

KEY FIGURES

The key figures for the first half and the second quarter of 2016 can be summarized as follows:

First half of 2016:

- The Group has generated revenues of kEUR 9,251, compared to kEUR 8,892 over the same period last year, amounting to a revenues increase of kEUR 359 or of 4.0% compared to the first semester of 2015
- The revenues in the first semester of 2016 is composed of respectively kEUR 5,456 in revenues with regard to terminals (compared to kEUR 6,065 as of 30 June 2015) and kEUR 3,795 in revenues with regard to authorisations (compared to kEUR 2,827 as of 30 June 2015). So this increase mainly lies in the authorization segment
- As for terminal activity, it must be stressed that, in the comparative period in 2015, the GlobalPay asset deal and a very strong second quarter had been incorporated. That explains why revenues from this segment over the first six months of 2016 are about kEUR 609 (or 10%) lower
- On the other hand, a significant increase is recorded in the authorization segment: kEUR 968 or 34.2% thanks to better commissions and a higher number of contracts yielding authorization revenues. Terminal activity comprises the rent of payment terminals, the installation of the system for new clients, and the maintenance agreements. The authorization segment is understood to be the one generating income from electronic transactions
- The operating cash flow (EBITDA) in the first semester amounts to kEUR 2,740, as opposed to kEUR 2,225 in the first semester of 2015: an improvement of kEUR 515 or 23.1%
- Pre-tax profit amounts to kEUR 2,303, compared to kEUR 1,942 for the first semester of 2015, which is an improvement of kEUR 361 or 18.6% as a consequence of both a better operating result (up by kEUR 233) and a better financial result (up by kEUR 128)
- The net profit was kEUR 1,865, compared to a net profit of kEUR 2,364 for the first semester of 2015, a decrease of kEUR 499 or 21.1%. This difference is due to the fact that, in the first semester of 2015, a deferred tax income of kEUR 424 was recorded, as opposed to the deferred tax expense of kEUR 436 in the first semester of 2016
- The net cash flow amounts to kEUR 2,784, compared to kEUR 3,002 for the first semester of 2015.

| Key figures Over the period ending on 30 June | 1st semester | |
|--|-----------------------|--------------------------|
| | 30.06.2016 | 30.06.2015 |
| | kEUR (non-audited) | kEUR (non-audited)(*) |
| Revenues | 9,251 | 8,892 |
| Pre-tax profit/(loss) | 2,303 | 1,942 |
| Profit/(loss) | 1,865 | 2,364 |
| EBITDA | 2,740 | 2,225 |
| Net cash flow | 2,784 | 3,002 |
| <i>Gross profit margin (pre-tax profit/revenues) (%)</i> | <i>24.89</i> | <i>21.84</i> |
| <i>Profit margin (net profit/revenues) (%)</i> | <i>20.16</i> | <i>26.59</i> |
| <i>EBITDA margin (EBITDA/revenues)(%)</i> | <i>29.62</i> | <i>25.02</i> |

REGULATED INFORMATION

Main result indicators of the second quarter of 2016:

- during the second quarter of 2016, the Group has generated revenues of kEUR 5,230, compared to kEUR 4,974 over the same period in 2015, amounting to a revenue increase of kEUR 256 or of 5.2%;
- revenues in the second quarter of 2016 are comprised of respectively kEUR 2,567 in revenues with regard to terminals (compared to kEUR 3,277 as of 30 June 2015) and kEUR 2,663 in revenues with regard to authorisations (compared to kEUR 1,697 as of 30 June 2015). That means the increase in the authorization segment was able to offset the lower revenues from the terminals segment
- As for terminal segment, it must be stressed that, in the comparative period in 2015, an exceptionally high number of new contracts were signed. That explains why revenues from this segment in the second quarter of 2016 are about kEUR 660 (or 10%) lower
- On the other hand, a significant increase is recorded in the authorization segment: kEUR 966 or 56.9% thanks to better commissions, a higher number of contracts yielding authorization revenues and an increase thanks to the brokering contract becoming effective at the end of June 2015
- The operating cash flow (EBITDA) in the second quarter amounts to kEUR 1,560, as opposed to kEUR 1,440 in the second quarter of 2015: an improvement of kEUR 120 or 8.3%
- Pre-tax profit amounts to kEUR 1,297, compared to kEUR 1,226 for the second quarter of 2015, which is an improvement of kEUR 71 or 5.8%, principally as a consequence of a better financial result (up by kEUR 66), and in line with the operating result for the first quarter of 2016
- Net profit was kEUR 1,116, compared to a net profit of kEUR 1,438 for the second quarter of 2015, a decrease of kEUR 322 or 22.4%. This difference is due to the fact that, in the second quarter of 2015, a deferred tax income of kEUR 212 was recorded, as opposed to the deferred tax expense of kEUR 181 in the second quarter of 2016
- Net cash flow amounts to kEUR 1,632, compared to kEUR 1,841 for the second quarter of 2015

| Key figures Over the period ending on 30 June | 2nd quarter | |
|--|-----------------------|--------------------------|
| | 30.06.2016 | 30.06.2015 |
| | kEUR (non-audited) | kEUR (non-audited)(*) |
| Revenues | 5,230 | 4,974 |
| Profit/(loss) before tax | 1,297 | 1,226 |
| Profit/(loss) | 1,116 | 1,438 |
| EBITDA | 1,560 | 1,440 |
| Net cash flow | 1,632 | 1,841 |
| <i>Gross profit margin (pre-tax profit/revenues) (%)</i> | <i>24.80</i> | <i>24.65</i> |
| <i>Profit margin (net profit/revenues) (%)</i> | <i>21.34</i> | <i>28.91</i> |
| <i>EBITDA margin (EBITDA/revenues) (%)</i> | <i>29.83</i> | <i>28.95</i> |

