KEYWARE TECHNOLOGIES

Keyware
your N°1 payments partner

2016

annual report

POS•e-commerce•m-commerce

2016

annual report

General Meeting

The Ordinary General Meeting of Keyware Technologies NV will be held on **26 May 2017** at 3 p.m. at the registered office of the company at Ikaroslaan 24, 1930 Zaventem.

Availability of the Annual Report

This Annual Report is available in Dutch, French and English. Keyware has checked the translation and the correspondence between the official Dutch language version and the French and English versions. In the event of any contradiction between the Dutch and the other versions, the Dutch-language version shall take precedence.

Moreover, an electronic version of this Annual Report is available via the website of Keyware Technologies NV (www.keyware.com).

Subsidiaries

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* subsidiary as from 01/01/2017

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Letter to our shareholders

In 2016, Keyware laid firm foundations for the roll-out of new payments technology in the years ahead. Besides a growing number of customers, the growing number of electronic transactions via payment terminals was the main driver of Keyware's growth in 2016.

Dear Shareholder,

On behalf of myself, the Keyware team, our customers and partners, I would like to thank you for your trust in Keyware Technologies. I would like to single out 2016 as a pivotal year for Keyware: geographical expansion of our business activities, investment in complementary payments technology and another record set of financial results. And with the acquisition of EasyOrder at the beginning of January 2017, we have also made our entrance into the world of ordering and payment apps.
With this move, Keyware is declaring its intention of both expanding its geographical market share and playing a leading role as an omnichannel payments specialist.

With the incorporation of Keyware Transactions & Processing GmbH, Keyware is launching its services on the German market. In terms of electronic payments, Germany is lagging quite a way behind countries like Belgium, France, the Netherlands or the Scandinavian countries. According to estimates, some 79% of all payments in shops are made using cash. As the region's largest economy, it offers major growth potential in the long term.

The stake in French fintech company Magellan gives Keyware access to the fast-growing market of consumer payments by instalments on the one hand, and on the other, technologically advanced payment platforms including payments using smartphones. These are offered to professional service providers in the field of electronic payment transactions such as banks, financial service providers, bank card issuers, etc.

Payments by instalments where the merchant enables the consumer to pay by instalments just by accepting their bank card is already a hit in Scandinavia. For the merchant, this means a significant administrative simplification (no need to draw up a credit application), while consumers benefit from direct processing at the checkout. Due to the growing squeeze on consumers' purchasing power, we see this payment method as being a great success in future in our home markets too.

According to the ECB (European Central Bank), the number of payment transactions continues to rise year on year, but the number of electronic payments is rising in comparison with cash payments. At the same time, new forms of electronic payment are being launched, such as payment apps. Keyware believes that the market for such apps. is highly complementary

to that for more traditional card payments. In 2016, the decision was also taken to invest in this, which resulted in the take-over of EasyOrder at the beginning of 2017.

EasyOrder offers merchants, government and the professions a personalizable m- and e-commerce shop with Internet interface, enabling their customers to order and pay for products and services quickly and simply via an app (for Apple, Microsoft and Android) for smartphones and tablets. A large differentiator from other solutions is the zero development time and immediate usability for the customer.

In terms of growth figures, at the end of 2016, Keyware had net 1,200 contracts more than in the year before. We realized a turnover growth of 11.4% and a 4.6% increase in EBITDA. Undoubtedly the best result ever in the history of our company.

Finally, we would like to take a look back at the 'Keyware 20' festive year that has just passed. Since the company was founded in 1996, Keyware has always demonstrated a dynamic approach and a clearly defined vision and strategy. In that way, we have expanded to become a fully-fledged player and a fixture on the payment services market. In the past year, we have celebrated our achievements fittingly with our customers, partners and our workforce. We would like to take this opportunity to thank them once again for their trust in our company. A company that will continue to strengthen its position at home and abroad in 2017.

Yours faithfully,

Guido Van der Schueren
Chair of the Board of Directors

AlphaValue Corporate Services: Buy recommendation with target price 2.48 EUR

Opening Keyware Transactions & Processing GmbH in Germany

Keyware buys stake in French fintech company Magellan SAS

Milestones 2016

Turnover 2016
+ 11%

Keyware pays out a dividend for the first time

Keyware becomes Bancontact Certificate Holder

First quarter

Keyware allows municipal and local authorities to save on payments transactions

- Keyware has been an established partner for many municipal and local authorities for over 5 years
- Costs reduced for replacement of existing electronic payments solutions, by amounts ranging from 20 to as much as 50%
- Efficiency improvements of more than 20% from the switch to electronic payments
- New customers include Tournai, Enghien, Ath, Knokke, Koksijde, Oostduinkerke, Fléron, Dilbeek, Scherpenheuvel, Veurne, Farciennes, Wezembeek-Oppem, etc.

Keyware started 2016 with 40% more gross profit and 15% higher turnover

- Turnover passes the 4 million euro mark
- EBITDA rises from 785 kEUR to 1,180 kEUR, up by 50.3%
- Pre-tax profit grows from 716 kEUR to 1,006 kEUR, up by 40.5%
- Net profit is 749 kEUR compared with 926 kEUR
- Financial and trade and other debtors reduced by 291 kEUR and 699 kEUR compared with 31 December 2015

Arrowhead issues a Due Diligence & Valuation Report about Keyware

- Fair share value according to DCF-method: 2.55 EUR - 3.10 EUR

KV Oostende increases professionalism of fanshop with Keyware

- Ostend's professional football club now has five ultra-modern and extremely fast payment terminals, enabling it to sell shirts, scarves and smartphone covers efficiently
- Ticket sales also happen via the Keyware terminals

Keyware invited for KBC Securities Bolero webinar

Goldhar Corporate Finance issues a Valuation Update about Keyware

- Fair share value according to DCF-method: 2.27 EUR - 2.90 EUR

Second quarter

Keyware becomes Bancontact Certificate Holder

- Keyware signs a contract with Bancontact Company NV making the company a Certificate Holder within the 'Terminal Provider' and 'POS Gateway' categories
- Due to the new partnership, Keyware can provide Bancontact services direct to its customers
- Keyware anticipates positive impact on turnover and results of payment transaction services

Arrowhead issues a Due Diligence & Valuation Report about Keyware

- Fair share value according to DCF-method: 2.60 EUR - 3.19 EUR

Goldhar Corporate Finance issues a Valuation Update about Keyware

- Fair share value according to DCF-method: 2.50 EUR - 3.41 EUR

AlphaValue Corporate Services issues a “buy recommendation” for Keyware

- Target price: 2.61 EUR

Keyware takes part in the 11th European Smallcap Summit in Paris

Keyware launches 20 Years of Keyware campaign and keyware20.be campaign site

Keyware opens German site

- Keyware Transactions & Processing GmbH, a wholly-owned subsidiary of Keyware Technologies NV, has been offering payment terminals and transaction services on the German market as from the fourth quarter of 2016
- The growth potential of electronic payments in Germany, the size of the market, the comparable technology and the strong economic performance is the main motivation for Keyware entering the German market

Half-year 2016: Strong growth in authorization revenues boosts Keyware's half-year result

- The operational cashflow (EBITDA) for the first half-year was 2,740 kEUR compared with 2,225 kEUR for the first half of 2015, which was an improvement of 515 kEUR or 23.2%
- The net profit was 1,116 kEUR compared with net profit of 1,438 kEUR for the second quarter of 2015, down 322 kEUR or 22.4%. This difference was attributable to the fact that in the second quarter of 2015, deferred tax receipts of 212 kEUR was accounted for in comparison with 181 kEUR of deferred tax liabilities in the second quarter of 2016
- The net cashflow was 1,632 kEUR compared with 1,841 kEUR for the second quarter in 2015

Third quarter

Keyware announced dividend payment

- A gross dividend of 0.02 EUR per share will be paid out
- In comparison with the net profit for the last financial year, this dividend represents around 8% of the result
- The majority of the net profit will be used to fund Keyware's growth plans

Keyware is starting the programme for buying back up to 1 million EUR worth of its own shares

Keyware increases capital by exercise of warrants

- Capital was increased by the exercise of 35,000 warrants

Keyware buys stake in French fintech company Magellan SAS

- Keyware announces the signature of a 40% equity purchase in fintech company Magellan SAS for a guide price of 4,000 kEUR
- High-end customer portfolio consisting of banks, processors, financial service providers, private label cards, etc.

Impact of the growth in authorization revenues on profitability confirmed in the third quarter too

- Pre-tax profit increases from 2,983 kEUR to 3,200 kEUR
- EBITDA rises from 3,455 kEUR to 3,671 kEUR
- Turnover rises by 5.8% from 12,513 kEUR to 13,239 kEUR
- Net profit amounts to 2,397 kEUR compared with 3,617 kEUR, with difference largely explained by deferred taxation (non cash)
- Financial liabilities rose by 2,383 kEUR compared with 31 December 2015 due to the financing of 3,000 kEUR in the context of the acquisition of Magellan SAS.
- Trade and other payables were reduced by 833 kEUR compared with 31 December 2015.

Fourth quarter

Card data will be even harder to steal in future

- Via its fintech subsidiary Magellan, Keyware acquired the prestigious PA DSS 3.1 security certificate for the SET2U payment software platform
- In particular, the certificate for the technology makes 'tokenization' much cheaper
- The data is completely secure due to the encryption via the SET2U platform
- Customers who integrate SET2U into their payment environment can have a technological and financial edge over their competitors. Keyware aims to offer the platform as a SaaT (software as a transaction)

Keyware appeals against judgement

- Keyware was fined 720 kEUR by the Brussels criminal court for offences against the Code of Economic Law.
- Keyware is appealing the judgement, deeming the facts of the case to be unproven and the vendors who are alleged to have committed the offences were dismissed
- Keyware assures its existing customers and its shareholders that the appeal and the trial will have no influence whatever on the day-to-day service provision by the company. Even if the fine is upheld, this will not pose a problem: Keyware has adequate cash reserves

Keyware is completing its share buy-back programme

Keyware group recorded 11% growth in turnover in 2016

- Turnover was 18,721 kEUR, a rise of 1,918 kEUR
- EBITDA rose 231 kEUR from 4,993 kEUR to 5,224 kEUR
- Pre-tax profit was 4,192 kEUR, up 164 kEUR
- A 40% stake in Magellan SAS was acquired, which made a proportional contribution to the Group's net results of 105 kEUR (Q4-2016)

Arrowhead issues a Due Diligence & Valuation Report about Keyware

- Fair share value according to DCF-method: 2.69 EUR - 3.26 EUR

AlphaValue Corporate Services maintains a "buy recommendation" for Keyware

- Target price: 2.48 EUR

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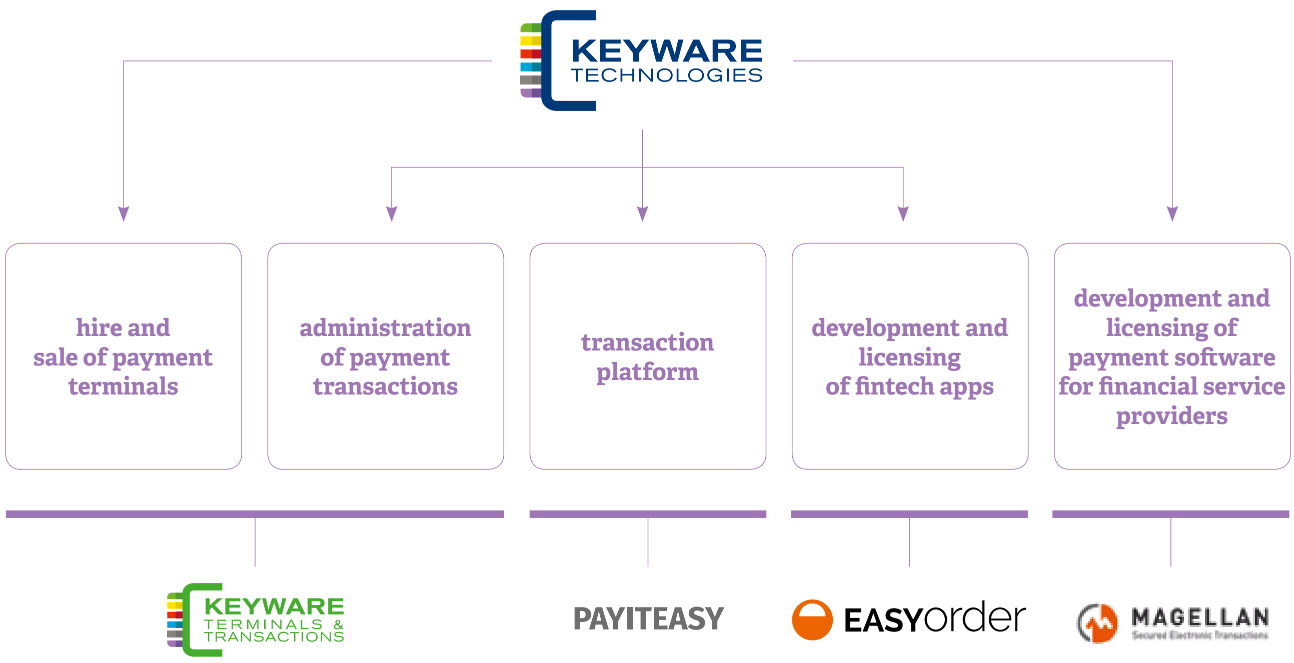
Presentation of the company

Keyware, the omnichannel payment service specialist

Keyware specialises in the provision of payment services to both financial service providers and the market of merchants, the professions and government.

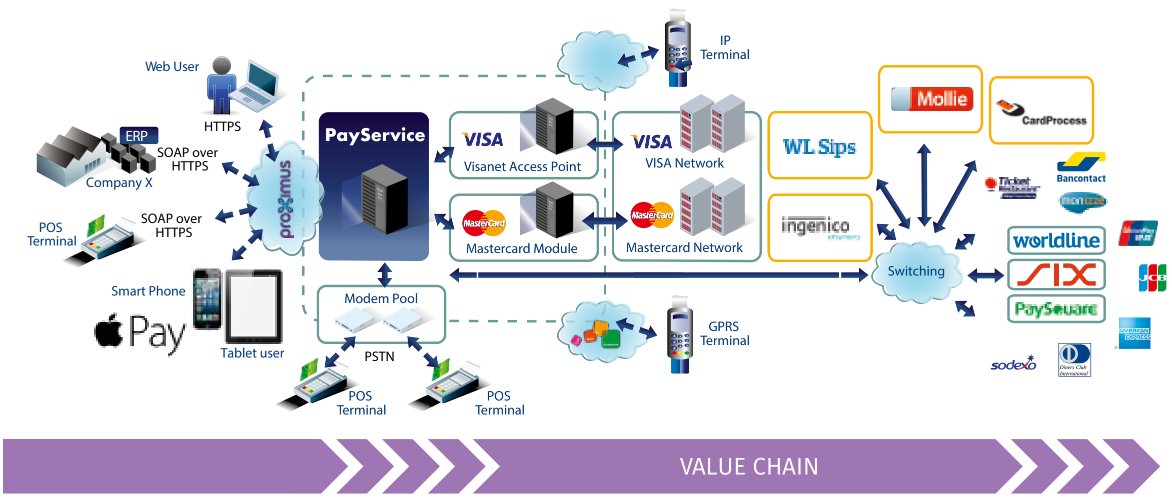
The parent company and stock-market listed company Keyware Technologies holds stakes in a number of entities that jointly form a logical whole for the further geographical and technological development of the company.



Keyware Terminals & Transactions, an independent P-NSP

Under the Keyware Terminals & Transactions brand, Keyware is positioning itself as an independent P-NSP (Payment Network Service Provider) in Belgium and Germany. Under this name, Keyware provides payment terminals and transaction subscriptions mainly to merchants, the professions and government. To do this, Keyware uses its proprietary PayService payment transaction platform, in combination with payment terminals from global players Ingenico and Worldline, and acquiring services from players including PaySquare, Six and Worldline.

This enables Keyware to process all widely-used payment cards ((Visa, Mastercard, Diners, JCB, Amex, V-Pay, Maestro, Geldkarte, Bancontact, Union Pay, EC, ...) on a wide range of payment terminals. This is done using traditional bank cards as well as contactless technology.



Via PayService, Keyware can add new technology and service partners quickly and efficiently, so that Keyware's customers can benefit from new developments in the field of electronic payments rapidly and economically.

EasyOrder, an innovative ordering and payment app

EasyOrder gives retailers, government and the professions an m- and e-commerce shop with an internet interface enabling their customers to order and pay quickly for products and services via an app (for Apple, Microsoft and Android) for smartphones and tablets.

In order to optimize its service provision, various service providers are exploring the possibilities of the Internet and mobile applications. However, the penetration of such applications remains relatively low, apart from large players such as Amazon, Zalando or Bol.com. That is not least due to the high cost of custom developments, for example in terms of acquisition, maintenance and day-to-day usage.

EasyOrder, the innovative ordering and payment app, provides an answer to those requirements:

- fast and intuitive to install and use
- usable immediately for direct marketing to customers
- simple tracking of orders and payments
- suitable for various payment options
- can be integrated into the working environment

In this way, EasyOrder facilitates the optimization of labour costs, reducing queues and superfluous stocks or production as well as increased visibility and turnover.

download app, register, select products and confirm → **choose collection or delivery method and time** → **choose payment method** → **confirm** → **receipt of confirmation**

Existing partners for EasyOrder are Belfius Bank, Worldline, Lightspeed and Citie.

Magellan, high-end financial transaction software

With Magellan, Keyware provides its customers secure transaction services via three software solutions via its own servers: SET2U, S-TOKEN and SPLIT.

SET2U is a payments platform that can be used all over the world, which reduces the complexity of payment environments by centralizing all the transactions: payments, cash withdrawals, banking services, prepaid systems, loyalty cards and authentication. The platform is modular, open and interoperable, and has a superior range of functionality:

code management, acquisition, management of acceptance equipment (cash machines, POS, controller, terminals) and their applications, routing, authorisation, access to foreign and international networks, compensation, risk and fraud management and anonymization of data. SET2U has a wide range of channels available, of equipment for acceptance, payment means and services, networks, mPOS, customer in control, NFC, PNF, ...

S-Token is a tokenization manager, in compliance with PCI DSS and EMVCo recommendations. S-TOKEN enables the critical data to be secured or desensitized, by replacing the sensitive data with irreversible tokens with no intrinsic value. This renders data unusable if it is compromised. Last but not least, the solution contributes to cutting costs, safeguarding investments and facilitating implementation of standards like PCI DSS 3.0. In addition, S-Token makes it easy to analyse decisions by anonymizing data used for third party applications: Big Data, Card Linking Offer, marketing analyses, ...

SPLIT is the new standard for PNF, payment in instalments by bank card. SPLIT is a way of paying without formalities, which occurs like an ordinary payment with a bank card, and which is a response that demand for microcredit is starting to rise all over Europe.

Keyware-ID

- Keyware was founded in 1996. Since 2000, Keyware has been listed on the stock market, initially on Nasdaq Europe and then on NYSE-Euronext and now Euronext, under the symbol KEYW.
- As an omnichannel payment services specialist, Keyware has positioned itself on the markets for Payment Network Service Provision, innovative ordering and payment applications and high-end financial transaction software.
- Keyware currently operated in Belgium, Germany, France and French overseas departments and territories.
- Keyware is a fast-growing, profitable company with dependable partnerships with various global players within the electronic payments value chain, such as terminal makers Ingenico and Worldline and transaction partners like Worldline, Six Pay, PaySquare and EMS.
- Above all, Keyware is an ambitious company, with an end-to-end integrated corporate structure, a sound shareholder base and a focus on maximizing value for its various stakeholders.

Key figures

Capital and reserves
7,870,294 EUR

Number of shares
21,223,793

Number of shares fully-diluted
23,539,322

CAGR
16.9% since 2011

EBITDA margin
28%

Employees
68 FTEs

Financial figures 2016

Turnover
18,721 kEUR (+11.4%)

EBITDA
5,224 kEUR (+4.6%)

Pre-tax profit
4,192 kEUR (+4.1%)

The ecosystem within the world of electronic payments

The implementation of a payment card transaction - using a debit or credit card, for example - involves various processes and actors. Various roles within the payment process can be carried out by one or more participants. The following main stakeholders can be identified:

Cardholders

Generally speaking, we define cardholders as consumers who are carrying out a non-cash payment transaction, in which they are buying goods or services from a merchant. The payment transaction can occur via a credit card, a debit card, a prepaid card, gift card, etc. Cards may be physical or virtual (e.g. via a smartphone), they can be for one-off or permanent use, anonymous or personalized, etc.

Merchants

'Merchant' is used as a general term for the party who supplies goods or services to the consumer and is paid for this via a payment card.

Payment acceptance processing providers

They provide the merchant with the necessary infrastructure to capture the card data, send it and receive payment authorizations.

Acceptance related service providers

They provide the merchant with additional services such as couponing, loyalty or ticketing functionality on the payment terminal, electronic meal tickets, etc.

Acquirers

These are banks or payment institutions that give the merchant access to the card systems that they want (such as MasterCard, Maestro, Visa, V Pay, Bancontact, JCB, Diners, ...). The merchant receives what is known as a merchant account for this purpose. The acquirer receives the consumer's payment via the issuing bank and puts it into the merchant's account, minus the associated charges.

Acquiring processors

Acquiring processors provide payment transaction services to the acquirers. They handle the front-end and back-end processing. On the one hand, they send the transaction data received from the merchant via the right channels in order to obtain payment authorization via the debit or credit card systems concerned, and on the other hand, they handle clearing and settlement of the transactions on the merchant's bank account.

Card systems

Well-known card systems include Visa, MasterCard, JCB, Diners, EC or Bancontact. Each card system has its own rules concerning transaction processing, charges, etc.

Clearing and settlement institutions:
They handle the clearing and settlement of payment transactions between the 'acquiring' and 'issuing' banks.

Issuing processors

They handle the authorization of transactions received via the card systems' networks and arrange clearing and settlement of each transaction via the original account.

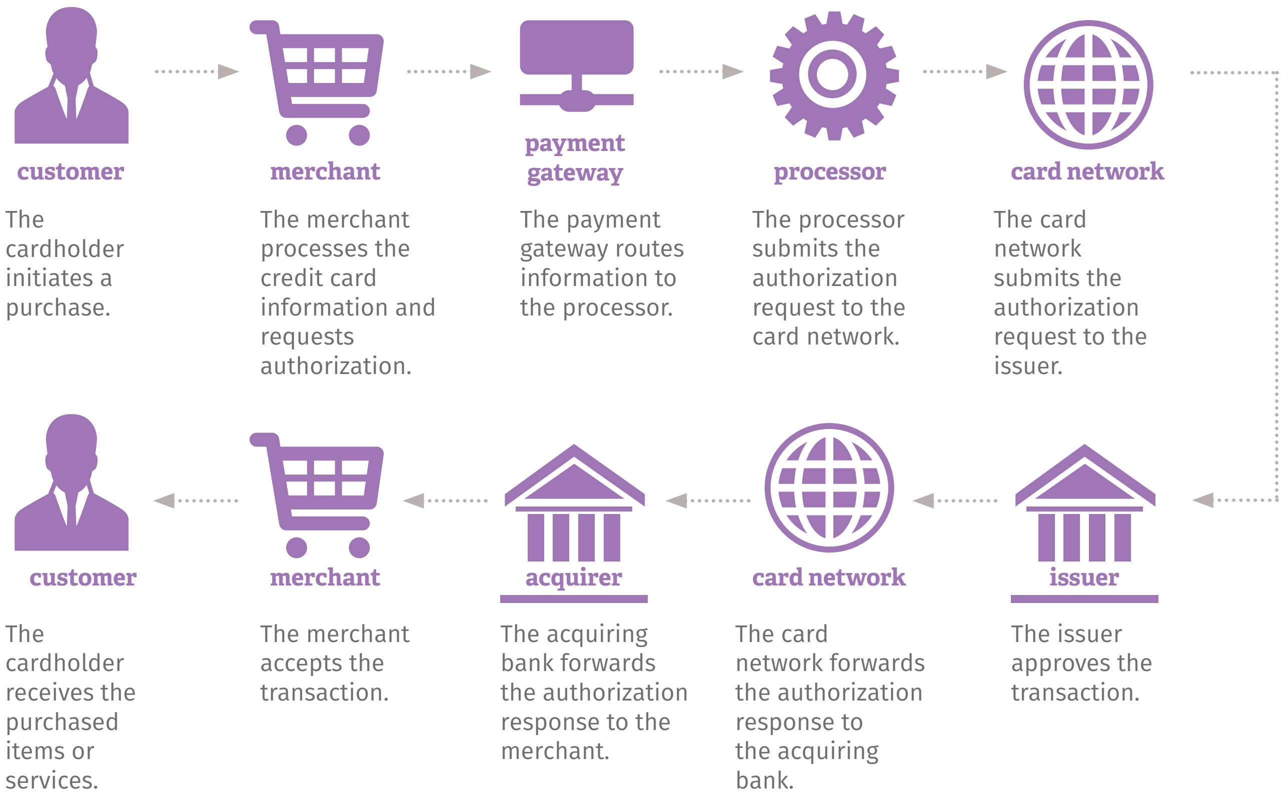
Issuing card management service providers:
They don't manage transactions, but rather the management aspects of card issuing.

Issuing banks

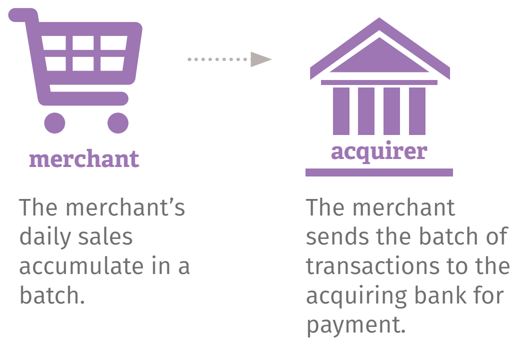
These banks distribute the payment cards, which allow one or more payment arrangements.

Example of processing of payments by credit card to a merchant

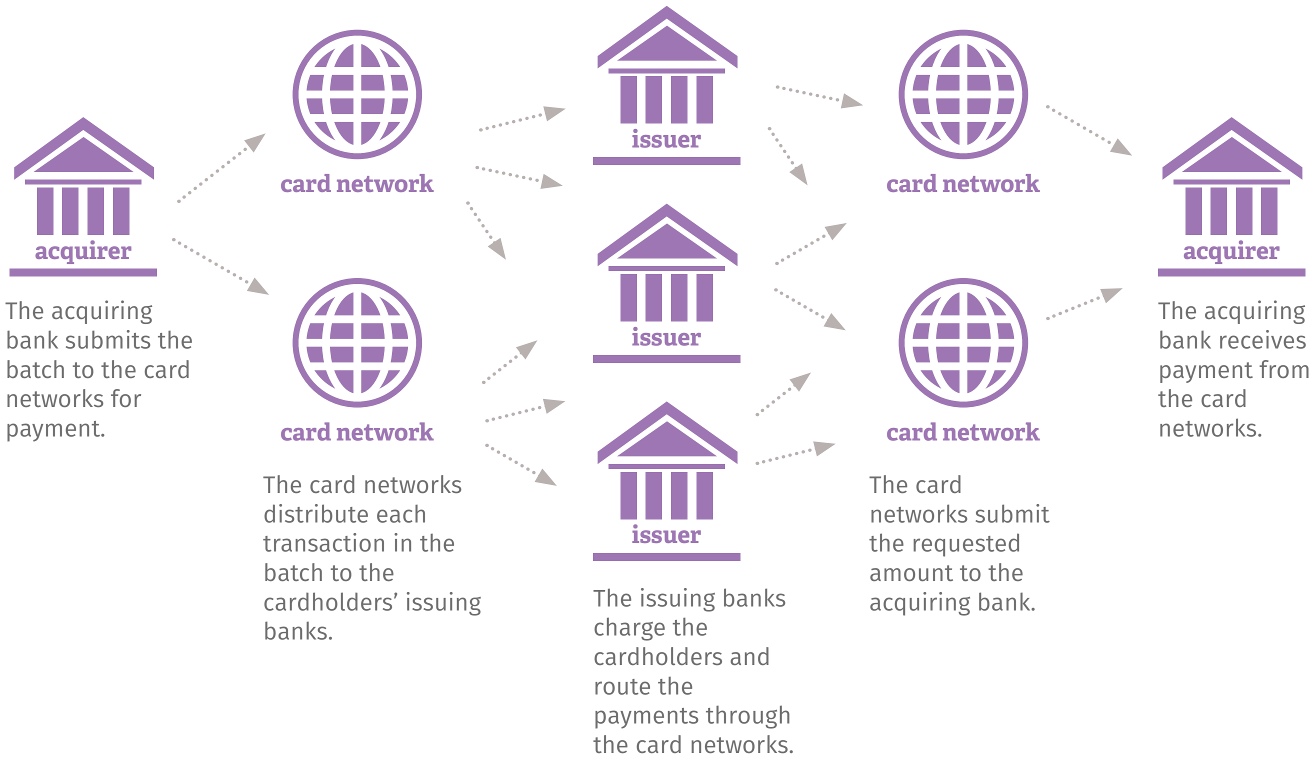
1. Authorization



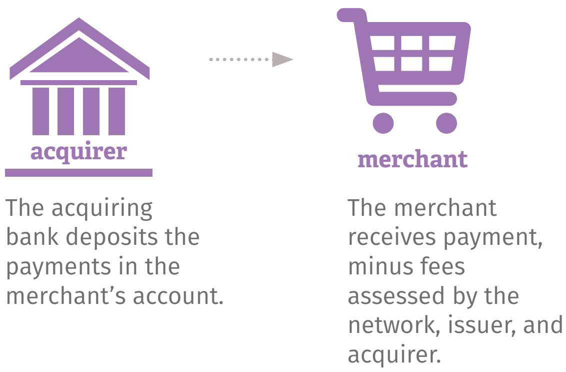
2. Batching



3. Clearing



4. Settlement



Customers and markets

Keyware Terminals & Transactions: personalized payment solutions

Keyware aims to maximize value for its customers when it comes to payment solutions.

This is achieved by:

- seamlessly integrating the payment solution provided into the customer's working environment
- setting up the whole process from sales and ordering to installation, invoicing and maintenance in a way that maximizes efficiency.

In this way, customers have the best Keyware solution on the best terms, in every phase of their business activity.

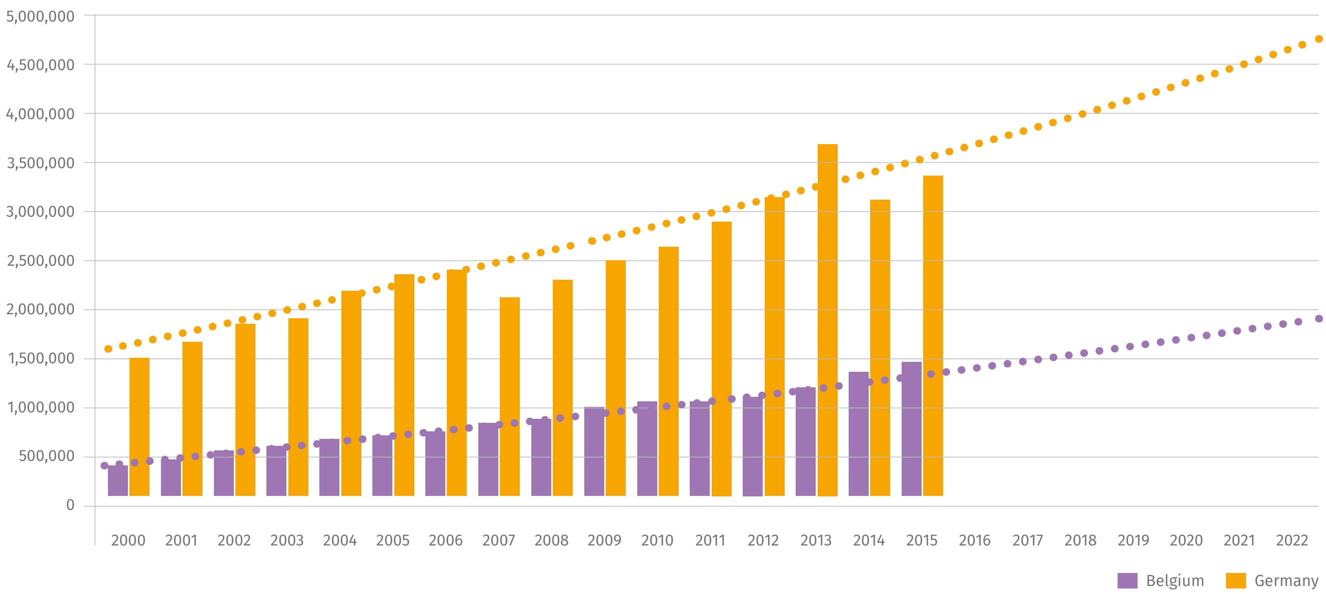
In order to optimize its range of payment solutions, Keyware has entered into agreements with various global players such as Ingenico, Worldline, EMS, Six en PaySquare concerning payment terminals and transactions. This means that Keyware can offer innovative and upgradeable solutions for both large and niche market segments.

Despite the launch of all sorts of new payment options in the form of various apps, the payment terminals market remains a major growth market. Both in Belgium and Germany, the two regions where Keyware distributes payment terminals, a lot of businesses still have to make the (partial) switch from cash to electronic payment transactions. Thanks to progress in technology and the increasing attractiveness of payment transactions even for smaller amounts, new sectors are showing interest in card payments.

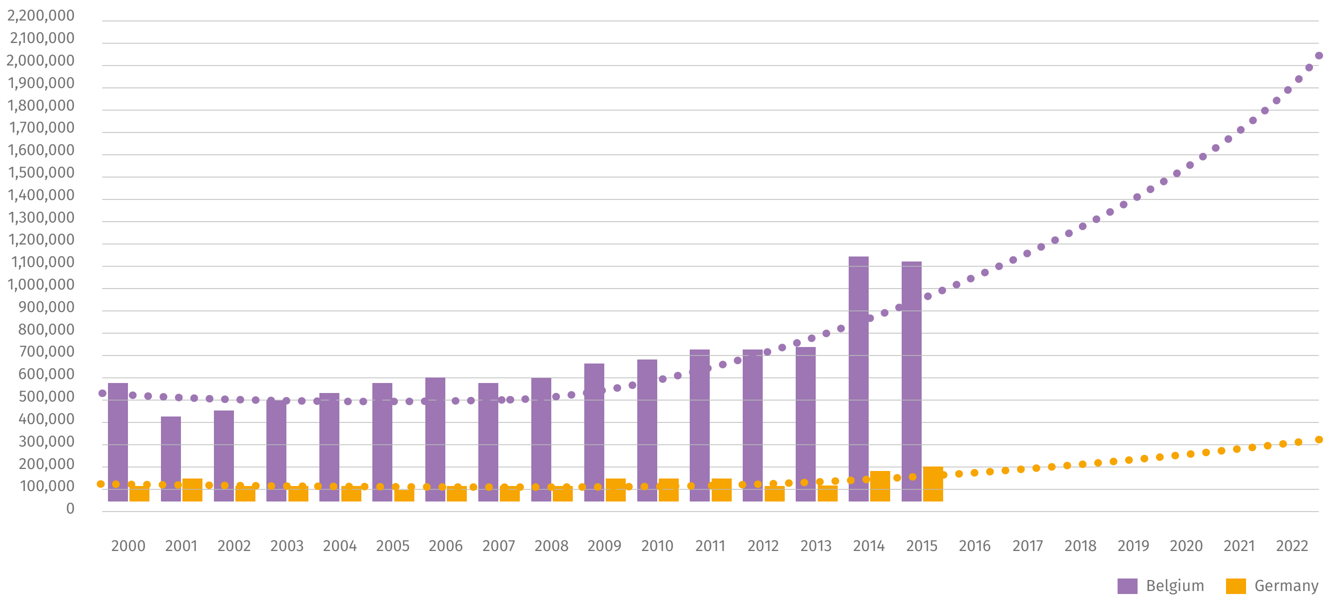
The graph on the next page, based on figures from the ECB (European Central Bank) shows how Keyware sees the market for payment terminals and payment transactions in the next few years.

This characteristic approach results in a customer base that is growing every year, falling maintenance costs and increasing customer satisfaction.

Change in number of payment transactions on POS terminals



Change in number of POS terminals



Today, around 20,000 customers are taking advantage of a personalized Keyware payment solution, in various sectors: hospitality, government, retail, the professions, transport, home care, installers, etc.


HEALTH CARE
CORPORATE
LIBERAL PROFESSIONS
GOVERNMENTS
DOOR TO DOOR
AUTOMOTIVE
RETAIL
HORECA
TRAVEL

EasyOrder: your ordering and payment app within reach

Payments technology is evolving all the time. New applications and brands are being launched at regular intervals. We make a distinction between:

- banking apps, which banks use to have payments made via their app
- payment card apps, which are often a virtualization of existing payment cards
- payment apps, which payment services use to make transfers between accounts
- wallet apps, which digitize various cards
- etc.

While various of these apps can also communicate with the new generations of payment terminals, others are geared to environments where a payment terminal is not necessarily present.

Keyware regards these new developments mainly as a complementary market. They will probably contribute to the ratio of cash to electronic payments falling still further, which will further increase the market potential for electronic payment transactions.

Of course, Keyware is keeping a close eye on the introduction and the potential of these applications. An initial result of this market analysis is the take-over of EasyOrder. EasyOrder enables Keyware to offer merchants, the professions and government a software licence and a personalizable e- and m-commerce shop with associated ordering and payment application suitable for iOS, Microsoft and Android devices.

EasyOrder offers an answer to the following frequently-asked questions:

- how to generate extra business?
- how can waiting times at the checkout be reduced?
- how to optimize the availability of staff?
- how to promote products or services efficiently to my target group?
- how to increase my reachability, both regionally and 24/7?
- how can I manage my offering easily myself?

During the first quarter of 2017, Keyware started selling EasyOrder on the Belgian market in the Food and Near Food sectors. These are both sectors that were among the latest to adopt e-commerce, but now they are experiencing the fastest growth, characterized by a high purchasing frequency.

Magellan: professional transaction software

Consumers' expectations are growing all the time. They want a unique shopping experience, regardless of time, place and the payment method that they are using. They don't care that much about the underlying technology. On the other hand, they expect the payment options to be fast and flexible, yet secure and with clear reporting.

Professionals not only have to take these requirements into account, but also comply with different national and international legislation. They have to do this on a continuous basis, without putting up their operating costs. In a payments world where the pace of change is ever-faster, and the number of transactions is growing day after day and where the consumer is only a few clicks away from the competition, that is an almost impossible challenge.

That is why the payment transaction platform SET2U was developed within Magellan. Modular, upgradeable, a secure payments hub for a variety of payment options and parties. SET2U adapts to the needs of banks, lending institutions, processors, payment institutions, shops, companies and private institutions.

It is not just security of payment transactions that is important, but secure storage of various related data such as card details is crucial too. It is still the case that a large proportion of computer hacks relating to payment details target companies that store card numbers. Therefore, the various parties involved in carrying out and managing electronic payment transactions must comply with the PCI DSS standard.
Magellan S-TOKEN not only protects critical data, but also helps in the development of new applications based on the EMVCo standards (NFC, e-wallet, HCE (host card emulation), e-wallet SE (Sim Based Secure Element), tokens service provider) and compliant with the PCI DSS standard.

Magellan has introduced SPLIT, the new standard for making a payment with a bank card in several instalments. Without having to make a specific credit application or other bureaucratic hassle, the merchant can decide to allow the customer to spread the payment for a purchase over a number of instalments. This is not just a way of increasing customer loyalty, but increased sales or a faster purchasing decision by the consumer are genuine advantages.

In this way, the Magellan software and services form a major part of the whole chain of players during the execution of electronic transactions:

banks

- card issuers
- acquirers
- credit organizations

payment service providers

- processors
- electronic banking providers
- payment service providers
- payment institutions

specialist firms

- private label cards
- manager of payment instructions
- prepaid card issuer
- telecom operators
- integrators

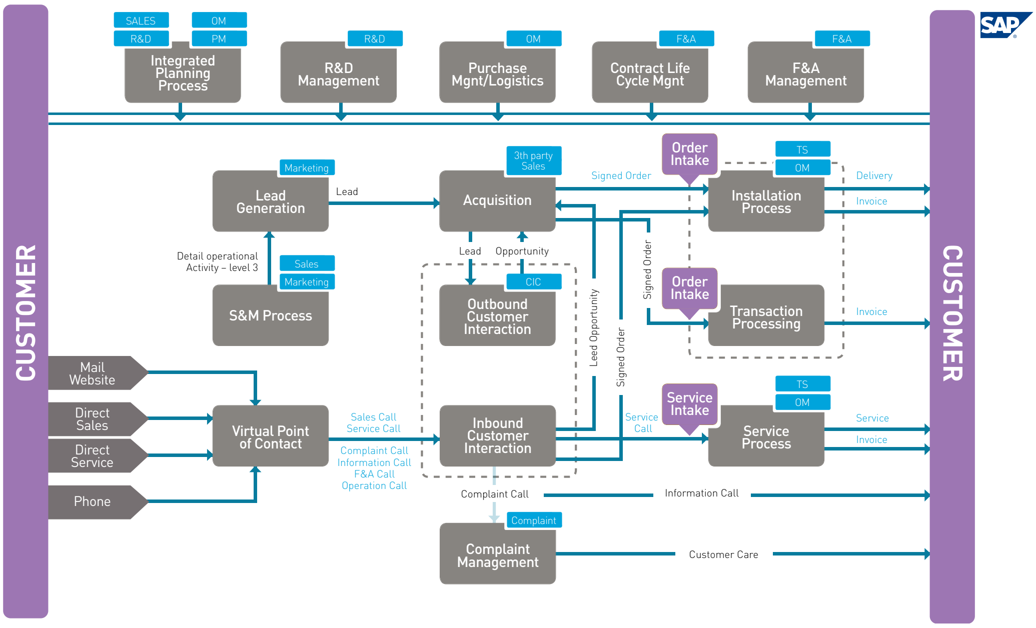
merchants

- traditional retailers
- franchises and cooperatives
- e-commerce
- distance selling
- m-commerce

Integrated, streamlined and technologically advanced

Thanks to its investments in integrated business processes and continuous monitoring of results and performance, Keyware can provide its customers with high-quality, appropriate payment service on extremely competitive terms.

Keyware's business model enables it to respond quickly to new market conditions or new technologies in terms of electronic payments, and to make them available cost-efficiently to various market segments.



