

TSYS Announces 27.1% Increase in Earnings for Third Quarter 2002

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

	Three months ended September 30,			Nine months ended September 30,		
	2002	2001	Percentage Change	2002	2001	Percentage Change
Revenues						
Electronic payment processing services	\$ 153,169	141,564	8.2 %	\$ 441,476	410,891	7.4 %
Other services	25,448	19,591	29.9	81,074	64,769	25.2
Revenues before reimbursables	178,617	161,155	10.8	522,550	475,660	9.9
Reimbursable items	56,314	54,993	2.4	173,221	177,115	(2.2)
Total revenues	<u>234,931</u>	<u>216,148</u>	8.7	<u>695,771</u>	<u>652,775</u>	6.6
Expenses						
Employment	75,874	66,850	13.5	212,613	190,652	11.5
Occupancy & equipment	43,921	41,346	6.2	128,604	126,266	1.9
Other	18,956	19,478	(2.7)	69,113	61,038	13.2
(Gain)/Loss on disposal of equipment	(64)	(1)	nm	(61)	93	nm
Expenses before reimbursables	138,687	127,673	8.6	410,269	378,049	8.5
Reimbursable items	56,314	54,993	2.4	173,221	177,115	(2.2)
Total operating expenses	<u>195,001</u>	<u>182,666</u>	6.8	<u>583,490</u>	<u>555,164</u>	5.1
Equity in Income of Joint Ventures	<u>5,263</u>	<u>4,603</u>	14.3	<u>14,641</u>	<u>12,310</u>	18.9
Operating Income	45,193	38,085	18.7	126,922	109,921	15.5
Other Income	<u>2,765</u>	<u>531</u>	nm	<u>4,078</u>	<u>2,125</u>	91.9
Income before Income Taxes	47,958	38,616	24.2	131,000	112,046	16.9
Income Taxes	<u>15,612</u>	<u>13,157</u>	18.7	<u>42,410</u>	<u>38,617</u>	9.8
Net Income	<u>\$ 32,346</u>	<u>25,459</u>	27.1	<u>\$ 88,590</u>	<u>73,429</u>	20.6
Basic Earnings Per Share	<u>\$ 0.16</u>	<u>0.13</u>	25.6	<u>\$ 0.45</u>	<u>0.38</u>	19.3
Diluted Earnings Per Share	<u>\$ 0.16</u>	<u>0.13</u>	26.0	<u>\$ 0.45</u>	<u>0.38</u>	19.5
Dividend Declared Per Share	<u>\$ 0.0175</u>	<u>0.0150</u>		<u>\$ 0.0500</u>	<u>0.0450</u>	
Average Common Shares Outstanding	<u>197,049,470</u>	<u>194,778,566</u>		<u>197,005,655</u>	<u>194,770,776</u>	
Average Common and Common Equivalent Shares Outstanding	<u>197,358,091</u>	<u>195,712,903</u>		<u>197,608,446</u>	<u>195,649,308</u>	
Other (in millions)						
Depreciation and amortization	<u>\$ 15.3</u>	<u>12.9</u>	18.6	<u>\$ 44.5</u>	<u>40.2</u>	10.9

Note: nm = not meaningful

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TSYS
Segment Breakdown
(In thousands)

	Three Months Ended September 30, 2002			Three Months Ended September 30, 2001		
	Domestic-based	International-based	Consolidated	Domestic-based	International-based	Consolidated
	Transaction Processing	Transaction Processing		Transaction Processing	Transaction Processing	
Total revenue	\$ 218,517	16,701	235,218	204,075	12,309	216,384
Intersegment revenue	(1)	(286)	(287)	(2)	(234)	(236)
Revenues from external customers	<u>\$ 218,516</u>	<u>16,415</u>	<u>234,931</u>	<u>204,073</u>	<u>12,075</u>	<u>216,148</u>
Equity in income of joint ventures	<u>\$ 5,045</u>	<u>218</u>	<u>5,263</u>	<u>4,179</u>	<u>424</u>	<u>4,603</u>
Segment operating income	<u>\$ 44,443</u>	<u>750</u>	<u>45,193</u>	<u>40,211</u>	<u>(2,126)</u>	<u>38,085</u>
Income tax expense	<u>\$ 14,742</u>	<u>870</u>	<u>15,612</u>	<u>14,002</u>	<u>(845)</u>	<u>13,157</u>
Net Income	<u>\$ 30,824</u>	<u>1,522</u>	<u>32,346</u>	<u>26,784</u>	<u>(1,325)</u>	<u>25,459</u>

	Nine Months Ended September 30, 2002			Nine Months Ended September 30, 2001		
	Domestic-based	International-based	Consolidated	Domestic-based	International-based	Consolidated
	Transaction Processing	Transaction Processing		Transaction Processing	Transaction Processing	
Total revenue	\$ 648,407	48,444	696,851	633,386	20,188	653,574
Intersegment revenue	(4)	(1,076)	(1,080)	(5)	(794)	(799)
Revenues from external customers	<u>\$ 648,403</u>	<u>47,368</u>	<u>695,771</u>	<u>633,381</u>	<u>19,394</u>	<u>652,775</u>
Equity in income of joint ventures	<u>\$ 13,963</u>	<u>678</u>	<u>14,641</u>	<u>10,733</u>	<u>1,577</u>	<u>12,310</u>
Segment operating income	<u>\$ 124,508</u>	<u>2,414</u>	<u>126,922</u>	<u>124,178</u>	<u>(14,257)</u>	<u>109,921</u>
Income tax expense	<u>\$ 40,763</u>	<u>1,647</u>	<u>42,410</u>	<u>43,938</u>	<u>(5,321)</u>	<u>38,617</u>
Net Income	<u>\$ 86,034</u>	<u>2,556</u>	<u>88,590</u>	<u>82,409</u>	<u>(8,980)</u>	<u>73,429</u>

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Supplemental Information:

	Sep 2002	Sep 2001	% Chg
Accounts on File (in millions):			
Consumer	141.0	117.4	20.1%
Retail	75.4	77.4	(2.6%)
Commercial	19.4	17.6	10.1%
	<u>235.8</u>	<u>212.4</u>	11.0%

	Sep 2002	Sep 2001	% Chg
Accounts on File (in millions):			
Domestic	206.5	185.8	11.1%
International	29.3	26.6	10.0%
	<u>235.8</u>	<u>212.4</u>	11.0%

Cash Flow Information:

(in thousands)

	Nine Months Ending:	
	Sep 2002	Sep 2001
Cash flows from operating activities:		
Net income	88,590	73,429
Adjustments to net income provided by operating activities:		
Minority interest in consolidated subsidiary's net income	133	92
Equity in income of joint ventures	(14,641)	(12,310)
Depreciation and amortization	44,521	40,152
Provision for doubtful accounts and billing adjustments	3,405	157
Provision for transaction processing accruals	5,666	(1,311)
Other	5,839	(46,186)
Net cash provided by (used in) operating activities	<u>133,513</u>	<u>54,023</u>
Cash flows from investing activities:		
Purchase of property and equipment	(9,627)	(24,127)
Additions to computer software	(42,259)	(34,066)
Increase in contract acquisition costs	(34,317)	(12,710)
Other	23,481	11,373
Net cash used in investing activities	<u>(62,722)</u>	<u>(59,530)</u>
Net cash used in financing activities	<u>(9,120)</u>	<u>(8,013)</u>
Net increase (decrease) in cash and cash equivalents	61,671	(13,520)
Cash and cash equivalents at beginning of year	55,961	80,072
Cash and cash equivalents at end of period	<u>117,632</u>	<u>66,552</u>

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