

HIGHLIGHTS ON THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2019

Main result indicators for the first nine months of 2019

Key figures for the period ending on 30 September	First 9 months	
	30.09.2019	30.09.2018
	kEUR (unaudited)	kEUR (unaudited)
Revenues	13,608	14,126
Profit/(loss) before taxes	665	606
Profit/(loss) for the period	363	91
EBITDA	2,205	2,467
Gross profit margin (profit before tax / revenues) (%)	4.9	4.3
Profit margin (net profit / revenues) (%)	2.7	0.6
EBITDA margin (EBITDA / revenues) (%)	16.2	17.5

Revenues and gross profit

- the Group has generated revenues of 13,608 kEUR compared to 14,126 kEUR for the same period in 2018, which comes down to a decrease in revenues by 518 kEUR or 3.7% compared to the first nine months of 2018;
- The revenues of the first nine months of 2019 consists of respectively 5,304 kEUR for income from payment terminals (in comparison to 5,525 kEUR on 30 September 2018) and 6,224 kEUR for income from authorisations (in comparison to 6,651 kEUR on 30 September 2018). On the other hand the contribution of the software segment to the revenues amounts to 2,080 kEUR (in comparison to 1,950 kEUR on 30 September 2018);
- in the payment terminal segment, the decrease of kEUR 221 or 4.0% is explained by a lower number of new contracts signed in the first nine months of 2019 compared to 2018 with a similar product mixture in favour of cheaper terminals;
- The authorizations segment also decreases by 427 kEUR or 6.4% due to lower commissions;
- The software segment's revenues increase by 130 kEUR, or 6.7%. This increase is mainly realized by EasyOrder. This segment represents 15,3% of revenues

Amounts in kEUR	30.09.2019	30.09.2019	30.09.2019	30.09.2019	30.09.2019
	Terminals	Authorizations	Corporate	Software	(Not audited)
Segment Information	(Not audited)	(Not audited)	(Not audited)	(Not audited)	(Not audited)
Revenues	5,304	6,224	-	2,080	13,608
Raw materials and consumables	(824)	(4,758)	-	(45)	(5,627)
Gross profit	4,480	1,466	-	2,035	7,981
Gross profit margin (%)	84.4	23.6	-	97.8	58.7
Share in revenues (%)	39.0	45.7	-	15.3	100.0

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Amounts in kEUR	30.09.2018	30.09.2018	30.09.2018	30.09.2018	30.09.2018
	Terminals	Authorizations	Corporate	Software	
Segment Information	(Not audited)	(Not audited)	(Not audited)	(Not audited)	(Not audited)
Revenues	5,525	6,651	-	1,950	14,126
Raw materials and consumables	(915)	(5,122)	-	(46)	(6,083)
Gross profit	4,610	1,529	-	1,904	8,043
Gross profit margin (%)	83.4	23.0	-	97.6	56.9
Share in revenues (%)	39.1	47.1	-	13.8	100.0

Profitability indicators

- the operating profitability (EBITDA) for the first nine months of 2019 amounts to 2,205 kEUR, versus 2,467 kEUR for the first nine months of 2018, which represents a decrease of 262 kEUR or 10.6%; This reduction can mainly be attributed to an increase in personnel charges due to the expansion of the software division and the launch of the activities in Luxembourg;
- profit before tax amounted to 665 kEUR in comparison to 606 kEUR for the first nine months of 2018, which represents an increase of 59 kEUR or 9.7%; This increase was mainly caused by a higher operating profit (186 kEUR more) whilst the financial result is 127 kEUR less;
- the net profit was 363 kEUR compared to 91 kEUR in the first nine months of 2018, which is an increase of 272 kEUR or 299%. Apart from the higher profit before tax (59 kEUR more), it can also be attributed to the lower tax charges (213 kEUR less)

Main result indicators for the third quarter of 2019

Key figures for the period ending on 30 September	3rd quarter	
	30.09.2019	30.09.2018
	kEUR (unaudited)	kEUR (unaudited)
Revenues	4,477	4,384
Profit/(loss) before taxes	123	(54)
Profit / loss	(75)	(234)
EBITDA	680	514
<i>Gross profit margin (profit before tax / revenues) (%)</i>	2.7	(1.2)
<i>Profit margin (net profit / revenues) (%)</i>	(1.7)	(5.3)
<i>EBITDA margin (EBITDA / revenues) (%)</i>	15.2	11.7

