
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003 or**
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____**

Commission File Number 1-12989

SunGard® Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

51-0267091
(I.R.S. Employer Identification No.)

680 East Swedesford Road, Wayne, Pennsylvania 19087
(Address of principal executive offices, including zip code)

484-582-2000
(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, Par Value \$0.01 Per Share

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy statement incorporated by reference into Part III of this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes . No .

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was \$7,313,020,508.⁽¹⁾

There were 289,185,043 shares of the registrant's Common Stock outstanding as of March 5, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2004 annual meeting of stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the registrant's fiscal year covered by this report, are incorporated by reference into Part III of this Form 10-K.

Portions of the registrant's annual report to stockholders for the fiscal year ended December 31, 2003 are incorporated by reference into Parts II and IV of this Form 10-K.

(1) This equals the number of outstanding shares of the registrant's Common Stock, reduced by the number of shares that may be deemed beneficially owned by the registrant's directors, nominees and executive officers, multiplied by the closing price of the registrant's Common Stock reported on June 30, 2003. This information is provided solely for record keeping purposes of the Securities and Exchange Commission and shall not be construed as an admission that any of the registrant's directors, nominees or executive officers is an affiliate of the registrant or is the beneficial owner of any such shares. Any such inference is hereby disclaimed.

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FORWARD-LOOKING STATEMENTS

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our results. We described some of the factors that we believe could affect our results in Item 7 of this Report under the heading “Risk Factors.” We assume no obligation to update any written or oral forward-looking statement made by us or on our behalf as a result of new information, future events or other factors.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are a global leader in integrated software and processing solutions, primarily for financial services, and are also the pioneer and leading provider of information availability services. We are an efficient operator of resilient information technology solutions. Our efficiency comes from the economies of scale in serving multiple customers on shared platforms. We support more than 20,000 customers in over 50 countries, including the world’s 50 largest financial services companies. We currently operate our business in three segments: Investment Support Systems, Availability Services, and Higher Education and Public Sector Systems.

In Investment Support Systems, we primarily serve financial services institutions by processing their investment and trading transactions. Our investment support systems are used by customers on both the buy-side and sell-side of the global financial services industry, as well as corporates, energy companies and governments. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing portfolios and accounting for investment assets. We deliver many of our systems as an application service provider.

In Availability Services, we help information-dependent enterprises of all types to ensure the continuity of their business by providing a portfolio of business continuity, managed IT and professional services. We provide information availability services for all major computing platforms, as well as end-user workstations. We also provide managed application and data-center outsourcing, including hosting services for a number of our investment support systems. To service our availability services customers, we operate more than 3,000,000 square feet of hardened, secure facilities at over 60 locations in more than 10 countries, and a global network of approximately 25,000 miles.

In our Higher Education and Public Sector Systems, we primarily provide specialized enterprise resource planning and administrative solutions to institutions of higher education, school districts and nonprofit organizations, as well as local, state and federal governments. These solutions include accounting, personnel, fundraising, grant and project management, student administration and reporting for educational and nonprofit organizations and accounting, personnel, utility billing, land management, public safety and justice administration for governments.

We have grown steadily, both by developing our existing businesses and by buying new businesses that broaden or complement our existing products and services. In 2002 and 2003, however, our revenue growth came almost entirely from acquisitions. Our acquisition program has been active since our initial public offering in 1986 and has contributed significantly to our long-term growth and success. During 2003, we completed nine acquisitions for an aggregate cash purchase price of approximately \$435 million, net of cash acquired.

Our customer base is concentrated in the financial services industry but is widely diversified from a revenue contribution perspective. Of our more than 20,000 customers, not one accounted for more than three percent of our total 2003 revenue. We seek to establish long-term relationships with customers by selling our products and services under multi-year contracts and by emphasizing customer support and product quality and integration. Our services revenue, which is largely recurring in nature, is derived from availability services, processing services, software support and rentals, professional services, broker/dealer fees and hardware rentals. Our services revenue accounted for approximately 90% of our total revenue during 2003.

Our operating units are organized into groups that generally mirror the business lines of our customers in order to facilitate product integration and cross-selling. Individual operating units are responsible for sales and marketing, development and customer support of their own products and services. In conjunction with the efforts of our individual operating units, our global account managers focus on our largest customers that use multiple products and services. Our executive management team provides oversight and identifies opportunities to integrate our products and services in order to bring further operational efficiencies to our customers.

BUSINESS STRATEGY

We are focused on expanding our position as a leading provider both of integrated software and processing solutions for financial services, higher education and the public sector, and of availability services for a broad base of information-dependent enterprises. In pursuit of these objectives, we have implemented the following strategy:

Upgrading and Enhancing Our Products and Services. We continually support, upgrade and enhance our systems to incorporate new technology and to meet the needs of our customers for increased operational efficiency and resilience. We continue to introduce innovative products and services, such as straight-through-processing solutions and Web-based technologies, that complement and improve our established products and services and also address the specific needs of our customers. Our enhancements and upgrades result, in part, from active dialogue with current and prospective customers and customer user groups, some of which are independent and others that are sponsored by us. As we seek to take advantage of new technologies and to improve our customers' operational efficiency and resilience, we are careful to preserve the functionality of our proven products and services. Our strong, recurring revenue base allows us to continually reinvest in our

products and services. For example, in 2003, we spent 11% of revenue from Investment Support Systems and Higher Education and Public Sector Systems on product development.

Acquiring Complementary Businesses. We seek acquisitions that broaden or complement our existing products and services and strengthen our leadership positions. We believe that our success in identifying appropriate acquisition candidates enables us to capitalize on consolidation trends, especially within the fragmented market for investment support systems. We have detailed, standardized procedures for evaluating and implementing acquisitions. Before committing to an acquisition, we devote significant resources to due diligence and to the development of a post-acquisition plan. First, we focus on the acquisition candidate's ability to generate profits by itself and then we attempt to identify and quantify potential cost savings. We also carefully review the acquisition candidate's potential impact on our financial results and balance sheet. Generally, we seek to make acquisitions that will be neutral or positive to our earnings within the first twelve months.

Providing Straight-Through Processing. Historically, processing investments and trades could not be completed in real-time. For example, trades could be executed and partially processed throughout the trading day, but the final processing, including confirmations, clearing and settlement, would be completed overnight or over the course of several days in what was called a batch process, often with manual intervention. Our products and services eliminate the need for most batch processes and manual intervention, which facilitates real-time processing of investment and trading activity. We also focus on integrating our solutions with each other and with other vendors' systems. For example, we build interfaces that allow multiple systems to exchange data without manual intervention. As a result, we can provide straight-through-processing solutions, not only within a single customer's operations, but also across multiple firms using the SunGard Transaction Network. Using our real-time, integrated solutions and SunGard Transaction Network, members of the investment community can automate not only the investment process for trading in equities, bonds, money markets, commercial paper, certificates of deposit and mutual funds, but also the routing of orders between investors, brokers, issuers and mutual fund companies. All of these solutions help our customers to lower costs, reduce errors and provide better service to their customers.

Building Strong Customer Relationships. We believe that one of the keys to our success is our focus on developing close, well-managed, long-term relationships with our customers. Our operating units are focused on key customer types, which facilitates integration and cross-selling of our products. We not only focus on meeting our existing customers' needs, but also on attracting and retaining new customers and continually improving customer satisfaction. We believe our operational approach helps us attract and retain customers and increases customers' use of our products and services.

Maintaining Our Financial Strength. We strive to generate a high level of recurring revenue and cash flow, maintain a conservative capital structure and employ disciplined financial policies. We believe this fiscal strategy has been a major factor contributing to our long-term financial strength and viability. This enables us to fund the growth of our business by continually developing and acquiring new products and provides us a competitive advantage in growing, serving and retaining our substantial customer base. To increase our financial flexibility, we issued \$500 million in unsecured senior notes in January 2004.

Promoting an Entrepreneurial Culture. We believe that one of our strongest competitive strengths is our entrepreneurial culture. We intend to continue to foster this culture. About half of our executive officers and many other employees joined us as a result of acquisitions. Our operating unit

management structure is central to expanding our business both through internal development and through identifying potential acquisitions. Our compensation structure actively encourages our employees to be entrepreneurial and to emphasize customer satisfaction. Our executive officers have been with us for an average of twelve and a half years.

BUSINESS SEGMENT OVERVIEW

Investment Support Systems

In Investment Support Systems, we primarily serve financial services institutions through a broad range of complementary software solutions that process their investment and trading transactions. These solutions are grouped into the following business areas: brokerage and trading systems; wealth management systems; treasury and risk management systems; investment management systems; and benefit, insurance and investor accounting systems. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing portfolios and accounting for investment assets.

Our investment support systems are used by customers on both the buy-side and sell-side of the global financial services industry, as well as corporates, energy companies and governments. Buy-side customers include banks, investment managers, mutual funds, investment advisors, insurance companies, trustees, benefit plan administrators and others involved in buying, holding and managing investments. Sell-side customers include brokers, exchange members, depositaries, custodians, transfer agents and others involved in selling, brokering and trading investments. Approximately five million trades per day are processed by our investment support systems at some point in the trade cycle.

We deliver many of our investment support systems as an application service provider (ASP). We provide investment support systems on an ASP basis primarily from our data centers located throughout North America and Europe. We also deliver some of our investment support systems by licensing the software to customers for use on their own computers.

Brokerage and Trading Systems

Our brokerage and trading systems provide comprehensive processing of equities, fixed-income securities, and exchange-traded futures, options and other instruments. Used primarily by broker/dealers and other sell-side customers, these systems address all important facets of securities transaction processing, including order routing, trading support, execution and clearing, position keeping, regulatory and tax compliance and reporting, and investment accounting and recordkeeping. Some of these systems provide full front- to back-office support, while others are focused primarily on one or the other.

We own four registered brokers that facilitate enhanced straight-through processing by providing the following services using our brokerage and trading systems: (1) an electronic communications network (ECN) that is used by brokerage firms and institutional investors to trade Nasdaq and exchange-listed securities anonymously; (2) a clearing broker that provides order routing, execution and clearing for professional traders; (3) a full-service equities trading desk for institutional investors; and (4) a New York Stock Exchange member that uses a proprietary wireless system to execute trades for institutional investors.

We link our investment support systems and hosting data centers through the SunGard Transaction Network. Using this network, one of our registered brokers offers an online, straight-

through-processing service that automates the investment process for trading equities, bonds, money markets, commercial paper, certificates of deposit and mutual funds. This service automatically routes orders and confirmations between investors, brokers, issuers and mutual fund companies that are linked to the network. We market these services to users of both our investment support systems and our business partners' systems. Through initiatives like the SunGard Transaction Network, we aim to link all of these systems both within and across institutions to achieve straight-through processing.

Wealth Management Systems

Our wealth management systems include a range of software solutions used primarily by bank trust departments to manage and service the portfolios of high net worth individuals. We offer an integrated wealth management application suite that provides straight-through processing for global asset management firms and includes functionality for portfolio management and performance measurement, trade order management, regulatory and tax compliance, preparation of customer statements, and handling of other customer services. In addition, we provide turnkey, outsourced wealth management services to banks, registered investment advisors and other financial services organizations.

Several of our wealth management systems are used to automate the investment, operations and administrative areas unique to the bank trust business, including cash and portfolio management, payment of trust expenses, retiree benefits and beneficiary distributions, and preparation of tax returns for taxable trusts. Other wealth management systems are used to automate the functions associated with the worldwide custody and safekeeping of invested assets, such as trade settlement, investment income collection, tax reclamation, foreign exchange and reconciliation of depository and sub-custodian positions.

We also provide a range of solutions used by brokers, banks and insurance companies to support front-office wealth management activities. For example, we provide software solutions that are used by retail brokers in their advisory role to track customer contacts and manage customer portfolios. We also provide systems that enable our customers to provide online brokerage services to their own customers. Our other products are used by investment advisors to identify new prospects, create customer profiles, analyze customer needs, assess customer suitability, monitor compliance and cross-sell products. We also provide information management systems that are used by brokers and investment professionals to make informed investment decisions based on timely, dependable market data from exchanges and leading industry providers worldwide. In addition, we offer historical market and reference data and technology to perform trading analytics, quantitative modeling, and portfolio processing.

We also provide systems that automate the functions associated with worldwide securities lending activities and facilitate straight-through processing by providing a single, centralized order-routing network that links lenders and borrowers of securities.

Treasury and Risk Management Systems

We provide a range of software solutions that automate risk management and trading operations for capital markets globally. Generally, these products are used by traders and market makers of fixed income securities, foreign exchange contracts, equities and their related derivatives such as interest rate and credit derivatives, convertible bonds, foreign exchange options and equity options. These front- to back-office systems help customers price and analyze trades, manage trading and related risks across

the institution, process and account for trading activities, and determine hedging strategies to manage risk. These systems also help customers monitor compliance with their own trading policies, limits and internal controls and with regulations.

We also provide a comprehensive solution for global banks to manage the credit risk associated with their worldwide trading activities. This solution allows users to consolidate credit exposures, optimize collateral management, and monitor compliance with capital requirements and regulations such as Basel II. We also provide to banks, across their retail and wholesale operations, asset and liability management software with comprehensive risk management and performance measurement functionality.

Our treasury systems are used by the treasury departments of corporate and government entities worldwide to manage their cash, debt and investment portfolios. We also provide professional services that focus on application implementation and integration of these treasury systems. In addition, we offer a Web-based service that provides a single point of access via the Internet to enable corporate treasurers to manage geographically dispersed treasury operations more efficiently.

We provide software systems that help utilities, power generating companies and energy traders, marketers and distribution companies to manage physical and financial trading activities. These systems provide trading support, market and credit risk management, trade processing, power scheduling and accounting functions. We also provide professional services including software development services to the energy industry.

We also provide exception management and reporting systems to financial services institutions. These systems automatically detect and repair errors that occur when transactions move between systems, which helps prevent exceptions in straight-through processing.

We also offer software solutions that provide intelligent message transformation, content-based routing, and data validation and enrichment, primarily for payments and post-trade messages. This makes it easier for financial services firms to integrate their financial messaging business processes.

Investment Management Systems

Our investment management systems include a range of software solutions used primarily by buy-side customers to maintain the books of record for all types of institutional investment portfolios, such as those managed by institutional asset managers, mutual funds, hedge funds, fund of funds, banks, prime brokers and third party administrators. We offer an integrated investment management application suite that provides straight-through processing for investment transactions, with comprehensive front- to back-office functionality including trade order management, execution support, portfolio management, compliance checking, accounting and reporting.

Our investment management systems are used to track investment activities including purchases and sales of securities, value portfolios using securities prices from various market sources, provide performance measurement and attribution analyses, perform complex accounting calculations and general ledger postings, and generate a variety of accounting, audit, tax and regulatory reports. In addition, some of these systems are used by investment advisors and other portfolio managers to analyze large investment portfolios using various models to assist with investment strategy and management decisions. We also provide software solutions that address the specialized accounting needs of domestic and offshore hedge funds and funds of funds.

Benefit, Insurance and Investor Accounting Systems

Our employee benefit plan systems automate the participant accounting activities associated with defined-contribution retirement plans, such as 401(k) plans. These systems maintain the books of record for each participant's share of the cash and securities in the plan, monitor compliance with government regulations and plan restrictions, process cash contributions and benefit payments, and produce tax reports for plan sponsors and participants. As a complement to these systems, we offer document generation systems for creating retirement plan documents and forms, and software for generating annual government filings and returns by employee benefit plans.

We also provide to the global insurance industry integrated marketing and policy administration solutions for both insurance agencies and home offices, supporting individual and group insurance, annuity, investment contract and pension policy administration. Insurance solutions include client management, financial analysis, retirement and estate planning, and policy illustrations.

Our investor accounting systems automate the transfer agent process for stock, bond and mutual fund issues. These systems maintain shareholder and bondholder positions, process new accounts, record purchases and sales, process cash deposits and disbursements, process dividend and interest distributions, generate proxy materials, tabulate votes, and produce tax reports and periodic shareholder and bondholder statements.

We provide imaging, document management and enterprise-wide workflow solutions for the financial services and insurance industries.

Availability Services

In Availability Services, we help information-dependent enterprises of all types to ensure the continuity of their business by providing a variety of solutions that help them maintain access to their critical data and systems. We engineer information availability solutions by building upon our extensive technology infrastructure and leveraging our industry-leading experience and know-how. Our experts work with customers to tailor information availability solutions that are unique to their requirements. Customers may choose different or multiple levels of service from our portfolio of solutions encompassing traditional business continuity services, managed IT services and consultative professional services. The selection of information availability solutions is based on a variety of factors including the customer's system configuration, required flexibility and desired degree of control over the solution. Because we are vendor neutral, we focus on each customer's individual circumstances and provide solutions for all major computing platforms with significant objectivity and flexibility.

The global, networked economy is highly information dependent, and data is a core asset for almost every business. Any inability to access critical data and systems—whether due to a natural disaster, fire, power failure, security breach, terrorist attack or other emergency—can have immediate and severe financial repercussions and tarnish reputations. That is why, for the most important business processes, customers are shifting their focus from solutions that help them recover from outages to solutions that minimize the potential for interruptions in the first place. To address this drive for maximum operational resilience, we design and implement “high-availability” solutions that help maintain the highest levels of access to data and systems. For less time-sensitive applications, we maintain a comprehensive array of traditional business continuity solutions that allow customers to recover from unplanned service interruptions. Since our inception, we have had a 100% success rate supporting customer recoveries.

High-availability solutions encompass a combination of dedicated network, servers and storage, as needed, to be used exclusively by one customer. The highest level solution involves a dual production environment, where two geographically separated systems process simultaneously the same data to provide complete redundancy. Additional high-availability solutions include load balancing—the shifting of processing among multiple servers on a network to mitigate the risk of a single server failing, and mirroring—the automated, periodic duplication of data on a secondary storage device for use if the primary copy is inaccessible.

Traditional business continuity options allow customers to restore processing operations within a short period after an interruption, usually from several hours to two days. We deliver these services in a cost-effective manner using shared resources that take significant advantage of our economies of scale. Our traditional business continuity services account for the majority of our availability services revenue.

We also provide end-user recovery offerings that allow customers to relocate other important business processes faced with disruption. These solutions range from generic office space equipped with workstations, telephones and other office equipment, to dedicated trading rooms that are also supplied with the market data feeds and specialized network services needed to support trading operations.

