

Keyware realizes substantial revenue growth during the first quarter

Brussels, Belgium – 18 May 2017 – Keyware (EURONEXT Brussels: KEYW) discloses today the financial results for the first quarter of 2017, ended on 31 March 2017.

Keyware continues to grow due to the success of electronic payments.

The fact that more and more merchants prefer to make their customers pay by card, again results into growth figures for Keyware. The specialist in the rental of payment terminals recorded a 12.6 percent increase in revenues during the first quarter. This increase is mainly due to authorization revenues. Despite the low transaction costs, even for small amounts, revenues from those transactions rose by as much as 57%. This can be explained by the strong increase in the number of electronic payments per terminal.

"Our merchants have seen higher revenues generated from their payment terminals in the first quarter of this year, which translates into Keyware growth figures," said Stéphane Vandervelde, CEO of Keyware. "The figures confirm a trend we have seen for a long time: consumers grab their payment card faster. Such payments are faster than cash and are more secure for the merchants."

Keyware's growth figures and the shift to authorization revenues as source of income confirm the trend that was also visible in the annual results of 2016. Below you will find in detail all the first quarter figures, which is amongst others impacted by the acquisition of EasyOrder, as a result of which Keyware now has an omnichannel offering for its customers.

The key figures of the first quarter of 2017 summarized

- ✓ **Net profit amounts to 722 kEUR compared to 749 kEUR (for the first quarter of 2016)**
- ✓ **Profit before taxes amounts to 1,088 kEUR compared to 1,006 kEUR (for the first quarter of 2016)**
- ✓ **EBITDA increases from 1,180 kEUR (for the first quarter of 2016) to 1,259 kEUR**
- ✓ **Revenues increase by 12.6% from 4,021 kEUR (for the first quarter of 2016) to 4,528 kEUR, mainly by higher authorization revenues**
- ✓ **The first quarter of 2017 takes into account the contribution to the result of Magellan (40% stake), Keyware Transactions & Processing GmbH (subsidiary) and EasyOrder BVBA (subsidiary); these entities were not yet included in the perimeter of the comparative first quarter of 2016**
- ✓ **The acquisition of the shares of EasyOrder amounts to 700 kEUR, of which already 425 kEUR has been paid in cash during the first quarter of 2017. The balance of 275 kEUR will have to be paid partially in 2017 and 2018**

Main result indicators for the first quarter of 2017:

- the Group has generated revenues of 4,528 kEUR compared to 4,021 kEUR for the same period in 2016, which represents an increase in revenues of 507 kEUR or 12.6% compared to the first quarter of 2016;
- revenues of the first quarter of 2017 comprise 2,502 kEUR of revenues from terminals (compared to 2,889 kEUR for 31 March 2016) and 1,785 kEUR of revenues from authorizations (compared to 1,132 kEUR for 31 March 2016). Hence, the increase is mainly attributable to the activity of authorizations. This trend by which transaction revenues become increasingly important is in line with the trend of financial year 2016;
- operational cashflow (EBITDA) of the first quarter of 2017 amounts to 1,259 kEUR compared to 1,180 kEUR for the first quarter of 2016, which is an improvement of 79 kEUR or 6.7%;
- profit before taxes for the first quarter of 2017 amounts to 1,088 kEUR compared to 1,006 kEUR for the first quarter of 2016, which is an improvement of 82 kEUR or 8.2%;
- net profit of the first quarter of 2017 amounts to 722 kEUR compared to a net profit of 749 kEUR for the first quarter 2016, which represents a decrease of 27 kEUR or 3.6% compared to the first quarter of 2016. The difference can be accounted for by the fact that the figures of the first quarter of 2017 comprise the share in the result of associates. The share amounts to – 75 kEUR (loss) which reduces net profit

| Key figures For the period ended on 31 March | 1st quarter | |
|---|---------------------|---------------------|
| | 31.03.2017 | 31.03.2016 |
| | kEUR (unaudited) | kEUR (unaudited) |
| Revenues | 4,528 | 4,021 |
| Profit before taxes | 1,088 | 1,006 |
| Net profit | 722 | 749 |
| EBITDA | 1,259 | 1,180 |
| <i>Profit before taxes margin (profit before taxes / revenues)(%)</i> | <i>24.03</i> | <i>25.02</i> |
| <i>Net profit margin (net profit / revenues) (%)</i> | <i>15.95</i> | <i>18.63</i> |
| <i>EBITDA margin (EBITDA / revenues) (%)</i> | <i>27.80</i> | <i>29.35</i> |

Modified perimeter

Compared to the numbers of the first quarter of 2016, the current numbers 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 7 kEUR, - 85 kEUR (loss) for EBIT, EBITDA and net result. In 2016 a loss has been incurred of 102 kEUR;
- the acquisition of the company under Belgian law EasyOrder VOF in January 2017. This company is also in its start-up phase. Its contribution to revenues, EBIT and EBITDA respectively amounts to 33 kEUR, 31 kEUR and – 4 kEUR (loss). The contribution to net profit amounts to 8 kEUR;
- the acquisition of a stake of 40% in the company under French law Magellan SAS on 30 September 2016. This participation is accounted for by the equity method. The contribution to the result of the first quarter of 2017 comes to a loss of 75 kEUR. The activity of the software company is rather cyclical by 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)

Main points of attention on the financial position as at 31 March 2017:

- net equity amounts to 27,456 kEUR and represents 73.99% of liabilities. During the first quarter of 2017 a capital increase occurred on 24/03/2017 upon the exercise of 425,000 warrants. This triggered a cash inflow of 298 kEUR;
- financial debt, long and short term aggregated, has been reduced by 495 kEUR since 31 December 2016 and amounts to 5,797 kEUR;
- trade and other debts record a decrease of 222 kEUR compared to 31 December 2016 and amount to 2,697 kEUR compared to 2,919 kEUR;
- the acquisition of EasyOrder has been paid only partially. Of the investment of 700 kEUR a balance of 275 kEUR needs to be paid. 75 kEUR will be paid in Keyware Technologies shares in the short term and the balance of 200 kEUR depending on the achievement of some KPIs. Hence, this amount has been recorded as a provision in the balance sheet

| Key figures For the period ended on | 31.03.2017 | 31.12.2016 | 31.03.2016 |
|---|--------------|--------------|--------------|
| | kEUR | kEUR | kEUR |
| | (unaudited) | (audited) | (unaudited) |
| Net equity | 27.456 | 26.436 | 24.432 |
| Long term and short term financial debt | 5.797 | 6.292 | 3.768 |
| <i>Net equity / total liabilities (%)</i> | <i>73,99</i> | <i>73,03</i> | <i>79,46</i> |
| <i>Long term and short term financial debt / net equity (%)</i> | <i>21,11</i> | <i>23,80</i> | <i>15,42</i> |

Important events of the first quarter of 2017

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. A next tranche of 75 kEUR will be paid in Keyware Technologies shares at the latest on 30 June 2017. With respect to the balance of 200 kEUR, it will be paid in 2017 and 2018 on the basis of the achieved KPIs as agreed between parties. There can be a second payment of maximum 100 kEUR at the end of 2017 and a final payment of maximum 100 kEUR at the end of 2018. In case at the end of 2018 the consideration of 700 kEUR was not paid in full, the balance would then 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.

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.

List of abbreviations

| | |
|---------------|--|
| 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 |
| kEUR | Thousands of euros |
| KPI | Key Performance Indicator(s) |

About Keyware

Keyware (EURONEXT Brussel: 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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