Planet Payment, Inc

Quarterly Report &
Consolidated Condensed Financial Statements
Three Months ended March 31, 2011

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Planet Payment, Inc

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QUARTERLY REPORT FOR FIRST QUARTER OF 2011

Consolidated Condensed Financial Statements (unaudited)
As of and for the three months ended March 31, 2011 and 2010 and as of December 31, 2010

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PLANET PAYMENT, INC.

QUARTERLY REPORT AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2011

Issuer:
Planet Payment, Inc.

Principal Executive Offices:

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Shares Outstanding:

(i) As of March 31, 2011

(ii) Authorized Shares
  a. Common Stock: 70,000,000 shares
  b. Preferred Stock: 4,000,000 shares

(iii) Number of Shares Outstanding
  a. Common Stock: 46,234,442
  b. Preferred Stock: 2,243,750 (convertible into 6,851,144 shares of Common Stock)

(iv) Public Float: 34,324,494 Common Shares

(v) Beneficial Shareholders of Record: 283

PLANET PAYMENT, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS
AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

	As of March 31, 2011	As of December 31, 2010
	(unaudited)	(unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,572,119	$ 5,182,499
Other current assets	7,551,692	6,775,421
Total current assets	12,123,811	11,957,920
Property and equipment, net	1,067,656	1,127,768
Intangible assets, net	5,806,447	5,714,838
Other assets	266,590	245,281
TOTAL ASSETS	$ 19,264,504	$ 19,045,807
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 3,361,583	$ 4,189,458
Convertible debt (current)	8,979,926	-
Long-term debt	96,332	9,104,979
Total liabilities	12,437,841	13,294,437
Stockholders' equity	6,826,663	5,751,370
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 19,264,504	$ 19,045,807

See notes to consolidated condensed financial statements.

PLANET PAYMENT, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Three Months Ended March 31,	
	2011	2010
	(unaudited)	(unaudited)
REVENUE:		
Multicurrency processing revenue	$ 18,570,749	$ 10,028,340
Other revenue	3,422,563	3,174,751
Total Revenue	21,993,312	13,203,091
COST OF SALES:		
Multicurrency processing cost of sales	12,397,608	6,559,481
Other cost of sales	2,913,942	2,589,642
Total cost of sales	15,311,550	9,149,123
Gross profit	6,681,762	4,053,968
TOTAL OPERATING EXPENSES	6,278,359	5,293,127
INCOME (LOSS) FROM OPERATIONS	403,403	(1,239,159)
Total other income (expense)	450,916	(291,062)
Income (loss) before provision for income taxes	854,319	(1,530,221)
Provision for income taxes	-	-
NET INCOME (LOSS)	$ 854,319	$ (1,530,221)

See notes to consolidated condensed financial statements.

PLANET PAYMENT, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Three Months Ended March 31,	
	2011	2010
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net income (loss)	$ 854,319	$ (1,530,221)
Other cash flows from operating activities	(1,032,722)	484,409
Net cash used in operating activities	(178,403)	(1,045,812)
Cash flows from investing activities:		
Capital expenditures	(553,898)	(735,967)
Net cash used in investing activities	(553,898)	(735,967)
Cash flows from financing activities:		
Proceeds from issuance of common stock	150,642	-
Proceeds from long term debt	-	132,559
Repayment of long term debt	(28,721)	(21,066)
Net cash provided by financing activities	121,921	111,493
Decrease in cash and cash equivalents	(610,380)	(1,670,286)
Cash and cash equivalents—beginning of period	5,182,499	3,752,423
Cash and cash equivalents—end of period	$ 4,572,119	$ 2,082,137
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:		
Common stock issued as payment of accounts payable	$20,000	$48,242
Debt extinguished	660,000	-
Warrants issued as payment of accounts payable	2,060	-
Common stock issued for stock options exercised (net exercise method)	6,872	-

See notes to consolidated condensed financial statements.

PLANET PAYMENT, INC.

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Preferred Stock $0.01 Par Value— 4,000,000 Shares Authorized Series A		Common Stock $0.01 par Value— 70,000,000 Shares Authorized						
	Shares Issued	Par Value	Shares Issued	Par Value	Additional Paid-In Capital	Warrants	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
December 31, 2010	2,243,750	$ 22,438	46,068,496	$ 460,684	$83,459,133	$ 1,607,723	$ (27,600)	$ (79,771,008)	$ 5,751,370
Stock issued			10,000	100	19,900				20,000
Warrants exercised			15,206	152	(152)				-
Options exercised			140,740	1,408	129,234				130,642
Value of warrants issued						2,060			2,060
Stock option expense					118,231				118,231
Cumulative translation adjustment							(49,959)		(49,959)
Net income								854,319	854,319
March 31, 2011	2,243,750	$ 22,438	46,234,442	$ 462,344	$83,726,346	$ 1,609,783	$ (77,559)	$ (78,916,689)	$ 6,826,663

See notes to consolidated condensed financial statements.

