REGULATED INFORMATION

Half-year report - Q2-2011

KEY FIGURES

The key figures for the first six months and the second quarter of 2011 can be summarized as follows.

First six months of 2011:

- the Group achieved a turnover of 2,991 kEUR in comparison with 3,255 kEUR for the same period in 2010, which represents a decrease in turnover of 8.11%;
- the operating cash flow (EBITDA) for the first six months amounts to 230 kEUR, compared to 683 kEUR for the first six months of 2010, which represents a decrease of 66.32%;
- the net profit for the period amounts to 50 kEUR, compared to a net profit of 172 kEUR as at 30 June 2010;
- the net cash flow amounts to 301 kEUR, compared to 651 kEUR as at 30 June 2010, which represents a decrease of 53.76%;
- the gross margin rose from 78.98% to 82.85%.

Second quarter of 2011:

- the Group achieved a turnover of 1,537 kEUR in comparison with 1,643 kEUR for the same period in 2010, which represents a decrease in turnover of 6.45%;
- the operating cash flow (EBITDA) for the second quarter amounts to 114 kEUR, compared to 250 kEUR for the second quarter of 2010;
- the net profit for the period amounts to 36 kEUR, in comparison with a net profit of 250 kEUR for the second quarter of 2010;
- the net cash flow for the period amounts to 168 kEUR, in comparison with 541 kEUR for the second quarter of 2010;
- the gross margin rose from 77.66% to 81.06%.

Key figures for the period ending on 30 June	Six months ending on		2nd quarter	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	2,991	3,255	1,537	1,643
Profit/(loss) for the period	**50**	**172**	**36**	**250**
EBITDA	230	683	114	569
Net cash flow	301	651	168	541

MANAGEMENT REPORT ON THE FIRST SIX MONTHS AND THE SECOND QUARTER OF 2011

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 2010. 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 2011 can be summarized as follows:

- An overview of the turnover and gross margin for the first six months is provided below:

Gross margin	1st six months 30.06.2011 kEUR	1st six months 30.06.2010 kEUR	Change
Turnover	2,991	3,255	(8.11)%
Raw materials and consumables	(513)	(684)	(25.00)%
Gross margin	**2,478**	**2,571**	**(3.62)%**
Gross margin in percentages	82.85%	78.98%	

- The **consolidated turnover** for the first six months of the financial year 2011 amounts to 2,991 kEUR, as compared to 3,255 kEUR for the same period in 2010, which represents a decrease of 8.11%. The decrease in turnover has manifested itself in the payment terminals division. Due to a stronger focus on the long-term profitability of its customer base, Keyware is shifting towards qualitatively stronger customers within its different market segments. Initially, on the one hand, this strategy led to a slight decrease in turnover; however, on the other hand, it has also resulted in a better and more sustainable return. This translates into a higher profitability.

  Turnover in the authorisation division has declined by 49 kEUR.

- The **other profits and losses** for the first six months of the financial year 2011 amount to 117 kEUR, as compared to 574 kEUR for the same period in 2010, which represents a decrease of 457 kEUR. This decrease can be explained by the fact that in 2010 a non-recurring gain of 450 kEUR was recorded due to the out-of-court settlement with RBS.

- **Personnel costs** decreased by 17.91%, due to a lower number of sales representatives.

- The **net impairment of current assets** decreased from 514 kEUR to 439 kEUR. This concerns impairments booked against receivables from finance leasing. These impairments or write-offs are the result of bankruptcies, discontinued operations or the termination of contracts by clients.

- **Other operating expenses** decreased by 5.50%, as a result of an increase in fees and expenses for sales and marketing. The decrease in fees is a consequence of a decrease in the expenses for lawyers and the departure of an independent consultant who was not replaced.

- The **net profit** for the first six months amounts to 50 kEUR, in comparison with a net profit of 172 kEUR as at 30 June 2010.
  The decrease of the result is explained by a decrease in the gross margin and by the fact that in 2010 a non-recurring gain was recorded (above). The loss of gains is partially compensated by a decrease of the other operating expenses and the personnel costs.

