



29 January 2015

**PayPoint plc
Interim Management Statement**

The board reports on events, transactions and trading since the half year results to 30 September 2014.

Performance¹ for the third quarter period ending 31 December 2014

Overall transactions processed for the quarter were 216.9 million, up 5% on the 205.6 million transactions processed in the same period last year.

Revenues of £58 million were up 2% on last year. Net revenues² were £32 million, up 4% from last year, with continued strong growth in retail services offset by declines in top-ups and Mobile and Online. Bill and general net revenue was slightly higher than last year. Romanian bill payments continued to grow strongly. UK energy payments were held back, despite further growth in prepayment meters and increased PayPoint market share, as utilities have reported significantly reduced gas consumption. Furthermore, last year, we benefited from non-recurring set-up revenues for the DWP's Simple Payment services.

UK and Irish bill and general transactions were up 1% on last year, notwithstanding the lower than expected gas consumption. Retail services transactions (ATMs, debit/credit cards, parcels, money transfer and mobile phone SIM cards) grew substantially, up 29% on last year. Mobile top-ups continued to decrease as the prepaid mobile sector declined, partially offset however, by an increase in other top-ups. UK and Irish retail sites at 31 December numbered 28,292, up by 295 since the half year end.

In Romania, profitable growth continued. We processed 13.8 million bill payments in the period, up 27% on last year. We increased our terminal estate since the half year end by 268 sites to 9,024 and continue to add new clients.

Collect+ volumes increased by 37% to over 5.8 million transactions in the period, with a record Christmas week of 598,000 transactions. Our Collect+ network continued to expand, with an increase of 205 sites to 5,822 since the half year end.

Mobile and Online transactions increased by 9% to 36.5 million in the period, compared to 33.4 million last year, with parking transactions up 17% to 9.6 million, despite the loss of Westminster, and online payment transactions up 7% to 26.9 million. Progress has been made in the aggregation of the Mobile and Online business. Nonetheless, net revenues in the quarter were lower than last year.

Balance sheet

The group has maintained a strong balance sheet. Net cash at 31 December was £28 million (excluding client cash), after payment of the interim dividend of £8.4m in the period, compared to £25 million (excluding client cash) at 30 September 2014.



Post balance sheet event

HMRC has issued a ruling, effective 1 March 2015, rendering some services partially exempt for VAT, changing arrangements that have been in place for more than 15 years. We have asked HMRC to review the ruling but are required to comply unless it is overturned. At current business levels, the ruling would cost between £1million and £2million in annual irrecoverable VAT. The impact next year will depend on the proportion of services deemed to be exempt.

Outlook

Dominic Taylor, PayPoint's Chief Executive, said:

"We expect to deliver results for the full year to March 2015 within the range of market expectations, despite lower than expected energy volumes in the third quarter."

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

² Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

Enquiries

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ABOUT PAYPOINT

PayPoint is an international leader in payment technologies, its solutions transforming payments for everyone from consumer and financial services companies to retailers, utilities, media, e-commerce, gaming and government clients.

PayPoint delivers payments and services by taking the complexity of multi-channel payments and translating it into convenient, simple, value-added solutions. It handles almost £15 billion from over 800 million transactions annually for more than 6,000 clients and merchants.

With the backing of 24/7 operations centres with dual site processing, PayPoint is widely recognised for its leadership in payment systems, smart technology and service.

Retail networks

The PayPoint retail network across the UK numbers over 28,200 local shops (including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, Tesco Express, One Stop, Asda, Londis and thousands of independents), where it processes energy meter pre-payments, bill payments, benefit payments, mobile phone top-ups, transport tickets, BBC TV licences, cash withdrawals and a range of other transactions. In Romania, the retail network numbers 9,000 terminals in local shops, helping people to make cash bill payments, money transfers, road tax payments and mobile phone top-ups. In the Republic of Ireland, over 500 terminals in shops and credit unions process mobile top-ups and bill payments.

Collect+, a joint venture with Yodel, provides a parcel drop-off and pick-up service at more than 5,800 PayPoint retailers. PayPoint's ATM network numbers more than 3,900 'LINK' branded machines across the UK, and 9,700 PayPoint terminals enable retailers to accept credit and debit cards.

Mobile and Online

PayPoint Mobile and Online (formerly trading as PayPoint.net, PayByPhone and Adaptis) handles over 142 million payments for parking, payments and consumer services. In major cities in the UK, Canada, USA, France, Switzerland and Australia, its parking solutions make it easy for people to pay for parking by mobile, as well as providing electronic parking permits, automatic number plate recognition systems for car parks and penalty charge notices.



PayPoint's core online payments platform is linked to 16 major acquiring banks in the UK, Europe and North America, delivering secure credit and debit card payments for 4,800 online merchants. Its suite of products ranges from transaction gateway to a bureau service, in addition to value-added services such as FraudGuard, an advanced service that mitigates the risk of fraud in card not present transactions.