

WESTPAY

Q4

YEAR-END REPORT

2018

Westpay AB

Year-end report January–December 2018

Closing a challenging 2018 with strengthened focus on the growth strategy

Fourth Quarter 2018

- Net sales totalled SEK 11.6 million (26.2), a decrease of 56 %
- EBITDA was SEK -7.5 million (0.9), a reduction of SEK 8.4 million / - 979 %
- Operating profit was SEK -9.3 million (-0.5), a decrease of SEK 8.8 million / - 1940 %
- Profit after tax was SEK -8.2 million (-0.9), a decrease of SEK 7.3 million / - 791 %
- Net earnings per share amounted to SEK -0.37 (-0.04)

January - December 2018

- Net sales totalled SEK 67.7 million (93.2), a decrease of 27 %
- EBITDA was SEK -9.6 million (10.6), a reduction of SEK 20.3 million / - 191 %
- Operating profit was SEK -15.4 million (6.3), a decrease of SEK 21.8 million / - 343 %
- Profit after tax was SEK -13.6 million (4.4), a decrease of SEK 18.0 million / - 407 %
- Net earnings per share amounted to SEK -0.60 (0.20)

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales, kSEK	11 613	26 173	67 716	93 172
EBITDA, kSEK	-7 515	855	-9 643	10 640
Operating profit/loss, kSEK	-9 280	-455	-15 426	6 336
Profit/loss after tax, kSEK	-8 220	-922	-13 557	4 421
Net earnings per share, kSEK	-0,37	-0,04	-0,60	0,20

Significant events during the quarter

- Westpay launches CARBON – First to market with a complete range of Android based payment terminals
- Order from MAX Burgers, value MSEK 2
- New certification completed in South Africa
- New certification according to the highest PCI security standard, strengthens position within the payment industry
- Additional orders for card payment terminals in Sweden, value MSEK 1,5

Significant events after the end of the quarter

- Wirecard and Westpay start partnership to expand digital payments across the Nordics, further Europe and South Africa
- Order from Wirecard, value MSEK 2,5
- The Board of Directors does not intend to submit proposals for dividend.

Westpay in brief

Focusing on smart transaction and payment solutions for merchant in-store as well as for the e-commerce and self-service markets, Westpay offers a complete solution for all types of payments working with a broad range of resellers within various industries, such as retail, hotels and restaurants, and the retail banking sector.

Westpay has unique capabilities for both fast time-to-market and customization, with full range payment competencies and proven scalable payment system solutions.

Our vision is to be a global payment enabler. Westpay acts as an independent supplier of products and services for merchant payment solutions demanded by the market.

Westpay was founded in 1988 and is listed on Nasdaq First North Stockholm since 2007. The company is active in five main market areas: The Nordic countries, Europe, Africa, South and South East Asia, and Australia. The head office is located just outside of Stockholm, Sweden.

Business model

Westpay's business offering is based on close collaboration with contracted suppliers and users, e.g. OpenSolution, ClearOn, Oracle, Svenska Handelsbanken, Datorama, Nets, Interblocks, MAX Burgers and Absa Bank.

With our Payment Gateway, Westpay handles most merchant payments without third party involvement. It increases our own as well as our customers' independence, which is a great advantage in this industry. At Westpay we don't compete with our customers. They are guaranteed a strong and neutral partnership, safe in the knowledge that their business is never challenged by us. Our payment solution is fully certified and approved by the payment industry (PCI), ensuring the highest possible level of security. It further handles all leading credit card brands and several acquiring bank networks around the world.

The Payment Gateway also shortens lead time and simplifies the launch process in new markets. Moreover, it is a vital part of Westpay's strategy, which aims at increasing the portion of transaction-based revenues.



In-Store

Westpay provides state of the art payment solutions for In-store and Card Present transactions. There are terminals for all markets and applications, ranging from countertop to mobile devices as well as unattended terminals.

