Fidelity National Information Services, Inc.
Form 10-Q
May 05, 2010

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

**Form 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended March 31, 2010**

**Or**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**

**Commission File No. 001-16427**

**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
*(Exact name of registrant as specified in its charter)*

| **Georgia** | **37-1490331** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **601 Riverside Avenue Jacksonville, Florida** | **32204** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**(904) 854-5000**
*(Registrant s telephone number, including area code)*

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No þ

As of April 30, 2010, 376,587,420 shares of the Registrant s Common Stock were outstanding.

FORM 10-Q QUARTERLY REPORT
Quarter Ended March 31, 2010
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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**Condensed Consolidated Balance Sheets**
**(In millions, except per share amounts)**
**(Unaudited)**

| | March 31, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 463.9 | $ 430.9 |
| Settlement deposits | 44.0 | 50.8 |
| Trade receivables, net of allowance for doubtful accounts of $42.5 and $41.8 at March 31, 2010 and December 31, 2009, respectively | 717.5 | 765.4 |
| Settlement receivables | 76.7 | 62.5 |
| Other receivables | 49.8 | 30.9 |
| Receivables from related parties | 33.9 | 32.0 |
| Prepaid expenses and other current assets | 149.1 | 141.2 |
| Deferred income taxes | 58.3 | 80.9 |
| Assets held for sale | | 71.5 |
| Total current assets | 1,593.2 | 1,666.1 |
| Property and equipment, net | 368.9 | 375.9 |
| Goodwill | 8,221.0 | 8,232.9 |
| Intangible assets, net | 2,369.6 | 2,396.8 |
| Computer software, net | 914.1 | 932.7 |
| Deferred contract costs | 249.3 | 261.4 |
| Other noncurrent assets | 117.9 | 131.8 |
| Total assets | $ 13,834.0 | $ 13,997.6 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 541.4 | $ 523.2 |
| Due to Brazilian venture partners | 72.8 | 73.0 |
| Settlement payables | 108.2 | 122.3 |
| Current portion of long-term debt | 236.9 | 236.7 |
| Deferred revenues | 299.4 | 279.5 |
| Total current liabilities | 1,258.7 | 1,234.7 |
| Deferred revenues | 91.4 | 104.8 |
| Deferred income taxes | 875.9 | 915.9 |
| Long-term debt, excluding current portion | 2,815.6 | 3,016.6 |
| Other long-term liabilities | 234.9 | 207.0 |
| Total liabilities | 5,276.5 | 5,479.0 |
| Equity: | | |
| FIS stockholders equity: | | |

| | | |
|---|---|---|
| Preferred stock $0.01 par value; 200 shares authorized, none issued and outstanding at March 31, 2010 and December 31, 2009 | | |
| Common stock $0.01 par value; 600 shares authorized, 381.1 shares issued at March 31, 2010 and December 31, 2009 | 3.8 | 3.8 |
| Additional paid in capital | 7,324.4 | 7,345.1 |
| Retained earnings | 1,209.5 | 1,134.6 |
| Accumulated other comprehensive earnings | 54.2 | 82.2 |
| Treasury stock, $0.01 par value, 6.7 and 6.6 shares at March 31, 2010 and December 31, 2009, respectively | (239.2) | (256.8) |
| Total FIS stockholders equity | 8,352.7 | 8,308.9 |
| Noncontrolling interest | 204.8 | 209.7 |
| Total equity | 8,557.5 | 8,518.6 |
| Total liabilities and equity | $ 13,834.0 | $ 13,997.6 |

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**Condensed Consolidated Statements of Earnings**
**(In millions, except per share amounts)**
**(Unaudited)**

| | Three-month periods ended March 31, | |
|---|---|---|
| | **2010** | **2009** |
| Processing and services revenues (for related party activity, see note 3) | $ 1,249.6 | $ 794.1 |
| Cost of revenues (for related party activity, see note 3) | 907.2 | 618.4 |
| Gross profit | 342.4 | 175.7 |
| Selling, general and administrative expenses (for related party activity, see note 3) | 158.6 | 95.9 |
| Operating income | 183.8 | 79.8 |
| Other income (expense): | | |
| Interest expense, net | (28.3) | (31.2) |
| Other income (expense), net | (5.3) | 1.2 |
| Total other income (expense) | (33.6) | (30.0) |
| Earnings from continuing operations before income taxes | 150.2 | 49.8 |
| Provision for income taxes | 55.6 | 17.1 |
| Earnings from continuing operations, net of tax | 94.6 | 32.7 |
| Loss from discontinued operations, net of tax | (1.1) | |
| Net earnings | 93.5 | 32.7 |
| Net loss attributable to noncontrolling interest | 0.1 | 0.3 |
| Net earnings attributable to FIS | $ 93.6 | $ 33.0 |
| Net earnings per share basic from continuing operations attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Net earnings per share basic from discontinued operations attributable to FIS common stockholders | | |
| Net earnings per share basic attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Weighted average shares outstanding basic | 373.3 | 190.0 |
| Net earnings per share diluted from continuing operations attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Net earnings per share diluted from discontinued operations attributable to FIS common stockholders | | |
| Net earnings per share diluted attributable to FIS common stockholders | $ 0.25 | $ 0.17 |

| | | |
|---|---|---|
| Weighted average shares outstanding diluted | 379.9 | 191.6 |
| Cash dividends paid per share | $ 0.05 | $ 0.05 |
| **Amounts attributable to FIS common stockholders** | | |
| Earnings from continuing operations, net of tax | $ 94.7 | $ 33.0 |
| Loss from discontinued operations, net of tax | (1.1) | |
| Net earnings attributable to FIS | $ 93.6 | $ 33.0 |

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**Condensed Consolidated Statement of Equity and Comprehensive Earnings**
**(In millions, except per share amounts)**
**(Unaudited)**

| | Number of Shares | | Amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | FIS Stockholders | | | | | | | |
| | Common Shares | Treasury Stock | Common Stock | Additional Paid In Capital | Retained Earnings | Accumulated Other Comprehensive Earnings (Loss) | Treasury Stock | Noncontrolling Interest | Comprehensive Earnings | Total Equity |
| Balances, December 31, 2009 | 381.1 | (6.6) | $ 3.8 | $ 7,345.1 | $ 1,134.6 | $ 82.2 | $ (256.8) | $ 209.7 | $ | $ 8,518.6 |
| Exercise of stock options and stock purchase rights | | 1.3 | | (36.6) | | | 49.8 | | | 13.2 |
| Tax benefit associated with exercise of stock options | | | | (0.1) | | | | | | (0.1) |
| Stock-based compensation | | | | 16.0 | | | | | | 16.0 |
| Purchases of treasury stock | | (1.4) | | | | | (32.2) | | | (32.2) |
| Cash dividends paid ($0.05 per share) and other | | | | | (18.7) | | | (0.8) | | (19.5) |
| Comprehensive earnings: | | | | | | | | | | |
| Net earnings | | | | | 93.6 | | | (0.1) | 93.5 | 93.5 |
| Other comprehensive earnings, net of tax: | | | | | | | | | | |
| Unrealized gain on investments and derivatives, net | | | | | | (7.0) | | | (7.0) | (7.0) |
| Unrealized gain on foreign currency translation | | | | | | (21.0) | | (4.0) | (25.0) | (25.0) |
| | | | | | | | | | $ 61.5 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Comprehensive earnings: | | | | | | | | | |
| Balances, March 31, 2010 | 381.1 | (6.7) | $ 3.8 | $ 7,324.4 | $ 1,209.5 | $ 54.2 | $ (239.2) | $ 204.8 | $ 8,557.5 |

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**Condensed Consolidated Statements of Cash Flows**
**(In millions)**
**(Unaudited)**

| | Three-month periods ended March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net earnings | $ 93.5 | $ 32.7 |
| Adjustment to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 152.8 | 92.0 |
| Stock-based compensation | 16.0 | 9.5 |
| Deferred income taxes | (8.5) | 1.3 |
| Income tax benefit from exercise of stock options | 0.1 | (0.1) |
| Other operating activities, net | 5.4 | 0.9 |
| Changes in assets and liabilities, net of effects from acquisitions: | | |
| Net decrease (increase) in trade receivables | 45.7 | 68.9 |
| Net decrease (increase) in settlement receivables | (21.6) | 0.7 |
| Net decrease (increase) in prepaid expenses and other assets | (9.2) | 19.1 |
| Net increase in deferred contract costs | (7.2) | (10.9) |
| Net increase (decrease) in deferred revenue | 11.5 | 16.0 |
| Net increase (decrease) in accounts payable, accrued liabilities, and other liabilities | (6.9) | (67.2) |
| Net cash provided by operating activities | 271.6 | 162.9 |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (20.8) | (15.0) |
| Additions to computer software | (37.4) | (30.3) |
| Net proceeds from sale of assets | 71.5 | |
| Acquisitions, net of cash acquired | (50.0) | (3.0) |
| Other investing activities, net | 39.2 | |
| Net cash provided by (used in) investing activities | 2.5 | (48.3) |
| Cash flows from financing activities: | | |
| Borrowings | 1,841.6 | 541.8 |
| Repayment of borrowings | (2,042.0) | (595.9) |
| Income tax benefits from exercise of stock options | (0.1) | 0.1 |
| Proceeds from exercise of stock options | 13.2 | 3.6 |
| Treasury stock purchases | (32.2) | |
| Dividends paid | (19.5) | (9.5) |
| Net cash used in financing activities | (239.0) | (59.9) |
| Effect of foreign currency exchange rates on cash | (2.1) | (3.6) |
| Net increase in cash and cash equivalents | 33.0 | 51.1 |
| Cash and cash equivalents, beginning of period | 430.9 | 220.9 |

| | | |
|---|---|---|
| Cash and cash equivalents, end of period | $ 463.9 | $ 272.0 |
| Cash paid for interest | $ 35.5 | $ 30.7 |
| Cash paid for taxes | $ 14.5 | $ 37.9 |

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

*Unless stated otherwise or the context otherwise requires, all references to FIS, we, the Company or the registrant to Fidelity National Information Services, Inc., a Georgia corporation and all references to Metavante are to Metavante Technologies, Inc., and its subsidiaries, as acquired by FIS on October 1, 2009.*

**(1) Basis of Presentation**

The unaudited financial information included in this report includes the accounts of FIS and its subsidiaries prepared in accordance with U.S. generally accepted accounting principles and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. This report should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2009. The preparation of these Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain reclassifications have been made in the 2009 Condensed Consolidated Financial Statements to conform to the classifications used in 2010.

