Keyware Technologies

Goldhar Corporate Finance

Valuation of common stocks

As of December 31,2014

To:
Stephane Vandervelde
President & CEO
Keyware Technologies NV
Ikaros Business Park - Ikaroslaan 24, B-1930
Zaventem, Belgium

Dear Stephane,

With regard to our engagement letter dated March 8, 2015, Goldhar Corporate Finance Ltd is proud to present the following report (the 'Report') covering the valuation analysis of Keyware Technologies NV's equity ('keyware') as of December 31, 2014.

The scope of our work included interviewing management regarding Keyware's core of business and financial reporting policy; considering applicable economic, industry, and competitive environments; analyzing Keyware's operations and financials; determining the appropriate valuation methodology to be applied and the preparing of the Report. Our analysis is subject to the limiting conditions contained in the following Report. It should be noted that we have relied upon information provided by management without carrying out any verification procedures.
We appreciate the opportunity to provide our valuation services to Keyware. For any questions or issues may arise from the Report, please contact us at +972 3 60 60 320

Very truly yours,

Goldhar Corporate Finance Ltd.
The Tower
Daniel Frisch Str. 13
Tel Aviv 64731-04
Israel

Abbreviations

CAGR	Compound Average Growth Rate
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CEE	Central and Eastern Europe
Company or Keyware	Keyware Technologies
DCF	Discounted Cash Flow
€ or EUR	Euro
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EU	European Union
EV	Enterprise Value
FCF	Free Cash Flow
GCF	Goldhar Corporate Finance Ltd.
GPRS	General Packet Radio Service
IAS	International Accounting Standards
IB	Installment Base of contracts
Management	Keyware's management
Mpos	Mobile Point Of Sale
NIBTIE	Net Income Before Tax and Interest Expenses
Projection Period	Refers to the forecast period of both PT segment and TS segment
PT	Payment Terminal segment
Report	This report, from December 31, 2014
TS	Transaction Services segment
TV	Terminal Value
Valuation Date	December 31, 2014
WACC	Weighted Average Cost of Capital

Goldhar Corporate Finance

Goldhar Corporate Finance

Executive summary

Goldhar Corporate Finance

1. Valuation results

The purpose of our engagement was to assist the Company's management in estimating Keyware's equity fair value, as of the Valuation Date.

The table below presents the results of our analysis regarding the Company's equity fair value:

Currency: 000'€	
Payment Terminals EV	34,221
Transaction Services EV	11,072
Total enterprise value	**45,293**
Net financial liabilities	(3,923)
Equity value	**41,370**
Issued shares as of the Valuation Date	**20,439**
Derived share price (estimated)	**2.02**

Based on our analysis, the fair value of Keyware was estimated within the range of € 36,679 thousands and € 47,743 thousands, with an average of € 41,370 thousands.

Our valuation was based on information and financial data provided by the Management and is subject to the Disclaimer in section 3

Goldhar Corporate Finance

2. Purpose of engagement

For the request of Keyware's management, GCF performed a valuation analysis of the Company's equity as of the Valuation Date.

Scope of our work

The scope of our engagement included:

- Interviews with Management in order to understand the core of business, future business planning and several issues regarding the financial statements;
- Analysis of the market and industry in which the Company operates;
- Analysis of the Company's financial statements and business segments operations;
- Analysis of the Company's equity value by using the DCF method;
- Preparation of a summary Report regarding GCF estimation of value, methodologies and main assumptions used to the mentioned estimation.

Sources of data

Our analysis was based on using, mainly, the following data:

- Audited financial statements as of December 31, 2010-2014;
- Information regarding the IB during the period 0f 2010-2014, provided by the Management;
- Information and projections regarding the TS segment revenues provided by the Management;
- 5 year business plan provided by the Management;
- Bloomberg's data;
- Public information.

Goldhar Corporate Finance

3. Disclaimer

I. The information and material presented in the attached report (hereinafter referred to as the "*REPORT*") are provided to you for informational purposes only and are not to be used and/or considered as an offer and/or a solicitation to sell and/or an offer and/or solicitation to buy and/or subscribe for securities and/or other financial instruments and/or any advice and/or recommendation with respect to such securities and/or other financial instruments and/or financial reporting purposes.

II. Neither Goldhar Corporate Finance Ltd nor any of its affiliates and/or theirs managers and/or directors and/or advisors and/or employees and/or consultants (hereinafter jointly and severally referred to as "*GCF*") makes any representation and/or warranty and/or guarantee as to the completeness, accuracy, timeliness or suitability of any information contained within any part of the Report nor that it is free from error.

III. GCF does not accept any liability (whether in contract and/or tort and/or otherwise howsoever and whether or not they have been negligent) for any loss and/or damage (including, without limitation, loss of profit), which may arise directly or indirectly from use of and/or reliance on such information.

IV. Whilst the information provided has been obtained from sources believed to be reliable, GCF does not attest to its accuracy or completeness. GCF reserves the right to change any source without restriction or notice. The values quoted for any particular investment are indicative only and are subject to change.

V. GCF will assume no responsibility for any data and/or information of any kind and/or nature contained in any document that was not revealed and/or presented and/or mentioned and/or exposed to it.

VI. Your representatives and officials provided orally data and information to GCF during few held meetings. GCF will assume no responsibility for any false and/or inaccurate and/or mistaken data and/or information of any kind and/or nature given to it during these meetings.

VII. GCF will assume no such responsibility for any false and/or untrue and/or fictitious and/or incorrect data and/or information of any kind and/or nature contained in any document and/or agreement revealed and/or presented and/or mentioned and/or exposed to it.

VIII. For the purpose of the Report, GCF assumed the right authenticity and the rightfully signature of all the documents analyzed. Consequently, their credibility, originality and truthfulness were not undermined or checked whatsoever.

IX. Past performance should not be taken as an indication or guarantee of future performance and no representation or warranty, express or implied, is made regarding future performance. Opinions and/or estimates reflect a judgment at the original date of publication by us and are subject to change without notice.

Goldhar Corporate Finance

X. The price of, value of and income from any of the securities or financial instruments mentioned in the Report can fall as well as rise. Foreign currency-denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Investors in securities, the values of which are influenced by currency volatility, effectively assume this risk.

XI. Securities are ordinarily valued at mid-market prices or yields as at end of the specified valuation day. Equity prices are as at close of business on the valuation day or most recently available price. Security pricing may vary and prices shown should only be used as a general guide to portfolio value. Cash shown in the Report may not necessarily be available for investment due to unsettled transactions against your account. The cost basis for individual lots of securities is maintained according to either a first-in, first-out or an average cost methodology, including commission. Unit cost is calculated as total cost for all lots of each security divided by total quantity.

XII. The Report and any attachments hereto are solely intended only for your use, and may contain legally privileged and/or confidential information. Any dissemination, distribution or copying of this Report and/or any part hereto and/or any attachments hereto are strictly prohibited. Consequently, GCF cannot and will not take upon itself any professional and/or any other liability and/or responsibility towards any third party/parties with regard to any information and/or data contained in the Report.

XIII. Notwithstanding the aforementioned, upon completion of the Report and subject to your consent and under agreed written terms, GCF shall be entitled to represent you in any transaction and render to you any services.

XIV. The Report has been prepared for Keyware, by GCF, and GCF has been remunerated by Keyware for the work.

Goldhar Corporate Finance

Background

Goldhar Corporate Finance

4. Market analysis and trends

4.1 Electronic transaction process overview[1]

A large number of electronic transactions take place between the moment that the consumer inserts his debit card (MasterCard, Visa, BC/MC) into the payment terminal and enters his PIN code and the moment that a message appears on the screen of the terminal that the payment has been accepted. Therefore, behind each credit or debit card transaction, a complex payments infrastructure involving multiple parties ensures the transaction is processed correctly. The main parties in the transaction chain are the followings:

- **Merchants-** those who accept the credit or debit card in stores, online or mobile phones during the sale of goods or providing services;
- **Payment acceptance processing providers**- provide merchants with the means (POS terminals, mobile POS (mPOS) terminals, online payment gateways) to collect and transmit card data and receive payment authorizations in stores, online and via mobile devices;
- **Commercial acquirers**- banks or payment institutions that provide merchants with access to the card schemes (e.g., Visa, MasterCard, Bancontact/Mister Cash, etc.) and a merchant account. Commercial acquirers receive funds from issuing banks and deposit the proceeds, net of a "merchant service charge," into the merchant's account;
- **Acquiring processors**- offer payment transaction processing services for commercial acquirers by routing transaction data received from merchants' physical or online payment gateways with a view to obtaining payment authorizations via the credit and debit card scheme networks, known as "front-end" processing, and then ensuring that each transaction is appropriately cleared and settled into the merchant's bank account;
- **Card schemes**- set card scheme network rules and interchange fees and act as custodians and clearing houses for their respective card brands. Card schemes include both international brands such as Visa and MasterCard, and local schemes such as Bancontact Mister Cash in Belgium;
- **Clearing and settlement institutions**- usually national banks that clear and settle transactions between acquiring banks and issuing banks;
- **Issuing banks**- distribute card scheme-branded payment cards, and, in the case of credit cards, extend credit, to consumers.