Notes to Consolidated Condensed Financial Statements (unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description — Planet Payment, Inc. (the "Company") was incorporated in the State of Delaware in October 1999 as Planet Group, Inc. and changed its name to Planet Payment, Inc. on June 18, 2007. The Company enables processors, acquiring banks and their merchants to accept, process and reconcile credit card transactions in multiple currencies, allowing cardholders to view prices and settle transactions in their native currency. The *Pay in Your Currency*™ service is the Company's suite of multi-currency processing solutions, which includes a multi-currency pricing e-commerce service and a Dynamic Currency Conversion service. Through the *iPAY*® gateway, the Company also offers comprehensive Internet processing solutions for credit card and electronic check payments.

On March 20, 2006, the Company's common shares were admitted to trading on the London Stock Exchange's Alternative Investment Market (AIM) market. On November 19, 2008, the Company's common shares were also admitted to trading on the OTCQX market tier operated by OTC Markets Inc in the United States.

The Company is a registered third-party processor for acquiring banks under Visa, MasterCard, Discover, American Express and JCB card association rules. Visa and MasterCard operating regulations require the Company to be sponsored by an acquirer in order to process card transactions; the Company has third party processor agreements with American Express and JCB. The Company is currently registered with Visa and MasterCard for each bank with which it has a processing agreement. Accordingly, although not a member of either card association (all members are banks), the Company is required to comply with all applicable card association rules.

Interim Period Format and Scope of Condensed Statements —The accompanying consolidated financial statements for the three months ended March 31, 2011 and 2010 are unaudited and do not include all information and footnotes necessary for a fair presentation of its consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States (GAAP). The December 31, 2010 balance sheet information has been derived from the audited financial statements at that date but does not include all disclosures required by GAAP.

In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments, which are normal and recurring, necessary for a fair presentation of the statements of operations, financial position and cash flows. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2010 Annual Report. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011.

The Company evaluated subsequent events through May 15, 2011, the date on which these financial statements were finalized. There were no events or transactions occurring during this subsequent event reporting period that require recognition or disclosure in the financial statements.

Principles of Consolidation — The consolidated condensed financial statements include the accounts of the Company, one wholly owned U.S. subsidiary and seven wholly owned foreign subsidiaries located in Bermuda, Canada, Hong Kong, Ireland, Isle of Man, The People's Republic of China and Singapore. All inter-company accounts and transactions are eliminated on consolidation.

Foreign Currency Translation — Statement of operations accounts are translated at the average exchange rates during the period, such adjustments are included in net income (loss). Assets and liabilities are translated at the balance sheet date exchange rates. Such amounts are reflected in accumulated other comprehensive income

Cash and Cash Equivalents — Cash and cash equivalents consist of cash and highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable — The Company evaluates the collectability of its accounts receivable based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer’s ability to meet its financial obligations, an allowance is recorded against amounts due thereby reducing the net recognized receivable to the amount that the Company reasonably believes will be collected. For all other customers, the Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and historical experience. Accounts receivable is included in other current assets in the consolidated condensed balance sheets.

Inventory – Certain payments made to a vendor have been applied to the purchase of software licenses for resale. The licenses are for a point-of-sale credit card application that has been customized to the Company’s specifications, in order to support the Company’s multi-currency applications. Inventory is valued at the lower of cost or market price. Market price is estimated based on anticipated sales of licenses. The Company performs an annual impairment test comparing the estimated fair value of the inventory to the carrying value. Based on the results of the impairment test, an impairment charge of $1,108,514 was recorded for the year ended December 31, 2010.

Property and Equipment — Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Hardware	5 years
Software	5 years
Furniture and fixtures	5–7 years

Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the assets or the term of the underlying lease arrangements.

Expenditures for maintenance and repairs, which do not improve or extend the useful life of the respective asset, are charged to expense as incurred.

Intangible Assets — Intangible assets are recorded at cost less accumulated depreciation. Intangible assets are being amortized on a straight-line basis over their estimated lives, as follows:

Software	5 years
Trademarks and patents	15 years
Capitalized projects	5 years
Customer contracts	5 years

The Company performs an annual impairment test comparing the estimated fair value of the intangibles to its carrying value. No impairment charge was recorded for the three months ended March 31, 2011 and 2010.

