



INTERIM REPORT JANUARY – SEPTEMBER 2010



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## JANUARY – SEPTEMBER 2010 IN SUMMARY

- The transaction volume for the first nine months of 2010 was SEK 3,054,860 thousand (2,082,450), an increase of 47 per cent compared to the same period of 2009.
- Transaction-based revenue for the nine-month period was SEK 22,653 thousand (22,045), up by 3 per cent over the corresponding period of 2009.
- Compared to the same period of 2009, operating profit/loss before amortization/depreciation for the nine-month period improved by SEK 14 million to SEK 1,882 thousand (-12,485).

## JULY – SEPTEMBER 2010 IN SUMMARY

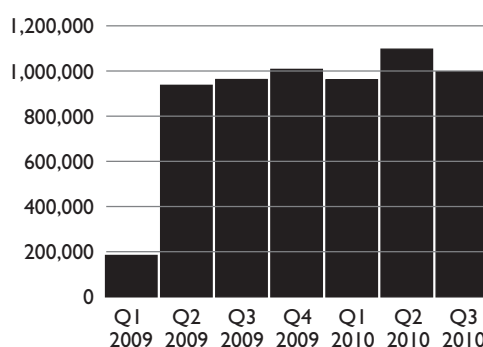
- The transaction volume for the third quarter of 2010 was SEK 997,189 thousand (962,287), an increase of 4 per cent compared to the third quarter of 2009.
- Transaction-based revenue for the third quarter was SEK 7,385 thousand (8,733), down by 15 per cent compared to the same period of last year.
- Compared to the third quarter of 2009, operating profit/loss before amortization/depreciation improved by SEK 1.6 million to SEK 1,155 thousand (-471).

## SIGNIFICANT EVENTS AFTER THE END OF THE THIRD QUARTER

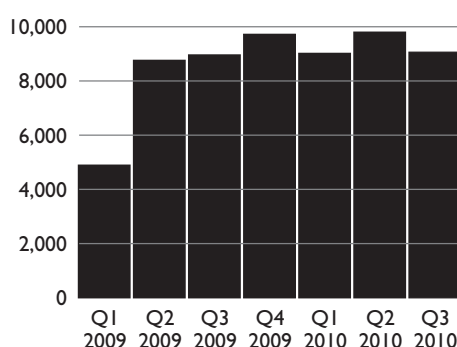
- The administrative court of appeal dismissed Paynova's appeal and upheld the county administrative court's decision regarding liability for value added tax. As earlier, Paynova's assessment is that the decision will not have any effect on profit other than interest expenses, since Paynova has made continuous provisions for VAT costs according to the Swedish Tax Agency's opinion. However, the decision will have a negative impact on liquidity. At the end of the third quarter of 2010, these provisions amounted to SEK 12.7 million. The Board's assessment is that this is the amount, excluding interest, to be paid at the end of the first quarter of 2011.

- Paynova is in a strained capital situation. Despite a positive EBITDA, the company is still showing a loss. Shareholders' equity is nearing a level at which a control balance sheet must be set up. The Board is closely monitoring events and has continuous preparedness to deal with the situation. The capital situation and VAT liability will be handled through a directed share issue for approximately SEK 25 million that the Board intends to propose to an extraordinary general

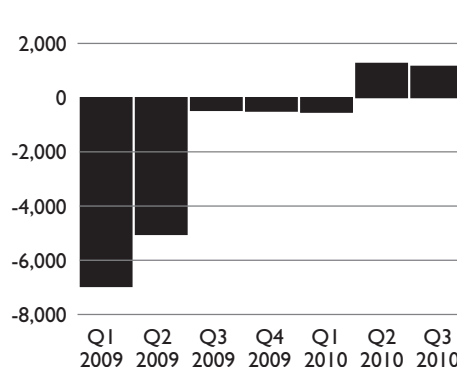
Transaction volume, SEK th



Revenue, SEK th



EBITDA, SEK th





meeting. The plan is to carry out the issue before the end of the first quarter of 2011.