The terminals are all supported by the same unique payment application prepared for fast time-to-market and customization. It allows for rapid software development and maintenance. Westpay has an unprecedented software architecture with only one payment application for all terminals, markets and applications.

Westpay's payment solution further minimizes the life time cost for the merchants. Terminals being deployed to the field will configure themselves and handle key loading automatically, immensely simplifying processes for new installations and swaps. In the same way, software updates have never been easier! With a few clicks: parameters, applications, patches and even keys can be remotely pushed into the payment terminals. The scope can be defined to individual terminals, groups or even whole merchants instantly or at a time defined by our customer. Giving them the tool to plan any future deployment in a controlled manner.

Being designed for high transaction volume applications and covering all relevant transactions types with multi-acquirer support, all users within the Retail, Hospitality and Retail Banking segments can benefit from the Westpay In-store and Card Present payment solution.

E-commerce

Westpay handles card payments in all channels. By adding online payment solutions to the existing customer offerings within payment infrastructure for physical environments, Westpay creates a complete and unique omnichannel payment solution.



As a result, those clients with needs for payment solutions in physical environments, as well as in e-commerce and mobile apps, can have the complete solution delivered from one single supplier. This enables e.g. restaurant or store chains to identify their customers, regardless of whether these are shopping onsite or online.

Something which is virtually impossible when you have payment systems from different suppliers. In the e-commerce product Westpay handles online card payments from web or mobile app. Beyond that the solution is highly customizable.

The e-commerce function can be white-labelled and be used in a separate window or form (redirect), or tightly integrated into the web shop of the merchant. Reporting and end of day handling can be tailored to suit the individual needs from each and every customer.

Self-Service

Westpay has a long history within the self-service sector, where payment terminals are used in unattended payment environments. Users can be found throughout the Hospitality segment. In fast food restaurants, the self-service concept is constantly gaining importance.

This concept saves time and money for the customer as well as the restaurant. With self-service, two out of three steps are transferred to the consumer (ordering and paying) and the merchant can focus on customer service (delivery). Staff reduction and less manual involvement are some positive effects, but perhaps the greatest is increased sales. Experience shows that the average restaurant bill from a self-service purchase is higher compared to paying to a cashier.

Self-service in general is making rapid headway and Westpay is unique, in that we have a complete self-service and payment solution. Westpay offers self-service solutions compliant with the highest possible security class, something very important in unattended environments.

From the CEO

Our performance in the fourth quarter was unsatisfactory. Sales remained lower due to shifts in product generations and delays on international markets. The operating result dropped significantly. On the positive side, our gross margin continued to increase, reaching 61 % (+3 p.p.) for the full 2018. It is a strong indicator on the strategic capacity of our business model. The immediate priority is to expand sales activities while also maintaining a stable liquidity situation.



Our strategic focus on enabling payments globally, through innovations and a solid business foundation based on long-term customer and partner alliances, remains unchanged. Persistently we broaden our business scope and advance our technology portfolio. During 2018 and in the beginning of 2019 we have completed several important business achievements. We have signed contracts with premiere international acquirers Elavon and Wirecard, launched CARBON – our brand-new payment terminal solution, signed contract with Cirralto in Australia, started the introduction of new revenue boosting self-service concepts with Max Burgers, and been appointed by Oracle as strategic payment partner, just to mention a few. In addition, we have an established, loyal and long-term customer base on several international markets including Europe and South Africa.

Together with the progress in important certification and interconnection projects, all these achievements create great competitive assets supporting our continued growth.

We have signed an agreement with Wirecard, the global innovation leader for digital financial

technology, forming a long-term partnership to bring world-class digital payment services and solutions to merchant customers across the Nordics, further Europe and South Africa. In this cooperation, the two companies will provide merchants with state-of-the-art payment solutions for cashless, so-called card present, on-site transactions. In particular, the focus will be on delivering digital payment solutions for customers in the hospitality and retail sectors as well as supporting automated self-service applications in retail, hospitality and travel. I am very excited about partnering with Wirecard and supporting their vision of making payments as quick and convenient as possible for end-consumers globally.