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles, Goodwill and Other* ("ASC 350"). The Company develops software that is used in providing processing services to customers. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning, designing, coding and testing activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the product is available for general use. Software development costs are amortized using the straight-line method over the estimated useful life of the software, which is generally five years. During the three months ended March 31, 2011 and 2010, the amount capitalized was $360,000 and $407,622, respectively.

Security Deposits — Security deposits are primarily held by landlords to cover rental obligations and are included in other assets in the consolidated condensed financial statements.

Restricted Cash — Restricted cash is primarily held by processing partners where the Company holds a share of underwriting risk and for other potential liabilities under processing. Restricted cash is included in other current assets in the consolidated condensed balance sheets.

Due to Merchants — Due to merchants represents funds collected on behalf of merchants using the iPAY gateway ACH product. The funds are generally held for an average of three days before payment to the merchant and are included in current liabilities in the consolidated condensed balance sheets.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of stock options and warrants, provision for doubtful accounts, asset capitalization and impairment testing. Actual results could differ from those estimates.

Revenue Recognition — Processing revenue is based on the mark up and fees charged to customers for services provided in facilitating the sale of goods and services by means of credit and debit cards and does not include the gross sales price paid by the ultimate buyer. Revenues are recorded on a gross basis and offset by the associated costs of sales and are recognized at the time of settlement of the transactions.

Revenue from multi-currency processing is based on the margin earned on the conversion of credit card transactions from one currency into another currency. Multi-currency conversion revenue is recognized when the settlement proceeds of relevant credit card transactions are paid by the Card Associations to the relevant acquiring bank, with which the Company undertakes the multi-currency processing service.

Income Taxes —The Company accounts for income taxes in accordance with FASB ASC 740, *Accounting Income Taxes*, which requires deferred tax assets and liabilities to be recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Due to cumulative book losses since the Company's inception and uncertainty as to the extent and timing of profitability in future years management has recorded a full valuation allowance of $24.6 million as of both March 31, 2011 and December 31, 2010.

Fair Value of Financial Instruments — FASB ASC 825, *Financial Instruments*, requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, receivables, debt, accounts payable, due to merchants, accrued expenses and amounts due to affiliates are reflected in the consolidated financial statements at cost which approximates fair value because of the short-term nature of these instruments. The carrying value of the short term portion of the long term and convertible debt approximates fair value primarily due to the short term nature of the debt and because the interest rates applicable to the debt are consistent with current market rates.

Stock Incentive Plan — FASB ASC 718, *Compensation – Stock Compensation* ("ASC 718") requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on the grant date fair value. The Company uses the Black-Scholes option-pricing model to estimate the grant date fair value of stock option awards. The Company recognizes the fair value of the award over the period during which an employee is required to provide service in exchange for the award.

Warrants — The Company has issued detachable warrants to purchase common shares as part of certain debt instruments. These warrants have been accounted for as equity in accordance with the provisions of ASC 470-20, *Debt with Conversion and Other Options.*

2. CURRENT AND LONG TERM DEBT

Current and long term debt as of March 31, 2011 and December 31, 2010 consisted of the following:

	March 31, 2011	December 31, 2010
Capital leases to various lessors secured by financed equipment and software with interest rates ranging from 9.29% to 20.04%, Principal and interest payable monthly through January 2014.	$ 204,620	$ 233,341
Non-interest bearing amount from First Horizon Merchant Services, Inc. ("FHMS") and First Tennessee Bank National Association ("FTB") payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect of which the advance was made.	-	660,000
Non-interest bearing amount from FHMS and FTB payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect of which the advance was made.	40,000	40,000
	244,620	933,341
Less current portion	148,288	808,288
Long term portion	$ 96,332	$ 125,053

In February 2003 the Company entered into an agreement with a customer, which included certain advances against the fair value of future services, which were intended to be amortized as the fair value of services to be performed. As the result of certain contract performance issues with the customer, the services were unable to be performed and the Company considered that under those circumstances it was not liable to repay the balance of the debt in the amount of $700,000. In June 2006 the Company received a request for repayment of the long term debt but the creditor took no action to collect it. In March 2011, the statute of limitations expired in relation to $660,000 of the debt, which as such was extinguished. For the three months ended March 31, 2011, the reversal of the $660,000 has been recorded in other income (expenses). The Company does not believe it is liable to repay the remaining balance of $40,000 and no action has been taken by the creditor to collect it.

