

## PRESS RELEASE

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## Growth slows down due to the renting of cheaper terminals and to the launch of activities in Germany

Brussels, Belgium – 24 August 2017 – Today, Keyware (EURONEXT Brussels: KEYW) discloses the financial results for the first semester of 2017, which ended on 30 June 2017.

The key figures for the first semester of 2017 can be summarized as follows:

The first semester of 2017 summarized	
✓	Profit before taxes amounts to 1,583 kEUR compared to 2,303 kEUR
✓	EBITDA decreases from 2,740 kEUR to 2,064 kEUR
✓	Revenue amounts to 9,010 kEUR compared to 9,251 kEUR
✓	Net profit amounts to 1,060 kEUR compared to 1,865 kEUR
✓	Magellan SAS and EasyOrder BVBA become 100% subsidiaries, but the impact on the results of the first semester is still negligible
✓	In the case of Magellan, 6,000 kEUR was paid for the remaining 60% shares, in the amount of 1,500 kEUR and 4,500 kEUR, financed by respectively own funds and bank loans
✓	In the case of EasyOrder, the investment is 700 kEUR, of which 200 kEUR still has to be paid
✓	With respect to the share buy-back programme, by 30 June 2017 47,400 treasury shares were acquired for an amount of 58 kEUR
✓	On 30 June 2017, the Group holds 3,028 kEUR as cash and cash equivalents compared to 1,045 kEUR; the financial liabilities amount to 10,330 kEUR

### Main result indicators for the first semester of 2017

- the Group has generated revenues of 9,010 kEUR compared to 9,251 kEUR for the same period in 2016, which represents a decrease in revenues of 241 kEUR or 2.6% compared to the first semester of 2016;
- revenues of the first semester of 2017 comprise respectively 4,588 kEUR of revenues from terminals (compared to 5,456 kEUR for 30 June 2016) and 4,130 kEUR of revenues from authorizations (compared to 3,795 kEUR for 30 June 2016).
- For the terminal activity, the decrease of 868 kEUR or 15.9% is explained by a lower number of new contracts signed in the first semester of 2017 compared to 2016 as well as by another product mix for the benefit of cheaper terminals;
- On the other hand, the segment of authorizations confirms the growth reflected by the increase of 335 kEUR or 8.8% due to an increase in the number of contracts which generates authorization revenues;
- The operational cashflow (EBITDA) of the first semester amounts to 2,064 kEUR compared to 2,740 kEUR for the first semester of 2016, which is a decrease of 676 kEUR or 24.7%. This decrease is due to the supply of cheaper terminals and the lower number of contracts signed (lower gross profit), the higher general expenses as well as the impact of the activities in Germany in 2017;
- The profit before taxes amounts to 1,583 kEUR compared to 2,303 kEUR for the first semester of 2016, which is a decrease of 720 kEUR or 31.3% as a result of a lower operating profit (673 kEUR lower) and a lower financial result (47 kEUR lower);

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- The net profit amounts to 1,060 kEUR compared to a net profit of 1,865 kEUR for the first semester of 2016, which represents a decrease of 805 kEUR or 43.2% compared to the first semester of 2016. The difference can be accounted for by the factors mentioned above (especially decreased profitability in the payment terminals segment)

Key figures For the period ended on 30 June	1st semester	
	30.06.2017	30.06.2016
	kEUR (unaudited)	kEUR (unaudited)
Revenues	9,010	9,251
Profit/(loss) before taxes of the period	1,583	2,303
Profit/(loss) of the period	1,060	1,865
EBITDA	2,064	2,740
<i>Gross margin (profit before taxes / revenues) (%)</i>	<i>17.57</i>	<i>24.89</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>11.76</i>	<i>20.16</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>22.91</i>	<i>29.62</i>

### Main points of attention on the financial position on 30 June 2017

- Keyware Technologies acquired the remaining 60% of Magellan's shares, which fully consolidates this company as a 100% subsidiary as from 30 June 2017. This has impacted the various balance sheet items (see infra);
- The net equity amounts to 27,929 kEUR and represents 63.1% of liabilities. The decrease is mainly a result of the integration of Magellan, which caused to balance sheet total to inflate;
- The financial debt increases by 4,038 kEUR compared to 31 December 2016. This increase is mainly due to a short-term (4 year) bank financing of 4,500 kEUR in connection with the acquisition of the remaining 60% of Magellan's shares. We refer to the events of the first semester for more information on this matter;
- The cash and cash equivalents amount to 3,028 kEUR on 30 June 2017 compared to 1,045 kEUR, almost threefold. It should be noted here that Keyware Technologies has financed an amount of 1,500 kEUR from its own resources, allowing the bank loan to stay limited to 4,500 kEUR