REGULATED INFORMATION

MANAGEMENT REPORT ON THE FIRST HALF AND THE SECOND QUARTER OF 2016

Management report and analysis of the results

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

The main indicators for the **first half** of 2016 can be summarized as follows:

- Revenues, cost of sales and gross profit for the first half can be presented as follows:

| Gross profit | 1 st half | | Variance |
|-----------------------|----------------------|--------------|--------------|
| | 30.06.2016 | 30.06.2015 | |
| | kEUR | kEUR | |
| Revenues | 9,251 | 8,892 | 4,0% |
| Cost of sales | (3,842) | (4,013) | -4.3% |
| Gross profit | 5,409 | 4,879 | 10.9% |
| Gross profit margin % | 58.47% | 54.87% | |

- **Consolidated revenues** for the first half of 2016 amount to 9,251 kEUR compared to 8,892 kEUR for the same period in 2015, which represents an increase of 4.0%. This increase in revenues is triggered by the authorisation segment as the terminal segment recorded a decrease;
- **Personnel expenses** amount to 716 kEUR and represent a decrease as a result of lower head count and the employment as interim personnel to some extent;
- **Allowances on current assets** amount to 828 kEUR compared to 675 kEUR in the same period in 2015. It relates on the one hand to allowances recorded on finance lease receivables as a result of bankruptcies, termination of activities by the customer or anticipated termination of contracts by the customer and, on the other hand, allowances on inventories;
- **Other expenses** amount to 2,101 kEUR compared to 1,825 kEUR for the same period in 2015. The increase mainly relates to higher fees and marketing expenses;
- **Pretax profit** for the first half amounts to 2,303 kEUR compared to a pretax profit of 1,942 kEUR for the same period in 2015. The improvement of 361 kEUR is accounted for by a better operational result (233 kEUR higher) and a better financial result (128 kEUR higher);
- **Net profit** for the first half amounts to 1,865 kEUR compared to net profit of 2,364 kEUR for the same period in 2015, which is a decrease of 499 kEUR. This decrease is exclusively accounted for by deferred taxes: whilst deferred tax revenues had been recorded in 2015 the deferred tax assets are consumed now which trigger deferred tax charges;
- **Net cash flow** amounts to 2,784 kEUR compared to 3,002 kEUR over the first half of 2015. The decrease in net cash flow is explained by the above

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The main indicators for the **second quarter** of 2016 can be summarized as follows:

- Revenues, cost of sales and gross profit for the second quarter can be presented as follows:

| Gross profit | 2 nd quarter | | Variance |
|-----------------------|-------------------------|--------------|-------------|
| | 30.06.2016 | 30.06.2015 | |
| | kEUR | kEUR | |
| Revenues | 5,230 | 4,974 | 5.1% |
| Cost of sales | (2,395) | (2,231) | 7.4% |
| Gross profit | 2,835 | 2,743 | 3.4% |
| Gross profit margin % | 54.21% | 55.15% | |

- **Consolidated revenues** for the second quarter of 2016 amount to 5,230 kEUR compared to 4,974 kEUR for the same period in 2015, which represents an increase of 5.1%. This increase in revenues is triggered by the authorisation segment as the terminal segment recorded a decrease;
- **Personnel expenses** amount to 341 kEUR and represent a decrease of 69 kEUR compared to the same period in 2015 as a result of lower head count;
- **Allowances on current assets** amount to 460 kEUR compared to 388 kEUR in the same period in 2015. It relates on the one hand to allowances recorded on finance lease receivables as a result of bankruptcies, termination of activities by the customer or anticipated termination of contracts by the customer and, on the other hand, allowances on inventories. The increase compared to the first half of 2015 is mainly resulting from allowances on debtors;
- **Other expenses** amount to 1,017 kEUR compared to 895 kEUR for the same period in 2015. The increase mainly relates to higher fees and marketing expenses;
- **Pretax profit** for the second quarter amounts to 1,297 kEUR compared to a pretax profit of 1,226 kEUR for the same period in 2015, which is in line;
- **Net profit** for the second quarter amounts to 1,116 kEUR compared to net profit of 1,438 kEUR for the same period in 2015, which is a decrease of 499 kEUR. This decrease is exclusively accounted for by deferred taxes: whilst deferred tax revenues had been recorded in 2015 the deferred tax assets are consumed now which trigger deferred tax charges;
- **Net cash flow** amounts to 1,632 kEUR compared to 1,841 kEUR for the second quarter of 2015. The trend results from what is explained above

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Main points of attention with regard to the financial position as of 30 June 2016:

- the equity capital amounts to kEUR 25,619 and represents 81.2% of the liabilities;
- financial debts were reduced by kEUR 589 since 31 December 2015 and now amount to kEUR 3,600 compared to kEUR 4,189;
- trade and other debts decreased by kEUR 857 compared to 31 December 2015 and amount to kEUR 1,171 compared to kEUR 2,574

| Key figures Over the period ending | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|---|---------------|--------------|---------------|
| | kEUR | kEUR | kEUR |
| | (non-audited) | (audited) | (non-audited) |
| Equity capital | 25,619 | 23,683 | 20,345 |
| Long- and short-term financial debts and borrowings | 3,600 | 4,189 | 4,755 |
| <i>Equity capital/total liabilities (%)</i> | <i>81.17</i> | <i>76.35</i> | <i>72.15</i> |
| <i>Long- and short-term financial debts and borrowings/equity capital (%)</i> | <i>14.05</i> | <i>17.69</i> | <i>23.37</i> |

Important events during the first half of 2016

No important or significant events need to be mentioned with respect to the first quarter of 2016.

BCMC CERTIFICATE HOLDER

As from the agreement of June 2016 signed with Bancontact Company NV, Keyware has become a Certificate Holder inside the categories "Terminal Provider" and "POS Gateway". This new partnership enables Keyware to render directly Bancontact services to its customers. It is expected that this will trigger a positive impact already this year on revenues and result with respect to its transaction payment services.

IFR REGULATION AND THE INCREASED IMPORTANCE OF AUTHORISATION SEGMENT

On 29 April 2015, the European Union enacted the so-called Interchange Fee Regulation (published in the Official Journal of the European Union on 19 May 2015). Different regulations will come into force on different dates. The regulations on the interchange fee, for example, came into effect on 9 December 2015, whereas the majority of the other regulations only became effective quite recently, on 9 June 2016.

Thanks to this higher transparency of the various components, an aggregate view of the costs has been obtained. Keyware has chosen to record on the one hand the global revenues (being the Merchant Service Charge charged to the merchant) and on the other hand all related costs in separate captions of revenues and cost of sales.

In addition this segment has recorded a strong growth in the first half of 2016 as a result of higher commissions and the impact of the brokering over a full semester in 2016, whereas brokering only started mid-2015.

FINANCING

The main new sources of financing have been on the one hand and capex credit of the State Bank of India and on the other hand the financing of the extension of the car fleet.

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The investment credit contracted with the State Bank of India amounts to 500 kEUR of which at the end of June 2016 a portion of 250 kEUR has been drawn. The second portion of 250 kEUR has been received in July 2016. This loan relates to a credit granted for a 3-year term and will be served in 6 payments. As collateral the debtors have been pledged for an amount of 500 kEUR.

Lease agreements have been signed with Belfius Lease with respect to the financing of cars.

Finally, an amount of 71 kEUR has been raised on the occasion of the exercise of 125,000 Warrants of Plan 2014.

KEYWARE TRANSACTIONS & PROCESSING GMBH

In June 2016 a Germany based subsidiary has been incorporated, Keyware Transactions & Processing GmbH, whose activity will also consist of selling or renting out of payment terminals and the rendering of related services as well as the signing of contracts with acquirers in view of authorisation revenues.

The capital has been paid in after 30 June 2016 so that there is no accounting impact of the subsidiary in the interim figures as at 30 June 2016.

The operational start of the activities is foreseen for early October 2016.

Subsequent events

SHARE BUY-BACK PROGRAMME

On 18 August 2016 a press release has been issued with respect to the Share Buy Back programme. The subsidiary Keyware Smart Card Division SA will acquire the Keyware Technologies SA shares on the stock exchange with a broker as intermediary.

It relates to a maximum amount of 1,000 kEUR to be spent in this respect. The range wherein can be operated is regulated in the by-laws. The minimum price is the closing quote of the preceding day decreased by 20% whilst the maximum price a 20% surplus on the same closing quote of the preceding day.

The Programme starts on 24 August 2016 and will end by the latest on 23 August 2017 or earlier as soon as the amount of 1,000 kEUR has been attained.

REFINANCING OF EXISTING LOANS

With Belfius Bank a refinancing loan has been entered into in July 2016. The loan refinances the balance of the shareholderloans for an amount of 1,407 kEUR at a fixed interest rate of 1.2% per annum, which will trigger a significant impact on the profitability due to the difference in interest rate compared to the previous contracts (8% per annum). As from July 2016 onwards the financial result will improve as a result. The refinancing term is the same as the remaining duration (42 months).

PAYMENT OF AN INTERIMDIVIDEND

On 24 August 2016 an interimdividend of 0.02 EUR (two cent) will be paid to the shareholders that are registered on 23 August 2016 (record date). The ex-date is 22 August 2016. This interimdividend represents an expense of 424 kEUR that is subject to 27% withholding taxes. ING BANK NV acts as the centralising intermediary on this occasion.

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The Group does not have to mention any other important subsequent events which have an impact on the presentation of the submitted interim financial statement as at 30 June 2016.

Forecasts

GROWTH IN BOTH SEGMENTS OF PAYMENT TERMINALS AND AUTHORISATION CONTRACTS

For the upcoming quarters the focus will remain on a substantial growth thanks to the match of Keyware's product and services, long term agreements and the needs of the segments. Increased focus is put on obtaining a higher market share in sectors that are stable or not subject to economic fluctuating conditions in order to reduce the losses and allowances on the related debtors. For the first time this combined model will be applied abroad on the occasion of the start of the activities of the German subsidiary.