Revenues and gross profit

- during the third quarter of 2019, the Group realized revenues of 4,477 kEUR in comparison with 4,384 kEUR for the same period in 2018, which represents an increase in revenues of 93 kEUR or 2.1% in comparison to the third quarter of 2018;
- revenues of the third quarter of 2019 mainly consist of 1,787 kEUR from revenues related to payment terminals (in comparison to 1,486 kEUR in 2018), 2,087 kEUR from revenues from authorizations (in comparison to 2,270 kEUR in 2018) and 603 kEUR from revenues related to software (in comparison to 628 kEUR in 2018);
- concerning the terminal activity it is striking that the increase with 301 kEUR (or 20.2%) is the highest of the past year. This can be explained by the fact that in the similar third quarter of

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2018 there were delays in the preparative administrative process that delayed the installation cycle further so that a many contracts could not be recognized in the third quarter. This increase ensured that the accumulated decrease for the first 3 quarters is reduced to 221 kEUR;

- the authorizations segment realizes a decrease of 183 kEUR or 8.1% in comparison with the third quarter of 2018; the decrease is the reflection of the evolution in the customer base;
- the software segment records a decrease of kEUR 25, or 4.0%, compared to the third quarter of 2018

Profitability indicators

- the operational profitability (EBITDA) for the third quarter amounts to 680 kEUR compared to 514 kEUR for the third quarter of 2018, i.e. an increase of 166 kEUR or 32.3%. This increase originated from the fact that the higher gross profit percentage and the lower general expenses when added together are higher than the increase in the personnel charges. The higher gross profit was mostly triggered by the payment terminals segment;
- the income before tax amounts to a profit of 123 kEUR compared to a loss before tax of 54 kEUR for the third quarter of 2018, i.e. an increase of 177 kEUR or 328%, mainly due to an increase in the operating result (204 kEUR higher) given the lower financial result (27 kEUR lower);
- the net loss amounts to 75 kEUR compared to a net loss of 234 kEUR for the third quarter of 2018, which represents an increase of 159 kEUR or 67.9% in comparison thereto. The decrease is due to the above-mentioned factors

MANAGEMENT REPORT ON THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2019

Management comments and analysis of the results

This financial information in this management report should be read in conjunction with the condensed consolidated interim financial report and the consolidated accounts ended on 31 December 2018. This condensed interim report has not been audited, nor has it been subject to a limited review by the statutory auditor.

The modified perimeter (see below) affects the numbers of the first nine months of 2019 and of the third quarter of 2019. This should be kept in mind while assessing the comparative period of 2018.

The key numbers for the first nine months of 2019 can be can be summarized as follows:

- Revenues and gross profit for the first nine months are as follows :

Gross profit	First 9 months		Difference
	30.09.2019	30.09.2018	
	kEUR	kEUR	
Revenues	13,608	14,126	(518)
Raw materials and consumables	(5,627)	(6,083)	456
Gross profit	7,981	8,043	(62)
<i>Gross profit margin (%)</i>	58.7%	56.9%	