[1] Source: Worldline prospectus, 2014;
Company's financial statements

Goldhar Corporate Finance

4.2 European payments market[2]

One third of the world's roughly 280 billion annual non cash payments occur in Europe. In the 27 countries of the EU, the number of non-cash transactions increased from 70 billion in 2005 to 91 billion in 2011, reflecting a CAGR of 4.5%. European countries differ considerably in the maturity of their payments market, when those with the rest of Automatic Clearing Houses and card transactions tend to have more non cash transactions. Still, growth is common in both mature and less developed countries.

Main trends

- **Increase in transactions volume**- the number of retail payments in Europe is expected to grow from 405 Billion to 440 billion by 2020 as the economy recovers and private spending grows. The EIU forecasts the European economy to resume growth in 2014, while private consumption expenditure is expected to grow 1% per year in Western Europe and 3% in Eastern Europe through 2017.
- **Electronic transactions are displacing cash and cheques** - more people are using electronic means for transactions. New card terminals, more accessible solutions for smaller merchants, cashless ticketing in transit, Smartphones with NFC technology and contactless cards are all playing important roles. Decreasing transaction fees in many countries (such as France and Spain) provide additional incentives to switch. Furthermore, government led initiatives are also helping, such as the limit in Italy on cash transactions over 1,000€, which have to be paid electronically. According to the ECB, The total number of non-cash payments in the EU, across the different types of instruments, increased by 6.0% to 100.0 billion in 2013 compared with the previous year. Card payments accounted for 44% of all transactions, while credit transfers accounted for 27% and direct debits for 24%.

[2] Source: "Winning the growth challenge in payments", AT Kearny, 2013;
"Global payments 2014- capturing the next level of value", BCG, 2014;
European Central Bank press release, September 9, 2014

Goldhar Corporate Finance

Figure 1- non cash transactions in Europe.

Source: "Winning the growth challenge in payments", AT Kearny, 2013

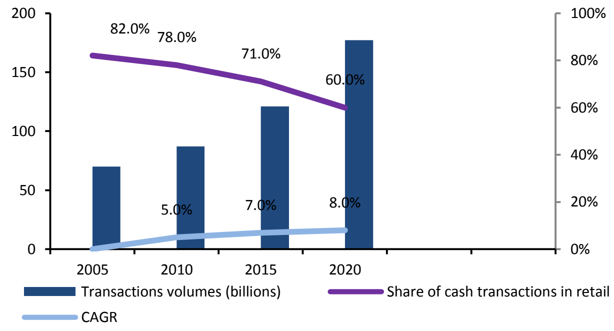
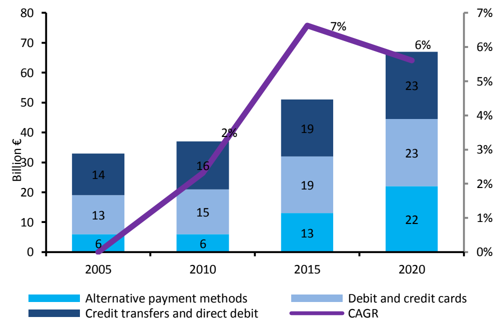


Figure 2- European payments industry revenues

Source: "Winning the growth challenge in payments", AT Kearny, 2013



- **Increasing effect of E-commerce spread**- in the rapidly growing world, of online and mobile commerce, nearly all payments are cashless. Even in countries where retail sales are flat, the shift from cash dominated face-to-face commerce to e-commerce is accelerating in the growth of electronic payments. The expansion of e-commerce to new categories will help overcome possibly shrinking volumes in digital goods, such as music.

- **Market growth forecasts**- According to a research conducted by the Boston Consulting Group (hereinafter "BCG"), there is a clear difference between the CEE and the Western European markets. While he former accounted for just 22% of total European transaction volume in 2013, they represent nearly half of transaction value growth through 2023. Transaction value in the CEE markets is expected to grow at roughly 9% per year through 2023, with Western European markets expanding at less than half of that rate (about 4%).

Goldhar Corporate Finance

4.3 Global POS terminals market[3]

The POS terminals market has witnessed considerable growth in recent years owing to ease of use and improved return on investment being offered by these systems. Advanced POS systems offer higher durability and reliability as compared to their traditional counterparts such as cash registers. This has resulted in significant reduction in total cost of ownership (TCO), thereby increasing POS terminals market demand in small and medium size businesses (SMBs). POS terminals have wide range of applications in numerous sectors such as entertainment, healthcare, hospitality, retail, and warehousing, which include bill printing and payment, inventory management and loyalty programs.

Main trends

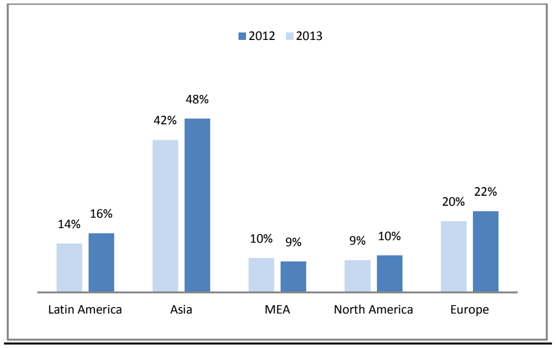
- **Advanced technology**- the introduction of chip-embedded payment cards, and personal identification number (PIN) has minimized security concerns pertaining to sensitive data theft, which is expected to augment POS terminals market growth.
- **Geographic segmentation trend**- markets in the U.S. and Western Europe have experienced market saturation. Asia Pacific is expected to exhibit high growth due to increased SMBs and reduction in TCO. The Indian and Chinese markets are expected to expand on account of proliferation in the number of retail stores.
- **Customers' segmentation**- Retail sector was the largest application for POS terminals in 2013, holding a share of around 34% of the total market. Growing adoption of advanced payment option by small retailers across the globe is anticipated to drive the growth of POS terminals market in retail. mPOS- mPOS terminals are expected to replace the current transaction and payment techniques, owing to their improved features such as mobility that creates a better experience to the user and low initial cost as compared to their traditional counterparts. The wireless technology has an important role in facilitating the global adoption of electronic payments, as it enables the rollout of POS terminals to many new market segments and parts of the world where the fixed line telecommunications infrastructure is less developed
- **Market growth forecasts**- According to Transparency Market Research Market (hereinafter: TMR) analysis from 2014, the global POS terminals market, in terms of revenue, was valued at USD 36.86 billion in 2013 and according to Berg Insight the global installed base of POS terminals grew by 11% to 75 million units in 2014. Furthermore, TMR estimates the POS terminals to grow at a CAGR of 11.6% during the forecast period from 2014 to 2020. The growing adoption of mobile POS in retail and hospitality sector emerged as the most

[3] Source: "POS terminal and wireless M2M", Berg Insight 2014;
www.transparencymarketresearch.com
www.Grandresearch.com
www.statista.com

significant growth driver for POS terminals market and according to Berg Insight, it was incorporated in around one third of the devices shipped in 2014 and forecasts a CAGR of 7.2% between 2014 and 2019, resulting in a total of 39.2 million cellular POS terminals at the end of this forecast period.

Figure 3-Global market share POS terminal shipments 2012-2013, by region

Source: www.Statista.com



Goldhar Corporate Finance

KEYWARE TECHNOLOGIES

Figure 4- Company's corporate structure

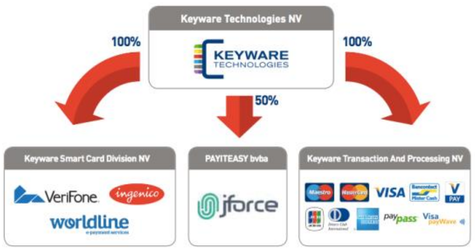


Figure 5- EXAMPLES OF Keyware's payment terminals

5. Business analysis

- Keyware Technologies NV, founded in 1996, is an independent network service provider that offers electronic payment solutions, headquartered in Zaventem, Belgium.
- The company is involved in the personalization, programming, installation, maintenance, rental, and sale of fixed, portable, and mobile payment terminals and implementation of payment transactions using Visa, MasterCard, Maestro, Amex, V-Pay, JCB, etc. It also provides payment services for e-commerce and m-commerce; and solutions for loyalty cards.
- The company operates in two business segments:
    - **Payment terminals**- Keyware rents and sells multi-functional terminals in Belgium through the Smart Card Division. These terminals offer both payment functionalities and other application possibilities, such as reading loyalty cards. Keyware divides its terminal range into the following three main categories:
        - **Fixed terminals**- there is a fixed connection via a communication cable from the terminal to the telephone network or an Internet modem. Fixed terminals are mostly found in shops.
        - **Portable terminals**- the terminal consists of a base station and a portable device. The base station has a fixed connection via a communication cable from the terminal separated from the base station by approximately 150 meters to receive customers' payments. Such terminals are used particularly in restaurants and cafés: customers can pay by debit card at their table.
        - **Mobile terminals**- the terminal can be taken anywhere within Belgium to receive payments. These terminals make use of GSM or GPRS communication technology instead of the telephone network or Internet. These terminals are ideal for mobile occupations such as door-to-door suppliers, taxi drivers, etc.

