading with SDS shares on Nasdaq First North Premier ("the Lock-up period"). This undertaking will not apply in the event of a public offer addressed to all shareholders in the Company. After the end of the Lock-up period, the shares may be offered for sale, which can affect the market price of the SDS share. ABG and DNB, acting as joint global coordinators in the Lock-up agreement, may also grant an exception from this undertaking, which may be entirely discretionary.

Intellectual property rights

The Company seeks to register and protect its brand names, names, and domain names in selected jurisdictions and regions where it currently operates. The Company has obtained Swedish registration for the ERS 360 wordmark.

Previously, Companies within the Seamless group has previously shared use of intellectual property rights related to ERS 360, which formally belonged to the Group company SEQR Group AB. In connection with the loan raised by SDS, all of these intellectual property rights critical to SDS's operation were transferred from SEQR Group AB to SDS voluntarily with the intention that ownership would revert to SEQR Group AB when the loan is repaid. Under a supplementary agreement concluded between SDS and SEQR Group AB on 8 June 2017, SDS acquired these intellectual property rights once and for all and as of Prospectus publication day, SDS is the sole owner of these rights. In conjunction with the acquisition, SDS also entered into a license agreement with SEQR Group AB whereby SDS licenses the acquired intellectual property rights to the SEQR Group AB.

Disputes

The Company is not, and has not been, a party to any judicial proceedings or arbitration proceedings (including cases not yet ruled upon or which the Company knows may occur) over the past 12 months which have had or could have a significant effect on the Company's or the Group's financial position or profitability. The Company has not been informed of any claim, which could cause to the Company to become a party in such a process or arbitration.

Insurance

The Company has taken out the customary business insurance policies. The Company has also taken out liability insurance with the customary terms for the Board.

The Company considers its insurance policies to be on a par with those of other companies in the industry and that they are adequate in view of the risks normally associated with the Company's operations. However, there is no guarantee that the Company will not suffer losses not covered by these insurance policies.

Properties and locations

The Company owns no properties or buildings. The Company's operations are conducted in rented premises under usual rental contracts.

Related party transactions

Transactions within the Seamless Group

In SDS's historical financial information, transactions with the Seamless Group have been categorised as related party transactions. As of 31/12/2016, the debt amounted to SEK 27 million and at the end of the first quarter in 2017, SDS had a receivable of SEK 8 million from Seamless. This is because the Company raised an external loan in the amount of SEK 30,625,000, after which these funds were lent on to other Seamless companies.

On 8 June 2017, the Company acquired all intellectual property rights related to the ERS 360 transaction platform from SEQR Group AB for a purchase sum of SEK 31,250,000, of which SEK 25,000,000 was paid on the same day by promissory note, with SEK 6,250,000 payable in cash no later than 20 August 2017. Repayment of the loan under the promissory note, which may be paid early, is due on 31 May 2022; it carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.

On 20 June 2017 the Company took up a loan from Seamless in the amount of SEK 32,487,000 (of which SEK 31,850,000 were paid out on Company instructions to an external lender to repay in full the Company's external loan financing including accrued interest, and SEK 637,000 was invoiced as an arrangement fee). The loan will fall due on 31 May 2022; it may be repaid early and carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.

On 8 June 2017, SEQR Group AB transferred its receivable with the Company in the amount of SEK 25,000,000 to Seamless.

Accordingly, as of Prospectus publication day, seamless will have a receivable of SEK 57,487,000 with the Company, while SEQR Group AB will have an SEK 6,250,000 receivable with the Company. The Company has in turn set-off claims against Seamless estimated to be around SEK 4,000,000, with which the Company intends to settle the principal in the Company's loan to Seamless, which would result in a net indebtedness to Seamless of around SEK 53,487,000.

The agreements attributable to the events described above were entered into under market conditions. No significant changes in addition to the events described above have occurred with respect to the Company's financial position or its position in the market since 31 March 2017.

Transactions with the Board or senior executives

Tommy Eriksson has provided consultant services to the Company since 2010 through the company Naviq AB (of which Tommy Eriksson is part owner) in accordance with a consultancy agreement entered into on market conditions. Remuneration for these consultant services are based on an hourly fee and paid to Naviq AB. In 2015, the total fee amounted to SEK 2,701 thousand. In 2016, SEK 2,383 thousand was paid to Naviq AB.

In addition to what is stated above, no board member or senior executive has had any direct, indirect or other participation as the counterparty in any of the Company's business transactions, which are or have been unusual in nature or in respect of their terms and conditions, and which remain unsettled or unfinished in any respect. The auditors have not been involved in any business transaction according to the description above. The Company has not provided loans, made guarantees or entered into any guarantee undertaking to, or for the benefit of, any of the members of the Board, senior executives or auditors of the Company. For remuneration to the Board and senior executives, refer to the section entitled The Board, senior executives and auditor.

Transaction expenses

Seamless will bear all costs relating to the Offer and listing of SDS's shares, including compensation to ABG, DNB and other consultants, which is expected to amount to SEK 20 million.

Advisers and their interests

ABG and DNB are acting as financial advisors in connection with the Offer and have also provided the Company and Seamless advice in connection with the structuring and planning of the Offer and the planned listing on Nasdaq First North Premier, and receive compensation for such advice from Seamless. ABG and its affiliates, as well as DNB and its related parties, have provided and may in the future come to provide various financial consultancy services for the Company and its related parties, for which they have received, and can be expected to receive, fees and other compensation.

Third-party information

Information received from third parties reproduced in this document has been reproduced accurately, and as far as the Company is aware and can assure by comparison with other information published by the third party concerned, no information has been omitted in a manner that would render the reproduced information incorrect or misleading.

Documents available for inspection

During the Prospectus' validity period, the following documents can be obtained from SDS from the Company's head office on weekdays, by email from sds.cfo@seamless.se and also from the company website, sds.seamless.se.

- The Company's articles of association;
- Annual reports for the financial year 15/08/2014 – 31/12/2015 and the financial year 2016 for the Company;
- Annual reports for the financial years 31/03/2014 to 31/03/2015 and 31/03/2015 to 31/03/2016 for the Company's subsidiary Seamless Private Limited³⁷;
- The company's revised consolidated financial statements for the financial years 2016 (12 months from 01/01/2016 to 31/12/2016) and 2015 (15.5 months from 15/08/2014 to 31/12/2015) and
- the Company's reviewed consolidated accounts for the first quarter of 2017.

37 The subsidiary's annual reports will only be available at the Company's office address

Tax matters in Sweden

Below is a summary of certain Swedish tax issues that arise in response to the invitation to the acquisition of shares in SDS and the admission to trading of SDS's shares on Nasdaq First North Premier. The summary is based on the assumption that the shares in SDS will be deemed marketable from a tax perspective, which will be the case if the shares are traded to an adequate extent on Nasdaq First North Premier.³⁸

The summary is intended only as general information for shareholders and holders of purchase rights, which are fully taxable in Sweden, unless otherwise stated. The summary is based on the existing legislation and not intended to exhaustively address all tax issues that may arise in this context. For example, it does not address the special rules that apply to so-called qualified shares in closely held companies, holdings via investment savings accounts or endowment insurance, shares held by partnerships or as Inventory items in a business operation. Nor does it deal with the specific rules on tax free capital gains (including prohibition of deductions for capital losses) and dividends on so-called business-related shares in the corporate sector. Special tax rules apply for certain taxpayers, such as mutual funds and special funds, investment companies, insurance companies and individuals who are not subject to unlimited tax liability in Sweden. The tax-related treatment of each shareholder depends on his or her specific situation. Each of the shareholders and the holders of purchase rights should seek the advice of an independent tax advisor about the tax consequences that may arise in each individual case, including the applicability and effect of foreign rules and tax treaties.

Alternative courses of action

Shareholders in Seamless who are allocated purchase rights in SDS pro rata according to their shareholding in Seamless, will be taxed in different ways depending on whether the rights are used, disposed of or expire.

Utilizing purchase rights

Seamless Shareholders who use their purchase rights to purchase SDS shares will be taxed for the value of the purchase rights received as if they were dividends. The taxable value is the market value of the purchase rights at the time of use. Seamless intends to seek recommendations from the Swedish Tax Agency concerning calculation of the taxable value, which will be available on the Seamless website (www.seamless.se).

Disposal of purchase rights

Shareholders in Seamless not wishing to exercise their right to acquire shares in SDS may dispose of their purchase rights. The compensation received, less any cost of sales, is treated as dividends for the purposes of tax. The date of disposal represents the tax date for the dividend.

Maturity of purchase rights

In the event the purchase rights are neither utilised for the acquisition of shares in SDS nor disposed of, they will expire. In such a case, no taxable amount arises.

³⁸ First North is not a regulated market within the meaning of the Income Tax Act (1999:1229). In order for shares that are not quoted on a regulated market to be considered listed within the meaning of income tax law, the shares are required to be the subject of continuous publicly accessible listing on the basis of market turnover. In a letter, the Swedish Tax Agency has stated, among other things, that sales should normally occur once every ten days and the listing be available until the seventh year following its year of listing.

Natural persons

Dividend

Dividends received are fully taxable for natural persons. The tax rate is 30 percent.

For natural persons who are fully liable to tax in Sweden, or the nominee in the case of nominee registered shares, Euroclear usually withholds preliminary tax at the rate of 30 percent. However, in the case of dividends through the use or disposal of purchase rights, no preliminary tax is withheld.

Disposal of shares

If Seamless shareholders dispose of shares acquired in SDS, capital gains tax will be triggered, which is applied at the rate of 30 percent under income classed as capital. Capital gains and losses are calculated as the difference between the sales proceeds, less selling expenses and cost. Cost refers to acquisition expenses (acquisition costs) plus any expenditures for improvements. Acquisition expenditure for SDS shares acquired using purchase rights is the sum of the purchase price paid and the value that the shareholder was taxed for as dividends when using the purchase rights.

The cost amount is calculated using the so-called average method. Under this method, the cost of a share is the average cost for all shares of the same type and class. On the sale of listed shares, the alternative standardised method may be used. This method means that the cost may be determined as 20 percent of the sales proceeds less selling expenses.

Capital losses on listed shares and other marketable securities that are taxed as shares may be deducted in full against taxable capital gains arising from the same year partly on shares and partly on listed securities taxed as shares (other than shares in mutual funds or special funds containing only Swedish receivables, so-called bond funds). Seventy (70) percent of a capital loss on quoted shares that cannot be settled in this manner may be deducted from other income from capital. If a deficit arises in income from capital, a reduction of the tax on income from employment, from business taxes and property tax is allowed. Tax reduction is 30 percent of that part of the deficit that does not exceed EUR 100,000 and 21 percent of the remaining deficit. Deficits may not be saved for subsequent fiscal years.

Limited company

Dividends

Limited liability companies are taxed on dividends in the category business income at a tax rate of 22 percent.

Disposal of shares

Limited companies that divest shares in SDS are taxed for capital gains as business income at a tax rate of 22 percent. The calculation of capital gains and losses is the same as for natural persons as described above.

The deduction of deductible capital loss on shares is only allowed against taxable capital gains on shares and other securities taxed as shares. Capital loss on shares which are not deducted in a specific year, may be saved (in limited companies suffering loss) and deducted against taxable capital gains on shares and other securities taxed as shares in future years without limitation in time. If a capital loss cannot be deducted by the Company that made the loss, it may under certain conditions be deducted from taxable capital gains on shares and other securities taxed as shares in another company in the same group, if there is a group contribution right between the companies.

Shareholders with limited liability to pay tax in Sweden

Shareholders who under tax law are resident outside Sweden (limited tax liability) who receive purchase rights, will be taxed on the dividend if the pre-emptive rights are exercised or disposed of (in the same way as residents). Withholding tax is 30 percent on the dividend. However, withholding tax is generally reduced through tax treaties with other countries.

In Sweden it is usually Euroclear, or in the case of nominee registered shares the nominee, or the Company that reports and pays withholding tax. Sweden's tax treaties generally allow a reduction in the rate of withholding tax to a treaty's rate at the time the dividend was paid provided that Euroclear, the asset manager or the Company has received the requisite information on the dividend recipient.