Total interest expense related to debt for the three months ended March 31, 2011 and 2010 was $8,348 and $83,325, respectively.

3. CONVERTIBLE DEBT

In February 2007, the Company issued a $5.0 million five-year term note convertible into 2,272,727 common shares as part of a $7.6 million private placing which included the issuance of 1,141,491 new common shares at a price of $2.28 per share (equivalent to £1.16 per share). The note carries an interest rate of 9% per annum and is convertible at any time at the option of the noteholders, or automatically upon the achievement by the Company of certain milestones, namely a qualified U.S. initial public offering (IPO) or the achievement of certain liquidity and market value in the trading of the Company's common shares. Interest is payable semi-annually commencing June 30, 2007, but at the Company's sole option, interest payments through December 31, 2008, totaling $811,056 were capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value.

In April 2008, concurrent with the iPay acquisition, the Company issued a $3 million convertible promissory note, with a four year term, convertible into 1,333,333 common shares at a conversion price of $2.25 per share. The note carries an interest rate of 9% per annum and is convertible at any time at the option of the noteholders, or automatically upon the achievement of certain milestones, namely a qualified U.S. IPO or the achievement of certain liquidity and market value in the trading of the Company's common shares. Interest is payable semi-annually commencing June 30, 2008, but at the Company's sole option, interest payments through December 31, 2008, totaling $168,870 were capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value.

Convertible debt as of December 31, 2010, was comprised of the following:

Principal	Accrued Capitalized Interest	Total Convertible Debt	Maturity Date	Interest Rate	Conversion Price
$ 5,000,000	$ 811,056	$ 5,811,056	February 7, 2012	9%	$2.20
3,000,000	168,870	3,168,870	April 21, 2012	9%	$2.25
$ 8,000,000	$ 979,926	$ 8,979,926			

Convertible debt as of March 31, 2011, was comprised of the following:

Principal	Accrued Capitalized Interest	Total Convertible Debt	Maturity Date	Interest Rate	Conversion Price
$ 5,000,000	$ 940,014	$ 5,940,014	February 7, 2012	9%	$2.20
3,000,000	239,193	3,239,193	April 21, 2012	9%	$2.25
$ 8,000,000	$ 1,179,207	$ 9,179,207			

Total interest expense related to convertible debt for both the three months ended March 31, 2011 and 2010 was $199,281, which has been accrued.

The principal amount and capitalized interest under the series of convertible promissory notes issued in February 2007 and April 2008, totaling $8,979,926 (the "Notes"), were converted into 4,049,776 common shares, as of April 25, 2011. In settlement of accrued interest from January 1, 2011 through March 31, 2011 the Company issued 99,641 common shares. Subsequent to March 31, 2011, the Company issued 325,359 of common shares in settlement of accrued interest from April 1, 2011 through April 25, 2011 and a pre-payment fee.

4. RELATED-PARTY TRANSACTIONS

During the three months ended March 31, 2011 and 2010, the Company incurred rent expense totaling $132,523 and $118,509 respectively, which was paid to an affiliated company that is principally owned by executives, directors or stockholders of the Company (BDP Realty Associates LLC).

5. STOCK INCENTIVE PLAN

The Board of Directors and Stockholders approved a new equity incentive plan ("2006 Equity Incentive Plan" or "Plan") in January 2006. The Remuneration Committee of the Board of Directors (the "Committee") administers the Plan. Employees and certain contractors, who in the judgment of the Committee render significant service to the Company, are eligible to participate.

Under the terms of the Plan, participants may be granted restricted shares or options to purchase the Company's common stock at the fair market value on the date the option is granted. Options granted generally vest equally over three years and expire ten years after the grant date. At March 31, 2011 and December 31, 2010, a total of 7,547,181 and 7,301,883 shares, respectively, were reserved for issuance under the Plan. As of March 31, 2011, no restricted shares have been issued and no options have been granted below fair market value. At March 31, 2011 597,466 common shares remained available for future stock option and restricted stock awards under the Plan.