Goldhar Corporate Finance

Figure 6- Authorization process

- **Transaction services**- a retailer who rents or buys a payment terminal cannot yet, on his own, have payment transactions executed with the terminal. To be able to do so, he must take out one or several subscriptions, depending on what types of debit cards he wants to accept: whether he wants to accept Visa and Maestro cards, or just Visa, or just normal debit cards, etc. A subscription is therefore required per type of payment transaction. Keyware offers payment subscriptions under the name Transaction Services. The Company is an independent Network Service Provider (NSP) and it owns a transaction platform that enables to connect between the merchant and the acquirers and the issuers, through Pay It Easy BVBA. In continues on section 4- *market analysis and trends*, the company mainly serves as acquiring processor in Belgium and these service can be called also: 'authorization services'.
- **Strategic partnerships**- the Company has a number of strategic partners for payment terminals, acquiring services, e-commerce, m-commerce and telecoms. In this way, customers can select a payment solution that is appropriate for their needs and will evolve with their changing economic environment. The strategic partners include, among others: SixPay, PaySquare, Worldline, Ingenico Maestro, Mastercard, Visa and Bancontact Mister Cash.
- **Main customers**- the Company serves small and medium retail business besides governmental institutions and other bigger scale corporations such as Holiday Inn, Brussels South Charleron Airport and many more.

Goldhar Corporate Finance

6. Historical financial data

Table 1 - P&L summary 2010-2014

Source: Company's audited financial statements 2010-2014

000' €	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
Turnover	5,806	5,784	8,280	8,749	9,718
Raw materials and consumables	(1,137)	(979)	(1,897)	(1,903)	(2,318)
Gross profit	**4,669**	**4,805**	**6,383**	**6,846**	**7,400**
Total operating expenses,net	**(4,391)**	**(4,814)**	**(5,975)**	**(6,368)**	**(6,030)**
Operating profit	**278**	**(9)**	**408**	**478**	**1,370**
Financial income	685	793	812	875	1,005
Financial expenses	(752)	(701)	(710)	(293)	(442)
Profit before tax	**211**	**83**	**510**	**1,060**	**1,933**
Taxes on the result	235	-	-	-	-
Profit/(loss) for the period from continuing operations	**446**	**83**	**510**	**1,060**	**1,933**
Result from Joint Ventures	-	-	-	(31)	(23)
Profit/(loss) for the period	**446**	**83**	**510**	**1,029**	**1,910**

Table 2 - revenues by segments 2011-2014

Source: Company's management

000' €	2011	2012	2013	2014
PT	5,561	7,935	8,300	9,027
		43%	*5%*	*9%*
TS	223	345	449	691
		55%	*30%*	*54%*

Table 3 - Quarterly change in contracts managed by Parfip 2013-2014

	Q1-2013	Q2-2013	Q3-2013	Q4-2013	Q1-2014	Q2-2014	Q3-2014
Owned terminals	9,538	10,069	10,570	10,944	11,311	11,670	13,937
Terminals at Parfip	2,947	2,753	2,456	2,191	1,957	1,907	0
% owned	**76%**	**79%**	**81%**	**83%**	**85%**	**86%**	**100%**

Revenues- the revenues in the P&L are comprised of the PT segment and the TS segment:

- **PT revenues**- the revenues of this segment are related to leasing contracts of payment terminals. Most of the revenues are related to the amount equals to the present value of new contracts signed on an inspected year, as instructed in IAS 17-Leases, and therefore these revenues are depended on new contracts signings and the terms of each. The rest of the revenues are related to air telecom fee for GPRS terminals and maintenance fees and these revenues are depended on the IB at each year. The significant increase in 2012 in the PT revenues is related to the fact that the Company stopped selling contracts to Parfip Benelux Nv (hereinafter: Parfip). Until May 2012, the Company has engaged with Parfip in contracts selling agreements in order to overcome solvency problems. As the financial status began to improve, the Company has decided to stop selling contracts to Parfip. As of September 2014 there are no contracts managed by Parfip (see table 3).

- **TS revenues**- the revenues in this segment are related to authorization services. The Company has begun to provide authorization services since 2011. Consequently, revenues in this segment are depended on the IB of the PT segment at each year. Therefore, the significant increase can be related to the high growth stage the PT segment is in, the fact that this is relatively new service and considering the significant growth trend in the payment industry. The significant growth trend can be observed in the increase of average number of transactions per terminal, presented in table 4. The revenue in this segment is also depended on the amount of the transactions made through the terminals, where mostly it's a percentage of the transaction amount.

- **Gross income** – the gross margin between 2011 -2014 remained stable with an average rate of 79%. The main costs are related to the PT segment due to the fact that most of the inventory is in this segment.

- **Operating costs**- the operating costs are comprised mainly of salaries, impairment of contracts due to an early termination or bankruptcy, fees and general and administrative costs. The operating margin, excluding 2011, was highly stable and remained on average of 6%. The operating loss in 2011 is mainly attributed to an impairment of lease contracts in an amount of € 935 thousands and inventory impairment of € 283 thousands.

- **EBIT**-the EBIT margin in 2014 increased to 14%, mainly due to an increase in revenues of 11% and a decrease in impairment of lease contracts of 46%. The average EBIT margin between 2011- 2014 was 6%, when in 2013-2011 remained on stable level of 5% and increased in 2014 to 14%.

- **Financial income**- the company recognizes a financial income from leasing contracts of the PT segment. The financial income is highly depended on the IB and new contracts signings each year. The CAGR of the financial income during the period of 2011-2014 was 8%, mainly due to an IB CAGR of 10% during the same period (see table 4). The average NIBTIE

Goldhar Corporate Finance

Table 4 - average transactions per terminal 2011-2014

Source: Company's management

	2011	2012	2013	2014
number of terminals a year	10,719	12,114	13,135	14,236
transaction volumes (#)	1,629,684	3,910,522	7,182,742	9,997,067
transactions per terminal	**152**	**323**	**547**	**702**

Table 5 - IB and financial income 2010-2014

Source: Company's management and audited financial statements as of December 31, 2011-2014

	2011	2012	2013	2014
IB at the end of the year	10,719	12,114	13,135	14,236
		13%	8%	8%
Financial income (000'€)	793	812	875	1005

Table 6 – Working capital 2011-2014

Source: audited financial statements as of December 31, 2011-2014

	2011	2012	2013	2014
Revenues	**5,784**	**8,280**	**8,749**	**9,718**
Inventories	541	361	386	736
Trade receivables and other receivables	824	1,044	785	679
Deferred charges and accrued income	182	185	53	19
Trade debts, social and fiscal debts	2,547	2,885	3,269	3,533
Other liabilities	1,202	80	37	22
Deferred income and accrued charges	146	213	337	367
Lease receivables	1,499	2,568	2,610	2,981
Net WC	**(849)**	**980**	**191**	**493**
%	*-15%*	*12%*	*2%*	*5%*

to revenues ratio between 2011 -2014 was 17%, when between 2011 -2013 the ratio was within the range of 14%-16% and 24.5% in 2014.

- **Income tax**- The Company has carry forward tax losses and therefore no tax expenses were recorded. According to the Management, all the tax losses are related to the Smart Card division (Company of the PT Segment) and the amount of the carry forward losses as of the Valuation Date was € 15,000 thousands.

- **Working capital**- the average working capital to revenues ratio, excluding trade receivables from financial leases during the period of 2011-2014 was (34%) and in the TS segment was (27%). In both segments there was a declining trend in the working capital ratio. The average working capital, including short term trade receivables from leasing contracts and excluding long term trade receivables from leasing contracts, was (3%) between 2011 -2014. The revenue according to IAS 17-*Leases* is recorded on the day of installation the contract day, in an amount equals to the present value of the contract, against the debit of trade receivables from leases. In the following period, the trade receivables will be amortized in an amount equals to the gap between the real renting fee and the financial income of the same contract, or when impairment is recorded on a contract, the relevant balance in the trade receivables will be immediately reduced. It should be noted that the changes in the working capital in Keyware's cash flow in its financial statements include the long term receivables from leasing contracts.

Goldhar Corporate Finance

Valuation model

Goldhar Corporate Finance

7. Methodology

In order to conduct a valuation, there are three common acceptable approaches needed to be considered. The approach, or approaches, which will be utilized, shall be determined after considering, among others, the nature of the transaction, the ongoing concern assumption of the entity valuated, the industry in which the valuated entity operates and applicable relevant data regarding the valuated entity.