On the technology and product side two achievements stand out. One is the introduction of CARBON, where Westpay brings a completely new payment experience to the market. Following the market release, all required certification for Europe has been completed, pilots have been put in operation and we are now preparing for volume shipments during the first half of 2019.

The other is the certification according to the highest PCI security standard, which strengthens our position within the payment industry. We have been approved compliant with the Payment Card Industry Personal Identification Number (PCI PIN) Security Requirements. PCI PIN is the third major certification obtained by Westpay, after already being certified for PCI Data Security Standard (PCI DSS) and PCI Payment Application Data Security Standard (PCI PA-DSS). This new certification permits Westpay to move into new areas such as managing card payment applications on Android and iOS driven consumer devices. Many of Westpay's resellers and their customers will also benefit from reduced PCI scope and associated costs. Being PCI PIN approved makes Westpay even more independent from card acquiring banks, and will make integrations to new acquirers and processors all over the world both quicker and easier.

Interesting developments in the payments market continues. The acceptance of contactless payments increases rapidly. On

several markets it overtakes chip-and-pin for in-store transactions. In my view this is about convenience and reducing the parts of the shopping experience that customers find irritating like queuing and waiting to pay. However, plastic card remain king as mobile payments such as Apple and Samsung Pay still fail to hit big in volume. A recent survey shows that consumers perceive a higher degree of security with plastic cards compared to the digital equivalent in the mobile phone. For Westpay as an infrastructure supplier it is important to remain payment method independent and make sure we can enable any of the variants requested by the market.

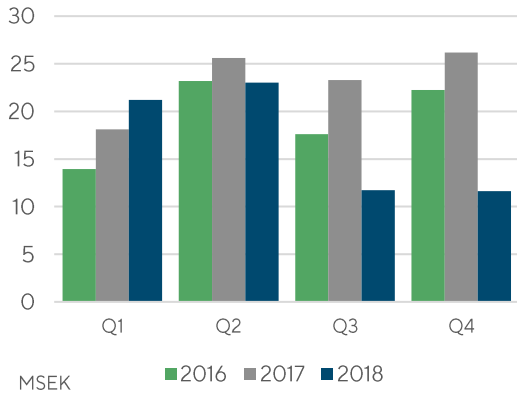
The ongoing product generation shift and the delays in certification on the markets in South Africa and Sri Lanka continued to put pressure on our revenues for the fourth quarter, pushing them forward into 2019. The opportunities are not lost but postponed. Due to the reduction of the revenues, the operating result dropped significantly. It was also impacted by reservations for doubtful receivables which is a consequence of our strict policy to make reservations for overdue payments, regardless if they are doubtful or not. These reservations are continuously dissolved as payments are made, thus having a positive result bearing. In 2018 we have also completed all our key recruitments for the foreseeable future, why we are staffed for growth.

I want to thank all employees, customers and shareholders for the commitment and dedication during a challenging 2018. Our purpose of Growing Together remains intact for the coming years and I look forward to advancing further towards our targets during 2019. I am confident that we are well positioned with the right business focus, team size and technology offerings to extend our five-year historic growth journey well into the future. My ambition during 2019 is to continue the intensive work with technology investments and keep our sales activity at the highest level.

Sten Karlsson, CEO Westpay AB

Net sales

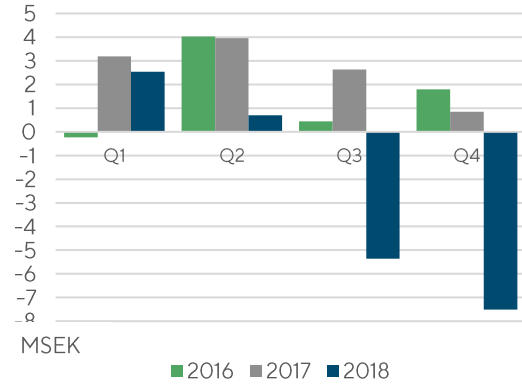
Net sales during the fourth quarter 2018 totalled SEK 11.6 million (26.2), a decrease of 56 % compared to the same period last year.



