

PRESS RELEASE

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Improved profitability triggered by growing authorisation revenues also confirmed in the third quarter

Brussels, Belgium – 10 November 2016 – Today, Keyware (EURONEXT Brussels: KEYW) is announcing the financial results for the third quarter of 2016, which was closed on 30 September 2016.

The key figures for the first 3 quarters of 2016 can be summarized as follows:

The first 3 quarters of 2016 compared to 2015 and summarized	
✓	Pre-tax profit increases from kEUR 2,983 to kEUR 3,200
✓	EBITDA increases from kEUR 3,455 to kEUR 3,671
✓	Revenues increase by 5.8%, from kEUR 12,513 to kEUR 13,239
✓	Net profit amounts to kEUR 2,397 compared to kEUR 3,617; the difference is mainly explained by deferred taxes (non cash)
✓	On 30 September 2016 a 40% participation has been taken in Magellan SAS for an amount of kEUR 4,000
✓	Financial debts increase by kEUR 2,383 compared to 31 December 2015 as a result of the kEUR 3,000 financing of the aforementioned acquisition
✓	Trade and other debts were reduced by kEUR 833 compared to 31 December 2015

Main result indicators of the first 9 months of 2016:

- the Group has generated revenues of kEUR 13,239, compared to kEUR 12,513 over the same period last year, which represents an increase in revenues of kEUR 726 or 5.8%;
- revenues in the first nine months of 2016 are comprised of respectively kEUR 7,626 relating to terminal revenues (compared to kEUR 8,649 as of 30 September 2015) and kEUR 5,613 relating to authorization revenues (compared to kEUR 3,864 as of 30 September 2015). Hence, the increase in revenues mainly lies in the authorization segment;
- with respect to the terminal activity, it should be emphasized that in the comparative 9 month period in 2015 the GlobalPay asset deal was included. This explains why revenues from this segment over the first nine months of 2016 are about kEUR 1,023 (or 11.8%) lower. The terminal activity accounts for 57.6% of revenues compared to 69.1% over the first 9 months of 2015;
- with respect to the authorization activity, a significant increase of kEUR 1,749 or 45.3% is recorded, as a result of both higher commissions as an increase in the number of contracts generating authorization revenues. Likewise, this segment already accounts for 42,3% of revenues compared to 30.9% in the same period of 2015;
- the operating cash flow (EBITDA) in the first nine months amounts to kEUR 3,671 compared to kEUR 3,455 in the first nine months of 2015, which is an improvement of kEUR 216 or 6.3%;

- pre-tax profit amounts to kEUR 3,200, compared to kEUR 2,983 for the first nine months of 2015, which is an improvement of kEUR 217 or 7.27%, fully attributable to better financial results as the operating result is in line;
- net profit amounts to kEUR 2,397 compared to kEUR 3,617 for the first nine months of 2015, a decrease of kEUR 1,220 or 33.7%. This difference is due to the fact that the comparative period of 2015 includes a deferred tax income of kEUR 636 whereas deferred tax charges of kEUR 751 have been recorded in 2016;
- net cash flow amounts to kEUR 3,624 compared to kEUR 4,723 for the same period in 2015. The decrease is accounted for by the difference in deferred taxes (see above)

Key figures Over the period ending on 30 September	First 9 months	
	30.09.2016	30.09.2015
	kEUR (non-audited)	kEUR (non-audited)
Revenues	13,239	12,513
Pre-tax profit/(loss)	3,200	2,983
Profit/(loss)	2,397	3,617
EBITDA	3,671	3,455
Net cash flow	3,624	4,723
<i>Gross profit margin (pre-tax profit/revenues) (%)</i>	<i>24.17</i>	<i>23.84</i>
<i>Profit margin (net profit/revenues) (%)</i>	<i>18.11</i>	<i>28.91</i>
<i>EBITDA margin (EBITDA/revenues(%))</i>	<i>27.73</i>	<i>27.61</i>

Main points of attention with regard to the financial position as of 30 September 2016:

- net equity amounts to kEUR 25,623 and represents 73.2% of the liabilities;
- financial debts were initially reduced by kEUR 589 to kEUR 3,600 over the first 6 months of 2016 compared to 31 December 2015. In the third quarter a loan has been granted for the acquisition of 40% shares in Magellan, as a result of which financial debts record an increase to kEUR 6,572;
- trade and other debts record a decrease by kEUR 833 compared to 31 December 2015 and amount to kEUR 1,741 compared to kEUR 2,574

Key figures Over the period ending	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
	(non-audited)	(audited)	(non-audited)
Equity capital	25,623	23,683	21,598
Long- and short-term financial debts and borrowings	6,572	4,189	4,451
<i>Equity capital/total liabilities (%)</i>	<i>73.19</i>	<i>76.35</i>	<i>74.86</i>
<i>Long- and short-term financial debts and borrowings/equity capital (%)</i>	<i>25.65</i>	<i>17.69</i>	<i>20.61</i>

Main result indicators of the third quarter of 2016:

- during the third quarter of 2016, the Group has generated revenues of kEUR 3,988 compared to kEUR 3,621 over the same period in 2015, amounting to a revenue increase of kEUR 367 or 10.1% compared to the same quarter of 2015;
- revenues in the third quarter of 2016 are comprised of respectively kEUR 2,170 in revenues with regard to terminals (compared to kEUR 2,584 as of 30 September 2015) and kEUR 1,818 in revenues with regard to authorizations (compared to kEUR 1,037 as of 30 September 2015). Hence, the increase in the authorization segment was able to offset lower revenues from the terminals segment;
- with respect to the terminal segment it should be repeated that the comparative period in 2015 included a higher number of newly signed contracts. This accounts for the decrease in revenues during the third quarter of 2016 being kEUR 414 (or 16.0%) lower;
- on the other hand, a significant increase of kEUR 781, or 75.3%, is recorded in the authorization segment, as a result of better commissions and a higher number of contracts generating authorization revenues. During the third quarter of 2015 the brokering contract was in its start up phase;
- operating cash flow (EBITDA) in the third quarter amounts to kEUR 931 compared to kEUR 1,230 in the third quarter of 2015, which is a decrease of kEUR 299 or 24.3%;
- pre-tax profit amounts to kEUR 897, compared to kEUR 1,041 for the third quarter of 2015, which is a decrease of kEUR 144 or 16.1% during the third quarter of 2016. The better financial result (up by kEUR 93) was not sufficient to offset the lower operating result (kEUR 237 lower);
- net profit amounts kEUR 532, compared to a net profit of kEUR 1,253 for the third quarter of 2015, which represents a decrease of kEUR 721 or 57.5% compared to the third quarter of 2015. In addition to the previous explanation regarding the operating profit (kEUR 237 lower) the remainder is due to the fact that the third quarter of 2015 recorded deferred tax revenues of kEUR 212 compared to deferred tax charges of kEUR 313 in the third quarter of 2016;
- net cash flow amounts to kEUR 840, compared to kEUR 1,621 for the third quarter of 2015. The decrease is explained by the difference in deferred taxes

Key figures Over the period ending on 30 September	3 rd quarter	
	30.09.2016	30.09.2015
	kEUR (non-audited)	kEUR (non-audited)
Revenues	3,988	3,621
Profit/(loss) before tax	897	1,041
Profit/(loss)	532	1,253
EBITDA	931	1,230
Net cash flow	840	1,621
<i>Gross profit margin (pre-tax profit/revenues) (%)</i>	<i>22.49</i>	<i>20.92</i>
<i>Profit margin (net profit/revenues) (%)</i>	<i>13.34</i>	<i>25.19</i>
<i>EBITDA margin (EBITDA/revenues) (%)</i>	<i>23.35</i>	<i>24.73</i>

Participation of 40% in Magellan SAS

On 30 September 2016 a share and purchase agreement has been signed with respect to the acquisition of a participation of 40% in the France based company Magellan SAS. The cost of the acquisition amounts to kEUR 4,000. This amount has partially been paid in own shares (kEUR 1,000) and partially by a bank loan (kEUR 3,000) that has been contracted over a 5-year term at market conditions. The payment of the kEUR 1,000 portion has been realised by the share buy back program.

