



INTERIM REPORT JANUARY – MARCH 2012



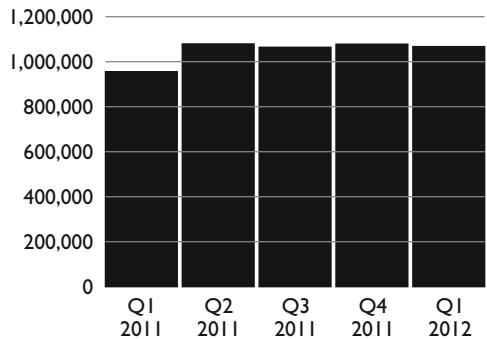
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(The figures in brackets refer to the same period of 2011 unless otherwise specified.)

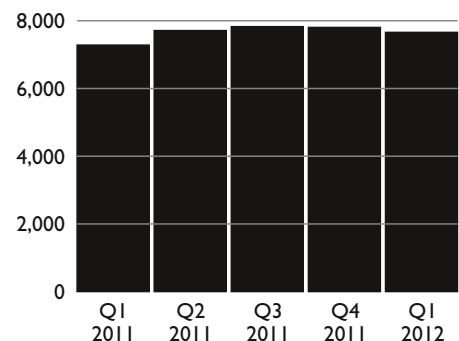
## FIRST QUARTER 2012

- The transaction volume for the first quarter was SEK 1,067,385 thousand (955 706), an increase of 11.7 per cent compared to the same period of last year.
- Transaction-based revenue for the first quarter was SEK 7,660 thousand (7,284), up by 5.1 compared to the first quarter of 2011.
- Profit/loss before amortization decreased by SEK 227 thousand to SEK 387 thousand (614).
- Profit/loss after tax improved by SEK 77 thousand to SEK -1,172 thousand (-1,249).
- Earnings per share were SEK -0.01 (-0.02).
- Together with its partner Scandisys, Paynova has developed a new solution for processing of card payments over the telephone. The solution is targeted mainly to the travel and hotel industries, which need to upgrade to more secure technology in response to stricter rules for storage of card numbers.
- Paynova has added the payment method Sofort, a type of direct payment that gives e-merchants access to consumers in a number of European countries.
- Thanks to a new connection to the e-commerce solution Magento, Paynova can launch its entire range of payment services to all e-merchants that use the Magento platform.

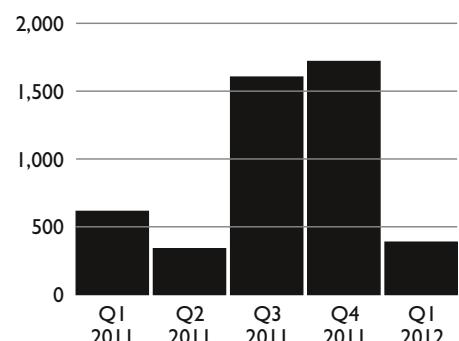
**Transaction volume, SEK th**



**Transaction-based revenue, SEK th**



**Profit before amortization, SEK th**



## COMMENTS FROM THE CEO

THE TRANSACTION VOLUME and gross revenue for the first quarter increased over the same period of last year. Cash flow is positive, but earnings are burdened by continued high costs for amortization. Sales activities are proceeding according to plan and have among other things resulted in an agreement with the online travel agency Resia that was signed at the end of the quarter. Aside from the Nordic region, we have also signed with new customers in the German and Italian markets.

Paynova's position as a wide platform for e-commerce was further improved during the period. Not only have we now integrated the e-commerce platform Magento, which gives all Magento merchants access to Paynova's services, we have also added the payment method Sofort, which is an important complement for the non-Nordic markets. In addition, Paynova is accentuating its capabilities for mobile payment solutions. In this area, Paynova has the major advantage of being an independent player that can deploy several different solutions side-by-side in our platform, evaluate their performance and successively focus on the technology that is best received by the market.

First quarter revenue from the associated company Chinova was low. During the period, the company has enhanced its business model. In mid-May, following consultations with ChinaPay and the company's main financier, Chinova's board of directors decided to take the first step in upgrading the eMall in preparation for a full-scale launch that will have effects such as increased transaction growth starting in the third quarter of 2012.