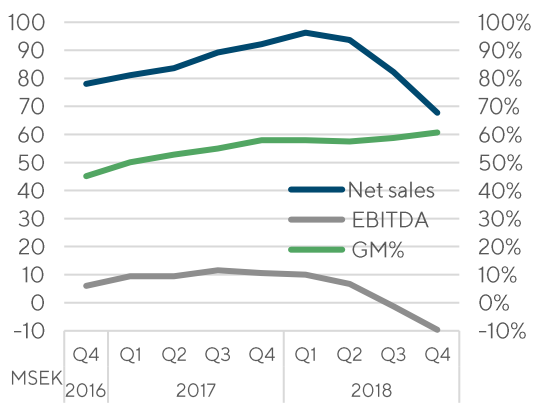
Net sales per quarter 2016 – 2018

Profit/Loss and costs

EBITDA in the fourth quarter of 2018 was SEK -7.5 million (0.9), a reduction of SEK 8.4 million. The Q4 gross margin was 68 % (58).

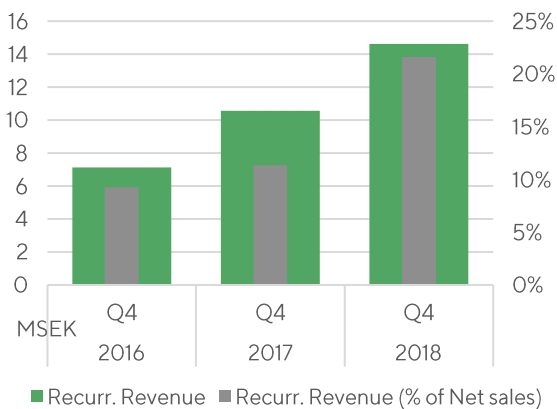


EBITDA per quarter 2016 – 2018



Rolling 12 months Q4 2016 – Q4 2018

Personnel costs in the fourth quarter of 2018 totalled 80 % (35) of operating income.



Recurring Revenue Rolling 12 months Q4 2016 – Q4 2018

Financial position and cash

On 31 December 2018 the company's cash equivalents amounted to SEK 1.7 million (12.3). Total overdraft facility not utilized was 8.5 million. The company has no long-term loans. The equity ratio was 46 % (61). Equity amounted to SEK 26.9 million (40.5)

Cash flow from ongoing business operations amounted to SEK -3.3 million (2.1) in the fourth quarter of 2018. Total cash flow after investment and financing operations reached SEK 1.3 million (0.6).

Inventory

Inventory at reporting date totalled SEK 20.1 million (23.7), where SEK 1.8 million are goods in transit.

Investments

During the quarter, investments have been made reaching a total of SEK 1.7 million (1.5). These investments primarily consist of capitalised development costs.

Currency risk

In order to reduce exchange rate risk, Westpay hedges major contracted net cash flows in foreign currency. The total exchange rate difference influencing the financial result during the third quarter amounted to SEK 0.4 million (-0.1).

Personnel

The number of employees at the end of the period totalled 40 (33).

Related party transactions

No related party transactions during the quarter.

The Share

At reporting date, the number of shareholders totalled 1787 (2121). The share price was SEK 4.70 (13.85), which corresponded to a market capitalisation of approximately SEK 105 million (312).

