REGULATED INFORMATION

# Half year report S1 -2018 30 August 2018

## KEY NUMBERS

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

**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<br>For the period ended on 30 June | 2nd quarter<br>30.06.2018<br>kEUR<br>(unaudited) | 2nd quarter<br>30.06.2017<br>kEUR<br>(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 |
| *Gross margin (profit before taxes / revenues) (%)* | *4.02* | *11.04* |
| *Profit margin (net profit / revenues) (%)* | *1.56* | *7.54* |
| *EBITDA margin (EBITDA / revenues) (%)* | *17.90* | *17.96* |

## MANAGEMENT REPORT ON THE FIRST SEMESTER AND THE SECOND QUARTER OF 2018

### Management summary report and analysis of the results

The financial information in this management summary report should be read in conjunction with the condensed interim financial report en the consolidated accounts on 31 December 2017. This condensed interim report has not been audited, nor has it been subject to a limited review by the statutory auditor.

The key figures for the **first semester of 2018** can be summarized as follows:

- Revenues and gross profit for the first semester can be presented as follows:

| Gross profit | 1st semester 30.06.2018 kEUR | 1st semester 30.06.2017 kEUR | Difference |
|---|---|---|---|
| Revenues | 9,742 | 9,010 | 732 |
| Raw materials and consumables | (3,990) | (3,884) | (106) |
| **Gross profit** | **5,752** | **5,126** | **626** |
| Gross profit margin | 59.05% | 56.89% | |

- **Consolidated revenues** for the first semester of 2018 amounts to 9,742 kEUR compared to 9,010 kEUR for the same period in 2017, or a decrease of 8.1%. The increase in revenues is mainly triggered by the software segment. The additional revenues generated by the acquisitions has been able to offset the decrease in revenues from terminal division whilst the segment of the authorizations record an increase;
- **Gross profit** increases by 626 kEUR (or 14.2%) compared to the first semester of 2017. The relative gross profit margin increases by 2.2 pp to 59.1%;
- **Personnel charges** amount to 1,094 kEUR and record an increase of 296 kEUR which can be attributed to the integration of Magellan (+/- 20 FTE's);
- **Depreciations and amortizations** amount to 694 kEUR and represent a significant increase of 473 kEUR compared to the first semester of 2017. This is due to additional deprecations and amortizations on fixed assets relating to the acquired software companies;
- **Net impairment on current assets** amount to 1,034 kEUR compared to 745 kEUR over the same period in 2017, which comes to an increase of 289 kEUR. It relates in particular to allowances on finance lease receivables as a result of bankruptcies, termination of activities by the customer of terminations of the contract by the customer as well as allowances on inventories. The increase is primarily due to higher bankruptcies and additionally to higher write-offs on inventories;
- **Other operating charges** amount to 2,925 kEUR compared to 2,365 kEUR over the same period in 2017. As for the personnel charges the increase is mainly resulting from the integration of Magellan in the figures of 2018;
- **Profit before taxes** amounts to 660 kEUR compared to 1,583 kEUR over the same period in 2017, which is a decrease of 923 kEUR. The decrease results from both lower operational result (854 kEUR lower) and a lower financial result (69 kEUR lower);
- **Net profit** for the first semester amounts to 325 kEUR compared to a net profit of 1,060 kEUR for the same period in 2017, or a decrease of 735 kEUR. This decrease results from the aforementioned factors and the contribution of the 40% participation in Magellan (loss of 22kEUR over the first semester of 2017)

The key figures for the **second quarter of 2018** can be summarized as follows:

- Revenues and gross profit for the second quarter can be presented as follows:

| Gross profit | 2nd quarter 30.06.2018 kEUR | 30.06.2017 kEUR | Difference |
|---|---|---|---|
| Revevues | 5,113 | 4,482 | 631 |
| Raw materials and consumables | (2,189) | (2,084) | (105) |
| **Gross profit** | **2,924** | **2,398** | **526** |
| Gross profit margin | 57.19% | 53.50% | |

- **Consolidated revenues** for the second quarter amount to 5,113 kEUR compared to 4,482 kEUR for the same period in 2017, or an increase of 14.1%. The increase in revenues is generated by the software segment. The second quarter records comparable revenues from payment terminals and authorizations;
- **Gross profit** for the second quarter records an increase of 526 kEUR or 21.9% in absolute terms whilst the relative gross profit margin increases by 3.7 pp to 57.2%;
- **Personnel charges** amount to 510 kEUR compared to 388 kEUR which is 122 kEUR higher compared to the same period in 2017 due to the integration of Magellan;
- **Depreciations and amortizations** amount to 358 kEUR compared to 129 kEUR, of which the increase is to be attributed to depreciations and amortizations on the fixed assets of the acquires enterprises;
- **Net impairment on current assets** amount to 602 kEUR compared to 360 kEUR over the same period in 2017. The increase of 242 kEUR is both due to higher allowances on inventories as on debtors (mainly bankruptcies);
- **Other operating charges** amount to 1,573 kEUR compared to 1,244 kEUR over the same period in 2017, whereby the increase results from the integration of Magellan in the consolidation;
- **Profit before taxes** for the second quarter amounts to 206 kEUR compared to 495 kEUR over the same period in 2017. The decrease of 289 kEUR is almost entirely to be attributed to a lower operating result (291 kEUR lower);
- **Net profit** of the second quarter amount to 80 kEUR compared to a net profit of 338 kEUR over the same period in 2017. This decrease of 258 kEUR mainly results from the lower operating result (291 kEUR lower), that could be partially offset by lower taxes

## Management executive report and analysis of the financial position

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

- 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 in 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<br>For the period ended on | 30.06.2018<br>kEUR<br>(unaudited) | 31.12.2017<br>kEUR<br>(audited) | 30.06.2017<br>kEUR<br>(unaudited) |
|---|---|---|---|
| Net equity | 27,949 | 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 |
| *Net equity / total liabilities (%)* | *67.10* | *63.95* | *63.10* |
| *Long term and short-term financial debt and loans / net equity (%)* | *28.26* | *33.88* | *36.99* |

## 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.

## Outlook

Since 2017 the Group engages more into fintech by the acquisitions of Magellan and EasyOrder, as a result of which the activities of the Group have been expanded with a software segment.