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- The **consolidated revenues** for the first nine months of 2019 amount to 13,608 kEUR compared to 14,126 kEUR for the same period in 2018, which is a decrease of 518 kEUR or 3.7%. This decrease in revenues is mainly triggered by the payment terminal and authorizations segment, whilst the software segment recorded a growth;
- The **other operating income** record an increase of 65 kEUR (+14.8%) which can be mainly attributed to R&D related tax incentives;
- The **gross profit** decreases by 62 kEUR or 0.8% from 8,043 kEUR to 7,981 kEUR. The gross profit margin increases by 1.8 pp from 56.9% to 58.7% as a result of the increasing importance of the software segment;
- The **personnel charges** amount to 2,010 kEUR and record an increase of 402 kEUR (+25.0%) which is triggered by the boost of the sales team within the software segment;
- The **depreciations and amortizations** amount to 1,206 kEUR compared to 1,067 kEUR in 2018, which is an increase of 139 kEUR (+13.0%). The increase is the result of investments in R&D as well as of 2018 capex on 2019;
- The **allowances on current assets** amount to 731 kEUR compared to 1,331 kEUR over the same period in 2018, which is a decrease of 600 kEUR (-45.1%). They specifically relate to allowances on finance lease receivables (bankruptcies, termination of activities or terminations of the contracts) as well as lower allowances on inventories. The decrease can be attributed to lower allowances on inventories and mainly less losses from terminations and bankruptcies;
- The **other operating charges** amount to 4,269 kEUR compared to 4,393 kEUR over the same period of 2018, which is a decrease of 124 kEUR (-2.8%). The decrease results from costs savings on some expenses;
- The **profit before taxes** amounts to 665 kEUR compared to 606 kEUR over the same period of 2018, which is an increase of 59 kEUR (9.7%). The increase results from both a higher operating result (186 kEUR higher) and lower financial result (127 kEUR lower);
- The **net profit** for the first nine months amounts to 363 kEUR compared to a net profit of 91 kEUR over the same period of 2018, which is an increase of 272 kEUR (+298.9%). This increase is next to an improved pre-tax result also triggered by lower taxes. The lower taxes are a.o. triggered by deferred tax revenues (a decrease from deferred tax liabilities) that are recorded in case of decreasing financial lease receivables

The key numbers for the **third quarter of 2019** can be summarized as follows:

- The revenues and the gross profit for the third quarter can be summarized as follows:

Gross profit	3rd quarter		Difference
	30.09.2019	30.09.2018	
	kEUR	kEUR	
Revenues	4,477	4,384	93
Raw materials and consumables	(2,056)	(2,093)	37
Gross profit	2,421	2,291	130
<i>Gross profit margin (%)</i>	54.1	52.3	

- The **consolidated revenues** for the third quarter amount to 4,477 kEUR compared to 4,384 kEUR for the same period in 2018, or an increase of 93 kEUR (2.1%). The increase in revenues mainly comes from the segment of payment terminals. In the comparative third quarter of 2018 the revenues from payment terminals were negatively affected by an administrative delay in the execution of contracts by third parties;
- The **other operating income** record a small increase of 12 kEUR (-8.0%);

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- The **gross profit** for the third quarter records an increase of 130 kEUR or 5.7% whilst the gross profit margin increases by 1.8 pp from 52.3% to 54.1%;
- The **personnel charges** amount to 664 kEUR which is 150 kEUR (+29.2%) higher compared to the same period of 2018, mainly as a result of higher employment in the software segment linked to the boost of the sales team;
- The **depreciations and amortizations** amount to 420 kEUR, with the increase of 47 kEUR (+12.6%) can be attributed to higher amortizations on R&D as well as the impact of last year's capex;
- The **specific allowances on current assets** amount to 268 kEUR compared to 297 kEUR for the same period of 2018. The difference results from fewer defaults in the third quarter of 2019 compared to last year;
- The **other operating charges** amount to 1,214 kEUR compared to 1,468 kEUR for the same period of 2018, where the decrease of 254 kEUR (17,3%) can be attributed to a large extent to cost savings on some expenses
- The **pre-tax result** comes to a profit of 123 kEUR compared to a loss before taxes of 54 kEUR over the same period in 2018. This improvement of 177 kEUR can be mainly attributed to a better operating result (+204 kEUR), partially offset by a worse financial result (27 kEUR less);
- The **net result** for the third quarter is a loss of 75 kEUR compared to a loss of 234 kEUR for the same period in 2018, which is an increase of 159 kEUR (67.9%). This increase mainly results from the abovementioned factors

The main points of attention in the **financial position on 30 September 2019** are:

Key figures For the period ending	30.09.2019	31.12.2018	30.09.2018
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Net equity	27,444	27,592	27,057
Long term and short term financial debts	4,710	6,450	7,236
Cash and cash equivalents	1,446	3,520	4,211
<i>Net equity / total liabilities (%)</i>	67.7	64.3	67.9
<i>Long term and short term financial debts / net equity (%)</i>	11.6	15.0	26.7