- The **net cash flow** amounts to 301 kEUR, in comparison with 651 kEUR for the first six months of 2010. The decrease is explained by that which is mentioned above.

The key figures for the second quarter of 2011 can be summarized as follows.

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

Gross margin	2nd quarter		Change
	Q2-2011	Q2-2010	
	kEUR	kEUR	
Turnover	1,537	1,643	(6.45)%
Raw materials and consumables	(291)	(367)	(20.71)%
Gross margin	**1,246**	**1,276**	**(2.35)%**
Gross margin in percentages	81.06%	77.66%	

- The **consolidated turnover** for the second quarter of the financial year 2011 amounts to 1,537 kEUR, as compared to 1,643 kEUR for the same period in 2010, which represents a decrease of 6.45%. The decrease in turnover is manifesting itself in the payment terminals division. Due to a stronger focus on the long-term profitability of its customer base, Keyware is shifting towards qualitatively stronger customers within its different market segments. Initially, on the one hand, this strategy led to a slight decrease in turnover; however, on the other hand, it has also resulted in a better and more sustainable return. This translates into a higher profitability.

  Turnover in the authorisation division has declined by 44 kEUR.

- The **other profits and losses** for the second quarter of the financial year 2011 amount to 53 kEUR, as compared to 538 kEUR for the same period in 2010, which represents a decrease of 485 kEUR. This decrease can largely be explained by the fact that in 2010 a non-recurring gain of 450 kEUR was recorded due to the out-of-court settlement with RBS.

- **Personnel costs** decreased by 23.79%, due to a lower number of sales representatives.

- The **net impairment of current assets** decreased from 331 kEUR to 167 kEUR. This concerns impairments booked against receivables from finance leasing. These impairments or write-offs are the result of bankruptcies, discontinued operations or the termination of contracts by clients.

- **Other operating expenses** rose by 8.91 %, as a result of the increase in car expenses and other expenses. This increase was partly compensated by a decrease of fees. The increase in other expenses is partly related to expenses (35 kEUR) associated with the conviction of the Group by the Court of Appeal concerning the cancellation of a lease agreement.

- The **net profit** for the second quarter amounts to 36 kEUR, in comparison with a net profit of 250 kEUR for the second quarter of 2010.
  The decrease of the result is explained by a decrease in the gross margin and by the fact that in 2010 a non-recurring gain was recorded (above). The loss of gains is partially compensated by a decrease in personnel costs and the net impairment of current assets.

- The **net cash flow** amounts to 167 kEUR, in comparison with 541 kEUR for the second quarter of 2010. The decrease is explained by that which is mentioned above.

Important events in 2011

PARFIP

In 2011, 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 2011, more than 0.8 million EUR in contracts had been ceded to Parfip Benelux NV.

FINANCING

During March 2011, the Group concluded a loan agreement with Big Friend NV, the management company of the CEO, for an amount of EUR 500 k. This loan is repayable monthly over a period of 60 months.

In addition, the Group drew down the second and last portion of the bank loan (ING) amounting to EUR 500 k. This loan is repayable on a quarterly basis over a period of 16 quarters.

At the end of June 2011, advances for an amount of 1,000 EUR k were made available by Parana Management BVBA, the management company of Guido Van der Schueren, director of the Company.

Finally, the Group is negotiating with various financial institutions in connection with obtaining additional bank financing for the Group.

EXERCISE OF WARRANTS

During the first six months of 2011, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:

- following the exercising of 105,000 Warrants 2008, the capital was increased for an amount of EUR 131 k and 105,000 new shares were issued via a notarial deed executed on 16 February 2011.

Events after the balance sheet date

The Company does not have any important events to report after the balance sheet date, which have an impact on the presentation of the present interim financial statements.

