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Revenues:

Transaction and processing service fees

$2,823.4 65% $2,645.5 69% $177.9 7%

Investment income, net

91.8 2% (37.8) (1)% 129.6 NM

Product sales and other

426.0 10% 387.5 10% 38.5 10%

Reimbursable debit network fees, postage and other

989.6 23% 841.8 22% 147.8 18% $4,330.8 100% $3,837.0 100% $493.8 13%

Expenses:

Cost of services (exclusive of items shown below)

$1,506.1 35% $1,411.7 37% $94.4 7%

Cost of products sold

154.3 4% 139.6 4% 14.7 11%

Selling, general and administrative

619.6 14% 625.7 16% (6.1) (1)%

Reimbursable debit network fees, postage and other

989.6 23% 841.8 22% 147.8 18%

Depreciation and amortization

657.9 15% 321.0 8% 336.9 105%

Other operating expenses, net

(0.1) (0)% 21.5 1% (21.6) NM $3,927.4 91% $3,361.3 88% $566.1 17%

NM - Not Meaningful

The following provides highlights of revenue and expense growth for the three and six months ended June 30, 2008 compared to the same periods in 2007, while a more detailed discussion is included in the Segment Results section below:

Operating revenues overview

Transaction and processing service fees Revenue increased due to the growth of existing clients, increased transaction volumes, acquisitions and the benefit of foreign currency exchange rate movements. This increase was partially offset by price compression and lost business. Growth rates slowed in the second quarter 2008 compared to the first quarter 2008 due to a slow down in the economy and the grow over impact of the expansion of Electronic Check Acceptance (ECA) into more locations of large national retailers in the second quarter 2007.

Investment income, net The increase in investment income is mostly due to reduced commissions that are netted against earnings on the official check and money order business investment portfolio in the IPS segment. The reduced commissions were caused by favorable changes in interest rates and modifications to the contract terms made in conjunction with the wind-down of the official check and money order business. Investment income also increased as a result of repositioning the IPS portfolio to taxable investments; however, this increase was more than offset by decreases resulting from lower market interest rates and a decrease in the portfolio balances caused by the wind-down of the official check and money order business. Investment income declined in the second quarter 2008 over the first quarter 2008 and the Company expects that investment income will continue to decline in future quarters as the official check and money order business continues to wind-down. IPS segment revenues benefited from the above noted items but were partially offset by a decrease resulting from presenting the segment s revenues on a pretax equivalent basis in 2007 but not in 2008. Such presentation is not necessary in 2008 due to the repositioning of the portfolio to taxable investments. The impact of this segment presentation in 2007 was eliminated for consolidated reporting purposes.

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AND RESULTS OF OPERATIONS (Continued)

Product sales and other Increased for the three and six months ended June 30, 2008 over the same periods in 2007 due to an increase in royalty income of approximately $12 million and $40 million, respectively, within All Other and Corporate, the impact of acquisitions and an increase in the International segment terminal sales partially offset by decreases resulting from a decline in professional services revenue due to completed projects, higher contract termination fees in 2007 and a portfolio sale in 2007.

Reimbursable debit network fees, postage and other Increased most significantly due to increases in debit network fees resulting from the continued growth of PIN-debit transaction volumes as well as rate increases imposed by the debit networks and due to an increase in postal rates.

Operating expenses overview

Cost of services The majority of the increase is due to the impact of acquisitions. Outside professional services expense increased due to global labor sourcing initiatives, consulting expenses and data center consolidation. Partially offsetting these increases was a decrease in employee related expenses due to a decrease in share-based compensation resulting from the Company s new equity compensation plan implemented after the merger as compared to the pre-merger equity compensation plan, within All Other and Corporate, as well as decreases resulting from merger-related reductions in force, the largest of which occurred in the fourth quarter 2007. Also, partially offsetting the increase was a decrease in check net warranty expense for the quarter due to changes in warranty rates as well as the grow over of the ECA expansion into more locations of large national retailers in the second quarter of 2007. Cost of services, as a percentage of transaction and processing service fee revenue, decreased slightly as a result of the items noted above.

Cost of products sold Increased due to acquisitions and increased terminal sales within the International segment offset partially by a decrease in costs associated with terminal and software sales due to a decline in sales volumes domestically.

Selling, general and administrative Decreased due to a decline in employee related expenses resulting from a decrease in share-based compensation expense due to the Company s new equity compensation plan implemented after the merger as compared to the pre-merger equity compensation plan and legal fees related to the merger incurred in 2007, both within All Other and Corporate, as well as merger-related reductions in force. Partially offsetting these decreases are the impacts of acquisitions as well as sponsor management fees.

Depreciation and Amortization Increased significantly in both the three and six months ended June 30, 2008 due to the amortization of identifiable intangible assets recorded in purchase accounting related to the merger as well as amortization of customer relationships on an accelerated basis in the successor period. Partially offsetting this increase was a decrease related to the depreciation of fixed assets recorded in purchase accounting related to the merger. Although the total value of the fixed assets increased from pre-merger book values, certain of the depreciable assets were determined to have longer lives which resulted in lower annual depreciation.

Other operating expenses, net

Restructuring charges during the first quarter of 2007 resulted from efforts to improve the overall efficiency and effectiveness of the sales and sales support teams within the Merchant Services segment. This action resulted in the termination of approximately 230 sales related employees comprising approximately 10% of the segment s regional sales, cross-sale and sales support organizations. The charges recorded in second quarter 2007 resulted from the termination of approximately 120 employees within the International segment. The terminations were associated with the data center consolidation and global sourcing initiatives.

During the first quarter 2007, the Company recorded a charge of $16.3 million related to the impairment of goodwill and intangible assets associated with the wind-down of the Company s official check and money order business. In addition, during the second quarter 2007, the Company recorded a $5.0 million litigation accrual associated with a judgment against the Company pertaining to a vendor contract issue in the Prepaid Services segment. Also, during the second quarter 2007, the Company released a portion of the domestic escheatment accrual made in the fourth quarter 2005 which is reflected in Other . The release was prompted by reaching resolution with a large majority of all the states as to the Company s escheatment liability.

Interest expense

Interest expense for the three and six months ended June 30, 2008 increased significantly compared to the same periods in 2007 due to debt of approximately $22.8 billion at June 30, 2008, incurred primarily as the result of the merger, compared to approximately $2.3 billion as of June 30, 2007. Higher interest rates on the new merger related debt also contributed to the increase.

