



PayPoint plc
Interim Management Statement
14 August 2009

The board reports on events, transactions and trading since the last year end. For the period to 26 July, trading has been satisfactory.

During the period, contracts with clients and retailers were signed or renewed including a new long term contract with British Gas. Commencing later this year, all new gas cards and electricity keys issued by British Gas will only operate on the PayPoint and Post Office networks, and from 2011 this will be extended to all British Gas over the counter payments for cards, keys and regular bill payments.

Bill and general payment transactions in the UK are in line with our expectations. As anticipated, mobile top-up volumes in the UK, Romania and Ireland continue to be lower than last year, as a consequence of mobile operators offering more airtime for lower prices. The decrease in mobile top-ups in the UK will be partially mitigated by the winning of a contract in July with McColls which has 1,300 retail outlets. In Romania, we have added eight new bill pay clients since year end.

PayCash has helped PayPoint.net win new merchant contracts and we are restructuring selectively our merchant acquiring base to make our credit card offering to our merchants more competitive. However, the impact of these changes has been overshadowed by the predicted impact of the migration of large gaming merchants from the Bureau service (where we process the transaction, arrange settlement and take credit risk) to our lower margin Gateway service (where we process the transaction only). This migration will complete in the second half of the year.

Collect+ has had a promising start, and has processed 60,000 parcel returns. We intend to extend our Collect+ network to at least 4,000 sites in support of a service that allows customers to choose our stores as a delivery location. This will launch this autumn.

Performance¹ for the period from 30 March 2009 to 26 July 2009² and financial position¹ as at 26 July 2009

Terminal sites in the UK and Ireland have increased by 488 since the year end to 22,478 in line with expectations. Terminal sites in Romania have reduced by 135 to 5,567 since the year end reflecting the removal of low volume, mobile only sites, mitigated by an increase in bill payment sites.

Transactions processed for the period were 167 million, up 2% compared to 163 million for the same period last year. Revenues of £64m are down 11% on the same period as last year as a result of fewer mobile top-ups but other transaction growth has lifted net revenues³ for the period to £24m, up 3%.

Earnings before tax and interest for the period to 26 July are in line with pro-rated market expectations, taking seasonality of trading into account⁴.

The group has maintained a strong balance sheet with no debt and net cash. After the payment of the final dividend of £8 million and £6 million for corporation tax, net cash at 26 July was £27 million (including client cash of £7 million) compared to £36 million (including client cash of £8 million) at 30 March 2009.

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

2 Comparative data is given for the similar 17 week period last year (i.e. 31 March to 27 July 2008)

3 Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups where PayPoint is the principal and acquiring bank charges

4 Last year, PayPoint reported second half earnings before interest and taxes of nearly 60% of the full year as a result of the higher volume of energy usage in the winter months



Enquiries

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Notes to Editors

PayPoint is the leading cash and internet payments company in the UK, with operations also in Ireland and Romania. We handle nearly £9 billion from over 540 million transactions annually for more than 6,000 clients and merchants. The company operates several businesses:

- The PayPoint branded retail network numbers over 22,000 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 and Ireland. Our terminals process gas and electricity 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, telecommunications suppliers and many consumer service companies;
- An ATM network which has over 2,300 'LINK' branded machines across the UK, typically in convenience stores;
- PayPoint.net, an internet payment service provider, delivers secure online credit and debit card payments for over 5,000 web merchants, linking into all major UK acquiring banks;
- Pay Store SRL, trading as PayPoint Romania, a mobile top-up operator with over 5,700 outlets equipped with electronic terminals. A bill payment service has been added to increase the breadth of PayPoint's offering in Romania, emulating the UK branded retail network; and
- Collect+, a joint venture with Home Delivery Network Limited, provides a parcel collection and drop off service at our retailers.

PayPoint floated on the London Stock Exchange in September 2004 and the company's market capitalisation at 13 August 2009 was £362 million.