Cost approach

The cost approach focuses on the current situation of an asset being evaluated, rather than looking forward on future potential cash flows expected to be generated. The fundamental premise in this approach is that a potential investor would not pay more than the cost to build or establish equivalent asset. The main disadvantage of this approach, is that no future synergies or potential growth been taken into consideration. There are two basic methods for implementing this approach:

- Net Asset Value- under this method, all the assets and liabilities are being analyzed and evaluated. The estimated equity value is the total evaluated assets, net after deducting the total liabilities which also have been evaluated. The use of this method is mainly when evaluating investment or property companies.
- Liquidation value- under this method, the derived value of the entity is based on the realizable value of the net assets, rather than the fair value of the net assets. When a liquidation event occurs, usually there is an intensive pressure to realize all of the assets and to repay all the debt that exist as of the liquidation date. Therefore, the realizable value will usually be lower than the fair value. This approach is appropriate to be utilized only under liquidation scenario.

Market approach

The market approach uses financial ratios (multiples) derived from either quoted companies whose business activities considered similar, or closely similar, to the evaluated company or recent transactions where the acquired company's business activities are similar to those of the evaluated company (hereinafter: comparable companies). After analyzing the comparable companies and deriving an appropriate multiple, it shall by applied on representing earnings of the evaluated company. The representing earnings shall exclude any non-recurring income or expense and shall not include any one-off events that have an impact on the company's results. The problem of this approach is that it doesn’t take into account any future growth or possible synergies. Furthermore, when applying a multiple derived from recent transactions it shall be noted that usually a control premium or other synergy premium is included within the transaction price and hence it is implied within the multiple. While on the other hand, multiples derived from prices paid by the minority don’t include any such premiums, therefore there is a need for an adjustment to be calculated.

Income approach

Income approach focuses on the asset's ability to generate cash. The premise of this approach is that it is possible to estimate the value of the property by calculating the present value of net economic benefit (cash income less cash expenses) received over the life of the asset.

The main steps in applying this method are:

A. assessment of the expected cash flows from the asset over its useful life, after tax deduction;

B. Deriving an appropriate discount rate and discounting the aforementioned cash flows of the forecasted period and in the TV year. The cash flow in the TV year, is calculated according to the Gordon Growth Model, which is as follows:

$$\mathbf{FCF_{TV}=FCF_{NY}*\frac{1+g}{r-g}}$$

Where:

A. FCF_{NY} –the FCF in the normalizing year. Normalizing year uses for applying representative growth and margins in the long term before discounting the TV, in order that the cash flow growth will be in accordance with the relevant section that regards the long term growth. In our case, since we applied for the TV long term growth the long term growth of the revenues, the normalizing year makes sure that the growth of the revenues will be equal to the FCF growth;

B. g – long term growth rate

C. r- discount rate

The use of the capitalization by the discount rate, refers both to the time value of money and other risk factors related to the investment. Finally, the sum of the discounted cash flows, after a tax deduction, shall be an indication to the asset's fair value.

The Income approach is a very common approach in calculating the fair value of assets and companies and the most common methodology based on the Income approach is the DCF methodology

Goldhar Corporate Finance

The valuation of Keyware was performed according to the income approach, by using the DCF method. According to the DCF methodology, the cash flow forecast shall be based, among others, on a detailed analysis of the company's operations, revenues forecasts, market trends, expected expenses, working capital requirements and projected capital expenditure.

8. Main assumptions

8.1 General

- **Inflation considerations**-the cash flow forecast was conducted on a nominal basis. Therefore, we estimated an increase of 1.8% a year, based on the expected long term inflation rate in Europe[4].
- **Model structure**- as aforementioned, the Company operates in two business segments: Payment Terminals renting and Transaction Services. Since each segment has a different business model and different risk factors, we evaluated each segment separately.

8.2 Payment Terminals model

- **General structure**- as aforementioned, the Company recognize revenue from PT renting according to the instructions of IAS 17-*Leases*. Since the cash adjustment for non-cash revenues is traditionally applied through the changes in the working capital, it may be inaccurate in this case. Therefore, the revenue forecast was prepared on a cash basis. The cash basis was prepared according to the forecasted IB at each year, multiplied in the different tariffs and after different discounts of contracts such as early termination and bankruptcy. In addition, since the Company has, as of the Valuation Date, a significant amount of active contracts, we built two separated forecasts of IB, where the first regards to the existing IB as of the Valuation Date and the second regards the forecast of new contracts during the Projection Period.

8.2.1 Existing IB flow

- **IB**- the IB of the existing contracts was provided to us by the Management.

[4] Source: ECB forecast for long term inflation rate

Goldhar Corporate Finance

- **Contracts maturity**- the maturity of the existing contracts, before possible discounts, was estimated according to the remaining contractual period as provided by the Management.
- **Discounts**- according to the Management, for every contract there are six possible scenarios during its contractual period:
    - **Active**- the customer continuous to rent the PT on a regular basis;
    - **Early termination**- the customer decides to terminate the engagement with the Company due to better terms the competitors offer;
    - **Bankruptcy**- there is a portion of customers who experience a bankruptcy event of their business. This could be related to the fact that most of Keyware's customers are SMBs, which increases the risk they will have a bankruptcy event.
    - **Refused**- there are some customers that either the Company or the customer itself decides to end the contract before it reaches the end of the contractual period. In most cases, the Company initiate this early termination, due to refuses of the card issuing companies to work with the client or history of late payments to the Company;
    - **Swapped**- since the technology of terminals and payment solutions constantly changes, the Company address all along the contractual period to customers in order to offer them to upgrade the existing terminal to a more advanced terminal. When a customer decides to move to newer terminal, the old contract is being terminated and a new contract is signed immediately and this processes called swap. The only influence it has on valuation model's revenues is the extension of the contractual period of the contracts.
    - **Contractual period termination**- the contract has reached its full maturity. According to the Management, if the customer doesn't give a notice, six months advanced, that he's not interested in renewing his contract, than the contract will be automatically renewed for additional one year. This process is called silent renewal.

    The probability for each of the abovementioned events was estimated based on the average historical IB change between 2010—2014.
- **Swap assumption**- we assumed that a swapped contract during the year the swap occurred will not have any discounts. The average yearly swap rate was estimated at 7%
- **Contracts discount rate**- the average yearly discount rate was estimated at 3%.

Goldhar Corporate Finance

- **Silent renewals**- the silent renewal rate was estimated at 40%. We applied this rate on the remaining contracts in that reached their last year, net of all the discounts they had along the contractual period.
- **Contractual period**- We estimated that a contract will be swapped only once during its contractual life. The projection period of the existing IB as of the Valuation Date is 2015- 2025.

8.2.2 New contracts flow

Table 6 –Net projected growth of contracts

- The new contracts every year were calculated as a residual value, so the total amount of contracts, net of any discounts, at each year, will be in accordance with the market growth rate forecasts;
- **Change in new contracts**- the change in new contracts every year, i.e. discounts and silent renewals, were estimated on the same base of the existing IB;
- **Swaps**- since we estimate new contracts signings every year, the new contracts every year include both new customers and swaps of new contracts (excluding swaps of existing IB).
- **Contractual period**- we calculated the amount of new contracts every year from 2015-2025, based on the existing IB as aforementioned.

8.2.3 Total contracts flow

- **Net total IB**- the net total IB at the end of each year in the Projection Period was estimated after considering the specific market the Company operates in, Management estimations, implied trend from historical growth of the Company and recent forecasts regarding the market's growth. We estimated that the Total net IB at the end of 2015 will grow at 8% and eventually converge to a long term growth rate of 2%, according to the forecasted long term GDP growth in Belgium[5]. This growth rate reflects an average net growth of 1,008contracts a year, which is in line with Management's assumptions.