We report the results of our operations in four reporting segments: 1) Financial Solutions Group ( FSG ), 2) Payment Solutions Group ( PSG ), 3) International Solutions Group ( ISG ) and 4) Corporate and Other (Note 11).

**(2) Change in Accounting for Revenue Recognition**

In October 2009, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements-* ( ASU 2009-13 ). This new standard revises the guidance for determining whether multiple deliverables in an arrangement can be separated for revenue recognition and how the consideration should be allocated. It eliminates the use of the residual method of revenue recognition and requires the allocation of consideration to each deliverable using the relative selling price method. The selling price for each deliverable is based on vendor-specific objective evidence ( VSOE ) if available, third-party evidence ( TPE ) if VSOE is not available, or estimated selling price ( ESP ) if neither VSOE or TPE is available.

FIS early adopted the provisions of ASU 2009-13 prospectively for all new and materially modified arrangements after January 1, 2010.

We establish VSOE of selling price using the price charged when the same element is sold separately, or in the case of post-contract customer support or other recurring services, when a substantive stated renewal rate is provided to the customer. In certain limited circumstances, the Company is not able to establish VSOE for all deliverables in a multiple element arrangement. This may be due to the infrequent occurrence of standalone sales for an element, a limited sales history for new solutions or pricing within a broader range than permissible by our policy to establish VSOE. In those circumstances, we proceed to the alternative levels in the hierarchy of determining selling price. TPE of selling price is established by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. The Company is typically not able to determine TPE and we have not used this measure since we are unable to reliably verify standalone prices of competitive solutions. ESP is established in those instances where neither VSOE nor TPE are available, considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to market conditions such as competitor pricing strategies and industry technology life cycles. Use of ESP was limited to a very small portion of our solutions, principally software license fees and related installation fees.

The Company s arrangements with multiple deliverables may include one or more elements that are subject to the existing software revenue recognition guidance. The consideration for these multiple element arrangements is allocated to the software deliverables and the non-software deliverables based on the relative selling prices of all of the elements in the arrangement using the hierarchy in ASU 2009-13. The appropriate revenue recognition guidance is then applied to the respective software and non-software elements.

Processing and services revenues would have been approximately $2.0 million less than reported if the new or materially modified arrangements after January 1, 2010 had been subject to the prior accounting guidance.

This new guidance did not have a material impact on revenue recognition due to the existence of VSOE for most of the Company s solutions. While the impact of adopting this change going forward will be a function of the component elements of new contracts

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued**

entered into or materially modified, we expect a minimal impact in the timing and pattern of revenue recognition since we have established VSOE for those solutions comprising the vast majority of our revenues. The effect of the change will primarily relate to arrangements that include software licenses with other service elements that have historically resulted in revenue deferral for certain non-software elements. The Company does not expect this new accounting guidance to impact its future pricing practices or go-to-market strategies.

**(3) Related Party Transactions**

We are party to certain related party agreements described below.

***Revenues and Expenses***

A detail of related party items included in revenues for the three-month periods ended March 31, 2010 and 2009 is as follows (in millions):

| | 2010 | 2009 |
|---|---|---|
| Banco Santander item processing revenue | $ 10.7 | $ 8.6 |
| Banco Bradesco item processing revenue | 3.9 | 3.0 |
| Banco Santander Brazilian Venture revenue | 12.8 | 11.2 |
| Banco Bradesco Brazilian Venture revenue | 32.3 | 17.9 |
| FNF data processing services revenue | 11.6 | 11.8 |
| Sedgwick data processing services revenue | 8.9 | 10.0 |
| Ceridian data processing services revenue | 1.9 | 0.8 |
| LPS services revenue | 0.1 | 0.1 |
| Total related party revenues | $ 82.2 | $ 63.4 |

See Note 7 for a discussion of the Brazilian outsourced card-processing venture with Banco Santander and Banco Bradesco (the Brazilian Venture ).

A detail of related party items included in operating expenses (net of expense reimbursements) for the three-month periods ended March 31, 2010 and 2009 is as follows (in millions):

| | 2010 | 2009 |
|---|---|---|
| Equipment and real estate leasing with FNF and LPS | $ 0.6 | $ 5.9 |
| Administrative corporate support and other services with FNF and LPS | 0.8 | (0.5) |
| Total related party expenses | $ 1.4 | $ 5.4 |

***FNF***

We provide data processing services to Fidelity National Financial, Inc. ( FNF ), our former parent, consisting primarily of infrastructure support and data center management. The Executive Chairman of the Board of Directors of FIS is also the Executive Chairman of the Board of Directors of FNF. Our agreement with FNF runs through June 30, 2013, with an option to renew for one or two additional years, subject to certain early termination provisions (including the payment of minimum monthly service and termination fees). During the 2009 third quarter, FNF entered into a transaction that triggered the repayment of the $5.9 million note payable to FIS. We recorded interest income related to this note of less than $0.1 million for the three months ended March 31, 2009. Historically, FNF has provided to us, and to a lesser extent we have provided to FNF, certain administrative support services relating to general management and administration. The pricing for these services, both to and from FNF, is at cost. We also incurred expenses for amounts paid by us to FNF under leases of certain personal property and technology equipment.

***Ceridian***

We provide business process outsourcing services to Ceridian Corporation ( Ceridian ), a company in which FNF holds an approximate 33% equity interest.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued**

***Sedgwick***

We provide data processing services to Sedgwick CMS, Inc. ( Sedgwick ), a company in which FNF holds an approximate 32% equity interest.

***LPS***

We provide transitional services to Lender Processing Services, Inc. ( LPS ) as a result of the spin-off of this former subsidiary in July, 2008. In addition, we have entered into certain property management and real estate lease agreements with LPS relating to our Jacksonville corporate headquarters. LPS remained a related party through March 1, 2010 as Lee A. Kennedy served as the Executive Vice Chairman and a Director of the Board of FIS as well as the Chairman of the Board of LPS. Mr. Kennedy joined the FIS board in February 2006 and served as FIS President and Chief Executive Officer until the acquisition of Metavante on October 1, 2009. Effective March 1, 2010, Mr. Kennedy and the Company mutually agreed that he will no longer serve as an executive officer and director of the Company and its subsidiaries. The revenue and expense items with LPS are, therefore, summarized above as related party activity through March 1, 2010.

We believe the amounts earned from or charged by us under each of the foregoing arrangements are fair and reasonable. We believe our service arrangements are priced within the range of prices we offer to third parties. However, the amounts we earned or that were charged under these arrangements were not negotiated at arm s-length, and may not represent the terms that we might have obtained from an unrelated third party.

**(4) Unaudited Net Earnings per Share**

The basic weighted average shares and common stock equivalents for the three-month periods ended March 31, 2010 and 2009 are computed using the treasury stock method.

The following table summarizes the earnings per share attributable to FIS common stockholders, for the three-month periods ended March 31, 2010 and 2009 (in millions, except per share amounts):

| | 2010 | 2009 |
|---|---|---|
| Earnings from continuing operations attributable to FIS, net of tax | $ 94.7 | $ 33.0 |
| Loss from discontinued operations attributable to FIS, net of tax | (1.1) | |
| Net earnings attributable to FIS | $ 93.6 | $ 33.0 |
| Weighted average shares outstanding basic | 373.3 | 190.0 |
| Plus: Common stock equivalent shares assumed from conversion of options | 6.6 | 1.6 |
| Weighted average shares outstanding diluted | 379.9 | 191.6 |
| Net earnings per share basic from continuing operations attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Net earnings per share basic from discontinued operations attributable to FIS common stockholders | | |
| Net earnings per share basic attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Net earnings per share diluted from continuing operations attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Net earnings per share diluted from discontinued operations attributable to FIS common stockholders | | |

| | | |
|---|---|---|
| Net earnings per share diluted attributable to FIS common stockholders | $ 0.25 | $ 0.17 |

Options to purchase approximately 11.4 million shares and 19.0 million shares of our common stock for the three-month periods ended March 31, 2010 and 2009, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive.

**(5) Acquisitions and Dispositions**

***Metavante***

On October 1, 2009, we completed the acquisition of Metavante (the Metavante Acquisition ). Metavante expanded the scale of FIS core processing and payment capabilities, added trust and wealth management services and added to our EFT capabilities with the NYCE Network. Metavante also added significant scale to treasury and cash management offerings and provided an entry into the healthcare and government payments markets.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued**

The total purchase price was as follows (in millions):

| | |
|---|---|
| Value of Metavante common stock | $ 4,066.4 |
| Value of Metavante stock awards | 121.4 |
| Total purchase price | $ 4,187.8 |

We recorded a preliminary allocation of the purchase price to Metavante tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of October 1, 2009. Goodwill was recorded based on the amount by which the purchase price exceeded the fair value of the net assets acquired. The preliminary purchase price allocation was as follows (in millions):

| | |
|---|---|
| Cash | $ 439.7 |
| Trade and other receivables | 237.9 |
| Land, buildings, and equipment | 119.8 |
| Other assets | 144.4 |
| Computer software | 287.7 |
| Intangible assets | 1,572.0 |
| Goodwill | 4,083.1 |
| Liabilities assumed | (2,673.4) |
| Noncontrolling interest | (23.4) |
| Total purchase price | $ 4,187.8 |

The following table summarizes the liabilities assumed in the Metavante Acquisition (in millions):

| | |
|---|---|
| Long-term debt including current portion | $ 1,720.1 |
| Deferred income taxes | 544.4 |
| Other liabilities | 408.9 |
| | $ 2,673.4 |

During the quarter ended March 31, 2010, the Company completed certain tax studies and appraisals and recorded a reduction of $3.9 million in the provisional goodwill balance, an offsetting reduction in other liabilities of $2.2 million, an increase in land, buildings and equipment of $1.5 million and adjustments of less than $1.0 million to trade and other receivables, accrued liabilities and deferred income taxes. These adjustments were not given retrospective application to December 31, 2009 due to their immateriality.

