

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA AND PERCENTAGES)

	Three Months Ended April 30,			Six Months Ended April 30,		
	2007	2006	Change	2007	2006	Change
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	(unaudited)					
Net revenues:						
System Solutions	\$191,800	\$128,136	50%	\$381,029	\$246,821	54%
Services	25,413	14,054	81	52,810	29,999	76
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Total net revenues	217,213	142,190	53	433,839	276,820	57
Cost of net revenues:						
System Solutions	104,548	70,346	49	217,591	135,868	60
Amortization of purchased core and developed technology asset	9,562	1,419	nm	19,168	3,012	nm
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Total cost of System Solutions net revenues	114,110	71,765	59	236,759	138,880	70
Services	12,903	7,026	84	25,500	14,939	71
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Total cost of net revenues	127,013	78,791	61	262,259	153,819	70
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Gross profit	90,200	63,399	42	171,580	123,001	39
Operating expenses:						
Research and development	16,238	12,221	33	33,044	23,628	40
Sales and marketing	23,323	14,404	62	45,846	28,605	60
General and administrative	27,181	9,993	172	45,586	19,691	132
Amortization of purchased intangible assets	6,061	1,159	nm	11,389	2,318	nm
In-process research and development	110	-	nm	6,640	-	nm
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Total operating expenses	72,913	37,777	93	142,505	74,242	92
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Operating income	17,287	25,622	-33	29,075	48,759	-40
Interest expense	(9,595)	(3,197)	200	(19,351)	(6,476)	199
Interest income	1,553	927	68	2,525	1,614	56
Other income and expense, net	106	65	63	(31)	266	-112
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Income before income taxes	9,351	23,417	-60	12,218	44,163	-72
Provision for income taxes	4,492	8,381	-46	8,343	15,333	-46
Net income	\$4,859	\$15,036	-68%	\$3,875	\$28,830	-87%
Net income per share:						
Basic	\$0.06	\$0.23		\$0.05	\$0.44	
Diluted	\$0.06	\$0.22		\$0.05	\$0.42	
Weighted-average shares used in computing net income per common share:						
Basic	81,705	65,799		81,343	65,751	
Diluted	84,180	68,959		83,861	68,887	

ADDITIONAL CONSOLIDATED STATEMENTS OF OPERATIONS DISCLOSURES  
(IN THOUSANDS, EXCEPT PERCENTAGES)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2007	2006	2007	2006
	(unaudited)			
GAAP net revenue	\$217,213	\$142,190	\$433,839	\$276,820
Gross profit as reported	90,200	63,399	171,580	123,001
Amortization of purchased core and developed technology assets	9,562	1,419	19,168	3,012
Amortization of step-up in inventory on acquisition	3,429	-	13,732	-
Stock-based compensation	1,191	162	1,964	315
Gross profit excluding amortization of purchased core and developed technology assets, other non-cash acquisition cost and stock-based compensation	\$104,382	\$ 64,980	\$206,444	\$126,328
As a percentage of net revenues:				
Gross profit as reported	41.5%	44.6%	39.5%	44.4%
Gross profit excluding amortization of purchased core and developed technology assets and stock-based compensation	48.1%	45.7%	47.6%	45.6%
	Three Months Ended April 30,		Six Months Ended April 30,	
	2007	2006	2007	2006
Stock-based compensation	(unaudited)			

included above:

Cost of net revenues - System Solutions	\$ 1,191	\$ 162	\$ 1,964	\$ 315
Research and development	1,887	210	3,036	390
Sales and marketing	2,004	409	3,495	740
General and administrative	5,919	408	9,982	667
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	\$ 11,001	\$ 1,189	\$ 18,477	\$ 2,112
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(1) "nm" means not meaningful

(2) Management uses gross profit excluding non-cash acquisition related charges and stock-based compensation, a non-GAAP measure, to evaluate the Company's gross profit and to compare the Company's current results with those of prior periods, but cautions that it should not be considered as a substitute for disclosures made in accordance with GAAP.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

