Half-year report - Q2-2010

KEY FIGURES

The key figures for the first six months and the second quarter of 2010 may be summarized as follows:

First six months of 2010:

- The Group achieved a turnover of 3,255 kEUR in comparison with 2,730 kEUR for the same period in 2009, which represents an increase in turnover of 19.23%;
- The operating cash flow (EBITDA) for the first six months amounts to 683 kEUR, versus 162 kEUR for the first six months of 2009, which represents and increase of 321.60%;;
- The net profit for the period amounts to 172 kEUR, in comparison with a net loss of (579) kEUR as at 30 June 2009;
- The net cash flow amounts to 651 kEUR, in comparison with 132 kEUR at 30 June 2009, which represents an increase of 393.18%;
- The gross margin declined from 80.37% to 78.99%.

Second quarter of 2010:

- The Group achieved a turnover of 1,643 kEUR in comparison with 1,451 kEUR for the same period in 2009, which represents an increase in turnover of 13.23%;
- The operating cash flow (EBITDA) for the second quarter amounts to 569 kEUR, versus 106 kEUR for the second quarter of 2009;
- The net profit for the period amounts to 250 kEUR, in comparison with a net loss of (318) kEUR for the second quarter of 2009;
- The net cash flow for the period amounts to 541 kEUR, in comparison with 103 kEUR for the second quarter of 2009;
- The gross margin declined from 78.91% to 77.66%.

Key figures for the period ending on 30 June	Six months ending on		2nd quarter	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	3,255	2,730	1,643	1,451
Profit/(loss) for the period	**172**	**(579)**	**250**	**(318)**
EBITDA	683	162	569	106
Net cash flow	651	132	541	103

MANAGEMENT REPORT ON THE FIRST SIX MONTHS AND THE SECOND QUARTER OF 2010

Management discussion and analysis of the results

The financial information in this management report must be read in conjunction with the condensed consolidated interim financial report and the consolidated annual financial statements on 31 December 2009. This condensed consolidated interim financial report has not been audited, nor subject to a limited review by the auditor.

The key figures for the first six months of 2010 may be summarized as follows:

- Below follows a presentation of the turnover and gross margin for the first quarter:

Gross margin	1st six months 30.06.2010 kEUR	1st six months 30.06.2009 kEUR	Change
Turnover	3,255	2,730	19.23%
Raw materials and consumables	(684)	(536)	27.61%
Gross margin	**2,571**	**2,194**	**17.18%**
Gross margin in percent	78.99%	80.37%	

- The **consolidated turnover** for the first six months of the financial year 2010 amounts to 3,255 kEUR, as compared to 2,730 kEUR for the same period in 2009, which represents an increase of 19.23%. The increase in turnover is manifesting itself in the payment terminals division, as a result of the expansion of the range of terminals. During the first six months of 2010, the group concluded lease contracts for GPRS devices; this was not the case in the first six months of 2009. In addition, the retention policy carried out by Keyware has contributed to more than 90% of the existing customers opting for an extension of their contract at the end of their contract period.

  Turnover in the authorisation division has declined by 33 kEUR.

- **Personnel costs** decreased by 3.65%.

- The **net impairment of current assets** increased from 435 kEUR to 514 kEUR. This concerns impairments booked against receivables from finance leasing. These impairments or write-offs are the result of bankruptcies, discontinued operations or termination of contracts by clients.

- **Other operating expenses** rose by 9.24%, as a result of the increase in communication expenses and fees. The increase in fees is largely a consequence of an increase in the expenses for lawyers (primarily as a result of consultancy services) and the costs in connection with a business development manager.

- The **net profit** for the first six months amounts to 172 kEUR, in comparison with a net loss of (579) kEUR as at 30 June 2009;
  The improvement of the result is explained by an increase in the gross margin and in other operating income, which is partly compensated by an increase in costs, whereby both the other operating expenses and the net impairment of current assets increased.

- The **net cash flow** amounts to 651 kEUR, in comparison with 132 kEUR for the first six months of 2009. The increase of the net cash flow is largely the result of an improvement of the net result, from a net loss of (579) kEUR as at 30 June 2009 to a positive net profit of 172kEUR as at 30 June 2010.

