

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 3, 2004

CHECKFREE CORPORATION

(Exact Name of Registrant as specified in its charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

0-26802
(Commission File No.)

58-2360335
(IRS Employer
Identification
Number)

4411 East Jones Bridge Road
Norcross, Georgia 30092
(678) 375-3000
(Address, including zip code, and telephone number
including area code of Registrant's
principal executive offices)

Not Applicable
(Former name or former address, if changed since last report)

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

| <i>Exhibit No.</i> | <i>Description</i> |
|--------------------|--|
| 99.1* | CheckFree Corporation's Press Release issued August 3, 2004. |

* Such press release is being "furnished" (not filed) pursuant to Item 12 of this Current Report on Form 8-K.

Item 12. Results of Operations and Financial Condition.

On August 3, 2004, CheckFree Corporation ("CheckFree") issued a press release announcing its financial results for the fourth quarter ended June 30, 2004, and its expectations for the first quarter ended September 30, 2004 and fiscal 2005 (the "Press Release"). Pursuant to General Instruction F of Form 8-K, a copy of the Press Release is furnished as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference. The information in this Form 8-K, including Exhibit 99.1, shall not be treated as "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

CheckFree will broadcast its third quarter conference call at 5:00 p.m. (EDT) on August 3, 2004 to review its financial results for the fourth quarter and year ended June 30, 2004, and its expectations for the first quarter ending September 30, 2004 and fiscal 2005. To phone into the conference call, dial 1-877-232-1067 anytime after 4:45 p.m. (EDT) and ask for the CheckFree conference call. CheckFree will also broadcast the call on the Internet. The live conference call will be accessible through the Investor Center section of the CheckFree corporate Web site at <http://www.checkfreecorp.com>. A digital replay of the call will be available on the same Web site after 7:00 p.m. (EDT) on August 3, 2004.

Certain of the CheckFree's statements contained or incorporated by reference in this Form 8-K are not purely historical, and as such are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements regarding management's intentions, plans, beliefs, expectations or projections of the future, and include statements regarding forecasts and expectations of revenue, earnings and free cash flow for the first quarter of fiscal 2005 and fiscal 2005 as a whole, and the performance of each of CheckFree's divisions and sequential transaction growth in the first quarter of fiscal 2005 (paragraphs 5, 8, 9, 10, 11 and 12 of the Press Release). Forward-looking statements involve risks and uncertainties, including without limitation, the various risks inherent in CheckFree's business, and other risks and uncertainties detailed from time to time in CheckFree's periodic reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended June 30, 2003 (filed September 15, 2003), and Quarterly Reports on Form 10-Q for the quarters ended September 30, 2003 (filed November 13, 2003), December 31, 2003 (filed February 12, 2004), and March 31, 2004 (filed May 14, 2004). One or more of these factors have affected, and could in the future affect, CheckFree's business and financial results in future periods, and could cause actual results to differ materially from plans and projections. There can be no assurance that the forward-looking statements contained or incorporated by reference in this Form 8-K will prove to be accurate, and issuance of such forward-looking statements should not be regarded as a representation by CheckFree, or any other person, that the objectives and plans of CheckFree will be achieved. All forward-looking statements contained or incorporated by reference in this Form 8-K are based on information presently available to management, and CheckFree assumes no obligation to update any forward-looking statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CheckFree Corporation

Date: August 3, 2004

By: /s/ David E. Mangum

David E. Mangum, Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.

Description

99.1* CheckFree Corporation's Press Release issued August 3, 2004.

* The Press Release is being "furnished" (not filed) under Item 12 of this Current Report on Form 8-K.



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FOR IMMEDIATE RELEASE

CheckFree Announces Fourth Quarter and Annual Results for Fiscal 2004

ATLANTA (August 3, 2004) — CheckFree Corporation (NASDAQ: CKFR) today announced fourth quarter consolidated revenue of \$160.0 million, representing 11 percent growth over the same period last year. The Company's GAAP (Generally Accepted Accounting Principles) net income for the quarter was \$11.4 million or \$0.12 per share, and underlying net income was \$27.3 million, or \$0.30 per share. CheckFree reported consolidated revenue of \$606.5 million for fiscal 2004, representing 10 percent growth over fiscal 2003. For the year, the Company's GAAP net income was \$10.5 million, or \$0.11 per share, and underlying net income was \$96.5 million, or \$1.05 per share. Free cash flow was \$47.5 million for the fourth quarter, and \$147.8 million for the year as outlined in **Attachment A**.