The following section should be read in conjunction with "Financial information in summary" and the Company's audited consolidated financial statements for the calendar years ending 31 December 2015 and 2016, and the limited review of the interim report for the period 1 January to 31 March 2017 as well as the associated notes contained elsewhere in this Prospectus. The Company's audited consolidated financial statements for the calendar years ending 31 December 2015 and 2016 and the limited review of the interim report for the period 1 January to 31 March 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS issued by the International Accounting Standard Board (IASB)). The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, RFR 1 supplementary accounting rules for groups, as well as the Swedish Annual Accounts Act.



Auditor's report concerning the interim financial information summary (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act

Introduction

We have reviewed the interim financial information summary (interim report), pages 107-126, for Seamless Distribution Systems AB (publ) as of 31 March 2017, and the three-month period that ended on this date. It is the responsibility of the Board and the Chief Executive Officer to prepare and present this interim financial report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on the interim report based on our limited review.

Scope of the limited review

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Company. A review entails making inquiries, primarily of persons responsible for financial and accounting matters, and conducting an analytical review and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a limited review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. The conclusion expressed is based on a limited review and does not therefore have the same level of assurance as an opinion expressed on the basis of an audit.

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the interim report was not prepared, in all material respects regarding the Group, in accordance with IAS 34 and the Swedish Annual Accounts Act.

Stockholm, 27 June 2017

Öhrlings PricewaterhouseCoopers AB

Niklas Renström

Authorised Public Accountant

Interim report 1 January 2017 to 31 March 2017

Seamless Distribution Systems

First quarter report 2017



First quarter report 2017

Summary January - March 2017

- Operating profit for the period amounted to SEK 7.4 million (5.7), equating to an improvement of 29 percent
- Earnings after tax improved by 8 percent and amounted to SEK 6.1 million (5.7)
- Earnings per share SEK 8.31 (11.41), equating to a decrease of 27 percent
- Cash flow before change in working capital amounted to SEK 5.5 million (5.6), a decrease equating to 1 percent
- Net sales for the period amounted to 23.4 SEK million (18.8), an increase of 25% compared with the same quarter for the previous year.

Overview	Jan-March	Jan-March	Full year
SEK thousand	2017	2016	2016
Net sales	23,451	18,826	96,433
Operating profit	7,390	5,712	31,830
Financial items, tax	-1,252	-6	134
Profit for the period	6,138	5,706	25,096
Balance sheet total	128,230	80,396	101,590
Earnings per share, before and after dilution*	8.31	11.41	50.19
Operating margin	32%	30%	33%
Equity/assets ratio	7%	9%	3%
Amortisations & depreciations	-571	-119	-975

Significant events during the period

Seamless Distribution Systems has raised a loan of SEK 30.6 million from an external lender in January 2017. The rate of interest for the loan is 8 per cent per year.

Significant events since the end of the reporting period

Albin Rännar became the new CEO of Seamless Distribution Systems (SDS).

On 8 June 2017, the Company acquired all intellectual property rights related to the ERS 360 transaction platform from SEQR Group AB for a purchase sum of SEK 31,250,000, of which SEK 25,000,000 was paid on the same day by promissory note, with SEK 6,250,000 payable in cash no later than 20 August 2017. Repayment of the loan under the promissory note, which may be paid early, is due on 31 May 2022; it carries an annual interest of 8 per cent, which is capitalised and paid when the loan is repaid.

On 20 June 2017 the Company also took up a loan from Seamless in the amount of SEK 32,487,000 (of which SEK 31,850,000 were paid out on Company instructions to an external lender to repay in full the Company's external loan financing including accrued interest, and SEK 637,000 was invoiced as an arrangement fee). The loan will fall due on 31 May 2022; it may be repaid early and carries an annual interest of 8 per cent, which is capitalised and paid when the loan is repaid.

On 8 June 2017, SEQR Group AB transferred its receivable with the Company in the amount of SEK 25,000,000 to Seamless. Accordingly, as of Prospectus publication day, seamless will have a receivable of SEK 57,487,000 with the Company, while SEQR Group AB will have an SEK 6,250,000 receivable with the Company. The Company has in turn a set-off claim against Seamless estimated to be around SEK 4,000,000, with which the Company intends to settle the principal in the Company's loan to Seamless, which would result in a net indebtedness to Seamless of around SEK 53,487,000.

The agreements attributable to the events described above were entered into under market conditions. No significant changes in addition to the events described above have occurred with respect to the Company's financial position or its position in the market since 31 March 2017.

THE GROUP

Sales and earnings

Seamless Distribution System's sales in the first quarter amounted to SEK 23,451 thousand (18,826) which represented an increase of 25% compared with the same period for the previous year. Sales concerns just one business area for SDS/transaction exchange with 100 per cent (100).

The group's operating profit improved by 29 per cent and amounted to SEK 7,390 thousand (5,712) over the first quarter. The net financial income in the first quarter amounted to SEK -1,252 thousand (-6). Earnings per share amounted to SEK 8.31 (SEK 11.41) for the quarter.

Employees

The number of employees in the group at end of period was 63 (40). In addition, Seamless has around 70 consultants, mainly in Ghana and Pakistan.

Investments

Investments to a value of SEK 5,240 thousand (1,702) were made during the quarter. Product development costs were capitalised to a value of SEK 4,905 thousand (1,550) while amortisations and depreciations amounted to -571 SEK (-119) thousand.

Cash flow and financial position

Cash flow from operating activities amounted to SEK -22,609 thousand (1,650) for the first quarter.

Cash and cash equivalents amounted to SEK 4,880 (2,051) thousand at end of quarter.

The Company does not have any interest-bearing liabilities to banks or other credit institutes, but it does have an interest-bearing liability in the form of a loan of a nominal value of SEK 30,625 thousand with annual interest of 8 per cent.

The interest shall be paid in arrears on the due date, 28 July 2017. The company has an equity/assets ratio of 7.4 (9.1) per cent.

OTHER

Significant risks and uncertainties in the business

Seamless’s activities are affected by a number of external factors whereby risk factors can affect the business. These risk factors may entail an impact on the business’s ability to achieve its business goals.

This report contains forward-looking information which is based on the current expectations of Seamless management. Even if the management asserts that the expectations drawn from such forward-looking information are reasonable, it is not possible to guarantee that these expectations will be accurate. It thereby follows that actual future outcomes may vary fundamentally compared with that set out here in the forward-looking information. This may result from, amongst other things, changed expectations regarding economy, markets and competition, changes to legislation and other political measures, variations in exchange rates and other factors.

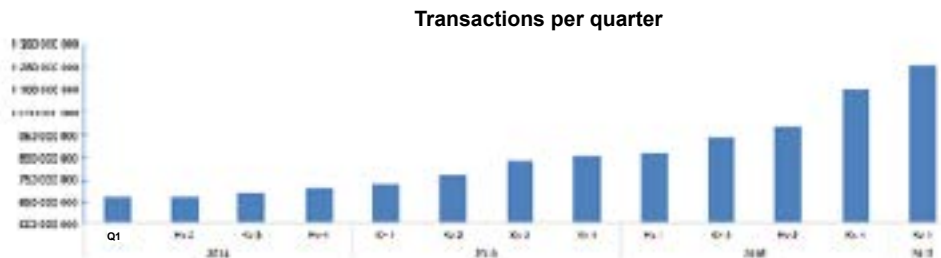
For other significant risks and uncertain factors, refer to the Financial Report and consolidated financial statement for financial year 2015-2016, pages 124-152.

Operations

Seamless Distribution Systems Group delivers systems for the management of distribution networks mainly for the electronic recharge of prepaid cards and eProducts ranging from gift cards to mobile banking services. The system is in addition to a sophisticated distribution system and platform for a number of advanced functions for, amongst other things, campaign management and sales management. The hub of the operation is the in-house developed platform ERS 360° which has been undergoing constant development in order to meet market demands since it was first launched 15 years ago. Our customers are located across the whole world, but primarily in Africa and the Middle East where telecommunications companies constitute our largest customer group. Today, the platform manages around 5.3 billion transactions on an annual basis, to a value of more than 8 billion USD across 28 markets.

Profit

The volume of transactions continued to grow during the first quarter of 2017 - an unbroken trend since SDS was founded in 2014. This stable growth shows how successful digitisation is for SDS customers, for whom it means increased competitiveness, flexibility and lower distribution costs compared to traditional methods.



Recurring purchases and deliveries of additional functions and capacity licenses for the ERS 360 plat-

form, together with constantly increasing support and operating income, make up the core of SDS's profits. In the beginning of 2017, we have continued to sell existing and new functions and licenses to our existing customer base.

During 2016, we have worked on streamlining our development process. The first end result was launched at year end, and we now has a fully automated build process and quality assurance. The outcome is faster delivery of development work to both existing and new customers. We have also created an internal cloud platform for the R&D department. In order to support a change in the product mix towards pure license sales with a large proportion of new functions and, moving forward, also new products, our number of employees has grown over the past year. This means that our personnel expenses during the first quarter increased compared to the same quarter last year. At the same time, this creates capacity for fast deliveries to customers and the development of new services and products.

Activities and market prospects

We have intensified and broadened our direct involvement with a number of strategic customers concerning collaboration for new innovative products and services. A number of new concepts have been very successful and we expect to be able to convert these into booked orders moving forward.

We have worked intensively with campaigns in new regions such as Latin America and Asia, while we continue our efforts to find new customers in our strong, existing markets in Africa and the Middle East. During the quarter, we have been invited to participate in a number of procurements. These have not yet been concluded at the time of writing.

FINANCIAL INFORMATION - THE GROUP

Amounts in SEK thousand	01/01/2017	01/01/2016	01/01/2016	15/08/2014
	31/03/2017	31/03/2016	31/12/2016	31/12/2015
Net sales	23,451	18,826	96,433	91,701
Other revenue	-	551	801	1,752
Total operational income	23,451	19,377	97,234	93,453
Material costs	-1,350	-3,225	-14,897	-39,856
Other external expenses	-5,843	-7,880	-33,662	-18,097
Personnel expenses	-3,848	-1,764	-9,826	-6,248
Amortisations & depreciations	-571	-119	-975	-21
Other operating expenses	-4,450	-678	-6,044	-2,745
Total operating costs	-16,061	-13,665	-65,404	-66,967
Operating profit	7,390	5,712	31,830	26,486
Financial income	-	-	194	-
Financial expenses	-1,252	-6	-50	-16
Financial items, net	-1,252	-6	144	-16
Profit before tax	6,138	5,706	31,974	26,470
Income tax	-	-	-6,878	-5,741
Profit for the period	6,138	5,706	25,096	20,729

Earnings per share, calculated as earnings attributable to the Parent Company's shareholders

Earnings per share before and after dilution (SEK)	8.31	11.41	50.19	41.46
Average number of share before and after dilution	738,957	500,000	500,000	500,000

Earnings for the period are attributable in their entirety to the Parent Company's shareholders.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	01/01/2017	01/01/2016	01/01/2016	15/08/2014
	31/03/2017	31/03/2016	31/12/2016	31/12/2015
Profit for the period	6,138	5,706	25,096	20,729
Other comprehensive income				
Items for possible subsequent reclassification and transfer to the income statement				
Exchange rate differences	90	-79	218	-307
Other comprehensive income for the period, net after tax	90	-79	218	-307
Total comprehensive income for the period	6,228	5,627	25,314	20,422

Comprehensive income for the period is attributable in its entirety to the Parent Company's shareholders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousand	31 March	31 March	31 December	31 December
	2017	2016	2016	2015
ASSETS				
Intangible assets				
Capitalised expenditure for development work	11,863	2,646	7,525	1,209
Total intangible assets	11,863	2,646	7,525	1,209
Property, plant, and equipment				
equipment	3,967	1,283	3,576	1,161
Total property, plant and equipment	3,967	1,283	3,576	1,161
Financial assets				
Other non-current receivables	-	1,629	-	1,670
Total financial assets	-	1,629	-	1,670
Total non-current assets	15,830	5,558	11,101	4,040
Current assets				
Trade receivables	7,593	16,797	17,097	29,195
Receivables from Group companies	79,209	36,973	57,508	22,001
Other current receivables	3,942	2,366	2,493	3,057
Prepaid expenses and accrued income	16,776	16,651	11,833	10,054
Total current receivables	107,520	72,786	88,931	64,307
Cash and cash equivalents	4,880	2,052	1,558	2,114
Total current assets	112,400	74,838	90,489	66,421
TOTAL ASSETS	128,230	80,396	101,590	70,461

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, cntd.

