



INTERIM REPORT JANUARY – JUNE 2011



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(The figures in brackets refer to the same period of 2010 unless otherwise specified.)

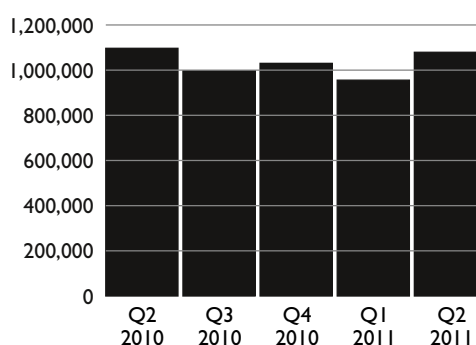
## JANUARY – JUNE 2011 IN SUMMARY

- The transaction volume for the first half of the year was SEK 2,034,861 thousand (2,057,671), a decrease of 1 per cent compared to the same period of last year.
- Transaction-based revenue for the first six months was SEK 14,997 thousand (15,268), down by 2 per cent compared to the same period of 2010.
- Profit before amortization/depreciation for the first half of the year increased by SEK 226 thousand to SEK 953 thousand (727).
- Profit/loss after tax was SEK -2,704 thousand (-2,483), a drop of SEK 221 thousand compared to the first half of 2010.
- Earnings per share were SEK -0.03 (-0.03).

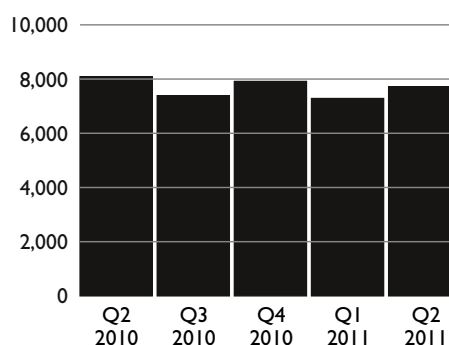
## APRIL – JUNE 2011 IN SUMMARY

- The transaction volume for the second quarter of 2011 was SEK 1,079,154 thousand (1,096,742), a decrease of 2 per cent compared to the same period of last year.
- Transaction-based revenue for the second quarter was SEK 7,713 thousand (8,086), down by 5 per cent compared to the second quarter of 2010.
- Profit before amortization/depreciation for the second quarter amounted to SEK 339 thousand (1,264), which is SEK 925 thousand lower than in the same period of last year.
- Profit/loss after tax was SEK -1,455 thousand (-563), a drop of SEK 892 thousand compared to the second quarter of 2010.
- Earnings per share were SEK -0.02 (-0.01).

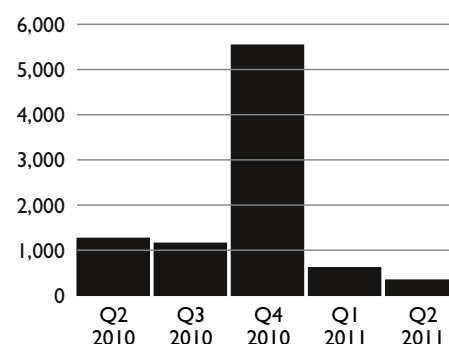
Transaction volume, SEK th



Transaction-based revenue, SEK th



Profit before amortization/depreciation, SEK th



#### SIGNIFICANT EVENTS IN THE FIRST HALF OF 2011

- Juno Capital Asia Ltd became a new partner to Paynova and Lison Technology Ltd and co-owner in Chinova Asia Development Ltd. Juno Capital is a privately-owned corporate advice and investment company with longstanding experience of the Chinese market and of developing and establishing foreign companies in China.
- CUP eMall, developed by Paynova's associated company Chinova, progressed from the test stage to operating mode with merchants, consumers and transactions.
- The Annual General Meeting on 5 May 2011 re-elected Björn Wahlgren, Meg Tivéus and Yngve Andersson. In addition, Björn Wahlgren was re-elected as Working Chairman. Jan Lundblad and Hans Wirfelt were elected as new board members. Ulf Risberg had declined re-election.

#### SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- Paynova received permission from the Swedish Financial Supervisory Authority to provide payment services in accordance with the Payment Services Act.
- Paynova has terminated its agreement with Mangold Fondkommission AB as liquidity provider for the Paynova share.

## COMMENTS FROM THE CEO

AFTER A QUIET first quarter, the transaction volume has once again started to pick up speed and in the second quarter reached a level that is second only to the same quarter of 2010. The fact that revenues and volumes as a whole were weaker in the first half of 2011 than for the corresponding period of 2010 is explained by a few combined factors. First of all, the Icelandic ash cloud in April 2010 dramatically affected SJ's transaction volumes, and secondly, Paynova had temporary high revenues in the wallet fees that were charged when we began to wind up the Paynova e-wallet, while the current revenues include no such extraordinary items. Finally, in the first half of 2010 Paynova had not yet phased out all of the small customer contracts that were terminated, which created volumes but had no positive impact on profit. In view of this, the "normal" revenue from our business and customers in 2011 is more encouraging. In the second half of the year I expect the momentum we have now achieved in the offer book and new contracts to give us total full-year earnings that are better than 2010, excluding last year's VAT effect.

Revenue is rising, cash flow is positive and we saw an upward trend towards the end of the second quarter. The offer book is continuing to grow and in the second quarter Paynova deployed more new customers than in any earlier quarter under the new business model – almost twice as many as in the first quarter. In term of profit we have fallen short of our target, mainly because the deployment of several major contracts has been postponed until the autumn.

Costs have been maintained at a low and stable level. In addition, thanks to renegotiation of supplier contracts, the total cost level will decrease somewhat during the autumn despite hiring of new staff and increased investments in the service organization.

Paynova is now gearing up for the autumn with an even stronger service package – we are more clearly defining the range of services for major merchants and integrating the necessary breadth, where Payzone's payment services for physical stores are an increasingly central component. Paynova



Simon Thaning, President and CEO

and Payzone sell jointly in a number of projects, of which several are large and have long sales cycles. The collaboration with Payzone is an important strategic step in a market where merchants are continuously demanding greater breadth and expertise. This is also confirmed by the response at virtually every one of our sales meetings. Furthermore, our new collaboration with Retain 24, a supplier of total solutions for gift card processing, is also in line with this; most major merchants and chains have a need for effective and integrated gift card solutions. Retain 24 simplifies the entire flow and integrates gift card handling in physical stores with online retail. The services are being built into Paynova's platform during the autumn. In June Paynova also launched a service for so-called MOTO payments, where merchants can now receive payments over the telephone in a PCI-secure manner. This will expand the areas of use and revenue potential for Paynova's fraud prevention services.

In response to higher demand for more intelligent checkout solutions, we are launching a whole new version of Paynova's checkout pages to simplify the final steps in the online purchasing process. To sa-

tisfy accelerating demand in the Finnish market, we are adding several Finnish payment methods. Mobile payments are expected to account for a significant share of future payments and offer Paynova a new opportunity to increase transaction revenue as we integrate the various mobile solutions into Paynova's payment platform.

Paynova continuously measures customer satisfaction and has seen an increase during the year. E-merchants gave Paynova an average rating of 4.25 (of a maximum of 5) in the latest survey. My assessment is that it is Paynova's service concept that is earning high and rising ratings from the customers.

Chinova's operations in China have started to show measurable transaction volumes. In April we saw the first Chinese transaction volumes on China UnionPay eMall and they have since then grown dramatically. Cross-border volumes, where Paynova has a larger direct return, have been delayed but should arrive in the late autumn of 2011. One positive effect is that the marketing collaboration with Chinova has resulted in new non-Nordic direct customers for Paynova, among other things in Italy.