- **Revenues 2015-2025**- the revenues comprise several components:
  - **Basic renting fee**- the basic average renting fee of PT is € 31 a month which is €372 a year;
  - **Installation fee**- the Company charges its new customers in a onetime installation fee of €125;

[5] Source: OECD Economic Outlook 2014

Goldhar Corporate Finance

- **Telecom air fee**- the Company charges a telecom air monthly fee of €10for GPRS customers, and buys it in €1.5, resulting a net income of € 8.5 a month;
- **Maintenance fee**- the Company charges a monthly maintenance fee of € 4, which is €48 a year;
- **Dunning**- according to the Management, when a customer is late with the renting fee payment, the Company gives several warnings. on the first there is no extra fee, on the second warning there is an extra fee of €15 and on the third warning there is an extra fee of €35 (which means total extra fee of €50). If the customer doesn't pay after three warnings, then the Company address to its lawyer in request of starting a legal claim process against the customer. In this case, the Company will have the full remuneration which includes a premium of 10%, which will be paid to the lawyer on a 'no cure no pay' basis. In addition, the aforementioned regards only to non-direct debit customers that according to information provided by the Management, the portion of non-direct debit customers is 35%. We assumed that this portion will remain all along the Projection Period;
- **Early termination fee**- when a customer decides to end a contract before the contractual period, not including bankrupted customers, the customers has to pay €750
- **Dunning revenue**- we estimated the portion of customers that are late with their payments, based on information provided by the Management.
- **Early termination/bankruptcy/dunning time factor**- we assumed that an early termination or bankruptcy event will occur at the middle of the year. The Company sends an invoice to the customer on a quarterly basis, therefore we assumed that out of four invoices of customers who late in their payments, one will not be paid on time.
- **GPRS customers**- as of the Valuation Date, the portion of GPRS customers is 23%. According to the Management, this portion will grow up to 50%. We assumed moderate increase in this portion all along the Projection Period.
- **Total revenues**- the total net revenues were calculated based on the gross IB multiplied in the aforementioned revenue factors, with a deduction based on the discounted contracts calculated as aforementioned multiplied in the relevant revenue factors.

- **Revenues in the TV year**- we estimated that in the long term the revenues will grow at a 3.8% rate, based on the long term expected growth rate of GDP in Belgium of 2% and a projected inflation rate of 1.8%.
- **Gross profit**- the gross income was estimated based on the average gross margin of 77% along the Projection Period, based on the historical average of the Company's results.

Goldhar Corporate Finance

- **Salaries**- according to the Management, the salaries costs are mainly variable. We estimated the salaries costs all along the Projection Period at 15% of gross income, based on the historical average of the Company's results.
- **Other expenses**- the other expenses comprise mainly general and administration costs such as car expenses, sales and marketing expenses. According to the Management, the other expenses are mainly fixed costs. We estimated the other expenses in € 2,771 thousands, with an adjustment to inflation along the Projection Period, based on the historical average of the Company's results.
- **EBIT**- the EBIT margin along the Projection Period is within the range of 27%-46%. The EBIT margin in the long term was estimated according to the average EBIT margin during the period of 2015-2019 which is 33%.
- The EBIT margin in the PT segment between 2011- 2014 was in an increase trend, where in 2011 the EBIT margin was 6% and increased up to 21% in 2014. It should be noted that the total invoice the Company sends to the customer comprise both financial income and operating income. Thus, the more appropriate way to compare the EBIT in the DCF model is to look on the NIBTEI in the financial statements. The average NIBTEI in the PT segment was 22%, where in 2011-2013 it remained stable on 19%, and in 2014 it increased to 32%. This increase can be related to the continuing trend of operating improvement (termination of engagements with Parfip) and we estimate this trend will continue for the near future. The average EBIT margin during the Projection Period is 38%, ranges between 27%-46%. Thus, we believe that the EBIT margin in the Projection Period is within the range of reasonableness.
- **Income tax**- according to the financial statements, the carry forward tax losses are related to the PT segment. We estimated the income tax of the PT segment based on the carry forward tax losses
- **Working capital**- the net working capital (excluding short and long term lease trade receivables) was estimated due to the Company's historical net working capital from the revenues at (34%). It should be noted that since the methodology of the PT model is calculating the revenues on a cash basis only, the cash adjustment of working capital to the revenues doesn't include the short and long term leases trade receivables.
- **Depreciation and CAPEX**- the fixed assets of the Company comprise mainly cars, furniture and others. We assumed that along the Projection Period the CAPEX will be equal to the depreciation. The depreciation and CAPEX of the PT segment was calculated based on the depreciation portion of the PT
- **Terminal value**- we assumed that the FCF will grow in the long term at 3%, considering the revenue growth of 3.8%, based on Belgium's long term GDP growth of 2% and estimated a yearly inflation rate of 1.8% and The EBIT margin of 33%, according to the average EBIT between 2015 -2019.

Table 7 –Income tax calculation

000'€	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
O.B	15,000	12,524	9,504	5,954	1,833	-	-	-	-	-	-	-
EBIT	2,476	3,020	3,550	4,121	4,670	4,912	5,224	5,585	5,907	6,157	6,280	5,364
Tax	-	-	-	-	(965)	(1,670)	(1,776)	(1,899)	(2,008)	(2,093)	(2,135)	(1,824)
C.B	**12,524**	**9,504**	**5,954**	**1,833**	-	-	-	-	-	-	-	-

Goldhar Corporate Finance

- **WACC -**the WACC used to discount the existing IB contracts was estimated at 10.4% and the WACC used in order to discount the new contracts IB was estimated at 12.6%. For further information regarding the WACC calculation, please refer to section

- The EV results of the PT segment are presented in the table below:

Currency: 000'€	
WACC- existing IB	12.6%
WACC-new IB contracts	10.4%
Enterprise Value	34,221

Based on our analysis, the EV of the PT segment was estimated within the range of € 31,767 thousands and € 37,034 thousands, with an average of € 34,221 thousands.

Goldhar Corporate Finance

8.3 TS segment

- **General structure**- as of the Valuation Date, the revenue from the TS segment was generated from the Spread Income Model (hereinafter: SIM). When a transaction is made through electronic means, such as credit card or debit card, there are several parties who charge fee for completing this transaction process (please refer to section 5- *Market analysis and trends*). The revenues in SIM are split between the Issuers, Acquirers and the Company. According to the Management, the share of Keyware in the commission charged from the customers is 12.51% when the transaction is made through Keyware's platform, and about 10% when it is not through Keyware's platform (hereinafter: Paysquare transactions). The company's strategy is about to change dramatically, starting from 2015, when the TS is moving to a whole different revenue model- Brokering model (hereinafter: BM). In the BM, the company will purchase from the acquirer the total commission of its customers at 0.85% of the transactions value and will sell it to its customers at 1.5% of the transactions value, meaning a net commission of 0.65%. This means that the company will act, de facto, as an acquirer. This strategic change is expected to increase the Company's revenues and profit dramatically. Thus, the model includes both of SIM and BM revenues.

Table 9 –Business model evolution- TS segment 2015-2019

	2015	2016	2017	2018	2019
C.B Spread Income model contracts	9,626	6,626	5,126	3,876	2,876
%	80%	50%	35%	24%	16%
C.B Brokering model contracts	2,410	6,755	9,660	12,361	14,845
%	20%	50%	65%	76%	84%
C.B total contracts	**12,036**	**13,381**	**14,786**	**16,237**	**17,721**

- **TS customers' portion**- as of the Valuation Date, the portion of customers who pay both for PT and TS services is 75%. According to the Management, this portion will increase to 85% in the long term. We assumed a moderate increase from 75% in 2015 up to 85% in 2019.

- **Transformation from SIM to BM**- according to the Management, by 2019 most of the revenues in the TS segment will be from the BM. The segmentation of the SIM and the BM contracts throughout 2015-2019 was provided by the Management. The total amount of contracts for a year was derived from the total IB calculated in the PT model, considering the estimated portion of TS customers as above mentioned. The number of BM contracts is the gap between the total amount of TS contracts and the estimated remaining SIM contracts in every year.

- **Projection Period**- the projection period from 2015-2019 was estimated according to the aforementioned regarding TS customers portion and segmentation between SIM and BM. The revenues from 2020-2023 was estimated according to the expected growth rate of non-cash transaction in Europe[6].

- **Commission fee**- the average commission per contract in the SIM as of 2014 was €119. According to the Management, the average commission per contract is expected to remain as it was in 2014. The average commission per contract increased from €78 in 2010 up to €119 in 2014. This increase is related to the growing use of non-cash means through this period. According to the Management, the average

[6] Source: Winning the growth challenge in payments", AT Kearny, 2013;
"Global payments 2014- capturing the next level of value", BCG, 2014

Goldhar Corporate Finance

commission per contract in the BM is expected to be € 166. The average commission in both SIM and BM was estimated according to the Management estimations.

- **Gross income**- the gross income was estimated along the Projection Period at 82%, based on the average gross margin between 2011 -2014.
- **Salary costs**- t the average salary to revenues margin between 2011- 2014 was 21%. According to the Management, the estimated salary costs in the TS segment will be 6% of the estimated revenue. The Management believes that the human resources needed for this activity should not increase in a straight line with the revenues, since the TS segment doesn't require significant human resources.
- **Other expenses**- the other expenses comprise mainly general and administration costs such as car expenses, sales and marketing, etc. According to the Management, the other expenses are mainly fixed costs. We estimated the other expenses at € 437 thousands, with an adjustment to inflation along the Projection Period, based on the historical average of the Company's results in 2011-2014.
- **EBIT**- the EBIT margin between 2015-2019 is within the range of 40%-56%. The high EBIT margin is attributed to the economics of scale, considering significant increase in revenues, high gross margin and relatively low fixed costs and the EBIT margin between 2010 -2023 and in the long term was estimated according to the average EBIT margin in period of 2015-2019 which is 49%.
- **Income tax**- the income tax was calculated according to the statutory tax corporate tax rate in Belgium of 34%.
- **Working capital**- the net working capital (excluding differed income balance) was estimated due to the Company's historical net working capital from the revenues in (27%).
- **Depreciation and CAPEX**- Depreciation and CAPEX- the fixed assets of the Company comprise mainly cars, furniture and others. We assumed that along the Projection Period the CAPEX will be equal to the depreciation. The depreciation and CAPEX of the PT segment was calculated based on the depreciation portion of the PT segment, as presented in the financial statements.
- **Terminal value**- we assumed that the FCF will grow in the long term at 3.8%, considering Belgium's long term GDP growth of 2% and estimated yearly inflation rate of 1.8%.
- **WACC -**the WACC used to discount the FCF in the TS segment was estimated at 12.4%. For further information regarding the WACC calculation, please refer to section 9-WACC.

