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# SEAMLESS DISTRIBUTION AB (PUBL) ANNUAL REPORT

2015

Seamless

Corp. id. no: 556610-2660



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This English Annual Report is a translation of the Swedish original. If there are any discrepancies between the two versions, the Swedish original has precedence.

## 2015 HIGHLIGHTS

In 2015 the Seamless organization was reorganized into three business segments: Transaction Switch, eProducts and SEQR. The distribution activities and segment has been renamed to eProducts, in order to better reflect its business activities.

From an overall perspective, revenues increased by 63% and losses were down 29%, which had a direct and immediate impact on cash flow.

In 2015, the **Transaction Switch Operations** attained its best year ever in terms of sales, which increased by 136% and earnings by 180%. The business segment has taken an important step into the African market and has received large orders from customers in both Ghana and Zambia. The focus has been on increasing the degree of automation and reducing the time which the system can be forced to be taken out of service for maintenance, and this has led to that our system now has 99.7% uptime.

The reliability of the system contributed to our increased market share along with an increase in the number of transactions in the system. On an annual basis nearly 3.7 (3.3) billion transactions are presently being handled, an annual rate of increase of approximately 400 (200) million transactions. Seamless customers in the Transaction Switch business segment have chosen to focus 100 percent on electronic vouchers and the distribution of these, and thereby increase profitability.

In terms of sales, the year was a record for the Transaction Switch business segment and increased 136% on organic growth alone. The focus that was placed on the Transaction Switch operations in 2014, resulted in increased revenues in 2015 and a strong order book for 2016. Therefore it can be said in summary that the outlook for 2016 at the time of this writing looks very bright, with the hope and expectation that revenues and profits for the business segment will increase, even if at a somewhat slower pace than 2015.

The **eProducts business segment's operations** experienced favorable growth during the year. Revenues increased by 46% compared to the prior year and during the third quarter of 2014 Seamless announced a transaction with Ingram Micro which meant that Seamless acquired Ingram Micro's distribution customer and supplier stock. The acquisition was made with a contingent-price provision, which meant that the purchase price paid in 2014 was repaid in full in 2015, resulting of a profit of SEK 600 thousand.

Revenues increased by 46% and the loss decreased by 59%.

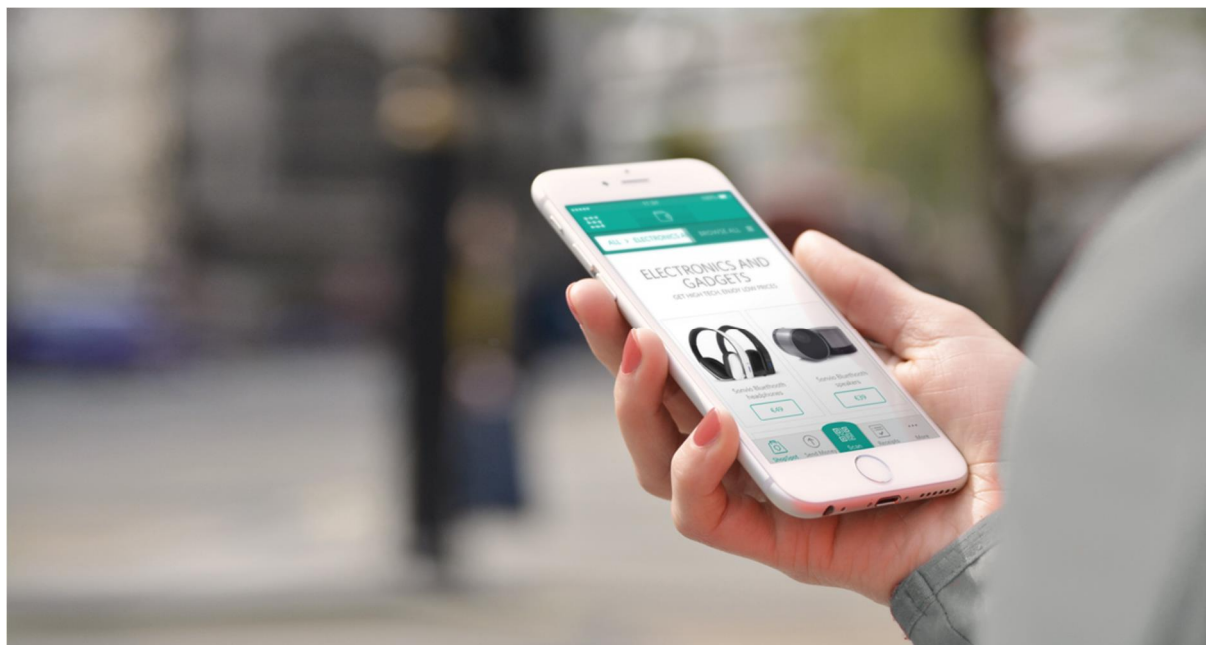
The joint cooperation with wireless carriers and banks in the Swedish market expanded during the year with the inclusion of Danske Bank. The integration with Danske Bank has now been completed and sales in the bank's channels have commenced. Total volumes in the banking channels are stable. In summary, at the time of writing the outlook for 2016 looks very good, with an expected increase in sales of existing products. The expectation is that the increased sales will contribute with a profit for the business segment.

**SEQR** has further consolidated its position as the most technologically powerful mobile payment solution. At the beginning of next year SEQR users will be able to automatically pay by means of Near Field Communication (NFC). It will then not matter whether a retailer has signed a contract with SEQR or not; but rather it will be sufficient that the store has a payment terminal that supports NFC. This technology is expected to find widespread acceptance. Already by the end of the year, the number of POS terminals that support NFC technology is expected to reach 24 million.

The other major development of our services is that we have introduced a remittance service, which makes it possible to make payments internationally between SEQR users. The recipient receives the money in their local currency. Initially, the service is free of charge. The charge for this type of service is on average 8 percent of the amount transferred. Our assessment is that this customer segment is price sensitive, which we believe will have a positive impact on the interest in our solution. The market for remittance services is extremely large and has generated a turnover of approximately \$600 billion in 2014.

# Seamless

In the previous year's annual report, we wrote that our goal was to reach a situation where payments made using **SEQR** become an everyday behavior among users. In order to bring about a change in consumer behavior to the extent that it means transitioning from payment with a credit card to paying by smartphone requires reaching a place where the consumer perceives this will make their life easier, or at least remove a couple of steps in the payment process. During 2015 though SEQR has focused primarily on the launch of the product in several new markets, the user benefits to consumers has simultaneously considerably increased due to all the extra supplementary services in the SEQR app which were launched or improved on over the year.



## **Changes within the Company**

The following changes have been made in the management team during year: Annika Blomé became a member of the management team as Chief Product Officer (CPO), while Anders Forssten resigned from his position. Ingrid Lindstrom (EVP/COO) and Daniel Hilmgård (CFO) left their position. A CFO was appointed on an interim basis in mid August 2015.

The management team consists of Peter Fredell (CEO), Tommy Eriksson (CEO, Seamless Distribution Systems), James Connelly as Global Sales Director (CSO), and Annika Blomé as Chief Product Officer (CPO).

The number of employees (annualized average) decreased from 172 to 146. In addition to this, Seamless has retained approximately 70 consultants worldwide.

In the Board of Directors during the year, Hein Pretorius replaced Michael Sundin as Chairman of the Board, and Kristin Berdan replaced Martin Børresen as a member of the Board. The Board of Directors additionally consists of Peter Fredell, Omar Cordes and Robin Saunders, as members of the Board.

## A FEW WORDS FROM THE CHAIRMAN

During 2015, Seamless continued to see strong growth especially in its B2B business units, with revenues increasing by 63%, from SEK 171 million to SEK 280 million. This saw an improvement in both earnings and cash flow.

Seamless as a company continues to hold a distinct advantage in the market due to the fact that a large part of our business is based on our transaction switch, also known as “ERS”. In 2015, Seamless processed 3.7 billion transactions with a gross value of SEK 51 billion across 18 markets.

From the very beginning ERS was the foundation for SEQR, our B2C business unit, allowing us to operate independently in critical parts of the payments value chain. This bodes well for future profitability. During 2015, transactions grew by 50% and we foresee this trend continuing during the new financial year. In order to realize SEQR’s full future growth potential, the board together with management, continue to seek a strategic solution which will allow for long term funding of SEQR, whilst also delivering the best value to Seamless shareholders. This remains a priority focus in 2016.

Seamless as a business operates in an incredibly exciting market and we look forward to the business continuing its evolution to becoming a valuable if not indispensable part of everyday consumer life.



Hein Pretorius  
Chairman of the Board of Directors

## BUSINESS SEGMENTS

Seamless primarily has three business and product segments where Transaction Switch ERS 360 is the hub of the business operations.

### Transaction Switch

- Business Segment in: Seamless Distribution Systems AB
- Established: 2001
- Products include: E-TopUp, Value Added Services (VAS) and Managed Operations (MOPS)

### Business segment in short

Seamless Distribution Systems, also referred to as the Transaction Switch, supplies the infrastructure and system for the management of the distribution network of primarily electronic adding of funds to prepaid value cards, along with other eProducts extending from gift cards to prepaid debit cards to mobile banking. The system increases the range of products the reseller has to offer its customers, without taking up valuable shelf space, and facilitates a much more rapid distribution in the marketplace.

The hub of the operations is the internally developed proprietary ERS 360° platform, which remains constantly under development in order to meet the needs from the market since its initial installation some 15 years ago.

Our customers can be found all over the world, but are primarily in Africa and the Middle East, where telecommunications companies constitute our largest group of customers. The platform currently handles some 3.7 billion transactions annually with a total value of USD 6 billion, divided among 18 markets.

### Significant events during the year

Without doubt, 2015 was the most successful year in the entire history of the Transaction Switch business segment. We saw increased customer focus on the electronic distribution of airtime as a strategic area to become more competitive and cost efficient. Our level of engagement increased and we gained a position as a trusted vendor to provide strategic advice in our area of expertise, moving from a position as a technology provider.

Key events include projects with a number of new customers where we provide a turnkey system including business analysis, hardware, software, deployment and integration services. Following the launch of the system, all new customers today choose our managed operations that provide around the clock production supervision. Thanks to our track record, we managed to close contracts with tier-one operators that previously have not considered Seamless.

### Products, Services and Markets

The launch of the Seamless Wireless Point of Sale Terminal (WiPOS) was a turning point as we entered into the sales of end devices, with tens of thousands of units already during the first year of sales.

Further, we launched a large number of new software features in our ERS360 core product. The features mainly enhance consumer experience and business intelligence features in ERS360.

Due to the increase in number of customers on-boarded during the year, we reached the critical mass and launched a 24/7 network operations center (NOC). The dedicated NOC-team proactively monitors all customer installations, as well as our internal production systems, and provides a first line contact as well as process control that maintains our service level and further improves our reaction times.

We enhanced our presence close to our core markets and substantially increased the sales organization and the level of engagement. Key additions were establishments in Dubai as well as in Latin America. Further, our Ghana office added a sales unit during 2015.

### Market position and opportunities

The market niche in which we operate is characterized by many local actors with a small number of worldwide players. Seamless is, as far as we have seen, one of very few that primarily focus distribution channel management for wireless communications service providers. With the focus we have had since Seamless Distribution Systems AB was established in mid 2014, we now feel that we are one of the leading vendors with a very competitive offering which could make us a consolidator in the market.

# Seamless

Our customers responded well to market initiatives and with few exceptions the customers have increased their volumes in the electronic channel. The consequences for Seamless have been license upgrades and additional investment in new features that drive airtime sales from scratch cards to ERS360. We expect this trend will continue to drive the sales.

During the year, we have continued to add development capacity to meet increased sales and we will dedicate further capacity for new product development. Our customers have asked for an expanded roadmap and we believe this investment will turn into sales in the future.

Our dominant business model has been project sales with a less predictable revenue development. Based on an enhanced product that can be delivered with low cost, we aim to explore new business models focusing to increase the share of recurring revenues.

## eProducts/Distribution

- Business Segment in: SIA Lettel (name to be changed to Seamless eProducts Latvia SIA), SEQR Denmark ApS (name to be changed to Seamless eProducts Denmark ApS) and SEQR Nordics AB (name to be changed to Seamless eProducts Sweden AB)
- Established: 2011
- Products include: physical and electronic distribution of Top-Up refill codes and other electronic products via retailers, banks and online channels

### Business segment in short

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

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

Globally, there are two related but distinct distribution technologies for adding funds to mobile devices: eVoucher\* and Direct TopUp.\*\* Seamless offers both of these solutions in one single technological platform.

## Significant events during the year

### Purchase of Ingram Micro's operations within distribution electronically

The acquisition was agreed upon in Q3/2014 and the migration of customers took place in February/March 2015. The acquisition evidenced an impact in the second half of the year in both the number of affiliated stores as well as transaction volumes, which have significantly increased. As the acquisition was made with a contingent-price provision, it has provided an entirely positive impact on the balance sheet and profits. A number of renowned chains, as well as a significant number of independent stores, have now joined to become customers of Seamless. The transaction volume in Sweden is more than 50% higher compared to 2014 and along with this the number of stores has more than doubled.

### Establishment of operations in Denmark and Greenland

The Danish subsidiary became operational in Q1/2015 and the establishment of Seamless distribution of eProducts is progressing according to plan. Negotiations are underway with several chains. In 2015, an agreement was signed with Expert Denmark, among others. In addition, via an agreement with Tele Greenland Seamless manages all electronic distribution within the territory.

\* "eVoucher" – a voucher with a unique code is distributed electronically and this voucher code is printed out from the reseller's card terminal or directly via the checkout register. The actual amount is credited to phone's account after the consumer enters the code in a special transmission to the wireless carrier via their phone.

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

# Seamless

## **Latvia - stabilization**

The Latvian market is showing strong price competition between wireless carriers with the Postpaid mobile telephony (subscription contracts). This has meant that parts of the customer base for Prepaid has shifted to direct contracts (subscriptions). Over the second half of the year, Seamless has stabilized the situation and reversed the transaction volume to a positive trend. Further measures will be implemented in 2016 in order to strengthen the market position.

## **Bank TopUp – Danske Bank joins**

The joint cooperation with wireless carriers and banks in the Swedish market have expanded during the year with the inclusion of Danske Bank. Seamless connects together all wireless carriers and banks so that the consumers will be able to add additional funds to their stored-value card or mobile wallet via the bank's channels: mobile device banking, Internet banking, and telephone banking. During the year, the customer group was expanded to include Danske Bank. The volume of transactions via the banks is stable.

## **Products and services**

For retailers, eProducts provide the opportunity to increase sales and consumer inflows without the requirement of making a financial investment, tying up capital, maintaining an inventory, or that the products take up limited retail space. With the electronic distribution of these products, vouchers are delivered electronically, and the store does not incur any outlays until the product is sold.

As the distribution channel is established at approximately 3,500 stores, the natural development will be to expand the product and range of service that Seamless offers its resellers. This work is ongoing and is expected show visible results in our earnings in 2016.

## **Customers and markets**

A continued growth will occur in 2016, primarily in existing markets, but expansion into other geographic markets has not been excluded. The focus is, as previously, on developing relationships with both chains as well as smaller independent participants in retail trade and tourism.





# Seamless

## SEQR

- Business Segment in: Seamless Payments AB, Seamless Remittance AB, Seamless Romania SRL, SEQR Finland OY, SEQR Benelux BVBA, SQR Portugal Lda, SEQR USA, SEQR UK and SEQR Nordics AB.
- Established: 2012
- Product: Mobile payments

### Business segment in short

SEQR's vision is to transform the payments industry and become the best, and most advanced mobile payments platform for customer and merchants in the world. With SEQR established in 12 international markets – Sweden, Finland, Romania, Belgium, Netherlands, Portugal, Spain, France, Germany, Italy, Great Britain and the United States – with an addressable population of over 600 million people, SEQR is also in prime position to meet its objective of becoming the world's most used mobile payments platform.

The key to ensuring SEQR's continued success lies in the strength of its proposition. SEQR is the most comprehensive mobile payment solution available for consumers, catering for an unrivalled number of payment scenarios including;

- Retail Point of Sale
- eCommerce & mCommerce – including Instant Check Out
- Shop on the Spot
- SEQR Invoice
- Unattended – such as Parking, Petrol/Gas stations and Vending machines
- Peer-to-Peer payments

In addition, the SEQR rewards program offers up to 3% cashback on all SEQR purchases providing the customer with a rich incentive to pay with SEQR. This is unique in the mobile payments market.

As well as payments, with the inclusion of MyShop and a digital cash register embedded into the SEQR app, SEQR is a complete financial eco-system allowing SEQR customers to buy and sell goods and services.

From a large merchant and partner perspective SEQR offers an omnichannel mobile payment solution that helps them address key objectives of improving customer experience, increasing sales, reducing basket abandonment, lowering costs and increasing loyalty.



*MyShop works on desktop and mobile.*

With MyShop and the embedded digital cash register, small enterprises and private individuals are now able to sell goods and receive payment without the need for a physical card reader and without incurring high transaction costs. There is no requirement for hardware investment or to go through a complicated merchant application process.

# Seamless

## **Significant events during the year**

It has been a very successful year for SEQR in which we continued to expand our geographic footprint, significantly grow our consumer and merchant base in existing markets and further develop our world leading technology making SEQR the most comprehensive digital payments platform on the market today.

Entering 2015 SEQR was live in 5 markets (Sweden, Finland, Romania, Belgium and Portugal) and during the first half a further 7 markets were launched – UK, USA, the Netherlands, France, Spain, Italy and Germany. For countries in the Euro zone SEQR developed the functionality for customers to connect their bank account to SEQR using SEPA Direct Debit. Similarly in the US, customers connect via ACH. This means that any consumer with a bank account in these markets can very simply set up SEQR as a payment instrument for their bank account. In the UK, the SEQR product is unique in that it is a Pre-Paid account. This was an important development in that it opened up SEQR to the youth and unbanked customer segments.

In all markets where SEQR is now live, we have seen impressive growth in the number of merchants and partners adopting the SEQR solution, whether they are physical merchants, ecommerce merchants, media partners or product suppliers. At the end of 2015 SEQR has been adopted by merchants representing over 8,000 stores, equating to a 75% growth year on year.

During the year SEQR was rolled out to major merchants including; Colruyt Group, Jysk, Teksinet-Euronics, SWEdala Outlet, L-Fashion Group, Bitler pharmacies, Jetairfly (part of the TUI group), Dirk Supermarkets, Webhallen, Esse Parking, Pontus Group and Lambrechts. In addition, hundreds of smaller, independent merchants adopted the solution.

From a product development perspective SEQR continued to introduce new features and benefits for merchants and consumers at regular intervals throughout the year. Major development items included;

- Cashback program, up to 3% - customer engagement and retention
- Pre-PIN functionality – to activate petrol and parking segments
- SEQR Invoice – consumer Bill Payment functionality
- Instant Check-Out – fastest online check out on the market
- MyShop – digital cash register and classifieds service
- International Remittance – international peer to peer payments
- Cross Currency functionality – allowing SEQR customers to spend where SEQR is accepted anywhere globally.

## **Products and Services including targeted customers**

SEQR has now developed into the most complete digital payments platform available to merchants and consumers with a range of services catering for all payment scenarios. SEQR will continue to target all types of “merchants” with a requirement to accept consumer payments including retailers, etailers, parking companies, invoice issuers etc., offering them the fully integrated SEQR solution. Adopting this will provide merchants with a number of benefits including reduced payment costs, integrated loyalty, offers, Instant Check Out and Shop on the Spot.

However, with the upcoming launch of NFC payment functionality SEQR users will now be able to use SEQR to spend at any retailer that accepts contactless NFC payments. This means SEQR will be accepted at 24 million POS worldwide, so we will now have a two pronged approach to expanding the SEQR network – integrated merchants, where we will continue B2B sales and marketing activity and NFC merchants, which will largely be pushed through B2C marketing activity.

Having launched international peer to peer payments in SEQR and non SEQR markets (through XpressMoney), 2016 will also see a greater focus on promoting this capability directly to consumers and key customer segments in the international remittance market.

# Seamless

## Market Position and Opportunities

SEQR is now clearly recognized as a leader in a number of its European markets, most notably Sweden and Belgium where we now have a nationwide acceptance network. Our other European markets also continue to grow strongly and we expect significant uptake in directly integrated merchants across Portugal, Italy and the Netherlands in the early part of 2016 and throughout the year.

