

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)  
**October 21, 2004**

**CERTEGY INC.**

(Exact name of registrant as specified in its charter)

**Georgia**  
(State or Other Jurisdiction  
of Incorporation)

**001-16427**  
(Commission  
File Number)

**58-2606325**  
(IRS Employer  
Identification No.)

**11720 Amber Park Drive**  
**Suite 600**  
**Alpharetta, Georgia**  
(Address of principal executive offices)

**30004**  
(Zip Code)

Registrant's telephone number, including area code  
**(678) 867-8000**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On October 21, 2004, Certegy Inc. (“Certegy”) issued a press release to announce its financial results for the third quarter of 2004. A copy of the press release is attached as Exhibit 99.1.

The information in the Report, including the Exhibit attached hereto, is furnished solely pursuant to Item 2.02 of this Form 8-K. Consequently, it is not deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or Securities Act of 1933 if such subsequent filing specifically references this Form 8-K.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Certegy Inc. press release dated October 21, 2004, announcing the Company’s financial results for the third quarter of 2004 (furnished pursuant to Item 2.02 of Form 8-K).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CERTEGY INC.

By: /s/ Michael T. Vollkommer

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Michael T. Vollkommer  
Corporate Vice President  
and Chief Financial Officer

Date: October 21, 2004

## Press Release

Certegy Inc.  
11720 Amber Park Drive  
Suite 600  
Alpharetta, Georgia 30004

Date: October 21, 2004

Phone: 678-867-8000  
Fax: 678-867-8102

Contact: Mary Waggoner  
Certegy Inc.  
VP - Investor and Public  
Relations  
678-867-8004

## FOR IMMEDIATE RELEASE

**CERTEGY REPORTS THIRD QUARTER 2004 DILUTED EPS OF \$0.46  
PLAN APPROVED TO SELL MERCHANT ACQUIRING BUSINESS**

**Alpharetta, GA, October 21, 2004** – Certegy Inc. (NYSE:CEY) today reported third quarter 2004 diluted earnings per share of \$0.46. The Certegy Inc. Board of Directors has approved a plan to sell the Company's retail merchant acquiring business, which has been reclassified as a discontinued operation in the accompanying financial statements and discussion of results.

## THIRD QUARTER FINANCIAL HIGHLIGHTS

Highlights of the 2004 third quarter results as compared to the prior year quarter are as follows:

- Revenue increased 13.2% to \$262.7 million.
- Operating income increased 12.6% to \$47.1 million.
- Interest expense of \$3.3 million increased \$1.2 million.
- Net income increased 10.5% to \$29.1 million, comprised of \$27.8 million from continuing operations and \$1.3 million from discontinued operations.
- Diluted earnings per share increased 15.0% to \$0.46 per share, comprised of \$0.44 from continuing operations and \$0.02 from discontinued operations.
- Approximately \$47.8 million was used to repurchase 1.2 million shares of common stock.

“We are pleased to report another solid quarter of revenue and earnings growth,” stated Lee Kennedy, chairman and chief executive officer of Certegy. “We are particularly pleased with the performance of our Check Services and international card processing business.”



## SEGMENT RESULTS

Card Services generated revenue of \$149.5 million in the third quarter of 2004, an increase of 6.7% above the 2003 quarter. Revenue growth of 5.2% in the Company's North American card issuing operation resulted from growth in transactions, new customer signings, sales of e-banking services and card loyalty programs, and revenue from the acquisition of Crittson Financial LLC, which closed in the first quarter. International card issuing revenue increased by 26.0%, primarily due to growth from existing customers, card re-issuance fees, and the third quarter 2004 acquisition of Caribbean CariCard Services. Card Services operating income of \$36.7 million increased 5.1%, compared to \$34.9 million in the third quarter of 2003. Card Services operating margin was 24.5%, compared to 24.9% in the third quarter of 2003.

Check Services generated revenue of \$113.1 million in the third quarter of 2004, an increase of 23.3% above the 2003 quarter. The strong performance was driven by growth in the Company's domestic and international customer base, and growth in cash access services, including the first quarter 2004 acquisition of Game Financial Corporation. Check Services operating income of \$15.5 million increased 30.6%, compared to \$11.9 million in the third quarter of 2003. Check Services operating margin was 13.7%, compared to 12.9% in the third quarter of 2003.

