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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2004

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number 001-16111

GLOBAL PAYMENTS INC.
(Exact name of registrant as specified in charter)

Georgia **(State or other jurisdiction of incorporation or organization)**	**58-2567903** **(I.R.S. Employer Identification No.)**
10 Glenlake Parkway, North Tower, Atlanta, Georgia **(Address of principal executive offices)**	**30328-3495** **(Zip Code)**

Registrant's telephone number, including area code: 770-829-8234

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The number of shares of the issuer's common stock, no par value outstanding as of December 15, 2004 was 38,722,845.

GLOBAL PAYMENTS INC.
FORM 10-Q
For the quarterly period ended November 30, 2004

TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
GLOBAL PAYMENTS INC.

(In thousands, except per share data)

	Three Months Ended	
	November 30, 2004	November 30, 2003
Revenues	$ 188,549	$ 148,447
Operating expenses:		
Cost of service	79,350	67,274
Sales, general and administrative	68,421	51,947
Restructuring	—	3,123
	147,771	122,344
Operating income	40,778	26,103
Other income (expense):		
Interest and other income	397	429
Interest and other expense	(1,835)	(1,059)
Minority interest in earnings	(1,915)	(1,716)
	(3,353)	(2,346)
Income before income taxes	37,425	23,757
Provision for income taxes	13,847	8,885
Net income	$ 23,578	$ 14,872
Basic earnings per share	$ 0.61	$ 0.40
Diluted earnings per share	$ 0.59	$ 0.38

See Notes to Unaudited Consolidated Financial Statements.

Table of Contents

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
GLOBAL PAYMENTS INC.

(In thousands, except per share data)

	Six Months Ended	
	November 30, 2004	November 30, 2003
Revenues	$ 381,140	$ 284,911
Operating expenses:		
Cost of service	159,790	129,436
Sales, general and administrative	138,958	97,488
Restructuring	—	4,703
	298,748	231,627
Operating income	82,392	53,284
Other income (expense):		
Interest and other income	716	753
Interest and other expense	(3,477)	(1,635)
Minority interest in earnings	(3,796)	(3,366)
	(6,557)	(4,248)
Income before income taxes	75,835	49,036
Provision for income taxes	28,059	18,339
Net income	$ 47,776	$ 30,697
Basic earnings per share	$ 1.25	$ 0.82
Diluted earnings per share	$ 1.21	$ 0.80

See Notes to Unaudited Consolidated Financial Statements.

Table of Contents

CONSOLIDATED BALANCE SHEETS
GLOBAL PAYMENTS INC.

(In thousands, except share data)

	November 30, 2004	May 31, 2004
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,267	$ 34,472
Accounts receivable, net of allowance for doubtful accounts of $481 and $757, respectively	53,423	47,414
Claims receivable, net of allowance for losses of $4,251 and $4,277, respectively	791	761
Settlement processing receivable, net	103,978	95,233
Inventory	3,272	3,051
Deferred income taxes	10,583	10,028
Prepaid expenses and other current assets	13,594	12,245
Total current assets	216,908	203,204
Property and equipment, net	99,147	97,482
Goodwill	359,354	342,012
Other intangible assets, net	184,415	182,658
Other	6,127	7,539
Total assets	$ 865,951	$832,895
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$ 105,000	$122,000
Line of credit with related party	56,140	83,109
Current portion of notes payable	2,574	3,409
Obligations under capital leases	1,251	1,190
Accounts payable and accrued liabilities	74,662	79,773
Income taxes payable	9,816	—
Total current liabilities	249,443	289,481
Notes payable, net of current portion	—	7,477
Obligations under capital leases, net of current portion	1,420	2,061
Deferred income taxes	55,287	46,804
Other long-term liabilities	16,596	14,520
Total liabilities	322,746	360,343
Commitments and contingencies		
Minority interest in equity of subsidiaries	17,139	23,130
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued	—	—
Common stock, no par value; 200,000,000 shares authorized; 38,722,546 and 38,068,436 shares issued and outstanding at November 30, 2004 and May 31, 2004, respectively	—	—
Paid-in capital	328,621	314,353
Retained earnings	168,686	123,995
Deferred compensation	(2,596)	(3,484)
Accumulated other comprehensive income	31,355	14,558
Total shareholders' equity	526,066	449,422
Total liabilities and shareholders' equity	$ 865,951	$832,895

See Notes to Unaudited Consolidated Financial Statements.

Table of Contents

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
GLOBAL PAYMENTS INC.

(In thousands)

	Six Months Ended	
	November 30, 2004	November 30, 2003
Cash flows from operating activities:		
Net income	$ 47,776	$ 30,697
Adjustments to reconcile net income to net cash provided by operating activities:		
Restructuring	—	387
Depreciation and amortization	14,881	9,653
Amortization of acquired intangibles	7,163	5,868
Provision for operating losses and bad debts	2,874	2,909
Deferred income taxes	(3,041)	—
Minority interest in earnings	3,796	3,366
Other, net	2,383	910
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable, net	(6,014)	267
Settlement processing, net	(11,644)	311
Inventory	(221)	85
Prepaid expenses and other assets	239	(9,896)
Accounts payable and accrued liabilities	(2,927)	6,946
Income taxes payable	9,821	3,472
Net cash provided by operating activities	65,086	54,975
Cash flows from investing activities:		
Capital expenditures	(14,795)	(9,668)
Business acquisitions, net of cash acquired	(12,286)	(61,460)
Net cash used in investing activities	(27,081)	(71,128)
Cash flows from financing activities:		
Net repayments on line of credit	(17,000)	—
Net (repayments) borrowings on line of credit with related party	(26,969)	61,203
Principal payments under long-term debt and capital lease arrangements	(8,892)	(904)
Stock issued under employee stock plans	12,773	2,179
Dividends paid	(3,085)	(2,993)
Distributions to minority interests	(5,043)	(4,291)
Net cash (used in) provided by financing activities	(48,216)	55,194
Effect of exchange rate changes on cash	7,006	2,702
(Decrease) increase in cash and cash equivalents	(3,205)	41,743
Cash and cash equivalents, beginning of period	34,472	38,010
Cash and cash equivalents, end of period	$ 31,267	$ 79,753

See Notes to Unaudited Consolidated Financial Statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS NOVEMBER 30, 2004

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business, Consolidation and Presentation— Global Payments Inc. ("Global Payments" or the "Company") is a high-volume processor of electronic transactions for merchants, multinational corporations, financial institutions, consumers, government agencies and other profit and non-profit business enterprises to facilitate payments to purchase goods and services or further other economic goals. The Company's role is to serve as an intermediary in the exchange of information and funds that must occur between parties so that a transaction can be completed. Including the Company's time as part of National Data Corporation, now known as NDCHealth, or NDC, the Company has provided transaction processing services since 1967. The Company was incorporated in Georgia as Global Payments Inc. in September 2000.

The unaudited consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. These financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States and present the Company's financial position, results of operations, and cash flows. Intercompany transactions have been eliminated in consolidation.

The Company has prepared the unaudited consolidated financial statements included herein, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate and the information presented is not misleading. The Company suggests that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended May 31, 2004. The prior year presentation of certain accounts has been changed to conform with the current year presentation. In the opinion of management, the information furnished reflects adjustments of a normal and recurring nature and includes those adjustments necessary for a fair presentation of the financial information for the interim periods reported.

Use of estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue recognition—

Merchant Services Offering.

The Company's merchant services offerings provide merchants and financial institutions with credit and debit card transaction processing, check services and terminal management. Merchant services revenue is primarily based on a percentage of transaction value or on a specified amount per transaction. This revenue is recognized when such services are performed. Revenue for processing services provided directly to merchants is recorded net of interchange fees charged by credit card associations and debit networks.

Check guarantee services include the process of electronically verifying the check being presented to the Company's merchant customer through extensive databases. The Company generally guarantees the face value of the verified and guaranteed check to the merchant customer. If a verified and guaranteed check is dishonored, the Company reimburses the merchant for the check's guaranteed value and pursues collection from the delinquent checkwriter. The Company has the right to collect the full amount of the check from the checkwriter but has historically recovered approximately 50% to 55% of the guaranteed, dishonored checks' face value. The Company establishes a claims receivable from the delinquent checkwriter for the full amount of the guaranteed check and it establishes a valuation allowance for this activity based on historical and projected loss experience. See *Reserve for operating losses* below.

Revenue for the check guarantee offering is primarily derived from a percentage of the face value of each guaranteed check. The Company recognizes revenue upon satisfaction of its guarantee obligation to the merchant customer either through the check being honored or, in the case of a dishonored check, the Company paying the merchant. The check guarantee offering also earns revenue based on fees collected from delinquent checkwriters which is recognized when collected, as collectibility is not reasonably assured until that point.

Check verification services are similar to the services provided in the check guarantee offering, except the Company does not guarantee the verified checks. In addition, the Company provides collection services for the merchant in the event that a check is dishonored. Revenue for this offering is primarily derived from fees collected from delinquent checkwriters and is recognized when collected, as collectibility is not reasonably assured until that point. This offering also earns revenue based on a fixed amount each merchant pays for each check that is verified. This revenue is recognized when earned, which occurs when the transaction is processed.

Terminal management products and services consist of electronic transaction payment processing terminal sales and rentals, terminal set-up, telephone training and technical support. Revenue associated with the terminal sale is considered a multiple element transaction which includes set-up and telephone training. However, terminal sale revenue is considered a single unit of accounting and is recognized when the set-up and telephone training is completed, and the merchant customer can begin processing transactions. Terminal rental revenues are recognized on a straight-line basis over the operating lease term. Revenue associated with technical support is considered a single unit of accounting and is recognized based on either a maintenance agreement, which is recognized on a straight-line basis over the agreement term, or based on time and materials when the support is completed.