The key figures for the second quarter of 2010 can be summarized as follows:

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

Gross margin	2nd quarter Q2-2010 kEUR	2nd quarter Q2-2009 kEUR	Change
Turnover	1,643	1,451	13.23%
Raw materials and consumables	(367)	(306)	19.93%
Gross margin	**1,276**	**1,145**	**11.44%**
Gross margin in percent	77.66%	78.91%	

- The **consolidated turnover** for the second quarter of the financial year 2010 amounts to 1,643 kEUR, as compared to 1,451 kEUR for the same period in 2009, which represents an increase of 13.23%. The increase in turnover is manifesting itself in the payment terminals division, as a result of the expansion of the range of terminals. During the second quarter of 2010, the group concluded lease contracts for GPRS devices; this was not the case in the second quarter of 2009. In addition, the retention policy carried out by Keyware has contributed to more than 90% of the existing customers opting for an extension of their contract at the end of their contract period.

  Turnover in the authorisation division has declined by 18 kEUR.

- **Personnel costs** decreased by 6.36%.

- The **net impairment of current assets** increased from 241 kEUR to 331 kEUR. This concerns impairments booked against receivables from finance leasing. These impairments or write-offs are the result of bankruptcies, discontinued operations or termination of contracts by clients.

- **Other operating expenses** rose by 3.11 %, as a result of the increase in fees, which was partially compensated by a decrease in sales and marketing costs. The increase in fees is largely a consequence of an increase in the expenses for lawyers (primarily as a result of consultancy services) and the costs in connection with a business development manager.

- The **net profit** for the second quarter amounts to 250 kEUR, in comparison with a net loss of (318) kEUR for the second quarter of 2009;
  The improvement of the result is explained by an increase in the gross margin and in other operating income, which is partly compensated by an increase in costs, whereby both the other operating expenses and the net impairment of current assets increased.

- The **net cash flow** amounts to 541 kEUR, in comparison with 103 kEUR for the second quarter of 2009. The increase of the net cash flow is largely the result of an improvement of the net result, from a net loss of (318) kEUR for the second quarter of 2009 to a positive net profit of 250 kEUR for the second quarter of 2010.

Important events in 2010

PARFIP

In 2010, the Group was also able to make use of the credit line provided by Parfip Benelux, in the form of a cession of contracts. At the end of June 2010, more than 1.9 million EUR in contracts had been ceded to Parfip Benelux NV.

ISSUE OF WARRANTS

The Extraordinary General Meeting of 17 March 2010 has approved the issue of the Warrant Plan 2010.

At this Extraordinary General Meeting of Keyware Technologies NV on 17 March 2010, it was resolved to:

(i) allocate and subscribe to three hundred ninety thousand (390,000) 2010 warrants by Parana Management BVBA, Big Friend NV, Pardel SA, Federal Invest NV, Luc Pintens, JH Consulting BVBA, Iquess BVBA, Checkpoint X BVBA, Arn Clemhout and MV Services BVBA (“the Certain Persons”), in the proportions set out in the special report of the Board of Directors, and

(ii) that the Board of Directors of the Company make an offer to the personnel of the company and its subsidiaries, within a period of three months after the date of the Extraordinary General Meeting, regarding the remainder of the 2010 warrants, and resolved an allocation and definitive issue thereof (by notarial deed) to the personnel who have accepted said offer.

EXERCISE OF WARRANTS

During the first six months of 2010, a number of warrant holders confirmed their confidence in the Group and exercised their outstanding warrants:

- following the exercise of 187,500 2008 warrants , the capital was increased by 234 kEUR by a notarial deed, which was executed on 30 April 2010, and 187,500 new shares were issued.

<u>ALTERNATIVE FOR BANCONTACT/MISTERCASH</u>

On 11 May 2010, Keyware announced that, as of that day, it is able to offer an alternative to Bancontact/MisterCash.

With Maestro, a technology that is available on every payment card, Keyware is offering a direct and advantageous alternative to Bancontact/MisterCash (BC/MC), which is available to retailers, cities, municipalities and self-employed professionals. A fixed amount is charged for each debit transaction, which makes a subscription unnecessary. This opens the way to finally breaking the monopoly of BC/MC that has lasted for so many years.

This development does not come entirely unexpected, in view of the fact that Maestro is the largest service provider in the area of debit transactions on an international level. Keyware has in the meantime been able to conclude 1,000 new contracts for Maestro with retailers, and it is currently carrying on negotiations with a number of public institutions and municipal governments.

