



INTERIM REPORT JANUARY – JUNE 2012

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

SECOND QUARTER 2012

- The transaction volume for the second quarter was SEK 1,134,371 thousand (1,079,154), an increase of 5 per cent compared to the same period of last year.
- Transaction-based revenue for the second quarter was SEK 8,027 thousand (7,713), up by 4 per cent compared to the same quarter of 2011.
- Profit/loss before amortization decreased by SEK 838 thousand to SEK -499 thousand (339).
- Profit/loss after tax fell by SEK 475 thousand to SEK -1,930 thousand (-1,455).
- Earnings per share were SEK -0.02 (-0.02).

SIGNIFICANT EVENTS IN THE SECOND QUARTER

- Together with its collaboration partner Scandisys, Paynova launched a PCI-compliant solution for travel agencies.
- Paynova signed an agreement with Resia for card payments via telephone sales.
- Launch of a payment interface for mobile e-commerce.
- Agreement signed with Big Travel.

JANUARY - JUNE 2012

- The transaction volume for the first half of the year was SEK 2,218,120 thousand (2,034,861), an increase of 8 per cent compared to the same period of last year.
- Transaction-based revenue for the period was SEK 15,687 thousand (14,997), up by 5 per cent year-over-year.
- Profit/loss before amortization decreased by SEK 1,065 thousand to SEK -112 thousand (953).
- Profit/loss after tax declined by SEK 398 thousand till -3,102 thousand (-2,704).
- Earnings per share amounted to SEK -0.04 (-0.03).

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- After the end of the period, a risk for a credit loss has arisen. A provision of SEK 1.6 million has been made for this risk.

COMMENTS FROM THE CEO

TRANSACTION VOLUMES UP BY 5 PER CENT

Paynova is continuing its efforts to intensify market cultivation and strengthen the service offering. Transaction volumes increased by 5 per cent compared to the same period of 2011 – largely thanks to the new e-merchants that signed up during the year. At the same time, we are aware that we can expect persistent downward pressure on margins over time. In the past quarter several major merchants decided to use Paynova's services, not least in the travel industry (Resia, Big Travel), for which Paynova has developed a secure new payment service. The solution, which enables travel agencies to accept card payments over the Internet and telephone without any need for costly PCI certification, has been well received and Paynova sees potential for growth in its market shares.

Our product development in the important mobile area has also advanced through Paynova's launch of a new interface for mobile e-commerce during the summer. Paynova's international character has always been a central aspect of the company and our service portfolio was reinforced during the quarter with the payment method Sofort, a key component for online merchants who need to reach target groups in Germany with several European markets.

Another of Paynova's strengths is our operating reliability, which is a decisive parameter for merchants who regard the Web as business critical. Paynova works continuously to stay ahead of the competitors in being able to offer its customers the most stable payment services.

Revenue from the associated company Chinova remained low during the second quarter. As previously announced Chinova is in the process of enhancing its business model and is carrying out a related financing aimed at boosting transaction growth starting in the third quarter of 2012.

Overall development for both Paynova's transaction volumes and new sales is positive, and at the time of writing this report it appears likely that this trend will last throughout the coming quarter.

Simon Thaning

Stockholm, August 2012

FINANCIAL INFORMATION

TRANSACTION VOLUME AND REVENUE

The transaction volume for the second quarter was SEK 1,134,371 thousand (1,079,154). Transaction-based revenue rose by SEK 314 thousand and amounted to SEK 8,027 thousand (7,713). Other revenue included SEK 165 thousand (204) in account maintenance fees. Most of the revenue from account maintenance was recognized in 2010.

The transaction volume for the first half of the year was SEK 2,218,120 thousand (2,034,861). Transaction-based revenue grew by SEK 690 thousand and amounted to SEK 15,687 thousand (14,997). Other revenue included SEK 335 thousand (409) in account maintenance fees.

OPERATING EXPENSES AND NET FINANCIAL ITEMS

Operating expenses excluding direct transaction costs and amortization rose by SEK 1,170 thousand compared to the second quarter of last year and amounted to SEK 7,086 thousand (5,916). Amortization for the quarter totalled SEK 1,467 thousand (1,678) and profit/loss from financial investments was SEK 36 thousand (-116). Profit/loss after tax for the quarter fell by SEK 475 thousand and amounted to SEK -1,930 thousand (-1,455).