Money Transfer Offering.

Consumer-to-consumer money transfer revenue is earned on fees charged to customers based on the nature and amount of the transaction performed on the customers' behalf at the time of the transaction. The Company also earns consumer-to-consumer money transfer revenue on the difference between the retail exchange rate quoted at the time when the money transfer transaction is requested and the wholesale exchange rate at the time when the currency is purchased. This foreign currency exchange revenue is recognized when the money transfer transaction is processed through the settlement system and the funds are available to the beneficiary.

Cash and cash equivalents—Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased.

Inventory—Inventory, which includes electronic point of sale terminals, automated teller machines, and related peripheral equipment, is stated at the lower of cost or market. Cost is determined by using the average cost method.

Settlement processing receivable, net—The settlement processing receivable results from timing differences in the Company's settlement process for direct merchants. These timing differences are primarily due to the fluctuations in volume, the timing of credit and debit card sales volume funded to merchants and the settlement received from the card associations and debit networks. This balance includes a liability for cash deposits from merchant customers held as collateral to minimize contingent liabilities associated with charges properly reversed by a cardholder. See *Reserve for operating losses* below. As of November 30, 2004 and May 31, 2004, the Company had a liability for cash deposits of $82.9 million and $65.9 million, respectively. The settlement processing receivable, net also reflects amounts payable to beneficiaries through the Company's money transfer offering that have not been claimed at a settlement location as of the balance sheet date.

Reserve for operating losses— The Company processes credit card transactions for direct merchants and recognizes revenue based on a percentage of the gross amount charged. The Company's merchant customers retain the liability for any charges properly reversed by the cardholder. In the event, however, that the Company is not able to collect such amount from the merchants, due to merchant fraud, insolvency, bankruptcy or any other reason, the Company may be liable for any such reversed charges. The Company requires cash deposits, guarantees, letters of credit and other types of collateral by certain merchants to minimize any such contingent liability. The Company also utilizes a number of systems and procedures to manage merchant risk. The Company has, however, historically experienced losses due to merchant defaults.

During fiscal 2003, the Company adopted Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" referred to as FIN 45. The Company believes that its potential liability for the full amount of the charge is a guarantee under FIN 45. The Company's liability is represented by an allowance for operational losses that is based primarily on historical experience and other relevant factors. The adoption of FIN 45 did not have a material impact on the allowance, partially due to the risk management procedures described in the preceding paragraphs, as the carrying value approximates fair value. Economic downturns or increases in merchant fraud may result in significant increases in credit related issues. As of November 30, 2004 and May 31, 2004, $7.0 million and $6.5 million, respectively, has been reserved for losses associated with merchant card processing and is included as a component of the settlement processing receivable, net. The expense associated with the valuation allowance is included in cost of service in the Unaudited Consolidated Statements of Income. The Company recorded expenses of $2.5 million and $2.2 million for the three month periods ended November 30, 2004 and 2003, respectively, for these losses. For the six month periods ended November 30, 2004 and 2003, the Company recorded expenses of $5.1 million and $5.2 million, respectively, for these losses.

The reserve for operating losses is comprised of known losses and a historical analysis based on a percentage of credit card sales volumes processed. Historically, this estimation process has been materially accurate and reflects the approximate fair value of the obligation under FIN 45. Due to the nature of the Company's business and the varying level of exposure depending upon the type of merchant, the Company is unable to reasonably estimate the maximum exposure for which the Company would be liable.

The Company also has a check guarantee business. Similar to the credit card business, the Company charges its merchants a percentage of the gross amount of the check and guarantees payment of the check to the merchant in the event the check is not honored by the checkwriter's bank. The Company has the right to collect the full amount of the check from the checkwriter but has historically recovered less than 100% of the guaranteed checks. The Company's check guarantee reserve is based on historical and projected loss experiences. As of November 30, 2004 and May 31, 2004, the Company had a check guarantee reserve of $4.3 million, which is included in claims receivable, net in the accompanying Consolidated Balance Sheets. The expense associated with the valuation allowance is included in cost of service in the accompanying Unaudited Consolidated Statements of Income. The Company recorded expenses of $3.1 million and $2.8 million for the three month period as of November 30, 2004 and 2003, respectively, for these losses. For the six month periods ended November 30, 2004 and 2003, the Company recorded expenses of $6.7 million and $6.1 million, respectively, for these losses. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the valuation allowance. In addition, the Company defers the revenue representing the fair value of the guarantee, until the guarantee is satisfied. Due to the nature of the Company's business and the varying level of exposure depending upon check guarantee losses and anticipated recoveries, the Company is unable to reasonably estimate the maximum exposure for which the Company would be liable. The adoption of FIN 45 had no impact on the Company's financial position or results of operations.

Property and equipment—Property and equipment, including equipment under capital leases, are stated at cost. Depreciation and amortization are calculated using the straight-line method. Equipment is depreciated over 2 to 7 year useful lives. Leasehold improvements and property acquired under capital leases are amortized over the shorter of the useful life of the asset or the term of the lease. The Company capitalizes the costs related to the development of computer software developed or obtained for internal use in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The costs of purchased and internally-developed software used to provide services to customers or internal administrative services are capitalized and amortized on a straight-line basis over their estimated useful lives, not to exceed 7 years. Maintenance and repairs are charged to operations as incurred.

Goodwill and Other Intangibles Assets—On July 20, 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "*Business Combinations*" ("SFAS No. 141") and No. 142, *"Goodwill and Other Intangible Assets"* ("SFAS No. 142"). SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. SFAS No. 142 eliminates the amortization of goodwill and certain other intangible assets and requires that goodwill be evaluated for impairment by applying a fair value-based test. Global Payments adopted SFAS No. 142 in the first quarter of fiscal 2002. In accordance with this standard, the Company discontinued the amortization of goodwill and certain intangible assets that were determined to have an indefinite life.

Global Payments completed the testing for impairment of goodwill as of June 1, 2004 using the present value of expected future cash flows and determined that the fair value of the merchant services and money transfer reporting units exceeded the carrying amount of the net assets, including goodwill of the merchant services and money transfer reporting units. In addition, the Company has trademarks associated with fiscal 2004 acquisitions that have an indefinite life and are not being amortized. Also effective June 1, 2004, the Company completed an impairment analysis on its trademarks and has determined that the fair values exceed the carrying values. Accordingly, the Company determined that no impairment charge to goodwill or other indefinite life intangibles was required. No changes in amortization periods were required for other intangible assets.

Other intangible assets primarily represent customer-related intangible assets, such as customer relationships and merchant contracts, and trademarks associated with acquisitions. Customer-related intangible assets are amortized using the straight-line method over their estimated useful lives of 3 to 30 years. The useful lives for customer-related intangible assets are determined based primarily on information concerning start/stop dates and yearly attrition.

Impairment of long-lived assets—The Company regularly evaluates whether events and circumstances have occurred that indicate the carrying amount of property and equipment and other intangible assets may warrant revision or may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, the Company assesses the recoverability by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. In management's opinion, the long-lived assets, including property and equipment and other intangible assets, are appropriately valued at November 30, 2004 and May 31, 2004.

Income taxes—Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates. Global Payments' effective tax rates were 37.0% and 37.4% for the three and six month periods ended November 30, 2004 and 2003, respectively.

Fair value of financial instruments—Management has concluded that the carrying amounts of financial instruments, including cash and cash equivalents, receivables, line of credit, notes payable, accounts payable and accrued liabilities approximate fair value.

Derivative Instruments and Hedging Activities—Global Payments has adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") and Statement No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 133 requires that a company recognize derivatives as assets or liabilities on its balance sheet, and also requires that the gain or loss related to the effective portion of derivatives designated as cash flow hedges be recorded as a component of other comprehensive income. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The Company has not used any derivative instruments and the adoption of these statements was not significant to the financial statements.

Foreign currency translation—The Company has foreign subsidiaries or branches operating in Canada, the Czech Republic, Mexico, the Netherlands, and the United Kingdom. The local currency of these subsidiaries or branches is the functional currency, except for the subsidiaries or branches in Mexico and the Netherlands whose functional currency is the U.S. dollar. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period in which exchange rates change; exchange gains or losses were not significant. The assets and liabilities of subsidiaries or branches whose functional currency is a foreign currency are translated at the period-end rate of exchange, and income statement items are translated at the average rates prevailing during the period. The resulting translation adjustment is recorded as a component of shareholders' equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of shareholders' equity. The effects of foreign currency gains and losses arising from these translations of assets and liabilities are included as a component of other comprehensive income.

Segment disclosure—Operating segments are defined by Statement of Financial Accounting Standards No. 131, "*Disclosure About Segments of an Enterprise and Related Information*" ("SFAS No. 131"). The Company's chief operating decision maker currently operates one reportable segment—electronic transaction payment processing—therefore the majority of the disclosures required by SFAS No. 131 do not apply to the Company. The Company's measure of segment profit is consolidated operating income. The Company's results of operations and its financial condition are not significantly reliant upon any single customer.