In our last quarterly report I mentioned the new Payment Services Act and am now pleased to announce that Paynova has received permission from the Swedish Financial Supervisory Authority to provide payment services. The permit is precisely what Paynova needs to further develop its business and at the same time provides certain competitive advantages, since only a few of our competitors have such authorization.

With recharged batteries after the summer, a stronger package and a stable cash flow, I look forward to an exciting autumn in 2011.

Simon Thaning  
Stockholm, 23 august 2011

# CHINA UNION PAY AND CHINOVA'S E-COMMERCE PORTAL IN CHINA BEGINS GROWTH PHASE

## BACKGROUND

Paynova and the Chinese technology and e-commerce company LeiXun started Chinova in the autumn of 2009. In 2011 the shareholder base was expanded and Chinova is now owned by LeiXun (48.5 per cent), Paynova (46.5 per cent) and Juno Capital (5.0 per cent). Chinova was given responsibility for developing and operating a Chinese e-commerce portal on behalf of China UnionPay (CUP). CUP, which together with the Chinese banks has issued around 2.3 billion bank cards to 700 million Chinese and processes transactions with 2.1 million companies, now also intends to exploit its market position for e-commerce. The goal is for CUP eMall to be the leading business-to-consumer portal for both domestic and cross-border e-commerce for Chinese consumers and online retailers.

The eMall ([www.emall.chinapay.com](http://www.emall.chinapay.com)), which is part of a larger Internet venture by CUP, was officially launched in limited form in late March/early April 2011 and is intended to be launched more aggressively during the autumn. The portal is focused on commerce between businesses and consumers (B2C) with products and services where both business and consumers place higher demands on quality. In spite of the modest initial marketing activities, the market's response has been unanimously positive and the level of attention high – the timing of the portal is right.

## INTERNAL TARGETS EXCEEDED

The eMall has had a promising start-up phase in terms of transaction volumes and has significantly exceeded the internal targets. The monthly transaction volume is expected to pass RMB 100 billion around year-end 2011, with a strong growth rate per month.

## EMALL CORRECTLY POSITIONED IN THE MARKET

With a clear B2C profile and many well known premium brands such as Lenovo, Dell, Garmin and Apple and automobile vendors like Volkswagen, Honda, Peugeot and Buick, the portal has already attracted major attention despite relatively limited marketing. More well known brands are continuously joining the portal.

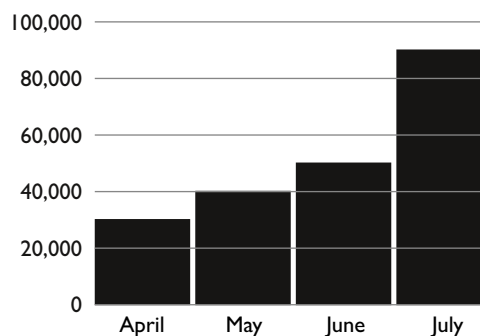
## LAUNCH OF EMALL WELL TIMED

Consumers are now ready for other than C2C commerce and CUP's strong brand with over 90 per cent brand recognition throughout China gives them greater incentive to buy. Consumers are also given the assurance of purchasing directly from companies and not via intermediaries such as Taobao (China's counterpart to eBay) where the identity of the seller is not known in all transactions.

## AN INFLOW OF USERS

The number of registered users is growing rapidly at the same time that transaction volumes in the eMall are multiplying at an even fast rate.

Number of registered users



China UnionPay is satisfied to note that the number of registered users is increasing and these are also making more frequent purchases and for larger amounts. Intensified marketing activities have now been started in which the registered users are sent a weekly newsletter and special offers via e-mail.

## NEW PAYMENT SERVICES

CUP has new payment services for transactions in higher amounts that create scope for new e-commerce products in China. Cars, boats, homes and other expensive products are now sold with CUP's new and more secure payment services both offline and online by raising the permitted transaction limit for selected merchants. CUP uses the eMall in its marketing of these services in order to clearly demonstrate this, which has attracted considerable attention on several occasions in nationwide TV and other media.