Corporate expense of \$5.1 million increased 2.9% over the prior year quarter. The increase in corporate expense has moderated from the first half of 2004 due to favorable insurance premium renewals and the containment of discretionary costs.

Interest expense of \$3.3 million increased by \$1.2 million compared to the third quarter of 2003. Higher interest rates on the Company's borrowings driven by the September 2003 issuance of 4.75% fixed rate notes, higher average outstanding revolving credit borrowings, and the impact of FIN 46 lease accounting, effective December 31, 2003, generated the increase in interest expense.

## DISCONTINUED OPERATIONS

The Board of Directors of Certegy Inc has approved a plan to sell the Company's retail merchant acquiring business. The Company will continue to provide clearing and settlement processing services to its North American financial institution customers. In the third quarters of 2004 and 2003, income from discontinued operations amounted to \$0.02 per diluted share.

## OUTLOOK

The Company expects revenue growth of 14% to 16% in the fourth quarter of 2004, and diluted earnings per share from continuing operations of \$0.53 to \$0.55. Discontinued operations could contribute an additional \$0.02 per diluted share, if held for the entire quarter. The Company expects to realize an undisclosed gain upon sale of the merchant acquiring business, which is not included in these per share amounts.



## TELECONFERENCE

Management will host a teleconference to discuss second quarter earnings on Thursday, October 21, 2004, at 9:00 a.m. Eastern Time. The live audio Webcast will be available at [www.certegy.com](http://www.certegy.com). Please be advised that Microsoft's Windows Media Player™ must be downloaded prior to accessing the Webcast. It can be downloaded from [www.microsoft.com/windows/mediaplayer](http://www.microsoft.com/windows/mediaplayer). A replay of the Webcast will be available in the Investor Center section of the website after the call ends.

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Certegy (NYSE:CEY) provides credit and debit processing, check risk management and check cashing services, merchant processing and e-banking services to over 6,500 financial institutions, 117,000 retailers and 100 million consumers worldwide. Headquartered in Alpharetta, Georgia, Certegy maintains a strong global presence with operations in the United States, United Kingdom, Ireland, France, Chile, Brazil, Australia, New Zealand, Thailand and the Caribbean. As a leading payment services provider, Certegy offers a comprehensive range of transaction processing services, check risk management solutions and integrated customer support programs that facilitate the exchange of business and consumer payments. Certegy generated over \$1.0 billion in revenue in 2003. For more information on Certegy, please visit [www.certegy.com](http://www.certegy.com).

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### **Forward-Looking Statements**

The statements in this release include forward-looking statements that are based on current expectations, assumptions, estimates, and projections about Certegy and our industry. Without limitation, Certegy's revenue, operating income and earnings per share projections for fiscal 2004 under the heading "Outlook" above are forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, many of which are outside of Certegy's control that may cause actual results to differ significantly from what is expressed in those statements. Factors that could, either individually or in the aggregate, affect our performance include: our reliance on a small number of business segments and strategic relationships; our ability to comply with bankcard association rules and government regulations; the sensitivity of our business to the economy; the results of our acquisitions; and other factors described in detail in the section entitled "Certain Factors Affecting Forward-Looking Statements" in our 2003 Annual Report on Form 10-K filed on February 17, 2004, with the SEC.



CERTEGY INC.  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended September 30,	
	2004	2003
Revenues	\$ 262,660	\$ 231,952
Operating expenses(1):		
Costs of services	186,142	162,244
Selling, general and administrative	29,465	27,922
	<u>215,607</u>	<u>190,166</u>
Operating income	47,053	41,786
Other income, net	294	474
Interest expense	(3,259)	(2,045)
Income from continuing operations before income taxes	44,088	40,215
Provision for income taxes	(16,313)	(14,980)
Income from continuing operations	27,775	25,235
Income from discontinued operations, net of taxes of \$0.8 million and \$0.6 million, respectively	1,325	1,090
Net income	<u>\$ 29,100</u>	<u>\$ 26,325</u>
<b>Basic earnings per share:</b>		
Income from continuing operations	\$ 0.44	\$ 0.39
Income from discontinued operations	0.02	0.02
Net income	<u>\$ 0.46</u>	<u>\$ 0.40</u>
Average shares outstanding	<u>62,588</u>	<u>65,019</u>
<b>Diluted earnings per share:</b>		
Income from continuing operations	\$ 0.44	\$ 0.38
Income from discontinued operations	0.02	0.02
Net income	<u>\$ 0.46</u>	<u>\$ 0.40</u>
Average shares outstanding	<u>63,849</u>	<u>65,820</u>