Settlement agreement

In March 2010, the Board of Directors approved the mutual agreement that was concluded with respect to a legal dispute with a business partner. The supplier will pay the amount of 1 million euros to Keyware.

In accordance with IFRS rules, this out-of-court settlement was not recognised in the figures of 31 December 2009, but was instead regarded as a contingent asset that is further explained in the annual report

On 30 June 2010, and in conformity with the IFRS rules, this out-of-court settlement had not yet been recorded in the financial statements of the first six months of 2010.

Events after the balance sheet date

<u>ROYAL BANK OF SCOTLAND</u>

The Royal Bank of Scotland (Worldpay) announced in June 2009 that is would terminate its acquisition activities at the end of 2009. Because of this, the Group had to look for a different solution for its existing customers and it also had to look for an alternative solution for the EMV project that it was planning to carry out with RBS.

Keyware sent Royal Bank of Scotland a notice of default in July 2009, in which compensation was demanded for the unilateral termination of the collaboration agreement. Following this, both parties commenced negotiations in order to arrive at an out-of-court settlement. Parties reached an agreement on the amount of this out-of-court settlement, which was set at EUR 450,000, at the beginning of August 2010.

As this concerns an undisputed and definite claim, this out-of-court settlement was recorded as at 30 June 2010 in the financial statements of the first six months of 2010 under other operating income.

Prospects

SINGLE POINT OF CONTACT FOR ELECTRONIC PAYMENTS

With the recent expansion of the terminal product range and by offering both debit and credit card transactions, Keyware positions itself as a single point of contact for electronic payments for retailers or self-employed professionals. The PayFix (fixed payment terminals), Pay Away (portable) and PayMobile (mobile) series in combination with the various possible transaction agreements meet the specific requirements of each market segment, such as the hotel and catering sector, transporters, municipalities, etc.

WIDER MARKET SHARE WITH AMPLE POTENTIAL FOR ELECTRONIC PAYMENTS

With the expansion of its product range, Keyware is now also able to cater to new market segments, such as medium-sized retail chains with a large payment transactions volume. Keyware expects that this will have a leverage effect on future results.

ONGOING MARKET GROWTH IN BELGIUM AND ABROAD

Electronic payments continue to increase year after year in both Belgium and its neighbouring countries. Keyware expects this positive development to continue in the coming years. Not only is the consumer increasingly making payments with cards instead of cash, the number of alternative payment applications such as electronic meal vouchers, parking terminals, indirect collections, etc. are also increasing.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statements

Consolidated profit and loss account for the period ending on 30 June	Six months ending on		2nd quarter	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations				
Turnover	2,255	,2.730	1,643	1,451
Other profits and losses	574	71	538	51
Raw materials and consumables used	(684)	(536)	(367)	(306)
Salaries and employee benefits	(793)	(823)	(412)	(440)
Depreciation	(145)	(123)	(88)	(61)
Impairments-losses of goodwill	-	-	-	-
Net impairment of current assets	(514)	(435)	(331)	(241)
Net change in provisions	-	-	-	-
Other operating expenses	(1,454)	(1,331)	(696)	(675)
Operating profit/(loss)	***239***	***(447)***	***(287)***	***(221)***
Finance income	340	282	173	177
Finance costs	(387)	(327)	(209)	(187)
Profit/(loss) before tax	**192**	**(492)**	**251**	**(231)**
Income tax expense	(20)	(87)	(1)	(87)
Profit/(loss) for the period from continuing operations	**172**	**(579)**	**250**	**(318)**
Profit/(loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**172**	**(579)**	**250**	**(318)**
Weighted average ordinary shares in issue	15,151,379	14,500,971	15,151,379	14,500,971
Weighted average or ordinary shares for diluted earnings per share	16,883,975	16,337,371	16,883,975	16,337,371
Profit/(loss) per share from continuing and discontinued operations				
Basic	0.0114	(0.0399)	0.0114	(0.0219)
Diluted	0.0148	(0.0399)	0.0148	(0.0219)

Condensed consolidated statement of comprehensive income

Consolidated profit and loss account for the period ending on 30 June	Six months ending on		2nd quarter	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) for the period	**172**	**(579)**	**250**	**(318)**
Other comprehensive income	-	-	-	-
Other unrealised results (net from tax)	**-**	**-**	**-**	**-**
Total realised and unrealised results for the period	**172**	**(579)**	**250**	**(318)**
Profit/(loss) for the period attributable to:				
Owners of the parent company	172	(579)	250	(318)
Non-controlling interests	-	-	-	-

