

PRESS RELEASE

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Keyware's revenues for the second quarter have grown by 14% due to the software activities

An interim dividend to be paid out

New share buy-back programme

Brussels, Belgium – 30 August 2018 – Today, Keyware (EURONEXT Brussels: KEYW) discloses the financial results for the first semester of 2018, which ended on 30 June 2018.

Fintech specialist Keyware records a good second quarter, with a revenues increase of 14.1%, which made the half-year revenues increase by 8.1%. It was in particular the software department that made a big step forward. Despite the EBITDA increase of 110 kEUR during that quarter, the net profit decreased by 258 kEUR as a result of depreciations and amortizations related to acquisitions and higher allowances on inventories and debtors.

Key information is as follows.

The financial picture of the second quarter of 2018 summarized
<ul style="list-style-type: none"> ✓ EBITDA increases from 805 kEUR in 2017 to 915 kEUR ✓ Revenues amount to 5,113 kEUR compared to 4,482 kEUR in 2017 ✓ Profit before taxes amounts to 206 kEUR compared to 495 kEUR in 2017 ✓ Net profit amounts to 80 kEUR compared to 338 kEUR in 2017 due to the higher depreciations and amortizations as a result of the acquisitions and higher allowances on inventories and debtors ✓ On 30 June 2018, the Group holds 4,099 kEUR cash and cash equivalents compared to 3,325 kEUR on 31 December 2017 ✓ The financial debt as at 30 June 2018 amount to 7,897 kEUR compared to 9,295 kEUR on 31 December 2017
<p>Decision to distribute an interim dividend of 0.03 EUR per share (gross) New share buy-back programme for a maximum amount of 1,000 kEUR</p>

Commercial

The long-term strategy of the Keyware Group and the associated conversion to software fintech is starting to pay off. The growth from a pure service company to a software developer required extra recruitment and investments. The growth in the second quarter of 2018 is mainly due to the software department.

The software department generated revenues of 746 kEUR in the second quarter of 2018, while revenues for the first quarter amounted to 576 kEUR. During the first semester a digital marketing platform was developed to facilitate communication with prospects.

EasyOrder, the app that allows customers to place orders with retailers such as bakers, snack bars, etc., has in the first semester of 2018 mainly been working on the development of a digital marketing platform with the aim to approach not only the Belgian but also the foreign market.

Stéphane Vandervelde, CEO: "Our expectation is that the software department will continue its growth in the following quarters. Additional investments allow us to roll out the products on the international market. "

During the second quarter of 2018, Keyware was also able to consolidate its position as an important distributor of payment terminals on the Belgian market with revenues equal to that of the second quarter of 2017. Partly due to the competition from large online retailers, the number of merchants in need of a physical payment terminal is decreasing, which accounts for the decrease in the first quarter of 2018. Nevertheless, Keyware believes that trend is reversed.

Financial

Main result indicators for the second quarter of 2018

Revenues

- the Group has generated revenues of 5,113 kEUR in the second quarter of 2018 compared to 4,482 kEUR for the same period in 2017, which represents an increase in revenues of 631 kEUR or 14.1% compared to 2017;
- the revenues for the second quarter of 2018 consists mainly of 2,077 kEUR respectively from revenues related to terminals (compared to 2,086 kEUR on 30 June 2017), 2,290 kEUR from revenues related to authorizations (compared to 2,345 kEUR on 30 June 2017) while the software activities represent revenues of 746 kEUR (compared to 51 kEUR on 30 June 2017);
- When it comes to the terminal activity, it is determined that the decrease recorded in the first quarter could be stopped in the second quarter. In the second quarter, this division generated almost the same revenues as last year over the same period;
- the segment of authorizations saw a decrease by 55 kEUR or 2.3% compared to the second quarter of 2017;
- the software activities experienced a growth of 695 kEUR with the integration of Magellan

Profitability indicators

- EBIT for the second quarter amounts to 25 kEUR compared to 316 kEUR for the second quarter of 2017, which means a decrease of 291 kEUR or 92.1%. The higher EBITDA (see below) was fully offset by higher depreciations and amortizations as a result of the acquisition of Magellan (229 kEUR higher) and higher allowances on inventories and debtors (242 kEUR). The higher depreciations and amortizations are inherent to the acquisitions: the fixed assets are subject to depreciation which triggers an increasing difference between EBIT and EBITDA;
- EBITDA for the second quarter amounts to 915 kEUR compared to 805 kEUR for the second quarter of 2017, which is an increase of 110 kEUR or 13.7%. This increase mainly results from the higher gross margin (+526 kEUR), which exceeds the additional services and other goods and personnel costs, still resulting in a net increase of 110 kEUR;

