

**KEY FIGURES**

The key figures for the first nine months and the third quarter of 2016 can be summarised as follows:

**Main result indicators of the first 9 months of 2016:**

- the Group has generated revenues of kEUR 13,239, compared to kEUR 12,513 over the same period last year, which represents an increase in revenues of kEUR 726 or 5.8%;
- revenues in the first nine months of 2016 are comprised of respectively kEUR 7,626 relating to terminal revenues (compared to kEUR 8,649 as of 30 September 2015) and kEUR 5,613 relating to authorization revenues (compared to kEUR 3,864 as of 30 September 2015). Hence, the increase in revenues mainly lies in the authorization segment;
- with respect to the terminal activity, it should be emphasized that in the comparative 9 month period in 2015 the GlobalPay asset deal was included. This explains why revenues from this segment over the first nine months of 2016 are about kEUR 1,023 (or 11.8%) lower. The terminal activity accounts for 57.6% of revenues compared to 69.1% over the first 9 months of 2015;
- with respect to the authorization activity, a significant increase of kEUR 1,749 or 45.3% is recorded, as a result of both higher commissions as an increase in the number of contracts generating authorization revenues. Likewise, this segment already accounts for 42,3% of revenues compared to 30.9% in the same period of 2015;
- the operating cash flow (EBITDA) in the first nine months amounts to kEUR 3,671 compared to kEUR 3,455 in the first nine months of 2015, which is an improvement of kEUR 216 or 6.3%;
- pre-tax profit amounts to kEUR 3,200, compared to kEUR 2,983 for the first nine months of 2015, which is an improvement of kEUR 217 or 7.27%, fully attributable to better financial results as the operating result is in line;
- net profit amounts to kEUR 2,397 compared to kEUR 3,617 for the first nine months of 2015, a decrease of kEUR 1,220 or 33.7%. This difference is due to the fact that the comparative period of 2015 includes a deferred tax income of kEUR 636 whereas deferred tax charges of kEUR 751 have been recorded in 2016;
- net cash flow amounts to kEUR 3,624 compared to kEUR 4,723 for the same period in 2015. The decrease is accounted for by the difference in deferred taxes (see above)

Key figures Over the period ending on 30 September	First 9 months	
	30.09.2016	30.09.2015
	kEUR (non-audited)	kEUR (non-audited)
Revenues	13,239	12,513
Pre-tax profit/(loss)	3,200	2,983
Profit/(loss)	2,397	3,617
EBITDA	3,671	3,455
Net cash flow	3,624	4,723
Gross profit margin (pre-tax profit/revenues) (%)	24.17	23.84
Profit margin (net profit/revenues) (%)	18.11	28.91
EBITDA margin (EBITDA/revenues(%))	27.73	27.61

## REGULATED INFORMATION

### Main result indicators of the third quarter of 2016:

- during the third quarter of 2016, the Group has generated revenues of kEUR 3,988 compared to kEUR 3,621 over the same period in 2015, amounting to a revenue increase of kEUR 367 or 10.1% compared to the same quarter of 2015;
- revenues in the third quarter of 2016 are comprised of respectively kEUR 2,170 in revenues with regard to terminals (compared to kEUR 2,584 as of 30 September 2015) and kEUR 1,818 in revenues with regard to authorizations (compared to kEUR 1,037 as of 30 September 2015). Hence, the increase in the authorization segment was able to offset lower revenues from the terminals segment;
- with respect to the terminal segment it should be repeated that the comparative period in 2015 included a higher number of newly signed contracts. This accounts for the decrease in revenues during the third quarter of 2016 being kEUR 414 (or 16.0%) lower;
- on the other hand, a significant increase of kEUR 781, or 75.3%, is recorded in the authorization segment, as a result of better commissions and a higher number of contracts generating authorization revenues. During the third quarter of 2015 the brokering contract was in its start-up phase;
- operating cash flow (EBITDA) in the third quarter amounts to kEUR 931 compared to kEUR 1,230 in the third quarter of 2015, which is a decrease of kEUR 299 or 24.3%;
- pre-tax profit amounts to kEUR 897, compared to kEUR 1,041 for the third quarter of 2015, which is a decrease of kEUR 144 or 16.1% during the third quarter of 2016. The better financial result (up by kEUR 93) was not sufficient to offset the lower operating result (kEUR 237 lower);
- net profit amounts kEUR 532, compared to a net profit of kEUR 1,253 for the third quarter of 2015, which represents a decrease of kEUR 721 or 57.5% compared to the third quarter of 2015. In addition to the previous explanation regarding the operating profit (kEUR 237 lower) the remainder is due to the fact that the third quarter of 2015 recorded deferred tax revenues of kEUR 212 compared to deferred tax charges of kEUR 313 in the third quarter of 2016;
- net cash flow amounts to kEUR 840, compared to kEUR 1,621 for the third quarter of 2015. The decrease is explained by the difference in deferred taxes

Key figures Over the period ending on 30 September	3 <sup>rd</sup> quarter	
	30.09.2016	30.09.2015
	kEUR (non-audited)	kEUR (non-audited)
Revenues	3,988	3,621
Profit/(loss) before tax	897	1,041
Profit/(loss)	532	1,253
EBITDA	931	1,230
Net cash flow	840	1,621
Gross profit margin (pre-tax profit/revenues) (%)	22.49	20.92
Profit margin (net profit/revenues) (%)	13.34	25.19
EBITDA margin (EBITDA/revenues) (%)	23.35	24.73

## REGULATED INFORMATION

### MANAGEMENT REPORT FOR THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2016

#### Management discussion and analysis of the results

The financial information in this management report should be read in conjunction with the condensed consolidated interim financial report and consolidated annual financial statements at 31 December 2015. This condensed consolidated interim report has not been audited, nor subject to a limited review by the auditor.