Paynova is seeing rising demand for the value added service **PLUS**, which enables e-merchants to more easily reach multiple markets via an agreement with Paynova and achieve collective and efficient processing of payments from direct banks. I believe that this interest is fuelled by the fact that e-merchants' need to keep their organizations cost-effective and therefore see valuable benefits in simplified administration.



Simon Thaning, CEO

There is a high level of activity on the marketing side. A seminar is planned for the autumn and a new website is expected to be launched before the summer of 2012.

Simon Thaning  
Stockholm, May 2011

# FINANCIAL INFORMATION

Compared to the same period of last year, profit after tax for the first quarter improved by SEK 77 thousand.

## TRANSACTION VOLUME AND REVENUE

The transaction volume for the first quarter was SEK 1,067,385 thousand (955 706). Transaction-based revenue rose by SEK 376 thousand and amounted to SEK 7,660 thousand (7,284). Other revenue included SEK 170 thousand (205) in account maintenance fees for the quarter. Most of the revenue from account maintenance was recognized in 2010.

## OPERATING EXPENSES AND NET FINANCIAL ITEMS

Operating expenses excluding direct transaction costs and amortization rose by SEK 901 thousand compared to the first quarter of last year and amounted to SEK 5,891 thousand (4,990). In the first quarter of 2011 Paynova reversed a cost provision regarding a dispute, which resulted in a costs decrease of SEK 746 thousand for 2011. Amortization for the quarter totalled SEK 1,466 thousand (1,730) and profit/loss from financial investments was SEK -93 thousand (-133). Profit/loss after tax for the first quarter improved by SEK 77 thousand compared to the same period of last year and amounted to SEK -1,172 thousand (-1,249).

## CASH FLOW AND FINANCIAL POSITION

At 31 March 2012 the Group had cash and cash equivalents of SEK 126 thousand (756) and a bank overdraft facility of 3,000 thousand (3,000), of which SEK 39 thousand (0) has been utilized. Interest-bearing liabilities are reported at SEK 3,539 thousand (4,300) and consolidated equity at SEK 14,662 thousand (13,578), equal to an equity/assets ratio of 63 per cent (55).

Cash flow from operating activities before changes in working capital for the quarter was SEK 294

thousand (481). The self-produced production system is reported as an intangible asset with a value of SEK 10,635 thousand (15,419). Costs for development projects were capitalized in an amount of SEK 368 thousand (300) during the quarter. Capitalized development costs are amortized on a straight-line basis over a period of five years.

## TAX

No capitalization of the deferred tax asset on tax loss carryforwards is reported. Unutilized tax loss carryforwards in the Parent Company in connection with the 2012 tax assessment amounted to SEK 260,176 thousand (257,247).

## EQUITY

The total share capital at 31 March 2012 amounted to SEK 8 705 thousand, divided between 87,049,545 shares with a quota value of SEK 0.10 each. Consolidated equity at 31 March 2012 was SEK 14,662 thousand (13,578).

## EMPLOYEES

At 31 March 2011 Paynova had 13 employees (13), of whom 4 were women (4). Sickness absence was low during the quarter. The average number of employees during the period was 13 (14).

## RELATED PARTY TRANSACTIONS

No related party transactions took place during the first quarter.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

No significant events have taken place after the end of the period.

## OUTSTANDING OPTION RIGHTS

Issues	No. of new shares	Subscription price SEK	Subscription period
Option rights 2012 *	1,530,000	1.30	1 May 2012 – 31 May 2012

\*) Within the framework of an employee incentive scheme, the Annual General Meeting on 14 May 2009 approved the issuance of 1,650,000 share options, of which 1,530,000 options have been granted. No additional grants will take place.

# RISK FACTORS

Through its business activities, Paynova is exposed to risks. The most significant risks in business activities include:

## RISK FOR FRAUD

Paynova cooperates with leading players in the market to stay at the cutting edge of fraud prevention measures. The company works very actively to prevent fraud, but there is no guarantee that Paynova will not be a victim of fraud, beyond what is normally experienced in this type of business, or that Paynova's credibility will not be damaged in another way.

In addition to these risks, there are risks associated with currency exposure, dependency on key persons, market confidence, suppliers of financial services, products, systems and intellectual property rights.