Goldhar Corporate Finance

The EV results of the TS segment are presented in the table below:

Currency: 000'€	
WACC- existing IB	12.4%
Enterprise Value	11,072

Based on our analysis, the fair value of Keyware was estimated within the range of € 9,639 thousands and € 13,093 thousands, with an average of € 11,072 thousands.

9. WACC

9.1 Methodology

As part of implementation of the DCF method, a discount rate should be utilized in order to discount the cash flows. The discount rate is the rate of return that the shareholder expects to have on his investment. Therefore, it should reflect, among others, industry risks, macroeconomic effects on the expected cash flows and specific risks related to the company been valuated, if any. The determination of the asset-specific, risk-adjusted discount rate is based on the weighted average cost of capital (WACC). The following formula is applied to calculate WACC:

WACC = $W_E * R_E + W_D * R_D$

with

W_E = value of equity / value of total capital

R_E = required return on market value of equity

W_D = value of debt / value of total capital

R_D = debt interest rate after tax costs

Market value of equity

To estimate the cost of equity, the capital asset pricing model (CAPM) is used. The basic assumption of the CAPM is that the cost of equity is equal to the return on risk-free securities plus an individual risk premium. The risk premium is the company's systematic risk (beta) multiplied by the market price of risk (market risk premium).

The equation for the cost of equity is as follows:

R_E = RF + ß * MRP

with

R_E = market value of equity

RF = risk-free rate of return

ß = systematic risk of the equity

MRP = market risk premium

The market risk premium (the price of risk) is the difference between the expected rate of return on the market portfolio and the risk-free rate. The MRP is calculated after considering global market trends, future market growth expectations and the markets the company operates in.

The CAPM accounts for the company-specific risk within the beta factor. Beta factors represent a weighting figure for the sensitivity of the company's returns compared to the trend of the entire market, by analyzing historical volatility trading data of the share compared to the market where it is traded on. The Beta factors of more than one reflect a higher volatility; beta factors of less than one reflect a lower volatility than the market average. .

Cost of debt

The cost of debt should reflect the current risks in the market, rather than the contractual rate set on the date that the loan has been received.

Goldhar Corporate Finance

Capital structure

The capital structure is derived from the in the valuation model and the net liabilities as of the Valuation Date.

9.2 WACC calculation

- As aforementioned, the valuation model was divided into two business segments. Therefore, each segment has different risks, meaning different WACCs shall be applied for each. The implementation of different WACCs were calculated by taking a mix of comparable companies that part of them operate in the PT segment, part of them in the TS segment and part in both. The Weighted Re was estimated according to the FCF portion of each segment in every year in the Projection Period. Furthermore, a separated Re was implied on the cash flow from the existing IB as of the valuation date. The weighted Re was implied base on the portion of new and old contracts from the total IB in every year.
- Rf- the free risk rate was estimated according to a 20 year Belgium bond yield of 1.6% as of the Valuation Date.
- MRP- the market risk premium was estimated by us at 6%
- Size premium- empirical studies show that over time returns on investments in small companies are consistently and significantly higher than returns on investments in large companies. Size premium is the additional return an investor expects to receive on its investment in shares of a small company. Based on the research of Roger G. Ibbotson, we estimated the Company's size premium at 6.03%.
- Beta- the derived beta of the company was calculated based on comparable companies' analysis and a leverage adjustment to the specific capital structure of the Company implied from the equity valuation. Furthermore, with regard to the different WACCs applied, two different betas were applied in the PT segment, one for the new contracts and another to the existing contracts.. The beta was calculation was based on four years monthly data of the comparable companies. For further information regarding the calculation of the beta, please refer to section 9.2.1- beta calculation
- Specific risk- a premium of 0.5% was applied in the existing contracts' cash flow Re.
- Rd- the company's Rd was estimated at 5.35%, based on the average debt rate of the Company's debt as of the Valuation Date.
- E/V- the weight of equity was estimated at 91.1% based on the implied leverage of the Company.

Goldhar Corporate Finance

9.2.1 Beta and WACC calculation

The following tables summarize the beta calculation and the WACC

Company Name	EV 31.12.14	Market Cap 31.12.14	Debt 31.12.14	Tax rate	D/E	1-T	Beta	Unlevered beta
Ingenico	5,779,373	5,013,082	766,291	33%	15%	67%	0.90	0.82
Shenzen Xingoudu Technology	321,647	369,183	-	25%	0%	75%	0.81	0.81
Mi-Pay Group	12,421	14,879	-	21%	0%	79%	0.43	0.43
Global Payments	7,080,000	5,460,000	1,620,000	21%	30%	35%	1.04	0.94
Fiserv	20,820,000	17,310,000	3,510,000	21%	20%	35%	0.99	0.92
Total System Service	7,510,000	6,310,000	1,200,000	21%	19%	35%	0.98	0.92
Wirecard	4,600,000	5,450,000	-	21%	0%	30%	0.73	0.73
Heartland Payment	2,440,000	1,950,000	490,000	21%	25%	35%	0.97	0.89

PT	Average	0.69
	Median	0.81
	Upper quartile	0.81
	Lower quartile	0.62
TS	Average	0.88
	Median	0.92
	Upper quartile	0.92
	Lower quartile	0.89

Re -Payment Terminals	
Rf	1.6%
Rm-Rf	6.0%
Beta new contracts (relevererd)	0.98
Beta old contracts (relevered)	0.66
Size Premium	6.03%
Re- new contracts	13.5%
Specific adj. for old contracts	-0.5%
Re- current contracts	11.1%
E/V	91.3%
D/E	9.5%

Rd	
Rd	5.35%
1-T	66%
D/V	9%
WACC-new contracts	12.6%
WACC-old contracts	10.4%
WACC-TS	12.4%

Re- Transaction Services	
Rf	1.6%
Rm-Rf	6%
Beta(relevererd)	0.94
Size Premium	6%
Re	13%
E/V	91.3%
D/E	9.5%

Goldhar Corporate Finance

10. Valuation results

Currency: 000'€	
Payment Terminals EV	34,221
Transaction Services EV	11,072
Total enterprise value	**45,293**
Net financial liabilities	(3,923)
Equity value	**41,370**
Issued shares as of the Valuation Date	**20,439**
Derived share price (estimated)	**2.02**

Based on our analysis, the fair value of Keyware was estimated within the range of € 36,679 thousands and € 47,743 thousands, with an average of € 41,370 thousands.

Goldhar Corporate Finance

11. Sensitivity analysis

The following tables present a sensitivity analysis, examining the effect on the EV of the company and each segment separately, when the WACC changes in 0.5% and the long term growth rate in 0.25%

PT segment[7]

	13.5%	13.0%	12.5%	12.0%	11.5%
2.5%	30,968	32,276	33,710	35,288	**37,034**
2.8%	31,154	32,491	33,959	**35,579**	37,376
3.0%	31,348	32,716	**34,221**	35,886	37,738
3.3%	31,552	**32,953**	34,498	36,211	38,121
3.5%	**31,767**	33,203	34,790	36,554	38,529

TS segment

	13.4%	12.9%	12.4%	11.9%	11.4%
4.3%	10,213	10,807	11,475	12,230	**13,093**
4.1%	10,058	10,629	11,267	**11,988**	12,807
3.8%	9,911	10,460	**11,072**	11,760	12,540
3.6%	9,772	**10,300**	10,888	11,547	12,290
3.3%	**9,639**	10,148	10,714	11,345	12,055

[7] The sensitivity analysis for the PT segment was calculated with an average WACC of existing and new contracts WACCs of 11.7%

Goldhar Corporate Finance

Total

	13.7%	13.2%	12.7%	12.2%	11.7%
4.3%	41,836	43,894	46,187	48,759	**51,666**
4.1%	41,503	43,504	45,727	**48,213**	51,013
3.8%	41,188	43,135	**45,293**	47,700	50,401
3.6%	40,887	**42,785**	44,883	47,216	49,826
3.3%	**40,602**	42,453	44,495	46,760	49,286