Condensed consolidated statement of financial position

Consolidated statement of financial position at	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Assets			
Goodwill	5,248	5,248	5.248
Other intangible assets	382	510	704
Property, plant and equipment	57	70	108
Deferred tax assets	1,430	1,450	1,535
Finance lease receivables	8,863	7,791	5,857
Other assets	111	111	111
Non-current assets	**16,091**	**15,180**	**13,563**
Inventories	572	492	489
Trade and other receivables	806	352	398
Finance lease receivables	764	1,407	1,357
Prepaids	388	312	420
Cash & cash equivalents	141	34	241
Current assets	**2,671**	**2,597**	**2,905**
Total assets	**18,762**	**17,777**	**16,468**
Equity and liabilities			
Issued capital	18,298	18,063	18,063
Share premiums	4,522	4,522	4,522
Other reserves	119	119	119
Retained earnings	(14,320)	(14,492)	(14,277)
Equity attributable to owners of the parent company	**8,619**	**8,212**	**8,427**
Borrowings	825	721	751
Obligations under finance lease	1,178	1,483	1,779
Trade payables	3,359	2,956	1,372
Non-current liabilities	**5,362**	**5,160**	**3,902**
Trade and other payables	3,704	3,487	3,218
Borrowings	60	60	60
Obligations under finance lease	620	567	540
Other liabilities	397	291	321
Current liabilities	**4,781**	**4,405**	**4,139**
Total liabilities	**10,143**	**9,565**	**8,041**
Total equity and liabilities	**18,762**	**17,777**	**16,468**

Condensed consolidated statement of cash flow

Consolidated statement of cash flow for the period ending on 30 June	Six months ending on 30.06.2010 kEUR (unaudited)	30.06.2009 kEUR (unaudited)
Cash flow from operating activities		
Result for the period	172	(579)
Depreciation	145	123
Changes in provisions	-	-
Amortization of inventories	-	-
Impairment on finance lease receivables	270	435
Depreciation of capitalized commissions (1)	30	50
Share-based payments	14	15
Deferred tax assets and liabilities	20	87
Operating cash flow before changes in the working capital	651	131
Decrease/(increase) in inventories	(80)	(197)
Decrease/(increase) in finance lease receivables (current and non-current)	(699)	(1,286)
Decrease/(increase) in trade and other receivables	(454)	210
Decrease/(increase) in prepaids (1)	(120)	(66)
Increase/(decrease) in trade and other payables (current and non-current)	620	98
Increase/(decrease) in other liabilities	106	112
Changes in working capital	(627)	(1,129)
Net cash from operating activities	**24**	**(998)**
Cash flow investing activities		
Additions to property, plant and equipment	(4)	(38)
Net cash from investing activities	**(4)**	**(38)**
Cash flow from financing activities		
Capital increase	235	445
(Repayments)/proceeds of borrowings (current and non-current)	104	582
(Repayments)/proceeds of leasing (current and non-current)	(252)	(43)
Net cash from financing activities	**87**	**984**
Net (decrease)/increase in cash and cash equivalents	**107**	**(52)**
Cash and cash equivalents at the beginning of the period	**34**	**293**
Cash and cash equivalents at the end of the period	**141**	**241**

(1) In order to compare the figures, the presentation of figures as for 30.06.2009 was changed

Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity for the period	Issued capital	Share premium	Other reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 01.01.2009	**17,618**	**4,522**	**119**	**(13,698)**	**8,561**		**8,561**
Profit/(loss) for the period				(579)	(579)		(579)
Total realised and unrealised results for the period	-	-	-	*(579)*	*(579)*	-	*(579)*
Exercise of warrants	445				445		445
Balance at 30.06.2009	**18,063**	**4,522**	**119**	**(14,277)**	**8,427**	**-**	**8,427**

Statement of changes in equity for the period	Issued capital	Share premium	Other reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 01.01.2010	**18,063**	**4,522**	**119**	**(14,492)**	**8,212**		**8,212**
Profit/(loss) for the period				172	172		172
Total realised and unrealised results for the period	-	-	-	*172*	*172*	-	*172*
Exercise of warrants	235				235		235
Balance at 30.06.2010	**18,298**	**4,522**	**119**	**(14,320)**	**8,619**	**-**	**8,619**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

(1) Identification

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

This condensed consolidated interim financial report for the first six months, ending on 30 June 2010, contains a condensed statement of financial position and condensed consolidated income statement of the company and its subsidiaries.