As of the acquisition date, WPM, L.P., a Delaware limited partnership affiliated with Warburg Pincus Private Equity IX, L.P. (collectively Warburg Pincus ) owned 25% of the outstanding shares of Metavante common stock, and was a party to a purchase right agreement with Metavante that granted Warburg Pincus the right to purchase additional shares of Metavante common stock under certain conditions in order to maintain its interest. The Company and Warburg Pincus entered into a replacement stock purchase right agreement effective upon consummation of the merger, granting Warburg Pincus the right to purchase comparable FIS shares in lieu of Metavante shares. The purchase right agreement relates to Metavante employee stock options that were outstanding as of the date of Warburg Pincus initial investment in Metavante. The stock purchase right may be exercised quarterly for a number of shares equal to one-third of the number of said employee stock options exercised during the preceding quarter, at a price

equal to one-third of the aggregate exercise prices for such options. Alternatively, the right may be exercised for a number of shares equal to the difference between (i) one-third of the number of said employee stock options exercised during the preceding quarter and (ii) the quotient of one-third of the aggregate exercise prices of such options exercised divided by the quoted closing price of a common share on the day immediately before exercise of the purchase right, at a price equal to $.01 per share ( Net Settlement Feature ). In March 2010, 0.5 million shares were issued to Warburg Pincus relative to 2009 activity. Warburg Pincus paid a nominal amount for these shares under the Net Settlement Feature of the agreement. As of March 31, 2010, approximately 6.3 million employee options remained outstanding that were subject to this purchase right; therefore, the right will permit Warburg Pincus to purchase at most an additional 2.1 million shares.

***Acquisition of Merchant Portfolio Assets***

On March 24, 2010, FIS purchased the customer relationships utilized in connection with a merchant acquiring portfolio (the Merchant Portfolio ). The purchase price was $50.0 million, including cash at closing plus reimbursement to the seller of certain costs and expenses. The Merchant Portfolio seller agreed to retain all liabilities, whether actual, contingent or accrued, known or unknown. FIS had performed the processing for this Merchant Portfolio under a separate agreement with the seller, but will now retain 100% of the revenue. We accounted for this transaction as an acquisition of assets. The customer relationship assets will be amortized over an estimated useful life of 5 years.

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***Disposition of ClearPar***

On October 30, 2009, we entered into a definitive agreement to sell ClearPar because its operations did not align with our strategic plans. The net assets were classified as held for sale at December 31, 2009, and the transaction was closed on January 1, 2010. We received proceeds of $71.5 million. ClearPar had revenues of $3.7 million during the three months ended March 31, 2009 and earnings (loss) before taxes of ($1.7) million and $2.1 million during the three months ended March 31, 2010 and 2009, respectively. The operating results of ClearPar for the three-month periods ended March 31, 2010 and 2009 are recorded as discontinued operations in the Condensed Consolidated Statements of Earnings.

**(6) Condensed Consolidated Financial Statement Details**

The following tables show the Company s condensed consolidated financial statement details as of March 31, 2010 and December 31, 2009 (in millions):

| | March 31, 2010 | | |
|---|---|---|---|
| | Cost | Accumulated Depreciation and Amortization | Net |
| Property and equipment | $ 708.0 | $ 339.1 | $ 368.9 |
| Intangible assets | $ 3,078.8 | $ 709.2 | $ 2,369.6 |
| Computer software | $ 1,367.3 | $ 453.2 | $ 914.1 |

| | December 31, 2009 | | |
|---|---|---|---|
| | Cost | Accumulated Depreciation and Amortization | Net |
| Property and equipment | $ 697.6 | $ 321.7 | $ 375.9 |
| Intangible assets | $ 3,041.5 | $ 644.7 | $ 2,396.8 |
| Computer software | $ 1,381.6 | $ 448.9 | $ 932.7 |

**(7) Brazilian Venture**

In March 2006, we entered into an agreement with ABN AMRO Real ( ABN ) and Banco Bradesco S.A. ( Banco Bradesco ) to form a venture to provide comprehensive, fully outsourced card processing and call center services to Brazilian card issuers. During the third quarter of 2008, Banco Santander Spain ( Banco Santander ) acquired majority control of ABN. Since then, Banco Santander publicly stated its intention to consolidate all Brazilian card processing operations onto its own in-house technology platform, and notified the Brazilian Venture during 2009 of its desire to exit the relationship. In late January 2010, Banco Santander ceased processing its card portfolio on the Brazilian Venture s systems. We are presently negotiating Banco Santander s exit from the Brazilian Venture, including an applicable termination payment, ongoing call center services, forgiveness of notes payable by FIS upon final migration of the card portfolios of Banco Santander and Banco Bradesco, and waiver of our put agreement, the terms of which must be approved by Banco Bradesco. We received a partial settlement payment of approximately

$34.5 million during the first quarter which has been recorded as a deferred liability, pending final resolution of the negotiations and agreement by all parties.

The Brazilian Venture currently processes approximately 12.9 million cards for Banco Bradesco and provides call center, cardholder support and collection services for all of Banco Bradesco s card portfolios. As a result of the exit of Banco Santander from the Brazilian Venture, Banco Bradesco and the Company are renegotiating their business relationship under the Brazilian Venture.

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**(8) Long-Term Debt**

Long-term debt as of March 31, 2010 and December 31, 2009 consisted of the following (in millions):

| | March 31, 2010 | December 31, 2009 |
|---|---|---|
| Term Loan A, secured, interest payable at LIBOR plus 0.75% (0.98% at March 31, 2010), quarterly principal amortization, maturing January 2012 | $ 1,837.5 | $ 1,890.0 |
| Metavante Term Loan, secured, interest payable at LIBOR plus 3.25% (3.50% at March 31, 2010), quarterly principal amortization, maturing November 2014 (net of $3.3 million fair value discount) | 792.6 | 794.5 |
| Term Loan C, secured, interest payable at LIBOR plus 4.25% (4.48% at March 31, 2010), maturing January 2012 | 50.0 | 200.0 |
| Revolving Loan, secured, interest payable at LIBOR plus 0.60% (Eurocurrency Borrowings), Fed-funds plus 0.60% (Swingline Borrowings) or Prime plus 0.00% (Base Rate Borrowings) plus 0.15% facility fee (0.83% at March 31, 2010), maturing January 2012. Total of $555.0 million unused as of March 31, 2010 | 339.4 | 336.0 |
| Other promissory notes with various interest rates and maturities | 33.0 | 32.8 |
| | 3,052.5 | 3,253.3 |
| Less current portion | (236.9) | (236.7) |
| Long-term debt, excluding current portion | $ 2,815.6 | $ 3,016.6 |

The fair value of the Company s long-term debt at March 31, 2010 is estimated to be approximately $53.5 million lower than the carrying value (based on values of trades of our debt made in close proximity to quarter-end, which are considered Level 2 measurements) in accordance with the authoritative guidance for fair value measurements. These estimates are subjective in nature and involve uncertainties and significant judgment in the interpretation of current market data. Therefore, the values presented are not necessarily indicative of amounts the Company could realize or settle currently.

We may borrow, repay and re-borrow amounts under the Revolving Loan from time to time until the maturity of the Revolving Loan. We must make quarterly principal payments under the Term Loan A of $52.5 million per quarter from June 30, 2010 through September 30, 2011, with the remaining balance of $1,522.5 million payable on January 18, 2012. As of December 31, 2009, there are no longer any mandatory quarterly principal payments on the Term Loan C as these requirements have been fulfilled in full due to principal prepayments made to date. The remaining principal balance of the Term Loan C is payable on January 18, 2012. We must make quarterly principal payments on the Metavante Term Loan in the amount of $2.0 million on the first business day of each February, May, August, and November with the balance of $759.4 million payable on November 1, 2014.

In addition to the scheduled principal payments, the term loans are (with certain exceptions) subject to mandatory prepayment upon the occurrence of certain events. There were no mandatory prepayments owed for the period ended March 31, 2010. Voluntary prepayment of the term loans is generally permitted at any time without fee upon proper notice and subject to a minimum dollar requirement. Commitment reductions of the Revolving Loan are also permitted at any time without fee upon proper notice. The Revolving Loan has no scheduled principal payments, but it will be due and payable in full on January 18, 2012.

Principal maturities of long-term debt at March 31, 2010 for the next five years are as follows (in millions):

| | |
|---|---|
| 2010 remainder | $ 182.3 |
| 2011 | 179.7 |
| 2012 | 1,920.0 |
| 2013 | 8.1 |
| 2014 | 765.7 |
| Total | $ 3,055.8(1) |

(1) Principal maturities do not take into account $3.3 million fair value discount recorded for Metavante Term Loan.

The Company also has an agreement to sell certain of its accounts receivable (the AR Facility ) to a wholly-owned special purpose accounts receivable and financing entity, which funds its purchases, in part, by selling interests to a syndicate of financial institution purchasers in exchange for capital funding. At March 31, 2010, there was no outstanding capital under the AR Facility.

As of March 31, 2010, one financial institution that was a lender under one of our credit facilities had failed, thereby reducing the amount of revolving capacity available to us under our Revolving Loan by an immaterial amount. No other financial institutions that are lenders under any of our credit facilities have failed to date. We continue to monitor the financial stability of our counterparties on

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an ongoing basis. The lender commitments under the undrawn portions of the Revolving Loan and the AR Facility are comprised of a diversified set of financial institutions, both domestic and international. The combined commitments of our top 10 lenders comprise about 67% of our Revolving Loan and AR Facility. The failure of any single lender to perform their obligations under the Revolving Loan and/or the AR Facility would not adversely impact our ability to fund operations. If the single largest lender were to simultaneously default under the terms of both the FIS Credit Agreement (impacting the capacity of the Revolving Loan) and the AR Facility, the maximum loss of available capacity on the undrawn portion of these agreements would be about $122.2 million. As of March 31, 2010, the combined undrawn capacity of the Revolving Loan and the AR Facility was $700.0 million.

Total debt issuance costs of $5.0 million are capitalized as of March 31, 2010 related to all of the above credit facilities.