Both the US and UK are very advanced markets when it comes to mobile and digital payments, which creates a highly competitive landscape. However, a couple of key developments will significantly strengthen our position and accelerate our growth in those markets.



*Outdoor ad with SEQR in New York, USA.*

SEQR recently completed its application for an eMoney License which will be deployable across Europe. Once the application is approved, SEQR will be able to launch a direct debit solution in the UK via collaboration with Gocardless. This together with the launch of NFC capability will have a transformative impact on the UK market.

Securing our eMoney License will also enable SEQR to develop and offer its own Pre-Paid proposition in all European markets (currently just available in the UK).

In the US, launching international peer to peer transfers, as well as contactless payment capability, will enable SEQR to accelerate the process of building a merchant and consumer base, without the need to invest significantly in sales resources and merchant acquisition.

## THE SEAMLESS SHARE

### Share capital and ownership

The share capital of Seamless amounts to SEK 22 779 727 with 45 559 455 shares outstanding. The quota value per share is SEK 0.50. The shares have been issued pursuant to the Swedish Companies Act, and are denominated in Swedish kronor (SEK).

### Changes in share capital

Year	Event	Quota value	Change in the number of shares	Change in the share capital	Total number of shares	Total share capital
2001	Incorporation of the company	10.00	10,000	100,000.00	10,000	100,000.00
2001	Issuance of new shares	10.00	40,000	400,000.00	50,000	500,000.00
2001	Stock split	1.00	450,000	0.00	500,000	500,000.00
2002	Issuance of new shares	1.00	2,171,000	2,171,000.00	2,671,000	2,671,000.00
2004	New issue with warrants	1.00	667,750	667,750.00	3,338,750	3,338,750.00
2005	Issuance of new shares	1.00	1,112,916	1,112,916.00	4,451,666	4,451,666.00
2005	Reduction of share capital	0.50	0	-2,225,833.00	4,451,666	2,225,833.00
2005	Issuance of new shares	0.50	8,903,332	4,451,666.00	13,354,998	6,677,499.00
2006	Issuance of new shares	0.50	4,451,666	2,225,833.00	17,806,664	8,903,332.00
2007	New issue with warrants	0.50	445,166	222,583.00	18,251,830	9,125,915.00
2010	Issuance of new shares	0.50	2,281,478	1,140,739.00	20,533,308	10,266,654.00
2011	Issuance of new shares	0.50	1,428,570	714,285.00	21,961,878	10,980,939.00
2012	Issuance of new shares	0.50	2,300,000	1,150,000.00	24,261,878	12,130,939.00
2012	New issue with warrants	0.50	1,358,125	679,062.50	25,620,003	12,810,001.50
2013	Issuance of new shares	0.50	7,428,371	3,714,185.50	33,048,374	16,524,187.00
2013	Issuance of new shares	0.50	8,000,000	4,000,000.00	41,048,374	20,524,187.00
2014	New issue with warrants	0.50	861,900	430,950.00	41,910,274	20,955,137.00
2015	Issuance of new shares	0.50	3,532,222	1,766,111	45,442,496	22,721,248.00
2015	Issuance of new share	0.50	116,959	58,479.50	45,559,455	22,779,727.50

### Shareholders

Owner	Number of shares and votes	Percentage of total share capital and votes
Danske Bank Group	4,809,973	10,56%
Kinnevik	4,232,585	9,29%
Avanza pension	2,852,388	6,26%
Fredell & Co	2,713,275	5,96%
Td Waterhouse Inv (can) Inc	2,425,000	5,32%
Gunnar Jardelöw	1,934,682	4,25%
Kas Bank Client Accnon Treaty 30%	1,116,210	2,45%
Kent Carlblom	1,010,000	2,22%
Seamless Distribution	1,000,000	2,19%
Swedbank Försäkring	940,539	2,06%
Övriga aktieägare	22,524,803	49,44%
<b>Total, all shareholders</b>	<b>45,559,455</b>	<b>100%</b>

# Seamless

## The Market Place for Trading in the Seamless Share

Since June 2012, the Company's shares have been traded on the NASDAQ OMX Stockholm - Small Cap with the ticker symbol SEAM. Prior to that, the Company's shares were traded on NASDAQ OMX First North during the period from 2006 to 2012.

## Share performance

The year high/low of the share price, over the last twelve months of trading, was SEK 18.60 and SEK 6.65 per share (closing prices). The average price over the past twelve months was SEK 9.28 per share, and at the closing price on December 31, 2015, the Company had a market capitalization of approx. SEK 376 million. The statistics for the yearly high and low for the year is also based on the closing price on December 31, 2015.

## Trading volume

Over the past twelve months, the average daily volume of trading in the shares has averaged approx. 269,738 shares per day. The statistics are per the close of trading on December 31, 2015.

## Incentive plans

The Company has two ongoing warrants programs, which were approved by the Annual General Meeting on April 26, 2013 and by the AGM on April 8, 2014. The warrants program which was decided at the Annual General Meeting May 4, 2015 is proposed to be cancelled by the Annual General Meeting. The Board of Directors will propose one or several new programs at the Annual General Meeting 2016. The warrants program that extended to August 2015 was not exercised.

### Warrants Program 2013/2016:1

At the Annual General Meeting on April 26, 2013, a decision was adopted on a new warrants program whereby a maximum of 2,000,000 warrants would be issued to the subsidiary The Mollet AB for further transfer to current and future employees of the Company, other than the Chief Executive Officer of the Company. It was decided that one warrant would entitle the holder to subscribe for one (1) new share, by which the Company's share capital may be increased by not more than SEK 1,000,000 upon full exercise of the warrants. The subscription price will amount to 275 percent of the volume weighted average trading price of the Company's shares during the period April 29, 2013 to May 13, 2013, however not less than the share's quota value. The subscription price is thus set at SEK 61.50. It was also resolved that the warrants may be exercised for the subscription of shares in the Company as from August 1, 2016 to August 31, 2016.

#### Grants in Warrants Program 2013/2016:1

Holder	Number of warrants
Granted	1,611,505
Not granted yet	388,495
<b>Total</b>	<b>2,000,000</b>

### Warrants Program 2013/2016:2

At the Annual General Meeting on April 26, 2013, a decision was adopted on a new warrants program whereby a maximum of 1,500,000 warrants would be issued to the subsidiary The Mollet AB for further transfer to the newly elected Board members, Michael Sundin, Omar M Cordes and Robin Saunders, who were elected at the 2013 AGM. It was decided that one warrant would entitle the holder to subscribe for one (1) new share, by which the Company's share capital may be increased by not more than SEK 750,000 upon full exercise of the warrants. The subscription price will amount to 275 percent of the volume weighted average trading price of the Company's shares during the period April 29, 2013 to May 13, 2013, however not less than the share's quota value. The subscription price is thus set at SEK 61.50. It was also resolved that the warrants may be exercised for the subscription of shares in the Company as from August 1, 2016 to August 31, 2016.

#### Grants in Warrants Program 2013/2016:2

Holder	Number of warrants
Granted	250,000
Not issued yet	1,250,000
<b>Total</b>	<b>1,500,000</b>

# Seamless

## Warrants Program 2014/2017:1

At the Annual General Meeting on April 8, 2014, a decision was adopted on a new warrants program whereby a maximum of 2,000,000 warrants would be issued to the subsidiary The Mollet AB for further transfer to current and future employees of the Company, other than the Chief Executive Officer of the Company. It was decided that one warrant would entitle the holder to subscribe for one (1) new share, by which the Company's share capital may be increased by not more than SEK 1,000,000 upon full exercise of the warrants. The warrants was issued in two series (Series I and II) with a maximum of 500 000 warrants in Series I and a maximum of 1,500,000 warrants in Series II. The subscription price will amount to 200 percent of the volume weighted average trading price of the Company's shares during the period April 9, 2014 to April 25, 2014, however not less than the share's quota value. The subscription price is thus set at SEK 60.69. It was also resolved that the warrants may be exercised for the subscription of shares in the Company as from August 1, 2017 to August 31, 2017. For Series I warrants, employees will pay the corresponding market value for the warrants at the time of the time of subscription. The maximum amount of warrants is 150,000 per employee. As of yet, no warrants have been allotted and subscribed in the 2014/2017:1 warrant program.

## Warrants Program 2014/2017:2

The subscription price will amount to 150 percent of the volume weighted average trading price of the Company's shares during the period April 9, 2014 to April 25, 2014, however not less than the share's quota value. The subscription price is thus set at SEK 45.52. It was also resolved that the warrants may be exercised for the subscription of shares in the Company as from August 1, 2017 to August 31, 2017. For the warrants in Series II, employees will receive a maximum of 3000,000 warrants free of charge. Regarding Employees employed outside of Sweden, acquisitions are subject to that acquisitions of warrants are legal and that it, according to the Board of Directors, is feasible with respect to reasonable administrative and economical effects. As of yet, no warrants have been allotted and subscribed in the 2014/2017:2 warrant program.

## Summary of outstanding Warrants Programs

Program	Term	Total number	Subscription price (SEK)	Shares per warrant	Subscription period
2013/2016:1	- Aug 31, 2016	2,000,000	61.50	1	Aug 1, 2016 - Aug 31, 2016
2013/2016:2	- Aug 31, 2016	1,500,000	61.50	1	Aug 1, 2016 - Aug 31, 2016
2014/2017:1	- Aug 31, 2017	500,000	60.69	1	Aug 1, 2017 - Aug 31, 2017
2014/2017:2	- Aug 31, 2017	1,500,000	45.52	1	Aug 1, 2017 - Aug 31, 2017

## Dilution for existing shareholders and the recapitalization of the Company

Subscription of shares through the exercise of the warrants may result in a decrease of the proportionate ownership and voting rights of the holders of shares of the Company. Upon full exercise all warrants, there will be an increase of 5,500,000 shares and the dilution effect will be about 12 percent for existing shareholders, based on 45,559,455 shares.

## Pre-emption rights and treasury stock

The Company's Articles of Association does not contain any clauses concerning pre-emption rights (rights of first refusal). The Company owned 1,000,000 shares as per December 31, 2015.

## Dividends Policy

As Seamless is a growth company as of yet it has not issued dividends to its shareholders. The basis for the decision on at what point dividends will become a company distributing dividends depends upon the Company's financial position, developments in regards to profitability, growth potential and investment requirements.

## Authorization

The Annual General Meeting of the Company made the decision on 4 May 2015 to provide authorization to the Board of Directors to decide, on one or more occasions, with or without deviation from the shareholders pre-emption rights, until the 2016 AGM, on the issuance of shares and/or warrants and/or convertibles. Such an issue or issues may result in an increase in the number of shares in the Company by a maximum of 10,000,000 shares. The authorization was utilized by a directed share issue of SEK 31,8 million (3,532,222 shares) in December 2015 and in February 2016 of SEK 24,6 million (3,075,966 shares).

# Seamless

The same Annual General Meeting resolved to authorize the Board of Directors, on one or more occasions, until the 2016 AGM, to make a decision concerning the repurchase of the Company's shares. The Company may repurchase shares so that the Company's holding does not any time exceed 10 percent of all outstanding shares of the Company. The Board of Directors was further authorized, on one or more occasions, until 2016 AGM, to make a decision on transfers of the Company's shares. The transfer of the Company's own shares may take place on the NASDAQ OMX Stockholm or in connection with the acquisition of all or parts of companies or businesses operations, and may not exceed the number of shares that the Company holds at the time of the Board of Directors' decision concerning the transfer.

## **Miscellaneous**

The Company is a Euroclear registered company, which means that all the shares are held in accounts by Euroclear. This means that Euroclear maintains the Company's shareholder register. The ISIN code for the shares is SE0000857369.

## MANAGEMENT REPORT

The Board of Directors and the Chief Executive Officer of Seamless Distribution AB (publ.) org.no. 556610-2660 hereby submit the Company's and the Group's financial reports for the fiscal year January 1 to December 31, 2015. The Notes contained on pages 43 to 71 form an integral part of this Annual Report.

### Business Operations

Seamless is a fast-growing global software development company, specializing in technology solutions for mobile carriers, banks, supermarkets and distributors. The Company's main business operations and products consist of:

- Seamless' Transaction Switch for mobile carriers where electronic replenishment of balances on prepaid cards, e-TopUp, and value-added services, VAS, are offered.
- Seamless' own distribution channel of electronic products.
- Seamless' solution for mobile payments, SEQR.

Seamless' proprietary transaction switch ERS 360 is at the core of the business and each year handles over 3.7 billion transactions worldwide through 580 000 active resellers. It is the unique transaction platform developed by Seamless that is the foundation for SEQR. Over 6 200 merchants has chosen SEQR. In 2013 SEQR was launched in Romania and thereafter Belgium, Finland and Portugal has been introduced to SEQR during 2014. Seamless is traded on NASDAQ OMX Stockholm under the symbol SEAM.

The Company is headquartered in Stockholm, with local offices in the following cities: Accra, Atlanta, Brussels, Bucharest, Copenhagen, Kolkata, Helsinki, Hyderabad, Lahore, Lisbon, Mumbai, Riga, Lodz, London and Stockholm.

### Five years in summary

Amounts stated in SEK, thousands	2015	2014	2013	2012	2011
Net sales	279 997	170 754	161 273	134 337	59 985
Operating income	-116 637	-164 997	-95 797	-29 894	-6 264
Profit/loss for the year	-119 308	-164 792	-79 946	-23 745	-4 909
Balance sheet total	205 332	256 418	416 748	179 063	75 017
Shareholder equity	102 636	190 365	367 457	137 110	42 359
Equity ratio	50	74	88	78	57
Average number of employees	146	172	112	66	41



# Seamless

# MILESTONES

2015



## SPRING/SUMMER 2015

MARCH

- Conversion of Ingram Micros clients is carried out
- The rewards program where users receive up to 3% back on everything they shop is launched
- Customers of Q-Park can now pay and extend their parking with Seqr all over Sweden

MAY

- With Instant Checkout Seqr simplifies the e-commerce purchase process
- One of Belgium's largest retail corporations rolls out Seqr in all of their 500 stores



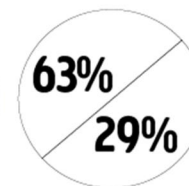
JUNE

- MyShop which makes it possible for anybody to start their own mobile store
- Seqr is made available in the Netherlands, Germany, Spain, France, Italy, Great Britain and the US

## FALL 2015

SEPTEMBER

- The possibility to connect your bank account to Seqr is enabled on the Swedish market
- Seqr is rolled out in all of Jysk stores in Sweden



- Money Transfer License obtained in the US (MTL)

OCTOBER

- Record breaking deal signed with leading African mobile operator for the installation of the transaction switch
- Revenues increased by 63% and losses were down 29%

## Significant events occurring during the year

- SEQR is available to consumers in the Netherlands, Germany, Spain, France and Italy.
- SEQR advertises the best rebate program in the market and connects the service directly to users' bank accounts. With the program, everyone who uses SEQR receives a rebate of up to three percent on all purchases. The possibility of linking the service directly to the user's bank account bypasses invoices, makes bank cards superfluous and offers an incentive for consumers to make the shift from cash or credit cards to mobile payments.
- Colruyt, which is one of Belgium's largest retail chains, rolls out SEQR in 2015 in all of its 500 stores.
- In the spring of 2015, SEQR was rolled out at Q-Park's 2500 payment machines around the country.
- Seamless has developed plug-ins for some of the world's largest e-commerce platforms such as Magento, OpenCart, PrestaShop and WooCommerce. This investment means that hundreds of thousands of online merchants will be able, in a quick and easy manner, to connect SEQR to their webshops and offer their customers the possibility of payment by mobile device.
- The migration of Ingram Micro's customers for distribution has begun. The anticipated annual revenues for the customers who migrate to Seamless is expected to be about SEK 70-75 million.
- Effective February 1, 2015, Seamless implemented the following Group Management changes: Annika Blomé, Chief Product Officer, became a new member of Group Management. At the same time, Anders Forssten resigned as Chief Marketing Officer. Seamless Vice President Ingrid Lindström will be leaving her position in autumn 2015. Daniel Hilmgård, CFO, left the company on August 31, 2015 and is replaced by an interim solution.
- SEQR launches MyShop – the service that allows everyone to start-up a mobile e-commerce shop. The new MyShop feature in the SEQR app provides all users their own shop with a simple, secure and free of charge payment solution.
- SEQR is available in more than Colruyt, Okay, Bio-Planet, Cru, Dreamland, Dreambaby 500 stores as well as independent Spar stores. In autumn 2014, the Colruyt Group and SEQR began its cooperative efforts to work together. The first tests were made at selected e-commerce platforms and the cooperative efforts have now been expanded to include all physical stores.
- SEQR continues to take advantage of its strengths in e-commerce and during the quarter Instant Checkout was released, which allows shopping on mobile devices with as few steps as possible. Along with the e-commerce provider E37, the solution has been integrated in mobile E37's mobile-customized checkout, and SWEdala Outlet's online store is a pilot customer.
- SEQR goes live in Great Britain and the United States during the second quarter.
- Seamless' U.S. subsidiaries received licenses for payment services in the United States, known as a "Money Transmitter License."
- Seamless issued SEK 29 million of convertible debentures. The board of directors of Seamless resolved to issue these bonds pursuant to the authorization granted at the latest annual general meeting of the company.
- SEQR is now available in all 134 Swedish JYSK stores.
- Seamless' transaction received a 1.7 MSEK order for Nigeria and Ghana from a leading African mobile operator group for the installation of its transaction switch.
- In December Seamless Distribution AB (publ.) ("Seamless") conducted a directed issue of shares of 31.8 MSEK. The number of shares and voting rights amount to 45 559 455.
- Seamless has secured a new order in Africa for its proprietary wireless POS terminal. The order is worth USD 2.4 million.

## Significant events after the close of the reporting period

- Seamless partners with Express Money and enters the international money transfer market. Through Seamless' mobile payment platform SEQR, Xpress Money and Seamless can offer its customers a convenient, safer and affordable way of sending money from one country to another, digitally.
- Seamless has received a new order from a leading African mobile operator in the Ivory Coast for the installation of its transaction switch. The order is initially valued at approximately USD 2 million.

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- As SEQR should fund for long term growth, Seamless intends to bring in a strategic equity partner as co-investor in the subsidiary SEQR through a directed equity placement. Awaiting the completion of such transaction, in order to cover negative cash flow Seamless finalized a , by means of the existing authorization from the general meeting, raise capital through a private placement of shares in Seamless of 24.6 MSEK.

## Sales Growth and Earnings

Income for the period January - December 2015 amounted to SEK 279,997 (170,754) thousand. This represents an annual growth of 6 percent. Sales in 2015 for the Transaction Switch business segment totaled SEK 90,486 (38,415) thousand, SEK 181,982 (124,571) thousand for the Distribution business segment, and SEK 7,529 (7,768) thousand for the SEQR business segment. This means that the Transaction Switch business operations accounted for 32 (23) percent of sales, Distribution accounted for 65 (73) percent, and SEQR accounted for 3 (4) percent.

Operating income profit/loss amounted to SEK -116,637 (-164,997) thousand. The operating margin at the group level was negative in both 2015 and 2014. The Distribution business segment made a negative contribution to operating profit in 2015 in the amount of SEK -4,827 (-11,763) thousand. The Transaction Switch business segment reported an operating profit for the full year 2015 at SEK 27,254 (9,741). The SEQR business segment reported an operating loss for the full year 2015 at SEK -119,888 (-135,555) thousand. The operating loss for non-distributable costs was in the amount of SEK -19,176 (-27,421) thousand. Total operating expenses for all segments totaled SEK -397,171 (-337,317) thousand. Net financial gain/loss for the year amounted to SEK -2,187 (482) thousand. Net loss for the year amounted to SEK -119,308 (-164,792) thousand.

The losses experienced were due to the expansion phase that the company is currently in where the major increases in expenses are attributable to establishing SEQR in new markets as well as personnel costs and consultancy costs. Operating result increased with app. 30 percent. The increased operating result is partly due to increased revenues, as well as decreased costs in the SEQR segment.

## Investments and depreciation

Capital expenditures for the year amounted to SEK 28,024 (30,427) thousand, of which capitalized development costs amounted to 18,244 (24,189) thousand. Depreciation increased to SEK -20,780 (-17,639) thousand. Depreciation during 2015 amounted to SEK -18,235 thousand primarily related to depreciation of capitalized development costs related to SEQR and foremost depreciation of activated costs for development. Write downs in 2015 related to goodwill and customer contracts amounted to 0 (0).