- the net equity amounts to 27,444 kEUR and represents 66.7% of the liabilities. The increase was mainly cause by a deduction in the balance sheet total, which decreased more significantly than the decrease in the net equity;
- as changes in the net equity, a net decrease of 148 kEUR, can be enumerated apart from the result for the period (363 kEUR net profit), the share buy-back (167 kEUR), the capital increase due to the exercise of warranties (569 kEUR) and the attribution of an interim dividend (913 kEUR);
- financial debts amount to 4,710 kEUR and decrease on aggregate by 1,740 kEUR in comparison to 31 December 2018. The net decrease was caused by the repayment of the existing loans;
- cash and cash equivalents amount to 1,446 kEUR on 30 September 2019 and decrease by 2,074 kEUR in comparison to 31 December 2018, due to among others the payment of the interim dividend

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Changed perimeter

In comparison to the figures of the first nine months of 2018, the current figures of 2019 were influenced by the following change in the consolidation perimeter.

On 4 April 2019, the Luxembourg subsidiary Keyware SARL was incorporated. The contribution to the figures on 30 September 2019 is limited and resulted in a net loss of 78 kEUR (ditto EBITDA of - 78 kEUR). In the segment analysis, this company is included amongst payment terminals.

On the other hand there was a merger involving PayItEasy BVBA in July 2019. The acquiring company ('absorbing') was Keyware Transaction & Processing NV. The merger was elaborated to simplify the group structure.

Important events during the first nine months of 2019

INCORPORATION OF KEYWARE SARL

The company governed by Luxembourg law Keyware SARL was incorporated on 4 April 2019. The same activities as in Belgium will be performed in Luxembourg as well as in the North East France region.

SHARE BUY-BACK PROGRAM

The 2018 share buy-back program was extended for one year until 30 September 2020 by a decision of the Board of Directors of 29 August 2019. On aggregate, 192,285 treasury shares have been purchased for an amount of 191 kEUR up to 30 September 2019.

EXERCISE OF WARRANTS

During the first 9 months of 2019, the last 1,000,000 warrants of the 2014 Warrants Scheme have been exercised. The notarial deed was passed in June 2019. Pursuant to the exercise of the warrants, the capital and share premiums were increased by respectively kEUR 370 and kEUR 199. Hence, there are no outstanding warrants any longer.

INTERIM DIVIDEND

In September 2019 an interim dividend of 0,04 EUR (four cents) per share has been paid, which amounts to a gross amount of 913 kEUR. The previous year the interim dividend was 0.03 EUR (three cent) per share, which amounted to a payment of 659 kEUR.

Important events after 30 September 2019

Up to date, no important events occurred since 30 September 2019.

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Outlook

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

Many resources are utilized for the development and continuous improvement of software and its sales.

It is expected that these activities represent a new phase of increasing recurring results and of internationalization of the Keyware Group. Both companies are part of a rapidly growing market and offer solutions that are still situated in the beginning of their product life cycle. As stated before, it is expected that the recurring revenues from software as from payment transactions should reach cruising speed by 2019 and especially in 2020. Though this segment currently represents 15% to 16% of consolidated revenues, it is expected that this should rise to 20%.

Relating to the traditional segments, it is noticed that the general market conditions are less favourable in 2019 and that the offered solutions are suffering a price pressure. This accounts for the decrease in revenues during the first semester of 2019, where as the third quarter of 2019 recorded an improvement.

The policy is aimed at maintaining the current client base is critical as this has also a direct impact on the level of the related transaction revenues. In essence the segment of payment terminals and the one of authorizations are closely related to each other.

The activities of Keyware SARL are starting up so that as per 30 September 2019 merely 6 months of activities have been deployed. Over the following 3 months the activities will be further developed with the necessary support of the Group.