Outlook

RECORD NUMBER OF ELECTRONIC PAYMENTS

The market for electronic payments is clearly in the ascendancy. In addition, new initiatives and new programmes are being introduced regularly, whereby paper money, coins or cheques are being replaced by an electronic version. This leads to a further acceleration, whereby Keyware is able to profit optimally from its broad and personalised range of payment solutions. Keyware expects that its turnover in Visa, MasterCard and Maestro transactions will continue to grow in the next quarters.

REPLACEMENT OF OLD TECHNOLOGY

The further penetration of internet connections in the Belgian market in combination with the speed, the zero communication costs and the user convenience of IP payment terminals result in a very large replacement market for the older PSTN payment terminals. With regard to mobile payment terminals, the GPS terminals are disappearing in favour of the Bluetooth and GPRS terminals. Keyware is capitalising on this with a series of sharply positioned alternatives.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statements

Consolidated profit and loss account for the period ending on	Six months ending on 30.06.2011 kEUR (unaudited)	Six months ending on 30.06.2010 kEUR (unaudited)	2nd quarter 30.06.2011 kEUR (unaudited)	2nd quarter 30.06.2010 kEUR (unaudited)
Continuing operations				
Turnover	2,991	3,255	1,537	1,643
Other profits and losses	117	574	53	538
Raw materials and consumables	(513)	(684)	(291)	(367)
Salaries and employee benefits	(651)	(793)	(314)	(412)
Depreciation	(94)	(145)	(48)	(88)
Net impairment of current assets	(439)	(514)	(167)	(331)
Net change in provisions	-	-	-	-
Other operating expenses	(1,374)	(1,454)	(758)	(696)
Operating profit/(loss)	***37***	***239***	***12***	***(287)***
Finance income	413	340	218	173
Financial expenses	(356)	(387)	(170)	(209)
Profit/(loss) before tax	**94**	**192**	**60**	**251**
Income tax expense	(44)	(20)	(24)	(1)
Profit/(loss) for the period from continuing operations	**50**	**172**	**36**	**250**
Profit/(loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**50**	**172**	**36**	**250**
Weighted average number of issued ordinary shares	16,780,862	15,151,379	16,780,862	15,151,379
Weighted average number of shares for diluted result per share	18,481,725	16,883,975	18,481,725	16,883,975
Profit/(loss) per share from the continuing and discontinued operations				
Profit/(loss) per share (Basic)	0.0030	0.0114	0.0021	0.0165
Profit/(loss) per share (Diluted)	0.0027	0.0102	0.0019	0.0148

Condensed consolidated statement of comprehensive income

Summary of comprehensive income for the period ending on	Six months ending on		2nd quarter	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) for the period	**50**	**172**	**36**	**250**
Comprehensive income	-	-	-	-
Translation differences	-	-	-	-
Revaluation of the real value of "financial fixed assets available for sale"	-	-	-	-
Cash flow hedges	-	-	-	-
Taxes on comprehensive income	-	-	-	-
Other comprehensive income (net of taxes)	-	-	-	-
Total Comprehensive income (net from taxes)	-	-	-	-
	50	**172**	**36**	**250**
Profit/(loss) for the period attributable to:				
Owners of the parent company	50	172	36	250
Non-controlling interests	-	-	-	-
Total of the realised and comprehensive income of the period allocatable to:				
Owners of the parent company	-			-
Non-controlling interests	-			-
Weighted average number of issued ordinary shares	16,780,862	15,151,379	16,780,862	15,151,379
Weighted average number of shares for diluted result per share	18,481,725	16,883,975	18,481,725	16,883,975
Profit/(loss) per share from the continuing and discontinued operations				
Profit/ (loss) per share	0.0030	0.0114	0.0021	0.0165
Profit/ (loss) per diluted share	0.0027	0.0102	0.0019	0.0148

