REGULATED INFORMATION

Quarterly report – Q3-2011

KEY FIGURES

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

First nine months of 2011:

- the Group achieved a turnover of 4,346 kEUR in comparison with 4,626 kEUR for the same period in 2010, which represents a decrease in turnover of 6.05%;
- the operating cash flow (EBITDA) for the first nine months amounts to 366 kEUR, compared to 842 kEUR for the first nine months of 2010;
- the net profit for the period amounts to 54 kEUR, compared to a net profit of 261 kEUR as at 30 September 2010;
- the net cash flow amounts to 456 kEUR, compared to 831 kEUR as at 30 September 2010;
- the gross margin rose from 78.45% to 82.72%.

Third quarter of 2011:

- the Group achieved a turnover of 1,355 kEUR in comparison with 1,371 kEUR for the same period in 2010, which represents a decrease in turnover of 1.17%;
- the operating cash flow (EBITDA) for the second quarter amounts to 136 kEUR, compared to 159 kEUR for the third quarter of 2010;
- the net profit for the period amounts to 4 kEUR, in comparison with a net profit of 89 kEUR for the third quarter of 2010;
- the net cash flow for the period amounts to 163 kEUR, in comparison with 180 kEUR for the third quarter of 2010;
- the gross margin rose from 77.17% to 82.36%.

Key figures for the period ending on 30 September	Six months ending on		2nd quarter	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	4,346	4,626	1,355	1,371
Profit/(loss) for the period	**54**	**261**	**4**	**89**
EBITDA	366	842	136	159
Net cash flow	465	831	163	180

MANAGEMENT REPORT ON THE FIRST NINE MONTHS AND THE THIRD 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 nine months of 2011 can be summarized as follows:

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

Gross margin	1st nine months 30.09.2011 kEUR	1st nine months 30.09.2010 kEUR	Change
Turnover	4,346	4,626	(6.05)%
Raw materials and consumables	(751)	(997)	(24.67)%
Gross margin	**3,595**	**3,629**	**(0.94)%**
Gross margin in percentages	82.72%	78.45%	

- The **consolidated turnover** for the first nine months of the financial year 2011 amounts to 4,346 kEUR, as compared to 4,626 kEUR for the same period in 2010, which represents a decrease of 6.05%. 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.

  Turnover in the authorisation division has increased by 84 kEUR.

- The **other profits and losses** for the first nine months of the financial year 2011 amount to 193 kEUR, as compared to 958 kEUR for the same period in 2010, which represents a decrease of 765 kEUR. This decrease can be explained by the fact that in 2010 non-recurring gains have been recorded, such as 450 kEUR due to the out-of-court settlement with RBS, 151 kEUR regarding settlements (remission) negotiated with suppliers, 58 kEUR double payments that were recorded as result and 63 kEUR withdrawal of a no longer payable debt.

- **Personnel costs** decreased by 13.53%, due to a lower number of sales representatives.

- The **net impairment of current assets** decreased from 624 kEUR to 610 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 13.57%, as a result of an increase in fees and expenses for sales and marketing, partly compensated by an increase in car expenses. 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 nine months amounts to 54 kEUR, in comparison with a net profit of 261 kEUR as at 30 September 2010.
  The decrease of the result can be explained by a decrease in the gross margin and by the fact that in 2010 non-recurring gains were 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 465 kEUR, in comparison with 831 kEUR for the first nine months of 2010. The decrease is explained by that which is mentioned above.

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

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

Gross margin	3nd quarter Q3-2011 kEUR	3nd quarter Q3-2010 kEUR	Change
Turnover	1,355	1,371	(1.17)%
Raw materials and consumables	(239)	(313)	(23.64)%
Gross margin	**1,116**	**1,058**	**5.48%**
Gross margin in percentages	82.36%	77.17%	

- The **consolidated turnover** for the third quarter of the financial year 2011 amounts to 1,355 kEUR, as compared to 1,371 kEUR for the same period in 2010, which represents a decrease of 1.17%. 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 increased by 35 kEUR.