Revenues and operating income of the Company's reportable segments for the three months ended September 30, 2004 and 2003 are as follows:

	Three Months Ended September 30,	
	2004	2003
Revenues:		
Card Services	\$ 149,542	\$ 140,209
Check Services	113,118	91,743
	<u>\$ 262,660</u>	<u>\$ 231,952</u>
Operating income:		
Card Services	\$ 36,684	\$ 34,893
Check Services	15,474	11,852
	<u>52,158</u>	<u>46,745</u>
General corporate expense	(5,105)	(4,959)
	<u>\$ 47,053</u>	<u>\$ 41,786</u>

(1) Certain 2003 expenses have been reclassified between costs of services and selling, general and administrative to conform to the current period presentation.

CERTEGY INC.  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003  
(In thousands, except per share amounts)  
(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
Revenues	\$ 757,664	\$ 672,948
Operating expenses(1):		
Costs of services	546,937	479,760
Selling, general and administrative	89,935	83,322
Other charges(2)	—	12,203
	<u>636,872</u>	<u>575,285</u>
Operating income	120,792	97,663
Other income, net	599	1,457
Interest expense	(9,388)	(5,354)
Income from continuing operations before income taxes	112,003	93,766
Provision for income taxes	(41,441)	(34,928)
Income from continuing operations	70,562	58,838
Income from discontinued operations, net of taxes of \$2.4 million and \$1.6 million, respectively	4,133	2,647
Net income	<u>\$ 74,695</u>	<u>\$ 61,485</u>
<b>Basic earnings per share:</b>		
Income from continuing operations	\$ 1.12	\$ 0.90
Income from discontinued operations	0.07	0.04
Net income	<u>\$ 1.18</u>	<u>\$ 0.94</u>
Average shares outstanding	<u>63,114</u>	<u>65,462</u>
<b>Diluted earnings per share:</b>		
Income from continuing operations	\$ 1.10	\$ 0.89
Income from discontinued operations	0.06	0.04
Net income	<u>\$ 1.16</u>	<u>\$ 0.93</u>
Average shares outstanding	<u>64,283</u>	<u>66,117</u>

Revenues and operating income of the Company's reportable segments for the nine months ended September 30, 2004 and 2003 are as follows:

	Nine Months Ended September 30,	
	2004	2003
Revenues:		
Card Services	\$ 433,124	\$ 411,136
Check Services	324,540	261,812
	<u>\$ 757,664</u>	<u>\$ 672,948</u>
Operating income:		
Card Services	\$ 100,668	\$ 84,237
Check Services	36,432	26,825
	<u>137,100</u>	<u>111,062</u>
General corporate expense	(16,308)	(13,399)
	<u>\$ 120,792</u>	<u>\$ 97,663</u>

- (1) Certain 2003 expenses have been reclassified between costs of services and selling, general and administrative to conform to the current period presentation.
- (2) Other charges of \$12.2 million in 2003 (\$7.7 million after-tax) represent \$9.6 million of early termination costs associated with a data processing contract and \$2.6 million of other net charges primarily related to the downsizing of the Company's Brazilian card operation.



CERTEGY INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF SEPTEMBER 30, 2004 AND DECEMBER 31, 2003  
(In thousands)