Revenues from external customers from the Company's service offerings are as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2004	2003	2004	2003
	(in thousands)		(in thousands)	
Merchant services	$ 162,500	$ 141,611	$ 329,361	$ 275,164
Money transfer	26,049	6,836	51,779	9,747
	$ 188,549	$ 148,447	$ 381,140	$ 284,911

The Company's services are provided primarily in the United States, Canada and Europe. The following is a breakdown of revenues by geographic region:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2004	2003	2004	2003
	(in thousands)		(in thousands)	
United States	$ 135,500	$ 107,114	$ 278,052	$ 204,490
Canada	43,853	40,961	85,111	79,800
Europe	9,196	372	17,977	621
	$ 188,549	$ 148,447	$ 381,140	$ 284,911

The following is a breakdown of long-lived assets by geographic region:

	November 30, 2004	May 31, 2004
	(in thousands)	
United States	$ 411,119	$403,764
Canada	159,568	140,275
Europe	70,479	76,376
Latin America	1,750	1,737
	$ 642,916	$622,152

Earnings per share—Basic earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period. Earnings available to common shareholders are the same as reported net income for all periods presented.

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period and the impact of securities that, if exercised, would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period generally are assumed to have a dilutive effect on earnings per share. The diluted share base for each of the three months ended November 30, 2004 and 2003 includes all outstanding stock options during the respective periods because the exercise prices were less than the average market share price for the period. For each of the six months ended November 30, 2004 and 2003, the diluted share base excludes incremental shares of 0.3 million related to stock options due to their anti-dilutive effect as a result of their option exercise prices being greater than the average market price of the common shares. No additional securities were outstanding that could potentially dilute basic earnings per share that were not included in the computation of diluted earnings per share.

Table of Contents

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended November 30, 2004 and 2003:

	Three Months Ended					
	November 30, 2004			November 30, 2003		
	Income	Shares	Per Share	Income	Shares	Per Share
	(in thousands, except per share data)					
Basic EPS:						
Net income available to common shareholders	$23,578	38,481	$ 0.61	$14,872	37,466	$ 0.40
Dilutive effect of stock options and restricted stock awards	—	1,320	(0.02)	—	1,395	(0.02)
Diluted EPS:						
Net income available to common shareholders	$23,578	39,801	$ 0.59	$14,872	38,861	$ 0.38

	Six Months Ended					
	November 30, 2004			November 30, 2003		
	Income	Shares	Per Share	Income	Shares	Per Share
	(in thousands, except per share data)					
Basic EPS:						
Net income available to common shareholders	$47,776	38,321	$ 1.25	$30,697	37,304	$ 0.82
Dilutive effect of stock options and restricted stock awards	—	1,231	(0.04)	—	1,281	(0.02)
Diluted EPS:						
Net income available to common shareholders	$47,776	39,552	$ 1.21	$30,697	38,585	$ 0.80

At November 30, 2004, the Company has three stock-based compensation plans. These include the Global Payments Inc. Amended and Restated 2005 Incentive Plan, the Amended and Restated 2000 Non-Employee Director Stock Option Plan, and the 2000 Employee Stock Purchase Plan. The Company also had the Global Payments Inc. Amended and Restated 2000 Long-Term Incentive Plan, but future options will not be issued under this plan. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "*Accounting for Stock Issued to Employees*," and its related interpretations. Employee stock-based compensation is reflected in net income for restricted stock and for stock options that have been remeasured. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	Three Months Ended		Six Months Ended	
	November 30, 2004	November 30, 2003	November 30, 2004	November 30, 2003
	(in thousands, except per share data)			
Net income:				
As reported	$ 23,578	$ 14,872	$ 47,776	$ 30,697
Add: Stock compensation recognized under APB 25, net of related tax effects	1,785	387	2,058	387
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(4,001)	(1,392)	(6,441)	(2,246)
Pro forma net income	$ 21,362	$ 13,867	$ 43,393	$ 28,838
Basic earnings per share				
As reported	$ 0.61	$ 0.40	$ 1.25	$ 0.82
Pro forma	$ 0.56	$ 0.37	$ 1.13	$ 0.77
Diluted earnings per share:				
As reported	$ 0.59	$ 0.38	$ 1.21	$ 0.80
Pro forma	$ 0.54	$ 0.36	$ 1.11	$ 0.75

In December 2004, the FASB issued Statement No. 123 (revised 2004) ("SFAS 123(R)") entitled,*"Share-Based Payment"*. This standard will require the recognition of compensation expense for all awards the Company grants after the date the standard is adopted. In addition, the Company will be required to record compensation expense for the unvested portion of previously granted awards that remain outstanding as of the date of the adoption. SFAS 123 (R) will be effective in the Company's fiscal year beginning June 1, 2005. Although the Company has not yet completed an analysis to quantify the exact impact the proposed standard would have on its future financial performance, the disclosures above provide detail as to the Company's financial performance as if the Company had applied the fair value based method and recognition provision of SFAS No. 123 to stock-based employee compensation to the current reporting periods.

NOTE 2—COMPREHENSIVE INCOME

The components of comprehensive income for the three and six months ended November 30, 2004 and 2003 are as follows:

	Three Months Ended		Six Months Ended	
	November 30, 2004	November 30, 2003	November 30, 2004	November 30, 2003
	(in thousands)			
Net income	$ 23,578	$ 14,872	$ 47,776	$ 30,697
Foreign currency translation, net of tax of $7,902 and $2,332; $10,273 and $1,913, respectively	13,456	3,903	17,493	3,201
Total comprehensive income	$ 37,034	$ 18,775	$ 65,269	$ 33,898

NOTE 3—RETIREMENT BENEFITS

The components of net periodic benefit costs relating to Global Payments' noncontributory defined benefit plan in accordance with SFAS No. 132 (R), "*Employers' Disclosures about Pensions and Other Post-retirement Benefits, revised 2003*" are as follows:

	Three Months Ended		Six Months Ended	
	November 30, 2004	November 30, 2003	November 30, 2004	November 30, 2003
	(in thousands)			
Service cost	$ —	$ —	$ —	$ —
Interest cost	119	152	242	304
Expected return on plan assets	(121)	(104)	(224)	(207)
Amortization of prior service cost	—	1	—	2
Amortization of net loss	9	75	20	149
Net periodic benefit cost	$ 7	$ 124	$ 38	$ 248

For fiscal year 2005, $1.0 million in contributions have been made to the Global Payments' noncontributory defined benefit plan.

NOTE 4—BUSINESS ACQUISITIONS

Cash & Win

On June 30, 2004, Global Payments acquired Comerica Bank's 49% interest in the Cash & Win product for $7.8 million in cash. This product had been offered through the 51% owned Global Payments Comerica Alliance since June 2001, when Comerica sold the former Imperial Bank merchant portfolio to the Global Payments Comerica Alliance. The Cash & Win product provides credit and debit card cash advance services to patrons of the gaming industry. The Company's interest in the Cash & Win product was primarily based on a desire to establish a greater presence in the gaming industry and to gain increased control over the Cash & Win product by integrating it into the Company's existing gaming product suite.

Purchase Price Allocations

The Cash & Win acquisition has been recorded using the purchase method of accounting, and accordingly, the purchase price for the acquisition has been allocated to the assets acquired and liabilities assumed based on their estimated fair value as of the date of acquisition. The operating results from the acquisition are included in the Company's Unaudited Consolidated Statements of Income from the date of such acquisition.

Under the terms of the acquisition documents executed in connection with the Cash & Win acquisition, a portion of the purchase price may be refunded to the Company as a result of customer-based adjustments for a period of up to one year after the acquisition date. When and if paid, any adjustments may result in changes to the purchase price allocation.

The following table summarizes the incremental preliminary purchase price allocations of the assets acquired and liabilities assumed at the date of acquisition.

	Cash & Win
	(in thousands)
Property and equipment, net	$ 57
Customer-related intangible assets	566
Goodwill	2,468
Total assets acquired	3,091
Purchased minority interest	4,744
Net assets acquired	$ 7,835

In addition, the six month period ended November 30, 2004 goodwill was increased as a result of a $3.4 million purchase adjustment for the DolEx acquisition and approximately $1.1 million for branches acquired by DolEx in fiscal 2005. The goodwill for the $3.4 million purchase adjustment is not tax deductible; the other acquisition goodwill is deductible for tax purposes.

NOTE 5—RESTRUCTURING

Fiscal 2003 Restructuring Activities

Effective December 31, 2002, the Company began accounting for its restructuring activities under SFAS No. 146,*"Accounting for Costs Associated with Exit or Disposal Activities".* During the fourth quarter of fiscal 2003, the Company, consistent with its strategy to leverage infrastructure and consolidate operations, committed to a plan to close three locations and consolidate these and other functions into existing locations. The plan required associated management and staff reductions, contract termination and other facility closure costs. The Company started execution of this plan in April 2003 and completed the plan in the fourth quarter of fiscal 2004. The Company incurred a total of $10.9 million associated with the fiscal 2003 restructuring activities. No restructuring charges were incurred in the three and six month periods ended November 30, 2004. For the comparable periods in fiscal 2004, the Company incurred restructuring charges of $3.1 million and $4.7 million, respectively. The following schedule details the changes in liability associated with these restructuring charges for the six months ended November 30, 2004:

	Liability Balance as of May 31, 2004	Costs Paid During Fiscal 2005	Liability Balance as of November 30, 2004
		(In thousands)	
One-time employee termination benefits	$ 2,202	$ 1,560	$ 642
Contract termination costs	2,050	2,041	9
Totals	$ 4,252	$ 3,601	$ 651

NOTE 6—SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures for the six months ended November 30, 2004 and 2003 are as follows:

	Six Months Ended	
	November 30, 2004	November 30, 2003
	(in thousands)	
Supplemental cash flow information:		
Income taxes paid, net of refunds	$ 24,139	$ 14,872
Interest paid	2,481	726
Supplemental non-cash investing and financing activities:		
Common stock issued in consideration for acquisition (223,289 shares)	—	7,561
Notes payable issued in consideration for acquisition	—	114,229

NOTE 7—SUBSEQUENT EVENT

On December 22, 2004, the Company announced the acquisition of Europhil, a group of European electronic money transfer firms, from individual investors. Europhil was established in Spain in 1989. Based in Madrid, the group operates 26 retail branches in Spain, Belgium, and the United Kingdom. Europhil's settlement network includes approximately 1,000 locations in over 20 countries. More than 80% of its money transfers are sent to Latin American countries, including Ecuador, Colombia, Bolivia, and Brazil. Most of its remaining money transfers are sent to African and Asian countries, including Morocco, the Philippines, and India.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our Unaudited Consolidated Financial Statements and related notes appearing elsewhere in this report. This management's discussion and analysis should also be read in conjunction with the management's discussion and analysis and consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2004.