Many resources are utilized for the development of software and its marketing. It is expected that these activities represent a new phase of increasing recurring results and of internationalization of the Keyware Group. Both companies are part of a rapidly growing market and offer solutions that are still situated in the beginning of their product life cycle. It is also expected that the recurring revenues from software as from payment transactions should reach cruising speed by 2019-2020.

Relating to the traditional segments, the policy is aimed at maintaining the current client base and the growth of the installed payment terminal base and authorization contracts. This can be obtained by further diversification and by focusing on sectors that are considered more stable or less cyclically sensitive. As stated above, second quarter revenues from payment terminals have been consolidated compared to the same period of 2017, whereas in the first quarter of 2018 a decrease had been recorded. The further increase of authorization revenues confirms that the investment in know-how of the own transaction platform pays off as it is the longer the more optimized.

Finally synergies can result between the software segment and the segment of payment terminals and authorizations. This can be in both ways. As a result of Keyware Group’s presence on the Belgian, French and German market and as a result of the investment in a digital marketing platform, growth can also be realized across the borders.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Condensed consolidated income statement

| Consolidated income statement for the period ending on 30 June | | 1st semester | | 2nd quarter | |
|---|---|---|---|---|---|
| | | 30.06.2018 | 30.06.2017 | 30.06.2018 | 30.06.2017 |
| | | kEUR | kEUR | kEUR | kEUR |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Continuing operations** | | | | | |
| Revenues | | 9,742 | 9,010 | 5,113 | 4,482 |
| Other gains and losses | | 289 | 151 | 144 | 39 |
| Raw materials and consumables | | (3,990) | (3,884) | (2,189) | (2,084) |
| Salaries and employee benefits | | (1,094) | (798) | (510) | (388) |
| Depreciations and amortizations | | (694) | (221) | (358) | (129) |
| Net impairment of current assets | (6) | (1,034) | (745) | (602) | (360) |
| Other operating charges | (7) | (2,925) | (2,365) | (1,573) | (1,244) |
| **Operating profit** | | **294** | **1,148** | **25** | **316** |
| Financial income | | 460 | 601 | 224 | 301 |
| Financial expenses | | (94) | (166) | (43) | (122) |
| **Profit before taxes** | | **660** | **1,583** | **206** | **495** |
| Taxes on the result | | (335) | (501) | (126) | (210) |
| Result from associated enterprises and joint-ventures | | **-** | **(22)** | **-** | **53** |
| **Profit for the period from continued operations** | | **325** | **1,060** | **80** | **338** |
| **Profit for the period** | | **325** | **1,060** | **80** | **338** |

| | | | | | |
|---|---|---|---|---|---|
| Weighted average number of issued ordinary shares | | 21,417,391 | 21,309,025 | 21,417,391 | 21,309,025 |
| Weighted average number of shares for the diluted result per share | | 23,141,391 | 23,527,061 | 23,141,391 | 23,527,061 |

| | | | | | |
|---|---|---|---|---|---|
| **Profit per share from continued operations** | | | | | |
| Profit per share | | 0.0151 | 0.0497 | 0.0037 | 0.0158 |
| Profit per diluted share | | 0.0140 | 0.0451 | 0.0035 | 0.0144 |

## Condensed consolidated statement of comprehensive income

| Overview of comprehensive income for the period ending on 30 June | 1st semester | | 2nd quarter | |
|---|---|---|---|---|
| | 30.06.2018 | 30.06.2017 | 30.06.2018 | 30.06.2017 |
| | kEUR | kEUR | kEUR | kEUR |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Profit for the period** | **325** | **1,060** | **80** | **338** |
| **Other comprehensive income** | | | | |
| Translation differences | - | - | - | - |
| Revaluation at fair value of 'financial fixed assets available for sale' | - | - | - | - |
| Cash flow hedges | - | - | - | - |
| Taxes on other comprehensive income | - | - | - | - |
| **Other comprehensive income (net of taxes)** | **325** | **1,060** | **80** | **338** |
| **Total realised and comprehensive income attributable to:** | | | | |
| The holders of equity instruments of the parent company | **325** | **1,060** | **80** | **338** |
| Non-controlling interests | - | - | - | - |
| **Total realised and comprehensive income attributable to:** | | | | |
| The holders of equity instruments of the parent company | - | - | - | - |
| Non-controlling interests | - | - | - | - |
| Weighted average number of issued ordinary shares | 21,417,391 | 21,309,025 | 21,417,391 | 21,309,025 |
| Weighted average number of shares for the diluted result per share | 23,141,391 | 23,527,061 | 23,141,391 | 23,527,061 |
| **Profit per share from the continuing and discontinued operations** | | | | |
| Profit per share | 0.0151 | 0.0497 | 0.0037 | 0.0158 |
| Profit per diluted share | 0.0140 | 0.0451 | 0.0035 | 0.0144 |