## Cash flow and financial position

The cash flow from operating activities totaled SEK -114,083 (-148,731) thousand. The cash flow from operating activities before changes in operating capital was SEK -99,413 (-147,348) thousand; the cash flow attributable to changes in operating capital was SEK -14,670 (-1,383) thousand.

The cash flow in 2015 from investing activities amounted to SEK -28,024 (-35,740) thousand. Cash and cash equivalents totaled SEK 23,005 (105,273) thousand at year end. The Group has a convertible loan that amounts to a nominal value of SEK 28,000 thousand and carries an annual rate of seven (7) percent. The interest cost due to the convertible loan amounts to SEK 947 thousand for 2015. The convertible loan will mature 364 days after the date of issue, i.e. on July 16, 2016, unless conversion or distribution has occurred prior to this date. Seamless has an equity ratio of 50 percent (74).

The cash flow from financing activities amounted to SEK 59,121 (-13,628) thousand. As SEQR should fund for long term growth, Seamless intends to bring in a strategic equity partner as coinvestor in the subsidiary SEQR by a directed equity placement. Awaiting the completion of such transaction, in order to cover negative cash flow Seamless has, by means of the existing authorization from the general meeting, raised capital by a private placement in Seamless of approximately 31.8 MSEK, during December month, and 24.6 MSEK in February 2016.

# Seamless

The board continually assesses the funding situation for the group and can use various methods for financing the current negative cash flow. Although the cash flow is continually improving, the group will be in need of further funding during the year ahead.

## Parent Company

The net sales for the parent company, Seamless Distribution AB (publ.), for 2015 amounted to SEK 7,848 (18,452) thousand and pre-tax profits stood at SEK -108,061 (-268,351) thousand. Net losses in the parent company from financial activities amounted to SEK -95,892 (-270,110) thousand. Cash and cash equivalents totaled SEK 5,231 (69,041) thousand. The parent company's investments totaled SEK 0 (0) thousand. The parent company had total of 2 (4) employees at the close of the year.

## Employees

The Group had 158 (166) employees at the end of the year. Additionally, Seamless had contracted consultants on a full-time basis in *inter alia* India, Ghana, and Pakistan, for an approximate total of 100 consultants. The annualized average number of employees was 146 (172).

## Guidelines for compensation to senior management

The proposed guidelines for compensation to senior management are reported in detail in the section "Corporate Governance," on page 23.

## The Seamless share

As of December 31, 2015, the registered share capital was 45,559,455 shares with a quota value of SEK 0.50. There is only one class of shares. Each share entitles the holder to one vote at a shareholder meeting and all shares have equal rights to a share in the profits and equal rights to share any surplus in the event of liquidation. In addition, each share carries an equal right to preference in the event of new issuance of shares, warrants and convertible bonds.

A differentiation of the shareholder's entitlement to vote their shares and rights regarding the Company assets and profits requires that the Articles of Association be amended, which requires a decision by a super majority of shareholders. The determination of the distribution of any dividends is made by the Annual General Meeting.

The Company's share register is maintained by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. All transactions with the Company's shares are made electronically via authorized banks and securities dealers. Newly issued shares will be registered to the individual in electronic form.

Shareholders with the highest representation of the voting shares of the Company:

Danske Bank (a total of 10.56% of the share capital and votes).

Kinnevik (a total of 9.29% of the share capital and votes).

Avanza Pension (a total of 6.26% of the share capital and votes).

The 2015 Annual General Meeting authorized the Board of Directors, until the AGM in 2016, to be able, on one or more occasions, to decide to issue new shares and/or convertible bonds and/or warrants, with or without preferential rights for existing shareholders. The Board of Directors is empowered to decide that the shares and/or convertible bonds and/or warrants shall be paid for consideration other than in cash or otherwise be subject to conditions referred to in Chapter 2, §5 (2), 1-3 and 5 of the Swedish Companies Act, or that the shares and/or convertible bonds and/or warrants shall have set-off rights. The Board of Directors' decision to issue shares and/or convertible bonds and/or warrants may result in an increase of the total number of shares of the Company by a maximum of 10,000,000 shares (if fully subscribed, the basis of such warrants and/or full conversion of such convertible bonds and before any conversion in accordance convertible bond's terms or conditions or the terms or conditions of the warrants). The issuance of new shares may be made for financing purposes, the financing of the acquisition of companies, parts of companies, or mergers. In the event of a decision to make a private placement of shares, the issue price of the new shares shall be established at an amount that closely corresponds to the Company's share price quoted on the stock exchange at the time of the issuance of the new shares. With a decision concerning a private placement of convertible bonds and/or

# Seamless

warrants, the pricing of and the terms and conditions for the convertible bonds must be the current market price and prevailing market terms. The Board of Directors were also authorized, taking into consideration the above conditions, to make a decision concerning such other terms and conditions as the Board of Directors deems appropriate and/or required in order to implement the issuance(s).

The reason for the right to deviate from the shareholders' preferential rights is to enable the Company to be able, in a quick and efficient manner, to finance the acquisition of a company, part of a company, or mergers.

## **Risks and management of risk**

Seamless' business operations are affected by a number of external circumstances in which different risk factors can affect the Company. These risk factors may impact the Company's ability to achieve its targeted goals. The risks Seamless has identified as significant for its business operations are as follows:

### **Market risks**

Seamless has customers in 29 countries, including in 13 countries in Africa. Many of these countries have been experiencing a democratic upheaval process in recent years, which has created uncertainty and have led to the delay of many investments and planned projects. This is a factor Seamless cannot influence but instead must constantly adapt to. Continuous monitoring is performed in order to estimate the level of risk as well as to minimize the level of risk these projects entail. To date, Seamless has not encountered a situation where it has been unable to complete a project due to these uncertainties. Projects have at times been delayed however, due to market conditions.

The customers Seamless has had have traditionally been the major mobile carriers around the world. Each project completed for a new customer often constitutes a significant share of the current year's sales. Delays in projects or a project being cancelled or otherwise uncompleted, raises the risk of a default, which would mean that operating income could be materially affected. Seamless actively works to broaden its product line as well as diversify its customer base in order to reduce any potential impact on earnings on any individual project and as well in order to capture market share.

Since 2011, the Company has been engaged in the distribution of airtime for mobile telecommunications for its own account. The Company orders airtime from the mobile carrier (based on a framework agreement), which is then stored electronically in the Company's IT system until one of the resellers with which the Company has an agreement with places an order. This results in an inventory risk for the Company, in the event that the airtime which is activated from the telephone carriers loses its value before it is able to be sold and delivered to the reseller, for example as a result of the insolvency of a mobile carrier or an irretrievable loss of data in the Company's IT system. This setup also results in a risk to the Company's cash and cash equivalents, in the event that the subordinated and activated airtime from the mobile carrier can not be quickly sold to the reseller, or while the invoice is outstanding and not yet paid.

### **Operational risks**

Seamless faces an anticipated expansion phase, where the new services and new technologies being introduced could place new demands on the Company's organization and technology. The Company historically has also expanded geographically to strengthen its position and competitiveness, a trend that is likely to continue.

Any future changes, such as an expansion in existing or entering new markets, or restructuring measures, may involve difficulties in relation to employees, suppliers, cooperation partners and customers, and could result in complications associated with such changes. In addition, there is also no guarantee that the Company's existing infrastructure, systems and organization has the capability to cope with the additional load that may result from an expansion. The Company may be required to implement additional, yet unknown, investments in order for any expansion to be successful. Therefore there can be no guarantee that any particular structural measure or expansion will be successful, and these factors may negatively impact the Company's financial position and earnings.

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Part of Seamless strategy is to enter into contracts for licensing and revenue sharing. The Company's income under such agreements will depend in large part on the work and efforts of Seamless' counterparts to increase volume vis-à-vis end customers. Internal changes in priorities, an economic crisis, and personnel problems at the Company's partners, may individually or collectively have a negative effect on the partner's willingness or ability to market and sell the Company's products. Lack of co-operation with, or involvement of, the Company's partner and the inability to enter into or renew cooperation agreements on terms that are acceptable to Seamless could have a material adverse effect on the Company's operations, profits and financial condition.

## **Availability of sufficient personnel and equipment**

Seamless ability to attract and retain qualified personnel is of great importance for the Company's future development, and if key personnel were to leave the Company this could therefore have a negative impact on the business operations. Future growth is also dependent upon being able to speedily recruit qualified personnel. In the event Seamless concludes agreements with major customers, Seamless may find it difficult to meet its commitments if recruiting cannot be done at the pace required and consequently the necessary capacity is not achieved. Although management is of the view that the Company is well positioned to attract as well as retain qualified personnel, there can be no assurance that this will occur on satisfactory terms and conditions considering the competition from other companies in the industry or related industries for available labor.

## **Financial risks**

The Group's activities expose it to a variety of financial risks such as market risk, liquidity risk, capital risk, interest rate risk and credit risks. A description of these risks follows, and they are also discussed in Note 3 in a more detailed form.

## **Currency risk**

The Company is based in Sweden, but the business operations are global and encompass countries in Europe, Africa, Asia and South America. The business operations are therefore exposed to several different currencies, such as the Euro and USD.

Foreign exchange risk arises almost exclusively from future commercial transactions, where the Company's operations in these countries are almost exclusively comprised of sales. The Company has a negligible amount of net assets which are exposed to currency fluctuations and no liabilities in currencies other than Swedish kronor. Accounts receivable arise continuously in foreign currencies. The currency in which receivables are generated depends upon the currency in which the sales of the Company's products are denominated. These assets (receivables) are subject to currency fluctuations. The Board has decided that these assets are not to be hedged, primarily due to the uncertainty regarding the timing of the payments.

## **Liquidity risk and capital risk**

Liquidity risk is the risk that Seamless has a deficiency of available cash for the payment of its obligations related to financial liabilities. In order to ensure adequate liquidity for its business operations, a weekly liquidity forecast analysis is maintained for the upcoming quarters. Seamless' goal in terms of capital structure is to safeguard the Group's ability to continue its business operations so that it can continue to provide returns to shareholders, including benefits for other stakeholders, and to maintain an optimal capital structure in order to reduce the cost of capital. In order to maintain the capital structure, Seamless works with both issuing new shares and with stock option programs. Beyond legal requirements regarding the capital structure, Seamless does not work with any explicit quantitative targets. At December 31, 2015, Group liquidity amounted to SEK 23,005 (105,273) thousand, consisting of funds on deposit in banks.

Seamless reported a loss for 2015. As mentioned earlier in this Annual Report, the loss was attributable to the Company's rapid expansion, which meant that the company has grown geographically going in to new markets, foremost due to the launch of SEQR in several European markets as well as in the USA. This has resulted in costs for establishment. Already in the last year's Annual Report, the company wrote that the focus for 2015 would be to continue the expansion and gain market share in Sweden as well as abroad. During 2015 the

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expansion has continued, with decreased costs. The preparations have already been made and costs have already been taken, especially when it comes to costs for building infrastructure and improvements in the technical platform. The decreased costs are foremost due to the decrease in the work force and less need to further develop new functionality and features in Seamless transaction switch. As SEQR should fund for long term growth, Seamless intends to bring in a strategic equity partner as coinvestor in the subsidiary SEQR by a directed equity placement. Awaiting the completion of such transaction, in order to cover negative cash flow Seamless has, by means of the existing authorization from the general meeting, raised capital by a private placement in Seamless of approximately 31.8 MSEK, during December month, and 24.6 MSEK in February 2016. The board continually assesses the funding situation for the group and can use various methods for financing the current negative cash flow. Although the cash flow is continually improving, the group will be in need of further funding during the year ahead.

## **Interest rate movement risks**

Seamless has no interest-bearing financial liabilities, thus changes linked to market interest rates do not affect earnings and cash flow from current operations. The interest rate risk is the risk that changes in overall market interest rates negatively affects the Group's net profits. Interest rate risk would arise for Seamless from long-term borrowings. Borrowings which are made at floating or variable interest rates would expose the Group to interest rate risk concerning cash flows, which would partially be offset by cash assets earning variable interest rates.

The Group has a convertible loan that amounts to a nominal value of SEK 28,000 thousand and carries an annual rate of seven (7) percent. The interest cost due to the convertible loan amounts to SEK 947 thousand for 2015. The convertible loan will mature 364 days after the date of issue, i.e. on July 16, 2016, unless conversion or distribution has occurred prior to this date. The conversion rate has been set to SEK 8.55 and the issue of convertible debentures will entail, upon full conversion, a dilution for the current shareholders of Seamless of approximately 7.49 per cent after full dilution.

## **Credit risks**

Credit risk or counterparty risk is the risk that the counterparty to a financial transaction does not fulfill its obligations when due. The credit risks Seamless is exposed to include its funds kept in bank accounts and accounts receivable. With regard to money on deposit with banks, it is estimated that the credit risk is low given that the counterparties are major established banks in Sweden with high credit ratings. The Group's major financial risk is the credit risk associated with outstanding accounts receivable.

The Company has credit risks in the outstanding accounts receivable. The credit risks in accounts receivable relates primarily to companies within the telecommunications sector, where credit risk is deemed as low due to that the counterparties are major, well-established mobile carriers or suppliers of telecommunications equipment. For this reason, no credit guarantees have been required in connection with accounts receivable exposures. During 2015 we have strengthened our exposure assessment methods regarding new and existing counterparties. Partially as a result of this effort we have increased the amount of pre-paid billing within the Seamless Distribution Systems division. The credit losses Seamless have experienced have historically been low.

## CORPORATE GOVERNANCE

### Seamless Governance Report for 2015

Seamless Distribution AB is a Swedish public company listed on NASDAQ OMX Stockholm. Corporate governance within the Seamless Group is based on Swedish legislation and regulations along with the rules and recommendations issued by relevant organizations such as the Kollegiet för svensk bolagsstyrning/Swedish Corporate Governance Board, NASDAQ OMX, Aktiemarknadsnämnden/Swedish Securities Council, among others. Corporate governance, management, and supervision of Seamless is divided between the shareholders at the Shareholders Meeting, the Board of Directors, and the Chief Executive Officer of the Company in accordance with the Swedish Companies Act and the Board of Directors' rules of procedure.

#### Reporting structure in Seamless

##### Examples of external rules and regulations:

- Swedish Companies Act
- Applicable accounting and auditing legislation
- International Financial Reporting Standards (IFRS)
- NASDAQ OMX Stockholm's rules and regulations for issuers of shares (beginning with the time of listing)
- The Swedish Corporate Governance Code

##### Examples of internal rules and governing procedures:

- The Articles of Association
- Directives and rules of procedure for the Board of Directors and for the CEO
- Internal policies, manuals and handbooks, and guidelines

#### The Swedish Corporate Governance Code

The Swedish Corporate Governance Code is based on the principle of "comply or explain." This means that a company is allowed to deviate from a rule in the Code of Corporate Governance, *provided that* any deviation from the rules is clearly reported and that the reasons for the departure from the rules are explained. Seamless presents, with this Annual Report, its first corporate governance report pursuant to the Swedish Corporate Governance Code. Seamless is also expected to specify in the corporate governance report in what respects the Code has not been applied, if this is the case, and specifically explain the reasons for this. During the fiscal year, Seamless has complied with the Corporate Governance Code and is not reporting any departures from the rules of the Code for the 2015 fiscal year.

#### Shareholders

Seamless is listed on NASDAQ OMX Stockholm, where trading in the shares began in 2012. The share capital at the end of the calendar year amounted to SEK 22,779,728, divided among a total of 45,559,455 shares. The Company has only one class of shares (and thus no A or B class shares). At the end of 2015, Seamless had a total of approximately 3,000 shareholders, according to statistics from Euroclear Sweden. The ten largest shareholders held 50.56% of the votes and capital. The largest shareholders as per December 31, 2015 were Danske Bank Group 10.56 percent, Kinnevik with 9.29 percent of the shares, and Avanza Pension with 6.26 percent of the shares.



## **Shareholder Meetings**

The Shareholder Meeting is the highest decision-making body in Seamless and must be convened in Stockholm once per year, before the end of June. The time and place is announced publicly in connection with the issuance of the third quarter report. The notice and invitation to attend an ordinary shareholder meeting is to be published no earlier than six weeks and no later than four weeks prior to the meeting, and for an extraordinary shareholder meeting no earlier than six and no later than three weeks prior to the date for the meeting. A notice of an extraordinary shareholder meeting at which an amendment of the Articles of Association is to be dealt with must be issued no earlier than six and no later than four weeks prior to the date for the meeting. The notice and invitation to attend must always be given by announcement in the Swedish Post- och Inrikes Tidningar. That the notice has been given must be advertised in Dagens Industri. All of the documents required for the shareholder meeting are available on the Seamless website.

Shareholders that wish to participate in the Annual General Meeting must give notice before 12.00 pm of the day that is announced in the notice of convening the Annual General Meeting.

The Annual General Meeting makes decisions concerning the Articles of Association, elects the Board of Directors and Chairman of the Board of Directors, appoints the Auditor, adopts the Profit & Loss Statement and Balance Sheet and decides on the allocation of profits and discharge of liability for the Directors, makes decisions concerning the Nominating Committee, principles for the compensation to the CEO and other members of senior management, among other responsibilities and authorities. Most decisions at the shareholder meetings are taken by simple majority. In certain cases, the Swedish Companies Act proscribes that certain decisions require a supermajority, for example, the decision to amend the Articles of Association, which requires that shareholders with at least two-thirds of both the votes cast as well as the shares represented at the meeting approve the decision.

In order to have an item considered at an Annual General Meeting, a shareholder must submit a written request to the Board of Directors in sufficient time in advance so that matter can be included in the notice and invitation to the shareholders meeting. Information concerning the latest time for such a request is available on the Seamless website.

The Company's Articles of Association contain no restrictions on how many votes each shareholder may cast at the shareholder meeting. All shareholders who are registered in Euroclear Sweden's shareholder register and who have notified the Company sufficiently in advance of their intended participation are entitled to attend the shareholder meeting and vote for their total holdings of shares. An advisor for a shareholder may also accompany the shareholder to the shareholder meeting if the shareholder submits prior notification to this effect.

## **Annual General Meeting 2015**

The Annual General Meeting for the fiscal year 2014 was held on May 4th. The location of the shareholder meeting was St Eriksgatan 121 in the city of Stockholm. The notice of the meeting and invitation to attend was published on the Company's website March 31, 2015 and placed in the April 2, 2015 Post- och Inrikes Tidningar, and the information that the notice was made has been advertised in Dagens Industri on the same date. At the Annual General Meeting, 12 shareholders, representatives or advisors were present, who collectively represented 40.22 percent of the votes.

The Seamless Board of Directors and the Auditor were present.

The AGM made decisions concerning:

- Resolution concerning the income- and balance statement as well as group income- and balance statement for 2014 fiscal year.
- Resolution concerning the distribution of the profit/loss, where the profit/loss was brought forward.
- Discharge of liability for the members of the Board and the CEO for the 2014 fiscal year.
- Decision that the Board of Directors is to consist of five members.
- Determination of remuneration for the members of the Board of Directors and Auditor.
- Election of members of the Board of Directors and Chairman of the Board
- Directives for remuneration to Group Management and CEO.
- Directives for how the election committee is to be elected for the 2016 AGM.

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- Resolution concerning the authorization to issue shares and/or warrants and/or convertible bonds.
- Authorization to repurchase and conveyance of the Company's own shares.
- Decision about an employee incentive program based on warrants.

The Annual General Meeting 2016 will be held in Stockholm on April 21, 2016.

## **Nominating Committee**

The Annual General Meeting shall appoint the Nominating Committee's members or indicate how these are to be appointed. Prior to the 2016 Annual General Meeting, the Nominating Committee was appointed via that the Chairman of the Board contacted the four shareholders holding the largest number of registered shares (or largest shareholders known by other means) as of 1 August 2015 and urged them to appoint one member each to the Nominating Committee. The Nominating Committee consists of these four members together with the Chairman of the Board, thus it has a total of five members. If a member of the Nominating Committee leaves before its work is completed, if necessary, a replacement of the member is appointed by the shareholder who appointed the resigning representative, or, if this shareholder is no longer one of the four largest registered shareholders, the largest shareholder of the four largest registered shareholders who has not appointed any member to the Nominating Committee.