	April 30, 2007	October 31, 2006
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	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 175,760	\$ 86,564
Accounts receivable, net of allowances of \$3,747 and \$2,364	168,375	119,839
Inventories	125,390	86,631
Other current assets	48,017	26,210
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Total current assets	517,542	319,244
Property, plant and equipment	36,236	7,300
Purchased intangible assets, net	199,517	16,544
Goodwill	549,073	52,689
Other assets	74,733	57,168
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Total assets	\$1,377,101	\$452,945
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Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 72,566	\$ 66,685
Income taxes payable	4,573	5,951
Deferred revenue, net	36,175	23,567
Other current liabilities	93,017	54,480
Current portion of long-term debt	5,416	1,985
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Total current liabilities	211,747	152,668
Deferred revenue	9,807	7,371
Long-term debt, less current portion	494,036	190,904
Other long-term liabilities	82,697	3,261
Minority interest	5,632	-
Total stockholders' equity	573,182	98,741
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Total liabilities and stockholders' equity	\$1,377,101	\$452,945
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

	Six Months Ended April 30,	
	2007	2006
	(Unaudited)	
Cash flows from operating activities		
Net income	\$ 3,875	\$ 28,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of purchased intangibles	30,557	5,330
Depreciation and amortization of property, plant and equipment	3,765	1,651
Amortization of capitalized software	570	598
In-process research and development	6,640	-
Amortization of interest rate caps	-	139
Amortization of debt issuance costs	660	539
Stock-based compensation	18,477	2,112
Minority interest	26	-
Other	9	(81)
Net cash provided by operating activities before changes in working capital	64,579	39,118
Changes in operating assets and liabilities:		
Accounts receivable, net	(13,135)	(19,639)
Inventories	24,477	(14,450)
Deferred tax assets	(559)	(1,871)
Prepaid expenses and other current assets	(18,803)	(607)
Other assets	527	42
Accounts payable	(9,597)	17,096
Income taxes payable	1,800	4,593
Tax benefit from stock-based compensation	(4,681)	(1,374)
Accrued compensation	(2,541)	(621)
Accrued warranty	(1,199)	(674)
Deferred revenue	5,532	5,133
Deferred tax liabilities	5,170	-
Accrued expenses and other liabilities	(2,610)	(2,083)
Net cash provided by operating activities	48,960	24,663
Cash flows from investing activities		
Software development costs capitalized	(2,923)	(1,078)
Purchase of property, plant and equipment	(12,479)	(2,161)
Purchase of other assets	-	(1,114)
Purchases of marketable securities	-	(102,508)
Sales and maturities of marketable securities	-	106,625
Acquisition of business, net of cash and cash equivalents acquired	(274,270)	-
Net cash used in investing activities	(289,672)	(236)
Cash flows from financing activities		
Proceeds from long-term debt, net of costs	304,950	-
Repayment of long-term debt	-	(925)
Repayments of capital leases	(4)	(106)
Tax benefit of stock-based compensation	4,681	1,374
Proceeds from exercises of stock options and other	18,570	593

Net cash provided by financing activities	328,197	936
Effect of foreign currency exchange rate changes on cash	1,711	790
Net increase in cash and cash equivalents	89,196	26,153
Cash and cash equivalents, beginning of period	86,564	65,065
Cash and cash equivalents, end of period	\$ 175,760	\$ 91,218
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 18,047	\$ 5,875
Cash paid for taxes	\$ 13,381	\$ 13,289
Supplemental schedule of non-cash transactions:		
Issuance of common stock and stock options for business acquisition	\$ 430,318	\$ -

#### SUPPLEMENTAL DATA

#### VERIFONE HOLDINGS, INC. AND SUBSIDIARIES RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (IN THOUSANDS, EXCEPT PERCENTAGES)

	Three Months Ended April 30,			Six Months Ended April 30,		
	2007	2006	Change	2007	2006	Change
GAAP net income	\$4,859	\$15,036	-68 %	\$3,875	\$28,830	-87 %
Provision for income taxes	4,492	8,381	-46	8,343	15,333	-46
Income before income taxes	9,351	23,417	-60	12,218	44,163	-72
Interest expense excluding acquisition related charges	9,057	3,197	183	18,534	6,476	186
Interest income	(1,553)	(927)	68	(2,525)	(1,614)	56
Depreciation and amortization of equipment and improvements	1,693	877	93	3,765	1,651	128
Amortization of capitalized software	275	323	-15	570	598	-5
Amortization of purchased intangible assets	15,623	2,578	nm	30,557	5,330	nm
Amortization of step-down in deferred revenue on acquisition	922	121	nm	2,436	323	nm
Amortization of step-up in inventory on acquisition	3,429	-	nm	13,732	-	nm
In-process						

