

## Strong growth in authorization revenues boosts Keyware's half-year results

Brussels, Belgium – 18 August 2016 – Today, Keyware (EURONEXT Brussels: KEYW) is announcing the financial results for the first semester of 2016, which was closed on 30 June 2016.

### Summary of the key figures for the first semester of 2016

- ✓ Pre-tax profit amounts to kEUR 2,303, whereas last year it was kEUR 1,942
- ✓ EBITDA has increased from kEUR 2,225 to kEUR 2,740
- ✓ Revenues have increased by 4.0%, from kEUR 8,892 to kEUR 9,251
- ✓ Net profit amounts to kEUR 1,865, whereas last year it was kEUR 2,364
- ✓ Financial and trade and other debts were reduced by respectively kEUR 589 and kEUR 857 compared to 31 December 2015

### Main result indicators of the first semester of 2016:

The Group has generated revenues of kEUR 9,251, compared to kEUR 8,892 over the same period last year, amounting to a revenues increase of kEUR 359 or of 4.0% compared to the first semester of 2015. The revenues in the first semester of 2016 is composed of respectively kEUR 5,456 in revenues with regard to terminals (compared to kEUR 6,065 as of 30 June 2015) and kEUR 3,795 in revenues with regard to authorisations (compared to kEUR 2,827 as of 30 June 2015). So this increase mainly lies in the authorization segment.

As for terminal activity, it must be stressed that, in the comparative period in 2015, the GlobalPay asset deal and a very strong second quarter had been incorporated. That explains why revenues from this segment over the first six months of 2016 are about kEUR 609 (or 10%) lower. On the other hand, a significant increase is recorded in the authorization segment: kEUR 968 or 34.2% thanks to better commissions and a higher number of contracts yielding authorization revenues. Terminal activity comprises the rent of payment terminals, the installation of the system for new clients, and the maintenance agreements. The authorization segment is understood to be the one generating income from electronic transactions.

The operating cash flow (EBITDA) in the first semester amounts to kEUR 2,740, as opposed to kEUR 2,225 in the first semester of 2015: an improvement of kEUR 515 or 23.1%. Pre-tax profit amounts to kEUR 2,303, compared to kEUR 1,942 for the first semester of 2015, which is an improvement of kEUR 361 or 18.6% as a consequence of both a better operating result (up by kEUR 233) and a better financial result (up by kEUR 128). The net profit was kEUR 1,865, compared to a net profit of kEUR 2,364 for the first semester of 2015, a decrease of kEUR 499 or 21.1%. This difference is due to the fact that, in the first semester of 2015, a deferred tax income of kEUR 424 was recorded, as opposed to the deferred tax expense of kEUR 436 in the first semester of 2016. The net cash flow amounts to kEUR 2,784, compared to kEUR 3,002 for the first semester of 2015.

Key figures Over the period ending on 30 June	1st semester	
	30.06.2016	30.06.2015
	kEUR (non-audited)	kEUR (non-audited)(*)
Revenues	9,251	8,892
Pre-tax profit/(loss)	2,303	1,942
Profit/(loss)	1,865	2,364
EBITDA	2,740	2,225
Net cash flow	2,784	3,002
<i>Gross profit margin (pre-tax profit/revenues) (%)</i>	<i>24.89</i>	<i>21.84</i>
<i>Profit margin (net profit/revenues) (%)</i>	<i>20.16</i>	<i>26.59</i>
<i>EBITDA margin (EBITDA/revenues(%))</i>	<i>29.62</i>	<i>25.02</i>

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

- the equity capital amounts to kEUR 25,619 and represents 81.2% of the liabilities;
- financial debts were reduced by kEUR 589 since 31 December 2015 and now amount to kEUR 3,600 compared to kEUR 4,189;
- trade and other debts decreased by kEUR 857 compared to 31 December 2015 and amount to kEUR 1,171 compared to kEUR 2,574

Key figures Over the period ending	30.06.2016	31.12.2015	30.06.2015
	kEUR	kEUR	kEUR
	(non-audited)	(audited)	(non-audited)
Equity capital	25,619	23,683	20,345
Long- and short-term financial debts and borrowings	3,600	4,189	4,755
<i>Equity capital/total liabilities (%)</i>	<i>81.17</i>	<i>76.35</i>	<i>72.15</i>
<i>Long- and short-term financial debts and borrowings/equity capital (%)</i>	<i>14.05</i>	<i>17.69</i>	<i>23.37</i>

