Quarterly report Q3-2010

KEY FIGURES

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

First nine months of 2010:

- The group achieved a turnover of 4,626 kEUR in comparison with 3,746 kEUR for the same period in 2009, which represents an increase in turnover of 20.06%;
- The operating cash flow (EBITDA) for the first six months amounts to 842 kEUR, versus 192 kEUR for the first nine months of 2009, which represents an increase of 338.54%;
- The net profit for the period amounts to 261 kEUR, in comparison with a net loss of (813) kEUR as at 30 September 2009;
- The net cash flow amounts to 831 kEUR, in comparison with 142 kEUR at 30 September 2009, which represents an increase of 485.21%;
- The gross margin declined from 80.82% to 78.45%.

Third quarter of 2010:

- The group achieved a turnover of 1,371 kEUR in comparison with 1,123 kEUR for the same period in 2009, which represents an increase in turnover of 22.08%;
- The operating cash flow (EBITDA) for the second quarter amounts to 159 kEUR, versus 130 kEUR for the third quarter of 2009;
- The net profit for the period amounts to 89 kEUR, in comparison with a net loss of (234) kEUR for the third quarter of 2009;
- The net cash flow for the period amounts to 180 kEUR, in comparison with 10 kEUR for the third quarter of 2009;
- The gross margin declined from 81.92% to 77.17%.

Key figures for the period ending on 30 September	Nine months ending on 30.09.2010	Nine months ending on 30.09.2009	3nd quarter 30.09.2010	3nd quarter 30.09.2009
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	4,626	3,853	1,371	1,123
Profit/(loss) for the period	**261**	**(813)**	**89**	**(234)**
EBITDA	842	192	159	30
Net cash flow	831	142	180	10

MANAGEMENT REPORT ON THE FIRST NINE MONTHS AND THE THIRD 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 nine months of 2010 may be summarized as follows:

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

Gross margin	1st nine months 30.09.2010 kEUR	1st nine months 30.09.2009 kEUR	Change
Turnover	4,626	3,853	20.06%
Raw materials and consumables	(997)	(739)	34.91%
Gross margin	**3,629**	**3,114**	**16.54%**
Gross margin in percent	78.45%	80.82%	

- The **consolidated turnover** for the first nine months of the financial year 2010 amounts to 4,626 kEUR, as compared to 3,853 kEUR for the same period in 2009, which represents an increase of 20.06%. 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 nine months of 2010, the group concluded lease contracts for GPRS devices. In 2009 the first contracts for GPRS devices were concluded in September. 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 34 kEUR.

- The **gross margin** declined from 80.82% to 78.45%. This decrease can be explained by higher acquisition costs for GPRS devices.

- **Personnel costs** decreased by 1.98%.

- The **net impairment of current assets** increased from 571 kEUR to 624 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 9.28%, as a result of the increase in communication expenses and fees, partly compensated by a decrease of the sales and marketing. 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 nine months amounts to 261 kEUR, in comparison with a net loss of (813) kEUR as at 30 September 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 831 kEUR, in comparison with 142 kEUR for the first nine 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 (813) kEUR as at 30 September 2009 to a positive net profit of 261 kEUR as at 30 September 2010.

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

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

Gross margin	3rd quarter Q3-2010 kEUR	3rd quarter Q3-2009 kEUR	Change
Turnover	1,371	1,123	22.08%
Raw materials and consumables	(313)	(203)	53.20%
Gross margin	**1,058**	**920**	**15.22%**
Gross margin in percent	77.17%	81.92%	

- The **consolidated turnover** for the third quarter of the financial year 2010 amounts to 1,371 kEUR, as compared to 1,123 kEUR for the same period in 2009, which represents an increase of 22.08%. 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 third quarter of 2010, the group concluded lease contracts for GPRS devices; whereas in 2009 contracts for GPRS devices were only concluded in September. 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 2 kEUR.

- The **gross margin** declined from 81.92% to 77.17%. This decrease can be explained by higher acquisition costs for GPRS devices.

- **Personnel costs** increased by 2.07%.

- The **net impairment of current assets** decreased from 136 kEUR to 110 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. Additionally, the withdrawal of an amortization of a trade receivable (153 kEUR) is recorded under this heading.