The key figures for the cumulative **first nine months of 2016** can be summarised as follows.

- An overview of the turnover and gross margin for the first nine months is provided below:

Gross margin	First nine months		Difference
	30.09.2016	30.09.2015	
	kEUR	kEUR	
Revenues	13,239	12,513	5.80%
Raw materials and consumables	(5,587)	(5,272)	5.97%
<b>Gross margin</b>	<b>7,652</b>	<b>7,241</b>	<b>5.68%</b>
Gross profit margin in percentages	57.80%	57.87%	

- **Consolidated revenues** for the first nine months of the financial year 2016 amount to kEUR 13,239 compared with kEUR 12,513 for the same period in 2015, an increase of 5.80%. The increase in revenues can be attributed to the activity of the authorizations as the revenues of the payment terminals recorded a decrease. The terminal activity represents 57.6% of revenues (compared to 69.1% in 2015) so that authorizations account for 42.4% of revenues (compared to 30.9% in 2015).
- **Personnel costs** amount to kEUR 1,028 compared to kEUR 1,116 in 2015 as a result of lower average FTE's during the first 9 months of the year.
- **Impairment on current assets** amount to kEUR 1,080 in comparison to kEUR 1,033 over the same period in 2015. Specifically, they relate to impairments on receivables from financial leases (as a consequence of bankruptcies, the terminations of activities or termination of contracts) as well as write-offs on inventories.
- **Other expenses** amount to kEUR 3,193 in comparison to kEUR 2,626 for the same period in 2015. Several factors account for the increase of kEUR 567: higher fees, higher marketing and related expenses as well as more corporate expenses. The caption records a non- recurrent portion of about kEUR 100.
- **Financial results** amount to kEUR 755 compared to kEUR 534 over the same period in 2015, mainly as a result of much lower financial costs. This is due to the fact that some loans came to maturity and that shareholder loans have been refinanced at lower interest rates.
- **Net profit** for the first nine months of 2016 amounts to kEUR 2,397 in comparison with a net profit of kEUR 3,617 for the same period in 2015. This decrease in net profit of kEUR 1,220 is mainly accounted for by deferred taxes. Whilst deferred tax revenues were recorded in 2015 for an amount of kEUR 636, deferred tax charges are recorded in 2016 for an amount of kEUR 751; this represents a difference of kEUR 1,387. Hence, **pre-tax result** is the best indicator to any comparison. It increases from kEUR 2,983 to kEUR 3,200.

## REGULATED INFORMATION

- **Net cash flow** amounts to kEUR 3,624 in comparison with kEUR 4,723 for the first nine months of 2015. The decrease in the net cash flow of kEUR 999 is largely explained by the difference in deferred taxes between both periods.

The key figures for the separate **third quarter of 2016** can be summarised as follows.

- The turnover and the gross margin for the second quarter can be specified as follows:

Gross margin	3rd quarter		Difference
	30.09.2016	30.09.2015	
	kEUR	kEUR	
Revenues	3,988	3,621	10.14%
Raw materials and consumables	(1,745)	(1,259)	38.60%
<b>Gross margin</b>	<b>2,243</b>	<b>2,362</b>	<b>-5.04%</b>
Gross profit margin in percentages	56.24%	65.23%	

- **Consolidated revenues** for the third quarter of the financial year 2016 amount to kEUR 3,988 as compared to kEUR 3,621 for the same period in 2015, or an increase of 10.1%. The increase in revenues of kEUR 367 is exclusively generated by the division of authorizations given the decrease in revenues from payment terminals division. The strong increase in authorization revenues (having a lower gross profit margin than the payment terminals) accounts for the decrease in gross profit margin from 65.23% to 56.24%.
- **Personnel costs** amount to kEUR 312 which is not a significant movement in the 3<sup>rd</sup> quarter.
- **Impairment of current assets** amount to kEUR 252 in comparison to kEUR 358 for the same period in 2015. These impairments specifically relate to receivables from financial leases as a consequence of bankruptcies and terminations (either of activities or contracts) as well as write-offs of inventories. The decrease compared to the third quarter of 2015 is mainly attributable to lower write-offs of receivables.
- **Other expenses** amount to kEUR 1,092 compared to kEUR 801 for the same period in 2015. The decrease is caused by the same factors as those mentioned about the first 9 months.
- **Financial results** record an increase from kEUR 180 to kEUR 273. This increase is mainly attributable to lower financial costs. This mainly relates to the refinancing of the shareholders loans (as from the third quarter of 2016) and to the generally lower costs by a.o. fully reimbursed loans.
- **Net profit** for the third quarter amounted to kEUR 532 in comparison with a net profit of kEUR 1,253 for the same period in 2015. The decrease in net profit of kEUR 721 is mainly explained by a lower operating result and by the deferred taxes. Especially this last factor has a high impact on the difference between both periods. Whilst in the third quarter of 2015 still kEUR 212 deferred tax revenues have been recorded, the third quarter of 2016 rather records kEUR 313 of deferred tax charges. This represents a difference of kEUR 525. Hence, **pre-tax result** is the best indicator to any comparison. It decreases to a lower extent from kEUR 1,041 in 2015 to kEUR 897 in 2016.
- **Net cash flow** amounts to kEUR 840 in comparison with kEUR 1,621 for the third quarter of 2015. The decrease in net cash flow of kEUR 781 is largely triggered by the difference in deferred taxes between both periods.