Operating expenses excluding direct transaction costs and amortization for the first half of the year increased by SEK 2,071 thousand compared to the same period of last year and reached SEK 12,977 thousand (10,906). In the first quarter of 2011 Paynova reversed a cost provision regarding a dispute, which resulted in a cost decrease of SEK 746 thousand for 2011. Amortization for the first half of 2012 totalled SEK 2,933 thousand (3,408) and profit/loss from financial investments was SEK -57 thousand (-249). Profit/loss after tax declined by SEK 398 thousand and amounted to SEK -3,102 thousand (-2,704).

After the end of the period, a risk for a credit loss has arisen. A provision of SEK 1.6 million was made for this risk during the second quarter.

CASH FLOW AND FINANCIAL POSITION

At 30 June 2012 the Group had cash and cash equivalents of SEK 115 thousand (21) and a bank overdraft facility of 3,000 thousand (3,000), of which SEK 0 thousand (823) has been utilized. Interest-bearing liabilities are reported at SEK 3,500 thousand (5,124) and consolidated equity at SEK 11,992 thousand (11,899), equal to an equity/assets ratio of 54 per cent (53).

Cash flow from operating activities before changes in working capital for the quarter was SEK -463 thousand (237). The self-produced production system is reported as an intangible asset with a value of SEK 9,551 thousand (14,141). Costs for development projects were capitalized in an amount of SEK 364 thousand (359) during the quarter. Capitalized development costs are amortized on a straight-line basis over a period of five years.

Cash flow from operating activities before changes in working capital for the first half of the year was SEK -169 thousand (718).

OUTSTANDING OPTION RIGHTS

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. The subscription period ran until 31 May 2012 with an exercise price of SEK 1.30. The option rights have not been utilized.

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 30 June 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 30 June 2012 was SEK 11,992 thousand (11,899).

EMPLOYEES

At 30 June 2011 Paynova had 13 employees (14), of whom 4 were women (5). The organization also includes 3 consultants (2) who maintain services that are of a permanent nature, but who are not included in personnel costs in the profit and loss statement.

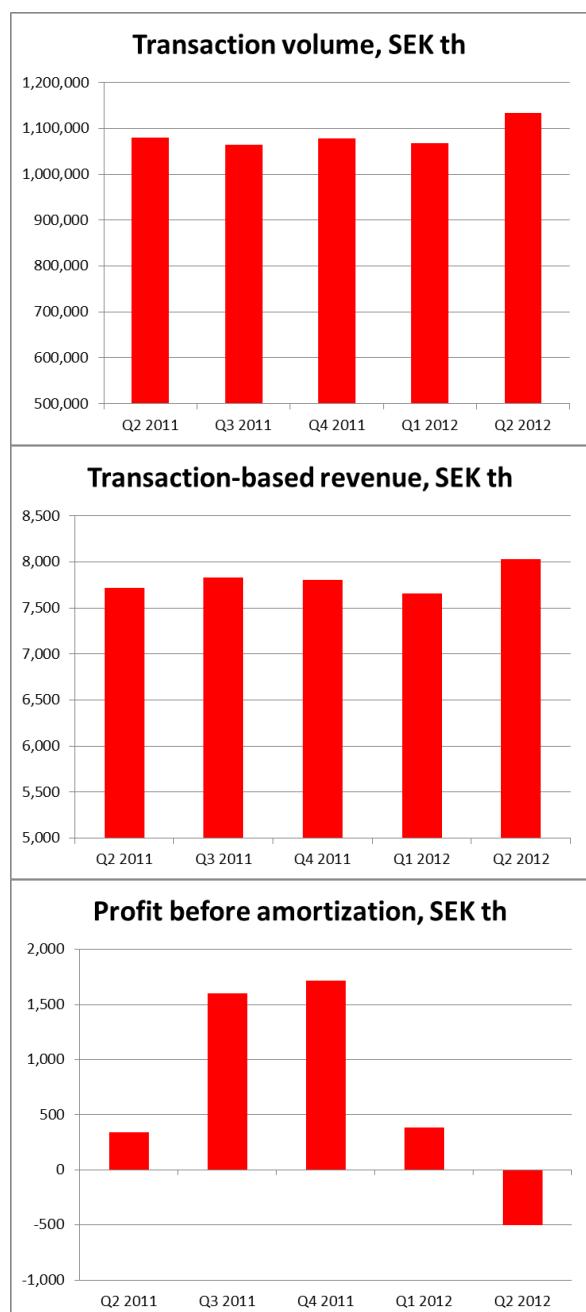
Sickness absence was low during the quarter. The average number of employees during the period was 13 (14).