General

We are a leading payments company. As a high-volume processor of electronic transactions we enable merchants, multinational corporations, financial institutions, consumers, government agencies and other profit and non-profit business enterprises to facilitate payments to purchase goods and services or further other economic goals. Our role is to serve as an intermediary in the exchange of information and funds that must occur between parties so that a transaction can be completed. Including our time as part of National Data Corporation, now known as NDCHealth or NDC, we have provided transaction processing services since 1967. We were incorporated in Georgia as Global Payments Inc. in September 2000.

We market our products and services throughout the United States, Canada and Europe, and we also conduct business in Latin America in connection with our money transfer product offering. We operate in one business segment, electronic transaction payment processing, and provide products and services through our merchant services and money transfer offerings. Our products and services target customers in many vertical industries including government, professional services, restaurants, universities, utilities, gaming, retail and health care.

Our merchant services offerings provide merchants and financial institutions with credit and debit card transaction processing, check services and terminal management. We have two basic business models that we use to market our merchant services offerings. In one model, which we refer to as "direct" merchant services, we have a salaried and commissioned sales force, Independent Sales Organizations, or ISOs, and independent sales representatives, all of whom sell our end-to-end services directly to merchants. In the other model, which we refer to as "indirect" merchant services, we provide the same basic products and services as direct merchant services, primarily to financial institutions on an unbundled basis, that in turn resell our products and their services to their merchants. We also offer sales, installation and servicing of ATM and POS terminals and selected card issuing services through MUZO, which is a component of our indirect merchant services offerings. Our direct merchant services offering is marketed in the United States and Canada, and our indirect merchant services offering is marketed in the United States, Canada and Central and Eastern Europe.

Direct merchant services revenue is generated on services primarily priced as a percentage of transaction value, whereas indirect merchant services revenue is generated on services primarily priced on a specified amount per transaction. In both merchant services models, we also charge for other processing fees unrelated to the number of transactions or the transaction value.

Our money transfer product and service offerings include a variety of services such as consumer-to-consumer money transfer, financial electronic data interchange, or EDI, account balance reporting, management information and deposit reporting.

Our products and services are marketed through a variety of distinct sales channels that include a large, dedicated direct sales force, ISOs, independent sales representatives and an internal telesales group, originating retail branch outlets, trade associations, alliance bank relationships and financial institutions.

Executive Overview

In the three months ended November 30, 2004, revenue increased $40.1 million or 27% to $188.5 million from $148.4 million in the prior year's comparable period, primarily due to our acquisition of DolEx, on November 12, 2003; and our acquisition of MUZO, which was substantially completed in May 2004, as well as growth in our domestic direct merchant services offering. Operating income was $40.8 million for the three months ended November 30, 2004 compared to $26.1 million in the prior year's comparable period, which resulted in an increase in operating margin to 21.6% for the current period from 17.6% for the three months ended November 30, 2003.

This increase was largely a result of greater economies of scale, the impact of consolidation efforts completed in fiscal 2004 and continued cost containment programs. In addition, the operating income amount for the three months ended November 30, 2003 included restructuring charges of $3.1 million or 2.1% of revenue as part of our fiscal 2003 restructuring activities. Our revenue growth and margin improvements resulted in a 59% increase in net income to $23.6 million and a 55% increase in our diluted earnings per share to $0.59 per share for the three months ended November 30, 2004. This increase in net income and diluted earnings per share includes restructuring charges of $2.0 million, net of tax, or $0.05 diluted earnings per share for the three months ended November 30, 2003. We intend to continue to grow our domestic and international presence, build our ISO sales channel, increase customer satisfaction, assess opportunities for profitable acquisition growth, pursue enhanced products and services for our customers, and leverage our existing business model.

Components of Income Statement

We derive our revenues from three primary sources: charges based on volumes and fees for services, charges based on transaction quantity, and equipment sales, leases and service fees. Revenues generated by these areas depend upon a number of factors, such as demand for and price of our services, the technological competitiveness of our product offerings, our reputation for providing timely and reliable service, competition within our industry, and general economic conditions.

Cost of service consists primarily of the cost of operational-related personnel, including those who monitor our transaction processing systems and settlement; transaction processing systems, including third-party services such as the costs of settlement channels for consumer-to-consumer money transfer services; network telecommunications capability; depreciation and occupancy costs associated with the facilities performing these functions; and provisions for operating losses.

Sales, general and administrative expenses consist primarily of salaries, wages and related expenses paid to sales personnel, non-revenue producing customer support functions and administrative employees and management, commissions to independent contractors and ISOs, advertising costs, other selling expenses, and occupancy of leased space directly related to these functions.

Other income and expense primarily consists of interest income and expense, and other miscellaneous items of income and expense.

Results of Operations

In the three months ended November 30, 2004, revenue increased $40.1 million or 27% to $188.5 million from $148.4 million in the prior year’s comparable period. In the six months ended November 30, 2004, revenue increased $96.2 million or 34% to $381.1 million from $284.9 million in the prior year’s comparable period. We expect fiscal 2005 revenue of $758 million to $768 million, reflecting growth of 21% to 22%, compared to revenue of $629 million in fiscal 2004.

The Company’s service offering revenues from external customers are as follows *(dollars in millions)*:

	Three Months Ended			Six Months Ended		
	November 30, 2004	November 30, 2003	% Change	November 30, 2004	November 30, 2003	% Change
Merchant services	$ 162.5	$ 141.6	15%	$ 329.3	$ 275.2	20%
Money transfer	26.0	6.8	282%	51.8	9.7	434%
	$ 188.5	$ 148.4	27%	$ 381.1	$ 284.9	34%

Merchant services

Revenue from our merchant services offering for the three months ended November 30, 2004 increased $20.9 million or 15%, to $162.5 million, up from $141.6 million in the three months ended November 30, 2003. In the six months ended November 30, 2004, merchant services revenue increased $54.1 million or 20%, to $329.3 million, up from $275.2 million in the six months ended November 30, 2003. This growth includes revenue of $8.9 million for the three months ended November 30, 2004 and $17.5 million for the six months ended November 30, 2004 associated with the MUZO acquisition, substantially completed in May 2004. MUZO had strong growth over the prior year period in the number of authorization transactions processed for the three and six months ended November 30, 2004.

We have continued to grow our domestic direct merchant channel by adding mid-market merchants in diversified vertical markets. The increase in revenue reflects mid-teen transaction growth in our domestic direct card merchant channel. Our domestic average dollar value of transaction, or average ticket, remained relatively stable, but we experienced a modest increase in our domestic average discount revenue per dollar value volume, or spread, for both the three and six month periods ended November 30, 2004, compared to the same periods in the prior year.

Our Canadian credit card transactions processed for both the three and six month period ended November 30, 2004 grew in the low double digits compared to the same period in the prior year. Despite positive credit card transaction growth, total Canadian transactions grew only modestly in the quarter compared to last year, due primarily to the loss of a large debit-based retailer, as previously discussed. This primarily reflects the improvement in the Canadian economy this year over last. Our Canadian spread, however, has remained relatively stable this fiscal year compared to last year. Our Canadian revenue was favorably impacted by a stronger year-over-year Canadian currency exchange rate.

These revenue growth factors were partially offset by continued and expected declines in our domestic indirect channel, which consisted of a decrease of more than 20% for the three months ended November 30, 2004 and a decrease in the high teens for the six months ended November 30, 2004, compared to the same periods last year. We attribute these declines to the industry consolidation of financial institutions and competitive pricing pressures.

Money transfer

Revenue from our money transfer services offering for the three months ended November 30, 2004 increased by $19.2 million or 282%, to $26.0 million, up from $6.8 million in the three months ended November 30, 2003. In the six months ended November 30, 2004 money transfer revenue increased $42.1 million or 434%, from $9.7 million in the six months ended November 30, 2003. This revenue growth includes $22.3 million for the three months ended November 30, 2004 and $44.8 million for the six months ended November 30, 2004, relating to our acquisition of DolEx which annualized in November 2004. We had recorded revenue of $3.8 million in the prior year period from the DolEx acquisition.

Revenue in the consumer-to-consumer money transfer service offering is primarily driven by transaction levels and unit pricing. Compared to the performance of DolEx prior to the acquisition, consumer-to-consumer money transfer transactions for the quarter grew more than 20%, primarily due to continued industry growth, additional U.S. branch locations, and a more competitive unit pricing strategy compared to the prior year quarter. Our business strategy is to competitively price our money transfer services, which we believe will further expand our customer base and increase our market share. Further, our use of fixed-cost employees rather than variable-cost agents enhances this strategy, as higher transaction levels will provide significant future leverage.

Operating expenses

Cost of service increased by $12.1 million or 18%, to $79.4 million in the three months ended November 30, 2004, from $67.3 million in the three months ended November 30, 2003. As a percentage of revenue, cost of service decreased to 42% in the three months ended November 30, 2004 from 45% in the prior year's comparable period.