The growth of the installed base of payment terminals remains the first step and hence the driver for a continued growth in the authorisation segment. This segment has a significant growth potential given the higher number of terminals that generate these revenues, the increased number of transactions processed on these terminals as well as improved conditions from the acquirers since the recent regulation changes on a European level.

REGULATED INFORMATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statement

| Overview of comprehensive income for the period ending on 30 June | 1st semester | | 2nd quarter | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 30.06.2016 | 30.06.2015 | 30.06.2016 | 30.06.2015 |
| | kEUR (unaudited) | kEUR (unaudited) | kEUR (unaudited) | kEUR (unaudited) |
| Continuing operations | | | | |
| Revenues | 9,251 | 8,892 | 5,230 | 4,974 |
| Other gains and losses | 188 | 129 | 96 | 52 |
| Raw materials and consumables | (3,842) | (4,013) | (2,395) | (2,231) |
| Salaries and employee benefits | (716) | (797) | (341) | (410) |
| Depreciation | (131) | (123) | (69) | (63) |
| Net impairment of current assets | (6) | (828) | (460) | (388) |
| Other operating expenses | (7) | (2,101) | (1,017) | (895) |
| Operating profit /(operating loss) | 1,821 | 1,588 | 1,044 | 1,039 |
| Financial income | 593 | 546 | 299 | 281 |
| Financial expenses | (111) | (192) | (46) | (94) |
| Profit before taxes | 2,303 | 1,942 | 1,297 | 1,226 |
| Taxes on the result | (438) | 422 | (181) | 212 |
| Profit/(loss) for the period from continued operations | 1,865 | 2,364 | 1,116 | 1,438 |
| Profit/(loss) for the period | 1,865 | 2,364 | 1,116 | 1,438 |
| Weighted average number of issued ordinary shares | 20,771,160 | 20,435,163 | 20,771,160 | 20,435,163 |
| Weighted average number of shares for the diluted result per share | 23,583,670 | 23,314,074 | 23,583,670 | 23,314,074 |
| Profit/(loss) per share from continued operations | | | | |
| Profit/ (loss) per share | 0.0898 | 0.1157 | 0.0537 | 0.0704 |
| Profit/ (loss) per diluted share | 0.0791 | 0.1014 | 0.0473 | 0.0617 |

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Condensed consolidated statement of comprehensive income

| Overview of comprehensive income for the period ending on 30 June | 1st semester | | 2nd quarter | |
|---|--------------|--------------|--------------|--------------|
| | 30.06.2016 | 30.06.2015 | 30.06.2016 | 30.06.2015 |
| | kEUR | kEUR | kEUR | kEUR |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Profit/(loss) for the period | 1,865 | 2,364 | 1,116 | 1,438 |
| 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) | - | - | - | - |
| Total realised and comprehensive income for the period | 1,865 | 2,364 | 1,116 | 1,438 |
| Profit/(loss) for the period attributable to: | | | | |
| The holders of equity instruments of the parent company | 1,865 | 2,364 | 1,116 | 1,438 |
| Non-controlling interests | - | - | - | - |
| Total of the other comprehensive income of the period to be attributed to: | | | | |
| The holders of equity instruments of the parent company | - | - | - | - |
| Non-controlling interests | - | - | - | - |
| Weighted average number of issued ordinary shares | 20,771,160 | 20,435,163 | 20,771,160 | 20,435,163 |
| Weighted average number of shares for the diluted result per share | 23,583,670 | 23,314,074 | 23,583,670 | 23,314,074 |
| Profit/(loss) per share from the continuing and discontinued operations | | | | |
| Profit/ (loss) per share | 0.0898 | 0.1157 | 0.0537 | 0.0704 |
| Profit/ (loss) per diluted share | 0.0791 | 0.1014 | 0.0473 | 0.0617 |

REGULATED INFORMATION
Condensed consolidated balance sheet

| Consolidated statement of financial position For the period ending on | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|--|---------------|---------------|---------------|
| | kEUR | kEUR | kEUR |
| | (unaudited) | (audited) | (unaudited) |
| Assets | | | |
| Consolidation goodwill | (8) 5,248 | 5,248 | 5,248 |
| Other intangible fixed assets | 175 | 200 | 255 |
| Property, plant and equipment | 546 | 428 | 454 |
| Deferred tax assets | 2,621 | 3,058 | 2,109 |
| Receivables from finance leases | (9) 15,716 | 15,346 | 15,625 |
| Other assets | 474 | 325 | 324 |
| Non-current assets | 24,780 | 24,605 | 24,015 |
| Inventories | 920 | 992 | 500 |
| Trade and other receivables | 4,294 | 3,806 | 2,866 |
| Receivables from finance leases | 1,110 | 626 | 435 |
| Prepays | 85 | 8 | 259 |
| Cash and cash equivalents | 372 | 981 | 124 |
| Current assets | 6,781 | 6,413 | 4,184 |
| Total assets | 31,561 | 31,018 | 28,199 |
| Equity and liabilities | | | |
| Issued capital | (10) 7,181 | 8,771 | 8,490 |
| Share premiums | 2,857 | 4,846 | 4,716 |
| Other reserves | 797 | 797 | 797 |
| Result carried forward | 14,784 | 9,269 | 6,342 |
| Equity attributable to owners of the parent company | 25,619 | 23,683 | 20,345 |
| Provisions | - | - | 198 |
| Borrowings | (11) 2,160 | 2,675 | 3,134 |
| Lease obligations | (12) 92 | 43 | 90 |
| Total non-current liabilities | 2,252 | 2,718 | 3,224 |
| Trade and other payables | (14) 1,717 | 2,574 | 2,306 |
| Borrowings | (13) 1,440 | 1,514 | 1,621 |
| Lease obligations | 87 | 26 | 44 |
| Prepays | (15) 446 | 503 | 461 |
| Current liabilities | 3,690 | 4,617 | 4,432 |
| Total liabilities | 5,942 | 7,335 | 7,656 |
| Total equity and liabilities | 31,561 | 31,018 | 28,199 |