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Other income (expense)

(in millions)	**Successor Three months ended June 30, 2008**	**Predecessor Three months ended June 30, 2007**
Investment gains and (losses)		$ (0.1)
Derivative financial instruments gains and (losses)	$ 9.4	
Divestitures, net		2.5
Non-operating foreign currency gains and (losses)	(3.0)	
Other income (expense)	$ 6.4	$ 2.4

(in millions)	**Successor Six months ended June 30, 2008**	**Predecessor Six months ended June 30, 2007**
Investment gains and (losses)	$ 22.1	$ (1.5)
Derivative financial instruments gains and (losses)	(3.4)	
Divestitures, net		3.5
Debt repayment gains and (losses)		1.4
Non-operating foreign currency gains and (losses)	(55.5)	
Other income (expense)	$ (36.8)	$ 3.4

The investment gains for the six months ended June 30, 2008 resulted from the sale of MasterCard stock. The derivative financial instruments gains and losses for the three and six month periods in 2008 were due most significantly to the mark-to-market adjustments for cross currency swaps that were not designated as accounting hedges, certain interest rate swaps that were not designated as accounting hedges for a period of time and the ineffectiveness from interest rate swaps that were designated as accounting hedges but are not perfectly effective.

For the three and six months ended June 30, 2008, the net non-operating foreign currency exchange losses related to the mark-to-market of the Company s intercompany loans and the euro-denominated debt issued in connection with the merger. Historically, intercompany loans were deemed to be of a long-term nature for which settlement was not planned or anticipated in the foreseeable future. Accordingly, the translation adjustments were reported in Other comprehensive income . Effective in September 2007 and in conjunction with the merger, the Company made the decision to begin settling intercompany loans which results in a benefit or charge to earnings due to movement in foreign currency exchange rates.

Income taxes

The Company s effective tax rate on pretax (loss) income was (30.2%) and (34.4%), a tax benefit, for the three and six months ended June 30, 2008, respectively, and 23.4% and 21.2%, a tax expense, for the same periods in 2007. The effective tax benefits in the three month period ended June 30, 2008 are less than the statutory rate due primarily to state tax accruals and continued accruals on prior year uncertain tax positions and increases in valuation allowances. Prior to the second quarter of 2008, the Company s tax benefit was increased by the accrual of a dividend received deduction on certain of the equity earnings from Chase Paymentech. It was determined that the alliance would suspend its dividend payments on 2008 earnings due to the anticipated termination of the alliance. Following the suspension of dividend payments, the Company has reversed the dividend received tax benefit in the second quarter 2008. Accruals in uncertain tax positions and increases in

valuation allowances were substantially offset by other items for the 2008 six-month period. The 2007 effective tax rate, for the three and six month periods, was below the statutory rate due to the impact of non-taxable interest income from the IPS municipal bond portfolio. This non-taxable interest income significantly reduced the effective tax rate for the three and six months ended June 30, 2007 by 12 and 15 percentage points, respectively. Other items that impacted the effective tax rate are not individually significant.

During the six months ended June 30, 2008, the Company s liability for unrecognized tax benefits accrued under FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 (FIN 48) was reduced by $11 million after negotiating settlement with certain state jurisdictions. The reduction in the

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liability was recorded through cash payments and a decrease to goodwill. As of June 30, 2008, the Company anticipates it is reasonably possible that its liability for unrecognized tax benefits may change within the next twelve months; however, the Company does not expect the change to significantly increase or decrease the total amounts of unrecognized tax benefits.

Equity earnings in affiliates

The decrease in equity earnings in affiliates for the three and six months ended June 30, 2008 compared to the same periods in 2007 was due to increased amortization associated with the value assigned to the identifiable intangible assets of merchant alliances in the preliminary intangible asset valuation resulting from the merger as well as amortization of customer relationships on an accelerated basis in the successor period. As discussed in Overview above, equity earnings will decrease significantly subsequent to the termination of the Chase Paymentech alliance.

Segment Results

As discussed above in Overview, results of operations reflect the segment realignment.

Merchant Services Segment Results

	Successor Three months ended June 30,		Predecessor Three months ended June 30,		Change	
(in millions)	**2008**	**% of Segment Revenue**	**2007**	**% of Segment Revenue**	**Amount**	**%**
Revenues:						
Transaction and processing service fees	$ 525.1	51%	$ 511.0	54%	$ 14.1	3%
Product sales and other	81.0	8%	91.4	10%	(10.4)	(11)%
Reimbursable debit network fees, postage and other	332.3	32%	260.1	27%	72.2	28%
Equity earnings in affiliates	84.0	8%	77.8	8%	6.2	8%
Other revenue	5.3	1%	12.9	1%	(7.6)	(59)%
Total revenue	$ 1,027.7	100%	$ 953.2	100%	$ 74.5	8%
Operating profit	$ 109.0		$ 261.1		$ (152.1)	(58)%
Operating margin	11%		27%		(16)pts	
Key indicators:						
Domestic merchant transactions [(a)]	7,019.4		6,346.4		673.0	11%

	Successor Six months ended June 30,		Predecessor Six months ended June 30,		Change	
(in millions)	**2008**	**% of Segment Revenue**	**2007**	**% of Segment Revenue**	**Amount**	**%**
Revenues:						
Transaction and processing service fees	$ 1,002.0	51%	$ 958.6	54%	$ 43.4	5%
Product sales and other	159.2	8%	178.5	10%	(19.3)	(11)%
	623.2	32%	490.2	27%	133.0	27%

Reimbursable debit network fees, postage and other						
Equity earnings in affiliates	155.9	8%	145.9	8%	10.0	7%
Other revenue	13.2	1%	25.0	1%	(11.8)	(47)%
Total revenue	$ 1,953.5	100%	$ 1,798.2	100%	$ 155.3	9%
Operating profit	$ 181.9		$ 456.2		$ (274.3)	(60)%
Operating margin	9%		25%		(16)pts	
Key indicators:						
Domestic merchant transactions [(a)]	13,473.8		12,124.7		1,349.1	11%

(a) Domestic merchant transactions include acquired VISA and MasterCard credit and signature debit, PIN-debit, electronic benefits transactions, and processed-only or gateway customer transactions at the POS.

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Transaction and processing service fees revenue

The increase in acquiring revenue for the three and six months ended June 30, 2008 compared to the same periods in 2007 was driven by increases in transaction volume due to consumer spending at the point of sale. Although overall transaction growth rates remained stable in the second quarter 2008 compared to first quarter 2008, revenue growth slowed due to a shift in transaction volumes from local and regional merchants to national discount merchants from which the Company realizes lower per transaction revenues. The Company believes the move to national discount merchants is partially attributable to the slowing domestic economy.