- The investment in the associated company Chinova has been financed with a short-term loan of SEK 6.5 million. Paynova and the lender, Centum Select Fund Ltd, have agreed that the loan will be redeemed partly through a cash payment of SEK 1 million and partly through Centum Select Fund's subscription for shares corresponding to SEK 5,500 thousand in the directed share issue for approximately SEK 25 million that the Board intends to propose to an extraordinary general meeting.
- Paynova's associated company Chinova has signed a collaboration agreement with one of Europe's leading PSPs, Atos Worldline. The agreement will enable Atos Worldline to offer China UnionPay payments to all of its customers that want to sell their goods or services in China. The agreement represents a breakthrough for Chinova and will generate transaction-based revenue for Paynova in 2011.
- Paynova has signed a strategic collaboration agreement with Payzone Nordic AB. Payzone is a leading consumer payments network in Europe and offers customized IT solutions that drive growth for retailers, including payment services, debit card handling, electronic gift cards and CRM services such as loyalty and club cards. Together with Payzone, Paynova can now provide customers that are active in both traditional and online retailing with options such as a uniform solution for reporting and reconciliation regardless of the sales channel.

## COMMENTS FROM THE CEO

The third quarter of the year is behind us and I am pleased to note that Paynova is making progress in sales to new customers and gradually strengthening our brand among online merchants. We are continuously signing agreements with new e-merchants and thanks to our changed business model and enhanced offering, we have also won back several e-merchants that were previous customers. After having upgraded Paynova's service offering last year, we are now focusing on the next step in the value chain – upholding high quality. And by quality I mean both the technical functionality and availability of the system and the quality of our relationship with e-merchants. In the dialogue with major online merchants, particularly in the travel and retail industries, Paynova is highly appreciated for our strengths. It is clear that e-merchants are seeking suppliers with a focus on maintaining a high service level – payment services are no longer seen as a standardized product.

Security is increasingly emerging as a top priority for both e-merchants and banks, and Paynova is well positioned to benefit from this trend. The productification of Paynova's fraud protection has been successful, since the service is now more clearly defined and therefore also easier to compare to the competitors' offerings. E-merchants that work across multiple markets have the most to gain from our fraud prevention services.

Paynova's collaboration with Payzone has opened up new opportunities. Payzone is a strong supplier in an area where Paynova has not previously been active – physical payments – and its customers include major retail chains. Together, Payzone and Paynova have the market's widest offering of payment services and I anticipate keen interest from retailers with both traditional and online sales.

Chinova has continuously intensified its operations and currently has some 70 employees at its head office in Beijing and the technical development unit in Shanghai. After the China UnionPay e-templa went into operation in late summer, several new e-merchants have connected to the service, including a number of Swedish online retailers. We can see how both the number of transactions and visitors is rising. During the autumn China UnionPay started launching the service to e-merchants in cer-



Simon Thaning, VD

tain regions of China. However, we are still waiting for China UnionPay to initiate the market launch of the portal.

Transaction-based revenue for the third quarter is somewhat lower than in the same period of last year. This is mainly due to changes in the customer base – many of the small customers we terminated our collaboration with gave Paynova a good margin but were at the same time costly to handle. However, our ongoing improvement in operating profit clearly shows that Paynova has raised its efficiency. The accrued VAT liability according to the county administrative court's decision will lead to a large one-time payment with an impact on liquidity during 2011. Paynova is now preparing a directed share issue to create financial stability and a platform from which to focus on growth. All major investments in infrastructure and production systems have been completed and Paynova is prepared for higher activity, larger volumes and increased revenue.

Simon Thaning  
Stockholm, November 2010

# REVENUE AND PROFIT

Compared to the same period of last year, operating profit/loss before amortization/depreciation for the third quarter improved by SEK 1.6 million.

## TRANSACTION VOLUME AND REVENUE

The transaction volume was SEK 3,054,860 thousand (2,082,450) for the first nine months of the year and SEK 997,189 thousand (962,287) for the third quarter. Transaction-based revenue amounted to SEK 22,653 thousand (22,045) for the nine-month period and SEK 7,385 thousand (8,733) for the third quarter. Net revenue after direct transaction costs was SEK 15,754 thousand (13,914) for the nine-month period and SEK 5,158 thousand (5,949) for the third quarter.