The Nominating Committee shall elect a chairman from among its members; the Chairman of the Board or other members of the Board of Directors may not be appointed chairman of the Nominating Committee. The Nominating Committee shall submit recommendations concerning the Chairman and other members of the Board of Directors, as well as concerning director's fees and other remuneration for each of the members of the Board of Directors. The Nominating Committee shall also submit recommendations for the appointment and remuneration of the Auditor. The mandate of the Nominating Committee shall run until a new Nominating Committee has been appointed. No financial compensation is to be paid to the Nominating Committee's members.

The Nominating Committee's obligations and responsibilities in preparation of the 2016 Annual General Meeting concerning the 2015 fiscal year are:

- Recommendation for chairman of the AGM
- Recommendation for members of the Board of Directors
- Recommendation of the Chairman of Board of Directors
- Recommendation for remuneration to the members of the Board of Directors
- Recommendation the Auditor's fee
- Recommendation concerning the composition of the Nominating Committee in preparation of the 2016 Annual General Meeting.

Shareholders may submit proposals to the Nominating Committee. Such proposals or recommendations should be sent via e-mail to: [valberedning@seamless.se](mailto:valberedning@seamless.se)

## **Board of Directors**

### **The Board of Directors' practices and procedures**

The Board of Directors is the highest decision-making body of the Company during the period between the annual general meetings. The rules of procedure of the Board of Directors are governed pursuant to the Swedish Companies Act and the Company's Articles of Association. The Board of Directors shall annually adopt written rules of procedure for its work. The Board of Directors shall also state, in the written instructions, the division of tasks and responsibilities between the Board of Directors, the CEO, and the committees established by the Board. The Board of Directors shall make decisions on matters related to:

- Strategies, business plan and financial budget
- Annual reports, interim financial reports and the Company's annual financial statements
- Significant changes in the Company's organization and business operations, internal controls and risk management
- Major capital expenditures, acquisitions, and other changes in corporate structure
- Loans and other financing matters of a significant nature

- The Company's compliance with applicable rules and regulations

The work of the Board of Directors follows the rules of procedure established annually by the statutory Board of Directors meeting which follows after the AGM. The rules of procedure govern decision-making within Seamless, the rules for the Board of Directors meetings, and the division of tasks and responsibilities between the Board of Directors, the Chairman of the Board, Board Committees, and the CEO. The rules of procedure is a complement to the Swedish Companies Act and the Company's Articles of Association. In addition to the rules of procedure and directives, there are policies that specify the purpose, framework, and responsibilities for the various work areas and units.

The Chief Executive Officer has the responsibility to oversee the operational management in accord with the Board of Directors' guidelines and directions. The division of responsibilities between the Board of Directors and the CEO is determined in written instructions. The Board of Directors' rules of procedure with directives for the division of tasks and responsibilities between the Board and the CEO, and for financial reporting, are updated and approved annually. The updating is based partly on the evaluation of the work of individuals on the Board and collective Board work that the Board of Directors performs.

## Chairman of the Board

The Chairman of the Board leads the work of the Board of Directors and ensures that the Board performs its duties and responsibilities. In addition, the Chairman represents the Board vis-à-vis the owners, i.e. the shareholders, as well as maintains regular contact with the shareholders. The Chairman of the Board also has the responsibility for taking the initiative to ensure that the annual evaluation of the work of the Board of Directors and the CEO is properly conducted. The Chairman of the Board ensures that the Board receives adequate information and supporting documents in order to be able to carry out their responsibilities and that the members receive whatever education/training may be required in order that the work of the Board will be able to function effectively. The Chairman also has the responsibility to ensure that the Board's decisions are properly implemented.

## The Composition of the Board of Directors

In accord with the Company's Articles of Association, the Seamless' Board of Directors is to consist of four to eight members, with a maximum of five alternative members. The members of the Board are elected annually at the Annual General Meeting, for a term ending at the end of the following Annual General Meeting. For 2015 the Board of Directors consists of five individuals, whose work is headed by the Chairman Hein Pretorius. The secretary is Johanna Engelbrekt, who is also CFO on an interim basis. The current Board of Directors was elected at the AGM on May 4, 2015 and consists of Hein Pretorius (Chairman), Peter Fredell (CEO), Kristin Berdan, Omar Cordes and Robin Saunders.

Name	Year of birth	Title	Year elected	Dep.	Committee work	Independent* in relationship to		Presence on the Board	Fee (in SEK thousands)
						The Company	Largest shareholder		
Hein Pretorius	1971	Chairman	2015	-	Nominating Committee Audit Committee Remuneration Committee	Yes	Yes	6/11	500
Kristin Berdan	1968	Director	2015	-	Remuneration Committee Audit Committee	Yes	Yes	6/11	400
Peter Fredell	1965	Director/ CEO	2009	-		No	No	11/11	0
Omar Cordes	1954	Director	2013	-	Remuneration Committee	Yes	Yes	9/11	400
Robin Saunders	1962	Director	2013	-	Remuneration Committee Audit Committee	Yes	Yes	10/11	400

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\*independent as defined according to the Swedish Corporate Governance Code.

**Hein Pretorius** was elected Chairman of the Board of Seamless in 2015. Hein has over 21 years of experience in the Internet industry. He started his career on the infrastructure side of the Internet consulting on and project managing the installation of corporate VPN's and networks. Hein's career evolved into the services aspect of the industry with specific focus on B2B networks and later more specifically into the eBusiness sector.

Hein was the founder of the first eCommerce company based in South Africa, which is still today the leading B2C company on the African continent.

Hein moved to China in 2004 where he led the Naspers Group's initiatives in business development within the Internet sector as Business Development Director, which culminated in various investments made by the group across the BRIC countries (Mail.ru in Russia; Allegro Group in CEE/CIS; Gadu-Gadu in Poland; Nimbuzz in Holland; Buscape in LatAm). In 2007 Hein moved to the Netherlands to manage the portfolio of businesses across Europe, first as COO and in September 2008 as CEO of MIH Internet Europe.

From 2007-2013 Hein was responsible for all of the acquisitions made within the Allegro Group which included Markafoni (Turkey), Fashion Days (CEE), Netretail (Czech Republic) and eMag in Romania to name a few. In 2012 Hein also took on the role as CEO of the Allegro Group and was a member of the Global Transaction eCommerce Board (Naspers). Currently Hein is an independent advisor and serves on various boards as a non-executive director.

**Peter Fredell** has been a Director of Seamless since 2009. Currently, in addition to assignments in the Seamless Group, Peter holds Directorships in Fredell & Co. SF. Ltd., Fredell & Co AB, Fredell & Co Invest AB, and Europeloan Finance SA. Additionally, he is a partner in Outback Financial Inc. and Fredell & Co Invest AB.

Over the past five years, Peter Fredell has not been a member of the administrative, management or supervisory bodies, or a partner in any companies, other than those stated above.

Peter Fredell majored in Economics at Stockholm University. He indirectly holds 2,852,021 shares of Seamless stock via a company.

**Kristin Berdan** became a Director of Seamless in 2015. Kristin Berdan is a Director in the Legal Department at Google, with primary responsibilities in the areas of cybersecurity and computing infrastructure. Since joining Google in 2004, Kristin has been an advisor to management on internet infrastructure legal and policy issues globally. Prior to joining Google, Kristin held legal positions at Sun Microsystems and Lawrence Berkeley National Laboratory. Kristin received her BA in Peace and Conflict Studies at UC Berkeley, with an Area of Concentration in extremist politics and international terrorism in the Middle East. She has a minor in Near Eastern Studies from UC Berkeley. Kristin received her law degree from UC Davis. Kristin lives in Oakland, California.

**Robin Saunders** became a Director of Seamless in 2013. Robin is the Managing Partner of Clearbrook Capital Partners LLC, a Visiting Fellow at the Saïd Business School, University of Oxford, and member of the board of directors of the Hawk Group and the Sadlers Wells Dance Theatre.

Over the past five years, Robin Saunders has been a director of Harbourmaster Capital Holdings Limited, however no longer holds that position.

Robin Saunders earned a bachelor's degree in Finance from Florida State University. Robin does not own any shares of the Company.

**Omar Cordes** became a Director of Seamless in 2013. Omar Cordes co-founded Ownership Capital, which is based in Amsterdam, and is currently CEO of this company.

During the past five years, Omar Cordes held senior positions in business and product development, marketing and distribution for Credit Suisse Asset Management, Hong Kong. During his time at Credit Suisse, he was also a member of the Global Managing Director Evaluation Committee and co-chaired the Hong Kong Charity Committee.

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Omar Cordes holds a BSc in Industrial and Labor Relations from Cornell University and an MBA from Harvard Business School. He does not own any shares of the Company.

**For additional information pertaining to the Board of Directors, contact them via their address at:**

**The Board of Directors  
c/o Seamless Distribution AB  
P.O. Box 6234  
SE-102 34 Stockholm**

Except as described above, during the last five years none of the members of the Board of Directors has been a member of an administrative, management or supervisory body, nor a partner, of a company that went into liquidation, declared bankruptcy, or initiated a debt restructuring.

None of the individuals on Seamless' Board of Directors has, over the last five years, been convicted in relation to fraudulent offenses. None of the individuals on Seamless' Board of Directors during the past five years been a representative of companies that have been the subject of allegations or sanctions by authorities or organizations representing a particular profession which is regulated by public law, or imposed disqualification. There is no family relationship between the persons of Seamless Board of Directors or in relation to any of the Company's management. There is, as far as Seamless is aware of, know of no conflicts of interest within the administrative, management or supervisory bodies or other persons in positions of responsibility. As stated above two of the members of the Board of Directors have financial interests in the Company through share ownership.

## **Board Meetings**

In 2015, the Board of Directors held a total of 11 meetings. At the meeting of the Board, in addition to reporting and monitoring of ongoing operations and profitability trends, including targets and strategies for the business operations, acquisitions and significant investments, larger organizational issues and matters relating to the capital structure are dealt with. The Board of Directors discusses the Company's interim reports quarterly and decides on its adoption and publication. The CEO participates in the Board of Directors' meetings. Other senior management of Seamless participates as needed and present reports on business plans and strategic issues. The CFO of Seamless takes the Board's minutes. The Board of Directors conducts an annual day for the review of the Group's strategy, in which all members of the Group management participate. The CEO, CFO and senior management lead the effort to develop the Company's strategy, which is then reviewed, challenged constructively, and approved by the Board of Directors during the strategy review day.

The Board of Directors also receives annually reports from Seamless' Auditor regarding findings from the audits and assessments which have been conducted. At least once a year, the Auditor meets with the Company's Board of Directors without the CEO or any other members of senior management in attendance. Auditing and compensation matters are prepared by the respective committees.

In order to ensure that the Board of Directors fulfills the demands which are placed upon it, a systematic and structured process is implemented in order to evaluate the work of the Board and its members. The evaluations occur individually concerning the Board of Directors' work and the need for experience and expertise. The results of the evaluations are discussed collectively within the Board of Directors. The Chairman of the Board presents the results at a meeting of the Nominating Committee.

The tasks and responsibilities, and rules of procedure, for the Committees are established by the Board of Directors in written instructions. The Committees' primary task is to prepare matters which are then submitted to the Board of Directors for a decision.

2015 was characterized by a high level of activity for the Board of Directors, with many strategic discussions and decisions concerning foremost expansion plans and plans for establishing SEQR in new markets. The Board of Directors has also addressed issues related to personnel, such as hiring, compensation policy for members of senior management, and matters relating to investments and acquisitions.

## Committees

### ***The Audit Committee***

The primary responsibility of the Audit Committee is to take the Board of Director's mandate and applicable rules and regulations, and examine Seamless' administration and management, internal controls, and financial information, and to prepare questions in these areas prior to Board decisions.

The Audit Committee also prepares the quality assurance of the financial reports prior to the Board of Directors' decision concerning the financial reporting, regularly meets with the Seamless Auditors, informing themselves about the focus and scope of the audit, and discusses views regarding the risks the Company is exposed to.

The Audit Committee also has the task of evaluating the external auditing activities, informing the Board about the results, and assisting in preparing a recommendation for the selection of Auditor(s). The Audit Committee currently consists of Hein Pretorius, Robin Saunders and Kristin Berdan. During 2015, the Audit Committee met on three occasions. The Board of Directors has made an evaluation concerning the need for an internal audit unit and has determined that the follow-up described above is sufficient to ensure that the internal controls are effective. The need for an internal audit function is reviewed annually by the Board.

### ***The Remuneration Committee***

The Remuneration Committee's primary responsibility is to prepare proposals concerning the principles for compensation and other terms of employment for members of senior management prior to the Board's recommendations and decision of the Annual General Meeting. The compensation to be paid to the CEO is decided upon by the Board of Directors based on the Remuneration Committee's recommendation. Compensation other members of senior management is determined by the Chief Executive Officer after consultation with the Remuneration Committee. Compensation to members of senior management is to be competitive market terms. The compensation consists of an established base salary, variable compensation, pension contributions and other benefits as specified. The base salary, which is individual and differentiated taking into consideration each individual's responsibilities and performance, is determined based on market principles, and is revised annually. The category "other members of senior management" consists of members of the Company's executive management team.

The Remuneration Committee reviews the compensation structures and compensation levels within the Company. The Remuneration Committee is made up of all members of the Board of Directors except for Peter Fredell (as he is the CEO). During 2015, the Remuneration Committee met on one occasion.

### **Auditor**

PriceWaterHouseCoopers AB are the company's auditors. At the AGM 2014, PwC was elected to be the company's auditors for the coming four year period. The chief auditor is the certified public accountant, Niklas Renström. In addition to being the Auditor for Seamless Distribution AB, Niklas is auditor for Eltel AB (publ.), Enea AB (publ.) and Vitec Software Group AB (publ), among others. The auditor examines the corporate governance including the management, administration, financial statements, internal procedures and the control system, as well as the quarterly and annual financial statements. This also includes the review of the Company's quarterly report as of Q3 and the Annual Report. During 2015 one quarterly report has been audited. The Board of Directors meets with the Auditor annually for a presentation regarding whether the Company's organization is appropriately structured in such a manner so that the accounting and administration is supervised in a satisfactory manner. For fiscal year 2015, the Auditor made a report to the Audit Committee on three occasions, as well as to the CEO on two other occasions.

### **Chief Executive Officer**

Peter Fredell is President and CEO of Seamless, and additionally sits on the Board of Directors. The CEO has the responsibility for the day-to-day management and supervision of the Group's business operations. The Directives for the CEO are adopted annually in conjunction with the statutory Board of Directors' meeting

where the division of responsibilities between the Board of Directors' and the CEO are defined. The CEO reports to the Board regularly concerning the business operations and the developments concerning the various different products, and implements the strategy and decisions made by the Board of Directors.

## **Guidelines for remuneration**

The members of the Board of Directors elected at the Annual General Meeting receive a director's fee. The determination of the director's fee and the amount the fees to the Auditor takes place at the AGM. For 2015, the total costs for remuneration to the members of the Board of Directors was SEK 2,234 (2,108) thousand. At the 2015 Annual General Meeting, it was decided, in accordance with the Nominating Committee's recommendation, that fees were to be paid to the Chairman of the Board in the amount of SEK 500,000, and the other Directors who are not employees of the Company in the amount of SEK 400,000. The Auditor's fees are to be paid pursuant to an itemized statement of account.

According to the guidelines for compensation to members of senior management adopted in 2015, the compensation to these individuals must be on competitive market terms. Compensation consists of an established base salary, variable compensation, pension contributions and other benefits as specified. The category "other members of senior management" consists of members of the Company's executive management team.

None of the members of the Board of Directors or senior management have entered into agreements with the Company concerning benefits after the end of their position.

## ***Base salary and variable compensation***

The base salary, which is individual and differentiated taking into consideration each individual's responsibilities and performance, is established based on market principles and is revised annually. The variable compensation is linked to predetermined and measurable criteria based on the Company's sales and net profits. These criteria are designed with the purpose of encouraging the creation long-term value. Variable compensation is conditional upon fulfillment of targets determined annually. Targets are related to the Company's net profits and to measurable targets within the individual's area of responsibility. The annual variable salary may not exceed 100 percent of the base annual salary. Variable compensation may also be paid in the form of shares of the Company through participation in a share-based incentive program comprising an offer for the acquisition of stock options and/or warrants.

## ***Pensions and other employment benefits***

The basic principle concerning pension arrangements is that the terms and conditions are in accordance with market practice in the country where the senior executive is normally resident. The retirement age for members of senior management varies depending upon local practice. For the CEO, the Company is required to allocate an amount equal to 10 percent of the CEO's pensionable annual salary for pension and insurance solutions. Pensions and benefits for all others in senior management positions are to comply with local custom and practice in terms of pension agreements or equivalent provisions. Other pension allocations are made in accordance with local custom and practice, after approval by the human resources department and the CEO. Other benefits such as a company-provided car, health and medical care insurance, etc., shall be determined by what is considered reasonable in relation to local market practice and, where such benefits exist, only as a limited portion of total compensation.

## ***Advance notice period for termination of employment and severance pay***

For the CEO, the required advance notice period for termination of employment is 12 months, and for other employees in senior management positions, four to nine months. Upon termination by the Company, the CEO is not entitled to any severance pay. Nor are other employees in senior management positions entitled to severance pay upon termination. The Board of Directors has the right however to deviate from these guidelines in individual cases if special reasons exists.

## **Internal supervision and controls**

In accordance with the Swedish Companies Act, Swedish Annual Accounts Act, and the Swedish Corporate Governance Code, the Board of Directors has the responsibility for the internal supervision and governance of the Group and is required to continually remain informed about, and evaluate, the Company's internal supervisory systems. The Board of Directors has the task and responsibility to report on the effectiveness of the internal supervision and controls with regards to how the financial reporting is organized, and if the company does not have any internal auditing, to evaluate the need for such a unit and to justify their decision. The description below is limited to internal supervision concerning the financial reporting and the Board of Directors motivated position.

### ***Control Environment***

The basis of control and supervisory system pertaining to financial reporting is the guidelines and governing policy documents that the Company has, which includes the rules of procedure for the Board of Directors and CEO, as well as guidelines outlining the division of responsibilities and authority concerning the Company's organization. The CEO, together with senior management, has operational responsibility for the internal supervision and management on the basis of the Board's guidelines, along with the legislation and rules regarding financial reporting establishing the division of roles and responsibilities for the employees who are working on financial reporting within the Group. The CEO regularly reports to the Board of Directors, as mentioned above, regarding the financial reports and direction the business is heading. In addition, the Board of Directors and the CEO receive a report from the Company's Auditor.

### ***Assessment of risks***

The identification, evaluation, and management of the Company's risks and how they may affect the business operations and its financial reporting, is conducted regularly. The Board of Directors of Seamless approves principles and guidelines for risk management, and the CEO and senior management have operational responsibility in this regard. Within the framework of the Seamless monthly reporting, continual risk assessments are made by each respective unit manager, where measures are implemented as required. The primary risks are related to financial risks such as currency exchange rate risk and liquidity risk, and the risk of a misstatement in the financial statements.

### ***Supervisory activities***

Supervisory activities are designed to manage the risks that the Board of Directors and the Company's management determine to be essential for the internal supervision of the financial statements. Supervisory activities which are designed to prevent, detect, and correct errors and discrepancies are evaluated. The division of responsibilities and the organization constitute the structure of the supervision. follow-up takes place within each area of responsibility as well as for the organization as a whole. The distribution attestation and authority constitute the structure for supervisory tasks, as do clearly defined rules and guidelines regarding decisions on investments, sales, purchasing and the signing of contracts. Supervisory activities are also based on the business concept, strategies and targets, i.e. what is critical for the business operations. A high level of IT security is a prerequisite for effective internal supervision of the financial reporting. External financial reporting, with subsequent follow-up, occurs quarterly, while internal financial reporting occurs on a monthly basis. During 2015, governance has been made through a budget for the Seamless group, approved by the Board of Directors. The budget is revised during the year and becomes forecasts with comparisons between actuals, forecasted and budgeted numbers.

When the reporting is made, analyses and comments concerning the developments in relation to established goals will be included. Supervision related to research and development projects is managed through continuous project monitoring and tracking including the reporting of sub-projects. Efforts expended and financial expenditures are linked to plans and budgets, and the anticipated project expenditures remaining until the completion of the project are to be reported. Follow-up regarding liquidity and cash flow is undertaken continuously, with updating of the forecasts together with the accompanying liquidity planning.