Also contributing to slower growth in revenue is the continued growth of debit card transactions exceeding the growth in credit card transactions. This also continues to contribute to the spread between the transaction growth rate and the transaction and processing service fee revenue growth rate for the three and six months ended June 30, 2008 compared to the same periods in 2007 as the Company generally realizes lower revenues from debit card transactions than from credit card transactions. The Company expects that overall transaction growth will slow slightly in the third quarter.

Product sales and other revenue

The decrease in product sales and other revenues for the three and six months ended June 30, 2008 compared to the same periods in 2007 was driven by decreased terminal sales resulting from slowing in equipment demand in part due to elevated prior year placements associated with merchants having to remain compliant with association rules. Also, contributing to the decrease for the six month period was a portfolio sale in the first quarter 2007.

Reimbursable debit network fees, postage and other

The increase in reimbursable debit network fees, postage and other for the three and six months ended June 30, 2008 versus the comparable periods in 2007 was due to growth in debit network fees resulting from the continued growth of PIN-debit transaction volumes as well as rate increases imposed by the debit networks. Debit network fees represent substantially all of the balance within this line item.

Equity earnings

The increase in equity earnings in affiliates for the three and six months ended June 30, 2008 compared to the same periods in 2007 resulted most significantly from increased merchant transaction volume in the merchant equity alliances. The equity earnings presented as part of revenue at the segment level do not include the impact of amortization of intangible assets which is netted against equity earnings in the Consolidated Statement of Operations.

Other revenue

The decrease in other revenue for the three and six months ended June 30, 2008 compared to the same periods in 2007 is due to reduced investment income and resulted most significantly from the liquidation of investments as a result of the merger as well as a reduction in interest rates earned on settlement assets.

Operating profit

Merchant Services segment operating profit decreased in the three and six months ended June 30, 2008 compared to the same periods in 2007 due to an increase of approximately $147 million and $284 million, respectively (affecting the operating profit growth rate by 56 and 62 percentage points, respectively) in amortization expense resulting from the purchase price assigned to intangible

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assets from the merger. A decrease of approximately 2 percentage points, for both the three and six month periods, respectively, resulted from the portfolio sale in 2007 mentioned above. There was also incremental platform consolidation, data center consolidation and global labor sourcing expenses that contributed to the decreased operating profit. Partially offsetting these decreases and during the first quarter of 2007, the Company incurred a charge when it bought out a revenue sharing agreement as part of a new, larger relationship with Discover. The absence of a similar charge in 2008 benefited the six month operating profit growth rate by 2 percentage points.

Financial Services Segment Results

	Successor Three months ended June 30,		Predecessor Three months ended June 30,		Change	
(in millions)	**2008**	**% of Segment Revenue**	**2007**	**% of Segment Revenue**	**Amount**	**%**
Revenues:						
Transaction and processing service fees	$ 497.5	71%	$ 514.8	72%	$ (17.3)	(3)%
Product sales and other	29.7	4%	30.1	4%	(0.4)	(1)%
Reimbursable debit network fees, postage and other	175.4	25%	167.8	24%	7.6	5%
Other revenue	0.9	0%	1.3	0%	(0.4)	(31)%
Total revenue	$ 703.5	100%	$ 714.0	100%	$ (10.5)	(1)%
Operating profit	$ 111.7		$ 153.0		$ (41.3)	(27)%
Operating margin	16%		21%		(5)pts	
Key indicators:						
Domestic debit issuer transactions [(a)]	3,084.8		2,985.4		99.4	3%

	Successor Six months ended June 30,		Predecessor Six months ended June 30,		Change	
(in millions)	**2008**	**% of Segment Revenue**	**2007**	**% of Segment Revenue**	**Amount**	**%**
Revenues:						
Transaction and processing service fees	$ 994.2	71%	$ 997.7	71%	$ (3.5)	(0)%
Product sales and other	54.8	4%	63.5	5%	(8.7)	(14)%
Reimbursable debit network fees, postage and other	358.4	25%	345.2	24%	13.2	4%
Other revenue	1.6	0%	3.0	0%	(1.4)	(47)%
Total revenue	$ 1,409.0	100%	$ 1,409.4	100%	$ (0.4)	(0)%
Operating profit	$ 214.2		$ 297.9		$ (83.7)	(28)%
Operating margin	15%		21%		(6)pts	
Key indicators:						
Domestic debit issuer transactions [(a)]	5,930.5		5,732.8		197.7	3%
Domestic active card accounts on file (end of period) [(b)]						
Bankcard	47.8		44.1		3.7	8%

Retail	75.8	74.8	1.0	1%
Total	123.6	118.9	4.7	4%
Domestic card accounts on file (end of period)				
Bankcard	132.5	124.7	7.8	6%
Retail	397.7	360.0	37.7	10%
Debit	118.4	117.8	0.6	1%
Total	648.6	602.5	46.1	8%

(a) Domestic debit issuer transactions include VISA and MasterCard signature debit, STAR ATM, STAR PIN-debit POS and ATM and PIN-debit POS gateway transactions.

(b) Domestic active card accounts on file include customer accounts that had a balance or any monetary posting or authorization activity during the month.

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Transaction and processing service fees revenue

Components of transaction and processing service fee revenue

(in millions)	Successor Three months ended June 30, 2008	Predecessor Three months ended June 30, 2007	Change Amount	%
Credit card, retail card and debit processing	$ 271.3	$ 270.4	$ 0.9	0%
Check processing	95.0	106.1	(11.1)	(10)%
Other revenue	131.2	138.3	(7.1)	(5)%
Total	$ 497.5	$ 514.8	$ (17.3)	(3)%

(in millions)	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007	Change Amount	%
Credit card, retail card and debit processing	$ 537.2	$ 519.2	$ 18.0	3%
Check processing	194.0	201.0	(7.0)	(3)%
Other revenue	263.0	277.5	(14.5)	(5)%
Total	$ 994.2	$ 997.7	$ (3.5)	(0)%

Credit card, retail card and debit processing revenue

Credit card, retail card and debit processing revenue was flat for the three months ended June 30, 2008 compared to the same period in 2007. This was impacted by credit and retail card processing revenue being slightly lower primarily due to price compression partially offset by growth of existing clients and net new business and by debit processing revenue increasing mostly due to growth of existing clients and the FundsXpress acquisition partially offset by price compression and net lost business.

For the six month periods the credit card and retail card processing revenue declined with the offsetting factors noted above as well as the Instant Cash Services® acquisition while debit processing revenue increased due to the factors noted above.

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Check processing revenue

Check processing revenue decreased for the three and six months ended June 30, 2008 compared to the same periods in 2007. The decrease for the three-month period was the result of declines in overall check volumes and net lost business. The decrease for the six-month period resulted from declines in overall check volumes partially offset by net new business. The Company expects similar declines in the third quarter.