As of March 31, 2010, we have entered into the following interest rate swap transactions converting a portion of the interest rate exposure on our Term and Revolving Loans from variable to fixed (in millions):

| Effective Date | Termination Date | Notional Amount | Bank Pays Variable Rate of | FIS pays Fixed Rate of |
|---|---|---|---|---|
| April 11, 2007 | April 11, 2010 | $ 850.0 | 1 Month Libor (4) | 4.92%(5) |
| April 11, 2010 | April 11, 2011 | 200.0 | 1 Month Libor (4) | 0.76%(5) |
| October 20, 2009 | April 20, 2011 | 700.0 | 1 Month Libor (4) | 0.99%(5) |
| February 1, 2010 | May 1, 2011 | 250.0 | 1 Month Libor (4) | 0.75%(5) |
| February 1, 2010 | May 1, 2011 | 150.0 | 1 Month Libor (4) | 0.74%(5) |
| December 11, 2009 | June 13, 2011 | 200.0 | 1 Month Libor (4) | 0.91%(5) |
| February 1, 2008 | February 1, 2012 | 400.0(1) | 3 Month Libor (2) | 3.87%(3) |
| February 1, 2008 | February 1, 2012 | 200.0 | 3 Month Libor (2) | 3.44%(3) |
| | | $ 2,950.0 | | |

(1) Notional value amortized from $600.0 million to $400.0 million on February 1, 2010 and will amortize from $400.0 million to $200.0 million on February 1, 2011.

(2) 0.29% in effect at March 31, 2010.

(3) In addition to the fixed rates paid under the swaps, we currently pay an applicable margin of 3.25%. These swaps were acquired in the Metavante Acquisition. While the payments are fixed, interest expense associated with these swaps is recorded based on the floating rate curve established as of the acquisition date.

(4) 0.25% in effect at March 31, 2010.

(5) In addition to the fixed rates paid under the swaps, we currently pay an applicable margin to our bank lenders on the Term Loan A of 0.75%, Term Loan C of 4.25% and the Revolving Loan of 0.60% (plus a facility fee of 0.15%) as of March 31, 2010.

We have designated these interest rate swaps as cash flow hedges. A portion of the amount included in accumulated other comprehensive earnings within the Consolidated Statement of Equity and Comprehensive Earnings is reclassified into interest expense as a yield adjustment as interest payments are made on the Term and Revolving Loans. In accordance with the authoritative guidance for fair value measurements, the inputs used to determine the estimated fair value of our interest rate swaps are Level 2-type measurements. We considered our own credit risk and

the credit risk of the counterparties when determining the fair value of our interest rate swaps.

A summary of the fair value of the Company s derivative instruments is as follows (in millions):

| | Liability Derivatives | | | |
|---|---|---|---|---|
| | March 31, 2010 | | December 31, 2009 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Interest rate swap contracts | Accounts payable and accrued liabilities | $ 3.5 | Accounts payable and accrued liabilities | $ 13.4 |
| Interest rate swap contracts | Other long-term liabilities | 34.3 | Other long-term liabilities | 31.1 |
| Total derivatives designated as hedging instruments | | $ 37.8 | | $ 44.5 |

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As part of the Metavante Acquisition, the Company assumed interest rate swap liabilities with a fair value at October 1, 2009 of $45.1 million. During the 2009 fourth quarter, the Company terminated swaps for $10.0 million resulting in net acquired swap liabilities of $35.1 million. The fair value of the remaining acquired swaps was $28.5 million on March 31, 2010.

A summary of the effect of derivative instruments on the Company s Consolidated Statements of Earnings and recognized in Other Comprehensive Earnings ( OCE ) for the three months ended March 31, 2010 and 2009 are as follows (in millions):

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain (Loss) Recognized in OCE on Derivative 2010 | 2009 |
|---|---|---|
| Interest rate swap contracts | $ (16.7) | $ (6.7) |

| Location of Loss Reclassified from Accumulated OCE into Income | Amount of Gain (Loss) Reclassified from Accumulated OCE into Income 2010 | 2009 |
|---|---|---|
| Interest expense | $ (12.2) | $ (21.5) |

Approximately $6.5 million of the balance in Accumulated OCE at March 31, 2010 is expected to be reclassified into income over the next twelve months.

Our existing cash flow hedges are highly effective and there was no impact on earnings due to hedge ineffectiveness. It is our practice to execute such instruments with credit-worthy banks at the time of execution and not to enter into derivative financial instruments for speculative purposes. As of March 31, 2010, we believe that our interest rate swap counterparties will be able to fulfill their obligations under our agreements and we believe we will have debt outstanding through the various expiration dates of the swaps such that the forecasted transactions remain probable of occurring.

Our foreign exchange risk management policy permits the use of derivative instruments, such as forward contracts and options, to reduce volatility in our results of operations and/or cash flows resulting from foreign exchange rate fluctuations. Our international operations revenues and expenses are generally denominated in local currency which limits the economic exposure to foreign exchange risk in those jurisdictions. We do not enter into foreign currency derivative instruments for trading purposes. At March 31, 2010, we had no foreign currency derivative instruments outstanding.

**(9) Commitments and Contingencies**

***Litigation***

In the ordinary course of business, the Company is involved in various pending and threatened litigation matters related to operations, some of which include claims for punitive or exemplary damages. The Company believes that no actions, other than the matters listed below, depart from customary litigation incidental to its business. As background to the disclosure below, please note the following:

These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities.

The Company reviews these matters on an on-going basis and follows the authoritative provisions for accounting for contingencies when making accrual and disclosure decisions. A liability must be accrued if (a) it is probable that an asset has been impaired or a liability has been incurred and (b) the amount of loss can be reasonably estimated. If one of these criteria has not been met, disclosure is required when there is at least a reasonable possibility that a loss may have been incurred. When assessing reasonably possible and probable outcomes, the Company bases decisions on the assessment of the ultimate outcome following all appeals. Legal fees associated with defending these matters are expensed as incurred.

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*Litigation Related to the Metavante Merger*

During the second quarter of 2009, a putative class action complaint was filed by a purported Metavante shareholder against Metavante, its directors, certain officers, and FIS. The complaint alleged that the Metavante directors and officers breached fiduciary duties to the Metavante shareholders and that Metavante and FIS aided and abetted such breaches. The complaint sought to enjoin the proposed merger transaction, preliminarily and permanently, and also sought unspecified money damages, attorneys fees, and class certification. An amended complaint was subsequently filed adding an additional plaintiff, but it was otherwise the same as the original complaint. The case is *Lisa Repinski, et al v. Michael Hayford, et al.*, Milwaukee County Circuit Court Case No. 09CV5325. A second putative class action containing similar allegations was also filed in the second quarter of 2009 by another purported Metavante shareholder against Metavante and its directors and certain officers. This complaint sought to enjoin the merger transaction, preliminarily and permanently, and also sought unspecified money damages, attorneys fees, and class certification. The case is *Samuel Beren v. Metavante Technologies, Inc. et al.,* Milwaukee County Circuit Court Case No. 09CV6315. The two cases were consolidated into a single action in the second quarter of 2009 as *In re Metavante Technologies, Inc. Shareholder Litigation,* No. 09CV5325. The parties signed a Memorandum of Understanding settling the litigation during the third quarter of 2009 that was subject to court approval. The parties have stayed all litigation and the court has executed a protective order to permit confirmatory discovery to take place. The court approved the terms of the settlement in March 2010 and issued a decision approving a fee award in April 2010. Plaintiffs have been instructed to submit a final order to the court approving the settlement and fee award, at which time the case will be dismissed with prejudice. The settlement is not material to the Company.

*Driver s Privacy Protection Act*

A putative class action lawsuit styled *Richard Fresco, et al. v. Automotive Directions, Inc. et al.*, was filed against eFunds and seven other non-related parties in the U.S. District Court for the Southern District of Florida during the second quarter of 2003. The complaint alleged that eFunds purchased motor vehicle records that were used for marketing and other purposes that are not permitted under the Federal Driver s Privacy Protection Act ( DPPA ). The plaintiffs sought statutory damages, plus costs, attorney s fees and injunctive relief. eFunds and five of the other seven defendants settled the case with the plaintiffs. That settlement was approved by the court over the objection of a group of Texas drivers and motor vehicle record holders. The plaintiffs moved to amend the court s order approving the settlement in order to seek a greater attorneys fee award and to recover supplemental costs. In the meantime, the objectors filed two class action complaints styled *Sharon Taylor, et al. v. Biometric Access Company et al. and Sharon Taylor, et al. v. Acxiom et al.* in the U.S. District Court for the Eastern District of Texas during the first quarter of 2007 alleging similar violations of the DPPA. The Acxiom action was filed against the Company s ChexSystems, Inc. subsidiary, while the Biometric suit was filed against the Company s Certegy Check Services, Inc. subsidiary. The judge recused himself in the Biometric action against Certegy because he was a potential member of the class. The lawsuit was then assigned to a new judge and Certegy filed a motion to dismiss. The court granted Certegy s motion to dismiss with prejudice in the third quarter of 2008. The Biometric plaintiffs appealed and after several extensions, arguments on appeal were heard on November 4, 2009. In the Acxiom case, ChexSystems filed a motion to dismiss or in the alternative, stay its action based upon the earlier settlement and the Court granted the motion to stay pending resolution of the Florida case. The court dismissed the ChexSystems lawsuit with prejudice against the remaining defendants in the third quarter of 2008. The Acxiom plaintiffs moved the court to amend the dismissal to exclude defendants that were parties to the Florida settlement, and that motion was granted. In the fourth quarter of 2008, the Court in the ChexSystems case dismissed with prejudice all claims of the plaintiffs who were not also plaintiffs in the Florida case, against ChexSystems and the other defendants. The plaintiffs appealed the dismissal order, but excluded ChexSystems and the other settling defendants from the appeal. The Florida case was dismissed without prejudice during the fourth quarter of 2009. After final resolution of the Florida case, the parties in the Acxiom case stipulated to a dismissal of ChexSystems and the other defendants from this action, and the Court issued its final order of

dismissal without prejudice. The time for appeals has now expired. In the Biometric case, the parties are still waiting for the appellate court s decision.

*Searcy, Gladys v. eFunds Corporation*

This is a nationwide putative class action that was originally filed against eFunds Corporation, a wholly-owned subsidiary of FIS ( eFunds ), and its affiliate Deposit Payment Protection Services, Inc. in the U.S. District Court for the Northern District of Illinois during the first quarter of 2008. The complaint seeks damages for an alleged willful violation of the Fair Credit Reporting Act ( FCRA ) in connection with the operation of the Shared Check Authorization Network. Plaintiff s principal allegation is that consumers did not receive appropriate disclosures pursuant to § 1681g of the FCRA because the disclosures did not include: (i) all information in the consumer s file at the time of the request; (ii) the source of the information in the consumer s file; and/or (iii) the names of any persons who requested information related to the consumer s check writing history during the prior year. The Company answered the complaint and is vigorously defending the matter. Plaintiff filed a motion for class certification which was granted with

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respect to two subclasses during the first quarter of 2010. The motion was denied with respect to all other subclasses. The Company filed a motion for reconsideration. The motion was granted and the two subclasses were decertified. The plaintiff also filed a motion to amend her complaint to add an additional plaintiff to the lawsuit. The court granted the motion. Discovery regarding the new plaintiff is ongoing.