Advantages for our customers:

- at any time and for any department: up-to-date customer data
- lower overhead resulting in lower operating costs, and thus keener pricing
- faster processing of orders and installations, reduction of support and response times
- substantial reduction in error rates

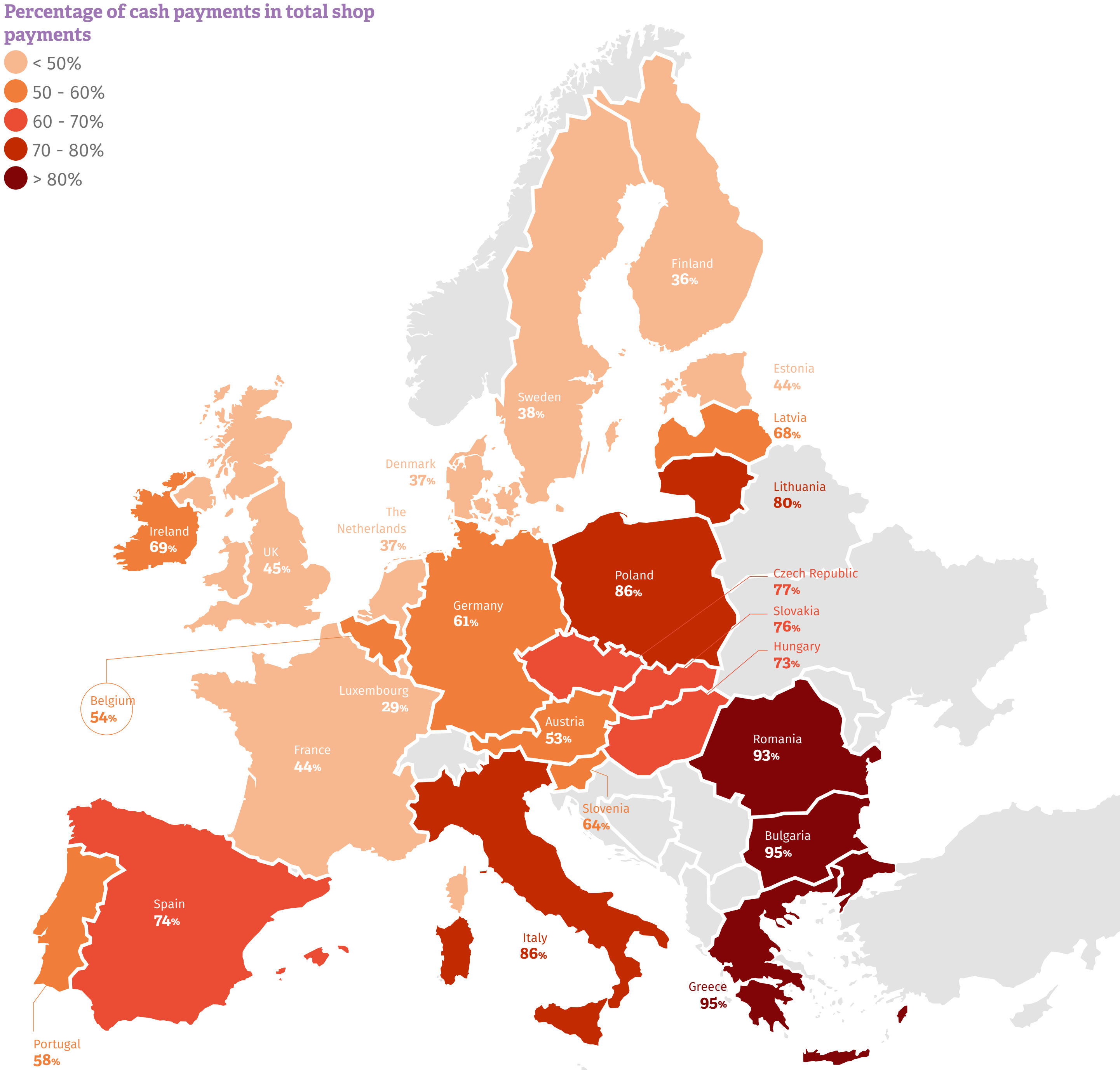
Advantages for Keyware:

- the possibility of serving more customers in a shorter period of time and with better results
- automation reduces the stress level and ensures more positive interaction with customers
- reduction and improved predictability of costs, resulting in better positioning compared with competitors
- fast, efficient and effective integration of new services, payment terminals or partners
- accurate calculation of future results
- transparency at every level: stocks, sales, finance, maintenance, servicing, ...
- complex processes are totally automated:
  - invoicing plans
  - amortization tables
  - allowing of installation and service tickets

The near future

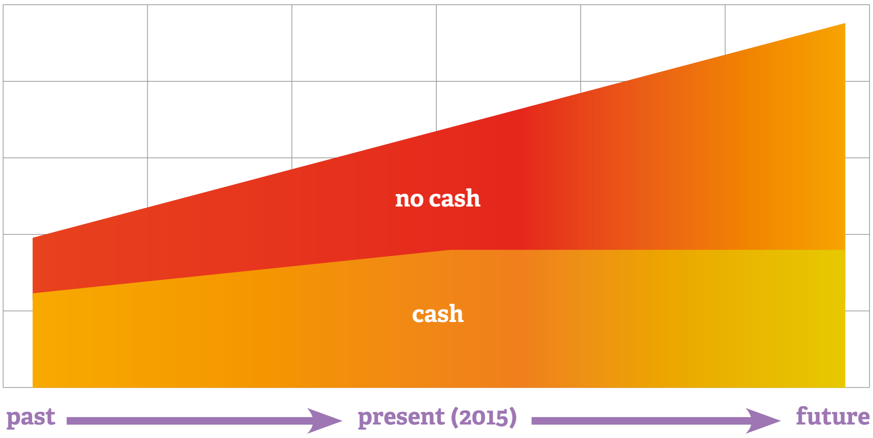
Don't write off cash just yet.

In the Cash Report 2016 - Europe by G4S, the following picture was presented:



At the same time it is stated, and confirmed by ECB statistics, that the number of cash transactions continues to rise year after year, but that the growth of electronic payment transactions is outstripping that of cash transactions:

Change in cash and electronic payment transactions



In this European context, Keyware is seeing a growing consensus among various national governments about the replacement of cash transactions by electronic payments. Greater security, anti-fraud measures and reduction of charges associated with holding cash are key words in this regard.

Actions taken in this respect are very diverse:

- elimination of large-denomination banknotes (500 EUR notes);
- reduction of the maximum tolerated thresholds for cash payments;
- increasing checks on cash transactions;
- making electronic transactions cheaper;
- tax breaks for buying payment terminals, innovation programmes, etc.

Besides the political pressure, the breakthrough of new technology is playing a major role. Various new and existing players are introducing new forms of electronic payment, ranging from apps and custom hardware - such as smart watches and smartphone add-ons - to contactless cards. Electronic payment is becoming a habit for an ever-larger group of consumers, while for a constantly growing group of merchants, the acceptance options are becoming more affordable and more diverse.

Within its strategy and business model, Keyware sees the following growth potential:

- **sale and hire of payment terminals:** by continuing to exploit existing market segments, the rise of new segments (due to evolutions in technology such contactless payment and evolving legislation) and geographical expansion (cf. the Keyware launch on the German market)
- **innovation:** by investing in new technologies with proven market potential, such as EasyOrder
- **complementarity:**by investing in complementary payment transaction-related solutions with proven profit potential and customer portfolio, such as Magellan
- **active management of the value chain:** carrying out a greater proportion of the activities linked to the execution of electronic payment transactions, thus generating more margin

Keyware's flexible technological and operational infrastructure with end-to-end integrated processes enables a rapid, profitable response to the potential outlined above.

3

Vision and mission

Keyware vision

"To reduce the cost of cash by promoting electronic payment"

While businesspeople are usually well-informed about the cost of electronic payments (hire or purchase cost of a payment terminal, price of payment subscriptions, payments infrastructure, ...) few of them stop to think about the actual costs and various cost components of cash payments, both direct and indirect. There are various advantages for government and consumers too. Offering payment options by bank or credit card via payment app or payment by instalments goes beyond mere convenience. Electronic payment:

for the merchant:

- it's safer than holding large quantities of cash on the premises;
- enables consumers to spend more. Often people have to leave something unbought because they don't have the money
  - in combination with payment by instalments (SPLIT), it increases customer loyalty and offers even more purchasing options
  - in combination with an ordering and payment app like EasyOrder, it allows orders to be placed 24/7
- it's more hygienic than receiving or changing cash (e.g. for butchers, bakers, etc.)
- avoids the need to traipse to the bank to pay in cash takings. And also simplifies administration
- it cuts waiting times at the checkout, especially in combination with contactless payment or a payment and order app like EasyOrder
- increases turnover and cuts down on bad payers for webshops
- stimulates impulse purchases, particularly in e-commerce and m-commerce environments
- ensures more correct and easily recordable takings (counterfeit cash, mistakes giving change, ...)

for the consumer:

- reduces the traffic from and to cash machines, cutting travel expenses and time
- is much safer than carrying a lot of cash around
- reduces queues at the checkout or POS
- is more convenient (availability of cash, paying by instalments, access to shopping outside traditional opening hours)
- leaves the choice between debit or credit payments

for government:

- provides enhanced transparency and traceability
- reduces the role of the 'black' economy
- gives consumers more options
- contributes to reducing CO_2 emissions, traffic and congestion

Keyware mission

> *"To be a leading, independent Network Service Provider delivering Value Added Payment Services for face-to-face, e-commerce and m-commerce environments."*

Keyware strives to be a trendsetting company in electronic payment solutions for both financial service providers as physical point of sales, e-commerce and m-commerce environments.

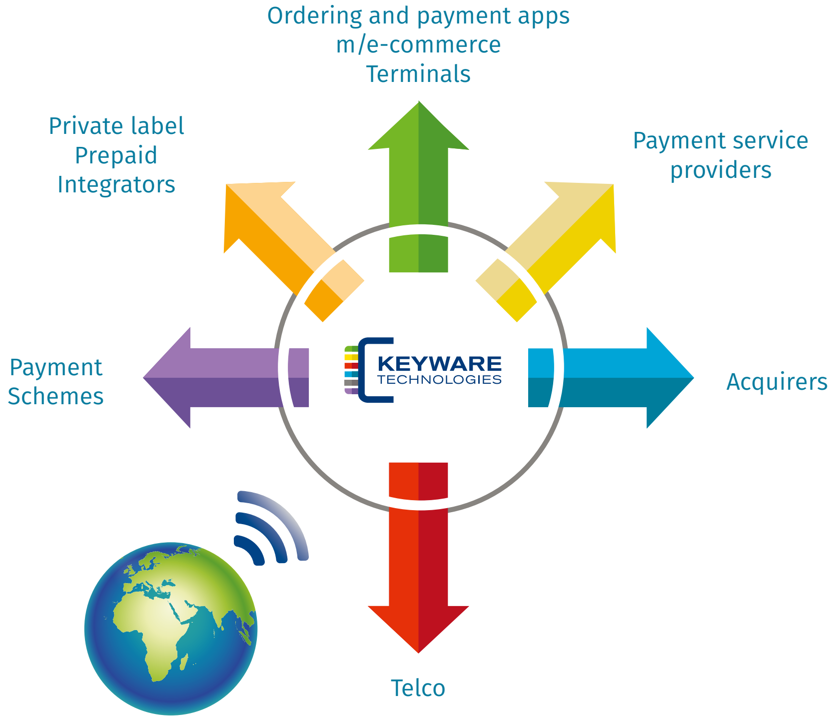
Keyware fulfils this role on the one hand as an independent NSP (Network Service Provider) and on the other as a provider of transaction software with associated services via its own transaction platform.

As a total solutions partner, Keyware's value-added consists of offering personalized payment solutions including hardware, applications, telecom and transactions as well as the provision of maintenance and check-up services. For every component of the payment solution, Keyware enters into contracts with famous companies or global players.

This means that Keyware can provide state-of-the-art solutions cost-efficiently, to both large and smaller market segments.

Because every market segment has different electronic payment needs and because individual organizations operate differently within a single market, Keyware resolutely opts for personalized and upgradeable payment solutions.

Its unique business model provides this flexibility on the best terms and brings advanced expertise in every detailed aspects of a payment transaction, ranging from the type of hardware via the type of connection to the most suitable transaction contracts.



4

Organization

STÉPHANE VANDERVELDE
President & CEO

- over 30 years' experience in the technology sector
- co-founder of Keyware Technologies
- director of various companies from different economic and technological sectors
- engineer specialized in microelectronics and chip design

ALAIN HUBERT
CFO

- over 20 years' experience in financial management, accounting and taxation
- former manager at E&Y (Transaction Advisory Services)
- certified auditor
- Master in Applied Economics
- specialized in due diligence and quality & risk management
- has been on the Keyware board since 2013

WIM VERFAILLE
COO

- over 25 years' experience in operational management and optimization of business processes
- extensive knowledge of retail, telecom and payment technology.
- has been on the Keyware board since 2007
- industrial electrical engineer

JORIS MAES
CCO

- over 20 years' experience in various national and international sales & marketing positions
- Master in Industrial Engineering
- MBA in General International Management
- has been on the Keyware board since 2010

LAURENT VANDERVELDE
Country Manager Germany

- Master Commercial Engineer @ Solvay Business School
- sales & marketing development at Readz
- experienced in the expansion of international sales & marketing strategies
- market analysis for technology startups

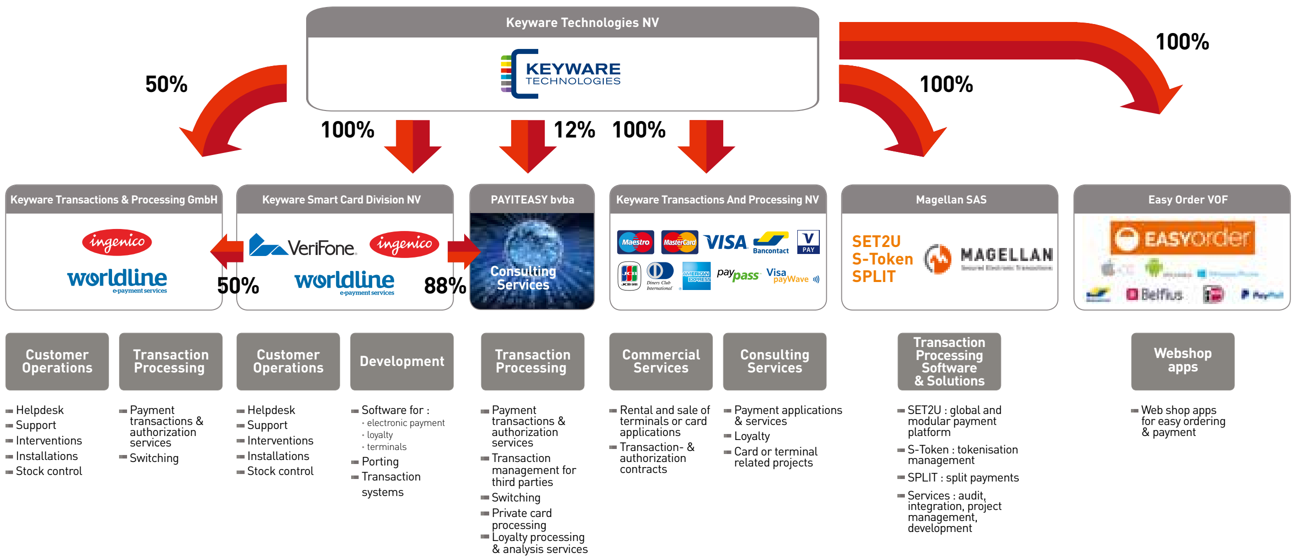
FRANCK WILLMANN
CEO Magellan

- over 20 years' experience in payment solutions
- co-founded of Magellan
- co-creator of Caravel payment solutions
- Products and Services Director at Magellan for the past 12 years
- DESS Informatique Images et Réseaux (UCB)
- 16 years @ Magellan

JEAN-PIERRE MICHON
Magellan Chairman

- over 20 years' experience in payment solutions
- General Manager and co-founder of Magellan
- co-creator of Caravel payment solutions
- consulting, project management and developments in financial transaction software
- ESIGETEL (Ecole Supérieure d’Ingénieurs en Informatique et Génie des Télécommunications)
- 16 years @ Magellan

Organizational structure



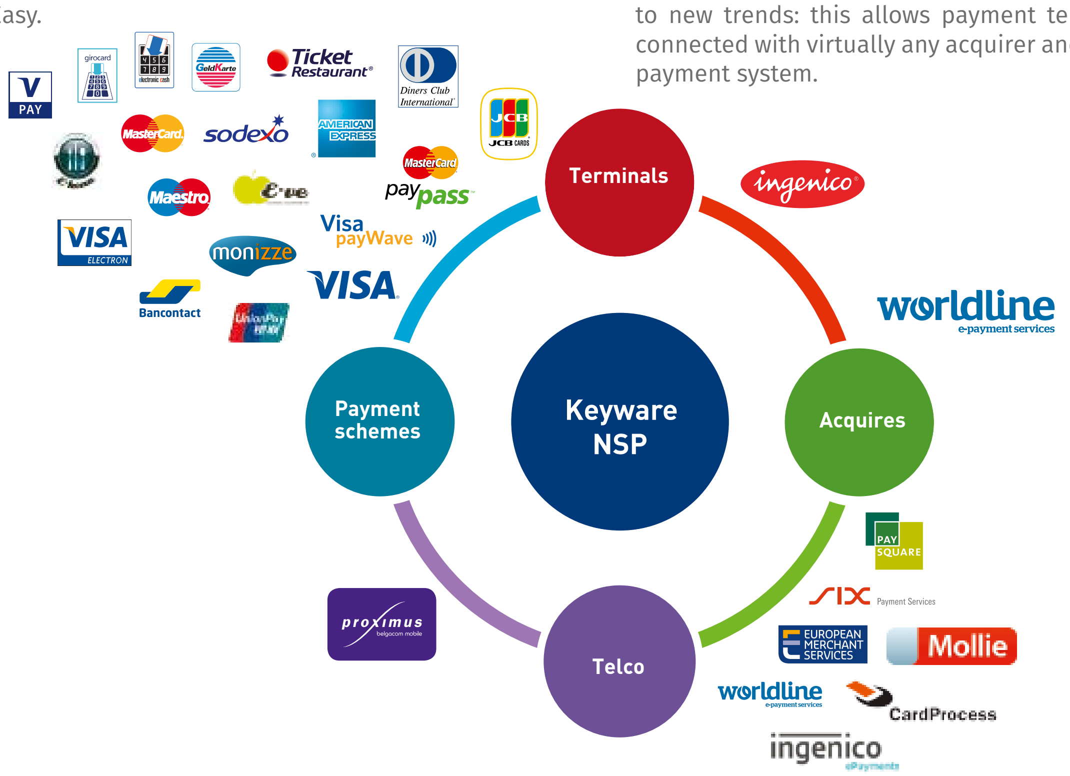
Technology

PayService transaction platform - PayItEasy

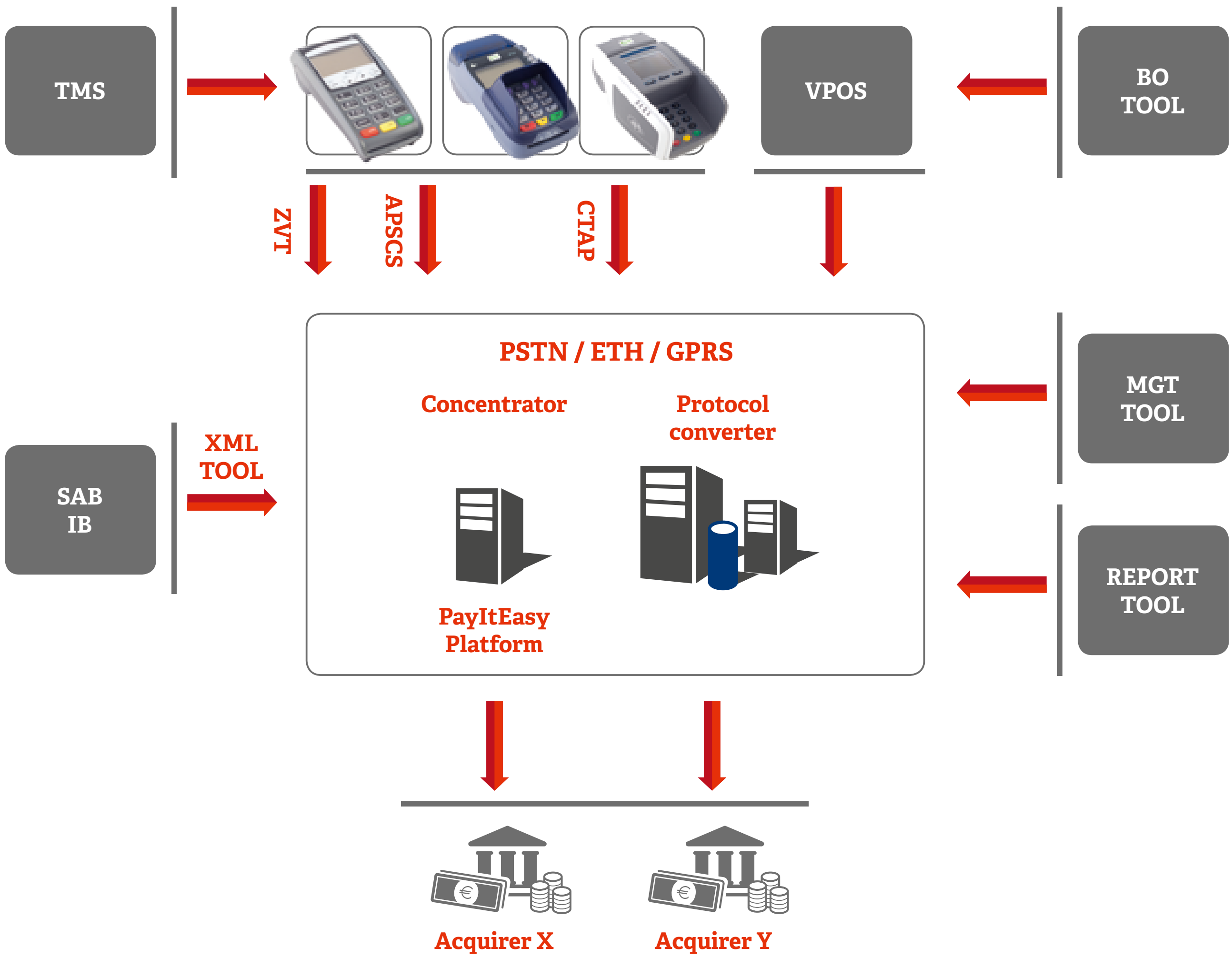
Keyware Terminals & Transactions is the specialist in hire and sale of payment terminals (Ingenico, Worldline, ...) and settlement of your payment receipts via debit or credit card (Bancontact, EC, Visa, V Pay, Mastercard, Maestro, JCB, Diners Club, American Express, Union Pay, electronic meal voucher, GeldKarte, ...).

Keyware's PayService transaction platform forms the link between the terminal suppliers, transaction processors, payment systems, telco operators and the final customers. Within the Keyware Group, this transaction platform is managed within the entity PayItEasy.

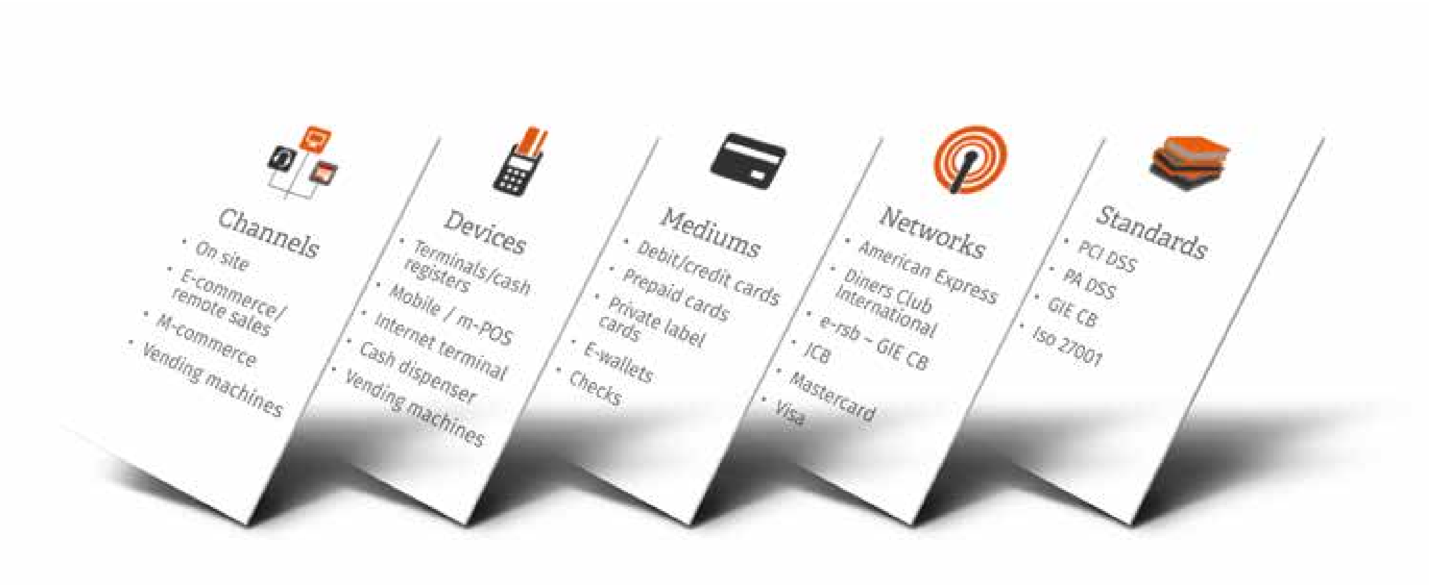
The modular structure of the platform ensures that it can be used in its simplest setup for protocol and transaction conversion. This means that new types of terminals can be put on the market easily, and Keyware can respond quickly and cost-efficiently to new trends: this allows payment terminals to be connected with virtually any acquirer and virtually any payment system.



In its most comprehensive mode, the platform can be opened up on the customer side for various applications, ranging from payment terminals to websites, mobile phones, ERP systems, PDAs, etc. This gives Keyware control over a greater proportion of the value chain. The benefit for the customer goes without saying: various forms of payment can be carried out via a single payment partner or the payment processing can be divided between various transaction processors (redundant payment solutions). On the acquirers' side (such as Visa or Mastercard), Keyware handles a larger proportion of the service provision. For Keyware, this means more control over the value chain, and the possibility of providing its customers with a better-integrated service.



SET2U



SET2U is a state-of-the-art, open and modular payment transaction platform developed and managed by Magellan. With its scalable architecture, SET2U adapts seamlessly to the ever-faster changing needs of banks, financial institutions, payment processors, payment service providers, retailers, payment technology firms or private institutions.

SET2U can be used on the one hand as a universal payments hub, or on the other limited to one or more applications within a payments environment, such as the management of various payment devices, setting up of new payments channels or connection and interchange with various networks.

SET2U is based on open source and Java components. In this way, it aims to achieve maximum interoperability, and developers and integrators have the necessary openness in terms of the technology used to be able to implement these with confidence in their payment environment.

On top of this robust software platform, Magellan provides an experienced team of specialized software developers and other specialists. Customers can call on them for support in development of specific functionality or integration.

SET2U complies with all standards and certifications required within the payments industry. This saves customers time and resources compared with custom-developed solutions, and they benefit from various new developments and applications.

S-TOKEN

S-TOKEN secures and anonymizes critical transaction data, such as bank card details. This ensures that transaction data can be transmitted securely between different systems or parties in the payment cycle. In this way, S-TOKEN helps to launch new payment applications in a secure way and to satisfy the prevailing PCI DSS 3.0 regulations.

S-TOKEN manages the token lifecycle, and the secure interchange and storage of data in a closed or interconnected environment in accordance with the EMVCo recommendations. For example, it secures HCE (Host Card Emulation) or SE (Secure Element)-based mobile payments, e-commerce, etc.

Since all the necessary functionality for secure data storage and transfer is integrated at the Token Service Provider, S-TOKEN allows faster and simpler PCI DSS 3.0 certification of the payment partners involved.

S-TOKEN is simple to integrate into any information system, even outside a traditional payment transaction context. On the one hand, due to the various interface possibilities and on the other, due to the retention of the original formats of the payment data.

Available as on-premises or SaaS, S-TOKEN is the most comprehensive and scalable tokenization solution on the market.

SPLIT

SPLIT is a new technology that enables the merchant to accept that payments via a bank card will be spread across 2 or 3 instalments. The power of this solution is mainly its administrative simplicity. His customer does not need to complete a separate agreement or provide additional banking details.

This form of payment in 2 or 3 instalments is not treated as credit. However, it is an excellent way of enabling the customer to buy more immediately, and it is a way of increasing customer loyalty.

With implementation within a minute, SPLIT is the new standard in the field of payment by instalments. SPLIT therefore easily replaces other solutions such as post-dated cheques, micro-loans, etc.

SPLIT ensures paperless processing of instalments, secure payment transactions and a reduction of the traditional management costs associated with payment by instalments.

EasyOrder

EasyOrder is a versatile, easy to implement and customise ordering and payment solution.

EasyOrder consists of a mobile app, a webshop, a back-office, a suite of payment options and various connections to cash-register systems or ticket printers for example.

Mobile app

The app is available on all platforms (iOS, Android & Windows Phone) and can be downloaded free of charge and installed by consumers onto all smartphones and tablets.

Webshop

Besides the app, the EasyOrder customer also receives a webshop. In this way, consumers can also order and pay from the website.

Payment options

EasyOrder offers the possibility of offering consumers a secure in-app payment. EasyOrder does this by working seamlessly with the user-friendly Bancontact-app, Belfius Pay, iDeal or other payment solutions like PayPal.

Cash register connection

EasyOrder provides generic connections for cash register systems, making it possible to send orders that come in via the app directly to the cash register and/or printer. Products or product groups managed in the cash register can also be sent to the EasyOrder database.

Label printer

EasyOrder also has a connection to a label printer, which means that orders that come in via the app or webshop can be printed directly.

Back-office and management

Simple and fast management is a central characteristic of EasyOrder. The convenient management tool always enables you to keep an overall view of what is going on. Changing products, changing prices, adding photos, adding a description or allergen info, no problem!

All changes in the back-office can be carried out in next to no time, both in the apps and the webshop. In this way, EasyOrder guarantees fast and simple centralized management.

In addition, back-office gives a complete overview of the sales statistics. So you can retrieve the turnover and the number of orders per day/week/month/year, see the best-selling products, and see which customer ordered which products.

Customer management

EasyOrder offers a comprehensive overview of the customer data. When placing his or her first order, every consumer has to leave their data behind by creating an account. This data can be used for customer-focused mailing campaigns, for example.

Certificates and Compliance

PCI-DSS Compliance

A suite of security standards mandatory for all organizations that manage and store credit and debit card information.

Electronic Cash Netzbetreiber (network operator)

In Germany, Keyware provides an end-to-end solution for debit and credit card transactions.

Certificate Holder - POS Gateway

PCI PA-DSS 3.1 compliance

SET2U has received PCI-DSS certification.

Certificate Holder - Terminal Provider

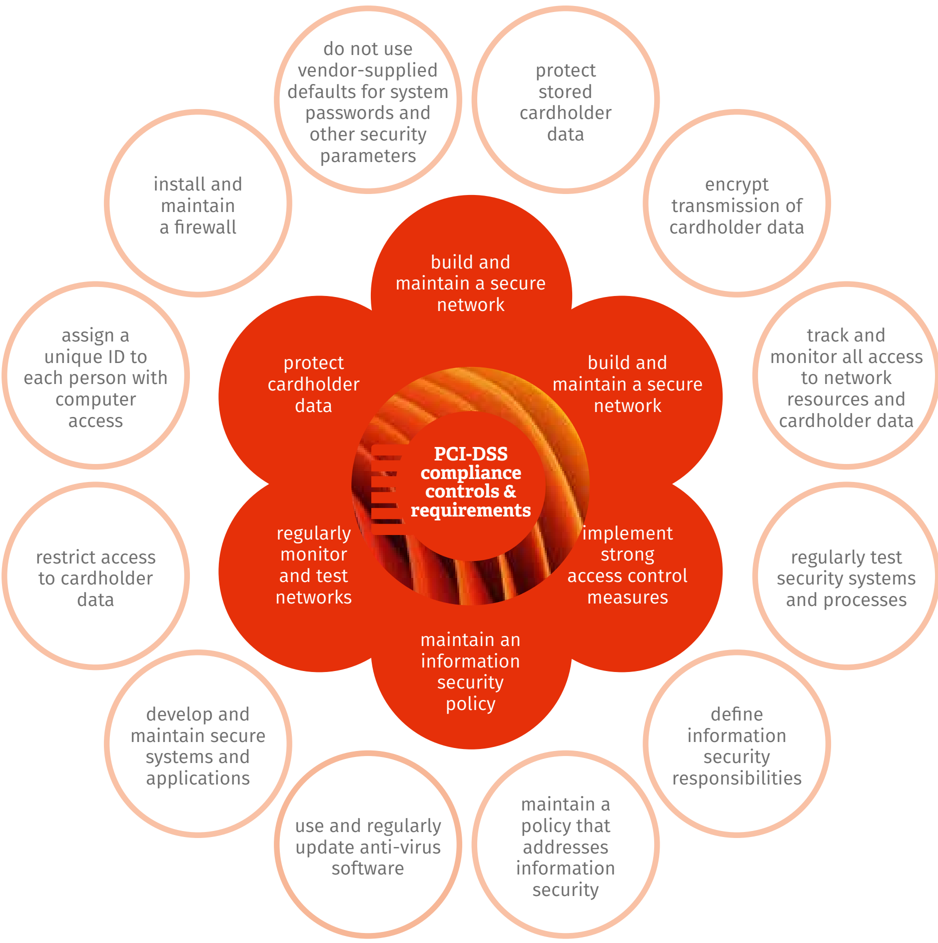
Keyware is the only provider for Bancontact on APAX terminals.

PCI-DSS Compliance

PCI-DSS stands for: Payment Card Industry Data Security Standards. PCI DSS is a set of guidelines for all organizations that manage and store credit or debit card information. The number of transactions processed by an organization determines the level of compliance that must be met.

PCI-DSS only relates to situations where PANs (Primary Account Numbers) are stored, processed, transmitted or received. The PAN is the whole card number on a payment card. Other card details, such as cardholder name, transaction amount, transaction date, transaction authorization code or expiry date all come under the protective measures if they are stored or processed together with the PANs. Authentication data such as the PIN code, CVC code or CVV code are not allowed to be stored.

PCI-DSS is the basic standard for protecting cardholder details. Anyone who wants to accept payment cards must comply with PCI-DSS requirements.



The objectives of PCI-DSS are as follows:

1. organization of a payment network that is and remains secure;
2. protection of the cardholder data;
3. setting-up and managing a program that manages vulnerabilities in the payments system;
4. restricting access to card data to a minimum;
5. setting-up and maintaining a reliable ICT infrastructure;
6. running an efficient and effective information security policy;

The Keyware Charter

Keyware: your reference for choosing a proper payments solution!

Quality

Keyware gives its customers the choice of an extensive range of payment terminals from selected partnerships with technology partners and transaction processors. As far as payment terminals are concerned, Keyware has entered into contracts with a number of global players. Their size and specialization guarantee these companies continuing investment in innovation and quality and they apply strict quality control standards. At Keyware, these devices are comprehensively tested before being installed at the customer's premises. Since Keyware is not tied to one type of device or supplier, the customer is offered a high-quality terminal at any time. When it comes to transaction processing, Keyware provides a model which can be connected to multiple transaction processors to guarantee additional redundancy and reliability.

PayFix: our range of counter terminals: compact, design or super-fast, ...

PayAway: our range of portable terminals, accept payment error-free and cheaply at the table or on the terrace, Bluetooth instead of GPRS or GSM

PayMobile: our mobile payment terminals, accept payment at the customer's premises

Pay-e: payment solutions to suit your webshop

Pay-m: convenient and secure payment solutions for payments by mobile or Smartphone

PayService: optimized processing of your payment transactions by Visa, MasterCard, Maestro, V-Pay, JCB, Amex, Bancontact, EC, GeldKarte, ...

Price

Besides the quality, the cost of its payment infrastructure is an important argument for the customer. Here, the total price over the contract period is taken into account. Due to its streamlined infrastructure, flexible organization and its contracts with various global players in the electronic payments business, Keyware is able to offer a personalized payment solution on competitive terms. That applies for both traditional payment environments with payment terminals and for e-commerce or m-commerce applications.

Keyware is the only Belgian independent company on the market for payment terminals, transactions and related services such as e-commerce, m-commerce or loyalty. Choosing from the most extensive range of payment terminals and transaction partners, Keyware ensures that merchants, the professions, businesses, organizations and government get the payment solution that really is right for them, and keeps pace with their changing needs, all on the best terms.

Keyware's conviction and quest always to be the best is reflected in the Keyware Charter: the guarantee of excellent payment service, summarized in 7 points.

Service

Keyware offers its customers a helpdesk that is fast and easy to reach as standard. Our response times are among the best in the sector: 94% of all problems are solved over the phone. For customers who also want a super-fast technical intervention on site, an additional service contract can be signed. For customers who hire a terminal, Keyware ensures that the device automatically meets the legally required standards and modifications. The big difference between hiring and buying!

Flexibility

At the time of signature of a contract, it is immediately decided when the best time would be for the installation team to drop in. If your business or service is only open at a later date, then you can opt for a deferred installation. If you are replacing another payment device, then Keyware's technical intervention team will complete all the necessary documents for the customer and Keyware will ensure that any termination payment (expressed in number of months' hire) can be wholly or partly compensated by free hire from Keyware. So as a customer, you will never pay twice.

Future-proofing

When it comes to payment terminals, Keyware advises hiring rather than a purchase arrangement. This offers the best guarantees of the lowest modification charges of upgrades that may or may not be required by law and for keeping your terminal up-to-date. Moreover, that way it is easy to switch from one type of device to another, as your requirements change or the technology evolves.

In terms of transaction contracts too, with Keyware you can choose the formula that suits you best, and it can evolve with your business: if your payments environment becomes much more demanding, then you can even choose from a combination of different transaction processors. As a dynamic company, Keyware regularly brings new services or products onto the market, so that its customers can use them optimally

Clear, comprehensible contracts

Keyware opts for clear and transparent contracts and aims to have a long-term relationship with its customers. That means that high-quality service is included as standard in the prices, and a separate contract can be signed for customers who want a custom-designed service. This avoids merchants facing unexpected charges for service interventions or repairs.

Strong presence on the local market

With about 20,000 customers, Keyware remains one of the fastest-growers on its domestic markets. Every day, new merchants, professionals, businesses, government institutions or other organizations are switching to Keyware, because of the clear and lasting advantages of its products and services!

5

Commercial Products & Services

Keyware PayService

Transaction processing for payment cards, loyalty cards, meal vouchers, E-commerce and M-commerce

Debit, credit and other payment cards

A large number of electronic transactions take place between the time that the consumer inserts a payment card (Mastercard, Visa, Bancontact, EC) into the payment terminal and enters the PIN code, and the time that the terminal's screen displays the message that the payment is accepted, All those transactions (checking the PIN, dialling up the payment network, checking the card status (stolen, blocked), checking the balance available, etc. are referred to as the 'payment transaction'.

A merchant who buys or hires a terminal cannot carry out any payment transactions on his own.

He needs to take out one or more subscriptions depending on the type of payment cards that he wants to accept: does he want to accept Visa and Maestro cards or not, or just Visa, or just normal debit cards? So a subscription is needed for each payment transaction type. Keyware offers payment subscriptions under the PayService name.

The majority of payment transactions on the market can be broken down into three categories:

Debit card

The typical feature of using a debit card is that when making a payment, the money leaves the bank account immediately, unlike a credit card. The most familiar debit card system in Belgium is Bancontact, and in Germany it is EC.

At international level, the most familiar debit card systems are Maestro and V Pay.

For merchants who only carry out a few hundred transactions per month, Keyware offers Local Maestro subscriptions. The majority of Belgian debit cards not only have the Bancontact function but also the Maestro function. If the merchant opts for Local Maestro, that does not change anything for the customer, but in certain cases, he can choose a cheaper payment option than Bancontact.

Credit card

Credit cards come in many forms and under many names. The most familiar are Visa and MasterCard. What typifies these cards is that when a payment is made, the money is not taken out of the account immediately, but only at a later stage.

Furthermore, there are also private payment solutions that are tailored to the customer's needs. Often these concern schools, company restaurants or closed communities. Examples of this include student passes that are used to pay all expenses within the school and the school restaurant.

The electronic meal voucher

Over 1.3 million employees in Belgium receive meal vouchers. For this purpose, an electronic prepaid card is defined, which is put on the market by various providers. Besides well-known players Sodexo and Edenred, these cards are also provided by E-ve and Monizze.

The electronic meal vouchers are destined to completely supersede the paper version that is still circulating in parallel. Paper meal vouchers became a thing of the past as from 1 October 2015. The social partners who belong to the National Labour Council agreed to eliminate paper meal vouchers. Since 1 October 2015, only electronic meal vouchers have been allowed to be issued. The Council of Ministers gave the green light for a Royal Decree by the Minister of Economy and Consumer Affairs implementing the opinion of the National Labour Council to use only the electronic meal voucher as from 1 October 2015.
For merchants, this means a saving of over 67 million EUR, over 12 million EUR for employers and a saving of over 13 million EUR a year for employees. The figures are from a study from the Administrative Simplification Service.

The intention is that the electronic meal voucher can be read on most commonly-used payment terminals. For merchants who don't have a payment terminal yet, lower-cost card readers are being brought onto the market. Today, approximately 39% of merchants accept electronic meal vouchers.

PayService, the ideal solution for electronic payments

Retailers, the professions, government, etc. electronic payments play an important role in various sectors. This can involve payments via bank card, relevant electronic transfers, giving credit card details by phone, or payments via a webshop. Besides a high-performance solution for processing payments via debit, credit or meal voucher cards on payment terminals, PayService is also software for processing payment card transactions that makes optimal use of the internet, and can be set-up as an ASP service (Application Service Providing). This means that no local installation or maintenance of the software is required, and the customer always has the latest version of the software.

Both small shops and large retail chains can make optimal use of this payments service. Payment authorizations are processed in real time, so that the merchant or service provider has an immediate guarantee of payment concerning his customer.

PayService offers extensive possibilities for management and administration of your payment application. You can edit various security settings (country settings, cumulative amount per card, etc.). Furthermore, all your transactions are stored in a personal database, in which you can perform comprehensive searches. Various statistics, daily, weekly or monthly summary reports are available.

Keyware offers the choice of various payment partners

As an independent Network Service Provider, Keyware signs contracts with various transaction partners, in order to:

- be able to offer the most suitable payment solution for each of its market segments;
- provide redundant payment solutions for high performance/high availability customers;
- safeguard its position as an independent trusted party.

Via these contracts, Keyware can offer not only payment terminals but also payment transaction contracts, both to its own customer base and that of third parties for accepting debit card (Maestro, V Pay, Bancontact, EC, ...) and credit card transactions (Visa, MasterCard, Amex, JCB, Diners Club, ...).

Every transaction processor optimizes its price/revenue model for particular market segments, volumes or average payment amounts. Keyware selected the following partners:

This gives Keyware a unique position on the market today. The slogan "A high-quality, affordable payments solution for every sector" is fleshed out below.

Keyware PayTerminals

Fixed, portable and mobile payment terminals

PayFix, PayAway and PayMobile

Keyware hires and sells multifunctional terminals. These terminals offer both payment functionality and other potential applications, such as reading customer cards. Keyware divides its terminal range into three main categories: fixed, portable and mobile payment devices.

PayFix

PayFix: fixed terminals: the terminal is permanently connected via a communication cable to the network. Typically, fixed terminals are found in shops, on counters, reception desks, at collection points, etc.





Keyware chooses to leave its customers to choose from a range of high-quality payment terminals which match their payment requirements as closely as possible. In doing this, Keyware works with global players with an excellent reputation. This enables Keyware to offer a convincing, flexible solution at affordable prices.

PayAway

PayAway: portable terminals: the terminal consists of a base station and a portable component. The base station is permanently connected via a communication cable to the network. The portable component can be moved up to about 150 metres from the base station for receiving customer payments. This kind of terminal is typically found in cafés and restaurants. Customers can pay at the table with their bank card.

PayMobile

PayMobile: mobile terminals: the terminal can be taken anywhere in Belgium in order to receive payments. Instead of the telephone network or the Internet, these devices makes use of GSM or GPRS communication technology. These devices are suitable for mobile professions such as door-to-door deliveries, taxi drivers, etc.

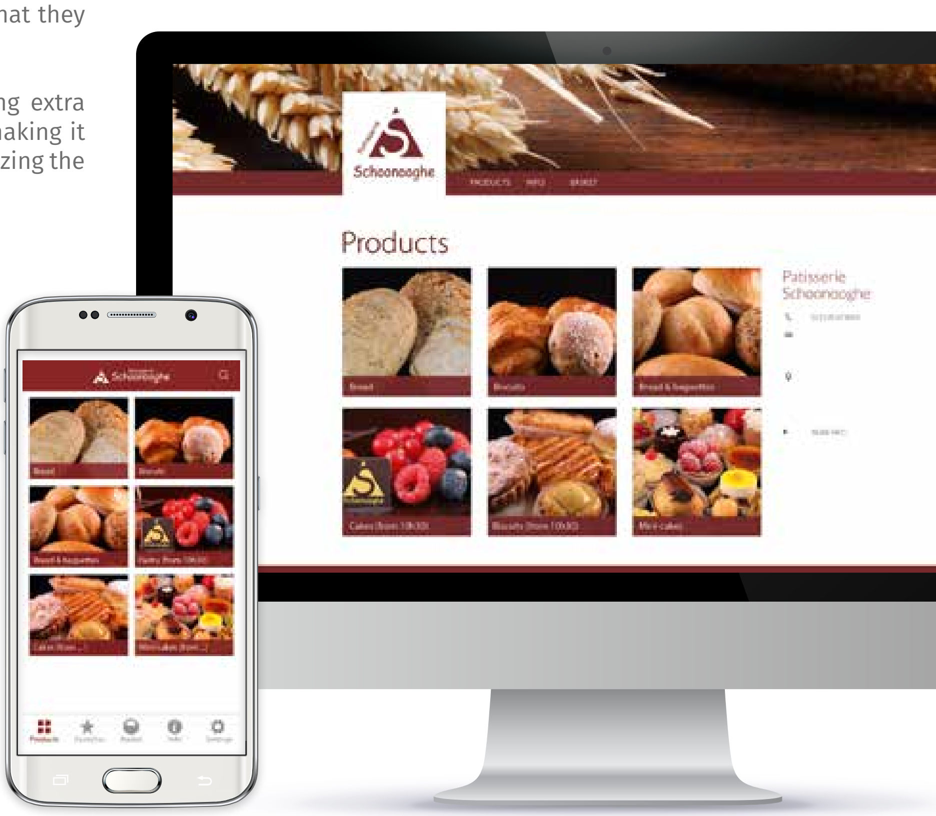

EASYorder

Keyware EasyOrder

Ordering and payment app

With the EasyOrder m/e-shop and app, manufacturers, merchants or service providers can have rapid access to an additional sales channel adapted to their own look & feel. Their customers can place their order and pay online 24/7 or via the personalized app that they can download free of charge.