GAAP Results: For the fourth quarter, the Company's GAAP net income of \$11.4 million compared to a net loss of \$17.0 million for the same quarter last year. Earnings per share were \$0.12, compared to a loss per share of \$0.19 for the same quarter last year. For fiscal 2004, net income was \$10.5 million, or \$0.11 per share, compared to a net loss of \$52.2 million, or \$0.59 per share for fiscal 2003. Net cash provided by operating activities was \$53.9 million for the fourth quarter of 2004, compared to \$41.9 million for the same period last year. Net cash provided by operating activities was \$171.1 million for fiscal 2004, compared to \$157.8 million for fiscal 2003.

Underlying Results: For the fourth quarter, the Company reported underlying net income of \$27.3 million, compared to \$20.0 million for the same quarter of last year. Underlying earnings per share were \$0.30 for the fourth quarter of fiscal 2004, compared to underlying earnings per share of \$0.22 for the fourth quarter of last year. For fiscal 2004, underlying net income was \$96.5 million, or \$1.05 per share, compared to underlying net income of \$72.2 million, or \$0.81 per share, for fiscal 2003. Underlying net income and earnings per share for the fourth quarter of fiscal 2004 exclude the amortization of acquisition-related intangible assets and related tax benefits. Underlying net income and earnings per share for the fourth quarter of fiscal 2003 exclude the amortization of acquisition-related intangible assets, an intangible asset impairment charge, a true-up of a previous reorganization charge and related tax benefits. A reconciliation of CheckFree's quarterly and annual underlying results to its GAAP results is included in **Attachment A**.

"Our results reflect continued solid execution for the quarter and our fiscal year overall," said CheckFree Chairman and Chief Executive Officer, Pete Kight. "During the year, we significantly increased the number of Consumer Service Providers offering electronic billing and payment services to consumers and extended the services we offer to billers. We also continued to enhance our infrastructure with sizable investments in advanced customer care capability and development of the next generation platform serving our money manager and broker/dealer clients."

“Delivering process excellence, driving innovation, and defining the quality experience for our customers and their customers will continue to be our focus in fiscal 2005,” he added. “We will continue to consider opportunities for growth by acquisition, optimization of our infrastructure and strategic partnerships.”

Fourth Quarter Highlights

On June 22, 2004, CheckFree completed its acquisition of American Payment Systems, Inc. (APS), a Connecticut-based company offering walk-in bill payment services to 7 million households at more than 10,000 retail and agent locations throughout the United States. The acquisition combines the APS footprint with CheckFree’s current electronic billing and payment infrastructure to offer billing organizations a wider number of payment processing services from a single company.

The Company reported that its Electronic Commerce division processed more than 162.8 million transactions in the quarter, exclusive of APS transactions, a 7 percent sequential increase over the third quarter of fiscal 2004; and delivered 25.9 million electronic bills, a 15 percent sequential increase over the third quarter of fiscal 2004. Refer to **Attachment B** for details on the financial performance of CheckFree’s divisions in the fourth quarter of fiscal 2004 and the year ending June 30, 2004; and **Attachment C** for core electronic billing and payment metrics.

Financial Outlook

“For fiscal 2005, we expect earnings per share in the range of \$0.39 to \$0.45 on a GAAP basis,” said CheckFree Chief Financial Officer, David Mangum. “On an underlying basis, the Company expects earnings per share in the range of \$1.26 to \$1.30. These expectations include a full year of operations for APS within our Electronic Commerce division. We expect APS to be about neutral to GAAP earnings per share, and approximately \$0.03 to \$0.04 accretive to underlying earnings per share in fiscal 2005. We expect free cash flow to exceed \$145 million, which reflects our becoming a cash taxpayer early in the fiscal year.”

