Date:	2 April 2012
On behalf of:	Planet Payment, Inc. ("the Company" or "Planet Payment")
Embargoed until:	0700hrs

Planet Payment
Announces 2011 Annual Results

Net Revenue Increases 37%, Net Income Increases 178% and Adjusted EBITDA Increases 226%

Planet Payment, Inc. **(UK: LSE:AIM: PPT and PPTR; USA: OTCQX: PLPM)**, a leading multi-currency payment and data processor, today announced its results for the year and the three months ended December 31, 2011. During both periods, the Company again delivered solid results, showing strong growth in revenue, net income and Adjusted EBITDA:

2011 Financial Highlights

- Net revenue increased 37% to $41.9m (2010: $30.6m)
- Multi-Currency processing services revenue increased 52% to $27.2m (2010:$18.0m)
- Net income increased to $2.4m (2010 loss: ($3.1m))
- Adjusted EBITDA of $5.9m, an increase of $4.1m or 226% over $1.8m in 2010. See Table 1 in this announcement for reconciliation of net income (loss) to Adjusted EBITDA
- Consolidated gross billings increased 58% to $102.4m (2010: $64.7m). (See Table 2 in this announcement for explanation of this key metric)
- Gross foreign currency mark-up increased 69% to $87.8m (2010: $52.1m). (See Table 2 in this announcement for explanation of this key metric)
- Diluted earnings per share increased to $0.04 from a loss of $(0.08) per share in 2010.

Fourth Quarter 2011 Financial Highlights

- Net revenue increased 29% to $12.3m (Q4 2010: $9.5m).
- Net income increased to $1.8m (Q4 2010 loss: ($0.2m))
- Adjusted EBITDA of $2.7m an increase of $0.8m or 42%, (Q4 2010: $1.9m). See Table 1 in this announcement for reconciliation of net income (loss) to Adjusted EBITDA.
- Consolidated gross billings increased 47% to $31.5m (Q4 2010: $21.4m). (See Table 2 in this announcement for explanation of this key metric)
- Gross foreign currency mark-up increased 51% to $27.2m (Q4 2010: $18.0m). (See Table 2 in this announcement for explanation of this key metric)

2011 Operational Highlights

- Total active merchant locations increased by 67% to 27,887 as of December 31, 2011 (as of December 31, 2010: 16,697).
- Settled multi-currency dollar volume processed for the year increased 70% to $2.3b (2010: $1.4b). For fourth quarter 2011 settled multi-currency dollar volume processed increased 58% to $0.7b (Q4 2010: $0.5b).
- Rolled out Pay in Your Currency service with Network International in UAE to over 3,500 merchant locations.

- Expanded our relationship with Vantiv (formerly known as Fifth Third Processing Solutions) by entering into an agreement with them to provide our Pay In Your Currency service at ATMs.
- Launched the MICROS Payment Gateway to facilitate the integration of MICROS property management systems in hotels and restaurants to our platform. The first hotels, two Hyatt Regency properties in Hong Kong, were implemented before the end of the year.
- Integrated our iPAY gateway with VendorShop's Facebook shopping cart application.

Current Trading Highlights – First Quarter 2012

- Entered into agreement with China UnionPay to provide processing support for China UnionPay's credit and debit cards in both card present and card-not-present environments directly to banks and acquirers on a worldwide basis. Signed agreement with MICROS to add support for China UnionPay cards to the MICROS Payment Gateway.
- Entered into agreements with Citibank, Hong Kong and Macau, Citibank, Philippines and Mashreq, UAE for our Pay in Your Currency service in each of those countries.

Commenting on the results, Philip Beck, Chairman of Planet Payment, Inc., said:

"We are very pleased to announce our strong year-over-year growth, capping what was an excellent year for Planet Payment. Our services continue to help acquirers open new sales channels, merchants sell more goods and services and cardholders enjoy informed choice and transparency at the point-of-sale. We believe that Planet Payment continues to benefit from a "network effect" as we add more acquiring institutions, in more countries, using more products on our platform. We look forward to an exciting year in 2012."

Additional analysis of the Company's performance can be found in the "Management's Discussion & Analysis of Financial Condition and Results of Operations." section appended to this release. Copies of the Company's Annual Report for 2011 will be sent to shareholders in April together with the Notice of the 2012 Annual Meeting, which is to be held in May 2012 in New York. Copies of this announcement are available on the Company's website at www.planetpayment.com. In accordance with the rules of the OTCQX market, the Company's Annual Report for 2011, including its Audited Consolidated Financial Statements, as of December 31, 2010 and 2011 and for the three years ended December 31, 2011 have been posted on the OTCQX website at www.otcqx.com and on the Company's website at www.planetpayment.com. Copies of the Annual Report will also be available on request, through the Annual Reports service and on the Company's website upon publication.

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About Planet Payment®

Planet Payment is a leading provider of international payment processing and multi-currency processing services. We provide our services in 16 countries and territories across the Asia Pacific region, North America, the Middle East, Africa and Europe, primarily through our more than 45 acquiring bank and processor customers. Our point-of-sale and e-commerce services help merchants sell more goods and services to consumers, and are integrated within the payment card transaction flow enabling our acquiring customers to process and reconcile payment transactions in multiple currencies, geographies and channels.

Planet Payment is headquartered in New York and has offices in Atlanta, Beijing, Bermuda, Delaware, Dubai, London, Hong Kong, Mexico City, Shanghai and Singapore. Visit www.planetpayment.com for more information on the Company and its services. For up-to-date information follow Planet Payment on Twitter at @PlanetPayment or join Planet Payment's page on Facebook.

Forward-Looking Statements. Information contained in this announcement 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, including information related to the first quarter 2012 activities and performance, 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 risk that implementation, adoption and offering of the service by processors, acquirers, merchants and others may take longer than anticipated, or may not occur at all, regulatory changes and changes in card association regulations and practices, general economic risk and volume of international travel and commerce and others. Additional risks may arise, with respect to commencing operations in new countries and regions, of which Planet Payment is not fully aware at this time. See the Company's Annual Report for 2011, filed at www.otcqx.com for other risk factors which investors should consider. These forward-looking statements speak only as to the date of this announcement 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 announcement to reflect any changes in its expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

CHAIRMAN & CEO REPORT

I am pleased to announce our results for the year ended December 31, 2011. Planet Payment's strong performance during the year reflects the continued adoption of our services and solutions by existing and new customers. The improvement in our financial results demonstrates the operating leverage inherent in our payment platform and business model.

We achieved net revenue of $41.9 million for the full year, reflecting an increase of 37% over 2010. Our strong revenue growth reflects the increase in transaction processing volumes primarily driven by the addition of active merchant locations as well as the general improving of global economic conditions. Adjusted EBITDA for the year increased to $5.9 million, a year over year increase of 226%. Adjusted EBITDA growth far outpaced revenue growth for the year, highlighting the operating leverage in our business and our ability to maintain level operating expenses, while investing in future growth. As a result, we generated net income for the year of $2.4 million, a significant improvement from a net loss of $3.1 million in 2010.

Our point-of-sale ("POS") and e-commerce services help merchants sell more goods and services to consumers and enable our acquiring customers to process and reconcile payment transactions in multiple currencies, geographies and channels. Our services help banks, processors and merchants enhance revenue, broaden their product set and open new sales channels and cardholders enjoy informed choice and transparency at the point-of-sale. The Company's customer base includes more than 45 acquiring banks and processors spanning more than 16 countries and territories across the Asia Pacific region, North America, the Middle East, Africa and Europe, including our established markets of China, Hong Kong, Macau, Taiwan and Malaysia.