Condensed consolidated statement of financial position

Consolidated statement of financial position at	30.06.2011	31.12.2010	30.06.2010
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Assets			
Goodwill	5,248	5,248	5,248
Other intangible assets	280	359	382
Property, plant and equipment	111	132	57
Deferred tax assets	1,641	1,685	1,430
Finance lease receivables	9,764	9,049	8,863
Other assets	58	57	111
Non-current assets	**17,102**	**16,530**	**16,091**
Inventories	692	593	572
Trade and other receivables	898	824	806
Finance lease receivables	1,150	1,096	764
Prepaids	255	117	388
Cash & cash equivalents	762	148	141
Current assets	**3,757**	**2,778**	**2,671**
Total assets	**20,859**	**19,308**	**18,762**
Equity and liabilities			
Issued capital	6,200	6,069	18,298
Share premiums	4,522	4,522	4,522
Other reserves	287	287	119
Retained earnings	496	446	(14,320)
Equity attributable to owners of the parent company	**11,505**	**11,324**	**8,619**
Borrowings	996	429	825
Lease obligations	620	892	1,178
Trade payables	2,957	3,154	3,359
Non-current liabilities	**4,573**	**4,475**	**5,362**
Trade and other payables	2,632	2,521	3,704
Borrowings	432	166	60
Lease obligations	569	623	620
Other liabilities	1,148	199	397
Current liabilities	**4,781**	**3,509**	**4,781**
Total liabilities	**9,354**	**7,984**	**10,143**
Total equity and liabilities	**20,859**	**19,308**	**18,762**

Condensed consolidated statement of cash flow

Consolidated statement of cash flow for the period ending on	Six months ending on 30.06.2011 kEUR (unaudited)	30.06.2010 kEUR (unaudited)
Cash flow from operating activities		
Result for the period	50	172
Financial income (1)	(413)	(340)
Financial expenses (1)	356	387
Depreciation	94	145
Impairment on finance lease receivables	92	270
Depreciation of capitalized commissions (1)	6	30
Share-based payments	15	14
Deferred tax assets and liabilities	44	20
Operating cash flow before changes in the working capital components	244	698
Decrease/(increase) of inventories	(99)	(80)
Decrease/(increase) of finance lease receivables (current & non-current)	(1,083)	(699)
Decrease/(increase) of trade and other receivables	(26)	(454)
Decrease/(increase) of prepaids	(159)	(120)
Increase/(decrease) of trade and other payables (current & non-current)	88	620
Increase/(decrease) in other liabilities	949	106
Changes in working capital components	(330)	(627)
Interest paid (1)	(269)	(211)
Interest received (1)	326	164
Net cash from operating activities	**(29)**	**24**
Cash flow investing activities		
Acquisition of intangible and tangible fixed assets	-	(4)
Disposal of intangible and tangible fixed assets	6	-
(Increase)/decrease guarantees	(1)	-
Net cash from investing activities	**5**	**(4)**
Cash flow from financing activities		
Capital increase	131	235
(Repayments)/proceeds of borrowings (current & non-current)	821	104
(Repayments)/proceeds of leasing (current & non-current)	(314)	(252)
Net cash from financing activities	**638**	**87**
Net (decrease)/increase in cash and cash equivalents	**614**	**107**
Cash and cash equivalents at the beginning of the period	**148**	**34**
Cash and cash equivalents at the end of the period	**762**	**141**

(1) In order to compare the figures, the presentation of figures as of 30.06.2010 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 company	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 comprehensive income 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**

Statement of changes in equity for the period	Issued capital	Share premium	Other reserves	Retained earnings	Attributable to owners of the parent company	Non-controlling interests	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 01.01.2011	**6,069**	**4,522**	**287**	**446**	**11,324**		**11,324**
Profit/(loss) for the period				50	50		50
Total realised and comprehensive income for the period	-	-	-	*50*	*50*	-	*50*
Exercise of warrants	131				131		131
Balance at 30.06.2011	**6,200**	**4,522**	**287**	**496**	**11,505**	**-**	**11,505**

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 2011, 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 19 August 2011.

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 2011, 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 2010.