“For the first quarter of fiscal 2005, the Company expects revenue in the range of \$170 to \$175 million, with GAAP earnings per share in the range of \$0.03 to \$0.06, and underlying earnings per share in the range of \$0.24 to \$0.26,” he added. “Included in the first quarter outlook, we expect APS to contribute more than \$14 million of revenue and about 27 million bill payment transactions, which will be reported in the Payment Services category of our Electronic Commerce division,” Mangum continued.

The differences between GAAP and underlying earnings per share expected for fiscal 2005 and the first quarter of fiscal 2005 are due to acquisition-related intangible amortization expense and related tax benefits.

“We expect continued steady performance from our Investment Services division during the first quarter, while our Software division is expected to experience a typical seasonally light first quarter for license sales,” Mangum continued. “In Electronic Commerce, we expect first quarter sequential quarterly transaction growth to be in the range of 6 to 8 percent, excluding APS,” he concluded.

Use of Non-GAAP Financial Information

Management evaluates the Company's operations using measures of underlying income, underlying earnings per share, and free cash flow. These financial measures are not prepared in accordance with GAAP and they exclude or include items that represent either non-cash charges that do not impact the Company's free cash flow or other items that are evaluated separately as they arise. The Company believes these measures are useful to investors because they reflect the performance of the Company's core operations and are consistent with the Company's internal performance measures. Further, the Company considers free cash flow to be a measure of liquidity that provides useful information to management and investors about the amount of cash generated by the Company that can be used for strategic and other purposes. CheckFree's underlying results and free cash flow should be considered in addition to, and not as a substitute for, our GAAP results.

Conference Call on the Internet

CheckFree will broadcast its fourth quarter conference call at 5:00 p.m. (EDT) today to review its financial results for the fourth quarter and year ended June 30, 2004, and its expectations for the first quarter of fiscal 2005 and fiscal year 2005. To phone into the conference call, dial 1-877-232-1067 anytime after 4:45 p.m. (EDT) and ask for the CheckFree Conference Call. CheckFree will also broadcast the call on the Internet. The live conference call will be accessible through the Investor Center section of the CheckFree corporate Web site at <http://www.checkfreecorp.com>. A digital replay of the call will be available on the same Web site after 7:00 p.m. (EDT).

About CheckFree (www.checkfreecorp.com)

Founded in 1981, CheckFree Corporation (NASDAQ: CKFR) provides financial electronic commerce services and products to organizations around the world. CheckFree Electronic Commerce solutions enable thousands of financial services providers and billers to offer their customers the convenience of receiving and paying their household bills online or in person through retail outlets. CheckFree Investment Services provides a broad range of investment management solutions and outsourced services to thousands of financial services organizations, which manage more than \$900 billion in assets. CheckFree Software develops, markets and supports software applications that are used by financial institutions to process more than two-thirds of the 10 billion Automated Clearing House transactions in the United States. The division also provides global trade processing, reconciliation, financial messaging, compliance and electronic billing and statement software to thousands of organizations across the globe.

Certain of the Company's statements in this press release are not purely historical, and as such are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements regarding management's intentions, plans, beliefs, expectations or projections of the future, and include statements in this document regarding forecasts and expectations of revenue, earnings and free cash flow for the first quarter of fiscal 2005 and fiscal 2005 as a whole, and the performance of each of our divisions and sequential transaction growth in the first quarter of fiscal 2005 (paragraphs 5, 8, 9, 10, 11 and 12). Forward-looking statements involve risks and uncertainties, including without limitation, the various risks inherent in the Company's business, and other risks and uncertainties detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended June 30, 2003 (filed September 15, 2003); and Quarterly Reports on Form 10-Q for the quarters ended September 30, 2003 (filed November 13, 2003), December 31, 2003 (filed February 12, 2004), and March 31, 2004 (filed May 14, 2004). One or more of these factors have affected, and could in the future affect, the Company's business and financial results in future periods, and could cause actual results to differ materially from plans and projections. There can be no assurance that the forward-looking statements made in this document will prove to be accurate, and issuance of such forward-looking statements should not be regarded as a representation by the Company, or any other person, that the objectives and plans of the Company will be achieved. All forward-looking statements made in this press release are based on information presently available to management, and the Company assumes no obligation to update any forward-looking statements.