## CROSS-BORDER E-COMMERCE

The European market is showing a powerful interest in Chinese e-commerce. In May seminars were hosted in Paris and Milan, where Chinova and its partner Intertek presented the opportunities in China for well known brands with strong demand among Chinese online consumers. A number of merchant projects were started as a result of this and are being prepared for launch this autumn. Several activities are planned in London, Frankfurt, Paris and Milan in September and October this year.

## MARKETING

Together, CUP and Chinova are preparing several new ways to market the portal. Pilot tests are underway for new ways to reach consumers in China, where CUP's very solid market position is being utilized. This is taking place partly as a step in CUP's marketing of its new payment services and partly as direct promotion of the eMall in new media. This means attractive new offers to e-merchants as the international window to well known brands.

## CUP AND CHINOVA CREATING VALUE FOR PAYNOVA

The start of the growth phase and the four established cornerstones listed below strengthen the assessment that Chinova and CUP eMall will generate substantial values for Paynova in the years ahead:

- China is currently the world's fastest-growing market for e-commerce
- CUP has one of China's strongest brands and market positions
- The goal for the CUP eMall that is being developed and operated by Chinova is to be one of China's leading domestic and cross-border e-commerce portals
- This combination of conditions offers significant opportunities for growth and value creation

These conditions and opportunities are also creating a strong platform for Paynova in the form of revenues, cash flows and other values consisting of:

- License revenue from domestic Chinese e-commerce
- Direct transaction revenue from cross-border e-commerce to and from China
- The value of Paynova's holding in Chinova

# FINANCIAL INFORMATION

Compared to the same period of 2010, profit after tax for the first half of the year fell by SEK 221 thousand.

## TRANSACTION VOLUME AND REVENUE

The transaction volume was SEK 2,034,861 thousand (2,057,671) for the first half of the year and SEK 1,079,154 thousand (1,096,742) for the second quarter. Transaction-based revenue fell by SEK 271 thousand and amounted to SEK 14,997 thousand (15,268) for the first half of the year and SEK 7,713 thousand (8,086) for the second quarter.

Other revenue included SEK 409 thousand (2,939) in account maintenance fees for the first half of the year and SEK 204 thousand (1,462) for the second quarter. Most of the revenue from the phase-out was recognized in 2010.

## OPERATING EXPENSES AND NET FINANCIAL ITEMS

Operating expenses excluding direct transaction costs and amortization/depreciation fell by SEK 2,523 thousand compared to the first half of last year, and amounted to SEK 10,906 thousand (13,429) for the first six months and SEK 5,916 thousand (6,145) for the second quarter. Amortization/depreciation totalled SEK 3,408 thousand (3,306) for the first half of the year and SEK 1,678 thousand (1,653) for the second quarter. Profit/loss from financial investments was SEK -249 thousand (96) for the first half of the year and SEK -116 thousand (-174) for the second quarter. The change for the first quarter is explained by the company's reversal of a cost provision in an amount of SEK 455 thousand during the first quarter of last year.

Profit/loss after tax declined by SEK 221 thousand for the first half of the year compared to the same period of last year and amounted to SEK -2,704 thousand (-2,483) for the first six months and SEK -1,455 thousand (-563) for the second quarter.

## CASH FLOW AND FINANCIAL POSITION

At 30 June 2011 the Group had cash and cash equivalents of SEK 21 thousand (3,482) and a bank overdraft facility of SEK 3,000 thousand (3,000), of which SEK 823 thousand (0) has been utilized, as well as SEK 250 thousand (250) in block accounts.

Interest-bearing liabilities are reported at SEK 5,124 thousand (6,782) and consolidated equity at SEK 11,899 thousand (3,038), equal to an equity/assets ratio of 53 per cent (9).

Cash flow from operating activities before changes in working capital was SEK 718 thousand (810) for the first half of the year and SEK 237 thousand (1,075) for the second quarter.