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

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated profit and loss statement

Profit and loss statement Regarding the period Ending on 30 September	1st nine months		3rd quarter	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	kEUR (unaudited)	kEUR (unaudited)	kEUR (unaudited)	kEUR (unaudited)
Continued operations				
Revenues	13,608	14,126	4,477	4,384
Other operating income	504	439	138	150
Raw materials and consumables	(5,627)	(6,083)	(2,056)	(2,093)
Personnel charges	(2,010)	(1,608)	(664)	(514)
Depreciations and amortizations	(1,206)	(1,067)	(420)	(373)
Net allowances on current assets	(731)	(1,331)	(268)	(297)
Other operating charges	(4,269)	(4,393)	(1,214)	(1,468)
Operating profit / loss	269	83	(7)	(211)
Financial revenues	507	661	156	202
Financial charges	(111)	(138)	(26)	(45)
Pre tax profit / loss	665	606	123	(54)
Taxes on the result	(302)	(515)	(198)	(180)
Profit / loss of the period from continued operations	363	91	(75)	(234)
Profit / loss of the period	363	91	(75)	(234)
EBITDA	2,205	2,467	680	514
Weighted average number of issued ordinary shares	22,159,276	21,507,041	22,159,276	21,507,041
Weighted average number of shares for the diluted earnings per share	22,899,002	23,047,049	22,899,002	23,047,049
Profit / loss per share from continued operations				
Profit / loss per share (in EUR)	0.0164	0.0042	(0.0034)	(0.0109)
Profit / loss per diluted share (in EUR)	0.0159	0.0039	(0.0033)	(0.0102)

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Condensed consolidated overview of realized and unrealized results

Profit and loss statement Regarding the period Ending on 30 September	1st nine months		3rd quarter	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	kEUR (unaudited)	kEUR (unaudited)	kEUR (unaudited)	kEUR (unaudited)
Profit / loss of the period	363	91	(75)	(234)
Other unrealized results				
Translation differences	-	-	-	-
Revalued assets held for sale to their fair value	-	-	-	-
Cashflow hedges	-	-	-	-
Taxes on other unrealized results	-	-	-	-
Other unrealized results (net of taxes)	-	-	-	-
Total of realized and unrealized results of the period	363	91	(75)	(234)
Profit / loss of the period attributable to:				
Holdings of equity instruments of the parent company	363	91	(75)	(234)
Non-controlling interests	-	-	-	-
Total of realized and unrealized results of the period, attributable to				
Holdings of equity instruments of the parent company	-	-	-	-
Non-controlling interests	-	-	-	-
Weighted average number of issued ordinary shares	22,159,276	21,507,041	22,159,276	21,507,041
Weighted average number of shares for the diluted earnings per share	22,899,002	23,047,049	22,899,002	23,047,049
Profit / loss per share from continued operations				
Profit / loss per share (in EUR)	0.0164	0.0042	(0.0034)	(0.0109)
Profit / loss per diluted share (in EUR)	0.0159	0.0039	(0.0033)	(0.0102)

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Condensed consolidated balance sheet

Consolidated balance sheet ended on	30.09.2019 kEUR (unaudited)	31.12.2018 kEUR (audited)	30.09.2018 kEUR (unaudited)
Assets			
Goodwill	7,993	7,993	7,993
Intangible fixed assets	6,027	6,332	6,381
Tangible fixed assets	2,009	2,050	863
Deferred tax assets	2,713	2,713	253
Receivables from finance leases	7,243	7,798	9,219
Other assets	163	156	155
Non-current assets	26,148	27,042	24,864
Inventories	869	928	804
Receivables from finance leases	7,847	8,342	7,515
Trade and other receivables	4,034	2,899	2,287
Deferred charges	214	175	172
Cash and cash equivalents	1,446	3,520	4,211
Current assets	14,410	15,865	14,989
Total assets	40,558	42,907	39,853
Equity and liabilities			
Issued capital	8,052	7,682	7,682
Share premiums	3,407	3,208	3,208
Other reserves	797	797	797
Treasury shares	(699)	(557)	(654)
Retained earnings	15,887	16,462	16,204
Equity attributable to owners of the parent company	27,444	27,592	27,057
Provisions	138	138	246
Deferred taxes	3,856	4,057	1,901
Borrowings	2,023	2,337	2,947
Lease liabilities	877	861	-
Non-current liabilities	2,900	3,198	2,947
Trade, fiscal and social liabilities	2,702	3,050	2,583
Borrowings	2,687	4,113	4,289
Lease liabilities	244	207	65
Miscellaneous debts	-	25	113
Accrued charges and deferred revenues	587	527	652
Current liabilities	6,220	7,922	7,702
Total liabilities	9,120	11,120	10,649
Total equity and liabilities	40,558	42,907	39,853