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CHECKFREE CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements of Operations
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended June 30, | | Year Ended June 30, | |
|--|--------------------------------|--------------------|------------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenue: | | | | |
| Processing and servicing | \$ 139,487 | \$ 124,018 | \$ 530,205 | \$476,416 |
| License fees | 6,625 | 7,516 | 23,931 | 24,163 |
| Maintenance fees | 7,114 | 6,667 | 28,271 | 25,733 |
| Other | 6,800 | 6,404 | 24,057 | 25,334 |
| Total revenue | <u>160,026</u> | <u>144,605</u> | <u>606,464</u> | <u>551,646</u> |
| Expenses: | | | | |
| Cost of processing, servicing and support | 63,993 | 59,984 | 244,811 | 237,978 |
| Research and development | 18,084 | 13,613 | 66,288 | 52,717 |
| Sales and marketing | 13,253 | 16,588 | 51,910 | 57,170 |
| General and administrative | 10,151 | 10,373 | 45,759 | 39,030 |
| Depreciation and amortization | 42,204 | 55,651 | 177,582 | 226,638 |
| In-process research and development | — | — | 324 | — |
| Impairment of intangible assets | — | 10,228 | — | 10,228 |
| Reorganization charge | — | 1,405 | — | 1,405 |
| Total expenses | <u>147,685</u> | <u>167,842</u> | <u>586,674</u> | <u>625,166</u> |
| Income (loss) from operations | 12,341 | (23,237) | 19,790 | (73,520) |
| Equity in net loss of joint venture | (593) | — | (593) | — |
| Interest, net | 1,023 | (1,593) | (7,467) | (5,648) |
| Loss on investments | — | — | — | (3,228) |
| Income (loss) before income taxes and cumulative effect of accounting change | 12,771 | (24,830) | 11,730 | (82,396) |
| Income tax expense (benefit) | 1,367 | (7,859) | 1,195 | (33,106) |
| Income (loss) before cumulative effect of accounting change | 11,404 | (16,971) | 10,535 | (49,290) |
| Cumulative effect of accounting change | — | — | — | (2,894) |
| Net income (loss) | <u>\$ 11,404</u> | <u>\$ (16,971)</u> | <u>\$ 10,535</u> | <u>\$ (52,184)</u> |
| Basic income (loss) per share: | | | | |
| Income (loss) before cumulative effect of accounting change | \$ 0.13 | \$ (0.19) | \$ 0.12 | \$ (0.56) |
| Cumulative effect of accounting change | — | — | — | (0.03) |
| Net income (loss) | <u>\$ 0.13</u> | <u>\$ (0.19)</u> | <u>\$ 0.12</u> | <u>\$ (0.59)</u> |
| Weighted average number of shares | <u>90,166</u> | <u>89,215</u> | <u>89,870</u> | <u>88,807</u> |
| Diluted income (loss) per share: | | | | |
| Income (loss) before cumulative effect of accounting change | \$ 0.12 | \$ (0.19) | \$ 0.11 | \$ (0.56) |
| Cumulative effect of accounting change | — | — | — | (0.03) |
| Net income (loss) | <u>\$ 0.12</u> | <u>\$ (0.19)</u> | <u>\$ 0.11</u> | <u>\$ (0.59)</u> |
| Weighted average number of shares | <u>92,279</u> | <u>89,215</u> | <u>91,864</u> | <u>88,807</u> |

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CHECKFREE CORPORATION AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(Unaudited)
(In thousands)

| | June 30, 2004 | June 30, 2003 |
|---|------------------|------------------|
| Current assets: | | |
| Cash, cash equivalents and investments | \$ 208,029 | \$ 282,032 |
| Accounts receivable, net | 111,849 | 81,626 |
| Deferred income taxes | 36,543 | 41,202 |
| Settlement assets | 82,520 | — |
| Other current assets | 14,727 | 9,708 |
| Total current assets | 453,668 | 414,568 |
| Property and equipment, net | 91,912 | 94,853 |
| Capitalized software and intangible assets, net | 917,543 | 946,976 |
| Investments | 67,494 | 121,615 |
| Other | 4,879 | 9,258 |
| Total assets | \$ 1,535,496 | \$ 1,587,270 |
| Current liabilities: | | |
| Accounts payable, accrued liabilities and other | \$ 83,637 | \$ 73,739 |
| Settlement liabilities | 82,611 | — |
| Deferred revenues | 36,193 | 36,543 |
| Total current liabilities | 202,441 | 110,282 |
| Long-term liabilities, net | 28,967 | 7,611 |
| Deferred income taxes | 5,783 | 28,728 |
| Convertible subordinated notes | — | 172,500 |
| Net stockholders' equity | 1,298,305 | 1,268,149 |
| Total liabilities and stockholders' equity | \$ 1,535,496 | \$ 1,587,270 |

