



INTERIM FINANCIAL REPORT
APRIL-JUNE 2020

Q2

WESTPAY

WE ENABLE PAYMENTS - GLOBALLY

INTERIM FINANCIAL REPORT APRIL - JUNE 2020
**ADAPTING OUR BUSINESS FOR A
NEW REALITY IN A PANDEMIC PRESENT.**
SECOND QUARTER 2020

- Net sales totalled MSEK 10.2 (15.2), a decrease with MSEK 4.9 / -32 %
- EBITDA was MSEK -1.6 (-4.8), an increase with MSEK 3.2
- Operating profit/loss was MSEK -3.1 (-6.3), an increase with MSEK 3.2
- Profit/loss after tax was MSEK -3.0 (-5.2), an increase with MSEK 2.2
- Earnings per share amounted to SEK -0.09 (-0.24)

JANUARY – JUNE 2020

- Net sales totalled MSEK 24.7 (28.3), a decrease with MSEK 3.6 / -13 %
- EBITDA was MSEK -5.8 (-8.2), an increase with MSEK 2.4
- Operating profit/loss was MSEK -9.3 (-11.2), an increase with MSEK 1.9
- Profit/loss after tax was MSEK -8.0 (-9.1), an increase with MSEK 1.1
- Net earnings per share amounted to SEK -0.24 (-0.40)

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales, kSEK	10 245	15 150	24 678	28 289	58 639
EBITDA, kSEK	-1 557	-4 760	-5 827	-8 246	-20 823
Operating profit/loss, kSEK	-3 093	-6 323	-9 325	-11 220	-27 336
Profit/loss for the period, kSEK	-3 033	-5 241	-7 979	-9 048	-23 662
Result per share, SEK	-0,09	-0,23	-0,24	-0,40	-0,70

SIGNIFICANT EVENTS DURING THE QUARTER

- Short-time work allowance implemented from 1 April
- Pontus Bohlin new COO at Westpay
- #tabetalt – Release of mobile payment solution to support restaurants suffering from Corona impact
- Spring 2020 Product launch challenge the Fintech industry and take the payment user experience to new levels

NO SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

For more information about significant events: www.westpay.se/investor-relations



FROM THE CEO

Once more, I am writing my comments in the shadow of Covid-19. During the second quarter the pandemic situation was spread on all markets where Westpay is conducting business. Our operations have of course been impacted by this global situation. We have tackled the conditions despite the serious challenges we have faced. Thanks to our initial quick response followed by continued pragmatic actions, we have made financial improvements which will be of essence, looking ahead post Corona.

Protecting our financial endurance continues to be our #1 objective. To boost our endurance, we remain with short-time work allowance, cost saving measures, as well as postponing specific investments not being critical to the current operations. Again, due to the lack of predictions when this is over, we need to play safely and wisely. We continue to assume that Corona will have a significant negative impact for at least the remainder of 2020. With this mindset, we secure the business now, and tomorrow.

The pandemic situation makes it impossible to make relevant comparisons with past quarters or years. We knew that sales during the second quarter would be under pressure, outside of our control. But that also meant that we were prepared and could take the right measures, which are reflected in the result of this quarter.

Speaking of numbers. Despite our net sales for the second quarter dropped MSEK 5 compared to the previous year, we managed to increase our operating result with MSEK 3,2 during the same period. This increase was achieved through significant cost improvements, in addition to some Government support. Once more we have reached all-time high levels regarding recurring revenue and gross margin. The latter is for the first time exceeding 70 %. These accomplishments again validate the strength of our business model. I remain confident that we are protecting our business well and remain on the right path.

On the people side, I am proud to announce that Pontus Bohlin agreed to take the baton as our COO.

Pontus has a solid knowledge of fintech in general and Westpay in particular. Having spent two years with Westpay, he has already proven his leadership in strengthening our processes and scalability.

Innovation remains our key for the future. During the second quarter we launched our brand new service innovations, Payment Application as Service (PAaS) and Swipe2Pay. With these solutions our customers can tailor-make their business applications and payment offerings, with Westpay technology as a core. This is truly great and strengthens our position as a leading provider in the fintech business.