Significant events during the quarter

- Westpay launches CARBON – First to market with a complete range of Android based payment terminals Payments must work. Simple as that!
With CARBON, Westpay brings a completely new payment experience to the market – a payment solution unlike any other. CARBON payment terminals are available for shipments from the beginning of 2019 on all European markets.
CARBON is the first complete product range of payment terminals built on Android, the world’s most versatile and far-reaching operating system. Through Android, CARBON enables Cloud based payment solutions, tight integration to external point-of-sales applications and remote updating for flexible customization. Effortlessly!
- As part of the ongoing cooperation, MAX Burgers and Westpay has come to an agreement for developing a new generation self service solution for restaurants. The initial pilot order amounts to SEK 2 million and will be delivered during the third and fourth quarter of 2018. Self service, a.k.a. Express Kiosks, is an integral part of MAX digital strategy for creating a superior experience for the restaurant guest. The use of self service kiosks has been a success and a very large share of the guests are using these for orders and payment.
- Westpay’s payment solution has been certified and approved for commercial operation by Absa Bank in South Africa. The certification also includes approval from Mastercard and Visa for contact and contactless payments. Following this certification, Westpay’s distribution partners are deploying payment terminals with Absa Bank card acquiring services to merchants throughout South Africa. Absa Bank is one of Africa’s largest diversified financial services group and South Africa’s leading bank group.
- Westpay AB has received PCI Attestation of Compliance for reaching compliance with the Payment Card Industry Personal Identification Number (PCI PIN) Security Requirements. Westpay will be able to further expand its business scope related to payment services and to develop totally new payment concepts based on Android

and iOS driven consumer devices. PCI PIN is the third major certification obtained by Westpay, after already being certified for PCI Data Security Standard (PCI DSS) and PCI Payment Application Data Security Standard (PCI PA-DSS). This new certification permits Westpay to move into new areas such as managing card payment applications on Android and iOS driven consumer devices.

- As part of the ongoing customer cooperations, Westpay has received additional orders for card payment terminals from some of its customers on the Nordic markets including Svenska Handelsbanken and Datorama. The orders amount to SEK 1,5 million initially and will be delivered during the fourth quarter of 2018.

Significant events after the end of the quarter

- Westpay, a leading provider of payment solutions, and Wirecard, the global innovation leader for digital financial technology, have signed an agreement, forming a long-term partnership to bring world-class digital payment services and solutions to merchant customers across the Nordics, further Europe and South Africa. Within the terms of the agreement, complete digital POS and mPOS solutions will be brought to market, aimed at progressing the digitalization of payments on the way to a cashless society. Currently, 80-85% of transactions worldwide are in cash, representing a huge market potential. In particular, Wirecard benefits from Westpay’s strong network and presence in the Nordics, a key growth market. Together, the two companies will provide merchants with state-of-the-art payment solutions for cashless, so-called card present, on-site transactions. In particular, Wirecard and Westpay are focusing on delivering digital payment solutions for customers in the hospitality and retail sectors as well as supporting automated self-service applications in retail, hospitality and travel. Westpay is a Gold Level member and strategic partner for payment solutions within the Oracle Partner Network (OPN) and validated and approved for its payment solutions designed for hotels and restaurants.

- As part of the previously announced long-term partnership with Wirecard AG, Westpay has received an initial order for card payment terminals and related services. The order amounts to SEK 2,5 million.

Financial target

The company's long-term financial target is to achieve an average annual increase in sales of 20 % and have an overall EBITDA margin of at least 10 %.

Accounting principles

Development costs for major development projects will be capitalised. These amounts to SEK 1.7 million (1.2) for the fourth quarter 2018. This interim financial report was prepared using the same accounting principles and calculation methods as in the annual report.

Review

This report has not been reviewed by the auditors of the company.

Upcoming reports

Westpay issues financial results on a quarterly basis. All reports available at the company's website: www.westpay.se

The following report publication dates and general meetings are scheduled:

11 April 2019	Annual report 2018
2 May 2019	Interim financial report Jan-Mar 2019
2 May 2019	Annual general meeting
16 August 2019	Interim financial report Jan-Jun 2019
25 October 2019	Interim financial report Jan-Sep 2019
14 February 2020	Year-end report 2019

Upplands Väsby 15 February 2019

Westpay AB

Further information about this Year-end report:

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The content herein is information which Westpay AB is required to disclose under the EU Market Abuse Regulation. The information was submitted, through the above contact, for disclosure on 15 February 2019 at 08:40 CET.