###

Attachment A

Calculation of Free Cash Flow
(Unaudited)
(In millions)

| | Three Months Ended June 30, | | Year Ended June 30, | |
|--|--------------------------------|----------------|------------------------|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Cash provided by operating activities | \$ 53.9 | \$ 41.9 | \$ 171.1 | \$157.8 |
| Adjustment for settlement accounts(1) | 0.2 | — | 0.2 | — |
| Adjusted cash provided by operating activities | 54.1 | 41.9 | 171.3 | 157.8 |
| Less: capital expenditures | 6.6 | 3.5 | 23.5 | 24.3 |
| Free cash flow | <u>\$ 47.5</u> | <u>\$ 38.4</u> | <u>\$ 147.8</u> | <u>\$133.5</u> |

(1) Related to APS walk-in bill payment transactions.

The Company defines free cash flow as GAAP net cash from operating activities, adjusted for the net change in settlement accounts, less capital expenditures.

Additional Information:

| | | | | |
|---|----------------|-----------------|-------------------|-----------------|
| Cash used in investing activities | \$ (107.0) | \$ (9.8) | \$ (103.4) | \$(61.2) |
| Cash provided by (used in) financing activities | <u>\$ 25.0</u> | <u>\$ (0.8)</u> | <u>\$ (142.5)</u> | <u>\$ (2.3)</u> |

(continued)

Attachment A (continued)

**Reconciliation of GAAP to Underlying Net Income (Loss) and Earnings (Loss) Per Share
(Unaudited)
(In thousands, except per share data)**

| | Three Months Ended June 30, | | Year Ended June 30, | |
|--|--------------------------------|-------------------|------------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Total revenue per GAAP | \$ 160,026 | \$ 144,605 | \$ 606,464 | \$ 551,646 |
| Warrants issued to third party | — | — | — | (644) |
| Total underlying revenue | <u>\$ 160,026</u> | <u>\$ 144,605</u> | <u>\$ 606,464</u> | <u>\$ 551,002</u> |
| Net income (loss) per GAAP | \$ 11,404 | \$ (16,971) | \$ 10,535 | \$ (52,184) |
| Warrants issued to third party | — | — | — | (644) |
| Amortization of acquisition-related intangible assets | 31,896 | 45,038 | 136,558 | 183,342 |
| Write-off of in-process research and development | — | — | 324 | — |
| Call premium and write-off of unamortized issuance costs for convertible notes | — | — | 7,219 | — |
| Loss on investments | — | — | — | 3,228 |
| Impairment of intangible assets | — | 10,228 | — | 10,228 |
| Reorganization charge | — | 1,405 | — | 1,405 |
| Tax benefit of underlying adjustments | (15,996) | (19,739) | (58,099) | (76,040) |
| Cumulative effect of accounting change(1) | — | — | — | 2,894 |
| Underlying net income | <u>\$ 27,304</u> | <u>\$ 19,961</u> | <u>\$ 96,537</u> | <u>\$ 72,229</u> |
| GAAP basic weighted average shares outstanding | 90,166 | 89,215 | 89,870 | 88,807 |
| GAAP impact of dilutive options and warrants | 2,113 | — | 1,994 | — |
| GAAP diluted weighted average shares outstanding | 92,279 | 89,215 | 91,864 | 88,807 |
| Underlying basic weighted average shares outstanding | 90,166 | 89,215 | 89,870 | 88,807 |
| Underlying impact of dilutive options and warrants | 2,113 | 2,256 | 1,994 | 747 |
| Underlying diluted weighted average shares outstanding | 92,279 | 91,471 | 91,864 | 89,554 |
| GAAP basic earnings (loss) per share | \$ 0.13 | \$ (0.19) | \$ 0.12 | \$ (0.59) |
| GAAP diluted earnings (loss) per share | \$ 0.12 | \$ (0.19) | \$ 0.11 | \$ (0.59) |
| Underlying basic earnings per share | \$ 0.30 | \$ 0.22 | \$ 1.07 | \$ 0.81 |
| Underlying diluted earnings per share | \$ 0.30 | \$ 0.22 | \$ 1.05 | \$ 0.81 |

(1) Effective July 1, 2002, the Company adopted SFAS No. 142 — Accounting for Goodwill and Other Intangible Assets. Upon adoption of SFAS No. 142, the Company no longer amortizes goodwill.