Stock option plan activity for the three months ended March 31, 2011 was as follows:

	Options	Weighted-Average Exercise Price
Balance— December 31,2010	7,301,883	$ 2.25
Granted	457,500	2.27
Exercised	(140,740)	1.17
Cancelled	(54,795)	3.93
Forfeited	(16,667)	2.04
Balance—March 31, 2011	7,547,181	$ 2.35
Options exercisable at December 31, 2010	5,942,540	$ 2.33
Options exercisable at March 31, 2011	5,744,392	$ 2.35

Options Outstanding at March 31, 2011				
Exercise Price	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number Exercisable
$ 0.60	50,000	$ 0.60	1.1	50,000
1.20	1,065,750	1.20	6.9	1,045,794
1.24	115,000	1.24	9.5	-
1.28	99,000	1.28	8.5	99,000
1.30	120,000	1.30	9.2	-
1.65	200,000	1.65	8.7	66,667
1.70	75,000	1.70	8.8	25,000
1.75	10,000	1.75	8.7	3,333
2.13	917,678	2.13	9.0	31,178
2.17	105,000	2.17	10.0	-
2.30	352,500	2.30	9.9	-
2.50	2,552,203	2.50	3.8	2,538,370
2.53	325,000	2.53	5.4	325,000
2.88	643,055	2.88	5.8	643,055
3.01	753,995	3.01	6.4	753,995
3.05	18,000	3.05	6.7	18,000
3.07	75,000	3.07	6.5	75,000
4.00	50,000	4.00	3.8	50,000
4.40	20,000	4.40	0.6	20,000
	7,547,181	$ 2.35		5,744,392

The Company's Plan provides for acceleration of exercisability of the options upon the occurrence of certain events related to a change in control, merger, and sale of assets or liquidation of the Company. FASB ASC 718 requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on their fair value. For the three months ended March 31, 2011 and 2010, the Company incurred total share-based expense of $118,231 and $135,086 respectively related to employee compensation. As of March 31, 2011, the total remaining unrecognized compensation expense related to the Company's unvested stock options was $1,075,771. This unrecognized compensation expense is expected to be recognized over a weighted-average period of less than one year.

For awards granted in 2011 and 2010, the Company used the Black-Scholes model for valuation. Assumptions, including volatility, term and risk-free rate, utilized in the model were provided by or confirmed by an independent entity. Since the Company had little historical information regarding the volatility of its share price, estimated volatility was based on the historic volatility of comparative companies from the same industry. The Company believes that its historical share option experience does not provide a reasonable basis upon which to estimate expected term. Following the guidance of SAB ASC Topic 14, *Share-Based Payment*, the Company used a "simplified" method to determine expected term based on the vesting and original contractual terms. The valuation for stock option awards for the three months ended March 31, 2011 was:

Award Date	February 2011	March 2011
Exercise Price	$2.30	$2.17
Implied Volatility	36.68%	36.62%
Expected Term (years)	5.9	5.9
Risk-Free Rate	2.72%	2.38%
Fair Value per Option	$0.76	$0.70

6. WARRANTS

Warrant activity for the three months ended March 31, 2011 was as follows:

	Warrants	**Weighted-Average Exercise Price**
BALANCE— December 31, 2010	**2,119,312**	**$ 1.64**
Granted	549	0.25
Exercised	-	-
Cancelled	-	-
BALANCE— March 31, 2011	**2,119,861**	**$ 1.64**
Warrants exercisable—December 31, 2010	2,119,312	$ 1.64
Warrants exercisable— March 31, 2011	2,119,861	$ 1.64

Warrants Outstanding at March 31. 2011

Exercise Price	Number Outstanding	Weighted - Average Exercise Price	Weighted-Average Remaining Life (Years)	Number Exercisable
$ 0.25	221,653	$ 0.25	3.3	221,653
0.45	112,500	0.45	3.2	112,500
1.31	1,381,717	1.31	4.4	1,381,717
2.50	220,903	2.50	2.7	220,903
5.50	183,088	5.50	2.7	183,088
	2,119,861	$ 1.64		2,119,861

During the three months ended March 31, 2011 and 2010, the Company issued 549 and 13,036 warrants respectively with an exercise price of $0.25 per share as partial payment for legal services rendered and recognized an expense of $2,060 and $48,242 respectively. These expenses are included in total operating expenses on the consolidated condensed statements of operations.

7. CAPITAL STOCK

During the three months ended March 31, 2011, the Company issued 140,740 new common shares upon exercise of stock options.

On March 31, 2011 the Company also issued 15,206 new common shares upon exercise of a warrant and 10,000 new common shares in satisfaction of certain accounts payable.

The terms of the Company’s various classes and series of capital stock are summarized as follows:

Series A Convertible Preferred Stock —The Series A preferred stock had the following rights as of March 31, 2011:

Liquidation Preference — The holders of the Series A preferred stock are entitled upon a liquidation event, to receive back their original investment, in priority to any return of capital to all other stockholders, with no further participation. The Series A preferred stock are convertible into 6,851,144 shares of common stock and the voting, dividend and distribution rights are determined on an “as converted” basis.