In 2011 we continued to collaborate with our existing acquiring bank and processor customers in order to increase participation by merchants in the various services that we offer. Since the beginning of 2011, the Company has rolled out our multi-currency processing services in the United Arab Emirates, the Philippines and other Asia Pacific countries launched in 2010 and delivered both domestic and multi-currency services to additional acquirers in Canada. Network International announced in July that over 3,500 merchant locations in the UAE had signed agreements to offer the Company's Pay in Your Currency service. By the end of 2011, our base of active merchant locations grew more than 67% or by over 11,000 to nearly 28,000 active locations. Approximately 26% of the multicurrency settled dollar volume processed in December 2011 was attributed to new merchants activated in 2011.

We continue to cross sell our innovative services to our acquiring banks and processors, and merchants. While merchants in industry verticals such as hospitality, retail and restaurants have been enjoying the benefits of our Pay in Your Currency service for several years, we are now able to offer similar services to ATM operators. In March 2011 we entered into a new contract with one of our long-standing customers, Vantiv (formerly known as Fifth Third Processing Solutions) to power its ATM Network in the United States with our Pay in Your Currency service. Cardholders withdrawing cash from over 11,000 ATMs powered by Vantiv across the United States will have the option to see the final amount of a cash withdrawal in their home currency at the time of the transaction. We anticipate launching the service with Vantiv in the second quarter of 2012. We consider this to be a significant new channel to market and expansion of our existing multicurrency product set, complementing our e-commerce and point of sale capabilities.

We have continued to use our technology resources to develop enhanced platform capabilities in order to enhance our market position and enable our customers to retain and attract new business, as well as respond to changes in the marketplace. For example, in certain markets in which we operate, there is a shift from merchants' use of stand-alone terminals to integrated payment solutions. In 2011, we launched the MICROS Payment Gateway to facilitate integrated payment support solutions for merchants using MICROS point of sale and property management systems in the hospitality and restaurant industries. In December 2011, we announced our first implementation of the MICROS Payment Gateway at two Hyatt Regency hotels in Hong Kong.

As the payment industry continues to evolve, we aim to be at the forefront by developing new services and solutions that leverage both our platform and core competencies. We believe that the development of new services and solutions are essential, in order to enable us to continue to differentiate our platform and capabilities and provide solutions to meet the challenges faced by acquiring banks and processors, as well as merchants. For example, in 2011 we integrated our iPAY gateway with VendorShop's Facebook shopping cart application. This innovative social commerce solution empowers merchants to sell to a global market of over 800 million Facebook monthly active users, enabling retailers to convert their "static" Facebook presence into a new sales channel for their business. With this solution, Facebook merchants will be able to accept credit cards through any participating acquirer integrated into Planet Payment's international transaction platform.

We believe that Planet Payment continues to benefit from a "network effect" as we add more countries and more acquiring institutions using more products on our platform. The addition of new regions, acquirers and products creates more choices for our customers and their merchants. We recently entered into a contract with China UnionPay to provide processing support for China UnionPay's credit and debit cards in both card present and card-not-present environments directly to banks and acquirers on a worldwide basis. In addition, we will be enhancing iPAY to include support for China UnionPay's new UnionPay Online Payment (UPOP) service, which we expect to launch in the second quarter of 2012. UPOP provides merchants with the facility to authenticate and process UnionPay debit cards online, providing merchants with better access to the Chinese e-commerce space. We also recently announced an agreement with MICROS to add support for China UnionPay to the MICROS Payment Gateway.

In response to market demand, we have accelerated the expansion of our business development and relationship sales teams ahead of our original operating plan, thereby increasing certain operating expenses. Notably, during the third quarter, we established a Mexican subsidiary, with offices in Mexico City as our headquarters for the Latin America Caribbean region and hired a Managing Director for Latin America.

Planet Payment continues to benefit from a robust new business pipeline and is currently working to implement additional acquiring bank, processor and merchant solutions and thereby to add processors, acquiring banks and active merchants to our platform. With each new customer win, we can increase our transaction volume and our revenue. By adding incremental volume to our single, scalable, currency neutral platform we can increase our operational leverage.

ENHANCEMENTS TO OUR PROCESSING PLATFORM AND CAPABILITIES

During 2011, we continued to enhance our proprietary systems in order to offer our acquiring partners and their merchants increased opportunities to capture additional revenue with new products and services.

The Company expanded its processing to over 45 authorization currencies to support our existing customers and is testing additional currencies to support the delivery of new services to new markets. This expansion allows us to offer our acquiring customers and their merchants a more comprehensive solution and is intended to increase returns on investment for our acquiring customers by including a broader pool of potential customers.

We have continued to ensure our processing platform remains robust, reliable, scalable and secure. The provision of secure processing solutions to our acquiring customers, their merchants and cardholders continues to be a key priority for the Company. We therefore deployed several new service offerings during 2011. Given the unified architecture of our single platform, once new enhancements and solutions have been implemented, they are available to all of our customers around the world.

Specifically, in 2011:

- we developed multi-currency processing support for ATMs hosted by acquiring banks, certified through the Cirrus (MasterCard) network, which we anticipate launching in the second quarter of 2012;

- we certified hosted processes for Verified by Visa and MasterCard Securecode authorization for e-commerce merchants;
- we integrated with and launched our hosted MICROS Payment Gateway; and
- we added additional language support, including Canadian French, building on our existing support in Canada, as well as and Spanish and Portuguese to support our expansion initiatives in Latin America.

During 2011 the Company again successfully completed its annual independent examination under Statement on Standards for Attestation Engagements No. 16 (Formerly known as "SAS70 Type II") and obtained re-certification of compliance with the PCI-DSS security requirements.

During the first half of 2011, we were granted additional patent claims under our "Time of Transaction Foreign Currency Conversion" in Singapore. These are in addition to the patents previously granted in the United States and other countries. We view the Company's growing catalogue of patents as a validation of the Company's innovative approach to multicurrency payments.

CORPORATE FINANCE

In April 2011, the Company announced that investors led by Camden Partners had converted their entire outstanding principal amount of $9.0m of convertible notes into an aggregate of 4,049,776 shares of common stock. In addition, the Company issued 425,000 shares of common stock in lieu of cash payments for accrued interest and a prepayment fee negotiated at the time of conversion. This transaction strengthened the Company's balance sheet and eliminated related interest expense going forward. The Company ended 2011 with total liabilities reduced by 55% to $6.1m (2010: $13.5m) and stockholders' equity of $18.7m an increase of 230% over 2010 (2010: $5.7m).

In 2011, the Company started the process of becoming a reporting company under U.S. Securities laws and continues to work with its advisors on that process.

CURRENT TRADING AND OUTLOOK

The year has started with our signing agreements with three new acquiring banks, one of which is already operating a pilot and we look forward to implementing other acquiring banks over the coming months and to boarding their merchants on to our platform. In 2012 we also expect to continue to cross sell our innovative services to our acquiring institution customers and to their merchants. We believe that based on entering new regions, implementing new acquiring customers and activating new merchants on our platform, the Company is well positioned for further growth in 2012.

We look forward to an exciting 2012.