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 2010, with the exception of the possible impact arising from the application of the standards listed below.

Standards and Interpretations that are mandatory for the first time for this financial year

The following new standards and amendments are mandatory for the financial year beginning 1 January 2011 and have been adopted when relevant:

- IAS 24 'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011.
- IFRS 1 'First-time Adoption of International Financial Reporting Standards', effective for annual periods beginning on or after 1 July 2010.
- IAS 32 'Financial Instruments', effective for annual periods beginning on or after 1 February 2010.
- IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', effective for annual periods beginning on or after 1 January 2011.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual periods beginning on or after 1 July 2010.
- IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13: Amendments resulting from May 2010 Annual improvements to IRFSs

Early adoption of Standards and Interpretations

There has been no early adoption of standards and interpretations issued, but not mandatory for the first time for the financial year beginning 1 January 2011 and not endorsed by the European Union.

(4) Seasonally-bound activities

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

(5) Business segment information

Information on business segments on 30 June 2011 can be specified as follows.

Amounts in kEUR / Segment information	30.06.2011 kEUR Terminals (unaudited)	30.06.2011 kEUR Authorisations (unaudited)	30.06.2011 kEUR Corporate (unaudited)	30.06.2011 kEUR (unaudited)
Continuing operations				
Turnover (internal and external)2	*2,904*	*93*	-	*2,997*
Turnover (intern compared to other segment)	*6*	-	-	*6*
Net turnover	2,898	93	-	2,991
Other profits and losses	112	2	3	117
Raw materials and consumables	(485)	(28)	-	(513)
Salaries and employee benefits	(562)	(35)	(54)	(651)
Depreciation	(7)	(22)	(65)	(94)
Net impairment of current assets	(439)	-	-	(439)
Other operating expenses	(942)	(62)	(370)	(1.374)
Operating profit/(operating loss)	**575**	**(52)**	**(486)**	**37**
Financial income	413	-	-	413
Financial expenses	(323)	(2)	(31)	(356)
Profit/(loss) before taxes	**665**	**(54)**	**(517)**	**94**
Taxes on the result	(44)	-	-	(44)
Profit/(loss) for the period from continuing operations	**621**	**(54)**	**(517)**	**50**
Profit/(loss) for the period from discontinued operations	-			-
Profit/(loss) for the period	**621**	**(54)**	**(517)**	**50**

Information on business segments for the second quarter can be specified as follows.

Amounts in kEUR	Q2-2011	Q2-2011	Q2-2011	Q2-2011
	kEUR	kEUR	kEUR	Keur
Segment information	Terminals	Authorisations	Corporate	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations				
Turnover (internal and external)	*1,482*	*58*	-	*1,540*
Turnover (intern compared to other segment)	*3*	-	-	*3*
Net turnover	1,479	58	-	1,537
Other profits and losses	50	1	2	53
Raw materials and consumables	(275)	(16)	-	(291)
Salaries and employee benefits	(282)	(17)	(15)	(314)
Depreciation	(4)	(11)	(33)	(48)
Net impairment of current assets	(167)	-	-	(167)
Other operating expenses	(569)	(6)	(183)	(758)
Operating profit/(operating loss)	**232**	**9**	**(229)**	**12**
Financial income	218	-	-	218
Financial expenses	(153)	(1)	(16)	(170)
Profit/(loss) before taxes	**297**	**8**	**(245)**	**60**
Taxes on the result	(24)	-	-	(24)
Profit/(loss) for the period from continuing operations	**273**	**8**	**(245)**	**36**
Profit/(loss) for the period from discontinued operations	-			-
Profit/(loss) for the period	**273**	**8**	**(245)**	**36**

(6) Net impairment of current assets

The net impairments of current assets for the first six months of 2011 can be specified as follows:

Net impairment of current assets for period ending on	Six months ending on 30.06.2011	30.06.2010
	kEUR	kEUR
Net impairment of finance lease receivables	439	514
Total	**439**	**435**

This concerns impairments recorded on finance lease receivables. These impairments or write-offs are the result of bankruptcies, discontinued operations or termination of the contract by the clients.