Common Stock — The common stockholders are entitled to a distribution of all remaining assets (which may be more or less than the original investment), on a proportionate basis, in the event of the dissolution or winding up of the Company, after payment of all liabilities of the Company and the liquidation preference of all series of preferred stock then outstanding. The common stock has no conversion or redemption rights. The common stock is entitled to one vote per share at all general meetings of the Company. The common stockholders are entitled to share in all dividends and distributions, which may be declared by the Company, on a proportionate basis with all other classes and series of stock outstanding.

8. NET INCOME (LOSS) PER SHARE

The Company computes net income (loss) per share in accordance with FASB ASC Topic 260, *Earnings Per Share*, ("ASC Topic 260"). Under ASC Topic 260, securities that contain rights to receive non-forfeitable dividends (whether paid or unpaid) are participating securities and should be included in the two-class method of computing earnings per share. The Company's preferred stockholders are entitled to participate in dividends and earnings when, and if, dividends are declared on the common stock. As such, the Company calculates net income (loss) per share using the two-class method. The two-class method is an earnings formula that treats a participating security as having rights to dividends that otherwise would have been available to common and preferred stockholders based on their respective rights to receive dividends. Losses are not allocated to the preferred stockholders for computing net loss per share under the two-step method because the preferred stockholders do not have contractual obligations to share in the losses of the Company.

Basic earnings per share is calculated by dividing net income (loss), adjusted for amounts allocated to participating securities under the two-class method, if applicable, by the weighted average number of common stock outstanding during the period.

Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding, assuming dilution, during the period. The diluted earnings per share calculation assumes (i) all stock options and warrants which are in the money are exercised at the beginning of the period and (ii) each issue or series of issues of potential common share are considered in sequence from the most dilutive to the least dilutive. That is, dilutive potential common shares with the lowest "earnings add-back per incremental share" shall be included in dilutive earnings per share before those with a higher earnings add back per incremental share. For this purpose potential dilutive common shares include the stock options, warrants, preferred shares and convertible debt.

The following table sets forth the computation of basic and diluted net income (loss) per share for the three months ended March 31, 2011 and 2010:

	Three Months Ended	
	March 31, 2011	March 31, 2010
Numerator:		
Net Income (loss)	$ 854,319	$ (1,530,221)
Amount allocated to participating preferred stockholders under the two-step method	(110,257)	-
Net income (loss) applicable to common stockholders	$ 744,062	$ (1,530,221)
Denominator:		
Weighted average common stock outstanding (basic)	46,147,557	39,176,921
Common equivalent shares from options and warrants to purchase common stock	1,578,200	-
Weighted average common stock outstanding (diluted)	47,725,757	39,176,921
Basic net income (loss) per share applicable to common stockholders	$ 0.02	$ (0.04)
Diluted net income (loss) per share applicable to common stockholders	$ 0.02	$ (0.04)

The following table sets forth the weighted securities outstanding during the three months ended March 31, 2011 and 2010, that have been excluded from the diluted net income (loss) per share calculation because the effect would have been antidilutive:

	Three Months Ended	
	March 31, 2011	March 31, 2010
Stock options	5,707,431	6,556,020
Warrants	403,991	3,815,882
9% Convertible debt (1)	4,049,776	4,049,776
Convertible preferred stock (1)	6,851,144	6,851,144
Total antidilutive securities	17,012,342	21,272,822

(1) Diluted net income per share increases when the convertible debt and convertible preferred stock are included in the required sequence in the earnings per share computation. As such both the convertible debt and convertible preferred stock are excluded from the computation of diluted earnings per share for the three months ended March 31, 2011.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes thereto. The following discussion may contain forward-looking statements that reflect future plans, estimates, beliefs, and expected performance. The forward-looking statements are dependents upon events, risks, and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. As such, the forward-looking events discussed may not occur. See discussion under the headings "*Forward Looking Statements*" and "*Risk Factors*" below.

The financial information with respect to the three month periods ended March 31, 2011 and 2010 that is discussed below is unaudited. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year.

