

PayPoint plc
Interim Management Statement
21 January 2010

The board reports on events, transactions and trading since the end of the period covered by the half yearly financial report. For the period to 27 December 2009, trading has been satisfactory.

Bill and general payment transactions in the UK are in line with our expectations. A slow start to the third quarter for energy prepayments was offset by much stronger activity as a result of the colder weather starting in December, when energy prepayments were 7% ahead of December 2008. As reported in the half yearly financial report, 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.

PayPoint.net transactions increased to 12 million from 10 million in the same period last year. The business continued the restructuring of its merchant acquiring base and its focus on product differentiation to improve its merchant offering.

We have nearly completed the restructuring of our UK field team, which will enable us to grow sales in the UK through our existing network utilising the breadth and depth of our product offering. In Romania, we have continued removing terminals from low volume, low margin sites. This should lead to the elimination of mobile only sites in the first half of the next financial year, whilst accelerating the roll-out of full service (bill payment and mobile top-up) sites. This will allow us to reduce field costs and increase the average revenue per site.

Performance¹ for the period from 28 September 2009 to 27 December 2009² and financial position¹ as at 27 December 2009

New installations of terminal sites in the UK and Ireland were 491 since the half year. The insolvency of two substantial off-licence retailers, which together operated 520 retail sites with PayPoint terminals, reduced the site count at 27 December to 22,389. Excluding the impact of these insolvencies, churn was lower than in the comparative period. Terminal sites in Romania have reduced by 695 to 5,049 since the half year end, reflecting the removal of low volume, mobile only sites, mitigated by an increase in full service sites.

Transactions processed for the period were 146 million, down 1% compared to 147 million for the same period last year. Revenues of £51 million are down 13% on the same period as last year as a result of fewer mobile top-ups.

Net revenues³ for the period were up 3% to £21 million as a result of growth in bill payment, internet and other income.

Earnings before tax and interest for the period to 27 December are in line with pro-rated market expectations, taking seasonality of trading into account.

The group has maintained a strong balance sheet with no debt and net cash. After the payment of the interim dividend of £5 million and £2 million for corporation tax, net cash at 27 December was £33 million (including client cash of £7 million) compared to £27 million (including client cash of £7 million) at 27 September 2009.

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. 29 September to 28 December 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

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. It handles over £9.3 billion from almost 550 million transactions annually for more than 6,000 clients and merchants. The company operates several businesses:

- The PayPoint branded retail network numbers over 22,300 terminals located in local shops (including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, One Stop, Londis and thousands of independents) in all parts of the UK and Ireland. The 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 5,200 web merchants, linking into all major UK acquiring banks;
- PayPoint Romania, a branded national retail network of over 2,400 terminals located in local shops which process cash bill payments for all the major utilities and mobile top-ups and a further 2,600 terminals that process mobile top-ups only; and
- Collect+, a joint venture with Home Delivery Network Limited, provides a parcel collection and drop off service at PayPoint retailers.

PayPoint floated on the London Stock Exchange in September 2004 and the company's market capitalisation at 19 January 2010 was £298 million. PayPoint is widely recognised for its leadership in prepayment systems, smart technology and consumer service.