	<u>September 30,</u> 2004	<u>December 31,</u> 2003
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 43,458	\$ 22,280
Settlement deposits	40,873	26,128
Trade accounts receivable, net of allowance for doubtful accounts of \$2,160 and \$1,883, respectively	99,895	103,285
Settlement receivables	48,349	59,196
Claims recoverable	28,747	46,478
Other receivables	36,235	26,907
Other current assets	20,682	22,995
Assets held for sale	40,705	35,826
	<hr/>	<hr/>
Total current assets	358,944	343,095
Property and equipment, net	61,089	58,897
Goodwill, net	224,635	187,627
Other intangible assets, net	26,685	10,332
Systems development and other deferred costs, net	120,337	118,788
Other assets, net	71,930	66,308
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Total assets	\$ 863,620	\$ 785,047
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 55,662	\$ 40,237
Settlement payables	89,222	85,324
Claims payable	21,057	38,270
Compensation and benefit liabilities	20,775	20,535
Income taxes payable	13,767	8,887
Other payables	16,374	10,855
Other current liabilities	32,148	29,496
Liabilities related to assets held for sale	16,927	11,536
	<hr/>	<hr/>
Total current liabilities	265,932	245,140
Long-term debt	287,165	222,399
Deferred income taxes	44,057	42,892
Other long-term liabilities	16,755	13,477
	<hr/>	<hr/>
Total liabilities	613,909	523,908
	<hr/>	<hr/>
Shareholders' equity:		
Common stock	695	695
Paid-in capital	250,899	249,351
Retained earnings	291,683	226,495
Deferred compensation	(10,848)	(10,187)
Accumulated other comprehensive loss	(76,972)	(75,854)
Treasury stock	(205,746)	(129,361)
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Total shareholders' equity	249,711	261,139
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 863,620	\$ 785,047
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CERTEGY INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
<b>Cash flows from operating activities:</b>		
Net income	\$ 74,695	\$ 61,485
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Income from discontinued operations	(4,133)	(2,647)
Depreciation and amortization	34,643	31,118
Amortization of deferred compensation and financing costs	4,718	4,057
Other non-cash items	3,403	1,893
Deferred income taxes	607	(543)
Changes in assets and liabilities:		
Accounts receivable, net	6,946	17,370
Current liabilities, excluding settlement and claims payables	(5,186)	11,085
Claims accounts, net	646	(3,429)
Other current assets	1,967	(460)
Other long-term liabilities	3,060	1,956
Other assets	(4,392)	(6,910)
Net cash provided by operating activities	<u>116,974</u>	<u>114,975</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(28,482)	(34,292)
Acquisitions, net of \$25,071 of cash acquired	(41,021)	—
Net cash used in investing activities	<u>(69,503)</u>	<u>(34,292)</u>
<b>Cash flows from financing activities:</b>		
Net borrowings (repayments) on revolving credit facility	61,540	(214,200)
Proceeds from bond issuance, net of discount and payment of debt issue costs	—	196,680
Treasury stock purchases	(87,797)	(39,838)
Dividends paid	(9,598)	—
Proceeds from exercise of stock options	8,466	2,879
Other	(417)	(5)
Net cash used in financing activities	<u>(27,806)</u>	<u>(54,484)</u>
Effect of foreign currency exchange rates on cash	(3,134)	4,719
Cash provided by (used in) discontinued operations	4,647	(418)
Net cash provided	<u>21,178</u>	<u>30,500</u>
Cash and cash equivalents, beginning of period	22,280	14,166
Cash and cash equivalents, end of period	<u>\$ 43,458</u>	<u>\$ 44,666</u>

CERTEGY INC.  
SUPPLEMENTAL INFORMATION  
(Unaudited)

1. Revenues by product and service offering are as follows (in thousands):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Card Issuer Services	\$ 113,470	\$ 114,298	\$ 116,408	\$ 118,346	\$ 462,522	\$ 117,862	\$ 123,410	\$ 126,762
Check Services	82,993	87,076	91,743	109,189	371,001	100,686	110,736	113,118
Merchant Processing	18,040	19,459	20,377	18,742	76,618	19,294	20,225	21,232
Software and Support	3,321	2,339	3,424	2,509	11,593	1,498	1,293	1,548
	<u>\$ 217,824</u>	<u>\$ 223,172</u>	<u>\$ 231,952</u>	<u>\$ 248,786</u>	<u>\$ 921,734</u>	<u>\$ 239,340</u>	<u>\$ 255,664</u>	<u>\$ 262,660</u>

Revenues from discontinued operations not reflected above are as follows (in thousands):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Discontinued Operations	\$ 22,345	\$ 24,220	\$ 23,839	\$ 23,326	\$ 93,730	\$ 24,069	\$ 28,460	\$ 27,667