*In re Lehman Bros. Holdings et al.*

This is an action filed against Metavante Corporation by Lehman Brothers Special Financing, Inc., as debtor and debtor in possession, together with Lehman Brothers Holding Inc. and its affiliated debtors (collectively, Lehman ) in the U.S. Bankruptcy Court of the Southern District of New York during the second quarter of 2009. The action seeks performance under an interest rate swap agreement and enforcement of the automatic bankruptcy stay. Lehman alleges that Metavante owed through the third quarter of 2009: (a) reset payments totaling approximately $11.1 million; and (b) $0.7 million in default interest. The bankruptcy court ordered Metavante to make these payments, which Metavante appealed during the fourth quarter of 2009. In March 2010, FIS and Lehman reached a settlement agreement that was approved by the bankruptcy court in April 2010. The terms of the settlement agreement did not have a material impact on our results of operations, financial position or cash flows.

***Indemnifications and Warranties***

The Company often indemnifies its customers against damages and costs resulting from claims of patent, copyright, or trademark infringement associated with use of its software through software licensing agreements. Historically, the Company has not made any significant payments under such indemnifications, but continues to monitor the conditions that are subject to the indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses when they are estimable. In addition, the Company warrants to customers that its software operates substantially in accordance with the software specifications. Historically, no significant costs have been incurred related to software warranties and no accruals for warranty costs have been made.

***Other Matters***

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education act were enacted and signed into law. The new legislation makes extensive changes to the current system of health care insurance and benefits including a provision eliminating the tax deductibility of certain retiree health care costs and prescription drug costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits. As the Company does not receive any such federal subsidies, the financial implications of these acts will not have an impact on our financial condition or results of operations.

**(10) Share Repurchase Program**

On February 4, 2010 our Board of Directors approved a plan authorizing repurchases of up to 15.0 million shares of our common stock in the open market, at prevailing market prices or in privately negotiated transactions, through January 31, 2013. We repurchased 1.4 million shares of our common stock for $32.2 million, at an average price of $22.97 through March 31, 2010.

**(11) Segment Information**

Summarized financial information for the Company s segments is shown in the following tables.

As of and for the three-months ended March 31, 2010 (in millions):

| | FSG | PSG | ISG | Corporate and Other | Total |
|---|---|---|---|---|---|
| Processing and services revenues | $ 443.5 | $ 618.8 | $ 195.0 | $ (7.7) | $ 1,249.6 |
| Operating expenses | 295.8 | 414.0 | 178.8 | 177.2 | 1,065.8 |
| Operating income | $ 147.7 | $ 204.8 | $ 16.2 | $ (184.9) | 183.8 |

| | | | | | |
|---|---|---|---|---|---|
| Other income (expense) unallocated | | | | | (33.6) |
| Income from continuing operations | | | | | $ 150.2 |
| Depreciation and amortization | $ 37.9 | $ 24.6 | $ 15.4 | $ 74.9 | $ 152.8 |
| Capital expenditures | $ 30.2 | $ 14.7 | $ 11.8 | $ 1.5 | $ 58.2 |
| Total assets (1) | $ 4,875.5 | $ 4,836.1 | $ 1,678.3 | $ 2,443.3 | $ 13,833.2 |
| Goodwill | $ 3,736.8 | $ 4,026.8 | $ 457.4 | $ | $ 8,221.0 |

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(1) Total assets at March 31, 2010, exclude $0.8 million related to discontinued operations.

As of and for the three-months ended March 31, 2009 (in millions):

| | FSG | PSG | ISG | Corporate and Other | Total |
|---|---|---|---|---|---|
| Processing and services revenues | $ 266.3 | $ 364.3 | $ 164.0 | $ (0.5) | $ 794.1 |
| Operating expenses | 192.7 | 278.5 | 149.4 | 93.7 | 714.3 |
| Operating income | $ 73.6 | $ 85.8 | $ 14.6 | $ (94.2) | 79.8 |
| Other income (expense) unallocated | | | | | (30.0) |
| Income from continuing operations | | | | | $ 49.8 |
| Depreciation and amortization | $ 20.5 | $ 17.9 | $ 13.0 | $ 40.5 | $ 91.9 |
| Capital expenditures | $ 24.2 | $ 7.7 | $ 9.8 | $ 2.4 | $ 44.1 |
| Total assets | $ 2,881.7 | $ 2,220.7 | $ 1,358.2 | $ 859.0 | $ 7,319.6 |
| Goodwill | $ 2,096.2 | $ 1,677.1 | $ 416.8 | $ | $ 4,190.1 |

Customers in Brazil, Germany and the United Kingdom accounted for the majority of the sales to non-U.S. based customers.

***Financial Solutions Group***

FSG focuses on serving the processing needs of financial institutions, commercial lenders, finance companies and other businesses. FSG s primary software applications function as the underlying infrastructure of a financial institution s processing environment. These applications include core bank processing software, which banks use to maintain the primary records of their customer accounts. FSG also provides a number of complementary applications and services that interact directly with the core processing applications, including applications that facilitate interactions between FSG s financial institution customers and their clients. FSG offers applications and services through a range of delivery and service models, including on-site outsourcing and remote processing arrangements, as well as on a licensed software basis for installation on customer-owned and operated systems. FSG also offers technology solutions, ranging in scope from consulting engagements to application development projects and from operations support for a single application to full management of information technology infrastructures. Outsourced customer service teams, both onshore and offshore, are also provided.

***Payment Solutions Group***

PSG provides a comprehensive set of software and services for EFT, network, card processing, image, bill payment, government and healthcare solutions for North America. PSG is focused on servicing the payment and electronic funds transfer needs of North American headquartered banks and credit unions, automotive financial companies, commercial lenders, and independent community and savings institutions.

***International Solution Group***

ISG offers both financial solutions and payment solutions to a wide array of international financial institutions. Also, this segment includes the Company s consolidated Brazilian card processing venture (see note 7). Included in this segment are long-term assets, excluding goodwill and other intangible assets, located outside of the United States totaling $484.5 million and $391.8 million at March 31, 2010 and 2009, respectively. These assets are predominantly located in Germany, Brazil, the United Kingdom and India.

***Corporate and Other***

The Corporate and Other segment consists of the corporate overhead costs and interest expense that are not allocated to operating segments. These include costs related to human resources, finance, legal, accounting, domestic sales and marketing, merger and acquisition activity and amortization of acquisition-related intangibles and other costs that are not considered when management evaluates segment performance.

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*Unless stated otherwise or the context otherwise requires, all references to FIS, we, the Company or the registrant to Fidelity National Information Services, Inc., a Georgia corporation and all references to Metavante are to Metavante Technologies, Inc., and its subsidiaries, as acquired by FIS on October 1, 2009.*

**ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with Item 1: Condensed Consolidated Financial Statements and the Notes thereto included elsewhere in this report. The discussion below contains forward-looking statements that involve a number of risks and uncertainties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements are based on management s beliefs, as well as assumptions made by, and information currently available to, management. Because such statements are based on expectations as to future economic performance and are not statements of fact, actual results may differ materially from those projected. The risks and uncertainties that forward-looking statements are subject to include, without limitation: changes in general economic, business and political conditions, including changes in both domestic and international financial markets; the effect of governmental regulations and/or changes in industry requirements; the effects of our substantial leverage which may limit the funds available to make acquisitions and invest in our business; the risks of reduction in revenue from the elimination of existing and potential customers due to consolidation in the banking, retail and financial services industries or due to financial failures suffered by firms in those industries; failures to adapt our services to changes in technology or in the marketplace; the failure to achieve some or all of the benefits that we expect from the acquisition of Metavante, including the possibility that our acquisition of Metavante may not be accretive to our earnings due to undisclosed liabilities, management or integration issues, loss of customers, the inability to achieve targeted cost savings, or other factors; our potential inability to find suitable acquisition candidates or difficulties in integrating acquisitions; competitive pressures on product pricing and services; and other risks detailed in the Statement Regarding Forward-Looking Information, Risk Factors and other sections of the Company s Form 10-K and other filings with the Securities and Exchange Commission. All forward-looking statements included in this document are based on information available at the time the document was filed. FIS assumes no obligation to update any forward-looking statement.

***Overview***

FIS is a leading global provider of banking and payments technology solutions, processing services and information-based services. We offer financial institution core processing, card issuer and transaction processing services, including the NYCE Network. FIS is a member of Standard and Poor s (S&P) 500® Index and consistently holds a leading ranking in the annual FinTech 100 rankings. FIS has more than 300 solutions serving over 14,000 financial institutions and business customers in over 100 countries spanning all segments of the financial services industry. We have four reporting segments: Financial Solutions Group ( FSG ), Payment Solutions Group ( PSG ), International Solutions Group ( ISG ) and Corporate and Other. A description of these segments is included above in Note 11 to the Notes to Condensed Consolidated Financial Statements (Unaudited). Revenues by segment and the results of operations of our segments are discussed below in Segment Results of Operations.

**Business Trends and Conditions**

Approximately 85% of our revenue is derived from multi-year agreements and is considered recurring, which provides relative stability to our revenue stream. However, the condition of the overall economy can affect our revenue growth in a number of areas. A significant portion of our revenue is derived from transaction processing fees. As a result, lower deposit and payment transactions associated with reduced consumer and commercial activity will adversely impact revenue. In addition, sales of software licenses and professional services, which represent approximately 15% of our revenue, can be regarded as discretionary spending by our customers and may contract when their capital budgets tighten. In light of the challenging revenue environment, we are seeking to manage our costs and capital expenditures prudently.

We completed the Metavante Acquisition on October 1, 2009. The combined Company is positioned to provide a comprehensive range of integrated solutions to its customers and has greater geographic reach than others in the industry, which will enhance service to the combined company s customers. Management expects to realize cost and revenue synergies over the next twenty-four months.