Our status as an innovative and fast-moving provider will be even more valued as we will see new payment methods and behaviours start to emerge due to the pandemic situation. That's why we continue to have a high pace in our development department paired with intensified strategic planning. A big ear close to the ground and close dialog with customers and fintech partners give us information to stay proactive and relevant.

So, as you can see, in the short term we are adjusting our business to the current reality. But this doesn't mean we are resting at Westpay. We are executing on a great roadmap ahead of us, the foundation for getting back on the growth track. Things might take more time, compared to the old normal. However in true Westpay pioneering spirit, we are turning this challenge into an opportunity that will eventually speak to our favour.

Best regards/ Sten Karlsson, CEO at Westpay AB



BUSINESS INSIGHTS

We already see a rapid change in behaviour as well as demands due to Covid-19. The acceptance of new, alternative payment methods increases as long as they support the overall recommendations and regulations from authority.

It is now clear that the pandemic will accelerate the pace of change in how the customer wants to execute their payments. Several reports support that the usual disruptors are under pressure. As always, there is a variation depending on geography, but the trend will, for sure, when we look back, be the start of "the new normal."

Overall, we see that 38% of consumers now see contactless as a basic need or feature of payments, up from 30% a year ago. If we look at Northern Europe alone, the number is higher. Parallel to this, we also see a growing trend regarding apps and digital account-to-account payments (A2A). A paradox in this equation according to Mercury, is that credit cards sometimes carry more bacteria than the good old cash. Even so, the shift from card to alternative payments will probably go faster than the change from cash to card. The critical factor behind this spells Corona. Now, don't get me wrong...it is not black and white. Yet. Traditional payments are still out there. It is just a momentum in evolution that will make next generation come quicker.

There are two main changes that push evolution at this point—shift in behavior and how we travel. As you can imagine, people are more careful about being in public places. At the same time, a lot of people are working from home. If you put those two together, combined with regulations that keep us from traveling, a new reality starts to reveal. You

see, we did not stop shopping, new habits made us buy more on-line. Global eCommerce transactions were up 23 % in mid-March compared with average weekly volume. Now that's what I call a sign. The overall transaction revenue needs more evaluation before we can share some reliable numbers.

All these fact and figures are not new for us in the fintech business. What is new is the speed and triggers. Powerful disruptors, such as credit or debit cards, are about to become disrupted. Instead, the customers embrace alternative methods since they are searching for solutions that support security, hygiene, convenience, and relevance.

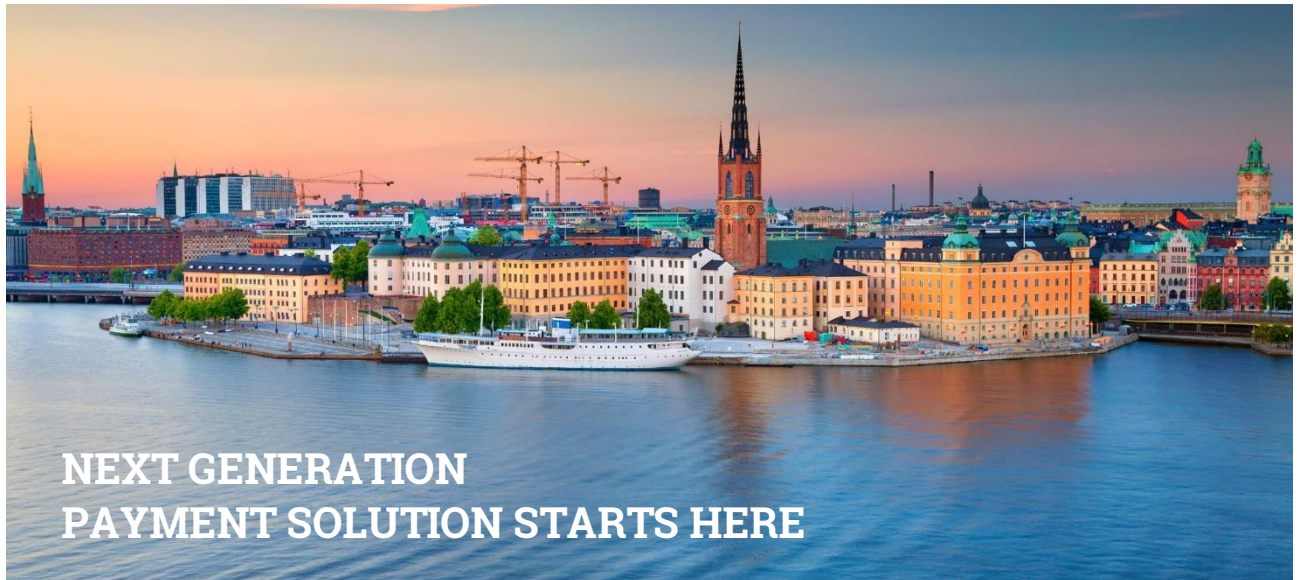
So, what's the take on all this? What is Westpay doing? To be very clear, we are prepared. With Swipe2Pay, as one example, we have given our customers a truly unique toolbox to meet new emerging demands for how people want to pay, today and tomorrow.