The net impairments of current assets for the second quarter of 2011 can be specified as follows:

Net impairments Q2	2nd quarter Q2-2011	Q2-2010
	kEUR	kEUR
Net impairment of finance lease receivables	167	331
Total	**167**	**331**

(7) Other operating expenses

The other operating expenses for the first six months of 2011 can be specified as follows:

Other operating expenses ending on 30 June	Six months ending on 30.06.2011	30.06.2010
	kEUR	kEUR
Accommodation	73	73
Car expenses	185	148
Material expenses	27	22
Communication expenses	73	68
Fees	594	718
Stock market listing	51	33
Representation and delegation	25	44
Sales and marketing	149	216
Interim	38	26
Administration	47	40
Non-deductible VAT	41	49
Other	71	17
Total	**1,374**	**1,454**

Other operating expenses declined by 5.50%, as a result of an increase in fees and expenses for sales and marketing. The increase in fees is a consequence of a decrease in the expenses for lawyers and the departure of an independent consultant who was not replaced.

Other operating expenses for the second quarter of 2011 can be specified as follows:

Other operating expenses for Q2	2nd quarter	
	Q2-2011	Q2-2010
	kEUR	kEUR
Accommodation	38	38
Car expenses	109	80
Material expenses	17	14
Communication expenses	34	31
Fees	306	376
Stock market listing	31	16
Representation and delegation	16	13
Sales and marketing	69	66
Interim	17	11
Administration	29	23
Non-deductible VAT	23	22
Other	69	6
Total	**758**	**696**

Other operating expenses rose by 8.91 %, as a result of the increase in car expenses and other expenses. This increase was partly compensated by a decrease of fees. The increase of the other expenses is partly related to expenses (35 kEUR) associated with the conviction of the Group by the Court of Appeal concerning the cancellation of a lease agreement.

(8) Goodwill

This item can be specified as follows:

Goodwill	30.06.2011	31.12.2010	30.06.2010
	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 seven years, which have been approved by the Board of Directors.
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 2011-2017. Based on these tests, it was possible to decide on 31 December 2010 that no extraordinary impairments had to be booked. As of 30 June 2011, there are no indications of additional impairments.

(9) Finance lease receivables

This item can be summarised as follows:

Finance lease receivables	30.06.2011 kEUR	31.12.2010 kEUR	30.06.2010 kEUR
Outstanding capital contracts	6,918	6,005	5,304
Outstanding capital financing Parfip	2,956	3,154	3,559
Provision for the termination of outstanding contracts	(110)	(110)	-
Total	**9,764**	**9,049**	**8,863**

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 2010, these receivables are equivalent to the sum of 6,005 kEUR, and on 30 June 2011 to a sum of 6,918 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 that varies between 10 and 16 percent 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 that the Group has both a payable and a receivable, which are both expressed in the accounts.

At the end of June 2011, the Group has booked a receivable/liability that correspond to the total sum of the outstanding principal of the contracts sold in 2007, 2008, 2009, 2010 and 2011. This amounts to a total of 3,912 kEUR, of which 2,957 kEUR is long term and 955 kEUR is short term.

(10) Capital Structure

As per 30 June 2011, the statutory subscribed capital of the Group amounted to 6,876 kEUR, representing 16,808,279 ordinary shares without nominal value.

Following the exercise of 105,000 2008 warrants, the capital was increased by 131 kEUR by a notarial deed, which was executed on 16 February 2011, and 105,000 new shares were issued.