Goldhar Corporate Finance

Appendices

Goldhar Corporate Finance

A. PT valuation model

000'€	2015	2016	2017	2018	2019	2020	2021	2022	2023	2025	TV
Gross Contracts	**19,059**	**20,637**	**22,132**	**23,636**	**24,640**	**25,166**	**25,889**	**26,654**	**27,255**	**27,699**	
% of GPRS	23%	30%	37%	43%	50%	50%	50%	50%	50%	50%	
Non direct debit	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	
New terminals installaion fee	361	395	420	447	432	378	346	324	293	189	
Renting fee	7,090	7,677	8,233	8,793	9,166	9,362	9,631	9,915	10,139	10,304	
Mainteinance fee	915	991	1,062	1,135	1,183	1,208	1,243	1,279	1,308	1,330	
Telecom air fee	456	633	829	1,045	1,257	1,283	1,320	1,359	1,390	1,413	
Dunning 2	60	65	70	75	78	80	82	84	86	88	
Dunning 3	201	218	234	250	260	266	273	282	288	293	
Gross income for the yaer	**9,083**	**9,979**	**10,849**	**11,745**	**12,376**	**12,576**	**12,896**	**13,244**	**13,504**	**13,615**	**14,670**
Discounts:											4%
Early termination	(295)	(335)	(416)	(460)	(503)	(454)	(419)	(387)	(344)	(255)	
Refused	(422)	(496)	(601)	(680)	(741)	(668)	(618)	(572)	(509)	(391)	
Bankrupted	(72)	(90)	(118)	(134)	(149)	(135)	(127)	(118)	(105)	(78)	
Lost debt	(117)	(127)	(136)	(146)	(152)	(155)	(159)	(164)	(168)	(171)	
Total gross discounts	**(906)**	**(1,048)**	**(1,271)**	**(1,420)**	**(1,545)**	**(1,411)**	**(1,324)**	**(1,242)**	**(1,127)**	**(895)**	
Early termination fee	494	553	675	736	794	716	661	611	544	403	
Total net income for the year	**8,827**	**9,828**	**10,816**	**11,879**	**12,709**	**13,223**	**13,860**	**14,549**	**15,172**	**15,969**	**16,941**
Raw materials	(2,040)	(2,271)	(2,500)	(2,745)	(2,937)	(3,056)	(3,203)	(3,362)	(3,506)	(3,691)	(3,915)
Gross income	**6,787**	**7,557**	**8,317**	**9,134**	**9,772**	**10,167**	**10,657**	**11,186**	**11,666**	**12,278**	**13,026**
Operating costs:											
Salaries	(1,369)	(1,524)	(1,677)	(1,842)	(1,971)	(2,051)	(2,149)	(2,256)	(2,353)	(2,477)	(2,627)
Other expenses	(2,771)	(2,771)	(2,771)	(2,771)	(2,771)	(2,771)	(2,771)	(2,771)	(2,771)	(2,771)	(2,771)
Depreciation	(119)	(136)	(157)	(181)	(93)	(108)	(126)	(129)	(130)	(123)	(130)
Inflation adj.	(2,942)	(3,013)	(3,089)	(3,170)	(3,131)	(3,205)	(3,283)	(3,345)	(3,406)	(3,522)	(3,658)
EBIT	**2,476**	**3,020**	**3,550**	**4,121**	**4,670**	**4,912**	**5,224**	**5,585**	**5,907**	**6,280**	**5,525**
Tax on income					(965)	(1,670)	(1,776)	(1,899)	(2,008)	(2,135)	(1,879)
NOPAT	**2,476**	**3,020**	**3,550**	**4,121**	**3,705**	**3,242**	**3,448**	**3,686**	**3,898**	**4,145**	**3,647**
Adj:											
Depreciation	119	136	157	181	93	108	126	129	130	123	130
CAPEX	(119)	(136)	(157)	(181)	(93)	(108)	(126)	(129)	(130)	(123)	(130)
WC	465	340	336	361	282	175	217	234	212	100	168
FCF	**2,941**	**3,360**	**3,886**	**4,483**	**3,987**	**3,416**	**3,665**	**3,920**	**4,110**	**4,245**	**3,814**
Discounted Cash Flow	**2,792**	**2,859**	**2,945**	**3,011**	**2,371**	**1,799**	**1,709**	**1,617**	**1,501**	**1,218**	**10,087**

Goldhar Corporate Finance

B. Contracts flow 2015-2025

PT-existing contracts flow

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
O.B exsisting contracts	**14,930**	**12,372**	**9,840**	**7,479**	**5,256**	**3,641**	**2,601**	**1,808**	**1,103**	**509**	**111**
Early terminations	(508)	(411)	(372)	(260)	(150)	(22)					
Refused contracts	(737)	(615)	(547)	(400)	(224)	(32)					
Bankrupted contracts	(139)	(130)	(126)	(92)	(52)	(8)					
Total non swapped contracts discounts	**(1,384)**	**(1,157)**	**(1,045)**	**(752)**	**(426)**	**(61)**					
Remaining contracts last year	1,957	839	1,358	1,118	688	8					
Probability for renewal	40%	40%	40%	40%	40%	40%					
Rnewals current year	**783**	**336**	**543**	**447**	**275**	**3**	-	-	-	-	-
Updated last year	2016	2017	2018	2019	2020	2021					
Total remaining contracts ecluding swap discounts	**12,372**	**9,929**	**7,644**	**5,513**	**3,970**	**3,299**	**2,598**	**1,808**	**1,103**	**509**	**111**
Swaped contracts	**974**	**869**	**920**	**812**	**562**	**71**					
New ending year	2020	2021	2022	2023	2024	2025					
Swaps discount:											
Termination		(36)	(61)	(96)	(119)	(138)	(107)	(78)	(47)	(21)	(3)
refused		(48)	(91)	(136)	(176)	(204)	(160)	(117)	(71)	(31)	(31)
Bankrupcy		(5)	(13)	(24)	(34)	(42)	(35)	(27)	(16)	(7)	(0)
Total discount before renewals		**(89)**	**(166)**	**(257)**	**(329)**	**(385)**	**(302)**	**(222)**	**(135)**	**(60)**	**(34)**
Proability for silent renewal	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*
Last year swaps						*522*	*466*	*494*	*436*	*274*	*39*
swap renewals						209	186	197	174	110	15
C.B contracts	**12,372**	**9,840**	**7,479**	**5,256**	**3,641**	**2,601**	**1,808**	**1,103**	**509**	**111**	

PT- new contracts flow

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
O.B contracts	14,930	16,124	17,326	18,523	19,702	20,849	21,929	22,947	23,904	24,779	25,543
swaps& New contracts	4,129	4,512	4,805	5,113	4,938	4,317	3,960	3,707	3,351	2,852	2,157
Discounts:											
Early termination	(151)	(290)	(467)	(625)	(789)	(794)	(775)	(737)	(678)	(608)	(535)
Refused	(204)	(426)	(664)	(916)	(1,160)	(1,169)	(1,142)	(1,088)	(1,001)	(898)	(791)
Bankrupted	(22)	(61)	(116)	(170)	(228)	(234)	(232)	(221)	(204)	(184)	(164)
Total discount	**(376)**	**(778)**	**(1,247)**	**(1,711)**	**(2,177)**	**(2,198)**	**(2,148)**	**(2,045)**	**(1,883)**	**(1,689)**	**(1,490)**
Swapped											
C.B new contracts	**18,682**	**19,858**	**20,885**	**21,925**	**22,464**	**22,968**	**23,740**	**24,608**	**25,372**	**25,941**	**26,209**