- The **other profits and losses** for the third quarter of the financial year 2011 amount to 76 kEUR, as compared to 384 kEUR for the same period in 2010, which represents a decrease of 308 kEUR. This decrease can largely be explained by the fact that in 2010 non-recurring gains have been recorded, such as 151 kEUR regarding settlements (remission) negotiated with suppliers, 58 kEUR double payments that were recorded as result and 63 kEUR withdrawal of a no longer payable debt.

- **Personnel costs** decreased by 3.48%, due to a lower number of sales representatives.

- The **net impairment of current assets** decreased from 110 kEUR to 170 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 27.57 %, as a result of an increase in fees and other expenses. As of September 30, 2010 a one-off expense regarding the write-off of part of a trade receivable was recorded under other expenses.

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 third quarter amounts to 4 kEUR, in comparison with a net profit of 89 kEUR for the third quarter of 2010.
  The lower the result can be explained by a decrease in the gross margin and by the fact that in 2010 non-recurring gains were recorded (above). The absence of gains is partially compensated by a decrease in personnel costs and other operating expenses.

- The **net cash flow** amounts to 163 kEUR, in comparison with 180 kEUR for the third quarter of 2010. The decrease was due to the same reasons 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 September 2011, more than 1,100 kEUR 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 500 kEUR. This loan is repayable in monthly instalments over a period of 60 months.

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

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

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

Finally, during September 2011, the Group signed a credit agreement for an amount of 1,500 kEUR with a financial institution. Mid November, the last formalities regarding the warranties requested by the financial institution were largely finalized, so that before the end of the month the first portion of this credit facility will be withdrawn.

EXERCISE OF WARRANTS

In February 2011, a warrant holder confirmed his confidence in the Group and proceeded to exercise his outstanding warrants:

- following the exercising of 105,000 Warrants 2008, the capital was increased for an amount of 131 kEUR 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

BREAKTHROUGH IN THE MIDDLE SEGMENT

Following recent investments in its operational processes, Keyware is now ready to breakthrough in the middel segment of shopping centres, service providers, etc. During the first nine months of 2011, the foundations were laid for this and a numer of important references were signed. Further growth within this segment will lead to an increase in the number of payment transactions, both in volume and in revenues.

REPLACEMENT GSM AND PSTN PAYMENT TERMINALS BY GPRS AND IP TERMINALS

The high penetration rate of internet connections in the Belgian market in combination with the speed, the zero communication costs and the user friendliness and convenience of the IP payment terminals result in a very large replacement market for the earlier PSTN payment terminals of various brands. Regarding mobile payment terminals, the GSM terminals, characterised by high communication costs and less operational certainty, are being replaced 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	Nine months ending on		3rd quarter	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations				
Turnover	4,346	4,626	1,355	1,371
Other profits and losses	193	958	76	384
Raw materials and consumables	(751)	(997)	(239)	(313)
Salaries and employee benefits	(984)	(1,138)	(333)	(345)
Depreciation	(149)	(189)	(55)	(44)
Net impairment of current assets	(610)	(624)	(170)	(110)
Net change in provisions	-	-	-	-
Other operating expenses	(1,981)	(2,292)	(607)	(838)
Operating profit/(loss)	***64***	***344***	***27***	***105***
Finance income	604	517	191	177
Financial expenses	(528)	(550)	(172)	(163)
Profit/(loss) before tax	**140**	**311**	**46**	**119**
Income tax expense	(86)	(50)	(42)	(30)
Profit/(loss) for the period from continuing operations	**54**	**261**	**4**	**89**
Profit/(loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**54**	**261**	**4**	**89**
Weighted average number of issued ordinary shares	16,791,168	15,235,120	16,791,168	15,235,120
Weighted average number of shares for diluted result per share	18,492,031	16,979,546	18,492,031	16,979,546
Profit/(loss) per share from the continuing and discontinued operations				
Profit/(loss) per share (Basic)	0.0032	0.0114	0.0002	0.0058
Profit/(loss) per share (Diluted)	0.0029	0.0102	0.0002	0.0052