It can be used as a simple way of generating extra sales, simplifying operational planning and making it more proactive, reducing waiting times, optimizing the use of staff and increasing customer loyalty.



Due to the comprehensive back-office, the EasyOrder customer has the possibility of managing his/her own product range: changing the product, changing prices, setting delivery or collection, adding photos and descriptions, etc. All changes are immediately carried out simultaneously in the apps and the webshop. Furthermore, connections are provided to a label printer or cash-register system.

Besides the numerous possibilities for generating sales statistics reports, the application also has a customer management module for direct marketing purposes

Bancontact Belfius iDEAL PayPal iOS Windows Phone android Mollie ingenico

Keyware SET2U

Businesses and organizations operating in the world of electronic payments, partly because of the rapid technological, conceptual and commercial changes, are often faced by one or more of these questions:

- How can we develop new payment options without losing on the quality of our service provision?
- How can we launch new electronic payment technologies and applications faster and more flexibly?
- How can we reduce the costs and complexity of our existing transaction systems?
- How can we ensure that we have flexible payment solutions that best respond to changing consumer behaviour, new regulations, legislation and technologies?
- How can we optimally secure sensitive identification and transaction data and protect the associated business activities?

SET2U, a state-of-the-art, open and modular payment transaction platform developed as a payment hub for banks, credit institutions, payment processors, payment service providers, shops, payment technology firms or private institutions is the answer to these questions.

Global payment platform

SET2U, an open and interoperable platform, reduces the complexity of payment transaction systems by centralizing all transactions: payments, cash withdrawals, banking services, prepayments, loyalty cards, authentication, etc.

Wide-ranging functionality

Issuance of titles, code management, acquiring, hardware management (cash machines, POS systems, automated systems, terminals) with associated software and applications, routing, authorization, access to national and international networks, netting, risk and fraud management, anonymization of data.

Flexible and configurable

SET2U is a flexible, easy to configure transaction platform developed for professional financial service providers. SET2U manages a wide range of channels, acceptance hardware, payment means and services, networks, etc., mPOS, unmanned kiosks, NFC, payment by instalments, etc. mPOS, onbewaakte kiosken, NFC, gespreide betalingen, ... It can be used to develop new payment applications in a substantially smaller test cycle and with shorter time-to-market.

Evolutionary

SET2U is a robust and scalable platform that allows rapid integration of new developments in the field of use of payments, new regulations and technologies.

Security

SET2U complies with prevailing national and international standards for securing transaction activities in themselves and maintaining the confidence of final customers.

Keyware S-TOKEN

Besides having a high-performance, upgradable and secure payment transaction platform, it is crucial for players in the financial sector to monitor the security and protection of their financial data. This is required during internal use and storage as well as during interchange of that data with external parties.

Core issues that arise in this context are:

- optimal protection of critical data: front-office, back-office, core banking-system, (interchange with) third party applications
- being able to develop new applications based on the EMVCo standards: NFC, e-wallet HCE (Host Card Emulation), e-wallet SE (SIM Based Secure Element), tokens service provider
- tackling the concrete requirements for compliance with the PCI DSS standards appropriately;

S-TOKEN does this.

Securing critical data and rendering it harmless

Replacing sensitive data with irreversible tokens with no intrinsic value and unusable in the event of a hack.

Lowering costs and increasing the sustainability of investments

Retaining data formats (e.g. PAN bank cards) in order to limit the impact on the transactional processes of the various systems present.

Simplification of PCI DSS 3.0

Reduction of the scope of the certification by desensitization of data, facilitation of compliance with standards and the speeding-up of audits in order to generate considerable savings.

The securing of new payment applications

Making available the functionality of Tokens Service Provider to make it possible to set up new payment applications in accordance with the prevailing standards: contactless payment, host card emulation, 1-click payments, etc.

Business Intelligence

Anonymization of transaction data enables it to be used securely and in compliance with the law in all kinds of programs to support the growth of the company's activities, such as Big Data applications, statistical programs, predictive models, promotion packages, etc.

Keyware SPLIT

SPLIT is a new technology that enables the merchant to accept his/her customer's payments via a bank card being spread across 2 or 3 instalments.

In this way, SPLIT answers the following questions facing the merchant:

- How can I increase total turnover?
- How can I get the customer to buy more products or services each time?
- Which improvements can I make in payment facilities in the shop to combat showrooming?
- How do I improve the standardization of the payment means in the shop and on the e-commerce site?

With SPLIT, the merchant is investing in immediately usable and secure technology.

Simple

A payment without formalities that happens like an ordinary payment with a bank card. No additional formalities or drawing-up of credit contracts are needed.

Fast

The spread payment can be allowed directly at the checkout, without interrupting the payment process. That means that no time is wasted in completing the sale.

Via the bank card

The SPLIT payment facilities are available to anyone who has a bank card, provided that the merchant gives his/her consent.

In 2 or 3 payments

The SPLIT payment option is not covered by rules applicable to traditional provision of credit. The merchant can allow the customer to spread payment over 2 or 3 instalments, while remaining completely within the legislation on the subject. This way, the customer can buy more products or services, and this opens up the possibility of greater customer loyalty.

6

Jobs at Keyware

Although Keyware is a highly computerized company that was built on supporting systems and end-to-end business processes, it is clear that the ultimate success will be achieved via competent and committed employees.

Therefore, Keyware creates a pleasant and motivating working atmosphere, in which employees are given opportunities to develop professionally and personally. This results in a focus on creation of value-added in all fields and for all of our stakeholders.

Training

Every Keyware employee receives personalised training from the outset, consisting of theory and practice. Depending on his or her progress, additional training is planned. Exchange of working practices and experience between colleagues is encouraged.

Per working environment or department, sessions are organized with the goal of contributing new knowledge, discussing results, formulating objectives or fine-tuning methods and techniques.

Feedback from customers is analysed and actively incorporated into the various working groups and information sessions. Relevant market information and innovations are passed on actively to the various teams.

In this way, our customers can continue to receive professional and efficient assistance.

Career advancement

Almost every function offers prospects of career advancement, both sideways and vertically. Creativity and dynamism are clearly encouraged. By fostering regular contact between the staff of different departments, company presentations and company meetings, Keyware employees learn more about the workings of the company and its stakeholders, and they are always discovering new possibilities for enhancing their job. Active coaching and engagement ensure a continuing, positive dynamic.

Information culture

Keyware employees are informed at daily times about how the business is doing. Formal meetings, e-mail flashes, briefings, etc., both practical information necessary to provide good service to our customers and information about very specific subjects or general background information about specific policy choices.
This makes sure that employees know what is going on, and can do their job their job in an informed, confident and optimal way.

No-nonsense approach

At Keyware, more attention is paid to achievements, initiatives and creativity than to paper qualifications. All employees are on first name terms, and are easy to contact. Customers receive clear and direct answers to their questions, presentations are concise and to the point.

This no-nonsense approach filters into our contracts, streamlined processes, far-reaching administrative simplification and direct accessibility of the various departments.

Diversity

Since the company was founded, people of diverse cultures, ages, social backgrounds or training levels have worked at Keyware.
This is underpinned by mutual respect, with employees being selected and appraised on the basis of objective criteria. Everyone speaks their own language, or in a language that everyone concerned understands.

Keyware's pluralist working environment produces an effervescent dynamic, active engagement and the endeavour to do something better every new day!

Innovation

Innovation is a keyword within the Keyware organization. Innovation not only affects the launch of new payment solutions, but also work processes, systems, office applications, etc. Keyware's innovation culture encourages the workforce to give of their very best, and invites new employees to participate actively in the success of the company.

Passion

Profes-sionalism


KEYWARE TECHNOLOGIES
MAGELLAN
EASYorder
KEYWARE TERMINALS & TRANSACTIONS
Transpa-
rency
Respect
Innovation

Environment

With customers spread all over Belgium, Keyware's sales, installation and support teams naturally have a direct impact on the environment, particularly in terms of emissions and traffic.

In order to keep the negative aspects of this as low as possible, the company endeavours to achieve the following objectives, taking account of SLAs or other contracts/commitments to customers:

- the living and working conditions of these employees should be as closely matched as possible;
- appointments are grouped geographically to the extent possible;
- we are investing in a greener vehicle fleet;
- use of modern means of communication.

For on-site employees, taking account of their job content, the emphasis is placed on:

- home internet connections;
- careful thought about packaging materials, printing economically, reduction of paper consumption.

In the field of waste treatment, attention is paid to:

- reducing the number of packages and harmful packaging materials;
- extensive sorting of waste;
- the disposal process for end-of-life equipment.

In this way, Keyware is endeavouring to make a contribution to a greener economy.

KEYWARE TECHNOLOGIES

In the spotlight

2016 – A pivotal year for Keyware!

In many ways, 2016 can be regarded as a pivotal year for Keyware. Yet there are a number of things which we would like to draw to your attention:

- the creation of our multichannel strategy, in which optimal payment experience for the customer is the key feature, and Keyware provides a single point of contact for the wide range of electronic payment services that can be provided to consumers;
- celebrating our 20-year existence together with our partners and customers;
- increasing the market value of Keyware for its investors

Omnichannel

As a promotor of electronic payments, Keyware is always on the lookout for new possibilities of improving the payment experience of its customers. Not only by searching out the best quality at the best price, but also by studying which processes can be improved or which new products or technologies in the field of electronic payments can boost the business of our customers.
That is why we developed our omnichannel strategy Whichever channel your customer wants to use to make payment, Keyware is the central contact point for the correct processing of the payment transaction. Supporting you at the checkout, via your webshop, via an app, etc.

We are justifiably proud to be able to present some new products to you. Such as EasyOrder, a ready-to-use ordering and payment app in your look & feel (for Apple iOS, Microsoft and Android) combined with your e/m-commerce shop. Or SPLIT, a way of letting your customers spread their payments, without the administrative hassle of traditional credit agreements. Or SET2U, a revolutionary payment platform for our customers specialising in financial service provision, such as banks or payment card issuers.

A passionate commitment to our customers - every day

20 years of Keyware – a milestone

In 2016, Keyware celebrated 20 years of existence. The company evolved from a technology startup to a stock market listed company and one of the main providers of payment services on its domestic market.

In the course of 2016, various actions were set up with our customers. Per Keyware terminal that a customer bought or hired from Keyware, they could choose a gift voucher worth 20 EUR from the celebration box. The celebration box was composed of gift vouchers from over 100 participating Keyware merchants. A celebration with our customers.

The site www.keyware20.be was a key feature of the celebrations, and announced all the activities, but leaving room for customers to have their say too.

Sincere congratulations on Keyware's 20-year existence! Warm thanks for the attention and service over all those years.

The team of Juwelen De Bruyne, Aalter

Congratulations on your 20th anniversary, I have been a customer of yours for the last 10 years and am very satisfied, carry on the same way and thank you for the little gift, which I intend to enjoy.

Blue Ranch, Stekene

The wireless system is so convenient, and now we even get a gift with it. Heartfelt congratulations!

Hobbypatch, Hofstade

Value-added for shareholders

Value-added can be generated for our shareholders in all sorts of ways. But probably, it is important to our investors that Keyware should be a profitable and growing company in a growing market. In which new technologies increase the market potential. In which more and more market segments are replacing cash by electronic payments.

Besides investing in innovative technologies (EasyOrder, SET2U, S-TOKEN, SPLIT) with clearly proven market potential, in 2016 Keyware started its geographical expansion in Germany: Keyware Transactions & Processing GmbH. In terms of electronic payments, Germany is lagging quite a way behind countries like Belgium, The Netherlands, France or the Scandinavian countries. As the region's largest economy, it offers major growth potential in the long term.

Examples of a few actions

Advertisements

Specific campaigns

KEYWARE
TERMINALS & TRANSACTIONS
20 ans jaar
FEESTFICHE '20 jaar Keyware'
BON
waarde / valeur
€20
WWW.KEYWARE20.BE

Publications

Press Release

2016

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Annual report of the board of directors on the consolidated financial statements

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1

Shares and shareholders

Shareholder structure

Authorised share capital and shares

As of 31 December 2016, the authorised share capital of Keyware Technologies NV amounted to EUR 7,870,293.58, represented by 21,223,793 shares, which are all entitled to a dividend and which all have the same par value. This number can be increased by 2,320,000 shares to 23,543,793 by the exercise of the warrants that were still outstanding as of 31 December 2016.

Warrant plans

The "**Warrant plan 2008**" of 18 September 2008 ended on 17 September 2013. It concerned an amount of 1,925,000 Warrants. Please refer to previous annual financial statements for the history.
In the meantime, the "**Warrant plan 2010**" of 17 March 2010 also ended on 16 March 2015. It concerned an amount of 550,000 Warrants. Please refer to previous annual financial statements for the history.

At the Extraordinary General Shareholders' Meeting of Keyware Technologies NV on 12 June 2012, it was resolved to issue 1,240,000 naked 2012 warrants at an exercise price of EUR 0.70 and with a period of validity of 5 years. In the framework of this "**2012 Warrant Plan**", 1,225,000 warrants were subscribed to. No warrants were exercised in 2012. In 2013 and 2014, 130,000 and 25,000 warrants were exercised respectively, as a result of which the number of outstanding warrants at year-end 2014 decreased to 1,070,000. In 2015, 15,000 warrants expired and 430,000 warrants were exercised upon the notarial deed of 23 December 2015. In 2016, 35,000 warrants were exercised so that the number of outstanding warrants at year-end 2016 amounted to 590,000. This plan will end on 11 June 2017.

Finally, it was resolved at the Extraordinary General Shareholders' Meeting on 30 September 2014 to issue 2,065,000 naked 2014 warrants. In the framework of this "**2014 Warrant Plan**", 2,065,000 warrants were subscribed to. The issued warrants give the right to subscribe to an equivalent number of shares. The exercise price of these warrants is EUR 0.569 and was determined based on the average of the closing prices of Euronext Brussels during the thirty days prior to the day on which the issue commenced. The period of validity of these warrant is also five years.
No warrants were exercised in 2014. In 2015, 15,000 warrants expired and 195,000 warrants were exercised. In 2016, 125,000 warrants were exercised so that the number of outstanding warrants at year-end 2016 was reduced to 1,730,000.

Shareholder structure

The table below provides an overview of the shareholders of the company as at 31 December 2016 based on notifications that the Company received from parties who have informed the company, by means of a transparency statement, that they have acquired Keyware Technologies shares.

Shareholder	Shares	%
Parana Management Corp BVBA / Powergraph BVBA / Guido Van der Schueren	9,894,195	46.62%
Big Friend NV / Stéphane Vandervelde	1,597,522	7.53%
Drupafina NV / Guido Wallebroek	1,355,520	6.39%

Keyware on euronext

Euronext Brussels

In June 2000, the Company concluded an initial public offering (IPO) with a listing of 23,098,831 shares on EASDAQ under the new symbol "KEYW". Following the closure of NASDAQ Europe (formerly EASDAQ), the Keyware shares were listed on the First Market of Euronext Brussels, segment double fixing since 3 September 2003. As at 1 September 2005, the listing migrated from double fixing to continuous trading. The Company has only ordinary shares listed on Euronext Brussels.

Capitalisation

As at 31 December 2016, a total of 21,223,793 shares were outstanding. Based on the listing on EURONEXT (EUR 1.55), this corresponded to a market capitalisation of 32,897 kEUR.

As at 31 December 2015, a total of 21,063,793 shares were outstanding. Based on the listing on EURONEXT (EUR 1.98), this corresponds to a market capitalisation of 41,706 kEUR.

Finally, as at 31 December 2014, a total of 20,438,793 shares were outstanding. Based on the listing on EURONEXT (EUR 0.58), this corresponds to a market capitalisation of 11,855 kEUR.

Highest and lowest

The highest and lowest prices during the financial years 2014 to 2016 were as follows:

	Highest	Lowest
Financial year 2016	1.99 EUR	1.38 EUR
Financial year 2015	2.09 EUR	0.56 EUR
Financial year 2014	0.80 EUR	0.49 EUR

Chart

The trend of the exchange rate between **1 January 2014 and 31 December 2016** was as follows:

The chart below shows the development of the Keyware Technologies share on Euronext Brussels for the period from **01 January 2016 to 31 December 2016**.

The development of the Keyware Technologies share on Euronext Brussels for the period from **1 January 2015 through 31 December 2015** is rendered below

The chart below shows the development for the period from **1 January 2014 through 31 December 2014**.

2

Corporate governance statement

Belgian corporate governance code

The Board of Directors has decided to adopt the Belgian Corporate Governance Code 2009 as reference for corporate governance within the Keyware Group. This code has now been designated as the statutory compulsory reference framework by the Royal Decree of 6 June 2010. The code and the Royal Decree of 6 June 2010 were published in the Belgian Official Gazette of 28 June 2010.

The Corporate Governance Charter of Keyware Technologies was updated on 31 December 2016.

Correct/Sustainable Governance

Board of Directors

As at **31 December 2016**, the Board of Directors has six members, three of whom are independent directors.

The members of the Board of Directors are:

Director	Function	Main function	End date mandate after the GM of the financial year ending on
Guido Van der Schueren	Non-executive	Chairperson	31 December 2017
3C Consulting BVBA	Independent	Director	31 December 2017
Cofirans SA	Non-executive	Director	31 December 2018
Sofia BVBA	Independent	Director	31 December 2018
Big Friend NV	Executive - CEO	Director	31 December 2018
Moirai Management BVBA	Independent	Director	31 December 2018

GUIDO VAN DER SCHUEREN,
Chairman of the Board of Directors

Guido Van der Schueren, co-founder of Artwork Systems, was Managing Director of Artwork Systems Group NV until the end of 2007. Following the takeover of Artwork Systems by Esko, Guido van Schueren was first CCO of Esko Artwork and subsequently Vice-Chairman of the Board. From 1982 to April 1992, he held various positions, including Sales and Marketing Director at DISC NV (later Barco Graphics NV), a company that develops and markets pre-press systems. From 1974 to 1982, Guido van der Schueren was the "Compugraphic" Sales Manager at BONTE NV, a distributor of equipment for the graphic sector. Guido van der Schueren holds degrees in Graphic Arts, Education and Marketing. He is also a director of several companies in various sectors, including in the Hybrid/Congra Group.

COFIRANS SA,
permanently represented by Pierre Delhaize, Director

Pierre Delhaize has extensive experience in international business, in particular in the retail and distribution sectors. He currently plays an active role as director of several companies such as Sogedel France and Sogedel Lux. He is also "Maître de Conférences" at the Solvay Brussels School Economics & Management.

3C CONSULTING BVBA,
permanently represented by Bruno Kusters, Independent Director

Bruno Kusters has more than 15 years of experience in ICT and business consulting with references such as KKR, Avaya/Tenovis, Philips, Telindus, Unilever, Mitsubishi and Artesia. He obtained a degree in Commercial Engineering and a Bachelor in Quantitative Methods at the University of Leuven (KUL).

SOFIA BVBA,
permanently represented by Chris Buyse, Independent Director

Sofia BVBA is the management company of Chris Buyse and acts as an Independent Director of the Company. Chris Buyse has more than 20 years of experience in international financial expertise and financial management. He was previously CFO of the Belgian biotechnology company CropDesign, where he coordinated its takeover by BASF in July 2006. Before that, Chris Buyse was the financial director of WorldCom/MCI Belux and CFO/interim CEO of Keyware Technologies. In addition, he also held various financial positions including financial controller and internal auditor at Spector Photo Group, Suez Lyonnaise des Eaux and Unilever. Chris Buyse graduated with a Licentiate Degree in Applied Economics from the University of Antwerp and an MBA from the Vlerick Management School of Ghent. He also obtained a summer school certificate from Georgetown University in Washington (USA). Chris Buyse also holds several directorships in other promising biotechnology companies such as Celyad Biosciences, Bone Therapeutics, Iteos, Q Biologicals and Bio Incubator NV.

BIG FRIEND NV,
permanently represented by Stéphane Vandervelde, Director

Big Friend NV is the management company of Stéphane Vandervelde. Stéphane Vandervelde has more than 25 years of experience in the software industry and was co-founder of Keyware. He has been President and CEO of Keyware since 2001. Stéphane Vandervelde graduated as an Engineer in Electronics and completed additional specialist training in Micro-Electronics and Chip Design at the University of Leuven (KUL). He is also a director of several other companies, such as Hybrid Software NV and Hybrid Software US, Congra Luxemburg, Pinnacle Investments NV, Immo David NV, CreaBuild NV, NiXPS NV, Nexus Investments NV and Big Friend NV.

MOIRAI MANAGEMENT BVBA,
permanently represented by Johan Bohets, Independent Director

Moirai Management BVBA, previously Johan Bohets BVBA, is the management company of Johan Bohets, who was appointed as a director at the General Shareholders' Meeting of May 2013 (at the time as Umami BVBA). Johan Bohets was also employed as a senior counsel at the European Investment Fund and as a senior associate in the capital markets and corporate department of a magic circle law firm, where he gained wide experience with cross-border transactions and, in particular, mergers and acquisitions and private equity investments. At present, he works as the Chief Risk Officer of a financial institution. He holds a Master's Degree in Law and a Finance Degree from the Catholic University of Leuven (KUL), an additional qualification in Advanced Corporate Finance from the Insead/Amsterdam Institute of Finance and graduated as Executive Master in Finance at the Solvay Business School.

The Board of Directors met 9 times in 2016, including 5 times by conference call. This number of meetings enabled the Board of Directors to carry out its tasks in an effective manner and to fulfil its duties as the Company's consultation and decision-making body.

The meetings of the Board of Directors took place on the following dates in 2016:

	10.03	19.04 (1)	19.05	18.08	25.08 (1)	29.09 (1)	10.11	15.12 (1)	28.12 (1)
Guido Van der Schueren	x	x	x	-	x	-	x	x	x
Bruno Kusters / 3C Consulting BVBA	x	x	x	x	x	x	x	x	x
Pierre Delhaize / Cofirans SA	x	x	x	x	x	x	x	x	x
Big Friend NV	x	x	x	x	x	x	x	x	x
Sofia BVBA	x	x	x	x	x	x	x	x	x
Moirai Management BVBA	x	x	x	x	x	x	x	x	x

X = present
(1) Board of Directors meeting held via conference call

During its meetings in 2016, the Board of Directors dealt with the following matters among others:

- financial results on a quarterly basis (IFRS quarterly figures and half-yearly figures)
- discussion of the recommendations of the Audit Committee
- financing of the Group
- budget 2017
- the situation with regard to legal disputes and claims for damages
- conflicts of interest
- operational items (cooperation with new partners etc.)
- start of a subsidiary in Germany
- takeover opportunities

The company does not have a delegated director ("afgevaardigde bestuurder"). The Company is duly represented by two directors acting jointly. With regard to the remuneration of the non-executive directors, we refer you to that which is discussed under Remuneration of directors and members of the executive management. For the meetings of the Board of Directors held in the years 2014 and 2015, we refer you to the annual reports of those financial years, in which the topics discussed are reported.

Day-to-Day Management

In accordance with Section 23 of the Articles of Association, the Board of Directors has delegated the day-to-day management of the Company to a collegiate body that is referred to as the "management committee". The Board of Directors has appointed the management committee of the Company. The powers of the management committee are specified by the Board of Directors. Mr. Stéphane Vandervelde, CEO, is the chairman of the management committee.

In 2016, the management committee comprised the following members:

- CEO Stéphane Vandervelde – via Big Friend NV
- CFO Alain Hubert – via Hubert & Co BVBA
- COO Wim Verfaille – via IQuess Consulting BVBA
- CCO Joris Maes – via JM Services GCV

STÉPHANE VANDERVELDE

President & CEO

Stéphane Vandervelde has more than 20 years of experience in the software industry. He is currently President and CEO of Keyware. Stéphane Vandervelde graduated as an Engineer in Electronics and completed additional specialist training in Micro-Electronics and Chip Design at the Catholic University of Leuven (KUL).

ALAIN HUBERT

CFO

Alain Hubert is a Licentiate in Applied Economic Sciences (UG) and Special Licentiate in Accountancy (Vlerick School of Management). He has been a company auditor since 1998 and until 2008 he was an audit partner at Constantin Bedrijfsrevisoren and after that Executive Director at Ernst & Young Company Auditors, Transaction department until May 2013. He has been CFO since June 2013.

WIM VERFAILLE

COO

Wim Verfaille is an Industrial Electricity Engineer. He was employed as Operations Manager with Modular Lighting Industries from 1994 to 2003. He worked as an Operational Business Consultant and interim manager from 2003 onwards. In this capacity, he was involved in a number of long-term projects at Tenovis (Telecom) and Maxeda (Retail) among other clients and has been COO since 2007.

JORIS MAES

CCO

Joris Maes has over twenty years of experience in sales and marketing in various industries and has worked for such companies as Alcatel-Lucent, KPN, AT&T and Balta. At Balta, he enjoyed more than two years' 'expat' experience, stationed in the United States (as Vice-President Sales & Marketing). He holds a Master's degree in Industrial Engineering (Electronics) and an MBA in General International Management from the Vlerick Leuven Gent Management School with "inter-cultural negotiations" as his specialisation.

With regard to the remuneration of the management committee, we refer to that which is discussed under Remuneration of the directors and members of the executive management.

Auditor

BDO Bedrijsrevisoren CVBA, with registered offices at Da Vincilaan 9 - Box E.6 Elsinore Building, 1935 Zaventem, represented by Michaël Delbeke, has been appointed as the auditor of Keyware Technologies NV for a period of three years, which will end after the General Shareholders' Meeting of May 2017.

The **total annual remuneration** of the auditor for the financial year 2016 amounts to 56 kEUR, 35 kEUR of which is for the statutory and consolidated annual accounts of the Company and 20 kEUR for the statutory annual accounts of the Belgian subsidiaries. In addition, **exceptional remuneration** totalling 22 kEUR was received in connection with special reporting with regard to the capital increases due to warrants and the payment of an interim dividend, bank certification and well as consulting activities.

The auditor and the companies with which he has a professional relationship did not carry out any work other than the above in 2016.

The auditor's total annual remuneration for the financial years 2014 and 2015 came to 53 kEUR and 54 kEUR respectively. Exceptional remuneration of 21 kEUR and 5 kEUR was paid in 2014 and 2015 respectively. Finally, amounts of 22 kEUR and 0 kEUR were paid in 2014 and 2015 respectively in fees to companies with which the auditor has a professional relationship. We refer to the annual reports for the financial years 2014 and 2015 for further details of these amounts.

Audit Committee

The Audit Committee consisted of the following non-executive members:

- Sofia BVBA, represented by Chris Buyse, Chairman and independent director
- Guido Van der Schueren, non-executive director
- Cofirans SA, represented by Pierre Delhaize, non-executive Director

The Audit Committee convened five times in 2016. The 5 meetings of the Audit Committee took place on the dates below.

	10.03.2016	19.05.2016	18.08.2016	10.11.2016	06.12.2016
Sofia BVBA	x	x	x	x	x
Guido Van der Schueren	x	x	-	x	x
Cofirans SA	x	x	x	x	x

Remuneration Committee

The Remuneration Committee consists of the following members:

- 3C Consulting BVBA, represented by Bruno Kusters, Chairperson and Independent Director
- Guido Van der Schueren, Chairman of the Board of Directors:
- Sofia BVBA, represented by Chris Buyse, independent director

The Remuneration Committee convened twice in 2016, on 10 March 2016 and 10 November 2016.

Insider trading directive

In accordance with the Royal Decree of 5 March 2006 regarding market abuse, the Company has drawn up a guideline with regard to insider trading. As of June 2006, this guideline has been applicable to the directors, persons with managerial responsibility and other employees who have access to inside information.

Conflicts of interest

Section 523 of the Belgian Company Code provides for an extraordinary procedure in the event that a director, directly or indirectly, has an interest of a proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors.

Section 524, subsection 1, stipulates that the procedure specified in subsections 2 and 3 must be applied in advance for each decision taken or each transaction executed in connection with the implementation of a decision of a stock-listed company.

Section 524, subsection 2, stipulates that all decisions or transactions as specified in subsection 1 must be subject to the prior assessment of a committee of three independent directors. This committee is assisted by one or more independent experts appointed by the committee. The committee describes the nature of the decision or transaction and assesses the commercial advantage or disadvantage for the company and its shareholders. It estimates the proprietary consequences and determines whether the decision or transaction is of such a nature that the company will suffer a disadvantage that is manifestly unlawful in the light of its corporate policy. If the committee does not consider the decision or transaction to be manifestly unlawful, but is nevertheless of the opinion that the decision or transaction is to the disadvantage of the company, the committee will make clear which advantages the decision or transaction brings into the equation to compensate for the aforementioned disadvantages.

The committee will submit substantiated advice to the Board of Directors, outlining each of the aforementioned assessment elements.

Section 524, subsection 3, specifies that the Board of Directors, after taking note of the committee's advice as stipulated in subsection 2, will deliberate on the proposed decision or transaction. Section 523 applies where appropriate.

The Board of Directors will state in its minutes of the meeting whether the procedure described above was complied with, and, if appropriate, the grounds on which it departed from the committee's advice. The auditor delivers an opinion on the correctness of the information stated in the committee's advice and in the minutes of the meeting of the Board of Directors. This opinion is attached to the minutes of the meeting of the Board of Directors. The committee's decision, an extract from the minutes of the meeting of the Board of Directors and the auditor's opinion are printed in the annual report.

No transactions took place during the course of the financial year 2016 that would have required the application of article 523 and/or 524 of the Belgian Company Code.

Evaluation Board of Directors, committees and individual directors

The Board of Directors and its functioning is evaluated within the Company by the Remuneration Committee. The performance of the individual directors is also included in the general assessment.

The Chairman organises individual interviews with all directors every two years. The following items, among others, are discussed during these interviews:

- the degree to which timely and full information is made available to the directors and the manner in which any questions and comments are replied to by the management;
- the course of the discussions and the decision-making in the Board of Directors and, in particular, whether all standpoints can be formulated and taken into consideration;
- the participation of the individual directors in the discussions and adequate contribution of the specific expertise of the director during the discussions;
- the chairing of the meetings by the Chairman of the Board of Directors, paying particular attention to whether every person's right to speak is sufficiently exercised, the conformity of the decisions with the discussions and the consensus of the directors.

The Audit Committee and the Remuneration Committee carry out periodic self-assessments of their own functioning and effectiveness.

Remuneration report

a) Policy

The Company applies the following principles to the development of the remuneration policy and the determination of the level of remuneration for non-executive directors:

- non-executive directors do not receive a fixed annual remuneration;
- non-executive directors receive an attendance fee;
- non-executive directors may subscribe for the warrants allocated to them by the Board of Directors in the event of the issue of a warrant plan;
- these principles can be departed from by a decision of the Remuneration Committee.

Since November 2015, attendance fees have been granted to members of the Board of Directors.

The Company applies the following principles to the development of the remuneration policy and the determination of the level of remuneration for the members of the executive management:

- members of the executive management receive fixed annual remuneration;
- members of the executive management receive variable annual remuneration;
- members of the executive management may subscribe for the warrants allocated to them by the Board of Directors in the event of the issue of a warrant plan;
- members of the executive management may be reimbursed for expenses that they have incurred in connection with the performance of their duties;
- these principles can be departed from by a decision of the Remuneration Committee.

(b) Remuneration

As stated above, directors can receive remuneration in the form of warrants. No warrants were were allocated in 2015 and 2016. In the financial year 2014, 2,065,000 warrants were allocated, including 1,740,000 warrants to the members of the Board of Directors:

Warrants allocated to directors in 2014	Number
Guido Van der Schueren / Powergraph BVBA / Parana Management Corp BVBA	1,000,000
Big Friend NV / Stéphane Vandervelde	665,000
Drupafina NV / Guido Wallebroek	15,000
Sofia BVBA / Chris Buyse	15,000
Pierre Delhaize / Pardel NV	15,000
Bruno Kusters	15,000
Johan Bohets / Johan Bohets BVBA	15,000

The variable remuneration policy of the Company for the **non-executive directors** remained unchanged, both with regard to variable remuneration and the allocation of warrants. Regarding the attendance fees, a global envelope has already been provided for this in response to the Ordinary General Meeting of May 2016.

The Remuneration Committee granted to following remuneration to non-executive Directors for 2016:

2016	Fixed	Variable	Attendance fee	Consultancy	Total	Warrants
					(in kEUR)	Number
Guido Van der Schueren (*)	120	149	14	-	283	-
Chris Buyse / Sofia BVBA	-	-	18	-	18	-
Pierre Delhaize / Cofirans SA	-	-	18	-	18	-
Bruno Kusters / 3C Consulting BVBA	-	-	18	6	24	-
Johan Bohets / Moirai Management BVBA	-	-	18	-	18	-

(*) The above-mentioned remuneration components have been or will be paid by Powergraph BVBA

For the financial year 2015, the remuneration granted to non-executive directors was as follows:

2015	Fixed	Variable	Attendance fee	Consultancy	Total	Warrants
					(in kEUR)	Number
Guido Van der Schueren (*)	75	50	4	-	129	-
Chris Buyse / Sofia BVBA	-	-	-	-	-	-
Pierre Delhaize / PARDEL NV	-	-	-	-	-	-
Bruno Kusters	-	-	4	-	4	-
Johan Bohets / Moirai Management BVBA	-	-	4	-	4	-

(*) The above-mentioned remuneration components have been or will be paid by Powergraph BVBA

The Group concluded a Management Agreement with Powergraph BVBA, the management company of Mr. Guido Van der Schueren, Chairperson of the Board of Directors. The Agreement provides for a fixed remuneration and a variable remuneration. The latter remuneration is allocated based on documented and objectively measurable performance criteria regarding the past financial year. This Agreement provides for a notice period of three months in the event of termination of the Agreement and does not contain any other benefits.

The meeting of the Remuneration Committee of 5 November 2015 approved the principle of granting attendance fees.

The non-executive directors received the following remuneration in the financial year 2014:

2014	Fixed	Variable	Attendance fee	Expenses	Total	Warrants
					(in kEUR)	Number
Guido Van der Schueren / Powergraph BVBA	60	50	-	-	110	-

The **executive management** was granted the following remuneration in the financial year 2016:

2016	Fixed	Variable	Attendance fee	Expenses	Total	Warrants
					(in kEUR)	Number
Big Friend NV	340	149	18	31	538	-
Other members of the management	470	145	-	9	624	-

The executive management received the following remuneration in the financial year 2015:

2015	Fixed	Variable	Attendance fee	Expenses	Total	Warrants
					(in kEUR)	Aantal
Big Friend NV	308	99	4	34	445	-
Other members of the management	463	183	-	14	660	-

The executive management received the following remuneration in the financial year 2014:

2014	fixed	Variable	Attendance fee	Expenses	Total	Warrants
					(in kEUR)	Aantal
Big Friend NV	307	99	-	39	445	665,000
Other members of the management	431	136	-	14	581	325,000

The management agreement with Big Friend NV, CEO of the Company, provides for a notice period of eighteen months in the event of a termination of the agreement by the Company without giving reasons. This notice period may also be replaced, in mutual consultation between both parties, by a termination fee. The notice period of eighteen months was included in the management agreement at the time of signing, being 1 July 2000, as a result of which it differs from that which is prescribed in the Belgian Corporate Governance Code 2009. The variable remuneration is allocated based on documented and objectively measurable performance criteria regarding the past financial year. The other members of management include Hubert & Co BVBA, Iquess Consulting BVBA and JM Services GCV.

The management agreement with Hubert & Co BVBA, CFO of the Company, provides for a notice period of six months in the event of a termination of the agreement by the Company without giving reasons. This notice period may also be replaced, in mutual consultation between both parties, by a termination fee. The variable remuneration is allocated based on documented and objectively measurable performance criteria regarding the past financial year.

The management agreement with Iquess BVBA, COO of the Company, provides for a notice period of six months in the event of a termination of the agreement by the Company without giving reasons. This notice period may also be replaced, in mutual consultation between both parties, by a termination fee. The variable remuneration is allocated based on documented and objectively measurable performance criteria regarding the past financial year.

The management agreement with JM Services GCV, CCO of the Company, provides for a notice period of three months, unless agreed otherwise between the Parties. The variable remuneration is allocated based on documented and objectively measurable performance criteria regarding the past financial year.

The variable remuneration policy of the Company for the members of the executive management remained unchanged during the financial year 2016 with regard to the variable remuneration components. No new warrants were allocated in 2016.

(c) Number of shares held by directors and executive management

The number of shares in Keyware Technologies NV held by non-executive directors as of 31 December 2016 is as follows:

Non-executive directors	Number of shares
Guido Van der Schueren / Powergraph BVBA / Parana Management BVBA	9,894,195
Chris Buyse / Sofia BVBA	30,000
Pierre Delhaize / Pardel NV / Cofirans SA	372,400
Bruno Kusters / 3C Consulting BVBA	30,000
Johan Bohets / Moirai Management BVBA	30,000

The number of shares in Keyware Technologies NV held by the executive management as of 31 December 2016 is as follows:

Executive management	Number of shares
Big Friend NV / Stéphane Vandervelde	1,597,522
Hubert & Co BVBA / Alain Hubert	85,000
Iquess Consulting BVBA / Wim Verfaille	297,007
JM Services GCV / Joris Maes	75,000

For the shareholdings of non-executive directors and executive management as of the end of 2014 and 2015, we refer you to the corresponding chapter of the Annual Reports of the financial years in question.

(d) Warrants exercised during the financial year 2016

The non-executive directors and members of the executive management listed below, respectively, acquired the following number of shares in the financial year 2016 and the 2 previous financial years following the exercise of warrants

Non-executive directors	Number of shares acquired in 2016	Number of shares acquired in 2015	Number of shares acquired in 2014
Guido Van der Schueren / Powergraph BVBA / Parana Management BVBA	-	-	-
Guido Wallebroek / Drupafina NV	-	-	-
Chris Buyse / Sofia BVBA	-	30,000	-
Pierre Delhaize / Pardel NV / COFIRANS SA	-	15,000	-
Bruno Kusters / 3C Consulting BVBA	-	15,000	-
Johan Bohets / Johan Bohets BVBA / Moirai Management BVBA	-	30,000	-

Executive management	Number of shares acquired in 2016	Number of shares acquired in 2015	Number of shares acquired in 2014
Big Friend NV / Stéphane Vandervelde	-	400,000	-
Hubert & Co BVBA / Alain Hubert	-	100,000	-
Iquess Consulting BVBA / Wim Verfaille	125,000	-	-
JM Services GCV / Joris Maes	35,000	35,000	-

(e) Remuneration by shares, share options or any right to acquire shares

In the past, the Company has issued warrant plans at irregular intervals, whereby directors, executive management and employees were given the opportunity to subscribe for these warrant plans.

During the financial year 2016, no remuneration in the form of shares, share options or any right to acquire shares was allocated to non-executive directors or to the members of the executive management. Of the two previous financial years, warrants were only allocated to non-executive directors and members of the executive management in the 2014 financial year. For details please see the tables above.

Internal control and risk management systems

Keyware's internal control structure consists of a number of guidelines that determine the main operational processes and that apply to the whole group. The Group has introduced various instruments to constantly monitor the effectiveness and efficiency of the system and the functioning of the internal control structure in connection with financial reporting.

Keyware regularly evaluates the Group's risk position, the possible financial impact and the necessary actions to monitor and control risks.

For a detailed description of the various risks, we refer you to the annual report of the Board of Directors regarding the consolidated financial statements - section (2) Risk factors.

The company has not yet established an independent internal audit function. An internal evaluation takes place each year to assess whether there is a need for this. At the end of the financial year 2016, there was not (yet) a need for an internal audit.

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Annual report of the board of directors on the consolidated financial statements

Annual report of the Board of Directors on the consolidated financial statements of 2016

In accordance with article 119 of the Belgian Company Code, we have the honour of reporting to you on the activities of the Company in the financial year covering the period from 1 January 2016 to 31 December 2016.

1. Comments with regard to the financial statements and information about the circumstances that could have a significant influence on the development of the consolidated company

The consolidated financial statements were prepared in accordance with IFRS by the Board of Directors on 9 March 2017.

(a) Financial statements and important events

The financial year closed with a profit after taxes of 3,101 kEUR. As a result, the shareholders' equity amounts to 26,436 kEUR after incorporation of the result.

The major events in 2016 were the acquisition of an interest of 40% in the technology company Magellan SAS, the establishment of a subsidiary in Germany and the own shares buy-back programme.

(b) Comments relating to the main balance sheet items

For comments relating to the main balance sheet items, we refer you to the Notes to the consolidated financial statements.

(c) Comments relating to the main items of the income statement

For comments relating to the main items of the income statement, we refer you to the Notes to the consolidated financial statements.

Besides the elements mentioned in these notes and the risk factors discussed in the paragraph below, there are no issues that could have a substantial impact on the development of the consolidated entirety.

2. Risk factors

In accordance with article 119,1° of the Belgian Company Code, as amended by the Act of 13 January 2006, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, the financial results or the market position of the Company.

(a) Products and markets

The Group operates in a market that is developing very rapidly with regard to technology. These developments concern the changing needs of customers, the need for frequent new products, many of which have an ever shorter life, as well as the changing industrial standards. Keyware has also offered Worldline terminals since 2013 following the partnership that it concluded with Worldline mid-2013. The financial years 2014 and 2015 were the first two years in which the impact of this expansion showed over a 12-month period.

The Group expects that turnover growth will depend largely on the degree to which it is able to respond to these new challenges. Not being able to react to the changed context in time could have negative consequences for the results of the Company and its financial situation.

The risk has already become more limited by expanding the product range, by participating in a technologically innovative company (Magellan) and by commercializing a payment app (EasyOrder) from 2017. Both participations, Magellan and EasyOrder, offer perspectives for a broader product range in 2017. In addition, the geographic market was expanded by establishing a subsidiary in Germany in the middle of 2016.

(b) Customer dependence

The Company has over 18,000 active customers. The most important customer represents less than 1% of revenues.

(c) Supplier dependence

In addition to the two new agreements with manufacturers of payment terminals concluded in 2009, Keyware also concluded an agreement with Worldline in 2013. As a result, the risk of discontinuity with regard to the supply of terminals has been reduced considerably. There are no changes to report for the financial year 2016. The payment terminals are still sourced by Worldline and Ingenico.

(d) Concentration of credit risks

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a very limited extent over the Netherlands. The Group does not have any activities in countries with a highly inflationary economy.

(e) Legal proceedings

The Company is involved in a number of legal proceedings that can be regarded as contingent liabilities or contingent receivables based on IFRS. For more information on this item, we refer you to the Notes to the consolidated financial statements - (54) Pending disputes.

(f) Financial position

In 2016, the Group attracted additional funds to finance the 40% participation in Magellan (3,000 kEUR) and the financing of the purchase of payment terminals (500 kEUR). The funding for expanding the fleet was obtained to a limited extent.

Warrants were exercised to a limited extent in 2016 (95 kEUR). In this context, we refer to the Note to the consolidated financial statements - (4) Going concern or continuity.

(g) Going concern/continuity

For this item, we refer you to the Notes to the consolidated financial statements - (4) Going concern or continuity.

(h) Information technology risk

The information technology risk is mainly located in the subsidiaries and contains a dual aspect:

- SAP/Network management
  The entire IT infrastructure was completely optimised in 2010. In the event of discontinuity of the systems, an internal action plan provides for the reactivation of all IT services within four working hours with a loss of dynamic data of no more than one working day. The most recent SAP upgrades were carried out at the end of 2013 and the beginning of 2014 in conjunction with the replacement of the hardware.

- Converter and authorisations
  The Group has an entirely separate payment network for carrying out the NSP activity, which has been set up completely in accordance with PCI DSS level 1 regulations via a third party server farm. There is a complete parallel structure so that a possible discontinuity of the systems will in principle have no influence on business operations and whereby, in the event of a combined discontinuity, all systems will be operational again within four working hours.

(i) Environment

The Group does not have any special comments to make with regard to environmental matters.

(j) Personnel

The Group employed 46 employees (personnel and consultants) as of 31 December 2016. With regard to the successful realisation of its objectives, the Company is partially dependent on the continuity of its personnel.

This includes 7 staff members employed by the Germany subsidiary.

On average, 42 employees were employed, including 2 in Germany.

Magellan SAS, in which the Group has an interest of 40%, employed 21 employees.

3. Justification of the application of valuation principles under the assumption of a going concern

For this item, we refer you to the Notes to the consolidated financial statements - (4) Going concern/ continuity.