## Condensed consolidated balance sheet

| Consolidated statement of financial position | | 30.06.2018 kEUR (unaudited) | 31.12.2017 kEUR (audited) | 30.06.2017 kEUR (unaudited) |
|---|---|---|---|---|
| **Assets** | | | | |
| Consolidation goodwill | (8) | 7,993 | 7,993 | 7,866 |
| Other intangible fixed assets | (9) | 6,513 | 6,679 | 6,895 |
| Property, plant and equipment | (10) | 895 | 992 | 959 |
| Deferred tax assets | | 469 | 860 | 1,495 |
| Receivables from finance leases | (11) | 9,935 | 10,556 | 13,797 |
| Other participations | (12) | - | - | 400 |
| Other assets | | 152 | 150 | 143 |
| **Non-current assets** | | **25,957** | **27,230** | **31,555** |
| Inventories | | 1,110 | 1,276 | 1,132 |
| Receivables from finance leases | (13) | 7,574 | 8,183 | 6,439 |
| Trade and other receivables | (14) | 2,699 | 2,812 | 2,022 |
| Deferred charges | | 211 | 72 | 88 |
| Cash and cash equivalents | CF | 4,099 | 3,325 | 3,028 |
| **Current assets** | | **15,693** | **15,668** | **12,709** |
| **Total assets** | | **41,650** | **42,898** | **44,264** |
| **Equity and liabilities** | | | | |
| Issued capital | (15) | 7,682 | 7,412 | 7,412 |
| Share premiums | | 3,208 | 3,063 | 3,064 |
| Other reserves | | 797 | 797 | 797 |
| Treasury shares | | (632) | (609) | - |
| Result carried forward | | 16,894 | 16,770 | 16,656 |
| **Equity attributable to owners of the parent company** | | **27,949** | **27,433** | **27,929** |
| **Provisions** | (16) | **246** | **230** | **200** |
| **Deferred taxes** | (17) | **1,943** | **2,023** | **2,140** |
| Borrowings | (18) | 3,340 | 6,426 | 2,160 |
| Lease obligations | | - | 39 | 92 |
| **Non-current liabilities** | | **3,340** | **6,465** | **7,877** |
| Trade, fiscal and social debts | (20) | 2,645 | 3,129 | 1,717 |
| Borrowings | (19) | 4,557 | 2,869 | 1,440 |
| Lease obligations | | 126 | 217 | 87 |
| Other debts | | - | 31 | - |
| Incurred costs and deferred revenue | (21) | 844 | 501 | 908 |
| **Current liabilities** | | **8,172** | **6,747** | **6,118** |
| **Total liabilities** | | **11,512** | **13,212** | **13,995** |
| **Total equity and liabilities** | | **41,650** | **42,898** | **44,264** |

REGULATED INFORMATION

## Condensed consolidated cash flow statement

| Consolidated cash flow statement for the period ending on 30 June | 1st semester 30.06.2018 kEUR (unaudited) | 30.06.2017 kEUR (unaudited) (*) |
|---|---|---|
| Cash flow from operating activities | | |
| Profit for the period | 325 | 1,060 |
| Adjustments: | | |
| - Deferred taxes | 311 | 501 |
| - Financial income | (460) | (601) |
| - Financial charges | 94 | 166 |
| - Depreciations and amortizations | 694 | 221 |
| - Net impairments on debtors and inventories | 1,034 | 745 |
| - Capital losses (capital gains) on the disposal of fixed assets | 20 | 10 |
| Operating cash flow before changes in the working capital components | 2,018 | 2,102 |
| Decrease / (increase) of inventories | (2) | (53) |
| Decrease / (increase) of financial lease receivables (non-current and current) | 364 | (413) |
| Decrease / (increase) of trade and other receivables | 113 | (1,046) |
| Decrease / (increase) of prepaids | (139) | (52) |
| Increase / (decrease) of trade and other debts | (515) | (600) |
| Increase / (decrease) of incurred costs and deferred revenue | 343 | 440 |
| *Changes in working capital components* | 164 | (1,724) |
| Increase / (decrease) in provisions | - | 200 |
| Increase / (decrease) in deferred tax liabilities | - | 2.164 |
| Non cash adjustments (provisions, deferred tax liabilities and other) | - | (2,072) |
| Paid rent | (94) | (82) |
| Received rent | 460 | 601 |
| **Cash flow from operating activities** | **2,548** | **1,189** |
| Cash flow from investing activities | | |
| Acquisition of subsidiaries (net of cash) | - | (3,619) |
| Acquisition of intangibles and property, plant and equipment | (539) | (168) |
| Disposal of tangible fixed assets | 103 | 21 |
| (Increase) / decrease of guarantees | (2) | - |
| Profit / (loss) from associates | - | 22 |
| Dividend from associates | - | 400 |
| **Cash flow from investing activities** | **(438)** | **(3,344)** |
| Cash flow from financing activities | | |
| Capital increase by the exercise of warrants | 415 | 414 |
| (Repayment) of borrowings (LT and ST) | (1,398) | (770) |
| Proceeds from borrowings (LT and ST) | - | 4,525 |
| (Repayment) of lease obligations (LT and ST) | (130) | (50) |
| Purchase of treasury shares | (223) | - |
| Disposal of treasury shares | - | 19 |
| **Cash flow from financing activities** | **(1,336)** | **4,138** |
| **Net (decrease) / increase in cash and cash equivalents** | **774** | **1,983** |
| **Cash and cash equivalents at the beginning of the period** | **3,325** | **1,045** |
| **Cash and cash equivalents at the end of the period** | **4,099** | **3,028** |