## REGULATED INFORMATION

### Important events during the first nine months of 2016

#### PARTICIPATION OF 40% IN MAGELLAN

On 30 September 2016 an SPA has been signed relating to the acquisition of a 40% stake in the France based company Magellan SAS. The acquisition cost amounts to kEUR 4,000.

This amount has been partially been paid in own shares (kEUR 1,000) and partially by a bank loan (kEUR 3,000) over 5 years at market conditions. The payment of the kEUR 1,000 portion has been realised by the share buy-back program.

Keyware holds a call option for the remaining 60% of the shares. When exercising this call option, contractually possible between 1 January 2017 and 30 June 2018, a corresponding amount of kEUR 6,000 will have to be paid for this 60%.

Compared to the net equity of Magellan SAS as at 30 September 2016 this amount represents a goodwill of kEUR 586. The allocation of the consolidation difference will be elaborated in the course of the fourth quarter of 2016 so that it will appear in the balance sheet as at 31 December 2016. Given the stake of 40% this participation is included on the basis of the equity method.

#### DIVIDENDS AND SHARE BUY BACK

During the third quarter of 2016 a dividend payment of kEUR 242 occurred (interim dividend on the result of 2016). The share buy-back programme of kEUR 1,000 also started. The treasury shares have been used as a partial payment for the acquisition of the Magellan shares.

### Events after the balance sheet date

The Group does not have to report any new important subsequent events, which would have an impact on the presentation of these interim financial statements as at 30 September 2016.

### Outlook

#### SUBSTANTIAL MARKET SHARE IN ECONOMICALLY STABLE SECTORS

Keyware's policy of increasing its market share in economically stable market segments is further pursued. The start-up of the activities of the subsidiary Keyware Transactions & Processing GmbH should contribute to this as from the fourth quarter of 2016.

#### GROWTH OF PAYMENT TERMINALS AND AUTHORISATION CONTRACTS

The group continues to strive for substantial growth, in which the growth of the installed base of payment terminals constitutes the main driver. As a result of the increasing number of transactions that are processed through its own platform, this authorization segment increasingly generates higher transaction revenues, which are of a recurring nature and which represent the longer the higher portion of the aggregate revenues.

REGULATED INFORMATION  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statement

Consolidated income statement for the period ending on 30 September	First nine months		3rd quarter	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
Revenues	13,239	12,513	3,988	3,621
Other gains and losses	288	172	100	43
Raw materials and consumables	(5,587)	(5,272)	(1,745)	(1,259)
Salaries and employee benefits	(1,028)	(1,116)	(312)	(319)
Depreciation	(194)	(189)	(63)	(66)
Net impairment of current assets	(6) (1,080)	(1,033)	(252)	(358)
Other operating expenses	(7) (3,193)	(2,626)	(1,092)	(801)
<b>Operating profit /(operating loss)</b>	<b>2,445</b>	<b>2,449</b>	<b>624</b>	<b>861</b>
Financial income	896	845	302	299
Financial expenses	(141)	(311)	(29)	(119)
<b>Profit before taxes</b>	<b>3,200</b>	<b>2,983</b>	<b>897</b>	<b>1,041</b>
Taxes on the result	(803)	634	(365)	212
<b>Profit/(loss) for the period from continued operations</b>	<b>2,397</b>	<b>3,617</b>	<b>532</b>	<b>1,253</b>
<b>Profit/(loss) for the period</b>	<b>2,397</b>	<b>3,617</b>	<b>532</b>	<b>1,253</b>
Weighted average number of issued ordinary shares	20,940,401	20,438,793	20,940,401	20,438,793
Weighted average number of shares for the diluted result per share	23,564,108	23,766,937	23,564,108	23,766,937
<b>Profit/(loss) per share from continued operations</b>				
Profit/ (loss) per share	0.1145	0.1770	0.0254	0.0613
Profit/ (loss) per diluted share	0.1017	0.1522	0.0226	0.0527

**REGULATED INFORMATION**
**Condensed consolidated statement of comprehensive income**

Overview of comprehensive income for the period ending on 30 September	First nine months		3rd quarter	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Profit/(loss) for the period</b>	<b>2,397</b>	<b>3,617</b>	<b>532</b>	<b>1,253</b>
<b>Other comprehensive income</b>				
Translation differences	-	-	-	-
Revaluation at fair value of 'financial fixed assets available for sale'	-	-	-	-
Cash flow hedges	-	-	-	-
Taxes on other comprehensive income	-	-	-	-
<b>Other comprehensive income (net of taxes)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total realised and comprehensive income for the period</b>	<b>2,397</b>	<b>3,617</b>	<b>532</b>	<b>1,253</b>
<b>Profit/(loss) for the period attributable to:</b>				
The holders of equity instruments of the parent company	2,397	3,617	532	1,253
Non-controlling interests	-	-	-	-
<b>Total of the other comprehensive income of the period allocatable to:</b>	<b>2,397</b>	<b>3,617</b>	<b>532</b>	<b>1,253</b>
The holders of equity instruments of the parent company	-	-	-	-
Non-controlling interests	-	-	-	-
Weighted average number of issued ordinary shares	20,940,401	20,438,793	20,940,401	20,438,793
Weighted average number of shares for the diluted result per share	23,564,108	23,766,937	23,564,108	23,766,937
<b>Profit/(loss) per share from the continuing and discontinued operations</b>				
Profit/ (loss) per share	0.1145	0.1770	0.0254	0.0613
Profit/ (loss) per diluted share	0.1017	0.1522	0.0226	0.0527