Other revenue

Other revenue consists mostly of revenue from the Company s output services, government payments business and remittance processing. Other revenue decreased for the three and six months ended June 30, 2008 compared to the same periods in 2007 primarily due to net lost business partially offset by growth of existing clients. The lost business includes statement production, remittance processing and call volumes. The Company expects similar declines for the remainder of the year.

Product sales and other revenue

Product sales and other revenue decreased for the three and six months ended June 30, 2008 compared to the same periods in 2007 due to a decrease in professional service fees in 2008 in the credit card, retail card and utility business. Largely offsetting the decrease in the three month period is an increase due to contract termination fees received in 2008.

Reimbursable postage and other revenue

The increase in reimbursable postage and other revenue was due to growth of existing clients and an increase in the postage rates in May 2007 and 2008 partially offset by lost business.

Operating profit

Financial Services segment operating profit decreased for the three and six months ended June 30, 2008 compared to the same periods in 2007 due to an increase of approximately $39 million and $73 million (negatively impacting the operating profit growth rate by 26 and 25 percentage points) in amortization expense resulting from the purchase price assigned to intangible assets from the merger. Operating profit was further negatively impacted by lost business and price compression resulting from contract renewals as well as incremental platform consolidation, data center consolidation and global labor sourcing expenses partially offset by new business, decreases in compensation and other operating expenses.

International Segment Results

	Successor Three months ended June 30,		Predecessor Three months ended June 30,		Change	
(in millions)	2008	% of Segment Revenue	2007	% of Segment Revenue	Amount	%
Revenues:						
Transaction and processing service fees	$ 360.7	76%	$ 296.5	75%	$ 64.2	22%
Product sales and other	88.9	19%	75.9	19%	13.0	17%
Other revenue	23.5	5%	22.6	6%	0.9	4%
Total revenue	$ 473.1	100%	$ 395.0	100%	$ 78.1	20%

Operating profit	$ 31.6	$ 34.8	$ (3.2)	(9)%
Operating margin	7%	9%	(2)pts	
Key indicators:				
International transactions [a]	1,640.4	1,335.7	304.7	23%

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AND RESULTS OF OPERATIONS (Continued)

	Successor Six months ended June 30,		Predecessor Six months ended June 30,		Change	
(in millions)	**2008**	**% of Segment Revenue**	**2007**	**% of Segment Revenue**	**Amount**	**%**
Revenues:						
Transaction and processing service fees	$ 710.7	77%	$ 578.4	76%	$ 132.3	23%
Product sales and other	160.7	18%	135.2	18%	25.5	19%
Other revenue	46.3	5%	42.1	6%	4.2	10%
Total revenue	$ 917.7	100%	$ 755.7	100%	$ 162.0	21%
Operating profit	$ 52.9		$ 69.0		$ (16.1)	(23)%
Operating margin	6%		9%		(3)pts	
Key indicators:						
International transactions [(a)]	3,063.6		2,594.2		469.4	18%
International card accounts on file (end of period) [(b)]	78.2		69.3		8.9	13%

(a) International transactions include VISA, MasterCard and other card association merchant acquiring and switching, and debit issuer transactions for clients outside the U.S. Transactions include credit, signature debit and PIN-debit POS, POS gateway and ATM transactions.

(b) International card accounts on file include bankcard and retail.

Summary

During the first quarter 2008, the International segment s regions were revised. The revised regions are: Western Europe, Middle East and Africa (WEMEA), Central and Southern Europe (CESE), Asia Pacific (APAC) and Latin America and Canada (LAC).

Revenue growth in the three and six months ended June 30, 2008 compared to the same periods in 2007 was driven by acquisitions, benefit from foreign currency exchange rate movements, growth of existing clients and net new business partially offset by price compression. Acquisitions contributed 12 and 11 percentage points, respectively to segment revenue growth for the three and six months ended June 30, 2008 over the comparable periods in 2007. The most significant of these acquisitions were First Data Polska in the CESE region and the joint venture with AIB in the WEMEA region. Foreign currency exchange rate movements positively impacted total revenue growth rates by 8 percentage points for both the three and six months ended June 30, 2008, respectively, over the comparable periods in 2007.

Transaction and processing service fees revenue

Transaction and processing service fees revenue increased in the three and six months ended June 30, 2008 compared to the same periods in 2007 due generally to the factors noted above. Acquisitions impacted growth most significantly followed by foreign currency exchange rate movements and transaction volumes. Revenue growth in WEMEA was due to acquisitions, net new business relating to card processing services and growth of existing clients, partially offset by price compression. The acquisitions in the WEMEA region provide merchant acquiring services. Revenue growth in CESE was mostly due to foreign currency exchange rate movements, acquisitions and growth of existing clients partially offset by price compression and net lost business. The acquisition in the CESE region provides both merchant acquiring and card processing services across the region. Revenue growth in APAC was due mostly to growth of existing clients, foreign currency exchange rate movements and acquisitions partially offset by net lost business and price compression. Revenue growth in LAC was due mostly to growth from existing clients and foreign exchange rate movements partially offset by price compression in the card issuing services businesses.

Transaction and processing service fee revenue is driven by accounts on file and transactions. The spread between growth in these two indicators and revenue growth was driven mostly by the change in the mix of transaction types resulting from acquisitions. The effects of foreign currency exchange rate fluctuations also contributed to the spread.

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Product sales and other revenue

The increase in product sales and other revenue for the three and six months ended June 30, 2008 over the same periods in 2007 resulted from increased terminal-related revenue and the impact of acquisitions partially offset by a decrease in professional services fees in 2008 due to the completion of projects in 2007 as well as contract termination fees received in 2007.

Operating profit

The segment s operating profit decreased for the three and six months ended June 30, 2008 compared to the same periods in 2007 due to certain items including the impact of purchase accounting, which was approximately $4.0 million and $5.8 million (negatively impacting the operating profit growth rate by approximately 12 and 8 percentage points), partially offset by the beneficial impact of the factors described above, including acquisitions and foreign currency exchange rate movements. Also negatively impacting segment operating profit was a credit loss expense recorded as a result of a customer bankruptcy of approximately $2.3 million and $8.5 million for the three and six months ended June 30, 2008, respectively (negatively impacting the operating profit growth rate by approximately 7 and 12 percentage points), as well as incremental infrastructure and platform consolidation expenses in the WEMEA and CESE regions.

Capital Resources and Liquidity

The Company s source of liquidity during the first six months of 2008 was principally cash generated from operating activities. The Company believes its current level of cash and short-term financing capabilities along with future cash flows from operations are sufficient to meet the needs of its existing businesses. The following discussion highlights the Company s cash flow activities from continuing operations during the six months ended June 30, 2008 and 2007.