(*) as per the year-end presentation included in the Annual Report of 2017

## Condensed consolidated statement of changes in shareholders' equity

| Consolidated statement of changes in equity for the period | Issued capital | Share premium | Other reserves | Share buy back | Result carried forward | Attributable to owners of the parent company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Balance as at 01.01.2018** | **7,412** | **3,063** | **797** | **(609)** | **16,770** | **27,433** | **-** | **27,433** |
| Profit for the period | - | - | - | - | 325 | 325 | - | 325 |
| Write-off treasury shares | - | - | - | 200 | (200) | - | - | - |
| ***Total realised and comprehensive income for the period*** | - | - | - | *200* | *125* | *325* | - | *325* |
| Acquisition of treasury shares | - | - | - | (223) | - | (223) | - | (223) |
| Exercise of warrants | 270 | 145 | - | - | - | 415 | - | 415 |
| **Balance as at 30.06.2018** | **7,682** | **3,208** | **797** | **(632)** | **16,894** | **27,949** | **-** | **27,949** |

| Consolidated statement of changes in equity for the period | Issued capital | Share premium | Other reserves | Share buy back | Result carried forward | Attributable to owners of the parent company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Balance as at 01.01.2017** | **7,194** | **2,868** | **797** | **(19)** | **15,596** | **26,436** | **-** | **26,436** |
| Profit for the period | - | - | - | - | 1,060 | 1,060 | - | 1,060 |
| ***Total realised and comprehensive income for the period*** | - | - | - | - | *1,060* | *1,060* | - | *1,060* |
| Disposal of treasury shares | - | - | - | 19 | - | - | - | - |
| Exercise of warrants | 218 | 196 | - | - | - | 414 | - | 414 |
| **Balance as at 30.06.2017** | **7,412** | **3,064** | **797** | **-** | **16,656** | **27,929** | **-** | **27,929** |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

### (1) Identification

Keyware Technologies NV was founded in June 1996 as a public limited company under Belgian law. The Company is established at Ikaroslaan 24, 1930 Zaventem, Belgium. Its company registration number is 0458.430.512.

This condensed interim financial report for the first semester ended 30 June 2018 comprises the consolidated balance sheet and results of the Company and its subsidiaries. Compared to the first semester of 2017, **Magellan SAS** impacts the full semester whereas in the comparative figures it was accounted for on the basis of the equity method until 30 June 2017.

This condensed consolidated interim financial report was approved for publication by the Board of Directors of 30 August 2018.

This condensed consolidated interim report has not been audited.

### (2) Statement of Conformity

Mr Stéphane Vandervelde (CEO) and Mr Alain Hubert (CFO) hereby declare that, to the best of their knowledge, the summary financial reports for the six-month period ending on 30 June 2018, have been prepared in accordance with IAS 34 “Interim financial reporting”, as approved within the European Union, and that these present a true and fair view of the assets, liabilities, financial position and profit or loss of the company and its subsidiaries, which have been included fully in the consolidation, and that the interim management report provides a true and fair view of the important events that have occurred in the first six months of the financial year, including important transactions with associated parties and their impact on the consolidated financial statements, together with a description of the most important risks and uncertainties for the remaining six months of the financial year.

### (3) Principal valuation principles

#### (a) Basic principle

The condensed consolidated interim financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved for use by the European Union, and in particular the International Accounting Standard (IAS) 34 (Interim financial reporting).

This report does not contain all the information that is required to be reported in the complete consolidated financial statements and must be read in conjunction with the consolidated financial statements for the financial year ending on 31 December 2017.

The preparation of this condensed financial report requires the management to make estimates and assumptions, which have an effect on the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities on the date of this condensed consolidated interim financial report and the reported amounts of revenues and charges during the reporting period. If it should appear in the future that these estimates and assumptions, which are considered reasonable by the management at this time and under the given circumstances, differ from the actual results, the original estimates and assumptions will be adjusted. The effects of these changes will be reflected in the period in which they are considered to be necessary.

### (b) Reporting currency

The reporting currency of Keyware Technologies NV is the EURO. All amounts are rounded off to the nearest thousand, unless stated otherwise.

### (c) Changes in the accounting valuation principles and disclosure of information

***New and revised Standards and Interpretations applied by the Group***

During the present financial year, the Group applied all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant for its activities and that became applicable for the accounting period starting on 1 January 2018.

The following new and revised Standards and Interpretations issued by the IASB and the IFRIC, as far applicable for the Group, take effect as from 1 January 2018:

- Adjustments to IFRS 2 – Share based payments – classification and valuation
- IFRS 9 – Financial instruments
- IFRS 15 – Revenues from contracts with customers : has been adopted earlier in 2017 together with IFRS 16 – Leases (taking effect as from 1 January 2019 onwards)
- Annual Improvement process – 2014-2016

The adoption of these modifications has not lead to any significant changes in the principles of the financial reporting of the Group.

## (4) Seasonal activities

Notwithstanding the fact that the summer months are associated with a reduced activity in the segment of payment terminals, the figures do not show any significant seasonal patterns.

With respect to the software segment it should be mentioned that the peak of the activity and revenues traditionally lies in the second semester (and mainly the fourth quarter).