Our availability services infrastructure is comprehensive. To meet customers' demands, we operate more than 3,000,000 square feet of hardened, secure facilities at more than 60 locations in over 10 countries, connected by a communications network comprised of approximately 25,000 miles of leased communications lines used exclusively by us and our customers. This infrastructure encompasses computers, networks, data centers and end-user space that we actively manage using monitoring and reporting tools. Our facilities provide secure sites to locate hardware and protect applications and data, and our dedicated network allows quick switchovers from customer facilities to ours. Using this infrastructure, we provide managed IT services averaging 99.99% availability.

Our information availability facilities include a variety of sizes and types of processing and end-user facilities, most of which are in major metropolitan areas in North America and Europe. Our MegaCenters, which house processing facilities for multiple computing platforms as well as end-user facilities, provide customers with an extensive choice of resources at a single location. We believe that our Philadelphia MegaCenter is the world's largest commercial facility dedicated to information availability services, and that our London Technology Centre is the largest such facility in Europe. We also have a fleet of mobile recovery units—trailers containing processing and end-user capacity that can be rapidly deployed to a customer location and made operational within an hour of arrival.

We proactively manage our availability services resources. To accommodate the growth in our customer base, we open new facilities, expand existing facilities and upgrade our infrastructure to offer the most advanced platforms and technologies generally used by our customers. In addition, we sometimes consolidate facilities to increase platform options at a MegaCenter or to achieve greater overall efficiencies.

We also provide information availability consulting services and planning software. Our consultants are experts who leverage proven methodologies to deliver a full suite of services including continuity program management, information security and availability engineering services. Our

contingency planning software integrates business analysis and testing tools with automated plan development and reporting features. We also design testing and maintenance programs to verify that customers' contingency plans reflect their most current operational conditions.

Higher Education and Public Sector Systems

In Higher Education and Public Sector Systems, we primarily provide specialized enterprise resource planning and administrative solutions to institutions of higher education, school districts and other nonprofit organizations, as well as local, state and federal governments. These solutions include accounting, personnel, fundraising, grant and project management, student administration and reporting for educational and nonprofit organizations and accounting, personnel, utility billing, land management, public safety and justice administration for governments. We also provide professional services to several UK public sector agencies. Since 1995, we have been acquiring companies and developing solutions for this segment. Three recent acquisitions substantially increased our presence in this segment.

ACQUISITIONS

We seek to grow by developing existing businesses and buying new businesses that broaden or complement existing product lines. Our ongoing acquisition program has contributed significantly to our long-term growth and success. During 2003, we spent approximately \$435 million in cash (net of cash acquired) to acquire eight investment support systems businesses and one higher education and public sector systems business.

The following table lists the businesses we acquired or have entered into binding agreements to acquire since January 1, 2003:

Acquired Company/Business	Date Acquired	Description
Trust Tax Services Of America, Inc.	02/28/03	Trust tax and compliance products and services.
Andover Brokerage, LLC	03/03/03	Registered broker that provides order routing, execution and clearing services for professional traders.
H.T.E., Inc.	03/18/03	Financial management and public safety and justice solutions for government agencies and utilities.
Caminus Corporation	04/09/03	Integrated software solutions for the energy industry.
Reech Capital plc	05/23/03	Risk management solutions offered on ASP basis.
London Pacific Advisory Services, Inc.	06/05/03	Technology and services for managed account and separately managed account investment strategies.
Sherwood International plc	08/11/03	Global insurance industry and government sector software and services.
Forbatec GMBH	09/12/03	Investment management and portfolio accounting solutions in Germany, Luxembourg and Austria.

Acquired Company/Business	Date Acquired	Description
Whitelight Systems, Inc.	12/24/03	Credit risk solutions for Basel II compliance.
FAME Information Services, Inc.	01/22/04	Historical market and reference data, and data management technology.
Systems & Computer Technology Corporation	02/12/04	Global technology solutions for higher education.
Collegis, Inc.	03/04/04	Outsourced IT solutions for higher education.
Real Time Financial Management Limited	03/05/04	Global bond and equity trading system.

PRODUCT DEVELOPMENT

We continually support, upgrade and enhance our systems to meet the needs of our customers for operational efficiency and resilience and to leverage advances in technology.

We fund most of our routine ongoing software support activities through a portion of the monthly fees paid by our investment support systems processing customers and the software support and related upgrade fees paid by our license customers. Our expenditures for software development during the years ended December 31, 2003, 2002 and 2001, including amounts that were capitalized, totaled approximately \$208 million, \$174 million, and \$184 million, respectively. These amounts do not include routine software support costs that are included in cost of sales, nor do they include costs incurred in performing certain customer-funded development projects in the ordinary course of business.

MARKETING

Most of our investment support systems are marketed throughout the United States and many are marketed worldwide, with the principal focus being on selling additional products and services to existing customers. Our information availability services and higher education and public sector systems are marketed primarily in North America and Europe, with a focus on both new accounts and existing accounts. Our sales outside the United States during the years ended December 31, 2003, 2002 and 2001 totaled approximately \$748 million, \$508 million, and \$386 million, respectively.

COMPETITION

Since most of our computer services and software are specialized and technical in nature, most of the market niches in which we compete have a relatively small number of significant competitors. Some of our existing competitors and some potential competitors have substantially greater financial, technological and marketing resources than we have (see RISK FACTORS under ITEM 7).

In our investment support systems business, we compete with numerous other data processing and financial software vendors that may be broadly categorized into two groups. One group is comprised of specialized investment support systems companies, which are much smaller than us. The other group is comprised of large computer services companies whose principal businesses are not in the investment support systems area, some of which are also active acquirors. We also face competition from the internal processing and information technology departments of our customers and prospects. The key competitive factors in marketing investment support systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and

quality of customer support, degree of responsiveness, level of software development expertise and overall net cost. We believe that we compete effectively with respect to each of these factors and that our reputation and experience in this business are important competitive advantages.

In our availability services business, we face significant competition from internal solutions, where customers or prospective customers implement their own internal backup systems or high-availability solutions rather than purchase services from an availability services vendor. We also face significant competition from hardware manufacturers such as IBM Corporation. Our other competitors in this business include outsourcers, managed hosting companies, Internet service providers, large computer services companies and telecommunications companies. We believe that we compete effectively with respect to the key competitive factors in the availability services business, namely quality of infrastructure, scope and quality of services including breadth of hardware platforms and network capacity, level and quality of customer support, level of technical expertise and price. We also believe that our experience and reputation as the innovator in this business, our extensive infrastructure and our excellent track record supporting customer recoveries are important competitive advantages.

In our higher education and public sector systems business, we compete with a variety of other vendors depending upon customer characteristics such as size, type, location, computing environment and functional requirements. For example, there may be different competitors for different sizes or types of educational institutions or government agencies, or in different states or geographic regions. Competitors in this business range from larger providers of generic enterprise resource planning systems to smaller providers of specialized applications and technologies. We also compete with outsourcers and systems integrators, as well as the internal processing and information technology departments of our customers and prospects. The key competitive factors in marketing higher education and public sector systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise and overall net cost. We believe that we compete effectively as to each of these factors and that our leadership and reputation in this business are important competitive advantages.

EMPLOYEES

On December 31, 2003, we had approximately 10,000 full-time employees. In addition, over 2,000 full-time employees joined us through acquisition during the first quarter of 2004. We believe that our success depends partly on our continuing ability to retain and attract skilled technical, sales and management personnel. While skilled personnel are in high demand and competition exists for their talents, we believe that we have been able to retain and attract highly qualified personnel (see RISK FACTORS under ITEM 7). We believe that our employee relations are excellent.

PROPRIETARY PROTECTION

We own registered marks for the SUNGARD name and own or have applied for trademark registration for many of our services and software products. To protect our proprietary services and software, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. We also have established policies requiring our personnel and representatives to maintain the confidentiality of our proprietary property. We have a few registrations of our copyrights and a number of patents and patent applications pending. We will

continue to apply for software and business method patents on a case-by-case basis and will continue to monitor ongoing developments in the evolving software and business method patent field (see RISK FACTORS under ITEM 7).

AVAILABLE INFORMATION

We make available, free of charge at www.sungard.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

ITEM 2. PROPERTIES

We lease space, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices, in many locations worldwide. We also own some of our computer and office facilities. Our principal facilities include our leased availability services facilities in Philadelphia, Pennsylvania (506,300 square feet), Carlstadt, New Jersey (432,400 square feet), Hounslow, England (198,000 square feet), and North Bergen, New Jersey (164,000 square feet). We believe that our leased and owned facilities are adequate for our present operations.

ITEM 3. LEGAL PROCEEDINGS

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 4.1 CERTAIN EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers who are not also nominees for director are listed below.

<u>Name</u>	<u>Age</u>	<u>Principal Position With SunGard Data Systems Inc.</u>
James E. Ashton III	45	Group Chief Executive Officer
Donald W. Birdwell	51	Group Chief Executive Officer
Andrew P. Bronstein	45	Vice President and Controller
Robert F. Clarke	59	Group Chief Executive Officer
T. Ray Davis	55	Group Chief Executive Officer
Lawrence A. Gross	51	Senior Vice President—Legal and General Counsel
Till M. Guldemann	54	Vice Chairman
Paul C. Jeffers	41	Vice President—Human Resources
Ronald M. Lang	52	Group Chief Executive Officer
John E. McArdle, Jr.	46	Group Chief Executive Officer
Michael K. Muratore	57	Executive Vice President
Brian Robins	45	Senior Vice President—Corporate Marketing
Michael J. Ruane	50	Senior Vice President—Finance, Chief Financial Officer and Treasurer
James C. Simmons	44	Group Chief Executive Officer
Bettina A. Slusar	40	Senior Vice President—Global Accounts Management
Richard C. Tarbox	51	Senior Vice President—Corporate Development

Mr. Ashton has been Group Chief Executive Officer, SunGard Trading and Risk Systems since 1999 and Group Chief Executive Officer, SunGard Treasury Systems since 2003. From 1997 to 1999, he served as Senior Vice President and General Manager of one of our wealth management systems business units that we acquired in 1997.

Mr. Birdwell has been Group Chief Executive Officer, SunGard Asset Management Systems since 1999 and Group Chief Executive Officer, SunGard Securities Processing Systems since 2002 and has been responsible for our SunGard Online Investment Systems group since 2003. From 1989 to 1999, Mr. Birdwell held various senior management positions with us, including President of one of our wealth management systems business units from 1993 to 1999.

Mr. Bronstein has been Vice President and Controller since 1994 and Corporate Controller from 1992 to 1994. From 1985 to 1992, he was a manager with Coopers & Lybrand L.L.P., Philadelphia, where he served as senior manager on our account and as director of the firm's Philadelphia high technology group. Mr. Bronstein is a director and officer of most of our domestic subsidiaries.

Mr. Clarke has been Group Chief Executive Officer, SunGard Higher Education and Public Sector Systems since 1999. From 1988 to 1998, he served as President of one of our wealth management systems business units.

Mr. Davis has been Group Chief Executive Officer, SunGard Employee Benefit Systems since 1999 and Group Chief Executive Officer, SunGard Investor Accounting Systems since 2002. From 1989 to 1999, Mr. Davis held various senior management positions with us, including President of one of our benefit, insurance and investor accounting systems business units from 1991 to 1999.

Mr. Gross has been Senior Vice President–Legal since 2001 and General Counsel since 1986. He was our Secretary from 1987 to March 2002 and a Vice President from 1986 to 2001. From 1979 to 1986, he was a lawyer with Blank Rome LLP, Philadelphia, and in that capacity represented us beginning in 1983. Mr. Gross is a director and officer of most of our domestic subsidiaries and some of our foreign subsidiaries.

Mr. Guldemann has been Vice Chairman since 2002. He was our Senior Vice President, Strategy and a member of our board of directors from 1999 to March 2002. Mr. Guldemann was Vice Chairman from 1997 to 1999 and Senior Vice President from 1995 to 1997 of one of our trading and risk systems business units that we acquired in 1998. From 1974 to 1995, Mr. Guldemann held various senior executive positions with J.P. Morgan & Co.

Mr. Jeffers has been Vice President–Human Resources since 2001. From 2000 to 2001, Mr. Jeffers was National Director of Performance Management and Education for Grant Thornton, LLP, and from 1999 to 2000, he was Vice President–Human Resources of First USA Bank. From 1995 to 1999, Mr. Jeffers was Area Director, Human Resources for the Management Consulting Practice of Ernst & Young LLP.

Mr. Lang has been Group Chief Executive Officer, SunGard Trading Systems since 2000 and has been responsible for our SunGard Brokerage Systems and SunGard Financial Networks groups since 2003. Mr. Lang was Vice President of Marketing from 1997 to 1998 and President from 1998 to 2000 of one of our trading and risk systems business units that we acquired in 1998.

Mr. McArdle has been Group Chief Executive Officer, SunGard Investment Management Systems since 1999. From 1986 to 1999, he held various senior management positions with us, including President of one of our investment management systems business units since 1998.

Mr. Muratore has been Executive Vice President since March 2002. He was Senior Vice President from 1998 to March 2002, Chief Executive Officer of the SunGard Financial Systems Group from 1995 to 1998 and Chief Executive Officer of the SunGard Computer Services Group from 1990 to 1995. From 1985 to 1990, Mr. Muratore held various senior executive positions with us. Mr. Muratore is a director and/or officer of many of our domestic subsidiaries.

Mr. Robins has been Senior Vice President–Corporate Marketing since February 2003 and was Vice President–Corporate Marketing from 2000 to February 2003. From 1995 to 2000, Mr. Robins held various marketing positions, including Vice President–Marketing, with one of our trading and risk systems business units that we acquired in 1998.

Mr. Ruane has been Senior Vice President–Finance since 2001 and our Chief Financial Officer and Treasurer since 1994. He was Vice President–Finance from 1994 to 2001. From 1992 until 1994, Mr. Ruane was Chief Financial Officer and Vice President–Finance of the SunGard Trading Systems Group. Mr. Ruane was our Vice President–Controller from 1990 to 1992, and our Corporate Controller from 1985 to 1990. Mr. Ruane is a director and officer of most of our domestic and foreign subsidiaries.

Mr. Simmons has been Group Chief Executive Officer and President, SunGard Availability Services since 1999. From 1993 to 1999, he held various senior management positions with us, including Senior Vice President–Sales of our principal availability services business unit from 1995 to 1997 and President of one of our benefit, insurance and investor accounting systems business units from 1998 to 1999.

Ms. Slusar has been Senior Vice President–Global Accounts Management since February 2003 and was Vice President–Global Accounts Management from 2001 to February 2003. Ms. Slusar was President from 1999 to 2001 and Senior Vice President, North American Sales and Operations from 1997 to 1998 of one of our brokerage and trading systems business units.

Mr. Tarbox has been Senior Vice President–Corporate Development since 2001 and was Vice President–Corporate Development from 1987 to 2001. From 1983 to 1987, Mr. Tarbox was a senior manager with Coopers & Lybrand L.L.P., providing acquisition, litigation support and other financial consulting.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

This information is incorporated by reference to the section entitled STOCK INFORMATION in our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K).

ITEM 6. SELECTED FINANCIAL DATA

This information is incorporated by reference to the section entitled SELECTED FINANCIAL INFORMATION in our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K).

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information is incorporated by reference to the section entitled MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS in our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K). This information should be read together with our Consolidated Financial Statements and related footnotes (included in Exhibit 13.1 to this Report on Form 10-K) and the discussion of risk factors below.

RISK FACTORS

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the

impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include:

- general economic and market conditions, including the lingering effects of the economic slowdown on information technology spending levels, trading volumes and services revenue, and including the fact that the economic slowdown has left many companies with excess data center capacity that provides them with the capability for in-house high-availability solutions;
- the overall condition of the financial services industry, including the effect of any further consolidation among financial services firms, and including the market and credit risks associated with clearing broker operations;
- the integration of acquired businesses, the performance of acquired businesses including Systems & Computer Technology Corporation, and the prospects for future acquisitions;
- the effect of war, terrorism or catastrophic events;
- the timing and magnitude of software sales;
- the timing and scope of technological advances;
- the ability to retain and attract customers and key personnel; and
- the ability to obtain patent protection and avoid patent-related liabilities in the context of a rapidly developing legal framework for software and business-method patents.

The factors described in this paragraph and other factors that may affect our business or future financial results, as and when applicable, are discussed in our filings with the Securities and Exchange Commission, including this Report on Form 10-K. We assume no obligation to update any written or oral forward-looking statement made by us or on our behalf as a result of new information, future events or other factors.

Our Business Depends Largely on the Economy and Financial Markets, and a Slowdown or Downturn in General Economics or Financial Market Conditions Could Adversely Affect Our Business and Results of Operations.

When there is a slowdown or downturn in the economy, a drop in stock market levels or trading volumes, or an event that disrupts the financial markets, our business and financial results may suffer for a number of reasons. Customers may react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their spending on information technology. In addition, customers may curtail or discontinue trading operations, delay or cancel information technology projects, or seek to lower their costs by renegotiating vendor contracts. Also, customers with excess data center capacity as a result of an economic slowdown may choose to take their high-availability solutions in-house rather than obtain those solutions from us. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers to lower cost solutions. If any of these circumstances remain in effect for an extended period of time, there could be a material adverse effect on our financial results. As a result of the recent economic slowdown, our internal growth steadily decreased, and almost all of our revenue growth during the past two years was from acquisitions.

Our Business Depends Largely on the Financial Services Industry, and a Weakening of the Financial Services Industry Could Adversely Affect Our Business and Results of Operations.

Since our customer base is concentrated in the financial services industry, our business is largely dependent on the health of that industry. When there is a general downturn in the financial services industry, or if our customers in that industry experience financial or business problems, our business and financial results may suffer. If financial services firms continue to consolidate (as they have over the past decade or so), there could be a material adverse effect on our business and financial results. When a customer merges with a firm using its own solution or another vendor's solution, they could decide to consolidate their processing on a non-SunGard system, which could have an adverse effect on our financial results.

Our Acquisition Program is a Principal Element of our Strategy But, Because of the Uncertainties Involved, This Program May Not Be Successful and We May Not Be Able To Successfully Integrate and Manage Acquired Businesses.

There can be no assurance that our acquisition program will continue to be successful or that each acquisition will meet one of our important guidelines of being neutral or positive to our earnings within the first twelve months and thereafter. If we are unable to successfully integrate and manage acquired businesses, or if acquired businesses perform poorly, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in the future may perform worse than expected or prove to be more difficult to integrate and manage than expected. If that happens, there may be a material adverse effect on our business and financial results for a number of reasons, including:

- we may have to devote unanticipated financial and management resources to acquired businesses;
- we may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions; and
- we may have to write off goodwill or other intangible assets.