A more detailed description of Paynova's risk exposure is provided in the company's annual report for 2011.

## REGULATORY RISKS

Paynova has been PCI-certified (according to the Payment Card Industry Data Security Standard) since 2006 and constantly strives to improve and update its security as the PCI rules are tightened. Although Paynova works actively to prevent payments from being processed in contravention of the applicable rules and regulations of the card issuer networks, there is no guarantee that Paynova will not suffer damage in the future.

## LIQUIDITY RISK

Liquidity risk is the risk that Paynova will be unable to meet its payment obligations when due. Paynova focuses on minimizing this risk by among other things with the help of high cost control and good advance planning.

## FINANCING RISK

Financing risk is defined as the risk that financing of operations will be difficult and/or expensive to obtain. In view of the company's current development, the Board's assessment is that no financing risk exists for the coming 12-month period. In the event of deviations from the planned development, the situation could change.

# Consolidated statement of comprehensive income

SEK TH	Q 1 2012	Q 1 2011	Q 2 2011 -Q 1 2012	2011
<b>Operating income</b>				
Transaction-based revenue	7,660	7,284	31,008	30,632
Other revenue	476	372	2,952	2,848
<b>Total operating income</b>	<b>8,136</b>	<b>7,656</b>	<b>33,960</b>	<b>33,480</b>
<b>Operating expenses</b>				
Direct transaction costs	-1,858	-2,052	-7,830	-8,024
Production costs	-558	-535	-2,188	-2,165
Other external expenses	-2,384	-1,679	-9,491	-8,786
Personnel costs	-2,949	-2,776	-10,403	-10,230
Amortization and impairment	-1,466	-1,730	-6,309	-6,573
<b>Total operating expenses</b>	<b>-9,214</b>	<b>-8,772</b>	<b>-36,221</b>	<b>-35,777</b>
<b>OPERATING PROFIT/LOSS</b>	<b>-1,079</b>	<b>-1,116</b>	<b>-2,261</b>	<b>-2,297</b>
Gain on the sale of shares in associated company	-	-	6,353	6,353
Other financial expenses	-93	-133	-627	-667
<b>Total profit/loss from financial investments</b>	<b>-93</b>	<b>-133</b>	<b>5,726</b>	<b>5,686</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>-1,172</b>	<b>-1,249</b>	<b>3,465</b>	<b>3,389</b>
Income tax expense	-	-	-	-
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-1,172</b>	<b>-1,249</b>	<b>3,465</b>	<b>3,389</b>
<b>Expenses recognised directly in equity</b>				
Profit/loss from participations in associates	-655	-506	-2,467	-2,318
Foreign exchange differences	-81	3	32	118
<b>COMPREHENSIVE INCOME FOR THE PERIOD *</b>	<b>-1,908</b>	<b>-1,752</b>	<b>1,030</b>	<b>1,189</b>
Basic earnings per share, SEK	-0.01	-0.02	0.04	0.04
Diluted earnings per share, SEK	-0.01	-0.02	0.04	0.04

\*) The full amount of comprehensive income is attributable to owners of the Parent Company.

# Consolidated statement of financial position

SEK TH	31 MAR 2012	31 MAR 2011	31 DEC 2011
<b>ASSETS</b>			
Non-current assets	10,635	15,419	11,716
Capitalized development costs	105	230	122
Financial assets	361	4,204	1,016
<b>Current assets</b>			
Other current assets	12,089	4,284	12,077
Cash and cash equivalents	126	756	240
Cash and cash equivalents, customer funds	12,903	12,675	12,526
<b>TOTAL ASSETS</b>	<b>36,219</b>	<b>37,568</b>	<b>37,697</b>
<b>Equity attributable to owners of the Parent Company</b>	<b>14,662</b>	<b>13,578</b>	<b>16,490</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowing, interest-bearing	3,539	4,300	4,408
Customer funds owed	12,903	12,675	12,526
Other current liabilities, non interest-bearing	5,115	7,015	4,273
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,219</b>	<b>37,568</b>	<b>37,697</b>
<b>Pledged assets</b>			<b>7,500</b>
<b>Contingent liabilities</b>	<b>None</b>	<b>None</b>	<b>None</b>