## OPERATING EXPENSES AND NET FINANCIAL ITEMS

Operating expenses excluding direct transaction costs and amortization/depreciation amounted to SEK 19,107 thousand (26,968) for the first nine months of 2010 and SEK 5,678 thousand (6,647) for the third quarter. Amortization/depreciation totalled SEK 4,976 thousand (4,712) for the nine-month period and SEK 1,670 thousand (1,476) for the third quarter. Profit/loss from financial investments was SEK -84 thousand (-438) for the nine-month period and SEK -180 thousand (-19) for the third quarter.

## CASH FLOW AND FINANCIAL POSITION

At 30 September 2010 the Group had cash and cash equivalents of SEK 2,064 thousand (289) and a bank overdraft facility of SEK 3,000 thousand (3,000), of which SEK 0 thousand (0) has been utilized, as well as SEK 250 thousand (250) in blocked accounts. Interest-bearing liabilities are reported at SEK 6,500 thousand (1 831) and consolidated equity at SEK 1,864 thousand (7,037), equal to an equity/assets ratio of 6 per cent (14).

Cash flow from operating activities before changes in working capital was SEK 1,785 thousand (-12,924) for the nine-month period and SEK 975 thousand (-491) for the third quarter.

Capital expenditure on tangible assets during the first nine months totalled SEK 1,007 thousand

(1,665). The self-produced production system is reported as an intangible asset with a value of SEK 17,952 thousand (22,846). During the nine-month period, costs for development projects were capitalized in an amount of SEK 1,025 thousand (1,276) and the corresponding amount for the third quarter was SEK 545 thousand (344). Capitalized development costs are amortized on a straight-line basis over a period of five years. Capital expenditure on other non-current assets during the quarter amounted to SEK -27 thousand (13).

The value in Chinova is motivated based on the development of its operations. Activities in 2010 have been plagued by a number of delays, in many cases resulting from changes in some of the conditions for the project by Chinova's partner China UnionPay. At present, the China UnionPay template has been deployed, large-scale activities to attract retailers are underway and the commercial launch is planned for the first quarter of 2011. Based on a very modest forecasted market share, Chinova's business is expected to show satisfactory development already in 2011. Chinova's agreement with Atos Worldline for cross-border payments represents a breakthrough for Chinova, which can expect to attract e-merchants from large parts of Europe that are interesting in selling to Chinese consumers.

The investment in the associated company Chinova has been financed with a short-term loan of SEK 6,500 thousand. Paynova and the lender, Centum Select Fund Ltd, have agreed that the loan will be redeemed partly through a cash payment of SEK 1,000 thousand and partly through Centum Select Fund's subscription for shares corresponding to SEK 5,500 thousand in the directed share issue for approximately SEK 25 million that the Board intends to propose to an extraordinary general meeting

An agreement has been signed with one of the company's financial advisers that contains conditions for compensation related to the closing price of the Paynova share on a future settlement date.

## OUTSTANDING OPTION RIGHTS

Issues	No. of new shares	Subscription price SEK	Subscription period
Option rights 2011/TO 9 *	3,720,637	8.03	1 Feb. 2011 – 31 May 2011
Option rights 2012 **	1,530,000	1.30	1 May 2012 – 31 May 2012

\*) The number of new shares and the subscription price have been recalculated in respect of the new share issue in 2009.

\*\*) 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.

For reasons of caution, Paynova made provisions of SEK 518 thousand during the nine-month period as an operating expense based on the share price at 30 September 2010. Theoretically, the company could incur a maximum cost of SEK 2,000 thousand if the Paynova share lacks value on the settlement date. However, the company does not expect the agreement to have any impact on profit or liquidity on the final settlement date.