The self-produced production system is reported as an intangible asset with a value of SEK 14,141 thousand (19,003). Costs for development projects were capitalized in an amount of SEK 659 thousand (480) during the interim period and the corresponding amount for the second quarter was SEK 359 thousand (295). Capitalized development costs are amortized on a straight-line basis over a period of five years.

In March 2011 Paynova carried out a directed share issue of SEK 10 million in accordance with an authorization granted by the 2010 AGM. Together with external borrowings of SEK 4.3 million, the now completed issue was part of a financing plan that was aimed primarily at redeeming the loan from Centum Select Fund Ltd and paying the finally established VAT liability. The remainder of the loan from Centum, SEK 5,500 thousand, was redeemed through the lender's subscription for shares in an amount equal to SEK 5,500 thousand in the directed share issue.

In the first quarter Paynova paid the VAT liability finally approved by the Swedish Tax Agency for the period 2006 – September 2010. In connection with review and correction of the income tax returns, the company changed its allocation key for deductible and non-deductible VAT. The company and the Swedish Tax Agency no longer have different views on deduction rights.

Paynova has settled the agreement signed with one of the company's financial advisers that included conditions for compensation related to the closing



## 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.

price of the Paynova share on the settlement date. For reasons of caution, Paynova made provisions in the latest annual accounts, of which SEK 744 thousand was reversed in the income statement during the first quarter. The change in other external expenses compared to the same period of last year is explained by the fact that the first quarter of 2010 was charged with substantial costs arising as a result of this agreement and that the reversal of reserves in connection with settlement led to lower costs for the first quarter of 2011.

In the second quarter Paynova AB and its partner Lison Technology Ltd each sold 2.5 per cent of the shares in the associated company Chinova Asia Development Ltd to a new partner, Juno Capital Asia Ltd.

### TAX

No capitalization of the deferred tax asset on tax loss carryforwards is reported. The preliminary unutilized tax loss carryforwards in the Parent Company in connection with the 2011 tax assessment amount to SEK 257,247 thousand (259,517).

### EQUITY

The total share capital at 30 June 2011 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 2011 was 11,899 thousand (3,038).

### EMPLOYEES

At 30 June 2011 Paynova had 14 employees (13), of whom 5 were women (4). Sickness absence was low during the first half of the year. The average number of employees during the period was 14 (14).

### RELATED PARTY TRANSACTIONS

No related party transactions took place during the first half of the year.

# 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 certain 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 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 creating the financial conditions to conduct its operations, among other things through high cost-control and by being proactive.

## 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 development, the new share issue for SEK 10 million carried out by the company in March 2011 and the Board's assessments, the Board's is of the opinion that no financing risk exists for the coming 12-month period. In the event of deviations from the planned development, the situation could change.

## VALUATION RISK CHINOVA

The book value of the shareholding in Chinova in Paynova's balance sheet is dependent on Chinova's ability to follow the established business plan. If the specified targets are not met, it may be necessary to adjust the recognized value. Paynova's board and management are closely monitoring Chinova's development.

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

A more detailed description of Paynova's risk exposure is provided in the company's annual report for 2010.