4. Information regarding significant events after the financial year

For this item, we refer you to the Notes to the consolidated financial statements - (53) Important events after the balance sheet date.

5. Information regarding activities in the area of research and development

These provisions are not applicable to the Group Companies.

6. Capital increases and capital decreases

Two capital increases were carried out by way of the exercising of Warrants. These related to 160,000 Warrants with a cash inflow of 95 kEUR. For this item, we refer to the Notes to the consolidated financial statements - (17) Capital structure.

In May 2016, in response to the Ordinary General Meeting, the capital and the share premiums were reduced by 1,636 kEUR and EUR 2,014 kEUR respectively to wipe off retained losses of 3,650 kEUR.

7. Information regarding branches

These provisions are not applicable to the Group. The Group has no branches.

8. Treasury shares

On 18 August 2016, a share buy-back program was launched. The subsidiary Keyware Smart Card Division NV started acquiring Keyware Technologies shares within a program of 1,000 kEUR.

The share buy-back program acquisition plan started on 29 August 2016 and was completed on 22 December 2016. A total of 526,624 shares were acquired.

The majority of the acquired treasury shares were used as partial payment for the acquisition of 40% shares of Magellan SAS. A partial payment of 1,000 kEUR was made in shares.

At the end of 2016, the company still holds 11,956 treasury shares, being 0.0563% of the total number of outstanding shares, which represents a net book value of 19 kEUR.

Please refer to the website www.keyware.com for a full history of the share buy-back.

9. Decisions taken with application of legal procedures to avoid conflicts of interest

With regard to this item, we refer to that which is discussed in the section Corporate Governance – Conflict of interest.

10. Information on the use of financial instruments

The Company does not make use of financial instruments.

11. Justification of the independence and expertise in the areas of accounting and audit of one independent member of the Audit Committee

The General Shareholders Assembly of 28 May 2010 has appointed Sofia BVBA, represented by Chris Buyse, as independent director of the Company. Sofia BVBA, represented by Chris Buyse, fulfils the criteria for independent directors stipulated in article 524, paragraph 4, and article 526 of the Belgian Company Code. In addition, the Board of Directors is of the opinion that Chris Buyse has the required qualities for this position on the basis of his extensive professional experience.
Chris Buyse, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions.

He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Licentiate Degree in Management (Vlerick School). He gained experience at Unilever and Sita among other companies before helping to realise the turnaround of Keyware between 2001 and 2003. After that, he was a board member and CFO of the stock-listed biotechnology company ThromboGenics.

Chris Buyse holds several directorships in other promising biotechnology companies such as Celyad, Bone Therapeutics, Iteos, Q Biologicals and the Bio Incubator.

Sofia BVBA, represented by Chris Buyse, has been Chairman of the Audit Committee as of 1 January 2011.

Annual report of the Board of Directors on the consolidated financial statements of 2015

In accordance with article 119 of the Belgian Company Code, we have the honour of reporting to you on the activities of the Company in the financial year comprising the period from 1 January 2015 to 31 December 2015.

1. Comments with regard to the financial statements and information about the circumstances that could have a significant influence on the development of the consolidated company

The consolidated financial statements were prepared in accordance with IFRS by the Board of Directors on 10 March 2016.

(a) Financial statements and important events

The financial year closed with a profit after taxes of 5,291 kEUR. As a result, the shareholders' equity amounts to 23,683 kEUR after incorporation of the result.

(b) Comments relating to the main balance sheet items

For comments relating to the main balance sheet items, we refer you to the Notes to the consolidated financial statements.

(c) Comments relating to the main items of the income statement

For comments relating to the main items of the income statement, we refer you to the Notes to the consolidated financial statements.

Besides the elements mentioned in these notes and the risk factors discussed in the paragraph below, there are no issues that could have a substantial impact on the development of the consolidated company.

2. Risk factors

In accordance with article 96,1° of the Belgian Company Code, as amended by the Act of 13 January 2006, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, the financial results or the market position of the Company.

(a) Products and markets

The Group operates in a market that is developing very rapidly with regard to technology. These developments concern the changing needs of customers, the need for the frequent development of new products, many of which have a short life, as well as the changing industrial norms and standards. Keyware also offers ATOS terminals following the partnership that it concluded with Worldline mid-2013. The financial years 2014 and 2015 were the first two years in which the impact of this expansion showed over a 12-month period.

The Group expects that turnover growth will depend largely on the degree to which it is able to respond to these new challenges. Not being able to react to the changed context in time could have negative consequences for the results of the Company and its financial situation. This risk has been reduced due to the broadening of the product range.

(b) Customer dependence

The Company has over 17,000 active customers. The most important customer represents less than 1% of revenues.

(c) Supplier dependence

In addition to the two new agreements concluded with new suppliers of payment terminals in 2009, Keyware also concluded an agreement with ATOS Worldline in 2013. As a result, the risk of discontinuity in the supply of terminals has been reduced considerably. There are no changes to report for the financial year 2015.

(d) Concentration of credit risks

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a very limited extent over the Netherlands. The Group does not have any activities in countries with a highly inflationary economy.

(e) Legal proceedings

The Company is involved in a number of legal proceedings that can be regarded as contingent liabilities or contingent receivables based on IFRS. For more information on this item, we refer you to the Notes to the consolidated financial statements - (52) Pending disputes (in the 2015 annual report).

(f) Financial position

The Group obtained a limited amount of additional funding in 2015. This consisted on the one hand of the balance of unutilised funds under existing loans and on the other of new loans to finance the asset deal with GlobalPay and the fleet. At the end of the financial year, warrants were also exercised. In this context, we refer to the Notes to the consolidated financial statements - (4) Going concern or continuity (in the 2015 annual report).

(g) Going concern/continuity

For this item, we refer you to the Notes to the consolidated financial statements - (4) Going concern/ continuity (in the 2015 annual report).

(h) Information technology risk

The information technology risks contain two aspects:

- SAP/Network management
  The entire IT infrastructure was completely optimised in 2010. In the event of discontinuity of the systems, an internal action plan provides for the reactivation of all IT services within four working hours with a loss of dynamic data of no more than one working day. The most recent SAP upgrades were carried out at the end of 2013 and the beginning of 2014 in conjunction with the replacement of the hardware.

- Converter and authorisations
  The Group has an entirely separate "payment network" for carrying out the NSP activity, which has been set up completely in accordance with PCI DSS level 1 regulations via a "third party server farm". There is a complete parallel structure so that a possible discontinuity of the systems will in principle have no influence on business operations and whereby, in the event of a combined discontinuity, all systems will be operational again with four working hours.

(i) Environment

The Group does not have any special comments to make with regard to environmental matters.

(j) Personnel

The Group employed 37 employees (personnel and consultants) as of 31 December 2015. With regard to the successful realisation of its objectives, the Company is partially dependent on the continuity of its personnel.

3. Justification of the application of valuation principles under the assumption of a going concern

For this item, we refer you to the Notes to the consolidated financial statements - (4) Going concern/ continuity (in the 2015 annual report).

4. Information regarding significant events after the financial year

For this item, we refer you to the Notes to the consolidated financial statements - (51) Important events after the balance sheet date (in the 2015 annual report).

5. Information regarding activities of research and development

These clauses are not applicable to the Group.

6. Capital increases and capital decreases

For this item, we refer you to the Notes to the consolidated financial statements - (17) Capital structure (in the 2015 annual report).

7. Information regarding branches

These clauses are not applicable to the Group.

8. Treasury shares

These clauses are not applicable to the Group.

9. Decisions taken with application of legal procedures to avoid conflicts of interest

With regard to this item, we refer to that which is discussed in the section Corporate Governance – Conflict of interest.

10. Information on the use of financial instruments

The Company does not make use of financial instruments.

11. Justification of the independence and expertise in the areas of accounting and audit of one independent member of the Audit Committee

The General Shareholders Assembly of 28 May 2010 has appointed Sofia BVBA, represented by Chris Buyse, as independent director of the Company. Sofia BVBA, represented by Chris Buyse, fulfilled the criteria for independent directors stipulated in article 524, paragraph 4 and article 526 of the Belgian Company Code. In addition, the Board of Directors is of the opinion that Chris Buyse has the required qualities for this position on the basis of his extensive professional experience.

Chris Buyse, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions.

He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Licentiate Degree in Management (Vlerick School). He gained experience at Unilever and Sita among other companies before helping to realise the turnaround of Keyware between 2001 and 2003. After that, he was a board member and CFO of the stock-listed biotechnology company ThromboGenics.

Chris Buyse holds several directorships in other promising biotechnology companies such as Celyad, Bone Therapeutics, Iteos, Q Biologicals and Bio Incubator NV.

Sofia BVBA, represented by Chris Buyse, is Chairman of the Audit Committee as of 1 January 2011.

Annual report of the Board of Directors on the consolidated financial statements of 2014

In accordance with article 119 of the Belgian Company Code, we have the honour of reporting to you on the activities of the Company in the financial year covering the period from 1 January 2014 to 31 December 2014.

1. Comments with regard to the financial statements and information about the circumstances that could have a significant influence on the development of the consolidated company

The consolidated financial statements were prepared in accordance with IFRS by the Board of Directors on 10 March 2015.

(a) Financial statements and important events

The financial year closed with a net profit of 1,910 kEUR. As a result, the shareholders' equity amounts to 17,981 kEUR after appropriation of the result.

(b) Comments relating to the main balance sheet items

For comments relating to the main balance sheet items, we refer you to the Notes to the consolidated financial statements.

(c) Comments relating to the main items of the income statement

For comments relating to the main items of the income statement, we refer you to the Notes to the consolidated financial statements.

Besides the elements mentioned in these notes and the risk factors discussed in the paragraph below, there are no issues that could have a substantial impact on the development of the consolidated company.

2. Risk factors

In accordance with article 96, 1° of the Belgian Company Code, as amended by the Act of 13 January 2006, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, the financial results or the market position of the Company.

(a) Products and markets

The Group operates in a market that is developing very rapidly with regard to technology. These developments concern the changing needs of customers, the need for the frequent development of new products, many of which have a short life as well as the changing industrial standards. Keyware has also offered Worldline terminals since 2013 following the partnership that it concluded with Worldline mid-2013. The Group expects that turnover growth will depend largely on the degree to which it is able to respond to these new challenges. Not being able to react to the changed context in time could have negative consequences for the results of the Company and its financial situation. This risk has been reduced due to the broadening of the product range.

(b) Customer dependence

The Company has over 15,000 active customers. The most important customer represents less than 1% of revenues.

(c) Supplier dependence

In addition to the two new agreements concluded with new suppliers of payment terminals in 2009, Keyware also concluded an agreement with Worldline in 2013. As a result, the risk of discontinuity in the supply of terminals has been reduced considerably.

(d) Concentration of credit risks

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a very limited extent over the Netherlands. The Group does not have any activities in countries with a highly inflationary economy.

(e) Legal proceedings

The Company is involved in a number of legal proceedings that can be regarded as contingent liabilities or contingent receivables based on IFRS. For more information on this item, we refer you to the Notes to the consolidated financial statements - (51) Pending disputes (in the 2014 annual report).

(f) Financial position

The Group had to raise additional funding in 2014. This need for additional funding will be strongly reduced for the financial year 2015. In this context, we refer to the Notes to the consolidated financial statements - (4) Going concern or continuity and (50) Important events after the balance sheet date (in the 2014 annual report).

(g) Going concern/continuity

For this item, we refer you to the Notes to the consolidated financial statements - (4) Going concern/ continuity (in the 2014 annual report).

(h) Information technology risk

The information technology risk is mainly located in the subsidiaries and contains a dual aspect:

- SAP/Network management
  The entire IT infrastructure was completely optimised in 2010. In the event of discontinuity of the systems, an internal action plan provides for the reactivation of all IT services within four working hours with a loss of dynamic data of no more than one working day. The most recent SAP upgrades were carried out at the end of 2013 and the beginning of 2014 in conjunction with the replacement of the hardware.
- Converter and authorisations
  The Group has an entirely separate "payment network" for carrying out the NSP activity, which has been set up completely in accordance with PCI DSS level 1 regulations via a "third party server farm". There is a complete parallel structure so that a possible discontinuity of the systems will in principle have no influence on business operations and whereby, in the event of a combined discontinuity, all systems will be operational again with four working hours.

(i) Environment

The Group does not have any special comments to make with regard to environmental matters.

(j) Personnel

The Group employed 40 employees (personnel and consultants) as of 31 December 2014. With regard to the successful realisation of its objectives, the Company is partially dependent on the continuity of its personnel.

3. Justification of the application of valuation principles under the assumption of a going concern

For this item, we refer you to the Notes to the consolidated financial statements - (4) Going concern/ continuity (in the 2014 annual report).

4. Information regarding significant events after the financial year

For this item, we refer you to the Notes to the consolidated financial statements - (50) Important events after the balance sheet date (in the 2014 annual report).

5. Information regarding activities in the area of research and development

These clauses are not applicable to the Group.

6. Capital increase and capital decreases

For this item, we refer to the Notes to the consolidated financial statements - (17) Capital structure (in the 2014 annual report).

7. Information regarding branch offices

These clauses are not applicable to the Group.

8. Own shares

These clauses are not applicable to the Group.

9. Decisions taken with application of legal procedures to avoid conflicts of interest

With regard to this item, we refer to that which is discussed in the section Corporate Governance – Conflict of interest.

10. Information on the use of financial instruments

The Company does not make use of financial instruments.

11. Justification of the independence and expertise in the areas of accounting and audit of one independent member of the Audit Committee

The General Shareholders Assembly of 28 May 2010 has appointed Sofia BVBA, represented by Chris Buyse, as independent director of the Company. Sofia BVBA, represented by Chris Buyse, fulfilled the criteria for independent directors stipulated in article 524, paragraph 4 and article 526 of the Belgian Company Code. In addition, the Board of Directors is of the opinion that Chris Buyse has the required qualities for this position on the basis of his extensive professional experience.

Chris Buyse, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions.

He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Licentiate Degree in Management (Vlerick School). He gained experience at Unilever and Sita among other companies before helping to realise the turnaround of Keyware between 2001 and 2003. After that, he was a board member and CFO of the stock-listed biotechnology company ThromboGenics.

Chris Buyse holds several directorships in other promising biotechnology companies such as Cardio 3 Biosciences, Bone Therapeutics, Iteos, Q Biologicals and the Bio Incubator NV.

Sofia BVBA, represented by Chris Buyse, has been Chairman of the Audit Committee as of 1 January 2011.

4

Consolidated information

Management discussion of the financial situation and the operating results

1. Basis of presentation

The following discussion and analysis is based on the audited consolidated financial statements of Keyware Technologies NV and its subsidiaries ('the Group') for the financial year ending on 31 December 2016. The financial years 2015 and 2014 were added here.

The following terms are used in the discussion throughout the document.

- Financial year: this refers to the financial year 2016
- Previous financial year or comparable financial year: this refers to the financial year 2015
- First year: this refers to the first year of the period presented, in this case the financial year 2014

All intercompany balances and transactions were eliminated upon consolidation.

2. Historical overview and financial year 2016

(a) History

Keyware Technologies NV was founded in June 1996 as a public limited company under Belgian law. The Company originally developed security technologies based on biometric verification.

Four years later, in June 2000, the company's shares were traded publicly for the first time on EASDAQ, later renamed NASDAQ Europe. After a decision of the Extraordinary Shareholders' Meeting of NASDAQ Europe to cease its activities, it was decided to have the Keyware shares ('KEYW') listed on Euronext. Keyware Technologies NV's shares were listed for the first time on Euronext on 3 September 2003.

At the end of 2001, a decision was taken to reduce and sell the the biometry activities and this resulted in a thorough reorganization in 2002 and a concentration of the activities around the smart card. The Group offered products and services in which the use of smart cards played a central role. The areas of application were access control, time registration and alarm monitoring, on the one hand, and loyalty and payment software on cards on the other.

In July 2003, Keyware's payment software was certified by the EPCI (Electronic Payment Certificate Institute) (Bancontact/Mister Cash and credit software such as VISA, MasterCard, American Express, Aurora and Diners Club). Sales of this payment software with the associated payment terminal were launched in the fourth quarter of 2003.

In 2005, Keyware focused on two product groups:

- Identification and applications for physical security (access control, time registration, alarm management and CCTV);
- Identification and applications on terminals (electronic payment, loyalty applications and ID cards)

Keyware also offered transaction services for both product groups: authorising, processing and analysing the transactions generated by these applications. The contracts with existing customers were extended in 2004. Keyware authorises transactions for Diners Club, Cetelem (Aurora and PASS cards), American Express and Citibank.

In June 2006, the “Security & Time Management” division was sold to Risco Group. On June 2006 Risco Group assumed the ownership of the legal entities that constitute this division, being Keyware SA, Keyware France SA and Keyware Technologies Suisse SA. Furthermore, the mark of 10,000 payment terminals was reached in 2006. Until the end of 2006, Keyware only sold its products through independent sales organisations on a commission basis. These sales channels were expanded with own sales teams in 2007.

In April 2007, a transfer agreement was reached with the shareholders of B.R.V. Transactions NV (“B.R.V.”). B.R.V held a licence from RBS (Royal Bank of Scotland) for the direct offering of credit card authorisation for Visa and MasterCard on the Belgian market and V Pay and Maestro debit card authorizations. Through the collaboration with RBS, Keyware could offer an end-to-end solutions to the dealers from the payment terminal right though to processing the authorizations.

In 2009, the planned expansion of the existing range of fixed and portable terminals with GRPS and IP terminals was realised. In August 2009, an unique collaboration was entered into for the Belgian electronic payment market with the Dutch company PaySquare. Through the agreement with PaySquare, Keyware has its own payment platform to offer payment authorisations for credit cards (Visa, MasterCard) and debit cards (V Pay and Maestro) on both its own and third party terminals. Thus, in substantive terms and through this, Keyware can now offer a total solution in the form of a payment terminal plus a subscription for payment transactions.

A further expansion of the existing range of payment terminals was realised in 2010, making Keyware de facto the market leader in sector-oriented payment solutions. In combination with an extensive range of transaction agreements for debit and credit card payments, the fixed (PayFix product range), portable (PayAway product range) and mobile payment terminals (PayMobile product range) provide an adequate solution for the specific requirements of each market segment. This vertical market approach resulted in further penetration of Keyware’s market segments in 2010, including the hotel, restaurant and café sector, local government institutions (cities, municipalities, PSCW (public social welfare centres) etc and the retail sector.

In 2011, Keyware focused mainly on the more stable and higher market segments. With its sector-oriented payment solutions, Keyware increased its penetration in various government segments (cities and municipalities, schools, public social welfare centres etc.) and the market of larger service providers.

The new PayAway payment terminals based on Bluetooth technology rapidly became very popular in the regular market segments, especially in the hotel, restaurant and café sector. As opposed to the terminals based on DECT or GPRS, these PayAway terminals are practically immune to disruptions and payment transactions are processed much quicker. The new software also provides for additional features such as a “tip-system”, smart recharging etc.

In addition, the PayMobile product range also showed a strong growth, in particular in the “Home Delivery Service and other service segments. In combination with telecommunication and payment subscriptions, Keyware clearly offers the right market combinations here.

The charter states that Keyware remains the ultimate reference regarding services by its sophisticated 7-point program regarding quality, price, service, flexibility, future orientation, local presence and flawless agreements.

As Keyware continues to expand its own transaction platform, it is carrying out an increasing share of the transaction processing. Thise gave Keyware more impact on the prixing and could also offer extra services. This translated into a constant growth of the number of processed transactions in the various market segments in 2012 and 2013.

A dual partnership was concluded with Worldline in 2013 for the Benelux: an ISO (Independent Sales Organisation) agreement for the sale and rental of payment terminals and an Agency Agreement regarding acquiring contracts. This, together with the market introduction of various new types of payment terminals, has already strengthened Keyware's service range. As a result, the range of devices on offer consists mainly of Ingenico and Worldline (ATOS) devices.

In 2014, more effort was devoted to segments that were less sensitive to economic cycles. This resulted in further growth of Keyware's market share at various government bodies (cities and municipalities, PCSW etc.) as well as in the middle segment (customers with various branches or that need several terminals at one branch. The payment terminals product range was strongly diversified in 2014 as customers often opted for both Ingenico and Worldline terminals.

A significant event in 2015 was the asset deal with GlobalPay NV, resulting in the takeover of about 630 contracts at the end of 2015. The asset deal became effective as from the start of 2015 and therefore impacted on the full financial year 2015. In addition, a large number of Worldline terminals were traded in 2015. At the end of 2015, the effect of both was an installed terminal base of approximately 17,000 active contracts. In 2015, the host to host agreement regarding acquiring contracts was also signed with Worldline.

(b) The financial year 2016

A. Terminals

In 2016, less contracts were concluded than in 2015, resulting in a more limited net growth in the installed terminal base of approximately 1,200 contracts, to end up just above the mark of 18,100 active contracts. The contribution of the payment terminals to the overall growth is then also much more limited compared to 2015. The payment terminals even recorded a decrease in revenues.

B. Transacties

Strong growth was also recorded in 2016 because of several factors, such as a higher number of contracts that generate commission, a larger transaction volume as well as improved conditions received from acquirers in 2016 compared to 2015. Therefore, the growth in revenues for 2016 is also exclusively due to the division of transactions.

C. Participation of 40% in Magellan

On 30 September 2016 a participation of 40% was acquired in the company under French law Magellan SAS for an amount of 4,000 kEUR. This amount was partially financed by own funds (1,000 kEUR) and partially by lending (EUR 3,000 kEUR).

Magellan offers innovative solutions for managing secure electronic transactions. This resulted in Keyware acquiring access to electronic payment solutions for physical environments, e-commerce and m-commerce due to the existing software solutions: SET2U (platform for payments), S-TOKEN (anonymyzing payment data) and SPLIT (a form of microcredit by dealers by allowing split payments).

Regarding financing from own funds; this was realized by means of the buy-back program of own shares (1,000 kEUR), which had commenced in August 2016 and was completed in December 2016.

Regarding the bank financing; there is a standstill period of one year, so that the first payment will only be made in October 2017. The loan amount of 3,000 kEUR will then be reimbursed in 48 monthly instalments of wich the last will occur in September 2021.

D. Start of the activities in Germany

Keyware Transactions & Processing GmbH was incoroporated as 100% subsidiary in June 2016. Its activity is the same as Keyware Smart Card Division NV: the rental or sale of payment terminals.

The activities only started in the fourth quarter of 2016. Losses of 102 kEUR were suffered in this start-up phase.

E. Court Case Public Prosecutor against Keyware Smart Card Division

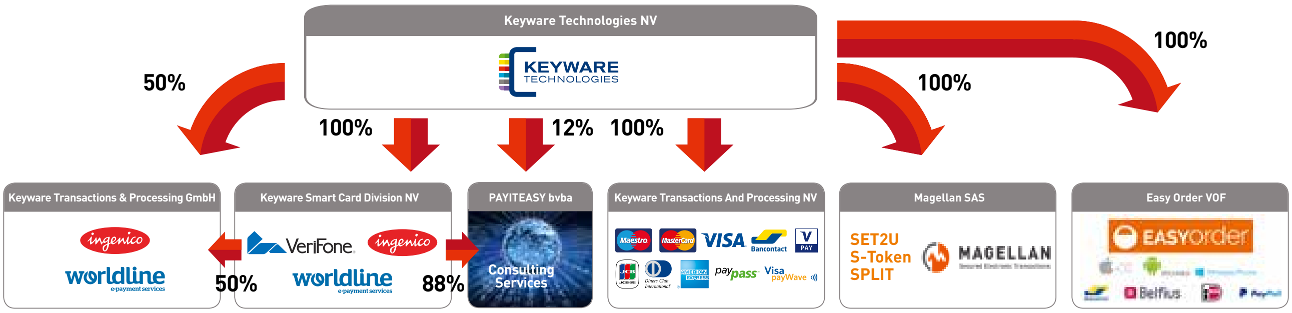
The Public Prosecutor filed a case against Keyware Smart Card Division NV. On 15 December 2016, the Court in the First Instance of Brussels sentenced Keyware Smart Card Division NV to pay an amount of approximately 750 kEUR (including of 22 kEUR in favour of Civil Parties).

Keyware lodged an appeal against this on 13 January 2017 so that the judgement is suspensive and therefore not enforceable as provided for. In the appeal, Keyware wants to refute the allegations of falsifications in documents, deceit and fraud and/or place the allegations in their proper context. The integral debate will therefore be repeated before the Court of Appeal. The Public Prosecutor lodged a follow-up appeal.

As this constitutes a contingent liability, no provision was recorded in this respect in the consolidated figures of 2016.

(c) Group chart

The group chart below provides an overview of the group structure.



Keyware Smart Card Division NV and Keyware Transaction & Processing NV are 100% subsidiaries of Keyware Technologies.

PayItEasy BVBA was initially a joint-venture with a third party and was processed in accordance with the equity method until 30 September 2014. Since then, the company also became a 100% subsidiary and is therefore fully consolidated.

The group structure underwent two changes in 2016:

- In June 2016, Keyware Transactions & Processing GmbH was incorporated as a 100% subsidiary of the Group, in which both Keyware Technologies NV and Keyware Smart Card Division NV each hold 50% of the shares;
- On 30 September 2016, Keyware Technologies acquired 40% of the shares of the company under French law Magellan SAS. This has been included in the consolidated figures of 2016 in accordance with the equity method.

On 6 January 2017, the acquisition of EasyOrder VOF was made, so that the company is not included in the consolidation perimeter of 2016. We refer to (53) Important events after the balance sheet date for further reading on this.

(d) Financing of the Group

The Group required additional financing in 2014, 2015 and 2016 for the realisation of its activities.

In the financial year **2016**, the Group met its existing financing requirements as follows.

With regard to the financing of purchases of payment terminals, an investment loan was made with the State Bank of India for 500 kEUR, repayable via 6 semester instalments of 83 kEUR.

For the rest, the financing requirements were met as follows:

- lease agreements for financing the expansion of the fleet;
- 160,000 warrants were exercised that generated 95 kEUR in cash and cash equivalents. This amount is expressed in the increase in the authorised share capital and the issue premiums of 59 kEUR and 36 kEUR respectively;
- refinancing of the Shareholders' loans in July 2016 by Belfius Bank NV. This credit of 1,407 kEUR will be repaid by 7 semester payments ending on 31 December 2019;
- a capital injection of 100 kEUR to finance the start up of the activities of the Germany subsidiary.

Regarding the participation of 40% in Magellan SAS, the financing is as follows:

- a credit of 3,000 kEUR was entered into with Belfius Bank NV, with repayment over 4 years via equal monthly instalments after a stand-still period of 1 year to September 2017;
- a program of acquiring own shares of 1,000 kEUR was implemented as a partial payment of the participation. The program started in August 2016 and was completed in December 2016.

An asset deal was signed with GlobalPay NV in the previous financial year **2015**. This was partially financed with own resources and partially via a loan. A loan of 250 kEUR was entered into with ING Bank NV repayable in three years by equal quarterly instalments.

For the rest, the Group had met the financing requirements as follows:

- 3 lease agreements with Belfius Lease amounting to 107 kEUR to finance the expansion of the vehicle fleet;
- Taking up the balance of the investment loan with ING Bank NV, 452 kEUR;
- 625,000 warrants were exercised that generated 411 kEUR in cash and cash equivalents.

It was specified that the balance of the loan with Parana Management Corp BVBA of 300 kEUR would not be taken up so that the effective amount taken up was 1,200 kEUR. The balance was not used because it was no longer needed.

In the financial year **2014**, the Group met the existing financing requirements for purchasing the terminals as follows:

- an investment loan of 750 kEUR with ING Bank NV with a term of four years, with a one year stand-still. This loan therefore only became repayable from 2016;
- a shareholders' loan through Parana Management Corp. BVBA for 1,500 kEUR and 100 kEUR with maturity dates of 31 December 2019 and 31 December 2015 respectively;
- Big Friend NV provided a loan of 250 kEUR also for a term of five years that ends on 31 December 2019;
- Iquess Consulting BVBA provided a loan of 100 kEUR for a term of one year, repayable on 30 June 2015.

For the rest, the financing requirements for 2014 were completed as follows:

- a loan through ING Lease NV of 114 kEUR to finance a fleet;
- 25,000 warrants were exercised that generated 18 kEUR in cash and cash equivalents.
- the conversion of the straight loan through Belfius Bank NV of 1,000 kEUR into an investment loan over 5 years, with 31 December 2019 as maturity date;
- short-term bridging loans entered into with Parana Management Corp. BVBA and with Big Friend NV for 250 kEUR and 100 kEUR respectively and these loans were repaid in the same year.

It was mentioned that the loans from Parana Management Corp. BVBA and the investment loan provided by ING Bank NV were not fully taken up in 2014. The remaining balances that can still be taken up amount to 300 kEUR and 452 kEUR respectively.

3. Operating results

The financial data below were derived from the consolidated financial statements (in accordance with IFRS) of Keyware Technologies for the years ending on 31 December 2014, 2015 and 2016.

Consolidated profit and loss account for the financial year ending on	Financial year as at 31.12.2016 kEUR (audited)	31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)
Continuing operations			
Revenue	18,721	16,803	13,925
Other gains and losses	470	314	278
Raw materials and consumables	(7,834)	(6,625)	(6,525)
Salaries and employee benefits	(1,438)	(1,508)	(1,478)
Depreciation and amortisation	(268)	(251)	(141)
Impairment	-	-	(100)
Net impairment of current assets	(1,897)	(1,785)	(1,002)
Other operating expenses	(4,580)	(3,712)	(3,587)
Operating profit	***3,174***	***3,236***	***1,370***
Pre-tax profit	***4,192***	***4,028***	***1,933***
Profit for the financial year	***3,101***	***5,291***	***1,910***

(a) Revenue and gross profit

Revenue, i.e. the operating revenues without other operating income, and the gross profit can be specified as follows for the financial years **2015** and **2016**:

Gross profit over the financial year	Financial year as at 31.12.2016 kEUR (audited)	31.12.2015 kEUR (audited)	Change
Revenue	18,721	16,803	1,918
Raw materials and consumables	(7,834)	(6,625)	(1,209)
Gross profit	10,887	10,178	709
Gross profit margin	58.15%	60.57%	-

The consolidated **revenue** for the financial year 2016 amounted to 18,721 kEUR compared with 16,803 kEUR for 2015, which represents an increase of 11.41%. The increase in revenue mainly lies in the authorizations division that recorded an increase of 2,364 kEUR compared to a decrease of 446 kEUR in the payment terminals division.

The increase in revenue of authorizations is mainly triggered by the higher number of contracts that generate commission as well as improved conditions from the acquirers in 2016 compared to 2015.

The **raw materials and consumables** for the financial year 2016 amounted to 7,834 kEUR compared to 6,625 kEUR for 2015, which represents an increase of 18.25%. This increase is then also attributable to the authorizations division for 1,577 kEUR while the payment terminals division showed a decrease of 368 kEUR especially because of a different product mix.

Revenue, i.e. the operating revenues without other operating income, and the gross margin can be specified as follows for the financial years **2014** and **2015**:

Gross profit over the financial year	Financial year as at 31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)	Change
Revenue	16,803	13,925	2,878
Raw materials and consumables	(6,625)	(6,525)	(100)
Gross profit	10,178	7,400	2,778
Gross profit margin	60.57%	53.14%	-

The consolidated **revenue** for the financial year 2015 amounted to 16,803 kEUR compared with 13,925 kEUR for 2014, which represents an increase of 20.67%. The increase in revenue is reflected in both the payment terminals division, partly due to the acquisition of GlobalPay, and in the authorizations division. A record number of newly concluded contracts was recorded in 2015.

Raw materials and consumables remained more or less stable in spite of the increase in turnover. Besides improved purchasing prices, this can also be attributed to the impact of the incorporation of PayItEasy. The cost of our own platform on which transactions are processed was still recognised under raw materials and consumables in 2014, but forms part of services and various goods in 2015.

(b) Operating expenses

The operating expenses can be summarised as follows for the financial years **2015** and **2016**:

Operating expenses for the financial year ending on	Financial year as at 31.12.2016 kEUR (audited)	31.12.2015 kEUR (audited)	Change
Raw materials and consumables	(7,834)	(6,625)	(1,209)
Salaries and employee benefits	(1,438)	(1,508)	70
Depreciation and amortisation	(268)	(251)	(17)
Impairment	-	-	-
Net impairment losses on current assets	(1,897)	(1,785)	(112)
Other operating expenses	(4,580)	(3,712)	(868)
Operating expenses	**(16,017)**	**(13,881)**	**(2,136)**

The following conclusions can be drawn for the financial years 2015 and 2016:

- **impairments on current assets** increased by 112 kEUR from 1,785 kEUR in 2015 to 1,897 kEUR in 2016. This increase can mainly be attributed to higher write-downs on receivables;
- **other operating expenses** increased by 868 kEUR in comparison with 2015 for various reasons. On the one hand, expenses related to the start of activities in Germany (80 kEUR), certain expenses of a non-recurrent nature (settlement, due diligence expenses and costs related to 20 year Keyware of 350 kEUR in total).

The operating expenses can be summarised as follows for the financial years **2014** and **2015**:

Operating expenses for the financial year ending on	Financial year as at 31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)	Change
Raw materials and consumables	(6,625)	(6,525)	(100)
Salaries and employee benefits	(1,508)	(1,478)	(30)
Depreciation and amortisation	(251)	(141)	(110)
Impairment	-	(100)	100
Net impairment losses on current assets	(1,785)	(1,002)	(783)
Other operating expenses	(3,712)	(3,587)	(125)
Operating expenses	**(13,881)**	**(12,833)**	**(1,048)**

The following conclusions can be drawn for the financial years 2014 and 2015:

- **net impairments losses on current assets** increased by 783 kEUR from 1,002 kEUR in 2014 to 1,785 kEUR in 2015. This concerns impairments booked on receivables from financial leasing (1,224 kEUR) and impairments on inventories (561 kEUR). This increase can mainly be attributed to higher write-downs on stocks;
- **other operating expenses** increased by 125 kEUR in comparison with 2014, mainly due to the above-mentioned reason. On the other hand, as mentioned above, it should be observed that in 2014 this item still contained the costs in connection with the valuation of the warrants amounting to 260 kEUR.

(c) Pre-tax profit and net profit

Key figures for the financial year for the financial year ending on	Financial year as at 31.12.2016 kEUR (audited)	31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)
Pre-tax profit	4,192	4,028	1,933
Profit for the financial year from continuing operations	3,101	5,291	1,910

The following conclusions can be drawn for the financial years **2015** and **2016**:

- profit before tax amounted to 4,192 kEUR in comparison to 4,028 k in 2015. This improvement of 164 kEUR (+4.1%) stems from an improved financial result of 226 kEUR as the operating profit (EBIT) was 62 kEUR lower;
- net profit for the financial year 2016 amounted to 3,101 kEUR, compared to a net profit of 5,291 kEUR in 2015, which represents an decrease of 2,190 kEUR (-41.4%). This decrease is attributable to the deferred taxes. In 2015, deferred tax revenues were expressed with regard to fiscal losses amounting to 1,373 kEUR through which the net profit became more than the pre-tax profit. In 2016, active deferred tax revenues amounting to 1,038 kEUR were consumed, which was expressed as cost in the profit and loss account for 2016, through which the net profit became less than the pre-tax profit. Deferred taxes therefore explains a share of 2,411 kEUR on the decrease of 2,190 kEUR.

The following conclusions can be drawn for the financial years **2014** and **2015**:

- profit before tax amounted to 4,028 kEUR in comparison to 1,933 kEUR in 2014. The higher operating profit (1,866 kEUR) and improved financial result (229 kEUR) account for the increase of 2,095 kEUR (+108.38%) compared to 2014;
- net profit for the financial year 2015 amounted to 5,291 kEUR, compared to a net profit of 1,910 kEUR in 2014, which represents an increase of 3,381 kEUR k (+177.02%). In addition to the reasons provided above, the increase can also be attributed to the deferred tax revenues that were recognised in 2015 as a result of the capitalisation of tax losses.

4. Personnel and subsidiaries

The Group numbered 46 employees (personnel and consultants) on 31 December 2016, compared to 37 and 35 employees on 31 December 2014 and 2015 respectively.

Of these, 39 employees were employed in Belgium and 7 in Germany.

Over the financial year 2016, the average workforce stood at 42, including 2 in Germany. This is explained because the recruitment in Germany only took place in the fourth quarter.

5. Consolidated balance sheet

Key balance sheet figures for the financial year ending on	31.12.2016 kEUR (audited)	31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)
Assets			
Non-current assets	26,979	24,605	21,594
Current assets	9,219	6,413	5,494
Total assets	**36,198**	**31,018**	**27,088**
Liabilities			
Equity	26,436	23,683	17,981
Provisions	-	-	-
Non-current liabilities	4,585	2,718	3,411
Current liabilities	5,177	4,617	5,696
Total liabilities	**36,198**	**31,018**	**27,088**

The principal findings with regard to the **assets** are:

- in addition to the goodwill (5,248 kEUR), the non-current assets mainly consist of the long-term lease receivables and deferred tax assets and the participations;
- the long-term receivables amounted to 14,485 kEUR at the end of 2016 compared to 15,346 kEUR at the end of 2015. This reflects the net present value of the lease contracts that last more than one year;
- the deferred tax assets represented 2,020 kEUR at the end of 2016. In 2015, additional deferred tax assets were created for fiscally recoverable losses, increasing this item to 3,058 kEUR. In 2016, 1,038 kEUR deferred taxes were consumed;
- the participations amounted to 4,505 kEUR at the end of 2016, through the acquisition of Magellan (40%);
- the increase in current assets arises from higher stocks and higher receivables;
- stocks continued to increase at the end of 2016 though significant consignment stocks;
- the increase in receivables is explained by a larger share of financial lease receivables that ended within the financial year as well as higher receivables from authorizations.

The principal findings with regard to the **equity and liabilities** are:

- dividends amounting to 424 kEUR were only paid in 2016 during the 3 financial years represented;
- changes in equity are partly due to capital increases (particularly 411 kEUR in 2015) and the creation of a reserve for warrants (260 kEUR in 2014);
- the total financial debt position evolved from 4,884 kEUR in 2014 to 6,375 kEUR in 2016, where this increase is explained by the financing of the Magellan acquisition (3,000 kEUR). Leaving out this element will reduce the total net financial liabilities by 1,509 kEUR in two years;
- finally, it must be reported that the trade, social and fiscal debts decreased to 2,574 kEUR at the end of 2015 and again amounted to 2,919 kEUR at the end of 2016. The higher consignment stocks explains this increase.

6. Cash flows

Key cash flow figures for the financial year ending on	**31.12.2016 kEUR** (audited)	**31.12.2015 kEUR** (audited)	**31.12.2014 kEUR** (audited)
Operating activities	2,836	912	129
Investing activities	(4,541)	(631)	(130)
Financing activities	1,769	(215)	819
Net (decrease) / increase in cash and cash equivalents	**64**	**66**	**818**
Cash and cash equivalents at beginning of financial year	**981**	**915**	**97**
Cash and cash equivalents at end of financial year	**1,045**	**981**	**915**

The principal findings with regard to the **operating cash flows** are:

- cash flows from operating activities showed a steady increase. An increase of 1,178 kEUR recorded in 2014, further increased by 783 kEUR in 2015 and 1,924 kEUR in 2016 respectively. A positive cash flow of 2,836 kEUR was therefore realized in the 2016 financial year;
- these higher cash flows are attributable in the first instance to an increase in operating profit, reduced in large measure by the changes in the (current and non-current) lease receivables;
- the operating cash flows in 2015 were affected by the settlement with Parfip Benelux. It involved the takeover of own-account contracts whereby 800 kEUR was paid to settle all accounts.

The principal findings with regard to the **investing cash flows** are:

- cash flows from investing activities are mainly restricted to investments in the vehicle fleet;
- the 2015 cash flows comprise two significant amounts over and above these recurrent investments: on the one hand the acquisition of customers due to GlobalPay (250 kEUR) and on the other hand, the acquisition of a participation in Congra Lux 250 kEUR);
- the cash flows of 2016 also included two additional amounts; on the one hand, the acquisition of Magellan shares (4,000 kEUR) and, on the other hand, an additional participation in Congra Lux (150 kEUR). This explains why the cash flows in 2016 were negative to the amount of 4,541 kEUR.

The principal findings with regard to the **financing cash flows** are:

- the cash flows from financing activities comprise on the one hand proceeds from capital increases (in particular 411 kEUR in 2015) and the net movements relating to the financial and lease liabilities;
- by and large, the cash flow from financing activities evolved from 819 kEUR (net inflow) in 2014 to – 215 kEUR (net reduction) in 2015 to subsequently, by the acquisition of Magellan, increase to 1,769 kEUR in 2016 (by raising an additional debt of 3,000 kEUR);
- In 2016, the cash flow from financing activities consisted of paid dividend of 424 kEUR.

Financial information

1. Consolidated balance sheet

Consolidated statement of financial position for the financial year ending on		Financial year as at 31.12.2016 kEUR (audited)	31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)
Assets				
Goodwill	(6)	5,248	5,248	5,248
Other intangible fixed assets	(7)	150	200	14
Property, plant and equipment	(8)	491	428	485
Deferred tax assets	(9)	2,020	3,058	1,685
Receivables from finance leases	(10)	14,485	15,346	14,088
Participation in associated enterprises	(11)	4,105	-	-
Other participations	(12)	400	250	-
Other assets	(13),(40)	80	75	74
Non-current assets		**26,979**	**24,605**	**21,594**
Inventories	(14)	1,201	992	736
Trade and other receivables	(15)	976	626	843
Receivables from finance leases	(16),(40)	5,961	3,806	2,981
Deferred charges	(17)	36	8	19
Cash and cash equivalents	(18)	1,045	981	915
Current assets		**9,219**	**6,413**	**5,494**
Total assets		**36,198**	**31,018**	**27,088**
Equity and liabilities				
Issued capital	(19),(39)	7,194	8,771	8,490
Share premiums		2,868	4,846	4,716
Other reserves		797	797	797
Treasury shares		(19)	-	-
Result carried forward		15,596	9,269	3,978
Equity attributable to holders of the equity instruments of the parent company	**(3)**	**26,436**	**23,683**	**17,981**
Provisions		-	-	-
Borrowings	(20)	4,547	2,675	3,342
Lease liabilities	(21)	38	43	69
Trade liabilities	(22)	-	-	-
Non-current liabilities		**4,585**	**2,718**	**3,411**
Trade payables, social and tax liabilities	(23)	2,919	2,574	3,833
Borrowings	(24)	1,745	1,514	1,443
Lease liabilities	(25)	45	26	30
Other liabilities	(26)	-	11	22
Accrued expenses and deferred revenues	(27)	468	492	368
Current liabilities		**5,177**	**4,617**	**5,696**
Total liabilities		**9,762**	**7,335**	**9,107**
Total equity and liabilities		**36,198**	**31,018**	**27,088**

2. Consolidated profit and loss account

Consolidated profit and loss account for the financial year ending on		31.12.2016 kEUR (audited)	Financial year as at 31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)
Continuing operations				
Revenue	(30)	18,721	16,803	13,925
Other operating income	(31)	470	314	278
Raw materials and consumables		(7,834)	(6,625)	(6,525)
Salaries and employee benefits	(32)	(1,438)	(1,508)	(1,478)
Depreciation and amortisation	(33)	(268)	(251)	(141)
Impairment	(33)	-	-	(100)
Net impairment losses on current assets	(34)	(1,897)	(1,785)	(1,002)
Other operating expenses	(35)	(4,580)	(3,712)	(3,587)
Operating profit		**3,174**	**3,236**	**1,370**
Financial income	(36)	1,207	1,141	1,005
Financial expenses	(36)	(189)	(349)	(442)
Pre-tax profit		**4,192**	**4,028**	**1,933**
Taxes on the result	(37)	(1,196)	1,263	-
Result from participations in joint ventures and associated entreprises	(38)	**105**	**-**	**(23)**
Profit for the financial year from continuing operations		**3,101**	**5,291**	**1,910**
Profit for the financial year		**3,101**	**5,291**	**1,910**
Weighted average number of issued ordinary shares		21,097,637	20,454,204	20,422,766
Weighted average number of shares for the diluted earnings per share		23,539,322	23,659,183	22,396,786
Profit per share from continuing and discontinued operations				
Profit per share	(43)	0.1500	0.2587	0.0935
Profit per diluted share	(43)	0.1317	0.2236	0.0853

Overview of the realized and unrealized results for the financial year ending on	31.12.2016 kEUR (audited)	Financial year as at 31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)
Profit for the financial year	**3,101**	**5,291**	**1,910**
Other unrealised income			
Translation differences	-	-	-
Revaluation at fair value of 'financial fixed assets available for sale'	-	-	-
Cash flow hedges	-	-	-
Tax on other unrealised results	-	-	-
Other unrealised results (net of tax)	-	-	-
Total realised and unrealised results for the financial year	**3,101**	**5,291**	**1,910**
Profit for the financial year attributable to:			
The holders of equity instruments of the parent company	3,101	5,291	1,910
Non-controlling interests	-	-	-
Total of the unrealized and realized results attributable to:	**-**	**-**	**-**
The holders of equity instruments of the parent company	-	-	-
Non-controlling interests	-	-	-
Weighted average number of issued ordinary shares	21,097,637	20,454,204	20,422,766
Weighted average number of shares for the diluted earnings per share (*)	23,539,322	23,659,183	22,396,786
Profit per share from continuing and discontinued operations			
Profit per share	0.1500	0.2587	0.0935
Profit per diluted share	0.1317	0.2236	0.0853

(*) All Warrants not exercised on 31 December 2016 (2,320,000) are in the money and could therefore have a dilutive character in future.