As the payment market continues to evolve from paper-based to electronic, we continue to add new services responsive to this trend. Card transactions continue to increase as a percentage of total point-of-sale payments, which fuels continuing demand for card-related services. In recent years, we have added a variety of stored-value card types, Internet banking, and electronic bill

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presentment/payment services, as well as a number of card enhancement and loyalty/reward programs. The common goal of these offerings continues to be convenience and security for the consumer coupled with value to the financial institution. The evolution to electronic transactions also intensifies the vulnerability to fraud, increasing the demand for our risk management solutions. At the same time, the use of checks continues to decline as a percentage of total point-of-sale payments, which negatively impacts our check warranty and item-processing businesses.

We compete for both licensing and outsourcing business, and thus are affected by the decisions of financial institutions to utilize our services under an outsourced arrangement or to process in-house under a software license and maintenance agreement. As a provider of outsourcing solutions, we benefit from multi-year recurring revenue streams, which help moderate the effects of year to year economic changes on our results of operations. One of the current trends we expect to benefit from in the financial services industry is the migration to an outsourced model to improve profitability.

Consolidation within the banking industry may be beneficial or detrimental to our businesses. When consolidations occur, merger partners often operate disparate systems licensed from or outsourced to competing service providers. The newly formed entity generally makes a determination to migrate its core and payments systems to a single platform. When a financial institution processing client is involved in a consolidation, we may benefit by expanding the use of our services if such services are chosen to survive the consolidation and support the newly combined entity. Conversely, we may lose market share if a customer of ours is involved in a consolidation and our services are not chosen to survive the consolidation and support the newly combined entity. We seek to mitigate the risks of consolidations by offering other competitive services to take advantage of specific opportunities at the surviving company.

We continue to see challenges for financial institutions and expect a continuation of bank failures in the next few years, which may be offset to a degree by somewhat decreased bank acquisition activity, than is traditionally prevalent in the banking sector. Continuing or escalating bank failures and forced government actions may negatively impact our business. This exposure may potentially be mitigated by incremental revenues we may generate from license fees or services associated with assisting surviving institutions integrate acquired assets resulting from financial failures.

While we believe that we are well positioned to withstand the current economic challenges, there are factors outside our control that might impact our operating results that we may not be able to fully anticipate as to timing and severity, including but not limited to adverse effects if certain banks are nationalized, or if global economic conditions worsen, causing further slowdowns in consumer spending and lending. Further, there could be an impact on our ability to access capital should any of our lenders fail.

For an update on our Brazil card processing venture, see Note 7 to the Notes to Condensed Consolidated Financial Statements (Unaudited).

***Critical Accounting Policies***

Except for the revenue recognition change discussed in Note 2 to the Notes to Condensed Consolidated Financial Statements (Unaudited), there have been no significant changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009.

***Transactions with Related Parties***

See Notes 3 and 7 to the Notes to Condensed Consolidated Financial Statements (Unaudited) for a detailed description of transactions with related parties, including a description of possible changes affecting our Brazilian venture.

***Factors Affecting Comparability***

As a result of the Metavante Acquisition described in Note 4 to the Notes to Condensed Consolidated Financial Statements (Unaudited), the results of operations in the periods covered by these statements may not be directly comparable.

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**Comparisons of three-month periods ended March 31, 2010 and 2009**
***Consolidated Results of Operations (Unaudited)***

| | 2010 | 2009 |
|---|---|---|
| | (In millions, except per share amounts) | |
| Processing and services revenues | $ 1,249.6 | $ 794.1 |
| Cost of revenues | 907.2 | 618.4 |
| Gross profit | 342.4 | 175.7 |
| Selling, general, and administrative expenses | 158.6 | 95.9 |
| Operating income | 183.8 | 79.8 |
| Other income (expense): | | |
| Interest expense, net | (28.3) | (31.2) |
| Other income (expense), net | (5.3) | 1.2 |
| Total other income (expense) | (33.6) | (30.0) |
| Earnings from continuing operations before income taxes | 150.2 | 49.8 |
| Provision for income taxes | 55.6 | 17.1 |
| Earnings from continuing operations, before income taxes | 94.6 | 32.7 |
| Loss from discontinued operations, net of tax | (1.1) | |
| Net earnings | 93.5 | 32.7 |
| Net loss attributable to noncontrolling interest | 0.1 | 0.3 |
| Net earnings attributable to FIS | $ 93.6 | $ 33.0 |
| Net earnings per share basic from continuing operations attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Net earnings per share basic from discontinued operations attributable to FIS common stockholders | | |
| Net earnings per share basic attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Weighted average shares outstanding basic | 373.3 | 190.0 |
| Net earnings per share diluted from continuing operations attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Net earnings per share diluted from discontinued operations attributable to FIS common stockholders | | |
| Net earnings per share diluted attributable to FIS common stockholders | $ 0.25 | $ 0.17 |
| Weighted average shares outstanding diluted | 379.9 | 191.6 |

| | | | | |
|---|---|---|---|---|
| **Amounts attributable to FIS common stockholders:** | | | | |
| Earnings from continuing operations, net of tax | $ | 94.7 | $ | 33.0 |
| Loss from discontinued operations, net of tax | | (1.1) | | |
| Net earnings attributable to FIS | $ | 93.6 | $ | 33.0 |

*Processing and Services Revenues*

Processing and services revenues totaled $1,249.6 million and $794.1 million during the three-month periods ended March 31, 2010 and 2009, respectively. The increase in revenue during the 2010 period of $455.5 million, or 57.4% as compared to the 2009 period is primarily attributable to incremental revenues from the Metavante Acquisition, increased demand for software and professional services, higher revenues based on transaction volumes and $24.2 million in favorable foreign currency impact resulting from a weaker U.S. Dollar, partially offset by declines in our paper-based retail check businesses.

*Cost of Revenues and Gross Profit*

Cost of revenues totaled $907.2 million and $618.4 million during the three-month periods ended March 31, 2010 and 2009, respectively, resulting in gross profit of $342.4 million and $175.7 million in 2010 and 2009, respectively. Gross profit as a percentage of revenues ( gross margin ) was 27.4% and 22.1% in 2010 and 2009, respectively. The increase in cost of revenues of $288.8 million in the 2010 period as compared to the 2009 period is directly attributable to the revenue variances addressed above. The increase in gross margin of 530 basis points for 2010 over 2009 was driven by the continuing results from the synergy initiatives associated with the Metavante Acquisition and the Company s continued effort to reduce costs and improve operating efficiency.

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*Selling, General and Administrative Expenses*

Selling, general and administrative expenses totaled $158.6 million and $95.9 million during the three-month periods ended March 31, 2010 and 2009, respectively. The increase of $62.7 million in 2010 as compared to 2009 was primarily due to incremental costs associated with the Metavante operations. Also, integration and merger related charges, including severance, incentive bonuses and lease adjustments contributed $17.3 million of the year-over-year increase. Stock-based compensation increased from $9.5 million in 2009 to $16.0 million in 2010. Stock-based compensation in the 2010 period included vesting acceleration charges of $0.9 million due to change in control provisions triggered by the Metavante acquisition and subsequent termination of employment and $4.5 million of expense for merger-related grants.

*Operating Income*

Operating income totaled $183.8 million and $79.8 million during the three-month periods ended March 31, 2010 and 2009, respectively. Operating income as a percentage of revenue ( operating margin ) was 14.7% and 10.0% for 2010 and 2009, respectively. The increase in operating margin of 470 basis points for 2010 as compared to the 2009 period was driven by synergies, cost containment initiatives and gross margin improvements discussed above.

*Interest Expense, net*

Interest expense totaled $28.3 million and $31.2 million during the three-month periods ended March 31, 2010 and 2009, respectively. The decrease of $2.9 million in interest expense, net in 2010 as compared to 2009 results from lower interest rates on our debt due to the expiration of higher fixed interest rate swaps, partially offset by higher debt levels in the 2010 period.

*Provision for Income Taxes*

Income tax expense from continuing operations totaled $55.6 million and $17.1 million during the three-month periods ended March 31, 2010 and 2009, respectively. This resulted in an effective tax rate on continuing operations of 37.0% and 34.3% for 2010 and 2009, respectively. The net change in the 2010 period overall effective tax rate is primarily related to a larger proportion of domestic pre-tax income versus foreign-source income during the 2010 period due primarily to the Metavante Acquisition, the expiration of federal research and development tax credits and the expiration of certain interest expense benefits for related foreign controlled corporations.

*Net Earnings from Continuing Operations Attributable to FIS Common Stockholders*

Net earnings from continuing operations attributable to FIS common stockholders totaled $94.7 million and $33.0 million for the three-month periods ended March 31, 2010 and 2009, respectively, or $0.25 and $0.17 per diluted share, respectively, due to the factors described above.

***Segment Results of Operations (Unaudited)***

*Financial Solutions Group*
*(in millions)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2010** | **2009** |
| Processing and services revenues | $ 443.5 | $ 266.3 |
| Operating income | $ 147.7 | $ 73.6 |
| Operating margin | 33.3% | 27.6% |

Revenues for FSG totaled $443.5 million and $266.3 million during the three-month periods ended March 31, 2010 and 2009, respectively. The overall segment increase of $177.2 million in 2010 as compared to 2009 resulted primarily from incremental first quarter Metavante revenues and increased demand for professional services and software in 2010 compared to 2009.

Operating income for FSG totaled $147.7 million and $73.6 million during the three-month periods ended March 31, 2010 and 2009, respectively. Operating margin was approximately 33.3% and 27.6% for 2010 and 2009,

respectively. The increase in 2010 as compared to 2009 primarily resulted from incremental first quarter operating income from the Metavante Acquisition and increased operating margins due to continuing results from the synergy initiatives associated with the Metavante Acquisition.

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*Payment Solutions Group*
*(in millions)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2010** | **2009** |
| Processing and services revenues | $ 618.8 | $ 364.3 |
| Operating income | $ 204.8 | $ 85.8 |
| Operating margin | 33.1% | 23.6% |

Revenues for PSG totaled $618.8 million and $364.3 million during the three-month periods ended March 31, 2010 and 2009, respectively. The overall segment increase of $254.5 million in 2010 as compared to 2009 resulted primarily from incremental first quarter Metavante revenues, increased debit and credit transaction activity and growth in our government and healthcare payment processing businesses, partially offset by lower item processing and retail check activity.

