

TSYS  
Financial Highlights  
(In thousands, except per share data)

|   | Three months ended<br>June 30, |                    |                      | Six months ended<br>June 30, |                    |                      |
|---|--------------------------------|--------------------|----------------------|------------------------------|--------------------|----------------------|
|   | 2004                           | 2003               | Percentage<br>Change | 2004                         | 2003               | Percentage<br>Change |
| <b>Revenues</b>   |                                |                    |                      |                              |                    |                      |
| Electronic payment processing services  | \$ 191,863                     | 177,306            | 8.2 %                | \$ 375,619                   | 345,132            | 8.8 %                |
| Other services  | 41,827                         | 25,755             | 62.4                 | 82,675                       | 50,808             | 62.7                 |
| Revenues before reimbursables   | 233,690                        | 203,061            | 15.1                 | 458,294                      | 395,940            | 15.7                 |
| Reimbursable items  | 55,932                         | 54,638             | 2.4                  | 116,564                      | 113,112            | 3.1                  |
| Total revenues  | <u>289,622</u>                 | <u>257,699</u>     | 12.4                 | <u>574,858</u>               | <u>509,052</u>     | 12.9                 |
| <b>Expenses</b>   |                                |                    |                      |                              |                    |                      |
| Employment expenses   | 82,224                         | 83,600             | (1.6)                | 170,086                      | 159,696            | 6.5                  |
| Net occupancy & equipment expenses  | 66,153                         | 50,407             | 31.2                 | 124,164                      | 102,027            | 21.7                 |
| Other expenses  | 37,701                         | 24,312             | 55.1                 | 72,252                       | 46,329             | 56.0                 |
| (Gain)/Loss on disposal of equipment  | 340                            | (13)               | nm                   | 378                          | (35)               | nm                   |
| Expenses before reimbursables   | 186,418                        | 158,306            | 17.8                 | 366,880                      | 308,017            | 19.1                 |
| Reimbursable items  | 55,932                         | 54,638             | 2.4                  | 116,564                      | 113,112            | 3.1                  |
| Total operating expenses  | <u>242,350</u>                 | <u>212,944</u>     | 13.8                 | <u>483,444</u>               | <u>421,129</u>     | 14.8                 |
| Operating Income  | <u>47,272</u>                  | <u>44,755</u>      | 5.6                  | <u>91,414</u>                | <u>87,923</u>      | 4.0                  |
| <b>Other Income:</b>  |                                |                    |                      |                              |                    |                      |
| Interest income   | 537                            | 1,230              | (56.3)               | 1,042                        | 1,881              | (44.6)               |
| Interest expense  | (39)                           | (17)               | nm                   | (782)                        | (30)               | nm                   |
| (Loss) Gain on foreign currency translation, net  | (30)                           | 1,788              | nm                   | (101)                        | 1,162              | nm                   |
| Other Income (Expense)  | <u>468</u>                     | <u>3,001</u>       | nm                   | <u>159</u>                   | <u>3,013</u>       | nm                   |
| Income before Income Taxes, Minority Interest<br>and Equity in Income of Joint Ventures | 47,740                         | 47,756             | 0.0                  | 91,573                       | 90,936             | 0.7                  |
| Income Taxes  | 18,471                         | 18,108             | 2.0                  | 35,226                       | 33,622             | 4.8                  |
| Minority Interest   | (67)                           | (142)              | 52.9                 | (160)                        | (260)              | 38.5                 |
| Equity in Income of Joint Ventures  | <u>6,684</u>                   | <u>4,800</u>       | 39.3                 | <u>12,260</u>                | <u>8,988</u>       | 36.4                 |
| Net Income  | <u>\$ 35,886</u>               | <u>34,306</u>      | 4.6 %                | <u>\$ 68,447</u>             | <u>66,042</u>      | 3.6 %                |
| Basic Earnings Per Share  | <u>\$ 0.18</u>                 | <u>0.17</u>        | 4.5 %                | <u>\$ 0.35</u>               | <u>0.34</u>        | 3.6 %                |
| Diluted Earnings Per Share  | <u>\$ 0.18</u>                 | <u>0.17</u>        | 4.6 %                | <u>\$ 0.35</u>               | <u>0.33</u>        | 3.7 %                |
| Dividend Declared Per Share   | <u>\$ 0.0400</u>               | <u>0.0200</u>      |                      | <u>\$ 0.0600</u>             | <u>0.0375</u>      |                      |
| Average Common Shares Outstanding   | <u>196,846,084</u>             | <u>196,703,341</u> |                      | <u>196,845,247</u>           | <u>196,875,450</u> |                      |
| Average Common and Common<br>Equivalent Shares Outstanding                              | <u>197,175,406</u>             | <u>197,207,696</u> |                      | <u>197,195,425</u>           | <u>197,242,500</u> |                      |
| Effective Tax Rate  | <u>34.2%</u>                   | <u>34.7%</u>       |                      | <u>34.2%</u>                 | <u>33.9%</u>       |                      |