3. Consolidated statement of changes in equity

Consolidated statement of changes in equity for the financial year 2014	Number of Shares	Issued capital	Share premiums	Other reserves	Result carried forward	Attributable to owners of the parent company	Non-controlling interests	Total
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as at 01.01.2014	20,413,793	8,479	4,709	537	2,068	15,793	-	15,793
Profit for the financial year	-	-	-	-	1,910	1,910	-	1,910
Total realised and unrealised results for the financial year	-	-	-	-	*1,910*	*1,910*	-	*1,910*
Capital increase	25,000	11	7	-	-	18	-	18
Reserve for share-based remuneration of personnel	-	-	-	260	-	260	-	260
Balance as at 31.12.2014	20,438,793	8,490	4,716	797	3,978	17,981	-	17,981

Summary of the changes in equity over the financial year 2015	Number of Shares	Issued capital	Share premiums	Other reserves	Result carried forward	Attributable to owners of the parent company	Non-controlling interests	Total
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as at 01.01.2015	*20,438,793*	**8,490**	**4,716**	**797**	**3,978**	**17,981**	-	**17,981**
Profit for the financial year	-	-	-	-	5,291	5,291	-	5,291
Total realised and unrealised results for the financial year	-	-	-	-	***5,291***	***5,291***	-	***5,291***
Capital increase	*625,000*	281	130	-	-	411	-	411
Balance as at 31.12.2015	*21,063,793*	**8,771**	**4,846**	**797**	**9,269**	**23,683**	-	**23,683**

Statement of changes in equity for the financial year 2016	Number of Shares	Issued capital	Share premiums	Other reserves	Treasury shares	Result carried forward	Attributable to owners of the parent company	Non-controlling interests	Total
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as at 01.01.2016	*21,063,793*	**8,771**	**4,846**	**797**	-	**9,269**	**23,683**	-	**23,683**
Profit for the financial year	-	-	-	-	-	3,101	3,101	-	3,101
Total realised and unrealised results for the financial year	-	-	-	-	-	***3,101***	***3,101***	-	***3,101***
Capital increase	160,000	59	36	-	-	-	95	-	95
Capital reduction	-	(1,636)	(2,014)	-	-	3,650	-	-	-
Payment of dividends	-	-	-	-	-	(424)	(424)	-	(424)
Purchase of treasury shares	-	-	-	-	(19)	-	(19)	-	(19)
Balance as at 31.12.2016	*21,223,793*	**7,194**	**2,868**	**797**	**(19)**	**15,596**	**26,436**	-	**26,436**

4. Consolidated cash flow statement

Consolidated cash flow statement for the financial year ending on		31.12.2016 kEUR (audited)	Financial year as at 31.12.2015 kEUR (audited)	31.12.2014 kEUR (audited)
Cash flow from operating activities				
Profit for the financial year		3,101	5,291	1,910
Financial income	(35)	(1,207)	(1,141)	(1,005)
Financial expenses	(35)	189	349	442
Depreciation and amortisation	(32)	268	251	241
Impairment of finance lease receivables	(33)	1,565	1,224	924
Impairment of inventories	(14)	332	561	78
Warrants recognised as expenses		-	-	260
Deferred taxes	(37)	1,038	(1,373)	-
Operating cash flow before changes in working capital components		**5,286**	**5,162**	**2,850**
Decrease/(increase) of inventories	(14)	(541)	(817)	(428)
Decrease/(increase) of financial lease receivables	(10/14)	(2,859)	(3,308)	(2,549)
Decrease/(increase) of trade and other receivables	(15)	(350)	217	(164)
Adjustment conversion receivable into participation		-	-	(131)
Decrease/(increase) of prepayments	(17)	(28)	11	34
Increase/(decrease) of trade payables	(22-23)	178	(1,259)	(81)
Increase/(decrease) of other liabilities	(25-27)	132	114	35
Changes in working capital components		**(3,468)**	**(5,042)**	**(3,284)**
Interest paid	(36)	(172)	(337)	(399)
Interest received	(36)	1,190	1,129	962
Cash flow from operating activities		**2,836**	**912**	**129**
Cash flow from investing activities				
Acquisition of intangible and tangible fixed assets	(7-8)	(311)	(380)	(192)
Disposal of intangible and tangible fixed assets	(7-8)	30	-	12
Acquisition of participation	(12)	(150)	(250)	-
Investments in associated enterprises	(11)	(4,000)		
Result from investments in associated enterprises	(38)	(105)	-	49
(Increase)/decrease of warranties	(13)	(5)	(1)	1
Cash flow from investing activities		**(4,541)**	**(631)**	**(130)**
Cash flow from financing activities				
Exercise of warrants (capital increase)	(19)	95	411	18
(repayments)/proceeds long-term and short-term loans	(20/24)	2,103	(596)	719
(repayments)/proceeds long-term and short-term lease obligations	(21/25)	14	(30)	82
Purchase of treasury shares	(3)	(19)	-	-
Payment of dividends	(3)	(424)	-	-
Cash flow from financing activities		**1,769**	**(215)**	**819**
Net (decrease) / increase in cash and cash equivalents		**64**	**66**	**818**
Cash and cash equivalents at beginning of financial year		**981**	**915**	**97**
Cash and cash equivalents at end of financial year		**1,045**	**981**	**915**

Notes to the consolidated financial statements

1. Identification

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

The consolidated financial statements were adopted by the Board of Directors on 9 March 2017.

2. Statement of Conformity

Stéphane Vandervelde (CEO) and Alain Hubert (CFO) declare that the financial statements, which were prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the equity, the financial position and the results of the issuer and the companies included in the consolidation.

The annual report gives a true and fair view of the developments and the results of the company and the position of the issuer and the companies included in the consolidation, as well as a description of the principal risks and uncertainties with which the companies are confronted.

In this context, reference is also made to the auditor's opinion.

3. Companies included in the consolidation

The consolidated financial statements for the period ending on **31 December 2016** include Keyware Technologies NV and its 4 subsidiaries. The scope of consolidation was determined as follows for the financial year 2016:

Subsidiary	Consolidated up to	Method	%
Keyware Smart Card Division NV	31.12.2016	Full	100%
Keyware Transaction&Processing NV	31.12.2016	Full	100%
PayItEasy BVBA	31.12.2016	Full	100%
Keyware Transactions & Processing GmbH	*31.12.2016*	*Full*	*100%*

Magellan SAS, in which the Group Keyware has a stake of 40% since 30.09.2016, was kept outside of the consolidation perimeter and was accounted for by the *equity method*.

The scope of consolidation was determined as follows for the financial year 2015:

Subsidiary	Consolidated up to	Method	%
Keyware Smart Card Division NV	31.12.2015	Full	100%
Keyware Transaction&Processing NV	31.12.2015	Full	100%
PayItEasy BVBA	31.12.2015	Full	100%

The scope of consolidation was determined as follows for the financial year 2014:

Subsidiary	Consolidated up to	Method	%
Keyware Smart Card Division NV	31.12.2014	Full	100%
Keyware Transaction&Processing NV	31.12.2014	Full	100%
PayItEasy BVBA	31.12.2014	EM/Full	50%/100%

Regarding PayItEasy BVBA, we remind you that in 2013 a 50%-50% Joint-Venture was established between Keyware Technologies NV and J4S BVBA. The participation was valued in accordance with the equity method ('EM') in 2013 through 30 September 2014. In the profit and loss account of 2014, the share of the Group in the result of the Joint Venture was presented in a separate caption for the first three quarters of the year.

We also refer you to the memorandum in connection with the pro forma figures, where the profit and loss account for the financial year 2014 was disclosed as if this company had been fully consolidated for the whole financial year 2014.

4. Going concern or continuity

The consolidated financial statements for 2016 were prepared on the basis of a going concern, which implies that the assets are realised and the liabilities are paid as in the normal course of business. As of 31 December 2016, the group had retained earnings of 15,596 kEUR after successive profits of 5,291 kEUR and 3,101 kEUR in the financial years 2015 and 2016 respectively.

Regarding the need for financing to realize the strategic plan 2014-2018, the Group took up an investment loan with the State Bank of India (500 kEUR) to finance the purchase of payment terminals.

The assumptions of going concern can be accounted for as follows:

- because of rising cash flows from operating activities in 2017 (with the 2016 financial year already recording an increase of 1.9 million EUR in respect of 2015);
- because of the potential exercise of Warrants (particularly with Plan 2012 that comes to an end in June 2017), knowing the the Warrants are in the money. At the end of March 2017, 425,000 Warrants have been already exercised, resulting in cash inflow of 298 kEUR;
- because of the limited impact of the new loan raised to finance the Magellan acquisition, knowing that there is a standstill of one year (October 2016 – September 2017). The result is that the short-term portion of the financial debt due in 2017 is limited to 1,745 kEUR compared to 1,514 kEUR, which constitutes a limited increase of 231 kEUR.

The cash position at the end of 2017 amounts to 1,045 kEUR and increased by 64 kEUR compared to 2016. In addition to this, it should be emphasized that in the 2016 financial year, among others, part of the financing of Magellan occurred by own funds (1,000 kEUR) and dividends were paid (424 kEUR). The Group has sufficient funds (if need be) to pay a fine of 750 kEUR (cf. appeal lodged).

In 2017 the purchase option on the 60% of the shares in Magellan could be used to the amount of 6,000 kEUR. If necessary, a mix between own resources and financing will be used for this. Should this option be exercised, Magellan would accordingly become a subsidiary of Keyware Group. The inflow of dividends can also be used as reimbursement of the additional financing.

Please refer to the annual financial statements with respect to the going concern matters regarding the previous financial years 2014 en 2015.

5. Most important accounting principles for the financial reporting

(a) Basic principles for the presentation

The consolidated financial statements are expressed in thousands of Euro (kEUR) and rounded off to the nearest thousand. The preparation of the financial statements in accordance with IFRS requires the management of the Group to make assessments, estimates and assumptions. These assessments, estimates and assumptions have an impact on the application of the accounting principles and thus on the reported values of assets and liabilities and of income and expenses.

The estimates and related assumptions are based on past experience and various other elements that are considered to be reasonable given the circumstances. The outcomes of these estimates and assumptions form the basis for the assessment of the book value of assets and liabilities that cannot easily be derived from other sources. Actual results may differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed annually and adjusted if necessary. Revisions of estimates are recognised in the period in which the estimate is revised, provided that the revision only has an effect on that period. If the revision has an effect on both the reporting period and the future period(s), the revision is recognised in the period of the revision and the future period(s).

(b) Statement of Compliance

The consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and adopted by the European Union, up to and including 31 December 2016.

(c) Consolidation principles

The consolidated financial statements of Keyware Technologies NV comprise Keyware Technologies as well as the subsidiaries that it controls. Control exists if the Group has an interest of more than half of the voting rights connected to the shares of the company, or if it has the power, directly or indirectly, to determine the financial and operational policy of a company to benefit from its activities.

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date on which the control commences until the date on which the control ceases to exist.

The acquisition of subsidiaries is processed in the accounts as an acquisition. The cost of an acquisition is the consideration paid in cash or cash equivalents or the fair value, on the exchange date, of any other compensation that the acquiring party provides in exchange for the control over the assets and liabilities of the other company, plus any expenses that can be directly attributed to the acquisition.

In this context, the acquisition of the other 50% of the shares in PayItEasy BVBA in 2014 did not result in the presentation of any goodwill.

Intercompany balances and transactions as well as any unrealised profits from transactions within the Group are eliminated upon when preparing the consolidated financial statements.

(d) Reporting currency

The reporting currency of Keyware Technologies NV is the EURO. All companies are located in the Euro zone.

(e) Foreign currency conversion

Transactions in foreign currency

Transactions denominated in foreign currencies are converted into Euro based on an exchange rate that is determined on a monthly basis. Exchange rate differences that occur when settling monetary items or when reporting monetary items are included in the income statement of the period in which they occur.

Financial statements of subsidiaries

Assets and liabilities of subsidiaries, expressed in a currency other than the Euro, are converted using the exchange rate that applies at the end of the reporting period. Income and expenses are converted using the average exchange rate during that period. Components of shareholders' equity are converted using historical exchange rates. Gains and losses resulting from these conversions are recognised in the balance sheet item "translation differences", processed as a separate component of shareholders' equity.

(f) Goodwill

The excess in acquisition value upon the acquisition of an interest in the company and the fair value of the underlying net asset acquired on the date of the transaction is recorded as goodwill (consolidation difference) and recognised as an asset in the balance sheet. Identifiable assets and liabilities recognised at the time of the acquisition are valued at the fair value at that time.

Goodwill is recognised as an asset and initially valued at cost. After the initial recognition, goodwill is valued at cost less accumulated impairments.

In order to test for impairment, goodwill is allocated to the cash generating units of the Group. Cash generating units to which goodwill is allocated are tested annually for impairment and also during the year when there are indications that the book value of the unit may possibly exceed the realisable value.

Once an impairment of goodwill is recognised, this cannot be reversed in a later period.

(g) Intangible fixed assets

Licences, patents and similar rights

Expenses for purchased licences and similar rights are capitalised and amortised in accordance with the straight-line method over the period of the contract, if applicable, or over the estimated period of use, which is normally estimated at five years.

Computer software

External expenses for the purchase of computer software are capitalised and amortised in accordance with the straight-line method over a period of 5 years.

Customer base

Part of the takeover price paid to GlobalPay NV was allocated to the customer base of the underlying contracts. This item is amortised over a period of 5 years. If necessary, an impairment test will be performed in case of special indicators surrounding impairment. Test consists of assessing the extent to which the the global value of the active contracts exceeds the book value and is only performed at year-end.

(h) Tangible fixed assets

Tangible fixed assets are valued at acquisition costs, less cumulative depreciation and, if applicable, taking into account impairments.

Depreciation is calculated according to the straight-line method in accordance with the estimated economic life of the assets, which can be specified as follows:

• buildings	20 years
• machinery and equipment	3-5 years
• vehicles	5 years
• computers, platform and accessories	3 years
• furniture	5-10 years
• other tangible fixed assets	9 years

The depreciation method, term of use and residual value are reassessed each reporting date.

Acquisition costs and maintenance and repair costs

The costs of repairing and replacing part of a tangible fixed asset are capitalised subject to the conditions that:

- the cost price of the asset can be determined in a reliable manner, and;
- the costs will result in a future economic advantage.

Costs that do not satisfy these conditions are immediately recognised in the profit and loss account.

Disposal of tangible fixed assets

The acquisition cost of assets that are no longer in use and the related accumulated depreciation charges, are recognised in the income statement as part of the profit or loss on disposal in the year of disposal.

(i) Inventory

The inventories are valued at cost or net realisable value if lower. The net realisable value is the estimated sales price in the context of normal business operations, less the estimated costs of completion and sales costs.

For newly purchased terminals, the costs are the purchase value of the terminal. For used terminals, the cost price is the individual price of the terminal. This is determined based on the purchase price less accumulated depreciation whereby the economic life of a terminal is estimated at five years.

The cost is determined based on the individual price of each article. Unmarketable stock is written off completely on the basis of specific quarterly analyses.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet of the Group when the Group becomes a party to the contractual provisions of the financial instrument in question. When the contractual rights to the cash flow of the financial asset expire or when the asset is transferred and the transfer qualifies no longer to be recognised, to the extent that the risks and rewards of the entitled parties are saved or transferred, the financial assets are no longer recognised in the balance sheet.

Financial obligations are no longer recognised in the balance sheet when they cease to exist, that is when the obligation laid down in the contract has been fulfilled or terminated or has expired. At present, the Group only maintains non-derivative financial instruments.

The Group does not have any security or other credit protection with regard to the financial assets.

Receivables from finance lease

Assets that are rented to customers in the context of finance lease contracts are recognised in the balance sheet and presented as a receivable, for an amount equal to the net investment in the lease.

The lease price of a contract is divided into net rent and a maintenance component:

- the present value of the net rent is calculated over the full duration of the contract (usually 60 months). This net present value is recorded as revenue in the month in which the contract starts as a result of the installation. Financial income equal to the difference between the total value of the contract and the discounted value is recognised every month;
- the revenue related to maintenance is spread over the duration of the contract and recognised as income at nominal value.

Receivables

Receivables are non-derivative financial instruments with fixed or specific payments that are not listed on an active market. After the initial recognition, such financial assets are recognised at amortised cost using the effective interest method, less any impairments. Impairments of receivables are recognised in the event that the book value is higher than the realisable value and are accounted for through the profit and loss account. Receivables are subjected to specific analyses relating to collectability on the basis of a series of parameters: reference figures for contract terminations and bankruptcies, further elaborated taking into account the brand.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at nominal value. They include cash and bank balances, as well as bank deposits and cash investments that can immediately be converted into cash and that furthermore are not subject to significant risks of fluctuations in value.

Trade debts

Trade debts are initially recognised at fair value and subsequently at amortised cost based on the effective interest method.

Interest bearing liabilities

Interest bearing liabilities include financial obligations and loans and are initially recognised at the fair value of the cash received, after the deduction of transaction costs. Later, they are recognised at amortised cost based on the effective interest method. Differences between the amount received (after the deduction of transaction costs) and the to be repaid amount on the maturity date are recognised in the profit and loss account in accordance with the straight-line method over the term of the obligation.

(k) Impairments

At each balance sheet date, the Group performs an impairment test with respect to the carrying value of its financial assets in order to determine whether there is an indication that this asset has suffered an impairment. If case of such an indication, the realisable value of the asset is estimated in order to determine the amount of the impairment (if necessary). When it is not possible to estimate the realisable value of an individual asset, the Group will determine the realisable value of the cash generating unit to which the asset belongs.

The realisable amount is the highest of the fair value and the value in use. In order to determine the value in use, the expected future cash flows are discounted to the present value at a discounting rate that reflects the current market valuations of the time value of money and the specific risks of the asset. If the realisable value of an asset (or the cash generating unit) is estimated at lower than its book value, the book value of the asset (cash generating unit) is reduced to its realisable value.

An impairment is immediately recognised in the profit and loss account, unless the asset in question has been revalued at an earlier occasion. In that case, the impairment is accounted for as a reduction of the revaluation surplus. When an impairment is then subsequently reversed, the carrying value of the asset (cash generating unit) will be increased to the revised estimate of its realisable value, but only in the manner that the increased carrying value does not exceed the carrying value of the asset (cash generating unit) before impairment of previous years. A reversal of an impairment is immediately recognised in the profit and loss account, unless the relevant asset is valued at a revalued amount, in which case the reversal of the impairment is treated as a revaluation gain.

(l) Equity instruments

The equity instruments that are issued by the Group are valued as the received income. Direct issue costs are deducted from the equity.

(m) Benefits in the form of equity instruments

The Group provides for the settlement of payment to employees in equity instruments based on shares. Payments settled in equity instruments based on shares are recognised at fair value (without taking into account the effect of non-market regulated granting conditions) on the grant date. The fair value of payments settled in equity instruments based on shares determined on the grant date is booked in the profit and loss account with a corresponding increase in equity.

For payment transactions based on shares with parties, other than employees, the Group values the received services and corresponding increase in equity directly at the fair value of the services received, unless the fair value cannot be estimated in a reliable manner. In this last case, the services received are valued at the fair value of the allocated equity instruments based on the Black and Scholes valuation model.

(n) Provisions

A provision is booked if:

- the Group has an existing obligation;
- it is likely that an outflow of funds is required to settle the obligation; and
- if the amount of the obligation can be estimated reliably.

The amount of the provision is determined by the best estimate of the amounts that are required to settle the obligations existing on the balance sheet date.

If an existing obligation does not meet the requirements to be accounted for as a provision, it will be accounted for as a contingent liability and explained as such. There exists a contingent liability if (i) it pertains to a possible obligation depending on whether a future event takes place or (ii) it pertains to a current obligation where the outflow of resources is improbable or cannot be reliably estimated.

(o) Recognition of revenues

Revenues are recognised if it is likely that the economic benefits with regard to the transaction will flow to the company and if the revenue amount can be estimated in a reliable manner. Revenue is recorded after the deduction of sales tax and discounts. Revenues from the sale of goods are recorded when the delivery as well as the complete transfer of risks and benefits have taken place.

Revenues with regard to contracts for the rental of payment terminals are recorded in accordance with IAS 17 - Lease Agreements. The discount rate used for the rental income amounted to 6% in the financial year 2016. A 1% higher or lower discount rate would have an impact on the recognised revenue of -2.15% and +2.23% respectively. We refer to that which was discussed under financial lease receivables for more information.

Recognition of revenues	Discount factor applied	1% higher factor	1% lower factor
Financial year 2014	7.50%	-2.27%	+2.36%
Financial year 2015	7.00%	-1.31%	+1.33%
Financial year 2016	6.00%	-2.15%	+2.23%

Revenues related to maintenance contracts and other contracts for which a specific service is provided during an agreed contract period are recognised according to the straight-line method during the term of the contract.

Revenues related to authorizations are processed for the gross amounts from the 2016 financial year. The commissions paid to the acquirer by the dealer ('MSC' or Merchant Service Charge) are deemed to be gross revenue while related costs are included separately under the section raw materials and consumables. The separate representation of the related costs is referred to as upgrossing or grossing. Previously, these revenues were included at the net amount in the turnover.

The reason for this change stems from the Interchange Fee Regulation (IFR) through which a higher transparency is obtained in the various components of the cost structure of payments.

The table below demonstrates the transition from a presentation as net revenue (as applied in the financial years 2014 and 2015) to a presentation as gross revenue (from the 2016 financial year). The figures for the financial years 2014 and 2015 were then also adjusted for reasons of comparability.

Upgrossing	Net revenue	*Upgrossing*	Gross revenue
Financial year 2014	9,718	4,207	13,925
Financial year 2015	12,491	4,312	16,803
Financial year 2016	12,831	5,890	18,721

(p) Financial income and expenses

Financial income includes the interest income on invested funds. Interest income is recorded in the profit and loss account insofar as received and over the period to which the interest income pertains. On the other hand, the financial gains also contain the financial revenues regarding the contracts that are processed as financial leasing. In addition, the result is based on the discount factor that applied in the year that the contract commenced.

Financial expenses pertain to interest and other costs in connection with loans and interest on financial lease repayments. All financial expenses are booked at the time that they occur.

(q) Taxes

The taxes on the result of the financial year concern current as well as deferred taxes and are reported in accordance with IAS 12 'Income Taxes'.

Current taxes

Current taxes are taxed that are expected to be paid on the taxable result of the financial year, based on the tax rates and tax laws of which the legislation process has been finalised (substantially) on the balance sheet date, as well as each correction of the taxes payable over the preceding financial years.

Deferred taxes

Deferred income tax is provided in full using the balance sheet liability method, on temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recorded for all taxable temporary differences, except when these are the result of goodwill impairment. Deferred tax liabilities are not recognised for taxable temporary differences that relate to investments in subsidiaries and interests in joint ventures, when the time on which the temporary difference can be settled can be determined by the parent company and it is likely that the temporary difference will not be settled in the near future.

A deferred tax asset must be included for all offsettable temporary differences, tax losses and tax credits insofar as it is likely that a taxable profit will be available against which the offsettable temporary differences, tax losses and tax credits can be offset. Offsettable temporary differences that result from investments in subsidiaries and interests in joint ventures are only included if the temporary difference will be settled in the near future (five years) and if taxable profit is available that can be used for the temporary difference. The carrying value of the deferred tax assets is revised on each balance sheet date and reduced insofar as it is no longer likely that there is sufficient taxable profit available to make use of the entire or part of the deferred tax asset.

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the period in which the tax asset will be realised or the tax liability will be settled, based on the tax rates and the tax laws of which the legislation process has been finalised (substantially) on the balance sheet date.

(r) Segment information

The Group distinguishes 4 segments:

- the activities regrading payment terminals, both rental and sales;
- the activities regarding authorizations;
- the corporate expenses, which cannot be allocated, are reported separately;
- the activities regarding software.

The activity of Keyware Smart Card Division NV can be allocated to the first segment while the activities of Keyware Transaction & Processing NV and PayItEasy BVBA, together, can be incorporated under the second segment. The activity of Keyware Technologies NV is allocated to the second segment while the interest in Magellan SAS is allocated to the fourth segment.

The activity of Keyware Transactions & Processing GmbH pertains to both of the two first segments.

(s) Net profit / loss per share

The basic profit (or loss) per share is calculated by dividing the net profit (or net loss) over the period, which can be allocated to ordinary shareholders, by the weighted average number of outstanding ordinary shares during the period.

The diluted profit (or loss) per ordinary share is calculated by dividing the net profit (or net loss) over the period that can be allocated to ordinary shareholders, by the sum of the weighted average number of outstanding ordinary and potential shares. Potential ordinary shares are considered as having been converted into ordinary shares at the beginning of the reporting period, or on the date of issue of the potential ordinary shares, if later.

(t) Events after the balance sheet date

Events after the balance sheet date that have an impact on the result of the financial year or that provide more information about the position of the company on the balance sheet date are reported in the financial statements. Events after the balance sheet date that do not have an impact on the result are included in the explanatory notes, provided that they are of importance.

(u) New standards, interpretations and amendments

New and revised Standards and Interpretations applied by the Group in the financial year 2016

During the financial year 2015, the Group applied all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Committee (IFRIC) that are relevant for its activities and that became applicable for the accounting period starting on 1 January 2016. The Group did not apply any new IFRS guidelines that were not yet in force as of 31 December 2016.

Finally, the following new and revised Standards and Interpretations were in force *for the financial year 2016*:

- IAS 1 Presentation of the financial statements — Amendment of the requirements for the presentation and providing of the (additional) comparable information (December 2014);
- IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable depreciation methods (May 2014);
- IAS 38 Intangible assets - Amendments regarding the clarification of acceptable depreciation methods (May 2014).

The application of these new Standards, Interpretations and Amendments did not lead to important changes in the Group's valuation principles.

No effective standards, amendments, interpretations and improvements were applied earlier by the Group during the financial year 2016.

For the correct form, the same information is again repeated for the financial years 2014 and 2015.

New and revised Standards and Interpretations applied by the Group in the financial year 2015

As a reminder, the following new and revised Standards and Interpretations were in force *for the financial year 2015*:

- Annual improvement process 2011-2012 (issued in December 2013);
- IFRIC 21 - Levies (May 2013).

The application of these new Standards, Interpretations and Amendments did not lead to important changes in the Group's valuation principles.

No effective standards, amendments, interpretations and improvements were applied earlier by the Group during the financial year 2015.

New and revised Standards and Interpretations applied by the Group in the financial year 2014

As a reminder, the following new and revised Standards and Interpretations were in force *for the financial year 2014*:

- IFRS 10 Consolidated financial statements (issued in May 2011 and amended in June and October 2012);
- IFRS 11 Joint Arrangements (issued in May 2011 and amended in June 2012);
- IFRS 12 Disclosures regarding investments in other entities (issued in May 2011 and amended in June and October 2012);
- IAS 27 Separate financial statements (amendments October 2012);
- IAS 32 Financial instruments: presentation (amendments December 2011): Offsetting financial assets and financial liabilities;
- IAS 36 Impairments on assets (amendments May 2013) — Disclosures regarding recoverable amounts for non-financial assets;
- IFRS 39 Financial instruments: Recognition and measurement (amendments June 2013) - Debt renewal of derivatives and continuation of hedge accounting.

The application of these new Standards, Interpretations and Amendments did not lead to important changes in the Group's valuation principles.

No effective standards, amendments, interpretations and improvements were applied earlier by the Group during the financial year 2014.

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

Standards and interpretations announced but not yet in force for the financial year 2016

The Group decided against early adoption of the following new Standards, Interpretations and Amendments that were not yet obligatory before 31 December 2016:

- Annual improvement process 2014-2016 (issued in December 2016);
- IFRS 2 (revised 2009) Share-based payments Changes in respect of clarification of the classification and measurement of share-based payments (June 2016);
- IFRS 7 Financial instruments, disclosures (amendments December 2011) - Postponement of commencing date of IFRS 9 and amendments of related disclosures;
- IFRS 7 Financial instruments: disclosures (amendment November 2013) - Additional disclosures regarding hedge accounting following the introduction of hedge accounting in IFRS 9;
- IFRS 9 Financial instruments: classification and measurement (issued in July 2019, and subsequent amendments);
- IFRS 10 Consolidated financial statements - Amendments regarding the sale or contribution of assets between an investor and the participation or joint venture (September 2014);
- IFRS 14 Regulatory deferral accounts (issued in January 2014);
- IFRS 15 Revenue from contracts with customers (issued in May 2014) and later amendments;
- IFRS 16 Leases (issued in January 2016);
- IAS 7 Cash flow table: amendment of the requirements for the presentation and providing of the (additional) comparable information (January 2016);
- IAS 12 – Profit taxes : amendment in respect of valuation of the deferred tax assets for unrealized losses (January 2016);
- IAS 28 Investments in associated companies and joint ventures - amendments regarding the sale or contribution of assets between an investor and the participation or joint venture (September 2014);
- IAS 39 - Financial instruments - amendments regarding hedge accounting when applying IFRS 9 (November 2013);
- IAS 40 – Property investments: changes regarding clarification of transfers from and to property investments (December 2016);
- IFRIC 22 – Transactions in foreign currency and advance payments (December 2016).

The above-mentioned new and amended Standards and interpretations, which were not applied in these financial statements, will probably have the following impact on the next periods:

- **IFRS 15 – Revenues from contracts with customers**

  This standard takes effect on 1 January 2018. Regarding the transition, it was opted for early adoption which results in the new standard being applied from 1 January 2017.

  The net rental will continue to be processed as a lease agreement (in accordance with IFRS 16) while the maintenance components will be processed in accordance with the principles of IFRS 15. The application of this new standard will have virtually no impact on the processing of the revenues in respect of the rental or the sale of payment terminals, nor on the proceeds in respect of the authorizations.

  Regarding the software division, the contractual provisions regarding individual performance obligations in respect of the use of the license, the installation, periodic update of the software and the technical support must be assessed to determine whether the turnover must be recognized immediately or spread over a few years. The effect of the application of this standard or software division will, in the current circumstances, only be limited to the section “Result from participations in associated companies” as this activity is solely conducted by a company that is processed in accordance with the equity method. The analysis of the impact of this standard will be worked out and explained as soon as possible.

- **IFRS 16 – Leases**

  This standard takes effect on 01 January 2019. Regarding the transition, it was opted for premature application which results in the new standard being applied from 1 January 2017. As a result, both standards, IFRS 15 and IFRS 16, will be applied simultaneously.

  Keyware Smart Card Division is the lessor of payment terminals. The new standard will not change the method of processing as financial leasing.

From the viewpoint of the lessee, it is necessary to, besides the existing lease contracts regarding the lease of rolling stock, only refer to a contract of operational lease of the company building (see Operational lease agreements). The current lease contract has 31 August 2022 as end date. The annual lease price is 70 kEUR, indexed. There is a single further rent-free period of 3 months, September 2019 – November 2019. At the end of 2016, there therefore still remain 5.67 years (68 months) to the end date. However, each party may terminate this lease agreement at the end of the sixth year, namely on 31 August 2018, provided that a prior notice period of six months is taken into account.

- **IFRS 9 Financial instruments – Presentation and principles for valuation**

  In July 2014, the IASB published the full version of the standard IFRS 9, which replaces the current standard IAS 39 regarding financial instruments (recognition and valuation) and all preceding versions of IFRS 9. IFRS 9 includes the three aspects of the processing of financial instruments: classification and valuation, special depreciation and hedge accounting. IFRS 9 is applicable to the periods that start on or after 1 January 2018, where an early implementation is allowed. With the exception of hedge accounting, the application of IFRS 9 is retroactive without comparative information having to be delivered. With regard to hedge accounting, the provisions are normally prospectively applicable with a few limited exceptions.

  IFRS 9 requires that the Company includes expected credit losses in its debt securities, loans and trade receivables, and this based on 12 months expected credit losses or expected credit losses over the entire lifetime. The Company expects to use the simplified approach and thus to include the expected credit losses over the entire lifetime for all trade receivables.

  The Company will apply this as a standard from the compulsory application date. The influence of this amendment on the balance sheet and on the equity is being investigated and will be announced as soon as possible.

Under reservation of the result of the study concerning IFRS 15, no material impact is expected of the application of the other new and revised Standards and Interpretations on the following periods.

We refer you to the annual reports for 2013 and 2014 for a similar overview of new and amended Standards and Interpretations applied by the Group and of Standards and Interpretations issued but not yet in force for the previous two financial years.

(v) Assessments and estimates

When preparing the consolidated financial statements, the management have to make assessments and estimates that have an effect on the amounts reported in the financial statements.

Assessments and estimates that are made on every reporting date reflect the circumstances that existed on that date (including interest rates, reference figures, etc.). Although the management bases these estimates on its best knowledge of the current occurrences and of the actions that the Group can take, actual results can differ from these estimates.

The most important assessments and estimates concern the following domains:

Realisable value of cash flow generating units with goodwill

The most important assumptions that were used for testing whether goodwill is subject to impairment, for the determination of the realisable value of the cash flow generating units with goodwill, are discussed in the explanatory note (6). The WACC that was used is an element of the assessment. The explanation (6) contains a sensitivity analysis with regard to the three main parameters.

Impairment of customer base

The customer base reflected by the asset deal will be amortised over five years. An impairment test will nevertheless be carried out every year to investigate whether impairments have to be recognised. The critical parameter is the number of contracts still active at the year end.

Recognition of lease income

The principle of the recognition of lease income is stated under (5) (o). The discount rate of the financial years is used as the point of departure. Explanatory note (5) (o) also provides a sensitivity analysis in the event of a deviation of 1 percentage point concerning the discount rate.

Impairments of lease receivables

Impairments of lease receivables are recognised in accordance with the principles discussed under (5) (k). These are based in part on historical reference figures for a series of parameters (contract terminations, bankruptcies, difference by brand) in order to determine the impairment to be charged to the financial year.

Deferred taxes

The recognition of deferred tax assets is based on the principle that it is probable that the settlement will take place in the near future (explanatory note (5) (q)). The forecast of results in the near future forms an element of the estimate by the management. In the case of sufficient certainty about the use of the tax losses, additional deferred taxes may be recognised.

Valuation of warrants

In connection with the approval of the "Warrants Plan 2014", a valuation was carried out based on the Black & Scholes method (explanatory note (38) (e)). The volatility of the share is then an element of assessment by the management. The cost associated with this plan was carried in Other expenses.

Disputes

Assessments have to be made with regard to claims and conditional obligations with regard to the existence of an obligation that is a consequence of an event in the past, the determination of the likelihood of an economic outflow, and of the quantifying of this likely economic outflow. The various disputes are discussed in explanatory note (52) and if a provision was made in connection with a dispute this is stated.

Allocation of the purchase price

With the Purchase price allocation for the 40% shares in Magellan SAS, the identifiable income and expenses are determined, as well as their lifetime. Further, the underlying business plan is also used in this framework. Even if the result of this analysis is not explicitly expressed in the annual financial statements due to the processing according to the equity method, it has an impact on the amount of the annual amortisation of the identified income, on the related deferred tax and the residual goodwill. The analysis is performed based on the situation on 30 September 2016 and can be the subject of the adjustments for one year (window period).

6. Goodwill

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Keyware Smart Card Division	5,248	5,248	5,248
Total	5,248	5,248	5,248

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

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

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

Outstanding goodwill of 5,248 kEUR as at 31 December 2016 pertains entirely to the cash flow generating unit with regard to payment terminals and only to the Belgian activity. When performing impairment tests with regard to the payment terminals unit, the realisable value is based on the value in use which is calculated by discounting the future cash flows from the constant use of the cash flow generating unit. The future cash flow is based on a short time cash flow forecast for 5 financial years and an additional year to calculate the terminal value and will be approved by the management and the Board of Directors.

When preparing the cash flow forecasts, the factors below are taken into consideration and have been applied consistently across the three financial years:

- growth forecasts on future margins derived from the realised financial figures of the most recently available financial year and available historical information;
- the existing product mix (type of terminals) is used as the point of departure, supplemented with, where possible, measurable market data (total number of terminals in the market segments in which the Group is active);
- time lag between the moment of the recognition of turnover and the moment of effectively receiving the cash flows;
- the growth percentages used take into account the expected inflation but do not take into account any non-organic growth. The expected revenue growth percentages as used for the different types of terminals. At the latest forecast a growth percentage of 5% has been utilized for all years of the cash flow forecast;
- a residual value, whereby a growth rate of 1.5% is used;
- the cash flows, before financial results and taxes, are discounted using a discounting rate before tax, calculated based on the weighted average cost of capital. The weighted average cost of capital used per 31 December 2014, 31 December 2015 and 31 December 2016 was 7.96%, 10.18% and 9.09 % respectively and is based on current market estimates of the time value of money and company-specific risks.

The cash flow forecasts prepared in this financial year based on these parameters have not given cause to recognise impairments. Management is aware of the fact that changes can occur in the assumptions that have been made following impairment tests.

Sensitivity analysis

In the analysis of the calculation of the sensitivity, the above-mentioned parameters (WACC, growth rate of revenues and growth rate of the residual value) are each subject to a stress test whereby - when keeping the other two parameters unaltered - the value of the variable parameter is determined at which the carrying value of the goodwill equals the value in use.

Conclusions of the sensitivity analysis

The conclusions for the financial year 2016 are as follows:

- in the event of a WACC of 32.5% (with an unchanged growth rate of revenues and growth rate of the residual value), the difference between the carrying value and the value in use of this goodwill is zero;
- in the event of a decrease in the cash flows by 89% (with an unchanged WACC and growth rate of the residual value), the difference between the carrying value and the value in use of this goodwill is zero; hence, a 89% reduction of the cash flow from the terminal value is required before the carrying value and the value in use will be equal;
- a decrease in the terminal growth rate of the residual value is required (by 208,4%) (with an unchanged growth rate of revenues and an unchanged WACC), for the difference between the carrying value and the value in use of this goodwill to amount to zero; this essentially means that a negative growth of 208.40% is required before the cash flow from the terminal

value becomes negative to such an extent that the value in use would be equal to the carrying value

The table below compares the conclusions for the financial year 2016 with those of the two previous financial years.

Difference between carrying value and value in use. The goodwill will be zero at	WACC	Decrease in cash flow used for terminal value	Terminal growth rate
Financial year 2014	10.5%	-57.0%	-4.2%
Financial year 2015	23.5%	-79.0%	-39.8%
Financial year 2016	32.5%	-89.0%	-208.4%

7. Other intangible fixed assets

This item pertains to software, licences and distribution rights, whereby the cost of the intangible asset can be determined in a reliable manner.

The movement for the 2016 financial year is limited to the write off expenses of customers.

Amounts in kEUR	Software	Patents and licences	Customer base	Total
Gross book value on 1 January 2016	590	1,047	250	1,887
Additions	-	-	-	-
Disposals	-	-	-	-
Gross book value on 31 December 2016	**590**	**1,047**	**250**	**1,887**
Accumulated amortisation and impairments (-) on 1 January 2016	590	1,047	50	1,687
Amortisation costs of the financial year	-	-	50	50
Withdrawal due to disposals	-	-	-	-
Accumulated amortisation and impairments (-) on 31 December 2016	**590**	**1,047**	**100**	**1,737**
Net book value on 31 December 2016	**-**	**-**	**150**	**150**

The movements for the financial year 2015 are as follows:

Amounts in kEUR	Software	Patents and licences	Customer base	Total
Gross book value on 1 January 2015	590	1,047	-	1,637
Additions	-	-	250	250
Disposals	-	-	-	-
Gross book value on 31 December 2015	**590**	**1,047**	**250**	**1,887**
Accumulated amortisation and impairments (-) on 1 January 2015	576	1,047	-	1,623
Amortisation costs of the financial year	14	-	50	64
Withdrawal due to disposals	-	-	-	-
Accumulated depreciation and impairments (-) on 31 December 2015	**590**	**1,047**	**50**	**1,687**
Net book value on 31 December 2015	**-**	**-**	**200**	**200**

The software pertains to the SAP ERP package and the licences pertain to the RBS licence following the acquisition of BRV (authorisation services).

In the context of the asset deal with GlobalPay NV, the takeover price was allocated to the equipment and to the customer base. Initially, a value of 275 kEUR was allocated to the customer base. On the basis of the test at the year end to determine the final purchase price, the value of the customer base was ultimately set at 250 kEUR. The client base is amortised over a period of five years and is subjected to an annual impairment test which if appropriate may indicate whether an impairment has to be applied in accordance with specific indicators. The analysis for 2015 and 2016 did not lead to this.

The movements for the financial year 2014 can be summarised as follows:

Amounts in kEUR	Software	Patents and licences	Total
Gross book value on 1 January 2014	590	1,047	1,637
Additions	-	-	-
Disposals	-	-	-
Gross book value on 31 December 2014	**590**	**1,047**	**1,637**
Accumulated depreciation and impairments (-) on 1 January 2014	562	1,047	1,609
Amortisation costs of the financial year	14	-	14
Withdrawal due to disposals	-	-	-
Accumulated depreciation and impairments (-) on 31 December 2014	**576**	**1,047**	**1,623**
Net book value on 31 December 2014	**14**	**-**	**14**

8. Property, plant and equipment

The movements in tangible fixed assets for the financial year 2016 can be summarised as follows:

Amounts in kEUR	Land and buildings	Fixtures and machinery	Furniture, IT and vehicles	Leasing	Other	Total
Gross book value on 1 January 2016	-	65	1,078	250	110	1,503
Additions	-	-	240	71	-	311
Disposals	-	-	(118)	-	-	(118)
Gross book value on 31 December 2016	**-**	**65**	**1,200**	**321**	**110**	**1,696**
Accumulated depreciation and impairments (-) on 1 January 2016	-	65	818	82	110	1,075
Depreciation costs of the financial year	-	-	145	73	-	218
Addition of impairment	-	-	-	-	-	-
Withdrawal due to disposals	-	-	(88)	-	-	(88)
Accumulated amortisation and impairments (-) on 31 December 2016	**-**	**65**	**875**	**155**	**110**	**1,205**
Net book value on 31 December 2016	**-**	**-**	**325**	**166**	**-**	**491**

The material fixed assets mainly concerns the fleet of passenger vehicles. In accordance with the IFRS norms, the terminals are not included under the material fixed assets, since the contracts will be processed as financial leasing. It forms part of the cost price of the sales (raw materials and consumables).

The investments of the financial year 2016 mainly pertain to the purchase equipment (311 kEUR), including leasing to the amount of 71 kEUR. It relates to 13 new vehicles of which 2 are financed by a finance lease. A number of vehicles were disposed in 2016 that still represented a net carrying value of 30 kEUR.

The movements for the financial year 2015 can be summarised as follows:

Amounts in kEUR	Land and buildings	Fixtures and machinery	Furniture, IT and vehicles	Leasing	Other	Total
Gross book value on 1 January 2015	-	65	1,055	143	110	1,373
Additions	-	-	23	107	-	130
Disposals	-	-	-	-	-	-
Gross book value on 31 December 2015	**-**	**65**	**1,078**	**250**	**110**	**1,503**
Accumulated depreciation and impairments (-) on 1 January 2015	-	65	671	43	109	888
Depreciation costs of the financial year	-	-	147	39	1	187
Withdrawal due to disposals	-	-	-	-	-	-
Accumulated depreciation and impairments (-) on 31 December 2015	**-**	**65**	**818**	**82**	**110**	**1,075**
Net book value on 31 December 2015	**-**	**-**	**260**	**168**	**-**	**428**

The investments of the financial year 2015 mainly pertain to the purchase of equipment (122 kEUR) and hardware/IT (7 kEUR). The investments in vehicles relate to five cars, including three financed through Belfius Lease. Other tangible fixed assets mainly concern the furnishing of rented buildings.