If We Are Unable to Identify Suitable Acquisition Candidates and Successfully Complete Acquisitions, Our Growth Will Be Slowed and Our Financial Results May Be Adversely Affected.

Our growth has depended in part on our ability to acquire similar or complementary businesses on favorable terms. In the last two years, virtually all of our growth was from acquired businesses. This growth strategy is subject to a number of risks that could adversely affect our business and financial results, including:

- we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms;
- we may face competition for acquisitions from other potential acquirers or from the possibility of the acquisition target pursuing an initial public offering of its stock;
- we may have to borrow money from a bank or sell equity or debt securities to the public to finance future acquisitions as we did with the recent acquisition of Systems & Computer Technology Corporation; and
- we may find it more difficult or costly to complete acquisitions due to changes in accounting, tax, securities or other regulations.

Catastrophic Events May Disrupt or Otherwise Adversely Affect the Markets In Which We Operate, Our Business and Our Profitability.

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy. The potential for a direct impact is due primarily to our significant investment in our infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. Despite our preparations, a security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for customers, disruptions to our operations, or damage to our important facilities. Any of these could have a material adverse effect on our business and financial results.

Our ASP Systems May Be Subject To Disruptions that Could Adversely Affect Our Reputation and Our Business.

Our ASP systems maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our brokerage and trading systems maintain account and trading information for our customers and their clients, and our benefit, insurance and investor accounting systems maintain investor account information for retirement plans, insurance policies and mutual funds. If our ASP systems are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our customers could experience data loss, financial loss, harm to reputation and significant business interruption. If that happens, we may be exposed to liability for security breaches, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Because the Sales Cycle for Our Software Is Typically Lengthy and Unpredictable, Our Results May Fluctuate From Period to Period.

Our operating results may fluctuate and be difficult to predict due to the timing and magnitude of software sales. We offer some of our investment support systems on a license basis, which means that the customer has the right to run the software on its own computers. The customer usually makes a significant up-front payment to license software, which we generally recognize as revenue when the license contract is signed and the software is delivered. The size of the up-front payment often depends on a number of factors that are different for each customer, such as the number of customer locations, users or accounts. As a result, the sales cycle for a software license may be lengthy and take unexpected turns. Thus, it is difficult to predict when software sales will occur or how much revenue they will generate. Since there are few incremental costs associated with software sales, our operating results may fluctuate from quarter to quarter due to the timing and magnitude of software sales.

Rapid Technological and Business Changes Could Adversely Affect Our Business.

Our business may suffer if we do not successfully adapt our products and services to changes in technology and changes in our customers' businesses. These changes can occur rapidly and at unpredictable intervals. If we do not successfully update and integrate our products and services to adapt to these changes, or if we do not successfully develop new products and services needed by our

customers to keep pace with these changes, then our business and financial results may suffer. Our ability to keep up with technology and business changes is subject to a number of risks, including:

- we may find it difficult or costly to update our products and services and to develop new products fast enough to meet our customers' needs;
- we may find it difficult or costly to make some features of our products and services work effectively and securely over the Internet;
- we may find it difficult or costly to integrate more of our investment support systems into efficient straight-through-processing solutions; and
- we may find it difficult or costly to update our products and services to keep pace with business, regulatory and other developments in the financial services industry, where many of our customers operate.

The Trend Towards High-Availability Solutions Will Likely Lower Our Margins And Create Pressure On Our Internal Revenue Growth In Availability Services.

Among our largest customers, there is a trend toward high-availability solutions rather than traditional recovery solutions. The primary reason for this trend is that high-availability solutions, although more costly, provide greater control and faster response to processing interruptions. Many customers prefer high-availability solutions provided by us in order to take advantage of our business continuity expertise and resource management capabilities. Other customers, especially among the very largest having significant IT resources, prefer in-house high-availability solutions, which often are facilitated by excess data center capacity resulting from the recent economic slowdown and by ongoing technological advances. When an existing customer moves from one of our traditional solutions to one of our high-availability solutions, there is a positive impact on our revenue, but usually at a lower margin. Although we cannot predict the exact mix of gains and losses that will result from the trend towards high-availability solutions among the largest customers, we expect that this trend will continue to create pressure on our internal revenue growth rate in Availability Services. We believe that future increases in internal revenue in Availability Services will depend, in part, on an improving economy, and that there will be a lag in time between an increase in technology spending and an increase in internal revenue in Availability Services.

Our Brokerage Operations Are Highly Regulated and are Riskier Than Our Other Businesses.

Organizations like the Securities and Exchange Commission (SEC), New York Stock Exchange (NYSE) and National Association of Securities Dealers (NASD) can, among other things, fine, censure, issue cease-and-desist orders and suspend or expel a broker/dealer or any of its officers or employees for failures to comply with the many laws and regulations that govern brokerage operations. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance and enforcement of an effective brokerage compliance program. Our failure to establish, maintain and enforce proper brokerage compliance procedures, even if unintentional, could subject us to significant losses, lead to disciplinary or other actions, and tarnish our reputation.

We are exposed to certain risks due to the trading activities of our customers and professional traders of our brokerage operations. If customers or professional traders fail to pay for securities they buy, or fail to cover their short sales, or fail to repay margin loans we make to them, then we may suffer losses, and these losses may be disproportionate to the revenue and profit contributions of this business. In our other businesses, we generally can disclaim liability for trading losses that may be caused by our software, but in our brokerage operations, we cannot limit our liability for trading losses even when we are not at fault.

If We Are Unable to Retain or Attract Customers, Our Business and Financial Results Will Be Adversely Affected.

If we are unable to keep existing customers satisfied, sell additional products and services to existing customers or attract new customers, then our business and financial results may suffer. A variety of factors could affect our ability to successfully retain and attract customers, including the level of demand for our products and services, the level of customer spending for information technology, the level of competition from internal customer solutions and from other vendors, the quality of our customer service, our ability to update our products and develop new products and services needed by customers, and our ability to integrate and manage acquired businesses. Our services revenue, which has been largely recurring in nature, comes from the sale of our products and services under fixed-term contracts. We do not have a unilateral right to extend these contracts when they expire. If customers cancel or refuse to renew their contracts, or if customers reduce the usage levels or asset values under their contracts, there could be a material adverse effect on our business and financial results.

In Availability Services, customer retention risks have been amplified by recent acquisitions and other factors. Compared to our historical availability services customer base, the customer bases acquired in 2001 and 2002 had shorter average remaining contract terms. Consequently, there has been a significant increase in the amount and percentage of annual availability services revenue subject to renewal. As we have been seeking to renew shorter-term availability services contracts, we often have been agreeing to lower monthly fees in exchange for longer contract commitments, which has been having a negative impact on revenue and revenue growth rates in this segment.

If We Fail to Retain Key Employees, Our Business May Be Harmed.

Our success depends on the skill, experience and dedication of our employees. If we are unable to retain and attract sufficiently experienced and capable personnel, especially in product development, sales and management, our business and financial results may suffer. For example, if we are unable to retain and attract a sufficient number of skilled technical personnel, our ability to develop high quality

products and provide high quality customer service may be impaired. Experienced and capable personnel in the technology industry remain in high demand, and there is continual competition for their talents. When talented employees leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully retain and attract the personnel that we need.

If We Are Unable to Protect Our Proprietary Technologies and Defend Infringement Claims, We Could Lose Our Competitive Advantage and Our Business Could Be Adversely Affected.

Our success depends in part on our ability to protect our proprietary products and services and to defend against infringement claims. If we are unable to do so, our business and financial results may suffer. To protect our proprietary technology, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. Despite our efforts to protect the proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our technology. It also is possible that others will develop and market similar or better technology to compete with us. Furthermore, existing patent and copyright laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States law. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use. If any of these events happens, there could be a material adverse effect on the value of our proprietary technology and on our business and financial results. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time-consuming, with no assurance of success.

The legal framework for software and business method patents is rapidly evolving, and it is possible that others may patent technology similar to ours and may assert infringement claims against us. These claims may be difficult and costly to defend and may lead to unfavorable judgments or settlements, which could have a material adverse effect on our business and financial results. For these reasons, we may find it difficult or costly to add or retain important features in our products and services.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is incorporated by reference to the section entitled MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS in our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements, supplementary data and related documents included in this Report on Form 10-K are listed in Item 15(a), Part IV, of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Report were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. However, we caution that a system of controls, no matter how well designed and operated, cannot provide absolute assurance that its objectives are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

This Part incorporates certain information from our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders filed with the Securities and Exchange Commission not later than 120 days after the end of our fiscal year covered by this Report on Form 10-K. Notwithstanding such incorporation, the sections of our 2004 Proxy Statement entitled REPORT OF THE AUDIT COMMITTEE, REPORT OF THE COMPENSATION COMMITTEE and PERFORMANCE GRAPH shall not be deemed to be "filed" as part of this Report.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning our directors is incorporated by reference to our 2004 Proxy Statement including but not necessarily limited to the section of our Proxy Statement entitled ELECTION OF DIRECTORS. Information concerning our executive officers who are not also nominees for director is included in Item 4.1, Part I, of this Report on Form 10-K.

We adopted a Business Conduct and Compliance Program that is applicable to our employees, including the Chief Executive Officer, Chief Financial Officer and Controller and directors. The Business Conduct and Compliance Program is available on our website at www.sungard.com/ investors. Stockholders may request a free copy of our Business Conduct and Compliance Program from:

SunGard Data Systems Inc.
Investor Relations
680 East Swedesford Road
Wayne, PA 19087

If we make any substantive amendments to the Business Conduct and Compliance Program which apply to our Chief Executive Officer, Chief Financial Officer or Controller or grant any waiver, including any implicit waiver, from a provision of the Business Conduct and Compliance Program to our directors or executive officers, we will disclose the nature of the amendment or waiver on our website or in a report on Form 8-K.

We have adopted corporate governance guidelines and committee charters for our audit committee, compensation committee, nominating and corporate governance committee, data center oversight committee and executive committee. Our corporate governance guidelines and committee charters are available on our website at www.sungard.com/investors. Stockholders may request a free copy of our committee charters and corporate governance guidelines from the address set forth above.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference to our 2004 Proxy Statement including but not necessarily limited to the section entitled EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning ownership of our securities by certain beneficial owners and management is incorporated by reference to our 2004 Proxy Statement including but not necessarily limited to the section entitled BENEFICIAL OWNERSHIP OF COMMON STOCK. Information concerning securities authorized for issuance under equity compensation plans is incorporated by reference to our 2004 Proxy Statement including but not necessarily limited to the section entitled EQUITY COMPENSATION PLAN INFORMATION.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference to our 2004 Proxy Statement including but not necessarily limited to the sections entitled EXECUTIVE COMPENSATION, BENEFICIAL OWNERSHIP OF COMMON STOCK and ELECTION OF DIRECTORS.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is incorporated by reference to our 2004 Proxy Statement including but not necessarily limited to the sections of our proxy statement entitled RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR AND AUDITOR'S FEES.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) FINANCIAL STATEMENTS

The following financial statements of ours, supplementary data and related documents are incorporated by reference to our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K):

Report of Independent Auditors on Consolidated Financial Statements, dated February 12, 2004.

Consolidated Statements of Income for each of the years ended December 31, 2003, 2002 and 2001.

Consolidated Balance Sheets as of December 31, 2003 and 2002.

Consolidated Statements of Cash Flows for each of the years ended December 31, 2003, 2002 and 2001.

Consolidated Statement of Stockholders' Equity for each of the years ended December 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements.

Quarterly Financial Information (unaudited).

(a)(2) FINANCIAL STATEMENT SCHEDULES

None.

(a)(3) EXHIBITS

The Exhibits that are incorporated by reference in this Report on Form 10-K, or are filed with this Report, are listed in the LIST OF EXHIBITS beginning on page 26 of this Report. Exhibits 10.15 through 10.31 are the management contracts and compensatory plans and arrangements that are required to be filed as Exhibits to this Report.

(b) REPORTS ON FORM 8-K

On October 23, 2003, we filed a Current Report on Form 8-K relating to the results of our third fiscal quarter ended September 30, 2003. We furnished under Item 12 of Form 8-K the press release announcing our financial results for the fiscal quarter ended September 30, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNGARD DATA SYSTEMS INC.

Date: March 12, 2004

By: s/ CRISTÓBAL CONDE
Cristóbal Conde,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
s/ CRISTÓBAL CONDE Cristóbal Conde	President, Chief Executive Officer and Director (principal executive officer)	March 12, 2004
s/ MICHAEL J. RUANE Michael J. Ruane	Chief Financial Officer and Senior Vice President-Finance (principal financial officer)	March 12, 2004
s/ ANDREW P. BRONSTEIN Andrew P. Bronstein	Vice President and Controller (principal accounting officer)	March 12, 2004
s/ GREGORY S. BENTLEY Gregory S. Bentley	Director	March 12, 2004
s/ MICHAEL C. BROOKS Michael C. Brooks	Director	March 12, 2004
s/ RAMON DE OLIVEIRA Ramon de Oliveira	Director	March 12, 2004
s/ HENRY C. DUQUES Henry C. Duques	Director	March 12, 2004
s/ ALBERT A. EISENSTAT Albert A. Eisenstat	Director	March 12, 2004
s/ BERNARD GOLDSTEIN Bernard Goldstein	Director	March 12, 2004
s/ JANET BRUTSCHEA HAUGEN Janet Brutschea Haugen	Director	March 12, 2004
s/ JAMES L. MANN James L. Mann	Chairman of the Board of Directors	March 12, 2004
s/ MALCOLM I. RUDDOCK Malcolm I. Ruddock	Director	March 12, 2004

LIST OF EXHIBITS

<u>Number</u>	<u>Document</u>
3.1	Restated Certificate of Incorporation of SunGard (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-12989)).
3.2	Amended and Restated Bylaws of SunGard (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000 (Commission File No. 1-12989)).
4.1	Specimen Common Stock Certificate of SunGard (incorporated by reference to the Exhibits filed with SunGard's Registration Statement on Form S-1 and Amendments No. 1, No. 2 and No. 3 thereto (Registration No. 33-3181)).
4.2	Rights Agreement dated as of July 18, 2000 between SunGard and Wells Fargo Bank Minnesota, N.A. (incorporated by reference to the Exhibits filed with SunGard's Current Report on Form 8-K dated July 18, 2000 and filed on July 21, 2000.)
4.3	Indenture dated January 15, 2004 between SunGard and The Bank of New York, as trustee (filed with this Report).
10.1	Lease, dated April 12, 1984, between SunGard and Broad and Noble Associates, Inc., relating to SunGard's facility at 401 North Broad Street, Philadelphia, Pennsylvania, and Amendments thereto, dated October 18, 1989, September 30, 1991 and November 19, 1992 ("401 Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 (Commission File No. 0-14232)).
10.2	Amendment to 401 Lease, dated October 9, 1995 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-14232)).
10.3	Amendment to 401 Lease, dated December 23, 1996 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Commission File No. 0-14232)).
10.4	Amendment to 401 Lease, dated March 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.5	Amendment to 401 Lease, dated December 18, 1997 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.6	Amendment to 401 Lease, dated June 9, 1999 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.7	Amendment to 401 Lease, dated June 29, 2000 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-12989)).

Number	Document
10.8	October 1999 Lease by and between Russo Family Limited Partnership and SunGard (as successor to Comdisco, Inc.); Amendment to Lease Agreement, dated November 15, 2001, by and between Russo Family Limited Partnership and SunGard; and Lease Assignment and Assumption Agreement, dated November 15, 2001, between Comdisco, Inc. and SunGard (each relating to SunGard's facility at 777 Central Boulevard, Carlstadt, New Jersey) (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-12989)).
10.9	August 2002 Lease Agreement between 760 Washington Avenue, L.L.C. and SunGard relating to SunGard's facility at 760 Washington Avenue, Carlstadt, New Jersey ("760 Washington Lease") (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-12989)).
10.10	Amendment to 760 Washington Lease, dated May 16, 2003 (filed with this Report).
10.11	November 1987 Lease between Hartz Mountain Development Corp. and SunGard (as successor to Comdisco Disaster Recovery Services, Inc.) ("North Bergen Lease"); December 1987 Amendment of Lease by and between Hartz Mountain Development Corp. and Comdisco Disaster Recovery Services, Inc.; April 1988 Second Amendment of Lease by and between Hartz Mountain Development Corp. and Comdisco Disaster Recovery Services, Inc.; and Lease Assignment and Assumption Agreement, dated November 15, 2001, between Comdisco, Inc. and SunGard (each relating to SunGard's facility at 5851 West Side Avenue, North Bergen, New Jersey) (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-12989)).
10.12	Amendment to North Bergen lease, dated May 30, 2002 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-12989)).
10.13	September 2000 Lease between Prologis UK S.A.R.L., Prologis UK VII S.A.R.L. and Guardian iT plc relating to SunGard's facility at Green Lane Hounslow, England (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-12989)).
10.14	Five-Year Credit Agreement dated as of January 9, 2004 among SunGard, certain banks and other financial institutions, JPMorgan Chase Bank, as Administrative Agent, J.P. Morgan Europe Limited, as London Agent, Wachovia Bank, N.A., as Syndication Agent, and ABN Amro Bank, N.V., Bank of America, N.A. and Citibank, N.A., as Co-Documentation Agents (filed with this Report).
10.15 ⁽¹⁾	Agreement between James L. Mann and SunGard Data Systems Inc. dated August 16, 2002 (incorporated by reference to the Exhibits filed with SunGard's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 (Commission File No. 1-12989)).
10.16 ⁽¹⁾	SunGard's 1986 Stock Option Plan, Amendments thereto, dated January 1, 1987, November 1, 1988, February 6, 1990, November 8, 1991, February 16, 1993 and February 13, 1995, and United Kingdom Addendum thereto, dated February 12, 1991 (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (Commission File No. 0-14232)).