I have talked about it before, but our know-how, innovation, and people, combined with a quick time to market, make it possible for us to re-invent the tactics whenever the game changes. I am confident that we are ready for the new normal. Bring it on.

Best regards/ Hans Edin, CCO at Westpay AB

WESTPAY IN BRIEF

Short version: Westpay is a full-service fintech and payment solution provider that offers solutions that simplify payments and amplifies the overall customer experience. If you represent a restaurant, hotel, retail, in-store, or e-commerce, and looking for a payment solution that adds value, we can help you all the way.



Extended version: 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. Open, Elavon, Axfood, Svenska Handelsbanken, Datorama, 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.

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.

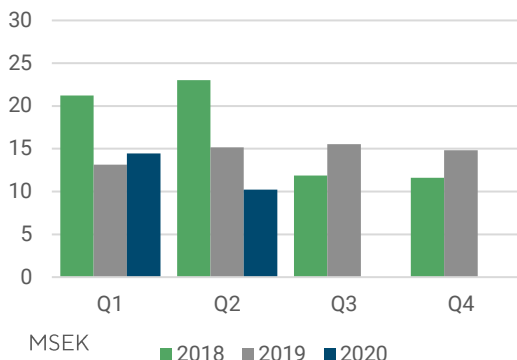
SELF-SERVICE

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.



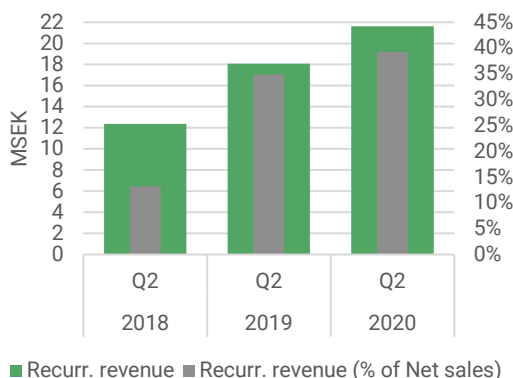
NET SALES

Net sales during the second quarter of 2020 totalled MSEK 10.2 (15.2), a decrease with 32 % compared to the same period last year.



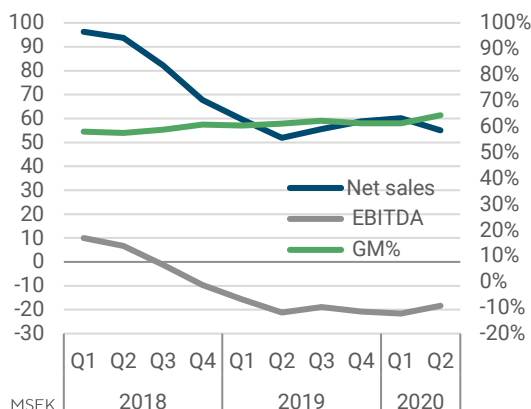
Net sales per quarter 2018 – 2020

The recurring revenue for rolling 12 months as of June 30, 2020, reached MSEK 21.6 (18.1), increasing with 19 % compared to the previous year.