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Condensed cash flow statement

Cash flow statement for the period Ending on 30 September	1st nine months	
	30.09.2019 kEUR (unaudited)	30.09.2018 kEUR (unaudited)
Cash flows from operating activities		
Profit for the period	363	91
Adjustments:		
- Deferred taxes	(201)	485
- Financial revenues	(507)	(661)
- Financial charges	111	138
- Depreciations and amortizations	1,206	1,067
- Allowances on inventories and finance lease receivables	731	1,347
Operating cash flow before changes in working capital components	1,703	2,467
Decrease/(increase) of inventories	105	423
Decrease/(increase) of finance lease receivables	273	723
Decrease/(increase) of trade and other receivables	(1,135)	525
Decrease/(increase) of deferred charges	(38)	(100)
Increase/(decrease) of trade, fiscal and social liabilities	(373)	(464)
Increase/(decrease) of other debts, accrued charges and deferred revenue	60	151
Changes in working capital	(1,108)	1,258
Paid interest	(111)	(138)
Received interest	507	661
Cash flows from operating activities	991	4,248
Cash flows from investing activities		
Investments in intangibles and tangible fixed assets	(737)	(776)
Disposals of tangible fixed assets	106	136
(Increase)/decrease of guarantees	(7)	(5)
Cash flows from investing activities	(638)	(645)
Cash flows from financing activities		
Capital increase by exercise of warrants	569	415
(Reimbursement) of borrowings (LT & ST)	(1,740)	(2,099)
Receipts from borrowings raised (LT & ST)	-	40
(Reimbursement) of lease commitments (LT & ST)	(177)	(191)
Dividends paid	(913)	(659)
Treasury shares purchased	(191)	(223)
Treasury shares disposed	25	-
Cash flows from financing activities	(2,427)	(2,717)
Net (decrease)/increase in cash and cash equivalents	(2,074)	886
Cash and cash equivalents at the start of the period	3,520	3,325
Cash and cash equivalents at the end of the period	1,446	4,211

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Condensed statement of changes in equity

Statement of changes in equity for the period	Capital	Share premiums	Other reserves	Share buy-backs	Retained earnings	Attributable to the shareholders of the parent company	Minority interests	Total
<i>(unaudited)</i>	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 01.01.2019	7,682	3,208	797	(557)	16,462	27,592	-	27,592
Profit of the period	-	-	-	-	363	363	-	363
Allowances on treasury shares	-	-	-	24	(24)	-	-	-
Total of realized and unrealized results of the period	-	-	-	24	339	363	-	363
Purchases and sales treasury shares	-	-	-	(166)	-	(166)	-	(166)
Exercise of warrants	370	199	-	-	-	569	-	569
Payment of dividends	-	-	-	-	(913)	(913)	-	(913)
Balance at 30.09.2019	8,052	3,407	797	(699)	15,887	27,444	-	27,444

Statement of changes in equity for the period	Capital	Share premiums	Other reserves	Share buy-backs	Retained earnings	Attributable to the shareholders of the parent company	Minority interests	Total
<i>(unaudited)</i>	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 01.01.2018	7,412	3,063	797	(609)	16,770	27,433	-	27,433
Profit of the period	-	-	-	-	91	91	-	91
Allowances on treasury shares	-	-	-	178	(178)	-	-	-
Total of realized and unrealized results of the period	-	-	-	178	(87)	91	-	91
Purchased treasury shares	-	-	-	(223)	-	(223)	-	(223)
Exercise of warrants	270	145	-	-	-	415	-	415
Payment of dividends	-	-	-	-	(659)	(659)	-	(659)
Balance at 30.09.2018	7,682	3,208	797	(654)	16,024	27,057	-	27,057

(1) Identification

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

This condensed interim financial report for the first nine months ended 30 September 2019 comprises the consolidated balance sheet and results of the Company and its subsidiaries.