<u>Number</u>	<u>Document</u>
10.17 ⁽¹⁾	SunGard's Restricted Stock Award Plan for Outside Directors (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (Commission File No. 0-14232)).
10.18 ⁽¹⁾	Amendment No. 1 to SunGard's Restricted Stock Award Plan for Outside Directors. (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.19 ⁽¹⁾	Amendment No. 2 to SunGard's Restricted Stock Award Plan for Outside Directors (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-12989)).
10.20 ⁽¹⁾	SunGard's 1994 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (Commission File No. 0-14232)).
10.21 ⁽¹⁾	Amendment No. 1 to SunGard's 1994 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.22 ⁽¹⁾	SunGard's 1996 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-14232)).
10.23 ⁽¹⁾	The United Kingdom Addendum to SunGard's 1996 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Commission File No. 0-14232)).
10.24 ⁽¹⁾	Amendment No. 1 to SunGard's 1996 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.25 ⁽¹⁾	SunGard's 1998 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Commission File No. 1-12989)).
10.26 ⁽¹⁾	SunGard's 2000 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.27 ⁽¹⁾	SunGard's 2002 Equity Incentive Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-12989)).
10.28 ⁽¹⁾	Summary Description of SunGard's Annual Executive Incentive Compensation Program (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File No. 1-12989)).
10.29 ⁽¹⁾	Summary Description of SunGard's Long-Term Executive Incentive Compensation Plan (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-12989)).
10.30 ⁽¹⁾	Summary Description of SunGard's Outside Director Stock in Lieu of Cash Fees Program (filed with this Report).

<u>Number</u>	<u>Document</u>
10.31 ⁽¹⁾	Form of Indemnification Agreement entered into by SunGard with its directors and officers (incorporated by reference to the Exhibits filed with SunGard's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (Commission File No. 0-14232)).
10.32	Registration Rights Agreement dated January 15, 2004 between SunGard and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as representatives of the initial purchasers (filed with this Report).
13.1	Portions of SunGard's Annual Report to Stockholders for the fiscal year ended December 31, 2003 expressly incorporated herein by reference (filed with this Report).
13.2	Description of Business Areas as appears in SunGard's Annual Report to Stockholders for the fiscal year ended December 31, 2003 expressly incorporated herein by reference (filed with this Report).
21.1	Subsidiaries of the Registrant (filed with this Report).
23.1	Consent of Independent Auditors regarding SunGard's consolidated financial statements (filed with this Report).
31.1	Certification of Cristóbal Conde required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
31.2	Certification of Michael J. Ruane required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.1	Certification of Cristóbal Conde required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).
32.2	Certification of Michael J. Ruane required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this Report).

(1) Management contract or compensatory plan or arrangement.

**INDEX TO SELECTED PORTIONS OF
2003 ANNUAL REPORT TO STOCKHOLDERS**

<u>Number</u>	<u>Document</u>
13.1	Financial portions of SunGard's Annual Report to Stockholders for the fiscal year ended December 31, 2003
13.2	Description of Segments and Business Areas as appears in SunGard's Annual Report to Stockholders for the fiscal year ended December 31, 2003

EXHIBIT 13.1

FINANCIAL PORTIONS OF SUNGARD'S ANNUAL REPORT TO STOCKHOLDERS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

FINANCIAL SECTION

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SELECTED FINANCIAL INFORMATION

(In Thousands, Except Per-Share Amounts)	1999	2000	2001	2002	2003
Income Statement Data ^{(1) (2) (3) (4) (5)}					
Revenue	\$1,486,997	\$1,703,096	\$1,981,837	\$2,593,237	\$2,955,252
Income from operations	175,915	335,262	399,210	547,233	623,609
Net income before extraordinary items	100,531	212,972	246,055	325,641	370,310
Net income	111,201	212,972	246,055	325,641	370,310
Basic net income per share before extraordinary items	0.40	0.81	0.89	1.15	1.30
Diluted net income per share before extraordinary items	0.39	0.78	0.86	1.12	1.27
Basic net income per share	0.44	0.81	0.89	1.15	1.30
Diluted net income per share	0.43	0.78	0.86	1.12	1.27
Balance Sheet Data ⁽¹⁾					
Total assets	\$1,564,762	\$1,845,185	\$2,898,158	\$3,281,596	\$4,000,107
Total short-term and long-term debt ⁽⁶⁾	13,272	13,847	458,631	206,092	199,797
Stockholders' equity	1,210,767	1,442,476	1,793,856	2,222,399	2,765,868

- (1) Includes the effect of business acquisitions from the date of each acquisition, except for seven acquisitions in 1999 that were accounted for as poolings of interests and are included from January 1, 1999. There were eighteen acquisitions in 1999, ten acquisitions in 2000, seven acquisitions in 2001, nine acquisitions in 2002 and nine acquisitions in 2003. See Note 2 of Notes to Consolidated Financial Statements.
- (2) Includes a charge for pro forma income taxes for periods before the March 1999 acquisition of a Subchapter S corporation. Net income and all net income per share amounts before March 1999 are presented on a pro forma basis since generally accepted accounting principles require the presentation of pro forma income tax expense for the acquired company as if it had been a Subchapter C corporation for all periods presented.
- (3) All revenue amounts include reimbursed expenses (see Note 1 of Notes to Consolidated Financial Statements). All per-share amounts before June 2001 are adjusted for the June 2001 two-for-one stock split.
- (4) Includes amortization of goodwill, net of tax, of \$10,754, \$13,877 and \$17,853 in 1999, 2000 and 2001, respectively (\$0.04, \$0.05 and \$0.06 per diluted share, respectively). See Note 1 of Notes to Consolidated Financial Statements.
- (5) **1999** includes merger costs of \$99,184 (\$71,309 pro forma after tax; \$0.27 per diluted share) and an extraordinary gain from the sale of two healthcare information systems businesses of \$16,766 (\$10,670 after tax; \$0.04 per diluted share). **2000** includes charges of \$13,177 (\$8,547 after tax; \$0.03 per diluted share) for purchased in-process research and development and merger costs. **2001** includes charges of \$17,670 (\$12,736 after tax; \$0.04 per diluted share) for the write-off of an investment, facility shut-down and severance costs related to an acquisition and merger costs, offset in part by a break-up fee and a realized gain on short-term investments sold to fund an acquisition. **2002** includes charges of \$11,793 (\$8,570 after tax; \$0.03 per diluted share) for facility shut-down and severance costs related to two acquisitions, along with our share of merger costs associated with our equity interests in two companies before we acquired the remaining equity of each, net of other income of \$2,993 related to a gain on foreign currency purchased to fund an acquisition. **2003** includes merger costs and related items of \$333 (\$811 after tax; less than \$0.01 per diluted share). See Note 2 of Notes to Consolidated Financial Statements.
- (6) In January 2004, the Company issued \$500 million in senior unsecured notes. See Note 6 of Notes to Consolidated Financial Statements.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In Thousands, Except Per-Share Amounts)	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2003 ⁽¹⁾				
Revenue	\$674,561	\$733,963	\$742,427	\$804,301
Gross profit ⁽³⁾	371,151	412,186	421,070	458,920
Income before income taxes	125,684	149,469	154,363	185,608
Net income	76,039	89,880	92,365	112,026
Diluted net income per common share ⁽⁴⁾	0.26	0.31	0.31	0.38
2002 ⁽²⁾				
Revenue	\$608,223	\$623,328	\$659,915	\$701,771
Gross profit ⁽³⁾	353,007	356,715	365,808	415,868
Income before income taxes	114,789	137,464	129,983	161,061
Net income	70,021	81,684	78,078	95,858
Diluted net income per common share	0.24	0.28	0.27	0.33

(1) Includes merger costs and other acquisition-related items of \$1,296, \$3,602 and \$(4,565) during the second, third and fourth quarters, respectively (\$781, \$2,886, and \$(2,856) after tax; or less than \$0.01, \$0.01 and \$(0.01) per diluted share in the second, third and fourth quarters, respectively). See Note 2 of Notes to Consolidated Financial Statements.

(2) Includes merger costs and other acquisition-related items of \$1,677, \$(590), \$10,519 and \$187 during the first, second, third and fourth quarters, respectively (\$1,023, \$542, \$6,926 and \$79 after tax, respectively; or \$0.01 and \$0.02 per diluted share in the first and third quarters, respectively, and less than \$0.01 per diluted share in the second and fourth quarters). See Note 2 of Notes to Consolidated Financial Statements.

(3) Gross profit equals revenue less cost of sales and direct operating expenses.

(4) The sum of the quarters does not equal the full-year total due to rounding.

STOCK INFORMATION

Our common stock is listed on the New York Stock Exchange under the symbol SDS. At March 3, 2004, we had approximately 7,850 stockholders of record. No dividends have ever been paid on our common stock. Our policy is to retain earnings for use in our business.

The accompanying table indicates high and low sales prices per share of our common stock, as reported on the New York Stock Exchange.

Calendar Year 2003

First Quarter	\$25.09	\$17.50
Second Quarter	26.76	20.00
Third Quarter	29.60	25.00
Fourth Quarter	29.16	25.99

Calendar Year 2002

First Quarter	\$35.10	\$27.20
Second Quarter	33.10	22.90
Third Quarter	26.48	18.60
Fourth Quarter	24.70	14.70

The closing price of our common stock on March 3, 2004, as reported on the New York Stock Exchange, was \$29.12 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

We are a global leader in integrated software and processing solutions, primarily for financial services. We also help information-dependent enterprises of all types to ensure the continuity of their business. We serve more than 20,000 customers in over 50 countries. We have three segments: Investment Support Systems, Availability Services, and Higher Education and Public Sector Systems.

In Investment Support Systems (ISS), we primarily serve financial services institutions through a broad range of complementary software solutions that process their investment and trading transactions. These solutions are grouped into the following business areas: brokerage and trading systems; wealth management systems; treasury and risk management systems; investment management systems; and benefit, insurance and investor accounting systems. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing portfolios and accounting for investment assets. We deliver many of our systems as an application service provider.

In Availability Services (AS), we primarily serve information-dependent enterprises of all types by helping to ensure the continuity of their business. We provide a continuum of information availability services for all major computing platforms. We also provide managed IT services and professional services, including acting as an application service provider for a number of our investment support systems.

In Higher Education and Public Sector Systems (HE/PS), we primarily provide specialized enterprise resource planning and administrative solutions for higher education, school districts, governments and nonprofits. On February 12, 2004, we acquired Systems & Computer Technology Corporation (SCT), a leading global provider of technology solutions for higher education. See Note 2 of Notes to Consolidated Financial Statements.

The following discussion includes historical and certain forward-looking information that should be read together with the accompanying Consolidated Financial Statements and related footnotes and the discussion below of certain risks and uncertainties that could cause future operating results to differ materially from historical results or the expected results indicated by forward-looking statements.

USE OF ESTIMATES AND CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Those estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates. A summary of our significant accounting policies is contained in Note 1 of Notes to Consolidated Financial Statements. A description of the most critical policies follows. Our management has discussed the critical accounting policies described below with our audit committee.

Intangible Assets and Purchase Accounting

We seek to grow through both internal development and the acquisition of businesses that broaden or complement our product lines. During the three years ended December 31, 2003, we spent approximately \$1.6 billion, net of cash acquired, to purchase 25 businesses. Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets generally include software, customer contracts and relationships (grouped together as customer base) and noncompetition agreements. Goodwill represents the excess of cost over the fair value of net assets acquired. For significant acquisitions, we obtain independent appraisals and valuations of the intangible (and certain tangible) assets acquired and certain assumed obligations.

The estimated fair values and useful lives of identified intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, estimates of cost avoidance, the nature of the business acquired, the specific characteristics of the identified intangible assets and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, regulations affecting the business model of our brokerage operations, technological developments, economic conditions and competition. The carrying values and useful lives for amortization of identified intangible assets are reviewed on an ongoing basis, and any resulting changes in estimates could have a material effect on our financial results.

When circumstances change or at least annually, we compare the carrying value of goodwill of each reporting unit to its estimated fair value to determine whether the carrying value is greater than the respective estimated fair value. If goodwill exceeds the estimated fair value, it would be impaired, and some or all of the goodwill would be written off as a charge to operations, which could have a material effect on our financial results. The estimate of fair value requires various assumptions including the use of projections of future cash flows and discount rates that reflect the risks associated with achieving the future cash flows. Changes in the underlying business could affect these estimates, which in turn could affect the fair value of the reporting unit.

We believe that there was no impairment of identified intangible assets or goodwill at December 31, 2003.

In connection with certain acquisitions, we have accrued the estimated costs of closing certain facilities. Costs for closing leased facilities are estimated based on the condition and remaining lease term of each facility, the expected closure date, and an assessment of relevant market conditions, including an estimate of any sub-lease rental income we can reasonably expect to obtain given the market conditions at the time of the acquisition. Costs for closing owned facilities are based on the difference between the estimated net proceeds from a sale of the facility and its carrying value. These estimates are based on an assessment of the condition of the facility, its location and relevant market conditions. The estimated cost of closing our existing facilities is included in merger costs, and the estimated cost of closing acquired facilities is included in goodwill. Merger costs or goodwill could change due to the finalization of plans for closing facilities and completion of valuations within one year after the acquisition, as well as the settlement of lease obligations or sale of owned facilities. A change in market conditions after the acquisition date could change the estimated costs for closing facilities and would result in a charge or credit to merger costs, which could have a material effect on our financial results.

Revenue Recognition

We generate services revenue from availability services, processing services, software maintenance and rentals, professional services, broker/dealer fees and hardware rentals. All services revenue is measured and recorded as the services are provided, according to contractually stated amounts, which may be fixed, variable or a combination of both. Revenue is recorded based on the fair value of each element as the services are provided. Fair value is determined based on the sales price of each element when sold separately. AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided, and the related costs are incurred ratably over the contract period. In a disaster, the customer is contractually obligated to pay additional fees, which generally cover our incremental costs of supporting the customer during the disaster. ISS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of users, accounts, trades, transactions or hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon the estimated percentage of completion, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. When fixed-fee contracts include both professional services and software and require a significant amount of program modification or customization, installation, systems integration or related services, the professional services and license revenue is recorded based upon the estimated percentage of completion, measured in the manner described above. Changes in the estimated costs or hours to complete the contract are reflected in the period during which the change becomes known. Losses, if any, are recognized immediately.

License fees result from contracts that permit the customer to use our software products at its site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed, collection is probable, and there is sufficient evidence of the fair value of each undelivered element. Revenue is recorded over the contract period when customer payments are extended beyond normal billing terms, or when there is significant acceptance, technology or service risk. Revenue also is recorded over the contract period in those instances where the software is bundled together with computer equipment or other post-delivery services, and there is not sufficient evidence of the fair value of each element.

We believe that our revenue recognition practices comply with the complex and evolving rules governing revenue recognition. Future interpretations of existing accounting standards, new standards or changes in our business practices could result in changes in our revenue recognition accounting policies that could have a material effect on our financial results.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Income, the relative percentage that those amounts represent to total revenue (unless otherwise indicated), and the percentage change in those amounts from period to period. All percentages are calculated using actual amounts rounded to the nearest one-hundred thousand and are rounded to the nearest whole percentage.

	Year Ended December 31, (In Millions)			Percent of Revenue Year Ended December 31,			Percent Increase (Decrease)	
	2003	2002	2001	2003	2002	2001	2003 vs. 2002	2002 vs. 2001
Revenue ⁽¹⁾								
Investment support systems	\$1,605.8	\$1,408.1	\$1,345.0	54%	54%	68%	14%	5%
Availability services	1,170.6	1,052.5	522.4	40%	41%	26%	11%	101%
Higher education and public sector systems	178.9	132.6	114.4	6%	5%	6%	35%	16%
	<u>\$2,955.3</u>	<u>\$2,593.2</u>	<u>\$1,981.8</u>	100%	100%	100%	14%	31%
Costs and Expenses								
Cost of sales and direct operating	\$1,291.9	\$1,101.8	\$ 823.8	44%	42%	42%	17%	34%
Sales, marketing and administration	536.1	504.7	403.3	18%	19%	20%	6%	25%
Product development	194.8	158.9	172.4	7%	6%	9%	23%	(8)%
Depreciation and amortization	222.7	203.0	109.0	8%	8%	6%	10%	86%
Amortization of acquisition-related intangible assets	88.7	65.1	66.9	3%	3%	3%	36%	(3)%
Merger costs	(2.5)	12.5	7.2	—	—	—	(120)%	74%
	<u>\$2,331.7</u>	<u>\$2,046.0</u>	<u>\$1,582.6</u>	79%	79%	80%	14%	29%
Operating Income ⁽¹⁾								
Investment support systems ⁽²⁾	\$ 301.8	\$ 320.8	\$ 281.3	19%	23%	21%	(6)%	14%
Availability services ⁽²⁾	339.7	257.8	147.5	29%	24%	28%	32%	75%
Higher education and public sector systems ⁽²⁾	22.1	19.1	11.7	12%	14%	10%	16%	63%
Corporate administration	(42.5)	(38.0)	(34.1)	(1)%	(1)%	(2)%	12%	11%
Merger costs	2.5	(12.5)	(7.2)	—	—	—	(120)%	74%
	<u>\$ 623.6</u>	<u>\$ 547.2</u>	<u>\$ 399.2</u>	21%	21%	20%	14%	37%

(1) For comparative purposes, 2002 and 2001 reflect the reclassification of a business from HE/PS to ISS.

(2) Percent of revenue is calculated as a percentage of ISS revenue, AS revenue and revenue from HE/PS, respectively.

REVENUE

The following table sets forth, for the periods indicated, certain supplemental revenue data, the relative percentage that those amounts represent to total revenue and the percentage change in those amounts from period to period. All percentages are calculated using actual amounts rounded to the nearest one-hundred thousand and are rounded to the nearest whole percentage.

	Year Ended December 31, (In Millions)			Percent of Revenue Year Ended December 31,			Percent Increase (Decrease)	
	2003	2002	2001	2003	2002	2001	2003 vs. 2002	2002 vs. 2001
Investment Support Systems⁽¹⁾								
Services	\$1,390.1	\$1,220.3	\$1,132.3	47%	47%	57%	14%	8%
License and resale fees	165.0	158.2	186.1	6%	6%	9%	4%	(15)%
Total products and services	1,555.1	1,378.5	1,318.4	53%	53%	67%	13%	5%
Reimbursed expenses	50.7	29.6	26.6	2%	1%	1%	71%	11%
	<u>\$1,605.8</u>	<u>\$1,408.1</u>	<u>\$1,345.0</u>	54%	54%	68%	14%	5%
Availability Services								
Services	\$1,144.4	\$1,034.8	\$ 513.6	39%	40%	26%	11%	101%
License and resale fees	22.4	15.2	7.7	1%	1%	—	47%	97%
Total products and services	1,166.8	1,050.0	521.3	39%	40%	26%	11%	101%
Reimbursed expenses	3.8	2.5	1.1	—	—	—	52%	127%
	<u>\$1,170.6</u>	<u>\$1,052.5</u>	<u>\$ 522.4</u>	40%	41%	26%	11%	101%
Higher Education and Public Sector Systems⁽¹⁾								
Services	\$ 126.9	\$ 80.0	\$ 68.6	4%	3%	3%	59%	17%
License and resale fees	22.4	21.8	20.3	1%	1%	1%	3%	7%
Total products and services	149.3	101.8	88.9	5%	4%	4%	47%	15%
Reimbursed expenses	29.6	30.8	25.5	1%	1%	1%	(4)%	21%
	<u>\$ 178.9</u>	<u>\$ 132.6</u>	<u>\$ 114.4</u>	6%	5%	6%	35%	16%
Total Revenue								
Services	\$2,661.4	\$2,335.1	\$1,714.5	90%	90%	87%	14%	36%
License and resale fees	209.8	195.2	214.1	7%	8%	11%	7%	(9)%
Total products and services	2,871.2	2,530.3	1,928.6	97%	98%	97%	13%	31%
Reimbursed expenses	84.1	62.9	53.2	3%	2%	3%	34%	18%
	<u>\$2,955.3</u>	<u>\$2,593.2</u>	<u>\$1,981.8</u>	100%	100%	100%	14%	31%

(1) For comparative purposes, 2002 and 2001 reflect the reclassification of a business from HE/PS to ISS.