This condensed consolidated interim financial report was approved for publication by the Board of Directors on 24 August 2010.

This condensed consolidated interim financial report has not been audited.

(2) Conformity Statement

Mr Stéphane Vandervelde (CEO) and Mr Johan Hellinckx (CFO) hereby declare that, to the best of their knowledge, the summary financial reports for the six-month period ending 30 June 2010, have been prepared in accordance with IAS 34 "Interim financial reporting", as accepted within the European Union, and that these give a true picture of the assets, liabilities, financial position and profit/loss of the company and its subsidiaries, which are wholly included in the consolidation, and that the interim management report gives a fair view of important events that have occurred in the first six months of the financial year, including important transactions with associated parties and their impact on the consolidated financial statements, together with a description of the most important risks and uncertainties of the remaining six months of the financial year.

(3) Primary valuation principles

(a) Basic principle

The condensed consolidated interim financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved for use within the European Union, and in particular the International Accounting Standard (IAS) 34 (Interim financial reporting).

This report does not contain all the information that is required to be included in the complete consolidated annual statements, and it must be read in conjunction with the consolidated annual financial statements for the financial year ending 31 December 2009.

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

(b) Reporting currency

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

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

In preparing the interim financial summaries, the same valuation, presentation and calculation rules and methods are used, as those applied in the preparation of the Group's financial statements for the financial year ended on 31 December 2009, with the exception of the possible impact arising from the application of the standards listed below.

Standards and Interpretations applied in the current period
The Group has not applied any new Standards and/or Interpretation in the current year.

The following standards have come into effect; however, they are not relevant for the group:
- Amendments to IAS 27 "Consolidated and company Financial Statements" (applicable for the financial years that start on or after 01 July 2009). This standard revises the current version of IAS 27 "Consolidated and company Financial Statements" (revised in 2003).
- IFRS 3 "Business Combinations" (applicable to business combinations whereby the acquisition date is on or after the commencement date of the first financial year on or after 1 July 2009)
- Amendments to IAS 39 "Financial Instruments: recognition and measurement - items that qualify for hedging"
- Amendments to IFRS 2 , "Transactions in group shares and repurchased own shares" (applicable as from 1 January 2009)
- Amendments to IFRS 1 "First application of IFRS" whereby a number of additional exemptions are allowed
- IFRIC 17 "Distribution of non-cash assets to owners"

Earlier application of Standards and Interpretations
The Group has decided not to apply any Standards or Interpretations earlier.

(4) Seasonally-bound activities

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

(5) Segmented information

Information on business segments may be represented as follows:

Segment information for the period ending on 30 June	Segment revenue 30.06.2010 kEUR	Segment revenue 30.06.2009 kEUR	Change
Turnover terminals	3,211	2,653	21.03%
Turnover authorisations	44	77	-42.86%
Total	**3,255**	**2,730**	**19.23%**

Segmented information For Q2	Segment revenue Q2-2010 kEUR	Segment revenue Q2-2009 kEUR	Change
Turnover terminals	1,621	1,411	14.88%
Turnover authorisations	22	40	-45.00%
Total	**1,643**	**1,451**	**13.23%**

Given the limited extent of the authorisation segment and the absence of structural changes compared to the position at 31 December 2009, additional segment information is not considered relevant.

(6) Net impairment of current assets

The net impairments of current assets for the first six months of 2010 can be represented as follows:

Net impairment of current assets for period ending on 30 June	Six months ending on 30.06.2010 kEUR	30.06.2009 kEUR
Net impairment of finance lease receivables	514	300
Net impairment of other receivables	-	135
Total	**514**	**435**

These impairments of finance lease receivables are the result of bankruptcies, discontinuation of activities or termination of contracts by clients. The impairments are booked consistently with the past. The increase compared to last year is mainly due to an increase in the number of bankruptcies.

The impairments of other receivables as at 30.06.2009 concerned the write off of the receivable in connection with the sale of the shares of DAC (see pages 63 and 64 of the 2008 annual report).