REGULATED INFORMATION  
Condensed consolidated balance sheet

Consolidated statement of financial position		30.09.2016	31.12.2015	30.09.2015
		kEUR	kEUR	kEUR
		(unaudited)	(audited)	(unaudited)
<b>Assets</b>				
Consolidation goodwill	(8)	5,834	5,248	5,248
Other intangible fixed assets		163	200	237
Property, plant and equipment		552	428	456
Deferred tax assets		2,309	3,058	2,321
Receivables from finance leases	(9)	15,690	15,346	15,825
Investments in associates		3,414	-	-
Other assets		478	325	324
<b>Non-current assets</b>		<b>28,440</b>	<b>24,605</b>	<b>24,411</b>
Inventories		731	992	498
Trade and other receivables		741	626	588
Receivables from finance leases		4,391	3,806	3,046
Prepays		58	8	24
Cash and cash equivalents		648	981	286
<b>Current assets</b>		<b>6,569</b>	<b>6,413</b>	<b>4,442</b>
<b>Total assets</b>		<b>35,009</b>	<b>31,018</b>	<b>28,853</b>
<b>Equity and liabilities</b>				
Issued capital	(10)	7,194	8,771	8,490
Share premiums		2,868	4,846	4,716
Other reserves		797	797	797
Treasury shares		(124)	-	-
Result carried forward		14,891	9,269	7,595
<b>Equity attributable to owners of the parent company</b>		<b>25,626</b>	<b>23,683</b>	<b>21,598</b>
<b>Provisions</b>		-	-	<b>198</b>
Borrowings	(11)	5,137	2,675	2,902
Lease obligations	(12)	73	43	108
<b>Total non-current liabilities</b>		<b>5,210</b>	<b>2,718</b>	<b>3,010</b>
Trade payables and other payables	(14)	1,741	2,574	1,936
Borrowings	(13)	1,435	1,514	1,549
Lease obligations	(12)	87	26	61
Other liabilities		463	11	-
Prepays	(15)	447	492	501
<b>Current liabilities</b>		<b>4,173</b>	<b>4,617</b>	<b>4,047</b>
<b>Total liabilities</b>		<b>9,383</b>	<b>7,335</b>	<b>7,057</b>
<b>Total equity and liabilities</b>		<b>35,009</b>	<b>31,018</b>	<b>28,853</b>



REGULATED INFORMATION  
Condensed consolidated cash flow statement

Consolidated cash flow statement for the period ending on 30 September	First 9 months	
	30.09.2016	30.09.2015
	kEUR (unaudited)	kEUR (unaudited)
<u>Cash flow from operating activities</u>		
Profit / (loss) for the period	2,397	3,617
Deferred taxes	746	(636)
Financial income	(896)	(845)
Financial expenses	141	311
Profit / (loss) from the sale of fixed assets	31	-
Depreciation	194	189
Impairment of debtors and inventories	1,080	1,033
Operating cash flow before changes in the working capital components	3,690	3,669
Decrease / (Increase) of inventories	29	(34)
Decrease / (increase) of financial lease receivables (non-current and current)	(1,778)	(2,563)
Decrease / (increase) of trade and other receivables	(115)	255
Decrease / (increase) of prepaids	(50)	(5)
Increase / (decrease) of provisions	-	198
Increase / (decrease) of trade debts (non-current and current)	(833)	(1,897)
Increase / (decrease) of other liabilities and accruals and deferrals	407	111
Changes in working capital components	(2,337)	(3,935)
Interest paid	(141)	(311)
Interest received	896	845
<b>Cash flow from operating activities</b>	<b>2,108</b>	<b>268</b>
<u>Cash flow from investment activities</u>		
Acquisition of intangible and tangible fixed assets	(309)	(383)
Investments in associates	(4,000)	-
Investments in financial fixed assets	(150)	(250)
(Increase) / decrease of guarantees	(3)	-
<b>Cash flow from investment activities</b>	<b>(4,462)</b>	<b>(633)</b>
<u>Cash flow from financing activities</u>		
Capital increase	95	-
(Repayments) / proceeds of borrowings (current and non-current)	2,383	(334)
(Repayments) / proceeds of lease obligations (current and non-current)	91	70
Treasury shares (buy back)	(124)	-
Payment of dividends	(424)	-
<b>Cash flow from financing activities</b>	<b>2,021</b>	<b>(264)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(333)</b>	<b>(629)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>981</b>	<b>915</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>648</b>	<b>286</b>