Condensed consolidated statement of comprehensive income

Summary of comprehensive income for the period ending on	Nine months ending on 30.09.2011 kEUR (unaudited)	Nine months ending on 30.09.2010 kEUR (unaudited)	3rd quarter 30.09.2011 kEUR (unaudited)	3rd quarter 30.09.2010 kEUR (unaudited)
Profit/(loss) for the period	**54**	**261**	**4**	**89**
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)	**-**	**-**	**-**	**-**
	54	**261**	**4**	**89**
Profit/(loss) for the period attributable to:				
Owners of the parent company	54	261	4	89
Non-controlling interests	-	-	-	-
Total of the realised and comprehensive income of the period allocatable t**o:**				
Owners of the parent company	-			-
Non-controlling interests	-			-
Weighted average number of issued ordinary shares	16,791,168	15,235,120	16,791,168	15,235,120
Weighted average number of shares for diluted result per share	18,492,031	16,979,546	18,492,031	16,979,546
Profit/(loss) per share from the continuing and discontinued operations				
Profit/ (loss) per share	0.0032	0.0114	0.0002	0.0058
Profit/ (loss) per diluted share	0.0029	0.0102	0.0002	0.0052

Keyware

Condensed consolidated statement of financial position

Consolidated statement of financial position at	30.09.2011 kEUR (unaudited)	31.12.2010 kEUR (audited)	30.09.2010 kEUR (unaudited)
Assets			
Goodwill	5,248	5,248	5,248
Other intangible assets	228	359	346
Property, plant and equipment	108	132	49
Deferred tax assets	1,599	1,685	1,400
Finance lease receivables	9,555	9,049	9,169
Other assets	60	57	114
Non-current assets	**16,798**	**16,530**	**16,326**
Inventories	814	593	498
Trade and other receivables	888	824	555
Finance lease receivables	1,027	1,096	784
Prepaids	197	117	263
Cash & cash equivalents	395	148	657
Current assets	**3,321**	**2,778**	**2,757**
Total assets	**20,119**	**19,308**	**19,083**
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	(14,231)
Equity attributable to owners of the parent company	**11,509**	**11,324**	**8,908**
Borrowings	914	429	1.779
Lease obligations	487	892	1,021
Trade payables	2,757	3,154	3,193
Non-current liabilities	**4,158**	**4,475**	**5,993**
Trade and other payables	2,328	2,521	3,017
Borrowings	411	166	353
Lease obligations	552	623	651
Other liabilities	1,161	199	161
Current liabilities	**4,452**	**3,509**	**4,182**
Total liabilities	**8,610**	**7,984**	**10,175**
Total equity and liabilities	**20,119**	**19,308**	**19,083**