The net impairments of current assets for the second quarter of 2010 can be represented as follows:

Net impairments Q2	2nd quarter Q2-2010 kEUR	Q2-2009 kEUR
Net impairment of finance lease receivables	331	106
Net impairment of other receivables	-	135
Total	**331**	**241**

(7) Other operating expenses

The other operating expenses for the first six months of 2010 can be represented as follows:

Other operating expenses ending on 30 June	Six months ending on 30.06.2010 kEUR	30.06.2009 kEUR
Accommodation	73	68
Car expenses	148	141
Material expenses	22	22
Communication expenses	68	44
Fees	718	586
Stock market listing	33	25
Representation and delegation	44	28
Sales and marketing	216	234
Interim	26	78
Administration	40	33
Non-deductible VAT	49	41
Other	17	31
Total	**1,454**	**1,331**

Other operating expenses rose by 9.24%, as a result of the increase in communication expenses and fees. The increase in fees is largely a consequence of an increase in the expenses for lawyers (primarily as a result of consultancy services) and the costs in connection with a business development manager.

Other operating expenses for the second quarter of 2010 can be represented as follows:

Other operating expenses for Q2	2nd quarter Q2-2010	
	Q2-2010	Q2-2009
	kEUR	kEUR
Accommodation	38	33
Car expenses	80	80
Material expenses	14	10
Communication expenses	31	23
Fees	376	299
Stock market listing	16	21
Representation and delegation	13	3
Sales and marketing	66	105
Interim	11	39
Administration	23	20
Non-deductible VAT	22	18
Other	6	24
Total	**696**	**675**

Other operating expenses rose by 3.11 %, as a result of the increase in fees, which was partially compensated by a decrease in sales and marketing costs. The increase in fees is largely a consequence of an increase in the expenses for lawyers (primarily as a result of consultancy services) and the costs in connection with a business development manager.

(8) Consolidation differences

This item can be detailed as follows:

Consolidation differences	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
Keyware Smart Card	5,248	5,248	5,248
Total	**5,248**	**5,248**	**5,248**

In accordance with IFRS 3 – Business combinations, goodwill is not written off but tested for impairment for each cash flow generating unit to which the goodwill belongs. The realisation value of each cash-generating unit was determined on the basis of its operating value. To calculate this, the cash flow prognoses were used from the financial budgets for the next 3 years, which have been approved by the Board of Directors. These budgets were extrapolated over 5 years at a decreasing growth rate, ignoring any residual value.
In accordance with IFRS 3 - Business combinations, goodwill that occurs in the consolidation must be tested for impairment every year. These impairment tests were performed based on the strategic plan 2008-2012. Based on these tests, it was possible to decide on 31 December 2009 that no extraordinary impairments had to be booked. As of 30 June 2010, there are no indications of additional impairments.

(9) Finance lease receivables

This item can be summarised as follows:

Finance lease receivables	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
Outstanding capital contracts	5,304	4,835	4,485
Outstanding capital financing Parfip	3,559	2,956	1,372
Total	**8,863**	**7,791**	**5,857**

The long-term trade receivables include the long-term portion of the receivables on financial leasing contracts for payment terminals, in accordance with IAS 17 - Lease contracts. On 31 December 2009, these receivables are equivalent to the sum of 4,835 kEUR, and on 30 June 2010 to a sum of 5,304 kEUR.

Finally, the long-term trade receivables that relate to the financing agreement with Parfip Benelux NV are also included in this item.
The Group has entered into a financing agreement with Parfip Benelux NV, whereby the Group has the possibility of ceding the contracts on the rent of payment terminals to Parfip Benelux NV. Within the framework of this agreement, the rental contracts of the payment terminals can be sold to Parfip Benelux NV at an actualised value, whereby an interest rate of 10% is assumed. In other words, Keyware receives the integral discounted amount of the rent instalments at the start of the contract, whereas Parfip Benelux NV will collect the rent for the entire duration of the contract (with regard to leasing the payment terminal). At the end of the contract, the equipment will once again become the property of Keyware, subject to payment of a small residual value.
However, in accordance with this contract, the ultimate debtor risk is borne by the Group. In concrete terms this means that if a debtor becomes insolvent, Parfip Benelux NV reserves the right to re-invoice this contract to the Group. In that case, the Group will have to repay the outstanding capital with regard to the discounted amount received in advance from Parfip Benelux NV on the one hand, but, on the other hand, the Group itself will be able to invoice the remaining duration of the contract to the end customer. This means the Group has both a payable and a receivable, both of which are expressed in the accounts.