Amounts in SEK thousand	31 March 2017	31 March 2016	31 December 2016	31 December 2015
EQUITY				
Equity attributable to Parent Company shareholders				
Share capital	588	50	50	50
Reserves	1	-385	-89	-307
Other capital contributed	1,156	1,156	1,156	1,156
Retained earnings incl. profit for the period	7,686	6,506	1,548	800
Total equity	9,431	7,328	2,665	1,699
LIABILITIES				
Non-current liabilities				
Provisions	-	609	663	623
Non-current liabilities to Group companies	979	873	967	893
Total non-current liabilities	979	1,482	1,630	1,516
Current liabilities				
Trade payables	6,481	1,911	5,529	3,208
Current tax liabilities	790	69	777	-
Other current liabilities	30,811	197	89	182
Liabilities with Group companies	70,930	46,008	84,114	44,930
Accrued expenses and deferred income	8,807	23,401	6,785	18,926
Total current liabilities	117,819	71,586	97,295	67,246
TOTAL EQUITY AND LIABILITIES	128,230	80,396	101,590	70,461

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK thousand						
	Share capital	Share capital not yet registered	Other capital contributed	Reserves	Retained earnings incl. profit for the year	Total equity
Opening balance 15/08/2014	-	-	-	-	-	-
Invested capital	50					50
Profit for the year					20,729	20,729
Exchange rate differences				-307		-307
Total comprehensive income	-	-	-	-307	20,729	20,422
Shareholder contributions			1,156			1,156
Group contributions rendered					-25,550	-25,550
Tax effect of group contributions rendered					5,621	5,621
Total contributions from and value transfers to shareholders, reported directly in shareholders' equity	-	-	1,156	-	-19,929	-18,773
Closing balance 31/12/2015	50	-	1,156	-307	800	1,699

Amounts in SEK thousand						
	Share capital	Share capital not yet registered	Other capital contributed	Reserves	Retained earnings incl. profit for the period	Total equity
Opening balance 01/01/2016	50	-	1,156	-307		1,699
Profit for the period					5,706	5,706
Exchange rate differences				-78		-78
Total comprehensive income	0	-	-	-78	5,706	5,628
Closing balance 31/03/2016	50	-	1,156	-385	6,506	7,328

Amounts in SEK thousand						
	Share capital	Share capital not yet registered	Other capital contributed	Reserves	Retained earnings incl. profit for the year	Total equity
Opening balance 01/01/2016	50		1,156	-307	800	1,699
Profit for the year					25,097	25,097
Exchange rate differences	0			218		218
Total comprehensive income	-	-		218	25,097	25,315
Group contributions rendered					-31,217	-31,217
Tax effect of group contributions rendered					6,868	6,868
Total contributions from and value transfers to shareholders, reported directly in shareholders' equity		-		-	-24,349	-24,349
Closing balance 31/12/2016	50	1,156	1,156	-89	1,548	2,665

Amounts in SEK thousand						
	Share capital	Share capital not yet registered	Other capital contributed	Reserves	Retained earnings incl. profit for the period	Total equity
Opening balance 01/01/2017	50	-	1,156	-89	1,548	2,665
Profit for the period					6,138	6,138
Exchange rate differences				90		90
Total comprehensive income	-	-	-	90	6,138	6,228
New share issue		538				538
Total contributions from and value transfers to shareholders, reported directly in shareholders' equity	-	538	-	-	-	538
Closing balance 31/03/2017	50	538	1,156	1	7,686	9,431

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in SEK thousand	31 March 2017	31 March 2016	31 December 2016	31 December 2015
Cash flow from operating activities				
Operating profit before financial items	7,390	5,712	31,830	26,486
Amortisations & depreciations	571	119	975	21
Other items not affecting liquidity	-940	-14	60	219
Interest received	-	-	194	21
Interest paid	-1,252	-6	-50	-37
Income taxes paid	-261	-166	593	-765
Cash flow from operating activities before change in working capital	5,508	5,646	33,602	25,945
Cash flow from change in working capital				
Increase/decrease in operating receivables	-18,008	-8,249	-23,122	-64,555
Increase/decrease in operating liabilities	-10,109	4,253	-1,396	41,793
Total change in working capital	-28,117	-3,996	-24,518	-22,762
Cash flow from operating activities	-22,609	1,650	9,084	3,183
Cash flow from investing activities				
Acquisition of intangible assets	-4,905	-1,550	-7,274	-1,230
Acquisition of property, plant and equipment	-335	-152	-2,380	-863
Cash flow from investing activities	-5,240	-1,702	-9,654	-2,093
Cash flow from financing activities				
Borrowing	30,625	-	-	-
New share issue	538	-	-	-
Cash flow from financing activities	31,163	-	-	-
Cash flow for the period	3,314	-52	-570	1,090
Increase/decrease in cash and cash equivalents				
Cash and cash equivalents at start of period	1,558	2,114	2,114	986
Exchange rate differences in cash and cash equivalents	8	-11	14	38
Cash and cash equivalents at end of period	4,880	2,051	1,558	2,114

Key indicators	Jan-March 2017	Jan-March 2016	Full year 2016	15/08/2014 31/12/2015
Return on equity	65%	78%	1,194%	1,558%
Earnings per share, before and after dilution	8.31	11.41	50.19	41.46
Operating profit, SEK thousand	7,390	5,712	31,830	26,486
Net sales growth (compared with the same period for the previous year)	25%	31%	5%	n/a
Operating margin	32%	30%	33%	29%
Average number of shares before and after dilution	738,957	500,000	500,000	500,000
Quick ratio	95%	105%	93%	99%
Equity/assets ratio	7%	9%	3%	2%
Equity, SEK thousand	9,431	7,328	2,665	1,699
Equity per share	12.76	14.66	5.33	3.40
Employees at end of period	63	40	52	36

Notes with accounting policies and comments

Note 1 General information

Seamless Distribution Systems AB (publ), the parent company and its subsidiary Seamless Private Limited provide systems for the management of distribution networks, mainly by electronically adding funds to prepaid value cards and other e-products, ranging from gift cards to debit cards and mobile banking services. The system extends the product range the reseller can offer without taking up valuable shelf space, and it enables much faster distribution on the market. The transaction platform, ERS 360, processes over 5.3 billion transactions worldwide.

Seamless Distribution Systems AB has offices/partners in Calcutta, Mumbai, Lahore, Accra and its head office and domicile in Stockholm.

All amounts are reported in thousands of SEK (SEK n thousand) unless otherwise stated. Information in parentheses refers to the previous year.

Note 2 Summary of important accounting policies

This interim report has been prepared in accordance with IAS 34, interim financial reporting, in line with Swedish law through the application of the Swedish Financial Reporting Board, RFR 1, supplementary accounting rules for groups. The same accounting policies, definitions of key indicators and calculation methods have been applied as in the financial statements and consolidated financial statements for the financial years 2015 and 2016 as reported on pages 124 - 152, unless otherwise stated below.

Note 3 Financial risk management

1. Financial risk factors

Through its operations, the Group is exposed to a variety of financial risks such as market risk (currency risk, transaction risk and translation risk), credit risk and liquidity risk. The various risks that Seamless Distribution System is exposed to are shown below.

a) Market risk

Currency risks

The company is based in Sweden, but its operations are international and thus exposed to several currencies such as the Euro and the US dollar. Exchange rate changes not only affect the Group's earnings when sales and purchases in foreign subsidiaries take place in different currencies, but also when income statements and balance sheets are translated into Swedish crowns.

Receivables arise continuously in foreign currencies. The currency that the receivables arise in depends on the currency in which sales of the Company's products are denominated. These receivables are exposed to currency fluctuations. The Board has resolved that such receivables will not be hedged, mainly due to uncertainty regarding the timing of payments. Currency risks are monitored on a regular basis and hedged as necessary.

Transaction risks

Transaction risk is the risk of the effect on the Group's net earnings and cash flow due to changes in the commercial flows in foreign currencies by changes in exchange rates.

Seamless Distribution Systems is exposed to currency risk through purchases and sales in currencies other than SEK. Both purchases and sales take place in SEK, EUR, THB and USD. In addition to these currencies, purchases are also made in GBP.

The Group has the following balance sheet exposures for financial assets in foreign currencies:

Amounts in SEK thousand	31 March	31 March	31 December	31 December
	2017	2016	2016	2015
EUR	2,485	6,515	7,759	732
USD	6,821	9,996	9,210	28,164
Other currencies	120	285	127	300
Total	9,426	16,797	17,097	29,195

The Group has the following balance sheet exposures for financial liabilities in foreign currencies:

Amounts in SEK thousand	31 March	31 March	31 December	31 December
	2017	2016	2016	2015
EUR	103	91	124	-
USD	3,589	1,478	4,249	1,134
Other currencies	1,049	1,585	75	-
Total	4,741	3,155	4,448	1,134

Translation risk

The Group is exposed to risk when translating foreign subsidiaries' net assets into the consolidation currency, Swedish kronor (SEK). Foreign subsidiaries are located in India (INR). The Group is exposed when translating INR into SEK.

As of 31 March 2017, exchange-rate differences reported in other comprehensive income amounted to SEK 90 thousand (-79).

Sensitivity analysis

If the Swedish krona were to weaken / strengthen by 10 per cent in relation to the different currencies, and given that other variables remain constant, the effect on earnings for the year and equity would be as follows:

	31 March 2017
	Profit/loss for year before tax
EUR	-363
USD	410

		31 March 2016
		Profit/loss for year before tax
EUR		-642
USD		852

b) Credit risk

Credit risk or counterparty risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the due date. Seamless's credit risk includes bank balances and accounts receivable. Credit risk with regard to liquid assets is low, since the counterparties are major, well-known banks in Sweden with high creditworthiness. The predominant financial risk in the Group is credit risk in outstanding accounts receivable.

The Company has a credit risk in outstanding accounts receivable. Credit risk related to trade receivables within Seamless Distribution Systems refers to companies, primarily within the telecom sector. Credit risk in this regard is judged to be low as counterparties are major, well-known mobile telephony operators or telecom providers. Because of this, collateral is not required in connection with trade receivables exposures. During 2016, a higher proportion of advance payments was gradually introduced. Historically, Seamless Distribution System's losses have been small.

Amounts in SEK thousand	31 March 2017	31 March 2016	31 December 2016	31 December 2015
Trade receivables				
Counterparties without external credit rating				
Group 1	5	3,527	2,004	-
Group 2	7,588	13,270	15,094	29,195
Group 3	-	-	-	-
Group 4	-	-	-	-
Total counterparties without external credit rating	7,593	16,797	17,097	29,195
Total accounts receivable without a need for impairment	7,593	16,797	17,097	29,195

- Group 1 – new customers (customer relationships shorter than 6 months).
- Group 2 – existing customers (customer relationships longer than 6 months) with some prior defaults.
- Group 3 – new customers (customer relationships shorter than 6 months) with some prior defaults. All outstanding payments have been fully recovered.
- Group 4 – existing customers (customer relationships longer than 6 months) with some prior defaults. All outstanding payments have been fully recovered.

Trade receivables

Amounts in SEK thousand	31 March	31 March	31 December	31 December
The group	2017	2016	2016	2015
Trade receivables	7,593	16,797	17,097	29,195
Account receivables - net	7,593	16,797	17,097	29,195

Amounts in SEK thousand	31 March	31 March	31 December	31 December
Distribution by age of trade receivables:	2017	2016	2016	2015
1-30 days	3,714	1,915	2,523	13,108
31-60 days	1,948	2,398	3,935	2,286
> 61 days	-	-	3,807	-
Total past due receivables	5,662	4,313	10,265	15,394

c) Liquidity risks

Liquidity risk is the risk that Seamless Distribution System will lack cash for payment of its commitments in respect of financial liabilities. There is also an interest rate risk in respect of future interest payments on loans. To ensure adequate liquidity for operational purposes, liquidity needs are analyzed weekly and liquidity forecasts concerning upcoming quarters are made on an ongoing basis.