Condensed consolidated statement of cash flow

Consolidated statement of cash flow for the period ending on	Nine months ending on 30.09.2011 kEUR (unaudited)	Nine months ending on 30.09.2010 kEUR (unaudited)
Cash flow from operating activities		
Result for the period	54	261
Financial income (1)	(604)	(517)
Financial expenses (1)	528	550
Depreciation	149	189
Impairment on finance lease receivables	147	269
Depreciation of capitalized commissions (1)	6	40
Share-based payments	22	22
Deferred tax assets and liabilities	86	50
Operating cash flow before changes in the working capital components	388	864
Decrease/(increase) of inventories	(221)	(6)
Decrease/(increase) of finance lease receivables (current & non-current)	(584)	(1.024)
Decrease/(increase) of trade and other receivables	(64)	(203)
Decrease/(increase) of prepaids	(108)	(13)
Increase/(decrease) of trade and other payables (current & non-current)	(590)	(233)
Increase/(decrease) in other liabilities	962	(130)
Changes in working capital components	(605)	(1.609)
Interest paid (1)	(264)	(282)
Interest received (1)	340	249
Net cash from operating activities	**(141)**	**(778)**
Cash flow investing activities		
Acquisition of intangible and tangible fixed assets	6	(4)
(Increase)/decrease guarantees	(3)	(3)
Net cash from investing activities	**3**	**(7)**
Cash flow from financing activities		
Capital increase	131	435
(Repayments)/proceeds of borrowings (current & non-current)	730	1.351
(Repayments)/proceeds of leasing (current & non-current)	(476)	(378)
Net cash from financing activities	**247**	**1.408**
Net (decrease)/increase in cash and cash equivalents	**614**	**623**
Cash and cash equivalents at the beginning of the period	**148**	**34**
Cash and cash equivalents at the end of the period	**395**	**657**

(1) In order to compare the figures, the presentation of figures as of 30.09.2010 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				261	261		261
Total realised and comprehensive income 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**

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	54		54
Total realised and comprehensive income for the period	-	-	-	*54*	*54*	-	*54*
Exercise of warrants	131				131		131
Balance at 30.09.2011	**6,200**	**4,522**	**287**	**500**	**11,509**	**-**	**11,509**

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 nine months, ending on 30 September 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 22 November 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 nine-month period ending 30 September 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 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 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 September 2011 can be specified as follows.

Amounts in kEUR Segment information	30.09.2011 kEUR Terminals (unaudited)	30.09.2011 kEUR Authorisations (unaudited)	30.09.2011 kEUR Corporate (unaudited)	30.09.2011 kEUR (unaudited)
Continuing operations				
Turnover (internal and external)	*4,199*	*157*	-	*4,356*
Turnover (intern compared to other segment)	*10*	-	-	*10*
Net turnover	4,189	157	-	4,346
Other profits and losses	186	4	3	193
Raw materials and consumables	(709)	(42)	-	(751)
Salaries and employee benefits	(865)	(48)	(71)	(984)
Depreciation	(11)	(44)	(94)	(149)
Net impairment of current assets	(610)	-	-	(610)
Other operating expenses	(1,336)	(117)	(528)	(1,981)
Operating profit/(operating loss)	**844**	**(90)**	**(690)**	**64**
Financial income	604	-	-	604
Financial expenses	(462)	(2)	(64)	(528)
Profit/(loss) before taxes	**986**	**(92)**	**(754)**	**140**
Taxes on the result	(86)	-	-	(86)
Profit/(loss) for the period from continuing operations	**900**	**(92)**	**(754)**	**54**
Profit/(loss) for the period from discontinued operations	-			-
Profit/(loss) for the period	**900**	**(92)**	**(754)**	**54**

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

Amounts in kEUR	Q3-2011	Q3-2011	Q3-2011	Q3-2011
	kEUR	kEUR	kEUR	Keur
Segment information	Terminals	Authorisations	Corporate	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations				
Turnover (internal and external)	*1,295*	*64*	*-*	*1,359*
Turnover (intern compared to other segment)	*4*	*-*	*-*	*4*
Net turnover	1,291	64	-	1,355
Other profits and losses	74	2	-	76
Raw materials and consumables	(225)	(14)	-	(239)
Salaries and employee benefits	(303)	(13)	(29)	(333)
Depreciation	(4)	(22)	(29)	(55)
Net impairment of current assets	(170)	-	-	(170)
Other operating expenses	(394)	(55)	(158)	(607)
Operating profit/(operating loss)	**269**	**(38)**	**(204)**	**27**
Financial income	191	-	-	191
Financial expenses	(139)	-	(33)	(172)
Profit/(loss) before taxes	**321**	**(38)**	**(237)**	**46**
Taxes on the result	(42)	-	-	(42)
Profit/(loss) for the period from continuing operations	**279**	**(38)**	**(237)**	**4**
Profit/(loss) for the period from discontinued operations	-			-
Profit/(loss) for the period	**279**	**(38)**	**(237)**	**4**