Westpay AB

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About Westpay:

Westpay delivers smart transaction- and payment solutions to market-leading operators in retail, hotels and restaurants, as well as to the retail banking sector. The company's customer offerings aim at creating a more efficient payment flow for our customers and their consumers within physical retail. Westpay is active in five main market areas: The Nordic countries, Europe, Africa, South- and South East Asia and Australia. Customers include, among others, OpenSolution, Visma, Datorama, Nets, Interblocks, Max Hamburger Restaurants Incorporated and ABSA Bank. The company's registered office is in Upplands Väsby, Sweden, and it is listed on Nasdaq First North Stockholm. The company's Certified Adviser is Erik Penser Bank, telephone: +46 8 463 80 00 See also www.westpay.se

INCOME STATEMENT

kSEK	Oct-dec 2018	Oct-dec 2017	Jan-dec 2018	Jan-dec 2017
Net sales	11,134	26,293	66,609	93,124
Capitalised work for own account	1,563	1,248	6,213	6,271
Other operating income	0,479	-0,120	1,107	0,48
Operating expenses				
Cost of goods sold	-3,666	-11,017	-26,606	-39,212
Other external expenses	-7,722	-6,277	-22,032	-18,815
Personnel expenses	-9,302	-9,273	-34,934	-30,776
Depreciation and amortization	-1,765	-1,310	-5,783	-4,305
Operating profit/loss	-9,280	-0,455	-15,426	6,336
Profit/loss from financial items				
Interest income and other financial items	0,0	0,7	0,12	0,116
Interest expenses and other financial items	-0,221	-0,113	-0,463	-0,368
Profit/loss after financial items	-9,502	-0,561	-15,877	6,084
Tax	1,282	-0,361	2,320	-1,664
Profit/loss for the period	-8,220	-0,922	-13,557	4,421
Result per share				
Result per share, before dilution, SEK	-0,37	-0,04	-0,60	0,20
Result per share, after dilution, SEK	-0,37	-0,04	-0,60	0,20

BALANCE SHEET

kSEK	31-dec-18	31-dec-17
ASSETS		
Intangible assets	11,671	10,695
Tangible assets	0,675	1,112
Financial assets	4,481	2,161
Total fixed assets	16,827	13,969
Inventories including work in progress	20,055	23,702
Accounts receivable	13,631	14,627
Other receivables	5,912	1,493
Cash and cash equivalents	1,666	12,341
Total current assets	41,264	52,163
TOTAL ASSETS	58,090	66,132
EQUITY AND LIABILITIES		
Non restricted equity	11,496	26,184
Restricted equity	15,432	14,300
Total equity	26,928	40,485
Borrowings	0,0	0,0
Other provisions	3,411	2,220
Non-current liabilities	3,411	2,220
Advance payments from customers	0,18	0,60
Accounts payable	13,423	12,236
Other current liabilities	14,311	11,131
Current liabilities	27,752	23,427
TOTAL EQUITY AND LIABILITIES	58,090	66,132

CONSOLIDATED CHANGES IN TOTAL EQUITY

kSEK	Share capital	Other restricted equity	Other non restricted equity	Profit/loss for the year	Total non-restricted equity
Total equity at 2017-01-01	4,500	6,266	23,077	2,222	25,299
Disposition of last years profit/loss as decided by annual general meeting			2,222	-2,222	
Profit/loss for the period				4,421	
Reserve for development cost		3,535	-3,535	0,0	
Total equity at 2017-12-31	4,500	9,800	21,764	4,421	26,184
Total equity at 2018-01-01	4,500	9,800	21,764	4,421	26,184
Disposition of last years profit/loss as decided by annual general meeting			4,421	-4,421	
Profit/loss for the period				-13,557	
Reserve for development cost		1,131	-1,131		
Total equity at 2018-12-31	4,500	10,932	25,053	-13,557	11,496