(continued)

Attachment A (continued)

CHECKFREE CORPORATION AND SUBSIDIARIES
Supplemental Underlying Consolidated Condensed Statements of Operations
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended June 30, | | Year Ended June 30, | |
|---|--------------------------------|------------|------------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenue: | | | | |
| Processing and servicing | \$ 139,487 | \$ 124,018 | \$ 530,205 | \$ 475,772 |
| License fees | 6,625 | 7,516 | 23,931 | 24,163 |
| Maintenance fees | 7,114 | 6,667 | 28,271 | 25,733 |
| Other | 6,800 | 6,404 | 24,057 | 25,334 |
| Total revenue | 160,026 | 144,605 | 606,464 | 551,002 |
| Expenses: | | | | |
| Cost of processing, servicing and support | 63,993 | 59,984 | 244,811 | 237,978 |
| Research and development | 18,084 | 13,613 | 66,288 | 52,717 |
| Sales and marketing | 13,253 | 16,588 | 51,910 | 57,170 |
| General and administrative | 10,151 | 10,373 | 45,759 | 39,030 |
| Depreciation and amortization | 10,308 | 10,613 | 41,024 | 43,296 |
| Total expenses | 115,789 | 111,171 | 449,792 | 430,191 |
| Income from operations | 44,237 | 33,434 | 156,672 | 120,811 |
| Equity in net loss of joint venture | (593) | — | (593) | — |
| Interest, net | 1,023 | (1,593) | (248) | (5,648) |
| Income before income taxes | 44,667 | 31,841 | 155,831 | 115,163 |
| Income tax expense | 17,363 | 11,880 | 59,294 | 42,934 |
| Net income | \$ 27,304 | \$ 19,961 | \$ 96,537 | \$ 72,229 |
| Basic income per share: | | | | |
| Net income | \$ 0.30 | \$ 0.22 | \$ 1.07 | \$ 0.81 |
| Weighted average number of shares | 90,166 | 89,215 | 89,870 | 88,807 |
| Diluted income per share: | | | | |
| Net income | \$ 0.30 | \$ 0.22 | \$ 1.05 | \$ 0.81 |
| Weighted average number of shares | 92,279 | 91,471 | 91,864 | 89,554 |

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Attachment B

Reconciliation of GAAP Results to Underlying Results by Segment
(Unaudited)
(In thousands)