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The continuous analysis of the financial statements at various levels is essential in order to ensure that the financial statements do not contain any material errors or misstatements. Supervisory activities are embedded throughout the financial reporting process.

In 2015, Seamless' Auditors carried out a review in conjunction with the third quarter financial statements, and they submitted their audit report as part of the January 1 - September 30, 2015 Interim Report including an audit of the financial statements, wherein the Company's Auditor submitted their auditor statement as part of the 2015 Annual Report. In light of the scale and limited complexity of the business operations, in combination with existing Board of Directors' reporting and the reporting to the Audit Committee, the Board of Directors has made the determination that it is not financially feasible to establish a separate internal audit unit. The internal supervision which is described above is deemed to be sufficient and adequate in order to ensure the quality of financial reporting.

The table below shows the name, year of birth, position, years of employment, as well as holdings of shares and warrants in Seamless.

Seamless Group Management					
Name	Year of birth	Current position	Employed by Seamless since	Shareholdings (including holdings by closely-related parties and via legal entities)	Holdings of warrants (including holdings by closely-related parties and via legal entities )
Peter Fredell	1965	President, CEO	2011	2,713,275	-
Annika Blomé	1974	Chief Operating Officer	2012	600	20,000
Tommy Eriksson	1961	Chief Operating Officer	2009 <sup>1</sup>	65,062	,
James Connelley	1974	Vice President, Sales	2014	-	-

## PROPOSED APPROPRIATION OF NET LOSS FOR THE YEAR

The following funds are available for disposition by the parent company (SEK):

Share premium reserve	466,878,310
Retained earnings	-299,189,465
Net profit/loss for the year	-108,060,790
<b>Total</b>	<b>59,628,055</b>

The Board of Directors proposes that the funds be appropriated so that SEK 59,628,055 is carried forward to the following year. Regarding the Company's profits/losses and its overall financial position, reference is made to the Profit & Loss Statements, Balance Sheets, and Cash Flow Statements with their accompanying Notes. The financial statements were authorized for release by the parent company's Board of Directors on March 17, 2016.

<sup>1</sup> Retained as a consultant.

## FINANCIAL REPORTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts stated in SEK, thousands	Note	2015-01-01 2015-12-31	2014-01-01 2014-12-31
<b>Operating income</b>			
Net sales	5, 6	279 997	170 754
Other operating income		537	1 566
<b>Total operating income</b>		<b>280 534</b>	<b>172 320</b>
<b>Operating expenses</b>			
Expenses for materials		-220 572	-141 627
Other external costs	8	-78 803	-84 844
Personnel expenses	9	-74 809	-92 125
Depreciation and write-down	15, 16	-20 780	-17 639
Other operating expenses	10, 14	-2 207	-1 082
<b>Total operating expenses</b>		<b>-397 171</b>	<b>-337 317</b>
<b>Operating income</b>		<b>-116 637</b>	<b>-164 997</b>
Financial income		54	803
Financial expenses		-2 241	-321
<b>Financial items, net gain/loss</b>	<b>11</b>	<b>-2 187</b>	<b>482</b>
<b>Loss, before income taxes</b>		<b>-118 824</b>	<b>-164 515</b>
Income tax	12, 17	-484	-277
<b>Net loss for the year</b>		<b>-119 308</b>	<b>-164 792</b>
<b>Other comprehensive income that can later be returned to the Profit &amp; Loss Statement</b>			
Foreign exchange gains and losses		386	609
<b>Total comprehensive income attributable to the owner of the Parent Company shareholders</b>		<b>-118 922</b>	<b>-164 183</b>
<b>Earnings per share based on total comprehensive income attributable to the Parent Company shareholders (SEK)</b>			
Earnings per share - basic weighted average, and diluted	13	<b>-2,84</b>	<b>-3,94</b>
Average number of shares before and after dilution	13	<b>42 001 504</b>	<b>41 871 967</b>

The Notes on pages 43 to 71 form an integral part of this year's annual report with its accompanying financial statements including consolidated financial statements.

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## CONSOLIDATED BALANCE SHEET

Amounts stated in SEK, thousands	Note	2015-12-31	2014-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>	15		
Goodwill		5 791	6 032
Capitalized development expenditures		36 760	34 362
Customer Agreements		900	1 198
Other intangible fixed assets		1 599	39
<b>Total intangible fixed assets</b>		<b>45 050</b>	<b>41 631</b>
<b>Tangible fixed assets</b>	16		
Leasehold improvements		6 581	6 638
Fixtures and fittings		8 242	9 742
<b>Total tangible fixed assets</b>		<b>14 823</b>	<b>16 379</b>
<b>Financial fixed assets</b>			
Other long-term receivables		4 980	2 094
Deferred tax liabilities	17	27 846	27 787
<b>Total financial fixed assets</b>		<b>32 826</b>	<b>29 881</b>
<b>Total fixed assets</b>		<b>92 699</b>	<b>87 891</b>
<b>Current assets</b>			
Inventories	20	6 165	8 472
Accounts receivable	21	49 483	25 048
Other receivables		20 883	23 532
Prepaid expenses and accrued income	22	13 097	6 203
<b>Total short-term receivables</b>		<b>89 628</b>	<b>63 255</b>
<b>Cash and cash equivalents</b>	23	23 005	105 273
<b>Total current assets</b>		<b>112 633</b>	<b>168 528</b>
<b>TOTAL ASSETS</b>		<b>205 332</b>	<b>256 419</b>

## CONSOLIDATED BALANCE SHEET, cont'd

Amounts stated in SEK, thousands	Not	2015-12-31	2014-12-31
<b>SHAREHOLDER EQUITY</b>			
<b>Shareholder equity which can be attributed to the parent company's shareholders</b>			
Share capital	24	22 780	20 955
Other paid-in capital	24	466 878	437 511
Retained earnings including net comprehensive income		-387 022	-268 101
<b>Total shareholder equity</b>		<b>102 636</b>	<b>190 365</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Reserves		635	654
Other liabilities	25, 28	746	423
Deferred tax liabilities	17	336	339
<b>Total long-term liabilities</b>		<b>1 717</b>	<b>1 416</b>
<b>Short-term liabilities</b>			
Accounts payable		34 365	29 381
Current income tax liabilities		945	232
Other short-term liabilities	26, 28	31 390	11 419
Deferred expenses and prepaid income	27	34 279	23 606
<b>Total short-term liabilities</b>		<b>100 979</b>	<b>64 638</b>
<b>TOTAL SHAREHOLDER EQUITY AND LIABILITIES</b>		<b>205 332</b>	<b>256 419</b>
<b>Collateral posted</b>		-	-
<b>Contingent liabilities</b>	34	See note	See note

## THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDER EQUITY

	Note 24	Share Capital	Unregistered share capital	Other paid-in capital	Reserves	Retained earnings	Total share- holder equity
<b>Opening balance, 1 Jan 2014</b>		<b>20 524</b>	<b>714</b>	<b>450 137</b>	<b>-1 344</b>	<b>-102 574</b>	<b>367 457</b>
Net loss for the year						-164 792	-164 792
Other comprehensive income					609		609
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>609</b>	<b>-164 792</b>	<b>-164 183</b>
Issuance of new shares		431	-714	283			0
Options program				100			100
Repurchase of shares				-13 009			-13 009
Reclassification					721	-721	0
<b>Total contributions by and distributions to shareholders, recorded directly to shareholder equity</b>		<b>431</b>	<b>-714</b>	<b>-12 626</b>	<b>721</b>	<b>-721</b>	<b>-12 909</b>
<b>Closing balance, 31 Dec 2014</b>		<b>20 955</b>	<b>0</b>	<b>437 511</b>	<b>-14</b>	<b>-268 087</b>	<b>190 365</b>
<b>Opening balance, 1 Jan 2015</b>		<b>20 955</b>	<b>0</b>	<b>437 511</b>	<b>-14</b>	<b>-268 087</b>	<b>190 365</b>
Net loss for the year						-119 308	-119 308
Other comprehensive income					386		386
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>386</b>	<b>-119 308</b>	<b>-118 922</b>
Issuance of new shares		1 825		30 965			32 790
Expenses related to the issuance of new shares				-1 080			-1 080
Repurchase of shares				-517			-517
<b>Total contributions by and distributions to shareholders, recorded directly to shareholder equity</b>		<b>1 825</b>	<b>0</b>	<b>29 368</b>	<b>0</b>	<b>0</b>	<b>31 193</b>
<b>Closing balance, 31 Dec 2015</b>		<b>22 780</b>	<b>0</b>	<b>466 879</b>	<b>372</b>	<b>-387 395</b>	<b>102 636</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2015-01-01 2015-12-31	2014-01-01 2014-12-31
<b>Cash flow from operating activities</b>			
Operating income before financial items		-116 637	-164 997
Depreciation	15, 16	20 780	17 639
Other non-cash items	29	324	-91
Interest earned and received		54	803
Interest paid		-2 242	-321
Income taxes paid		-1 692	-381
<b>Cash flow from operating activities before changes in operating capital</b>		<b>-99 413</b>	<b>-147 348</b>
<b>Cash flow from changes in operating capital</b>			
Increase/decrease of inventories		2 257	-5 016
Increase/decrease of operating receivables		-24 945	-11 929
Increase/decrease of operating liabilities		8 018	15 562
<b>Total changes in operating capital</b>		<b>-14 670</b>	<b>-1 383</b>
<b>Cash flow from operating activities</b>		<b>-114 083</b>	<b>-148 731</b>
<b>Cash flow from investment activities</b>			
Investments in intangible fixed assets	15	-20 105	-28 295
Investments in tangible fixed assets	16	-2 896	-5 352
Investments in financial assets		-5 023	-2 093
<b>Cash flow from investment activities</b>		<b>-28 024</b>	<b>-35 740</b>
<b>Cash flow from financing activities</b>			
Borrowings		27 927	-718
Repurchase of own shares	31	-517	-13 010
Subscribed warrants		-	100
New Issue		31 710	-
<b>Cash flow from financing activities</b>		<b>59 121</b>	<b>-13 628</b>
<b>Cash flow for the year</b>		<b>-82 986</b>	<b>-198 099</b>
<b>Increase/decrease of cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		105 273	302 765
Exchange rate gains/losses in cash and cash equivalents		718	607
<b>Cash and cash equivalents at year end</b>		<b>23 005</b>	<b>105 273</b>

## PROFIT & LOSS STATEMENT – PARENT COMPANY

Amounts stated in SEK, thousands	Note	2015-01-01 2015-12-31	2014-01-01 2014-12-31
<b>Operating income</b>			
Net sales	5	7 848	18 452
Other operating income		70	6 055
<b>Total operating income</b>	<b>7</b>	<b>7 918</b>	<b>24 507</b>
<b>Operating expenses</b>			
Other external costs	8	-10 660	-12 327
Personnel expenses	9	-8 981	-10 360
Depreciation and write-down		-7	-
Other operating expenses	10, 14	-439	-61
<b>Total operating expenses</b>	<b>7</b>	<b>-20 087</b>	<b>-22 749</b>
<b>Operating income</b>		<b>-12 169</b>	<b>1 759</b>
Income from ownership interests in Group companies	18	-94 200	-271 070
Interest income		291	1 016
Interest expenses		-1 983	-56
<b>Financial items, net</b>	<b>11, 14</b>	<b>-95 892</b>	<b>-270 110</b>
<b>Loss, before tax</b>		<b>-108 061</b>	<b>-268 351</b>
Income tax	12, 17	-	-
<b>Net loss for the year</b>		<b>-108 061</b>	<b>-268 351</b>

The parent company has no other comprehensive income and hence total comprehensive income of the parent company is in line with the Net profit/loss of the year.

## BALANCE SHEET - PARENT COMPANY

Amounts stated in SEK, thousands	Note	2015-12-31	2014-12-31
<b>ASSETS</b>			
<b>Financial fixed assets</b>			
Shares in group companies	18	300	11 364
Receivables from group companies		10 763	8 817
Deferred tax	17	12 225	12 225
<b>Total financial fixed assets</b>		<b>23 288</b>	<b>32 407</b>
<b>Total fixed assets</b>		<b>23 288</b>	<b>32 407</b>
<b>Short-term receivables</b>			
Accounts receivable	21	165	-
Receivables from group companies		102 908	59 706
Prepaid income taxes/tax credits		439	439
Other receivables		6 306	6 512
Prepaid expenses and accrued income	22	220	161
<b>Total short-term receivables</b>		<b>110 038</b>	<b>66 817</b>
<b>Cash at bank and in hand</b>	23	5 231	69 041
<b>Total current assets</b>		<b>115 269</b>	<b>135 858</b>
<b>TOTAL ASSETS</b>		<b>138 557</b>	<b>168 264</b>



## BALANCE SHEET - PARENT COMPANY, cont'd

Amounts stated in SEK, thousands	Note	2015-12-31	2014-12-31
<b>SHAREHOLDER EQUITY AND LIABILITIES</b>			
<b>Shareholder equity</b>			
<b>Restricted shareholder equity</b>			
Share capital	24	22 780	20 955
<b>Total restricted shareholder equity</b>		<b>22 780</b>	<b>20 955</b>
<b>Unrestricted shareholder equity</b>			
Share premium reserve	24	466 878	437 511
Retained earnings		-299 189	-45 599
Net profit/loss for the year		-108 061	-268 351
<b>Total unrestricted shareholder equity</b>		<b>59 628</b>	<b>123 561</b>
<b>Total shareholder equity</b>		<b>82 408</b>	<b>144 516</b>
<b>Short-term liabilities</b>			
Accounts payable		3 726	583
Other short-term liabilities	26	28 917	2 327
Short-term debt to Group companies		18 000	17 310
Deferred expenses and prepaid income	27	5 505	3 528
<b>Total short-term liabilities</b>		<b>56 148</b>	<b>23 748</b>
<b>TOTAL SHAREHOLDER EQUITY AND LIABILITIES</b>		<b>138 557</b>	<b>168 264</b>
<b>Collateral posted</b>		-	-
<b>Contingent liabilities</b>	34	See note	See note

## CHANGES IN SHAREHOLDER EQUITY - PARENT COMPANY

SEK, thousands

	Note 24	Share Capital	Un- registered share capital	Share premium reserve	Retained earnings	Total shareholder's equity
<b>Opening balance, 1 Jan 2014</b>		<b>20 524</b>	<b>714</b>	<b>450 136</b>	<b>-45 598</b>	<b>425 777</b>
Net loss for the year					-268 351	-268 351
<i>Transactions with shareholders</i>						
Issuance of new shares		431	-714	283		0
Repurchase of shares				-13 009		-13 010
Option program				100		100
<b>Balance, 1 Jan 2015</b>		<b>20 955</b>	<b>0</b>	<b>437 510</b>	<b>-313 949</b>	<b>144 516</b>
Net loss for the year					-108 061	-108 061
<i>Transactions with shareholders</i>						
Issuance of new shares		1 825		30 965		32 790
Expenses related to the issuance of new shares				-1 080		-1 080
Repurchase of shares				-517		-517
Received group contribution					14 760	14 760
<b>Closing balance, 31 Dec 2015</b>		<b>22 780</b>	<b>0</b>	<b>466 878</b>	<b>-407 250</b>	<b>82 408</b>

## CASH FLOW STATEMENT – PARENT COMPANY

	Note	2015-01-01 2015-12-31	2014-01-01 2014-12-31
<b>Cash flow from operating activities</b>			
Operating income before gains/losses from financial items		-12 169	1 759
Depreciations		7	-
Taxes paid		-	336
Interest earned and received		291	1 016
Interest paid		-1 983	-56
<b>Cash flow from operating activities before changes in operating capital</b>		<b>-13 854</b>	<b>3 055</b>
Cash flow from changes in operating capital			
Increase/decrease of operating receivables		-34 402	27 723
Increase/decrease of operating liabilities		4 400	17 513
<b>Total change in operating capital</b>		<b>-30 002</b>	<b>45 236</b>
<b>Cash flow from operating activities</b>		<b>-43 855</b>	<b>48 291</b>
<b>Cash flow from investment activities</b>			
Investments in tangible fixed assets		-7	-
Investments in financial assets		-93 900	-225 230
<b>Cash flow from investment activities</b>		<b>-93 907</b>	<b>-225 230</b>
<b>Cash flow from financing activities</b>			
Borrowings		28 000	-
Group contribution received		14 760	-
Repurchase of shares	31	-517	-13 010
Issuance of new shares		31 710	-
Subscribed warrants	32	-	100
<b>Cash flow from financing activities</b>		<b>73 953</b>	<b>-12 910</b>
<b>Cash flow for the year</b>		<b>-63 809</b>	<b>-189 849</b>
<b>Decrease/increase of cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		69 041	258 889
<b>Cash and cash equivalents at year end</b>		<b>5 231</b>	<b>69 040</b>

## Notes with accounting policies and comments to the financial statements

### Note 1 General Information

Seamless Distribution AB (publ), the parent company and its subsidiaries, specialize in solutions for payment systems for mobile phones such as the transfer of money between mobile phones (Mobile Money) and prepaid-card refilling (TopUp). Worldwide, the Seamless transaction platform ERS 360 handles more than 3.7 billion transactions annually. The Group has established offices in Accra, Atlanta, Brussels, Bucharest, Copenhagen, Helsinki, Hyderabad, Lahore, Lisbon, Mumbai, Riga, Lodz, London and Stockholm.

Seamless Distribution AB (publ) was established in 2001 and is traded on the NASDAQ OMX in Stockholm under the ticker symbol SEAM. The registered address for the Company's headquarters is: Box 6234, SE-102 34 Stockholm.

The Annual Report with its accompanying consolidated financial statements and those of the parent company were approved by the Board of Directors for public release on March 17, 2016.

All amounts in the financial statements are stated in thousands of kronor (tSEK), unless otherwise stated. The amounts in parentheses relate to the previous year.

### Note 2 Summary of significant accounting policies

The most important accounting principles applied in these consolidated financial statements are set out below. These principles have been consistently applied to all years presented, unless otherwise noted.

#### 2.1 Basis for the preparation of the report

These financial statements are 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 IFRSs, as adopted by the European Union, RFR 1 Supplementary Accounting and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared under the historical cost method. The principal accounting policies applied in these consolidated financial statements are set out below.

In the preparation of the Annual Report, RFR 2 Accounting for Legal Entities and the Annual Accounts Act has been applied. Cases where the parent company applies accounting principles other than the group are specified separately at the end of this note.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that the management exercise its judgment in applying the Group's accounting policies; see Note 4 concerning these estimates and judgments.

#### 2.1.2 Changes in accounting policies and disclosures.

##### *New and amended standards adopted by the Group*

None of the IFRS or IFRIC interpretations that are mandatory for the for the first time for the fiscal year beginning January 1, 2015 had a significant impact on the consolidated financial reports.

##### *New standards, amendments and interpretations to existing standards that have not been subject to an early adoption by the Group*

A number of new standards and amendments to existing standards and interpretations will become effective for the fiscal year beginning after January 1, 2015, and have not been applied in preparing the consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements except, for the following:

IFRS 9 - 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15 - 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

IFRS 16 Leases - In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also applied. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

No other IFRS or IFRIC interpretations that have not yet become effective are expected to have any material impact on the Group.

## 2.2 Consolidated Financial Statements

### *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating strategies and policies (controlling interest) in a manner that usually accompanies a shareholding of more than half of the voting rights. Subsidiaries are included in the consolidated financial reports as of the date on which controlling interest is obtained by the Group. They are removed from the consolidated financial reports as of the date that controlling interest ceases.

The acquisition method is used to report the Group's acquisitions. The consideration paid for the acquisition of a subsidiary is the market value of the transferred assets, liabilities, and shares issued by the Group. The consideration paid also includes the market value of all assets and liabilities that are the result of an agreement on contingent consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a merger are initially measured at their market values on the date of acquisition. For each acquisition, the Group determines whether or not any non-controlling interest in the acquired company is to be reported either at market value or at the proportional share of the acquired company's net assets.

The amount of the purchase price, any non-controlling interest, and the market value at the acquisition date of previous shareholdings which exceeds the market value of the Group's share of the identifiable net assets

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acquired, is recognized as goodwill. If this amount is less than the market value of the acquired subsidiary's assets, in other words in the event of a so-called "bargain purchase," the difference is recognized directly in the Consolidated statement of comprehensive income.