Philip Beck
Chairman and Chief Executive Officer

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

RESULTS OF OPERATIONS

Year and Three Months Ended December 31, 2011 Compared to the Year and Three Months Ended December 31, 2010

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, should not be considered replacements for and should be read in conjunction with the GAAP financial measures.

We define Adjusted EBITDA as GAAP net income (loss) adjusted to exclude (1) interest expense, (2) interest income, (3) provision (benefit) for income taxes, (4) depreciation and amortization, (5) stock-based expense from options and warrants and (6) certain other items management believes affect the comparability of operating results. Please see "—Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net income (loss) , the most directly comparable financial measure calculated and presented in accordance with GAAP.

Table 1. Reconciliation of Net Income (Loss) to Adjusted EBITDA (non-GAAP)

For the three months and year ended December 31, 2011 and 2010

	Three Months Ended December 31,		Year Ended December 31,	
	2011	**2010**	**2011**	**2010**
	US$ Million		*US$ Million*	
Net income (loss)	$1.8	$ (0.2)	$ 2.4	$ (3.1)
Interest expense	0.0	0.3	0.3	1.2
Interest income	0.0	0.0	0.0	0.0
Provision for income taxes	0.2	0.0	0.3	0.0
Depreciation and amortization	0.6	0.5	2.4	1.8
Stock-based expense	0.1	0.2	0.6	0.8
Software licenses impairment	0.0	1.1	0.0	1.1
Convertible debt prepayment fee	0.0	0.0	0.6	0.0
Derecognition of note payable	0.0	0.0	(0.7)	0.0
Adjusted EBITDA (non- GAAP)	$2.7	$1.9	$5.9	$ 1.8

Table 2. Explanation of Key Metrics

Consolidated gross billings	Represents gross foreign currency mark-up plus payment processing services revenue
Gross foreign currency mark-up	Represents the gross foreign currency mark-up amount on settled dollar volume processed using our multi-currency processing services. Gross foreign currency mark-

	up represents multi-currency processing services net revenue plus amounts paid to acquiring banks and their merchants associated with such multi-currency processing transactions.
Active merchant locations	We consider a merchant location to be active as of a date if the merchant completed at least one revenue-generating transaction at the location during the 90-day period ending on such date. The total number of active merchant locations exceeds the total number of merchants, as merchants may have multiple locations

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis in conjunction with the information set forth under our consolidated financial statements and related notes thereto. The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk factors" in the Annual Report for this period filed with OTCQX and elsewhere. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Business overview

We believe Planet Payment is a leading provider of international payment processing and multi-currency processing services. We provide our services to over 27,000 active merchant locations in 16 countries and territories across the Asia Pacific region, North America, the Middle East, Africa and Europe, primarily through our acquiring bank and processor customers, as well as through our own direct sales force. Our point-of-sale and e-commerce services help merchants sell more goods and services to consumers and enable our acquiring customers to process and reconcile payment transactions in multiple currencies, geographies and channels.

In 2011, we produced 56% of our revenue internationally and 44% in the United States through a recurring revenue model that generates fees every time a purchase is made across our network. We manage our business through two operating segments: our multi-currency processing services and our payment processing services. Our multi-currency processing services, which include Pay In Your Currency and Multi-Currency Pricing, enable merchants to offer customized pricing in multiple currencies. Our payment processing services comprise end-to-end authorization, capture, clearing and settlement services to our customers along with localized language support and online access to advanced reconciliation, reporting and analytics services. Our multi-currency processing services represented approximately 65% of our revenue for the year ended December 31, 2011 and our payment processing services represented approximately 35% of our revenue.

For the years 2009, 2010 and 2011, our net revenue was $26.3 million, $30.6 million and $41.9 million, respectively. In the same periods, our net (loss) income was $(4.2) million, $(3.1) million and $2.4 million, respectively, and our Adjusted EBITDA was $0.3 million, $1.8 million and $5.9 million, respectively. Adjusted EBITDA is a financial measure not calculated in accordance with GAAP. For information on how we calculate Adjusted EBITDA, see "—Key metrics—Adjusted EBITDA."

Key milestones

In 1999, we founded the company with a vision of providing payment processing services to international merchants. Key milestones in our development include:

- In 1999 and 2000, we launched our e-commerce payment processing services in New Zealand and received our first institutional funding. Also in 2000, we signed our first contract for our Pay In Your Currency service in the United States.

- In 2002, we implemented an initial trial for our multi-currency processing service in the United States.

- In 2003 and 2004, we signed contracts with a number of acquiring banks and processors in the United States, including Vital Processing Services LLC (now TSYS Acquiring Solutions) and Fifth Third Bank Corp.

- In 2005, we launched our Pay In Your Currency service in the Asia Pacific region with Standard Chartered Bank in Hong Kong.
- In 2006 and 2007, we signed contracts with a number of acquiring banks and processors in China, Hong Kong, Macau, Malaysia and Taiwan, including Hang Seng Bank and Global Payments Asia Pacific. Also, in 2006, our shares of common stock were admitted to trade on the AIM Market of the London Stock Exchange plc ("AIM") and we acquired the assets of Transworld Payment Solutions, which enabled us to become a full-service third-party processor.
- In 2008, we acquired the iPAY business and related assets and our common stock was admitted to trading on the OTCQX tier of the OTC Markets Group Inc. ("OTCQX"). Also in 2008, we expanded our Pay In Your Currency service into India.
- In 2009, we expanded our full-service processing services into Canada and our Pay In Your Currency service into the Philippines.
- In 2010, we expanded our Pay In Your Currency service to Brunei, the Maldives, Singapore, South Africa, Sri Lanka, and the United Arab Emirates. Also in 2010, we entered into agreements to provide multi-currency processing services to Global Payments, Inc. for the United States and Canada and renewed or extended our agreements with Vantiv, LLC (formerly known as Fifth Third Processing Solutions) and TSYS Acquiring Solutions.
- In 2011, we entered into a contract with Vantiv to provide our Pay In Your Currency service at ATMs. Also in 2011, we launched the MICROS Payment Gateway to facilitate the integration of MICROS property management systems in hotels and restaurants to our platform, and the first hotels using the new gateway went live in Hong Kong before the end of the year. Additionally, we integrated our iPAY gateway with VendorShop's Facebook shopping cart application creating a social commerce solution that allows Facebook merchants to accept credit cards through any participating acquiring bank integrated into our platform in 2011.
- In 2012, we entered into a contract with China UnionPay to provide processing support for China UnionPay's credit and debit cards in both card present and card-not-present environments directly to banks and acquirers on a worldwide basis. In addition, we will be enhancing iPAY to include support for China UnionPay's new UnionPay Online Payment (UPOP) service, which we expect to launch in the second quarter of 2012. UPOP provides merchants with the facility to authenticate and process UnionPay debit cards online, providing merchants with better access to the Chinese e-commerce space.

Key metrics

Our management relies on certain performance indicators to manage and assess our business. The key performance indicators set forth below help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. We believe that improvements in these metrics will result in improvements in our financial performance over time. We monitor our non-GAAP financial measures and other business statistics as a measure of operating performance in addition to net (loss) income and the other measures included in our consolidated financial statements.