The administrative court of appeal has dismissed Paynova's appeal and upheld of the county administrative court's decision regarding liability for value added tax, which means that the Swedish Tax Agency will demand correction of all of Paynova's tax returns for VAT since February 2006. Paynova has made continuous provisions for VAT costs according to the Swedish Tax Agency's opinion and the total provision at 30 September 2010 amounted to SEK 12,744 thousand (11,724). The decision is expected to have only a liquidity effect, aside from the earnings impact of the interest expense. The exact amount due cannot be determined until all tax returns have been corrected. The company's assessment is that the liquidity effect is equal to around SEK 12.7 million excluding interest. Paynova has been granted a respite until the end of 2010 to correct the tax returns, for which reason the tax is expected to be paid at the end of the first quarter of 2011. The tax payment will be financed with the help of the directed share issue for approximately SEK 25 million that the Board intends to propose to an extraordinary general meeting.

### 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 2010 tax assessment amount to SEK 259,517 thousand (238,368).

### EQUITY

The total share capital at 30 September 2010 amounted to SEK 8,205 thousand, divided between 82,049,545 shares with a quota value of SEK 0.10 each. Consolidated equity at 30 September 2010 was SEK 1,864 thousand (7,037).

### PERFORMANCE ANALYSIS

The rise in transaction volumes is explained by the addition of new customers and new services compared to the same period of 2009, as well as an increased number of transactions by existing customers. The gross transaction margin was 0.7 per cent (1.1) for the first nine months of the year and 0.7 per cent (0.9) for the third quarter.

The net transaction margin was 0.5 per cent (0.7) for the nine-month period and 0.5 per cent (0.6) for the third quarter.

Other revenue includes account maintenance fees of SEK 4,409 thousand (0) for the nine-month period and SEK 1,470 thousand (0) for the third quarter.

The company's costs have stabilized at a long-term sustainable level.

Profit/loss from financial investments consists mainly of costs related to external financing for the establishment of operations in Chinova.

### EMPLOYEES

On 30 September 2010 Paynova had 13 employees (15), of whom 4 were women (4). Sickness absence has been low during the year. The average number of employees during the nine-month period was 13 (20).

### RELATED PARTY TRANSACTIONS

No related party transactions took place during the third quarter.



# RISK FACTORS

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

## FRAUD EXPOSURE

Paynova cooperates with leading players in the market to stay at the cutting edge of fraud prevention measures. Although the company works actively to prevent fraud, 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 MONITORING

Paynova has been PCI-certified 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

The upholding of the country administrative court's decision regarding the VAT dispute will have a significant impact on the company's liquidity. This matter will be handled through the directed share issue for approximately SEK 25 million that the Board intends to propose to an extraordinary general meeting. The exact amount of the tax payment cannot be determined until all tax returns since February 2006 have been corrected and then approved by the Swedish Tax Agency.

## FINANCING RISK

The board is of the opinion that Paynova's financial position, from an operating perspective, has gradually improved during the year. However, as a direct consequence of the negative outcome of the VAT dispute, the board's assessment is that the company must obtain new external capital. The board intends to propose that an extraordinary general meeting resolve on a directed share issue for approximately SEK 25 million.

In addition to these risks, there are risks associated with currency exposure, dependency on key persons, market confidence, suppliers of financial servi-

ces, 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 2009.