This condensed consolidated interim financial report was approved for publication by the Board of Directors of 7 November 2019.

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 2019, 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) Main valuation principles**(a) Basic principles**

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 2018.

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

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(b) Reporting currency

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

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

New and revised Standards and Interpretations applied by the Group

During the present financial year, the Group applied all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant for its activities and that became applicable for the accounting period starting on 1 January 2019.

The following new and revised Standards and Interpretations issued by the IASB and the IFRIC, as far applicable for the Group, take effect as from 1 January 2019:

- ▶ IFRS 16 – Leases : early adopted in 2017 together with IFRS 15 - Revenues from contracts with customers
- ▶ IFRIC 23 – Uncertainties about tax treatments

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

(4) Seasonality of the activities

Though the summer months are associated with a reduced activity in the segment of payment terminals, impacting as a result the third quarter, the figures do not show any significant seasonality patterns. To a lesser extent this is also the case in December.

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

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(5) Segment information

The Group reports its operating segments according to the nature of its activities. A distinction is made between four segments:

- ▶ The segment of the payment terminals including rental, sale and installations of payment terminals as well as activities relating to helpdesk, maintenance and interventions;
- ▶ Authorization segment includes revenues from payment transactions and authorization services;
- ▶ The segment of corporate activities. A series of group supporting activities such as finance and administration, costs relating to stock listing, etc are reported under this segment as non-attributable elements;
- ▶ The software segment including the activities of Magellan SAS and EasyOrder BVBA

The first segment includes the activities of Keyware Smart Card Division NV and Keyware Transactions & Processing GmbH, as well as Keyware SARL.

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

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The segment information for the first nine months of 2019 ended on **30.09.2019** is as follows:

Numbers in kEUR	30.09.2019	30.09.2019	30.09.2019	30.09.2019	30.09.2019
	Terminals	Authorizations	Corporate	Software	
Segment information	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continued operations					
Revenues	5,304	6,224	-	2,080	13,608
Other operating income	(824)	(4,758)	-	(45)	(5,627)
Raw materials and consumables	250	33	46	175	504
Personnel charges	(771)	(269)	(81)	(889)	(2,010)
Depreciations and amortizations	(38)	-	(211)	(957)	(1,206)
Net allowances on current assets	(731)	-	-	-	(731)
Other operating charges	(2,216)	(461)	(474)	(1,118)	(4,461)
Operating profit / loss	801	769	(720)	(754)	269
Financial revenues	490	-	-	17	507
Financial charges	(21)	(1)	(78)	(11)	(111)
Pre tax profit / loss	1,270	768	(798)	(748)	665
Taxes on the result	(354)	(1)	-	53	(302)
Profit / loss of the period from continued operations	916	767	(798)	(695)	363
Profit / loss of the period	916	767	(798)	(695)	363

In the presented numbers the intra-segment sales of 132 kEUR between software (seller) and authorizations (buyer) are already netted. Hence, net numbers are presented. In the comparative semester of 2018 no intra-segment sales were recorded.

The segmented information for the comparative first nine months ended on **30.06.2018** is as follows:

Numbers in kEUR	30.09.2018	30.09.2018	30.09.2018	30.09.2018	30.09.2018
	Terminals	Authorizations	Corporate	Software	
Segment information	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continued operations					
Revenues	5,525	6,651	-	1,950	14,126
Other operating income	247	28	38	126	439
Raw materials and consumables	(915)	(5,122)	-	(46)	(6,083)
Personnel charges	(790)	(145)	(68)	(605)	(1,608)
Depreciations and amortizations	(38)	-	(181)	(848)	(1,067)
Net allowances on current assets	(1,315)	-	-	(16)	(1,331)
Other operating charges	(2,228)	(595)	(660)	(910)	(4,393)
Operating profit / loss	486	817	(871)	(349)	83
Financial revenues	655	-	-	6	661
Financial charges	(40)	(1)	(94)	(3)	(138)
Pre tax profit / loss	1,101	816	(965)	(346)	606
Taxes on the result	(616)	(21)	-	122	(515)
Profit / loss of the period from continued operations	485	795	(965)	(224)	91
Profit / loss of the period	485	795	(965)	(224)	91