2. Revenues by geographic area (based on location of customer) are as follows (in thousands):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Domestic	\$ 172,745	\$ 183,949	\$ 192,966	\$ 204,463	\$ 754,123	\$ 197,478	\$ 215,295	\$ 217,183
International	45,079	39,223	38,986	44,323	167,611	41,862	40,369	45,477
	<u>\$ 217,824</u>	<u>\$ 223,172</u>	<u>\$ 231,952</u>	<u>\$ 248,786</u>	<u>\$ 921,734</u>	<u>\$ 239,340</u>	<u>\$ 255,664</u>	<u>\$ 262,660</u>

3. Revenues are comprised of the following (in thousands):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Product and Service Fees	\$ 185,958	\$ 187,995	\$ 197,957	\$ 215,725	\$ 787,635	\$ 204,509	\$ 217,713	\$ 225,440
Interchange Fees	14,923	15,950	16,715	15,248	62,836	16,054	16,917	17,978
Reimbursable Expenses	16,943	19,227	17,280	17,813	71,263	18,777	21,034	19,242
	<u>\$ 217,824</u>	<u>\$ 223,172</u>	<u>\$ 231,952</u>	<u>\$ 248,786</u>	<u>\$ 921,734</u>	<u>\$ 239,340</u>	<u>\$ 255,664</u>	<u>\$ 262,660</u>

Revenues from discontinued operations not reflected above are comprised of the following (in thousands):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Product and Service Fees	\$ 5,569	\$ 5,662	\$ 5,972	\$ 6,363	\$ 23,566	\$ 6,475	\$ 7,629	\$ 7,249
Interchange Fees	16,776	18,558	17,867	16,963	70,164	17,594	20,831	20,418
Reimbursable Expenses	—	—	—	—	—	—	—	—
	<u>\$ 22,345</u>	<u>\$ 24,220</u>	<u>\$ 23,839</u>	<u>\$ 23,326</u>	<u>\$ 93,730</u>	<u>\$ 24,069</u>	<u>\$ 28,460</u>	<u>\$ 27,667</u>

4. Currency translation increased (decreased) revenues and operating income for the third quarter and the first nine months of 2004 as compared with the prior year as follows (in thousands):

	Revenues			
	1st Qtr	2nd Qtr	3rd Qtr	YTD
Card Services	\$ 3,298	\$ 1,407	\$ 1,685	\$ 6,390
Check Services	2,211	1,810	2,066	6,087
	<u>\$ 5,509</u>	<u>\$ 3,217</u>	<u>\$ 3,751</u>	<u>\$ 12,477</u>
	Operating Income			

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>YTD</u>
Card Services	\$ (329)	\$ 158	\$ 165	\$ (6)
Check Services	398	374	482	1,254
	<u>\$ 69</u>	<u>\$ 532</u>	<u>\$ 647</u>	<u>\$ 1,248</u>

CERTEGY INC.  
SUPPLEMENTAL INFORMATION, CONTINUED  
(Unaudited)

5. Check volumes in dollars are as follows (in millions):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Domestic	\$ 7,145	\$ 7,499	\$ 7,783	\$ 9,368	\$ 31,795	\$ 8,206	\$ 8,623	\$ 8,719
International	761	811	830	995	3,397	925	904	917
	<u>\$ 7,906</u>	<u>\$ 8,310</u>	<u>\$ 8,613</u>	<u>\$ 10,363</u>	<u>\$ 35,192</u>	<u>\$ 9,131</u>	<u>\$ 9,527</u>	<u>\$ 9,636</u>
Guarantee	\$ 6,251	\$ 6,606	\$ 6,962	\$ 8,220	\$ 28,039	\$ 7,048	\$ 7,248	\$ 7,207
Verification	1,655	1,704	1,651	2,143	7,153	2,083	2,279	2,429
	<u>\$ 7,906</u>	<u>\$ 8,310</u>	<u>\$ 8,613</u>	<u>\$ 10,363</u>	<u>\$ 35,192</u>	<u>\$ 9,131</u>	<u>\$ 9,527</u>	<u>\$ 9,636</u>

6. Number of cards and accounts processed (end of period) are as follows (in thousands):

	2003				2004			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	
Cards:								
Domestic		22,695	22,969	23,304	23,364	23,466	23,843	23,846
International		23,148	22,095	21,914	23,083	23,359	24,244	23,763
		<u>45,843</u>	<u>45,064</u>	<u>45,218</u>	<u>46,447</u>	<u>46,825</u>	<u>48,087</u>	<u>47,609</u>
Accounts:								
Domestic		17,372	17,601	17,860	17,957	18,069	18,254	17,033
International		20,016	19,055	18,917	20,075	20,282	21,044	20,620
		<u>37,388</u>	<u>36,656</u>	<u>36,777</u>	<u>38,032</u>	<u>38,351</u>	<u>39,298</u>	<u>37,653</u>

American Express cards and accounts processed in the Caribbean in 2003 have been reclassified from domestic to international.