research and development	110	-	nm	6,640	-	nm
Stock-based compensation	11,001	1,189	nm	18,477	2,112	nm
Acquisition related charges and restructuring costs	7,162	-	nm	8,235	-	nm
EBITDA as adjusted	\$57,070	\$30,775	85 %	\$112,639	\$59,039	91 %
% of revenue	26.3%	21.6%	21	26.0%	21.3%	22
GAAP net income	\$4,859	\$15,036	-68 %	\$3,875	\$28,830	-87 %
Amortization of purchased intangible assets	15,623	2,578	nm	30,557	5,330	nm
Amortization of step-down in deferred revenue on acquisition	922	121	nm	2,436	323	nm
Amortization of step-up in inventory on acquisition	3,429	-	nm	13,732	-	nm
In-process research and development	110	-	nm	6,640	-	nm
Stock-based compensation	11,001	1,189	nm	18,477	2,112	nm
Amortization of debt issuance costs	332	273	22	660	539	22
Acquisition related charges and restructuring costs	7,162	-	nm	8,235	-	nm
Total adjustments	38,579	4,161	nm	80,737	8,304	nm
Tax effect of adjustments	10,802	1,332	nm	22,606	2,657	nm
Estimated long term tax rate	28.0%	32.0%	nm	28.0%	32.0%	nm
Valuation allowance on IPR&D	-	-	nm	1,782	-	nm
Adjustments after tax	27,777	2,829	nm	59,913	5,647	nm
Net Income as Adjusted	\$32,636	\$17,865	83 %	\$63,788	\$34,477	85 %
% of net revenue	15.0%	12.6%	20 %	14.7%	12.5%	18 %

Net Income as Adjusted per diluted share	\$0.39	\$0.26	50 %	\$0.76	\$0.50	52 %
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Weighted-average shares used in computing diluted net income as adjusted per common share	84,180	68,959		83,861	68,887	
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- (1) "nm" means not meaningful  
(2) Management uses EBITDA as Adjusted and Net Income as Adjusted, both non-GAAP measures to evaluate the Company's operating performance and compare the Company's current results with those for prior periods, but cautions that they should not be considered as substitutes for disclosures made in accordance with GAAP.  
(3) The tax effect of in-process research and development is treated as a discrete item resulting in an increase in the non-cash valuation allowance and tax rate for the six month ending April 30, 2007.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES  
GEOGRAPHIC REVENUE INFORMATION  
(IN THOUSANDS, EXCEPT PERCENTAGES)

	Three Months Ended April 30,			Six Months Ended April 30,		
	2007	2006	Change	2007	2006	Change
North America	\$ 96,040	\$ 80,466	19 %	\$185,110	\$157,641	17 %
Latin America	41,497	26,529	56	82,168	50,445	63
Europe	68,975	26,151	164	140,383	49,200	185
Asia	11,623	9,165	27	28,614	19,857	44
Corporate	(922)	(121)	nm	(2,436)	(323)	nm
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	\$217,213	\$142,190	53 %	\$433,839	\$276,820	57 %
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VERIFONE HOLDINGS, INC.  
RECONCILIATION OF GUIDANCE FOR NON-GAAP FINANCIAL MEASURES  
TO PROJECTED GAAP REVENUE AND NET INCOME  
(In \$ million, except per share data; unaudited)

	Three months ending July 31, 2007					
	Non-GAAP Range of Estimates			Adjustments	GAAP Range of Estimates	
	From	To	From		To	
Net income	\$32.6	\$33.4	(\$19.4)(a)	\$13.2	\$14.0	
	=====	=====		=====	=====	
Net income per share - diluted	\$0.39	\$0.40		\$0.16	\$0.17	
	=====	=====		=====	=====	
Shares used to compute net income per share (millions)	84.4	84.4		84.4	84.4	

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(a) Reflects estimated adjustments as follows:	Before Tax	After Tax @28%
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(i) Amortization of purchased intangible assets	\$15.4	\$11.1
(ii) Stock-based compensation	7.5	5.4
(iii) Acquisition related charges	3.0	2.2
(iv) Amortization of step-down in deferred revenue	0.7	0.5
(v) Amortization of debt issuance costs	0.3	0.2
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Total adjustments	\$26.9	\$19.4
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