INCOME FROM OPERATIONS

Overall results for 2003 were consistent with our expectations. Our total operating margin was 21% in 2003 and 2002. The five hundred basis point improvement in the AS margin was offset by decreases in the ISS and HE/PS margins due primarily to the lower margins associated with acquired businesses. While we believe our competitiveness grew stronger in 2003, continued cost-cutting by our customers put pressure on revenue growth as contracts came up for renewal. Many of our products help customers reduce costs, which contributed to demand and improved our competitive position, but price pressure on fees was greater than we expected in 2003. These factors essentially canceled each other out, resulting in the overall demand for our products and services meeting our expectations. During 2002, overall results were slightly above our expectation because the integration of an acquired business into AS proceeded faster and better than expected and more than offset the lower than expected performance of ISS.

We expect that our total operating margin will improve modestly in 2004. For purposes of estimating our 2004 operating margin, we assumed that the demand environment for our products and services will not change significantly. In addition, because the timing and magnitude of acquisitions and related costs are unpredictable, we assumed that we will have no further acquisitions during 2004.

Investment Support Systems (ISS)

The ISS operating margin was 19% in 2003, compared with 23% in 2002 and 21% in 2001. The lower margin in 2003 was due to the lower operating margins of acquired businesses. The impact on the 2003 margin of a \$35.8 million (13%) decrease in internal professional services revenue was largely offset by cost controls. Internal revenue is revenue from businesses owned for at least 12 months. Despite a \$27.9 million (15%) decrease in 2002 license and resale fees, the 2002 margin was higher due to the full-year impact of 2001 cost reductions and additional 2002 cost controls implemented across ISS.

The most important factors affecting the ISS operating margin are:

- the operating margins of recently acquired businesses, which tend to be lower at the outset and improve over a number of years,
- the low level of IT spending, which contributes to continued pressure on pricing both in contract renewals and new contract signings and to a lower demand for professional services,
- the level of trading volumes and software license sales, and
- the overall condition of the financial services industry and the effect of any further consolidation among financial services firms.

Availability Services (AS)

The AS operating margin was 29% in 2003, compared with 24% in 2002 and 28% in 2001. The higher margin in 2003 was due primarily to cost reductions associated with the successful integration of acquired businesses and the recovery of accounts receivable that were reserved as uncollectible in 2002. The lower margin in 2002 was due primarily to the initial effect of the significantly lower margins of acquired businesses, and the full-year effect of higher costs resulting from expansion of our AS resources in 2001.

The most important factors affecting the AS operating margin are:

- the rate and value of contract renewals and new contract signings,
- the timing and magnitude of equipment and facilities expenditures, and
- the trend toward increasing sales of dedicated solutions, which yield lower margins than traditional shared solutions.

The margin of the AS European business is lower than the margin of the North American business due primarily to purchasing preferences that inhibit pan-European services, resulting in lower economies of scale, and, to a lesser extent, a higher percentage of dedicated solutions.

REVENUE

Total revenue increased \$362.1 million and \$611.4 million in 2003 and 2002, respectively. Internal revenue was unchanged in 2003 compared to an increase of approximately 1% in 2002. Currency fluctuation had a positive impact of approximately 2% on 2003 internal revenue. During 2003, a decrease in internal revenue from ISS and HE/PS was offset by an increase in AS internal revenue, and internal revenue growth fluctuated from a low of negative 1% during the second quarter to a high of 2% during the fourth quarter. During 2002, internal revenue growth fluctuated from a high of 3% during the second quarter to a low of negative 1% during the fourth quarter. In both 2003 and 2002, the effects of the economic slowdown hindered revenue growth in all three segments.

Services revenue, which is largely recurring in nature, includes revenue from availability services, processing services, software maintenance and rentals, professional services, broker/dealer fees and hardware rentals. Services revenue increased to \$2.7 billion (14%), \$2.3 billion (36%) and \$1.7 billion (22%) in 2003, 2002 and 2001, respectively, and represented approximately 90%, 90% and 87%, respectively, of total revenue. The increase in 2003 was due primarily to acquired businesses and an increase in AS internal revenue, offset in part by a decrease in ISS internal professional services revenue. The increase in 2002 was due primarily to an acquired AS business, offset in part by lower ISS internal professional services revenue. Services revenue increased in 2002 as a percentage of total revenue because software license fees decreased, largely due to the economic slowdown, and because the revenue from acquired AS businesses was almost all services revenue.

Professional services revenue was \$375.6 million in 2003, compared to \$358.1 million in 2002 and \$339.2 million in 2001. The increase in each year was due primarily to acquired businesses, offset in part by a decrease in ISS internal revenue, which resulted from lower customer spending for new and existing projects.

Revenue from license and resale fees was \$209.8 million, \$195.2 million and \$214.1 million in 2003, 2002 and 2001, respectively, and includes software license revenue of \$171.6 million, \$155.4 million and \$182.5 million, respectively. The 2003 increase in software license fees was due to acquired businesses offset in part by a decrease in HE/PS internal revenue. The lower software license revenue in 2002 was due primarily to the economic slowdown resulting in lower customer spending for new software systems.

Investment Support Systems

Total ISS revenue increased \$197.7 million (14%) in 2003 and \$63.1 million (5%) in 2002. Internal ISS revenue decreased approximately 2% in both years due primarily to the economic slowdown resulting in lower customer spending, especially in the financial services industry.

In 2003, ISS services revenue increased \$169.8 million (14%), and license and resale fees increased \$6.8 million (4%). The increase in services revenue was due primarily to acquired businesses, offset in part by a \$35.8 million decrease in internal professional services revenue. Professional services revenue was down across ISS, especially in benefit, insurance and investor accounting systems which accounted for approximately 60% of the decrease. We believe that improvement in internal professional services revenue will depend, in part, on an improving economy, but will lag an increase in new contract signings. The increase in license and resale fees was due primarily to acquired businesses offset by lower customer spending for new and existing projects across most ISS businesses. Revenue from reimbursed expenses increased \$21.1 million due primarily to acquired brokerage and trading systems businesses.

In 2002, ISS services revenue increased \$88.0 million (8%) while license and resale fees decreased \$27.9 million (15%). The increase in services revenue was due primarily to acquired businesses. Internal professional services revenue decreased \$40.0 million across ISS. Total processing and support revenue grew by about the same amount due to increases in wealth management systems and investment management systems, net of a decrease in brokerage and trading systems. The decrease in license and resale fees was due primarily to the economic slowdown causing lower spending for new systems. The increase in reimbursed expenses was due to reimbursed trading expenses from an acquired brokerage and trading systems business.

Availability Services

AS revenue increased \$118.1 million (11%) in 2003 and \$530.1 million (101%) in 2002. Internal AS revenue increased approximately 3% and 7% in 2003 and 2002, respectively. The primary factors for the lower internal revenue growth were the loss of business to customers taking certain of their availability solutions in-house, continued depressed capital spending by customers due to the economic slowdown, and our ongoing efforts to renew shorter-term contracts for longer-term commitments in exchange for lower monthly fees. Among our largest customers, there is a trend toward dedicated solutions rather than traditional recovery solutions. The primary reason for this trend is that dedicated solutions, although more costly, provide greater control and faster response to processing interruptions. Many customers prefer dedicated solutions provided by us in order to take advantage of our business continuity expertise and resource management capabilities. Other customers, especially among the very largest having significant IT resources, prefer in-house dedicated solutions, which often are facilitated both by excess data center capacity resulting from the economic slowdown and by ongoing technological advances. When an existing customer moves from a traditional shared SunGard solution to a dedicated SunGard solution, there is a positive impact on AS revenue, but usually at a lower margin. Although we cannot predict the exact mix of gains and losses that will result from the trend toward dedicated solutions among our largest customers, we expect that this trend will continue to create pressure on our AS internal revenue growth rate. We believe that future increases in AS internal revenue will depend, in part, on an improving economy, but will lag an increase in IT capital spending.

Higher Education and Public Sector Systems

Revenue from HE/PS increased \$46.3 million (35%) in 2003 and \$18.2 million (16%) in 2002. The increase in 2003 was due to an acquired business offset in part by a decrease in internal revenue of approximately 5%. The decrease in internal revenue was due primarily to lower license and resale fees. The increase in 2002 was due primarily to an increase in revenue from public sector systems.

COSTS AND EXPENSES

Total costs and expenses as a percentage of revenue were relatively consistent during 2003, 2002 and 2001, with a slight decrease in 2002 due primarily to the full-year impact of cost controls implemented in 2001 and the integration of an acquired AS business.

Cost of sales and direct operating expenses increased \$190.1 million (17%) in 2003 and \$278.0 million (34%) in 2002. The increase in 2003 was due to acquired businesses, offset in part by lower cost of sales and direct operating expenses associated with lower ISS sales in 2003 and by a nonrecurring AS equipment sale in 2002. The increase in cost of sales and direct operating expenses as a percentage of total revenue was due to certain ISS businesses, especially in brokerage and trading systems, having a higher percentage of cost of sales and direct operating expenses, offset in part by a decrease in AS costs due to the integration of acquired businesses. The increase in 2002 cost of sales and direct operating expenses was due primarily to acquired businesses, offset in part by cost controls. The cost of sales and direct operating expenses directly related to license fees are negligible.

Sales, marketing and administrative costs decreased as a percentage of total revenue to 18% during 2003 from 19% and 20% during 2002 and 2001, respectively, because of cost controls and lower commission and incentive compensation expense.

Since AS product development expenses are insignificant, it is more meaningful to look at product development expenses as a percentage of revenue from ISS and HE/PS. In 2003, product development expenses were 11% of revenue from ISS and HE/PS, compared to 10% and 12% in 2002 and 2001, respectively. Capitalized development costs, amortization of previously capitalized development costs (which is included in depreciation and amortization) and net capitalized development costs in each of the years ended December 31 follow (in millions):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Capitalized development costs	\$12.9	\$15.4	\$11.5
Amortization of previously capitalized development costs	<u>8.8</u>	<u>6.9</u>	<u>6.3</u>
Net capitalized development costs	<u>\$ 4.1</u>	<u>\$ 8.5</u>	<u>\$ 5.2</u>

Depreciation and amortization was 8% of total revenue in 2003 and 2002, compared to 6% in 2001. The higher percentage in 2003 and 2002 was due to acquired AS businesses.

Amortization of all acquisition-related intangible assets totaled \$88.7 million, \$65.1 million and \$66.9 million in 2003, 2002 and 2001, respectively (\$0.18, \$0.14 and \$0.16 per diluted share, respectively). The increase in 2003 was due to acquired businesses. The slight decrease in 2002 was due to the required elimination of goodwill amortization, offset in part by amortization from acquired businesses in 2002 and 2001. Amortization of goodwill totaled \$21.5 million in 2001 (\$0.06 per diluted share). In accordance with Statement of Financial Accounting Standards Number 142, "Goodwill and Other Intangible Assets" (SFAS 142 — see Note 1 of Notes to Consolidated Financial Statements), goodwill amortization for all acquisitions stopped on January 1, 2002, and there was no amortization of goodwill for acquisitions completed between July 1, 2001 and December 31, 2001. For acquisitions completed before July 1, 2001, goodwill amortization continued through December 31, 2001 using the straight-line method over periods ranging from five to thirty years.

As explained in Note 2 of Notes to Consolidated Financial Statements, we recorded a benefit of \$2.5 million in 2003 (less than \$0.01 per diluted share) from the reversal of previously recorded merger costs. In 2002 and 2001, we recorded merger costs of \$12.5 million and \$7.2 million, respectively (\$0.03 and \$0.02 per diluted share, respectively). In addition, we recorded other expense of \$2.9 million in 2003 and other income of \$0.7 million in 2002 (each less than \$0.01 per diluted share) related to our share of the net loss of certain businesses during the period when we owned more than 20% but less than 50% of the equity, and a loss in 2003 and a gain in 2002 from foreign currency purchased to fund acquisitions. During 2001, we also recorded an \$11.9 million (\$0.03 per diluted share) write-off of a minority investment.

Interest income decreased \$2.4 million and \$18.4 million in 2003 and 2002, respectively. The decrease in 2003 was due primarily to lower cash and investment balances and lower interest rates. The decrease in 2002 was due primarily to the use of cash in the fourth quarter of 2001 to acquire an AS business and, to a lesser extent, lower interest rates earned on cash balances.

Interest expense decreased \$1.4 million in 2003 and increased \$9.4 million in 2002. The decrease in 2003 was due to lower average debt balances under our credit line and lower interest rates in 2003. The increase in 2002 was due primarily to debt incurred to fund the acquisition of an AS business during the fourth quarter of 2001.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, cash and equivalents were \$478.9 million, an increase of \$39.2 million from December 31, 2002. Cash flow from operations was \$644.9 million, or approximately 1.7 times net income, a decrease of \$137.0 million compared to 2002, when cash flow from operations was approximately 2.4 times net income. Cash flow from operations was 1.9 times net income in 2001. The 2002 ratio was unusually high due to a significant one-time reduction in the initial working capital of an acquired business. The 2003 ratio was lower due primarily to a large reduction in accounts payable and accrued expenses associated with acquired businesses, and represents a return to our normal range of 1.5 to 2.0 times net income.

In 2003, we used our operating cash flow to pay \$464.6 million for acquired businesses (net of cash acquired) and \$211.6 million for property, equipment and software. At December 31, 2003, we had \$12.9 million of short-term debt and \$186.9 million of long-term debt, while stockholders' equity exceeded \$2.7 billion. Capital spending in 2004 could increase to approximately \$250 million due primarily to expansion of certain AS facilities and technology upgrades across all three segments.

On January 9, 2004, we replaced our credit facility with a new \$600 million revolving credit facility. In order to remain eligible to borrow under this facility, we are required to comply with certain standard covenants.

On January 15, 2004, we borrowed \$500 million to fund the acquisition of SCT on February 12, 2004. This was done by issuing senior unsecured notes split between \$250 million of 3.75% notes due 2009, and \$250 million of 4.875% notes due 2014. The notes are subject to certain standard covenants.

At December 31, 2003, our contractual obligations follow (in millions):

	<u>Total</u>	<u>2004</u>	<u>2005-2006</u>	<u>2007-2008</u>	<u>2009 and After</u>
Short-term and long-term debt	\$ 199.8	\$ 12.9	\$183.3	\$ 2.5	\$ 1.1
Operating leases	669.0	141.2	205.0	126.2	196.6
Purchase obligations	160.8	56.4	50.0	15.3	39.1
Pending acquisitions	638.0	638.0	—	—	—
	<u>\$1,667.6</u>	<u>\$848.5</u>	<u>\$438.3</u>	<u>\$144.0</u>	<u>\$236.8</u>

Purchase obligations include our estimate of the minimum outstanding obligations under noncancelable commitments to purchase goods or services.

In addition to the contractual obligations above, we have contingent purchase price obligations that depend upon the operating performance of certain acquired businesses. These obligations cannot exceed \$192.0 million and could be paid over the next three years. The maximum amount payable within the next year is \$82.0 million, of which we currently expect to pay \$25.0 million. We also have outstanding letters of credit and bid bonds that total approximately \$28.9 million. We do not participate in, nor have we created, any off-balance sheet special purpose entities or other off-balance sheet arrangements, other than operating leases.

We expect that our existing cash resources and cash generated from operations will be sufficient to meet our operating requirements, debt repayments, contingent acquisition payments and ordinary capital spending needs for the foreseeable future. We believe that we have the capacity to secure additional credit or issue equity to finance additional capital needs.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have rarely used derivative financial instruments to manage risk exposures and have never used derivative financial instruments for trading or speculative purposes. Our available cash is invested in short-term, highly liquid financial instruments, with a substantial portion having initial maturities of three months or less. When necessary, we borrow to fund acquisitions. We do not believe that we have a material exposure to interest rate changes. Based on borrowings under our credit facility of \$175 million at December 31, 2003, a 1% change in the borrowing rate would change the annual interest expense by \$1.75 million. A downgrade in our credit rating would result in an increase in our interest rate under our credit facility of up to 0.75%, while an upgrade in our credit rating would result in a decrease in our interest rate of 0.25%.

During 2003, approximately 25% of our revenue was from customers outside the United States. Approximately 79% of this revenue was from customers located in the United Kingdom and Continental Europe. Only a portion of the revenue from customers outside the United States is denominated in foreign currencies, the majority being British pounds and Euros. Revenue and expenses of our foreign operations are generally denominated in their respective currencies. We continue to monitor our exposure to foreign exchange rates as a result of our recent acquisitions and ongoing changes in our operations. We do not believe that we have a material exposure to changes in foreign currency exchange rates.

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements were issued during 2003. These pronouncements did not have nor are they expected to have a material impact on our financial results:

- In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation Number 46, "Consolidation of Variable Interest Entities" (FIN 46). The FASB revised FIN 46 in December 2003. FIN 46 requires a variable interest entity to be consolidated if we are subject to a majority of the risk of loss from the variable interest entity's activities or are entitled to receive a majority of the entity's residual returns or both. We do not have any such relationship with any variable interest entities.
- In April 2003, the FASB issued SFAS Number 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under FASB Statement Number 133, "Accounting for Derivative Instruments and Hedging Activities."
- In May 2003, the FASB issued SFAS Number 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how to classify and measure certain financial instruments with characteristics of both liabilities and equity.