## (5) Segment information

The Group's reporting is based on operational divisions or segments per nature of activities. In this respect the following breakdown in 4 segments is made:

- The payment terminals segment comprises rent, sale and installations of payment terminals as well as activities with respect of helpdesk, maintenance and interventions;
- The authorizations segment relates to revenues with respect of payment transactions and authorization services, transaction management for third parties, loyalty processing and the rendering of analyses, etc;
- The corporate segment. A series of group supporting activities, such as finance and administration, costs relating to stock quote, etc are reported as unallocated items in this segment;
- The software segment which comprises the activities of Magellan SAS and EasyOrder BVBA

The first segment comprises the activities of Keyware Smart Card Division NV and Keyware Transactions & Processing GmbH. With respect to the German subsidiary this only relates to a portion of its activities and the company also will generate revenues from authorizations.

The second segment comprises the Belgian companies Keyware Transaction & Processing NV and PayItEasy BVBA, as well as the other activities of Keyware Transactions & Processing GmbH.

The segment information as at **30.06.2018** can be presented as follows:

| In kEUR | 30.06.2018 | 30.06.2018 | 30.06.2018 | 30.06.2018 | 30.06.2018 |
|---|---|---|---|---|---|
| | Terminals | Authorizations | Corporate | Software | Total |
| Segment information | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Continuing operations** | | | | | |
| Revenues | 4,039 | 4,381 | - | 1,322 | 9,742 |
| Other gains and losses | 163 | 12 | 16 | 98 | 289 |
| Raw materials and consumables | (572) | (3,372) | - | (46) | (3,990) |
| Salaries and employee benefits | (560) | (87) | (48) | (399) | (1,094) |
| Depreciations and amortizations | (25) | - | (122) | (547) | (694) |
| Net impairment of current assets | (1,034) | - | - | - | (1,034) |
| Other operating charges | (1,534) | (403) | (385) | (603) | (2,925) |
| **Operating profit** | **477** | **531** | **(539)** | **(175)** | **294** |
| Financial income | 451 | - | - | 9 | 460 |
| Financial expenses | (29) | - | (62) | (3) | (94) |
| **Profit before taxes** | **899** | **531** | **(601)** | **(169)** | **660** |
| Taxes on the result | (396) | - | - | 61 | (335) |
| **Profit for the period from continued operations** | **503** | **531** | **(601)** | **(108)** | **325** |
| **Profit for the period** | **503** | **531** | **(601)** | **(108)** | **325** |

The segment information as at **30.06.2017** can be presented as follows:

| In kEUR<br>Segment information | 30.06.2017<br>Terminals<br>(unaudited) | 30.06.2017<br>Authorizations<br>(unaudited) | 30.06.2017<br>Corporate<br>(unaudited) | 30.06.2017<br>Software<br>(unaudited) | 30.06.2017<br>Total<br>(unaudited) |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenues | 4,588 | 4,130 | 210 | 82 | 9,010 |
| Other gains and losses | 127 | 2 | 22 | - | 151 |
| Raw materials and consumables | (707) | (3,177) | - | - | (3,884) |
| Salaries and employee benefits | (666) | (69) | (55) | (8) | (798) |
| Depreciations and amortizations | (25) | - | (125) | (71) | (221) |
| Net impairment of current assets | (710) | (35) | - | - | (745) |
| Other operating charges | (1,635) | (411) | (312) | (7) | (2,365) |
| **Operating profit** | **972** | **440** | **(260)** | **(4)** | **1,148** |
| Financial income | 601 | - | - | - | 601 |
| Financial expenses | (123) | (1) | (41) | (1) | (166) |
| **Profit before taxes** | **1,450** | **439** | **(301)** | **(5)** | **1,583** |
| Taxes on the result | (525) | - | - | 24 | (501) |
| Result from associated enterprises | **-** | **-** | **-** | **(22)** | **(22)** |
| **Profit for the period from continued operations** | **925** | **439** | **(301)** | **(3)** | **1,060** |
| **Profit for the period** | **925** | **439** | **(301)** | **(3)** | **1,060** |

The segment information for the **second quarter of 2018** can be presented as follows:

| in kEUR<br>Segment information | 30.06.2018<br>Terminals<br>(unaudited) | 30.06.2018<br>Authorizations<br>(unaudited) | 30.06.2018<br>Corporate<br>(unaudited) | 30.06.2018<br>Software<br>(unaudited) | 30.06.2018<br>Total<br>(unaudited) |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenues | 2,077 | 2,290 | - | 746 | 5,113 |
| Other gains and losses | 57 | 11 | 5 | 71 | 144 |
| Raw materials and consumables | (384) | (1,759) | - | (46) | (2,189) |
| Salaries and employee benefits | (265) | (51) | (23) | (171) | (510) |
| Depreciations and amortizations | (13) | - | (56) | (289) | (358) |
| Net impairment of current assets | (602) | - | - | - | (602) |
| Other operating charges | (833) | (204) | (307) | (303) | (1,573) |
| **Operating profit** | **37** | **287** | **(307)** | **8** | **25** |
| Financial income | 219 | - | - | 5 | 224 |
| Financial expenses | (14) | - | (29) | (1) | (43) |
| **Profit before taxes** | **242** | **288** | **(336)** | **12** | **206** |
| Taxes on the result | (143) | - | - | 17 | (126) |
| **Profit for the period from continued operations** | **99** | **288** | **(336)** | **29** | **80** |
| **Profit for the period** | **99** | **288** | **(336)** | **29** | **80** |