NON-GAAP MEASURES
The Company provides certain non-GAAP financial measures in this statement, in order to provide investors with additional perspective of underlying business trends and results. In addition management utilizes these measures in monitoring performance. These non-GAAP key business indicators, which include Adjusted EBITDA, cash operating expenses, cash compensation expense, transaction volumes, merchant locations and same store sales, should not be considered replacements for and should be read in conjunction with the GAAP financial measures.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

Revenue: Total revenue increased 67% to $22.0m (Q1'10: $13.2m) as a result of the increase in multi-currency processing and due to new merchant deployments in all regions. Total active merchants increased 78% to 19,944 (Q1'10: 11,189) at the end of the quarter. Revenue from multi-currency processing services increased 85% to $18.6m (Q1'10: $10m), while revenue from processing services increased 8% to $3.4m (Q1'10: $3.2m), and represented 16% of total revenue (Q1'10: 24%).

Transaction V*olume:* The Company processed total settled transaction volume of $994m, up 91% over the same period in 2010 (Q1'10: $520m). Transaction volume from multi-currency processing services increased 74% to $485m (Q1'10: $279m). Settled processing volume increased 111% to $509m (Q1'10: $241m).

Gross Profit: Gross profit rose 65% to $6.7m (Q1'10: $4.1m). Overall gross margin of 30% was consistent with prior year (Q1'10: 31%).

Operating Expenses: The Company's operating costs represented a reduced percentage of revenue at 29%, compared to 40% in Q1'10. Operating expenses grew $1m, to $6.3m (Q1'10: $5.3m). Cash operating expenses increased 19% to $5.6m (Q1'10: $4.7m) in support of service launches in new markets in 2010 and 2011.

Cash compensation expenses totalled $4.0m, an increase of 48% over Q1'10, representing 70% of total cash operating expenses for the quarter (Q1'10: $2.7m, representing 57% of total cash operating expenses). Increases were to due to headcount growth from 139 at the end of March 2010 to 152 at the end of March 2011 in support of service launches in new markets in 2010 and in 2011 and certain salary increases also effected the quarter. Other cash operating expenses decreased 18% over 2010 to $1.7m (Q1'10:$2.0).

Other Income (Expense): For the three months ended March 31, 2011, other income (expense) was $450,916. Other income (expense) included $660,000 of income related to the extinguishment of debt, as to which the statute of limitations expired in March 2011, offset by interest expense of $199,281 related to the convertible debt.

Net Income (loss): Net income for the period was $0.9m compared to a net loss of ($1.5m) a year ago.

NON-GAAP MEASURES

Adjusted EBITDA: Adjusted EBITDA for the period was $1m compared to a loss of ($0.7m) a year ago. See Table 1 below for a reconciliation of net income (loss) to adjusted EBITDA

Table 1. Reconciliation of Net Income (loss) to Adjusted EBITDA
For the three months ended March 31, 2011 and 2010

	Three Months Ended March 31,	
	2011	2010
Net income (loss)	$0.9	$(1.5)
Other Income, net	(0.5)	0.3
Depreciation and amortization	0.5	0.4
Stock compensation expense	0.1	0.1
Adjusted EBITDA	$1.0	$(0.7)

SALES OF EQUITY SECURITIES

During the three months ended March 31, 2011, the Company issued 140,740 new common shares upon exercise of stock options by current and former employees of the Company. All but 6,872 of the shares were exercised for cash and the weighted average exercise price was $1.17 per share. Further information on the Company's stock options and the Equity Incentive Plan is set forth in the consolidated condensed financial statements for the period included in this Report. Information regarding other issuances of Issuer's equity securities during the three months ended March 31, 2011 has already been disclosed and are included in the notes to the consolidated condensed financial statements for such period.

LEGAL PROCEEDINGS

The Issuer is not and was not during the three months ended March 31, 2011, party to any legal proceedings or administrative actions that could have a material effect on the Issuer's business, financial condition, or operations nor have any such proceedings been threatened. Neither are there any current, past or pending trading suspensions by a securities regulator.

DEFAULTS UPON SENIOR SECURITIES

Not applicable.

OTHER INFORMATION

Not applicable.

EXHIBITS

There are no Exhibits which are required to be attached to this report.