# Consolidated statement of comprehensive income

SEK TH	Q 2 2011	Q 2 2010	Q 1-2 2011	Q 1-2 2010	Q 3 2010 -Q 2 2011	2010
<b>Operating income</b>						
Transaction-based revenue	7,713	8,086	14,997	15,268	30,296	30,567
Other revenue	516	1,714	888	3,550	4,205	6,867
<b>Total operating income</b>	<b>8,229</b>	<b>9,800</b>	<b>15,885</b>	<b>18,818</b>	<b>34,501</b>	<b>37,434</b>
<b>Operating expenses</b>						
Direct transaction costs	-1,974	-2,391	-4,026	-4,662	-8,455	-9,091
Production costs	-512	-408	-1,047	-793	-2,304	-2,050
Other external expenses	-2,748	-2,694	-4,427	-6,440	-5,926	-7,939
Personnel costs	-2,656	-3,043	-5,432	-6,196	-10,167	-10,931
Amortization/depreciation and impairment	-1,678	-1,653	-3,408	-3,306	-6,725	-6,623
<b>Total operating expenses</b>	<b>-9,568</b>	<b>-10,189</b>	<b>-18,340</b>	<b>-21,397</b>	<b>-33,577</b>	<b>-36,634</b>
<b>OPERATING PROFIT/LOSS</b>	<b>-1,339</b>	<b>-389</b>	<b>-2,455</b>	<b>-2,579</b>	<b>924</b>	<b>800</b>
<b>Total profit/loss from financial investments</b>	<b>-116</b>	<b>-174</b>	<b>-249</b>	<b>96</b>	<b>-839</b>	<b>-494</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>-1,455</b>	<b>-563</b>	<b>-2,704</b>	<b>-2,483</b>	<b>85</b>	<b>306</b>
Income tax expense	-	-	-	-	-	-
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-1,455</b>	<b>-563</b>	<b>-2,704</b>	<b>-2,483</b>	<b>85</b>	<b>306</b>
<b>Expenses recognized directly in equity</b>						
Profit/loss from participations in associates	-205	-319	-711	-650	-974	-913
Foreign exchange difference	11	-13	14	-11	29	4
<b>COMPREHENSIVE INCOME FOR THE PERIOD *</b>	<b>-1,649</b>	<b>-895</b>	<b>-3,401</b>	<b>-3,144</b>	<b>-860</b>	<b>-603</b>
Comprehensive income per share, SEK	-0.02	-0.01	-0.03	-0.03	0.00	0.00
Diluted comprehensive income per share, SEK	-0.02	-0.01	-0.03	-0.03	0.00	0.00

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

## Consolidated statement of financial position

SEK TH	30 JUN 2011	30 JUN 2010	31 DEC 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalized development costs	14,141	19,003	16,801
Tangible assets	198	412	279
Financial assets	3,998	4,973	4,709
<b>Current assets</b>			
Promissory notes receivable	-	746	746
Other current assets	4,137	3,833	3,225
Cash and cash equivalents	21	3,482	24
Cash and cash equivalents, customer funds	13,090	14,404	12,385
<b>TOTAL ASSETS</b>	<b>35,585</b>	<b>46,853</b>	<b>38,169</b>
<b>Equity attributable to owners of the Parent Company</b>	<b>11,899</b>	<b>3,038</b>	<b>5,579</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowing, interest-bearing	5,124	6,782	5,874
Customer funds owed	13,090	14,404	12,385
Other current liabilities, non interest-bearing	5,472	22,629	14,331
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>35,585</b>	<b>46,853</b>	<b>38,169</b>
<b>Pledged assets</b>	<b>7,200</b>	<b>9,700</b>	<b>9,700</b>
<b>Contingent liabilities</b>	<b>Inga</b>	<b>Inga</b>	<b>Inga</b>

## Consolidated statement of changes in equity

SEK TH	Q 1-2 2011	Q 1-2 2010	2010
<b>Opening balance at beginning of period</b>	<b>5,579</b>	<b>6,182</b>	<b>6,182</b>
New share issue	10,000	-	-
Issue expenses	-279	-	-
Comprehensive income for the period	-3,401	-3,144	-603
<b>CLOSING BALANCE AT END OF PERIOD</b>	<b>11,899</b>	<b>3,038</b>	<b>5,579</b>

## Consolidated cash flow statement

SEK TH	Q 1-2 2011	Q 1-2 2010	2010
<b>Cash flow from operating activities before change in working capital</b>	<b>718</b>	<b>810</b>	<b>6,898</b>
Change in working capital	-10,521	2,203	-6,366
<b>Cash flow from operating activities</b>	<b>-9,803</b>	<b>3,013</b>	<b>532</b>
Capital expenditure on non-current assets	-667	-489	-1,470
Proceeds from new share issue	10,000	-	-
Issued expenses paid	-279	-	-
Change in promissory notes receivable	746	-	-
<b>Cash flow for the period</b>	<b>-3</b>	<b>2,524</b>	<b>-938</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>24</b>	<b>958</b>	<b>958</b>
<b>Foreign exchange difference in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD*</b>	<b>21</b>	<b>3,482</b>	<b>24</b>

\*) The granted bank overdraft facility amounts to SEK 3.000 thousand, of which SEK 823 thousand has been utilized.