The segment information for the second quarter of **2017** can be presented as follows:

| in kEUR<br>Segment information | 30.06.2017<br>Terminals<br>(unaudited) | 30.06.2017<br>Authorizations<br>(unaudited) | 30.06.2017<br>Corporate<br>(unaudited) | 30.06.2017<br>Software<br>(unaudited) | 30.06.2017<br>Total<br>(unaudited) |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenues | 2,086 | 2,345 | - | 51 | 4,482 |
| Other gains and losses | 28 | 1 | 10 | - | 39 |
| Raw materials and consumables | (313) | (1,771) | - | - | (2,084) |
| Salaries and employee benefits | (317) | (33) | (30) | (8) | (388) |
| Depreciations and amortizations | (12) | - | (81) | (36) | (129) |
| Net impairment of current assets | (325) | (35) | - | - | (360) |
| Other operating charges | (817) | (205) | (217) | (5) | (1,244) |
| **Operating profit** | **330** | **302** | **(318)** | **2** | **316** |
| Financial income | 301 | - | - | - | 301 |
| Financial expenses | (101) | (1) | (19) | (1) | (122) |
| **Profit before taxes** | **530** | **301** | **(337)** | **1** | **495** |
| Taxes on the result | (234) | - | - | 24 | (210) |
| Result from associated enterprises | **-** | **-** | **-** | **53** | **53** |
| **Profit for the period from continued operations** | **296** | **301** | **(337)** | **78** | **338** |
| **Profit for the period** | **296** | **301** | **(337)** | **78** | **338** |

## (6) Net impairment of current assets

Net impairments of current assets for the first semester of 2018 can be represented as follows:

| Net impairment of current assets | 1st semester<br>30.06.2018<br>kEUR | 1st semester<br>30.06.2017<br>kEUR |
|---|---|---|
| Impairment of finance lease receivables | 866 | 624 |
| Write-offs of inventories | 168 | 121 |
| **Total** | **1,034** | **745** |

This mainly concerns impairments recorded on finance lease receivables. These impairments or write-offs are the result of bankruptcies, discontinued operations or the termination of contracts by customers.

The figures for the second quarter are respectively as follows:

| Net impairment of current assets | 2nd quarter<br>30.06.2018<br>kEUR | 2nd quarter<br>30.06.2017<br>kEUR |
|---|---|---|
| Impairment of finance lease receivables | 454 | 308 |
| Write-offs of inventories | 148 | 52 |
| **Total** | **602** | **360** |

## (7) Other operating charges

Other operating charges for the first semester can be specified as follows:

| Other operating charges | 1st semester 30.06.2018 kEUR | 1st semester 30.06.2017 kEUR |
|---|---|---|
| Accommodation costs | 117 | 45 |
| Car related costs | 200 | 192 |
| Materials costs | 22 | 25 |
| Communication costs | 157 | 102 |
| Fees | 1,611 | 1,424 |
| Subcontractors | 158 | - |
| Corporate | 33 | 46 |
| Representation | 91 | 80 |
| Sales & marketing | 310 | 247 |
| Temporary personnel | 17 | 69 |
| Administration | 143 | 96 |
| Non-deductible VAT | 46 | 29 |
| Miscellaneous | 20 | 10 |
| **Total** | **2,925** | **2,365** |

The increase in other operating expenses during the first semester of 2018, as well as in the second quarter of 2018, is mainly to be attributed to the integration of Magellan (full consolidation). To a smaller extent cost savings with respect to KTP GmbH can be reported.

Other operating charges for the **second quarter** can be presented as follows:

| Other operating charges | 2nd quarter 30.06.2018 kEUR | 2nd quarter 30.06.2017 kEUR |
|---|---|---|
| Accommodation costs | 58 | 21 |
| Car related costs | 99 | 97 |
| Materials costs | 12 | 15 |
| Communication costs | 79 | 58 |
| Fees | 865 | 759 |
| Subcontractors | 75 | - |
| Corporate | 10 | 25 |
| Representation | 35 | 40 |
| Sales & marketing | 196 | 125 |
| Temporary personnel | 13 | 35 |
| Administration | 94 | 41 |
| Non-deductible VAT | 29 | 28 |
| Miscellaneous | 8 | - |
| **Total** | **1,573** | **1,244** |

## (8) Consolidation goodwill

This caption can be presented as follows:

| Consolidation goodwill | 30.06.2018 kEUR | 31.12.2017 kEUR | 30.06.2017 kEUR |
|---|---|---|---|
| Keyware Smart Card Division | 5,248 | 5,248 | 5,248 |
| EasyOrder | 231 | 231 | 231 |
| Magellan | 2,514 | 2,514 | 2,387 |
| **Total** | **7,993** | **7,993** | **7,866** |

Goodwill is tested for impairment on the level of the cash generating units, which is the lowest level on which goodwill is monitored for management purposes. The impairment test is carried out on each balance sheet date.

Within the Keyware Group, the following cash flow generating units are defined, being:

- the cash flow generating unit with regard to payment terminals (the activities of Keyware Smart Card Division NV);
- the cash flow generating unit with regard to authorizations (the activities of Keyware Transaction & Processing NV and PayItEasy BVBA);
- the cash flow generating unit with regard to software (the activities of the companies EasyOrder BVBA and Magellan SAS)

The first goodwill amount exclusively relates to the cash flow generating unit with respect to payment terminals, Keyware Smart Card Division. When performing impairment tests, the realizable value is based on the value in use which is calculated by discounting the future cash flows from the continuous use of the cash flow generating unit. The future cash flows are based on a cash flow forecast as approved by management and Board of Directors of the Company and which comprises a time frame of 5 years.

Based on these most recently performed impairment tests on 31 December 2017, it was concluded that no impairment loss needed to be recorded.

As a result of the acquisitions in 2017 the cash flow generating unit of software arose, comprising Magellan and EasyOrder. We refer to the appropriate chapter in the Annual Report of 2017 for further guidance to the determination of these amounts.