The following is a table consisting of non-GAAP financial measures and certain other business statistics that management monitors:

	Year ended December 31,	
	2010	**2011**
KEY METRICS:		
Consolidated gross billings(1)	$64,653,725	$102,439,474
Adjusted EBITDA (non-GAAP)(2)	$1,815,478	$5,923,149
Capitalized expenditures	$2,350,507	$2,102,811
Total active merchant locations (at period end)(3)	16,697	27,887
Multi-currency processing services key metrics:		
Active merchant locations (at period end)(3)	12,157	16,347
Settled transactions processed(4)	6,980,010	10,801,177
Gross foreign currency mark-up(5)	$52,073,798	$87,820,070
Settled dollar volume processed(6)	$1,377,308,710	$2,339,615,142

Average net mark-up percentage on settled dollar volume processed(7)	1.30%	1.16%
Payment processing services key metrics:		
Active merchant locations (at period end)(3)	4,603	11,552
Payment processing services revenue(8)	$12,579,927	$14,619,404

(1) Represents gross foreign currency mark-up (see footnote 5) plus payment processing services revenue (see footnote 8).

(2) We define Adjusted EBITDA as GAAP net (loss) income adjusted to exclude (1) interest expense, (2) interest income, (3) provision (benefit) for income taxes, (4) depreciation and amortization, (5) stock-based expense from options and warrants and (6) certain other items management believes affect the comparability of operating results. Please see "—Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net (loss) income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

(3) We consider a merchant location to be active as of a date if the merchant completed at least one revenue-generating transaction at the location during the 90-day period ending on such date. The total number of active merchant locations exceeds the total number of merchants, as merchants may have multiple locations. As of December 31, 2010 and 2011, there were 63 and 12 active merchant locations, respectively, that used both our multi-currency processing services and our payment processing services. These amounts are included in multi-currency and payment processing active merchant locations but are not included in total active merchant locations.

(4) Represents settled transactions processed using our multi-currency processing services.

(5) Represents the gross foreign currency mark-up amount on settled dollar volume processed using our multi-currency processing services. Gross foreign currency mark-up represents multi-currency processing services net revenue plus amounts paid to acquiring banks and their merchants associated with such multi-currency processing transactions. Management believes this metric is relevant because it provides the reader an indication of the gross mark-up derived from multi-currency transactions processed through our platform during a given period.

(6) Represents the total settled dollar volume processed using our multi-currency processing services.

(7) Represents the average net foreign currency mark-up percentage earned on settled dollar volume processed using our multi-currency processing services. The average net mark-up percentage on settled dollar volume processed is calculated by taking the reported total multi-currency processing services net revenue ($18.0 million and $27.2 million for the years ended December 31, 2010 and 2011, respectively) and dividing by settled dollar volume processed (see footnote 6).

(8) Represents revenue earned and reported on payment processing services.

Adjusted EBITDA

This discussion includes information about Adjusted EBITDA that is not prepared in accordance with GAAP. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. A reconciliation of this non-GAAP measure is included below.

Adjusted EBITDA is a non-GAAP financial measure that represents GAAP net (loss) income adjusted to exclude (1) interest expense, (2) interest income, (3) provision (benefit) for income taxes, (4) depreciation and amortization, (5) stock-based expense from options and warrants and (6) certain other items management believes affect the comparability of operating results.

Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period growth. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management team in connection with our executive compensation.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- non-cash compensation is and will remain a key element of our long-term incentive compensation for our employees, although we exclude it from Adjusted EBITDA when evaluating our ongoing performance for a particular period; and
- Adjusted EBITDA does not include the impact of certain charges or gains resulting from matters we consider not to be indicative of our ongoing operations.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as a supplement to our GAAP results.

The following table sets forth the reconciliation of Adjusted EBITDA to net (loss) income, our most directly comparable financial measure in accordance with GAAP:

	Year ended December 31,	
	2010	**2011**
ADJUSTED EBITDA:		
Net (loss) income	$(3,064,787)	$2,384,729
Interest expense	1,169,578	319,098
Interest income	(429)	(1,582)
Provision for income taxes	3,219	331,903
Depreciation and amortization	1,769,650	2,416,873
Stock-based expense	829,733	570,810
Software licenses impairment(1)	1,108,514	—
Convertible debt prepayment(2)	—	601,318
Derecognition of note payable(3)	—	(700,000)
Adjusted EBITDA (non-GAAP)	$1,815,478	$5,923,149

(1) In the fourth quarter of 2010, due to our unsuccessful efforts to sell software licenses previously purchased for resale, we determined that the underlying undiscounted cash flow projections did not support the recorded value of the asset and wrote off the entire asset balance of $1.1 million to cost of revenue for the year ended December 31, 2010.

(2) In April 2011, the convertible debt holders converted the outstanding principal amount of $9.0 million under convertible notes issued in 2007 and 2008 into an aggregate of 4,049,776 shares of common stock. In addition, we issued 127,318 shares of common stock valued at $0.3 million in lieu of cash payments for accrued interest and 297,682 shares of common stock valued at $0.6 million as a prepayment fee negotiated at the time of conversion. The shares issued for the accrued interest and the prepayment fee were valued at the average closing price of our common stock on AIM under the symbol “PPTR” during the 10 trading day period ending two days prior to the conversion.

(3) In 2003, we entered into an agreement with FHMS and FTB and recorded a liability. Due to a breach of the contractual terms by FHMS and FTB, we did not believe we were liable to repay these amounts. As of March 31, 2011, the statute of limitations had expired on $0.66 million of the $0.7 million balance and as of September 30, 2011, the statute of limitations had expired on the remaining $40,000. For the year ended December 31, 2011, we recorded other income due to the derecognition of the note payable in the amount of $0.7 million.

Components of operating results

Sources of revenue

We derive our revenue principally through transaction fees earned under fixed contractual arrangements with customers who use our international payment and multi-currency processing services. We operate the business in two reportable segments:

- *Multi-currency processing services revenue.* Revenue derived from foreign currency transaction fees earned on processing and converting a credit or debit card transaction from one currency into another currency. Foreign currency transactions fees earned under our agreements with our multi-currency processing services customers have traditionally been based on a fixed percentage applied to the net foreign currency margin earned, after deducting any merchant revenue and other contractual costs.

- *Payment processing services revenue.* Revenue derived from transaction fees earned on processing services provided in facilitating the sale of goods and services by means of credit and debit cards and other electronic payments.

Geographic and customer concentration

We conduct our business primarily in three geographical regions: Asia Pacific, or APAC, North America, and Central Europe, Middle East and Africa, or CEMEA. The following table provides multi-currency processing services revenue concentration by geographical region. Revenue by region is based upon where the transaction originated. We conduct our payment processing services primarily in North America.

Analysis of revenue by segment and geographical region:

	Year ended December 31,	
	2010	**2011**
Revenue:		
APAC	$15,198,058	$18,337,513
North America	2,647,547	3,991,374
CEMEA	127,632	4,909,875
Total multi-currency processing services revenue	17,973,237	27,238,762
Payment processing services revenue	12,579,927	14,619,404
Net revenue	$30,553,164	$41,858,166

A significant portion of our revenue is derived from agreements with a limited number of customers. Specifically, for the year ended December 31, 2011, subsidiaries of Global Payments, Inc. represented 28%, of our revenue, and Network International, LLC represented 12% of our revenue.

Operating expenses

Cost of revenue. Cost of revenue primarily consists of two categories: (1) payment processing services fees, which includes payment processing transactions fees such as sponsorship fees, interchange and card association fees and assessments; and (2) processing and service costs, which include expenses related to running our platform infrastructure, including: Internet connectivity, hosting and data storage expenses, amortization expense on acquired intangibles and capitalized software development costs, compensation and related benefits and a portion of general overhead expenses.