# Consolidated statement of comprehensive income

SEK TH	Q 3 2010	Q 3 2009	Q 1-3 2010	Q 1-3 2009	Q 4 2009 - Q 3 2010	2009
<b>Operating income</b>						
Transaction-based revenue	7,385	8,733	22,653	22,045	31,916	31,308
Other revenue	1,675	227	5,225	569	5,682	1,026
<b>Total operating income</b>	<b>9,060</b>	<b>8,960</b>	<b>27,878</b>	<b>22,614</b>	<b>37,598</b>	<b>32,334</b>
<b>Operating expenses</b>						
Direct transaction costs	-2,227	-2,784	-6,889	-8,131	-9,612	-10,854
Production costs	-680	-484	-1,473	-2,075	-1,907	-2,509
Other external expenses	-2,939	-3,170	-9,379	-13,108	-13,181	-16,910
Personnel costs	-2,059	-2,993	-8,255	-11,785	-11,514	-15,044
Amortization/depreciation and impairment	-1,670	-1,476	-4,976	-4,712	-6,425	-6,161
<b>Total operating expenses</b>	<b>-9,575</b>	<b>-10,907</b>	<b>-30,972</b>	<b>-39,811</b>	<b>-42,639</b>	<b>-51,478</b>
<b>OPERATING PROFIT/LOSS</b>	<b>-515</b>	<b>-1,947</b>	<b>-3,094</b>	<b>-17,197</b>	<b>-5,041</b>	<b>-19,144</b>
<b>Total profit/loss from financial investments</b>	<b>-180</b>	<b>-19</b>	<b>-84</b>	<b>-438</b>	<b>-1,076</b>	<b>-1,430</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>-695</b>	<b>-1,966</b>	<b>-3,178</b>	<b>-17,635</b>	<b>-6,117</b>	<b>-20,574</b>
Income tax expense	-	-	-	-	-	-
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-695</b>	<b>-1,966</b>	<b>-3,178</b>	<b>-17,635</b>	<b>-6,117</b>	<b>-20,574</b>
<b>Expenses recognized directly in equity</b>						
Profit/loss from participations in associates	-493	-	-1,143	-	-1,610	-467
Foreign exchange difference	14	15	3	-4	29	22
<b>COMPREHENSIVE INCOME FOR THE PERIOD *</b>	<b>-1,174</b>	<b>-1,951</b>	<b>-4,318</b>	<b>-17,639</b>	<b>-7,698</b>	<b>-21,019</b>
Comprehensive income per share, SEK	0.0	0.0	-0.1	-0.3	-0.1	-0.3
Diluted comprehensive income per share, SEK	0.0	0.0	-0.1	-0.3	-0.1	-0.3

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



# Consolidated statement of financial position

SEK TH	30 SEP 2010	30 SEP 2009	31 DEC 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalized development costs	17,952	22,846	21,714
Tangible assets	330	593	518
Financial assets	4,479	250	5,622
<b>Current assets</b>			
Promissory notes receivable	746	746	746
Other current assets	3,778	5,736	5,259
Cash and cash equivalents	2,064	289	958
Cash and cash equivalents, customer funds	14,059	19,043	21,048
<b>TOTAL ASSETS</b>	<b>43,408</b>	<b>49,503</b>	<b>55,865</b>
<b>Equity attributable to owners of the Parent Company</b>	<b>1,864</b>	<b>7,037</b>	<b>6,182</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowing, interest-bearing	6,500	1,831	6,500
Convertible promissory notes, non interest-bearing	-	45	-
Customer funds owed	14,059	19,043	21,048
Other current liabilities, non interest-bearing	20,985	21,547	22,135
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>43,408</b>	<b>49,503</b>	<b>55,865</b>
<b>Pledged assets</b>	<b>9,700</b>	<b>3,200</b>	<b>9,700</b>
<b>Contingent liabilities</b>	<b>None</b>	<b>None</b>	<b>None</b>

## Consolidated statement of changes in equity

SEK TH	Q 1-3 2010	Q 1-3 2009	2009
<b>Opening balance at beginning of period</b>	<b>6,182</b>	<b>5,065</b>	<b>5,065</b>
New share issue	-	25,263	25,263
Issue expenses	-	-6,127	-3,601
Premium for option programme	-	475	474
Comprehensive income for the period	-4,318	-17,639	-21,019
<b>CLOSING BALANCE AT END OF PERIOD</b>	<b>1,864</b>	<b>7,037</b>	<b>6,182</b>

## Consolidated cash flow statement

SEK TH	Q 1-3 2010	Q 1-3 2009	2009
<b>Cash flow from operating activities before change in working capital</b>	<b>1,785</b>	<b>-12,924</b>	<b>-14,149</b>
Change in working capital	331	-8,288	-65
<b>Cash flow from operating activities</b>	<b>2,116</b>	<b>-21,212</b>	<b>-14,214</b>
Capital expenditure on non-current assets	-1,007	-1,665	-8,007
Proceeds from new share issue	-	25,263	25,263
Issued expenses paid	-	-3,747	-3,737
<b>Cash flow for the period</b>	<b>1,109</b>	<b>-1,361</b>	<b>-695</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>958</b>	<b>1,651</b>	<b>1,651</b>
<b>Foreign exchange difference in cash and cash equivalents</b>	<b>-3</b>	<b>-1</b>	<b>2</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,064</b>	<b>289</b>	<b>958</b>