Given the recent character of these acquisitions, the first impairment test will be performed in 2018. Such a test is not performed on an intermediate basis.

## (9) Other intangible fixed assets

This caption can be detailed as follows:

| Other intangible fixed assets | 30.06.2018 | 31.12.2016 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Client base | 1,155 | 1,325 | 1,420 |
| Intellectual property (IP) | 5,358 | 5,354 | 5,475 |
| **Total** | **6,513** | **6,679** | **6,895** |

Client base relates mainly to Magellan. The net book value amounts 1,080 kEUR and is amortized over 10 years. To a lesser extent client bases relates to the asset deal with GlobalPay NV, for which the purchase price has been partially allocated to client base. The net book value amounts to 75 kEUR. This is subject to an annual impairment test.

IP mainly relates to the allocated value to Magellan's IP and R&D. The net book value amounts to 4,868 kEUR. IP and R&D are amortized over on a straight line basis over 20 and 3 years respectively. To a lesser extent IP relates to the payment app EasyOrder, acquired as per 1 January 2017. The attributed value amounts to 700 kEUR. This amount is amortized on a straight line basis over 5 years so that the net book value amounts to 490 kEUR. These items are subject to annual impairment testing.

## (10) Property, plant and equipment

This caption can be detailed as follows:

| Property, plant and equipment | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Furniture, IT and vehicles | 750 | 664 | 558 |
| Right-of-use assets | 115 | 237 | 370 |
| Leased assets | 30 | 91 | 31 |
| **Total** | **895** | **992** | **959** |

The anticipated application of IFRS 16 triggered already in 2017 the recognition of 'right-of-use assets' for the remaining part of the lease term of the leased premises. An early adoption had been decided with effect at 1 January 2017 without any adjustment to the comparative periods. The net book value of these leased assets amounts to 155 kEUR.

On the other hand a net book value of 268 kEUR has been recorded as at 30 June 2017 relating to Magellan. This relates to tangible fixed assets and leased assets ('right-of-use assets') for respective amounts of 53 kEUR and 215 kEUR. Together with the above mentioned 155 kEUR this represented 370 kEUR.

During the first half of 2018 the vehicles fleet has been renewed which lead to on the one hand investments and on the other disposals (especially leased cars).

## (11) Receivables from finance leases – long term

This caption can be summarized as follows:

| Receivables from finance leases | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Outstanding capital contracts | 10,266 | 10,887 | 14,197 |
| Provision for cancellation contracts | (331) | (331) | (400) |
| **Total** | **9,935** | **10,556** | **13,797** |

This caption records the long term portion of the finance lease receivables relating to payment terminals. The decrease of this caption reflects the decrease in the number of newly signed contracts as well as the fact that an increasing portion of contracts has a shorter duration.

## (12) Other participations

For information purposes it should be stated that the participation of 400 kEUR has been disposed in the second half of 2017 for a consideration of 597 kEUR.

## (13) Receivables from finance leases – short term

The short term finance lease receivables can be detailed as follows:

| Receivables from finance leases | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Outstanding capital contracts | 8,645 | 9,254 | 7,466 |
| Provision for cancellation contracts | (1,071) | (1,071) | (1,027) |
| **Total** | **7,574** | **8,183** | **6,439** |

## (14) Trade and other receivables

The caption can be detailed as follows:

| Trade and other receivables | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Trade receivables | 1,590 | 1,179 | 1,000 |
| Invoices to be issued | 410 | 568 | 296 |
| Creditnotes to be issued | (72) | (72) | (107) |
| Doubtful debtors | 956 | 956 | 956 |
| Allowances | (785) | (785) | (785) |
| Other receivables | 600 | 966 | 662 |
| **Total** | **2,699** | **2,812** | **2,022** |

Higher trade receivables are due to a delay in payments from some customers whereas the decrease in other receivables mainly is explained by the collection of tax incentives relating to R&D (R&D tax credit).

## (15) Capital structure

As at 30 June 2018 the statutory issued capital of the Company amounts to 8,359 kEUR, represented by 22,543,793 ordinary shares without nominal value.

During the first semester of 2018 a new capital increase occurred on 27 June 2018. On aggregate 730,000 warrants have been exercised, as a result of which capital and share premiums have been increased by 270 kEUR and 145 kEUR respectively.

The remaining number of warrants amounts to 1,000,000 and exclusively relates to the Warrant Scheme 2014. The strike price of these warrants is set at 0.569 EUR.

## (16) Provisions

Provisions amount to 246 kEUR at 30 June 2018. They relate to the deferred tranche payment of 100 kEUR with respect to the investment in EasyOrder. The provision relates to the remaining balance which will have to be paid in 2018 and if not in 2019 on the basis of certain KPI's to be attained. On the other hand, this caption also includes pension provisions of 146 kEUR.

## (17) Deferred taxes

Deferred tax liabilities relate to deferred tax commitments with respect to assets that have been identified during the purchase price allocation. In essence they relate to the identified intangible fixed assets ('IP'). This caption originated as a result of the acquisition of the shares of EasyOrder on 1 January 2017 and amounts to 145 kEUR as at 30 June 2018.

On the other hand they also relate to identified intangible fixed assets at the occasion of the purchase price allocation of Magellan. As at 30 June 2018 they represent deferred tax liabilities amounting to 1,798 kEUR.