Recurring Revenue Rolling 12 months Q2 2018 – Q2 2020

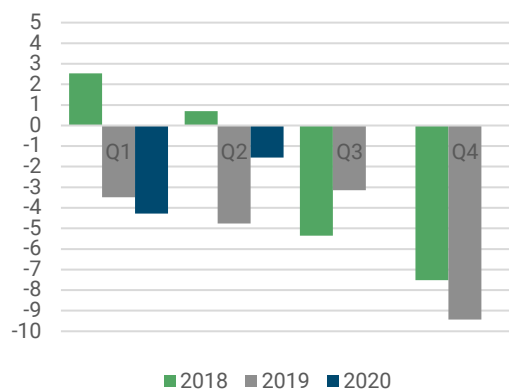
The revenue mix with a higher proportion of recurring revenue continues to contribute positively to the gross margin. It is now 70 % (63) for the quarter and 61 % (61) for the full year.



Rolling 12 months Q1 2018 – Q2 2020

RESULT

EBITDA in the second quarter of 2020 was MSEK -1.6 (-4.8), an improvement of MSEK 3.2.



EBITDA per quarter 2018 – 2020

FINANCIAL POSITION AND CASH

As of June 30, 2020, the company's cash equivalents amounted to MSEK 0.3 (3.4). Bank overdraft facility not utilized was MSEK 10.4. The company has no long-term loans. The equity ratio was 56 % (28).

The equity amounted to MSEK 25.5 (17.9), and shareholder's equity amounted to SEK 0.76 (0.79) per share.

Cash flow from operating activities for the second quarter amounted to MSEK 1.0 (0.3) and is attributable to operating related changes in inventories, accounts receivable, and accounts payable. Cash flow from investing activities amounted to MSEK -1.4 (-1.2), mainly attributable to continued capitalization of development expenses. Cash flow from financing activities amounted to MSEK -1.1 (1.5) due to a decrease in the utilization of bank overdraft facility.

Total cash flow after investment and financing activities reached MSEK -1.6 (0.6).

INVENTORY

Inventory at reporting date totalled MSEK 15.2 (16.7), where MSEK 0.0 are goods in transit.

INVESTMENTS

The company's investments during the second quarter amounted to MSEK 1.4 (1.2). These investments consisted of acquisitions of intangible assets in the form of capitalized development costs MSEK 1.2 (1.2) and acquisitions of tangible assets mainly in the form of ongoing investments in new modern ERP and CRM systems amounting to MSEK 0.2 (0.0). In total MSEK 2.3 were invested into these tangible assets which would be depreciated over 3 years starting June 2020.

COVID-19 EFFECTS

Due to Covid-19, financial endurance is the main objective for Westpay. As a global pandemic, the negative footprint covers all markets. To protect the financial endurance, Westpay remains with short-time work allowance, cost saving measures, as well as postponing specific investments not being critical to the current operations.

Predictions when this is over are hard to make, if not impossible. Because of that, Westpay base its planning on as safe assumptions as possible. Westpay continue to assume that Corona will have a significant negative impact for at least the remainder of 2020.

During the interim period January-June 2020 Westpay has received government grants amounting to MSEK 1.9 related to the short-time work allowance. Westpay has accounted for these government grants as other operating income. The accounting is made in the period to which it relates and when it is reasonably certain that the grants will be received.

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 second quarter amounted to MSEK -0.30 (-0.21). For 2019 it amounted to MSEK 0.51 (0.85).

PERSONNEL AND ORGANIZATION

The average number of employees during the second quarter amounted to 38 (39), of which 26 % women and 74 % men. At year-end 2019, the number of employees amounted to 40 (40). Personnel costs in the second quarter of 2020 totalled 89 % (66) of Net sales.

RELATED PARTY TRANSACTIONS

No related party transactions during the quarter.

THE SHARE

As of June 30, 2020, the registered share capital comprised 33,750,000 (22,500,000) shares. The company's share has been listed on Nasdaq First North since October 26, 2007 under the short name "WPAY". The number of shareholders was 1,574 (1,661) and as the largest shareholder is Nordnet Pensionsförsäkring AB with 16.95 % of holdings and votes. No other individual shareholder owns more than 10% of holdings and votes. The ten largest owners together accounted for 52.68 % of holdings and votes. The share price was SEK 1.99 (3.10), corresponding to a market capitalization of approximately SEK 67.2 (70) million.