RELATED PARTY TRANSACTIONS

No related party transactions took place during the second quarter.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

After the end of the period, a risk for a credit loss has arisen. A provision of SEK 1.6 million has been made for this risk.



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.

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, among other things with the help of strict 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.

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK th	Q2 2012	Q1 2012		Q1 2011		Q3 2011		Full year 2011
		Q2 2011	-Q2 2012	-Q2 2011	Q2 2012			
Operating income								
Transaction-based revenue	8,027	7,713	15,687	14,997	31,322			30,632
Other revenue	412	516	888	888	2,848			2,848
Total operating income	8,439	8,229	16,575	15,885	34,170			33,480
Operating expenses								
Direct transaction costs	-1,852	-1,974	-3,710	-4,026	-7,708			-8,024
Production costs	-502	-512	-1,060	-1,047	-2,178			-2,165
Other external expenses	-3,828	-2,748	-6,212	-4,427	-10,571			-8,786
Personnel costs	-2,756	-2,656	-5,705	-5,432	-10,503			-10,230
Amortization/depreciation and impairment	-1,467	-1,678	-2,933	-3,408	-6,098			-6,573
Total operating expenses	-10,405	-9,568	-19,620	-18,340	-37,058			-35,777
OPERATING PROFIT/LOSS	-1,966	-1,339	-3,045	-2,455	-2,888			-2,297
Gain on the sale of shares in associated company	-	-	-	-	6,353			6,353
Other financial income and expenses	36	-116	-57	-249	-475			-667
Total profit/loss from financial investments	36	-116	-57	-249	5,878			5,686
PROFIT/LOSS AFTER FINANCIAL ITEMS	-1,930	-1,455	-3,102	-2,704	2,990			3,389
Income tax expense	-	-	-	-	-			-
PROFIT/LOSS FOR THE PERIOD	-1,930	-1,455	-3,102	-2,704	2,990			3,389
Expenses recognised directly in equity								
Profit/loss from participations in associates	-740	-205	-1,395	-711	-3,002			-2,318
Foreign exchange differences	0	11	-81	14	21			118
COMPREHENSIVE INCOME FOR THE PERIOD *	-2,670	-1,649	-4,578	-3,401	9			1,189
Basic earnings per share, SEK	-0.02	-0.02	-0.04	-0.03	0.04			0.04
Diluted earnings per share, SEK	-0.02	-0.02	-0.04	-0.03	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	30 June 2012	30 June 2011	31 Dec 2011
ASSETS			
Non-current assets			
Capitalized development costs	9,551	14,141	11,716
Property, plant and equipment	100	198	122
Financial assets	0	3,998	1,016
Current assets			
Other current assets	12,595	4,137	12,077
Cash and cash equivalents	115	21	240
Cash and cash equivalents, customer funds	14,176	13,090	12,526
TOTAL ASSETS	36,537	35,585	37,697
Equity attributable to owners of the Parent Company	11,992	11,899	16,490
LIABILITIES			
Current liabilities			
Short-term borrowings, interest-bearing	3,500	5,124	4,408
Customer funds owed	14,176	13,090	12,526
Other current liabilities, non interest-bearing	6,869	5,472	4,273
TOTAL EQUITY AND LIABILITIES	36,537	35,585	37,697
Pledged assets	6,700	7,200	7,500
Contingent liabilities	None	None	None

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK th	Q1 2012	Q1 2011	Full year
	-Q2 2012	-Q2 2011	2011
Opening balance at beginning of period	16,490	5,579	5,579
New share issue	-	10,000	10,000
Issue expenses	-	-279	-279
Foreign exchange differences	81	-	-
Comprehensive income for the period	-4,578	-3,401	1,189
CLOSING BALANCE AT END OF PERIOD	11,992	11,899	16,490

CONSOLIDATED CASH FLOW STATEMENT

SEK th	Q1 2012	Q1 2011	Full year
	-Q2 2012	-Q2 2011	2011
Cash flow from operating activities before change in working capital	-169	718	10,079
Change in working capital	1,170	-10,521	-20,376
Cash flow from operating activities	1,001	-9,803	-10,297
Cash flow from investing activities	-1,125	-667	45
Proceeds from new share issue	-	10,000	10,000
Issued expenses paid	-	-279	-279
Change in notes receivable	-	746	746
Cash flow for the period	-125	-3	216
Cash and cash equivalents at beginning of period	240	24	24
CASH AND CASH EQUIVALENTS AT END OF PERIOD	115	21	240

*) The granted bank overdraft facility amounts to SEK 3,000 thousand, of which SEK 0 thousand has been utilized.