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The segment information for the **third quarter of 2019** is as follows:

Cijfers in kEUR	30.09.2019	30.09.2019	30.09.2019	30.09.2019	30.09.2019
	Terminals	Autorisaties	Corporate	Software	
Segmentgegevens	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continued operations					
Revenues	1,787	2,087	-	603	4,477
Other operating income	69	4	7	58	138
Raw materials and consumables	(422)	(1,616)	-	(18)	(2,056)
Personnel charges	(282)	(58)	(26)	(298)	(664)
Depreciations and amortizations	(13)	-	(66)	(341)	(420)
Net allowances on current assets	(268)	-	-	-	(268)
Other operating charges	(506)	(155)	(167)	(386)	(1,214)
Operating profit / loss	365	262	(252)	(382)	(7)
Financial revenues	150	-	-	6	156
Financial charges	3	-	(26)	(3)	(26)
Pre tax profit / loss	518	262	(278)	(379)	123
Taxes on the result	(233)	-	-	35	(198)
Profit / loss of the period from continued operations	285	262	(278)	(344)	(75)
Profit / loss of the period	285	262	(278)	(344)	(75)

Intra-segment sales amount to 60 kEUR (compared to nil for 2018).

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

Numbers in kEUR	30.09.2018	30.09.2018	30.09.2018	30.09.2018	30.09.2018
	Terminals	Authorizations	Corporate	Software	
Segment information	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continued operations					
Revenues	1,486	2,270	-	628	4,384
Other operating income	84	16	22	28	150
Raw materials and consumables	(343)	(1,750)	-		(2,093)
Personnel charges	(230)	(58)	(20)	(206)	(514)
Depreciations and amortizations	(13)	-	(59)	(301)	(373)
Net allowances on current assets	(281)	-	-	(16)	(297)
Other operating charges	(694)	(192)	(275)	(307)	(1,468)
Operating profit / loss	9	286	(332)	(174)	(211)
Financial revenues	204	-	-	(2)	202
Financial charges	(11)	-	(32)	(1)	(45)
Pre tax profit / loss	202	285	(364)	(177)	(54)
Taxes on the result	(220)	(21)	-	61	(180)
Profit / loss of the period from continued operations	(18)	264	(364)	(116)	(234)
Profit / loss of the period	(18)	264	(364)	(116)	(234)

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(6) Transactions with related parties

No particular observations need to be reported with regard to transactions with related parties during the first nine months of 2019 besides the payment of an interim dividend of 0.04 EUR (four cent) per share.

(7) Pending disputes

The Company is involved in a number of legal proceedings that can be regarded as contingent liabilities. For more information we refer to the Consolidated Annual Report of 2018 (chapter Pending disputes) which can be found on the Company's website (www.keyware.com).

With respect to the Penal Case initiated by the Public Prosecutor against Keyware Smart Card Division NV, a full acquittal has been obtained in appeal (press release of 6 February 2019). The Public Prosecutor lodged cassation. The Cassation Court raised a verdict stating that all allegations had been sufficiently dealt with in the verdict issued by the Court of Appeal except for one relating to banned advertising. In this respect the Court of Appeal did not elaborate on the extension of the article of law relating to internet advertising. In fact the extension of the said article of law is not applicable for the facts relating to Keyware, nevertheless the Cassation Court cannot issue a verdict regarding the ground of these allegations and has transferred this part to another Court of Appeal. We await the invitation of the Antwerp Court of Appeal.

As for the other disputes it can be stated that no other developments have taken place during the first nine months of 2019.

(8) Most important risks and uncertainties for the remaining three months of the financial year

We refer to the Annual Report of 2018 in which the most important risks and uncertainties that were identified as at the end of financial year 2018 are described. At the date of the third quarter figures of 2019 no significant changes or trends are to be reported.

A couple of years ago 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 supporting the necessary capex for the payment authorizations. The need for additional funding has decreased significantly since then, also by the lower number of new contracts signed. On the other hand the changed product mix in favour of cheaper products has decreased the annual capex budget for new payment terminals.

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

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List of abbreviations

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