Intercompany transactions, balances sheet items, and unrealized gains and losses on transactions between Group companies are eliminated. The accounting policies of subsidiaries have been changed where necessary to ensure a consistent application of the Group's accounting policies.

## 2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest decision-making individual/entity in the Company. The highest decision-making individual/entity in the Company function responsible for the allocation of resources and the assessment of the performance of the operating segments. Within the Group, this function is identified as the CEO, who makes strategic decisions. Seamless' internal reporting is divided on the basis of the business activities of the Transaction Switch, eProducts/Distribution, and SEQR operating segments. Sales between segments are made on market terms.

## 2.4 Translation of foreign currencies

### ***Functional currency and presentation currency***

The various units have the local currency as their functional currency, as the local currency has been defined as the currency of the primary economic environment in which the entity primarily operates. The consolidated financial statements are presented in Swedish kronor (SEK), which is the Company's functional currency and presentation currency.

### ***Transactions and balance sheet items***

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the close of the reporting period are recognized in operating income in the Profit & Loss Statement.

### ***Translation of foreign subsidiaries***

The profits/losses and financial position of all Group entities that have a functional currency which differs from the presentation currency are translated into the presentation currency. Assets and liabilities for each Balance Sheet are translated from their functional currency into the Group's reporting currency (SEK) at the exchange rate prevailing on the close of the reporting period. Income and expenses for each Profit & Loss Statement are translated to SEK at the average exchange rate prevailing at each transaction date. Exchange rate gains/losses arising with the translation foreign currencies that are a part of foreign business operations are recognized in "Other consolidated profit/loss."

## 2.5 Intangible fixed assets

### ***Capitalized development expenditures***

Development costs that are directly attributable to the development and testing of identifiable and unique IT platforms which are controlled by the Group are recognized as intangible fixed assets when the following criteria are met:

- It is technically feasible to complete the platform so that it is useable
- The Company's intention is to complete the platform and put it into use
- There is potential to use the platform
- It can be shown 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 expenditures attributable to the platform during its development can be reliably measured.

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Intangible assets are stated at cost less accumulated amortization. The cost of an internally generated intangible asset is the total of the expenditures incurred from the date when the intangible asset first meets the capitalization criteria as outlined above.

The capitalized costs are internally generated and includes the direct costs for the work performed. Directly attributable costs that are capitalized as part of the business system include expenses incurred for employees. Activities during the feasibility study stage, as well as maintenance activities and training costs, are expensed as incurred, as is the further development of existing functionality.

Depreciation commences when the asset is ready for use. The useful life is assessed based on the period of the expected benefits are expected to calculated accrue to the company. The useful life is estimated to be 5 years and linear depreciation is taken over this period. Depreciation is recognized in the depreciation item in the Profit & Loss Statement.

Expenditures on development activities that do not meet the above criteria, are expensed as they are incurred. Expenditures on development activities previously expensed are not recognized as an asset in subsequent periods.

## ***Goodwill***

Goodwill represents the amount the acquisition value exceeds the market value of the Group's share of the acquired subsidiary's identifiable net assets at the acquisition date. Goodwill arising in connection with the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is always considered to have an indefinite useful life and therefore tested is annually for impairment instead of being regularly amortized. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units, determined in accordance with the Group's operating segments, which are expected to benefit from the in which the goodwill arose.

## ***Customer Agreements***

The Group's customer agreements that have been acquired as part of an acquisition are recognized at market value at the acquisition date. Customer agreements have a finite useful life and are carried at market value at the acquisition date less accumulated amortization in subsequent periods. Amortization is applied to allocate the cost of customer agreements over the estimated useful life of eleven years. The amortization period is based on the average customer churn.

## ***Other intangible assets***

The Group's other intangible assets consist primarily of patents. Seamless is committed to strengthening the commercial protection of its products by via filing patents.

## **2.6 Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent expenditures are added to the asset's book value or recognized as a separate asset, as appropriate, depending upon what is appropriate, only when it is probable that future financial benefits associated with the item will flow to the Group and the acquisition value of the asset can be reliably measured. The book value of a replaced part is derecognized. All other repairs and maintenance are expensed in the Profit & Loss Statement in the period in which they are incurred.

The tangible fixed assets are systematically depreciated over the estimated useful life of the asset. For equipment, the amortization period is five years.

The residual values and useful lives of the assets are reviewed at each reporting date and adjusted if necessary. The book value of the asset amount is written down immediately to its recoverable amount if the asset's book value exceeds its estimated recoverable amount. The recoverable amount is the higher of a) an asset's market value less selling expenses or b) its value in use.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the proceeds with the book value and are recognized in "Other operating income and Other operating expenses."

## **2.7 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, or intangible assets not yet ready for use (capitalized development costs), are not amortized but rather are tested annually for impairment. Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. Assets are assessed for impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of a) an asset's market value less selling costs or b) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment testing for goodwill is assessed at the operating segment level.

## **2.8 Financial instruments**

### **2.8.1 Classification**

The Group classifies its financial assets and liabilities into the following categories: loans and receivables and other financial liabilities. The classification depends upon the purpose for which the financial asset or liability was acquired.

#### ***Loans and accounts receivable from customers***

Loans and receivables are financial assets that are not derivatives that have fixed or determinable payments and that are not quoted in an active financial market. They are included in current assets, except for terms greater than twelve months after the close of the reporting period, in which case they are classified as fixed assets. The Group's loans and receivables consist of accounts receivable, cash and cash equivalents, and financial instruments recognized as "Other receivables" (see Notes 2.9 and 10.2).

#### ***Other financial liabilities***

The Group's other long-term liabilities; accounts payable and the portion of the entries in Other current liabilities relating to financial instruments are classified as "Other financial liabilities."

### **2.8.2 Reporting and valuation**

Purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase or to sell the asset. Financial instruments are initially recognized at market value plus transaction costs. Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards associated with ownership. Financial liabilities are de-recognized when the contractual obligations have been completed or otherwise terminated.

Loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

### **2.8.3 Off-setting of financial instruments**

Financial assets and liabilities are offset and the net amount presented in the Balance Sheet only when there is a legally enforceable right to offset the recognized amounts and an intention to settle them on a net basis or to realize the asset and settle the liability.

### **2.8.4 Impairment of financial instruments**

#### ***Assets carried at amortized cost (loans and receivables)***

At each reporting date, the Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is impaired and is written down only if there is objective evidence of impairment as a result of one or more events that have occurred after the



initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment is calculated as the difference between the asset's book value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's book value is written down and the impairment amount is recognized in the Consolidated statement of comprehensive income as Other external costs. If the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the Profit & Loss Statement as Other external costs.

## **2.9 Accounts receivable**

Accounts receivable are amounts due from customers for products sold in the ordinary course of business. If payment is expected within one year or less, they are classified as current assets. If not, they are reported as fixed assets.

Accounts receivable are recognized initially at market value and subsequently valued at amortized cost using the effective interest method, less provision for impairment. The market value and subsequent amortized cost corresponds to the face value of the receivables because this item is short-term in nature.

## **2.10 Cash and cash equivalents**

Cash and cash equivalents are included in the Balance Sheet as well as in the Cash Flow Statements, as "Liquid assets cash and cash equivalents."

## **2.11 Accounts payable**

Accounts payable are obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are reported as non-current liabilities.

Accounts payable are recognized at face value. The book value of accounts payable presumed to correspond to their approximate market value, as this item is short-term in nature. The market value and subsequent amortized cost corresponds to the nominal amounts of accounts payable because this post is short-term in nature.

## **2.12 Current and deferred income tax**

Tax expense consists of current and deferred income tax. The current tax expense is calculated on the basis of the income taxes that have been enacted as at the close of the reporting period or have substantively been enacted in countries where the parent and its subsidiaries operate and generate taxable income.

Deferred tax is recognized using the balance sheet method on temporary differences arising between the tax bases of assets and liabilities and their book value in the consolidated financial statements. The deferred tax is not recognized if it arises from a transaction that constitutes the initial recognition of an asset or liability in a merger that at the time of the transaction affects neither the accounting nor the tax outcome. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the close of the reporting period and are expected to be applicable when the related deferred income tax asset is realized or the deferred tax liability is settled.

Deferred tax assets on tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the losses can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities, and when the deferred tax assets and liabilities relate to taxes levied by the same

taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances through net payments.

## **2.13 Employee Benefits**

### ***Pension plans***

The Group only has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

The contributions are recognized as an employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available to the Group.

### ***Bonus plans***

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

## **2.14 Share-based compensation**

The Group has offered to employees the right to subscribe for warrants (equity instruments) where the employee has paid a consideration which is less than the market value of the warrants, where the difference between the amount paid and the market value of the warrants represents share-based compensation under IFRS 2. This program means that employees have the right to subscribe for new shares (equity instruments) where the employee is remunerated given the opportunity to subscribe for shares at a given price during the subscription period. The market value of the options granted is estimated using the Black & Scholes model and is expensed on the grant date when it is not present any vesting.

When options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (quota value) and other paid-in capital when the options are exercised.

The social insurance contributions that arise in the issuance of warrants is considered an integral part of the award, and the cost is treated as a cash-settled share-based payment.

## **2.15 Recognition of income**

Income is recognized at the market value of the consideration received, or that will be received, and represents the amounts received for goods and services sold less discounts/rebates and VAT.

### ***Agreements containing the sale of goods and services***

Seamless enters into customer agreements covering the sales of various components. A contract is typically for the sale of services related to customized software (including licenses), support, and hardware. Each component in a contract is negotiated separately and income is distributed according to each component's relative market value. The various components are recognized as follows.

#### ***Services related to customized software***

Services related to customized software are performed in all cases under fixed-price contracts, and the income is calculated by the degree of completion for the specific installation, determined based on the expenses incurred during the reporting period in relation to total estimated costs. Income is recognized only when it is probable that the financial benefits associated with the installation will accrue to the Company. These services require, in most cases, that the customer approve various elements of the project before it can be guaranteed that the financial benefits will accrue to the Group. In cases where approval is required by the customer for project parts related to customized software, income is recognized only for the part of the project that has been approved by the customer and the corresponding expenses are capitalized.

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## *Support*

Income from Support relates to the sale of either Managed Operations, in which the Group takes responsibility for the operation and control of the ERS platform, or support where Seamless provides systems support as needed. Both the income from Managed Operations and from Support are accrued linearly over the term of the contract. Discounts attributable to Support and Managed Operations are accrued on a straight line basis over the term of the contract.

## *Sales of goods*

The Group is engaged in the sale of products, such as of hardware (typically servers). Income from product sales is recognized at the market value of the consideration received, or what will be received, and represents the amounts received for goods sold less discounts and VAT. Income is recognized to the extent that it is probable that the financial benefits will accrue to the Company and the income can be reliably measured. Income from the sales of hardware is recognized when goods are delivered to the customer.

## *License and expansion packs*

Income from the sale of a license for extended capacity is recognized when the customer has access to the increased number of transactions.

## *Discounts'/rebates' impact on revenue recognition*

Discounts occur partly in the form of a one-time discount/rebate that occurs directly from sales, and partly in the form of free services, such as support. In the cases where support is provided free of charge, income received is accrued over the contract term (including the time when free support is obtained).

## **Distribution income**

Income from Distribution is reported at gross income in the Profit & Loss Statement when the Group acts as a principal in the transactions. This means that the amount for the purchase of services/goods from a partner/supplier is also presented gross, as an expense in the Profit & Loss Statement. The assessment that the Group acts as principal to the end customer is done via a comprehensive analysis by the Group: the primary responsibility for delivering goods and services to the end customer, standing inventory risk, determines rates and content of services and goods, and where appropriate carries the credit risk. If the analysis of a relationship/distribution agreement shows however that the Group acts as an agent in transactions, this means that only the part of the income stream that represents an increase in shareholders' equity net of the amounts charged for a partner/principal income is recognized as income in the Profit & Loss Statement. This can be equated to a commission where only that one fee is recognized as income, i.e. the Group's sales consists in these cases of the transaction's net proceeds as the costs are deducted from the gross proceeds of sales. So far Seamless has not entered into an agreement where the company acts as an agent, but since the probability is considered to be fairly high that such an agreement might be entered into, it is worth mentioning.

## **SEQR income**

Seamless has identified six revenue streams for SEQR, four of which have been activated. This means that no revenues from "Big Data" has occurred, but most probably will be a revenue stream for SEQR.

1. Revenue from transaction sale of which Seamless receive a certain percentage or fixed amount per completed transaction. Revenue is recognized when the service is used, i.e. when a transaction is carried out and reported at fair value received by Seamless and to be received by a reconciliation of the number of transactions completed during the period and the percentage of compensation, or fixed sum per transaction that Seamless is entitled to.
2. Sale of advertising space related to the transaction "Transaction ad". After each completed transaction a picture is displayed with the confirmation of the transaction. This is an area Seamless has the opportunity to sell get revenue from. There are two kinds of revenue; Seamless can either charge per ad shown, where revenue is recognized when the service is used, i.e. when a transaction is carried out and the ad appeared. Revenue is recognized at the fair value received by Seamless after reconciliation of the number of transactions completed during the period multiplied by the fixed charge per transaction.

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Or Seamless can charge a fixed amount for advertising to take place during a certain period of time. I.e., the amount is not tied to the number of transactions, but to a limited time period. Revenue is recognized based upon the contracted period.

3. Sale of promotions / coupons from retailers and producers. It is a one-time registration fee for traders / producer. Revenue is recognized when the coupon / offer has been posted.
4. "Shop on the Spot" – direct sales of goods through ads. The consumer makes a purchase by scanning a QR-code at the ad space, a space that could be a newspaper ad, a billboard, a tv-commercial or a picture/banner online. Seamless receives a fee for creating the Seamless SEQR-QR-code on the ad, and a channel margin of the product/service that is sold. The channel margin is a percentage of the value of the goods or service and is recognized on the time of the transaction. Seamless is not acting as a reseller of the goods, but as an agent of the ad. The unique thing is that the ad in itself becomes a sales channel since the QR-code contains information about the price of the product. The consumer gets the goods sent to his or her address after the purchase has been approved and verified through a pin code.
5. Brokerage fee's when mediating invoice/credit customers
6. "Big Data" - anonymized and depersonalized usage statistics. A service of interest to traders and producers of goods, in order to see what different groups in the population buys certain goods / services, and when those purchases are made. The revenue model could be an ongoing subscription service, where revenue is accrued over the contract period

## **Interest income**

Interest income is recognized over the duration of the contract using the effective interest method.

## **2.16 Leasing**

The Group has entered into both financial leases and operating lease agreements.

The Group holds leases on servers. Through these agreements, the Group carries substantially all the risks and rewards of ownership of the property, and therefore all agreements are classed as financial leases. At the lease term, the financial leases are capitalized at the lower of the leased asset's market value and the present value of the minimum lease payments. Each lease payment is allocated between the balance due liability and the finance charges. The corresponding payment obligation, net of finance charges, are included in the Balance Sheet item Borrowings (long-term or short-term). The interest component of the finance cost is recognized in the Profit & Loss Statement over the term of the lease so that each accounting period is charged by an amount equal to a fixed interest rate for the balance of the liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit & Loss Statement over the term of the lease.

## **2.17 Cash Flow Statements**

The cash flow statements are prepared using the indirect method. This means that operating income is adjusted for transactions that do not result in cash payments during the period and for any eventual income or expenses associated with investments or financing cash flows.

## **2.18 The parent company's accounting policies**

In connection with the preparation of the annual report with its accompanying financial statements, the parent company applied RFR 2 - Accounting for Legal Entities and the Swedish Annual Accounts Act.

The parent company applies accounting policies other than the Group, in the cases listed below.

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## ***Presentation format***

The Profit & Loss Statement and Balance Sheet follow the presentation format found in the Swedish Annual Accounts Act. The statement of changes in equity follows the Group's presentation format but should also include the columns specified in the Annual Accounts Act. These standards require differences in terminology, as compared with the consolidated financial statements, particularly in respect of financial income and expenses, provisions, and shareholder equity.

## ***Ownership interests in subsidiaries***

Investments in subsidiaries are carried at cost less any impairment losses. Cost includes acquisition-related costs and any additional consideration.

When there is an indication that the investment in a subsidiary has decreased in value, an estimate of the recoverable value is determined. If this is lower than the book value, an impairment loss is recognized. Impairment losses are reported in "Income from ownership interests in Group companies."

## ***Leasing agreements***

All leases, whether they are financial or operational lease, are classified as operating leases.

## ***Group contributions and shareholder contributions***

Group contribution is recognized in accordance with the RFR 2 main principle, which means that group contributions paid and received are reported directly to equity, for both the rendering and receiving party.

Shareholder contributions are reported directly in shareholders' equity of the receiving party and are capitalized in shares and participations of the rendering party, to the extent that there is no need to recognize impairment.

## ***Financial instruments***

IAS 39 is not applied in the parent company and financial instruments will continue to be recognized at acquisition cost.

## **Note 3 Management of Financial Risks**

### **3.1 Financial risk factors**

The Group's business activities expose it to a wide variety of financial risks: market risk (including exchange rate risk and interest rate movement risk), credit risks, and liquidity risk. The table below shows the various risks for which Seamless has exposures.

#### **a) Market risks**

##### ***Currency and exchange rate risk***

The Company is based in Sweden however its business operations are global, encompassing seven countries in Europe, Africa, Asia and South America. The business operations are thus exposed to several different currencies such as the Euro, US dollar, and Thai baht.

Foreign exchange risk arises almost exclusively from future commercial transactions, where the Company's operations in these countries are almost exclusively comprised of sales. The Company has a negligible amount of net assets which are exposed to currency fluctuations and no liabilities in currencies other than Swedish kronor. Accounts receivable arise continuously in foreign currencies. The currency in which receivables are generated depends upon the currency in which the sales of the Company's products are denominated. These assets (receivables) are subject to currency fluctuations. The Board has decided that these assets are not to be hedged, primarily due to the uncertainty regarding the timing of the payments.

##### ***Transaction risks***

Transaction risk is the risk of impact on the consolidated net income and cash flow due to changes in the value of commercial flows that are denominated in foreign currencies, change when exchange rates change. Seamless is exposed to currency risk through both purchases and sales in currencies other than SEK. Purchases

and sales are denominated in SEK, EUR and USD. In addition to these currencies, there are also purchases and sales denominated in GBP.

The Group has the following balance sheet exposure of financial assets in foreign currencies.

The Group has the following balance sheet exposure of financial assets in foreign currencies.

	2015-12-31	2014-12-31
EUR	779	93
USD	28 641	11 453
<b>Total</b>	<b>29 421</b>	<b>11 546</b>

The total exposure of financial liabilities denominated in foreign currencies are as follows:

	2015-12-31	2014-12-31
EUR	286	1 219
USD	1 403	637
<b>Total</b>	<b>1 689</b>	<b>2 491</b>

### ***Risk related to the translation of currencies***

The Group is exposed to a risk with the translation of the net assets of foreign subsidiaries and branches to the consolidation currency, Swedish kronor (SEK). Foreign subsidiaries have been established in India (INR), Poland (PLN), Rumania (RON), Great Britain (GBP), USA (USD), Belgium, Finland, Latvia and Portugal (EUR) and Denmark (DKK), and the Group is exposed given that these are translated into SEK.

At December 31, 2015, the exchange rate gains/losses recognized in Other consolidated income amounted to SEK 386 (609) thousand.

If the Swedish kronor had weakened/strengthened by 10 percent in relation to the various currencies, with other variables being constant the impact on net income and shareholders' equity would be as follows:

	2015
	<b>Net profit/loss for the year, before tax</b>
EUR	-49
USD	2 724

	2014
	<b>Net profit/loss for the year, before tax</b>
EUR	113
USD	1 082

### **b) Credit risk**

Credit risk or counterparty risk is the risk that the counterparty to a financial transaction does not fulfill its obligations when due. The credit risks Seamless is exposed to include its funds kept in bank accounts and accounts receivable. With regard to money on deposit with banks, it is estimated that the credit risk is low given that the counterparties are major reputable banks in Sweden with high credit ratings. The Group's major financial risk is the credit risk associated with outstanding accounts receivable.