# Consolidated statement of changes in equity

SEK TH	Q I 2012	Q I 2011	2011
<b>Opening balance at beginning of period</b>	<b>16,490</b>	<b>5,579</b>	<b>5,579</b>
New share issue	-	10,000	10,000
Issue expenses	-	-249	-279
Foreign exchange differences	81	-	-
Comprehensive income for the period	-1,908	-1,752	1,189
<b>CLOSING BALANCE AT END OF PERIOD</b>	<b>14,662</b>	<b>13,578</b>	<b>16,490</b>

# Consolidated cash flow statement

SEK TH	Q 1 2012	Q 1 2011	2011
<b>Cash flow from operating activities before change in working capital</b>	<b>294</b>	<b>481</b>	<b>10,825</b>
Change in working capital	-40	-9,203	-20,376
<b>Cash flow from operating activities</b>	<b>254</b>	<b>-8,722</b>	<b>-9,551</b>
Cash flow from investing activities	-368	-300	45
Proceeds from new share issue	-	10,000	10,000
Issued expenses paid	-	-249	-279
<b>Cash flow for the period</b>	<b>-114</b>	<b>729</b>	<b>216</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>240</b>	<b>24</b>	<b>24</b>
<b>Foreign exchange difference in cash and cash equivalents</b>	<b>-</b>	<b>3</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD *</b>	<b>126</b>	<b>756</b>	<b>240</b>

\*) The granted bank overdraft facility amounts to SEK 3,000 thousand, of which SEK 39 thousand has been utilized.

## Quarterly overview

	Q 1 2012	Q 4 2011	Q 3 2011	Q 2 2011	Q 1 2011
Gross transaction volume, SEK th	1,067,385	1,085,922	1,064,305	1,079,154	955,706
Transaction-based revenue, SEK th	7,660	7,806	7,829	7,713	7,284
Transaction costs, SEK th	-1,858	-1,941	-2,057	-1,974	-2,052
Net transactions, SEK th	5,802	5,865	5,772	5,739	5,232
Profit/loss after financial items, SEK th	-1,172	6,303	-209	-1,455	-1,249
Basic earnings per share, SEK	-0.01	0.07	0.00	-0.02	-0.02
Diluted earnings per share, SEK	-0.01	0.07	0.00	-0.02	-0.01
Equity, SEK	14,662	16,490	11,223	11,899	13,578
Equity per share, SEK	0.17	0.19	0.13	0.14	0.16
Diluted equity per share, SEK	0.17	0.19	0.13	0.14	0.15
Operating margin, %	neg.	0.9	neg.	neg.	neg.
Return on operating capital, %	neg.	0.2	neg.	neg.	neg.
Return on capital employed, %	neg.	0.4	neg.	neg.	neg.
Return on equity, %	neg.	38	neg.	neg.	neg.
Equity/assets ratio, %	63	66	47	53	55
Debt/equity ratio, %	24	27	64	43	32

\*) Calculation of the equity/assets ratio does not include customer funds.

# Parent Company profit and loss statement

SEK TH	Q 1 2012	Q 1 2011	Q 2 2011 -Q 1 2012	2011
<b>Operating income</b>				
Transaction-based revenue	7,660	7,284	31,008	30,632
Other revenue	476	372	2,952	2,848
<b>Total operating income</b>	<b>8,136</b>	<b>7,656</b>	<b>33,960</b>	<b>33,480</b>
<b>Operating expenses</b>				
Direct transaction costs	-1,858	-2,052	-7,830	-8,024
Production costs	-558	-535	-2,188	-2,165
Other external expenses	-2,384	-1,679	-9,491	-8,786
Personnel costs	-2,949	-2,776	-10,402	-10,229
Amortization and impairment	-1,466	-1,730	-6,309	-6,573
<b>Total operating expenses</b>	<b>-9,215</b>	<b>-8,772</b>	<b>-36,220</b>	<b>-35,777</b>
<b>OPERATING PROFIT/LOSS</b>	<b>-1,079</b>	<b>-1,116</b>	<b>-2,260</b>	<b>-2,297</b>
<b>Profit/loss from financial investments</b>				
Financial income	-	4	4,161	4,165
Financial expenses	-93	-137	-623	-667
<b>Total profit/loss from financial investments</b>	<b>-93</b>	<b>-133</b>	<b>3,538</b>	<b>3,498</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>-1,172</b>	<b>-1,249</b>	<b>1,278</b>	<b>1,201</b>
Income tax expense	-	-	-	-
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-1,172</b>	<b>-1,249</b>	<b>1,278</b>	<b>1,201</b>