Cash and Cash Equivalents

Investments (other than those included in settlement assets) with original maturities of three months or less (that are readily convertible to cash) are considered to be cash equivalents and are stated at cost, which approximates market value. At June 30, 2008 and December 31, 2007, the Company held $655.3 million and $606.5 million in cash and cash equivalents, respectively. Cash and cash equivalents held outside of the United States at June 30, 2008 and December 31, 2007 was $225.9 million and $203.4 million, respectively.

Cash Flows from Operating Activities from Continuing Operations

Source/(use) (in millions)	**Successor Six months ended June 30, 2008**	**Predecessor Six months ended June 30, 2007**
Net (loss) income from continuing operations	$ (382.3)	$ 400.6
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	761.9	365.0
Other non-cash and non-operating items, net	6.7	(67.3)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	162.9	(35.6)
Other assets, current and long-term	188.4	28.0
Accounts payable and other liabilities, current and long-term	(227.2)	(87.2)
Income tax accounts	(213.8)	61.3
Excess tax benefit from share-based payment arrangement		(28.7)

Net cash provided by operating activities from continuing operations	$	296.6	$	636.1

Depreciation and amortization increased in 2008 due to the merger. Other non-cash and non-operating items and charges include restructuring, impairments, litigation and regulatory settlements, other and other income (expense) as well as undistributed earnings in affiliates, stock compensation expense and interest expense associated with the senior unsecured PIK term loan that was paid by increasing the principal amount of the loan. The change in 2008 compared to 2007 resulted most significantly from the interest expense associated with the senior unsecured PIK term loan facility and the non-operating foreign currency loss mostly offset by undistributed equity earnings (in conjunction with the impending wind-up of the Chase Paymentech alliance, a first quarter alliance distribution was not made to the Company in the second quarter of 2008 and a second quarter distribution in the third quarter of 2008 is similarly not planned), a decrease in stock based compensation expense resulting from the merger and gains on the sale of MasterCard Stock.

FIRST DATA CORPORATION

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

The change in accounts receivable between years was the result of uses of cash for restructuring certain settlement arrangements in 2007, a decrease in receivables due to the wind-down of the official check and money order business and the timing of collections compared to billings. The increased source of cash in other assets in 2008 was due most significantly to increased amortization of deferred financing costs. The change in accounts payable and other liabilities between years resulted from timing and level of payments and accruals for various liabilities, the most significant impact related to employee liabilities (specifically the payment of an all cash bonus in 2008 for 2007 in contrast to the prior year) and a contribution to the United Kingdom pension plan. The change in income tax accounts resulted from a tax benefit in 2008 compared to a tax provision in 2007 as well as reduced net tax payments in 2008 versus 2007. The Company expects approximately $80 million of cash payments during the remainder of 2008 related to restructuring activities and approximately $40 million of cash payments in 2008 related to global sourcing initiatives.

The excess tax benefit from share-based payment arrangement in 2007 related to the exercise of stock options.

Cash Flows from Investing Activities from Continuing Operations

Source/(use) (in millions)	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Current period acquisitions, net of cash acquired	$ (195.4)	$ (369.7)
Payments related to other businesses previously acquired	(16.7)	(49.3)
Additions to property and equipment, net	(122.6)	(116.4)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(77.1)	(70.3)
Proceeds from the sale of marketable securities	52.4	11.2
Other investing activities	5.0	56.1
Net cash used in investing activities from continuing operations	$ (354.4)	$ (538.4)

Acquisitions

During the six months ended June 30, 2008, the Company entered into a joint venture with AIB, of which the Company owns 50.1%, and one other acquisition. During the six months ended June 30, 2007, the Company acquired 100% of Size Technologies, Inc., Datawire Communications Networks, Inc., Instant Cash Services®, Intelligent Results, FundsXpress and various merchant portfolios for cash consideration.

In July 2008, the Company purchased the remaining 31.8% interest in its Money Network Financial, LLC subsidiary previously owned by minority interest holders for total consideration of $70 million consisting of cash of $40 million and equity issued by First Data Holdings, Inc. In July 2008, the Company sold its interest in Early Warning Services which had been accounted for under the equity method. Also in July 2008, the Company sold its subsidiary Active Business Services Ltd.

In April 2008, the Company signed an agreement to acquire InComm Holdings Inc. (InComm), a distributor of stored value gift and prepaid products. The parties have agreed to extend the completion date of the transaction in order to complete certain closing conditions and to negotiate and mutually agree upon changes to the merger terms. Subject to the Company reaching agreement with the sellers on such revised terms, it would expect to close the transaction in the second half of 2008.

Payments Related to Other Businesses Previously Acquired

During the six months ended June 30, 2008 and 2007, payments related to other businesses previously acquired related mostly to contingent consideration largely associated with a merchant alliance. The payment in 2008 was recognized as a part of purchase accounting and did not result in an increase in assets.

Capital Expenditures

The Company expects to incur capital expenditures (consists of property and equipment and payments to secure customer service contracts) of approximately $300 million for the remainder of 2008 including expenditures related to the U.S. data center consolidation.

FIRST DATA CORPORATION

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

Proceeds from the Sale of Marketable Securities

Proceeds from the sale of marketable securities for the six months ended June 30, 2008 resulted from the sale of MasterCard shares. Proceeds from the sale of marketable securities for the six months ended June 30, 2007 resulted from the partial liquidation of marketable securities acquired in the Concord merger.

Other Investing Activities

The source of cash from other investing activities for the six months ended June 30, 2007 related to distributions from certain strategic investments, proceeds from the sale of merchant portfolios and proceeds from the sale of investments partially offset by the distribution of $27.6 million in proceeds related to the sale of Taxware to a minority holder.

Cash Flows from Financing Activities from Continuing Operations

Source/(use) (in millions)	**Successor Six months ended June 30, 2008**	**Predecessor Six months ended June 30, 2007**
Short-term borrowings, net	$ 61.0	$ (57.0)
Principal payments on long-term debt	(97.2)	(115.5)
Proceeds from issuance of common stock		129.0
Capital contributed by Parent	104.3	
Excess tax benefit from share-based payment arrangement		28.7
Purchase of treasury shares		(278.2)
Cash dividends	(0.9)	(45.2)
Net cash provided by (used in) financing activities from continuing operations	$ 67.2	$ (338.2)

Short-Term Borrowings, net

The source of cash related to short-term borrowings in 2008 resulted from an additional net $70 million draw on the senior secured revolving credit facility as well as timing of draws and payments on credit lines associated with settlement activity. The use of cash in 2007 was due to net proceeds and cash outlays related to the issuance and paydown of commercial paper as well as other short-term debt.