The movements for the financial year 2014 can be summarised as follows:

Amounts in kEUR	Land and buildings	Fixtures and machinery	Furniture, IT and vehicles	Leasing	Other	Total
Gross book value on 1 January 2014	**-**	**65**	**946**	**28**	**110**	**1,149**
Additions	-	-	129	115	-	245
Disposals	-	-	(21)	-	-	(21)
Gross book value on 31 December 2014	**-**	**65**	**1,055**	**143**	**110**	**1,373**
Accumulated depreciation and impairments (-) on 1 January 2014	**-**	**65**	**568**	**28**	**9**	**670**
Depreciation costs of the financial year	-	-	112	15	-	127
Addition of impairment	-	-	-	-	100	100
Withdrawal due to disposals	-	-	(9)	-	-	(9)
Accumulated depreciation and impairments (-) on 31 December 2014	**-**	**65**	**671**	**43**	**109**	**888**
Net book value on 31 December 2014	**-**	**-**	**384**	**100**	**1**	**485**

The investments of the financial year 2014 mainly pertain to the purchase of 7 vehicles, including 6 leased vehicles, as well as the payment transactions platform. Belfius Bank and Belfius Lease provided finance for the acquisition of the cars.

An impairment of the former platform of 100 kEUR was recognised in the financial year 2014 as the platform in PayItEasy is now operational.

9. Deferred tax assets

The deferred tax assets can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Deferred tax assets as at 1 January	3,058	1,685	1,685
Capitalisation of deferred tax assets	-	2,291	667
Use of fiscal losses	(1,038)	(918)	(667)
Increase in the provision for deferred taxes	(430)	(395)	(309)
Neutralisation of increase in deferred tax liabilities (due to financial losses)	430	395	309
Deferred tax assets as at 31 December	**2,020**	**3,058**	**1,685**

The recognised deferred tax assets relate entirely to tax loss carry forwards. Based on the 2014-2018 strategic plan, the budget for 2015 and the fiscal results for the financial year 2015, the Board of Directors re-assessed the recognised deferred tax assets in the light of deductible financial losses in 2015. A decision was taken to reflect the additional net activation at an amount of 1,373 kEUR. This amount relates exclusively to the balance of the fiscal losses of the subsidiary Keyware Smart Card Division.

In addition, the Group still has deferred tax assets that relate to tax loss carry forwards which were not recognised in the figures. At the end of December 2016, this concerned a gross amount of 61,029 kEUR of losses carried forward (including the start-up loss of Keyware T&P GmbH of 102 kEUR), which corresponds to a deferred tax asset of 20,749 kEUR. For this reason, the deferred tax liabilities are also not recognised on the temporary differences between BE GAAP and IFRS.

The deferred tax liabilities with respect to Keyware Smart Card Division NV recognised in accordance with the IFRS amendments have been deducted from the deferred tax assets and concern all recognitions of temporary differences.

The applicable tax rate has remained unchanged throughout the periods at 33.99%.

10. Long-term receivables from finance leases

This item can be summarised as follows:

Amounts in kEUR	31,12,2016 kEUR	31,12,2015 kEUR	31,12,2014 kEUR
Outstanding capital contracts	14,885	16,121	15,355
Provision for the termination of outstanding contracts	(400)	(775)	(1,267)
Total	**14,485**	**15,346**	**14,088**

The finance lease receivables include the long-term portion of the receivables with regard to the finance lease contracts for payment terminals in accordance with IAS 17 - Leases, taking into account the discount rate that applies at the time of the recognition of turnover. This amounts to 6% in 2016 in comparison to 7% in 2015.

On 31 December 2016 this amounted to 14,485 kEUR in comparison to 15,346 kEUR on 31 December 2015. This reflects net amounts, in other words, after the impairment of the outstanding capital in respect of receivables from financial leases relating to customers who have gone bankrupt, have terminated their activities or have terminated their contract (see (32) Net impairments on current assets).

11. Participation in associated enterprises

The participation in associated companies concerned the 2016 financial year:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Participation in associated enterprises	4,105	-	-
Total	**4,105**	**-**	**-**

This item only corresponds with the interest of 40% in the company governed by French law, Magellan SAS. On 30 September 2016, a participation of 40% was acquired for an amount of 4,000 kEUR. The remaining 60% of the shares are held by the company governed by French law Galileo SAS. There is indeed a double option available for the other 60%. Between 1 January and 30 June 2018, Keyware Technologies can acquire the other 60% shares via a purchase option at 6,000 kEUR. Between 1 July 2018 and 31 December 2019 Galileo will have an option to acquire the other 60% subject to the same terms and conditions.

This participation will there after be processed according to the equity method. The share of the Group in the result since 30 September 2016 amounts to 105 kEUR (see profit and loss account).

No loans have been granted to associated companies.

The following table contains the financial information of Magellan SAS, as included in its financial statements, adjusted according to the actual value adjustments upon acquisition.

Amounts in kEUR	31.12.2016 kEUR
Fixed assets	6,378
Current assets	6,036
Deferred taxes	(1,967)
Non-current liabilities	(412)
Current liabilities	(1,800)
Net assets (100%)	**8,235**

The reconciliation can be presented as follows:

Amounts in kEUR	31.12.2016 kEUR
Share of the Group in associated enterprise (40%)	3,294
Goodwill	811
Carrying value of the share in the associated enterprise	**4,105**

The most important key figures of the profit and loss account is as follows:

Amounts in kEUR	31.12.2016 kEUR	Waarvan Q4 kEUR
Revenue	3,257	1,182
Depreciation and amortisation	(457)	(186)
Operating profit (EBIT)	384	490
Net profit (100%)	**254**	**264**
Share of the Group in the associated companies (40%)	**-**	**105**

12. Other participations

The other participations evolved as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Other participations	400	250	-
Total	**400**	**250**	**-**

It concerns a participation in the company governed by the law of Luxembourg Congra Lux Sàrl. In 2015 a participation was acquired for 250 kEUR, which will increase in 2016 to 400 kEUR at the registration of the capital increase. Due to this, this participation concerns 3.1% of the capital with regard to 2.1% in 2015. On the basis of an analysis of 31 December 2016, the participation is not subject to any impairment. An impairment test will be performed annually at the year end.

13. Other assets

The other assets can be presented as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Warranties	80	75	74
Total	**80**	**75**	**74**

This item pertains entirely to guarantees in cash.

14. Inventories

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Gross value of stock of terminals	1,987	1,921	1,104
Write-off	(786)	(929)	(368)
Total	**1,201**	**992**	**736**

The goods for resale concern payment terminals and related equipment purchased from third parties. The increase in this item in comparison to the previous financial year can be attributed to the larger share of Worldline terminals in stocks as well as additional stocks in consignment.

In the financial year 2016, an impairment was recognised amounting to 332 kEUR in comparison to 561 kEUR and 78 kEUR in 2015 and 2014 respectively. Impairments and reversals of impairments are carried in the income statement under the item "Net impairment losses on currentassets". The devaluation of the Verifone devices explains the higher expense in 2015.

15. Trade and other receivables

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Trade receivables	306	193	299
Invoices to be issued	324	177	248
Credit notes to be issued	(107)	(107)	(123)
Bad debts	742	742	742
Write-offs	(612)	(612)	(612)
Other receivables	323	233	289
Total	**976**	**626**	**843**

The item trade receivables concerns trade receivables that are not related to financial lease receivables. This concerns, in part, invoicing for third party costs, invoicing related to loyalty and authorisations.

The due dates of the trade receivables can be specified as follows:

Amounts in kEUR	Not yet due kEUR	1m-6m kEUR	>6m kEUR	Totaal kEUR
As at 31.12.2016	306	-	-	306
As at 31.12.2015	193	-	-	193
As at 31.12.2014	299	-	-	299

The credit notes to be issued pertain mainly to an out-of-court settlement of a dispute with a trading partner. In connection with this dispute, the Group wrote off the entire amount of an outstanding receivable amounting to 280 kEUR at the end of 2007. The outstanding debt vis-à-vis the same party remained unchanged. The counter party was summoned by the Court.

At the end of September 2010, the parties reached an out-of-court settlement whereby the Group will ultimately recoup an amount of 193 kEUR (partially in cash and partially the acquittal of debts owed to the same party). Following this settlement, the originally booked write-off was reversed and a to be drafted credit note was registered.

The write-offs comprise the write-off in connection with bad debts and concern entirely the trade receivables from the past that are not related to financial leasing receivables, but still relate to the previously carried out loyalty activities. No additional write-offs were booked during the financial years 2014 to 2016.

Other receivables can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
VAT to recover	118	103	97
Amounts owed by employees	7	21	28
Receivables as a result of passed on amounts	149	108	42
Other	49	-	8
Settlement receivable	-	1	114
Total	**323**	**233**	**289**

In 2010, a mutual agreement was concluded in connection with a legal dispute with a trading partner. As a result, Keyware is entitled to compensation of 1 million EUR. This settlement agreement was worked out in the form of reductions on hardware, software and maintenance orders. As of 31 December 2016 these have largely been exhausted, whereas an amount of 162 kEUR still had to be used at the end of 2013 and of 114 kEUR at the end of 2014.

At the end of 2016, the other items mainly concern turnover tax to be reclaimed of 118 kEUR, which will be deducted from the VAT payable in January 2017, as well as expenses charged on of 149 kEUR.

The carrying value does not differ substantially from the fair value when re-evaluating these financial assets.

16. Short-term receivables from finance leases

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Outstanding capital contracts	6,913	4,008	2,857
Provision for the termination of outstanding contracts	(952)	(202)	(260)
Outstanding capital financing Parfip Benelux	-	-	384
Total	**5,961**	**3,806**	**2,981**

The item 'outstanding capital contracts' concerns the balance of all adjustments related to financial lease receivables. This item therefore contains both positive and negative adjustments. This includes the short-term portion of the receivables with regard to the financial leases for payment terminals in accordance with IAS 17 - Leases.

The provision in connection with short-term finance lease receivables amounted to 952 kEUR as of 31 December 2016 compared to 260 kEUR and 202 kEUR as of 31 December 2014 and 31 December 2015 respectively.

In previous financial years, the current trade receivables pertaining to the financing agreement with Parfip Benelux NV were also included in this item. The Group concluded a financing agreement with Parfip Benelux NV in 2005, whereby the Group had the possibility to assign contracts in connection with the rental of payment terminals to Parfip Benelux NV at a present value whereby an interest rate was assumed that varied between 10% and 16%.

In accordance with this contract, the ultimate debtor risk was borne by the Group. In concrete terms, this meant that in the event of insolvency of a debtor, Parfip Benelux NV reserved the right to re-invoice this contract to the Group in proportion to the remaining outstanding amount of capital with regard to the discounted amount received in advance. This was recognised in the deferred receivable and the deferred payable which were carried in the balance sheet.

At year-end 2014, the deferred receivables and deferred payables with regard to these Parfip Benelux contracts amounted to 384 kEUR, which was reported as short term as the acquisition of this equipment, effective as of 1 July 2014, was settled in March 2015 by a payment of 800 kEUR.

17. Deferred charges

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Prepaid costs	36	8	19
Total	**36**	**8**	**19**

At the end of 2013, this item showed significant amounts from prepaid maintenance costs for the maintenance and repair of the payment terminals. These amounts were invoiced in advance. From 2014 onwards, these amounts have been invoiced on a monthly basis, so that this item will no longer carry significant amounts in future.

18. Cash and cash equivalents

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Cash and cash equivalents	1,045	981	915
Total	**1,045**	**981**	**915**

In connection with its activities as a NSP (Network Service Provider), the Group is confronted with the fact that cash movements take place through so-called client accounts. As of 31 December, the balance is, however, zero for the three financial years.

At the end of 2016, cash and cash equivalents came to 1,045 kEUR, compared to 981 kEUR as of 31 December 2014. The amount on 31 December 2014 of 915 kEUR included 630 kEUR which was earmarked for the settlement of the acquisition of the Parfip Benelux contracts. This amount was used at the end of March 2015 to settle the above-mention acquisition.

We refer you to the cash flow statement for more insight into movements in cash and cash equivalents for the financial years 2014, 2015 and 2016.

19. Capital structure

The movement of the 3 last financial years was as follows:

- In the financial year 2014, 25,000 warrants were issued in exchange for 18 kEUR, accounted for accordingly under capital and issue premiums at 11 kEUR and 7 kEUR respectively;
- In the financial year 2015, 625,000 warrants were exercised in exchange for cash of 411 kEUR. Capital and issue premiums were added in the amounts of 281 kEUR and 130 kEUR respectively;
- In the 2016 financial year, on the one hand 160,000 warrants were exercised (cash flow of 95 kEUR), of which 59 kEUR was allocated to capital and 36 kEUR to issue premiums) and losses were wiped away against capital and share premiums.

Amounts in kEUR	kEUR	*Number of shares*
31.12.2010	6,745	*16,703,279*
2011	+131	*+105,000*
2012	+1,500	*+2,225,514*
2013	+779	*+1,380,000*
2014	+11	*+25,000*
2015	+281	*+625,000*
2016	+59	*+160,000*
2016 : capital decrease	-1,636	-
31.12.2016	**7,870**	*21,223,793*

As of 31 December 2016, the issued authorised share capital therefore amounts to 7,870 kEUR, represented by 21,223,793 shares.

According to article 11 of the Act of 14 December 2005, the dematerialisation of bearer shares were confirmed. The Extraordinary General Shareholders Assembly of 17 June 2008 expressly stated this:

- until 31 December 2013, the holder of bearer securities that were still in circulation could request the conversion of these securities in dematerialised effects and then indeed into registered securities according to the procedure set out in article 7 of the aforementioned Act concerning the cancellation of the bearer securities;
- after 31 December 2013, bearer securities that were not converted would automatically be converted to dematerialised securities and will be registered by the board of directors in a securities account opened in the name of the company;
- from 1 January 2015, the securities that belonged to unknown beneficiaries were offered for sale according to article 11 of the aforementioned Act concerning the cancellation of bearer securities.

  In this regard it can be said that no securities were offered for sale.

The last decision to renew the authorisation granted to the Board of Directors regarding the allowed capital was taken on 27 May 2016. In particular a capital increase could take place due to this authorisation, with a maximum amount equalling the social capital of the Company dated 27 May 2016 for a term of five (5) years, according to article 603 and according to the Company code. The authorisation of the Board of Directors will also apply to capital increases by contribution in kind and in cash, by converting reserves or issue premiums, with or without issuing shares, and includes the authority to issue convertible bonds, warrants that are or are not linked to another security, and bonds with warrants.

Via the same authorisation of the General Shareholders Assembly, it can for a period of three years from the date of the Shareholder's meeting on 27 May 2016, the boar will be able to increase the issued share capital of the Company in one or several stages, as from the date of a notification by the FSMA of a public takeover bid for the shares of the Company, by contributions in cash with cancellation or limitation of the priority rights of the existing shareholders or by contributions in kind in accordance with the relevant legal provisions.

In the framework of the authorised capital and in the interest of the Company and provided that the relevant statutory provisions are complied with, the Board of Directors will also be authorised to cancel or limit the priority rights attributed by law to the shareholders. Furthermore, the Board of Directors will be authorised to limit or cancel the priority right in favour of one or several specific persons, even if these persons are not employees of the Company or its subsidiaries. The above-mentioned authorisations can also be used for the transactions specified in article 605 of the Belgian Company Code, in particular (i) the issue of convertible bonds or warrants whereby the priority right of the shareholders is limited or excluded, (ii) the issue of convertible bonds whereby the priority right of the shareholders is limited or excluded in favour of one or more specific persons, other than employees of the Company or of its subsidiaries, and (iii) the capital increases that occur as a result of the conversion of the reserves.

In addition to this, a decision was taken at the General Meeting of 27 May 2016, which will be applicable to the next five (5) years:

- (i) to authorise the Board of Directors to acquire a maximum amount of twenty (20) percent of the shares of the Company at a minimum price equal to the closing price of the share on Euronext Brussels on the trading day immediately prior to the acquisition less twenty (20) percent and at a maximum price equal to the closing price of the share on Euronext Brussels on the trading day immediately prior to the acquisition increased by twenty (20) percent, all of the above in compliance with articles 620 through 625 of the Belgian Company Code. The authorisation for acquisition is valid for a period of five (5) years, calculated from the date of the publication of the above-mentioned resolution in the annexes of the Belgian Gazette, and can be renewed. The resolution that this authorisation also applies for the acquisition of shares of the Company by one of its directly controlled subsidiaries in accordance with article 627 of the Belgian Company Code. The resolution to authorise the Board of Directors to dispose of its own shares, whereby the Board of Directors, to the degree permitted by law, is not bound by the aforementioned limitations in time and duration and whereby this authorisation also applies to the disposal of shares of the Company by one of its directly controlled subsidiaries within the meaning of article 627 of the Belgian Company Code; and

- (ii) to authorise the Board of Directors for a period of three (3) years from the date of notification of this amendment to the Articles of Association, which is planned for 27 May 2016, to acquire, to take as security or to dispose of a minimum of twenty (20) percent of the registered shares, if such acquisition, taking as security or disposal is necessary to prevent a serious potential disadvantage for the Company

The Board of Directors has the authority to amend the Articles of Association of the Company in accordance with the capital increase that was determined within the framework of it authority.

Each share entitles the holder to one vote. Under Belgian legislation, the capital structure of the Company, with the number of issued and authorised shares is laid down in the Articles of Association of the Company and can be amended by the shareholders provided that a specific majority of the votes is attained.

20. Borrowings – long-term liabilities

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Belfius Bank financing	4,047	802	1,442
ING Bank financing	250	646	298
State Bank of India financing	250		
Big Friend NV financing	-	162	228
Parana Management Corp BVBA financing	-	983	1,263
Third-party financing	-	82	111
Total	**4,547**	**2,675**	**3,342**

Belfius Bank

In September 2011, the Group concluded a **loan agreement** for an amount of **1.5 million EUR** with Belfius Bank. This loan is refundable in 60 monthly payments of between 24 kEUR and 27 kEUR (including interest). The applicable interest rate is 3.5% per annum.

The Group was able to expand the existing loan agreement on 22 June 2012 by concluding an additional **investment loan** for an amount of **200 kEUR**. This loan is repayable in 48 monthly payments of 4 kEUR (including interest). The applicable interest rate is 3.91% per annum.

The Group was able to expand the existing loan agreement again on 25 September 2012 by concluding an additional **investment loan** with

Belfius Bank for an amount of **380 kEUR**. This loan is repayable in 60 monthly payments of 7 kEUR (including interest). The applicable interest rate is 2.64% per annum.

The Group was able to convert its short-term **straight loan** liabilities towards Belfius Bank of **1,000 kEUR** into a five-year investment loan. This straight loan was converted into an investment loan of which 400 kEUR and 200 kEUR is payable in the long term and the short term respectively as of the end of 2016. The repayment will take place via 60 equal monthly instalments. The interest rate is 2.75% per annum. The end date is 31 December 2019.

In 2016 Belfius Bank first refinanced the existing shareholder's loans. This concerns an amount of **1,407 kEUR** that will be reimbursed via 7 semester payments of 206 kEUR, to be repaid in full by 31 December 2019. This loan is awarded at a fixed interest rate of 1.2%.

Finally, in September 2016, a loan of **3,000 kEUR** was supplied to finance the acquisition of Magellan. The contract makes provision for a grace period of one year (October 2016 - September 2017). From October 2017, the debt will be reimbursed by 48 monthly amounts of 65 kEUR so that the end date is 30 September 2021. This loan is awarded at a fixed interest rate of 1.75%.

The Group has provided the following security for the above loans from Belfius Bank:

- Parana Management Corp. BVBA has pledged securities for an amount of at least 2,880 kEUR in elaboration of an agreement of discretionary asset management. This guaranteed amount is being reduced every semester by 10% as from 1 January 2015; at the end of 2016, this balance was 1,728 kEUR;
- the joint and several guarantee issued by Guido Van der Schueren and Parana Management for every 500 kEUR;
- The pledge of the trading concern of Keyware Technologies for an amount of 3,000 kEUR (first rank);
- Solidary invisible guarantees of Keyware Transaction & Processing NV as Keyware Technologies NV towards Keyware Smart Card Division NV for respectively 1,500 kEUR and 380 kEUR.

ING Bank

On 19 November 2014, Keyware Smart Card Division NV concluded a new **investment credit** with this bank for an amount of **750 kEUR**. This loan only has to be repaid after a stand-still period of one year (the financial year 2015) during which the remaining amount of the capital was drawn down. The repayment then started in 2016, taking place in 12 quarterly payments of 63 kEUR (increased with interest) so that the contract has an end date of 30 November 2018. The applicable interest rate is 2.34%. The loan is secured by a guarantee issued by Keyware Technologies NV and Keyware Transaction&Processing NV for an amount of 750 kEUR in principal. An amount of 298 kEUR of this loan had been drawn down at the end of 2014. The balance of 452 kEUR was drawn down in 2015 in accordance with the requirements of the Group.

In December 2014, the two parties also concluded a further **investment loan** of **250 kEUR** in the context of the financing of the GlobalPay deal. This loan will be repaid in 12 quarterly instalments and will end on 31 December 2017.

State Bank of India

In June 2016 Keyware Smart Card Division NV also concluded a different **investment credit** of **500 kEUR** with State Bank of India. The funds were completely included. This loan will be repaid in 6 semester instalments and will end on 29 June 2019. A pledge to the trade receivables of Keyware Smart Card Division NV as security for this loan, for 500 kEUR and a solidary security of both Keyware Technologies and Keyware Transactions & Processing NV.

Shareholders' loans

The existing shareholders' loans with Parana Management Corp BVBA, Big Friend NV and other investers were repaid in July 2016 via a refinancing of 1,407 kEUR supplied by Belfius Bank NV. These loans had an end date of 31 December 2019 that were maintained. Due to the refinancing at a fixed interest rate of 1.2%, a significant economic benefit was achieved in comparison to the contractual interest rates of 8%. This has an impact on the second half of the 2016 as well as in the subsequent financial years 2017 to 2019 (for a full year). This explains the decrease in the financial expenses in 2016 in comparison with 2015.

The future repayment obligations in respect of long-term and short-term loans can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
2015	-	-	1,443
2016	-	1,514	1,165
2017	1,745	1,168	835
2018	1,771	879	714
2019	1,438	628	628
2020	760	-	-
2021	578	-	-
Total	**6,292**	**4,189**	**4,785**

Even though the acquisition of the Magellan shares represents a significant amount of 3,000 kEUR qua additional financing, the impact of this new loan is limited for the 2017 financial year. This was cause by a stand still (grace) period of 1 year from October 2016 - September 2017. The first mensuality is then also foreseen for October 2017.

21. Lease liabilities – long term

The lease obligations concern:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Financing of vehicles	38	43	69
Total	**38**	**43**	**69**

The long-term finance lease obligations relate to the financing of passenger cars by ING and Belfius Lease. This concerns contracts with a runtime between 36 and 48 months. The total lease liability at year-end 2016 amounted to 83 kEUR, of which 38 kEUR was long term.

The future repayment obligations in respect of long-term and short-term loans can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
2015	-	-	30
2016	-	26	25
2017	45	25	26
2018	37	18	18
2019	1	-	-
Total	**83**	**69**	**99**

22. Trade payables – non-current liabilities

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Financing through Parfip Benelux	-	-	385
Total	**-**	**-**	**385**

As stated under (16) Long-term finance lease receivables, the Group has concluded a financing agreement with Parfip Benelux NV, whereby the Group has the possibility to assign the contracts in respect of rental of payment terminals to Parfip Benelux NV.

In accordance with this contract, the ultimate debtor risk was for the account of the Group so that both deferred receivables and deferred liabilities were reported on the balance sheet in this context.

At the end of 2013 there was still an obligation of 384 kEUR in the view of the retrocession by the Group of the current contracts on 1 July 2014. This retrocession was settled with Parfip Benelux NV in March 2015 so that there has since not been any similar obligations in 2015 and 2016.

23. Trade, social and tax liabilities - current liabilities

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Trade payables	1,162	1,483	2,072
Deferred liability Parfip Benelux	-	-	384
Invoices to be received	1,382	885	1,192
Credit notes to be received	(115)	(115)	(115)
VAT due	11	-	45
Estimated corporation taxes	258	105	-
Withholding tax and social security contributions	64	76	81
Salaries to be paid	25	12	44
Provision for holiday pay	132	128	130
Total	**2,919**	**2,574**	**3,833**

The total amount of outstanding suppliers includes an amount of 351 kEUR of overdue trade debts. This mainly relates to suppliers with whom a dispute is pending.

Outstanding trade payables can be specified as follows:

Amounts in kEUR	31.12.2016		31.12.2015		31.12.2014	
	Number	kEUR	Number	kEUR	Number	kEUR
Current suppliers	-	629	-	1.047	-	1.545
Pending disputes	3	351	2	346	2	428
Internal consultants	9	182	8	59	7	68
Supplier and simultaneously client	-	-	2	31	2	31
Total		**1,162**		**1,483**		**2,072**

The internal consultants relate to independent suppliers of services to the Group, such as the CEO, CFO, COO, CCO, country manager for Germany, the "business developer", ... In the matter of the disputes, we also refer you to Note 45.

The due dates of the trade payables can be specified as follows:

Amounts in kEUR	< 1 year kEUR	1 year - 5 years kEUR	> 5 years kEUR	Total kEUR
As at 31.12.2016	811	351	-	1,162
As at 31.12.2015	1,106	377	-	1,483
As at 31.12.2014	1,613	459	-	2,072

The carrying value does not differ substantially from the fair value when re-evaluating these financial assets.

24. Borrowings – short-term obligations

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Belfius Bank financing	1,224	788	743
ING Bank financing	354	271	-
State Bank of India financing	167	-	-
Big Friend NV financing	-	77	236
Parana Management Corp BVBA financing	-	340	331
Iquess Consulting BVBA financing	-	-	100
Other third-party financing	-	38	33
Total	1,745	1,514	1,443

The above amounts concern the current liabilities of the above-mentioned loans. For further information about this item, we refer you to (20) Borrowings - long-term obligations.

During the 2016 financial year, in July, the existing shareholders loans of Parana Management Corp BVBA, Big Friend NV and other third parties were refinanced with Belfius Bank NV. This declares at the same time why these debts were zero at the end of 2016 and why the debt towards Belfius Bank increased. At the end of 2016, the short term loans were all banking loans. In 2014, Iquess Consulting BVBA had granted a loan of 100 kEUR for one year, which was consequently repaid in mid 2015.

25. Lease liabilities – short term

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Financing of verhicles	45	26	30
Total	**45**	**26**	**30**

For any explanatory notes on to this, we refer you to (21) Obligations under finance lease - long term.

26. Other liabilities

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Liabilities related to employees	-	-	22
Other	-	11	-
Total	**-**	**11**	**22**

The disputes with two employees were settled in 2015. At the end of December 2015, the other liabilities of 11 kEUR represented the payment of an amount not owed that was repaid to the counterparty in January 2016.

27. Accrued expenses and deferred revenues

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Accrued expenses	49	134	66
Deferred revenues	419	358	302
Total	**468**	**492**	**368**

The accrued expenses relate to rent and interest expenses while the deferred revenues relate to deferred maintenance income. The increase in this item is the result of a higher authorisation income in 2016 in comparison to the previous financial years.

28. Business segment information

The Group reports its operational segments according to the nature of the activities. This differentiates between four segments:

- The segment of the terminals comprise the rental, the sale and the installation of payment terminals as well as the activities in connection with help desk maintenance and interventions;
- The segment of the authorisations relates to the revenues in connection with payment transactions and authorisation services, transaction management for third parties, loyalty processing and analysis services, etc.;
- The segment of the corporate activities. A number of the group supporting activities, such as finance and administration, expenses in connection with the listing on the stock market etc., are reported as non-allocatable elements under this segment;
- The segment of the software that includes the activities of Magellan.

The activities of Keyware Smart Card Division NV and Keyware Transactions & Processing GmbH can be housed under the first segment. With regard to the subsidiaries, this is also a part of its activities, unless it also concerns income from authorisations.

The second segment comprises on the one hand the Belgian companies Keyware Transaction & Processing NV and PayItEasy BVBA and on the other hand a part of Keyware Transactions & Processing GmbH.

The segment of the corporate activities concern Keyware Technologies NV while the segment of the software relates to Magellan SAS.

The breakdown of the results for the financial year 2016 is as follows:

Consolidated profit and loss account **Segment Information**	**31.12.2016** **kEUR** **Terminals** (audited)	**31.12.2016** **kEUR** **Authorisations** (audited)	**31.12.2016** **kEUR** **Corporate** (audited)	**31.12.2016** **kEUR** **Software** (audited)	**31.12.2016** **kEUR** (audited)
Continuing operations					
Revenue	11,115	7,606	-	-	18,721
Other gains and losses	315	27	128	-	470
Raw materials and consumables	(1,944)	(5,887)	(3)	-	(7,834)
Salaries and employee benefits	(1,181)	(159)	(98)	-	(1,438)
Depreciation and amortisation	(50)	(39)	(179)	-	(268)
Net impairments on current assets	(1,897)	-	-	-	(1,897)
Other operating expenses	(3,284)	(757)	(539)	-	(4,580)
Operating profit	**3,074**	**791**	**(691)**	**-**	**3,174**
Financial income	1,207	-	-	-	1,207
Financial expenses	(132)	(4)	(53)	-	(189)
Profit before taxes	**4,149**	**787**	**(744)**	**-**	**4,192**
Taxes on the result	(1,172)	-	(24)	-	(1,196)
Result from participations in associated enterprises	-	-	-	105	105
Profit for the financial year from continuing operations	**2,977**	**787**	**(768)**	**105**	**3,101**
Profit for the financial year from discontinued operations	-	-	-	-	-
Profit for the financial year	**2,977**	**787**	**(768)**	**105**	**3,101**

The breakdown of the balance sheet for the financial year 2016 is as follows:

Consolidated balance sheet Segment Information	31.12.2016 kEUR Terminals (audited)	31.12.2016 kEUR Authorisations (audited)	31.12.2016 kEUR Corporate (audited)	31.12.2016 kEUR Software (audited)	31.12.2016 kEUR (audited)
Assets					
Consolidation differences	5,248	-	-	-	5,248
Other intangible fixed assets	150	-	-	-	150
Property, plant and equipment	-	-	491	-	491
Deferred tax assets	2,020	-	-	-	2,020
Receivables from finance leases	14,485	-	-	-	14,485
Participation in associated companies	-	-	-	4,105	4,105
Other participation	400	-	-	-	400
Other assets	21	6	53	-	80
Non-current assets	**22,324**	**6**	**544**	**4,105**	**26,979**
Inventories	1,201	-	-	-	1,201
Trade and other receivables	265	277	434	-	976
Receivables from finance leases	5,961	-	-	-	5,961
Accrued expenses	-7	-	43	-	36
Cash and cash equivalents	728	239	78	-	1,045
Current assets	**8,148**	**516**	**555**	**-**	**9,219**
Total assets	**30,472**	**522**	**1,099**	**4,105**	**36,198**
Equity and liabilities					
Issued capital	-	-	7,194	-	7,194
Issue premiums	-	-	2,868	-	2,868
Other reserves	-	-	797	-	797
Purchased own shares	-	-	(19)	-	(19)
Result carried forward	17,650	361	(2,520)	105	15,596
Equity	**17,650**	**361**	**8,320**	**105**	**26,436**
Provisions	**-**	**-**	**-**	**-**	**-**
Borrowings	1,711	-	2,836	-	4,547
Lease liabilities	-	-	38	-	38
Non-current liabilities	**1,711**	**-**	**2,874**	**-**	**4,585**
Borrowings	1,492	-	253	-	1,745
Lease liabilities	-	-	45	-	45
Trade payables, social and tax liabilities	2,125	115	679	-	2,919
Accrued expenses	424	-	44	-	468
Current liabilities	**4,041**	**115**	**1,021**	**-**	**5,177**
Total equity and liabilities	**23,402**	**476**	**12,215**	**105**	**36,198**

The breakdown of the results for the financial year 2015 is as follows:

Consolidated profit and loss account Segment Information	31.12.2015 kEUR Terminals (audited)	31.12.2015 kEUR Authorisations (audited)	31.12.2015 kEUR Corporate (audited)	31.12.2015 kEUR (audited)
Continuing operations				
Revenue	11,562	5,195	46	16,803
Other gains and losses	252	21	41	314
Raw materials and consumables	(2,301)	(4,312)	(12)	(6,625)
Salaries and employee benefits	(1,265)	(146)	(97)	(1,508)
Depreciation and amortisation	(64)	(39)	(148)	(251)
Impairments	-	-	-	-
Net impairments on current assets	(1,785)	-	-	(1,785)
Other operating expenses	(2,816)	(625)	(271)	(3,712)
Operating profit	**3,583**	**94**	**(441)**	**3,236**
Financial income	1,137	1	3	1,141
Financial expenses	(190)	(1)	(158)	(349)
Profit before taxes	**4,530**	**94**	**(596)**	**4,028**
Taxes on the result	1,263	-	-	1,263
Result from participations in Joint Ventures	-	-	-	-
Profit for the financial year from continuing operations	**5,793**	**94**	**(596)**	**5,291**
Profit for the financial year from discontinued operations	-	-	-	-
Profit for the financial year	**5,793**	**94**	**(596)**	**5,291**

The breakdown of the balance sheet for the financial year 2015 is as follows:

Consolidated balance sheet Segment Information	31.12.2015 kEUR Terminals (audited)	31.12.2015 kEUR Authorisations (audited)	31.12.2015 kEUR Corporate (audited)	31.12.2015 kEUR (audited)
Assets				
Goodwill	5,248	-	-	5,248
Other intangible fixed assets	200	-	-	200
Property, plant and equipment	-	39	389	428
Deferred tax assets	3,058	-	-	3,058
Receivables from finance leases	15,346	-	-	15,346
Other assets	267	5	53	325
Non-current assets	**24,119**	**44**	**442**	**24,605**
Inventories	992	-	-	992
Trade and other receivables	218	184	224	626
Receivables from finance leases	3,806	-	-	3,806
Accrued expenses	1	-	7	8
Cash and cash equivalents	484	41	456	981
Current assets	**5,501**	**225**	**687**	**6,413**
Total assets	**29,620**	**269**	**1,129**	**31,018**
Equity and liabilities				
Issued capital	-	-	8,771	8,771
Issue premiums	-	-	4,846	4,846
Other reserves	-	-	797	797
Result carried forward	14,673	(426)	(5,775)	9,269
Equity	**14,673**	**(426)**	**9,436**	**23,683**
Provisions	**-**	**-**	**-**	**-**
Borrowings	2,348	-	245	2,593
Lease liabilities	-	-	43	43
Other loans	82	-	-	82
Non-current liabilities	**2,430**	**-**	**288**	**2,718**
Borrowings	1,320	-	194	1,514
Lease liabilities	-	-	26	26
Trade, social and tax liabilities	1,635	119	820	2,574
Other liabilities	-	-	11	11
Accrued expenses	388	-	104	492
Current liabilities	**3,343**	**119**	**1,155**	**4,617**
Total equity and liabilities	**20,446**	**(307)**	**10,879**	**31,018**

The breakdown of the result for the financial year 2014 is as follows:

Consolidated profit and loss account Segment Information	31.12.2014 kEUR Terminals (audited)	31.12.2014 kEUR Authorisations (audited)	31.12.2014 kEUR Corporate (audited)	31.12.2014 kEUR (audited)
Continuing operations				
Revenue	9,027	4,898	-	13,925
Other gains and losses	150	64	64	278
Raw materials and consumables	(2,149)	(4,343)	(33)	(6,525)
Salaries and employee benefits	(1,237)	(137)	(104)	(1,478)
Depreciation and amortisation	(15)	(3)	(123)	(141)
Impairment on non-current assets	-	(100)	-	(100)
Net impairment of current assets	(1,002)	-	-	(1,002)
Other operating expenses	(2,363)	(405)	(819)	(3,587)
Operating profit	**2,411**	**(26)**	**(1,015)**	**1,370**
Financial income	1,005	-	-	1,005
Financial expenses	(262)	(4)	(176)	(442)
Profit before taxes	**3,154**	**(30)**	**(1,191)**	**1,933**
Taxes on the result	-	-	-	-
Result from participations in Joint Ventures and associated enterprises	-	-	(23)	(23)
Profit for the financial year from continuing operations	**3,154**	**(30)**	**(1,214)**	**1,910**
Profit for the financial year from discontinued operations	-	-	-	-
Profit for the financial year	**3,154**	**(30)**	**(1,214)**	**1,910**

The breakdown of the balance sheet for the financial year 2014 is as follows:

Consolidated balance sheet **Segment Information**	**31.12.2014** **kEUR** **Terminals** (audited)	**31.12.2014** **kEUR** **Authorisations** (audited)	**31.12.2014** **kEUR** **Corporate** (audited)	**31.12.2014** **kEUR** (audited)
Assets				
Goodwill	5,248	-	-	5,248
Other intangible fixed assets	14	-	-	14
Property, plant and equipment	-	77	408	485
Deferred tax assets	1,685	-	-	1,685
Receivables from finance leases	14,088	-	-	14,088
Other assets	17	5	52	74
Non-current assets	**21,052**	**82**	**460**	**21,594**
Inventories	736	-	-	736
Trade and other receivables	480	215	148	843
Receivables from finance leases	2,981	-	-	2,981
Accrued expenses	-	-	19	19
Cash and cash equivalents	643	222	50	915
Current assets	**4,840**	**437**	**217**	**5,494**
Total assets	**25,892**	**519**	**677**	**27,088**
Equity and liabilities				
Issued capital	-	-	8,490	8,490
Issue premiums	-	-	4,716	4,716
Other reserves	-	-	797	797
Result carried forward	8,880	(520)	(4,382)	3,978
Equity	**8,880**	**(520)**	**9,621**	**17,981**
Provisions	**-**	**-**	**-**	**-**
Borrowings	2,892	-	339	3,231
Lease liabilities	-	-	69	69
Other loans	111	-	-	111
Non-current liabilities	**3,003**	**-**	**408**	**3,411**
Borrowings	1,278	-	165	1,443
Lease liabilities	-	-	30	30
Trade, social and tax liabilities	2,773	244	816	3,833
Other liabilities	1	-	21	22
Accrued expenses	324	-	44	368
Current liabilities	**4,376**	**244**	**1,076**	**5,696**
Total equity and liabilities	**16,259**	**(276)**	**11,105**	**27,088**

29. Geographic segment information

The geographic segment information can be specified as followed: in the three financial years presented, more than 99% of revenues was realised in Belgium and the remainder in the Netherlands.

Revenue generated in the Netherlands was realised by the Belgian branches and with personnel and resources from Belgium.

In 2016, the activity started in Germany. No revenues has been generated in 2016.

The software activities only concerned France and were processed according to the equity method.

30. Revenue categories

The various revenue categories can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Discounted rental revenue	6,531	6,817	4,867
Sale of goods	331	367	202
Rendering of services	3,630	3,661	3,187
Termination fees	623	717	771
Authorisation revenue	7,606	5,241	4,898
Total	**18,721**	**16,803**	**13,925**

At the end of 2016 the Company had approximately 18,000 active customers in the terminal segment compared to 15,000 and 17,000 at the end of 2014 and 2015 respectively. The most important customer represents less than 1% of the Group's revenue for the three financial years presented.

The first income segment is further sub-divided into 4 sources of income:

- The discounted rental income represents the net present value of the lease contracts, discounted using a WACC of 7.5%, 7% and 6% in 2014, 2015 and 2016 respectively. The difference between the nominal value of the contract and the net discounted value recognised as revenue upon installation of the terminal is recognised pro rata in financial income over the period of the contract;
- The sale of goods concerns the sales of terminals and till rolls;
- Services rendered includes all income from services related to the segment of the terminals, such as installations and interventions, maintenance, GPRS, ... ;
- The cancellation fees concern the contractual cancellation fees when contracts are cancelled before the contractual end date.

The authorisation revenue is the second income segment.

31. Other operating income

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Personal contribution meal vouchers	11	11	12
Withholding various benefits in kind	47	44	45
Payment differences and other gains on receivables	159	128	17
Recovered amounts from insurances	15	-	17
Gains on suppliers	-	-	41
Scrapping revenues	72	-	-
Subsidies	29	-	-
Miscellaneous	137	131	146
Total	**470**	**314**	**278**

The increase in 2016 was mainly caused by new categories (scrapping revenues and subsidies) as well as higher income from collection of receivables.

The payment differences with regard to receivables and other gains mainly relate to legal costs recovered from customers which were themselves pre-financed. They represent significant amounts from 2015 onwards, partly because of the efforts made in respect of receivables management.

The scrapping revenues relate to income from returning old terminals and represents a new source of income from the 2016 financial year onwards.

32. Salaries and employee benefits

The workforce and the employee benefits can be specified as follows:

Numbers	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Employees - excluding management	38	29	33
Management	-	-	-

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Salaries	1,067	1,084	1,053
Social security contributions	246	300	301
Group insurance	14	8	13
Various benefits	62	52	52
Miscellaneous	49	64	59
Total	**1,438**	**1,508**	**1,478**

In the figures from the 2016 financial year, the 6 FTE employed in Germany form part of the specified number of 38 FTEs. As such, there are 32 FTE employed in Belgium. The group insurance qualifies as a *defined contribution scheme*.

33. Deprecation and amortisation

Depreciation and amortisation can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Amortisation of intangible fixed assets	50	64	14
Depreciation of tangible fixed assets	218	187	127
Total	**268**	**251**	**141**

The increase in the depreciation of tangible fixed assets arises from the investments in the expansion of the vehicle fleet between 2014 and 2016. The increase in the amortisation of intangible fixed assets relates to the recognition of the customer base in the context of the GlobalPay deal. From 2015, this concerns an annual depreciation of 50 kEUR.

An impairment of 100 kEUR was recognised in the comparable financial year 2014 for the previous platform as a new platform had been taken into use in the meantime.

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Impairment of fixed assets	-	-	100
Total	**-**	**-**	**100**

34. Net impairment losses on current assets

This item can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Impairment of finance lease receivables	1,565	1,224	924
Write-offs of inventories	332	561	78
Total	**1,897**	**1,785**	**1,002**

We refer you to sections 10 and 14 for more details regarding the impairment of financial lease receivables.

The impairment of financial lease receivables concerns both non-realised and realised impairments.

35. Other operating expenses

This item can be broken down as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Accommodation	162	162	135
Car expenses	349	320	383
Material expenses	31	43	57
Communication expenses	226	193	200
Fees	2,666	2,209	1,822
Stock-market listing	68	63	42
Representation and delegation	204	183	141
Sales and marketing	522	320	284
Temporary staff	84	24	11
Administration	129	136	128
Non-deductible VAT	27	31	35
Valuation of warrants	-	-	260
Miscellaneous	112	28	89
Total	**4,580**	**3,712**	**3,587**

The increase in the honorarium was caused by the higher remuneration for the management, the introduction of seat fees, higher cost with regard to corporate activities (road shows, valuation by analysts etc.), the start-up costs of the German subsidiary and the due diligence fees with regard to the Magellan acquisition.

The 2016 financial year was the 20th anniversary of Keyware. This triggered various expenses totalling an amount of approx. 200 kEUR. This accounts for the increase in sales and marketing.

In 2016 more temporary staff was employed. The cost of the temporary staff must be considered in combination with personnel costs.

In accordance with IFRS, a valuation was performed in the financial year 2014 on the warrants granted by the 2014 Plan. The costs in connection with this amounted to 260 kEUR and were reported under a separate caption. This cost is non-recurring and does not entail any expense.

The caption miscellaneous comprises, among others, the settlement of a dispute (50 kEUR).

As such, the 2016 financial year includes a series of non-recurring or one-off expenses that represent a total amount of 350 kEUR, relating to:

- 20 year anniversary of Keyware: 200 kEUR
- due diligence: 100 kEUR
- settlement: 50 kEUR

36. Financial income and expenses

The financial income can be specified as follows:

Amounts in kEUR	31,12,2016 kEUR	31,12,2015 kEUR	31,12,2014 kEUR
Financial income from payment terminal contracts	1,207	1,127	1,005
Miscellaneous	-	14	-
Total	**1,207**	**1,141**	**1,005**

As stated in explanatory note (5) Main accounting principles governing the financial reporting - (j) Financial Instruments - Finance Lease receivables, the rental price of a contract is divided into net rent and maintenance. Subsequently, the present value for the full term of the contract, which is 60 months in most cases, is calculated. This comes to discounting future rental revenues. The entire net present value obtained accordingly is recorded as revenue in the month in which the installation takes place. The rental component related to maintenance is spread over the duration of the contract. Financial income equal to the difference between the total value of the contract and the discounted value is recognised every month. This financial income reflects the financing income associated with rental agreements of payment terminals. The financial income is recognised in the result on the basis of the discount rate (WACC) in force at the time when the net present value is recognised.

The financial expenses can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Interest and other expenses to shareholders	60	94	130
Interest on financial debts	93	229	245
Interest Parfip contracts	-	-	35
Interest on leasing	4	4	5
Interest on late payments	2	-	8
Miscellaneous	30	22	19
Total	**189**	**349**	**442**

The decrease in interest paid to shareholders results from the refinancing of the underlying loans (8% interest) via bank loan (1.2% interest). This influenced the 2016 financial year from July 2016. Until the 2015 financial year this post also comprised the compensation for guarantees (ca 90 kEUR) that was no longer applied from the 2016 financial year.