QUARTERLY OVERVIEW

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Gross transaction volume, SEK th	1,134,371	1,067,385	1,085,922	1,064,305	1,079,154
Transaction-based revenue, SEK th	8,027	7,660	7,806	7,829	7,713
Transaction costs, SEK th	-1,852	-1,858	-1,941	-2,057	-1,974
Net transactions, SEK th	6,175	5,802	5,865	5,772	5,739
Profit/loss after financial items, SEK th	-1,930	-1,172	6,303	-209	-1,455
Basic earnings per share, SEK	-0.02	-0.01	0.07	0.00	-0.02
Diluted earnings per share, SEK	-0.02	-0.01	0.07	0.00	-0.02
Equity, SEK th	11,992	14,662	16,490	11,223	11,899
Equity per share, SEK	0.14	0.17	0.19	0.13	0.14
Diluted equity per share, SEK	0.14	0.17	0.19	0.13	0.14
Operating margin, %	neg.	neg.	0.9	neg.	neg.
Return on operating capital, %	neg.	neg.	0.2	neg.	neg.
Return on capital employed, %	neg.	neg.	0.4	neg.	neg.
Return on equity, %	neg.	neg.	38	neg.	neg.
Equity/assets ratio, %	54	63	66	47	53
Debt/equity ratio, %	29	24	27	64	43

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

PARENT COMPANY PROFIT AND LOSS STATEMENT

SEK th	Q2 2012	Q2 2011	Q1 2012	Q1 2011	Q3 2011	Full year
			-Q2 2012	-Q2 2011	Q2 2012	2011
Operating income						
Transaction-based revenue	8,027	7,713	15,687	14,997	31,322	30,632
Other revenue	412	516	888	888	2,848	2,848
Total operating income	8,439	8,229	16,575	15,885	34,170	33,480
Operating expenses						
Direct transaction costs	-1,852	-1,974	-3,710	-4,026	-7,708	-8,024
Production costs	-502	-512	-1,060	-1,047	-2,178	-2,165
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Personnel costs	-2,756	-2,656	-5,705	-5,432	-10,503	-10,229
Amortization/depreciation and impairment	-1,467	-1,678	-2,933	-3,408	-6,098	-6,573
Total operating expenses	-10,405	-9,568	-19,620	-18,340	-37,058	-35,777
OPERATING PROFIT/LOSS	-1,966	-1,339	-3,045	-2,455	-2,888	-2,297
Profit/loss from financial investments						
Financial income	127	-4	127	-	4,292	4,165
Financial expenses	-91	-112	-184	-249	-602	-667
Total profit/loss from financial investments	36	-116	-57	-249	3,690	3,498
PROFIT/LOSS AFTER FINANCIAL ITEMS	-1,930	-1,455	-3,102	-2,704	802	1,201
Income tax expense	-	-	-	-	-	-
PROFIT/LOSS FOR THE PERIOD	-1,930	-1,455	-3,102	-2,704	802	1,201

PARENT COMPANY BALANCE SHEET

SEK th	30 June 2012	30 June 2011	31 Dec 2011
Non-current assets			
Intangible assets	9,551	14,141	11,716
Property, plant and equipment	100	198	122
Financial assets	3,820	7,383	3,820
Total non-current assets	13,471	21,722	15,658
Current assets			
Current receivables	12,595	4,217	12,077
Cash and cash equivalents	115	21	240
Cash and cash equivalents, customer funds	14,176	13,090	12,526
Total current assets	26,886	17,328	24,843
TOTAL ASSETS	40,357	39,050	40,501
Equity	15,445	14,642	18,547
Current liabilities	24,912	24,408	21,954
TOTAL EQUITY AND LIABILITIES	40,357	39,050	40,501
Pledged assets	6,700	7,200	7,500
Contingent liabilities	None	None	None

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 view 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, 14 August 2012

Simon Thaning, CEO

FINANCIAL CALENDAR

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.

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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	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	0
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, property, plant and equipment, SEK th	8	27	139	218	191
Capital expenditure, financial assets, SEK th	-1,375	0	6,332	0	0