(6) Net impairment of current assets

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

Net impairment of current assets for period ending on	Nine months ending on	
	30.09.2011	30.09.2010
	kEUR	kEUR
Net impairment of finance lease receivables	610	777
Withdrawal write-off trade receivable	-	(153)
Total	**610**	**624**

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 third quarter of 2011 can be specified as follows:

Net impairments Q3	3nd quarter	
	Q3-2011	Q3-2010
	kEUR	kEUR
Net impairment of finance lease receivables	170	263
Withdrawal write-off trade receivable	-	(153)
Total	**170**	**110**

(7) Other operating expenses

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

Other operating expenses ending on 30 September	Nine months ending on	
	30.09.2011	30.09.2010
	kEUR	kEUR
Accommodation	109	107
Car expenses	270	229
Material expenses	32	34
Communication expenses	112	95
Fees	877	1,100
Stock market listing	64	55
Representation and delegation	30	67
Sales and marketing	249	310
Interim	50	27
Administration	62	63
Non-deductible VAT	51	65
Other	75	140
Total	**1,981**	**2,292**

Other operating expenses decreased by 13.57%, as a result of an increase in fees and expenses for sales and marketing, partly compensated by an increase in car expenses. 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.

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

Other operating expenses for Q3	3nd quarter	
	Q3-2011	Q3-2010
	kEUR	kEUR
Accommodation	36	34
Car expenses	85	81
Material expenses	5	12
Communication expenses	39	27
Fees	283	382
Stock market listing	13	22
Representation and delegation	5	23
Sales and marketing	100	94
Interim	12	1
Administration	15	23
Non-deductible VAT	10	16
Other	4	123
Total	**607**	**838**

Other operating expenses decreased by 27.57 %, as a result of an increase in fees and other expenses. As of September 30, 2010, a one-off expense regarding the write-off of part of a trade receivable was recorded under other expenses.
The decrease in fees is a consequence of lower expenses for lawyers and the departure of an independent consultant who was not replaced.

(8) Goodwill

This item can be specified as follows:

Goodwill	30.09.2011	31.12.2010	30.09.2010
	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 September 2011, there are no indications of additional impairments.

(9) Finance lease receivables

This item can be summarised as follows:

Finance lease receivables	30.09.2011	31.12.2010	30.09.2010
	kEUR	kEUR	kEUR
Outstanding capital contracts	6,908	6,005	5,976
Outstanding capital financing Parfip	2,757	3,154	3,193
Provision for the termination of outstanding contracts	(110)	(110)	-
Total	**9,555**	**9,049**	**9,169**

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 September 2011 to a sum of 6,908 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 September 2011, the Group has 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 3,699 kEUR, of which 2,757 kEUR is long term and 942 kEUR is short term.

(10) Capital Structure

As per 30 September 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	30.09.2011	31.12.2010	30.09.2010
	kEUR	kEUR	kEUR
ING financing	375	217	45
Congra SA financing	158	193	964
Big Friend NV financing	362	-	-
Parana Management financing	19	19	667
Johan Hellinckx financing	-	-	103
Total	**914**	**429**	**1.779**

In connection with the purchase of the shares of B.R.V Transactions NV, ING provided an investment loan for an amount of 300 kEUR to Keyware Transactions & Processing NV. This loan is repayable in 20 quarterly payments of 15 kEUR. 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 300 kEUR 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 250 kEUR available. This loan is repayable in 60 monthly payments of 5 kEUR (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 750 kEUR. In August 2010, the first portion of this loan, amounting to 250 kEUR, was taken up. The second and last portion of this bank loan (ING), amounting to 500 k EUR, was taken up in March 2011.
This total loan (750 kEUR) is repayable in 16 quarterly payments of 46 kEUR (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 500 kEUR. This loan is repayable over a period of 60 months in instalments of 10 kEUR (including interest). The applicable interest rate is 8%.