**EFFECTIVE INCOME TAX RATE CALCULATION**

|   |                  |               |                   |               |
|---|------------------|---------------|-------------------|---------------|
| Income taxes (A)  | \$ <u>18,471</u> | <u>18,108</u> | \$ <u>35,226</u>  | <u>33,622</u> |
| Income before Income Taxes, Minority Interest<br>and Equity in Income of Joint Ventures | \$ 47,740        | 47,756        | \$ 91,573         | 90,936        |
| Adjustments: Equity in Income of Vital<br>Minority Interest                             | 6,366            | 4,551         | 11,567            | 8,492         |
|   | (67)             | (142)         | (160)             | (260)         |
| Adjusted Income before income taxes (B)   | \$ <u>54,039</u> | <u>52,165</u> | \$ <u>102,980</u> | <u>99,168</u> |
| Effective Tax Rate (A/B)  | <u>34.2%</u>     | <u>34.7%</u>  | <u>34.2%</u>      | <u>33.9%</u>  |

Note: nm = not meaningful

**TSYS Announces Second Quarter 2004 Earnings**

Page 5 of 9

| TSYS<br>Segment Breakdown<br>(In thousands) |                                  |                                 |              |                                  |                                 |              |
|---|----------------------------------|---------------------------------|--------------|----------------------------------|---------------------------------|--------------|
|   | Three Months Ended June 30, 2004 |                                 |              | Three Months Ended June 30, 2003 |                                 |              |
|   | Domestic-based<br>Services       | International-based<br>Services | Consolidated | Domestic-based<br>Services       | International-based<br>Services | Consolidated |
| Total revenue                               | \$ 262,113                       | 27,511                          | 289,624      | 237,849                          | 19,852                          | 257,701      |
| Intersegment revenue                        | (2)                              | -                               | (2)          | (2)                              | -                               | (2)          |
| Revenues from external customers            | \$ 262,111                       | 27,511                          | 289,622      | 237,847                          | 19,852                          | 257,699      |
| Depreciation and amortization               | \$ 23,484                        | 3,187                           | 26,671       | 20,958                           | 2,537                           | 23,495       |
| Segment operating income                    | \$ 40,498                        | 6,774                           | 47,272       | 41,015                           | 3,740                           | 44,755       |
| Income tax expense                          | \$ 15,934                        | 2,537                           | 18,471       | 16,799                           | 1,309                           | 18,108       |
| Equity in income of joint ventures          | \$ 6,366                         | 318                             | 6,684        | 4,550                            | 250                             | 4,800        |
| Net Income                                  | \$ 31,401                        | 4,485                           | 35,886       | 31,672                           | 2,634                           | 34,306       |
| Average accounts on file                    | 270,123                          | 14,912                          | 285,035      | 247,659                          | 12,992                          | 260,651      |
|   |                                  |                                 |              |                                  |                                 |              |
|   | Six Months Ended June 30, 2004   |                                 |              | Six Months Ended June 30, 2003   |                                 |              |
|   | Domestic-based<br>Services       | International-based<br>Services | Consolidated | Domestic-based<br>Services       | International-based<br>Services | Consolidated |
| Total revenue                               | \$ 522,734                       | 52,129                          | 574,863      | 470,968                          | 38,087                          | 509,055      |
| Intersegment revenue                        | (5)                              | -                               | (5)          | (3)                              | -                               | (3)          |
| Revenues from external customers            | \$ 522,729                       | 52,129                          | 574,858      | 470,965                          | 38,087                          | 509,052      |
| Depreciation and amortization               | \$ 46,763                        | 6,018                           | 52,781       | 40,577                           | 5,020                           | 45,597       |
| Segment operating income                    | \$ 80,071                        | 11,343                          | 91,414       | 82,051                           | 5,872                           | 87,923       |
| Income tax expense                          | \$ 31,096                        | 4,130                           | 35,226       | 31,716                           | 1,906                           | 33,622       |
| Equity in income of joint ventures          | \$ 11,567                        | 693                             | 12,260       | 8,492                            | 496                             | 8,988        |
| Net Income                                  | \$ 60,845                        | 7,602                           | 68,447       | 62,037                           | 4,005                           | 66,042       |
| Average accounts on file                    | 267,154                          | 14,474                          | 281,628      | 243,612                          | 12,817                          | 256,429      |

Note: Revenues for domestic-based services include electronic payment processing services and other services provided from the United States to clients domiciled in the United States or other countries. Revenues from international-based services include electronic payment processing services and other services provided from outside the United States to clients based mainly outside the United States.