REGULATED INFORMATION
Condensed consolidated cash flow statement

| Consolidated cash flow statement for the period ending on 30 June | 1st semester | |
|--|---------------------|---------------------|
| | 30.06.2016 | 30.06.2015 |
| | kEUR (unaudited) | kEUR (unaudited) |
| <u>Cash flow from operating activities</u> | | |
| Profit / (loss) for the period | 1,865 | 2,364 |
| Deferred taxes | 436 | (424) |
| Financial income | (593) | (546) |
| Financial expenses | 111 | 192 |
| Depreciation | 131 | 123 |
| Impairment of debtors and inventories | 828 | 675 |
| Profit and loss from the sale of fixed assets | (6) | - |
| Operating cash flow before changes in the working capital components | 2,772 | 2,384 |
| Decrease / (Increase) of inventories | (111) | 66 |
| Decrease / (increase) of financial lease receivables (non-current and current) | (1,503) | (1,927) |
| Decrease / (increase) of trade and other receivables | (484) | 408 |
| Decrease / (increase) of prepaids | (77) | (105) |
| Increase / (decrease) of provisions | - | 198 |
| Increase / (decrease) of trade debts (non-current and current) | (857) | (1,535) |
| Increase / (decrease) of other liabilities and accruals and deferrals | (57) | 79 |
| Changes in working capital components | (3,089) | (2,816) |
| Interest paid | (111) | (192) |
| Interest received | 593 | 546 |
| Cash flow from operating activities | 165 | (78) |
| <u>Cash flow from investment activities</u> | | |
| Acquisition of intangible and tangible fixed assets | (245) | (333) |
| Proceeds from the disposal of assets | 28 | - |
| Investeringen in financiële vaste activa | (150) | (250) |
| (Increase) / decrease of guarantees | 1 | - |
| Cash flow from investment activities | (366) | (583) |
| <u>Cash flow from financing activities</u> | | |
| (Repayments) / proceeds of borrowings (current and non-current) | (589) | (30) |
| (Repayments) / proceeds of lease obligations (current and non-current) | 110 | 35 |
| Capital increase | 71 | - |
| Cash flow from financing activities | (408) | 5 |
| Net (decrease) / increase in cash and cash equivalents | (609) | (656) |
| Cash and cash equivalents at the beginning of the period | 981 | 915 |
| Cash and cash equivalents at the end of the period | 372 | 259 |

REGULATED INFORMATION

Condensed consolidated statement of changes in shareholders' equity

| Consolidated statement of changes in equity for the period ending on | Issued capital | Share premium | Other reserves | Result carried forward | Attributable to owners of the parent company | Non-controlling interests | Total |
|--|----------------|---------------|----------------|------------------------|--|---------------------------|---------------|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Balance on 01.01.2016 | 8,771 | 4,846 | 797 | 9,269 | 23,683 | - | 23,683 |
| Profit / (loss) for the period | - | - | - | 1,865 | 1,865 | - | 1,865 |
| <i>Total realised and comprehensive income for the period</i> | - | - | - | 1,865 | 1,865 | - | 1,865 |
| Exercise of warrants | 46 | 25 | - | - | 71 | - | 71 |
| Capital decrease | (1,636) | (2,014) | - | 3,650 | - | - | - |
| Balance on 30.06.2016 | 7,181 | 2,857 | 797 | 14,784 | 25,619 | - | 25,619 |

| Consolidated statement of changes in equity for the period ending on | Issued capital | Share premium | Other reserves | Result carried forward | Attributable to owners of the parent company | Non-controlling interests | Total |
|--|----------------|---------------|----------------|------------------------|--|---------------------------|---------------|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Balance on 01.01.2015 | 8,490 | 4,716 | 797 | 3,978 | 17,981 | - | 17,981 |
| Profit / (loss) for the period | - | - | - | 2,364 | 2,364 | - | 2,364 |
| <i>Total realised and comprehensive income for the period</i> | - | - | - | 2,364 | 2,364 | - | 2,364 |
| Balance on 30.06.2015 | 8,490 | 4,716 | 797 | 6,342 | 20,345 | - | 20,345 |

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 quarter ending on 30 June 2016 contains the consolidated balance sheet and income statement of the company and its three subsidiaries. The recently incorporated subsidiary Keyware Transactions & Processing GmbH does not have any equity as the capital has been paid in after the date of incorporation.

This condensed consolidated interim financial report was approved for publication by the Board of Directors on 18 August 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 six-month period ending on 30 June 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 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) 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 stated above authorisation-revenues (commissions) are as from financial year 2016 no longer accounting for as net revenues but broken down into gross-revenues (the Merchant Service Charge representing the revenues) and related costs.