The Company has a credit risk in the outstanding accounts receivable that have arisen due to invoicing with open payment terms to its customers. The credit risks in accounts receivable within the Transaction Switch business segment primarily relate to companies within the telecommunications sector. The credit risk in this regards is considered to be low due to that the counterparties are major, well-established mobile carriers or

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suppliers of telecommunications equipment. For this reason, no credit guarantees have been required in connection with accounts receivable exposures. During 2015 we have strengthened our exposure assessment methods regarding new and existing counterparties. Partially, as a result of this effort we have increased the amount of pre-paid billing within the Seamless Distribution Systems-Transaction Switch segment. The credit losses Seamless have experienced have historically been low. The credit risk in accounts receivable in the Distribution and SEQR business segments are primarily companies in the convenience store sector. Seamless conducts credit checks of customers within these business segments.

Regarding the Group's credit losses, see Note 21.

	2015-12-31	2014-12-31
<b>Accounts receivable from customers</b>		
Counterparties without an external credit rating		
Group 1	15 937	5 227
Group 2	33 300	19 185
Group 3	-	-
Group 4	246	636
<b>Total counterparties without external credit ratings</b>	<b>49 483</b>	<b>25 048</b>
<b>Total accounts receivable without provision for impairment</b>	<b>49 483</b>	<b>25 048</b>

~ Group 1 – new customers/related parties (customer relationship duration less than 6 months)

~ Group 2 – existing customers/related parties (customer relationship duration longer than 6 months) with no history of serious past due payments or defaults.

~ Group 3 – new customers/related parties (customer relationship duration less than 6 months) with some history of prior defaults. All defaults have been paid up in full.

~ Group 4 – existing customers/related parties (customer relations longer than 6 months) with some history of prior defaults. All defaults have been paid up in full.

## c) Liquidity Risk

Liquidity risk is the risk that Seamless has a deficiency of available cash for the payment of its obligations related to financial liabilities. In order to ensure adequate liquidity for its business operations, a weekly liquidity forecast analysis is maintained for the upcoming quarters.

At December 31, 2015, Group liquidity amounted to SEK 23 005 (105 273) thousand, consisting of funds on deposit in banks.

As SEQR should fund for long term growth, Seamless intends to bring in a strategic equity partner as co-investor in the subsidiary SEQR through a directed equity placement. Awaiting the completion of such transaction, in order to cover negative cash flow Seamless finalized a , by means of the existing authorization from the general meeting, raise capital through a private placement of shares in Seamless of 24.6 MSEK. The board continually assesses the funding situation for the group and can use various methods for financing the current negative cash flow. Although the cash flow is continually improving, the group will be in need of further funding during the year ahead.

	2015-12-31	2014-12-31
<b>Bank deposits and short-term certificates of deposit</b>		
AAA	312	1 487
AA	20 638	101 945
A	1 777	1 486
B	278	354
	<b>23 005</b>	<b>105 273</b>

Seamless has no credit lines.

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The table below shows the contractual undiscounted cash flows from the Group's financial liabilities allocated according to the maturity of the remaining contractual term as per the close of the reporting period.

## At December 31, 2015

(SEK thousand)	< 1 year	1-2 years	2-5 years	> 5 years
Accounts payable and other liabilities	66 125	-	-	-

## At December 31, 2014

(SEK thousand)	< 1 year	1-2 years	2-5 years	> 5 years
Accounts payable and other liabilities	107 340	932	1 527	-

### 3.2 Capital risk management

The objective Seamless has regarding the capital structure is to safeguard the Group's ability to continue its business operations in order to continue to provide returns to shareholders, including benefits for other stakeholders, and to maintain an optimal capital structure in order to reduce the cost of capital. In order to maintain the capital structure, Seamless works with the issuance of new shares and with stock option programs.

#### Note 4 Significant estimates and assessments

Estimates and assessments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are regarded to be reasonable under prevailing circumstances.

##### *Significant estimates and assumptions for accounting purposes*

The Group makes estimates and assumptions concerning the future. The estimates for accounting purposes that result from these, by definition, seldom correspond to actual results. The estimates and assumptions that have a significant risk of material adjustments to the book values of assets and liabilities within the following fiscal year are outlined below.

##### *Impairment testing of goodwill*

The Group tests annually whether there is any impairment of goodwill, in accordance with the accounting policy described in Note 2. The recoverable amounts of cash-generating units have been determined based on value in use. These calculations require the use of estimates. The impairment test is carried out at the operating segment level.

The impairment tests on goodwill completed prior to December 31, 2015 did not result in impairment provisions for goodwill. See Note 15.

##### *Capitalized development expenditures*

Seamless capitalizes costs related to development to the extent they are deemed to meet the criteria of IAS 38 p. 57 (see 2.5 Intangible Assets). For the assessment of the impairment of capitalized development costs, several assumptions and a variety of conditions and estimates of parameters have been made.

To determine whether there is any indication regarding impairment or impairment testing, the recoverable amount is currently based on a fair value less costs to sell from an implied valuation of that part of the business that the capitalized development expenditure relates to. In Seamless case it is considered to be the whole business, excluding the Latvian business.

The value of the intangible assets can be defended through an analysis of corporate value based on market price. Given the share price on December 31, 2015 (8,25 SEK per share) and the number of shares outstanding (45,6 million), total market capitalization of 376 million. Adjusted for the company's cash position and the estimated value of Lettel (9,4 million on a debt free basis) is the implicit value of the business (EV or enterprise



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value) in Seamless (excl. Lettel operations) to about 344 million. Book value of the operational assets (fixed assets and net working capital) in Seamless per 31 December 2015 amounted to SEK 65 million, which implicit with that there is an overall surplus value of SEK 279 million for operations excl. Lettel-operation from a marketing perspective.

Seamless has conducted a sensitivity analysis of key assumptions in which management has concluded that no reasonable changes in assumptions result in impairment as of December 31, 2015.

## **Valuation of loss carry forwards**

Recognized deferred tax assets of the Group amounted to SEK 27,8 (27.7) million and relates to deferred taxes on loss carry forwards related to Swedish companies, which have no maturity date. The reason for the recent negative results are primarily our investment in SEQR with large marketing and sales costs. This investment is something the company can control, which means that if we want to, we can suspend cost flow and just focus on our established segments Transaction Switch and Distribution. Group management has carefully examined the value of the deferred tax assets and estimates that, based on historical and expected positive results from the Transaction Switch and Distribution in the coming years, it convincingly indicates that the company will be able to utilize the deferred tax assets and thereby justify the amount carried forward. Unrecognized tax loss carry forwards within the Group amounts to about SEK 404 million. The outlook for the transaction Switch business looks more promising than in a long time. The management's estimation is that the revenues from the business area will increase, as will the margins. This judgement is based on the existing order inflow as well as the potential new sales, where both factors combined makes the outlook promising for the coming years.

## **Note 5 Distribution of net sales**

Net sales consist of two types of income, distributed between the two as follows:

<b>Consolidated</b>	<b>2015</b>	<b>2014</b>
Sales of goods	40 609	3 161
Sales of services	239 388	167 593
<b>Consolidated total</b>	<b>279 997</b>	<b>170 754</b>

<b>Parent company</b>	<b>2015</b>	<b>2014</b>
Sales of goods	-	-
Sales of services	7 848	18 452
<b>Parent company total</b>	<b>7 848</b>	<b>18 452</b>

## **Note 6 Segment information**

The operating segments have been established based on the information used by the highest decision-making authority in order make strategic decisions. The highest decision-making authority within Seamless has been identified as the CEO. The CEO is of the following view considering the business operations based on operating segments: the Transaction Switch operations, the Distribution operations, and the SEQR operations. Non distributable costs are costs for Group Management, Board of Directors and Stock exchange costs.

The CEO determines the operating segments' total income.

The segment information for the **2015** fiscal year is as follows:

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	Transaction Switch	eProducts/ Distribution	SEQR	Group Function	Total
Net sales by segment	90 486	181 982	7 529	-	279 997
Net sales between segments	-	-	-	-	
<b>Net sales from external customers</b>	<b>90 486</b>	<b>181 982</b>	<b>7 529</b>	<b>0</b>	<b>279 997</b>
Depreciation	-541	-972	-18 235	-1 032	-20 780
Operating income	27 254	-4 827	-119 888	-19 176	-116 637
Financial net					-2 187
Income tax					-484
Loss for the year					-119 308

The segment information for the **2014** fiscal year is as follows:

	Transaction Switch	eProducts/ Distribution	SEQR	Group Function	Summa
Net sales by segment	38 415	124 571	7 768	-	170 754
Net sales between segments					
<b>Net sales from external customers</b>	<b>38 415</b>	<b>124 571</b>	<b>7 768</b>	<b>-</b>	<b>170 754</b>
Depreciation	-872	-823	-15 179	-765	-17 639
Operating income	9 741	-11 763	-135 555	-27 420	-164 997
Financial net					482
Income tax					-277
Loss for the year					-164 792

The company is based in Sweden. Income from external customers in Sweden amounted to SEK 159 264 (101 656) thousand and total income from external customers in other countries amounted to SEK 120 733 (69 098) thousand.

Total fixed assets other than financial instruments and deferred tax assets that are located in Sweden amounted to SEK 48 846 (48 563) thousand and the total of such fixed assets located in countries other than Sweden amounted to SEK 13 840 (9 447) thousand.

## Note 7 Parent company's sales to and purchases from Group companies

During the year, the parent company has invoiced subsidiaries SEK 7 848 (18 448) thousand for strategic management. The parent company purchased services from Group companies amounting to a total of SEK 0 (0) thousand relating to administrative expenses.

## Note 8 Remuneration to Auditors

Audit assignments refer to the examination of the annual report with its accompanying financial statements, and the management and administration by the Board of Directors and the Chief Executive Officer. Other audit assignments in addition to the primary audit assignment refers to tasks that the Company's Auditor is requested to perform including advisory services or other assistance resulting from observations during the audit or the performance of such other related tasks. Anything else is considered Other services.

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<b>The Group</b>	<b>2015</b>	<b>2014</b>
PwC		
Audit assignment	623	798
Other audit assignments in addition to the primary audit assignment	-	58
Tax consultancy services	-	248
Other services	766	48
<b>Total</b>	<b>1 389</b>	<b>1 152</b>
Other		
Audit assignment	174	18
Other audit assignments in addition to the primary audit assignment	-	-
Tax consultancy services	26	21
Other services	142	-
<b>Total</b>	<b>342</b>	<b>39</b>
<b>Total for the Group</b>	<b>1 731</b>	<b>1 191</b>

<b>Parent company</b>	<b>2 015</b>	<b>2 014</b>
PwC		
Audit assignment	450	341
Other audit assignments in addition to the primary audit assignment	-	58
Tax consultancy services	-	-
Other services	683	-
<b>Total</b>	<b>1 133</b>	<b>399</b>

## **Note 9     Payment of salaries and benefits to employees and others**

<b>Group</b>	<b>2015</b>	<b>2014</b>
Salaries, benefits, and other compensation	55 746	73 553
Social insurance contributions	14 062	21 058
Pension costs - defined contribution plans	2 929	4 982
Other personnel costs	2 960	7 735
Capitalized personnel costs	-888	-15 203
<b>Group total</b>	<b>74 809</b>	<b>92 125</b>

### **Salaries, Directors Fees, and other compensation including social insurance contributions**

	<b>2015</b>	<b>2014</b>
	<b>Salaries, Directors Fees, and other compensation</b>	<b>Salaries, Directors Fees, and other compensation</b>
Board Members, CEO, and other members of senior management	8 981	15 080
Other employees	65 828	77 045
<b>Group total</b>	<b>74 809</b>	<b>92 125</b>

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Gender distribution in the Group (including subsidiaries) for Board Members and other members of senior management

	2015		2014	
	Number at year-end	of which, women	Number at year-end	of which, women
Board Members	5	2	5	1
CEO and other senior management	4	1	6	1
<b>Group total</b>	<b>9</b>	<b>3</b>	<b>11</b>	<b>2</b>

Parent company	2015	2014
Salaries and other compensation	6 218	6 872
Social insurance contributions	2 116	2 378
Pension costs - defined contribution plans	505	721
Other personnel costs	142	389
<b>Parent company total</b>	<b>8 981</b>	<b>10 360</b>

## Salaries and other compensation including social insurance contributions

	2015	2014
	Salaries, Directors Fees, and other compensation	Salaries, Directors Fees, and other compensation
Board Members, CEO, and other senior management	8 981	10 360
Other employees	-	-
<b>Parent company total</b>	<b>8 981</b>	<b>10 360</b>

Average number of employees with geographical breakdown by country	2015		2014	
	Number of employees	of which, women	Number of employees	of which, women
Sweden	5	2	5	1
<b>Total parent company</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>1</b>
<b>Subsidiaries</b>				
Belgium	6	4	3	2
Denmark	-	-	-	-
Finland	2	2	1	1
India	35	3	25	3
Latvia	2	1	2	1
Poland	43	3	30	2
Portugal	3	2	-	-
Romania	2	1	1	1
Great Britain	2	-	5	1
Sweden	44	20	99	35
USA	2	1	2	-
<b>Total subsidiaries</b>	<b>141</b>	<b>37</b>	<b>167</b>	<b>46</b>
<b>Group, total</b>	<b>146</b>	<b>39</b>	<b>172</b>	<b>47</b>

Gender distribution in the parent company	2015		2014	
	Number at year-end	of which, women	Number at year-end	of which, women
Board Members	5	2	5	1
CEO and other senior management	2	1	6	1
<b>Parent company total</b>	<b>7</b>	<b>3</b>	<b>11</b>	<b>2</b>

## Note 10 Other operating expenses

	Consolidated		Parent Company	
	2015	2014	2015	2014
<b>Other operating expenses</b>				
Losses on foreign exchange	-1 647	-	-439	-61
Expense Withholding Tax	-550	-1 042	-	-
Other operating expenses	-10	-40	-	-
<b>Other operating expenses</b>	<b>-2 207</b>	<b>-1 082</b>	<b>-439</b>	<b>-61</b>

## Note 11 Financial income and expenses/Interest income and interest expense

	Consolidated		Parent Company	
	2015	2014	2015	2014
<b>Financial income/ Interest income</b>				
Interest income on bank deposits	46	803	2	780
Interest income on accounts receivable from customers	-	-	2	-
Gains on foreign exchange	-	-	-	-
Other financial income	8	-	287	236
<b>Financial income</b>	<b>54</b>	<b>803</b>	<b>291</b>	<b>1 016</b>

	Consolidated		Parent Company	
	2015	2014	2015	2014
<b>Financial expenses/ Interest expense</b>				
Interest expense lines of credit	-7	-3	-	-
Interest expense related to financial leasing liabilities	-120	-246	-	-
Other interest expense	-	-72	-1 983	-55
Other financial expenses	-2 114	-	-	-
Write-downs of ownership interests in subsidiaries	-	-	-94 200	-271 070
<b>Financial expenses</b>	<b>-2 241</b>	<b>-321</b>	<b>-96 183</b>	<b>-271 125</b>
<b>Financial items, Consolidated – net</b>	<b>-2 187</b>	<b>482</b>	<b>-95 892</b>	<b>-270 110</b>

## Note 12 Corporate Income Tax

	Consolidated		Parent Company	
	2015	2014	2015	2014
Current income tax:				
Current income tax on net profit/loss for the year	-544	-253	-	-
Adjustments relating to prior years	-3	-	-	-
<b>Total current income tax</b>	<b>-547</b>	<b>-253</b>	-	-
<b>Deferred tax (see Note 17)</b>	<b>63</b>	<b>-24</b>	-	-
<b>Income tax</b>	<b>-484</b>	<b>-277</b>	-	-

The income tax on profit/loss differs from the theoretical amount that would arise when using the weighted average tax rate for profit/loss of the consolidated companies as follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Profit/loss before taxes	-118 824	-164 515	-108 061	-268 351
Expenses related to the issuance of new shares that are not included in the Profit & Loss Statement	1 080	-	1080	-
Income tax calculated according to national tax rates applicable to income in each respective country. 22% for the parent company.	-381	-195	-	-
Tax effects of:				
- Non-taxable income	18	1	3	1
- Non-deductible expenses	-118	-83	-94 328	-271 343
- Revaluation of deferred tax - change in tax rate	-1	-	-	-
- Utilisation of previously unrecognized tax losses	-	-	94 325	271 342
Adjustments in respect to prior years	-2	-	-	-
<b>Tax expense</b>	<b>-484</b>	<b>-277</b>	-	-

The weighted average tax rate for the consolidated income is 30 (22) percent and for the Parent Company 22 (22) percent. No income tax has been recognized in shareholder equity in in 2015 or 2014.

## Note 13 Earnings per share

### a) Before dilution

Earnings per share before dilution are calculated by dividing the profit/loss attributable to the parent company's shareholders by the weighted average number of ordinary shares outstanding during the period.

	2015	2014
Profit/loss attributable to the parent company's shareholders	-119 308	-164 792
<b>Weighted average number of shares outstanding, before dilution</b>	<b>42 001 504</b>	<b>41 871 967</b>

## a) After dilution

For the calculation of earnings per share after dilution, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential shares. The parent company has one category of potential ordinary shares with dilutive effect: stock option programs. For 2014 and 2015, the Group's results were negative and therefore no difference in earnings per share after dilution exists during this period.

## Note 14 Foreign exchange gains and losses

The gains and losses from changes in currency exchange rates are recognized in the Profit & Loss Statement as follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Other operating income and expenses– net (Note 10)	-1 647	170	-439	-61
Financial income and expenses – net (Note 11)	-	-	-	-
	<b>-1 647</b>	<b>170</b>	<b>-439</b>	<b>-61</b>

## Note 15 Intangible fixed assets

Consolidated	Goodwill	Capitalized development expenditures	Customer Agreements	Other intangible assets	Total
<b>2014 Fiscal year</b>					
Opening book value	5 671	24 291	1 350	66	31 378
Foreign exchange gains and losses	361	-	75	-	437
Purchases/improvements	-	24 189	-	2	24 191
Depreciation	-	-14 118	-227	-29	-14 374
<b>Closing book value</b>	<b>6 032</b>	<b>34 362</b>	<b>1 198</b>	<b>39</b>	<b>41 631</b>
<b>At December 31, 2014</b>					
Acquisition cost	7 971	63 206	2 713	73	73 963
Foreign exchange gains and losses	310	-	-172	-	139
Accumulated depreciation	-	-28 844	-844	-34	-29 723
Accumulated amortization	-2 249	-	-499	-	-2 748
<b>Book value</b>	<b>6 032</b>	<b>34 362</b>	<b>1 198</b>	<b>39</b>	<b>41 631</b>
<b>2015 Fiscal year</b>					
Opening book value	6 032	34 362	1 198	39	41 631
Foreign exchange gains and losses	-241	-1	-46	-30	-317
Purchases/improvements	-	18 245	-	1 859	20 105
Depreciation	-	-15 846	-252	-269	-16 368
<b>Closing book value</b>	<b>5 791</b>	<b>36 760</b>	<b>900</b>	<b>1 599</b>	<b>45 050</b>
<b>At December 31, 2015</b>					
Acquisition cost	7 971	81 452	2 713	1 932	94 068
Foreign exchange gains and losses	69	-1	-218	-29	-179
Accumulated depreciation	-	-44 691	-1 096	-304	-46 091
Accumulated amortization	-2 249	-	-499	-	-2 748
<b>Book value</b>	<b>5 791</b>	<b>36 760</b>	<b>900</b>	<b>1 599</b>	<b>45 050</b>

The total amount for research and development that has been expensed in the period totaled SEK 0 (0).

## Impairment testing of goodwill

Goodwill is allocated to the Group's cash generating units (CGU) identified by business segment. Consolidated goodwill is allocated to the Distribution operating segment.

The recoverable amounts for a CGU is determined based on estimates of value in use. These calculations are based on estimated future cash flows before tax based on financial budgets approved by management and cover a five year period. The cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term growth rate for the industry in which the Distribution business segment operates.

The key assumptions that have been used in the calculation of the value in use:

	2015	2014
Rate of growth *	2.0%	2.0%
Discount rate **	14.1%	19.7%

\* Weighted average rate of growth used to extrapolate the cash flows beyond the budget period.

\*\* Pretax discount rate used in calculating the present value of projected future cash flows.

These assumptions have been used to analyze the cash-generating unit. Management has determined the budgeted gross margin based on past performance and its expectations for the growth of the market. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the particular business segment.