As of March 31, 2017, the Group has a liquidity of approximately SEK 4,880 thousand (2,052) consisting of bank deposits.

Amounts in SEK thousand	31 March	31 March	31 December	31 December
	2017	2016	2016	2015
Bank deposits and short-term bank deposits				
AAA	669	558	726	214
AA	4,211	1,494	832	1,900
A	-	-	-	-
B	-	-	-	-
	4,880	2,052	1,558	2,114

The table below shows contractual undiscounted cash flows from the Group's financial liabilities classified by the time remaining on the closing date until the contractual maturity date.

As of 31 March 2017 (SEK thousand)	< 1 year	1 to 2 years	2 to 5 years	< 5 year
Trade accounts payable and other liabilities	38,088	-	-	-
Liabilities with Group companies	70,930	-	-	-
As of 31 March 2016 (SEK thousand)	< 1 year	1 to 2 years	2 to 5 years	< 5 year
Trade accounts payable and other liabilities	2,177	-	-	-
Liabilities with Group companies	46,008	-	-	-

2. Management of capital risk

The objective of Seamless Distribution Systems in managing capital is to safeguard the Company's ability to continue operations in order to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure so as to keep down the cost of capital. In order to maintain its capital structure, Seamless Distribution Systems works to achieve its financial goals not only by reducing costs but also by increasing sales which leads to improved margins and a lower debt-to-equity ratio.

Note 4 Important assumptions and estimations

Assumptions and estimations are continually evaluated based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

Important assumptions and estimations for accounting purposes

The Group makes assumptions and estimations concerning the future. The accounting estimates resulting from these resulting accounting purposes will, by definition, seldom correspond to the actual outcome. The estimates and assumptions that involve a significant risk of material adjustments in the carrying amounts of assets and liabilities during the next financial year are outlined below.

Capitalised expenditure for development work

SDS capitalises costs attributable to development to the extent that they are considered to meet the criteria in IAS 38, page 57 (see 2.4 Intangible assets). When assessing any need to recognise impairment of capitalised development costs, varying conditions and several assumptions and estimations of parameters are made.

In order to determine whether there is any indication of a need for impairment or an impairment test, the current recoverable value is calculated based on a fair value less selling expenses on the basis of an implied market value of that part of the business the capitalised development expenditure relates to.

The value of the intangible assets can be defended via a cash flow evaluation of the Company. On the basis of the assumptions the company made when evaluating cash flow, there is a surplus value between the book value of the intangible assets and the implicit value of the business. Thus no need to recognize impairment is indicated.

The percentage-of-completion method in projects

Seamless Distribution Systems applies the percentage-of-completion method in its projects. An essential condition for assessing the percentage of completion is the ability to reliably determine project revenues and project costs. The level of completion is determined on the basis of actual hours worked in relation to the project's total budgeted hours. Project follow-up and confirmation that projects are in line with the budget is carried out monthly in connection with the financial statements.

Note 5 Distribution of net sales

Net sales are split by revenue type as follows:

Amounts in SEK thousand				
The group	Quarter 1, 2017	Quarter 2, 2017	2016	2015
Hardware sales	-	-	4,927	40,031
License sales	11,765	12,951	61,247	29,374
Support sales	8,044	5,743	24,218	21,784
Withholding tax	3,642	132	6,041	512
Consolidated total	23,451	18,826	96,433	91,701

The Company is registered in Sweden. Revenue from external customers in other countries amounts to SEK 22,799 thousand (18,680).

Total non-current assets other than financial instruments and deferred tax assets located in Sweden amount to SEK 33 thousand (48) and total non-current assets located in other countries, amount to SEK 3,934 thousand (1,235).

Net sales by geographical area, %	01/01/2017	01/01/2016	01/01/2016	15/08/2014
	31/03/2017	31/03/2016	31/12/2016	31/12/2015
Africa	79.20%	81.10%	79.61%	81.82%
Middle East and Asia	18.20%	16.18%	13.62%	9.00%
Other	2.60%	2.72%	6.77%	9.18%
Consolidated total	100.00%	100.00%	100.00%	100.00%

The biggest customer is the MTN Group, which accounts for 91 per cent (67) of sales.

Note 6 Related party transactions
Transactions with related parties, key personnel:

Tommy Eriksson invoices his fees directly through his own company. The invoiced amount for Q1 2017 amounts to SEK 817 thousand compared to SEK 564 thousand for Q1 2016. Other board members received no remuneration from the Group for Q1 2016 or Q1 2017.

Transactions with related parties, Group companies:

Amounts in SEK thousand Receivables and liabilities with other companies in the Group	01/01/2017 31/03/2017		01/01/2016 31/03/2016		01/01/2016 31/12/2016		15/08/2014 31/12/2015	
	Receivables	Liabilities	Receivables	Receivables	Receivables	Liabilities	Receivables	Liabilities
Seamless Services AB	35,028	43	27,712	693	34,027	2,057	19,516	
Seamless Eproducts Sweden AB	2,239		-	2,086	839		-	
SEQR Payments AB	4,067		958		1,576		958	
SQR Portugal Unipessoal Lda	335		323		341		267	
SEQR Nordics AB	15,611		5,220		11,562		-	2,086
SEQR Group AB	20,666		1,500		7,900		-	
Seamless Distribution AB	-	70,887	-	43,229	-	82,057	-	42,844
Total	79,209	70,930	36,973	46,008	57,508	84,114	22,001	44,930

The amount of SEK 56,767 thousand is included in the liability to Seamless Distribution AB in respect of a Group contribution rendered by Seamless Distribution to Seamless Distribution AB and SEK 1,815 thousand is included in respect of the acquisition of the Indian company.

No interest has been reported.

Note 7 Share capital

On 21 March 2017, the Company resolved to implement a 10:1 split, which means one (1) share is split into ten (10) shares, and it also resolved that shares must number 5,876,531 at a minimum and 23,506,124 at a maximum. The Company also resolved that share capital be increased by SEK 587,653.10 to SEK 537,653.10 through the new issue of 5,376,531 shares with a quota value of SEK 0.10 each. There is only one class of shares. Each share carries one vote at the AGM and all shares carry equal rights to a share of earnings and equal rights to a share of any surplus upon liquidation. Moreover, each share has an equal right to right of priority in the new issue of shares, share warrants and convertibles.

Note 8 Borrowing

Borrowings are initially recognised at fair value, net of transaction costs. Borrowing is then reported at accrued cost and any difference between the amount received (net after transaction expenses) and the repayment amount is reported in the income statement over the loan term by application of the effective interest method. Borrowings are classified as current liabilities if they mature within one year. An external lender provides a term loan of SEK 30.6 million on 27 January 2017. The amount borrowed will be used for general company purposes and raised in Swedish kronor (SEK). The rate of interest for the loan is 8 per cent per year. When the loan falls due on 28 July 2017, an interest expense will be payable to the lender. If repayment of the loan is not fulfilled on time, the amount will be subject to an interest rate 4 percentage points higher than the loan interest rate.

Note 9 Other current liabilities

Amounts in SEK thousand	01/01/2017	01/01/2016	01/01/2016	15/08/2014
Other current liabilities	31/03/2017	31/03/2016	31/12/2016	31/12/2015
Loans from external lenders	30,625	-	-	-
Other current liabilities	185	197	89	182
Liability with Group companies	70,930	46,008	84,114	44,930
Total other current liabilities	101,740	46,206	84,203	45,113

A term loan of SEK 30.6 million is held by an external lender as of 27 January 2017. The rate of interest for the loan is 8 per cent per year. When the loan falls due on 28 July 2017, an interest expense will be payable to the lender.

Note 10 Events since the end of the reporting period

Albin Rännar becomes the Company's new CEO.

On 8 June 2017, the Company acquired all intellectual property rights related to the ERS 360 transaction platform from SEQR Group AB for a purchase sum of SEK 31,250,000, of which SEK 25,000,000 was paid on the same day by promissory note, with SEK 6,250,000 payable in cash no later than 20 August 2017. Repayment of the loan under the promissory note, which may be paid early, is due on 31 May 2022; it carries an annual interest of 8 per cent, which is capitalised and paid when the loan is repaid.

On 20 June 2017 the Company also took up a loan from Seamless in the amount of SEK 32,487,000 (of which SEK 31,850,000 were paid out on Company instructions to an external lender to repay in full the Company's external loan financing including accrued interest, and SEK 637,000 was invoiced as an arrangement fee). The loan will fall due on 31 May 2022; it may be repaid early and carries an annual interest of 8 per cent, which is capitalised and paid when the loan is repaid.

On 8 June 2017, SEQR Group AB transferred its receivable with the Company in the amount of SEK 25,000,000 to Seamless. Accordingly, as of Prospectus publication day, seamless will have a receivable of SEK 57,487,000 with the Company, while SEQR Group AB will have an SEK 6,250,000 receivable with the Company. The Company has in turn set-off claims against Seamless estimated to be around SEK 4,000,000, with which the Company intends to settle the principal in the Company's loan to Seamless, which would result in a net indebtedness to Seamless of around SEK 53,487,000.

The agreements attributable to the events described above were entered into under market conditions. No significant changes in addition to the events described above have occurred with respect to the Company's financial position or its position in the market since 31 March 2017.

About Seamless Distribution Systems (SDS)

Seamless Distribution Systems AB (publ) (SDS) was founded in 2014 to focus on and develop Seamless's original business idea of selling digital distribution solutions. SDS enjoyed very good growth and profitability during 2015 and 2016. The parent company, Seamless Distribution AB (SDAB) has been traded on Nasdaq since June 2012 under the ticker symbol SEAM. Before that, shares were traded on Nasdaq SDAB First North between 2006 and 2012. SDS's head office is in Stockholm, Sweden and it has offices in Mumbai and Calcutta in India, Accra in Ghana, Lahore in Pakistan, Dubai in the UAE, Quito in Ecuador, Brussels in Belgium and Dallas, Texas in the USA.

SDS is a provider of distribution systems for digital products and services for mobile telephony operators and distributors. The Company's main business and product areas are:

- Digital distribution system: The delivery of systems for the management of distribution networks mainly for the electronic recharge of prepaid cards, but also electronic products ranging from gift cards to mobile banking services;
- Support and operational services: Services for the operation and administration of the systems SDS sells to its customers. The product offer ranges from traditional support to the complete supervision and management of systems, known as managed services;
- Credit services for resellers and end customers: A newly launched service which manages airtime credit, data and other digital products, preferably for resellers with the option to later offer airtime credit to subscribers of mobile operators as well.

The fourth generation of the Seamless Group's proprietary ERS 360 platform constitutes the business hub and each year manages more than 5.3 billion transactions through 675,000 active outlets in 28 countries.

This report has been reviewed by the company's auditors.

Declaration

The board and the CEO of Seamless Distribution Systems AB (publ) hereby affirm that the interim report provides a fair overview of the group's operations, position and profits and that it describes the significant risks and uncertainties facing the Company and the companies within the Group.

Stockholm, 27 June 2017

Gunnar Jardelöv	Leif Brandel	Mikael Hult	Tomas Klevbo	Albin Rännar
Board Chairman	Member of the board	Member of the board	Member of the board	Chief Executive Officer

Seamless Distribution Systems AB (publ) Org No. 556979 - 4562
All information is published on sds.seamless.se immediately after it is made public.

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Historical financial information for the years 2015 and 2016

Consolidated income statement

Amounts in SEK thousand	Note	01/01/2016 31/12/2016	15/08/2014 31/12/2015
Operating revenues			
Net sales	5	96,433	91,701
Other operating income	12	801	1,752
Total operational income		97,234	93,453
Operating expenses			
Material costs		-14,897	-39,856
Other external expenses	6, 27	-33,662	-18,097
Personnel expenses	7	-9,826	-6,248
Depreciation, amortisation and impairment	13, 14	-975	-21
Other operating expenses	8	-6,044	-2,745
Total operating costs		-65,404	-66,967
Operating profit		31,830	26,486
Financial income		194	-
Financial expenses		-50	-16
Financial items, net	9	144	-16
Profit before tax		31,974	26,470
Income tax	10	-6878	-5741
Profit for the year		25,096	20,729
Earnings per share, calculated as earnings attributable to Parent Company shareholders			
Earnings per share before and after dilution (SEK)	11	50.19	41.46
Average number of shares before and after dilution	11	500,000	500,000

Earnings for the year are attributable in their entirety to the Parent Company's shareholders.