Cost of service increased by $30.4 million or 23% from $129.4 million in the six months ended November 30, 2003 to $159.8 million in the six months ended November 30, 2004. As a percentage of revenue, cost of service decreased to 42% in the six months ended November 30, 2004 from 45% in the prior year's comparable period.

The increase in cost of service is primarily attributed to the inclusion of the fiscal 2004 acquisitions and the related intangible amortization. The decrease in cost of service as a percentage of revenue is primarily due to the impact of our consolidation efforts completed in fiscal 2004, other cost reduction initiatives, and the leveraging of our fixed costs with revenues growing at a faster rate than cost of service expenses.

Sales, general and administrative expenses increased by $16.5 million or 32% to $68.4 million in the three months ended November 30, 2004 from $51.9 million in the prior year's comparable period. As a percentage of revenue, these expenses increased to 36% for the three months ended November 30, 2004 compared to 35% for the three months ended November 30, 2003.

Sales, general and administrative expenses increased by $41.5 million or 43% to $139.0 million in the six months ended November 30, 2004 from $97.5 million in the prior year's comparable period. As a percentage of revenue, these expenses increased to 36% for the six months ended November 30, 2004 compared to 34% for the six months ended November 30, 2003.

The increase in sales, general and administrative expenses is primarily due to growth in commission payments to ISOs resulting from the increased revenue in this sales channel. The ISO channel generally produces lower margins than our other channels due to the ongoing commission payments to the ISOs, which are generally paid as long as each merchant continues to process with Global Payments. This commission model differs from our other sales channels, where the commissions are paid for a finite period. The increase in sales, general and administrative expenses as a percentage of revenue is primarily due to the inclusion of fiscal 2004 acquisitions. In addition, these increases are attributed to ongoing investments made in our direct sales channels and business development costs.

During the fourth quarter of fiscal 2003, we announced the closure and consolidation of three operating facilities and their related functions into existing operating centers. We implemented the plan in April 2003 and completed it in the fourth quarter of fiscal 2004. For the three and six months ended November 30, 2004, no further restructuring charges were incurred, and for the comparable periods in fiscal 2004 we incurred restructuring charges of $3.1 million and $4.7 million or 2.1% and 1.7% of revenue, respectively. See Note 5 in the "Notes to Unaudited Consolidated Financial Statements" for additional information.

Operating income

Operating income increased $14.7 million or 56% to $40.8 million for the three months ended November 30, 2004 compared to $26.1 million for the same period in fiscal 2004. This resulted in an operating margin of 21.6% for the three months ended November 30, 2004 compared to 17.6% for the three months ended November 30, 2003.

Operating income increased $29.1 million or 55% to $82.4 million for the six months ended November 30, 2004 compared to $53.3 million for the same period in fiscal 2004. This resulted in an operating margin of 21.6% for the six months ended November 30, 2004 compared to 18.7% for the six months ended November 30, 2003.

The changes in operating income and operating margins are primarily due to the revenue growth factors and benefits from acquisition integration and other cost factors described above. We anticipate an operating income margin of 20.5% to 20.8% for fiscal 2005.

Other income/expense

Interest and other income/expense increased as a net expense by $0.8 million to $1.4 million for the three months ended November 30, 2004 compared to a net expense of $0.6 million in the prior fiscal year.

Interest and other income/expense increased as a net expense by $1.9 million to $2.8 million for the six months ended November 30, 2004 compared to a net expense of $0.9 million in the prior fiscal year.

This increase is primarily due to interest expense, resulting from borrowings in the second half of fiscal 2004 used to finance our acquisitions. For fiscal 2005, we are expecting $5.5 million to $7.0 million in total for the interest and other income and interest and other expense line items netted together.

Increase in minority interest to $1.9 and $3.8 million, respectively, for the three and six months ended November 30, 2004 reflected growth in our Comerica Alliance, partially offset by the elimination of minority interest relating to our Cash & Win acquisition. For fiscal 2005, we are expecting $7.0 million to $8.5 million in total minority interest expense.

Net income

Net income increased $8.7 million, or 59%, to $23.6 million in the three months ended November 30, 2004 from $14.9 million in the prior year's comparable period, resulting in a $0.21 increase in diluted earnings per share to $0.59 in the three months ended November 30, 2004 from $0.38 in the prior year's comparable period. The net income for the three months ended November 30, 2003 reflects restructuring charges of $2.0 million net of tax, or $0.05 diluted earnings per share, as part of our fiscal 2003 restructuring activities.

Net income increased $17.1 million, or 56%, to $47.8 million in the six months ended November 30, 2004 from $30.7 million in the prior year's comparable period, resulting in a $0.41 increase in diluted earnings per share to $1.21 in the six months ended November 30, 2004 from $0.80 in the prior year's comparable period. The net income for the six months ended November 30, 2003 reflects restructuring charges of $2.9 million net of tax, or $0.07 diluted earnings per share, as part of our fiscal 2003 restructuring activities.

We expect diluted earnings per share to be $2.24 to $2.30 for fiscal 2005.

Liquidity and Capital Resources

Cash flow generated from operations provides us with a significant source of liquidity to meet our needs. At November 30, 2004, we had cash and cash equivalents totaling $31.3 million.

Net cash provided by operating activities increased $10.1 million, or 18%, to $65.1 million for the six months ended November 30, 2004 from $55.0 million for the comparable period in the prior year. The increase in cash flow from operations was primarily due to the increase in net income and timing of tax payments, partially offset by the timing of accounts receivable and net settlement processing receivable. The change in accounts receivable is due to timing associated with increased revenue in our direct merchant services offering. The changes in the net settlement processing receivable are primarily due to the fluctuations in volume, the timing of credit and debit card sales volume funded to merchants and the settlement received from the card associations and debit networks in our direct merchant services offering.

Net cash used in investing activities decreased $44.0 million to $27.1 million for the six months ended November 30, 2004, from $71.1 million for the comparable period in the prior year. This decrease is primarily due to reduced business acquisition activities. For the current fiscal year, we acquired Comerica Bank's 49% interest in the Cash & Win product on June 30, 2004 at a purchase price of $7.8 million, paid in cash. In addition, business acquisitions included a $3.4 million tax related purchase adjustment for the DolEx acquisition and $1.1 million for branches acquired by DolEx. In the six months ended November 30, 2003, we completed our DolEx acquisition at a purchase price of approximately $192 million, through a combination of $61 million in cash, net of acquired cash of $9 million and the issuance of $114 million in promissory notes payable to the sellers and the issuance of approximately 223,000 shares of our common stock with an approximate fair value of $8 million. On December 1, 2003, we repaid the notes in full using our U.S. credit facility.

Capital expenditures increased $5.1 million to $14.8 million for the six months ended November 30, 2004, from $9.7 million for the six months ended November 30, 2003. These expenditures primarily relate to systems development and hardware relating to our consolidation of our two U.S. platforms and the platform operated by NDCHealth to a single platform, which we anticipate will be completed over the next two years. Once completed, we will no longer depend on the processing platform we now share with NDCHealth. The capital expenditures for the six months ended November 30, 2004 also include facility expansion activities associated with our headquarters relocation, data center consolidation and DolEx branch expansion. In fiscal 2005, we expect approximately $25 million to $35 million in total capital spending.

Net cash used in financing activities for the six months ended November 30, 2004 was $48.2 million compared to net cash provided by financing activities for the six months ended November 30, 2003 of $55.2 million. During the six months ended November 30, 2004, we repaid $44.0 million, net on our credit facilities. During the six months ended November 30, 2003, we borrowed $61.2 million, net on our Canadian Credit Facility. These borrowings were required due to increased consumer credit card spending and the timing of the quarter-end on a weekend in the prior period. See "Credit Facilities" below for additional details. Principal payments under long term debt and capital lease agreements increased $8.0 million from $0.9 million in the six month period ended November 30, 2003 to $8.9 million in the six month period ended November 30, 2004. This increase is due to the pre-payment on the notes payable assumed in the MUZO acquisition. These increases in cash used in financing activities were partially offset by an increase in cash provided from stock issued under employee stock plans. The proceeds from stock issued under employee stock plans increased $10.6 million from $2.2 million in the six month period ended November 30, 2003 to $12.8 million in the six month period ended November 30, 2004, due to an increase in options exercised.

We believe that our current level of cash and borrowing capacity under our committed lines of credit described below, together with future cash flows from operations, are sufficient to meet the needs of our existing operations and planned requirements for the foreseeable future. As of November 30, 2004, we do not have any material capital commitments, other than commitments under capital and operating leases or planned capital expenditures.

We regularly evaluate cash requirements for current operations, commitments, development activities and acquisitions, and we may elect to raise additional funds for these purposes in the future, either through the issuance of debt, equity or otherwise. Our cash flow strategy has remained unchanged: first, we pay off our debt, second, we make planned capital investments in our business; and lastly, we pursue acquisitions that meet our growth strategies.

Credit Facilities

On November 25, 2003, we entered into a three-year, $350 million revolving credit facility agreement with a syndicate of U.S. banks. The credit agreement contains certain financial and non-financial covenants and events of default customary for financings of this nature. The facility expires in November 2006 and has a variable interest rate based on a market short-term floating rate plus a margin that varies according to our leverage position.

In addition, the facility allows us to expand the facility size to $500 million by requesting additional commitments from existing or new lenders. We plan to use the credit facility to fund future strategic acquisitions and to provide a source of working capital for general corporate purposes. As of November 30, 2004 and May 31, 2004, we had $105 million and $122 million outstanding, respectively, on our U.S. credit facility. Unless we have additional acquisitions or other capital needs, we intend to pay off this amount in the next 12 months.