The gradual reduction and ultimate elimination of the interest relating to the Parfip Benelux NV contracts arises from the reduction of the number of contracts under their management and the fact that the Group ultimately took over the administration of contracts itself as from 1 July 2014.

37. Taxes on the result

Taxes can be specified as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Profit before taxes	4,192	4,028	1,910
Taxes at the normal rate	1,425	1,369	649
Additional capitalisation of fiscal losses	-	(2,291)	(667)
Corporation tax	158	110	-
Non-capitalised deferred taxes on fiscal losses for the financial year	-	-	307
Temporary differences and other	(387)	(451)	(289)
Total	**1,196**	**(1,263)**	**-**

The tax charge for 2016 of 1,196 kEUR comprises the corporate taxes of 158 kEUR and deferred tax charges of 1,038 kEUR.

The deferred tax charges reflect the consumption of previously recorded deferred tax assets as a result of realised (tax) gains. The consumption of 1,038 kEUR corresponds with a tax profit of 3,054 kEUR within the subsidiary Keyware Smart Card Division NV. As a result of the recording of such a deferred tax charge, deferred tax assets decrease by a same amount.

The corporate tax mainly relates to the fairness tax on dividends, paid by both Keyware Smart Card Division NV (to its parent) and by Keyware Technologies NV (to its shareholders).

None of the four companies suffered a tax loss in 2016 so that there are not any additional non-capitalised deferred taxes.

During the financial year 2015 new deferred taxes had been recorded in the amount of 2,291 kEUR which reflected the remaining balance of tax losses of Keyware Smart Card Division NV, of which 918 kEUR was consumed during that financial year.

On the other hand, the caption comprises a corporate tax portion of 110 kEUR, which mainly relates to the fairness tax of 101 kEUR with regard to the dividends in favour of the Company declared by the subsidiary Keyware Smart Card Division. The balance of 9 kEUR relates to notification of corporation taxes.

38. Result from participations in joint ventures and associated enterprises

The results from participations in joint ventures can be presented as follows:

Amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Result from participations in joint ventures and associated enterprises	105	-	(23)
Total	**105**	**-**	**(23)**

In 2016, the result of participations in joint ventures amounts to 105 kEUR and relates to the 40% stake in **Magellan SAS** for the period 30 September 2016 - 31 December 2016. For further information, we refer to the appropriate balance sheet caption.

In 2014 the result from participation in joint ventures amounted to 23 kEUR (loss) and it related to the result in **PayItEasy BVBA**. Between 1 January 2014 and 30 September 2014 this 50%-50% subsidiary was accounted for on the basis of an equity method. As at 30 September 2014 this entity became a 100% subsidiary and accordingly fully consolidated.
In this regard reference is made to the annual report of the financial year 2014, which includes a pro forma presentation of the profit- and loss account as if PayItEasy BVBA would have been fully consolidated over the full year 2014.

39. Impact of the GlobalPay acquisition

An asset deal was signed with GlobalPay NV that came into force on 1 January 2015. We refer to the annual report of 2015, where the impact on the annual figures of 2015 has been quantified in detail and contributed to net profit and EBITDA for respectively 450 kEUR and 534 kEUR.

The synthesis of the impact on the profit and loss account for both financial years is as follows:

Impact of GlobalPay asset deal	31.12.2016 kEUR	31.12.2015 kEUR
Continuing operations		
Revenue	270	850
Raw materials and consumables	-	(316)
Depreciation and amortisation	(50)	(50)
Net impairment of current assets	-	(47)
Operating profit	**220**	**437**
Financial income	13	18
Financial expenses	(5)	(5)
Profit before taxes	**228**	**450**
Taxes on the result	-	-
Profit for the financial year from continuing operations	**228**	**450**
Profit for the financial year from discontinued operations	-	-
Profit for the financial year	**228**	**450**
EBITDA	**270**	**534**

The biggest contribution of the acquisition was during the previous financial year 2015, during which a significant number of lease agreements was also concluded with a term of 5 years. This is a one-off impact that did not repeat in 2016.

During the period of revenue recognition the underlying terminal was accounted for under the caption raw materials and consumables. Since the asset deal effectively started on 1 January 2015, the acquisition cost of the terminals can then also exclusively be found in the financial year 2015.

40. Benefits in the form of equity instruments

(a) Overview

An overview for the past three years can be presented as follows:

	31.12.2016		31.12.2015		31.12.2014	
	Warrants	Exercise price	Warrants	Exercise price	Warrants	Exercise price
Outstanding at the beginning of the period	2,480,000	0.60	3,502,500	0.71	1,462,500	0.92
Allocated	-	-	-	-	2,065,000	0.57
Exercised	(160,000)	0.60	(625,000)	0.66	(25,000)	0.70
Expired	-	-	(367,500)	1.56	-	-
Lapsed	-	-	(30,000)	0.63	-	-
Outstanding and exercisable at the end of the period	**2,320,000**	**0.60**	**2,480,000**	**0.60**	**3,502,500**	**0.71**

With regard to the financial year 2016, a few warrant exercises are to be reported:

- one warrant holder exercised 35,000 warrants (Plan 2012);
- one warrant holder exercised 125,000 warrants (Plan 2014).

The following report can be made for the financial year 2015:

- the 367,500 remaining warrants from Plan 2010 expired in March 2015;
- a number of directors and members of the management committee exercised warrants in December 2015. 625,000 warrants were exercised (430,000 from Plan 2012 and 195,000 from Plan 2014);
- one director whose mandate then ended did not exercise his 30,000 warrants within the prescribed period.

The following report can be made for the financial year 2014:

- a Warrant Plan 2014 of 2,065,000 warrants was approved by a notary deed executed on 30 September 2014;
- one warrant holder exercised 25,000 warrants.

For further details of the identity of the exercising parties, please consult the announcements of the notarial deeds. The warrants were awarded without any vesting period.

The still outstanding exercisable warrants as at 31 December can be specified as followed:

		31.12.2016		31.12.2015		31.12.2014	
	End date	Warrants	Price	Warrants	Price	Warrants	Price
2010 Warrants	16.03.2015			-	-	367,500	1.56
2012 Warrants	11.06.2017	590,000	0.70	625,000	0.70	1,070,000	0.70
2014 Warrants	29.09.2019	1,730,000	0.57	1,855,000	0.57	2,065,000	0.57
Outstanding and exercisable at the end of the period	-	**2,320,000**	**0.60**	**2,480,000**	**0.60**	**3,502,500**	**0.71**

Each Warrant gives the right to one Share. On 31 December 2016, all Warrants were in the money, so that there is potentially a dilution through the creation of 2,320,000 new shares.

A historical overview of the three above-mentioned Warrant Plans is presented below.

(b) 2010 Warrants

The Extraordinary Shareholders Assembly of 17 March 2010 approved the issue of the Warrant Plan 2010, by which 472,500 warrants were allocated to various directors, members of the management committee and employees.

At the end of 2014, 367,500 warrants were still exercisable. The exercise period ended in March 2015, so that no 2010 warrants remain in circulation. The remaining 115,000 warrants had expired.

(c) 2012 Warrants

The Extraordinary General Shareholders' Assembly of 12 June 2012 approved the issue of the Warrant Plan 2012, and had decided to issue 1,240,000 warrants to the benefit of various directors, members of the management committee and others.

The exercise price of these warrants is EUR 0.70 and they are valid for five years. The end date is therefore 11 June 2017.

On 31 December 2015, 15,000 warrants expired, the exercise of 15,000 warrants lapsed, and a total of 585,000 warrants had been exercised in 2013 and 2014, which reduces the remaining quantity to 625,000 Warrants.

During the 2016 financial year, one warrant holder exercised 35,000 Warrants, so that there are 590,000 warrants remaining at the end of 2016.

(d) 2014 Warrants

The Extraordinary General Shareholders' Assembly of 30 September 2014 approved the issue of the Warrant Plan 2014, by which 2,065,000 warrants were allocated to directors and members of the management committee.

The exercise price of these warrants is EUR 0.569 and they are valid for five years. The end date is therefore 29 September 2019.

195,000 warrants were exercised in 2014 and 15,000 warrants expired. Therefore, 1,855,000 warrants remained exercisable at the end of 2015.

During the 2016 financial year, one warrant holder exercised 125,000 Warrants, which reduced the remaining number to 1,730,000 Warrants by the end of 2016.

For a detailed list of the individual beneficiaries of the various Warrant Plans and the warrants exercised in the mean time, we refer you to the previous annual reports for the years 2010 to 2013.

41. Lease agreements

The activity of the subsidiary Keyware Smart Card Div. NV consists in renting of payment terminals. As stated, lease agreements are concluded for a period of mostly 60 months or 5 years, but also for shorter terms.

The lease price of a contract is divided into net rent and maintenance components. For the revenue recognition, the actual value of the net rent is calculated for the entire duration of the contract that is then registered in the month that the contract starts (installation). Financial income equal to the difference between the total value of the contract and the discounted value is recorded each month. The revenue related to maintenance is spread over the duration of the contract and recognised as revenue.

The assets corresponding to the financial lease are recognised in the balance sheet and presented as a receivable at an amount equal to the net investment in the lease, applying a given discount rate. This amounts to 6% in 2016 in comparison to 7% in 2015.

Amounts in kEUR	**31.12.2016 kEUR**	**31.12.2015 kEUR**	**31.12.2014 kEUR**
Gross investment	**24,257**	**22,356**	**20,406**
• not longer than one year	8,502	5,527	3,868
• longer than one year, but not longer than five years	15,714	16,790	16,450
• longer than five years	41	39	88
Net investment	**21,798**	**20,129**	**18,212**
• not longer than one year	6,913	4,008	2,857
• longer than one year, but not longer than five years	14,846	16,083	15,268
• longer than five years	39	38	87
Unearned financing income	**2,459**	**2,227**	**2,194**
Residual values	-	-	-
Write-offs	**(1,352)**	**(977)**	**(1,527)**
Write-offs (-) for non-collectable receivables < 1 year	(952)	(202)	(260)
Write-offs (-) for non-collectable receivables > 1 year and > five years	(400)	(775)	(1,267)
Lease payments	**10,497**	**9,976**	**8,155**
Lease payments recorded as income in 2014	-	-	8,155
Lease payments recorded as income in 2015	-	9,976	-
Lease payments recorded as income in 2016	10,497	-	-

The gross investment is the nominal value of the net lease components of the contract, quantification of the time value of the funds or of the WACC.

The net investments is the net updated value of these amounts, which can be traced back to the balance sheet as the gross receivables. The difference between the two is the interest, expressed as a nominal value, the so-called unearned financing income.

The amortisation concerns the amounts booked as long term and short term receivables. Lastly, the lease amounts concerns the turnover recognised for the year on the invoice based method.

42. Impairment of fixed assets

In accordance with IFRS 3 - Business combinations, goodwill that is included in the consolidation has to be tested annually for impairment. It can be necessary to do this more frequently if there are indications that the goodwill has not been valued correctly in accordance with IAS 36 - Impairments of assets. Moreover, this standard requires that goodwill be allocated to the cash generating units as from the acquisition date, which are assumed to benefit from the synergy of the business combinations. The cash generating unit to which the goodwill is allocated, is tested for impairment on the balance sheet date by comparing the carrying value of the unit to the recoverable value of the unit.

The Group uses cash flow estimates for the individual cash generating units as specified under (26) Business segment information. The most important parameters included in the calculation are the discount rate, the anticipated future operational cash flows and the anticipated growth. The discount rate applied to the anticipated cash flows is the weighted average cost of capital (WACC), which amounted to 10.60% and 9.09% as of 31 December 2015 and 31 December 2016 respectively.

Based on the impairment test carried out on 31 December 2014, 2015 and 2016, the Board of Directors concluded that no additional impairments had to be recognised. Reference is made to (6) Goodwill for a more detailed explanation.

43. Profit per share

The basic profit/loss per share is calculated by dividing the net result attributable to the Group by the weighted average of the number of issued ordinary shares during the year.

The profit/loss per diluted share is calculated by dividing the net result attributable to the Group by the weighted average of the number of issued ordinary shares during the year, both figures corrected for any effect of dilution of potential ordinary shares.

Amounts in units	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Weighted average issued shares	21,097,637	20,454,204	20,422,766
+ adjustments for warrants / shares purchased	2,441,685	3,204,979	1,974,020
= Weighted average issued shares diluted	23,539,322	23,659,183	22,396,786
Profit/(loss) per share (in EUR)	0.1500	0.2587	0.0935
Profit/(loss) per diluted share (in EUR)	0.1317	0.2236	0.0853

We refer to the various Warrants plans under section (40) for more information about the financial years of award and exercising of the Warrant plans.

44. Financial assets and liabilities

An overview of the financial instruments according to category is as follows:

Amounts in kEUR	31.12.2016 kEUR Book value	31.12.2016 kEUR Fair value	31.12.2015 kEUR Book value	31.12.2015 kEUR Fair value	31.12.2014 kEUR Book value	31.12.2014 kEUR Fair value
Non-current assets	**14,485**	**14,485**	**15,346**	**15,346**	**14,088**	**14,088**
Receivables from finance leases	14,485	14,485	15,346	15,346	14,088	14,088
Current assets	**7,982**	**7,982**	**5,413**	**5,413**	**4,739**	**4,739**
Trade and other receivables	976	976	626	626	843	843
Receivables from finance leases	5,961	5,961	3,806	3,806	2,981	2,981
Cash and cash equivalents	1,045	1,045	981	981	915	915
Total financial assets	**22,467**	**22,467**	**20,759**	**20,759**	**18,827**	**18,827**
Non-current liabilities	**4,585**	**4,585**	**2,718**	**2,718**	**3,411**	**3,411**
Borrowings	4,547	4,547	2,675	2,675	3,342	3,342
Lease liabilities	38	38	43	43	69	69
Current liabilities	**4,709**	**4,709**	**4,114**	**4,114**	**5,306**	**5,306**
Trade payables, social security contributions and tax liabilities	2,919	2,919	2,574	2,574	3,833	3,833
Borrowings	1,745	1,745	1,514	1,514	1,443	1,443
Lease liabilities	45	45	26	26	30	30
Total financial liabilities	**9,294**	**9,294**	**6,832**	**6,832**	**8,717**	**8,717**

The Group does not have any derivatives, nor investments in own equity instruments, interest swaps, forward contracts or hedge instruments

The fair value of the finance lease receivables is determined based on the present value of the future revenues, which is the method of discounted cash revenues. As far as the book value is concerned of lease receivables, trade and other receivables and trade and other debts, these are an estimate of their fair value. Thus a level three valuation method has been applied in the absence of comparable instruments or observable market data.

Thus there is no difference between the book value and the fair value for each of the financial assets and liabilities concerned as is apparent from the above table.

At year-end 2015, no financial assets have to be reported that have expired but for which no impairment has been recognised. However, we do refer you in this context to the item regarding long-term lease receivables as well as the short-term receivables from which it is apparent that the impairments at year-end 2016 amounted to 400 kEUR and 952 kEUR respectively, for a total of 1,352 kEUR. In comparison, it amounted to 1,527 kEUR and 977 kEUR in the 2014 and 2015 financial years.

45. Transactions with associated parties

The following connected parties can be differentiated.

(a) Shareholders

In this regard reference is made to the chapter about Shares and shareholders.

The Company has no controlling entity.

However, there is one shareholder, Parana Management Corp BVBA, who, due to owning 46.62% shares has a notable influence on the Company. However, this entity does not prepare consolidated financial statements.

- Borrowings

Various loans were contracted by Parana Management Corp BVBA or affiliated companies.

In September 2012, the Group concluded a loan agreement of 250 kEUR with Parana Management Corp BVBA with an 8% interest rate. This loan was reimbursed in July 2016.

In 2013 the amount owed to Congra SA was taken over by Parana Management Corp BVBA at book value (109 kEUR). This loan bore 8% interest and was fully reimbursed at the end of 2015.

A new loan agreement was entered into with Parana Management Corp BVBA in 2014 for an amount of 1,500 kEUR. This loan had a term of 5.5 years including a stand-still period of six months that terminated in December 2014. In 2015, it was decided to limit the loan to 1,200 kEUR and to not raise the remaining balance. The interest rate of this loan is also 8%. This loan was reimbursed in July 2016.

A second loan agreement was signed with Parana Management Corp BVBA in 2014 for an amount of 100 kEUR. This loan had a term of 18 months and was fully reimbursed on 31 December 2015. The interest rate is in accordance with the other agreements set at 8%.

In July 2016, the outstanding balance of 1,125 kEUR was settled. This loan was refinanced by Belfius Bank.

- Remuneration

The Company signed a consultancy agreement with Powergraph BVBA, a related entity of Parana Management Corp BVBA. We refer to the chapter regarding corporate governance for more information about the remuneration package and its composition.

- Dividends

During the financial year 2016, 198 kEUR was paid as dividend (0.02 EUR per share).

(b) Subsidiaries

The following transactions are to be mentioned between the Company and its subsidiaries:

- Rendering of services

The Company invoices management fees and recharges vehicle costs to its subsidiaries on the basis of intra-group agreements.

- Dividends

During the financial years 2015 and 2016, Keyware Smart Card Division NV paid dividends to the Company.

The amounts were included for information purposes in the summary overview of transactions with associated parties. The intercompany balances and fluxes are eliminated upon in consolidation.

(c) Associated companies

In the annual report of 2016, the associated companies only relates to Magellan SAS (40% stake). The transactions between the Company and this entity can be summarised as follows:

- Participation

As a result of a partial payment of 1,000 kEUR in own shares of Keyware Technologies for the acquired 40% shares, Galileo SAS acquires 514,668 shares, being 2.42% of the capital. At the end of 2016, this representes a value of 798 kEUR (at the closing quote of 31 December 2016). Galileo SAS is the holding company of Magellan SAS, in which it holds a 60% stake, and as such it is a related entity of Magellan SAS. This is the rationale for including in this statement.

- Purchase and sale option

A purchase and sale option has been negotiated between parties relating to the remaining 60% of the shares. Between 1 January 2017 and 30 June 2018, Keyware Technologies can acquire the remaining 60% of the shares at a price of 6,000 kEUR (call option). On the other hand, the owners of Magellan SAS have a sale option for the same 60% of the shares at the same conditions (6,000 kEUR) but between 1 July 2018 and 31 December 2019.

No other transactions need to be reported between the relevant entities.

(d) Managers at key positions

This refers to members of the Board of Directors and the management. The chapter discussing the Corporate Governance gives a detailed summary of the remuneration of the persons, based on the nature, subdivided into the Board of Directors and the executive management.

The following transactions are to be reported between the Company and the managers in key positions.

- Borrowings

Various loans were granted by **Big Friend NV**, member of the executive management and also a director.

In March 2011, the Group concluded a loan agreement with Big Friend NV for an amount of 500 kEUR, at an 8% interest rate. This loan was repayable monthly and was settled at the end of February 2016.

A new loan agreement was entered into in October 2013 for an amount of 200 kEUR. The loan has a duration of 2 years and it bears an 8% interest rate. This loan was fully reimbursed at the end of 2015.

In 2014, a new loan agreement was entered into for 250 kEUR, with a duration of 5.5 years and also remunerated at a 8% interest rate. The loan would be reimbursed via 20 quarterly instalments and would be fully reimbursed by 31 December 2019.

In July 2016, the outstanding balance of 185 kEUR was settled. This loan was refinanced by Belfius Bank.

- Remuneration

We refer to the chapter regarding corporate governance for more information about the contracts, the remuneration package and its composition. The remunerations are limited to fixed and variable remuneration, the reimbursement of expenses and if applicable attendance fees (for directors). The remuneration package is exclusively short term by nature. There are neither long term remunerations nor any pension or contribution schemes.

Reference is made to the chapter concerning the Corporate Governance for further information on the Warrant plans. The amounts included in the table quantifies the value at the time of award i.e. Number of warrants awarded multiplied by the exercise price. Since the awarded warrants are not granted for free, they are not considered as share based payments but are presented under a separate caption. The warrant holder needs to pay an exercise price to acquire the shares.

- Dividends

During the financial year 2016 a dividend of 0.02 EUR per share was paid. For the managers at key positions this represents 40 kEUR.

The information for the financial year 2016 is as follows:

Amounts in kEUR As at 31.12.2016	Entities with a significant influence on the Company	Subsidiaries	Joint ventures	Managers at key positions
1. Related party receivables	**-**	**671**	**-**	**-**
1.1. Borrowings	-	-	-	-
1.2. Trade receivables	-	92	-	-
1.3. Other receivables	-	579	-	-
2. Debts payable to related parties	**185**	**1,607**	**-**	**192**
2.1. Financial obligations	-	-	-	-
2.2. Trade payables	185	76	-	192
2.3. Other liabilities	-	1,531	-	-
3. Transactions between related parties				
3.1. Sale of goods	-	-	-	-
3.2. Purchase of goods	-	-	-	-
3.3. Providing services	-	2,720	-	-
3.4. Purchase of services	-	-	-	-
3.5. Financial income	-	56	-	-
3.6. Financial expenses	8	146	-	9
3.7. Remuneration to managers at key positions	*283*	-	-	*1,240*
3.7.1. Short-term rewards	283	-	-	1,240
3.7.2. Benefits after retirement	-	-	-	-
3.7.3. Other long-term rewards	-	-	-	-
3.7.4. Severance payments	-	-	-	-
3.7.5. Share-based payments	-	-	-	-
3.8. Dividends received	-	2,422	-	-
3.9. Dividends paid to	198	-	-	40
3.10. Crossholdings	-	-	798	-
3.11. Warrants awarded	-	-	-	-

The information relating to the executive management also includes the financial obligations between the Group companies on the one hand and Big Friend NV (463 kEUR) and Iquess Consulting BVBA (100 kEUR) on the other.

The information relating to related parties also includes the financial obligations between the Group companies and Parana Management Corp BVBA for 1,595 kEUR.

The information for the financial year 2015 is as follows:

Amounts in kEUR **As at 31.12.2015**	**Entities with a significant influence on the Company**	**Subsidiaries**	**Joint ventures**	**Managers at key positions**
1. Related party receivables	**-**	**230**	**-**	**-**
1.1. Borrowings	-	-	-	-
1.2. Trade receivables	-	199	-	-
1.3. Other receivables	-	31	-	-
2. Debts payable to related parties	**1,625**	**1,445**	**-**	**505**
2.1. Financial obligations	1,323	-	-	239
2.2. Trade payables	302	28	-	266
2.3. Other liabilities	-	1,417	-	-
3. Transactions between related parties				
3.1. Sale of goods	-	-	-	-
3.2. Purchase of goods	-	-	-	-
3.3. Providing services	-	2,280	-	-
3.4. Purchase of services	-	-	-	-
3.5. Financial income	-	32	-	-
3.6. Financial expenses	181	182	-	38
3.7. Remuneration to managers at key positions	*129*	-	-	*1,113*
3.7.1. Short-term rewards	129	-	-	1,113
3.7.2. Benefits after retirement	-	-	-	-
3.7.3. Other long-term rewards	-	-	-	-
3.7.4. Severance payments	-	-	-	-
3.7.5. Share-based payments	-	-	-	-
3.8. Dividends received	-	2,050	-	-
3.9. Dividends paid to	-	-	-	-
3.10. Crossholdings	-	-	-	-
3.11. Warrants awarded	-	-	-	-

The information relating to the executive management also includes the financial obligations between the Group companies on the one hand and Big Friend NV (239 kEUR) on the other hand.

The information relating to related parties also includes the financial obligations between the Group companies and Parana Management Corp. BVBA for 1,323 kEUR.

The information for the 2014 financial year is as follows:

Amounts in kEUR As at 31.12.2014	Entities with a significant influence on the Company	Subsidiaries	Joint ventures	Managers at key positions
1. Related party receivables	**-**	**60**	**-**	**-**
1.1. Borrowings	-	-	-	-
1.2. Trade receivables	-	37	-	-
1.3. Other receivables	-	23	-	-
2. Debts payable to related parties	**1,918**	**2,640**	**-**	**815**
2.1. Financial obligations	1,595	-	-	563
2.2. Trade payables	323	28	-	252
2.3. Other liabilities	-	2,612	-	-
3. Transactions between related parties			**-**	
3.1. Sale of goods	-	-	-	-
3.2. Purchase of goods	-	-	-	-
3.3. Providing services	-	1,990	-	-
3.4. Purchase of services	-	14	-	-
3.5. Financial income	-	57	-	-
3.6. Financial expenses	133	136	-	68
3.7. Remuneration to managers at key positions	*110*	-	-	*1,026*
3.7.1. Short-term rewards	110	-	-	1,026
3.7.2. Benefits after retirement	-	-	-	-
3.7.3. Other long-term rewards	-	-	-	-
3.7.4. Severance payments	-	-	-	-
3.7.5. Share-based payments	-	-	-	-
3.8. Dividends received	-	-	-	-
3.9. Dividends paid to	-	-	-	-
3.10. Crossholdings	-	-	-	-
3.11. Warrants awarded	569	-	-	563

The information relating to the executive management also includes the financial obligations between the Group companies on the one hand and Big Friend NV (463 kEUR) and Iquess Consulting BVBA (100 kEUR) on the other.

The information relating to related parties also includes the financial obligations between the Group companies and Parana Management Corp BVBA for 1,595 kEUR.

46. Remuneration paid to the auditor

BDO Bedrijsrevisoren CVBA, with registered offices at Da Vincilaan 9 - Box E.6 Elsinore Building, 1935 Zaventem, duly represented by Michaël Delbeke, has been appointed as the auditor of Keyware Technologies NV for a period of three years, which will end after the General Shareholders Assembly to be held in 2017. Registration numbers at the Instituut der Bedrijfsrevisoren are B00023 and A02323 respectively.

The total annual remuneration of the auditor for the financial year 2016 amounts to 56 kEUR of which 35 kEUR is for the statutory and consolidated accounts of the Company and 21 kEUR for the statutory accounts of the three Belgian subsidiaries. Additional fees to the amount of 22 kEUR have been awarded for special reports relating to capital increases by the exercise of warrants and the distribution of an interim dividend, delivering a bank certificate and consulting activities.

In 2016 the auditor and the entities with which he has a professional relationship did not carry out any work other than the above.

For a detailed overview of the fees in 2014 and 2015 and their contents and nature, please see the corresponding note in the annual reports of the previous financial years.

47. Commitments and contingent liabilities

Provisions for contingent liabilities arising from claims, assessments, legal proceedings, fines and penalties, and other sources are recorded when it is likely that the liability exists and the amount of the liability can be estimated in a reliable manner. The Group is involved in certain legal proceedings and claims in the context of its normal business operations.

The management has assessed all these legal proceedings and has created provisions in the cases for which it felt that the liability existed and the amount of the liability could be estimated in a reliable manner.

With regard to the Criminal case, refer to section (52) concerning the pending disputes where the nature of the dispute and the status are explained. In the view of the appeal raised in this case and the fact that the final outcome cannot be estimated accurately, this dispute is handled as a conditional obligation.

Furthermore, the management is of the opinion that the outcome of all other cases will not have a material effect on the Group's financial position or operating results.

A similar opinion was issued for the financial years 2014 and 2015.

48. Operational lease agreements

At the end of 2016, the future commitments relating to operational lease agreements can be presented as follows:

Amounts in kEUR	1 year	2-5 years	> 5 years
Lease of office space	72	270	48
Operational lease of vehicles	-	-	-

Lease of buildings

The operational lease agreement for the property indicates a future obligation of 390 kEUR on 31 December 2016. At the end of 2015 this obligation was 430 kEUR.

On 8 September 2006, the Group concluded a lease agreement for an office building located in Zaventem, Ikaros Business Park, Ikaroslaan 24.

This lease agreement was concluded for a period of nine consecutive years, commencing on 14 September 2007 and ending ipso jure on 13 September 2015.

The lease contract was extended with nine years to 31 August 2022 via an addendum of August 2013. The lease price is 72 kEUR and is indexed annually.

The addendum provides for a rent-free period of 12 month, of which one period is after 2016:

- From 01.09.2013 up to and including 28.02.2014 (6 months);
- From 01.09.2016 up to and including 30.11.2016 (3 months);
- From 01.09.2019 up to and including 30.11.2019 (3 months)

The amounts in the table above only take account of the actual payments and thus take the free months into account. Any impact of future indexation is not considered.

However, each party may terminate this lease agreement at the end of the sixth year, provided that a prior notice period of six months is applied.

Lease of vehicles

At the end of December 2014, the Group had three ongoing contracts in respect of the operational lease of vehicles. The contract period is 48 months in principle. In addition to the lease of the vehicle, these contracts also provide for maintenance and repairs, insurance and assistance. Since the end of December 2015 no operational lease contracts are still in place.

49. Termination of business activities

During the financial years 2014, 2015 and 2016, the Group did not terminate any business activities.

50. Pledge on the business and receivables

The pledge on the business of Keyware Technologies NV in favour Dexia Bank and the Flemish Region to the amount of 992 kEUR was cancelled in 2016 since this became not applicable given the repayment of the underlying debt.

In 2016, a pledge on the business of Keyware Technologies NV was granted in first rank to Belfius Bank NV. The pledge amounts to 3,000 kEUR and relates to the acquisition of the 40% stake in Magellan.

A pledge on receivables was granted to State Bank of India for an amount of 500 kEUR. This security relates to the investment credit of 500 kEUR, which has been granted in 2016.

51. Exchange rate and hedging

During the financial years 2014, 2015 and 2016, the Group did not carry out any hedging activities as no transactions in foreign currencies occurred.

52. Financial instruments

During the 2016 financial year, the Group did not make use of any financial instruments in view of the economic environment in which the Group operates. A share buy back program of 1,000 kEUR was completed though, for which treasury shares amounting to 19 kEUR are still held at 31 December 2016.

53. Important events after the balance sheet date

(a) Relating to the financial statements of the financial year 2016

Apart from that which is stated below, the Company does not have to report any important events after the balance sheet date, which have an impact on the presentation of the financial statements submitted. With respect to the information below, events which took place after the balance sheet date have been taken into consideration until 31 March 2017.

On 6 January 2017, Keyware Technologies NV took over all shares of the VOF **EasyOrder** with a retroactive effect at 1 January 2017. This takeover and the combined expertise of both companies led to a webshop-app that offers merchants the opportunity to personalise their own webshop for smartphone, tablet and PC. Such an app is suddenly the answer for the tough time that retailers fight against the bigger role players such as Zalando, bol.com, ... On 31 March 2017, this company was converted to a BVBA.

The cost price of this acquisition amounted to 700 kEUR. A fixed amount of 500 kEUR was paid before 30 June 2017 (425 kEUR already paid from own funds in January 2017 and 75 kEUR ought to be paid in shares of Keyware Technologies before 30 June 2017) and the remainder of 200 kEUR will be paid between 2017, 2018 and possibly 2019 at a rate of the performance indicators achieved.

This balance of 200 kEUR will be paid as 150 kEUR bank transfer and 50 kEUR in shares of Keyware Technologies.

A second fact after balance sheet date is the **capital increase by exercising 425,000 Warrants** of the 2012 Plan. This deed was passed on 24 March 2017. This capital increase implies an inflow of cash of 298 kEUR.

Finally, the shareholders of Magellan SAS approved **a dividend** of 1,000 kEUR as a result of the Ordinary General meeting held on 24 March 2017. Keyware Technologies will receive an amount of 400 kEUR in the view of its 40% participation.

Up to today, we have no special events to report after the balance sheet date.

(b) Relating to the financial statements of the financial year 2015

The Company does not have any important events to report after the balance sheet date which have an impact on the presentation of the financial statements submitted. Events which took place after the balance sheet date have been taken into consideration up to 31 March 2016.

(c) Relating to the financial statements of the financial year 2014

Apart from that which is stated below, the Company does not have to report any important events after the balance sheet date which have an impact on the presentation of the financial statements submitted. With respect to the information below, events which took place after the balance sheet date have been taken into consideration until 31 March 2015.

The Group entered into an **asset deal** with **GlobalPay NV** whereby a number of purchase and lease contracts were taken over as of 1 January 2015. This price of the takeover was determined based on a number of parameters, including the number of active contracts. Indicatively it can be stated that the takeover represents an expansion of Keyware's terminal park of approximately 750 - 900 customers. The takeover was partially finance with own resources and partially via loans, where ING Bank supplied a loan of 250 kEUR. This loan would be repaid in 12 quarterly instalments, whereby the first repayment has taken place in March 2015. This loan will have been repaid by the end of 2017.

Subsequently, the transfer was settled in March 2015 regarding the administration of the rental contracts of Parfip Benelux NV in favour of Keyware Smart Card Division, with retroactive effect as from 1 July 2014. This settlement did not have a negative effect on the results.

Finally, here has been evolution in connection with the **FPS Economy (see infra) complaint**, the subsidiary Keyware Smart Card Division has been summoned to appear before the Court of First Instance on 30 April 2015.

54. Pending disputes

(a) Complaint FPS Economy

On 17 December 2012, a complaint report was drawn up by FPS Economy against the subsidiary Keyware Smart Card Division NV and its criminal law representative "by virtue of unfair market practices vis-à-vis other persons than consumers and fraud, possibly in violation of articles 96 and 97.2 of the Act of 6 April 2010 regarding market practices and consumer protection and article 496 of the Criminal Code." This report was passed on to the Public Prosecutor at the Court of First Instance in Brussels. According to article 125 of the Act of 6 April 2010 concerning the market practices and consumer protection, those who intentionally violate the provisions of the aforementioned act will be fined with a cash penalty of 500 EUR to 20,000 EUR (increased with surcharges).

Without further investigation by the Public Prosecutions department, the subsidiary Keyware Smart Card Division NV was summoned to appear before the Court of First Instance on 30 April 2015. An interlocutory judgement was pronounced by the Court of First Instance on 4 December 2015, whereby the public prosecutions department was requested to investigate specific aspects of the organisation of Keyware Smart Card Division NV further. FPS Economy carried out this investigation in February and March 2016, with Keyware Smart Card Division NV giving its full cooperation. This additional information has to be added by the Public Prosecutor's office to the existing criminal file, after which a new hearing took place for counsels' pleading on 4 May 2016.

Afterwards, the Court of First instance in Brussels, on 15 December 2016, sentenced Keyware Smart Card Division NV to pay an amount of 750 kEUR (this includes 22 kEUR to civilians). Keyware has lodged an appeal against this on 13 January 2017 so that the judgement is suspensive and therefore not enforceable as provided for. The integral debate will therefore be repeated before the Court of Appeal. The Public Prosecutor lodged a follow-up appeal.

The dispute concerns the period from 2008 - 2014 during which only approx. 100 complaints were raised. This is a very limited number in comparison to the total number of contracts concluded between 1 January 2008 and 31 December 2014.

Keyware strongly apologises about these cases and wants to emphasise that a considerable number of clients are very satisfied. During the period, 39,121 contracts were signed so that these 100 plaintiffs represent 0.3% thereof.

In the appeal, Keyware wants to refute the allegations of falsifications in documents, deceit and scams and/or place the allegations in their proper context.

Keyware and its legal advisers then also do not feel that it was likely that this sentence of 15 December 2016 will be maintained after all remaining legal aids have been exhausted. For this reason it was decided that it is not currently the right time to form a provision in the books, but to only present this as a *contingent liability* in the notes to the consolidated accounts.

(b) Kinepolis Group NV

In 2002, Keyware Smart Card Division NV initiated a "descriptive attachment with respect to counterfeiting" action against Kinepolis Group NV, which resulted in an expert opinion. Keyware served a writ of summons dated 18 July 2002 to Kinepolis in order to obtain payment of provisional compensation for damages of 930 kEUR plus interest as from 1 January 2002 for alleged infringement of copyright by Kinepolis with regard to a number of computer programmes developed by Keyware (under reference to the expert opinion). Kinepolis demands the rejection of this claim and payment of compensation for damages of 10 kEUR.

With the verdict of 6 June 2013, Keyware's claim was declared unfounded and Keyware was sentenced to the payment of compensation of legal expenses to Kinepolis.

This dispute has meanwhile been settled by the payment of 49 kEUR in 2016. This amount can be considered as a non-recurring cost and is recorded amongst other expenses.

(c) General

In addition to the above, there are currently a number of claims and legal proceedings pending against the Company and its subsidiaries, which in the opinion of the Group are of secondary importance and fall within the scope of normal business operations.

According to the Board of Directors, it is unlikely that these individual claims or legal proceedings could have a substantial negative effect on the financial position of the Company and its subsidiaries.

(d) Suppliers

At the end of December 2016, the balance sheet comprises a debt of 351 kEUR relating to two pending disputes with suppliers, the validity of which being disputed.

55. Dividends

During the financial year 2016, an interim dividend of 0.02 EUR was declared per share on the profit of the current financial year 2016. No dividends were paid out during the previous financial years.

In total, 21,188,793 registered shares each received a dividend of 0.02 EUR, which represents a total expense of 424 kEUR.

Dividends	31.12.2016	31.12.2015	31.12.2014
Dividends paid out (in kEUR)	424	-	-
Number of shares	21,188,793	-	-
Dividend per share (in EUR)	0.02	-	-

Auditor's report

Auditor's report to the general meeting of shareholders of the company Keyware Technologies NV for the financial year ended on 31 December 2016

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the consolidated financial statements as well as the required additional statement. The consolidated financial statements comprise the consolidated summary of the financial position on 31 December 2016, the consolidate overview of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year ended on 31 December 2016 and explanatory notes.

Report on the consolidated financial statements - unqualified opinion

We have audited the consolidated financial statements of Keyware Technologies NV for the financial year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of 36,198 kEUR and a consolidated income statement showing a profit for the financial year of 3,101 kEUR.

Responsibility of the Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed our audit according to the international audit standards (ISAs) adopted in Beligum. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error.

In making those risk assessments, the statutory auditor considers the entity's internal control relevant to the preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Board of Directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the company Keyware Technologies NV as at 31 December 2016 give a true and fair view of the Group's equity and financial position, as well as of its consolidated results and its consolidated cash flows for the financial year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Emphasis of a certain event

Without prejudice to our unqualified opinion, we focus your attention on explanatory note 54.a which describes the uncertainty with regard to the final outcome of the criminal procedure currently pending before the Court of Appeal in Brussels.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and content of Directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the additional Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The Directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 26 April 2017

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Auditor
Represented by Michaël Delbeke

Auditor's report to the general meeting of shareholders of the company Keyware Technologies NV for the financial year ended on 31 December 2015

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the consolidated financial statements as well as the required additional statement. The consolidated financial statements comprise the consolidated summary of the financial position on 31 December 2015, the consolidate overview of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year ended on 31 December 2015 and explanatory notes.

Report on the consolidated financial statements - unqualified opinion

We have audited the consolidated financial statements of Keyware Technologies NV for the financial year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of 31,018 kEUR and a consolidated income statement showing a profit for the financial year of 5,291 kEUR.

Responsibility of the Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed our audit according to the international audit standards (ISAs) adopted in Beligum. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error.

In making those risk assessments, the statutory auditor considers the entity's internal control relevant to the preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Board of Directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the company Keyware Technologies NV as at 31 December 2015 give a true and fair view of the Group's equity and financial position, as well as of its consolidated results and its consolidated cash flows for the financial year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and content of Directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the additional Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The Directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 25 April 2016

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Auditor
Represented by Koen De Brabander

Auditor's report to the general meeting of shareholders of the company Keyware Technologies NV for the financial year ended on 31 December 2014

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the consolidated financial statements as well as the required additional statement. The consolidated financial statements comprise the consolidated summary of the financial position on 31 December 2014, the consolidate overview of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year ended on 31 December 2014 and explanatory notes.

Report on the consolidated financial statements – unqualified opinion

We have audited the consolidated financial statements of Keyware Technologies NV for the financial year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a consolidated balance sheet total of 27,088 kEUR and of which the consolidated income statement shows a profit for the financial year of 1,910 kEUR.

Responsibility of the Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation of the financial statements that provide a true and fair representation in accordance with International Financial Reporting Standards, as well as for the implementation of the internal control that the Board of Directors considers necessary for the preparation of the consolidated financial statements that do not contain any material misstatement as a consequence of fraud or of errors.

Responsibility of the auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have performed our audit in accordance with International Audit Standards (ISAs). These standards demand that we meet the theoretical requirements as well as plan and perform our audit in order as to obtain a reasonable degree of certainty that the consolidated financial statements do not contain any misstatements of material importance.

An audit includes activities to obtain audit information about the amounts and explanatory notes in the consolidated financial statements. The selected procedures depend on the assessment by the auditor, including his estimate of the risks of misstatements of material importance in the consolidated financial statements as a consequence of fraud or errors.

When making a risk estimate, the auditor takes the internal control of the entity into account that is relevant for the preparation of the consolidated financial statements that provide a true and fair presentation, in order to set up audit activities that are appropriate under the given conditions but are not intended to issue an opinion on the effectiveness of the internal control of the entity. An audit also comprises an evaluation of the appropriateness of the applied accounting policies for financial reporting, the reasonableness of the estimates made by Board of Directors, as well as the presentation of the consolidated financial statements as a whole.

We have obtained the clarification and information from the Board of Directors and the employees of the entity that we require for our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the company Keyware Technologies NV as at 31 December 2014 give a true and fair view of the financial position of the Group as well as of its consolidated results and its consolidated cash flows for the financial year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and content of Directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the additional Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The Directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 21 April 2015

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Auditor
Represented by Koen De Brabander

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Statutory information

Condensed statutory financial statements of Keyware Technologies nv

This section contains a synthesis of the three financial years 2014, 2015 and 2016 as well as a condensed version of the statutory separate annual financial statements and annual report of Keyware Technologies NV for the financial years 2015 and 2016.

The complete version of the annual financial statements and the annual report for the financial year 2016 will be filed with the National Bank of Belgium and are also available on the Company's website (www.keyware.com). With regard to the statutory financial statements for the financial years 2014 and 2015, we refer you to the website of the National Bank of Belgium, where they can be consulted (www.nbb.be; a search can be made for Keyware Technologies NV or for 0458.430.512).