Key figures For the period ended on	30.06.2017	31.12.2016	30.06.2016
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Net equity	27,929	26,436	25,619
Long term and short term financial debt and loans	10,330	6,292	3,600
Cash and cash equivalents	3,028	1,045	372
<i>Net equity / total liabilities (%)</i>	<i>63.10</i>	<i>73.03</i>	<i>81.17</i>
<i>Long term and short term financial debt and loans / net equity (%)</i>	<i>36.99</i>	<i>23.80</i>	<i>14.05</i>

## REGULATED INFORMATION – INSIDE INFORMATION

- Magellan's contribution to the Group's financial position at 30 June 2017 is summarized in the table on the right.

The balance sheet as at 30 June 2017 includes among others the value of clientele and IP (6,135 kEUR under other intangible assets), trade and other receivables (1,012 kEUR), cash and cash equivalents (2,880 kEUR) and deferred taxes (1,926 kEUR).

The consolidation of Magellan resulted in a consolidation difference (goodwill) of 2,470 kEUR. This has already taken into account the 400 kEUR dividend received in the course of the first semester.

Balance sheet - assets Magellan		(kEUR)
<b>Non-current assets</b>		<b>6 464</b>
Other intangible assets		6 135
Tangible fixed assets		268
Other assets		61
<b>Current assets</b>		<b>3 942</b>
Trade and other receivables		1 012
Cash and cash equivalents		2 880
Deferred charges		50
<b>Total assets</b>		<b>10 406</b>
Balance sheet - liabilities Magellan		(kEUR)
<b>Net equity</b>		<b>7 214</b>
<b>Deferred taxes</b>		<b>1 926</b>
<b>Long term liabilities</b>		<b>64</b>
Lease debts		43
Financial debts		21
<b>Short term liabilities</b>		<b>1 202</b>
Lease debts		172
Financial debts		262
Trade, fiscal and social debts		338
Deferred revenues		430
<b>Total liabilities</b>		<b>10 406</b>

### Main result indicators of the second quarter of 2017

- During the second quarter of 2017, the Group has generated revenues of 4,482 kEUR compared to 5,230 kEUR for the same period in 2016, which represents a decrease in revenues of 748 kEUR or 14.3% compared to the first semester of 2016;
- Revenues of the second quarter of 2017 comprise mainly respectively 2,086 kEUR of revenues from terminals (compared to 2,567 kEUR for 30 June 2016) and 2,345 kEUR of revenues from authorizations (compared to 2,663 kEUR for 30 June 2016);
- For the terminal activity, it should be recalled that a very high number of new contracts were signed in the comparative period in 2016 compared to the second quarter of 2017. This explains why revenues from this segment in that second quarter of 2017 are about 481 kEUR lower, i.e. 18.7%;
- The segment of the authorizations saw a decrease of 318 kEUR or 11.9% compared to the second quarter of 2016;
- The operational cashflow (EBITDA) of the second quarter amounts to 805 kEUR compared to 1,560 kEUR for the second quarter of 2016, which is a decrease of 755 kEUR or 48.4%. This decrease is mainly a result of the lower gross margin, higher general expenditure and the impact of the activities in Germany in 2017;
- Profit before taxes amounts to 495 kEUR compared to 1,297 kEUR for the second quarter in 2016, which is a decrease of 802 kEUR or 61.8% mainly as a result of a lower operational profit (728 kEUR lower) and a lower financial result (74 kEUR lower);
- The net profit amounts to 338 kEUR compared to a net profit of 1,116 kEUR for the second quarter in 2016, which represents a decrease of 778 kEUR or 69.7% in comparison. The difference can be accounted for by the factors mentioned above

Key figures For the period ended on 30 June	2nd quarter	
	30.06.2017	30.06.2016
	kEUR	kEUR
	(unaudited)	(unaudited)
Revenues	4,482	5,230
Profit/(loss) before taxes	495	1,297
Profit/(loss)	338	1,116
EBITDA	805	1,560
<i>Gross margin (profit before taxes / revenues) (%)</i>	<i>11.04</i>	<i>24.80</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>7.54</i>	<i>21.34</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>17.96</i>	<i>29.83</i>