Compared to the net equity of Magellan SAS at 30 September 2016 this represents a goodwill of kEUR 586. The allocation of the consolidation difference will be elaborated in the course of the fourth quarter of 2016 and will be expressed in the balance sheet as at 31 December 2016. Given the stake of 40% this participation is accounted for on the basis of the equity method.

Dividends and share buy back

During the third quarter of 2016 a dividend payment has taken place of kEUR 424 (interim dividend on the result of 2016). In addition, a share buy back program of kEUR 1,000 also started. The bought back shares have been used as a partial payment for the acquisition of the Magellan shares.

Modified presentation of revenues and cost of sales

In previous press releases on the results of the previous quarters of 2016 this change has already been explained. Up to financial year 2015, the commissions obtained from authorization agreements were recorded as net sales within revenues. As from the first quarter of the financial year 2016 onwards these revenues are no longer presented like this but are broken down.

On 29 April 2015, the European Union enacted the so-called Interchange Fee Regulation (published in the Official Journal of the European Union on 19 May 2015). Different regulations came into force on different dates. The regulations on the interchange fee came into effect on 9 December 2015 whilst the majority of the other regulations became effective quite recently, on 9 June 2016.

The IFR's primary objective is to limit interchange fees and to improve cost transparency for the use of payment cards.

The higher transparency of the various components provides a better view on the costs involved. Keyware has opted to record aggregate revenues (being the Merchant Service Charge charged to the merchant) on the one hand and all related costs on the other hand in separate captions, respectively revenues and cost of sales.

This change in presentation only has an impact on components of the gross margin:

Gross margin	Q3-2016	Upgrossing	Q3-2016	Q3-2015	Upgrossing	Q3-2015
Revenues	8,937	4,302	13,239	9,281	3,232	12,513
Costs	-1,285	-4,302	-5,587	-2,040	-3,232	-5,272
Gross margin	7,652	0	7,652	7,241	0	7,241
Gross profit margin %	85.62%		57.80%	78.02%		57.87%

Comparative presentation of the profit and loss account

Consolidated profit and loss account over the period ending on 30 September	First 9 months		
	30.09.2016	30.09.2015 (1)	30.09.2015 (2)
	kEUR <i>(non-audited)</i>	kEUR <i>(non-audited)</i>	kEUR <i>(non-audited)</i>
Continuing operations			
Revenues	13,239	12,513	9,281
Other gains and losses	288	172	172
Raw materials and consumables	(5,587)	(5,272)	(2,040)
Employee benefits	(1,028)	(1,116)	(1,116)
Depreciation	(194)	(189)	(189)
Net impairment on current assets	(1,080)	(1,033)	(1,033)
Other charges	(3,193)	(2,626)	(2,626)
Operating profit/(operating loss)	2,445	2,449	2,449
Financial income	896	845	845
Financial expenses	(141)	(311)	(311)
Pre-tax result	3,200	2,983	2,983
Taxes on result	(803)	634	634
Profit/(loss) over the period from continuing operations	2,397	3,617	3,617
Profit/(loss) over the period	2,397	3,617	3,617

(1) profit and loss account as of 30 September 2015 according to the new presentation (including upgrossing)

(2) profit and loss account as of 30 June 2015 according to the previous presentation

- this modified presentation of the authorization revenue therefore only impacts the individual components of the gross margin, i.e. the turnover and the cost of sales (raw materials and consumables);
- the other sections of the profit and loss account as of 30 September 2015 remain completely unchanged;
- no impact on the (opening) equity capital as of 1 January 2016;
- also, no modifications had to be made to the balance sheet nor to the cash flow statement as of 30 September 2015



About Keyware

Keyware (EURONEXT Brussels: KEYW) is a leading supplier of electronic payment solutions, loyalty systems, identity applications and related transaction management. Keyware is based in Zaventem, Belgium. More information is available on www.keyware.com.

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