Principal Payments on Long-Term Debt

The Company made payments of $63.9 million related to its term loan facility during the first six months of 2008. In January 2007, the Company repurchased $32.4 million of its 4.7% senior notes due August 1, 2013, $30.2 million of its 4.85% senior notes due October 1, 2014, and $28.0 million of its 4.95% senior notes due June 15, 2015.

Payments for capital leases were $29.5 million for 2008 and $24.0 million for 2007.

Proceeds from Issuance of Common Stock

Proceeds during 2007 resulted from stock option exercises and purchases under the Company s employee stock purchase plan.

Capital Contributed by Parent

The Company received a capital contribution from its parent, First Data Holdings, Inc., comprised of the proceeds from purchases of shares in Holdings by certain management employees of FDC.

Excess Tax Benefit from Share-based Payment Arrangement

The excess tax benefit from share-based payment arrangements is discussed in the Cash Flows from Operating Activities from Continuing Operations section above.

FIRST DATA CORPORATION

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

Purchase of Treasury Shares

During the first six months of 2007, the Company repurchased 8.6 million shares for $248.4 million related to employee benefit plans. The difference between the cost of shares repurchased noted above and the amount reflected in the Consolidated Statements of Cash Flows is due to timing of trade settlements. The Company did not repurchase any shares under its board authorized stock repurchase programs during the first six months of 2007.

Cash Dividends

The Company paid a cash dividend to its parent, First Data Holdings, Inc., in 2008. The decrease in cash dividends from 2007 is due to the merger.

Letters, Lines of Credit and Other

The Company had $42.0 million in outstanding letters of credit at June 30, 2008, of which all expire prior to April 15, 2009 with a one-year renewal option. The letters of credit are held in connection with certain business combinations, lease arrangements and bankcard association agreements. The Company expects to renew most of the letters of credit prior to expiration.

The Company has lines of credit associated with First Data Deutschland which totaled approximately 160 million euro, or approximately $251 million, as of June 30, 2008. The Company had $119.3 million outstanding against these lines of credit as of June 30, 2008 and the full amount outstanding against these lines of credit as of December 31, 2007.

The Company has lines of credit associated with Cashcard Australia, Ltd. which are periodically used to fund ATM settlement activity. As of June 30, 2008, the lines of credit totaled approximately 160 million Australian dollars, or approximately $154 million. The Company had $66.8 million and $54.6 million outstanding against these lines of credit as of June 30, 2008 and December 31, 2007, respectively.

The Company also has committed lines of credit associated with the AIB joint venture which totaled 145 million euro, or approximately $227 million, as of June 30, 2008. The credit lines are used primarily to fund settlement activity. The Company had $51.1 million outstanding against these lines of credit as of June 30, 2008.

The Company has two credit facilities associated with First Data Polska which are periodically used to fund settlement activity. The maximum amount available under these facilities, which varies for peak needs during the year, totals 245 million Polish zloty, or approximately $114 million. The Company had no amount outstanding against these lines of credit as of June 30, 2008 and an immaterial amount outstanding at December 31, 2007.

The Company s Merchant Solutions joint venture partner funds settlement activity on behalf of the joint venture in accordance with the joint venture s operating agreement and on an uncommitted basis. The joint venture, which is a consolidated subsidiary of the Company, had $64.8 million and $15.6 million outstanding under this agreement as of June 30, 2008 and December 31, 2007, respectively.

Significant Non-Cash Transactions

During 2008, the principal amount of the Company s senior unsecured PIK term loan facility increased by $123.7 million resulting from the payment of accrued interest expense. During the six months ended June 30, 2008 the Company entered into approximately $47 million of capital leases.

Significant non-cash transactions during the six months ended June 30, 2007 included the grant of approximately 3.7 million shares of restricted stock to certain employees.

Guarantees and Covenant Compliance

For a description of guarantees and covenants and covenant compliance refer to the Guarantees and Covenants and Covenant Compliance sections in Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations in the 2007 Annual Report on Form 10-K. The Company is in compliance with all applicable covenants as of June 30, 2008.

FIRST DATA CORPORATION

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

The calculation of Consolidated EBITDA under the senior secured term loan facility is as follows (in millions):

	Last Twelve months ended June 30, 2008
Income (loss) from continuing operations	$ (620.3)
Interest expense, net [1]	1,543.3
Income tax (benefit) expense	(357.8)
Depreciation and amortization	1,364.2
EBITDA [14]	1,929.4
Stock based compensation [2]	225.7
Other items [3]	81.5
Debt repayment [4]	17.2
Pretax equivalency adjustment [5]	110.4
Official check and money order EBITDA [6]	(74.2)
Cost of data center, technology and other savings initiatives [7]	133.2
Transaction related fees	62.0
Purchase accounting [8]	45.8
Sponsor s annual management fee	15.3
Pre-acquisition EBITDA of acquired businesses [9]	9.9
Adjusted EBITDA [14]	2,556.2
Projected near-term cost savings [10]	250.0
Adjusted EBITDA plus projected near-term cost savings [14]	2,806.2
Minority interest [11]	145.4
Equity entities taxes, depreciation and amortization [12]	88.9
Other [13]	8.3
Consolidated EBITDA [14]	$ 3,048.8

(1) Includes interest expense and interest income.

(2) Stock based compensation recognized as expense and the related payroll taxes.

(3) Other items include net restructuring, impairments, litigation and regulatory settlements, investment gains and losses, derivative financial instruments gains and losses, net divestiture gains, foreign currency gains and losses (operating and non-operating) and other.

(4) Loss resulting from the early repayment of long-term debt.

(5) Represents an adjustment to reflect Integrated Payment Systems segment operating results as if the underlying investments were held in taxable securities rather than the tax-exempt variable rate demand notes in which they were actually held through 2007. The adjustment was no longer necessary after December 31, 2007 since the Company invested in taxable securities in 2008.

(6) Represents an adjustment to exclude the official check and money order business from EBITDA due to the Company s wind-down of these businesses.

(7) Represents implementation costs associated with initiatives to reduce operating expenses including items such as platform and data center consolidation initiatives in the International segment, expense related to the reorganization of global application development resources, expense associated with domestic data center consolidation initiatives and planned workforce reduction expenses, all of which are considered one-time projects (excludes costs accrued in purchase accounting).

(8) Represents the effect of purchase accounting on EBITDA which is primarily the result of revenue recognition adjustments.