**TSYS Announces Second Quarter 2004 Earnings**  
**Page 6 of 9**

| TSYS  |                     |                  |
|---|---------------------|------------------|
| Balance Sheet   |                     |                  |
| (In thousands)  |                     |                  |
|   | Jun 2004            | Dec 2003         |
| <b>Assets</b>   |                     |                  |
| Current assets:   |                     |                  |
| Cash and cash equivalents   | \$ 141,930          | 122,874          |
| Restricted cash   | 7,276               | 7,679            |
| Accounts receivable, net  | 117,407             | 120,646          |
| Deferred income tax assets  | -                   | 401              |
| Prepaid expenses and other current assets   | 26,316              | 22,764           |
| Total current assets  | <u>292,929</u>      | <u>274,364</u>   |
| Property and equipment, net   | 259,866             | 232,076          |
| Computer software, net  | 238,974             | 258,090          |
| Contract acquisition costs, net   | 118,750             | 125,472          |
| Equity investments, net   | 63,228              | 66,708           |
| Goodwill, net   | 29,626              | 29,626           |
| Other assets  | 27,466              | 14,900           |
| Total assets  | <u>\$ 1,030,839</u> | <u>1,001,236</u> |
| <b>Liabilities and Shareholders' Equity</b>   |                     |                  |
| Current liabilities:  |                     |                  |
| Accounts payable  | \$ 27,426           | 17,549           |
| Accrued salaries and employee benefits  | 18,757              | 32,562           |
| Current portion of obligations under capital leases and software arrangements         | 1,064               | 15,231           |
| Billings in excess of costs on uncompleted contracts                                  | 1,407               | 17,573           |
| Deferred income tax liabilities   | 6,658               | -                |
| Other current liabilities   | 85,614              | 64,056           |
| Total current liabilities   | <u>140,926</u>      | <u>146,971</u>   |
| Obligations under capital leases and software arrangements, excluding current portion | 3,178               | 29,748           |
| Deferred income tax liabilities   | 91,423              | 88,544           |
| Total liabilities   | <u>235,527</u>      | <u>265,263</u>   |
| Minority interest in consolidated subsidiary  | <u>3,574</u>        | <u>3,439</u>     |
| <b>Shareholders' Equity:</b>  |                     |                  |
| Common stock  | 19,759              | 19,750           |
| Additional paid-in capital  | 42,716              | 41,574           |
| Accumulated other comprehensive income  | 10,876              | 8,314            |
| Treasury stock  | (13,573)            | (12,426)         |
| Retained earnings   | 731,960             | 675,322          |
| Total shareholders' equity  | <u>791,738</u>      | <u>732,534</u>   |
| Total liabilities and shareholders' equity  | <u>\$ 1,030,839</u> | <u>1,001,236</u> |

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**TSYS Announces Second Quarter 2004 Earnings**  
**Page 7 of 9**