- **Other operating expenses** rose by 38.51 %, as a result of a non-recurring expense related to the final write-off of part of a trade receivable and the increase in fees, which was partially compensated by a decrease in sales and marketing expenses. 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 third quarter amounts to 89 kEUR, in comparison with a net loss of (234) kEUR for the third 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 180 kEUR, in comparison with 10 kEUR for the third 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 (234) kEUR for the third quarter of 2009 to a positive net profit of 89 kEUR for the third 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 September 2010, more than 2.4 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 nine 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.
- following the exercise of 160,000 2008 warrants , the capital was increased by 200 kEUR by a notarial deed, which was executed on 17 September 2010, and 200,000 new shares were issued.

ALTERNATIVE FOR BANCONTACT/MISTERCASH

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.

ROYAL BANK OF SCOTLAND

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. This amount has been recorded under other operating income.

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 September 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 nine months of 2010.

Events after the balance sheet date

At the end of 2007, the group had, due to a dispute with a trading partner, fully written off an outstanding trade receivable for an amount of 280 kEUR. An outstanding debt regarding the same party was kept outstanding. The counterparty was summoned before the court. At the end of September 2010, parties reached an out-of-court settlement, whereby the group will finally recuperate an amount of 193 kEUR (partly cash and partly remission of outstanding debts vis-à-vis the same party). Due to this, the originally recorded amortization was reversed and a final write-off of a trade receivable (for the part that was waived) was recorded. The no longer due amounts were recorded under other operating income.

Outlook

BREAKTHROUGH IN THE MARKET FOR MOBLIE PAYMENTS

With the payment solutions that Keyware offers for mobile payments (via GPRS), the company has succeeded in gaining a firm foothold in this rapidly growing market. Various combination possibilities of high-performance devices and payment subscriptions enable any retailer to receive the customer's payment in an optimal manner on location.

KEYWARE HAS BECOME A FULLY-FLEDGED PLAYER IN THE HIGHER MARKET SEGMENT

As a result of its positioning as "single point of contact" with the widest product range on the Belgian market of payment terminals and payment subscriptions and due to is strong reputation with regard to its service level, Keyware in now also clearly present in the segment of the retail and service chains. As a result, Keyware expects a strong growth of its subscriptions for debit and credit cards.

Notification

In recent months, Keyware has been approached by various foreign industrial parties in connection with far-reaching collaborations and/or a possible takeover. Up to the present, this concerns non-binding talks. The company shall, of course, at the appropriate time inform the market about any consequences of these talks in accordance with its legal obligations to provide information.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statements

Consolidated profit and loss account for the period ending on 30 September	Nine months ending on		3rd quarter	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations				
Turnover	4,626	3,853	1,371	1,123
Other profits and losses	958	102	384	31
Raw materials and consumables used	(997)	(739)	(313)	(203)
Salaries and employee benefits	(1.138)	(1.161)	(345)	(338)
Depreciation	(189)	(185)	(44)	(62)
Impairments-losses of goodwill	-	-	-	-
Net impairment of current assets	(624)	(571)	(110)	(136)
Net change in provisions	-	-	-	-
Other operating expenses	(2,292)	(1,936)	(838)	(605)
Operating profit/(loss)	***346***	***(637)***	***(105)***	***(190)***
Finance income	517	421	177	139
Finance costs	(550)	(493)	(163)	(166)
Profit/(loss) before tax	**311**	**(709)**	**119**	**(217)**
Income tax expense	(50)	(104)	(30)	(17)
Profit/(loss) for the period from continuing operations	**261**	**(813)**	**89**	**(234)**
Profit/(loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**261**	**(813)**	**89**	**(234)**
Weighted average ordinary shares in issue	15,235,120	14,795,833	15,235,120	14,795,833
Weighted average or ordinary shares for diluted earnings per share	16,979,546	16,632,233	16,979,546	16,632,233
Profit/(loss) per share from continuing and discontinued operations				
Basic	0.0173	(0.0549)	0.0114	(0.0219)
Diluted	0.0155	(0.0549)	0.0148	(0.0219)

Condensed consolidated statement of comprehensive income

Consolidated profit and loss account for the period ending on 30 September	Nine months ending on		3rd quarter	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) for the period	**261**	**(813)**	**89**	**(234)**
Other comprehensive income	-	-	-	-
Other unrealised results (net from tax)	**-**	**-**	**-**	**-**
Total realised and unrealised results for the period	**261**	**(813)**	**89**	**(234)**
Profit/(loss) for the period attributable to:				
Owners of the parent company	261	(813)	89	(234)
Non-controlling interests	-	-	-	-