(11) Borrowings

This item can be summarised as follows:

Borrowings	30.06.2011	31.12.2010	30.06.2010
	kEUR	kEUR	kEUR
ING financing	422	217	60
Congra SA financing	170	193	-
Big Friend NV financing	385	-	-
Parana Management financing	19	19	665
Johan Hellinckx financing	-	-	100
Total	**996**	**429**	**825**

In connection with the purchase of the shares of B.R.V Transactions NV, ING provided an investment loan for an amount of EUR 300 k to Keyware Transactions & Processing NV. This loan is repayable in 20 quarterly payments of EUR 15 k. The applicable interest rate is 3-month EURIBOR increased by 2%. This loan is secured by a guarantee issued by Keyware Technologies NV for an amount of EUR 300 k in principal.

Keyware Smart Card NV signed a loan agreement with Congra SA on 13 July 2010. Congra SA is an investment company with its registered office in Luxembourg. Congra SA made an amount of EUR 250,000 available. This loan is repayable in 60 monthly payments of EUR 5 k (including interest). The applicable interest rate is 8%.

On 17 May 2010, Keyware Smart Card NV concluded an investment loan with ING Bank for an amount of EUR 750,000. In August 2010, the first portion of this loan, amounting to EUR 250,000, was taken up. The second and last portion of this bank loan (ING), amounting to EUR 500 k, was taken up in March 2011.
This total loan (EUR 750 k) is repayable in 16 quarterly payments of EUR 46 k (including interest). The applicable interest rate is 3-month EURIBOR increased by a margin of 4.5% per year.

This loan is secured by:

- a guarantee issued by Keyware Technologies NV and Keyware for an amount of EUR 750 k in principal;
- a guarantee issued by the "Waarborgbeheer NV", for an amount of 75% of the loan;
- a cash deficiency clause, signed by Management BVBA;

On 01 March 2011, Keyware Smart Card NV concluded an investment loan with Big Friend NV for an amount of EUR 500,000. This loan is repayable over a period of 60 months in instalments of EUR 10 k (including interest). The applicable interest rate is 8%.

(12) Lease obligations

This item can be specified as follows:

Obligations under finance lease	30.06.2011	31.12.2010	30.06.2010
	kEUR	kEUR	kEUR
Sale & leaseback Parfip	620	889	1,170
Financial leasing cars	-	3	8
Total	**620**	**892**	**1,178**

Between June 2008 and January 2009, the Group concluded eight 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 2011, the total outstanding debt amounted to 1,189 kEUR, of which 620 kEUR has been booked as long term and 569 kEUR as short term.

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

Finance lease obligations as per 30.06.2011	1 year	1-5 years	> 5 years
	kEUR	kEUR	kEUR
Total future redemption obligation:	690	675	-
of which:			
- principal	569	620	-
- interest	121	55	-

In addition, the Group has concluded various finance lease agreements for, amongst others, cars. The total outstanding debt on 30 June 2011 amounts to 12 kEUR, an amount that is totally recorded as short term.

(13) Trade payables - long-term obligations

This item can be specified as follows:

Long-term trade payables	30.06.2011	31.12.2010	30.06.2010
	kEUR	kEUR	kEUR
Financing through Parfip Benelux	2,957	3,154	3,359
Total	**2,957**	**3,154**	**3,359**

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 that varies between 10 and 16 percent 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 that the Group has both a payable and a receivable, which are both expressed in the accounts.

At the end of June 2011, the Group has booked a receivable/liability that corresponds to the total sum of the outstanding principal of the contracts sold in 2007, 2008, 2009, 2010 and 2011. This amounts to a total of 3,912 kEUR, of which 2,957 kEUR is long term and 955 kEUR is short term.