LONG-TERM FINANCIAL GOAL

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

ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with generally accepted accounting principles. The same accounting principles and calculation methods have been used in the interim report as in the latest annual report.

MATERIAL RISKS AND FACTORS OF UNCERTAINTY

Material financial risks and uncertainties of the company include market risks related to agreements with customers and suppliers, liquidity and financing risks and credit and counterparty risks. A detailed presentation of the company's material financial risks is found in the directors' report in the annual report for 2019.

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:

<https://westpay.se/investor-relations/financial-reports/>

23 OCTOBER 2020
Interim report Q3 2020

19 FEBRUARY 2021
Year-end report 2020

Further information about this Interim Report:**Sten Karlsson, CEO**

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The company's Certified Adviser is Erik Penser Bank, telephone: +46 8 463 80 00, email: certifiedadviser@penser.se.

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 14 August 2020 at 08:40 CEST.

Westpay AB

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UPPLANDS VÄSBY 14 AUGUST 2020

Westpay AB, Styrelsen och Verkställande direktören

INCOME STATEMENT

kSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	10,245	15,150	24,678	28,289	58,639
Capitalised work for own account	1,218	1,249	2,447	2,676	4,595
Other operating income	1,870	0,150	1,879	0,150	0,150
Operating expenses					
Cost of goods sold	-3,041	-6,726	-8,394	-11,534	-22,774
Other external expenses	-2,684	-4,572	-7,154	-8,031	-22,750
Personnel expenses	-9,165	-10,015	-19,293	-19,799	-38,682
Depreciation and amortization	-1,536	-1,563	-3,488	-2,972	-6,514
Operating profit/loss	-3,093	-6,325	-9,325	-11,220	-27,336
Profit/loss from financial items					
Interest income and other financial items	0,1	0,0	0,1	0,0	0,0
Interest expenses and other financial items	-0,13	-0,348	-0,18	-0,567	-0,738
Profit/loss after financial items	-3,104	-6,673	-9,341	-11,788	-28,075
Tax	0,71	1,432	1,362	2,740	4,412
Profit/loss for the period	-3,033	-5,241	-7,979	-9,048	-23,662
Result per share					
Result per share, before dilution, SEK	-0,09	-0,23	-0,24	-0,40	-0,70
Result per share, after dilution, SEK	-0,09	-0,23	-0,24	-0,40	-0,70

BALANCE SHEET

kSEK	30-Jun-20	30-Jun-19	31-Dec-19
ASSETS			
Intangible assets	9,507	11,674	10,231
Tangible assets	3,247	0,870	1,897
Financial assets	10,255	7,220	8,893
Total fixed assets	23,009	19,765	21,021
Inventories including work in progress	15,173	16,710	16,246
Accounts receivables	5,667	17,254	9,179
Other receivables	1,722	6,802	2,030
Cash and cash equivalents	0,311	3,420	6,390
Total current assets	22,873	44,187	33,846
TOTAL ASSETS	45,882	63,952	54,867
EQUITY AND LIABILITIES			
Non-restricted equity	9,616	2,353	17,109
Restricted equity	15,897	15,526	16,383
Total equity	25,513	17,880	33,492
Borrowings	0,0	0,0	0,0
Other provisions	2,674	3,600	3,593
Non-current liabilities	2,674	3,600	3,593
Advance payments from customers	0,104	0,171	0,59
Accounts payable	4,065	13,660	8,367
Other current liabilities	13,526	28,640	9,357
Current liabilities	17,695	42,472	17,782
TOTAL EQUITY AND LIABILITIES	45,882	63,952	54,867