Selling, general and administrative expenses. Selling, general and administrative expenses consist primarily of compensation and related benefits, facility costs, public company costs and professional service fees for our sales, marketing, customer service, administrative functions, and a portion of general overhead expenses.

We allocate overhead such as occupancy, telecommunication charges and depreciation expense based on headcount, as we believe this to be the most accurate measure. As a result, a portion of general overhead expenses is reflected in both our cost of revenue and selling, general and administrative expenses.

Other (expense) income, net

Other (expense) income, net, primarily consists of interest expense related to our term debt and convertible debt and the derecognition of our note payable due to First Horizon Merchant Services and First Tennessee Bank.

Results of operations

The following table sets forth our consolidated results of operations for the periods presented and as a percentage of our net revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Year ended December 31,			
	2010		2011	
	$ amount	% of revenue	$ amount	% of revenue
Revenue:				
APAC	$15,198,058	49.7%	$18,337,513	43.9%
North America	2,647,547	8.7	3,991,374	9.5
CEMEA	127,632	0.4	4,909,875	11.7
Total multi-currency processing services revenue	17,973,237	58.8	27,238,762	65.1
Payment processing services revenue	12,579,927	41.2	14,619,404	34.9
Net revenue	30,553,164	100.0	41,858,166	100.0
Operating expenses:				
Cost of revenue:				
Payment processing services fees	10,051,640	32.9	11,677,012	27.9
Processing and service costs	6,980,981	22.9	9,093,674	21.7
Software licenses impairment	1,108,514	3.6	—	—
Total cost of revenue	18,141,135	59.4	20,770,686	49.6
Selling, general and administrative expenses	14,304,448	46.8	18,152,014	43.4
Total operating expenses	32,445,583	106.2	38,922,700	93.0
(Loss) income from operations	(1,892,419)	(6.2)	2,935,466	7.0
Other (expense) income:				
Interest expense	(1,169,578)	(3.8)	(319,098)	(0.8)
Interest income	429	0.0	1,582	0.0
Other income, net	—	—	98,682	0.2
Total other expense, net	(1,169,149)	(3.8)	(218,834)	(0.6)
(Loss) income from operations before provision for income taxes	(3,061,568)	(10.0)	2,716,632	6.4
Provision for income taxes	(3,219)	0.0	(331,903)	(0.8)
Net (loss) income	$(3,064,787)	(10.0)%	$2,384,729	5.6%

Comparison of the years ended December 31, 2011 and 2010

Revenue

	Year ended December 31,		Variance	
	2010	2011	Amount	Percent
APAC	$15,198,058	$18,337,513	$3,139,455	21%
North America	2,647,547	3,991,374	1,343,827	51
CEMEA	127,632	4,909,875	4,782,243	*
Total multi-currency processing services revenue	17,973,237	27,238,762	9,265,525	52
Payment processing services revenue	12,579,927	14,619,404	2,039,477	16

Net revenue	$30,553,164	$41,858,166	$11,305,002	37

* Percentage not meaningful.

Net revenue increased $11.3 million, or 37%, to $41.9 million for the year ended December 31, 2011 from $30.6 million for the year ended December 31, 2010. The year over year increase in revenue was primarily due to the overall increase by 67%, or 11,190, in total active merchant locations processing transactions through our multi-currency and payment processing services. Additionally, we believe our business was positively impacted by the global shift toward electronic payment transactions, increased international travel and commerce, and increased e-commerce on a global scale.

Multi-currency processing services revenue

APAC multi-currency processing services revenue. APAC multi-currency processing services revenue increased $3.1 million, or 21%, to $18.3 million for the year ended December 31, 2011 from $15.2 million for the year ended December 31, 2010. The increase in APAC multi-currency processing services revenue was driven by changes in the following key business metrics:

	Year ended December 31,		**Variance**	
	2010	**2011**	**Amount**	**Percent**
APAC multi-currency processing active merchant locations (at period end)	9,539	10,712	1,173	12%
APAC multi-currency processing settled transactions processed	5,044,204	5,907,408	863,204	17
APAC multi-currency processing gross foreign currency mark-up	$45,768,876	$58,928,772	$13,159,896	29
APAC multi-currency processing settled dollar volume processed	$1,201,455,560	$1,490,081,483	$288,625,923	24
APAC average net mark-up % on settled dollar volume processed	1.26%	1.23%	(0.03)%	(3)

The 24% increase in settled dollar volume processed resulted in a $3.5 million increase to revenue, offset by a 3% decrease in our average net mark-up percentage on settled dollar volume processed, which resulted in a $0.4 million decrease to revenue. The primary reasons for the increase in total dollar volume processed were a 12% increase in active APAC merchant locations, which resulted from the addition of new active merchant locations in existing markets and our entering into five new APAC markets in the second quarter of 2010, and the continued improvement in the global economy. This resulted in a 17% increase in settled transactions processed through our multi- currency services. The decrease in average net mark-up percentage on settled dollar volume processed was primarily due to the different mark-ups applied to different customers and for a variety of services.

North America multi-currency processing services revenue. North America multi-currency processing services revenue increased $1.3 million, or 51%, to $4.0 million for the year ended December 31, 2011 from $2.6 million for the year ended December 31, 2010. The $1.3 million increase in North America multi-currency processing services revenue was driven by changes in the following key business metrics:

	Year ended December 31,		**Variance**	
	2010	**2011**	**Amount**	**Percent**
North America multi-currency processing active merchant locations (at period end)	1,528	1,779	251	16%
North America multi-currency processing settled transactions processed	1,899,198	3,121,833	1,222,635	64
North America multi-currency processing gross foreign currency mark-up	$5,867,264	$10,656,935	$4,789,671	82
North America multi-currency processing settled dollar volume processed	$162,032,780	$332,410,427	$170,377,647	105%
North America average net mark-up % on settled dollar volume processed	1.63%	1.20%	(0.43)%	(27)

The 105% increase in settled dollar volume processed resulted in a $2.0 million increase to revenue offset by a 27% decrease in our average net mark-up percentage on settled dollar volume processed which resulted in a $0.7 million decrease to revenue. The primary reason for the increase in settled dollar volume processed was a 16% increase in active North America merchant locations, which resulted from the addition of new active merchant locations in existing markets including a large national retailer. This resulted in a 64% increase in settled transactions processed through our multi-currency services. The decrease in average net mark-up percentage on settled dollar volume processed was primarily due to the different mark-ups applied to different customers and for a variety of services.

CEMEA multi-currency processing services revenue. CEMEA multi-currency processing services revenue increased $4.8 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The $4.8 million increase in CEMEA multi-currency processing services revenue was driven by changes in the following key business metrics:

	Year ended December 31,		**Variance**	
	2010	**2011**	**Amount**	**Percent**
CEMEA multi-currency processing active merchant locations (at period end)	1,090	3,856	2,766	*
CEMEA multi-currency processing settled transactions processed	36,608	1,771,936	1,735,328	*
CEMEA multi-currency processing gross foreign currency mark-up	$437,658	$18,234,363	$17,796,705	*
CEMEA multi-currency processing settled dollar volume processed	$13,820,370	$517,123,232	$503,302,862	*
CEMEA average net mark-up % on settled dollar volume processed	0.92%	0.95%	0.03%	3

* Percentages not meaningful.