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

This item can be specified as follows:

Short-term trade payables	30.06.2011	31.12.2010	30.06.2010
	kEUR	kEUR	kEUR
Trade payables	2,454	2,241	3,328
Social and fiscal liabilities	178	280	376
Total	**2,632**	**2,521**	**3,704**

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

Short-term trade payables	30.06.2011 kEUR	31.12.2010 kEUR	30.06.2010 kEUR
Current suppliers	718	867	962
Potential liability Parfip	955	999	1,021
Pending disputes	551	54	166
Repayment plans	-	39	14
Unclaimed amounts	-	110	110
Internal consultants	145	56	844
Supplier and simultaneously client	19	28	155
Invoices to be received	281	303	56
Credit notes to be received	(215)	(215)	-
Total	**2,454**	**2,241**	**3,328**

The total amount of the outstanding suppliers includes an amount of 677 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 2011, the Group had four pending disputes with suppliers for a total amount of 551 kEUR. The increase, in comparison with December 31, 2010, can be explained by the fact that one supplier, who until now could not claim part of his debt, initiated a lawsuit against the Group during the second quarter. As of December 31,2010, this debt was partly presented under current suppliers and partly under unclaimed amounts.

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

Concerning the potential liability of Parfip, we refer to what is mentioned under (9) and (13).

The social and fiscal liabilities can be specified as follows:

Social and fiscal liabilities	30.06.2011 kEUR	31.12.2010 kEUR	30.06.2010 kEUR
Withholding taxes to be paid	10	40	64
Social security to be paid	23	68	134
Salaries to be paid	12	54	25
Provision for holiday pay	95	118	111
Provision for year-end bonus	38	-	42
Total	**178**	**280**	**376**

(15) Other liabilities

Other liabilities can be specified as follows:

Other liabilities	30.06.2011	31.12.2010	30.06.2010
	kEUR	kEUR	kEUR
Balance payable acquisition BRV	-	-	62
Advances	1,000	-	-
Debts in dispute	14	97	178
Accruals	50	51	19
Deferred income	49	49	49
Interest income	-	-	85
Other debt	35	2	4
Total	**1,148**	**199**	**397**

At the end of June 2011, advances for an amount of 1,000 EUR k were made available by Parana Management BVBA, the management company of Guido Van der Schueren, director of the Company.

As of 31 March 2011, one disputed debt still remains outstanding for an amount of EUR 41 k. The Court of Appeal sentenced the Company to the payment of the compensation demanded by the counter party. The Company agreed a repayment schedule with the counter party.

The other debt concerns the conviction of the Group by the Court of Appeal concerning the cancellation of a lease agreement

(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 2011, apart from what is stated below.

At the end of June 2011, advances for an amount of 1,000 EUR k were made available by Parana Management BVBA, the management company of Guido Van der Schueren, director of the Company.

On 01 March 2011, Keyware Smart Card NV concluded an investment loan with Big Friend NV for an amount of EUR 500,000. This loan is repayable over a period of 60 months in instalments of EUR 10 k (including interest). 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 2010 consolidated annual report under (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 2011, with regard to these disputes, apart from that which is stated under events after the balance sheet date 2011.

(18) Financing

For this item, reference is made to that which was discussed under "Important events in 2011" - Financing and to that which is stated below.

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

As stated in the consolidated annual report 2010 under (4) Going Concern or continuity, for the further growth and realisation of the 2011-1017 strategic plan, the Group will require additional financing primarily for further financing and expansion of activities related to payment terminals and also for carrying out the necessary investments for the authorisation of payment transactions.

In this context, the Group concluded a loan agreement with Big Friend NV, the management company of the CEO, for an amount of EUR 500 k, during March 2011. In addition, the group has taken up a back loan for an amount of EUR 500 k from ING Belgium.

In February 2011, a warrant holder proceeded to exercise his outstanding warrants, which led to a capital increase of EUR 131 k.

Furthermore, the Group has still been able to call on the credit line at Parfip under the form of the assignment of contracts. At the end of June 2011, contracts were assigned to Parfip Benelux NV for a total amount of EUR 800 k.

At the end of June 2011, advances for an amount of 1,000 EUR k were made available by Parana Management BVBA, the management company of Guido Van der Schueren, director of the Company.

The Group will have to obtain additional financing for the remaining six months of the financial year.
Initially, the Group can also call on the existing credit line at Parfip Benelux and this under the form of the assignment of contracts.
In addition, the Group is negotiating with various financial institutions in connection with obtaining additional bank financing for the Group.