Operating income for PSG totaled $204.8 million and $85.8 million during the three-month periods ended March 31, 2010 and 2009, respectively. Operating margin was approximately 33.1% and 23.6% for 2010 and 2009, respectively. The increase in the 2010 period as compared to the 2009 period primarily resulted from incremental first quarter operating income from the Metavante Acquisition, realized cost savings and improved profitability within our retail check business.

*International Solutions Group*
*(in millions)*

| | Three Months Ended March 31, | |
|---|---|---|
| | **2010** | **2009** |
| Processing and services revenues | $ 195.0 | $ 164.0 |
| Operating income | $ 16.2 | $ 14.6 |
| Operating margin | 8.3% | 8.9% |

Revenues for ISG totaled $195.0 million and $164.0 million during the three-month periods ended March 31, 2010 and 2009, respectively. The overall segment increase of $31.0 million in 2010 as compared to 2009 primarily resulted from a $24.2 million favorable foreign currency impact resulting from a weaker U.S. Dollar. Excluding the impact of currency, ISG increased $6.8 million principally due to incremental revenues from the Metavante Acquisition, partially offset by a decrease in software sales.

Operating income for ISG totaled $16.2 million and $14.6 million during the three-month periods ended March 31, 2010 and 2009, respectively. Operating margin was 8.3% and 8.9% for 2010 and 2009, respectively. The decrease in operating margin in 2010 as compared to 2009 primarily results from a less favorable revenue mix.

*Corporate and Other*

The Corporate and Other segment results consist of selling, general and administrative expenses and depreciation and intangible asset amortization not otherwise allocated to the reporting segments. Corporate and Other expenses were $184.9 million and $94.2 million during the three-month periods ended March 31, 2010 and 2009, respectively. The overall Corporate and Other increase of $90.7 million for 2010 as compared to 2009 is primarily due to the incremental costs associated with the Metavante operations and the merger related charges, as addressed above under total Company *Selling, General and Administrative Expenses*.

**Liquidity and Capital Resources**

***Cash Requirements***

Our cash requirements include cost of revenues, selling, general and administrative expenses, income taxes, debt service payments and capital expenditures, and may include stockholder dividends, discretionary share repurchases and business acquisitions. Our principal sources of funds are cash generated by operations and borrowings.

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At March 31, 2010, we had cash and cash equivalents of $463.9 million and debt of $3,052.5 million, including the current portion. Of the $463.9 million cash and cash equivalents, approximately $238.6 million is held by our operations in foreign jurisdictions. We expect that cash flows from operations over the next twelve months will be sufficient to fund our operating cash requirements and pay principal and interest on our outstanding debt.

We currently pay a $0.05 per common share dividend on a quarterly basis, and expect to continue to do so in the future. The declaration and payment of future dividends is at the discretion of the Board of Directors and depends on, among other things, our investment policy and opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our Board of Directors, including legal and contractual restrictions. Additionally, the payment of cash dividends may be limited by covenants in certain debt agreements. A regular quarterly dividend of $0.05 per common share was paid on March 30, 2010 to shareholders of record as of the close of business on March 16, 2010.

***Cash Flows from Operations***

Cash flows from operations were $271.6 million and $162.9 million during the three-month periods ended March 31, 2010 and 2009 respectively. Cash flows from operations increased by $108.7 million due primarily to the incremental earnings provided by the Metavante Acquisition in the 2010 period.

***Capital Expenditures***

Our principal capital expenditures are for computer software (purchased and internally developed) and additions to property and equipment. We spent approximately $58.2 million and $45.3 million on capital expenditures during the three-month periods ended March 31, 2010 and 2009, respectively. We expect to spend approximately 5%-6% of 2010 revenue on capital expenditures.

***Financing***

On January 18, 2007, we entered into a five-year syndicated unsecured credit agreement (the FIS Credit Agreement ). The FIS Credit Agreement provides total committed capital of $3,000.0 million comprised of $2,100.0 million of term notes (the Term Loan A ) and $900.0 million of revolving capacity (the Revolving Loan ). The Revolving Loan is bifurcated into two tranches; a $165.0 million tranche that allows borrowings in U.S. Dollars only and a $735.0 million multicurrency tranche that allows borrowings in U.S. Dollars, Euros, British Pounds Sterling, and Australian Dollars. The multicurrency tranche of the Revolving Loan includes a sublimit of $250.0 million for swing line loans and a $250.0 million sublimit for the issuance of letters of credit. In addition, the FIS Credit Agreement originally provided for an uncommitted incremental loan facility in the maximum principal amount of $600.0 million.

To facilitate our acquisition of eFunds, on July 30, 2007 we executed an amendment to the FIS Credit Agreement to increase the permitted maximum principal of uncommitted incremental loans from $600.0 million to $2,100.0 million and converted the facility from unsecured to secured. On September 12, 2007, the amendment became effective, and we entered into a joinder agreement to obtain $1,600.0 million of term loans (the Term Loan B ). On July 2, 2008, in conjunction with the spin-off of Lender Processing Services, Inc., $1,585.0 million, the then outstanding principal balance of Term Loan B, was retired.

On November 1, 2007, Metavante entered into a credit agreement (the MV Credit Agreement ) for an aggregate principal amount of $2,000.0 million comprised of $1,750.0 million of seven-year term loans (the MV Term Loan ) and a six-year revolving capacity of $250.0 million (the MV Revolving Loan ). Immediately preceding the merger of FIS and Metavante, the outstanding balances of the MV Term Loan and MV Revolving Loan were $1,723.8 million and $0, respectively.

On October 1, 2009, contemporaneous with the closing of the Metavante merger, FIS obtained $500.0 million of term loans (the Term Loan C ), utilizing the $500.0 million of remaining uncommitted incremental loans under the September 12, 2007 amendment of the FIS Credit Agreement. FIS exchanged the $500.0 million of Term Loan C for $500.0 million of the MV Term Loan (which portion was subsequently cancelled). In addition, on October 1, 2009, FIS purchased $423.8 million of the remaining MV Term Loan, which loans were deemed to be contemporaneously cancelled. After giving effect to the exchange, purchase and cancellation, the aggregate principal amount of the MV Term Loan outstanding as of October 1, 2009 was $800.0 million.

Also on October 1, 2009, FIS entered into an agreement to sell certain of its accounts receivable (the AR Facility ) to a wholly-owned special purpose accounts receivable and financing entity (the SPV ), which is exclusively engaged in purchasing receivables from FIS. The SPV funds its purchases, in part, by selling interests in the accounts receivables to a syndicate of financial institution

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purchasers in exchange for up to $145.0 million in capital funding (provided, however, that if FIS obtains additional commitments from new or existing purchasers, the aggregate amount may be increased by up to an additional $55.0 million, to an overall aggregate capital amount of $200.0 million). The sales to the purchasers do not qualify for sale treatment as we maintain effective control over the receivables that are sold. Thus, the SPV is included in our consolidated financial statements. At March 31, 2010, there was no outstanding capital under the AR Facility.

We may borrow, repay and re-borrow amounts under the Revolving Loan from time to time until the maturity of the Revolving Loan. We must make quarterly principal payments under the Term Loan A of $52.5 million per quarter from June 30, 2010 through September 30, 2011, with the remaining balance of $1,522.5 million payable on January 18, 2012. As of December 31, 2009, there are no longer any mandatory quarterly principal payments on the Term Loan C as these requirements have been fulfilled in full due to principal prepayments made to date. The remaining principal balance of the Term Loan C is payable on January 18, 2012. We must make quarterly principal payments on the MV Term Loan in the amount of $2.0 million on the first business day of each February, May, August, and November with the balance of $759.4 million payable on November 1, 2014.

The following table summarizes the mandatory annual principal payments on the FIS Credit Agreement and MV Credit Agreement as of March 31, 2010 (in millions):

| | Term A Loan | Term C Loan | MV Term Loan | Total |
|---|---|---|---|---|
| 2010 | $ 157.5 | $ | $ 6.1 | $ 163.6 |
| 2011 | 157.5 | | 8.1 | 165.6 |
| 2012 | 1,522.5 | 50.0 | 8.1 | 1,580.6 |
| 2013 | | | 8.1 | 8.1 |
| 2014 | | | 765.5 | 765.5 |
| Total | $ 1,837.5 | $ 50.0 | $ 795.9 | $ 2,683.4 |

The FIS Credit Agreement, MV Credit Agreement, and AR Facility are subject to customary affirmative, negative and financial covenants, including, among other things, limits on the creation of liens, limits on the incurrence of indebtedness, restrictions on investments and dispositions, limitations on dividends and other restricted payments, a minimum interest coverage ratio and a maximum leverage ratio. We were in compliance with all covenants related to the credit facilities at March 31, 2010.

As of March 31, 2010, one financial institution that was a lender under one of our credit facilities had failed, thereby reducing the amount of revolving capacity available to us under our Revolving Loan by an immaterial amount. No other financial institutions that are lenders under any of our credit facilities have failed to date. We continue to monitor the financial stability of our counterparties on an ongoing basis. The lender commitments under the undrawn portions of the Revolving Loan and AR Facility are comprised of a diversified set of financial institutions, both domestic and international. The combined commitments of our top 10 lenders comprise about 67% of our Revolving Loan and AR Facility. The failure of any single lender to perform their obligations under the Revolving Loan and/or the AR Facility would not adversely impact our ability to fund operations. If the single largest lender were to simultaneously default under the terms of both the FIS Credit Agreement (impacting the capacity of the Revolving Loan) and the AR Facility, the maximum loss of available capacity on the undrawn portion of these agreements would be about $122.2 million. As of March 31, 2010, the combined undrawn capacity of the Revolving Loan and the AR Facility was $700.0 million.

As of March 31, 2010, we have entered into interest rate swap transactions converting a portion of the interest rate exposure on our Term and Revolving Loans from variable to fixed (see Item 3 Quantitative and Qualitative Disclosure About Market Risks).

***Contractual Obligations***

Our contractual obligations have not changed materially from the table included in our Form 10-K as filed on February 26, 2010.

***Off-Balance Sheet Arrangements***

FIS does not have any off-balance sheet arrangements.