Earnings for the year are attributable in their entirety to the Parent Company's shareholders.

The notes on pages 135 to 155 constitute an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	01/01/2016	15/08/2014
Amounts in SEK thousand Note	31/12/2016	31/12/2015
Profit for the year	25,096	20,729
Other comprehensive income		
Items for possible subsequent reclassification and transfer to the income statement		
Exchange rate differences	218	-307
Total comprehensive income attributable to Parent Company shareholders	25,314	20,422

Total comprehensive income is entirely attributable to Parent Company shareholders.

Consolidated statement of financial position

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
ASSETS			
Assets			
Intangible assets	13		
Capitalised expenditure for development work		7,525	1,209
Total intangible assets		7,525	1,209
Property, plant, and equipment	14		
equipment		3,576	1,161
Total property, plant and equipment		3,576	1,161
Financial assets			
Other non-current receivables		-	1,670
Total financial assets		-	1,670
Total non-current assets		11,101	4,040
Current assets			
Trade receivables	16	17,097	29,195
Receivables from Group companies	25	57,508	22,001
Other receivables		2,493	3,057
Prepaid expenses and accrued income	17	11,833	10,054
Total current receivables		88,931	64,307
Cash and cash equivalents	18	1,558	2,114
Total current assets		90,489	66,421
TOTAL ASSETS		101,590	70,461

Consolidated statement of financial position, cntd.

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital	19	50	50
Reserves		-89	-307
Other capital contributed		1,156	1,156
Retained earnings incl. profit for the period		1,548	800
Total equity		2,665	1,699
LIABILITIES			
Non-current liabilities			
Provisions		663	623
Non-current liabilities to Group companies	20	967	893
Total non-current liabilities		1,630	1,516
Current liabilities			
Trade payables		5,529	3,208
Current tax liabilities		777	-
Other current liabilities	21	89	182
Liabilities with Group companies	21, 25	84,114	44,930
Accrued expenses and deferred income	22	6,785	18,926
Total current liabilities		97,295	67,246
TOTAL EQUITY AND LIABILITIES		101,590	70,461

Statement of changes in equity

Amounts in SEK thousand	Share capital	Reserves	Other capital contributed	Retained earnings	Total equity
Opening balance, 15 August 2014	-	-	-	-	-
Invested capital	50				50
Profit for the year				20,729	20,729
Exchange rate differences		-307			-307
Total comprehensive income	50	-307	-	20,729	20,422
Shareholder contribution			1,156		1156
Group contributions rendered				-25,550	-25,550
Tax effect of group contributions rendered				5,621	5,621
Total contributions from and value transfers to shareholders, reported directly in shareholders' equity	-	-	1,156	-19,929	-18,773
Closing balance, 31 December 2015	50	-307	1,156	800	1,699
Opening balance, 1 Jan 2016	50	-307	1,156	800	1,699
Profit for the year				25,097	25,097
Exchange rate differences		218			218
Total comprehensive income	-	218	-	25,097	25,315
Group contributions rendered				-31,217	-31,217
New share issue					-
New share issue in progress					-
Issue expenses					-
Options scheme					-
Repurchase of shares					-
Tax effect of group contributions rendered				6,868	6,868
Total contributions from and value transfers to shareholders, reported directly in shareholders' equity	-	-	-	-24,349	-24,349
Closing balance, 31 December 2016	50	-89	1,156	1,548	2,666

Statement of cash flows

Amounts in SEK thousand	Note	01/01/2016	15/08/2014
		31/12/2016	31/12/2015
Cash flow from operating activities			
Operating profit before financial items		31,830	26,486
Amortisations & depreciations	13, 14	975	21
Other items not affecting liquidity	23	60	219
Interest received		194	21
Interest paid		-50	-37
Income taxes paid		592	-765
Cash flow from operating activities before change in working capital		33,601	25,945
Cash flow from change in working capital			
Increase/decrease in operating receivables		-23,122	-64,555
Increase/decrease in operating liabilities		-1,396	41,793
Total change in working capital		-24,518	-22,762
Cash flow from operating activities		9,083	3,183
Cash flow from investing activities			
Acquisition of intangible assets	13	-7,274	-1,230
Acquisition of property, plant and equipment	14	-2,380	-863
Cash flow from investing activities		-9,654	-2,093
Cash flow from financing activities			
Cash flow from financing activities		-	-
Cash flow for the year		-570	1,090
Increase/decrease in cash and cash equivalents			
Cash and cash equivalent at beginning of year	18	2,114	986
Exchange rate differences in cash and cash equivalents		14	38
Cash and cash equivalents at year-end		1,558	2,114

Notes with accounting policies and comments

Note 1 General information

Seamless Distribution Systems AB, the parent company and its subsidiary Seamless Private Limited provide systems for the management of distribution networks, mainly by electronically adding funds to prepaid value cards and other e-products from gift cards to debit cards and mobile banking services. The system extends the product range the reseller can offer without taking up valuable shelf space, and it enables much faster distribution on the market. The transaction platform, ERS 360, processes over 5.3 billion transactions worldwide.

Seamless Distribution Systems AB has offices/partners in: Calcutta, Mumbai, Hyderabad, Lahore, Accra, Liege, Dubai, Quito, Lagos, Conakry, Dallas, and its main office and headquarters in Stockholm.

All amounts are reported in thousands of SEK (SEK n thousand) unless otherwise stated. Information in parentheses refers to the previous

Note 2 Summary of important accounting policies

The most important accounting policies applied in the consolidated financial statements are presented below. These policies have been applied consistently for all the years presented, unless otherwise indicated.

2.1 Basis for the preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, RFR 1 supplementary accounting rules for groups, as well as the Swedish Annual Accounts Act. Interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the EU are also applied.

Because the parent company was formed in August 2014, the first fiscal year is extended.

These are the first consolidated financial statements prepared in accordance with IFRS. The most important accounting policies applied in the consolidated financial statements are presented below.

The consolidated financial statements have been prepared according to the cost method.

The preparation of financial statements in conformity with IFRS requires the use of a number of important estimations for accounting purposes. Moreover, management is required to make certain judgements when applying the Group's accounting policies; refer to Note 4 for these estimates and assumptions.

2.1.2. Changes in accounting policies and information

New and changed standards applied by the Group

None of the IFRS or IFRIC interpretations that are mandatory for the financial year that began on 1 January 2016, have had any material impact on the Group.

New standards, amendments and interpretations to existing standards that have not been applied early by the Group.

A number of new standards and changes to existing standards and interpretations came into force for financial years beginning after 1 January 2016; they have not been applied in the preparation of the consolidated financial statements. None of them are anticipated to have any material effect on the consolidated financial statements with the exception of the following:

IFRS 9 Financial instruments as adopted by the EU, regulates the classification, measurement and accounting for financial assets and liabilities. The full version of IFRS 9 was issued in July 2014. It supersedes those parts of IAS 39 which deal with the classification and measurement of financial instruments. IFRS 9 retains a mix of valuation methods but it simplifies this approach in some respects. There will be three valuation categories for financial assets; amortised cost, the fair value in other comprehensive income and fair value in the income statement. How an instrument must be classified depends on a company's business

model and the instrument's characteristics. Investments in equity instruments must be reported at fair value in the income statement, but there is also an opportunity to present the instrument on initial recognition at fair value in other comprehensive income. No reclassification to the income statement will then take place upon disposal of the instrument. IFRS 9 also introduces a new model for calculating credit loss provisions that is based on expected credit losses. There is no change to the classification and valuation of financial liabilities, except in the case where a liability is recognised at fair value in the income statement based on the fair value option. Changes in value attributable to changes in own credit risk are recognised in other comprehensive income. IFRS 9 reduces the requirements for applying hedge accounting by replacing the 80-125% criterion with the requirement of an economic relationship between the hedging instrument and the hedged item and that the hedging ratio must be the same as that used in risk management. Hedge documentation also changed a little in comparison to that prepared under IAS 39. This standard must be applied for the financial year beginning 1 January 2018. Earlier application is permitted. The Group has begun the work of evaluating the effects the introduction of the standard will have.

IFRS 15 Revenue from contracts with customers regulates how revenue must be recognised. The principles IFRS 15 is based on seek to provide users of financial reports with more useful information about a company's revenues. The extended disclosure requirements mean that information about the type of revenue, date of settlement, uncertainties related to revenue recognition and cash flow attributable to a company's customer contracts must be disclosed. According to IFRS 15, revenue must be recognised when the customer obtains control over goods or services sold and is able to use and obtain benefits from the goods or services.

IFRS 15 has been adopted by the EU and replaces IAS 18 Revenues and IAS 11 Construction contracts and related SICs and IFRICs. IFRS 15 enters into force 1 January 2018. Earlier application is permitted. The Group has begun the work of evaluating the effects the introduction of the standard will have.

IFRS 16 Leases was published by the IASB in January 2016 and is a new leasing standard that will replace IAS 17 Leases and related interpretations IFRIC 4, SIC 15 and SIC 27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, be recognised in the balance sheet. This reporting method is based on the view that the lessee has a right to use an asset for a specific time period while also having an obligation to pay for that right. Reporting requirements for lessors remain essentially unchanged. This standard is applicable to financial years beginning 1 January 2019 or later. Early application is permitted provided that 15 Revenue from Contracts with Customers is also applied. The EU has not yet adopted the standard and the Group has not yet evaluated the effects of IFRS 16.

None of the other IFRS or IFRIC interpretations that have not yet entered into force, are expected to have any material effect on the Group.

2.1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function responsible for the allocation of resources and assessment of operating segment's earnings. Within the Group, the CEO has been identified as the function that takes strategic decisions.

In August, 2014 the transaction exchange operating segment was transferred to Seamless Distribution Systems from Seamless Services and constitutes the entire operation. The Seamless Distribution Systems Group only has one operating segment (transaction exchange).

2.2 Consolidated accounts

Subsidiaries

Subsidiaries are all companies over which the Group exerts a controlling influence. The Group has a controlling influence over a company when it is exposed to or has the right to the variable returns from its investment in the subsidiary and is able to affect returns by exerting its influence in the Company.

Business combination

The acquisition method is used when reporting the Group's acquisitions. The purchase sum for the acquisition of a subsidiary constitutes the fair value of transferred assets, liabilities and the value of the

shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities arising from the agreement on contingent consideration. Acquisition-related costs are expensed as they arise. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. For each acquisition, the Group decides whether the holding without a controlling influence in the acquired Company will be reported at fair value or as the holding's proportional share of the acquired Company's net assets.

The amount by which the purchase sum, any holding without a controlling influence and the fair value on the acquisition date of the earlier shareholding exceeds the fair value of the Group's share of the identifiable acquired net assets, is reported as goodwill. If in a so-called bargain purchase the amount is less than the fair value of the acquired subsidiary's assets, the difference is recognised directly in the statement of comprehensive income.

The business combination that took place in the Group in 2015, i.e. a transaction between companies under a common controlling influence, refers to the Indian subsidiary; see Note 24.

Intra-group transactions, balance sheet items and unrealised gains in transactions between group companies are eliminated. The accounting policies for subsidiaries have been changed where applicable to guarantee consistent application of the Group's principles.

2.3 Translation of foreign currencies

Functional currency and reporting currency

In foreign Group companies, the local currency is used as the functional currency since by definition the local currency is the currency of the primary economic environment in which each unit is mainly active. The consolidated financial statements use Swedish crowns (SEK), which is the functional currency of the parent company and the Group's reporting currency.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency at the exchange rate in effect on the transaction date. Exchange rate gains and losses that arise upon payment of such transactions and when converting monetary assets and liabilities in foreign currency at the closing day exchange rate are reported under operating profit in the income statement.

Translation of foreign Group companies

The earnings and financial position of Group companies that have a functional currency other than the reporting currency are translated into the Group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the foreign operation's functional currency to the Group's reporting currency, Swedish crowns, at the rate prevailing on closing day. Revenues and expenses for each of the income statements are translated to Swedish crowns at the average exchange rate prevailing at the time of each transaction. Translation differences arising from translations of foreign operations are recognised in other comprehensive income.