| TSYS<br>Cash Flow<br>(In thousands)   |    |                    |                  |
|---|----|--------------------|------------------|
|   |    | Six Months Ending: |                  |
|   |    | Jun 2004           | Jun 2003         |
| Cash flows from operating activities:   |    |                    |                  |
| Net income  | \$ | 68,447             | 66,042           |
| Adjustments to reconcile net income to net cash provided by operating activities: |    |                    |                  |
| Minority interest in consolidated subsidiary's net income                         |    | 160                | 260              |
| Equity in income of joint ventures  |    | (12,260)           | (8,988)          |
| Loss (gain) on currency translation adjustments, net                              |    | 101                | (1,162)          |
| Depreciation and amortization   |    | 52,781             | 45,597           |
| Noncash charge related to impairment of developed software                        |    | 10,059             | -                |
| Recoveries of bad debt expenses and billing adjustments                           |    | (1,373)            | (97)             |
| Charges for transaction processing  |    | 4,865              | 2,164            |
| Deferred income tax expense   |    | 9,938              | 8,178            |
| Loss (gain) on disposal of equipment, net   |    | 378                | (35)             |
| (Increase)decrease in:  |    |                    |                  |
| Accounts receivable   |    | 4,950              | (11,335)         |
| Prepaid expenses and other assets   |    | (17,645)           | (2,050)          |
| Increase(decrease) in:  |    |                    |                  |
| Accounts payable  |    | 10,759             | 4,596            |
| Accrued salaries and employee benefits  |    | (13,811)           | (19,179)         |
| Billings in excess of costs on uncompleted contracts                              |    | (16,166)           | 28,472           |
| Other current liabilities   |    | 11,272             | (1,799)          |
| Net cash provided by operating activities   |    | <u>112,455</u>     | <u>110,664</u>   |
| Cash flows from investing activities:   |    |                    |                  |
| Purchase of property and equipment  |    | (39,334)           | (107,432)        |
| Additions to purchased computer software  |    | (14,001)           | (20,000)         |
| Additions to internally developed computer software                               |    | (3,703)            | (9,033)          |
| Proceeds from disposal of equipment   |    | 8                  | 66               |
| Cash acquired in acquisition  |    | -                  | 4,442            |
| Cash used in acquisition  |    | -                  | (36,000)         |
| Dividends received from joint ventures  |    | 15,876             | 5,278            |
| Increase in contract acquisition costs  |    | (3,283)            | (13,379)         |
| Net cash used in investing activities   |    | <u>(44,437)</u>    | <u>(176,058)</u> |
| Cash flows from financing activities:   |    |                    |                  |
| Purchase of common stock  |    | (1,188)            | (9,485)          |
| Proceeds from the issuance of long-term debt                                      |    | -                  | 20,234           |
| Principal payments on long-term debt  |    | (42,039)           | (52)             |
| Other   |    | (6,681)            | (6,260)          |
| Net cash (used in) provided by financing activities                               |    | <u>(49,908)</u>    | <u>4,437</u>     |
| Effect of foreign currency translation on cash and cash equivalents               |    | 946                | (39)             |
| Net increase (decrease) in cash and cash equivalents                              |    | 19,056             | (60,996)         |
| Cash and cash equivalents at beginning of year                                    |    | 122,874            | 109,171          |
| Cash and cash equivalents at end of period  | \$ | <u>141,930</u>     | <u>48,175</u>    |

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**Geographic Area Data:**

The following geographic area data represents revenues for the three months ended June 30 based on where the client is domiciled:

|                        | Three Months Ended June 30, |             |              |             |               |
|------------------------|-----------------------------|-------------|--------------|-------------|---------------|
|                        | 2004                        | %           | 2003         | %           | % Chg         |
| (dollars in millions): |                             |             |              |             |               |
| United States          | \$ 237.2                    | 82%         | 209.0        | 81%         | 13.5 %        |
| Canada*                | 21.3                        | 7%          | 19.2         | 7%          | 11.2          |
| Europe                 | 24.2                        | 8%          | 16.9         | 7%          | 43.2          |
| Mexico                 | 2.9                         | 1%          | 9.1          | 4%          | (68.7)        |
| Japan                  | 3.4                         | 1%          | 2.9          | 1%          | 15.9          |
| Other                  | 0.6                         | 0%          | 0.6          | 0%          | 12.4          |
|                        | <u>\$ 289.6</u>             | <u>100%</u> | <u>257.7</u> | <u>100%</u> | <u>12.4 %</u> |

The following geographic area data represents revenues for the six months ended June 30 based on where the client is domiciled:

|                        | Six Months Ended June 30, |             |              |             |               |
|------------------------|---------------------------|-------------|--------------|-------------|---------------|
|                        | 2004                      | %           | 2003         | %           | % Chg         |
| (dollars in millions): |                           |             |              |             |               |
| United States          | \$ 474.3                  | 83%         | 417.6        | 82%         | 13.6 %        |
| Canada*                | 41.0                      | 7%          | 35.1         | 7%          | 16.6          |
| Europe                 | 45.5                      | 8%          | 32.4         | 6%          | 40.6          |
| Mexico                 | 5.8                       | 1%          | 17.1         | 3%          | (66.0)        |
| Japan                  | 6.9                       | 1%          | 5.7          | 1%          | 19.6          |
| Other                  | 1.4                       | 0%          | 1.2          | 0%          | 19.7          |
|                        | <u>\$ 574.9</u>           | <u>100%</u> | <u>509.1</u> | <u>100%</u> | <u>12.9 %</u> |