On November 23, 2004, we entered into a 364-day, amended and restated credit facility, with the Canadian Imperial Bank of Commerce, or CIBC, as administrative agent, and a syndicate of U.S. banks, which we refer to as our Canadian Credit Facility. This $175 million (Canadian), or approximately $147 million (U.S.) based on exchange rates existing on November 30, 2004, Canadian Credit Facility replaced the existing credit facility with CIBC, which provided working capital that allowed us to provide Canadian merchants with "same day value" for their VISA credit card deposits. Same day value is the practice of giving merchants value for credit card transactions on the date of the applicable sale, even though we receive the corresponding settlement funds from VISA Canada/International at a later date. The amounts borrowed under the Canadian Credit Facility are restricted in use to pay Canadian VISA merchants and such amounts are generally received from VISA Canada/International on the following day. CIBC currently owns approximately 16% of our outstanding common stock.

The Canadian Credit Facility consists of two components: (i) a revolving line of credit of up to $100 million Canadian, or approximately $84 million U.S. based on exchange rates existing on November 30, 2004, which is provided by a syndicate of U.S. banks and which we refer to as the Tranche A Loans and (ii) a revolving line of credit of up to $75 million Canadian, or approximately $63 million U.S. based on exchange rates existing on November 30, 2004, which is provided by CIBC and which we refer to as the Tranche B Loans. The Canadian Credit Facility also contains an additional overdraft facility available to cover larger advances during periods of peak credit card usage. The Tranche A Loans bear interest at a variable rate based on the U.S. dollar Prime Rate, Canadian dollar LIBOR or U.S. dollar LIBOR, and the Tranche B Loans bear interest at a variable rate based on the CIBC Offered Rate (an overnight rate in Canadian dollars), Canadian dollar LIBOR, or the Canadian dollar Prime Rate.

Our obligations under the Canadian Credit Facility are secured by a first priority security interest in our accounts receivable from VISA Canada/International for transactions processed through the CIBC Visa bank identification number, and the bank accounts in which the settlement funds are deposited, and by guarantees from certain of our subsidiaries. These guarantees are subordinate to any guarantees granted by such subsidiaries under our U.S. credit facility. The Canadian Credit Facility also contains certain financial and non-financial covenants and events of default customary for financings of this nature. The Canadian Credit Facility is scheduled to expire on November 18, 2005, and can be renewed for up to two consecutive 364-day periods at the option of all parties. At November 30, 2004 and May 31, 2004, there was $66.6 million and $113.2 million (Canadian), or approximately $56.1 million and $83.1 million (U.S.), respectively, outstanding on our credit facilities, based on then existing exchange rates.

Application of Critical Accounting Policies

In applying the accounting policies that we use to prepare our consolidated financial statements, we necessarily make accounting estimates that affect our reported amounts of assets, liabilities, revenues and expenses. Some of these accounting estimates require us to make assumptions about matters that are highly uncertain at the time we make the accounting estimates. We base these assumptions and the resulting estimates on historical information and other factors that we believe to be reasonable under the circumstances, and we evaluate these assumptions and estimates on an ongoing basis; however, in many instances we reasonably could have used different accounting estimates, and in other instances changes in our accounting estimates are reasonably likely to occur from period to period, with the result in each case being a material change in the financial statement presentation of our financial condition or results of operations. We refer to accounting estimates of this type as “critical accounting estimates”. Among those critical accountings estimates that we believe are most important to an understanding of our consolidated financial statements are those that we discuss below.

Accounting estimates necessarily require subjective determinations about future events and conditions. Therefore, the following descriptions of critical accounting estimates are forward-looking statements, and actual results could differ materially from the results anticipated by these forward-looking statements. You should read the following in conjunction with Exhibit 99.1 to our Annual Report on Form 10-K for the year ended May 31, 2004, and Note 1 of our Notes to Unaudited Consolidated Financial Statements as well as the risk factors identified in the section captioned “Special Cautionary Notice Regarding Forward-Looking Statements”.

Reserve for operating losses—We process credit card transactions for direct merchants and recognize revenue based on a percentage of the gross amount charged. Our direct merchant customers have the liability for any charges properly reversed by the cardholder. In the event, however, that we are not able to collect such amount from the merchants, due to merchant fraud, insolvency, bankruptcy or any other reason, we may be liable for any such reversed charges. We require cash deposits, guarantees, letters of credit and other types of collateral by certain merchants to minimize any such contingent liability, and we also utilize a number of systems and procedures to manage merchant risk. We have, however, historically experienced losses due to merchant defaults.

During fiscal 2003, we adopted Financial Accounting Standards Board Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” referred to as FIN 45. We believe our potential liability for the full amount of the charge is a guarantee under FIN 45. Our liability is represented by an allowance for operational losses that is based primarily on historical experience and other relevant factors. The adoption of FIN 45 did not have a material impact on the allowance, partially due to the risk management procedures described in the preceding paragraphs, as the carrying value approximates fair value. Economic downturns or increases in merchant fraud may result in significant increases in credit related issues. As of November 30, 2004 and May 31, 2004, $7.0 million and $6.5 million, respectively, has been reserved for losses associated with merchant card processing and is included as a component of the settlement processing receivable, net. The expense associated with the valuation allowance is included in cost of service in the accompanying Unaudited Consolidated Statements of Income. We recorded expenses of $2.5 million and $2.2 million as of the three months ending November 30, 2004 and 2003, respectively, for these losses. For the six month periods ending November 30, 2004 and 2003, we recorded expenses of $5.1 million and $5.2 million, respectively, for these losses.

The reserve for operating losses is comprised of known losses and a historical analysis based on a percentage of credit card sales volumes processed. This estimation process has been materially accurate and reflects the approximate fair value of the obligation under FIN 45. Due to the nature of our business and the varying level of exposure depending upon the type of merchant, we are unable to reasonably estimate the maximum exposure for which we would be liable.

We also have a check guarantee business. Similar to the credit card business, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter's bank. We have the right to collect the full amount of the check from the checkwriter but have historically recovered less than 100% of the guaranteed checks. Our check guarantee reserve is based on historical and projected loss experiences. As of November 30, 2004 and May 31, 2004, we had a check guarantee reserve of $4.3 million, which is included in claims receivable, net, in the accompanying consolidated balance sheets. The expense associated with the valuation allowance is included in cost of service in the accompanying Unaudited Consolidated Statements of Income. We recorded expenses of $3.1 million and $2.8 million for the three months ended November 30, 2004 and 2003, respectively, for these losses. For the six month periods ended November 30, 2004 and 2003, we recorded expenses of $6.7 million and $6.1 million, respectively, for these losses. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the valuation allowance. In addition, we defer the revenue representing the fair value of the guarantee, until the guarantee is satisfied. Due to the nature of our business and the varying level of exposure depending upon check guarantee losses and anticipated recoveries, we are unable to reasonably estimate the maximum exposure for which we would be liable. The adoption of FIN 45 had no impact on our financial position or results of operations.

Goodwill and long-lived asset valuations—Goodwill and certain other intangible assets are accounted for in accordance with SFAS No. 142,*"Goodwill and Other Intangible Assets"*. We regularly evaluate whether events and circumstances have occurred that indicate the carrying amounts of goodwill, property and equipment, and other intangible assets may warrant revision or may not be recoverable. Goodwill is evaluated for impairment by applying a fair value based test. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the recoverability by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. In our opinion, the long-lived assets, including goodwill, property and equipment, and other intangible assets are appropriately valued at November 30, 2004 and May 31, 2004.

Special Cautionary Notice Regarding Forward-Looking Statements

We believe that it is important to communicate our plans and expectations about the future to our shareholders and to the public. Investors are cautioned that some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements and are made pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a number of risks and uncertainties, are predictive in nature, and depend upon or refer to future events or conditions. You can sometimes identify forward-looking statements by our use of the words "believes," "anticipates," "expects," "intends," "plans" and similar expressions. Actual events or results might differ materially from those expressed or forecasted in these forward-looking statements.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions, estimates, projections or plans that are inherently subject to significant risks, uncertainties, and contingencies that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth and margins, other results of operation and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors. These factors include, but are not limited to, the following:

- Our revenues from the sale of services to merchants that accept VISA cards and MasterCard cards are dependent upon our continued VISA and MasterCard certification and financial institution sponsorship.

- Loss of key Independent Sales Organizations or ISOs could reduce our revenue growth.
- With significant operations in Canada and our entry into the consumer electronic money transfer market from U.S. to the Latin America corridor, we are exposed to foreign currency risks. We are also subject to risks from our variable rate credit facility with CIBC that could reduce our earnings and significantly increase our cost of capital.
- Some of our competitors are larger and have greater financial and operational resources than we do, which may give them an advantage in our market in terms of the price offered to customers or our ability to develop new technologies.
- We are subject to the business cycles and credit risk of our merchant customers.
- In order to remain competitive and continue to increase our revenues, we must continually update our products and services, a process which could result in increased research and development costs in excess of historical levels and the loss of revenues and customers if the new products and services do not perform as intended or are not accepted in the marketplace.
- Security breaches or system failures could harm our reputation and adversely affect future profits.
- Reduced levels of consumer spending can adversely affect our revenues.
- Changes in state, federal and foreign laws and regulations affecting the consumer electronic money transfer industry might make it more difficult for our customers to initiate money transfers, which would adversely affect our revenues.
- Changes in immigration patterns can adversely affect our revenues from consumer electronic money transfers.
- In order for us to continue to grow and increase our profitability, we must continue to expand our share of the existing electronic payments market and also expand into new markets.
- As a result of the ownership by the Canadian Imperial Bank of Commerce, or CIBC, of approximately 16% of our common stock, certain banking regulations may limit the types of business in which we can engage.
- We are dependent on NDCHealth Corporation, or NDCHealth, for the provision of critical telecommunications services, network systems and other related services for the operation of our business, and the failure of NDCHealth to provide those services in a satisfactory manner could affect our relationships with customers and our financial performance.
- Increases in credit card association fees may result in the loss of customers or a reduction in our profit margin if we are unable to pass through these increases to our merchant customers.
- Utility and system interruptions or processing errors could adversely affect our operations.
- Continued consolidation in the banking and retail industries could adversely affect our growth.
- Loss of strategic industries could reduce revenues and earnings.
- If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.
- We may become subject to additional U.S., state or foreign taxes that cannot be passed through to our merchant customers, in which case our profitability could be adversely affected.
- Anti-takeover provisions of our articles of incorporation and bylaws, our rights agreement and provisions of Georgia law could delay or prevent a change of control that you may favor.
- We may not be able or we may decide not to pay dividends at a level anticipated by shareholders on our common stock, which could reduce your return on shares you hold.

