

PayPoint plc
Interim Management Statement
25 January 2011

The board reports on events, transactions and trading from 27 September to 26 December 2010.

Bill and general payment transactions in the UK are up over 6% on last year, which is ahead of our expectations. In prepaid gas and electricity especially, the cold weather experienced by most of the country has benefited transaction volumes. The number of bill payments in Romania has doubled compared to the same period last year, with 3.3 million transactions processed in the period. Mobile top-up volumes in the UK, Romania and Ireland continue to be lower than last year, as a consequence of mobile operators offering consumers more airtime for lower prices. Retail services continue to show encouraging growth with transaction volumes increasing by 29% on last year.

Internet transactions increased over 40% to 17 million compared to 12 million for the same period last year. We expect to process transactions this financial year for our three new large gaming merchants (Unibet, Sporting Bet, and Stan James).

In Romania, we have now replaced all mobile only sites with full service sites in our continuing efforts to broaden the business, making it less reliant on mobile top-ups. We will introduce money transfer services across the country through PayPoint terminals in the next financial year. Growth in bill payments has been encouraging, but the continuing decline in mobile top-ups has pushed back profitability into the next financial year.

Performance¹ for the period from 27 September 2010 to 26 December 2010² and financial position¹ as at 26 December 2010

Terminal sites in the UK and Ireland increased by 318 and by 298 in Romania.

Transactions processed in the period were 162 million, including 3.6 million of PayByPhone transactions, up 11% from 146 million in the same period last year. Revenues of £51 million were up 1% on the same period as last year, including a decline in mobile top-up revenues of £1.6 million.

Net revenues³ for the period were up 7% to £22 million, as a result of growth in bill payment, retail services and the acquisition of PayByPhone.

Earnings before tax and interest for the period to 26 December are in line with market expectations, taking seasonality of trading into account.

After the payment of the interim dividend of £5 million, part repayment of the short-term loan of £4 million and corporation tax of £2 million, net cash⁴ at 26 December was £16 million (including client cash of £8 million), compared to £13 million (including client cash of £7 million) at 26 September 2010.

1 PayPoint's auditors have not been requested to review the performance or financial position

2 Comparative data is given for the similar 13 week period last year (i.e. 28 September to 27 December 2009)

3 Net revenue is revenue less the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients.

4 Net cash is cash after short-term borrowings

Enquiries

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Notes to Editors

PayPoint is a leading international provider of convenient payments and value added services to major consumer service organisations in the utility, telecoms, media, financial services, transport, retail, gaming and public sectors. We handle over £10 billion from almost 570 million transactions annually for more than 6,000 clients and merchants. We deliver payments and services through a uniquely strong combination of local shops, internet and mobile distribution channels.

Retail networks

PayPoint operates branded retail networks in the UK, Ireland and Romania. The network in the UK numbers over 22,700 terminals located in local shops (including Co-op, Spar, McColls, Costcutter, Sainsburys Local, One Stop, Londis and thousands of independents) in all parts of the UK. Our terminals process energy meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, BBC TV licences and a wide variety of other payment types for most leading utilities and many telecoms and consumer service companies.

In Romania, the branded retail network numbers over 5,300 terminals located in local shops across Romania and is expanding. Our terminals process cash bill payments for utilities and mobile phone top-ups. In the Republic of Ireland, we have over 500 outlets in shops and Credit Unions processing mobile top-ups and bill payments.

We also supply added value services to our retail agents to improve the yield from our network. In the UK, we have recently introduced a consumer parcel drop off and collection service using PayPoint's retail network through Collect+, a joint venture with Yodel (formerly Home Delivery Network and DHL Express UK Limited). This service is already available in 3,400 of our convenience retail agents. Clients include ASOS, Littlewoods, Woolworths, New Look, Dorothy Perkins, Very, Mobile Phone Xchange, Virgin Media and Great Universal. In addition, in the UK, we have over 2,400 LINK branded ATMs, mainly in the same sites as our terminals.

Internet channel

PayPoint.net is an internet payment service provider, linking into all major UK acquiring banks to deliver secure online credit and debit card payments for over 5,000 web merchants, including PKR, Betsson, Moneysupermarket.com, Severn Trent Water, Moonpig and British Gas. We offer a comprehensive set of products ranging from a transaction gateway through to a bureau service, in which we take the merchant credit risk and manage settlement for the merchants. We offer real-time reporting for merchant transactions and Fraudguard, an advanced service to mitigate the risk of fraud for card not present transactions.

Mobile channel

We acquired PayByPhone in March 2010. PayByPhone is a leading international provider of services to parking authorities allowing consumers to use their mobile phones to pay for their parking by credit or debit card. It has contracts in the UK, Canada, USA and France.

PayPoint is widely recognised for its leadership in payment systems, smart technology and consumer service. Our high quality services are backed by a 24/7 operations centre with dual site processing for business continuity.

PayPoint sustains its competitive differentiation by aiming to meet clients' payment needs, not just through a wide spectrum of payments, but also with products that span payment channels. For example, PayCash enables cash payment for internet transactions at PayPoint retail agents and our new home vending solutions allow consumers to pay across the internet as well as through our retail network. Our combination of distribution channels makes us unique in this regard.