(9) Reflects the EBITDA of companies acquired after June 30, 2007 through June 30, 2008, as if these companies had been acquired on July 1, 2007.

FIRST DATA CORPORATION

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

(10) Reflects cost savings projected to be achieved within twelve months on an annualized basis principally in connection with cost savings initiatives described in Note 7.

(11) Reflects all minority interest.

(12) Represents the Company s proportional share of income taxes, depreciation, and amortization on equity method investments.

(13) Includes non-capitalized merger and acquisition costs, losses on equity method investments, and amortization of unrecognized actuarial gains and losses on pensions.

(14) EBITDA is defined as income (loss) from continuing operations plus net interest expense, income taxes, depreciation and amortization. EBITDA is not a recognized term under GAAP and does not purport to be an alternative to income from continuing operations as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow available for management s discretionary use as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. The presentation of EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company s results as reported under GAAP. Management believes EBITDA is helpful in highlighting trends because EBITDA excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. In addition, EBITDA provides more comparability between the Company s predecessor results and the Company s successor results that reflect purchase accounting and the Company s new capital structure. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone.

Adjusted EBITDA is defined as EBITDA further adjusted to exclude certain items and other adjustments and is used by management as a measure of liquidity. The Company believes that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors about certain material non-cash items, non-recurring items that the Company does not expect to continue at the same level in the future and certain items management believes will materially impact future operating results.

Adjusted EBITDA plus projected near-term cost savings is defined as Adjusted EBITDA further adjusted to reflect cost savings projected to be achieved within twelve months on an annualized basis principally in connection with cost savings initiatives described in Note 7. Management believes the supplementary adjustments are appropriate to provide investors additional information about near term cost cutting initiatives.

Consolidated EBITDA (or debt covenant EBITDA) is defined as Adjusted EBITDA plus projected near-term cost savings further adjusted to exclude other adjustments that will be used in calculating covenant compliance under the agreements governing the Company s senior unsecured debt and/or senior secured credit facilities. The Company believes that the inclusion of supplementary adjustments to Adjusted EBITDA plus projected near-term cost savings applied in presenting Consolidated EBITDA are appropriate to provide additional information to investors about items that will impact the calculation of EBITDA that is used to determine covenant compliance under the agreements governing the Company s senior unsecured debt and/or senior secured credit facilities. Since not all companies use identical calculations, this presentation of Consolidated EBITDA may not be comparable to other similarly titled measures of other companies.

Off-Balance Sheet Arrangements

During the three and six months ended June 30, 2008, the Company did not engage in any off-balance sheet financing activities.

During the three and six months ended June 30, 2007, other than facility and equipment leasing arrangements, the Company did not engage in off-balance sheet financing activities. The Company had several synthetic operating lease arrangements. Rent expense related to synthetic operating leases was $1.4 million and $2.8 million for the three and six months ended June 30, 2007, respectively. On September 20, 2007, the Company purchased the buildings and equipment under its synthetic operating lease arrangements as contractually required due to change in control provisions contained in the agreements as the result of the merger.

Contractual Obligations

There have been no material changes outside the ordinary course of business in the Company s contractual obligation and commercial commitments from those reported at December 31, 2007 in the Company s Annual Report on Form 10-K other than an $11 million reduction in the Company s liability for unrecognized tax benefits accrued under the provisions of FIN 48 as discussed in the Income Taxes section above.

FIRST DATA CORPORATION

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

Critical Accounting Policies

The Company s critical accounting policies have not changed from those reported in Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

New Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations. The new standard will significantly change the financial accounting and reporting of business combination transactions in the consolidated financial statements. It will require an acquirer to recognize, at the acquisition date, the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their full fair values as of that date. In a business combination achieved in stages (step acquisitions), the acquirer will be required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in earnings. The acquisition-related transaction and restructuring costs will no longer be included as part of the capitalized cost of the acquired entity but will be required to be accounted for separately in accordance with applicable generally accepted accounting principles. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements. The statement clarifies the definition of a non-controlling (or minority) interest and requires that non-controlling interests in subsidiaries be reported as a component of equity in the consolidated statement of financial position and requires that earnings attributed to the non-controlling interests be reported as part of consolidated earnings and not as a separate component of income or expense. However, it will also require expanded disclosures of the attribution of consolidated earnings to the controlling and non-controlling interests on the face of the consolidated income statement. SFAS No. 160 will require that changes in a parent s controlling ownership interest, that do not result in a loss of control of the subsidiary, are accounted for as equity transactions among shareholders in the consolidated entity therefore resulting in no gain or loss recognition in the income statement. Only when a subsidiary is deconsolidated will a parent recognize a gain or loss in net income. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008, and will be applied prospectively except for the presentation and disclosure requirements that will be applied retrospectively for all periods presented.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As discussed in Item 7A: Quantitative and Qualitative Disclosures About Market Risk in the Company s Annual Report on Form 10-K for the year ended December 31, 2007, the Company is exposed to market risk from interest rates resulting from its official check and money order business. The continued wind-down of this business resulted in a decrease in its investment portfolio balance as well as a decrease in commissions during the six months ended June 30, 2008. In June 2008, the Company entered into agreements which, among other things and most significantly, amended the interest rates on the senior unsecured term loan agreement and the senior subordinated unsecured term loan agreement converting the interest rates on approximately $7 billion in borrowings from variable to fixed. There were no other material changes from what was reported in the Company s 2007 Annual Report on Form 10-K related to its exposure to market risk from interest rates. Using June 30, 2008 balances, a 10% proportionate increase in short-term interest rates on an annualized basis compared to the interest rates at June 30, 2008 and a corresponding and parallel shift in the remainder of the yield curve, would result in an increase to pretax income of approximately $0.5 million. The $0.5 million increase to pre-tax income (due to 10% increase in variable rates as of June 30, 2008) is a combination of the following: a) $14.8 million increase in interest expense related to the Company s balance of variable interest rate debt, net of interest rate swaps, at June 30, 2008 and b) $15.3 million increase in interest income associated with operating cash balances, settlement related cash balances, and investment positions (netted with commissions paid to selling agents).

Foreign Currency Risk

There have been no material changes from the Company s Annual Report on Form 10-K for the year ended December 31, 2007 related to its exposure to market risk from foreign currency.

Regulatory

Through its merchant alliances, the Merchant Services segment holds an ownership interest in several competing merchant acquiring businesses while serving as the electronic processor for those businesses. In order to satisfy state and federal antitrust requirements, the Company actively maintains an antitrust compliance program.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

The Company s disclosure controls and procedures are designed to cause information required to be disclosed in reports that the Company files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported with the time periods specified in SEC rules and forms. The Company has evaluated, under the supervision of its Chief Executive Officer and Chief Financial Officer, the effectiveness of disclosure controls and procedures as of June 30, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2008, to ensure that material information regarding the Company is made known to management, including the Chief Executive Officer and Chief Financial Officer, to allow the Company to meet its disclosure obligations.