- profit before taxes amounts to 206 kEUR compared to 495 kEUR for the second quarter of 2017, or a decrease of 289 kEUR or 58.4% mainly due to a lower operating profit (291 kEUR lower);
- net profit amounts to 80 kEUR compared to a net profit of 338 kEUR for the second quarter of 2017, which implies a decrease of 258 kEUR or 76.3% compared to this. The decrease is due to the factors mentioned above

Key figures For the period ended on 30 June	2nd quarter	
	30.06.2018	30.06.2017
	kEUR (unaudited)	kEUR (unaudited)
Revenues	5,113	4,482
Profit/(loss) before taxes of the period	206	495
Profit/(loss) of the period	80	338
EBITDA	915	805
<i>Gross margin (profit before taxes / revenues) (%)</i>	<i>4.02</i>	<i>11.04</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>1.56</i>	<i>7.54</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>17.90</i>	<i>17.96</i>

Main points of attention on the financial position on 30 June 2018

- net equity amounts to 27,929 kEUR and represents 67.1% of liabilities. The increase is mainly a result of the growth of the net equity;
- financial debts and loans decreased by 1,398 kEUR net, compared to 31 December 2017. On 30 June 2017, they amounted to 10,330 kEUR as a result of the new loan of 4,500 kEUR to finance the Magellan acquisition. Since then, the financial debts have been significantly reduced by 2,433 kEUR in one year;
- cash and cash equivalents amount to 4,099 kEUR on 30 June 2018 compared to 3,325 kEUR on 31 December 2017

Key figures For the period ended on	30.06.2018	31.12.2017	30.06.2017
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Net equity	27,929	27,433	27,929
Long-term and short-term financial debt and loans	7,897	9,295	10,330
Cash and cash equivalents	4,099	3,325	3,028
<i>Net equity / total liabilities (%)</i>	<i>67.10</i>	<i>63.95</i>	<i>63.10</i>
<i>Long term and short-term financial debt and loans / net equity (%)</i>	<i>28.26</i>	<i>33.88</i>	<i>36.99</i>

Main result indicators of the first semester of 2018

Revenues

- the Group generated revenues of 9,742 kEUR compared to 9,010 kEUR for the same period in 2017, which represents an increase in revenues by 732 kEUR or 8.1% compared to the first semester of 2017;
- revenues for the first semester of 2018 consists mainly of 4,039 kEUR from revenues related to terminals (compared to 4,588 kEUR on 30 June 2017), 4,381 kEUR from revenues related to authorizations (compared to 4,130 kEUR on 30 June 2017) while the software activities represent revenues of 1,322 kEUR (compared to 82 kEUR on 30 June 2017). The software activities segment explains the increase in revenues;
- with respect to the terminal activity, the decrease of 549 kEUR or 12.0% is explained by a significantly lower number of new contracts signed in the first semester of 2018 compared to 2017 with a similar product mix in favour of cheaper terminals;
- on the other hand, the segment of authorizations confirms the growth showing a significant increase of 251 kEUR or 6.1% through better commissions and an increase in the number of contracts generating authorization revenues;
- the software activities segment records a growth of 1,240 kEUR as a result of the acquisition of Magellan. In the comparative figures for the first half of 2017, Magellan was not yet consolidated according to the full consolidation method;
- the revenues of the first semester of 2017 also included an amount of 210 kEUR for consulting fees, which is not applicable in 2018

Profitability indicators

- EBIT for the first semester amounts to 294 kEUR compared to 1,148 kEUR for the first semester of 2017, which means a decrease of 854 kEUR or 74.4%. In addition to the decrease in EBITDA (see below), this is also due to the integration of Magellan in the figures for the first semester of 2018 (higher depreciations and amortizations) and higher allowances on inventories and debtors;
- EBITDA for the first semester amounts to 1,953 kEUR compared to 2,064 kEUR for the first semester of 2017, which is a decrease of 111 kEUR or 5.4%. Despite the increase in the gross margin, this reduction can be attributed to the integration of Magellan in the figures for the first semester of 2018, more specifically additional personnel costs and services and other goods. As stated earlier, the difference between EBITDA and EBIT has increased due to the impact of the acquisitions, as this comes with higher depreciations and amortizations afterwards;
- profit before taxes amounts to 660 kEUR compared to 1,583 kEUR for the first semester of 2017, or a decrease of 923 kEUR or 58.3% due to both a lower operating profit (854 kEUR lower) and a lower financial result (69 kEUR lower);
- net profit amounts to 325 kEUR compared to a net profit of 1,060 kEUR for the first semester of 2017, which implies a decrease of 735 kEUR or 69.3% compared to this. The decrease is due to the factors mentioned above.