REGULATED INFORMATION

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
<b>Balance as at 01.01.2016</b>	<b>8,771</b>	<b>4,846</b>	<b>797</b>	-	<b>9,269</b>	<b>23,683</b>	-	<b>23,683</b>
Profit / (loss) for the period	-	-	-	-	2,397	2,397	-	2,397
<b>Total realised and comprehensive income for the period</b>	-	-	-	-	<b>2,397</b>	<b>2,397</b>	-	<b>2,397</b>
Exercise of warrants	59	36	-	-	-	95	-	95
Capital decrease	(1,636)	(2,014)	-	-	3,650	-	-	-
Payment of dividends	-	-	-	-	(424)	(424)	-	(424)
Buy back treasury shares	-	-	-	(124)	-	(124)	-	(124)
<b>Balance as at 30.09.2016</b>	<b>7,194</b>	<b>2,868</b>	<b>797</b>	<b>(124)</b>	<b>14,891</b>	<b>25,626</b>	-	<b>25,626</b>

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
<b>Balance as at 01.01.2015</b>	<b>8,490</b>	<b>4,716</b>	<b>797</b>	-	<b>3,978</b>	<b>17,981</b>	-	<b>17,981</b>
Profit / (loss) for the period	-	-	-	-	3,617	3,617	-	3,617
<b>Total realised and comprehensive income for the period</b>	-	-	-	-	<b>3,617</b>	<b>3,617</b>	-	<b>3,617</b>
<b>Balance as at 30.09.2015</b>	<b>8,490</b>	<b>4,716</b>	<b>797</b>	-	<b>7,595</b>	<b>21,598</b>	-	<b>21,598</b>

## REGULATED INFORMATION

### 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 consolidated interim financial report for the first nine months ending on 30 September 2016 contains the consolidated balance sheet and income statement of the company and its 4 subsidiaries. The activities of the German subsidiary Keyware Transactions & Processing GmbH are not significant so far.

This condensed consolidated interim financial report was approved for publication by the Board of Directors on 10 November 2016.

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 nine-month period ending on 30 September 2016, 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 nine 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 three months of the financial year.

#### **(3) Primary 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 2015.

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 expenses 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.

## REGULATED INFORMATION

### (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

As mentioned above authorization-revenues (commissions) are as from financial year 2016 no longer presented as net revenues but are rather broken down in gross revenues (the Merchant Service Charge or 'MSC' being the revenues) and related costs.

In the modified presentation of the figures for the first 3 quarters of 2016 the related captions (revenues and cost of sales) have been adjusted for the comparative 3 quarter period of 2015.

We refer to note (19) for more information.

In preparing the interim financial summaries, the same valuation, presentation and calculation rules and methods are used, as those applied for the preparation of the Group's financial statements for the financial year ending on 31 December 2015; with the exception of the possible impact arising from the application of the standards mentioned below.

#### ***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 Committee (IFRIC), that are relevant for its activities and that became applicable for the accounting period starting on 1 January 2016. The Group did not apply any new IFRS guidelines that were not yet in force as of 30 September 2016.

The following new and revised Standards and Interpretations issued by the IASB and the IFRIC take effect as from 1 January 2016 or another date during the first nine months of 2016:

- Annual Improvements to IFRSs 2010-2012 Cycle (issued by the IASB in December 2013)
- Annual Improvements to IFRSs 2012-2014 Cycle (issued by the IASB in September 2014)
- IAS 1 Presentation of Financial Statements — Amendments resulting from the disclosure initiative (December 2014)
- IAS 16 Property, Plant and Equipment — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)
- IAS 19 Employee Benefits — Amendments relating to Defined Benefit Plans: Employee Contributions (November 2013)
- IAS 27 Consolidated and Separate Financial Statements — Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (August 2014)
- IAS 28 Investments in Associates and Joint Ventures — Amendments regarding the application of the consolidation exception (December 2014)
- IAS 38 Intangible Assets — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)
- IFRS 10 Consolidated Financial Statements — Amendments regarding the application of the consolidation exception (December 2014)

## REGULATED INFORMATION

- IFRS 11 Joint Arrangements — Amendments regarding the accounting for acquisitions of an interest in a joint operation (May 2014)
- IFRS 12 Disclosure of Interests in Other Entities – Amendments regarding the application of the consolidation exception (December 2014)

The application of these amendments did not lead to important changes in the company's valuation principles.

For the rest, no effective standards, amendments, interpretations and improvements were applied earlier by the Group on 30 September 2016.

The impact of the following standards will be analysed during the fourth quarter of 2016:

- IFRS 15 Revenue from Contracts with Customers (May 2014 and later modifications)
- IFRS 16 Leases (January 2016)

### **(4) Seasonally-bound activities**

Notwithstanding the fact that the summer months are associated with a reduction in activity, the figures show no significant seasonal patterns.

### **(5) Business segment information**

According to previous years the following business segments are defined:

- The terminal segment: relates to the rental and sale of payment terminals and accessories as well as rendering the related services. According to the IFRS standards rentals of payment terminals are accounted for as finance leases
- The authorization segment: relates to generating commissions from transactions processed on the payment terminals of the existing installed base
- The corporate segment: relates to the other costs which cannot be allocated to the previous categories. These costs are grouped in a separate corporate activity

## REGULATED INFORMATION

The business segment information as at **30 September 2016** can be specified as follows:

Amounts in kEUR Segment Information	30.09.2016	30.09.2016	30.09.2016	30.09.2016
	kEUR	kEUR	kEUR	kEUR
	Terminals (unaudited)	Authorisations (unaudited)	Corporate (unaudited)	(unaudited)
<b>Continuing operations</b>				
<i>Revenues (internal and external)</i>	7,626	5,613	-	13,239
<i>Revenues (internal compared to other segment)</i>	-	-	-	-
Revenues	7,626	5,613	-	13,239
Other gains and losses	209	14	65	288
Raw materials and consumables	(1,285)	(4,302)	-	(5,587)
Salaries and employee benefits	(846)	(108)	(74)	(1,028)
Depreciation	(36)	(30)	(128)	(194)
Net impairment of current assets	(1,080)	-	-	(1,080)
Other operating expenses	(2,338)	(546)	(309)	(3,193)
<b>Operating profit /(operating loss)</b>	<b>2,250</b>	<b>641</b>	<b>(446)</b>	<b>2,445</b>
Financial income	896	-	-	896
Financial expenses	(112)	-	(29)	(141)
<b>Profit before taxes</b>	<b>3,034</b>	<b>641</b>	<b>(475)</b>	<b>3,200</b>
Taxes on the result	(803)	-	-	(803)
<b>Profit/(loss) for the period from continued operations</b>	<b>2,231</b>	<b>641</b>	<b>(475)</b>	<b>2,397</b>
Profit/(loss) for the period from discontinued operations	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>2,231</b>	<b>641</b>	<b>(475)</b>	<b>2,397</b>

## REGULATED INFORMATION

The business segment information for the comparative period as at **30 September 2015** can be specified as follows:

Amounts in kEUR Segment Information	30.09.2015	30.09.2015	30.09.2015	30.09.2015
	kEUR	kEUR	kEUR	kEUR
	Terminals	Authorisations	Corporate	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
<i>Revenues (internal and external)</i>	8,649	3,864	-	12,513
<i>Revenues (internal compared to other segment)</i>	-	-	-	-
Revenues	8,649	3,864	-	12,513
Other gains and losses	143	7	22	172
Raw materials and consumables	(2,040)	(3,232)	-	(5,272)
Salaries and employee benefits	(937)	(108)	(71)	(1,116)
Depreciation	(52)	(29)	(108)	(189)
Net impairment of current assets	(1,033)	-	-	(1,033)
Other operating expenses	(1,909)	(405)	(312)	(2,626)
<b>Operating profit /(operating loss)</b>	<b>2,821</b>	<b>97</b>	<b>(469)</b>	<b>2,449</b>
Financial income	835	-	10	845
Financial expenses	(182)	-	(129)	(311)
<b>Profit before taxes</b>	<b>3,474</b>	<b>97</b>	<b>(588)</b>	<b>2,983</b>
Taxes on the result	634	-	-	634
<b>Profit/(loss) for the period from continued operations</b>	<b>4,108</b>	<b>97</b>	<b>(588)</b>	<b>3,617</b>
Profit/(loss) for the period from discontinued operations	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>4,108</b>	<b>97</b>	<b>(588)</b>	<b>3,617</b>

## REGULATED INFORMATION

Information on business segments for the **third quarter of 2016** can be specified as follows:

Amounts in kEUR Segment Information	30.09.2016	30.09.2016	30.09.2016	30.09.2016
	kEUR	kEUR	kEUR	kEUR
	Terminals (unaudited)	Authorisations (unaudited)	Corporate (unaudited)	(unaudited)
<b>Continuing operations</b>				
<i>Revenues (internal and external)</i>	2,170	1,818	-	3,988
<i>Revenues (internal compared to other segment)</i>	-	-	-	-
Revenues	2,170	1,818	-	3,988
Other gains and losses	83	3	14	100
Raw materials and consumables	(410)	(1,335)	-	(1,745)
Salaries and employee benefits	(255)	(33)	(24)	(312)
Depreciation	(11)	(10)	(42)	(63)
Net impairment of current assets	(252)	-	-	(252)
Other operating expenses	(784)	(197)	(111)	(1,092)
<b>Operating profit /(operating loss)</b>	<b>541</b>	<b>246</b>	<b>(163)</b>	<b>624</b>
Financial income	302	-	-	302
Financial expenses	(27)	-	(2)	(29)
<b>Profit before taxes</b>	<b>816</b>	<b>246</b>	<b>(165)</b>	<b>897</b>
Taxes on the result	(365)	-	-	(365)
<b>Profit/(loss) for the period from continued operations</b>	<b>451</b>	<b>246</b>	<b>(165)</b>	<b>532</b>
Profit/(loss) for the period from discontinued operations	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>451</b>	<b>246</b>	<b>(165)</b>	<b>532</b>



## REGULATED INFORMATION

Information on business segments for the comparative **third quarter of 2015** can be specified as follows:

Amounts in kEUR Segment Information	30.09.2015	30.09.2015	30.09.2015	30.09.2015
	kEUR	kEUR	kEUR	kEUR
	Terminals (unaudited)	Authorisations (unaudited)	Corporate (unaudited)	(unaudited)
<b>Continuing operations</b>				
<i>Revenues (internal and external)</i>	2,584	1,037	-	3,621
<i>Revenues (internal compared to other segment)</i>	-	-	-	-
Revenues	2,584	1,037	-	3,621
Other gains and losses	30	2	11	43
Raw materials and consumables	(445)	(814)	-	(1,259)
Salaries and employee benefits	(264)	(35)	(20)	(319)
Depreciation	(18)	(9)	(39)	(66)
Net impairment of current assets	(358)	-	-	(358)
Other operating expenses	(542)	(129)	(130)	(801)
<b>Operating profit /(operating loss)</b>	<b>987</b>	<b>52</b>	<b>(178)</b>	<b>861</b>
Financial income	289	-	10	299
Financial expenses	(72)	-	(47)	(119)
<b>Profit before taxes</b>	<b>1,204</b>	<b>52</b>	<b>(215)</b>	<b>1,041</b>
Taxes on the result	212	-	-	212
<b>Profit/(loss) for the period from continued operations</b>	<b>1,416</b>	<b>52</b>	<b>(215)</b>	<b>1,253</b>
Profit/(loss) for the period from discontinued operations	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>1,416</b>	<b>52</b>	<b>(215)</b>	<b>1,253</b>

