

Heartland Payment Systems, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2007	2006
Total Revenues	\$ 284,212	\$ 236,919
Costs of Services:		
Interchange	205,337	172,229
Dues and assessments	10,459	8,586
Processing and servicing	31,330	28,151
Customer acquisition costs	10,391	8,172
Depreciation and amortization	1,724	1,363
Total costs of services	259,241	218,501
General and administrative	14,299	12,009
Total expenses	273,540	230,510
Income from operations	10,672	6,409
Other income (expense):		
Interest income	459	254
Interest expense	(112)	(120)
Other, net	(95)	814
Total other income (expense)	252	948
Income before income taxes	10,924	7,357
Provision for income taxes	4,072	2,969
Net income	\$ 6,852	\$ 4,388
Net income	\$ 6,852	\$ 4,388
Other comprehensive income, net of tax:		
Unrealized gains (losses) on investments	3	(3)
Comprehensive income	\$ 6,855	\$ 4,385
Earnings per common share:		
Basic	\$ 0.18	\$ 0.12
Diluted	\$ 0.17	\$ 0.11
Weighted average number of common shares outstanding:		
Basic	37,507	35,128
Diluted	39,971	39,817

Heartland Payment Systems, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	March 31, 2007	December 31, 2006
Assets		
Current assets:		

Cash and cash equivalents	\$ 24,759	\$ 16,054
Funds held for payroll customers	23,210	16,960
Receivables, net	111,796	107,154
Investments	1,087	1,082
Inventory	2,065	2,252
Prepaid expenses	2,203	2,030
Current tax asset	16,799	19,227
Current deferred tax assets, net	670	757
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Total current assets	182,589	165,516
Capitalized customer acquisition costs, net	59,186	56,705
Deferred tax assets, net	4,912	4,562
Property and equipment, net	26,721	23,135
Goodwill and intangible assets	1,747	1,757
Deposits and other assets	52	93
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Total assets	\$ 275,207	\$ 251,768
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Liabilities and stockholders' equity		
Current liabilities:		
Due to sponsor bank	\$ 32,008	\$ 27,253
Accounts payable	17,885	16,936
Deposits held for payroll customers	23,210	16,960
Current portion of accrued buyout liability	11,781	11,519
Merchant deposits and loss reserves	7,685	8,210
Accrued expenses and other liabilities	11,224	9,649
Current portion of borrowings and financing arrangements	97	174
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Total current liabilities	103,890	90,701
Reserve for unrecognized tax benefits	789	--
Long-term portion of accrued buyout liability	22,667	21,774
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Total liabilities	127,346	112,475
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Commitments and contingencies	--	--
Stockholders' equity		
Common Stock, \$.001 par value, 100,000,000 shares authorized, 38,808,039 and 38,488,880 shares issued at March 31, 2007 and December 31, 2006; 37,699,839 and 37,405,680 shares outstanding at March 31, 2007 and December 31, 2006	38	38
Additional paid-in capital	158,722	153,997
Accumulated other comprehensive loss	(18)	(21)
Retained earnings	15,269	10,804
Treasury stock, at cost (1,108,200 and 1,083,200 shares at March 31, 2007 and December 31, 2006)	(26,150)	(25,525)
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Total stockholders' equity	147,861	139,293
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Total liabilities and stockholders' equity	\$ 275,207	\$ 251,768
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Heartland Payment Systems, Inc. and Subsidiaries
Consolidated Statements of Cash Flow
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2007	2006
Cash flows from operating activities		
Net income	\$ 6,852	\$ 4,388
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of capitalized customer acquisition costs	10,062	8,013
Other depreciation and amortization	2,131	1,768
Stock-based compensation	389	232
Deferred taxes	(263)	1,223
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(4,643)	5,667
Decrease in inventory	188	247
Payment of signing bonuses, net	(9,488)	(7,091)
Increase in capitalized customer acquisition costs	(3,055)	(4,541)
(Increase) decrease in prepaid expenses	(173)	230
Decrease in current tax asset	4,380	609
Decrease in deposits and other assets	41	-
Excess tax benefits on options exercised under SFAS No. 123R	(1,951)	(14,517)
Increase in reserve for unrecognized tax benefit	276	-
Increase (decrease) in due to sponsor bank	4,755	(10,221)
Increase (decrease) in accounts payable	948	(892)
Increase in accrued expenses and other liabilities	1,574	2,099
(Decrease) increase in merchant deposits and loss reserves	(524)	1,640
Payouts of accrued buyout liability	(2,229)	(3,819)
Increase in accrued buyout liability	3,384	4,699
Net cash provided by (used in) operating activities	12,654	(10,266)
Cash flows from investing activities		
Purchase of investments	(32)	(838)
Maturities of investments	13	322
Increase in funds held for payroll customers	(6,233)	(6,621)
Increase in deposits held for payroll customers	6,251	6,630
Acquisition of business, net of cash acquired	-	(3,452)
Purchases of property and equipment	(5,708)	(3,536)
Net cash used in investing activities	(5,709)	(7,495)
Cash flows from financing activities		
Principal payments on borrowings and financing arrangements	(77)	(57)
Proceeds from exercise of stock options	2,385	15,152
Excess tax benefits on options exercised under SFAS No. 123R	1,951	14,517
Repurchase of common stock	(625)	(15,890)
Dividends paid on common stock	(1,874)	-

Net cash provided by financing activities	1,760	13,722
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Net increase (decrease) in cash and cash equivalents	8,705	(4,039)
Cash and cash equivalents at beginning of year	16,054	8,724
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Cash and cash equivalents at end of period	\$ 24,759	\$ 4,685
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