## Quarterly overview

	Q 2 2011	Q 1 2011	Q 4 2010	Q 3 2010	Q 2 2010	Q 1 2010
Gross transaction volume, SEK th	1,079,154	955,706	1,030,109	997,189	1,096,742	960,929
Transaction-based revenue, SEK th	7,713	7,284	7,914	7,385	8,086	7,182
Transaction costs, SEK th	-1,974	-2,052	-2,202	-2,227	-2,391	-2,271
Net transaction revenue, SEK th	5,739	5,232	5,712	5,158	5,695	4,911
Profit/loss after financial items, SEK th	-1,455	-1,249	3,484	-695	-563	-1,920
Basic earnings per share, SEK	-0.02	-0.02	0.04	-0.01	-0.01	-0.02
Diluted earnings per share, SEK	-0.02	-0.01	0.04	-0.01	-0.01	-0.02
Equity, SEK	11,899	13,578	5,579	1,864	3,038	3,933
Equity per share, SEK	0.14	0.16	0.07	0.02	0.04	0.05
Diluted equity per share, SEK	0.14	0.15	0.07	0.02	0.04	0.05
Operating margin, %	neg.	neg.	49.2	neg.	neg.	neg.
Return on operating capital, %	neg.	neg.	14.7	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	104.6	neg.	neg.	neg.
Return on equity, %	neg.	neg.	99.8	neg.	neg.	neg.
Equity/assets ratio, % *	53	55	22	6	9	12
Debt/equity ratio, %	43	32	105	349	203	217

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

## Parent Company profit and loss account

SEK TH	Q 2 2011	Q 2 2010	Q 1-2 2011	Q 1-2 2010	Q 3 2010 -Q 2 2011	2010
<b>Operating income</b>						
Transaction-based revenue	7,713	8,086	14,997	15,268	30,296	30,567
Other revenue	516	1,714	888	3,550	4,205	6,867
<b>Total operating income</b>	<b>8,229</b>	<b>9,800</b>	<b>15,885</b>	<b>18,818</b>	<b>34,501</b>	<b>37,434</b>
<b>Operating expenses</b>						
Direct transaction costs	-1,974	-2,391	-4,026	-4,662	-8,455	-9,091
Production costs	-512	-408	-1,047	-793	-2,304	-2,050
Other external expenses	-2,748	-2,689	-4,427	-6,435	-5,898	-7,906
Personnel costs	-2,656	-3,043	-5,432	-6,196	-10,167	-10,931
Amortization/depreciation and impairment	-1,678	-1,653	-3,408	-3,306	-6,725	-6,623
<b>Total operating expenses</b>	<b>-9,568</b>	<b>-10,184</b>	<b>-18,340</b>	<b>-21,392</b>	<b>-33,549</b>	<b>-36,601</b>
<b>OPERATING PROFIT/LOSS</b>	<b>-1,339</b>	<b>-384</b>	<b>-2,455</b>	<b>-2,574</b>	<b>952</b>	<b>833</b>
<b>Profit/loss from financial investments</b>						
Financial income	-4	16	-	16	-	16
Financial expenses	-112	-190	-249	80	-839	-510
<b>Total profit/loss from financial investments</b>	<b>-116</b>	<b>-174</b>	<b>-249</b>	<b>96</b>	<b>-839</b>	<b>-494</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>-1,455</b>	<b>-558</b>	<b>-2,704</b>	<b>-2,478</b>	<b>113</b>	<b>339</b>
Income tax expense	-	-4	-	-4	-	-4
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-1,455</b>	<b>-562</b>	<b>-2,704</b>	<b>-2,482</b>	<b>113</b>	<b>335</b>
<b>Expenses recognized directly in equity</b>						
Group contributions received	-	-12	-	-12	-	-12
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-1,455</b>	<b>-574</b>	<b>-2,704</b>	<b>-2,494</b>	<b>113</b>	<b>323</b>