## REGULATED INFORMATION

### (6) Net impairments of current assets

The net impairments of current assets for the cumulative first nine months of the financial year can be represented as follows:

Net impairment of current assets for the period ending on 30 September	Nine months	
	30.09.2016	30.09.2015
	kEUR	kEUR
Impairment of finance lease receivables	848	761
Write-offs of inventories	232	272
<b>Total</b>	<b>1,080</b>	<b>1,033</b>

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.

Net impairment of current assets for the period ending on 30 September	3rd quarter	
	30.09.2016	30.09.2015
	kEUR	kEUR
Impairment of finance lease receivables	203	256
Write-offs of inventories	49	102
<b>Total</b>	<b>252</b>	<b>358</b>

### (7) Other operating expenses

Other operating expenses for the cumulative first nine months can be specified as follows:

Other expenses for the period ending on 30 September	Nine months	
	30.09.2016	30.09.2015
	kEUR	kEUR
Accommodation	103	113
Car expenses	241	252
Material expenses	22	22
Communication expenses	179	135
Fees	1,812	1,582
Stock-market listing	57	50
Representation and delegation	151	93
Sales and marketing	399	290
Interim	64	9
Administration	150	57
Non-deductible VAT	15	23
Other	-	-
<b>Total</b>	<b>3,193</b>	<b>2,626</b>

## REGULATED INFORMATION

Other operating expenses for the separate third quarter can be specified as follows:

Other expenses for the period ending on 30 September	3rd quarter	
	30.09.2016	30.09.2015
	kEUR	kEUR
Accommodation	30	39
Car expenses	74	81
Material expenses	6	6
Communication expenses	56	24
Fees	694	514
Stock-market listing	10	27
Representation and delegation	47	19
Sales and marketing	85	71
Interim	12	6
Administration	78	7
Non-deductible VAT	-	7
Other	-	-
<b>Total</b>	<b>1,092</b>	<b>801</b>

### (8) Consolidation goodwill

This item can be specified as follows:

Consolidation differences	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
Keyware Smart Card Division	5,834	5,248	5,248
<b>Total</b>	<b>5,834</b>	<b>5,248</b>	<b>5,248</b>

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.

The increase of kEUR 586 relates to the acquisition of 40% of the Magellan shares. As a result a consolidation difference arose on 30 September 2016 of kEUR 586 which needs to be allocated. The purchase price allocation will be elaborated in the fourth quarter of 2016 and will be reflected in the balance sheet of 2016.

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

- the cash flow generating unit with regard to payment terminals ;
- the cash flow generating unit with regard to payment authorisations

Outstanding goodwill as at 30 September 2016 and 31 December 2015 pertains entirely to the cash flow generating unit with regard to payment terminals. When performing impairment tests, the realisable value is based on the value in use which is calculated by discounting the future cash flows from the constant use of the cash flow generating unit. The future cash flows are based on a cash flow forecast as approved by the management and the 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 2015, it was concluded that no impairment needed to be recorded.

## REGULATED INFORMATION

### (9) Receivables from finance lease

This item can be summarised as follows:

Receivables from finance lease	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
Outstanding capital contracts	16,850	16,121	17,542
Fees for the termination of outstanding contracts	(1,160)	(775)	(1,717)
<b>Total</b>	<b>15,690</b>	<b>15,346</b>	<b>15,825</b>

The non-current trade receivables include the long-term portion of the receivables with regard to the finance lease contracts in accordance with IAS 17 - Lease contracts for payment terminals. As of 31 December 2015 and 30 September 2016, this receivable equalled an amount of kEUR 15,346 and kEUR 15,690 respectively.

### (10) Capital structure

As of 30 September 2016, the statutory subscribed capital of the Group amounted to kEUR 7,870, represented by 21,223,793 ordinary shares without nominal value.

In 2016, 2 capital increases have taken place:

- Capital increase on 13 June 2016 : exercise of 125,000 Warrants
- Capital increase on 29 September 2016 : exercise of 35,000 Warrants

Accordingly, 160,000 new shares have been attributed so that the number of shares outstanding amounts to 21,223,793.

### (11) Borrowings

Borrowings	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
Financing ING Bank	334	646	667
Financing Belfius Bank	4,470	802	916
Financing State Bank of India	333	-	-
Financing Big Friend	-	162	174
Financing Parana Management Corp	-	983	1,055
Financing third parties	-	82	90
<b>Total</b>	<b>5,137</b>	<b>2,675</b>	<b>2,902</b>

The main differences relate to the financing of the acquisition of the 40% shares of Magellan SAS and the refinancing of the shareholder loans. In this respect Belfius Bank has granted a loan of kEUR 3,000. One year of stand still has been contracted so that the reimbursements will only start in October 2017.