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 2019-01-01	4,500	10,932	25,053	-13,557	11,496
Disposition of last year's profit/loss as decided by annual general meeting			-13,557	13,557	
Profit/loss for the period				-23,662	
Reserve for development cost		-1,299	1,299		
Share issue	2,250		31,500		
Share issue expenses			-3 524		
Total equity at 2019-12-31	6,750	9,633	40,771	-23,662	17,109
Total equity at 2020-01-01	6,750	9,633	40,771	-23,662	17,109
Disposition of last year's profit/loss			-23,662	23,662	
Profit/loss for the period				-7,979	
Reserve for development cost		-0,485	0,485		
Total equity at 2020-06-30	6,750	9,147	17,595	-7,979	9,616

CASH FLOW STATEMENT

kSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
OPERATING ACTIVITIES					
Operating profit	-3,093	-6,325	-9,325	-11,220	-27,336
Adjustments for non-cash items	0,734	1,729	2,569	3,161	6,696
Interest received	0,1	0,0	0,1	0,0	0,0
Interest paid	-0,13	-0,348	-0,18	-0,567	-0,738
Income tax paid	0,0	0,0	0,0	0,0	0,0
Cash flow from operating activities before working capital changes	-2,370	-4,944	-6,772	-8,627	-21,379
Change in working capital					
Increase (-) / decrease (+) in inventory	-0,677	2,301	1,072	3,344	3,809
Increase (-) / decrease (+) in accounts receivables	3,615	-0,93	3,513	-3,623	4,451
Increase (-) / decrease (+) of other receivables	0,874	0,56	0,308	-0,890	3,882
Increase (+) / decrease (-) of current liabilities	-0,492	3,012	-1,717	5,591	-1,452
Cash flow from changes in working capital	3,320	5,276	3,176	4,422	10,690
Cash flow from operating activities	0,950	0,332	-3,596	-4,205	-10,689
INVESTING ACTIVITIES					
Investments in intangible assets	-1,218	-1,249	-2,420	-2,676	-4,595
Investments in tangible assets	-0,227	0,0	-1,693	-0,494	-1,702
Cash flow from investing activities	-1,445	-1,249	-4,114	-3,170	-6,296
Cash flow after investing activities	-0,496	-0,917	-7,709	-7,375	-16,985
FINANCING ACTIVITIES					
Raise of short-term debt	0,0	-4,000	0,0	7,000	0,0
Raise of long-term debt	0,0	0,0	0,0	0,0	0,0
Utilized bank overdraft facility	-1,079	5,525	1,630	2,129	-8,517
Share issue	0,0	0,0	0,0	0,0	30,226
Cash flow from financing activities	-1,079	1,525	1,630	9,129	21,709
Cash flow for the period	-1,575	0,608	-6,080	1,754	4,724
Cash and cash equivalents at the beginning of the period	1,886	2,813	6,390	1,666	1,666
Cash and cash equivalents at the end of the period	0,311	3,420	0,311	3,420	6,390

FINANCIAL RATIOS

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales, kSEK	10 245	15 150	24 678	28 289	58 639
Net sales growth,%	-32 %	-34 %	-13 %	-36 %	-13 %
Gross margin,%	70 %	56 %	66 %	59 %	61 %
EBITDA margin, %	-15 %	-31 %	-24 %	-29 %	-36 %
Operating margin,%	-30 %	-42 %	-38 %	-40 %	-47 %
Profit/loss after financial items, kSEK	-3 104	-6 673	-9 341	-11 788	-28 075
Equity ratio, %	56 %	28 %	56 %	28 %	61 %
Debt ratio, times	0,0	0,0	0,0	0,0	0,0
Investments in tangible assets, kSEK	227	0	1 549	494	1 702
Investments in intangible assets, kSEK	-212	1 249	411	2 676	4 595
Shareholders' equity per share, SEK	0,76	0,79	0,76	0,79	0,99
Cash and cash equivalents per share, SEK	0,01	0,15	0,01	0,15	0,19
Quick ratio,%	44 %	65 %	44 %	65 %	99 %
Average number of shares	33 750 000	22 500 000	33 750 000	22 500 000	33 750 000
Number of shares at end of period	33 750 000	22 500 000	33 750 000	22 500 000	33 750 000
Earnings per share, SEK	-0,09	-0,23	-0,24	-0,40	-0,70
Profit per employee, kSEK	-80	-134	-210	-232	-592

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

Long-term 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.