(12) Lease obligations

This item can be specified as follows:

Obligations under finance lease	30.09.2011	31.12.2010	30.09.2010
	kEUR	kEUR	kEUR
Sale & leaseback Parfip	487	889	1,016
Financial leasing cars	-	3	5
Total	**487**	**892**	**1,021**

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 September 2011, the total outstanding debt amounted to 1,030 kEUR, of which 487 kEUR has been booked as long term and 543 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 30.09.2011	1 year	1-5 years	> 5 years
	kEUR	kEUR	kEUR
Total future redemption obligation:	682	523	-
of which:			
- principal	543	487	-
- interest	139	36	-

In addition, the Group has concluded various finance lease agreements for, amongst others, cars. The total outstanding debt on 30 September 2011 amounts to 9 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	30.09.2011	31.12.2010	30.09.2010
	kEUR	kEUR	kEUR
Financing through Parfip Benelux	2,757	3,154	3,193
Total	**2,757**	**3,154**	**3,193**

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 September 2011, the Group has 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 3,699 kEUR, of which 2,757 kEUR is long term and 942 kEUR is short term.

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

This item can be specified as follows:

Short-term trade payables	30.09.2011	31.12.2010	30.09.2010
	kEUR	kEUR	kEUR
Trade payables	2,050	2,241	2,752
Social and fiscal liabilities	278	280	265
Total	**2,328**	**2,521**	**3,017**

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

Short-term trade payables	30.09.2011	31.12.2010	30.09.2010
	kEUR	kEUR	kEUR
Current suppliers	342	867	678
Potential liability Parfip	942	999	1,080
Pending disputes	551	54	85
Repayment plans	-	39	14
Unclaimed amounts	-	110	110
Internal consultants	95	56	591
Supplier and simultaneously client	8	28	168
Invoices to be received	327	303	26
Credit notes to be received	(215)	(215)	-
Total	**2,050**	**2,241**	**2,752**

The total amount of the outstanding suppliers includes an amount of 681 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 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	30.09.2011	31.12.2010	30.06.2010
	kEUR	kEUR	kEUR
Withholding taxes to be paid	30	40	17
Social security to be paid	59	68	35
Salaries to be paid	43	54	27
Provision for holiday pay	97	118	126
Provision for year-end bonus	49	-	60
Total	**278**	**280**	**265**

(15) Other liabilities

Other liabilities can be specified as follows:

Other liabilities	30.09.2011	31.12.2010	30.09.2010
	kEUR	kEUR	kEUR
Advances	1,020	-	-
Debts in dispute	23	97	76
Accruals	45	51	18
Deferred income	73	49	62
Other debt	-	2	5
Total	**1,161**	**199**	**161**

At the end of September 2011, advances for an amount of 1,000 kEUR 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 23 k EUR. 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 nine months of 2011, apart from what is stated below.

At the end of June 2011, advances for an amount of 1,000 kEUR 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 500 kEUR. This loan is repayable over a period of 60 months in instalments of 10 kEUR (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 2011-2017 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 500 kEUR, during March 2011.

In addition, the Group drew down the second and last portion of the bank loan (ING) amounting to 500 kEUR.

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

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 September 2011, contracts were assigned to Parfip Benelux NV for a total amount of 1,100 kEUR.

At the end of June 2011, advances for an amount of 1,000 kEUR 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 three 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.

Finally, during September 2011, the Group signed a credit agreement for an amount of 1,500 kEUR with a financial institution. Mid-November the last formalities regarding the warranties requested by the financial institution were largely finalized, so that before the end of the month the first portion of this credit facility will be withdrawn.