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**Recent Accounting Pronouncements**

As discussed in Note 2 to Notes to Condensed Consolidated Financial Statements (Unaudited), the FASB amended ASC Subtopic 605-25, *Revenue Recognition Multiple-Element Arrangements,* in October 2009 and the Company elected early adoption of this guidance prospectively as of January 1, 2010. The current and expected future effects of this change are also addressed therein.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements*. This pronouncement will require more detailed disclosure than under previous guidance about transfers of assets and liabilities into and out of Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Companies must also develop and disclose their policy for determining when transfers between levels are recognized. Existing guidance requires companies to provide a roll-forward of changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis. The new guidance will require disclosure of the effects of purchases, sales, issuances and settlements, rather than disclosing the net effects resulting from those transactions as has been the practice. The new guidance also increases the level of disaggregation about fair value disclosures by requiring that they be provided for each class rather than each major category. A class is generally a subset of assets or liabilities within a financial-statement line item and is based on their nature and risks and their classification within the fair-value hierarchy. For fair-value measurements using Level 2 or Level 3, the new guidance also requires companies to disclose the valuation techniques and the inputs used in determining fair value for each class of assets and liabilities. Except for the detailed Level 3 roll-forward disclosures, the guidance is effective for all interim and annual periods beginning after December 15, 2009. The new requirement to separately disclose purchases, sales, issuances and settlements of recurring Level 3 fair value measurements is effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. As this new guidance relates only to disclosure, it will have no impact on the Company s financial position or results of operations.

**Item 3. Quantitative and Qualitative Disclosure About Market Risks**

***Market Risk***

We are exposed to market risks primarily from changes in interest rates and foreign currency exchange rates. We use certain derivative financial instruments, including interest rate swaps, to manage interest rate risk. We do not use derivatives for trading purposes, to generate income or to engage in speculative activity.

***Interest Rate Risk***

At the present time, our only material market risk-sensitive instruments are our debt and related interest rate swaps. We have issued debt that bears interest at floating rates. We use interest rate swaps for the purpose of managing our interest expense through the mix of fixed and floating rate debt. We manage interest rate sensitivity by measuring potential increases in interest expense that would result from a probable change in interest rates. When the potential increase in interest expense exceeds an acceptable amount, we reduce risk through the purchase of derivatives.

As of March 31, 2010, we are paying interest on our Term Loan A at LIBOR plus 0.75%, on our Metavante Term Loan at LIBOR plus 3.25%, on our Term Loan C at LIBOR plus 4.25%, and on our Revolving Loan at LIBOR plus 0.60%. An increase of 100 basis points in the LIBOR rate would increase our annual debt service under these credit agreements, after we calculate the impact of our interest rate swaps, by $3.1 million (based on principal amounts outstanding at March 31, 2010). We performed the foregoing sensitivity analysis based on the principal amount of our floating rate debt as of March 31, 2010, less the principal amount of such debt that was then subject to an interest rate swap converting such debt into fixed rate debt. This sensitivity analysis is based solely on the principal amount of such debt as of March 31, 2010 and does not take into account any changes that occurred in the prior 12 months or that may take place in the next 12 months in the amount of our outstanding debt or in the notional amount of outstanding interest rate swaps in respect of our debt. Further, in this sensitivity analysis, the change in interest rates is assumed to be applicable for an entire year. For comparison purposes, based on principal amounts on the Revolving Loan and Term Loan A outstanding as of March 31, 2009, and calculated in the same manner as set forth above, an increase of 100 basis points in the LIBOR rate would have increased our annual interest expense, after we calculate the impact of our interest rate swaps, by $3.6 million.

As of March 31, 2010, we have entered into the following interest rate swap transactions converting a portion of the interest rate exposure on our Term and Revolving Loans from floating to fixed (in millions):

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| Effective Date | Termination Date | Notional Amount | Bank Pays Variable Rate of | FIS pays Fixed Rate of |
|---|---|---|---|---|
| April 11, 2007 | April 11, 2010 | $ 850.0 | 1 Month Libor (4) | 4.92%(5) |
| April 11, 2010 | April 11, 2011 | 200.0 | 1 Month Libor (4) | 0.76%(5) |
| October 20, 2009 | April 20, 2011 | 700.0 | 1 Month Libor (4) | 0.99%(5) |
| February 1, 2010 | May 1, 2011 | 250.0 | 1 Month Libor (4) | 0.75%(5) |
| February 1, 2010 | May 1, 2011 | 150.0 | 1 Month Libor (4) | 0.74%(5) |
| December 11, 2009 | June 13, 2011 | 200.0 | 1 Month Libor (4) | 0.91%(5) |
| February 1, 2008 | February 1, 2012 | 400.0(1) | 3 Month Libor (2) | 3.87%(3) |
| February 1, 2008 | February 1, 2012 | 200.0 | 3 Month Libor (2) | 3.44%(3) |
| | | $ 2,950.0 | | |

(1) Notional value amortized from $600.0 million to $400.0 million on February 1, 2010 and will amortize from $400.0 million to $200.0 million on February 1, 2011.

(2) 0.29% in effect at March 31, 2010.

(3) In addition to the fixed rates paid under the swaps, we currently pay an applicable margin of 3.25%. These swaps were acquired in the Metavante Acquisition. While the payments are fixed, interest

expense associated with these swaps is recorded based on the floating rate curve established as of the acquisition date.

(4) 0.25% in effect at March 31, 2010.

(5) In addition to the fixed rates paid under the swaps, we currently pay an applicable margin to our bank lenders on the Term Loan A of 0.75%, Term Loan C of 4.25% and the Revolving Loan of 0.60% (plus a facility fee of 0.15%) as of March 31, 2010.

We have designated these interest rate swaps as cash flow hedges. A portion of the amount included in accumulated other comprehensive earnings is reclassified into interest expense as a yield adjustment as interest payments are made on the Term and Revolving Loans. In accordance with the authoritative guidance for fair value measurements, the inputs used to determine the estimated fair value of our interest rate swaps are Level 2-type measurements. We considered our own credit risk and the credit risk of the counterparties when determining the fair value of our interest rate swaps.

***Foreign Currency Risk***

Our exposure to foreign currency exchange risks generally arises from our non-U.S. operations, to the extent they are conducted in local currency. Changes in foreign currency exchange rates affect translations of revenues denominated in currencies other than U.S. Dollars. Our international operations generated approximately $195.0 million in revenues during the three-month period ended March 31, 2010, of which approximately $162.1 million was denominated in currencies other than the U.S. Dollar. The major currencies to which we are exposed are the Brazilian Real, the Euro and the British Pound Sterling. A 10% move in average exchange rates for these currencies (assuming a simultaneous and immediate 10% change in all of such rates for the relevant period) would have had the following increase or decrease in our reported revenues for the three-month periods ended March 31, 2010 and 2009 (in millions):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2010** | **2009** |

| | | |
|---|---|---|
| Currency | | |
| Real | $ 7.7 | $ 5.4 |
| Euro | 4.4 | 4.6 |
| Pound Sterling | 2.0 | 1.3 |
| Total Impact | $ 14.1 | $ 11.3 |

The impact on earnings of the foregoing assumed 10% change in each of the periods presented would not have been significant.

Our foreign exchange risk management policy permits the use of derivative instruments subject to specific management approval, such as forward contracts and options, to reduce volatility in our results of operations and/or cash flows resulting from foreign exchange rate fluctuations. Our international operations revenues and expenses are generally denominated in local currency which

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limits the economic exposure to foreign exchange risk in those jurisdictions. We do not enter into foreign currency derivative instruments for trading purposes. At March 31, 2010, we had no foreign currency derivative instruments outstanding.

**Item 4. Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act ). Based on this evaluation, our principal executive officer and principal financial officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is: (a) recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms; and (b) accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II: OTHER INFORMATION**

**Item 1. Legal Proceedings**

See discussion of Litigation in Note 9 to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Report, which is incorporated by reference into this Part II, Item 1.

**Item 1A. Risk Factors**

There have been no material changes in the Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2009.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In connection with the purchase right agreement with WPM, L.P. ( WPM ), a Delaware limited partnership affiliated with Warburg Pincus Private Equity IX, L.P, referenced in Note 5 to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Report, on March 22, 2010 WPM purchased 498,054 shares of FIS common stock for a nominal amount ($4,981 under the net settlement feature in the agreement). The shares of FIS common stock were issued and sold in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

The following table summarizes purchases of equity security by the issuer during the three-month period ended March 31, 2010.

| Period | Total Number of Shares Purchased (in millions) | Average Price Paid Per Share | Total Cost of Shares Purchased as Part of Publicly Announced Plans or Programs (in millions) | Total Number of Shares that May be Purchased Under the Plans or Programs (1) (2) (in millions) |
|---|---|---|---|---|
| 1/1/10 to 1/31/10 | | $ | $ | 15.0 |
| 2/1/10 to 2/28/10 | 0.7 | 22.61 | 14.7 | 14.3 |
| 3/1/10 to 3/31/10 | 0.7 | 23.28 | 17.5 | 13.6 |

| | | | |
|---|---|---|---|
| Total | 1.4 | $ | 32.2 |

(1) On February 4, 2010 our Board of Directors approved a plan authorizing repurchases of up to 15.0 million shares of our common stock in the open market, at prevailing market prices or in privately negotiated transactions through January 31, 2013. We repurchased 1.4 million shares of our common stock for $32.2 million, at an average price of $22.97 through March 31, 2010.

(2) As of the last day of the applicable month.

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**Item 6. Exhibits**

(a) Exhibits:

| Exhibit No. | Description |
|---|---|
| 10.1 | Termination of Amended and Restated Employment Agreement, dated as of February 28, 2010, by and among Fidelity National Information Services, Inc., and Lee A. Kennedy. (1) |
| 31.1 | Certification of Frank R. Martire, Chief Executive Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Michael D. Hayford, Chief Financial Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Frank R. Martire, Chief Executive Officer of Fidelity National Information Services, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Michael D. Hayford, Chief Financial Officer of Fidelity National Information Services, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(1) Management contract or compensatory plan.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: May 5, 2010

FIDELITY NATIONAL INFORMATION SERVICES, INC.

By: /s/ MICHAEL D. HAYFORD
Michael D. Hayford
Corporate Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

Date: May 5, 2010

FIDELITY NATIONAL INFORMATION SERVICES, INC.

By: /s/ JAMES W. WOODALL
James W. Woodall
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer and Duly Authorized Officer)

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**
**FORM 10-Q**
**INDEX TO EXHIBITS**

The following documents are being filed with this Report:

| Exhibit No. | Description |
|---|---|
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(1) Management contract or compensatory plan.