CASH FLOW STATEMENT

kSEK	Oct-dec 2018	Oct-dec 2017	Jan-dec 2018	Jan-dec 2017
OPERATING ACTIVITIES				
Operating profit	-9,280	-0,446	-15,426	6,336
Adjustments for non-cash items	2,392	1,668	6,973	6,079
Interest received	0,0	0,7	0,12	0,116
Interest paid	-0,221	-0,113	-0,463	-0,368
Income tax paid	0,0	0,0	0,0	0,0
Cash flow from operating activities before working capital changes	-7,110	1,116	-8,903	12,163
Change in working capital				
Increase (-) / decrease (+) in inventory	-2,515	-1,725	3,647	-4,306
Increase (-) / decrease (+) in accounts receivables	4,116	1,021	0,996	-3,851
Increase (-) / decrease (+) of other receivables	-0,23	0,468	-4,419	-0,585
Increase (+) / decrease (-) of current liabilities	2,208	1,242	-4,192	-3,309
Cash flow from changes in working capital	3,786	1,007	-3,967	-12,051
Cash flow from operating activities	-3,324	2,123	-12,870	0,112
INVESTING ACTIVITIES				
Investments in intangible assets	-1,695	-1,248	-6,213	-6,271
Investments in tangible assets	0,0	-0,295	-0,108	-0,585
Cash flow from investing activities	-1,695	-1,544	-6,322	-6,855
Cash flow after investing activities	-5,019	0,579	-19,192	-6,744
FINANCING ACTIVITIES				
Raise of short-term debt	0,0	0,0	0,0	0,0
Raise of long-term debt	0,0	0,0	0,0	0,0
Bank overdraft facility utilized	6,332	0,0	8,517	0,0
New issue	0,0	0,0	0,0	0,0
Cash flow from financing activities	6,332	0,0	8,517	0,0
Cash flow for the period	1,313	0,579	-10,675	-6,744
Cash and cash equivalents at the beginning of the period	0,354	11,762	12,341	19,085
Cash and cash equivalents at the end of the period	1,666	12,341	1,666	12,341

FINANCIAL RATIOS

	Oct-dec 2018	Oct-dec 2017	Jan-dec 2018	Jan-dec 2017
Net sales, kSEK	11,613	26,173	67,716	93,172
Net sales growth,%	-56%	18%	-27%	21%
Gross margin,%	68%	58%	61%	58%
EBITDA margin, %	-65%	3%	-14%	11%
Operating margin,%	-80%	-2%	-23%	7%
Profit/loss after financial items, kSEK	-9,502	-0,561	-15,877	6,084
Equity ratio, %	46%	61%	46%	61%
Debt ratio	0,0	0,0	0,0	0,0
Investments in tangible assets, kSEK	0,0	0,295	0,108	0,585
Investments in intangible assets, kSEK	1,695	1,248	6,213	6,271
Shareholders ' equity per share, SEK	1,20	1,80	1,20	1,80
Cash and cash equivalents per share, SEK	0,07	0,55	0,07	0,55
Quick ratio,%	76%	121%	76%	121%
Average number of shares	22 500 000	22 500 000	22 500 000	22 500 000
Number of shares at end of period	22 500 000	22 500 000	22 500 000	22 500 000
Earnings per share, SEK	-0,37	-0,04	-0,60	0,20
Profit per employee, kSEK	-0,205	-0,35	-0,339	0,170
Number of employees at end of period	40	33	40	33

Definitions

Gross margin

Net sales minus cost of goods sold, in relation to turnover.

Operating margin

Operating profit in relation to turnover.

EBITDA

Operating income before interest, taxes, depreciation and amortization.

EBITDA margin

EBITDA divided by net sales.

Equity ratio

Adjusted equity in relation to total assets.

Debt ratio

Interest-bearing liabilities divided by adjusted equity.

Earnings per share

Profit after tax in relation to the average number of shares.

Shareholders ' equity per share

Equity in relation to the number of shares outstanding.

Cash and cash equivalents per share

Cash and cash equivalents in relation to the number of shares outstanding.

Quick ratio

Current assets less inventories divided by current liabilities.

Profit per employee

Net income in relation to the number of employees at the end of the period.