1. Synthesis of the financial statements for the financial years 2014, 2015 and 2016

Balance sheet	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Assets			
Non-current assets	**13,934**	**9,782**	**9,799**
Intangible fixed assets	-	-	-
Property, plant and equipment	491	389	407
Financial fixed assets	13,443	9,393	9,392
Current assets	**1,198**	**917**	**281**
Trade receivables	229	217	39
Other receivables	847	237	170
Cash and cash equivalents	78	456	50
Deferred charges	43	7	22
Total assets	**15,132**	**10,699**	**10,080**
Equity and liabilities			
Net equity	**9,631**	**7,811**	**5,936**
Issued capital	7,870	9,448	9,166
Share premiums	36	2,017	1,887
Reserves	1,107	-	-
Result carried forward	617	(3,654)	(5,117)
Debts of more than one year	**2,874**	**288**	**408**
Lease debts of more than one year	38	43	69
Financial debts of more than one year	2,836	83	131
Other debts of more than one year	-	162	208
Debts of less than one year	**2,583**	**2,496**	**3,692**
Debts of more than one year expiring within one year	298	220	195
Trade debts	719	834	847
Social and fiscal debts	36	14	17
Other debts	1,531	1,428	2,633
Accrued expenses	**44**	**104**	**44**
Total equity and liabilities	**15,132**	**10,699**	**10,080**

Income statement	31.12.2016 kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Operating income	**3,347**	**2,375**	**2,087**
Revenues	2,689	1,854	1,663
Other operating income	657	521	424
Operating costs	**(3,454)**	**(2,657)**	**(2,666)**
Goods for resale, raw materials and consumables	(94)	(12)	(33)
Services and other goods	(3,016)	(2,354)	(2,332)
Salaries, social security contributions and pensions	(99)	(97)	(104)
Amortisation and depreciation of start up expenses, intangible and tangible fixed assets	(179)	(148)	(123)
Other operating costs	(66)	(46)	(74)
Operating profit/(loss)	**(107)**	**(282)**	**(579)**
Financial income	**2,477**	**2,085**	**57**
Income from financial fixed assets	2,422	2,050	-
Income from current assets	56	32	57
Other financial income	-	3	-
Financial costs	**(199)**	**(340)**	**(312)**
Costs of debt	(186)	(329)	(305)
Impairments of current assets other than inventories, work in progress and trade receivables	-	-	-
Other financial costs	(13)	(11)	(7)
Profit/(loss) from ordinary operations before taxes	**2,172**	**1,463**	**(834)**
Extraordinary income	-	-	-
Extraordinary expenses	-	-	-
Profit/(loss) for the financial year before taxes	**2,172**	**1,463**	**(834)**
Taxes on the result for the financial year	(24)	-	-
Profit/(loss) for the financial year	**2,148**	**1,463**	**(834)**

Result appropriation	31,12,2016	31,12,2015	31,12,2014
Profit/(loss) balance to be appropriated	**(1,506)**	**(3,654)**	**(5,117)**
Profit/(loss) for the financial year	2,148	1,463	(834)
Profit/(loss) of the previous financial year carried forward	(3,654)	(5,117)	(4,283)
Withdrawal from shareholders' equity	**3,654**	-	-
Addition to shareholders' equity	**1,107**	-	-
Profit/(loss) to be carried forward	**617**	**(3,654)**	**(5,117)**
Profit to be distributed	**424**	-	-

2. Condensed financial statements for the financial year 2016, report of the Board of Directors, auditor's report

Condensed balance sheet - amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR
Assets		
Non-current assets	**13,934**	**9,782**
Intangible fixed assets	-	-
Property, plant and equipment	491	389
Financial fixed assets	13,443	9,393
Current assets	**1,198**	**917**
Trade receivables	229	217
Other receivables	847	237
Cash and cash equivalents	73	456
Deferred charges	43	7
Total assets	**15,132**	**10,699**
Equity and liabilities		
Net equity	**9,631**	**7,811**
Issued capital	7,870	9,448
Share premiums	36	2,017
Reserves	1,107	-
Result carried forward	617	(3,654)
Debts of more than one year	**2,874**	**288**
Lease debts of more than one year	38	43
Financial debts of more than one year	2,836	83
Other debts of more than one year	-	162
Debts of less than one year	**2,583**	**2,496**
Debts of more than one year expiring within one year	298	220
Trade debts	719	834
Social and fiscal debts	36	14
Other debts	1,531	1,428
Accrued charges	**44**	**104**
Total equity and liabilities	**15,132**	**10,699**

Summarised income statement - amounts in kEUR	31.12.2016 kEUR	31.12.2015 kEUR
Operating income	**3,347**	**2,375**
Revenues	2,689	1,854
Other operating income	657	521
Operating costs	**(3,454)**	**(2,657)**
Goods for resale, raw materials and consumables	(94)	(12)
Services and other goods	(3,016)	(2,354)
Salaries, social security contributions and pensions	(99)	(97)
Amortisation and depreciation of start up expenses, intangible and tangible fixed assets	(179)	(148)
Other operating costs	(66)	(46)
Operating profit/(loss)	**(107)**	**(282)**
Financial income	**2,477**	**2,085**
Income from financial fixed assets	2,422	2,050
Income from current assets	56	32
Other financial income	-	3
Financial costs	**(199)**	**(340)**
Costs of debt	(186)	(329)
Impairments of current assets other than inventories, work in progress and trade receivables	-	-
Other financial costs	(13)	(11)
Profit/(loss) from ordinary operations before taxes	**2,172**	**1,463**
Profit/(loss) for the financial year before taxes	**2,172**	**1,463**
Taxes on the result for the financial year	(24)	-
Profit/(loss) for the financial year	**2,148**	**1,463**

Summarised appropriation of the result - amounts in kEUR	31.12.2016	31.12.2015
Profit/(loss) balance to be appropriated	**(1,506)**	**(3,654)**
Profit/(loss) for the financial year	2,148	1,463
Profit/(loss) balance of the previous financial carried forward	(3,654)	(5,117)
Withdrawal from shareholders' equity	**3,654**	**-**
Addition to shareholders' equity	**1,107**	**-**
Profit/(loss) to be carried forward	**617**	**(3,654)**
Profit to be distributed	**424**	**-**

Directors report of the Board of Directors on the financial statements for the financial year 2016

In accordance with article 96 of the Belgian Company Code, we have the honour of reporting to you on the activities of the Company in the financial year covering the period from 1 January 2016 to 31 December 2016.

1. Comments with respect to the financial statements

The Company acts as a holding company as well as a financing vehicle for the subsidiaries, for which it also provides management services and administrative assistance. All of the expenses connected with being listed on Euronext Brussels are recognised in the Company's income statement.

Financial statements and important events

The financial year closed with a profit of 2,148 kEUR. As a result, the shareholders' equity amounts to 9,631 kEUR after appropriation of the result.

Comments relating to the main balance sheet items

Intangible fixed assets

This item comprises mainly the net book value in respect of the purchase of the ERP package (SAP).

Property, plant and equipment

The net book value also contains vehicles owned and under financial leasing. The cost price is passed on to subsidiaries. Other tangible fixed assets primarily relate to furnishings and fixtures of the rented premises.

Financial fixed assets

The financial fixed assets represents a net value of participations of 13,443 kEUR. The increase in 2016 concerns the acquisition of 40% of the shares in Magellan SAS (4,000 kEUR) and the incorporation of the German subsidiary Keyware Transactions & Processing GmbH (50 kEUR) in which the Company owns 50%. The other 50% is held by the subsidiary Keyware Smart Card Division NV. The balance of this caption pertains to guarantees.

Trade receivables

The caption comprises receivables from group companies as a result of recharged costs as well as the receivable from the brokering activities.

Other receivables over less than one year

The other receivables mainly concern the VAT to recover of 118 kEUR and expenses passed on for 79 kEUR.

Net equity

The Company's net equity is influenced by the profit for the financial year of 2,148 kEUR and the capital increase by the exercise of warrants to the amount of 95 kEUR and the issue of dividends to the amount of 424 kEUR. Net equity amounts to 9,631 kEUR at year-end 2016 and represents 63.6 % of total assets.

Debts of more than one year and the portion expiring within one year

This caption mainly concerns the long-term portion of the loan to finance the Magellan acquisition (2,819 kEUR). This deal also explains the increase of this balance sheet position in comparison to 2015. The portion expiring during the year also includes the liability w.r.t. the financing of the personal vehicles, and the liability w.r.t. Magellan (181 kEUR). In accordance with the stand still clause in the agreement, the effective repayment only starts in October 2017.

Trade debts

The trade debts amounted to 719 kEUR and represent amounts due to members of the management team as well as other general expenses.

Social and fiscal debts

On 31 December 2016, Keyware Technologies employed two employees. The outstanding debts concern the related fiscal and social obligations.

Other debts

This caption exclusively relates to current account advances received from subsidiaries.

Comments relating to the main items of the income statement

Revenues and other operating income

The revenues of the Company consist of management fees and charges passed on to the subsidiaries. The increase is due to a larger number of costs that are recharged to the subsidiaries, including car costs. Additionally, revenues also comprise the income from the brokering contract (acquiring income). This contract came into force mid 2015, so that the figures of 2016 contains the impact of the full year.

Services and other goods

As was the case in previous years, the cost caption is mainly comprised of fees (1,951 kEUR), accommodation costs (154 kEUR) as well as vehicle costs (290 kEUR). This latter is largely passed on to the subsidiaries.

Salaries, social security contributions and pensions

As stated already above, two people have been working for the Company in 2016 which corresponds to a general cost of 99 kEUR.

Financial results

Financial income amounted to 2,477 kEUR and mainly comprises the dividend from Keyware Smart Card Division of 2,421 kEUR in addition to the interest on current accounts of subsidiaries.

Financial expenses amounted to 199 kEUR and comprise mainly the costs of debts (40 kEUR) and interest on current accounts of subsidiaries (146 kEUR).

Taxes

The taxes concern a provision for the fairness tax on the dividends paid.

Proposed distribution of the result

The following proposal for incorporation of the loss balance for the financial year 2016 of 1,506 kEUR will be submitted to the Shareholders' Meeting (in kEUR):

Condensed result appropriation	31.12.2016
Profit/(loss) balance to be appropriated	**(1,506)**
Profit/(loss) for the financial year	2,148
Profit/(loss) balance of the previous financial year carried forward	(3,654)
Withdrawal from shareholders' equity	**3,654**
Transfer to shareholders' equity	**1,107**
Profit/(loss) to be carried forward	**617**
Profit to be distributed	**424**

2. Justification of the application of valuation principles under the assumption of a going concern

The Company has, due to the incorporation of losses in capital and the issue premiums, losses carried forward on its balance sheet, therefore in accordance with article 96 of the Belgian Company Code, a justification must be provided for the application of the valuation rules under the a going concern assumption. Further more, a profit was generated in two subsequent financial years.

3. Going concern status of the Company and financing

The financial statements have been prepared on the basis of a going concern, which assumes that the assets are realised and the liabilities are paid as in the normal course of business.

The Group's financing requirement for 2016 has been filled in as follows:

- during the course of 2016, leasing agreements were signed to finance the expansion of the vehicle fleet;
- in order to finance the 40% acquisition of the shares of Magellan SAS, a credit of 3,000 kEUR was granted by Belfius Bank NV, which will be repaid over 4 years via equal monthly reimbursements after a stand still period of 1 year (ending on September 2017);
- in order to finance the purchase of terminals, an investment credit was granted by the State Bank of India for 500 kEUR, repayable via 6 semi-annual payments of 83 kEUR;
- 160,000 warrants were exercised in 2016, which generated a cash inflow of 95 kEUR. This amount is reflected in the increase in the authorised share capital and the issue premiums of 59 kEUR and 36 kEUR respectively;
- the shareholder's loans were refinanced by Belfius Bank NV in July 2016. This credit of 1,407 kEUR will be reimbursed in 7 semi-annual payments;
- a share buy-back programme of 1,000 kEUR was executed to finance a partial payment of the participation in Magellan SAS. The program started in August 2016 and was completed in December 2016;
- the start of the activities in Germany was financed by a capital injection of 100 kEUR in order to incorporate the subsidiary.

On the basis of the above, the Board of Directors is convinced that the Group is able to continue its activities on a going concern basis for a reasonable length of time; insofar as this is necessary, and it confirms the application of the valuation principles for a going concern.

4. Information regarding significant events after the financial year

Firstly, all shares of EasyOrder VOF were taken over for an amount of 700 kEUR, of which 425 kEUR was immediately paid in cash in January 2017. The next partial payment of 75 kEUR is scheduled and foreseen for 30 June 2017 (in shares), whilst the remaining balance of 200 kEUR will be paid in 2017, 2018 and possibly 2019 depending on performance measures.

At the end of March 2017, 425,000 Warrants were exercised, which generated a cash inflow of 298 kEUR. The capital is also increased by 425,000 shares.

The Company does not have any other important events to report after the balance sheet date which have an impact on the presentation of the presented financial statements.

5. Information regarding activities with respect to research and development

The company does not perform any research and development activities.

6. Capital increases and capital decreases

Firstly, a capital reduction has taken place as a result of wiping away the losses. This was part of the resultions taken at the General Meeting of Shareholders held in May 2016. The existing losses carried forward on 31 December 2015 of 3,654 kEUR was wiped away by withdrawals from share premiums and capital for 2,017 kEUR and 1,637 kEUR respectively. The capital decrease was recorded without any change in the number of shares.

In 2016, warrants were exercised twice, with the corresponding capital increases.

First, 125,000 warrants were exercised in June 2016 (at 0.569 EUR) and a further 35,000 warrants were exercised in September 2016 (at 0.70 EUR). On aggregate, capital was increased as a result by 160,000 new shares.

As a result of these three events, the statutory issued capital of the Group amounted to 7,870 kEUR, represented by 21,223,793 ordinary shares without nominal value. The shares are dematerialised.

7. Authorised capital

At the Ordinary General Meeting of shareholders of 27 May 2016, the Board of Directors was authorised to use to the technique of authorised capital. As such, the authorised capital is set at 7,811 kEUR. No use of this technique was made during the financial year 2016.

8. Information regarding branches

Not applicable.

9. Treasury shares

The Company does not hold any treasury shares. At the end of 2016, the subsidiary Keyware Smart Card Division NV held 11,956 shares of Keyware Technologies.

First, an amendment to the articles of association was enacted in May 2016 giving the governing body of the Company, but also of the subsidiaries, the opportunity to initiate a share buy-back programme.

During the year 2016, the Extraordinary General Assembly of shareholders of the abovementioned subsidiary decided to launch a program of share buy-back for a maximum amount of 1,000 kEUR. The program started in August 2016 and was completed in December 2016.

On aggregate 526,624 shares of Keyware Technologies NV were purchased for an amount of 1,000 kEUR. Of these, 514,668 shares were used as a partial payment of 1,000 kEUR in the framework of the acquisition of the participation in Magellan SAS. The shares were issued to Galileo SAS, shareholder of Magellan SAS, who became a shareholder of Keyware Technologies NV as a result. The first transactions were recorded on 28 August 2016 and the last ones on 22 December 2016 respectively.

At the end of December 2016, Keyware Smart Card Division still held 11,956 treasury shares in portfolio. These shares have a par value of 0.37 EUR and represent 0.06% of the Company's capital. The book value of the treasury shares are valued at realisation value under the caption cash investments amongst the assets of the subsidiary. We refer in this regard to the financial statements of Keyware Smart Card Division NV.

10. Decisions taken with application of legal procedures to avoid conflicts of interest

Article 523 of the Belgian Company Code provides for an extraordinary procedure in the event that a director, directly or indirectly, has an interest of a proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors.

Article 524, subsection 1, stipulates that the procedure specified in subsections 2 and 3 must be applied in advance for each decision taken or each transaction executed in connection with the implementation of a decision of a stock-listed company.

Article 524, paragraph 2, stipulates that all decisions, specified in paragraph 1, must be subject to the prior assessment of a committee of three independent directors. This committee is assisted by one or several independent experts appointed by the committee.

The committee describes the nature of the decision or transaction and assesses the commercial advantage or disadvantage for the company and its shareholders. It estimates the proprietary consequences and determines whether the decision or transaction is of such a nature that the company will suffer a disadvantage that is manifestly unlawful in the light of its corporate policy. If the committee does not consider the decision or transaction to be manifestly unlawful, but is nevertheless of the opinion that the decision or transaction is to the disadvantage of the company, the committee will make clear which advantages the decision or transaction brings into the equation to compensate for the aforementioned disadvantages.

The committee shall submit a substantiated advice to the Board of Directors, outlining each of the aforementioned assessment elements.

Article 524, paragraph 3, specifies that the Board of Directors, after taking note of the advice of the committee as stipulated in paragraph 2, proceeds to deliberate the proposed decision or transaction. Article 523 applies where appropriate.

The Board of Directors will state in its minutes of the meeting whether the procedure described above was complied with, and, if appropriate, the grounds on which it departed from the committee's advice.
The auditor delivers an opinion on the correctness of the information stated in the committee's advice and in the minutes of the meeting of the Board of Directors. This opinion is attached to the minutes of the meeting of the Board of Directors.

The committee's decision, an extract from the minutes of the meeting of the Board of Directors and the auditor's opinion are included in the Directors report.

No transactions occurred during the financial year 2016 that would constitute a conflicting interest for the Company.

11. Risk factors

In accordance with article 96, subsection 1, of the Belgian Company Code, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, the financial results or the market position of the Company. As the Company is a holding company and does not have any activities, the risk factors of the subsidiaries also effect the Company. The risk factors below therefore relate to the entire Keyware Group.

Products and markets

The Group operates in a market that is developing very rapidly with regard to technology. These developments concern the changing needs of customers, the need for frequent new products, many of which have an ever shorter life, as well as the changing industrial standards. Keyware has also offered Worldline terminals since 2013 following the partnership that it concluded with Worldline mid-2013. The financial years 2014 and 2015 were the first two years in which the impact of this expansion is retrieved over a 12-month period.

The Group expects that revenue growth will depend largely on the degree to which it is able to respond to these new challenges. Not being able to react to the changed context in time could have negative consequences for the results of the Company and its financial position.

The risk has already become more limited by expanding the product range, by participating in a technologically innovative company (Magellan) and by commercializing a payment application (EasyOrder) from 2017. Both participations, Magellan and EasyOrder, offer perspectives for a wider range of products in 2017. In addition, the geographic market was expanded by establishing a subsidiary in Germany at the middle of 2016.

Customer dependence

The Group now has over 18,000 active customers. The most important customer represents less than 1% of revenues.

Supplier dependence

In addition to the two new agreements with manufacturers of payment terminals concluded in 2009, Keyware also concluded an agreement with Worldline in 2013. As a result, the risk of discontinuity with regard to the supply of terminals has been reduced considerably. There are no changes to report for the financial year 2016. The payment terminals are still sourced from Worldline and Ingenico.

Concentration of credit risks

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a very limited extent over the Netherlands. The Group does not have any activities in countries with a highly inflationary economy.

Legal proceedings

The Company and/or its subsidiaries are involved in a number of legal proceedings that can be regarded as contingent liabilities. For more information in this regard, refer to the explanation of the statutory financial statements of both Keyware Technologies NV and of Keyware Smart Card Division NV and to the consolidated annual report of 2016. This information can be found in the chapters “Pending disputes” and “Events after balance sheet date”. The full annual report can be found on the website of the Company (www.keyware.com).

Financial position

The Group raised additional financial ressources in 2016 to finance the 40% participation in Magellan (kEUR 3.000) and the purchase of terminals (kEUR 500). Of minor importance, a funding to expand the fleet was also obtained.
Warrants were exercised (kEUR 95) to a limited extent. In this context, we refer to the Notes to the consolidated financial statements - Going concern or continuity and Important events after the balance sheet date, which can be found on the website of the Company (www.keyware.com).

Going concern/continuity

With regard to this item, we refer to what is discussed below under III Continuity of the Company and also to what is stated in the Consolidated Annual Report under “Going Concern or continuity”, which can be found on the website of the Company (www.keyware.com).

Information technology risk

The information technology risk is mainly located in the subsidiaries and contains a dual aspect:

SAP/Network management

- The entire IT infrastructure was completely optimised in 2010. In the event of discontinuity of the systems, an internal action plan provides for the reactivation of all IT services within four working hours with a loss of dynamic data of no more than one working day. The most recent SAP upgrades were carried out at the end of 2013 and the beginning of 2014 in conjunction with the replacement of the hardware.

Converter and authorisations

- The Group has an entirely separate payment network for carrying out the NSP activity, which has been set up completely in accordance with PCI DSS level 1 regulations via a third party server farm. There is a complete parallel structure so that a possible discontinuity of the systems will in principle have no influence on business operations and whereby, in the event of a combined discontinuity, all systems will be operational again within four working hours.

Environment

The Group does not have any special comments to make with regard to environmental matters.

Personnel

The company employed two employees as at 31 December 2016. There are no disputes to report.

The Group employed 46 employees (personnel and consultants) as of 31 December 2016. This includes 7 staff members employed by the German subsidiary. On average, 42 staff were employed, including 2 in Germany.
With regard to the successful realisation of its objectives, the Company is partially dependent on the continuity of its personnel.

Magellan SAS, in which the Group has an interest of 40%, employed 21 employees.

The Group employed 46 employees (personnel and consultants) as of 31 December 2016. With regard to the successful realisation of its objectives, the Company is partially dependent on the continuity of its personnel. This includes 7 staff members employed by the Germany subsidiary. On average, 42 employees were employed, including 2 in Germany. Magellan SAS, in which the Group has an interest of 40% employed 21 employees.

12. Financial instruments

The company does not have any financial instruments.

13. Directors

As at 31 December 2016, the Board of Directors has six members, three of whom are independent directors.

The members of the Board of Directors are:

Director	Function	Primary function	End date of the mandate
Guido Van der Schueren	Non-executive	Chairman	GA after 31.12.2017
3C Consulting BVBA (Bruno Kusters)	Independent	Director	GA after 31.12.2017
COFIRANS SA (Pierre Delhaize)	Non-executive	Director	GA after 31.12.2018
Sofia BVBA (Chris Buyse)	Independent	Director	GA after 31.12.2018
Big Friend NV (Stéphane Vandervelde)	Executive - CEO	Director	GA after 31.12.2018
Moirai Management BVBA (Johan Bohets)	Independent	Director	GA after 31.12.2018

14. Justification of the independence and expertise in the areas of accounting and audit of one independent member of the Audit Committee

The General Shareholders' Meeting of 28 May 2010 has appointed Sofia BVBA, represented by Chris Buyse, as independent director of the Company. Sofia BVBA, represented by Chris Buyse, fulfils the criteria for independent directors stipulated in Section 524, subsection 4, and Section 526 of the Belgian Company Code. In addition, the Board of Directors is of the opinion that Chris Buyse has the required professional qualities for this position on the basis of his extensive professional experience.

Chris Buyse, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions. He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Degree in Management (Vlerick School). He gained experience at Unilever and Sita among other companies before helping to realise the turnaround of Keyware between 2001 and 2003. After that, he was a board member and CFO of the stock-listed biotechnology company ThromboGenics. Chris Buyse also holds several directorships in other promising biotechnology companies such as Celyad SA, Promethera and Amakem.

In connection with the guideline regarding independence and financial expertise, Sofia BVBA, represented by Chris Buyse, meets the specified requirements.

Sofia BVBA, represented by Chris Buyse, is Chairman of the Audit Committee as of 1 January 2011.

15. Corporate governance statement

For the corporate governance statement, we refer to what was discussed in the Annual Report 2016 - Corporate Governance Statement - which can be found on the Company's website (www.keyware.com).

16. Requests to the Shareholders' Meeting

The Board of Directors requests the General Shareholders' Meeting to:

- approve the financial statements for the financial year 2016 as a whole as well as the proposal on the appropriation of the results;
- grant a discharge to the directors with respect to the exercising of their mandates during the financial year 2016;
- grant a discharge to the Auditor with respect to the exercising of his mandate during the financial year 2016.

Prepared at Zaventem, on 21 April 2017

The Board of Directors

Auditor's report to the general meeting of the company Keyware Technologies NV for the financial year ended on 31 December 2016

As required by law and the company's by-laws, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the annual accounts, as well as the required additional statements. The annual accounts include the balance sheet as at 31 December 2016, the income statement for the year then ended, and the disclosures.

Report on the annual accounts - unqualified opinion

We have audited the annual accounts of the company Keyware Technologies NV for the year ended 31 December 2016, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of 15,131,874 EUR and a profit for the year of 2,147,853 EUR.

Responsibility of the Board of Directors for the preparation of the annual accounts

The Board of Directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as adopted in Belgium. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the company's internal control relevant to the preparation of annual accounts that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of Directors, as well as evaluating the overall presentation of the annual accounts.

We have obtained from the board of Directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the annual accounts of the company Keyware Technologies NV give a true and fair view of the net equity and financial position as at 31 December 2016 and of its results for the financial year then ended, in accordance with the financial reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Directors' report, as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Company Code and with the company's by-laws.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- The Directors' report, prepared in accordance with the articles 95 and 96 of the Company Code and to be deposited in accordance with article 100 of the Company Code, includes, both in terms of form and content, the information required by the law, is consistent with the annual accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate

- The social balance, to be deposited in accordance with article 100 of the Company Code, includes, both in terms of form and content, the information required by virtue of the law and does not present any material inconsistencies with the information we have at our disposition in our audit file

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium

- The appropriation of results proposed to the general meeting complies with the relevant requirements of the law and the company's by-laws

- There are no transactions undertaken or decisions taken in breach of the by-laws or of the Company Code that we have to report to you.

- During the financial year, an interim dividend was distributed for which we have prepared the attached report, according to the legal requirements

Zaventem, 26 April 2017

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Statutory auditor
Represented by Michaël Delbeke

Auditor's report to the Board of directors of the company Keyware Technologies NV according to article 618 Company Code: payment of an interim dividend

5. Decision

We have conducted a limited audit of the interim statement of assets and liabilities of Keyware Technologies as at 30 June 2016, with a balance sheet total of 11,279,208.73 EUR and an interim result of 474,656.11 EUR, as determined by article 618 of the Company Code.

Since the only purpose of our report is to inform the Board of Directors about the decision to distribute an interim dividend, our audit has been limited to the analysis of the statement of assets and liabilities, the comparison with the previous financial statements and the discussion of the financial information supplied by the company.

Our assignment was performed in accordance with the audit recommendation of the Institute of Auditors with respect to a limited review. Hence, it was not as extensive as a full audit of the annual accounts.

This review did not reveal any facts that would significantly change this interim statement of assets and liabilities, so that in our opinion, the Board of Directors may proceeed to the distribution of the proposed interim dividend of 423,775.86 EUR or 0.02 EUR per share according to the prescriptions of article 618 of the Company Code.

This report was prepared according to article 618 of the Company Code in the framework of the payment of an interim dividend and may not be used for other purposes. This report must be added to the audit report that will be submitted to the Ordinary General Meeting.

Zaventem, 16 Augustus 2016

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Statutory auditor
Represented by Koen De Brabander

3. Condensed annual financial statements for the financial year 2015, report of the Board of Directors, auditor's report

Condensed balance sheet - amounts in kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Assets		
Non-current assets	**9,782**	**9,799**
Intangible fixed assets	-	-
Property, plant and equipment	389	407
Financial fixed assets	9,393	9,392
Current assets	**917**	**281**
Trade receivables	217	39
Other receivables	237	170
Cash and cash equivalents	456	50
Deferred charges	7	22
Total assets	**10,699**	**10,080**
Equity and liabilities		
Net equity	**7,811**	**5,936**
Issued capital	9,448	9,166
Share premiums	2,017	1,887
Result carried forward	(3,654)	(5,117)
Debts of more than one year	**288**	**408**
Lease debts of more than one year	43	69
Financial debts of more than one year	83	131
Other debts of more than one year	162	208
Debts of less than one year	**2,496**	**3,692**
Debts of more than one year expiring within one year	220	195
Trade debts	834	847
Social and fiscal debts	14	17
Other debts	1,428	2,633
Accrued charges	**104**	**44**
Total equity and liabilities	**10,699**	**10,080**

Condensed income statement - amounts in kEUR	31.12.2015 kEUR	31.12.2014 kEUR
Operating income	**2,375**	**2,087**
Revenue	1,854	1,663
Other operating income	521	424
Operating expenses	**(2,657)**	**(2,666)**
Goods for resale, raw materials and consumables	(12)	(33)
Services and other goods	(2,354)	(2,332)
Salaries, social security contributions and pensions	(97)	(104)
Amortisation and depreciation of formation expenses and on intangible and tangible fixed assets	(148)	(123)
Other operating costs	(46)	(74)
Operating profit/(loss)	**(282)**	**(579)**
Financial income	**2,085**	**57**
Income from financial fixed assets	2,050	-
Income from current assets	32	57
Other financial income	3	-
Financial expenses	**(340)**	**(312)**
Costs of debt	(329)	(305)
Impairments of current assets other than inventories, work in progress and trade receivables	-	-
Other financial costs	(11)	(7)
Profit/(loss) from ordinary operations before taxes	**1,463**	**(834)**
Profit/(loss) for the financial year before taxes	**1,463**	**(834)**
Tax on the result for the financial year	-	-
Profit/(loss) for the financial year	**1,463**	**(834)**

Condensed distribution of the result - amounts in kEUR	31.12.2015	31.12.2014
Profit/(loss) balance to be incorporated	**(3,654)**	**(5,117)**
Profit/(loss) balance for the financial year to be incorporated	1,463	(834)
Profit/(loss) balance for the previous financial year to be carried forward	(5,117)	(4,283)
Withdrawal from shareholders' equity	**-**	**-**
Addition to shareholders' equity	**-**	**-**
Profit/(loss) to be carried forward	**(3,654)**	**(5,117)**
Profit available for distribution	**-**	**-**

Annual report of the Board of Directors on the financial statements for the financial year 2015

In accordance with article 96 of the Belgian Company Code, we have the honour of reporting to you on the activities of the Company in the financial year covering the period from 1 January 2015 to 31 December 2015.

1. Comments with respect to the financial statements

The Company acts as a holding company as well as a financing vehicle for the subsidiaries, for which it also provides management services and administrative assistance. All of the expenses connected with the listing on Euronext Brussels are recognised in the Company's income statement.

Financial statements and important events

The financial year closed with a profit of 1,463 kEUR. As a result, the shareholders' equity amounts to 7,811 kEUR after appropriation of the result.

Comments relating to the main balance sheet items

Intangible fixed assets
This item comprises mainly the net book value in respect of the purchase of the ERP package (SAP).

Property, plant and equipment
The net book value comprises vehicles owned and lease agreements for vehicles that are fully leased to subsidiaries. Other tangible fixed assets primarily relate to furnishings and fixtures of the rented premises.

Financial fixed assets
The financial fixed assets comprise shareholdings with a net value of 9,340 kEUR. The balance of this item pertains to guarantees.

Trade receivables
The receivables comprise receivables from Group companies due to recharging operational expenses.

Other receivables over less than one year
The other receivables mainly concern the VAT to recover of 99 kEUR and expenses passed on for 108 kEUR.

Net equity
The Company's net equity is influenced by the profit for the financial year of 1,463 kEUR and the capital increase by the exercise of warrants in December 2015. This translated into an increase in the authorised share capital and the issue premiums of 281 kEUR and 130 kEUR respectively. Equity came to around 7,811 kEUR at year-end 2015 and represents 73.0% of total assets.

Debts of more than one year
This caption contains financial debts for an amount of 245 kEUR and lease debts for an amount of 43 kEUR. Compared to year-end 2014, these debts have decreased by 120 kEUR.

Debts of more than one year expiring within one year
This caption relates to the short-term financial and lease debts in the amount of 220 kEUR.

Trade debts
The trade debts amounted to 834 kEUR and represent amounts due to members of the management team as well as other general expenses.

Social and fiscal debts
On 31 December 2015, Keyware Technologies employed two employees. The outstanding debts reflect the related fiscal and social obligations.

Other debts
This item mainly contains the payments received in current account from subsidiaries. The decrease compared to the end of 2014 arises from the upstreaming of the interim dividend of 2,050 kEUR from Keyware Smart Card Division to Keyware Technologies, as a result of which it was possible to reduce the existing debt.

Comments relating to the main items of the income statement

Revenues and other operating income

The revenue of the Company consists of management fees and expenses recharged to the subsidiaries. The increase is due to a larger number of costs that are passed on to the subsidiaries, including car costs.

Services and other goods

As was the case in previous years, the cost caption is mainly comprised of fees (1,335 kEUR), accommodation costs (161 kEUR) as well as vehicle costs (277 kEUR). This latter is largely invoiced on to the subsidiaries.

Salaries, social security contributions and pensions

As stated already above, there were in total two people working for the company in 2015 which corresponds to a general cost of 97 kEUR.

Financial results

Financial income amounted to 2,085 kEUR and mainly comprises the dividend from Keyware Smart Card Division of 2,050 kEUR in addition to the interest on current accounts with subsidiaries.

Financial expenses amounted to 340 kEUR and comprise mainly the costs of debts (158 kEUR) and interest on current accounts with subsidiaries (182 kEUR).

Taxes

Despite the profit for the financial year, no provision has to be made for taxes given the tax losses.

Proposed appropriation of the result

The following proposal for appropriation of the loss for the financial year 2015 of 3,654 kEUR will be presented to the Shareholders' Meeting (in kEUR):

Summarised profit appropriation - amounts in kEUR	31.12.2015
Profit/(loss) balance to be incorporated	**(3,654)**
Profit/(loss) for the financial year	1,463
Profit/(loss) balance of the previous financial year carried forward	(5,117)
Profit/(loss) to be carried forward	**3,654**

As a separate agenda point at the General Shareholders' Meeting of 27 May 2016, the wiping of the losses will be proposed, whereby the amounts will be firstly allocated to share premiums and the balance to the capital.

2. Justification of the application of valuation principles under the assumption of a going concern

The Company has losses carried forward on its balance sheet, therefore in accordance with article 96 of the Belgian Company Code, a justification must be given for the application of the valuation principles under the going concern assumption. As of 31 December 2015, losses carried forward amount to 3,654 kEUR.

On the basis of what is stated below, the Board of Directors concludes that application of the valuation rules under the assumption of a going concern can be maintained.

3. Going concern status of the Company and financing

The financial statements have been prepared on the basis of a going concern, which assumes that the assets are realised and the liabilities are paid as in the normal course of business. As of 31 December 2015, the Company has incurred accumulated losses totalling 3,654 kEUR, which have been financed by group companies.

The Group's financing requirement for 2015 has been filled in as follows:

- During the first quarter of 2015, Belfius Lease NV provided a loan of 107 kEUR to fund a vehicle fleet. This relates to three lease agreements;
- ING Bank NV provided a new investment loan of 750 kEUR in 2014 with a term of four years, with a one year stand still. Repayments on this loan therefore do not start until 2016, and will be made in 12 quarterly instalments. This loan will be fully repaid by the start of 2019. 298 kEUR was taken up in 2014 and the balance of 452 kEUR in 2015;
- In the context of the financing of the asset deal with GlobalPay NV, an investment loan of 250 kEUR was obtained through ING Bank NV. This will be repaid in three years in 12 quarterly instalments. The end date is therefore 31 December 2019;
- 625,000 warrants were exercised in 2015, which represents a cash inflow of 411 kEUR. This amount is expressed in the increase of capital and the share premiums of 283 kEUR and 137 kEUR respectively

The loan from Parana Management Corp. was not fully raised in 2014. The remaining tranche which came to 300 kEUR was eventually not utilised as there was no further need to in 2015. Therefore, the loan has been reduced to 1,200 kEUR instead of 1,500 kEUR.

On the basis of the above, the Board of Directors is convinced that the Group is able to continue its activities on a going concern basis for a reasonable length of time, and it confirms the application of the valuation principles for a going concern.

The financial statements therefore do not therefore contain any adjustments to the hypothesis of the collectability and classification of the amounts booked as assets or the amounts and classification of the liabilities, which would be required if the company would no longer be to continue its activities as a going concern. The continuation of the Group as a going concern depends on its ability to generate sufficient cash flow to fulfil its obligations on time, to maintain adequate financing and to achieve successful and profitable operations.

On the basis of these measures, the Board of Directors proposes to the General Shareholders' Meeting to maintain the going concern status of the Company.

4. Information regarding significant events after the financial year

Apart from that which is stated below with regard to the going concern status, the Company does not have to report any significant events after the balance sheet date, which have an impact on the presentation of the present financial statements.

5. Information regarding activities of research and development

Not applicable.

6. Capital increases and capital decreases

During the financial year 2015, a capital increase took place on 23 December 2015 before Astrid De Wulf (Notary). This represented the exercise of 625,000 warrants from Plan 2012 and Plan 2014 at the respective exercise prices of EUR 0.70 and EUR 0.569, so that on aggregate 411 kEUR was raised.

As of 31 December 2015, the statutory capital of the Group amounted to 9,448 kEUR, represented by 21,063,793 ordinary shares without nominal value.

No capital decreases occurred in the financial year 2015.

7. Information regarding branches

Not applicable.

8. Treasury shares

The company does not hold any treasury shares.

9. Decisions taken with application of legal procedures to avoid conflicts of interest

Article 523 of the Belgian Company Code provides for an extraordinary procedure in the event that a director, directly or indirectly, has an interest of a proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors.

Article 524, paragraph 1, stipulates that the procedure specified in paragraphs 2 and 3 must be applied in advance for each decision taken or each transaction executed in connection with the implementation of a decision of a stock-listed company.

Article 524, paragraph 2, stipulates that all decisions, specified in paragraph 1, must be subject to the prior assessment of a committee of three independent directors. This committee is assisted by one or several independent experts appointed by the committee.

The committee describes the nature of the decision or transaction and assesses the commercial advantage or disadvantage for the company and its shareholders. It estimates the proprietary consequences and determines whether the decision or transaction is of such a nature that the company will suffer a disadvantage that is manifestly unlawful in the light of its corporate policy. If the committee does not consider the decision or transaction to be manifestly unlawful, but is nevertheless of the opinion that the decision or transaction is to the disadvantage of the company, the committee will make clear which advantages the decision or transaction brings into the equation to compensate for the aforementioned disadvantages.

The committee shall submit a substantiated advice to the Board of Directors, outlining each of the aforementioned assessment elements.

Article 524, paragraph 3, specifies that the Board of Directors, after taking note of the advice of the committee as stipulated in paragraph 2, proceeds to deliberate the proposed decision or transaction. Article 523 is to be applied where appropriate.

The Board of Directors states in its minutes of the meeting whether the procedure described above was complied with, and, if this should be the case, on which grounds the committee's advice was departed from.

The auditor delivers an opinion on the correctness of the information stated in the committee's advice and in the minutes of the meeting of the Board of Directors.

This opinion is attached to the minutes of the meeting of the Board of Directors.

The committee's decision, an extract from the minutes of the meeting of the Board of Directors and the auditor's opinion are printed in the annual report.

No transactions were executed during the financial year 2015 that would constitute a conflicting interest for the Company.

10. Risk factors

In accordance with article 96, paragraph 1, of the Belgian Company Code, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, the financial results or the market position of the Company. As the Company is a holding company and does not have any activities, the risk factors of the subsidiaries also effect the Company. The risk factors below therefore relate to the entire Keyware Group.

Products and markets

The Group operates in a market that is developing very rapidly with regard to technology. These developments concern the changing needs of customers, the need for frequent new products, many of which have an ever shorter life, as well as the changing industrial standards. Keyware has also offered Worldline terminals since 2013 following the partnership that it concluded with Worldline mid-2013. The financial years 2014 and 2015 were the first two years in which the impact of this expansion is reflected over a 12-month period.

The Group expects that revenue growth will depend largely on the degree to which it is able to respond to these new challenges. Not being able to react to the changed context in time could have negative consequences for the results of the Company and its financial situation. This risk has been reduced due to the broadening of the product range.

Customer dependence

The Group now has over 17,000 active customers. The most important customer represents less than 1% of revenues.

Supplier dependence

In addition to the two new agreements concluded with new suppliers of payment terminals in 2009, Keyware also concluded an agreement with Worldline in 2013. As a result, the risk of discontinuity in the supply of terminals has been reduced considerably. There are no changes to report for the financial year 2015.

Concentration of credit risks

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a very limited extent over the Netherlands. The Group does not have any activities in countries with a highly inflationary economy.

Legal proceedings

The Company and/or its subsidiaries are involved in a number of legal proceedings that can be regarded as contingent liabilities. For more information, see the Consolidated Annual Report "Pending disputes" as well as "Events after the balance sheet date", which can be found on the website of the Company (www.keyware.com).

Financial position

The Group obtained a limited amount of additional funding in 2015. This consisted on the one hand of the balance of unutilised funds under existing loans and on the other of new loans to finance the asset deal with GlobalPay and the fleet. At the end of the financial year, warrants were also exercised. In this context, we refer you to the Notes to the consolidated financial statements - Going concern or continuity and Important events after the balance sheet date, which can be found on the website of the Company (www.keyware.com).

Going concern/continuity

With regard to this item, we refer to that which is discussed below under III Continuity of the Company and also to that which is stated in the Consolidated Annual Report "Going Concern or continuity", which can be found on the website of the Company (www.keyware.com).

Information technology risk

The information technology risk is mainly located in the subsidiaries and contains a dual aspect:

SAP/Network management

- The entire IT infrastructure was completely optimised in 2010. In the event of discontinuity

- of the systems, an internal action plan provides for the reactivation of all IT services within four working hours with a loss of dynamic data of no more than one working day. The most recent SAP upgrades were carried out at the end of 2013 and the beginning of 2014 in conjunction with the replacement of the hardware.

Converter and authorisations

- The Group has an entirely separate payment network for carrying out the NSP activity, which has been set up completely in accordance with PCI DSS level 1 regulations via a third party server farm. There is a complete parallel structure so that a possible discontinuity of the systems will in principle have no influence on business operations and whereby, in the event of a combined discontinuity, all systems will be operational again within four working hours.

Environment

The Group does not have any special comments to make with regard to environmental matters.

Personnel

The company employed two employees as at 31 December 2015. There are no disputes to report.

11. Directors

As at 31 December 2015, the Board of Directors has six members, three of whom are independent directors. The members of the Board of Directors are:

Director	Function	Primary function	End date of the mandate
Guido Van der Schueren	Non-executive	Chairman	GA after 31.12.2017
Bruno Kusters	Independent	Director	GA after 31.12.2017
Pierre Delhaize	Non-executive	Director	GA after 31.12.2015
Sofia BVBA (Chris Buyse)	Independent	Director	GA after 31.12.2015
Big Friend NV (Stéphane Vandervelde)	Executive - CEO	Director	GA after 31.12.2015
Moirai Management BVBA (Johan Bohets)	Independent	Director	GA after 31.12.2015

12. Justification of the independence and expertise in the areas of accounting and audit of one independent member of the Audit Committee

The General Shareholders' Meeting of 28 May 2010 has appointed Sofia BVBA, represented by Chris Buyse, as independent director of the Company. Sofia BVBA, represented by Chris Buyse, fulfils the criteria for independent directors stipulated in Section 524, subsection 4, and Section 526 of the Belgian Company Code. In addition, the Board of Directors is of the opinion that Chris Buyse has the required professional qualities for this position on the basis of his extensive professional experience.

Chris Buyse, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions. He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Degree in Management (Vlerick School). He gained experience at Unilever and Sita among other companies before helping to realise the turnaround of Keyware between 2001 and 2003. After that, he was a board member and CFO of the stock-listed biotechnology company ThromboGenics. Chris Buyse also holds several directorships in other promising biotechnology companies such as Celyad SA, Promethera and Amakem.

In connection with the guideline regarding independence and financial expertise, Sofia BVBA, represented by Chris Buyse, meets the specified requirements.

Sofia BVBA, represented by Chris Buyse, is Chairman of the Audit Committee as of 1 January 2011.

13. Corporate governance statement

For the corporate governance statement, we refer to that which was discussed in the Annual Report 2015 - Corporate Governance Statement - which can be found on the Company's website (www.keyware.com).

14. Requests to the Shareholders' Meeting

The Board of Directors requests the General Shareholders' Meeting to:

- approve the financial statements for the financial year 2015 as a whole as well as the proposal of the appropriated of the results;
- grant a discharge to the Directors with respect to the exercise of their mandates during the financial year 2015;
- grant a discharge to the auditor with respect to the exercise of his mandate during the financial year 2015.

Prepared at Zaventem, on 19 April 2016

The Board of Directors

Auditor's report to the general meeting of the company Keyware Technologies NV for the financial year ended on 31 December 2015

As required by law and the company's by-laws, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the annual accounts, as well as the required additional statements. The annual accounts include the balance sheet as at 31 December 2015, the income statement for the year then ended, and the disclosures.

Report on the annual accounts - unqualified opinion

We have audited the annual accounts of the company Keyware Technologies NV for the year ended 31 December 2015, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of 10,698,604 EUR and a profit for the year of 1,462,688 EUR.

Responsibility of the Board of Directors for the preparation of the annual accounts

The Board of Directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as adopted in Belgium. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the company's internal control relevant to the preparation of annual accounts that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of Directors, as well as evaluating the overall presentation of the annual accounts.

We have obtained from the board of Directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the annual accounts of the company Keyware Technologies NV give a true and fair view of the net equity and financial position as at 31 December 2015 and of its results for the financial year then ended, in accordance with the financial reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Directors' report, as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Company Code and with the company's by-laws.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- The Directors' report, prepared in accordance with the articles 95 and 96 of the Company Code and to be deposited in accordance with article 100 of the Company Code, includes, both in terms of form and content, the information required by the law, is consistent with the annual accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium

- The appropriation of results proposed to the general meeting complies with the relevant requirements of the law and the company's by-laws

- There are no transactions undertaken or decisions taken in breach of the by-laws or of the Company Code that we have to report to you

Zaventem, 25 April 2016

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Statutory auditor
Represented by Koen De Brabander

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Lexicon

BE GAAP	Belgian Generally Accepted Accounting Principles
CAGR	Compound Annual Growth Rate (%)
CF	Cash flow statement
DCF	Discounted Cash Flow
DSS	Data Security Standards
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 (%)
ECB	European Central Bank
EMV	Europay, MasterCard en Visa
EPCI	Electronic Payment Certificate Institute
FSMA	Financial Services and Markets Authority (Belgian)(previously CBFA)
FTE	Full time equivalents
GPRS	General Packet Radio Service
Gross profit	Revenues less raw materials and consumables
Gross profit margin	Gross profit / revenues (%)
GSM	Global System for Mobile Communications
H2H	Host to host
HCE	Host Card Emulation
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IF	Interchange Fee
IFR	Interchange Fee Regulation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
ISA	International Standards on Auditing
ISO	Independent Sales Organisation
kEUR	Thousands of euros
KPIs	Key Performance Indicators
mEUR	Millions of euros
MSC	Merchant Service Charge (%)
Net cashflow	Net result + depreciations and amortizations + allowances on inventories + allowances on debtors + specific impairments
NSP	Network Service Provider
PAN	Primary Account Numbers
PCI	Payment Card Industry
PIE	PayItEasy
POS	Point of sales
Profit margin	Profit / revenues (%)
RD	Royal Decree
SaaP	Software as a Product
SaaS	Software as a Service
TMS	Terminal Management System
VAT	Value Added Taxes
WACC	Weighted Average Cost of Capital (%)

KEYWARE
TECHNOLOGIES