For additional information regarding these and other risk factors, please refer to Exhibit 99.1 to our Annual Report on Form 10-K for the year ended May 31, 2004, as well as those set forth in our press releases, reports and other filings made with the Securities and Exchange Commission, and those set forth from time to time in our analyst calls and discussions. These cautionary statements qualify all of our forward-looking statements and you are cautioned not to place undue reliance on these forward-looking statements.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. While we may elect to update or revise forward - looking statements at some time in the future, we specifically disclaim any obligation to publicly release the results of any revisions to our forward-looking statements. You are advised, however, to consult any further disclosures we make in our reports filed with the Securities and Exchange Commission and in our press releases.

Where to Find More Information

We file annual and quarterly reports, proxy statements and other information with the Securities and Exchange Commission. You may read and print materials that we have filed with the SEC from their website at www.sec.gov. In addition, certain of our SEC filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q and current reports on Form 8-K can be viewed and printed from the investor information section of our website at www.globalpaymentsinc.com free of charge. Certain materials relating to our corporate governance are also available in the investor information section of our website, including the charters for our audit, compensation and nominating/corporate governance committees, our code of ethics and our corporate governance guidelines. Copies of our filings and specified exhibits and these corporate governance materials are also available, free of charge, by writing or calling us using the address or phone number on the cover of this Form 10-Q.

Our SEC filings may also be viewed and copied at the following SEC public reference room, and at the offices of the New York Stock Exchange, where our common stock is quoted under the symbol “GPN”.

SEC Public Reference Room
450 Fifth Street, N.W., Room 1200
Washington, DC 20549
(You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.)

New York Stock Exchange, Inc.
20 Broad Street
New York, NY 10005

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk related to changes in interest rates on our cash investments and debt. We invest our excess cash in highly liquid short-term investments. These investments are not held for trading or other speculative purposes. Interest rates on our lines of credit are based on market rates and fluctuate accordingly. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes and believe the market risk arising from investment instruments and debt to be minimal.

Although the majority of our operations are conducted in U.S. dollars, some of our operations are conducted in Euros and currencies of Canada, Latin American countries, the Czech Republic, and to a lesser extent, the United Kingdom. Consequently, a portion of our revenues and expenses may be affected by fluctuations in foreign currency exchange rates. We are also affected by fluctuations in exchange rates on assets and liabilities related to our foreign operations.

Item 4. Controls and Procedures

We concluded an evaluation of the effectiveness of our disclosure controls and procedures as of the quarterly period ended November 30, 2004. Our evaluation tested controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Based on our evaluation, as of the end of the quarterly period ended November 30, 2004, our management, including our principal executive officer and our principal financial officer, concluded that the information required to be disclosed in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management in a manner that allows timely decisions regarding required disclosure.

There have been no significant changes in our internal procedures that could significantly affect these controls during the second quarter of fiscal 2005.

Table of Contents

PART II – OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

On September 21, 2004, we held our 2004 Annual Meeting of Shareholders at our offices in Atlanta, Georgia. At the annual meeting, the following matters were approved by the vote specified below.

1. Edwin H. Burba, Jr., Charles G. Betty, and Raymond L. Killian were elected to serve as Class I directors until the 2007 annual meeting of shareholders or until their respective successors have been duly elected and qualified. Mr. Betty received 34,332,266 votes in favor of his election and 1,961,780 shares were withheld from voting. General Burba received 34,953,767 votes in favor of his election with 1,340,279 shares withheld from voting. Mr. Killian received 34,698,286 votes in favor of his election with 1,595,760 shares withheld from voting.

Class I directors serve three year terms or until their respective earlier resignation, retirement, disqualification, death, or removal from office.

2. The Company's 2005 Incentive Plan was adopted by the shareholders. The proposal received 21,971,086 votes in favor of its adoption, 10,988,569 shares were voted against the proposal and 141,279 shares abstained from voting on this issue.

Item 6. Exhibits

List of Exhibits.

3.1	Amended and Restated Articles of Incorporation of Global Payments Inc., filed as Exhibit 3.1 to the Registrant's current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
3.2	Fourth Amended and Restated By-laws of Global Payments Inc., filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2003, File No. 001-16111, and incorporated herein by reference.
10.1	Global Payments Inc. Third Amended and Restated 2000 Non-Employee Director Stock Option Plan.
10.2	Global Payments Inc. 2005 Amended and Restated Incentive Plan, filed as Exhibit 99.1 to the Registrant's Statement on Form S-8 dated November 19, 2004, File No. 333-120640, and incorporated by reference herein.
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO
32.1*	CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002

* In accordance with Release No. 34-47551, this exhibit is hereby furnished to the SEC as an accompanying document and is not to be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

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 thereunto duly authorized.

Global Payments Inc.
(Registrant)

Date: December 28, 2004

By: /s/ James G. Kelly

James G. Kelly
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Table of Contents

GLOBAL PAYMENTS INC.

EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

10.1	Global Payments Inc. Third Amended and Restated 2000 Non-Employee Director Stock Option Plan.
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO
32.1*	CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002

* In accordance with Release No. 34-47551, this exhibit is hereby furnished to the SEC as an accompanying document and is not to be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

Exhibit 10.1

Amended and restated as of 6/1/2004

GLOBAL PAYMENTS INC.
THIRD AMENDED AND RESTATED
2000 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. Purpose. The purpose of the Global Payments Inc. Amended and Restated 2000 Non-Employee Director Stock Option Plan (the "Plan") is to advance the interests of Global Payments Inc. (the "Company") by encouraging ownership of the Company's no par value common stock of the Company, and such other securities of the Company as may be substituted for such stock pursuant to Section 6 hereof (the "Common Stock") by certain non-employee directors of the Company, thereby giving such directors an increased incentive to devote their efforts to the success of the Company.

2. Administration. Grants of options under this Plan are automatic. This Plan is intended to be a "formula plan" for purposes of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall be interpreted accordingly. The Board of Directors of the Company has authority to interpret the Plan and otherwise administer the plan in accordance with its terms.

3. Eligibility. Except as provided otherwise in this Section 3, options under the Plan shall be granted in accordance with Section 5 to each Non-Employee Director (as defined below) of the Company; provided that shares of the Company's Common Stock remain available for grant hereunder in accordance with Section 4. For purposes of this Plan, a "Non-Employee Director" shall mean each member of the Company's Board of Directors who is not an employee of the Company or any of its affiliates and who has not been appointed or elected to the Board solely by reason of his or her affiliation with a shareholder of the Company. Non-Employee Director to whom an option is granted under the Plan shall be referred to hereinafter as a "Grantee."

4. Shares Subject to Plan. The shares subject to the Plan shall be authorized but unissued or reacquired shares of the Company's Common Stock. Subject to adjustment in accordance with the provisions of Section 6 of the Plan, the maximum number of shares of Common Stock for which options may be granted under the Plan shall be 400,000 and the initial adoption of the Plan by the Board of Directors of the Company shall constitute a reservation of 400,000 authorized but unissued, or reacquired, shares of Common Stock for issuance only upon the exercise of options granted under the Plan. In the event that any outstanding option granted under the Plan for any reason expires or is terminated prior to the end of the period during which options may be granted under the Plan, the shares of Common Stock allocable to the unexercised portion of such option may again be subject in whole or in part to any option granted under the Plan.

5. Terms and Conditions of Options. Options granted pursuant to the Plan shall be evidenced by Stock Option Agreements in such form as shall comply with and be subject to the following terms and conditions:

(a) Grant. Each person who becomes a Non-Employee Director shall be granted on the date that he or she first becomes a Non-Employee Director an option to purchase that number of shares of the Company's Common Stock having a value of $60,000 pursuant to the Black-Scholes option pricing model on the date of the grant (utilizing the same assumptions as the Compnay utilizes for its proxy disclosure), multiplied by a fraction, the numerator or which is the number of full months before the next regularly scheduled annual shareholders meeting of the Company, and the denominator of which is 12. In addition, as of the day following each annual meeting of the Company's public shareholders, each Non-Employee Director serving as such on that date shall be granted an option to purchase that number of shares of the Company's Common Stock having a value of $60,000 pursuant to the Black-Scholes option pricing model on the date of the grant (utilizing the same assumptions as the Company utilizes for its proxy disclosure). Each such day that options are to be granted under the Plan is referred to hereinafter as a "Grant Date."