At the end of June 2010, the Group has booked receivables that correspond to the total sum of the outstanding principal of the contracts sold in 2006, 2007, 2008, 2009 and 2010. This amounts to a total of 4,580 kEUR, of which 3,559 kEUR is long-term and 1,021 kEUR is short-term.

(10) Capital Structure

As per 30 June 2010, the statutory subscribed capital of the Group amounted to 24,320 kEUR, representing 15,276,379 ordinary shares without nominal value.

Following the exercise of 187,500 2008 warrants , the capital was increased by 234 kEUR by a notarial deed, which was executed on 30 April 2010, and 187,500 new shares were issued.

(11) Borrowings

The loans recognized under long-term liabilities relate partly to the financing obtained from ING.
In connection with the purchase of the shares of B.R.V. Transactions NV, ING provided an investment credit line for an amount of 300 kEUR to Keyware Transaction & Processing NV. This loan is repayable in 20 quarterly instalments of 15 kEUR. The applicable interest base is 3-month EURIBOR, increased by 2%.

The advances, obtained from a shareholder and a member of the management committee, are also incorporated under this heading. In January 2009, advances amounting to 600 kEUR were made available by a shareholder, namely Parana Management BVBA. The applicable interest rate is 8%.

In June 2010, advances amounting to 100 kEUR were made available by a member of the management committee, namely Johan Hellinckx. The applicable interest rate is 8%.

(12) Obligations under finance lease

This item can be detailed as follows:

Obligations under finance lease	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
Sale & leaseback Parfip	1,170	1,465	1,741
Financial leasing cars	8	18	38
Total	**1,178**	**1,483**	**1,779**

Between June and December 2008, the Group concluded 7 financing agreements – financing of rental agreement - with Parfip Benelux NV for a total amount of 2,029 kEUR. These can be summarised as follows:

	date	amount	term	interest	repayment / month
-	28/05/2008	151 kEUR	50 months	11.48%	3 kEUR
-	30/06/2008	260 kEUR	53 months	11.91%	6 kEUR
-	01/08/2008	281 kEUR	60 months	11.91%	6 kEUR
-	01/09/2008	298 kEUR	57 months	13.00%	7 kEUR
-	06/10/2008	372 kEUR	60 months	13.48%	8 kEUR
-	30/10/2008	384 kEUR	60 months	13.48%	9 kEUR
-	01/12/2008	283 kEUR	60 months	13.48%	6 kEUR
-	01/01/2009	249 kEUR	60 months	14.17%	6 kEUR

On 30 June 2010, the total outstanding debt amounted to 1,771 kEUR, of which 1,170 kEUR has been booked as long-term and 601 kEUR as short-term.

The future redemption obligations with regard to the lease obligations with regard to Parfip Benelux NV can be specified as follows:

Finance lease obligations as per 30.06.2010	1 year kEUR	1-5 years kEUR	> 5 years kEUR
Total future redemption obligation:	796	1,348	-
of which:			
- Principal	601	1,170	-
- Interest	195	178	-

In addition, the Group has concluded various finance lease agreements for, amongst others, cars. The total outstanding debt on 30 June 2010 amounts to 27 kEUR, of which 8 kEUR is recorded as long-term and 19 kEUR as short-term. All these contracts have a term of 5 years or less.

(13) Trade payables - long-term obligations

This item can be detailed as follows:

Long-term trade payables	30.06.2010 kEUR	31.12.2009 kEUR	30.06.2009 kEUR
Financing through Parfip Benelux	3,359	2,956	1,372
Total	**3,359**	**2,956**	**1,372**

The Group has entered into a financing agreement with Parfip Benelux NV, whereby the Group has the possibility of ceding the contracts on the rent of payment terminals to Parfip Benelux NV. Within the framework of this agreement, the rental contracts of the payment terminals can be sold to Parfip Benelux NV at an actualised value, whereby an interest rate of 10% is assumed. In other words, Keyware receives the integral discounted amount of the rent instalments at the start of the contract, whereas Parfip Benelux NV will collect the rent for the entire duration of the contract (with regard to leasing the payment terminal). At the end of the contract, the equipment will once again become the property of Keyware, subject to payment of a small residual value.

