

S1 Corporation and Subsidiaries
Consolidated Balance Sheets
(In thousands)
(Unaudited)

	September 30, 2005	December 31, 2004
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Assets		
Current assets:		
Cash and cash equivalents	\$55,907	\$43,223
Short term investments	45,715	65,248
Accounts receivable, net of allowances	62,522	61,216
Prepaid expenses	5,897	6,113
Other current assets	3,361	5,485
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Total current assets	173,402	181,285
Property and equipment, net	14,020	15,150
Intangible assets, net	19,638	22,766
Goodwill, net	117,831	117,699
Other assets	2,911	3,981
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Total assets	\$327,802	\$340,881
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Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$4,178	\$6,253
Accrued salaries and benefits	9,115	14,269
Accrued other expenses and restructuring	17,385	20,706
Deferred revenues	39,557	33,302
Current portion of capital lease obligation	1,232	1,523
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Total current liabilities	71,467	76,053
Other liabilities	8,090	9,832
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Total liabilities	79,557	85,885
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Stockholders' equity:		
Preferred stock	10,000	10,000
Common stock	744	742
Additional paid-in capital	1,915,580	1,913,913
Treasury stock	(25,000)	(21,593)
Accumulated deficit	(1,650,607)	(1,646,147)
Accumulated other comprehensive loss	(2,472)	(1,919)
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Total stockholders' equity	248,245	254,996
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Total liabilities and stockholders' equity	\$327,802	\$340,881
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S1 CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended	Nine Months Ended	
	09/30/2005	09/30/2004	09/30/2005
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Revenues:

Software licenses	\$10,593	\$11,397	\$37,780	\$32,347
Support and maintenance	17,518	15,472	52,937	46,727
Professional services	18,935	23,956	60,577	66,720
Data center	10,181	9,153	29,728	28,022
Other	648	332	1,304	2,000
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Total revenues	57,875	60,310	182,326	175,816
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Direct costs:				
Software licenses	2,060	2,128	5,290	6,569
Professional services, support and maintenance	20,862	18,497	60,850	53,292
Data center	4,245	4,056	12,467	12,891
Other	434	135	697	1,583
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Total direct costs	27,601	24,816	79,304	74,335
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Gross margin	30,274	35,494	103,022	101,481
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Operating expenses:				
Selling and marketing	11,032	8,870	32,334	25,964
Product development	12,764	12,991	39,279	40,269
General and administrative	7,509	6,984	23,915	19,983
Restructuring costs	4,255	-	4,255	-
Depreciation and amortization	2,314	2,625	7,428	7,721
Amortization of other intangibles	358	222	1,015	687
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Total operating expenses	38,232	31,692	108,226	94,624
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Operating (loss) income	(7,958)	3,802	(5,204)	6,857
Interest, investment and other income (expense), net	655	180	1,548	(526)
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(Loss) income before income taxes	(7,303)	3,982	(3,656)	6,331
Income tax expense	(193)	(635)	(1,228)	(1,096)
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(Loss) income from continuing operations	(7,496)	3,347	(4,884)	5,235
Discontinued operations:				
Loss from operations of discontinued operations	-	(128)	(31)	(952)
Gain on disposal of discontinued operations, net of tax	-	-	455	-
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Net (loss) income	<u>\$ (7,496)</u>	<u>\$ 3,219</u>	<u>\$ (4,460)</u>	<u>\$ 4,283</u>
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Net (loss) income per share:				
Basic:				
Continuing operations	(0.11)	0.05	(0.07)	0.07
Discontinued operations	-	(0.00)	0.01	(0.01)
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Net (loss) income	<u>\$ (0.11)</u>	<u>\$ 0.05</u>	<u>\$ (0.06)</u>	<u>\$ 0.06</u>
	=====	=====	=====	=====
Diluted:				
Continuing operations	(0.11)	0.04	(0.07)	0.07
Discontinued operations	-	(0.00)	0.01	(0.01)
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Net (loss) income	<u>\$ (0.11)</u>	<u>\$ 0.04</u>	<u>\$ (0.06)</u>	<u>\$ 0.06</u>
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Weighted average common shares outstanding - basic	70,303,365	70,506,931	70,361,627	70,692,776
Weighted average common shares and equivalents - diluted	n/a	72,699,694	n/a	73,106,864
Common shares outstanding at end of period	70,346,563	70,195,318	70,346,563	70,195,318
Gross margin percentages:				
Software licenses	81%	81%	86%	80%
Professional services, support and maintenance	43%	53%	46%	53%
Data center	58%	56%	58%	54%
Other	33%	59%	47%	21%
Total gross margin	52%	59%	57%	58%

S1 Corporation
Statements of Operations by Segment
For the Quarter Ended September 30, 2005
(In thousands, except share and per share data)
(Unaudited)