The $503.3 million increase in settled dollar volume processed was due to our entry into two new countries during the last quarter of 2010. The addition of the merchant locations from these new countries significantly impacted the number of transactions processed through our multi-currency services in CEMEA.

Payment processing services revenue

Payment processing services revenue is primarily earned from transactions originating in North America. Payment processing services revenue increased $2.0 million, or 16%, to $14.6 million for the year ended December 31, 2011 from $12.6 million for the year ended December 31, 2010. The increase was primarily due to increased transaction volume in the Canadian market for the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Cost of revenue

	Year ended December 31,		**Variance**	
	2010	**2011**	**Amount**	**Percent**
Payment processing services fees	$10,051,640	$11,677,012	$1,625,372	16%
Processing and service costs	6,980,981	9,093,674	2,112,693	30
Software licenses impairment	1,108,514	—	(1,108,514)	*
Total cost of revenue	$18,141,135	$20,770,686	$2,629,551	14

* Percentage not meaningful.

Payment processing services fees

The increase of $1.6 million, or 16%, to $11.7 million for the year ended December 31, 2011 from $10.1 million for the year ended December 31, 2010 is as a result of the increase in payment processing revenue and the pricing mix of services for 2011.

Processing and service costs

Processing and service costs increased $2.1 million, or 30%, to $9.1 million for the year ended December 31, 2011 from $7.0 million for the year ended December 31, 2010. The increase in processing and service costs was primarily the result of increased salary and compensation and related benefit costs of $1.0 million, which are primarily due to technology headcount additions to support the growth in our existing business, launches into new markets, increased bonus compensation, $0.6 million in increased technology costs, and an increase in depreciation and amortization expense of $0.6 million primarily related to software development additions.

Software licenses impairment charge

In the fourth quarter of 2010, due to our unsuccessful efforts to sell software licenses previously purchased for resale, management determined that the underlying undiscounted cash flows projections did not support the recorded value of the asset and the entire balance of $1.1 million was written off to cost of revenue for the year ended December 31, 2010.

Selling, general and administrative expenses

	Year ended December 31,		Variance	
	2010	2011	Amount	Percent
Selling, general and administrative expenses	$14,304,448	$18,152,014	$3,847,566	27%

Selling, general and administrative expenses increased $3.9 million, or 27%, to $18.2 million for the year ended December 31, 2011 from $14.3 million for the year ended December 31, 2010. The increase in selling, general and administrative expenses was primarily the result of increased salary compensation and related benefit costs of $2.1 million, and travel costs, facility costs, insurance costs and other general and administrative costs of $1.2 million. These increases are primarily due to head count additions to support the growth in our existing business and the launches into new markets. The increase in 2011 selling, general and administrative expenses were also due to a $0.6 million recovery of a previously written-off receivable during 2010.

Other (expense) income, net

	Year ended December 31,		Variance	
	2010	2011	Amount	Percent
Interest expense	$(1,169,578)	$(319,098)	$850,480	*
Interest income...	429	1,582	1,153	*
Other income	—	98,682	98,682	*
Total other (expense) income, net..	$(1,169,149)	$(218,834)	$950,315	*

* Percentages not meaningful.

Total other expense, net, decreased $1.0 million, to $0.2 million for the year ended December 31, 2011 from a non-operating expense of $1.2 million for the year ended December 31, 2010. The decrease was primarily due to recording twelve months of interest expense on our convertible debt for the year ended December 31, 2010 compared to four months of interest expense for the year ended December 31, 2011, as the debt converted in April 2011. The convertible debt holders converted their entire $9.0 million in principal under their notes and accrued interest into an aggregate of 4,049,776 shares of common stock. In addition, we issued 127,318 shares of common stock valued at $0.3 million in lieu of cash payments for accrued interest and 297,682 shares of common stock valued at $0.6 million as a prepayment fee negotiated at the time of conversion. The shares issued for the accrued interest and the prepayment fee were valued at the average closing price of our common stock on AIM under the symbol “PPTR” during the period immediately prior to the conversion.

In addition, we recorded $0.7 million in other income due to the derecognition of a note payable for which the statute of limitations expired and that management did not believe we were liable to repay, which was almost entirely offset by the recognition of the $0.6 million prepayment fee.

Quarterly results of operations

The following tables set forth selected unaudited quarterly statements of operations data for the last 5 fiscal quarters. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included elsewhere in this report and, in the opinion of management, includes all adjustments, which consist only of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. These quarterly operating results are not necessarily indicative of our operating results for any future period.

	For the three months ended				
(unaudited)	**December 31, 2010**	**March 31, 2011**	**June 30, 2011**	**September 30, 2011**	**December 31, 2011**
Net revenue.....................	$9,526,484	$9,595,704	$10,271,303	$9,660,128	$12,331,031
Gross profit(1)	3,983,491	4,565,930	5,270,040	4,659,292	6,592,218
Income loss from operations	33,094	324,467	880,346	(289,932)	2,020,585
Net (loss) income............	$(233,130)	$768,956	$206,769	$(375,414)	$1,784,418
Basic net (loss) income per share applicable to common stockholders(2)	$(0.01)	$0.02	$0.00	$(0.01)	$0.03
Diluted net (loss) income per share applicable to common stockholders(2)	$(0.01)	$0.02	$0.00	$(0.01)	$0.03
Weighted average common stock (basic)	43,447,659	46,147,557	49,509,756	50,794,219	50,822,522
Weighted average common stock (diluted)	43,447,659	47,725,757	52,511,732	50,794,219	53,590,332

(1) For the purposes of this table, gross profit is defined as net revenue less total cost of revenue.

(2) The addition of earnings per share by quarter may not equal total earnings per share for the year or interim period.

Liquidity and capital resources

Sources of liquidity

Since inception, we have funded our operations primarily through private placements of preferred stock, common stock and convertible and non-convertible debt, including the offering of our common stock on AIM in 2006, and, to a lesser extent, through lease financing and proceeds from the exercise of warrants and stock options. As of December 31, 2011, we had approximately $7.7 million in cash and cash equivalents.

Convertible debt

In April 2011, the convertible debt holders converted the outstanding principal amount of $9.0 million under convertible notes issued in 2007 and 2008 into an aggregate of 4,049,776 shares of our common stock. In addition, we issued 127,318 shares of common stock valued at $0.3 million in lieu of cash payments for accrued interest and 297,682 shares of common stock valued at $0.6 million as a prepayment fee negotiated at the time of conversion. The shares issued for the accrued interest and the prepayment fee were valued at the average closing price of our common stock on AIM under the symbol “PPTR” during the 10 trading day period ending two days prior to the conversion.

Capital expenditures

Our capital expenditures related to property and equipment, software development costs, and intangible assets were $2.4 million in 2010 and $2.1 million in 2011. The year over year increases were primarily the result of capital expenditures to significantly enhance our processing platform.