7. Merchant volumes in dollars and number of transactions are as follows:

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Dollars (in millions)	\$ 845	\$ 886	\$ 946	\$ 841	\$ 3,518	\$ 864	\$ 931	\$ 989
Number of Transactions (in thousands)	8,709	9,448	10,510	9,691	38,358	9,291	10,385	10,777

Merchant volumes and number of transactions from discontinued operations not reflected above are as follows:

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Dollars (in millions)	\$ 918	\$ 996	\$ 1,014	\$ 1,020	\$ 3,948	\$ 1,005	\$ 1,158	\$ 1,127
Number of Transactions (in thousands)	11,907	12,295	12,214	11,842	48,258	11,464	12,463	12,153

8. Depreciation and amortization by segment is as follows (in thousands):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Card Services	\$ 7,715	\$ 7,999	\$ 8,400	\$ 8,106	\$ 32,220	\$ 7,985	\$ 8,067	\$ 8,722
Check Services	1,801	2,001	2,384	2,502	8,688	2,784	2,953	3,175
Corporate	296	250	272	304	1,122	315	322	320
	<u>\$ 9,812</u>	<u>\$ 10,250</u>	<u>\$ 11,056</u>	<u>\$ 10,912</u>	<u>\$ 42,030</u>	<u>\$ 11,084</u>	<u>\$ 11,342</u>	<u>\$ 12,217</u>

Amortization of acquired merchant portfolios from discontinued operations not reflected above is as follows (in thousands):

2003	2004
------	------

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
Discontinued Operations	\$ 562	\$ 563	\$ 563	\$ 741	\$2,429	\$ 753	\$ 789	\$ 785

CERTEGY INC.  
SUPPLEMENTAL INFORMATION, CONTINUED  
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9. **Capital expenditures and acquisitions are as follows (in thousands):**

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Capital expenditures	\$ 8,432	\$ 15,138	\$ 10,722	\$ 9,455	\$ 43,747	\$ 7,026	\$ 10,083	\$ 11,373
Acquisitions, net of cash acquired	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 33,391	\$ (433)	\$ 8,063

In the third quarter of 2004, Certegy paid \$1.1 million for purchase price adjustments related to prior acquisitions and \$7.0 million for the Caribbean CariCard Services acquisition. In the second quarter of 2004, Certegy received \$433 thousand for purchase price adjustments related to prior acquisitions.

Capital expenditures and acquisitions from discontinued operations not reflected above are as follows (in thousands):

	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Capital expenditures	\$ —	\$ —	\$ —	\$ 208	\$ 208	\$ 85	\$ 31	\$ 40
Acquisitions, net of cash acquired	\$ —	\$ —	\$ 4,521	\$ —	\$ 4,521	\$ 5,800	\$ —	\$ —

10. **Long-term debt at September 30, 2004 and December 31, 2003 consists of (in thousands):**

	September 30, 2004	December 31, 2003
Unsecured notes, 4.75%, due 2008, net of unamortized discount	\$ 199,512	\$ 199,420
Borrowings under revolving credit facility	61,540	—
Notes payable, variable rate, due 2009	22,364	22,364
Capital lease obligations	3,749	615
	<u>\$ 287,165</u>	<u>\$ 222,399</u>

11. **Stock repurchase activity:**

We repurchased 2,395,073 shares of common stock during the first nine months of 2004 at a total cost of \$87.8 million. In May 2004, the Board of Directors of Certegy Inc. approved a \$100 million share repurchase program. As of September 30, 2004, the Company had \$52.0 million remaining under this program.