# Parent Company balance sheet

SEK TH	31 MAR 2012	31 MAR 2011	31 DEC 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10,635	15,419	11,716
Tangible assets	105	230	122
Financial assets	3,819	7,383	3,820
<b>Total non-current assets</b>	<b>14,559</b>	<b>23,032</b>	<b>15,658</b>
<b>Current assets</b>			
Current receivables	12,089	4,377	12,077
Cash and cash equivalents	126	756	240
Cash and cash equivalents, customer funds	12,903	12,675	12,526
<b>Total current assets</b>	<b>25,118</b>	<b>17,808</b>	<b>24,843</b>
<b>TOTAL ASSETS</b>	<b>39,677</b>	<b>40,840</b>	<b>40,501</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	17,375	16,127	18,547
Current liabilities	22,302	24,713	21,954
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>39,677</b>	<b>40,840</b>	<b>40,501</b>
<b>Pledged assets</b>	<b>6,900</b>	<b>7,200</b>	<b>7,500</b>
<b>Contingent liabilities</b>	<b>None</b>	<b>None</b>	<b>None</b>

## ACCOUNTING POLICIES

This interim report is presented in accordance with IAS 34 (Interim Financial Reporting) and the Swedish Annual Accounts Act. The interim report of the Parent Company complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for Legal Entities). The interim report should be read together with the annual report for 2011.

The Board of Directors and the CEO hereby give their assurance that this interim report provides a true and fair picture of the business activities, financial position and results of operations of the Parent Company and the Group, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 8 May 2012

Simon Thaning, CEO

## FINANCIAL CALENDAR

Interim report January-June 2012: 14 August 2012

Interim report January-September 2012: 30 October 2012

Year-end report 2012: 14 February 2013

## ABOUT PAYNOVA

Paynova is a leading provider of Internet-based payment services. The company caters primarily to major e-merchants and offers a basic service and a number of optional services, including advanced fraud protection. Paynova also offers a comprehensive service, including payment, that enables Western online merchants to sell their products on the Chinese market. The company has been listed on NGM Equity since February 2004.

## REVIEW

This interim report has not been reviewed by the company's independent auditors.

## FOR ADDITIONAL INFORMATION CONTACT

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## Five-year overview

	2011	2010	2009	2008	2007
Number of shares at end of period, thousands	87,050	82,050	82,050	43,184	39,830
Diluted number of shares at end of period, thousands	87,050	82,050	82,050	43,184	42,981
Average number of shares, thousands	86,091	82,050	72,772	41,271	35,429
Average diluted number of shares, thousands	86,660	82,050	72,772	42,773	39,985
Gross transaction volume, SEK th	4,205,309	4,084,969	3,089,871	646,496	489,893
Transaction-based revenue, SEK th	30,632	30,567	31,308	17,188	15,377
Transaction costs, SEK th	-8,024	-9,091	-10,854	-10,479	-9,495
Net transactions, SEK th	22,608	21,476	20,454	6,709	5,882
Profit/loss after financial items, SEK th	3,389	306	-20,574	-42,578	-47,582
Equity per share, SEK	0.19	0.07	0.08	0.12	0.72
Diluted equity per share, SEK th	0.19	0.07	0.08	0.12	0.67
Equity, SEK th	16,490	5,579	6,182	5,065	28,848
Interest-bearing net cash, SEK th	8,358	6,511	15,506	10,272	30,613
Equity/assets ratio, %	66	22	18	15	59
Debt/equity ratio, %	27	105	105	168	-
Average number of employees	14	14	19	23	22
Capital expenditure, intangible assets, SEK th	1,345	1,470	1,537	4,879	4,844
Capital expenditure, tangible assets, SEK th	8	27	139	218	191
Capital expenditure, financial assets, SEK th	-1,375	-	6,332	-	-



**paynova®**

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