Changes in internal control over financial reporting

There were no changes in the Company s internal control over financial reporting identified in connection with the above evaluation that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. None of these matters, either individually or in the aggregate, currently is material to the Company except those matters reported in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 (the Annual Report) and the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (the Quarterly Report). There were no material developments in the litigation matters previously disclosed except as discussed below.

In Re: Concord EFS, Inc. Shareholders Litigation

In the In Re: Concord EFS, Inc. Shareholders Litigation action that was previously reported in the Annual Report and Quarterly Report, on May 22, 2008 the Court entered a final judgment in favor of Concord, dismissing the action. On May 29, 2008 the plaintiffs filed a notice of appeal.

Data Treasury

In the Data Treasury actions that were previously reported in the Annual Report, the parties currently are engaged in mediation.

ITEM 1A. RISK FACTORS

Except as described below, there are no material changes to the risk factors as reported in the Company s Annual Report on form 10-K for the year ended December 31, 2007 and Quarterly Report for the quarterly period ended March 31, 2008. The information below should be read in conjunction with the risk factors and information disclosed in the Company s form 10-K.

The Company s cost saving plans are based on assumptions that may prove to be inaccurate which may negatively impact the Company s operating results.

The Company is in the process of consolidating its data centers and command centers in the United States and internationally. In addition, the Company is implementing a technology outsourcing initiative, a cost reduction effort related to overhead spending (including corporate functions and overhead expenses embedded in the Company s segments) and other cost improvement and cost containment programs across all of the Company s business segments. While the Company expects its cost saving initiatives to result in significant cost savings throughout the Company s organization, its estimated savings are based on several assumptions that may prove to be inaccurate, and as a result the Company cannot assure that it will realize these cost savings. The failure to achieve the Company s estimated cost savings would negatively affect its financial condition and results of operations.

The early expiration of the Company s alliance with Chase Paymentech may adversely impact the Company.

The Company s largest merchant alliance, Chase Paymentech Solutions™, a global payments and merchant acquiring entity, is 51% owned by J.P. Morgan Chase Bank, N.A., and 49% owned by FDC. On May 27, 2008, the Company announced it had reached an agreement with JPMorgan to end the Chase Paymentech joint venture by the end of 2008. In the interim, the Company and JPMorgan will continue to operate the joint venture. After the transition, the Company and JPMorgan will operate separate payment businesses. The Company will continue to provide transaction processing and data commerce solutions for allocated merchants through its current technology platforms. The Company will integrate 49% of the joint venture s assets and a portion of the joint venture employees into its existing merchant acquiring business. The Company has historically accounted its minority interest in the joint venture under the equity method of accounting. After the transition, the portion of the alliance s business retained by the Company will be reflected on a consolidated basis throughout the financial statements. As a result and on a pro forma basis, the expiration would not be expected to have a material impact on historical net income (loss) and the Company s historical reported revenues and expenses would increase. However, expiration of the alliance will result in the loss of JPMorgan branch referrals and access to the JPMorgan brand. Additionally, the wind-up of the joint venture will cause the Company to incur an obligation associated with taxes. Based on preliminary estimates and assumptions this obligation could be in excess of $200 million. A significant portion of this obligation may, however, be recovered through the future amortization of increased tax basis generated by this event. Expiration will also pose the following potential risks: loss of certain processing volume over time, disruption of the business due to the need to identify and transition to a new financial institution sponsorship and clearing services for the merchants allocated to the Company, and post-expiration competition by JPMorgan, any of which could have a material adverse effect on the Company s operations and results.

Global economics, political and other conditions may adversely affect trends in consumer spending, which may adversely impact the Company s revenue and profitability.

The global electronic payments industry depends heavily upon the overall level of consumer, business and government spending. A sustained deterioration in the general economic conditions, particularly in the United States or Europe, or increases in interest rates in key countries in which the Company operates may adversely affect the Company s financial performance by reducing the number of average purchase amount of transactions involving payment cards. A reduction in the amount of consumer spending could result in a decrease of the Company s revenue and profits.

Specifically, general economic conditions in the United States continue to show signs of weakening. Many of the Company s businesses rely in part on the number and size of consumer transactions which may be challenged by a declining U.S. economy and difficult capital markets. After experiencing a rebound in the early part of 2008 from the slow 2007 holiday spending period, domestic merchant transaction growth has since slowed slightly. This reduction in spending is across a wide range of categories, with discounters showing less of an effect than smaller retailers. Broad slowdowns in consumer spending could have a material adverse impact on future revenues and profits.

The Company is subject to the credit risk that its merchants and agents will be unable to satisfy obligations for which the Company may also be liable.

The Company is subject to the credit risk of its merchants and agents being unable to satisfy obligations for which the Company also may be liable. For example, the Company and its merchant acquiring alliances are contingently liable for transactions originally acquired by the Company that are disputed by the card holder and charged back to the merchants. If the Company or the alliance are unable to collect this amount from the merchant, due to the merchant s insolvency or other reasons, the Company or the alliance will bear the loss for the amount of the refund paid to the cardholder. Also, the Company s subsidiary Integrated Payments Systems, Inc. potentially may be liable if holders of official checks that it issues are sold by an agent bank which then becomes insolvent, to the extent that such liabilities are not federally insured or otherwise recovered through the receivership process. The Company has an active program to manage its credit risk and often mitigate its risk by obtaining collateral. Notwithstanding the Company s program for managing its credit risk, it is possible that a default on such obligations by one or more of the Company s merchants or agents could have a material adverse effect on the Company s business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Description of First Data Holdings Inc. director compensation (incorporated by reference to Exhibit 10.24 of the Registrant s Form S-4 filed August 12, 2008, Commission File No. 1-11073).
10.2	First Data Holdings Inc. 2008 Non-Employee Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.25 of the Registrant s Form S-4 filed August 12, 2008, Commission File No. 1-11073)
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer of First Data Corporation Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer of First Data Corporation Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification of Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
99	Private Securities Litigation Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements.

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 thereunto duly authorized.

	FIRST DATA CORPORATION
	(Registrant)
Date: August 14, 2008	By /s/ Philip M. Wall Philip M. Wall
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer)
Date: August 14, 2008	By /s/ Gregg W. Sonnen Gregg W. Sonnen
	Senior Vice President and Chief Accounting Officer
	(Principal Accounting Officer)

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INDEX TO EXHIBITS

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