Condensed consolidated statement of financial position

Consolidated statement of financial position at	30.09.2010	31.12.2009	30.09.2009
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Assets			
Goodwill	5,248	5,248	5.248
Other intangible assets	346	510	655
Property, plant and equipment	49	70	95
Deferred tax assets	1,400	1,450	1,517
Finance lease receivables	9,169	7,791	6,497
Other assets	114	111	111
Non-current assets	**16,326**	**15,180**	**14,123**
Inventories	498	492	470
Trade and other receivables	555	352	385
Finance lease receivables	784	1,407	1,723
Prepaids	263	312	351
Cash & cash equivalents	657	34	26
Current assets	**2,759**	**2,597**	**2,955**
Total assets	**19,083**	**17,777**	**17,078**
Equity and liabilities			
Issued capital	18,498	18,063	18,063
Share premiums	4,522	4,522	4,522
Other reserves	119	119	119
Retained earnings	(14,231)	(14,492)	(14,511)
Equity attributable to owners of the parent company	**8,908**	**8,212**	**8,193**
Borrowings	1,779	721	736
Obligations under finance lease	1,021	1,483	1,641
Trade payables	3,193	2,956	2,346
Non-current liabilities	**5,993**	**5,160**	**4,723**
Trade and other payables	3,017	3,487	3,221
Borrowings	353	60	60
Obligations under finance lease	651	567	553
Other liabilities	161	291	328
Current liabilities	**4,182**	**4,405**	**4,162**
Total liabilities	**10,175**	**9,565**	**8,885**
Total equity and liabilities	**19,083**	**17,777**	**17,078**

Condensed consolidated statement of cash flow

Consolidated statement of cash flow for the period ending on 30 September	Nine months ending on 30.09.2010	30.09.2009
	kEUR	kEUR
	(unaudited)	(unaudited)
Cash flow from operating activities		
Result for the period	263	(813)
Depreciation	189	185
Changes in provisions	-	-
Amortization of inventories	-	-
Impairment on finance lease receivables	269	571
Depreciation of capitalized commissions (1)	40	73
Share-based payments	22	22
Deferred tax assets and liabilities	50	104
Operating cash flow before changes in the working capital	833	142
Decrease/(increase) in inventories	(8)	(178)
Decrease/(increase) in finance lease receivables (current and non-current)	(1,024)	(2,183)
Decrease/(increase) in trade and other receivables	(203)	(21)
Decrease/(increase) in prepaids (1)	(13)	(27)
Increase/(decrease) in trade and other payables (current and non-current)	(233)	1,176
Increase/(decrease) in other liabilities	(130)	18
Changes in working capital	(1,611)	(1,215)
Net cash from operating activities	**(788)**	**(1,073)**
Cash flow investing activities		
Additions to property, plant and equipment	(4)	(38)
Additions warranties	(3)	-
Net cash from investing activities	**(7)**	**(38)**
Cash flow from financing activities		
Capital increase	435	445
(Repayments)/proceeds of borrowings (current and non-current)	1,351	567
(Repayments)/proceeds of leasing (current and non-current)	(378)	(168)
Net cash from financing activities	**1,408**	**884**
Net (decrease)/increase in cash and cash equivalents	**623**	**(267)**
Cash and cash equivalents at the beginning of the period	**34**	**293**
Cash and cash equivalents at the end of the period	**657**	**26**

(1) In order to compare the figures, the presentation of figures as for 30.09.2009 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				(813)	(813)		(813)
Total realised and unrealised results for the period	-	-	-	*(813)*	*(813)*	-	*(813)*
Exercise of warrants	445				445		445
Balance at 30.09.2009	**18,063**	**4,522**	**119**	**(14,511)**	**8,193**	**-**	**8,193**

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				261	261		261
Total realised and unrealised results for the period	-	-	-	*261*	*261*	-	*261*
Exercise of warrants	435				435		435
Balance at 30.09.2010	**18,498**	**4,522**	**119**	**(14,231)**	**8,908**	**-**	**8,908**

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 September 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 16 November 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 nine-month period ending 30 September 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 nine months of the financial year, including important transactions with associated parties and their impact on the consolidated financial statements, together with a description of the most important risks and uncertainties of the remaining three 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 32, “Classification issuing of rights”
- 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"
- IFRIC 18, “Transfer of assets from costumers”

The amendments to standards IFRS 3, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 27, IAS 36 and IAS 39 based upon the annual improvement project have not been applied or have generated no impact.