C. TS valuation model

000'€	2015	2016	2017	2018	2019	2020	2021	2022	2023	TV
Market forecast	**9%**	**8%**	**8%**	**7%**	**7%**	**6%**	**6%**	**5%**	**4%**	
C.B terminal contracts	16,124	17,326	18,523	19,702	20,849					
% of Transaction Services custor	**75%**	**77%**	**80%**	**82%**	**85%**					
Total Transaction Services custo	12,036	13,381	14,786	16,237	17,721					
Old model revenues (Spreas income model):										
C.B contracts durring the year	9,626	6,626	5,126	3,876	2,876					
Average contracts durring the ye	10,126	8,126	5,876	4,501	3,376					
Old model revenues	1,204,554	966,641	698,989	535,423	401,597					
New model revenues (Brokering):										
C.B Brokering model contracts	2,410	6,755	9,660	12,361	14,845					
Average contracts durring the ye	1,205	4,582	8,208	11,010	13,603					
Revenue from Brokering model	214,972	817,672	1,464,506	1,964,598	2,427,250					
C.B total Transaction Services cc	12,036	13,381	14,786	16,237	17,721					
Total revenues	**1,445**	**1,849**	**2,282**	**2,685**	**3,093**	**3,282**	**3,463**	**3,635**	**3,794**	**4,088**
		28%	**23%**	**18%**	**15%**					
Gross income	**1,192**	**1,525**	**1,883**	**2,215**	**2,551**	**2,707**	**2,857**	**2,998**	**3,130**	**3,372**
Operating expenses:										
Salaries	(150)	(193)	(238)	(280)	(322)	(342)	(361)	(378)	(395)	
%	-21%	-21%	-21%	-21%	-21%	-21%	-21%	-21%	-21%	
Other epenses	(437)	(437)	(437)	(437)	(437)	(437)	(437)	(437)	(437)	
Depreciation	(20)	(26)	(34)	(41)	(24)	(32)	(38)	(39)	(39)	
Inflation adjusted depreciation&other expenses	(465)	(480)	(496)	(514)	(503)	(522)	(538)	(548)	(558)	
Operating Income	**577**	**853**	**1,149**	**1,421**	**1,726**	**1,609**	**1,698**	**1,782**	**1,860**	**2,004**
%	40%	46%	50%	53%	56%	49%	49%	49%	49%	49%
Income tax	(196)	(290)	(391)	(483)	(587)	(547)	(577)	(606)	(632)	(681)
Adj:										
Depreciation	20	26	34	41	24	32	38	39	39	
CAPEX	(20)	(26)	(34)	(41)	(24)	(32)	(38)	(39)	(39)	
Working Capital	299	106	114	106	107	51	49	46	43	40
FCF	**679**	**669**	**872**	**1,044**	**1,246**	**1,113**	**1,169**	**1,222**	**1,270**	**1,363**
Discounted Cash Flow	**641**	**562**	**651**	**694**	**737**	**586**	**548**	**509**	**471**	**5,241**

Goldhar Corporate Finance

D. Balance sheet

000' €	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
Non-current assets					
Goodwill	5,248	5,248	5,248	5,248	5,248
Intangible assets	359	200	42	28	14
Property, plant and equipment	132	118	277	479	485
Financial fixed assets	57	67	71	75	74
Deferred tax assets	1,685	1,685	1,685	1,685	1,685
Long term trade receivables	9,049	9,851	11,017	12,834	14,088
Total non-current assets	**16,530**	**17,169**	**18,340**	**20,349**	**21,594**
Current assets					
Inventories	593	541	361	386	736
Financial lease receivables	1,096	1,499	2,568	2,610	2,981
Trade receivables and other receivables	824	1,044	785	679	843
Deferred charges and accrued income	117	182	185	53	19
Cash and cash equivalents	148	118	115	97	915
Total current assets	**2,778**	**3,384**	**4,014**	**3,825**	**5,494**
Total assets	**19,308**	**20,553**	**22,354**	**24,174**	**27,088**

000' €	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
Non-current liabilities					
Financial debts due after one year	429	879	2,305	1,593	3,231
Lease debts due after one year	892	360	-	-	69
Trade debts due after one year	3,154	2,699	1,306	385	-
Other debts due after one year	-	-	-	150	111
Total non-current liabilities	**4,475**	**3,938**	**3,611**	**2,128**	**3,411**
Current liabilities					
Financial debts due within one year	166	425	1,105	2,323	1,443
Lease debts due within one year	623	544	360	17	30
Trade debts	2,241	2,547	2,885	3,269	3,533
Social and fiscal debts	280	213	302	242	300
Other liabilities	100	1,202	80	37	22
Deferred income and accrued charges	99	146	213	337	367
Total current liabilities	**3,509**	**5,077**	**4,945**	**6,225**	**5,695**
Total liabilities	**7,984**	**9,015**	**8,556**	**8,353**	**9,106**
Joint-Venture-PIE	0	0	0	28	0
Equity					
Issued capital	6,069	6,200	7,700	8,479	8,490
Share premiums	4,522	4,522	4,522	4,709	4,716
Other reserves	-	-	-	-	
Reserve warrants	287	287	537	537	797
Retained earnings	446	529	1,039	2,068	3,979
Total equity	**11,324**	**11,538**	**13,798**	**15,793**	**17,982**
Total equiuty and liabilities	**19,308**	**20,553**	**22,354**	**24,174**	**27,088**

Goldhar Corporate Finance

E. P&L

000' €	31/12/2011	31/12/2012	31/12/2013	31/12/2014
Turnover	5,784	8,280	8,749	9,718
Raw materials and consumables	(979)	(1,897)	(1,903)	(2,318)
Gross profit	**4,805**	**6,383**	**6,846**	**7,400**
Operational expenses				
Other profits and losses	582	171	335	278
Salaries and employee benef	(1,256)	(1,269)	(1,405)	(1,478)
Depreciation	(176)	(196)	(84)	(141)
Impairment losses on goodwill				(100)
Net impairment of current as	(1,218)	(1,177)	(1,863)	(1,002)
Net changes in provisions				
Other expenses	(2,746)	(3,504)	(3,351)	(3,587)
Total operating expenses,net	**(4,814)**	**(5,975)**	**(6,368)**	**(6,030)**
Operating profit	**(9)**	**408**	**478**	**1,370**
Financial income	793	812	875	1,005
Net income before tax and fin	**784**	**1,220**	**1,353**	**2,375**
Financial expenses	(701)	(710)	(293)	(442)
Profit before tax	**83**	**510**	**1,060**	**1,933**
Taxes on the result	-	-	-	-
Profit/(loss) for the period from continuing operations	**83**	**510**	**1,060**	**1,933**
Result from Joint Ventures	**-**	**-**	**(31)**	**(23)**
Profit/(loss) for the period	**83**	**510**	**1,029**	**1,910**

Goldhar Corporate Finance

F. Comparable companies

- **Global Payments** - provides electronic transaction processing, information systems, and services. The Company serves the financial, corporate, government and merchant communities on a worldwide basis. Global Payments provides funds transfer, merchant services, merchant accounting, Internet services, and other services.

- **Total System Services**- provides electronic payment processing and related services to financial and nonfinancial institutions. The Company's services include processing consumer, retail, commercial, government services, stored value and debit cards. Total System serves institutions throughout the United States and internationally.

- **Fiserv**- provides integrated information management and electronic commerce systems and services. The Company's solutions include transaction processing, electronic bill payment and presentment, business process outsourcing, document distribution services, and software and systems solutions.

- **Heartland Payment Systems**- provides bank card-based payment processing services to small-and medium-sized merchants in the United States

- **Wirecard** - offers Internet payment and processing services. The Company provides software and systems for online payment, electronic funds transfer, fraud protection and enterprise solutions. Wirecard also offers call center services.

- **Ingenico** - provides solutions for electronic payment transactions including hardware, software and services across all channels (point of sale, mobile, online). The Company operates under through three businesses, Smart Terminals, Payment Services and Mobile Solutions.

- **Mi-Pay Group** - provides a mobile payment service platform. The Company's services include prepaid reload, calling card payments, bill payments, purchases, stored value accounts and person-to-person payments.

- **Shenzhen Xinguodu Technology** - develops produces, sells financial and communication application system and specialized equipment. The Company's products includes management information system dedicated password protected keyboard, point of sale terminals and phone payment terminals.

Goldhar Corporate Finance

The following table presents several financial highlights of the comparable companies and Keyware:

Comparable name	Ticker	Country	Share price	Market cap (000'€)	EBITDA margin	Profit margin	P/E
Ingenico	ING FP	France	87	5,013,082	23%	11%	27
Wirecard	WDI GR	Germany	36	4,501,850	29%	18%	41
Worldline*	WLN FP	France	16	2,110,825	17%	9%	21
Global Payments	GPN US	United States	67	4,512,685	21%	10%	22
Total System Services	TSS US	United States	28	5,217,432	28%	13%	22
Fiserv	FISV US	United States	59	14,309,316	32%	15%	25
Heartland Payment Systems	HPY US	United States	45	1,614,960	8%	1%	34
Mi-Pay Group	MPAY LN	Britain	-	14,879	-	-	-
Shenzhen Xinguodu Technologies	300130 CH	China	3	369,183	4%	12%	35
Keyware Technologies	**KEYW BB**	**Belgium**	**3.3****	**11,855**	**24%**	**20%**	**11*****

*Worldline's wasn't taken into account as a comparable company for the WACC calculation, due to the fact that Worldline is not traded enough time and using its trading data would result a significant inaccuracy.

** Keyware's EBITDA as of the Valuation Date was taken from the press release from March 2015. The share price of keyware presented in this table is based on the derived share price from this valuation report, while the comparable companies share price presented is according to the quoted share price as of the Valuation Date.

***It should be noted that the quoted P/E ratio of Keyware, as presented above, is based on Keyware's latest financial statements released (financial statements as of September 30,2014) and not on the actual latest results as of December 31, 2014. Due to the fact that the results for the 12 months of 2014 are significantly higher compared to previous quarter, it should be taken into consideration that the actual P/E ratio as of the Valuation Date is lower than the above presented