In the modified presentation of the figures of the first semester of 2016 the related captions (revenues and cost of sales) have accordingly been adjusted for the comparative first semester of 2015.

We refer to note (19) for further information in this respect.

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 June 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 six months of 2016:

- ▶ Annual Improvements 2010-2012 Cycle (December 2013);
- ▶ Annual Improvements 2012-2014 Cycle (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 16 Property, Plant and Equipment — Amendments bringing bearer plants into the scope of IAS 16 (June 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 38 Intangible Assets — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)

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

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

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

| Amounts in kEUR | 30.06.2016 | 30.06.2016 | 30.06.2016 | 30.06.2016 |
|---|--------------|----------------|--------------|--------------|
| | kEUR | kEUR | kEUR | kEUR |
| Segment Information | Terminals | Authorisations | Corporate | |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Continuing operations | | | | |
| Revenues | 5,456 | 3,795 | - | 9,251 |
| Other gains and losses | 126 | 11 | 51 | 188 |
| Raw materials and consumables | (875) | (2,967) | - | (3,842) |
| Salaries and employee benefits | (591) | (75) | (50) | (716) |
| Depreciation | (25) | (20) | (86) | (131) |
| Net impairment of current assets | (828) | - | - | (828) |
| Other operating expenses | (1,554) | (349) | (198) | (2,101) |
| Operating profit /(operating loss) | 1,709 | 395 | (283) | 1,821 |
| Financial income | 593 | - | - | 593 |
| Financial expenses | (85) | - | (26) | (111) |
| Profit before taxes | 2,217 | 395 | (309) | 2,303 |
| Taxes on the result | (438) | - | - | (438) |
| Profit/(loss) for the period from continued operations | 1,779 | 395 | (309) | 1,865 |
| Profit/(loss) for the period | 1,779 | 395 | (309) | 1,865 |

REGULATED INFORMATION

Taking into account the modified presentation of authorization-revenues, the pro forma business segment information as at 30 June 2015 can be presented as follows:

| Amounts in kEUR Segment Information | 30.06.2015 | 30.06.2015 | 30.06.2015 | 30.06.2015 |
|---|--------------|----------------|--------------|--------------|
| | kEUR | kEUR | kEUR | kEUR |
| | Terminals | Authorisations | Corporate | |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Continuing operations | | | | |
| Revenues | 6,065 | 2,827 | - | 8,892 |
| Other gains and losses | 113 | 5 | 11 | 129 |
| Raw materials and consumables | (1,595) | (2,418) | - | (4,013) |
| Salaries and employee benefits | (673) | (73) | (51) | (797) |
| Depreciation | (34) | (20) | (69) | (123) |
| Net impairment of current assets | (675) | - | - | (675) |
| Other operating expenses | (1,367) | (276) | (182) | (1,825) |
| Operating profit /(operating loss) | 1,834 | 45 | (291) | 1,588 |
| Financial income | 546 | - | - | 546 |
| Financial expenses | (110) | - | (82) | (192) |
| Profit before taxes | 2,270 | 45 | (373) | 1,942 |
| Taxes on the result | 422 | - | - | 422 |
| Profit/(loss) for the period from continued operations | 2,692 | 45 | (373) | 2,364 |
| Profit/(loss) for the period | 2,692 | 45 | (373) | 2,364 |

REGULATED INFORMATION

The segment information for the **second quarter of 2016** can be broken down as follows:

| Amounts in kEUR Segment Information | 30.06.2016 | 30.06.2016 | 30.06.2016 | 30.06.2016 |
|---|--------------------------|-------------------------------|--------------------------|--------------|
| | kEUR | kEUR | kEUR | kEUR |
| | Terminals (unaudited) | Authorisations (unaudited) | Corporate (unaudited) | (unaudited) |
| Continuing operations | | | | |
| Revenues | 2,567 | 2,663 | - | 5,230 |
| Other gains and losses | 67 | 9 | 20 | 96 |
| Raw materials and consumables | (320) | (2,075) | - | (2,395) |
| Salaries and employee benefits | (284) | (31) | (26) | (341) |
| Depreciation | (13) | (10) | (46) | (69) |
| Net impairment of current assets | (460) | - | - | (460) |
| Other operating expenses | (752) | (173) | (92) | (1,017) |
| Operating profit /(operating loss) | 805 | 383 | (144) | 1,044 |
| Financial income | 299 | - | - | 299 |
| Financial expenses | (38) | - | (8) | (46) |
| Profit before taxes | 1,066 | 383 | (152) | 1,297 |
| Taxes on the result | (181) | - | - | (181) |
| Profit/(loss) for the period from continued operations | 885 | 383 | (152) | 1,116 |
| Profit/(loss) for the period | 885 | 383 | (152) | 1,116 |