CERTEGY INC.  
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12. Discontinued Operations, continued:

	4th Qtr 2003			Full Year 2003		
	Previously Reported	Disc Opers	Reclassified	Previously Reported	Disc Opers	Reclassified
Revenues	\$272,112	\$(23,326)	\$ 248,786	\$1,015,464	\$(93,730)	\$ 921,734
Operating expenses	219,593	(21,359)	198,234	861,064	(87,545)	773,519
Operating income	52,519	(1,967)	50,552	154,400	(6,185)	148,215
Other income, net	882	—	882	2,339	—	2,339
Interest expense	(2,596)	—	(2,596)	(7,950)	—	(7,950)
Income from continuing operations before taxes	50,805	(1,967)	48,838	148,789	(6,185)	142,604
Provision for income taxes	(18,553)	717	(17,836)	(55,052)	2,288	(52,764)
Income from continuing operations	32,252	(1,250)	31,002	93,737	(3,897)	89,840
Discontinued operations	—	1,250	1,250	—	3,897	3,897
Net income	\$ 32,252	\$ —	\$ 32,252	\$ 93,737	\$ —	\$ 93,737
<b>Basic EPS:</b>						
Continuing operations	\$ 0.50	\$ (0.02)	\$ 0.48	\$ 1.44	\$ (0.06)	\$ 1.38
Discontinued operations	—	0.02	0.02	—	0.06	0.06
	\$ 0.50	\$ —	\$ 0.50	\$ 1.44	\$ —	\$ 1.44
<b>Diluted EPS:</b>						
Continuing operations	\$ 0.50	\$ (0.02)	\$ 0.48	\$ 1.42	\$ (0.06)	\$ 1.36
Discontinued operations	—	0.02	0.02	—	0.06	0.06
	\$ 0.50	\$ —	\$ 0.50	\$ 1.42	\$ —	\$ 1.42

CERTEGY INC.  
SUPPLEMENTAL INFORMATION, CONTINUED  
(Unaudited)

12. **Discontinued Operations, continued:**

**Balance Sheets:**

Reconciliations of current and prior period balance sheets, adjusted for discontinued operations, are as follows (in thousands):

	September 30, 2004			December 31, 2003		
	Total	Disc Opers	Reclassified	Previously Reported	Disc Opers	Reclassified
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 43,458		\$ 43,458	\$ 22,280		\$ 22,280
Settlement deposits	43,950	\$ (3,077)	40,873	29,638	\$ (3,510)	26,128
Trade accounts receivable, net of allowance for doubtful accounts	105,630	(5,735)	99,895	108,158	(4,873)	103,285
Settlement receivables	55,606	(7,257)	48,349	65,172	(5,976)	59,196
Claims recoverable	28,747		28,747	46,478		46,478
Other receivables	36,235		36,235	26,907		26,907
Other current assets	20,781	(99)	20,682	22,995		22,995
Assets held for sale	—	40,705	40,705	—	35,826	35,826
<b>Total current assets</b>	<b>334,407</b>	<b>24,537</b>	<b>358,944</b>	<b>321,628</b>	<b>21,467</b>	<b>343,095</b>
Property and equipment, net	61,089		61,089	58,897		58,897
Goodwill, net	228,640	(4,005)	224,635	187,627		187,627
Other intangible assets, net	47,217	(20,532)	26,685	31,799	(21,467)	10,332
Systems development and other deferred costs, net	120,337		120,337	118,788		118,788
Other assets, net	71,930		71,930	66,308		66,308
<b>Total assets</b>	<b>\$ 863,620</b>	<b>\$ —</b>	<b>\$ 863,620</b>	<b>\$ 785,047</b>	<b>\$ —</b>	<b>\$ 785,047</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Current liabilities:						
Accounts payable and other accrued expenses	\$ 56,995	\$ (1,333)	\$ 55,662	\$ 41,600	\$ (1,363)	\$ 40,237
Settlement payables	99,556	(10,334)	89,222	94,810	(9,486)	85,324
Claims payable	21,057		21,057	38,270		38,270
Compensation and benefit liabilities	20,775		20,775	20,535		20,535
Income taxes payable	13,767		13,767	8,887		8,887
Other payables	16,374		16,374	10,855		10,855
Other current liabilities	31,808	340	32,148	29,136	360	29,496
Liabilities related to assets held for sale	—	16,927	16,927	—	11,536	11,536
<b>Total current liabilities</b>	<b>260,332</b>	<b>5,600</b>	<b>265,932</b>	<b>244,093</b>	<b>1,047</b>	<b>245,140</b>
Long-term debt	287,165		287,165	222,399		222,399
Deferred income taxes	49,657	(5,600)	44,057	43,939	(1,047)	42,892
Other long-term liabilities	16,755		16,755	13,477		13,477
<b>Total liabilities</b>	<b>613,909</b>	<b>—</b>	<b>613,909</b>	<b>523,908</b>	<b>—</b>	<b>523,908</b>
Shareholders' equity:						
Common stock	695		695	695		695
Paid-in capital	250,899		250,899	249,351		249,351
Retained earnings	291,683		291,683	226,495		226,495
Deferred compensation	(10,848)		(10,848)	(10,187)		(10,187)
Accumulated other comprehensive loss	(76,972)		(76,972)	(75,854)		(75,854)
Treasury stock	(205,746)		(205,746)	(129,361)		(129,361)
<b>Total shareholders' equity</b>	<b>249,711</b>	<b>—</b>	<b>249,711</b>	<b>261,139</b>	<b>—</b>	<b>261,139</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 863,620</b>	<b>\$ —</b>	<b>\$ 863,620</b>	<b>\$ 785,047</b>	<b>\$ —</b>	<b>\$ 785,047</b>