**Main result indicators of the second quarter of 2016:**

- during the second quarter of 2016, the Group has generated revenues of kEUR 5,230, compared to kEUR 4,974 over the same period in 2015, amounting to a revenue increase of kEUR 256 or of 5.2%;
- revenues in the second quarter of 2016 are comprised of respectively kEUR 2,567 in revenues with regard to terminals (compared to kEUR 3,277 as of 30 June 2015) and kEUR 2,663 in revenues with regard to authorisations (compared to kEUR 1,697 as of 30 June 2015). That means the increase in the authorization segment was able to offset the lower revenues from the terminals segment;
- As for terminal segment, it must be stressed that, in the comparative period in 2015, an exceptionally high number of new contracts were signed. That explains why revenues from this segment in the second quarter of 2016 are about kEUR 660 (or 10%) lower.
- On the other hand, a significant increase is recorded in the authorization segment: kEUR 966 or 56.9% thanks to better commissions, a higher number of contracts yielding authorization revenues and an increase thanks to the brokering contract becoming effective at the end of June 2015;
- The operating cash flow (EBITDA) in the second quarter amounts to kEUR 1,560, as opposed to kEUR 1,440 in the second quarter of 2015: an improvement of kEUR 120 or 8.3%;
- Pre-tax profit amounts to kEUR 1,297, compared to kEUR 1,226 for the second quarter of 2015, which is an improvement of kEUR 71 or 5.8%, principally as a consequence of a better financial result (up by kEUR 66), and in line with the operating result for the first quarter of 2016;
- Net profit was kEUR 1,116, compared to a net profit of kEUR 1,438 for the second quarter of 2015, a decrease of kEUR 322 or 22.4%. This difference is due to the fact that, in the second quarter of 2015, a deferred tax income of kEUR 212 was recorded, as opposed to the deferred tax expense of kEUR 181 in the second quarter of 2016;
- Net cash flow amounts to kEUR 1,632, compared to kEUR 1,841 for the second quarter of 2015

Key figures Over the period ending on 30 June	2nd quarter	
	30.06.2016	30.06.2015
	kEUR (non-audited)	kEUR (non-audited)(*)
Revenues	5,230	4,974
Profit/(loss) before tax	1,297	1,226
Profit/(loss)	1,116	1,438
EBITDA	1,560	1,440
Net cash flow	1,632	1,841
<i>Gross profit margin (pre-tax profit/revenues) (%)</i>	<i>24.80</i>	<i>24.65</i>
<i>Profit margin (net profit/revenues) (%)</i>	<i>21.34</i>	<i>28.91</i>
<i>EBITDA margin (EBITDA/revenues) (%)</i>	<i>29.83</i>	<i>28.95</i>



### Modified presentation of revenues and cost of sales

In the press release on the results of the first quarter of 2016, this change was first explained. Up until financial year 2015, the commissions obtained from authorization agreements were recorded as net sales within revenues. As from financial year 2016, these revenues are no longer presented in such a way, but are rather broken down into gross revenues and related costs.

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 will come into force on different dates. The regulations on the interchange fee, for example, came into effect on 9 December 2015, whereas the majority of the other regulations only 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.

Thanks to this better transparency of the various components, a breakdown of the costs has been obtained. Keyware has opted to record the global 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 of revenues and cost of sales.

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

Gross margin	S1-2016 actuals	Upprossing	S1-2016 actuals	S1-2015 actuals	Upprossing	S1-2015 actuals
Revenues	6,284	2,967	9,251	6,474	2,418	8,892
Cost	-875	-2,967	-3,842	-1,595	-2,418	-4,013
<b>Gross margin</b>	<b>5,409</b>	<b>0</b>	<b>5,409</b>	<b>4,879</b>	<b>0</b>	<b>4,879</b>
Gross margin %	86.08%		58.47%	75.36%		54.87%

## Comparative presentation of the profit and loss account

Consolidated profit and loss account over the period ending on 30 June	1st semester		
	30.06.2016	30.06.2015	30.06.2015
		(1)	(2)
	kEUR	kEUR	kEUR
	(non-audited)	(non-audited)	(non-audited)
<b>Continuing operations</b>			
Revenues	9,251	8,892	6,474
Other gains and losses	188	129	129
Raw materials and consumables	(3,842)	(4,013)	(1,595)
Employee benefits	(716)	(797)	(797)
Depreciation	(131)	(123)	(123)
Net impairment on current assets	(828)	(675)	(675)
Other charges	(2,101)	(1,825)	(1,825)
<b>Operating profit/(operating loss)</b>	<b>1,821</b>	<b>1,588</b>	<b>1,588</b>
Financial income	593	546	546
Financial expenses	(111)	(192)	(192)
<b>Pre-tax result</b>	<b>2,303</b>	<b>1,942</b>	<b>1,942</b>
Taxes on result	(438)	422	422
<b>Profit/(loss) over the period from continuing operations</b>	<b>1,865</b>	<b>2,364</b>	<b>2,364</b>
<b>Profit/(loss) over the period</b>	<b>1,865</b>	<b>2,364</b>	<b>2,364</b>

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

(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 June 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 June 2015

## Interim dividend

The increasing profitability in the past few years and the good results of the first semester of 2016 have led to Keyware to distribute a portion of its profits to the shareholders as dividend for the first time in its existence.

Today, the Board of Directors has decided to distribute an interim dividend in cash based on the half year results as of 30 June 2016, which were audited by auditor BDO Bedrijfsrevisoren CVBA.

## REGULATED INFORMATION



The interim dividend will amount to EUR 0.020 per share, corresponding to a gross dividend of kEUR 424. The net amount per share, after deduction of the withholding tax (27%), amounts to EUR 0.0146. In this process, ING Bank NV will act as a centralizing intermediary.

This planning will be followed:

- |                     |            |
|---------------------|------------|
| - Ex-dividend date: | 22/08/2016 |
| - Record date:      | 23/08/2016 |
| - Payment date:     | 24/08/2016 |

### 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](http://www.keyware.com).

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