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The segment information for the comparative **second quarter of 2015** can be broken down as follows:

| Amounts in kEUR Segment Information | 30.06.2015 | 30.06.2015 | 30.06.2015 | 30.06.2015 |
|---|--------------|----------------|--------------|--------------|
| | kEUR | kEUR | kEUR | kEUR |
| | Terminals | Authorisations | Corporate | |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Continuing operations | | | | |
| Revenues | 3,275 | 1,699 | - | 4,974 |
| Other gains and losses | 38 | 4 | 10 | 52 |
| Raw materials and consumables | (748) | (1,483) | - | (2,231) |
| Salaries and employee benefits | (348) | (37) | (25) | (410) |
| Depreciation | (17) | (10) | (36) | (63) |
| Net impairment of current assets | (388) | - | - | (388) |
| Other operating expenses | (680) | (139) | (76) | (895) |
| Operating profit /(operating loss) | 1,132 | 34 | (127) | 1,039 |
| Financial income | 281 | - | - | 281 |
| Financial expenses | (61) | - | (33) | (94) |
| Profit before taxes | 1,352 | 34 | (160) | 1,226 |
| Taxes on the result | 212 | - | - | 212 |
| Profit/(loss) for the period from continued operations | 1,564 | 34 | (160) | 1,438 |
| Profit/(loss) for the period | 1,564 | 34 | (160) | 1,438 |

REGULATED INFORMATION

(6) Net impairments of current assets

The net impairments of current assets for the first 6 months of the financial year can be represented as follows:

| Net impairment of current assets for the period ending on 30 June | 1 st semester | |
|---|--------------------------|------------|
| | 30.06.2016 | 30.06.2015 |
| | kEUR | kEUR |
| Write-offs on finance lease receivables and inventories | 645 | 505 |
| Write-offs on inventories | 183 | 170 |
| Total | 828 | 675 |

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 net impairments of current assets for the second quarter of the financial year can be represented as follows:

| Net impairment of current assets for the period ending on 30 June | 2 nd quarter | |
|---|-------------------------|------------|
| | 30.06.2016 | 30.06.2015 |
| | kEUR | kEUR |
| Write-offs on finance lease receivables and inventories | 360 | 222 |
| Write-offs on inventories | 100 | 166 |
| Total | 460 | 388 |

(7) Other operating expenses

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

| Other expenses for the period ending on 30 June | 1 st semester | |
|---|--------------------------|--------------|
| | 30.06.2016 | 30.06.2015 |
| | kEUR | kEUR |
| Accommodation | 73 | 74 |
| Car expenses | 167 | 171 |
| Material expenses | 16 | 16 |
| Communication expenses | 123 | 111 |
| Fees | 1,118 | 1,068 |
| Stock-market listing | 47 | 23 |
| Representation and delegation | 104 | 74 |
| Sales and marketing | 314 | 219 |
| Interim | 52 | 3 |
| Administration | 72 | 50 |
| Non-deductible VAT | 15 | 16 |
| Total | 2,101 | 1,825 |

REGULATED INFORMATION

| Other expenses for the period ending on 30 June | 2 nd quarter | |
|--|-------------------------|------------|
| | 30.06.2016 | 30.06.2015 |
| | kEUR | kEUR |
| Accommodation | 34 | 41 |
| Car expenses | 84 | 76 |
| Material expenses | 9 | 11 |
| Communication expenses | 79 | 63 |
| Fees | 544 | 532 |
| Stock-market listing | 31 | 7 |
| Representation and delegation | 44 | 43 |
| Sales and marketing | 185 | 102 |
| Interim | 25 | 3 |
| Administration | 25 | 9 |
| Non-deductible VAT | 7 | 8 |
| Total | 1,017 | 895 |

(8) Consolidation goodwill

This item can be specified as follows:

| Consolidation differences | 31.06.2016 | 31.12.2015 | 30.06.2015 |
|-----------------------------|--------------|--------------|--------------|
| | kEUR | kEUR | kEUR |
| Keyware Smart Card Division | 5,248 | 5,248 | 5,248 |
| Total | 5,248 | 5,248 | 5,248 |

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 the company Keyware Smart Card Division NV);
- ▶ the cash flow generating unit with regard to payment authorisations (the activities of the company Keyware Transaction & Processing NV);

Outstanding goodwill as at 30 June 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 five years.

Based on these most recently performed impairment tests on 31 December 2015, the decision was taken that no impairment needed to be recorded.

REGULATED INFORMATION

(9) Receivables from financial lease

This item can be summarised as follows:

| Receivables from finance lease | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|---|---------------|---------------|---------------|
| | kEUR | kEUR | kEUR |
| Finance lease receivables | 16,801 | 16,121 | 17,172 |
| Write-offs on finance lease receivables | (1,085) | (775) | (1,547) |
| Total | 15,716 | 15,346 | 15,625 |

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 June 2016, these net receivables amount to 15,346 kEUR and 15,716 kEUR respectively. Like in financial year 2015 the adopted WACC to determine the net present value of the lease agreement is 7%.

(10) Capital structure

As at 30 June 2016 the statutory subscribed capital of the Group amounted to 7,857 kEUR, represented by 21,188,793 ordinary shares without nominal value. The latest capital increase took place on 13 June 2016 and related to the exercise of 125,000 Warrants of Plan 2014 as a result of which likewise 125,000 new shares have been issued.

(11) Borrowings

| Borrowings | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|----------------------------------|--------------|--------------|--------------|
| | kEUR | kEUR | kEUR |
| Financing ING Bank | 416 | 646 | 642 |
| Financing Belfius Bank | 539 | 802 | 1,085 |
| Financing State Bank of India | 167 | - | - |
| Financing Big Friend | 137 | 162 | 185 |
| Financing Parana Management Corp | 834 | 983 | 1,125 |
| Financing third parties | 67 | 82 | 97 |
| Total | 2,160 | 2,675 | 3,134 |

(12) Lease obligations

The long-term lease obligations amount to 92 kEUR and pertain to the financing of vehicles. The short term portion amounts to 87 kEUR.