CERTEGY INC.  
SUPPLEMENTAL INFORMATION, CONTINUED  
(Unaudited)

12. **Discontinued Operations, continued:**

**Cash Flows:**

Reconciliations of current and prior period cash flows, adjusted for discontinued operations, are as follows (in thousands):

	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2003		
	Total	Disc Opers	Reclassified	Previously Reported	Disc Opers	Reclassified
<b>Cash flows from operating activities:</b>						
Net income	\$ 74,695		\$ 74,695	\$ 61,485		\$ 61,485
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:						
Income from discontinued operations		\$ (4,133)	(4,133)	—	\$(2,647)	(2,647)
Depreciation and amortization	34,643		34,643	31,118		31,118
Amortization of deferred compensation and financing costs	4,718		4,718	4,057		4,057
Other non-cash items	3,403		3,403	1,893		1,893
Deferred income taxes	5,180	(4,573)	607	(4)	(539)	(543)
Changes in assets and liabilities:						
Accounts receivable, net	6,667	279	6,946	16,753	617	17,370
Current liabilities, excluding settlement and claims payables	(5,324)	138	(5,186)	10,931	154	11,085
Claims accounts, net	646		646	(3,429)		(3,429)
Other current assets	1,954	13	1,967	(460)		(460)
Other long-term liabilities	3,060		3,060	1,956		1,956
Other assets	(2,065)	(2,327)	(4,392)	(5,222)	(1,688)	(6,910)
Net cash provided by operating activities	127,577	(10,603)	116,974	119,078	(4,103)	114,975
<b>Cash flows from investing activities:</b>						
Capital expenditures	(28,638)	156	(28,482)	(34,292)		(34,292)
Acquisitions, net of cash acquired	(46,821)	5,800	(41,021)	(4,521)	4,521	—
Net cash used in investing activities	(75,459)	5,956	(69,503)	(38,813)	4,521	(34,292)
<b>Cash flows from financing activities:</b>						
Net borrowings (repayments) on revolving credit facility	61,540		61,540	(214,200)		(214,200)
Proceeds from bond issuance, net of discount and payment of debt issue costs	—		—	196,680		196,680
Treasury stock purchases	(87,797)		(87,797)	(39,838)		(39,838)
Dividends paid	(9,598)		(9,598)	—		—
Proceeds from exercise of stock options	8,466		8,466	2,879		2,879
Other	(417)		(417)	(5)		(5)
Net cash used in financing activities	(27,806)	—	(27,806)	(54,484)	—	(54,484)
Effect of foreign currency exchange rates on cash	(3,134)		(3,134)	4,719		4,719
Cash provided by (used in) discontinued operations	—	4,647	4,647	—	(418)	(418)
Net cash provided	21,178	—	21,178	30,500	—	30,500
Cash and cash equivalents, beginning of period	22,280		22,280	14,166		14,166
Cash and cash equivalents, end of period	\$ 43,458	\$ —	\$ 43,458	\$ 44,666	\$ —	\$ 44,666