2.4 Intangible assets

Capitalised expenditure for development work

Development costs directly attributable to the development and testing of the identifiable, unique IT platform that is controlled by the Group are reported as intangible assets when the following criteria are met:

- It is technically possible to complete the platform so that it can be used
- The Company intends to complete the platform and use or sell it
- It is possible to use the platform
- It is possible to show how the platform will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use the platform are available, and the expenditure relating to the platform during its development can be measured reliably

Intangible assets are reported at cost less accumulated depreciations. The cost of an internally generated intangible asset is the sum of expenditures incurred from the date when the intangible asset first meets the criteria for capitalisation listed above.

The capitalised costs are generated internally and include the direct costs of work performed. Directly attributable expenditures capitalised as part of the business system include expenses for employees. Activities during the preliminary study phase and maintenance and training efforts are expensed as they arise, which also applies to the further development of existing functionality.

Depreciation commences when the asset is available for use. The useful life is assessed on the basis of the period during which the benefits are expected to accrue to the Company. Useful life is estimated at 5 years and depreciation is linear over this time. Depreciation is recognised in the income statement under the item Depreciations.

Development expenditures that do not meet the above criteria are expensed as they arise. Development expenditures previously expensed are not reported as assets in subsequent periods.

2.5 Property, plant, and equipment

Property plant and equipment are reported at cost less depreciations. Cost includes expenses directly attributable to the acquisition of the asset.

Subsequent expenditures are added to the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount for a replaced part is removed from the balance sheet. All other forms of repairs and maintenance are expensed in the income statement during the period in which they arise.

Property, plant and equipment are depreciated systematically over the asset's estimated useful life. A depreciation period of five years is applied to equipment.

An asset's residual value and useful life are tested at the end of each reporting period and adjusted as necessary. The carrying amount of an asset is immediately written down to its recoverable value if the asset's carrying amount exceeds its recoverable value. The recoverable amount is the higher of an asset's fair value after deductions for selling expenses and its value in use.

Gains and losses on disposal of property, plant and equipment are determined by comparing the sales proceeds and the carrying amount and are reported under other operating income and other operating expenses in the income statement.

2.6 Impairment of non-financial fixed assets

Intangible assets that are not yet ready for use (capitalised expenditures for development work), are not amortised but are tested annually for impairment. Assets depreciated are assessed with respect to impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recorded in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. When assessing the need for impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.7 Financial instruments

2.7.1 Classification

The Group classifies its financial assets in the following categories: loan receivables, trade receivables and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets that are not derivatives, which have identified or identifiable payments and which are not listed on an active market. They are included in current assets with the exception of items with a due date more than twelve months after closing date, which are classified as fixed assets. The Group's loan receivables and trade receivables consist of trade receivables, cash and cash equivalents and the financial instruments reported as other receivables (see Notes 2.8 and 2.9).

Other financial liabilities

The Group's other non-current liabilities, trade payables and that part of the item other liabilities which relates to financial instruments, are classified as other financial liabilities.

2.7.2 Recognition and measurement

Purchases and sales of financial assets are recognised on the transaction date, the date when the Group commits to purchase or sell the asset. Financial instruments are reported initially at fair value plus transaction expenses. Financial assets are removed from the balance sheet when the rights to receive cash flows from the instrument have expired or have been transferred and the Group has largely transferred all the risks and benefits associated with the rights of ownership. Financial liabilities are removed from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished.

Loan receivables and trade receivables and other financial liabilities are reported after the acquisition date at amortised cost using the effective interest method.

2.7.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the reported amounts and there is an intention to settle them with a net amount or to simultaneously realise the asset and settle the liability.

2.7.4 Impairment loss on financial instruments

Assets reported at amortised cost (loan receivables and trade receivables)

At the end of each reporting period, the group assesses whether there is objective evidence of impairment for a financial asset or group of financial assets. A financial asset, or group of financial assets, is impaired and impairment losses incurred only if there is objective evidence for the need for impairment resulting from one or more events that occurred after initial recognition of the asset and which has an effect on future estimated cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is impaired and the impairment amount is recognised in the consolidated income statement as other external costs. If the impairment decreases in a subsequent period and the decrease can

be attributed objectively to an event occurring after the impairment loss was recognised, the reversal of the previously recognised impairment loss is reported in the consolidated income statement as other external costs.

2.8 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Fair value and in subsequent periods amortised cost corresponds to the nominal amounts of the trade receivables, since this item is non-current in nature.

2.9 Cash and cash equivalents

Cash and cash equivalents include, in both the balance sheet and statement of cash flows, cash and bank balances.

2.10 Trade payables

Trade payables are obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if they mature within one year or earlier. If not, they are reported as non-current liabilities.

Trade payables are stated at nominal value. The carrying amount of trade payables is assumed to correspond to fair value, because this item is non-current in nature. Fair value and in subsequent periods amortised cost corresponds to the nominal amounts of the trade payables, since this item is non-current in nature.

2.11 Current and deferred tax

The tax expense for the period comprises current and deferred tax. The current income tax expense is calculated on the basis of the tax rules decided or announced on closing day in the countries where the parent company and its subsidiaries operate and generate taxable income.

In accordance with the balance sheet method, deferred taxes reported in the consolidated financial statements on all temporary differences that arise between the tax related value of the assets and liabilities and their carrying amounts. However, the deferred tax is not reported if it arises as a result of a transaction that constitutes initial recognition of an asset or liability that is not a business combination and which at the time of the transaction affected neither reported earnings nor tax-related earnings. Deferred income tax is calculated by applying the tax rate that was decided or announced on closing day and which is expected to apply when the deferred tax assets concerned are capitalised or the deferred tax liability is settled.

Deferred tax assets on a loss carryforward are reported to the extent it is likely that the future tax-related surplus will be available against which the loss can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset the tax assets and liabilities concerned and when the deferred tax assets and liabilities are attributable to taxes debited by one and the same tax authority and refer either to the same taxable entity or different taxable entities when there is an intention to settle the balances through net payments.

2.12 Remuneration to employees

Pension schemes

The Group only has defined contribution pension plans. A defined contribution pension plan is a plan in which the Group pays fixed charges to a separate judicial entity. The Group has no legal or constructive obligation to pay further fees if this legal entity does not have sufficient assets to pay all the compensations to employees associated with the employees' service under the current or previous periods.

The fees are recognised as personnel expenses when they fall due. Prepaid fees are recognised as an asset to the extent that cash refunds or reductions in future payments would accrue to the group.

Bonus schemes

The Group reports a provision for bonus plans when there is a legal or constructive obligation as a result of past practice.

2.13 Revenue recognition

Revenues are reported at the fair value of what was received or will come to be received and which corresponds to the amount received for sold goods less discounts and VAT.

Contracts containing the sale of goods and services

SDS enters into contracts that include the sale of various components. A contract usually includes the sale of services related to custom software (including the license), support and hardware. Each part of a contract is negotiated separately and revenues are distributed according to each component part's relative fair value. Revenue from the various components is recognised as described below.

Services attributable to custom software

Services attributable to custom software are carried out in all cases under fixed-price contracts and revenue is calculated by the stage of completion of the specific installation determined on the basis of expenditure at the end of the reporting period in relation to estimated total expenditure. Revenue is recognised only when it is probable that the economic benefits associated with the installation will flow to the Company. In most cases, these services require the customer to approve the various parts of the project before it can be considered certain that the economic benefits will flow to the Group. In cases where the customer's approval is required for parts of a project that pertain to custom software, only revenues to that part of the project that is approved by the customer and whose expenditures are capitalised, are reported.

Support

Revenue from the sale of support refers either to managed operations where the Group is responsible for the operations and management of the ERS platform, or where Seamless Distribution Systems provides support for the system as necessary. Revenues from both managed operations and support are periodised on a straight-line basis over the term of the contract. Discounts relating to support and managed operations are periodised on a straight-line basis over the term of the contract.

Sale of goods

The Group sells goods in the form of hardware (usually servers). Revenues from the sale of products are reported at the fair value of what was received or will come to be received and which corresponds to the amount received for sold goods less discounts and VAT. Revenue is recognised to the extent it is likely that the economic benefits will accrue to the Company and that revenue can be measured reliably. Revenue from hardware sales is recognised when goods are delivered to the customer.

License and expansion package

Revenue from sales of enhanced licensing capabilities are recognised when the customer gains access to the expanded number of transactions.

The effect of discounts on revenue recognition

Discounts occur in the form of one-time discounts that the customer receives immediately at the time of sale and partly of discounts in the form of free services, such as support. In cases where free support is provided, revenue received is periodised over the term of the contract (including the time when free support was provided).

2.14 Statement of cash flows

The statement of cash flow was prepared according to the indirect method. This means that operating profit is adjusted for transactions that do not involve receipts or disbursements during the period and for any income and expenses attributable to cash flows for investments and financing activities.

2.15 Share capital

The share capital consists of 50,000 shares, each of which has a quota value of SEK 1.00.

2.16 Provisions

Provisions are reported in the balance sheet when the Group has a legal or constructive obligation resulting from a past event where it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. The timing or amount of the outflow may still be uncertain.

A provision for restructuring is reported only if a defined and detailed restructuring plan has been prepared and implemented, or if the Company at a minimum has published the main functions of the plan to those affected by it. Provisions are not reported for expenditures related to future operations. A provision is recognised for the best estimate of the amount required to settle the obligation on closing day. The provision is only used for the expenditure which the provision was originally intended for. The provision is discounted to its present value when the time value of money is material.

2.17 Group contributions

Group contributions are reported under the main rule of RFR 2. When reporting Group contributions under RFR 2, the main rule is to report on the basis of their financial content and the rule selected should be applied consistently to all Group contributions. Group contributions received by subsidiaries from parent companies are reported in the subsidiary in equity. Group contributions rendered by the subsidiary to the parent company are also reported in equity.

Note 3 Financial risk management

3.1 Financial risk factors

Through its operations, the Group is exposed to a variety of financial risks such as market risk (currency risk, transaction risk and translation risk), credit risk and liquidity risk. The various risks that Seamless Distribution System is exposed to are shown below.

a) Market risk

Currency risk

The Company has its registered office in Sweden, but its operations are international and thus exposed to several currencies such as EUR and USD. Exchange rate changes not only affect the Group's earnings when sales and purchases in foreign subsidiaries take place in different currencies, but also when income statements and balance sheets are translated into Swedish crowns.

Receivables arise continuously in foreign currencies. The currency that the receivables arise in depends on the currency in which sales of the Company's products are denominated. These receivables are exposed to currency fluctuations. The Board has resolved that such receivables will not be hedged, mainly due to uncertainty regarding the timing of payments. Currency risks are monitored on a regular basis and hedged as necessary.

Transaction risks

Transaction risk is the risk of the effect on the Group's net earnings and cash flow due to changes in the commercial flows in foreign currencies by changes in exchange rates. Seamless Distribution Systems is exposed to currency risk through purchases and sales in currencies other than SEK. Both purchases and sales take place in SEK, EUR, THB and USD. In addition to these currencies, purchases are also made in GBP.

The Group has the following balance sheet exposures for financial assets in foreign currencies:

Amounts in SEK thousand	31/12/2016	31/12/2015
EUR	7,759	732
USD	9,210	28,164
Other currencies	127	300
Total	17,097	29,195

Balance sheet exposures for financial liabilities in foreign currencies are as follows:

Amounts in SEK thousand	31/12/2016	31/12/2015
EUR	124	-
USD	4,249	1,134
Other currencies	75	-
Total	4,448	1,134

Translation risk

The Group is exposed to risk when translating foreign subsidiaries' net assets into the consolidation currency, Swedish kronor (SEK). Foreign subsidiaries are located in India (INR). The Group is exposed when translating INR into SEK.

As of 31 December 2016, exchange-rate differences reported in other comprehensive income amounted to SEK 218 thousand (-307).

Sensitivity analysis

If the Swedish crown were to weaken / strengthen by 10 percent in relation to the different currencies, and given that other variables remain constant, the effect on earnings for the year and equity would be as follows:

2016	
Profit/loss for year before tax	
EUR	-889
USD	583
2015	
Profit/loss for year before tax	
EUR	-73
USD	2,703

b) Credit risk

Credit risk or counterparty risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the due date. Seamless's credit risk includes bank balances and trade receivables. Credit risk with regard to liquid assets is low, since the counterparties are major, well-known banks in Sweden with high creditworthiness. The predominant financial risk in the Group is credit risk in outstanding trade receivables.