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 September	Segment revenue 30.09.2010 kEUR	Segment revenue 30.09.2009 kEUR	Change
Turnover terminals	4,553	3,746	21.54%
Turnover authorisations	73	107	-31.78%
Total	**4,626**	**3,853**	**20.06%**

Segmented information For Q3	Segment revenue Q3-2010 kEUR	Segment revenue Q3-2009 kEUR	Change
Turnover terminals	1,342	1,092	22.89%
Turnover authorisations	29	31	-6.45%
Total	**1,371**	**1,123**	**22.08%**

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 nine months of 2010 can be represented as follows:

Net impairment of current assets for period ending on 30 September	Nine months ending on 30.09.2010 kEUR	Nine months ending on 30.09.2009 kEUR
Net impairment of finance lease receivables	777	436
Reversal of amortization trade receivable	(153)	-
Net impairment of other receivables	-	135
Total	**624**	**571**

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.

At the end of 2007, the group had, due to a dispute with a trading partner, fully written off an outstanding trade receivable for an amount of 280 kEUR. An outstanding debt regarding the same party was kept outstanding. The counterparty was summoned before the court. At the end of September 2010, parties reached an out-of-court settlement, whereby the group will finally recuperate an amount of 193 kEUR (partly cash and partly remission of outstanding debts vis-à-vis the same party). Due to this, the originally recorded amortization was reversed and a final write-off of a trade receivable (for the part that was waived) was recorded. Net, a withdrawal for an amount of 153 kEUR was recorded.

The impairments of other receivables as at 30.09.2009 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 third quarter of 2010 can be represented as follows:

Net impairments Q3	3rd quarter Q3-2010	Q3-2009
	kEUR	kEUR
Net impairment of finance lease receivables	263	136
Withdrawal amortization trade receivable	(153)	-
Net impairment of other receivables	-	-
Total	**110**	**136**

(7) Other operating expenses

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

Other operating expenses ending on 30 September	Nine months ending on 30.09.2010	30.09.2009
	kEUR	kEUR
Accommodation	107	107
Car expenses	229	210
Material expenses	34	34
Communication expenses	95	68
Fees	1,100	853
Stock market listing	55	34
Representation and delegation	67	33
Sales and marketing	310	355
Interim	27	87
Administration	63	64
Non-deductible VAT	65	56
Other	140	35
Total	**2,292**	**1,936**

The other operating expenses rose by 9.28%, as a result of the increase in communication expenses and fees, partly compensated by a decrease of the sales and marketing expenses. 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 third quarter of 2010 can be represented as follows:

Other operating expenses for Q3	3rd quarter	
	Q3-2010	Q3-2009
	kEUR	kEUR
Accommodation	34	39
Car expenses	81	69
Material expenses	12	12
Communication expenses	27	24
Fees	382	267
Stock market listing	22	9
Representation and delegation	23	5
Sales and marketing	94	121
Interim	1	9
Administration	23	31
Non-deductible VAT	16	15
Other	123	4
Total	**838**	**605**

The other operating expenses rose by 38.51 %, as a result of a non-recurring expense related to the final write-off of part of a trade receivable and the increase in fees, which was partially compensated by a decrease in sales and marketing expenses. 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	30.09.2010	31.12.2009	30.09.2009
	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 three years, which have been approved by the Board of Directors. These budgets were extrapolated over five 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 September 2010, there are no indications of additional impairments.

(9) Finance lease receivables

This item can be summarised as follows:

Finance lease receivables	30.09.2010	31.12.2009	30.09.2009
	kEUR	kEUR	kEUR
Outstanding capital contracts	5,976	4,835	4,151
Outstanding capital financing Parfip	3,193	2,956	2,346
Total	**9,169**	**7,791**	**6,497**

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 September 2010 to a sum of 5,976 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 September 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 4,273 kEUR, of which 3,193 kEUR is long term and 1,080 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 15,436,379 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.

Following the exercise of 160,000 2008 warrants, the capital was increased by 200 kEUR by a notarial deed, which was executed on 17 September 2010, and 160,000 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 private equity 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%.
In July 2010, advances amounting to 750 kEUR were made available by Congra SA. The applicable interest rate is 8%.
Finally Congra SA has granted a loan for an amount of 250 kEUR to the subsidiary Keyware Smart Card NV. This loan is repayable in 20 monthly instalments. The applicable interest rate is 8%.