CERTAIN RISKS AND UNCERTAINTIES

Certain of the matters we discuss in this Annual Report, including our expected margins, revenue and spending and all other statements in this Annual Report other than historical facts, constitute forward-looking statements. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include: general economic and market conditions, including the lingering effects of the economic slowdown on information technology spending levels, trading volumes and services revenue, and including the fact that the economic slowdown has left many companies with excess data center capacity that provides them with the capability for in-house high-availability solutions; the overall condition of the financial services industry, including the effect of any further consolidation among financial services firms, and including the market and credit risks associated with clearing broker operations; the integration of acquired businesses, the performance of acquired businesses including Systems & Computer Technology Corporation, and the prospects for future acquisitions; the effect of war, terrorism or catastrophic events; the timing and magnitude of software sales; the timing and scope of technological advances; the ability to retain and attract customers and key personnel; and the ability to obtain patent

protection and avoid patent-related liabilities in the context of a rapidly developing legal framework for software and business-method patents. The factors described in this paragraph and other factors that may affect our business or future financial results, as and when applicable, are discussed in our filings with the Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2003, a copy of which may be obtained from us without charge. We assume no obligation to update any written or oral forward-looking statement made by us or on our behalf as a result of new information, future events or other factors.

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per-Share Amounts)	Year Ended December 31,		
	2003	2002	2001
Revenue:			
Services	\$2,661,409	\$2,335,093	\$1,714,549
License and resale fees	209,756	195,222	214,124
Total products and services	2,871,165	2,530,315	1,928,673
Reimbursed expenses	84,087	62,922	53,164
	<u>2,955,252</u>	<u>2,593,237</u>	<u>1,981,837</u>
Costs and expenses:			
Cost of sales and direct operating	1,291,925	1,101,839	823,895
Sales, marketing and administration	536,069	504,737	403,252
Product development	194,790	158,844	172,425
Depreciation and amortization	222,725	202,963	108,972
Amortization of acquisition-related intangible assets	88,681	65,098	66,860
Merger costs	(2,547)	12,523	7,223
	<u>2,331,643</u>	<u>2,046,004</u>	<u>1,582,627</u>
Income from operations	623,609	547,233	399,210
Interest income	6,048	8,408	26,793
Interest expense	(11,653)	(13,074)	(3,641)
Other income (expense)	(2,880)	730	—
Loss on write-off of investment	—	—	(11,890)
Income before income taxes	615,124	543,297	410,472
Income taxes	244,814	217,656	164,417
Net income	<u>\$ 370,310</u>	<u>\$ 325,641</u>	<u>\$ 246,055</u>
Basic net income per common share	<u>\$ 1.30</u>	<u>\$ 1.15</u>	<u>\$ 0.89</u>
Shares used to compute basic net income per common share	<u>285,679</u>	<u>282,420</u>	<u>276,057</u>
Diluted net income per common share	<u>\$ 1.27</u>	<u>\$ 1.12</u>	<u>\$ 0.86</u>
Shares used to compute diluted net income per common share	<u>292,067</u>	<u>289,654</u>	<u>285,112</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Per-Share Amounts)	December 31,	
	2003	2002
Assets		
Current:		
Cash and equivalents	\$ 478,941	\$ 439,735
Trade receivables, less allowance for doubtful accounts of \$45,785 and \$42,999	560,898	518,390
Earned but unbilled receivables	62,194	48,158
Prepaid expenses and other current assets	95,495	80,820
Clearing broker assets	126,250	—
Deferred income taxes	39,514	47,913
Total current assets	<u>1,363,292</u>	<u>1,135,016</u>
Property and equipment, less accumulated depreciation of \$744,264 and \$621,994 ...	562,325	566,199
Software products, less accumulated amortization of \$335,175 and \$271,753	220,091	132,083
Customer base, less accumulated amortization of \$156,318 and \$110,031	398,765	343,973
Other tangible and intangible assets, less accumulated amortization of \$20,562 and \$19,035	72,166	72,707
Deferred income taxes	29,070	92,568
Goodwill	1,354,398	939,050
Total Assets	<u>\$4,000,107</u>	<u>\$3,281,596</u>
Liabilities and Stockholders' Equity		
Current:		
Short-term and current portion of long-term debt	\$ 12,943	\$ 18,128
Accounts payable	51,111	59,946
Accrued compensation and benefits	149,147	137,362
Other accrued expenses	195,828	228,986
Clearing broker liabilities	120,357	—
Deferred revenue	517,999	426,811
Total current liabilities	<u>1,047,385</u>	<u>871,233</u>
Long-term debt	186,854	187,964
Total liabilities	<u>1,234,239</u>	<u>1,059,197</u>
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 5,000 shares authorized, of which 3,200 shares are designated as Series A Junior Participating Preferred Stock	—	—
Common stock, par value \$.01 per share; 800,000 shares authorized; 288,536 and 283,796 shares issued	2,885	2,838
Capital in excess of par value	886,651	801,936
Restricted stock plans	(2,002)	(2,324)
Retained earnings	1,766,990	1,396,680
Accumulated other comprehensive income	111,344	23,965
Total stockholders' equity	<u>2,765,868</u>	<u>2,223,095</u>
Treasury stock, at cost, 0 and 58 shares	—	(696)
Total stockholders' equity	<u>2,765,868</u>	<u>2,222,399</u>
Total Liabilities and Stockholders' Equity	<u>\$4,000,107</u>	<u>\$3,281,596</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)	Year Ended December 31,		
	2003	2002	2001
Cash Flow From Operations			
Net income	\$ 370,310	\$ 325,641	\$ 246,055
Reconciliation of net income to cash flow from operations:			
Depreciation and amortization	311,406	268,061	175,832
Loss on write-off of investment	—	—	11,890
Other noncash credits	(18,857)	(3,971)	(12,913)
Gain on sale of non-operating facility	(6,563)	—	—
Deferred income tax provision (benefit)	41,556	44,523	(11,545)
Accounts receivable and other current assets	14,301	146,233	(51,878)
Accounts payable and accrued expenses	(89,380)	5,904	35,800
Clearing broker assets and liabilities, net	(4,895)	—	—
Deferred revenues	27,056	(4,420)	82,362
Cash flow from operations	<u>644,934</u>	<u>781,971</u>	<u>475,603</u>
Financing Activities			
Cash received from stock option and award plans	71,856	45,669	61,813
Cash received from borrowings, net of fees	146,899	56,216	451,586
Cash used to repay debt	<u>(161,066)</u>	<u>(445,974)</u>	<u>(24,770)</u>
Cash provided by (used in) financing activities	<u>57,689</u>	<u>(344,089)</u>	<u>488,629</u>
Investment Activities			
Cash paid for acquired businesses, net of cash acquired	(464,558)	(236,433)	(879,593)
Cash paid for property and equipment	(182,294)	(121,293)	(102,103)
Cash received from sale of non-operating facility	12,693	—	—
Cash paid for software and other assets	(29,258)	(36,741)	(39,412)
Cash paid to purchase short-term investments	—	—	(183,433)
Cash received from sale of investment in common stock	—	—	16,057
Cash received from sales and maturities of short-term investments	—	—	364,737
Cash used in investment activities	<u>(663,417)</u>	<u>(394,467)</u>	<u>(823,747)</u>
Increase in cash and equivalents	39,206	43,415	140,485
Beginning cash and equivalents	439,735	396,320	255,835
Ending cash and equivalents	<u>\$ 478,941</u>	<u>\$ 439,735</u>	<u>\$ 396,320</u>
Supplemental Information			
Interest paid	<u>\$ 11,790</u>	<u>\$ 13,582</u>	<u>\$ 3,407</u>
Income taxes paid	<u>\$ 209,270</u>	<u>\$ 155,962</u>	<u>\$ 133,195</u>
Acquired businesses:			
Property and equipment	\$ 10,585	\$ 78,574	\$ 326,718
Software products	114,482	12,235	6,303
Purchased in-process research and development	910	—	—
Customer base	82,411	102,995	213,193
Goodwill	363,794	299,663	347,483
Other tangible and intangible assets	8,970	22,037	15,823
Deferred income taxes	(26,044)	(3,508)	13,153
Purchase price obligations and debt assumed	(7,648)	(134,972)	(17,127)
Net current liabilities assumed	(82,902)	(140,591)	(11,490)
Common stock issued and net equity acquired in poolings of interests	—	—	(14,463)
Cash paid for acquired businesses, net of cash acquired of \$61,507, \$48,483 and \$6,197 in 2003, 2002 and 2001, respectively	<u>\$ 464,558</u>	<u>\$ 236,433</u>	<u>\$ 879,593</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In Thousands)	Preferred Stock		Common Stock	
	Number of Shares	Par Value	Number of Shares	Par Value
Balances at December 31, 2000	—	\$ —	133,654	\$1,337
Pooling of interests	—	—	4,138	41
Comprehensive income:				
Net income	—	—	—	—
Foreign currency translation	—	—	—	—
Unrealized gain on investments (net of income taxes of \$1,980)	—	—	—	—
Total comprehensive income				
Two-for-one common stock split	—	—	139,407	1,394
Pre-acquisition distributions	—	—	—	—
Deferred income tax benefit resulting from the ASC acquisition . . .	—	—	—	—
Shares issued under stock plans	—	—	4,223	42
Compensation expense and note repayments related to stock plans	—	—	—	—
Income tax benefit arising from employee stock options	—	—	—	—
Balances at December 31, 2001	—	—	281,422	2,814
Comprehensive income:				
Net income	—	—	—	—
Foreign currency translation	—	—	—	—
Total comprehensive income				
Shares issued under stock plans	—	—	2,374	24
Shares returned under restricted stock plan	—	—	—	—
Compensation expense related to stock plans	—	—	—	—
Income tax benefit arising from employee stock options	—	—	—	—
Balances at December 31, 2002	—	—	283,796	2,838
Comprehensive income:				
Net income	—	—	—	—
Foreign currency translation	—	—	—	—
Total comprehensive income				
Shares issued under stock plans	—	—	4,740	47
Compensation expense related to stock plans	—	—	—	—
Income tax benefit arising from employee stock options	—	—	—	—
Balances at December 31, 2003	—	\$ —	288,536	\$2,885

The accompanying notes are an integral part of these financial statements.

Capital in Excess of Par Value	Restricted Stock Plans and Notes Receivable From Common Stock	Retained Earnings	Accumulated Other Comprehensive Income		Treasury Stock		Total
			Foreign Currency Translation	Unrealized Gains (Losses) on Marketable Securities	Number of Shares	Cost	
\$659,404	\$ (941)	\$ 820,067	\$ (19,004)	\$(3,676)	(325)	\$(14,711)	\$1,442,476
9,315	—	5,107	—	—	—	—	14,463
—	—	246,055	—	—	—	—	—
—	—	—	(6,175)	—	—	—	—
—	—	—	—	3,676	—	—	—
(1,394)	—	—	—	—	(325)	—	243,556
—	—	(190)	—	—	—	—	—
8,449	—	—	—	—	—	—	8,449
66,039	(3,445)	—	—	—	—	—	62,636
—	872	—	—	—	—	—	872
21,594	—	—	—	—	—	—	21,594
<u>763,407</u>	<u>(3,514)</u>	<u>1,071,039</u>	<u>(25,179)</u>	<u>—</u>	<u>(650)</u>	<u>(14,711)</u>	<u>1,793,856</u>
—	—	325,641	—	—	—	—	—
—	—	—	49,144	—	—	—	—
31,303	(473)	—	—	—	620	14,015	374,785
—	800	—	—	—	(28)	—	44,869
—	863	—	—	—	—	—	800
7,226	—	—	—	—	—	—	863
<u>801,936</u>	<u>(2,324)</u>	<u>1,396,680</u>	<u>23,965</u>	<u>—</u>	<u>(58)</u>	<u>(696)</u>	<u>7,226</u>
—	—	370,310	—	—	—	—	—
—	—	—	87,379	—	—	—	—
73,186	(500)	—	—	—	58	696	457,689
—	822	—	—	—	—	—	73,429
11,529	—	—	—	—	—	—	822
<u>\$886,651</u>	<u>\$(2,002)</u>	<u>\$1,766,990</u>	<u>\$111,344</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>\$2,765,868</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

SunGard Data Systems Inc. has three segments: Investment Support Systems (ISS), Availability Services (AS) and Higher Education and Public Sector Systems (HE/PS). The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. The Company evaluates its estimates and judgments on an ongoing basis and revises them when necessary. Actual results may differ from the original or revised estimates.

The Company amortizes identifiable intangible assets over periods that it believes approximate the related useful lives of those assets based upon estimated future operating results and cash flows of the underlying business operations. The Company closely monitors estimates of those lives, which could change due to many factors, including product demand, market conditions, regulations affecting the business model of the Company's brokerage operations, technological developments, economic conditions and competition.

Revenue Recognition

The Company generates services revenue from availability services, processing services, software maintenance and rentals, professional services, broker/dealer fees and hardware rentals. All services revenue is measured and recorded as the services are provided, according to contractually stated amounts, which may be fixed, variable or a combination of both. In accordance with Emerging Issues Task Force Issue Number 00-21, revenue is recorded based on the fair value of each separable element as the services are provided. Fair value is determined based on the sales price of each element when sold separately. AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided, and the related costs are incurred ratably over the contract period. In a disaster, the customer is contractually obligated to pay additional fees, which generally cover the incremental costs of supporting the customer during the disaster. ISS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of users, accounts, trades, transactions or hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon the estimated percentage of completion, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. When fixed-fee contracts include both professional services and software and require a significant amount of program modification or customization, installation, systems integration or related services, the professional services and license revenue is recorded based upon the estimated percentage of completion, measured in the manner described above. Changes in the estimated costs or hours to complete the contract are reflected in the period during which the change becomes known. Losses, if any, are recognized immediately.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed, collection is probable, and there is sufficient evidence of the fair value of each undelivered element. Revenue is recorded over the contract period when customer payments are extended beyond normal billing terms, or when there is significant acceptance, technology or service risk. Revenue also is recorded over the contract period in those instances where the software is bundled together with computer equipment or other post-delivery services, and there is not sufficient evidence of the fair value of each element.

Sufficient evidence of fair value is determined by reference to vendor specific objective evidence (VSOE) as defined in American Institute of Certified Public Accountants' Statement of Position (SOP) 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." If there is no VSOE of the fair value of the delivered element (which is usually the software) but there is VSOE of the fair value of each of the undelivered elements (which are usually maintenance and professional services), then the residual method is used to determine the revenue for the delivered element. First, the revenue for the undelivered elements is set at the fair value of those elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

VSOE supporting the fair value of maintenance is based on the optional renewal rates for each product included in the Company's contracts, typically 18% to 20% of the software license fee per year. Maintenance revenue is recognized on a straight-line basis over the contract period. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately. Professional services revenue is recognized as the services are performed.

In some multiple-element arrangements that include software licenses and services, the services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the services are performed. The deferred portion is equal to the difference between the discounted services rates to be charged to the customer and the undiscounted fair value of those services based on VSOE. As a result, initial revenue is decreased and future revenue is increased by the amount deferred.

Unbilled receivables arise when revenue is recorded for services performed or software delivered but not yet billed. The amount of the unbilled receivables is contract specific. For instance, when customers are billed one month in arrears for processing services, revenue for each month is included in unbilled receivables until it is billed in the following month.

Cash and Equivalents

Cash equivalents consist of investments that are readily convertible into cash and have original maturities of three months or less.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of temporary cash and short-term investments and accounts receivable. By policy, the Company places its available cash and short-term investments with institutions of high credit-quality and limits the

amount of credit exposure to any one issuer. The Company sells a significant portion of its products and services to the financial services industry and could be affected by the overall condition of that industry. The Company believes that any credit risk associated with accounts receivable is substantially mitigated by the relatively large number of customer accounts and reasonably short collection terms. Accounts receivable is stated at estimated net realizable value, which approximates fair value.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line method over the estimated useful lives of the assets (two to eight years for equipment and ten to forty years for buildings and improvements). Leasehold improvements are amortized ratably over their remaining lease term or useful life, if shorter. Depreciation and amortization of property and equipment was \$198.3 million, \$182.5 million and \$91.3 million in 2003, 2002 and 2001, respectively.

Foreign Currency Translation

The functional currency of each of the Company’s foreign operations is the local currency of the country in which the operation is headquartered. All assets and liabilities are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Revenue and expenses are translated using average exchange rates during the period.

Increases and decreases in net assets resulting from foreign currency translation are reflected in stockholders’ equity as a component of accumulated other comprehensive income or loss.

Software Products

Product development costs are expensed as incurred and consist primarily of design and development costs of new products and significant enhancements to existing products incurred before the establishment of technological feasibility. Costs associated with purchased software, software obtained through business acquisitions, and new products and enhancements to existing products that are technologically feasible and recoverable are capitalized and amortized over the estimated useful lives of the related products, generally five to ten years, using the straight-line method or the ratio of current revenue to current and anticipated revenue from such software, whichever provides the greater amortization.

Capitalized development costs, amortization of previously capitalized development costs (which is included in depreciation and amortization) and net capitalized development costs in each of the years ended December 31 follow (in millions):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Capitalized development costs	\$12.9	\$15.4	\$11.5
Amortization of previously capitalized development costs	8.8	6.9	6.3
Net capitalized development costs	<u>\$ 4.1</u>	<u>\$ 8.5</u>	<u>\$ 5.2</u>

Amortization of all software products aggregated \$62.1 million, \$50.9 million and \$42.5 million in 2003, 2002 and 2001, respectively. In 2002 and 2001, amortization of acquisition-related intangible assets included charges of \$5.0 million and \$1.6 million, respectively, for the impairment of certain acquired ISS software products.

Customer Base Intangible Assets

Customer base intangible assets represent customer contracts and relationships obtained as part of acquired businesses and are amortized using the straight-line method over their estimated useful lives, ranging from four to nineteen years.

Goodwill

Goodwill represents the excess of cost over the fair value of net assets acquired. When circumstances change or at least annually, the Company compares the carrying value of goodwill of each reporting unit to its estimated fair value to determine whether the carrying value of goodwill is greater than the respective estimated fair value. If goodwill exceeds the estimated fair value, it would be impaired and some or all of the goodwill would be written off as a charge to operations. The estimate of fair value requires various assumptions including the use of projections of future cash flows and discount rates that reflect the risks associated with achieving the future cash flows. Changes in the underlying business could affect these estimates, which in turn could affect the fair value of the reporting unit. At December 31, 2003, the Company had \$1.4 billion of goodwill and believes there was no impairment.