The Company has a credit risk in outstanding trade receivables. Credit risk related to trade receivables within Seamless Distribution Systems refers to companies, primarily within the telecom sector. Credit risk in this regard is judged to be low as counterparties are major, well-known mobile telephony operators or telecom providers. Because of this, collateral is not required in connection with trade receivables exposures. During 2016, a higher proportion of advance payments was gradually introduced. Historically, Seamless Distribution System's losses have been small.

For consolidated credit losses, see Note 17.

Amounts in SEK thousand	31/12/2016	31/12/2015
Trade receivables		
Counterparties without external credit rating		
Group 1	2,004	-
Group 2	15,094	29,195
Group 3	-	-
Group 4	-	-
Total counterparties without external credit rating	17,097	29,195
Total trade receivables without a need for impairment	17,097	29,195

Group 1 – new customers (customer relationships shorter than 6 months).

Group 2 – existing customers (customer relationships longer than 6 months) with some prior defaults.

Group 3 – new customers (customer relationships shorter than 6 months) with some prior defaults. All outstanding payments have been fully recovered.

Group 4 – existing customers (customer relationships longer than 6 months) with some prior defaults. All outstanding payments have been fully recovered.

c) Liquidity risks

Liquidity risk is the risk that Seamless Distribution System will lack cash for payment of its commitments in respect of financial liabilities. There is also an interest rate risk in respect of future interest payments on loans. To ensure adequate liquidity for operational purposes, liquidity needs are analysed weekly and liquidity forecasts concerning upcoming quarters are made on an ongoing basis.

As of 31 December 2016, the Group has a liquidity of approximately SEK 1,558 thousand (2,114) consisting of bank deposits.

	31/12/2016	31/12/2015
Bank deposits and short-term bank deposits		
AAA	726	214
AA	832	1,900
A	-	-
B	-	-
	1,558	2,114

The table below shows contractual undiscounted cash flows from the Group's financial liabilities classified by the time remaining on the closing date until the contractual maturity date.

As of 31 December 2016 (SEK thousand)	< 1 year	1 to 2 years	2 to 5 years	> 5 years
Trade payables and other liabilities	5,618	-	-	-
Current liabilities with Group companies	84,114	-	-	-

As of 31 December 2015 (SEK thousand)	< 1 year	1 to 2 years	2 to 5 years	> 5 years
Trade payables and other liabilities	3,390	-	-	-
Current liabilities with Group companies	44,930	-	-	-

3.2 Management of capital risk

SDS's objective in managing capital is to safeguard the Company's ability to continue operations in order to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure so as to keep down the cost of capital. In order to maintain its capital structure, Seamless Distribution Systems works to achieve its financial goals not only by reducing costs but also by increasing sales which leads to improved margins and the maintenance of a lower debt-to-equity ratio.

Note 4 Important assumptions and estimations

Assumptions and estimations are continually evaluated based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

Important assumptions and estimations for accounting purposes

The Group makes assumptions and estimations concerning the future. The estimations for accounting purposes that arise will, by definition, rarely match the actual outcome. The estimates and assumptions that involve a significant risk of material adjustments in the carrying amounts of assets and liabilities during the next financial year are outlined below.

Capitalised expenditures for development work

SDS capitalises costs attributable to development to the extent that they are considered to meet the criteria in IAS 38, page 57 (see 2.4 Intangible assets). When assessing any need to recognise impairment of capitalised development costs, varying conditions and several assumptions and estimations of parameters are made.

The value of the intangible assets can be defended via a cash flow evaluation of the Company. On the basis of the assumptions the Company made when evaluating cash flow, there is a surplus value between the book value of the intangible assets and the implicit value of the business. Thus no need to recognise impairment is indicated.

The percentage-of-completion method in projects

SDS applies the percentage-of-completion method in its projects. An essential condition for assessing the percentage of completion is the ability to reliably determine project revenues and project costs. The level of completion is determined on the basis of actual hours worked in relation to the project's total budgeted hours. Project follow-up and confirmation that projects are in line with the budget is carried out monthly in connection with the financial statements.

Note 5 Distribution of net sales

Net sales are split by revenue type as follows:

Amounts in SEK thousand Group	2016	2015
Hardware sales	4,927	40,031
License sales	61,247	29,374
Support sales	24,218	21,784
Withholding tax	6,041	512
Consolidated total	96,433	91,701

The Company has its registered office in Sweden. Revenue from external customers in Sweden amounts to SEK 1,057 (5,348) thousand and total revenue from external customers in other countries amounts to SEK 95,039 (83,729) thousand.

Total non-current assets other than financial instruments and deferred tax assets located in Sweden amount to SEK 36 thousand (53) and total non-current assets located in other countries, amount to SEK 3,540 thousand (1,108).

Net sales by geographical region, percent	2016	2015
Africa	79,61%	81,82%
Middle East and Asia	13,62%	9,00%
Other	6,77%	9,18%
Consolidated total	100,00%	100,00%

The biggest customer is the MTN Group, which accounts for 73 percent (83) of net sales.

Note 6 Remunerations to auditors

Remunerations to auditors

Group	2016	2015
PwC		
Audit assignment	-	-
Audit activities in addition to the audit assignment	-	-
Tax advice	-	6
Other services	-	-
Total	-	-
Other auditors		
Audit assignment	-	-
Audit activities in addition to the audit assignment	-	-
Tax advice	-	-
Other services	-	-
Total	-	-
Consolidated total	-	6

The Parent Company in the top Group, Seamless Distribution AB (publ), reports audit costs for all companies in the Group.

Note 7 Remuneration to employees, etc.

Group	2016	2015
Salaries and other remunerations	4,632	3,007
Social Security contributions	816	523
Pension costs – defined contribution plans	36	37
Other personnel expenses	4,342	2,681
Capitalised personnel costs	-	-
Consolidated total	9,826	6,248

Salaries, other remuneration and social security costs	2016	2015
	Salaries and other remunerations	Salaries and other remunerations
Board members, Chief Executive Officer and other senior executives		
Other employees	5,448	3,530
Consolidated total	5,448	3,530

Tommy Eriksson (CEO) is not employed by the Company, but he invoices fees through his own company; see Note 25 Transactions with related parties.

The Board received no remuneration from the Group for 2015 and 2016.

Gender distribution in the Group (incl. subsidiaries) for board members and other senior executives:

	2016		2015	
	Total at the balance sheet date	Of whom women	Total at the balance sheet date	Of whom women
Board members	3	-	3	-
Chief Executive Officer and others senior executives	1	-	1	-
Consolidated total	4	-	4	-

Average number of employees and geographical breakdown by country	2016		2015	
	Average number of employees	Of whom women	Average number of employees	Of whom women
Sweden	2	1	1	-
Total Parent Company	2	1	1	-
Subsidiaries				
India	50	5	35	3
Total subsidiaries	50	5	35	3
Consolidated total	52	6	36	3

Note 8 Other operating expenses

Other consolidated operating expenses	2016	2015
Exchange-rate losses	-3	-2,233
Withholding tax – expensed	-6,041	-512
Other consolidated operating expenses	-6,044	-2,745

Withholding tax is usually paid on royalty payments from abroad. The tax rate varies depending on which country the payment derives from.

Note 9 Financial income and expenses/Interest income and expenses

Consolidated financial income/interest	2016	2015
Interest income	194	-
Consolidated financial income/interest	194	-
Consolidated financial expenses/interest expenses	2016	2015
Other interest expenses	-17	-12
Other financial expenses	-33	-4
Financial expenses	-50	-16
Consolidated financial items - net	144	-16

Note 10 Income tax

	2016	2015
Current tax:		
Current tax on net profit for the year	-6,868	-5,741
Adjustments in respect of previous years	-10	-
Total current tax	-6,878	-5,741
Consolidated income tax	-6,878	-5,741

Income tax on profit differs from the theoretical amount that would have arisen by the use of a weighted average tax rate for consolidated profits as follows:

Group	2016	2015
Profit before tax	31,975	26,470
Income tax is calculated according to national rates applicable to earnings in each country, 22% in the Parent Company.	-7,034	-5,823
Tax effects of:		
• Group contributions	6,868	5,621
• Tax-exempt income	172	202
• Non tax-deductible expenses	-6	-
• Revaluation of deferred tax		
Adjustment in respect of previous years	-10	-
Tax expense	-10	-

The weighted average tax rate for the Group is 28 (28) percent.

Note 11 Earnings per share

Earnings per share are calculated by dividing the profit attributable to parent company shareholders by the weighted average number of outstanding common shares during the period.

	2016	2015
Profit attributable to the Parent Company's shareholders	25,096	20,729
Weighted average number of shares before and after dilution	500,000	500,000

Numbers of shares are whole numbers.

Note 12 Exchange rate differences

Exchange rate differences are recognised in the income statement as follows:

Group	2016	2015
Other operating income and expenses – net	798	-553
Financial income and expenses – net	144	-16
	942	-569

Note 13 Intangible assets

Group	Capitalised expenditures for development work	Total
As of 15 August 2014		
Purchases/processing for the period	1,230	1,230
Amortisation/depreciation for the period	-21	-21
losing carrying amount 31 December 2015	1,209	1,209
As of 31 December 2015		
Accumulated acquisition cost	1,230	1,230
Accumulated depreciations	-21	-21
Carrying amount 31 December 2015	1,209	1,209
As of 1 January 2016		
Opening carrying amount	1,209	1,209
Purchases/processing for the period	7,274	7,274
Amortisation/depreciation for the period	-958	-958
Closing carrying amount 31 December 2016	7,525	7,525
As of 31 December 2016		
Accumulated acquisition cost	8,504	8,504
Accumulated depreciations	-979	-979
Carrying amount 31 December 2016	7,525	7,525

No R&D expenditures were expensed during 2016 or 2015; they have all been capitalised.

Note 14 Property, plant, and equipment

Group	Machinery and equipment	Total
As of 15 August 2014		
Opening carrying amount	293	293
Exchange rate differences for the period	5	5
Purchases for the period	863	863
Amortisation/depreciation for the period	-	-
losing carrying amount 31 December 2015	1,161	1,161
As of 31 December 2015		
Accumulated acquisition cost	1,161	1,161
Accumulated depreciations	-	-
Carrying amount	1,161	1,161
As of 1 January 2016		
Opening carrying amount	1,161	1,161
Exchange rate differences for the period	52	52
Purchases for the period	2,380	2,380
Amortisation/depreciation for the period	-17	-17
Closing carrying amount 31 December 2016	3,576	3,576
As of 31 December 2016		
Accumulated acquisition cost	3,541	3,541
Exchange rate differences for the period	52	52
Accumulated depreciations	-17	-17
Carrying amount 31 December 2016	3,576	3,576

Note 15 **Financial instruments per category**

Group	
Assets in the balance sheet	Loan receivables and trade receivables
31/12/2016	
Trade receivables	17,097
Other receivables	2,493
Receivables from Group companies	57,508
Cash and cash equivalents	1,558
Total	78,656
31/12/2015	
Trade receivables	29,195
Other receivables	3,057
Receivables from Group companies	22,001
Cash and cash equivalents	2,114
Total	56,367

Group	
Liabilities in the balance sheet	Other financial liabilities
31/12/2016	
Trade payables	5,529
Current liabilities with Group companies	84,114
Other liabilities	89
Total	89,732
31/12/2015	
Trade payables	3,208
Current liabilities with Group companies	44,930
Other liabilities	182
Total	48,320

Note 16 Trade receivables

Group	31/12/2016	31/12/2015
Trade receivables	17,097	29,195
Reserve for doubtful receivables	-	-
Account receivables - net	17,097	29,195

The distribution by age of trade receivables is shown below:

	31/12/2016	31/12/2015
1-30 days	2,523	13,108
31-60 days	3,935	2,286
> 61 days	3,807	-
Total past due receivables	10,265	15,394

The Group continuously monitors unpaid trade receivables is working to create good business relationships with its customers. As of 31/12/2016 and following a review of overdue receivables, SDS has not found any indication of doubtful receivables. The Group had no customer losses in 2015 and 2016.