FORWARD-LOOKING STATEMENTS

Information contained in this report may include 'forward-looking statements'. All statements other than statements of historical facts included herein, including, without limitation, those regarding the financial position, business strategy, plans and objectives of management for future operations of both Planet Payment and its business partners, are forward-looking statements. Such forward-looking statements are based on a number of assumptions regarding Planet Payment's present and future business strategies, and the environment in which Planet Payment expects to operate in future, which assumptions may or may not be fulfilled in practice. Implementation of some or all of the new services referred to is subject to regulatory or other third party approvals. Actual results may vary materially from the results anticipated by these forward-looking statements as a result of a variety of risk factors, including the risks discussed under the heading "Risk Factors". These forward-looking statements speak only as to the date of this report and cannot be relied upon as a guide to future performance. Planet Payment expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this report to reflect any changes in its expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

RISK FACTORS

Risk factors that may affect the Company's future prospects, performance and results, are referenced in the Company's Admission document to the AIM market which is available on its website at www.planetpayment.com under "Investor Relations". Some of the risk factors that investors or potential investors in Planet Payment's securities should consider are summarized as follows:

- The business is still in a substantial growth phase, which makes it difficult to evaluate and forecast the Company's future prospects.
- The Company has incurred losses since its inception through the end of 2010 and achieved its first period of profitability in the three months ended March 31, 2011. The Company cannot guarantee that it will continue to achieve profitability.
- The Company may require additional capital in the future to fund operations, or it may elect to raise additional capital if market conditions are favorable.
- The Company relies on third parties to implement the Company's solutions and to market them to end customers and cardholders may not adopt the Company's services.
- Implementation, adoption and offering of the service by processors, acquirers, merchants and others may take longer than anticipated, or may not occur at all.
- The Company's industry is highly competitive.
- The Company may face decreasing gross margins.
- Changes in the payment card industry, regulatory changes, particularly in the United States, Canada and China and changes in card association regulations and practices may impair the Company's business.
- The Company is required to be registered with card associations in order to provide its services and the Company relies on bank sponsorship for this registration.
- Changes in payment card industry billing and disclosure of cross-currency transactions may impact the Company's revenues and gross margins.
- Third parties claiming that the Company infringes their proprietary rights could cause the Company to incur significant legal expenses, for itself and on behalf of certain customers who are indemnified by the Company and prevent the Company from offering its services.
- The Company is and may be subject to litigation in the future.
- The Company may not be able to protect and enforce its contractual and intellectual property rights.
- Rapid technological change could render the Company's services obsolete.
- The Company's business exposes it to currency exchange risk.

- If the Company were to lose the services of its CEO or other members of its senior management team, the Company may not be able to execute its business strategy.
- The Company faces risks in foreign markets.
- Additional risks may arise with respect to commencing operations in new countries and regions of which the Company is not fully aware at this time.
- The Company could be subject to liability in the event of unauthorized disclosure of cardholder or transaction data.
- Merchant fraud or insolvency could, in some cases, negatively affect the Company's cash flows and operating results and result in liability to the Company.
- Adverse economic and other global conditions, general economic risks and decrease in volume of international travel and commerce could result in a decrease in transaction volumes.
- The Company relies on third party and organic new technology and systems; delays in development and implementation of new technology could delay revenues from the relevant projects or customers.
- The Company's systems and its third-party providers' systems may fail which could interrupt service, cause loss of business, increase costs and expose the Company to liability.
- Utility and system interruptions could adversely affect the Company's operations.
- The Company may experience software defects, undetected errors, and development delays, which could damage customer relations, decrease its potential profitability and expose the Company to liability.
- The Company could face liability or termination of key contractual relationships in the event of a system failure or a failure to perform to contracted standards.
- Material past or future acquisitions made by the Company may have an adverse effect on its results.
- Additional risks may arise with respect to acquired assets and assumed contracts of which Planet Payment is not fully aware at this time.
- The Company may be required to comply with U.S. federal securities law reporting and corporate governance regulations in the future, which would entail significant expense and could materially impair the Company's operating results.
- Securities traded on the AIM, OTC Markets and OTCQX markets may involve greater risk, potentially greater volatility and lower liquidity than securities traded on other public markets.
- The Company is not currently subject to the same reporting requirements as companies whose stock is traded on other public markets.
- Ownership of the majority of the Company's Common Shares is concentrated among a small number of large shareholders, and substantial sales by these shareholders could depress the Company's stock price.

PLANET PAYMENT, INC.

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2011

CERTIFICATIONS

I, Philip D Beck, certify that:

1. I have reviewed this Quarterly Report for the quarter ended March 31, 2011 of Planet Payment, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 16, 2011

Philip D. Beck, CEO

I, Robert Cox, certify that:

1. I have reviewed this Quarterly Report for the quarter ended March 31, 2011 of Planet Payment, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 16, 2011

Robert Cox, CFO

1. I have reviewed this Quarterly Report for the quarter ended March 31, 2011 of Planet Payment, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 16, 2011

Graham N. Arad, SVP & General Counsel