**Geographic Area Revenue by Operating Segment:**

The following tables reconcile segment revenues to revenues by reporting segment for the three months ended June 30:

|                        | Three Months Ended June 30, |              |                              |             |
|------------------------|-----------------------------|--------------|------------------------------|-------------|
|                        | Domestic-based services     |              | International-based services |             |
|                        | 2004                        | 2003         | 2004                         | 2003        |
| (dollars in millions): |                             |              |                              |             |
| United States          | \$ 237.2                    | 209.0        | -                            | -           |
| Canada*                | 21.3                        | 19.2         | -                            | -           |
| Europe                 | 0.1                         | -            | 24.1                         | 16.9        |
| Mexico                 | 2.9                         | 9.1          | -                            | -           |
| Japan                  | -                           | -            | 3.4                          | 2.9         |
| Other                  | 0.6                         | 0.6          | -                            | -           |
|                        | <u>\$ 262.1</u>             | <u>237.9</u> | <u>27.5</u>                  | <u>19.8</u> |

The following tables reconcile segment revenues to revenues by reporting segment for the six months ended June 30:

|                        | Six Months Ended June 30, |              |                              |             |
|------------------------|---------------------------|--------------|------------------------------|-------------|
|                        | Domestic-based services   |              | International-based services |             |
|                        | 2004                      | 2003         | 2004                         | 2003        |
| (dollars in millions): |                           |              |                              |             |
| United States          | \$ 474.3                  | 417.6        | -                            | -           |
| Canada*                | 41.0                      | 35.1         | -                            | -           |
| Europe                 | 0.2                       | -            | 45.3                         | 32.4        |
| Mexico                 | 5.8                       | 17.1         | -                            | -           |
| Japan                  | -                         | -            | 6.9                          | 5.7         |
| Other                  | 1.4                       | 1.2          | -                            | -           |
|                        | <u>\$ 522.7</u>           | <u>471.0</u> | <u>52.2</u>                  | <u>38.1</u> |

\* These revenues include those generated from the Caribbean accounts owned by a Canadian institution.

Supplemental Information:

|                                 | Accounts on File at: |             |              |             |              |
|---------------------------------|----------------------|-------------|--------------|-------------|--------------|
|                                 | Jun 30, 2004         | %           | Jun 30, 2003 | %           | % Chg        |
| Accounts on File (in millions): |                      |             |              |             |              |
| Consumer                        | 152.0                | 53%         | 145.0        | 55%         | 4.8 %        |
| Retail                          | 86.5                 | 30%         | 82.6         | 31%         | 4.8          |
| Commercial                      | 22.9                 | 8%          | 20.3         | 8%          | 13.0         |
| Government services/EBT         | 14.6                 | 5%          | 6.7          | 3%          | 117.8        |
| Debit/Stored Value              | 11.0                 | 4%          | 7.9          | 3%          | 39.4         |
|                                 | <u>287.0</u>         | <u>100%</u> | <u>262.5</u> | <u>100%</u> | <u>9.4 %</u> |

|   | Jun 30, 2004 | Jun 30, 2003 | % Chg |
|---|--------------|--------------|-------|
| QTD Average Accounts on File (in thousands) | 285.0        | 260.7        | 9.4 % |
| YTD Average Accounts on File (in thousands) | 281.6        | 256.4        | 9.8 % |

|                                 | Accounts on File at: |             |              |             |              |
|---------------------------------|----------------------|-------------|--------------|-------------|--------------|
|                                 | Jun 30, 2004         | %           | Jun 30, 2003 | %           | % Chg        |
| Accounts on File (in millions): |                      |             |              |             |              |
| Domestic                        | 240.1                | 84%         | 217.3        | 83%         | 10.5 %       |
| International                   | 46.9                 | 16%         | 45.2         | 17%         | 3.7          |
|                                 | <u>287.0</u>         | <u>100%</u> | <u>262.5</u> | <u>100%</u> | <u>9.4 %</u> |

Note: The accounts on file between domestic and international is based on the geographic domicile of processing clients.

| Growth in Accounts (in millions):   | Jun 2003 to Jun 2004 | Jun 2002 to Jun 2003 |
|-------------------------------------|----------------------|----------------------|
| Beginning balance                   | 262.5                | 226.7                |
| Change in accounts on file due to:  |                      |                      |
| Internal growth of existing clients | 29.6                 | 23.8                 |
| New clients                         | 6.6                  | 21.5                 |
| Purges/Sales                        | (7.4)                | (9.4)                |
| Deconversions                       | (4.3)                | (0.1)                |
| Ending balance                      | <u>287.0</u>         | <u>262.5</u>         |

| Number of Employees (FTEs): | Jun 30, 2004 | Jun 30, 2003 |
|-----------------------------|--------------|--------------|
| At June 30,                 | 5,519        | 5,543        |
| Quarterly Average           | 5,504        | 5,421        |
| YTD Average                 | 5,564        | 5,370        |