Statement of Financial Accounting Standards Number 142, "Goodwill and Other Intangible Assets" (SFAS 142) addresses, among other things, how goodwill and other identifiable intangible assets should be accounted for after they have been initially recorded in the financial statements. Under SFAS 142, all goodwill amortization for all acquisitions stopped on January 1, 2002, and there is no amortization of goodwill for acquisitions completed between July 1, 2001 and December 31, 2001. For acquisitions completed before July 1, 2001, goodwill amortization continued through December 31, 2001 using the straight-line method over periods ranging from five to thirty years. Adjusted net income and the effect of goodwill amortization on diluted net income per common share as if SFAS 142 had been in effect from the beginning of the year ended December 31, 2001 follows (in thousands, except per-share amounts):

	<u>2001</u>
Net income, as reported	\$246,055
Goodwill amortization	21,512
Income tax effect of deductible goodwill	(3,659)
Goodwill amortization, net of tax	<u>17,853</u>
Adjusted net income	<u>\$263,908</u>
Basic net income per share, as reported	\$ 0.89
Goodwill amortization, net of tax	<u>0.07</u>
Adjusted basic net income per share	<u>\$ 0.96</u>
Diluted net income per share, as reported	\$ 0.86
Goodwill amortization, net of tax	<u>0.07</u>
Adjusted diluted net income per share	<u>\$ 0.93</u>

Changes in goodwill by segment during the years ended December 31, 2003 and 2002 follow (in thousands):

	<u>ISS</u>	<u>AS</u>	<u>HE/PS</u>	<u>TOTAL</u>
Balances at December 31, 2001	\$258,324	\$330,326	\$ 32,815	\$ 621,465
2002 acquisitions	62,247	245,138	—	307,385
Adjustments to previous acquisitions	(304)	(7,426)	8	(7,722)
Effect of foreign currency translation	975	16,947	—	17,922
Balances at December 31, 2002	321,242	584,985	32,823	939,050
2003 acquisitions	265,404	1,153	75,524	342,081
Adjustments to previous acquisitions	(882)	(7,405)	—	(8,287)
Payment of contingent purchase price	30,000	—	—	30,000
Effect of foreign currency translation	12,139	39,415	—	51,554
Balances at December 31, 2003	<u>\$627,903</u>	<u>\$618,148</u>	<u>\$108,347</u>	<u>\$1,354,398</u>

Other Tangible and Intangible Assets

Other tangible and intangible assets consist primarily of noncompetition agreements obtained in business acquisitions, long-term accounts receivable, prepayments and long-term investments. Noncompetition agreements are amortized using the straight-line method over their stated terms, ranging from two to five years. Long-term investments consist of four seats on the New York Stock Exchange used in ISS and a \$3.0 million ISS minority-interest investment. During 2001, the Company wrote off its \$11.9 million AS minority-interest investment in a consulting business.

Based on amounts recorded at December 31, 2003, total estimated amortization of all acquisition-related intangible assets during each of the years ended December 31 follows (in thousands):

2004	\$87,785
2005	75,597
2006	69,153
2007	60,160
2008	47,460

Stock-Based Compensation

The Company applies Accounting Principles Board Opinion Number 25, "Accounting for Stock Issued to Employees," in accounting for its stock option and award plans. Accordingly, compensation expense has been recorded for its restricted stock awards and no expense has been recorded for its other stock-based plans. SFAS Number 123, "Accounting for Stock-Based Compensation," changes the method for recognition of cost of stock option and award plans. Adoption of the cost recognition requirements under SFAS 123 is optional; however, the following supplemental information is provided for each of the years ended December 31 (in thousands, except per-share amounts):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net income, as reported (including stock-based employee compensation costs, net of tax, of \$493, \$520 and \$478, respectively)	\$370,310	\$325,641	\$246,055
Additional stock-based employee compensation costs under SFAS 123, net of tax	<u>(69,149)</u>	<u>(54,363)</u>	<u>(35,431)</u>
Pro forma net income	<u>\$301,161</u>	<u>\$271,278</u>	<u>\$210,624</u>
Pro forma net income per common share:			
Basic	<u>\$ 1.05</u>	<u>\$ 0.96</u>	<u>\$ 0.76</u>
Diluted	<u>\$ 1.03</u>	<u>\$ 0.94</u>	<u>\$ 0.74</u>

The fair value of options granted using the Black-Scholes pricing model and related assumptions follow:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Weighted-average fair value on date of grant	\$ 12.11	\$ 17.26	\$ 15.47
Ratio of weighted-average fair value to weighted-average market value on date of grant	57%	57%	56%
Assumptions used to calculate fair value:			
Volatility	53%	52%	48%
Risk-free interest rate	3.1%	3.1%	4.7%
Expected term ⁽¹⁾	6 years	6 years	6 years
Dividends	zero	zero	zero

(1) Nine and one-half years for unvested performance accelerated stock options.

This pro forma disclosure is not necessarily indicative of what the impact would be of applying SFAS 123 in future years.

Income Taxes

The Company recognizes deferred income tax assets and liabilities based upon the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred income tax assets and liabilities are calculated based on the difference between the financial and tax bases of assets and liabilities using the currently enacted income tax rates in effect during the years in which the differences are expected to reverse.

Effect of Recent Accounting Pronouncements

Effective January 1, 2002, the Company adopted Emerging Issues Task Force Number 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" (EITF 01-14), which requires that reimbursements received for out-of-pocket expenses be classified as revenue and not as cost reductions. Before the effective date of EITF 01-14, the Company netted customer reimbursement of out-of-pocket expenses against the applicable costs that included postage, travel, meals and certain telecommunication costs. EITF 01-14 requires restatement of previously reported amounts in order to reflect reimbursed expenses as both revenue and costs. These costs are generally included in cost of sales and direct operating expenses. While the adoption of EITF 01-14 had no impact on income from operations or net income, it reduced total operating margins since both revenue and costs increased by the same amount.

The following accounting pronouncements were issued in 2003. These pronouncements did not have nor are they expected to have a material impact on the Company's financial results:

- In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation Number 46, "Consolidation of Variable Interest Entities" (FIN 46). The FASB revised FIN 46 in December 2003. FIN 46 requires a variable interest entity to be consolidated if the Company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. The Company does not have any such relationship with any variable interest entities.
- In April 2003, the FASB issued SFAS Number 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under FASB Statement Number 133, "Accounting for Derivative Instruments and Hedging Activities."
- In May 2003, the FASB issued SFAS Number 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This Statement establishes standards for how to classify and measure certain financial instruments with characteristics of both liabilities and equity.

2. ACQUISITIONS

The Company seeks to grow through both internal development and the acquisition of businesses that broaden or complement its existing product lines. During 2003, the Company completed eight acquisitions in its ISS segment and one acquisition in its HE/PS segment and also purchased the remaining interest in an AS joint venture. Gross cash paid was \$496.1 million, subject to certain adjustments, and there was \$342.1 million of goodwill recorded in connection with these acquisitions.

During 2002, the Company completed eight acquisitions in its ISS segment and one acquisition in its AS segment. Gross cash paid was \$284.9 million, subject to certain adjustments and there was \$303.3 million in goodwill recorded in connection with these acquisitions.

During 2001, the Company completed four acquisitions in its ISS segment, one acquisition in its AS segment and one acquisition in its HE/PS segment. Gross cash paid was \$885.8 million, subject to certain adjustments, and there was \$345.1 million of goodwill recorded in connection with these acquisitions. Also in 2001, the Company completed one acquisition in ISS accounted for as a pooling of interests. A total of 8.3 million shares of common stock was issued in connection with this

acquisition, and outstanding options to buy shares of the acquired company were converted into options to buy 1.3 million shares of the Company's common stock. Historical financial information has not been restated due to immateriality.

In connection with eight previously acquired businesses, up to \$192.0 million could be paid as additional consideration over the next three years depending on the future operating results of those businesses. The amount paid, if any, is recorded as additional goodwill at the time the actual performance is known and the amounts become due. During 2003, the Company paid \$30.0 million as additional consideration based upon the operating performance of a business previously acquired. No such amounts were earned or paid in 2002 or 2001.

In connection with the integration of the acquisitions of the Comdisco, Inc. availability solutions business (CAS) and Guardian iT plc (Guardian) into the Company's AS segment, the Company accrued, as a cost of the acquisitions and as part of goodwill, estimated costs of closing certain acquired facilities and reducing acquired headcount. The estimated costs for closing certain of the Company's existing facilities and headcount reductions related to the Company's existing employees were included in merger costs. Generally, all equipment located at closed facilities was relocated to other facilities, thereby improving the operational resilience and scope of services available to customers. Severance and facility closure accruals are included in other accrued expenses on the accompanying Consolidated Balance Sheets. The changes to these accruals follow (in thousands):

	<u>Severance</u>	<u>Facilities</u>	<u>Total</u>
Accrued at November 15, 2001 related to CAS acquisition	\$ 12,878	\$ 10,305	\$ 23,183
Usage	(741)	—	(741)
Accrued at December 31, 2001	12,137	10,305	22,442
Changes in estimates	1,434	(2,042)	(608)
Usage	(13,571)	(2,593)	(16,164)
	—	5,670	5,670
Accrued at July 1, 2002 related to Guardian acquisition	4,268	44,474	48,742
Changes in estimates	549	(1,624)	(1,075)
Usage	(2,643)	(100)	(2,743)
Effect of foreign currency translation	121	1,763	1,884
Accrued at December 31, 2002	2,295	50,183	52,478
Changes in estimates	(79)	2,287	2,208
Usage	(2,186)	(35,381)	(37,567)
Effect of foreign currency translation	34	2,201	2,235
Accrued at December 31, 2003	<u>\$ 64</u>	<u>\$ 19,290</u>	<u>\$ 19,354</u>

Usage in 2003 includes a gain of \$6.6 million, which resulted from the sale of a non-operating owned facility which the Company expected to close as a result of the acquisition of Guardian. This gain is included in merger costs since this facility was owned by the Company before the Guardian acquisition. In addition, usage in 2003 includes \$6.1 million paid to settle a non-operating facility lease assumed in the Guardian acquisition. The \$6.2 million benefit from the settlement of this lease was recorded as a reduction to goodwill. The remaining facility closure accrual relates primarily to nine remaining lease obligations, net of estimated sublease income, and will be paid over their remaining lease terms, which expire between 2004 and 2015, unless terminated earlier.

Pro Forma Financial Information

The Company completed the acquisitions of Assent LLC on March 3, 2003; H.T.E., Inc. on March 18, 2003; Caminus Corporation (Caminus) on April 9, 2003; and Sherwood International plc (Sherwood) on August 11, 2003. On July 1, 2002, the Company completed the acquisition of Guardian. The following unaudited pro forma results of operations (in thousands, except per-share amounts) assume that these acquisitions occurred on January 1, 2002 and were included in the Company's results from that date.

	<u>2003</u>	<u>2002</u>
Revenue	\$3,033,906	\$2,965,148
Net income	336,446	273,413
Diluted net income per common share, as reported	1.27	1.12
Pro forma diluted net income per common share	1.15	0.94

This unaudited pro forma information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if these acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

Merger Costs and Other Income (Expense)

During 2003, the Company recorded a benefit of \$2.5 million (\$1.6 million after-tax, or less than \$0.01 per diluted share) from the reversal of previously recorded merger costs. This benefit includes a \$6.6 million gain on sale of a non-operating owned facility, as described above, offset in part by \$3.2 million of costs for closing facilities and severance related to the acquisitions of Caminus and Sherwood and additional costs related to closing Guardian facilities, and a charge of \$0.9 million for in-process research and development. Also during 2003, the Company recorded other expense of \$2.9 million (\$2.4 million after-tax, or less than \$0.01 per diluted share) related to a \$1.1 million loss on foreign currency purchased to fund the Sherwood acquisition, and a \$1.8 million loss representing the Company's share of the net loss of Sherwood during the period when the Company owned more than 20% but less than 50% of the equity of Sherwood.

During 2002, the Company recorded \$12.5 million (\$8.3 million after tax; \$0.03 per diluted share) for merger costs. These costs included \$9.5 million in connection with closing facilities and severance costs incurred in the Guardian acquisition, and \$4.2 million related to the Company's share of merger costs associated with its equity interests in Brut LLC (Brut) and Guardian before the Company acquired 100% of the equity of each company, and were net of a \$1.2 million reduction in expenses accrued in 2001 in connection with closing facilities and severance costs incurred in the CAS acquisition. Also during 2002, the Company recorded other income of \$0.7 million (less than \$0.01 per diluted share) related to a \$3.0 million gain on foreign currency purchased to fund the Guardian acquisition, offset in part by a \$2.3 million loss representing the Company's share of the net loss of Guardian during the period when the Company owned more than 20% but less than 50% of the equity of Guardian.

During 2001, the Company recorded \$7.2 million (\$5.9 million after tax; \$0.02 per diluted share) for merger costs. These costs included \$4.0 million primarily for nondeductible investment banking, legal and accounting fees incurred in connection with a pooling-of-interests transaction and \$5.9 million in connection with closing facilities and severance costs incurred in the CAS acquisition, and were offset in part by a \$2.7 million break-up fee received by the Company, net of costs incurred, in connection with an unsuccessful acquisition.

Subsequent Events

On February 12, 2004, the Company completed its acquisition of Systems & Computer Technology Corp. (SCT) for approximately \$590.0 million in cash. SCT is the leading global provider of technology solutions for higher education institutions of all sizes and levels of complexity. SCT has become part of the Company's Higher Education and Public Sector Systems segment. In addition, during the first quarter of 2004, the Company acquired one ISS business.

The following unaudited pro forma results of operations (in thousands, except per-share amounts) assume that these acquisitions occurred on January 1, 2003 and were included in the Company's results from that date.

	<u>As Reported</u>	<u>Pro Forma</u>
Revenue	\$2,955,252	\$3,268,352
Net income	370,310	359,349
Diluted net income per common share	1.27	1.23

This unaudited pro forma information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if these acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

3. NET INCOME PER COMMON SHARE

The computation of the number of shares used in calculating basic and diluted net income per common share for each of the years ended December 31 follows (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Weighted-average common shares outstanding used for calculation of			
basic net income per common share	285,679	282,420	276,057
Dilutive effect of employee stock options	<u>6,388</u>	<u>7,234</u>	<u>9,055</u>
Total shares used for calculation of diluted net income per common share	<u>292,067</u>	<u>289,654</u>	<u>285,112</u>

During the years ended December 31, 2003 and 2002, there were approximately 15.3 million and 14.0 million outstanding employee stock options, respectively, that are out-of-the-money and therefore excluded from the calculation of the dilutive effect of employee stock options. Stock options are considered to be out-of-the-money when the option exercise price exceeds the average share price during the respective periods. The range of exercise prices for out-of-the-money options for the year ended December 31, 2003 is \$25.32 per share to \$32.81 per share.

On May 11, 2001, the Company's board of directors authorized a two-for-one stock split of the Company's common stock. Stockholders of record as of the close of business on May 25, 2001 received one additional share of SunGard stock for every share held on that date. The number of shares used for purposes of calculating net income per common share and all per-share data before June 18, 2001 (the effective date) have been adjusted to reflect the stock split.

4. CLEARING BROKER ASSETS AND LIABILITIES

At December 31, 2003, clearing broker assets and liabilities were comprised of the following (in thousands):

	<u>2003</u>
Segregated customer cash and treasury bills	\$ 52,531
Customer securities	7,826
Securities borrowed	52,187
Receivables from customers and other	13,706
Clearing broker assets	<u>\$126,250</u>
Payables to customers	\$ 67,208
Securities loaned	38,824
Customer securities sold short, not yet purchased	6,919
Other	7,406
Clearing broker liabilities	<u>\$120,357</u>

Segregated customer cash and treasury bills are held by the Company on behalf of customers. Customer securities consist of trading and investment securities at fair market values. Securities borrowed and loaned represent deposits made to or received from other broker/dealers. Receivables from and payables to customers represent amounts due or payable on cash and margin transactions.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31 (in thousands):

	<u>2003</u>	<u>2002</u>
Computer and telecommunications equipment	\$ 769,092	\$ 708,886
Leasehold improvements	267,159	219,972
Office furniture and equipment	157,070	137,149
Buildings and improvements	81,299	85,626
Land	16,991	23,319
Construction in progress	14,978	13,241
	1,306,589	1,188,193
Accumulated depreciation and amortization	(744,264)	(621,994)
	<u>\$ 562,325</u>	<u>\$ 566,199</u>

At December 31, 2003, total cost and accumulated depreciation of assets under capital leases were \$33.4 million and \$17.6 million, respectively.

6. DEBT

Debt consisted of the following at December 31 (in thousands):

	<u>2003</u>	<u>2002</u>
Bank Credit Agreement (effective interest rate of 3.4% and 3.7%)	\$175,000	\$175,000
Purchase price obligations due to former owners of acquired businesses	4,471	8,158
Other, primarily capital lease obligations for computer equipment and buildings	20,326	22,934
	199,797	206,092
Short-term borrowings and current portion of long-term debt	(12,943)	(18,128)
Long-term debt	<u>\$186,854</u>	<u>\$187,964</u>

At December 31, 2003, the Company had \$175.0 million outstanding under its bank credit facility. On January 9, 2004, the credit facility was replaced with a new \$600 million five-year senior unsecured revolving credit facility, which permits borrowings in British pounds, Euros or U.S. dollars. The Company may designate borrowings as base-rate borrowings or LIBOR borrowings. Base-rate borrowings bear interest generally at the prime rate plus a margin (currently zero), while LIBOR borrowings bear interest at a rate equal to LIBOR plus a margin (currently 0.75%), depending upon the Company's credit rating at the time of the borrowing. The interest rate on base-rate borrowings is reset daily, while the interest rate on LIBOR borrowings may be fixed for one-, two-, three- or six-month periods at the Company's option. In order to remain eligible to borrow under the credit facility, the Company is required to maintain an interest coverage ratio of at least four to one, and maximum total debt of two and one-half times the Company's earnings before interest, taxes, depreciation and amortization.

At December 31, 2003, annual maturities of long-term debt during the next five years are as follows (in thousands):

2004	\$ 12,943
2005	5,901
2006	177,323
2007	1,288
2008	1,223
Thereafter	1,119

On January 15, 2004, the Company borrowed \$500 million of senior unsecured notes, the proceeds of which were used to fund the acquisition of SCT. The notes were split between \$250 million of 3.75% notes due 2009 and \$250 million of 4.875% notes due 2014. The notes are subject to certain standard covenants.

7. STOCK OPTION AND AWARD PLANS

Employee Stock Purchase Plan

Under the Company's Employee Stock Purchase Plan, a maximum of 8.0 million shares of common stock may be issued to employees to purchase a limited number of shares of common stock each quarter through payroll deductions. The purchase price is 85% of the lower of the closing price of the Company's common stock on the first business day or the last business day of each calendar quarter. During 2003, 2002 and 2001, employees purchased 1.2 million, 1.2 million and 1.0 million shares, respectively, at average purchase prices of \$19.85, \$20.08 and \$19.27 per share, respectively. At December 31, 2003, 5.1 million shares of common stock were reserved for issuance under this plan.