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

## Quarterly overview

	Q 3 2010	Q 2 2010	Q 1 2010	Q 4 2009	Q 3 2009	Q 2 2009
Gross transaction volume, SEK th	997,189	1,096,742	960,929	1,007,415	962,287	936,684
Transaction-based revenue, SEK th	7,385	8,086	7,182	9,263	8,733	8,551
Transaction costs, SEK th	-2,227	-2,391	-2,271	-2,723	-2,784	-2,961
Net transaction revenue, SEK th	5,158	5,695	4,911	6,540	5,949	5,590
Profit/loss after financial items, SEK th	-695	-563	-2,251	-2,939	-1,966	-6,891
Basic earnings per share, SEK	0.0	0.0	0.0	0.0	0.0	-0.1
Diluted earnings per share, SEK	0.0	0.0	0.0	0.0	0.0	-0.1
Equity, SEK	1,864	3,038	3,933	6,182	7,037	8,513
Equity per share, SEK	0.0	0.0	0.0	0.1	0.1	0.1
Diluted equity per share, SEK	0.0	0.0	0.0	0.1	0.1	0.1
Operating margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Profit margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Return on operating capital, %	neg.	neg.	neg.	neg.	neg.	neg.
Return on equity, %	neg.	neg.	neg.	neg.	neg.	neg.
Equity/assets ratio, % *	6	9	12	18	23	27
Debt/equity ratio, %	349	203	217	105	26	-

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

## Parent Company profit and loss account

SEK TH	Q 3 2010	Q 3 2009	Q 1-3 2010	Q 1-3 2009	Q 4 2009 - Q 3 2010	2009
<b>Operating income</b>						
Transaction-based revenue	7,385	8,733	22,653	22,045	31,916	31,308
Other revenue	1,675	227	5,225	569	5,682	1,026
<b>Total operating income</b>	<b>9,060</b>	<b>8,960</b>	<b>27,878</b>	<b>22,614</b>	<b>37,598</b>	<b>32,334</b>
<b>Operating expenses</b>						
Direct transaction costs	-2,227	-2,784	-6,889	-8,131	-9,612	-10,854
Production costs	-680	-484	-1,473	-2,075	-1,907	-2,509
Other external expenses	-2,939	-3,047	-9,374	-12,838	-13,223	-16,687
Personnel costs	-2,059	-2,971	-8,255	-11,748	-11,524	-15,017
Amortization/depreciation	-1,670	-1,476	-4,976	-4,781	-6,356	-6,161
<b>Total operating expenses</b>	<b>-9,575</b>	<b>-10,762</b>	<b>-30,967</b>	<b>-39,573</b>	<b>-42,622</b>	<b>-51,228</b>
<b>OPERATING PROFIT/LOSS</b>	<b>-515</b>	<b>-1,802</b>	<b>-3,089</b>	<b>-16,959</b>	<b>-5,024</b>	<b>-18,894</b>
<b>Profit/loss from financial investments</b>						
Profit/loss from participations in group companies	-	-	-	-	-	-
Financial income	-	-	16	-	61	45
Financial expenses	-180	-3	-100	-422	-1,213	-1,535
<b>Total profit/loss from financial investments</b>	<b>-180</b>	<b>-3</b>	<b>-84</b>	<b>-422</b>	<b>-1,152</b>	<b>-1,490</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>-695</b>	<b>-1,805</b>	<b>-3,173</b>	<b>-17,381</b>	<b>-6,176</b>	<b>-20,384</b>
Income tax expense	-	-	-4	-	120	124
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-695</b>	<b>-1,805</b>	<b>-3,177</b>	<b>-17,381</b>	<b>-6,056</b>	<b>-20,260</b>