Cash flows

	Year ended December 31,	
	2010	**2011**
Cash provided by (used in) operating activities	$280,594	$5,866,720
Cash used in investing activities	(2,350,507)	(2,012,769)

Cash provided by (used in) financing activities	3,527,589	(1,364,487)

Operating activities

Cash provided by operating activities during the year ended December 31, 2011 was $5.9 million, primarily comprising $5.8 million cash generated by operations and a net decrease in our operating assets and liabilities of less than $0.1 million. This net decrease in our operating assets and liabilities of $0.1 million primarily consisted of a $1.8 million increase in accounts receivable and other current assets, driven by an increase in activity in our multi-currency processing services business during the period, offset by a $2.1 million increase in accounts payable and accrued expenses. Cash generated by operations of $5.8 million was inclusive of net income of $2.4 million and total net non-cash charges of $3.3 million. Significant non-cash adjustments to net income primarily included: (i) depreciation and amortization expense of $2.4 million, (ii) non-cash interest expense on convertible and term debt of $0.3 million, (iii) stock option expense of $0.6 million, and (iv) prepayment fee negotiated at the time of conversion of convertible debt of $0.6 million, offset by the derecognition of other income of $0.7 million related to the expiration of the statute of limitations on a note payable.

Cash provided by operating activities during the year ended December 31, 2010 was $0.3 million, primarily comprising $1.7 million cash generated by operations offset by a net increase in our operating assets and liabilities of $1.4 million. This net increase in our operating assets and liabilities of $1.4 million primarily consisted of: $1.8 million increase in accounts receivable and other current assets, driven by an increase in activity in our multi-currency processing services business during the period, offset by (i) a net increase due to merchants of $0.2 million due to growth in the ACH processing business and an increase in reserves held on behalf of merchants using our credit card acquiring services as security deposits and (ii) an increase in accounts payable and accrued expenses of $0.2 million due to timing of payments. Cash generated by operations of $1.7 million was inclusive of a net loss of $3.1 million, offset by total non-cash charges of $4.8 million. Significant non-cash adjustments to net loss primarily included: (i) depreciation and amortization expense of $1.8 million, (ii) a software license impairment charge of $1.1 million due to our unsuccessful efforts to sell licenses previously purchased for resale and the write off of the entire asset balance of $1.1 million to operating expenses for the year ended December 31, 2010, (iii) non-cash interest expense on convertible and term debt of $1.1 million and (iv) stock option and warrant expense of $0.8 million.

Investing activities

Cash used in investing activities for the year ended December 31, 2011 was $2.0 million, which was primarily attributable to our investment in the business through capital expenditures for network infrastructure and investments in software development.

Cash used in investing activities for the year ended December 31, 2010 was $2.4 million, which was primarily attributable to our investment in the business through capital expenditures for network infrastructure and investments in software development.

Financing activities

Cash used in financing activities for the year ended December 31, 2011 was $1.4 million, primarily consisting of $1.3 million in paid IPO costs.

Cash provided by financing activities for the year ended December 31, 2010 was $3.5 million, primarily consisting of $5.7 million in net proceeds from a private placement of 4.5 million shares of our common stock, partially offset by $2.0 million used to pay off term debt.

Planet Payment, Inc. consolidated balance sheets

	As of December 31,	
	2010	2011
Current assets:		
Cash and cash equivalents	$5,182,499	$7,671,963
Restricted cash	2,060,357	1,941,909
Accounts receivable, net of allowances of $1.4 million as of December 31, 2010 and 2011	3,326,111	4,768,040
Prepaid expenses and other assets	638,953	947,043
Total current assets	11,207,920	15,328,955
Other assets:		
Restricted cash	750,000	659,958
Property and equipment, net	1,384,310	1,223,562
Software development costs, net	4,635,799	4,978,002
Intangible assets, net	945,681	799,648
Security deposits and other assets	245,281	213,230
Deferred IPO costs	—	1,650,789
Total other assets	7,961,071	9,525,189
Total assets	$19,168,991	$24,854,144
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$591,461	$993,872
Accrued expenses	495,457	2,482,255
Due to merchants	2,294,252	2,137,064
Current portion of term debt and capital leases	917,834	247,257
Total current liabilities	4,299,004	5,860,448
Long-term liabilities:		
Long-term portion of capital leases	213,351	248,730
Convertible debt	8,979,926	—
Total long-term liabilities	9,193,277	248,730
Total liabilities	13,492,281	6,109,178
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Convertible preferred stock—4,000,000 shares authorized, $0.01 par value: Series A—2,243,750 issued and outstanding as of December 31, 2010 and 2011; $8,975,000 aggregate liquidation preference	22,438	22,438
Common stock—70,000,000 shares authorized as of December 31, 2010 and 80,000,000 shares authorized as of December 31, 2011, $0.01 par value, and 46,068,496, and 51,764,405 respectively, issued and outstanding as of December 31, 2010 and 2011, respectively	460,684	517,644
Additional paid-in capital	83,459,133	94,083,901
Warrants	1,607,723	1,622,651
Accumulated other comprehensive loss	(27,600)	(40,729)
Accumulated deficit	(79,845,668)	(77,460,939)
Total stockholders' equity	5,676,710	18,744,966
Total liabilities and stockholders' equity	$19,168,991	$24, 854,144

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc. consolidated statements of operations

	Year ended December 31,		
	2009	**2010**	**2011**
Revenue:			
Net revenue	$26,319,319	$30,553,164	$41,858,166
Operating expenses:			
Cost of revenue:			
Payment processing service fees	10,175,430	10,051,640	11,677,012
Processing and service costs	6,282,743	6,980,981	9,093,674
Software licenses impairment	—	1,108,514	—
Total cost of revenue	16,458,173	18,141,135	20,770,686
Selling, general and administrative expenses	12,822,449	14,304,448	18,152,014
Total operating expenses	29,280,622	32,445,583	38,922,700
(Loss) income from operations	(2,961,303)	(1,892,419)	2,935,466
Other (expense) income:			
Interest expense	(1,236,504)	(1,169,578)	(319,098)
Interest income	18,702	429	1,582
Other income, net (Notes 5 and 6)	—	—	98,682
Total other expense, net	(1,217,802)	(1,169,149)	(218,834)
(Loss) income from operations before provision for income taxes	(4,179,105)	(3,061,568)	2,716,632
Provision for income taxes	(4,095)	(3,219)	(331,903)
Net (loss) income	$(4,183,200)	$(3,064,787)	$2,384,729
Basic net (loss) income per share applicable to common stockholders	$(0.12)	$(0.08)	$0.04
Diluted net (loss) income per share applicable to common stockholders	$(0.12)	$(0.08)	$0.04
Weighted average common stock outstanding (basic)	33,725,727	40,431,073	49,348,033
Weighted average common stock outstanding (diluted)	33,725,727	40,431,073	52,167,492

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc. consolidated statements of cash flows