However, in accordance with this contract, the ultimate debtor risk is borne by the Group. In concrete terms this means that if a debtor becomes insolvent, Parfip Benelux NV reserves the right to re-invoice this contract to the Group. In that case, Keyware will on the one hand have to repay the outstanding capital with regard to the discounted amount received in advance to Parfip Benelux NV, but on the other hand, Keyware will still be able to invoice the remaining duration of the contract to the customer. This means the Group has both a payable and a receivable, both of which are expressed in the accounts.

At the end of June 2010, the Group has booked receivables that correspond to the total sum of the outstanding principal of the contracts sold in 2006, 2007, 2008, 2009 and 2010. This amounts to a total of 4,580 kEUR, of which 3,559 kEUR is long-term and 1,021 kEUR is short-term.

(14) Trade and other debts – short-term obligations

This item can be detailed as follows:

Short-term trade payables	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
Trade payables	3,328	3,156	2,782
Social and fiscal liabilities	376	331	436
Total	**3,704**	**3,487**	**3,218**

The short-term trade payables can be specified as follows:

Short-term trade payables	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
Current suppliers	962	715	678
Potential liability Parfip	1,021	1,176	1,062
Pending disputes	166	166	177
Repayment plans	14	61	127
Unclaimed amounts	110	110	110
Internal consultants	844	443	304
Supplier and simultaneously client	155	120	95
Invoices to be received	56	365	229
Total	**3,328**	**3,156**	**2,782**

The total amount of the outstanding suppliers includes an amount of 1,584 kEUR overdue trade payables. This can include suppliers with repayment plans, suppliers with whom a dispute is pending, a supplier who is currently unable to claim his debts, internal consultants or suppliers who are also clients.

At the end of June 2010, there were 2 repayment plans with a total outstanding debt of 14 kEUR.
At the end of June 2010, the Group had 7 pending disputes with suppliers for a total amount of 166 kEUR.

The unclaimed amount concerns one supplier, for an amount of 110 kEUR. This amount relates to a performance that has not yet been carried out by the supplier.

The figures for internal consultants relate to 6 suppliers, namely independent suppliers of services to the Group, such as the CEO, CFO, COO, financial controller, marketing director, and a business developer.

As stated under (9) Finance lease receivables , the Group has deferred receivables and debts as of 30 June 2010, which correspond to the total amount of the outstanding principal of the contracts sold to Parfip NV in 2006, 2007, 2008, 2009 and 2010. This amounts to a total of 4,580 kEUR, of which 3,559 kEUR is long-term and 1,021 kEUR is short-term.

The social security and tax liabilities may be detailed as follows:

Social and fiscal liabilities	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
Withholding taxes to be paid	64	63	102
Social security to be paid	134	106	102
Salaries to be paid	25	26	28
VAT to be paid	-	-	49
Provision for holiday pay	111	136	110
Provision for year-end bonus	42	-	45
Total	**376**	**331**	**436**

(15) Other liabilities

Other liabilities can be detailed as follows:

Other liabilities	30.06.2010	31.12.2009	30.06.2009
	kEUR	kEUR	kEUR
Balance payable acquisition BRV	62	62	62
Debts in dispute	178	172	194
Accruals	19	25	26
Deferred income	49	30	37
Interest income	85	-	-
Other	4	2	2
Total	**397**	**291**	**321**

The disputed debts of 178 kEUR relate to two sums that have been claimed, but are disputed by the Group. Both matters have been brought before the competent Commercial Court.

(16) Transactions with associated parties

With regard to transactions with associated parties, there are no particulars that have to be reported for the first six months of 2010, apart from what is stated below.

In June 2010, advances amounting to 100 kEUR were made available by a member of the management committee, namely Johan Hellinckx. The applicable interest rate is 8%.

(17) Pending disputes

The Company is involved in a number of legal proceedings that can be regarded as deferred liabilities. For more information about this item, reference is made to the 2009 consolidated annual report (47) Pending disputes, which can be found on the website of the Company (**www.keyware.com**). No important developments were recorded during the first six months of 2010, with regard to these disputes, apart from that which is stated under events after the balance sheet date 2010.

(18) Financing

In the annual report for 2009, the Group announced that the Board of Directors has considered issuing a convertible debentures loan. At the meeting of 24 August 2010, the Board of Directors has decided to carry out a capital operation, however the financial instrument of this operation has not yet been defined.