(12) Obligations under finance lease

This item can be detailed as follows:

Obligations under finance lease	30.09.2010	31.12.2009	30.09.2009
	kEUR	kEUR	kEUR
Sale & leaseback Parfip	1,016	1,465	1,605
Financial leasing cars	5	18	36
Total	**1,021**	**1,483**	**1,641**

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 September 2010, the total outstanding debt amounted to 1,646 kEUR, of which 1,016 kEUR has been booked as long term and 630 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 30.09.2010	1 year kEUR	1-5 years kEUR	> 5 years kEUR
Total future redemption obligation:	806	1,157	-
of which:			
- Principal	630	1,016	-
- Interest	176	141	-

In addition, the group has concluded various finance lease agreements for, amongst others, cars. The total outstanding debt on 30 September 2010 amounts to 26 kEUR, of which 5 kEUR is recorded as long term and 21 kEUR as short term. All these contracts have a term of five years or less.

(13) Trade payables - long-term obligations

This item can be detailed as follows:

Long-term trade payables	30.09.2010 kEUR	31.12.2009 kEUR	30.09.2009 kEUR
Financing through Parfip Benelux	3,193	2,956	2,346
Total	**3,193**	**2,956**	**2,346**

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 that the group has both a payable and a receivable, both of which are expressed in the accounts.

At the end of September 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 4,273 kEUR, of which 3,193 kEUR is long term and 1,080 kEUR is short term.

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

This item can be detailed as follows:

Short-term trade payables	30.09.2010	31.12.2009	30.09.2009
	kEUR	kEUR	kEUR
Trade payables	2,752	3,156	2,800
Social and fiscal liabilities	265	331	421
Total	**3,017**	**3,487**	**3,221**

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

Short-term trade payables	30.09.2010	31.12.2009	30.09.2009
	kEUR	kEUR	kEUR
Current suppliers	678	715	635
Potential liability Parfip	1,080	1,176	1,139
Pending disputes	85	166	177
Repayment plans	14	61	90
Unclaimed amounts	110	110	110
Internal consultants	591	443	304
Supplier and simultaneously client	168	120	106
Invoices to be received	26	365	239
Total	**2,752**	**3,156**	**2,800**

The total amount of the outstanding suppliers includes an amount of 1,257 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 September 2010, there is one repayment plan with a total outstanding debt of 14 kEUR.
At the end of September 2010, the group had four pending disputes with suppliers for a total amount of 85 kEUR.

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

The figures for internal consultants relate to six 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 4,273 kEUR, of which 3,193 kEUR is long term and 1,080 kEUR is short term.

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

Social and fiscal liabilities	30.09.2010	31.12.2009	30.09.2009
	kEUR	kEUR	kEUR
Withholding taxes to be paid	17	63	77
Social security to be paid	35	106	41
Salaries to be paid	27	26	29
VAT to be paid	-	-	94
Provision for holiday pay	126	136	118
Provision for year-end bonus	60	-	62
Total	**265**	**331**	**421**

(15) Other liabilities

Other liabilities can be detailed as follows:

Other liabilities	30.09.2010	31.12.2009	30.09.2009
	kEUR	kEUR	kEUR
Balance payable acquisition BRV	-	62	62
Debts in dispute	76	172	194
Accruals	18	25	26
Deferred income	62	30	44
Other	5	2	2
Total	**161**	**291**	**328**

As of 30 June 2010, there were two amounts under contested debts, amounting to in total 178 kEUR, which were contested by the group. In the course of the third quarter, the group concluded an out-of-court settlement for one of these cases. As a result of this out-of-court settlement, an amount of 38 kEUR was paid and an amount of 64k EUR was recorded into revenue.

As of 30 September, one contested debt still remains outstanding for an amount of 76kEUR. This case has been brought before the 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 nine 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 nine months of 2010, with regard to these disputes, apart from that which is stated under events after the balance sheet date 2010 and settlement agreement.

(18) Capital increase through contribution in kind

On 3 November, the Company published the convocation for an extraordinary general shareholders' meeting. This extraordinary general shareholders' meeting, which will take place on Monday 29 November, serves, inter alia, to take the decision on a capital increase via contributions in kind for an amount of 2,064 kEUR. This concerns, on the one hand, the contribution of loans for an amount of 1,511 kEUR and, on the other hand, the contribution of trade receivables (outstanding debts of internal consultants) for an amount of 553 KEUR..

For more information about this item, reference is made to the website of the Company (**www.keyware.com**).