### Modified perimeter

Compared to the numbers of the first semester of 2016, the current numbers of 2017 are impacted by the following changes in the perimeter:

- The incorporation of the subsidiary under German law **Keyware Transactions & Processing GmbH** in June 2016. This company is still in its start-up phase. The contribution to revenues, EBIT, EBITDA and net result respectively amounts to 17 kEUR, - 200 kEUR (loss) for EBIT, EBITDA and net result. In 2016, a loss of 102 kEUR has been incurred which was recorded in the fourth quarter of 2016;
- The acquisition of the company under Belgian law **EasyOrder VOF** in January 2017. This company is also in its start-up phase. The contribution to revenues, EBIT and EBITDA amounts to respectively 82 kEUR, -4 kEUR (loss) and 66 kEUR. The contribution to net profit amounts to 19 kEUR;
- The acquisition of a stake of 40% in the company under French law **Magellan SAS** on 30 September 2016, followed by the acquisition of the remaining 60% on 30 June 2017. This participation was valued on the basis of the equity method until 30 June 2017. The contribution to the result of the first semester of 2017 comes to a loss of 22 kEUR. The activity of this software company is rather cyclical of nature with a clear peak towards the end of the year. The contribution to the result of 2016 was positive and amounted to 105 kEUR (impact fully in the fourth quarter of 2016)

## **Important events of the first semester of 2017**

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### ACQUISITION OF EASYORDER

Firstly, the acquisition of the shares of EasyOrder VOF for a consideration of 700 kEUR needs to be mentioned. EasyOrder VOF has developed a payment app which can be seen as a complementary solution next to payment terminals.

The investment represents an amount of 700 kEUR of which a portion of 425 kEUR has been paid in cash in January 2017, followed by 75 kEUR in shares on 30 June 2017. With respect to the balance of 200 kEUR, it will be paid in 2017 and in 2018 on the basis of the achieved KPIs as agreed between parties. There can be second payment of maximum 100 kEUR at the end of 2017 and a final payment of maximum 100 kEUR at the end of 2018. Should the consideration of 700 kEUR not be paid in full by the end of 2018, the balance shall be paid in 2019 under the assumption that the defined KPIs would be achieved.

On 31 March 2017, the legal form of EasyOrder has been modified into (the limited liability form) BVBA.

### MAGELLAN BECOMES SUBSIDIARY

On 30 September 2016, 4,000 kEUR was paid for 40% of the shares and on 30 June 2017, 6,000 kEUR was paid for the remaining 60% of shares. In the meantime, however, a dividend of 400 kEUR was received. As from 30 June 2017, this company will therefore be fully included in the consolidation.

The total purchase price of 10,000 kEUR is paid in the amount of 2,500 kEUR using own resources and in the amount of 7,500 kEUR by means of a bank loan. Part of the bank loan is repayable for 2,000 kEUR at the latest by 30 June 2019 (bullet loan), whilst the balance of 5,500 kEUR is reimbursed in 48 equal monthly instalments as from October 2017. This loan was granted at market conditions.

### PURCHASE OF OWN SHARES

At the end of May 2017, the Board of Directors approved a new share buy-back programme for a maximum amount of 1,000 kEUR. The programme started on 1 June 2017 and should be completed by 31 May 2018.

A portion of the purchased treasury shares will be destined as a partial payment in the acquisition of the EasyOrder shares. On 30 June 2017, 75 kEUR was already paid in shares whilst 2 payments of 25kEUR in shares still have to be made.

On 30 June 2017, the shares that had already been acquired by that date were used for this transaction, causing the company to no longer hold any treasury shares on that date.

### APPEAL AGAINST THE VERDICT OF THE COURT CASE PROSECUTION

With respect to the Court Case Prosecution / Keyware Smart Card Division, Keyware has lodged an appeal on 13/01/2017 against the verdict of 15/12/2016 that condemned Keyware to the payment of an amount of 750 kEUR. The Prosecution also lodged an appeal to the verdict. No evolution has been noted in this case since then.

## List of abbreviations

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<b>EBIT</b>	Earnings Before Interest and Taxes It is seen as the operating result, i.e. operating profit or loss
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciations and Amortizations It is defined as the operating result (EBIT) + depreciations and amortizations + allowances on inventories + allowances on receivables + impairments Realized loss on debtors are part of EBIT and therefore not of EBITDA
<b>kEUR</b>	Thousands of euros
<b>KPIs</b>	Key Performance Indicators

## About Keyware

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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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