	Year ended December 31,		
	2009	2010	2011
Cash flows from operating activities:			
Net (loss) income	$(4,183,200)	$(3,064,787)	$2,384,729
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Stock-based expense	1,213,659	739,992	555,882
Depreciation and amortization expense	1,537,674	1,769,650	2,416,873
Provision (recovery) for doubtful accounts	14,997	(36,703)	75,384
Software license impairment charges	—	1,108,514	—
Write off of note receivable	257,596	—	—
Non-cash interest expense on notes payable	34,174	—	—
Non-cash interest expense on convertible debt	808,193	808,193	254,636
Non-cash interest expense on term debt	337,926	295,743	—
Warrant expense	231,366	89,741	14,928
Common stock issued for payment of account payable	—	—	20,000
Derecognition of note payable	—	—	(700,000)
Non-cash prepayment fee on conversion of convertible debt	—	—	601,318
Changes in operating assets and liabilities:			
(Increase) decrease in settlement assets	(453,130)	(46,859)	118,448
Increase in accounts receivables, prepaid expenses and other current assets	(229,105)	(1,787,798)	(1,825,403)
Decrease (increase) in software licenses	194,225	(80,209)	—
(Increase) decrease in security deposits and other assets	(110,570)	52,247	32,051
Increase (decrease) in accounts payable and accrued expenses	(1,073,787)	231,768	2,088,190
Increase (decrease) in due to merchants	608,992	201,103	(157,188)
Other	(7,432)	(1)	(13,128)
Net cash (used in) provided by operating activities	(818,422)	280,594	5,866,720
Cash flows from investing activities:			
(Increase) decrease in restricted cash	(495,267)	—	90,042
Purchase of property and equipment	(143,370)	(300,540)	(161,705)
Capitalized software development	(1,804,822)	(1,970,349)	(1,862,653)
Purchase of intangible assets	(121,305)	(79,618)	(78,453)
Net cash used in investing activities	(2,564,764)	(2,350,507)	(2,012,769)
Cash flows from financing activities:			
Proceeds from issuance of common stock	6,999,161	6,058,702	269,965
Proceeds from convertible debt	350,000	—	—
Principal payments on capital lease obligations	(101,789)	(187,144)	(284,682)
Payment of capital-raising expense	(368,134)	(343,969)	—
Repayment of long-term debt	—	(2,000,000)	—
Payment of IPO costs	—	—	(1,349,770)
Net cash provided by (used in) financing activities	6,879,238	3,527,589	(1,364,487)
Effect of exchange rate changes on cash and cash equivalents(*)	9,523	(27,600)	—
Net increase in cash and cash equivalents	3,505,575	1,430,076	2,489,464
Beginning of period	246,848	3,752,423	5,182,499
End of period	$3,752,423	$5,182,499	$7,671,963
Supplemental disclosure:			
Cash paid for:			
Interest	$56,211	$65,642	$64,462
Income taxes	2,917	142	233,535
Non cash investing and financing activities:			
Convertible debt converted to common stock	$450,000	$—	$8,979,926
Common stock issued to pay accrued interest	1,519,336	1,103,936	—
Common stock issued as payment of accounts payable	34,125	—	—
Common stock issued for stock options and warrants exercised	—	19,661	354
Assets acquired under capital leases	252,136	223,965	349,484
Common stock issued for warrants exercised	—	2,000,000	—
Reduction of long-term debt through exercise of warrants	—	(2,000,000)	—
Accrued IPO costs	—	—	301,019

(*) For the year ended December 31, 2011, the effect of exchange rate changes on cash and cash equivalents was less than $1,000.

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc. consolidated statements of changes in convertible preferred stock and stockholders' (deficit) equity and comprehensive (loss) income

	Convertible preferred stock $0.01 par value—4,000,000 shares authorized Series A		Common stock $0.01 par value—70,000,000 shares authorized as of December 31, 2008, 2009 and 2010 and 80,000,000 shares authorized as of December 31, 2011							
	Shares issued	**Shares par value**	**Shares issued**	**Shares par value**	**Additional paid-In capital**	**Warrants**	**Accumulated other comprehensive loss**	**Accumulated deficit**	**Total stockholders' (deficit) equity**	**Comprehensive (loss) income**
Balance—December 31, 2008	2,243,750	$22,438	26,931,007	$269,310	$64,243,699	$1,286,616	$—	$(72,597,681)	$(6,775,618)	
Stock issued	—	—	12,239,206	122,391	8,512,097	—	—	—	8,634,488	
Options exercised	—	—	—	—	—	—	—	—	—	
Warrant expense	—	—	—	—	—	231,366	—	—	231,366	
Stock-based expense	—	—	—	—	1,213,659	—	—	—	1,213,659	
Cumulative translation adjustment(1)	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(4,183,200)	(4,183,200)	$(4,183,200)
Comprehensive loss										(4,183,200)
Balance—December 31, 2009	2,243,750	22,438	39,170,213	391,701	73,969,455	1,517,982	—	(76,780,881)	(879,305)	
Stock issued	—	—	5,357,897	53,579	6,765,090	—	—	—	6,818,669	
Warrants exercised	—	—	1,526,718	15,267	1,984,733	—	—	—	2,000,000	
Options exercised	—	—	13,668	137	(137)	—	—	—	—	
Warrant expense	—	—	—	—	—	89,741	—	—	89,741	
Stock-based expense	—	—	—	—	739,992	—	—	—	739,992	
Cumulative translation adjustment	—	—	—	—	—	—	(27,600)	—	(27,600)	(27,600)
Net loss	—	—	—	—	—	—	—	(3,064,787)	(3,064,787)	(3,064,787)
Comprehensive loss										(3,092,387)
Balance—December 31, 2010	2,243,750	22,438	46,068,496	460,684	83,459,133	1,607,723	(27,600)	(79,845,668)	5,676,710	
Stock issued	—	—	4,484,776	44,848	9,811,033	—	—	—	9,855,881	
Restricted stock	—	—	915,000	9,150	—	—	—	—	9,150	
Warrants exercised	—	—	28,560	286	(286)	—	—	—	—	
Options exercised	—	—	267,573	2,676	258,139	—	—	—	260,815	
Warrant expense	—	—	—	—	—	14,928	—	—	14,928	
Stock-based expense	—	—	—	—	555,882	—	—	—	555,882	
Cumulative translation adjustment	—	—	—	—	—	—	(13,129)	—	(13,129)	(13,129)
Net income	—	—	—	—	—	—	—	2,384,729	2,384,729	2,384,729
Comprehensive income										$2,371,600
Balance—December 31, 2011	2,243,750	$22,438	51,764,405	$517,644	$94,083,901	$1,622,651	$(40,729)	$(77,460,939)	$18,744,966	

(1) Amount deemed inconsequential.

The accompanying notes are an integral part of these financial statements

Notes

1. Business description and basis of presentation

Business description

Planet Payment, Inc. together with its wholly owned subsidiaries ("Planet Payment," the "Company," "we," or "our") is a provider of international payment processing and multi-currency processing services. The Company provides its services to over 27,000 active merchant locations in 16 countries and territories across the Asia Pacific region, North America, the Middle East, Africa and Europe, primarily through its acquiring bank and processor customers, as well as through its own direct sales force. The Company's point-of-sale and e-commerce services are integrated within the payment card transaction flow and enable its acquiring customers to process and reconcile payment transactions in multiple currencies, geographies and channels. The Company is a registered third party processor with the major card associations and operates in accordance with industry standards, including the Payment Card Industry, or PCI, Security Council's Data Security Standards.

Company structure

Planet Payment was incorporated in the State of Delaware on October 12, 1999 as Planet Group Inc. and changed its name to Planet Payment, Inc. on June 18, 2007.

Since March 20, 2006, shares of the Company's common stock have traded on the Alternative Investment Market of the London Stock Exchange, or AIM, under the symbols "PPT" and "PPTR." Since November 19, 2008, shares of the Company's common stock have traded on the OTCQX market tier operated by OTC Markets Group, Inc., or the OTCQX, in the United States under the symbol "PLPM."

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The consolidated financial statements include the accounts of Planet Payment, Inc. and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

The Company evaluated subsequent events through March 29, 2012, the date on which the December 31, 2011 financial statements were available to be issued. There were no events or transactions other than those events disclosed in Note 17 to the consolidated financial statements occurring during this subsequent reporting period that require recognition or disclosure in the financial statements.