With respect to the refinancing of the shareholder loans it relates to an outstanding balance (long term and short term) of kEUR 1,407 which has been refinanced at current market conditions. The original duration of the contracts has been maintained. The loan will be reimbursed in 7 semi-annual payments.

## REGULATED INFORMATION

### (12) Lease obligations

The long-term lease obligations amount to kEUR 73 and pertain to the financing of passenger cars. The current portion amounts to kEUR 87.

### (13) Borrowings

Borrowings	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
Financing ING Bank	333	271	271
Financing Belfius Bank	935	788	788
Financing State Bank of India	167	-	-
Financing Big Friend	-	77	99
Financing Parana Management Corp	-	340	354
Financing third parties	-	38	37
<b>Total</b>	<b>1,435</b>	<b>1,514</b>	<b>1,549</b>

### (14) Trade and other payables - short-term obligations

This item can be specified as follows:

Current trade payables	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
Trade payables	1,379	2,253	1,708
Social and fiscal liabilities	362	321	228
<b>Total</b>	<b>1,741</b>	<b>2,574</b>	<b>1,936</b>

Current trade payables can be specified as follows:

Current trade payables	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
Current suppliers	533	1,047	775
Pending disputes	346	346	428
Internal consultants	86	59	64
Supplier and simultaneously client	31	31	31
Invoices to be received	498	885	525
Credit notes to be received	(115)	(115)	(115)
<b>Total</b>	<b>1,379</b>	<b>2,253</b>	<b>1,708</b>

Pending disputes with suppliers remained unchanged at kEUR 346 compared to the end of financial year. No further developments occurred with regard to this item in the first nine months of 2016.

The internal consultants concern suppliers that invoice the Group for the work they perform (such as the CEO, CFO, COO, CCO).

## REGULATED INFORMATION

The social and fiscal liabilities can be specified as follows:

Social and fiscal liabilities	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
To be paid tax liabilities	169	105	-
To be paid social security contributions	15	76	25
To be paid salaries	19	12	36
Provision for holiday allowance and end of year bonus	172	128	167
<b>Total</b>	<b>362</b>	<b>321</b>	<b>228</b>

### (15) Prepaids

This item can be specified as follows:

Prepaids	30.09.2016	31.12.2015	30.09.2015
	kEUR	kEUR	kEUR
Incurred expenses	52	134	151
Deferred revenues	395	358	350
<b>Total</b>	<b>447</b>	<b>492</b>	<b>501</b>

### (16) Transactions with related parties

No particulars can be reported with regard to transactions with related parties in the first nine months of 2016.

### (17) 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 2015 Consolidated Annual Report (chapter 52 Pending disputes), which can be found on the Company's website ([www.keyware.com](http://www.keyware.com)).

During the first nine months of 2016, there were no new disputes to report other than those described in the 2015 Annual Report.

## REGULATED INFORMATION

### **(18) Most important risks and uncertainties for the remaining three months of the financial year**

We refer to the 2015 Annual Report in which the most important risks, disputes and uncertainties that were identified as of the end of 2015 are described.

As of the date of the figures for the quarter ending on 30 September 2016, there are no significant changes 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 authorisation of payment transactions.

The need for additional funding has now decreased significantly as depicted by the cashflow statement. Operating cash flows, including the fluctuations of the working capital, improve. In addition the trade debts have been significantly reduced compared to 31 December 2015.

In the fourth quarter of 2016 the operational start of the activities of Keyware Transactions & Processing GmbH will take place.

For the rest, there are no other important risks or uncertainties to report.

REGULATED INFORMATION

(19) Comparative presentation of the income statement

Consolidated income statement for the period ending on 30 September	First nine months		
	30.09.2016	30.09.2015	30.09.2015
		(1)	(2)
	kEUR	kEUR	kEUR
	(not audited)	(not audited)	(not audited)
<b>Continued operations</b>			
Revenues	13,239	12,513	9,281
Other gains and losses	288	172	172
Raw materials and consumables	(5,587)	(5,272)	(2,040)
Salaries and employee benefits	(1,028)	(1,116)	(1,116)
Depreciation	(194)	(189)	(189)
Net impairment of current assets	(1,080)	(1,033)	(1,033)
Other operating expenses	(3,193)	(2,626)	(2,626)
<b>Operating profit /(operating loss)</b>	<b>2,445</b>	<b>2,449</b>	<b>2,449</b>
Financial income	896	845	845
Financial expenses	(141)	(311)	(311)
<b>Profit before taxes</b>	<b>3,200</b>	<b>2,983</b>	<b>2,983</b>
Taxes on the result	(803)	634	634
<b>Profit/(loss) for the period from continued operations</b>	<b>2,397</b>	<b>3,617</b>	<b>3,617</b>
<b>Profit/(loss) for the period</b>	<b>2,397</b>	<b>3,617</b>	<b>3,617</b>

(1) Income statement as at 30 September 2015 on the basis of the new presentation (with upgrossing)

(2) Income statement as at 30 September 2016 on the basis of the former presentation

- this modified presentation of the authorization revenues and costs only impacts the individual components of gross margin, i.e. revenues and cost of sales (raw materials and consumables);
- the other captions of the income statement as at 30 September 2015 are not subject to any change;
- there is no impact on (opening) net equity as at 1 January 2016;
- likewise, no change neither to the balance sheet nor to the cash flow statement as at 30 September 2015 needs to be made