The impairment test made during the fourth quarter did not result in a write down of Goodwill.

## Note 16 Tangible fixed assets

Consolidated	Leasehold improvements	Equipment and, Fixtures and fittings	Total
<b>2014 Fiscal year</b>			
Opening book value	7 021	6 431	13 452
Foreign exchange gains and losses	-14	-35	-50
Purchases	-	6 236	6 236
Depreciation	-369	-2 890	-3 259
<b>Closing book value</b>	<b>6 638</b>	<b>9 742</b>	<b>16 379</b>
<b>Per December 31, 2014</b>			
Acquisition cost	7 326	15 782	23 108
Foreign exchange gains and losses	-14	-62	-77
Accumulated depreciation	-674	-5 978	-6 652
<b>Book value</b>	<b>6 638</b>	<b>9 742</b>	<b>16 379</b>
<b>2015 Fiscal year</b>			
Opening book value	6 638	9 742	16 379
Foreign exchange gains and losses	-4	-37	-41
Purchases	316	2 580	2 896
Depreciation	-369	-4 043	-4 412
<b>Closing book value</b>	<b>6 581</b>	<b>8 243</b>	<b>14 823</b>
<b>Per December 31, 2015</b>			
Acquisition cost	7 642	18 362	26 004
Foreign exchange gains and losses	-18	-99	-117
Accumulated depreciation	-1 043	-10 021	-11 064
<b>Book value</b>	<b>6 581</b>	<b>8 243</b>	<b>14 823</b>



## Note 17 Deferred tax

	Consolidated		Parent Company	
	2015	2014	2015	2014
Deferred tax related to temporary differences	63	-24	-	-
<b>Total deferred tax in the Consolidated statement of comprehensive income</b>	<b>63</b>	<b>-24</b>	<b>-</b>	<b>-</b>

Deferred tax assets and liabilities are allocated as follows:

Deferred tax assets	Consolidated		Parent Company	
	2015	2014	2015	2014
Deferred tax assets that are to be utilized after more than 12 months	27 846	27 787	12 225	12 225
<b>Total deferred tax assets</b>	<b>27 846</b>	<b>27 787</b>	<b>12 225</b>	<b>12 225</b>

Deferred tax liabilities	Consolidated		Parent Company	
	2015	2014	2015	2014
Deferred tax liabilities that are to be paid after more than 12 months	336	339	-	-
<b>Total deferred tax liabilities</b>	<b>336</b>	<b>339</b>	<b>-</b>	<b>-</b>

Changes in deferred tax assets and liabilities - liabilities for the Group during the year, without taking into account any offsets made within the same tax jurisdiction, are shown below:

Deferred tax assets and tax liabilities	Tax deficit
At January 1, 2014	27 488
Foreign exchange gain/losses	-16
Recognized in the Profit & Loss Statement	-24
<b>At December 31, 2014</b>	<b>27 448</b>
Foreign exchange gain/losses	-
Recognized in the Profit & Loss Statement	63
<b>At December 31, 2015</b>	<b>27 511</b>

Changes in deferred tax assets and tax liabilities for the parent company during the year, without taking into account any offsets made within the same tax jurisdiction, are shown below:

Deferred tax assets	Tax deficit
At January 1, 2014	12 225
Recognized in the Profit & Loss Statement	-
<b>At December 31, 2014</b>	<b>12 225</b>
Recognized in the Profit & Loss Statement	-
<b>At December 31, 2015</b>	<b>12 225</b>

Deferred tax assets are recognized for tax loss carry forwards to the extent that it is probable that they can be utilized against future taxable profits. Seamless has tax loss carry forwards amounting to SEK 404 424 thousand without an expiry date.

## Note 18 Shares in Group companies

Parent company	2015-12-31	2014-12-31
Opening book value	11 364	66 021
Acquisition	96	1 413
Divestment	-11 161	-
Shareholder contributions	94 200	215 000
Write-downs of ownership interests	-94 200	-271 070
<b>Closing book value</b>	<b>300</b>	<b>11 364</b>

The Parent Company holds ownership interests in the following subsidiaries:

Name	Country	Company registration no	Book value	
			2015-12-31	2014-12-31
Seamless Distribution Systems AB	Sweden	556979-4562	50	50
Seamless Payments AB	Sweden	556876-3477	50	50
SEQR Group AB	Sweden	559029-2602	50	-
SEQR Nordics AB	Sweden	556966-2082	50	50
The Mollet AB	Sweden	556757-4339	100	100
Seamless Poland Sp. z o. o.	Poland	451343	-	1 230
Seamless Private Ltd	India	U72900MH2010FTC206234	-	1 816
Seamless Remittance AB	Sweden	556876-5100	-	50
Seamless Romania SRL	Romania	31953120	-	49
Seamless Software AB	Sweden	556887-4266	-	50
SEQR Benelux	Belgium	553.609.721	-	167
SEQR Denmark ApS	Denmark	36415215	-	62
SEQR Finland Oy	Finland	2639725-3	-	22
SEQR Ltd.	Great Britain	8692438	-	41
SEQR USA Inc.	USA	5398239	-	0,01
SIA Lettel	Latvia	40003892201	-	7 627
<b>Summa</b>			<b>300</b>	<b>11 364</b>

The parent company provides a capital adequacy guarantee for the Swedish subsidiary that is operating at a loss. The share of voting rights corresponds to the equity shares.

In December 2015 Seamless reorganized the Group, to reflect the operational segments. Seamless Group has now three sub-groups. The Parent Company Seamless Distribution has thus sold its shares in subsidiaries to the sub-groups.

## Note 19 Financial instruments by category

Consolidated	
Assets in the Balance Sheet	Loans and accounts receivable
<b>2015-12-31</b>	
Accounts receivable and other receivables	70 365
Cash and cash equivalents	23 005
<b>Total</b>	<b>93 371</b>
<b>2014-12-31</b>	
Accounts receivable and other receivables	48 581
Cash and cash equivalents	105 273
<b>Total</b>	<b>153 853</b>

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<b>Consolidated</b>	
<b>Liabilities in the Balance Sheet</b>	<b>Other financial liabilities</b>
<b>2015-12-31</b>	
Liabilities related to financial leasing	1 360
Accounts payable	34 365
Other liabilities	3 241
<b>Total</b>	<b>38 967</b>
<b>2014-12-31</b>	
Liabilities related to financial leasing	2 030
Accounts payable	29 381
Other liabilities	5 055
<b>Total</b>	<b>36 466</b>

## Note 20 Inventories

Inventories consist of purchased but not yet sold vouchers for airtime for mobile phones.

## Note 21 Accounts receivable

<b>Consolidated</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Accounts receivable	51 824	25 089
Less: provision for doubtful receivables	-2 340	-41
<b>Accounts receivable – net</b>	<b>49 483</b>	<b>25 048</b>

The distribution of these accounts receivable by age is as follows:

	<b>2015-12-31</b>	<b>2014-12-31</b>
1-30 days	16 117	2 509
31-60 days	2 783	4 027
> 61 days	1 481	3 725
<b>Total past due accounts receivable</b>	<b>20 381</b>	<b>10 261</b>

Changes in the allowance for impaired accounts receivable are as follows:

	<b>2015</b>	<b>2014</b>
<b>At January 1</b>		
Provision for impaired receivables	-2 356	-57
Receivables written off during the year as uncollectible	16	17
<b>At December 31</b>	<b>-2 340</b>	<b>-41</b>

<b>Parent company</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Accounts receivable	165	-
Less: provision for impaired accounts receivable	-	-
<b>Accounts receivable – net</b>	<b>165</b>	<b>-</b>

## Note 22 Prepaid expenses and deferred income

<b>Consolidated</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Prepaid rent	591	883
Accrued income	9 695	2 882
Other items	2 811	2 438
<b>Consolidated total</b>	<b>13 097</b>	<b>6 203</b>
<b>Parent company</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Prepaid rent	-	-
Accrued income	-	-
Other items	220	161
<b>Parent company total</b>	<b>220</b>	<b>161</b>

## Note 23 Cash and equivalents

Cash and cash equivalents in the Balance Sheets and Cash Flow Statements encompass the following items:

<b>Consolidated</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Cash and equivalents	23 005	105 273
<b>Consolidated total</b>	<b>23 005</b>	<b>105 273</b>
<b>Parent company</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Cash and equivalents	5 231	69 040
<b>Consolidated total</b>	<b>5231</b>	<b>69 040</b>

## Note 24 Share capital and other capital contributions

	<b>Number of shares</b>	<b>Share capital</b>	<b>Unregistered share capital</b>	<b>Other paid-in capital contributions</b>	<b>Total</b>
<b>At January 1, 2014</b>	41 048 374	20 524	714	450 136	471 374
Issuance of new shares	861 900	431	-714	283	0
Option program				100	100
Repurchase of shares				-13 009	-13 009
<b>At December 31, 2014</b>	<b>41 910 274</b>	<b>20 955</b>	<b>0</b>	<b>437 510</b>	<b>458 465</b>
Issuance of new shares	3 649 181	1 825		30 965	32 790
Expenses related to the issuance of new shares that are not included in the Profit & Loss Statement				-1 080	-1 080
Repurchase of shares				-517	-517
<b>At December 31, 2015</b>	<b>45 559 455</b>	<b>22 780</b>	<b>0</b>	<b>466 878</b>	<b>489 658</b>

The share capital consists of 45 559 455 shares. The shares have a voting ratio of one vote per share.

## Note 25 Other long-term liabilities

Other long-term liabilities	Group		Parent Company	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Long-term liabilities financial leases	571	423	-	-
Other long-term liabilities	175	-	-	-
<b>Total Other long-term liabilities</b>	<b>746</b>	<b>423</b>	<b>-</b>	<b>-</b>

## Note 26 Other short-term liabilities

Other long-term liabilities	Group		Parent Company	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Short-term liabilities financial leases	789	1 608	-	-
Other short-term liabilities	30 601	9 811	28 917	2 327
<b>Total Other long-term liabilities</b>	<b>31 390</b>	<b>11 419</b>	<b>28 917</b>	<b>2 327</b>

The Group has a convertible loan that amounts to a nominal value of SEK 28,000 thousand and carries an annual rate of seven (7) percent. The interest cost due to the convertible loan amounts to SEK 947 thousand for 2015. The convertible loan will mature 364 days after the date of issue, i.e. on July 16, 2016, unless conversion or distribution has occurred prior to this date. The conversion rate has been set to SEK 8.55 and the issue of convertible debentures will entail, upon full conversion, a dilution for the current shareholders of Seamless of approximately 7.49 per cent after full dilution.

## Note 27 Deferred expenses and prepaid income

Consolidated	2015-12-31	2014-12-31
Deferred vacation pay obligations	2 587	3 402
Deferred social insurance contributions	614	1 006
Prepaid income	13 995	5 114
Other items	17 083	14 083
<b>Consolidated total</b>	<b>34 279</b>	<b>23 606</b>

Parent company	2015-12-31	2014-12-31
Deferred vacation pay obligations	222	394
Deferred social insurance contributions	70	124
Prepaid income	-	-
Other items	5 213	3 011
<b>Parent company total</b>	<b>5 505</b>	<b>3 528</b>

## Note 28 Leasing Agreements

### Operational leases

The Group's operating leases relate primarily to lease payments for the leasing of premises for offices. There is no subleasing.

Future minimum lease payments, under non-cancellable operating leases, currently valid at the closed of the reporting period, are due for payment as follows:

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<b>The Group</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Within 1 year	1 966	2 169
Later than 1 year but within 5 years	3 002	34
Later than 5 years	-	-
<b>Group, total</b>	<b>4 968</b>	<b>2 203</b>

The expenses for operating leases in the Group during the fiscal year amounted to SEK 4 968 (2 203) thousand.

<b>Parent Company</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Within 1 year	224	194
Later than 1 year but within 5 years	266	106
Later than 5 years	-	-
<b>Parent Company, total</b>	<b>490</b>	<b>300</b>

The expenses for operating leases in the Parent Company during the fiscal year amounted to SEK 490 (300) thousand.

## **Financial leasing**

The Group's financial leases are related to company cars and servers. A portion of the leased servers are sold to customers, the remainder are reported as a tangible fixed asset. There is no subleasing.

### **Liabilities related to financial leasing**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of non-payment.

Gross liabilities related to financial leasing – Future minimum lease payments:

	<b>2015-12-31</b>	<b>2014-12-31</b>
Within 1 year	833	1 647
Between 1 and 5 years	647	515
More than 5 years	-	-
	<b>1 480</b>	<b>2 163</b>
Future financial expenses related to financial leasing	-120	-132
<b>Total</b>	<b>1 360</b>	<b>2 030</b>

Present value of lease liability

	<b>2015-12-31</b>	<b>2014-12-31</b>
Within 1 year	1 077	1 608
Between 1 and 5 years	283	423
More than 5 years	-	-
<b>Total</b>	<b>1 360</b>	<b>2 030</b>

## **Note 29 Other non-cash items**

<b>Consolidated</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
Foreign exchange gains and losses	357	-607
Other items	-33	516
<b>Consolidated total</b>	<b>324</b>	<b>-91</b>

## Note 30 Repurchase of own share

Once during 2015 the board of directors carried out the repurchase of the Company's own shares. During 2015 the Company purchased 44 381 shares, to a cost of SEK 517 thousand. At the time of the release of this report Seamless holds 1 million own shares, purchased to a cost of SEK 13 527 thousand.

## Note 31 Share-related compensation

The Company has two ongoing warrants programs, which were approved by the Annual General Meeting on April 26, 2013 and the Annual General Meeting on April 8 2014.

Changes in the number of outstanding warrants and their weighted average exercise prices are as follows:

	2015		2014	
	Average redemption price in SEK, per share	Warrants (thousands)	Average redemption price in SEK, per share	Warrants (thousands)
<b>At January 1</b>		<b>2 161</b>		<b>2 147</b>
Granted, Warrants Program 2013:1			61,50	14
Warrants forfeited during the year	-	-300		-
<b>At December 31</b>		<b>1 861</b>		<b>2 161</b>

The outstanding warrants (in thousands) at year-end have the following expiry dates and exercise prices:

Program	Term	Total number	Subscription price (SEK)	Shares per warrant	Subscription period
2013/2016:1	- Aug 31, 2016	2,000,000	61.50	1	Aug 1, 2016 - Aug 31, 2016
2013/2016:2	- Aug 31, 2016	1,500,000	61.50	1	Aug 1, 2016 - Aug 31, 2016
2014/2017:1	- Aug 31, 2017	500,000	60,69	1	Aug 1, 2017 - Aug 31, 2017
2014/2017:2	- Aug 31, 2017	1,500,000	45,52	1	Aug 1, 2017 - Aug 31, 2017

## Note 32 Transactions with closely related parties

	Base salary/ Director's fees		Variable compensation		Other benefits		Other compensation		Pensions-kostnader		Aktierelaterade ersättningar	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Previous Board Members</b>												
Michael Sundin	-	657	-	-	-	-	-	-	-	-	-	-
Martin Börresen	-	400	-	-	-	-	-	-	-	-	-	-
<b>Current Board Members</b>												
Hein Pretorius	657	-	-	-	-	-	-	-	-	-	-	-
Robin Saunders	526	526	-	-	-	-	-	-	-	-	-	-
Peter Fredell	-	-	-	-	-	-	-	-	-	-	-	-
Omar Cordes	526	526	-	-	-	-	-	-	-	-	-	-
Kirstin Berdan	526	-	-	-	-	-	-	-	-	-	-	-
<b>Chief Executive Officer</b>												
Peter Fredell	2 473	2 456	-	-	106	72	-	-	232	189	-	-
<b>Total</b>	<b>4 707</b>	<b>4 565</b>	-	-	<b>106</b>	<b>72</b>	-	-	<b>232</b>	<b>189</b>	-	-
<b>Other members of senior management</b>												
Employed 4 (6)	4 953	4 801	-	-	47	88	20	36	636	572	-	-
<i>of whom, 1 (1) consultant</i>												
<b>Total</b>	<b>9 660</b>	<b>9 366</b>	-	-	<b>153</b>	<b>162</b>	<b>20</b>	<b>36</b>	<b>869</b>	<b>782</b>	-	-

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For the CEO, the required advance notice period for termination of employment is 12 months, and for other employees in senior management positions, four to nine months. Upon termination by the Company, the CEO is not entitled to any severance pay. Nor are other employees in senior management positions entitled to severance pay upon termination. The Board of Directors has the right however to deviate from these guidelines in individual cases if special reasons exists.

## **Note 33 Significant events after the close of the reporting period**

- Seamless partners with Express Money and enters the international money transfer market. Through Seamless' mobile payment platform SEQR, Xpress Money and Seamless can offer its customers a convenient, safer and affordable way of sending money from one country to another, digitally.
- Seamless has received a new order from a leading African mobile operator in the Ivory Coast for the installation of its transaction switch. The order is initially valued at approximately USD 2 million.
- As SEQR should fund for long term growth, Seamless intends to bring in a strategic equity partner as co-investor in the subsidiary SEQR through a directed equity placement. Awaiting the completion of such transaction, in order to cover negative cash flow Seamless finalized a , by means of the existing authorization from the general meeting, raise capital through a private placement of shares in Seamless of 24.6 MSEK.

## **Note 34 Contingent liabilities**

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

In October 2013 Accumulate filed a summons application with the Stockholm District Court against the Company regarding patent infringement. In the summons Accumulate required that the Company should stop to use and provide the mobile payment solution SEQR. The Company has rejected the allegations about patent infringement as unfounded. The Company has based its standpoint on a thorough analysis of Accumulate's patent and its scope. In August 2014 the Company filed a summons application with the Stockholm District Court against Accumulate regarding invalidity whereby the Company claims that Accumulate's patent should be declared invalid. The two cases are still pending.



## Assurance by the Board of Directors

The Group's financial statements will be submitted to the Annual General Meeting on April 21, 2016 for adoption.

The Board of Directors and the Chief Executive Officer of the Company certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and accurate picture of the Group's financial position and profits/losses. The Annual Report with its accompanying financial statements have been prepared in accordance with generally accepted accounting principles and gives a true and accurate picture of the financial position and profits/losses.

The Report from Management for the Group and Parent Company provides an accurate overview of the developments of the Group's and the Parent Company's business operations, financial position and profits/losses, and describes material risks and uncertainties facing the Parent Company and the other companies making up the Group.

Stockholm, March 17, 2016

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Hein Pretorius  
Chairman of the Board

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Peter Fredell  
President and CEO

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Kristin Berdan  
Member of the Board of Directors

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Omar Cordes  
Member of the Board of Directors

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Robin Saunders  
Member of the Board of Directors

Our Auditor's Opinion was submitted on March 17, 2016

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Niklas Renström  
Auktoriserad revisor/Certified Public Accountant  
Öhrlings PricewaterhouseCoopers AB

## INFORMATION FOR THE SHAREHOLDERS

### **Annual General Meeting 2016**

The Annual General Meeting for 2016 will be held April 21, 2016, at 10:00 in the premises of Seamless Distribution AB, located at S:t Eriksgatan 121, SE-113 43 Stockholm. Enter from either S:t Eriksgatan 119 or S:t Eriksgatan 121. Shareholders wishing to attend the AGM must be registered in the shareholder register maintained by Euroclear Sweden AB no later than April 15, 2016. Participants must also submit a notification of their intention to attend to Seamless Distribution AB no later than 12:00 April 15, 2016.

### **Notification of attendance is to be sent to**

Seamless Distribution AB (publ), Box 6234, SE-102 34 Stockholm  
By e-mail to [info@seamless.se](mailto:info@seamless.se)

The notification is to include the name, personal ID number or corporate registration number, address, telephone number, and the number of shares held.

### **Financial Reports Calendar – 2016**

March 17, 2016	Annual Report 2015
April 21, 2016	Annual General Meeting
April 22, 2016	Q1 Interim Report
July 15, 2016	Q2 Interim Report
November 17, 2016	Q3 Interim Report

All financial information is made publically available via the Seamless website [www.seamless.se](http://www.seamless.se)

Financial reports can also be ordered directly from Seamless Distribution AB, Box 6234, SE-102 34 Stockholm, or via e-mail: [info@seamless.se](mailto:info@seamless.se)

### **Contacts**

For further information, please contact:

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website: [www.seamless.se](http://www.seamless.se)

All information will be publically available on [www.seamless.se](http://www.seamless.se) immediately after its release for publication.