

TRANSACTION SYSTEMS ARCHITECTS REPORTS

FIRST QUARTER RESULTS

(Omaha, Neb., January 22, 1998)--Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading supplier of application software for electronic payments and electronic commerce, reported record earnings of \$.25 per share (diluted) on revenue of \$61.1 million for the first quarter of fiscal 1998 ending December 31, 1997.

Operating income was \$11.2 million for the quarter compared to an operating income of \$7.6 million for the same quarter last year, an increase of 47 percent. Operating income for the first quarter of 1997 included acquisition related charges from the company's 1993 leveraged buyout totaling \$851 thousand. Without these charges, operating income on a pro forma basis was \$8.5 million for the first quarter of 1997. Compared to 1997 pro forma operating income, the current quarter increase over last year was 32 percent.

The company reported net income of \$7.2 million, \$.25 per share (diluted), for the current quarter as compared to \$4.3 million, \$.15 per share (diluted) in the first quarter 1997. Compared to net income and earnings per share for first quarter 1997, the current quarter increase was 70 percent and 67 percent, respectively. Net income and earnings per share on a pro forma basis for the first quarter of 1997 was \$5.0 million, \$.18 per share (diluted). Compared to pro forma net income and earnings per share in 1997, the current quarter increase was 44 percent and 39 percent, respectively.

The company finished the quarter with \$149.5 million in backlog consisting of \$51.3 million in non-recurring revenue and \$98.2 million in recurring revenues. Backlog increased \$38.1 million, a 34 percent increase compared to December 31, 1996. Non-recurring revenues are composed of fees specified in software and services contracts the company expects to recognize in the next 12 months. Recurring revenues include all monthly license fees, maintenance fees and facilities management fees that the company expects to recognize over the next 12 months.

Cash flow from operating activities was \$5.7 million for the first quarter of 1998. The cash balance on hand for the first quarter of fiscal 1998 ending December 31, 1997 was \$47 million.

"We are pleased with our first quarter results, as it provides us with a very good start for fiscal year 1998," said William E. Fisher, chairman, chief executive officer and president of Transaction Systems Architects. "Revenue growth in our European and Americas region was solid with 28 percent and

21 percent, respectively. Asia/Pacific which represents less than 12 percent of total revenue achieved a 15 percent growth rate despite the economic challenges within its region."

Transaction Systems Architects software facilitates electronic payments by providing consumers and companies access to their money. Its products are used to process transactions involving credit cards, debit cards, smart cards, home banking services, checks, wire transfers as well as automated clearing and settlement. Transaction Systems' solutions are used on more than 2,800 product systems in 69 countries on six continents.

FINANCIAL HIGHLIGHTS FOLLOW

TRANSACTION SYSTEMS ARCHITECTS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited and in thousands)

	December 31, 1997	September 30, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,966	\$ 46,600
Billed receivables, net	40,501	39,864
Accrued receivables	25,399	25,063
Deferred income taxes	4,044	3,517
Other	3,184	3,043
<u>Total current assets</u>	<u>120,094</u>	<u>118,087</u>
Property and equipment, net	16,392	16,263
Software, net	6,504	6,105
Intangible assets, net	9,431	9,539

Installment receivables	1,298	2,394
Investment and notes receivable	10,844	7,969
Other	4,792	4,877
<u>Total assets</u>	<u>\$ 169,355</u>	<u>\$ 165,234</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of long-term debt	\$ 802	\$ 768
Current portion of capital lease obligations	551	524
Accounts payable	6,325	7,896
Accrued employee compensation	4,278	5,559
Accrued liabilities	8,105	9,048
Income taxes	8,419	6,230
Deferred revenue	26,574	28,792
<u>Total current liabilities</u>	<u>55,054</u>	<u>58,817</u>

Long-term debt	1,609	1,465
Capital lease obligations	1,013	914
<u>Total liabilities</u>	<u>57,676</u>	<u>61,196</u>

Stockholders' equity:

Class A Common Stock	135	134
Class B Common Stock	6	6
Additional paid-in capital	104,626	103,708
Accumulated translation adjustments	(618)	(260)
Retained earnings	7,542	462
Treasury stock, at cost	(12)	(12)
<u>Total stockholders' equity</u>	<u>111,679</u>	<u>104,038</u>

Total liabilities and stockholders' equity \$ 169,355 \$ 165,234

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share amounts)

	Three Months Ended December 31,	
	1997	1996
Revenues:		
Software license fees	\$ 35,774	\$ 27,139
Maintenance fees	11,349	10,106
Services	12,548	12,041
Hardware, net	1,388	553
<u>Total revenues</u>	<u>61,059</u>	<u>49,839</u>
Expenses:		
Cost of software license fees:		
Software costs	7,282	5,555
Amortization of purchased software	-	801
Cost of maintenance and services	13,335	12,712
Research and development	5,505	4,079
Selling and marketing	13,752	10,569
General and administrative:		
General and administrative costs	9,674	8,291
Amortization of goodwill and purchased		

intangibles	315	217
Total expenses	49,863	42,224
<u>Operating income</u>	<u>11,196</u>	<u>7,615</u>
Other income (expense):		
Interest income	591	442
Interest expense	(20)	(57)
Other	(80)	(317)
<u>Total other</u>	<u>491</u>	<u>68</u>
Income before income taxes	11,687	7,683
Provision for income taxes	(4,447)	(3,415)
<u>Net income</u>	<u>\$ 7,240</u>	<u>\$ 4,268</u>
Earnings Per Share Data:		
Basic:		
Net income	\$ 0.26	\$ 0.15
Average Shares outstanding	28,071	27,756
Diluted:		
Net income	\$ 0.25	\$ 0.15
Average Shares outstanding	29,064	28,613