If on any Grant Date, shares of Common Stock are not available under this Plan to grant to Non-Employee Directors the full amount of a grant contemplated by the immediately preceding paragraph, then each Non-Employee Director shall receive an option (a "Reduced Grant") to purchase shares of Common Stock in an amount equal to the number of shares of Common Stock then available under the Plan divided by the number of Non-Employee Directors as of the applicable Grant Date. Fractional shares shall be ignored and not granted.

If a Reduced Grant has been made and, thereafter, during the term of this Plan, additional shares of Common Stock become available for grant (e.g., because of the forfeiture or lapse of an option), then each person who was a Non-Employee Director both on the Grant Date on which the Reduced Grant was made and on the date additional shares of Common Stock become available (a "Continuing Non-Employee Director") shall receive an additional option to purchase shares of Common Stock. The number of newly available shares shall be divided equally among the options granted to the Continuing Non-Employee Directors; provided, however, that the aggregate number of shares of Common Stock subject to a Continuing Non-Employee Director's additional option plus any prior Reduced Grant to the Continuing Non-Employee Director on the applicable Grant Date shall not exceed that number of shares having a Fair Market Value equal to $125,000 as of the date on which the applicable Reduced Grant was made. If more than one Reduced Grant has been made, available options shall be granted beginning with the earliest such Grant Date.

(b) Exercise Price. The exercise price for each option granted under the Plan shall be the Fair Market Value of the shares of Common Stock subject to the option on the date of grant of the option. For purposes of the Plan, the "Fair Market Value" on any date, means (i) if the Common Stock is listed on a securities exchange or is traded over the Nasdaq National

Market, the closing sales price on such exchange or over such system on such date or, in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported, or (ii) if the Common Stock is not listed on a securities exchange or traded over the Nasdaq National Market, the mean between the bid and offered prices as quoted by Nasdaq for such date, provided that if it is determined that the fair market value is not properly reflected by such Nasdaq quotations, Fair Market Value will be determined by such other method as the Board of Directors determines in good faith to be reasonable.

(c) Medium and Time of Payment. The exercise price shall be payable in full upon the exercise of an option in cash and/or shares of Common Stock; provided, however, that if shares of Common Stock are used to pay the exercise price of an Option, such shares must have been held by the Grantee for at least six months. In the event that all or part of the exercise price of an option is paid by the surrender to the Company of shares of Common Stock previously held by the Grantee, such shares shall be valued at their Fair Market Value as of the date of exercise, and the Grantee shall deliver to the Company a certificate of certificates representing such shares duly endorsed to the Company or accompanied by a duly-executed separate instrument of transfer satisfactory to the Board of Directors. To the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws, options may be exercised through a broker in a so-called "cashless exercise" whereby the broker sells the option shares and delivers cash sales proceeds to the Company in payment of the exercise price.

(d) Term. Each option granted under the Plan shall, to the extent not previously exercised, terminate and expire on the date ten (10) years after the date of grant of the option, unless earlier terminated as provided hereinafter in Section 5(g).

(e) Exercisability. Except as set forth below, each option granted under this Plan shall vest (become exercisable) in accordance with the following schedule:

Years of Service After Date of Grant	**Percent of Option Shares Vested**
1	25%
2	50%
3	75%
4	100%

Notwithstanding the foregoing, each option granted under this Plan shall vest (become exercisable) as to all of the shares covered thereby upon the termination of the Grantee's membership on the Board of Directors of the Company by reason of death, Disability, Retirement or failure to be re-nominated or re-elected as a director. For purposes of this Plan, "Disability" shall mean any illness or other physical or mental condition of a Grantee that renders him or her incapable of performing as a director of the Company, or any medically determinable illness or other physical or mental condition resulting from a bodily injury, disease or mental disorder which, in the judgment of the Board of Directors, is permanent and continuous in nature. The Board of Directors may require such medical or other evidence as it deems necessary to judge the nature and permanency of a Grantee's condition. For purposes of this Plan, "Retirement" means retirement as a director of the Company in accordance with the provisions of the Company's bylaws as in effect from time to time.

(f) Method of Exercise. All options granted under the Plan shall be exercised by an irrevocable written notice directed to the Secretary of the Company at the Company's principal place of business. Such written notice shall be accompanied by payment in full of the exercise price for the shares for which such option is being exercised. The Company shall make delivery of certificates representing the shares for which an option has been exercised within a reasonable period of time; provided, however, that if any law, regulation or agreement requires the Company to take any action with respect to the shares for which an option has been exercised before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action. Certificates representing shares for which options are exercised under the Plan may bear such restrictive legends as may be necessary or desirable in order to comply with applicable federal and state securities laws. Nothing contained in the Plan shall be construed to require the Company to register any shares of Common Stock underlying options granted under this Plan.

(g) Effect of Termination of Directorship. Upon termination of a Grantee's membership on the Board of Directors of the Company for any reason (including without limitation by reason of death, Disability, Retirement or failure to be re-nominated or re-elected as a director), the options held by the Grantee under the Plan, to the extent they were exercisable on the date of termination (including any acceleration by reason of such termination) shall remain exercisable until the earlier of (i) the original expiration date of the Option, or (ii) the fifth anniversary of the Grantee's termination as a director. In the event of the death of a Grantee, the Grantee's personal representatives, heirs or legatees (the "Grantee's Successors") may exercise the options held by the Grantee on the date of death, upon proof satisfactory to the Company of their authority. Such exercise otherwise shall be subject to the terms and conditions of the Plan.

(h) Transferability of Options. Any option granted pursuant to the Plan shall be assignable or transferable by the Grantee by will, by the laws of descent and distribution, or pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Internal Revenue Code of 1986, as amended, if such provision applied to an option under the Plan. In addition, any option granted pursuant to the Plan shall be transferable by the Grantee to any of the following permitted transferees, upon such reasonable terms and conditions as the Board of Directors may establish: (i) any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Grantee's household (other than a tenant or employee),

(ii) a trust in which the foregoing persons (or the Grantee) have more than fifty percent of the beneficial interests, (iii) a foundation in which these persons (or the Grantee) control the management of assets, or (iv) any other entity in which these persons (or the Grantee) own more than fifty percent of the voting interests.

(i) Rights as Shareholder. Neither the Grantee nor the Grantee's Successors or transferees shall have rights as a shareholder of the Company with respect to shares of Common Stock covered by the Grantee's option until the Grantee or such successors or transferees become the holder of record of such shares.

(j) No Options after Ten Years. No options shall be granted except within a period of ten (10) years after the effective date of the Plan.

6. Adjustments. In the event a stock dividend is declared upon the Common Stock, the authorization limits under Section 4 shall be increased proportionately, and the shares of Common Stock then subject to each option shall be increased proportionately without any change in the aggregate purchase price therefor. In the event the Common Stock shall be changed into or exchanged for a different number or class of shares of stock or securities of the Company or of another corporation, whether through reorganization, recapitalization, reclassification, share exchange, stock split-up, combination of shares, merger or consolidation, or otherwise, the authorization limits under Section 4 shall be adjusted proportionately, and there shall be substituted for each such share of Common Stock then subject to each option the number and class of shares into which each outstanding share of Common Stock shall be so exchanged, all without any change in the aggregate purchase price for the shares then subject to each option, or there shall be made such other equitable adjustment as the Board of Directors shall approve.

7. Effective Date and Termination of Plan.

(a) Effective Date. The Plan was approved on September 14, 2000 by the Board of Directors of the Company and by National Data Corporation, acting in its capacity as the sole shareholder of the Company. The Plan shall become effective upon the first trading day after the effective date of the distribution by National Data Corporation to its stockholders of all of the issued and outstanding shares of capital stock of the Company, as contemplated in that certain Distribution Agreement between National Data Corporation and the Company and the related agreements between the parties referred to therein.

(b) Termination. The Plan shall terminate on the second day following the 2010 Annual Meeting, but the Board of Directors may terminate the Plan at any time prior to such date. No termination of the Plan shall adversely affect the rights of the Grantees who have outstanding Options without the consent of such Grantees.

8. No Obligation to Exercise Option. The granting of an option shall impose no obligation upon the Grantee to exercise such option.

9. Amendment. The Board of Directors may, at any time and from time to time, amend, modify or terminate the Plan without shareholder approval; provided, however, that the Board of Directors may condition any amendment or modification on the approval of shareholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations. Any amendment to the Plan shall not, without the written consent of the Grantee, affect such Grantee's rights under any option theretofore granted to such Grantee.

The foregoing is hereby acknowledged as being the Global Payments Inc. 2000 Non-Employee Director Stock Option Plan as adopted by the Board of Directors of the Company on September 14, 2000, and by the sole shareholder of the Company on September 14, 2000, amended and restated by the Board of Directors and sole shareholder on January 5, 2001, and amended and restated by the Board of Directors on October 23, 2003.

GLOBAL PAYMENTS INC.

By: /s/ Suellyn P. Tornay

Suellyn P. Tornay
Its: General Counsel

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul R. Garcia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Payments Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 28, 2004

By: /s/ PAUL R. GARCIA

Paul R. Garcia
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James G. Kelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Payments Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 28, 2004

By: /s/ JAMES G. KELLY

James G. Kelly
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of the Global Payments Inc. on Form 10-Q for the period ended November 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul R. Garcia, Chief Executive Officer of Global Payments Inc. (the "Company"), and James G. Kelly, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PAUL R. GARCIA	/s/ JAMES G. KELLY
Paul R. Garcia **Chief Executive Officer** **Global Payments Inc.** **December 28, 2004**	**James G. Kelly** **Chief Financial Officer** **Global Payments Inc.** **December 28, 2004**

A signed original of this written statement required by Section 906 has been provided to Global Payments Inc. and will be retained by Global Payments Inc. and furnished to the Securities and Exchange Commission upon request.