## (18) Long term borrowings

The breakdown of long term borrowings can be presented as follows:

| Long term borrowings | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Borrowings Belfius Bank | 3,340 | 6,343 | 7,407 |
| Borrowings ING Bank | - | - | 125 |
| Borrowings State Bank of India | - | 83 | 167 |
| Borrowings Bred Banque | - | - | 21 |
| **Totaal** | **3,340** | **6,426** | **7,720** |

On 30 June 2017 long term financial debts recorded a significant increase as a result of the acquisition of the remaining 60% of the Magellan shares. A bank loan of 4,500 kEUR was raised in this respect.

The significant decrease on 30 June 2018 compared to 31 December 2017 is mainly triggered by the short term presentation of the bullet loan (2,000 kEUR) which becomes due on 30 June 2019. As such this portion becomes due within one year.

### (19) Short term borrowings

The short term borrowings can be specified as follows:

| Short term borrowings | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Borrowings Belfius Bank | 4,244 | 2,301 | 1,889 |
| Borrowings ING Bank | 125 | 250 | 292 |
| Borrowings State Bank of India | 167 | 167 | 167 |
| Borrowings Bred Banque | 21 | 151 | 262 |
| **Total** | **4,557** | **2,869** | **2,610** |

The main changes are:

- the increase of borrowings from Belfius Bank as a result of the reclassification of the 2,000 kEUR bullet loan that becomes due on 30 June 2019;
- a reimbursement of 1,398 kEUR during the first half of 2018

### (20) Trade, fiscal and social debts

This caption can be broken down as follows:

| Trade, fiscal and social debts | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Trade debts | 2,065 | 2,522 | 1,513 |
| Fiscal and social debts | 580 | 607 | 773 |
| **Total** | **2,645** | **3,129** | **2,319** |

The trade debts can be specified as follows:

| Trade debts | 30.06.2018 | 31.12.2017 | 30.06.2017 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Regular suppliers | 649 | 963 | 408 |
| Pending litigations | 310 | 310 | 351 |
| Consultants | 79 | 69 | 130 |
| Invoices to be received | 1,142 | 1,305 | 739 |
| Credit notes to be received | (115) | (125) | (115) |
| **Total** | **2,065** | **2,522** | **1,513** |

Pending disputes with suppliers remained unchanged at 310 kEUR. No further developments occurred with regard to this item in the first semester of 2018. Internal consultants relate to suppliers that invoice the Group for the services they render (comprising CEO, CFO, COO, CCO)

Fiscal and social debts can be specified as follows:

| Fiscal and social debts | 30.06.2018 kEUR | 31.12.2017 kEUR | 30.06.2017 kEUR |
|---|---|---|---|
| Due fiscal debts | 134 | 148 | 384 |
| Due social debts | 117 | 154 | 124 |
| Due remunerations | 34 | 70 | 31 |
| Provision holiday pay and year-end bonus | 295 | 235 | 234 |
| **Total** | **580** | **607** | **773** |

## (21) Incurred costs and deferred revenue

The caption can be specified as follows:

| Incurred costs and deferred revenue | 30.06.2018 kEUR | 31.12.2017 kEUR | 30.06.2017 kEUR |
|---|---|---|---|
| Incurred costs | 35 | 28 | 40 |
| Deferred revenue | 809 | 473 | 868 |
| **Total** | **844** | **501** | **908** |

The increase in deferred revenue is triggered by the Magellan integration and relates to upfront invoiced maintenance revenues, which are recognised on a prorata basis.

## (22) Transactions with related parties

No particular observations need to be reported with regard to transactions with related parties during the first semester of 2018.

## (23) Pending disputes

The Company is involved in a number of legal proceedings that can be regarded as contingent liabilities. For more information we refer to the Consolidated Annual Report of 2017 (chapter Pending disputes) which can be found on the Company's website (**www.keyware.com**).
During the first semester of 2018 no new developments have occurred than those described in the Annual Report of 2017.

## (24) Most important risks and uncertainties for the remaining six months of the financial year

We refer to the Annual Report of 2017 in which the most important risks and uncertainties that were identified as at the end of financial year 2017 are described. On the date of the half year figures of 2018 no significant changes are to be reported.
In previous financial years there was a significant need for additional funding, on the one hand, for the further financing and expansion of activities related to payment terminals and, on the other hand, for carrying out the necessary capex for the payment authorizations. The need for additional funding has decreased significantly as reflected in the cash flows statement: the operating cash flows improve. For the rest, there are no other important risks or uncertainties to report.

## List of abbreviations

| | |
|---|---|
| **CF** | Cash flow statement |
| **EBIT** | Earnings Before Interest and Taxes<br>It is seen as the operating result, i.e. operating profit or loss |
| **EBITDA** | Earnings Before Interest, Taxes, Depreciations and Amortizations<br>It is defined as the operating result (EBIT) + depreciations and amortizations + allowances on inventories + allowances on receivables + impairments<br>Realized loss on debtors are part of EBIT and therefore not of EBITDA |
| **EBITDA margin** | EBITDA / revenues (%) |
| **Gross profit** | Revenues less raw materials and consumables |
| **Gross margin** | Profit before taxes / revenues (%) |
| **IAS** | International Accounting Standards |
| **IASB** | International Accounting Standards Board |
| **IFRIC** | International Financial Reporting Interpretations Committee |
| **IFRS** | International Financial Reporting Standards |
| **IP** | Intellectual Property |
| **kEUR** | Thousands of euros |
| **KPIs** | Key Performance Indicators |
| **LT** | Long term |
| **ST** | Short term |
| **pp** | Percentage points |
| **Profit margin** | Profit / revenues (%) |
| **VAT** | Value Added Taxes |