# Parent Company balance sheet

SEK TH	30 SEP 2010	30 SEP 2009	31 DEC 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	17,951	22,846	21,714
Tangible assets	330	575	518
Financial assets	7,383	1,088	7,383
<b>Total non-current assets</b>	<b>25,664</b>	<b>24,509</b>	<b>29,615</b>
<b>Current assets</b>			
Current receivables	4,592	7,907	7,357
Cash and cash equivalents	2,064	21	484
Cash and cash equivalents, customer funds	14,058	19,043	21,048
<b>Total current assets</b>	<b>20,714</b>	<b>26,971</b>	<b>28,889</b>
<b>TOTAL ASSETS</b>	<b>46,378</b>	<b>51,480</b>	<b>58,504</b>
Equity	4,113	7,782	7,302
Current liabilities	42,265	43,698	51,202
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>46,378</b>	<b>51,480</b>	<b>58,504</b>
<b>Pledged assets</b>	<b>9,700</b>	<b>3,200</b>	<b>9,700</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 2.3 (Accounting for Legal Entities). The interim report should be read together with the annual report for 2009.

#### NEW OR REVISED STANDARDS

The revised IAS 1, Presentation of Financial Statements, is applied for periods starting on or after 1 January 2009, whereby the titles and presentation of financial statements have been adapted. IFRS 3 (revised), Business Combinations, effective for an-

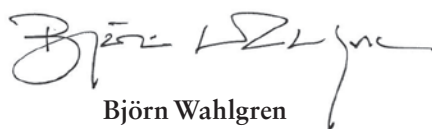
nual periods beginning on or after 1 January 2010, and IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 January 2011, may affect the company's future financial reporting to some extent. The other accounting standards and interpretations endorsed by the European Commission for application as of 1 January 2010 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 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 11 November 2010



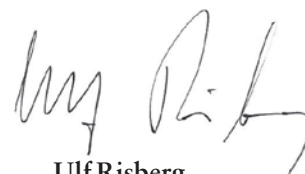
**Björn Wahlgren**  
*Chairman*



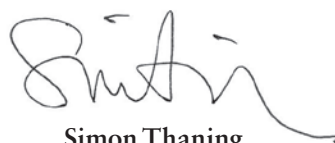
**Yngve Andersson**



**Meg Tivéus**



**Ulf Risberg**



**Simon Thaning**  
*CEO*

# REVIEW REPORT

We have reviewed the interim report for Paynova AB for the period from 1 January 2010 to 30 September 2010. The Board of Directors and CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

We wish to draw attention to the fact that the Board of Directors and the CEO have prepared the interim report based on a going concern assumption. This

assumes that the company's need to secure financing for the conduct of operations, including the negative outcome of the VAT dispute, can be met through the provision of capital to the company as described by the Board and the CEO on page 2 of the interim report.

In other respects, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material aspects, prepared in accordance with the Swedish Annual Accounts Act and IAS 34 for the Group and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, 11 November 2010

PwC

Helena Ehrenborg

*Authorized Public Accountant*



## Four-year overview

	2009	2008	2007	2006
Number of shares at end of period, thousands	82,050	43,184	39,830	32,852
Diluted number of shares at end of period, thousands	82,050	43,184	42,981	33,094
Average number of shares, thousands	72,772	41,271	35,429	26,975
Average diluted number of shares, thousands	72,772	42,773	39,985	27,233
Gross transaction volume, SEK th	3,089,871	646,496	489,893	357,440
Transaction-based revenue, SEK th	31,308	17,188	15,377	15,283
Transaction costs, SEK th	-10,854	-10,479	-9,468	-8,168
Net transactions, SEK th	20,454	6,709	5,909	7,115
Profit/loss after financial items, SEK th	-20,574	-42,578	-47,582	-80,861
Equity per share, SEK	0.1	0.1	0.7	0.2
Diluted equity per share, SEK th	0.1	0.1	0.7	0.2
Equity, SEK th	6,182	5,065	28,848	7,623
Interest-bearing net cash, SEK th	15,506	10,273	30,613	155
Equity/assets ratio, % *	18	15	59	17
Debt/equity ratio, %	105	168	-	197
Average number of employees	19	23	22	33
Capital expenditure, intangible assets, SEK th	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

Year-end report 2010: 17 February 2011

### 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.

More information on [www.paynova.com](http://www.paynova.com).

### FOR ADDITIONAL INFORMATION CONTACT

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paynova®

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