Note 17 Prepaid expenses and accrued income

Group	31/12/2016	31/12/2015
Prepaid expenses	1,676	439
Accrued income	10,157	9,615
Consolidated total	11,833	10,054

Note 18 Cash and cash equivalents/Cash and bank balances

Cash and cash equivalents in the balance sheet and cash flow statement include the following items:

Group	31/12/2016	31/12/2015
Cash and cash equivalents, bank	1,558	2,114
Consolidated total	1,558	2,114

Note 19 Share capital

	Number of shares	Share capital	Total
As of 15 August 2014	50,000	50	50
As of 31 December 2015	50,000	50	50
As of 31 December 2016	50,000	50	50

Share capital comprises 50,000 shares. Numbers of shares are whole numbers. The voting right is one vote per share.

Note 20 Other non-current liabilities

Other consolidated non-current liabilities	31/12/2016	31/12/2015
Non-current liabilities with Group companies	967	893
Total consolidated other non-current liabilities	967	893

The book value of the loan corresponds in all essential respects to fair value at closing date.

The loan will expire within five years and is interest-bearing. The interest rate is calculated as the Swedish 10-year government bond at the beginning of each year, plus 1.2 percent.

Note 21 Other current liabilities

Consolidated current liabilities	31/12/2016	31/12/2015
Other current liabilities	89	182
Current liability with Group company	84,114	44,930
Total consolidated other current liabilities	84,203	45,112

Note 22 Accrued expenses and deferred income

Group	31/12/2016	31/12/2015
Accrued vacation pay liability	183	124
Accrued social security charges	-	39
Deferred income	2,651	13,813
Accrued expenses	3,951	4,950
Consolidated total	6,785	18,926

Note 23 Other items not affecting liquidity

Group	31/12/2016	31/12/2015
Exchange rate difference	60	8
Other items	-	211
Consolidated total	60	219

Note 24 Business combination

On 10 December 2015, SDS acquired the Indian company Seamless Private Limited from Parent Company seamless distribution AB. The acquisition is regarded as a related party transaction.

Seamless Private Limited (SPL) is purely a resource centre for SDS where a range of technical services are performed, including software development, customer support and requirements analyses. SPL also monitors all of SDS's internal servers for development environments, testing environments and cloud services. SPL has no customer invoicing and no local customers. SPL invoices its costs to the parent company (SDS), SEQR Group and Seamless eProducts through a transfer pricing agreement.

The purchase price amounted to SEK 1,815,600, which is the same amount as the historical carrying amount in Seamless Distribution AB and corresponds to the share capital in the Indian company. The purchase price is booked as a liability to Seamless Distribution AB and has not yet been settled. Net assets at the time of the acquisition amounted to SEK 2,971 thousand. Thus the difference between the purchase price and net assets amounted to SEK 1,156 thousand, which was reported as a shareholder contribution in equity.

Note 25 Related party transactions

Transactions with related parties, key personnel:

Tommy Eriksson (CEO) invoices his fees directly through his own company. In 2016, he invoiced SEK 2,383 (2,701) thousand. Board members received no remuneration from the Group for 2015 and 2016.

Transactions with related parties, Group companies:

Amounts in SEK thousand	Receivables with other Group companies		Liabilities to other Group companies	
	2016	2015	2016	2015
Seamless Services AB	34,027	19,516	2,057	
Seamless Eproducts Sweden AB	839			
SEQR Ltd UK, Sweden branch	1,263	1,260		
SEQR Payments AB	1,576	958		
SQR Portugal Unipissoal Lda	341	267		
SEQR Nordics AB	11,562			2,086
SEQR Group AB	7,900			
Seamless Distribution AB	-	-	82,057	42,844
Total	57,508	22,001	84,114	44,930

The amount of SEK 56,767 thousand is included in the liability to Seamless Distribution AB in respect of a Group contribution rendered by SDS to Seamless Distribution AB and SEK 1,815 thousand is included in respect of the acquisition of the Indian company; see Note 24.

No interest has been reported.

Sales and purchases of services with related Group companies

Amounts in SEK thousand	2016	2015
Management fee expenses	552	-
Service fee expenses	1,536	-
Revenues in the Indian company	15	-
Revenues in the Indian company	320	-

In 2015, there were no reported expenses and revenues regarding other companies in the Group.

SDS receives a quarterly management fee invoice from Seamless Distribution and a service fee invoice from Seamless Services. The invoices relate to estimated expenses such as insurance, administration, IT and data expenses, etc. Estimates are based on the previous period's actual expenses and then adjusted quarterly.

Seamless Private Limited invoices its expenses to the Parent Company (SDS), SEQR Group and Seamless eProducts through a transfer pricing agreement.

In 2014, it was decided that the three operating segments in the Seamless Distribution AB (publ) would be incorporated into a company. In conjunction with this decision, the subsidiary Seamless Distribution Systems was formed and the transaction exchange system operating segment was transferred. In connection with the restructuring, property plant and equipment was transferred with a value of SEK 53 thousand, which corresponded to book value.

Note 26 Events after the closing day

SDS raised a loan of around SEK 30.6 million from an external lender in January 2017. The rate of interest for the loan is 8 percent per year. When the loan falls due on 28 July 2017, an interest expense corresponding to SEK 1.2 million will be payable to the lender.

Albin Rännar becomes the Company's new CEO.

On 8 June 2017, the Company acquired all intellectual property rights related to the ERS 360 transaction platform from SEQR Group AB for a purchase sum of SEK 31,250,000, of which SEK 25,000,000 was paid on the same day by promissory note, with SEK 6,250,000 payable in cash no later than 20 August 2017. Repayment of the loan under the promissory note, which may be paid early, is due on 31 May 2022; it carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.

On 20 June 2017 the Company also took up a loan from Seamless in the amount of SEK 32,487,000 (of which SEK 31,850,000 were paid out on Company instructions to an external lender to repay in full the Company's external loan financing including accrued interest, and SEK 637,000 was invoiced as an arrangement fee). The loan will fall due on 31 May 2022; it may be repaid early and carries an annual interest of 8 percent, which is capitalised and paid when the loan is repaid.

On 8 June 2017, SEQR Group AB transferred its receivable with the Company in the amount of SEK 25,000,000 to Seamless.

Accordingly, as of Prospectus publication day, seamless will have a receivable of SEK 57,487,000 with the Company, while SEQR Group AB will have an SEK 6,250,000 receivable with the Company. The Company has in turn set-off claims against Seamless estimated to be around SEK 4,000,000, with which the Company intends to settle the principal in the Company's loan to Seamless, which would result in a net indebtedness to Seamless of around SEK 53,487,000.

The agreements attributable to the events described above were entered into under market conditions. No significant changes in addition to the events described above have occurred with respect to the Company's financial position or its position in the market since 31 March 2017.

Note 27 Other external expenses

Group	2016	2015
Consultant expenses	23,603	11,436
Other expenses	10,059	6,662
Total	33,662	18,097



The Board of Seamless Distribution Systems AB (publ)(co. reg. no. 556979-4562)

Auditor's report in respect of "Historical financial information for the years 2015 and 2016"

We have audited the financial statements for Seamless Distribution Systems AB (publ) on pages 129-155, which includes the balance sheet as of 31 December 2016 and 31 December 2015 and the income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the period 1 January 2016 - 31 December 2016, as well as the period from 15 August 2014 to 31 December 2015 together with a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board and the CEO for the financial statements

The Board and the CEO are responsible for ensuring that the financial reports are prepared and presented in such a way that they give a true and fair view of the financial position, financial performance, changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU, and the Swedish Annual Accounts Act and additional applicable standards. This responsibility includes the design, implementation and maintenance of internal control that is relevant to the preparation and a true and fair presentation of the financial statements without material misstatements, whether or not due to fraud or error. The Board is also responsible for ensuring the financial reports are prepared and presented in accordance with the requirements of Prospectus Regulation 809/2004/EC.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the FAR recommendation RevR 5 *Review of financial information in prospectuses*. This means we follow the FAR code of ethics and have planned and conducted our audit to ascertain with a reasonable degree of assurance that the financial statements do not contain any material misstatement. The auditors apply ISQC 1 (International Standard on Quality Control) and therefore have an all-round system for quality control that includes documented guidelines and procedures in respect of compliance with the requirements of professional ethics, professional standards and applicable statutory requirements and other regulations.

An audit in accordance with FAR recommendation RevR 5 *Review of financial information in prospectuses* involves performing procedures to obtain audit evidence confirming the amounts and information in the financial statements. The selected audit measures are based on our assessment of the risk of material misstatements in the financial statements, whether or not due to fraud or error. In the risk assessment, we consider the internal control relevant to the Company's preparation and fair presentation of the financial statements as a basis for drawing up the audit measures applicable in these circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also entails assessing the relevance of the accounting policies applied and the reasonableness of significant estimations made by the Board and the CEO as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

Statement

In our opinion, the financial statements give a true and fair view of the position of Seamless Distribution Systems AB (publ) on 31 December 2016 and 31 December 2015 as well as the financial performance, income statements, statements of comprehensive income and the statements of changes in equity and cash flow for the period 1 January 2016 - 31 December 2016 and the period 15 August 2014 - 31 December 2015, in accordance with the International Financial Reporting Standards as adopted by the EU, and the Swedish Annual Accounts Act and additional applicable standards.

Stockholm, 27 June 2017

Öhrlings PricewaterhouseCoopers AB

Niklas Renström

Authorised Public Accountant

Glossary

The Companies Act	Swedish Companies Act (2005:551)
Corporate Code	The Swedish Code of Corporate Governance
Company/SDS/Group	Seamless Distribution Systems AB (publ), company registration number 556979-4562, or the Group in which SDS is the parent company, depending on context
CAGR	Compound Annual Growth Rate – the average annual growth rate
CFO	Abbreviation of Chief Financial Officer
e-products	Generic term that includes cash cards or mobile telephone minutes and other electronic value tokens
ERS/ERS 360	Abbreviation of Electronic Recharge System. Refers to the transaction exchange/underlying platform developed within the Seamless Group and recently acquired by SDS
e-TopUp	A top-up code that directly loads a cash card with a specific operator. Cannot be saved for a future occasion
EUR	Euro
Euroclear	Euroclear Sweden AB, company registration number 556112-8074
e-voucher	A top-up code for cash cards. May be used immediately or saved for a future occasion
GSMA	GSM Association is an association of more than 1,000 companies around the world linked to mobile telecommunications services
EBITDA	Operating profit + depreciations
HLR	Home Location Register (HLR) – The central database with all mobile telephone users with a mobile operator. Among a great deal else, the HLR includes information on a telephone's whereabouts.
Cash flow conversion	(EBITDA-investments in non-current assets)/EBITDA
Employees	An employee or consultant engaged by the Company
MOPS	Abbreviation of Managed Operations. Refers to a solution in which SDS is responsible for the operation and management of an ERS platform
MTN	Abbreviation of MTN Dubai Limited, a company in the MTN Group
POS	Abbreviation of Point of Sale. Refers to a place of sale and may for example be a cash register or a mobile phone with a sales capability
POS technologies	Various underlying technologies used at different points of sale
Transaction	A transaction is defined as a request from a user or a system with a subsequent response from ERS 360. A transaction can be value-based, i.e. moving value in the form of airtime or information, such as when responding to a question about e.g. an account balance, and administrative, e.g. when creating a new reseller.
Prepaid	Cash card or cash card top up
The Prospectus	This Prospectus and the documents incorporated by reference
Seamless/SDAB	Seamless Distribution AB
Smartphones	Smartphones or mobile phones that function like a computer, e.g. iPhone
SDS	Seamless Distribution Systems AB

SMS	Abbreviation of Short Message Service, a.k.a. text messaging
Airtime	A simplified generic term for various telecommunications products to mobile customers. Airtime refers not only to call minutes but also the number of SMSs or amount of mobile data (such as 2 Gb surf) or combinations thereof.
THB	Thai Baht, currency
USD	US dollar
VAS	Abbreviation for Value Added Services
WiPOS	A product in the SDS product range. A hardware terminals such as a credit card terminal with the ability to print out a physical voucher.

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