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(13) Borrowings

The short term portion of borrowings is as:

| Borrowings | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|----------------------------------|--------------|--------------|--------------|
| | kEUR | kEUR | kEUR |
| Financing ING Bank | 333 | 271 | 187 |
| Financing Belfius Bank | 647 | 788 | 889 |
| Financing State Bank of India | 83 | - | - |
| Financing Big Friend | 48 | 77 | 149 |
| Financing Parana Management Corp | 299 | 340 | 362 |
| Financing third parties | 30 | 38 | 34 |
| Total | 1,440 | 1,514 | 1,621 |

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

This caption can be specified as follows:

| Current trade payables | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|-------------------------------|--------------|--------------|--------------|
| | kEUR | kEUR | kEUR |
| Trade payables | 1,399 | 2,253 | 2,038 |
| Social and fiscal liabilities | 318 | 321 | 268 |
| Total | 1,717 | 2,574 | 2,306 |

Current trade payables can be specified as follows:

| Current trade payables | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|------------------------------------|--------------|--------------|--------------|
| | kEUR | kEUR | kEUR |
| Current suppliers | 493 | 1,047 | 864 |
| Pending disputes | 346 | 346 | 428 |
| Internal consultants | 76 | 59 | 197 |
| Supplier and simultaneously client | 31 | 31 | 31 |
| Invoices to be received | 568 | 885 | 648 |
| Credit notes to be received | (115) | (115) | (130) |
| Total | 1,399 | 2,253 | 2,038 |

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

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

REGULATED INFORMATION

The social and fiscal liabilities can be specified as follows:

| Social and fiscal liabilities | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|--|------------|------------|------------|
| | kEUR | kEUR | kEUR |
| Fiscal debts | 141 | 105 | 12 |
| Due pay-roll tax and social security | 18 | 76 | 47 |
| Due salaries | 22 | 12 | 39 |
| Provision for holiday pay and year-end bonus | 137 | 128 | 170 |
| Total | 318 | 321 | 268 |

(15) Prepaids

This item can be specified as follows:

| Prepaids | 30.06.2016 | 31.12.2015 | 30.06.2015 |
|-------------------|------------|------------|------------|
| | kEUR | kEUR | kEUR |
| Incurred expenses | 44 | 134 | 133 |
| Deferred revenues | 402 | 358 | 328 |
| Total | 446 | 492 | 461 |

(16) Transactions with associated parties

No particulars can be reported with regard to transactions with associated parties in the first half 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 Pending disputes), which can be found on the Company's website (www.keyware.com).

During the first half of 2016, there were no new other developments to report other than those described in the 2015 annual report.

(18) Most important risks and uncertainties for the remaining nine months of the financial year

We refer to the 2015 annual report in which the most important risks and uncertainties as identified at the end of 2015 are described. On the date of the half year report no significant changes are to be reported.

In previous financial years there was a significant need for additional funding to support the growth of the payment terminal activities as well as for the needed capex relating to authorizations. These needs have strongly decreased as displayed in the financing cash flows. The operating cash flows, without taking working capital movements into account, improve. On the other hand, trade debts have been significantly reduced.

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

REGULATED INFORMATION

(19) Comparative presentation of the profit and loss statement

| Overview of comprehensive income for the period ending on 30 June | 1st semester | | |
|--|----------------------------|----------------------------|----------------------------|
| | 30.06.2016 | 30.06.2015 (1) | 30.06.2015 (2) |
| | kEUR <i>(unaudited)</i> | kEUR <i>(unaudited)</i> | kEUR <i>(unaudited)</i> |
| Continuing operations | | | |
| Revenues | 9,251 | 8,892 | 6,474 |
| Other gains and losses | 188 | 129 | 129 |
| Raw materials and consumables | (3,842) | (4,013) | (1,595) |
| Salaries and employee benefits | (716) | (797) | (797) |
| Depreciation | (131) | (123) | (123) |
| Net impairment of current assets | (828) | (675) | (675) |
| Other operating expenses | (2,101) | (1,825) | (1,825) |
| Operating profit /(operating loss) | 1,821 | 1,588 | 1,588 |
| Financial income | 593 | 546 | 546 |
| Financial expenses | (111) | (192) | (192) |
| Profit before taxes | 2,303 | 1,942 | 1,942 |
| Taxes on the result | (438) | 422 | 422 |
| Profit/(loss) for the period from continued operations | 1,865 | 2,364 | 2,364 |
| Profit/(loss) for the period | 1,865 | 2,364 | 2,364 |

(1) profit and loss statement as at 30 June 2015 as per the new presentation

(2) profit and loss statement as at 30 June 2015 as per the previous presentation

- This modified presentation of authorization revenues and costs only affects the individual caption of gross profit of the first half of 2015, i.e. revenues and costs of sales (raw materials and consumables) ;
- the other captions of the income statement as at 30 June 2015 are not affected by the change;
- there is no impact on (opening) net equity as at 1 January 2016;
- there is neither any impact to be made to the balance sheet nor to the cash flow statement as at 30 June 2015