## Parent Company balance sheet

SEK TH	30 JUN 2011	30 JUN 2010	31 DEC 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14,141	19,003	16,801
Tangible assets	198	412	279
Financial assets	7,383	7,383	7,383
<b>Total non-current assets</b>	<b>21,722</b>	<b>26,798</b>	<b>24,463</b>
<b>Current assets</b>			
Current receivables	4,217	4,646	4,064
Cash and cash equivalents	21	3,482	24
Cash and cash equivalents, customer funds	13,090	14,404	12,385
<b>Total current assets</b>	<b>17,328</b>	<b>22,532</b>	<b>16,473</b>
<b>TOTAL ASSETS</b>	<b>39,050</b>	<b>49,330</b>	<b>40,936</b>
Equity	14,642	4,808	7,625
Current liabilities	24,408	44,522	33,311
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>39,050</b>	<b>49,330</b>	<b>40,936</b>
<b>Pledged assets</b>	<b>7,200</b>	<b>9,700</b>	<b>9,700</b>
<b>Contingent liabilities</b>	<b>Inga</b>	<b>Inga</b>	<b>Inga</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 2010.

#### NEW OR REVISED STANDARDS

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods be-

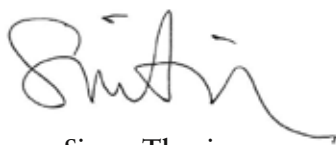
ginning on or after 1 January 2011, may affect the company's future financial reporting to some extent. The other accounting standards and interpretations endorsed by the European Commission for application as of 1 January 2011 are not assessed to have any impact on the Group's profit and financial position or presentation of financial statements.

#### REVIEW

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

The CEO hereby give his 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 23 August 2011



**Simon Thaning**  
VD



## Five-year overview

	2010	2009	2008	2007	2006
Number of shares at end of period, thousands	82,050	82,050	43,184	39,830	32,852
Diluted number of shares at end of period, thousands	82,050	82,050	43,184	42,981	33,094
Average number of shares, thousands	82,050	72,772	41,271	35,429	26,975
Average diluted number of shares, thousands	82,050	72,772	42,773	39,985	27,233
Gross transaction volume, SEK th	4,084,969	3,089,871	646,496	489,893	357,440
Transaction-based revenue, SEK th	30,567	31,308	17,188	15,377	15,283
Transaction costs, SEK th	-9,091	-10,854	-10,479	-9,468	-8,168
Net transactions, SEK th	21,476	20,454	6,709	5,909	7,115
Profit/loss after financial items, SEK th	306	-20,574	-42,578	-47,582	-80,861
Equity per share, SEK	0.07	0.08	0.12	0.72	0.23
Diluted equity per share, SEK th	0.07	0.08	0.12	0.67	0.23
Equity, SEK th	5,579	6,182	5,065	28,848	7,623
Interest-bearing net cash, SEK th	6,511	15,506	10,273	30,613	155
Equity/assets ratio, % *	22	18	15	59	17
Debt/equity ratio, %	105	105	168	-	197
Average number of employees	14	19	23	22	33
Capital expenditure, intangible assets, SEK th	1,470	1,536	4,879	4,844	21,078
Capital expenditure, tangible assets, SEK th	-	139	218	191	1,172
Capital expenditure, financial assets, SEK th	-	6,332	-	-	-

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

### FINANCIAL CALENDAR

Interim report January-September 2011: 10 November 2011

Year-end report 2011: 16 February 2012

### ABOUT PAYNOVA

Paynova is a leading provider of Internet-based payment services for e-commerce. 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.

### FOR ADDITIONAL INFORMATION CONTACT

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