| | Three Months Ended June 30, | | Year Ended June 30, | |
|---|--------------------------------|-------------------|------------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Electronic Commerce: | | | | |
| Total revenue per GAAP | \$ 118,508 | \$ 106,036 | \$ 452,732 | \$ 405,373 |
| Warrants issued to third party | — | — | — | (644) |
| Total underlying revenue | <u>\$ 118,508</u> | <u>\$ 106,036</u> | <u>\$ 452,732</u> | <u>\$ 404,729</u> |
| Operating income (loss) per GAAP | \$ 10,718 | \$ (11,944) | \$ 23,025 | \$ (59,152) |
| Warrants issued to third party | — | — | — | (644) |
| Amortization of acquisition-related intangible assets | 31,122 | 43,757 | 132,699 | 175,028 |
| Reorganization charge | — | 307 | — | 307 |
| Underlying operating income | <u>\$ 41,840</u> | <u>\$ 32,120</u> | <u>\$ 155,724</u> | <u>\$ 115,539</u> |
| Investment Services: | | | | |
| Total revenue — GAAP and underlying | \$ 22,966 | \$ 20,655 | \$ 86,270 | \$ 81,562 |
| Operating income per GAAP | \$ 5,749 | \$ 4,629 | \$ 19,092 | \$ 18,830 |
| Amortization of acquisition-related intangible assets | 151 | 232 | 819 | 2,300 |
| Reorganization charge | — | (68) | — | (68) |
| Underlying operating income | <u>\$ 5,900</u> | <u>\$ 4,793</u> | <u>\$ 19,911</u> | <u>\$ 21,062</u> |
| Software: | | | | |
| Total revenue — GAAP and underlying | \$ 18,552 | \$ 17,914 | \$ 67,462 | \$ 64,711 |
| Operating income (loss) per GAAP | \$ 3,323 | \$ (6,591) | \$ 10,929 | \$ 583 |
| Amortization of acquisition-related intangible assets | 623 | 1,049 | 3,040 | 6,014 |
| Write-off of in-process research and development | — | — | 324 | — |
| Impairment of intangible assets | — | 10,228 | — | 10,228 |
| Reorganization charge | — | 1,183 | — | 1,183 |
| Underlying operating income | <u>\$ 3,946</u> | <u>\$ 5,869</u> | <u>\$ 14,293</u> | <u>\$ 18,008</u> |
| Corporate: | | | | |
| Operating loss per GAAP | \$ (7,449) | \$ (9,331) | \$ (33,256) | \$ (33,781) |
| Reorganization charge | — | (17) | — | (17) |
| Underlying operating loss | <u>\$ (7,449)</u> | <u>\$ (9,348)</u> | <u>\$ (33,256)</u> | <u>\$ (33,798)</u> |

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Attachment C

Core Electronic Billing and Payment Metrics
(In millions, except revenue/transaction, percentages and distribution points)

| | Quarter Ended | | | | |
|--|---------------|-----------|------------|-----------|-----------|
| | 6/30/2004 | 3/31/2004 | 12/31/2003 | 9/30/2003 | 6/30/2003 |
| Transactions | | | | | |
| Full Service | | | | | |
| Revenue | \$ 96.2 | \$ 94.0 | \$ 91.8 | \$ 85.5 | \$ 82.6 |
| Active Subscribers ⁽¹⁾ | 5.9 | 5.5 | 5.0 | 4.6 | 4.2 |
| Transactions | 123.9 | 115.5 | 106.1 | 94.3 | 87.5 |
| Revenue/Transaction | \$ 0.78 | \$ 0.81 | \$ 0.87 | \$ 0.91 | \$ 0.94 |
| Payment Services | | | | | |
| Revenue | \$ 14.0 | \$ 12.8 | \$ 12.0 | \$ 11.9 | \$ 12.3 |
| Transactions | 38.9 | 36.7 | 33.1 | 32.4 | 32.7 |
| APS Transactions | 2.4 | — | — | — | — |
| Revenue/Transaction | \$ 0.34 | \$ 0.35 | \$ 0.36 | \$ 0.37 | \$ 0.37 |
| Total | 165.2 | 152.2 | 139.2 | 126.7 | 120.2 |
| Sequential Quarterly Growth ⁽²⁾ | 8% | 9% | 10% | 5% | 7% |
| Other Revenue⁽³⁾ | \$ 8.3 | \$ 8.4 | \$ 8.7 | \$ 9.2 | \$ 11.2 |
| e-Bill Delivery | | | | | |
| Electronic bills distributed | 25.9 | 22.5 | 18.5 | 14.7 | 11.5 |
| Quarterly sequential growth | 15% | 22% | 26% | 27% | 31% |
| Electronic Rate | | | | | |
| Electronic payment rate | 79% | 78% | 78% | 76% | 75% |
| Consumer Online Access | | | | | |
| Distribution points for EBP | 1,308 | 1,207 | 1,120 | 1,028 | 949 |

⁽¹⁾ “Active” refers to subscribers who have viewed or paid a bill in the last 90 days at a Consumer Service Provider that outsources essentially all of its electronic billing and payment (EBP) functions to CheckFree.

⁽²⁾ Absent the APS transactions, sequential quarterly growth is 7 percent for the quarter ending June 30, 2004. Reporting of quarterly transaction growth will be consolidated, beginning in the quarter ending September 30, 2004.

⁽³⁾ Other revenue includes Health and Fitness, Professional Services and Stored Value Products

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