	Financial Institutions	Edify	Eliminations	Total
Software licenses	\$6,684	\$3,980	\$ (71)	\$10,593
Support and maintenance	12,938	4,870	(290)	17,518
Professional services	17,697	1,238		18,935
Data center	10,181	-		10,181
Other	648	-		648
Total Revenue:	48,148	10,088	(361)	57,875
Direct costs:				
Software licenses	1,025	1,106	(71)	2,060
Professional services, support and maintenance	18,729	2,423	(290)	20,862
Data center	4,245	-		4,245
Other	434	-		434
Total direct costs	24,433	3,529	(361)	27,601
Gross margin	23,715	6,559	-	30,274
Operating expenses:				
Selling and marketing	8,352	2,680		11,032
Product development	11,331	1,433		12,764
General and administrative	6,610	899		7,509
Restructuring costs	4,255	-		4,255
Depreciation and amortization	2,198	116		2,314
Amortization of other intangibles	358	-		358
Total operating expenses	33,104	5,128	-	38,232
Operating (loss)	(9,389)	1,431	-	(7,958)

Interest, investment and other income (expense), net	781	(126)		655
Income tax expense	(192)	(1)		(193)
Loss from continuing operations	<u>\$ (8,800)</u>	<u>\$1,304</u>	<u>\$-</u>	<u>\$ (7,496)</u>
Loss from continuing operations - basic	<u>\$ (0.13)</u>	<u>\$0.02</u>		<u>\$ (0.11)</u>
Loss from continuing operations - diluted	<u>\$ (0.13)</u>	<u>\$0.02</u>		<u>\$ (0.11)</u>
Weighted average common shares outstanding - basic	70,303,365	70,303,365		70,303,365
Weighted average common shares outstanding - diluted	n/a	n/a		n/a

S1 Corporation
Statements of Operations by Segment
For the Quarter Ended June 30, 2005
(In thousands, except share and per share data)
(Unaudited)

	Financial Institutions	Edify	Elimin- ations	Total
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Software licenses	\$11,797	\$2,256	\$ (112)	\$13,941
Support and maintenance	13,268	4,631	(355)	17,544
Professional services	19,194	1,131	-	20,325
Data center	9,883	-	-	9,883
Other	344	-	-	344
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Total Revenue:	54,486	8,018	(467)	62,037
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Direct costs:				
Software licenses	1,421	215	(112)	1,524
Professional services, support and maintenance	18,046	2,317	(355)	20,008
Data center	4,019	-	-	4,019
Other	94	-	-	94
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Total direct costs	23,580	2,532	(467)	25,645
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Gross margin	30,906	5,486	-	36,392
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Operating expenses:				
Selling and marketing	9,014	2,493	-	11,507
Product development	11,304	1,410	-	12,714
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General and administrative	6,780	818	-	7,598
Depreciation and amortization	2,425	129	-	2,554
Amortization of other intangibles	328	-	-	328
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Total operating expenses	29,851	4,850	-	34,701
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Operating income	1,055	636	-	1,691
Interest, investment and other				

income (expense), net	794	(37)	-	757
Income tax expense	(552)	(4)	-	(556)
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Income from continuing operations	<u>\$1,297</u>	<u>\$595</u>	<u>\$-</u>	<u>\$1,892</u>
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Income from continuing operations - basic	<u>\$0.02</u>	<u>\$0.01</u>		<u>\$0.03</u>
	=====	=====		=====
Income from continuing operations - diluted	<u>\$0.02</u>	<u>\$0.01</u>		<u>\$0.03</u>
	=====	=====		=====
Weighted average common shares outstanding - basic	70,191,090	70,191,090		70,191,090
Weighted average common shares outstanding - diluted	70,872,560	70,872,560		70,872,560

S1 Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months	
	September 30, 2005	September 30, 2004
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Cash flows from operating activities:		
Net (loss) income	\$(4,460)	\$4,283
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization and goodwill impairment charge	11,163	10,433
Equity in net loss of unconsolidated subsidiary	-	750
Compensation expense for stock options	570	-
Provision for doubtful accounts receivable and billing adjustments	3,211	1,087
Changes in assets and liabilities, excluding effects of acquisition:		
Increase in accounts receivable	(4,842)	(11,584)
Decrease in prepaid expenses and other assets	3,472	913
Decrease in accounts payable	(1,831)	(1,148)
Decrease in accrued expenses and other liabilities	(9,067)	(11,177)
Increase (decrease) in deferred revenue	5,654	(7,764)
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Net cash provided by (used in) operating activities	3,870	(14,207)
Net cash provided by investing activities	12,937	4,121
Net cash used in financing activities	(3,585)	(8,935)
Effect of exchange rate changes on cash and cash equivalents	(538)	(53)
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Net increase (decrease) in cash and cash equivalents	12,684	(19,074)
Cash and cash equivalents at beginning of period	43,223	76,713
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Cash and cash equivalents at end of period	\$55,907	\$57,639
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Property and equipment acquired through leases	\$527	\$1,547
Maintenance agreement financed through vendor	-	1,201