

NIC INC.  
FINANCIAL SUMMARY  
(UNAUDITED)  
(Thousands except for per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b>Revenues:</b>				
Portal revenues	\$ 10,159	\$ 9,002	\$ 19,949	\$ 17,488
Software and services revenues	2,757	3,932	5,487	7,543
Total revenues	<u>12,916</u>	<u>12,934</u>	<u>25,436</u>	<u>25,031</u>
<b>Cost of revenues:</b>				
Cost of portal revenues, exclusive of depreciation and amortization	5,295	4,690	10,375	9,648
Cost of software and services revenues, exclusive of depreciation and amortization	2,242	7,678	4,386	10,013
Selling and administrative	2,937	3,781	6,057	7,576
Impairment loss	-	4,316	-	4,316
Stock compensation	-	995	-	1,306
Depreciation and amortization	450	938	942	1,866
Total operating expenses	<u>10,924</u>	<u>22,398</u>	<u>21,760</u>	<u>34,725</u>
Operating income (loss)	<u>1,992</u>	<u>(9,464)</u>	<u>3,676</u>	<u>(9,694)</u>
<b>Other income (expense):</b>				
Interest income	30	55	59	96
Interest expense	(4)	(22)	(9)	(33)
Equity in net loss of affiliates	262	(458)	202	(682)
Other income (expense), net	-	(36)	-	(36)
Total other income (expense)	<u>288</u>	<u>(461)</u>	<u>252</u>	<u>(655)</u>
Income (loss) from continuing operations before income taxes	2,280	(9,925)	3,928	(10,349)
Income tax provision (benefit)	<u>923</u>	<u>(4,091)</u>	<u>1,582</u>	<u>(4,101)</u>
Income (loss) from continuing operations	1,357	(5,834)	2,346	(6,248)
<b>Discontinued operations:</b>				
Loss from discontinued operations (less applicable income tax benefit of \$-, \$974, \$-, and \$1,302)	<u>-</u>	<u>(1,562)</u>	<u>-</u>	<u>(2,028)</u>
Net income (loss)	<u>\$ 1,357</u>	<u>\$ (7,396)</u>	<u>\$ 2,346</u>	<u>\$ (8,276)</u>
<b>Basic and diluted earnings (loss) per share:</b>				
Earnings (loss) per share - continuing operations	<u>\$ 0.02</u>	<u>\$ (0.10)</u>	<u>\$ 0.04</u>	<u>\$ (0.11)</u>
Loss per share - discontinued operations	<u>\$ -</u>	<u>\$ (0.03)</u>	<u>\$ -</u>	<u>\$ (0.04)</u>
Net earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.13)</u>	<u>\$ 0.04</u>	<u>\$ (0.15)</u>
<b>Weighted average shares outstanding:</b>				
Basic	<u>58,234</u>	<u>56,493</u>	<u>58,184</u>	<u>56,426</u>
Diluted	<u>58,654</u>	<u>56,493</u>	<u>58,411</u>	<u>56,426</u>

**Key Financial Metrics:**

Revenue growth - outsourced portals	12.9%	46.5%	14.1%	51.1%
Revenue growth - software and services	(29.9%)	22.5%	(27.3%)	40.9%
Gross profit % - outsourced portals	47.9%	47.9%	48.0%	44.8%
Gross profit % - software and services	18.7%	(95.3%)	20.1%	(32.7%)
Selling and administrative costs as a percentage of revenue	22.7%	29.2%	23.8%	30.3%

NIC Inc.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
Thousands except for share amounts

	June 30, 2003	December 31, 2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,257	\$ 9,559
Cash and cash equivalents - restricted	5,437	6,300
Marketable securities	250	249
Trade accounts receivable	16,701	14,465
Deferred income taxes	322	606
Prepaid expenses	464	761
Other current assets	<u>6,545</u>	<u>3,215</u>
Total current assets	39,976	35,155
Property and equipment, net	2,812	3,054
Deferred income taxes	33,872	35,049
Other assets	125	139
Investments in affiliates	739	839
Intangible assets, net	143	220
Total assets	<u>\$ 77,667</u>	<u>\$ 74,456</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 14,215	\$ 12,701
Accrued expenses	4,454	3,792
Note payable - current portion	151	332
Application development contracts	827	1,559
Other current liabilities	<u>116</u>	<u>815</u>
Total current liabilities	19,763	19,199
Note payable - long-term portion	286	201
Total liabilities	<u>20,049</u>	<u>19,400</u>
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, no par, 200,000,000 shares authorized 58,238,482 and 58,092,346 shares issued and outstanding	-	-
Additional paid-in capital	197,376	197,160
Accumulated deficit	<u>(139,543)</u>	<u>(141,889)</u>
Less treasury stock	57,833	55,271
Total shareholders' equity	<u>(215)</u>	<u>(215)</u>
Total shareholders' equity	57,618	55,056
Total liabilities and shareholders' equity	<u>\$ 77,667</u>	<u>\$ 74,456</u>

NIC Inc.  
CASH FLOW SUMMARY  
(UNAUDITED)  
Thousands

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Cash flows from operating activities:				
Net income (loss)	\$ 1,357	\$ (7,396)	\$ 2,346	\$ (8,276)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	450	1,094	942	2,257
Compensation expense recognized related to stock options	-	995	-	1,306
Loss on disposal of property and equipment	-	1,459	-	1,459
Accretion of discount on marketable securities	-	-	-	(4)
Application development contracts	(273)	2,998	(732)	1,296
Impairment loss	-	4,316	-	4,316
Deferred income taxes	849	(5,075)	1,461	(5,454)
Equity in net loss of affiliates	(262)	458	(202)	682
 Changes in operating assets and liabilities				
(Increase) decrease in trade accounts receivable	(749)	1,046	(2,236)	(2,364)
Decrease in prepaid expenses	270	66	297	181
(Increase) decrease in other current assets	(2,029)	(654)	(3,320)	886
Decrease in other assets	7	125	14	93
Increase (decrease) in accounts payable	904	(2,568)	1,514	(915)
Increase (decrease) in accrued expenses	159	(1,314)	734	(868)
Increase (decrease) in other current liabilities	(209)	(1,735)	(398)	101
 Net cash provided by (used in) operating activities	<u>474</u>	<u>(6,185)</u>	<u>420</u>	<u>(5,304)</u>
 Cash flows from investing activities:				
Purchases of property and equipment	(354)	(220)	(622)	(303)
Purchases of marketable securities	-	(500)	-	(20,595)
Maturities of marketable securities	-	760	-	17,041
 Net cash provided by (used in) investing activities	<u>(354)</u>	<u>40</u>	<u>(622)</u>	<u>(3,857)</u>
 Cash flows from financing activities:				
Decrease in cash and cash equivalents - restricted	25	-	863	-
Payments on notes payable	(25)	(70)	(96)	(153)
Payments on capital lease obligation	-	(6)	-	(6)
Proceeds from exercise of employee stock options	-	207	133	617
 Net cash provided by financing activities	<u>-</u>	<u>131</u>	<u>900</u>	<u>458</u>
 Net increase (decrease) in cash and cash equivalents	120	(6,014)	698	(8,703)
Cash and cash equivalents, beginning of period	10,137	14,546	9,559	17,235
Cash and cash equivalents, end of period	<u>\$ 10,257</u>	<u>\$ 8,532</u>	<u>\$10,257</u>	<u>\$ 8,532</u>
Other cash flow information:				
Interest paid	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 21</u>
Income taxes paid	<u>\$ 149</u>	<u>\$ 59</u>	<u>\$ 220</u>	<u>\$ 66</u>