Key figures For the period ended on 30 June	1 st semester	
	30.06.2018	30.06.2017
	kEUR (unaudited)	kEUR (unaudited)
Revenues	9,742	9,010
Profit/(loss) before taxes	660	1,583
Profit/(loss)	325	1,060
EBITDA	1,953	2,064
<i>Gross profit margin (profit before taxes / revenues) (%)</i>	<i>6.78</i>	<i>17.57</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>3.33</i>	<i>11.76</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>20.04</i>	<i>22.91</i>

Modified perimeter

When assessing the figures for both semesters, the following change in the perimeter must be taken into account: the acquisition of a 60% stake in the company under French law Magellan SAS on 30 June 2017, as a result of which this company became a wholly-owned subsidiary on 30 June 2017. In concrete terms, this means that this participation has been valued on the basis of the equity method until 30 June 2017 and is only from 30 June 2017 onwards fully consolidated.

This translates mainly into the profit and loss account. The figures for the first semester of 2018 include the individual revenues and costs of this subsidiary, while the comparative figures only express a 40% interest which is expressed in a separate item at the bottom of the profit and loss account. In other words, the comparative figures for the first half of 2017 neither include the individual revenues nor charges of Magellan SAS. As far as the balance sheet is concerned, the comparative figures as at 30 June 2017 do take into account the acquired assets and liabilities of Magellan.

Important events of the first semester of 2018

EASYORDER

The first semester of 2018 saw the new release with additional functionalities. Investments are being made in a digital marketing platform to gain customers. In addition to the far-reaching automation of communication with the prospects, this platform has the advantage that it is easier to operate outside the country's borders.

SHARE BUY-BACK PROGRAMME OF 2017

The 2017 share buy-back programme is terminated. On 30 June 2018, the Company holds 573,245 treasury shares, representing 2.54% of the number of shares. In total, 625,576 shares were purchased under this programme for 912 kEUR. There were 2 disposals for a total of 64,287 shares. For more information, reference is made to the press release of 5 June 2018.

EXERCISE OF WARRANTS

During the first semester of 2018, 730,000 warrants were exercised under the Warrant Plan 2014. The notarial deed was executed on 27 June 2018. As a result of the exercise of the warrants, the capital and share premiums were increased by 270 kEUR and 145 kEUR respectively. The number of outstanding warrants is 1,000,000. The exercise price is 0.569 EUR.

Important events after 30 June 2018

No important events have occurred between after 30 June 2018 up to date.

New share buy-back programme

At the date of the General Meeting of Shareholders of Keyware Technologies NV, held on 27 May 2016, the renewal of the authorization granted to the Board of Directors relating to share buy-backs as well as the disposal thereof for a period of 5 years was enacted. Authorized as such by this aforementioned resolution, the Board of Directors of 30 August 2018 decided to launch a new share buy-back programme for a maximum amount of 1 million EUR in accordance with the provisions of the articles of association, in particular:

- purchase at a minimum price equal to the closing price of the share on Euronext Brussels of the trading day immediately prior to the acquisition minus twenty (20) percent
- purchase at a maximum price equal to the closing price of the share on Euronext Brussels of the trading day immediately prior to the acquisition increased by twenty (20) percent
- all this in accordance with articles 620 up to and including 625 of the Companies Code

The decision purchase treasury-shares is therefore subject to articles 620 (general principles for the purchase of treasury shares) and 617 (distributable profit) of the Companies Code and should be made in accordance with the statutory clauses in this regard.

This programme will start as from 1 October 2018 for a maximum period of one year. A brokerage firm will execute this programme in a discretionary manner.

Interim dividend

The Board of Directors of 30 August 2018 voted to proceed to the distribution of an interim dividend in cash on the basis of the half-year results as at 30 June 2018, which were subject to a review by the statutory auditor Ernst & Young Bedrijfsrevisoren CVBA.

The interim dividend will amount to 0.03 EUR (three cents) gross per share, which corresponds to a gross dividend of 659 kEUR, excluding the 573,245 treasury shares held. The number of dividend-entitled shares is 21,970,548. The net amount per share, if applicable after deduction of withholding taxes (30%), amounts to EUR 0,021. Belfius Bank NV acts as centralizing bank.

The following calendar is set out:

Ex-dividend date:	18/09/2018
Record date:	19/09/2018
Payment date:	20/09/2018

Lexicon

EBIT	Earnings Before Interest and Taxes It is seen as the operating result, i.e. operating profit or loss
EBITDA	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
kEUR	Thousands of euros
KPIs	Key Performance Indicators

About Keyware

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

Please direct inquiries to:

Mr. Stéphane Vandervelde
President & CEO
Keyware Technologies

Tel: +32 (0)2 346.25.23
ir@keyware.com
www.keyware.com