Equity Incentive Plans

Under the Company's Equity Incentive Plans, awards or options to purchase shares of common stock may be granted to key employees. Options may be either incentive stock options or nonqualified stock options, and the option price generally must be at least equal to the fair value of the Company's common stock on the date of grant. Generally, options are granted for a ten-year term and are subject to a four- or five-year vesting schedule. The number of shares available under the 1998 Equity Incentive Plan will increase each year by the number of option shares exercised during the previous

year under all of the Company's equity plans, subject to a maximum increase of 2% of outstanding shares as of the end of the previous year. In 2004, 3.6 million additional shares became available for grant based on this provision.

During 2003, 2002 and 2001, performance accelerated stock options (PASOs) were awarded for an aggregate of 3.6 million, 2.8 million and 3.5 million shares, respectively. PASOs are nonqualified options that are granted annually near the beginning of a performance period at an exercise price equal to the fair value of the Company's common stock on the date of grant, with a term of ten years beginning on the date of grant. PASOs generally vest nine and one-half years after the date of grant, except that vesting may be fully or partially accelerated at the end of the third year if certain financial performance goals are met during the performance period and the recipient of the PASO award is still employed by the Company. During 2003, vesting for approximately 1.8 million PASO awards (out of a total of approximately 3.3 million PASO awards) was accelerated based on a three-year performance goal. Also during 2003, vesting for approximately 1.9 million PASO awards (out of approximately 2.8 million PASO awards) was accelerated based on a one-year performance goal. During 2002 and 2001, vesting for approximately 0.8 million PASO awards in each year (out of a total of approximately 2.5 million and 1.4 million PASO awards, respectively) was accelerated. The table below summarizes transactions under these equity incentive plans. All amounts before June 2001 are adjusted for the June 2001 two-for-one common stock split:

	Shares (In Thousands)		Weighted-Average Price
	Available	Under Option	
Balances at December 31, 2000	8,020	29,580	\$14.43
Pooling of interests	—	1,268	9.27
Authorized	4,624	—	—
Expired	(97)	—	—
Canceled	2,188	(2,188)	18.11
Granted	(10,810)	10,810	27.69
Exercised	—	(4,659)	8.97
Balances at December 31, 2001	3,925	34,811	18.86
Authorized	14,752	—	—
Expired	(19)	—	—
Canceled	1,621	(1,621)	24.15
Granted	(8,687)	8,687	30.33
Exercised	—	(1,823)	12.59
Balances at December 31, 2002	11,592	40,054	21.42
Authorized	1,823	—	—
Expired	(16)	—	—
Canceled	3,183	(3,183)	23.59
Granted	(7,425)	7,425	21.09
Exercised	—	(3,595)	13.75
Balances at December 31, 2003	9,157	40,701	21.86

The following table summarizes information concerning outstanding and exercisable options at December 31, 2003:

<u>Range Of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number of Options (In Thousands)</u>	<u>Weighted-Average Remaining Life (Years)</u>	<u>Exercise Price</u>	<u>Number of Options (In Thousands)</u>	<u>Weighted-Average Exercise Price</u>
\$0.50 to \$5.00	523	3.2	\$ 2.76	523	\$ 2.76
\$5.01 to \$10.00	2,040	2.5	7.78	2,040	7.78
\$10.01 to \$15.00	2,460	5.3	12.14	1,775	12.00
\$15.01 to \$20.00	16,187	6.8	17.88	6,864	17.18
\$20.01 to \$25.00	4,186	8.0	23.42	1,453	23.76
\$25.01 to \$30.00	9,774	7.7	28.02	2,297	27.84
over \$30.00	5,531	8.2	32.79	740	32.73

At December 31, 2003, 54.9 million shares of common stock were reserved for issuance under all of the Company's equity incentive and stock purchase plans.

Restricted Stock Award Plan

The Company's Restricted Stock Award Plan for Outside Directors (RSAP) provides for awards of restricted shares of the Company's common stock to the Company's outside directors. Shares awarded to each outside director equal the number of shares with a fair market value of \$0.5 million at the date of grant as of the beginning of each five-year period. Shares awarded under the RSAP are subject to certain transfer and forfeiture restrictions that lapse over a five-year vesting period. RSAP awards for 21,911, 18,685 and 125,700 shares were granted during 2003, 2002 and 2001, at fair values of \$22.82, \$25.32 and \$27.42 per share, respectively.

Unearned compensation expense related to the RSAP is reported as a reduction of stockholders' equity in the accompanying consolidated financial statements, and compensation expense is recorded ratably over the five-year period during which the shares are subject to transfer and forfeiture restrictions based on the market value on the award date less the par value of the shares awarded. Compensation expense related to this plan aggregated \$0.8 million, \$0.9 million and \$0.8 million in 2003, 2002 and 2001, respectively.

8. SAVINGS PLANS

The Company and its subsidiaries maintain savings plans that cover substantially all employees. These plans generally provide that employee contributions are matched with cash contributions by the Company subject to certain limitations including a limitation on the Company's contributions to 4% of the employee's compensation. Total expense under these plans aggregated \$27.0 million, \$23.1 million and \$17.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

9. INCOME TAXES

The provision for income taxes for each of the years ended December 31 consisted of the following (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Current:			
Federal	\$132,943	\$130,747	\$130,192
State	40,865	33,660	33,045
Foreign	29,452	8,726	12,725
	<u>203,260</u>	<u>173,133</u>	<u>175,962</u>
Deferred:			
Federal	30,142	34,355	(7,308)
State	4,909	4,774	(1,467)
Foreign	6,503	5,394	(2,770)
	<u>41,554</u>	<u>44,523</u>	<u>(11,545)</u>
	<u>\$244,814</u>	<u>\$217,656</u>	<u>\$164,417</u>

Differences between income tax expense at the U.S. federal statutory income tax rate and the Company's effective income tax rate for each of the years ended December 31 were as follows (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tax at federal statutory rate	\$215,293	\$190,154	\$143,665
State income taxes, net of federal benefit	31,471	27,019	21,819
Nondeductible merger costs	621	1,108	1,410
Nondeductible intangible amortization	—	—	4,287
Nondeductible meals and entertainment	2,232	2,293	1,801
Tax-exempt interest income	(284)	(418)	(1,448)
Foreign taxes	(5,792)	(5,018)	(4,233)
Net operating losses	2,063	2,452	(1,624)
Other, net	(790)	66	(1,260)
	<u>\$244,814</u>	<u>\$217,656</u>	<u>\$164,417</u>
Effective income tax rate	<u>39.8%</u>	<u>40.1%</u>	<u>40.1%</u>

Deferred income taxes are recorded based upon differences between financial statement and tax bases of assets and liabilities. The following deferred income taxes were recorded at December 31 (in thousands):

	<u>2003</u>	<u>2002</u>
Current:		
Trade receivables	\$ 17,236	\$ 14,715
Accrued compensation and benefits	7,798	9,635
Other accrued expenses	12,651	22,858
Deferred revenues	1,829	705
Total current deferred income tax asset	<u>\$ 39,514</u>	<u>\$ 47,913</u>
Long-term:		
Property and equipment	\$ (1,348)	\$ 10,701
Intangible assets	13,255	63,719
Net operating loss carry-forwards	33,149	16,680
Long-term incentive plan	3,780	2,098
Purchased in-process research and development	13,042	14,612
Total long-term deferred income tax asset	61,878	107,810
Valuation allowance	<u>(32,808)</u>	<u>(15,242)</u>
Net long-term deferred income tax asset	<u>\$ 29,070</u>	<u>\$ 92,568</u>

A valuation allowance for deferred income tax assets associated with certain net operating loss carry-forwards has been established since the Company currently believes it is more likely than not that the deferred income tax assets will not be realized. Tax loss carry-forwards of North American subsidiaries, totaling \$62.3 million, expire between 2007 and 2023. Tax loss carry-forwards of Israeli subsidiaries, totaling \$22.2 million, are unlimited in duration and are linked to the Israeli consumer price index. The remaining tax loss carry-forwards of certain European and Asian subsidiaries total \$31.2 million and have various expiration dates beginning in 2007. Net operating loss carry-forwards totaling \$79.9 million relate to pre-acquisition periods of acquired companies. The benefit of utilizing these net operating losses, if any, will be recorded as a reduction of goodwill.

10. STOCKHOLDER RIGHTS PLAN

Under the Company's Stockholder Rights Plan, all stockholders received rights to purchase shares of Series A Junior Participating Preferred Stock (Preferred Stock). Each right will detach from the common stock and trade separately should any person or group acquire beneficial ownership of 15% or more of the Company's common stock or announce a tender offer for 15% or more of the Company's common stock. If a person or group acquires beneficial ownership of 15% or more of the Company's common stock (Acquiring Person), all rights except for those held by the Acquiring Person become rights to purchase a fraction of one share of Preferred Stock for \$175, or a specified number of shares of the Company's common stock at a 50% market discount, subject to adjustment by the Company's board of directors. If the Company merges, consolidates or engages in a similar transaction with an Acquiring Person, each holder has a "flip over" right to buy discounted stock in the acquiring entity.

Until the occurrence of certain events, the rights are represented by and traded in tandem with common stock and cannot be separately traded. Under certain circumstances, each right is redeemable at a nominal price. Further, upon the occurrence of certain events, the Company's board of directors has the option to exchange shares of common stock for the rights. The rights, which are non-voting, expire on July 20, 2010.

The Company's board of directors may amend or terminate the Stockholder Rights Plan at any time or redeem the rights before the time a person acquires more than 15% of the Company's common stock.

11. SEGMENT AND GEOGRAPHIC INFORMATION

The Company has three segments. ISS primarily serves financial services institutions through a broad range of complementary software solutions that process their investment and trading transactions. These solutions are grouped into the following business areas: brokerage and trading systems; wealth management systems; treasury and risk management systems; investment management systems; and benefit, insurance and investor accounting systems. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing portfolios and accounting for investment assets. ISS delivers many of its systems as an application service provider. AS primarily serves information dependent enterprises of all types by helping to ensure the continuity of their business. AS provides a continuum of information-availability services for all major computing platforms. AS also provides managed IT services and professional services, including acting as an application service provider for a number of the Company's investment support systems. HE/PS primarily provides specialized enterprise resource planning and administrative solutions for higher education, school districts, governments and nonprofits.

Operating results and certain asset information for each segment for each of the years ended December 31 follow (in thousands):

	ISS	AS	HE/PS	Total Operating Segments	Corporate and Other Items	Consolidated Total
2003						
Revenue	\$1,605,741	\$1,170,571	\$178,940	\$2,955,252	\$ —	\$2,955,252
Depreciation and amortization	116,336	178,917	15,068	310,321	1,085	311,406
Operating income	301,745	339,746	22,072	663,563	(39,954) ⁽¹⁾	623,609
Goodwill	627,903	618,148	108,347	1,354,398	—	1,354,398
Total assets	2,192,566	1,978,311	261,896	4,432,773	(432,666) ⁽²⁾	4,000,107
Cash paid for property and equipment	28,023	146,791	2,534	177,348	4,946	182,294
2002⁽³⁾						
Revenue	\$1,408,143	\$1,052,500	\$132,594	\$2,593,237	\$ —	\$2,593,237
Depreciation and amortization	93,838	166,375	7,137	267,350	711	268,061
Operating income	320,829	257,809	19,142	597,780	(50,547) ⁽¹⁾	547,233
Goodwill	321,242	584,985	32,823	939,050	—	939,050
Total assets	1,471,343	1,686,200	78,652	3,236,195	45,401 ⁽²⁾	3,281,596
Cash paid for property and equipment	30,824	84,839	1,576	117,239	4,054	121,293
2001⁽³⁾						
Revenue	\$1,345,088	\$ 522,434	\$114,315	\$1,981,837	\$ —	\$1,981,837
Depreciation and amortization	101,213	65,027	8,903	175,143	689	175,832
Operating income	281,333	147,533	11,698	440,564	(41,354) ⁽¹⁾	399,210
Goodwill	258,324	330,326	32,815	621,465	—	621,465
Total assets	1,186,732	1,373,411	65,877	2,626,020	272,138 ⁽²⁾	2,898,158
Cash paid for property and equipment	37,351	62,833	1,633	101,817	286	102,103

(1) Includes corporate administrative expenses and merger costs.

(2) Includes items that are eliminated in consolidation and deferred income taxes.

(3) For comparative purposes, 2002 and 2001 reflect the reclassification of a business from HE/PS to ISS.

A further breakdown of ISS revenue, grouped by business area, follows (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Brokerage & Trading	\$ 541,094	\$ 405,101	\$ 404,219
Wealth Management	285,592	278,658	247,700
Treasury & Risk Management	327,180	268,553	244,825
Investment Management	192,190	177,700	166,637
Benefit, Insurance & Investor Accounting	259,685	278,131	281,707
Total Investment Support Systems	<u>\$1,605,741</u>	<u>\$1,408,143</u>	<u>\$1,345,088</u>

The Company's revenue by customer location for each of the years ended December 31 follows (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
United States	\$2,207,267	\$2,085,133	\$1,595,580
International:			
United Kingdom	292,632	123,177	70,339
Continental Europe	297,408	238,110	199,486
Canada	78,279	58,303	34,840
Asia/Pacific	46,913	56,285	60,977
Other	32,753	32,229	20,615
	<u>747,985</u>	<u>508,104</u>	<u>386,257</u>
	<u>\$2,955,252</u>	<u>\$2,593,237</u>	<u>\$1,981,837</u>

The Company's property and equipment by geographic location as of December 31 follow (in thousands):

	<u>2003</u>	<u>2002</u>
United States	\$383,704	\$396,521
International:		
United Kingdom	125,252	120,452
Continental Europe	37,045	33,718
Canada	13,038	9,890
Asia/Pacific	1,681	3,255
Other	1,605	2,363
	<u>178,621</u>	<u>169,678</u>
	<u>\$562,325</u>	<u>\$566,199</u>

12. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company leases a substantial portion of its computer equipment and facilities under operating leases. Future minimum rentals under operating leases with initial or remaining noncancelable lease terms in excess of one year at December 31, 2003 follow (in thousands):

2004	\$141,222
2005	117,325
2006	87,661
2007	72,468
2008	53,676
Thereafter	196,623
	<u>\$668,975</u>

Rent expense aggregated \$149.6 million, \$125.3 million and \$104.0 million for the years ended December 31, 2003, 2002 and 2001, respectively.

At December 31, 2003, the Company had outstanding letters of credit and bid bonds of \$28.9 million, issued primarily as security for performance under certain customer contracts. In connection with certain previously acquired businesses, up to \$192.0 million could be paid as additional consideration over the next three years depending on the future operating results of those businesses (see Note 2).

The Company is presently a party to certain lawsuits arising in the ordinary course of its business. In the opinion of management, none of its current legal proceedings will be material to the Company's business or financial results. The Company's customer contracts generally include typical indemnification of customers, primarily for intellectual property infringement claims. Liabilities in connection with such obligations have not been material.

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and Stockholders of SunGard Data Systems Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of SunGard Data Systems Inc. and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 12, 2004

EXHIBIT 13.2

DESCRIPTION OF SEGMENTS AND BUSINESS AREAS AS APPEARS
IN SUNGARD'S ANNUAL REPORT TO STOCKHOLDERS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

SunGard Business Areas

Businesses:	Solutions used for:	Solutions used by:	Principal brands/services:	Leadership:
Investment Support Systems				
Revenue: \$1.61 billion—2003 / \$1.41 billion—2002				
Brokerage & Trading	Integrated straight-through processing for trade analysis, capture, matching, routing, confirmation, clearance, settlement, accounting and reporting.	Broker/dealers, trading and sales desks in banks, proprietary trading firms and hedge funds.	BRASS; FRONT ARENA; MicroHedge; UMA; U2	70% of Nasdaq trade orders flow through SunGard systems.
Revenue \$541 million – 2003 \$405 million – 2002		Bank and brokerage back-offices, and clearing firms in the U.S. and U.K. Futures back-offices worldwide.	GMI; InTrader; Octagon; Phase3; SunGard Stream	75 exchanges worldwide are supported by SunGard futures systems.
	Brokerage, execution and clearing services.	Broker/dealers, institutional investors and professional traders, mostly in North America.	BRUT; HammerTrade; SunGard Transaction Network	1,800 asset managers, 700 issuers and 90 broker/dealers are connected to the SunGard Transaction Network. 5 million transactions/day are processed on SunGard systems.
Wealth Management	Integrated wealth management, asset accounting, portfolio management, trust accounting, trust tax services, securities lending and custody back-office processing.	Private banks, trust banks, brokers, investment advisors, custodians and fiduciaries worldwide.	AddVantage; Charlotte; Custody Services; Global One; Global Plus; Loanet; OmniLend; SunGard Wealth Management Services; Trust Tax Services of America; WorldLend	750 trust banks manage \$2.5 trillion in assets on SunGard systems. \$5 trillion in securities loans are processed on SunGard systems.
Revenue \$286 million – 2003 \$279 million – 2002		Brokers, financial planners, investment advisors, and fiduciaries, mostly in North America.	BrokerWare; Frontier; PlanningStation; PowerData; PowerPartner; PowerPortal; PowerStation; Synapse; Tradeline; WealthStation; WebPlaid	40,000 investment advisors offer financial planning services using SunGard systems.

Businesses:	Solutions used for:	Solutions used by:	Principal brands/services:	Leadership:
Investment Support Systems				
Revenue: \$1.61 billion—2003 / \$1.41 billion—2002				
Treasury & Risk Management	Market and credit risk management. Asset and liability management.	Trading departments dealing in derivatives and related instruments in banks, specialized finance companies and hedge funds worldwide.	Adaptiv; BancWare; Credient; Infinity; Monis; Opus; Panorama; Reece	400 OTC derivatives trading organizations use SunGard systems.
Revenue \$327 million – 2003 \$268 million – 2002	Derivatives trading and back-office processing. Systems integration, project management and consulting services.			
	Processing of energy transactions, energy trading and energy risk management.	Utilities, power generating companies, energy traders and marketers, and distribution companies.	Entegrate; Entegrate NG	200 energy industry participants trade and process 8 million megawatt hours of power and 100 Bcf of gas per day on SunGard systems.
	Global corporate treasury functions including cash management and transaction initiation.	Treasury departments of corporations and banks worldwide.	AvantGard/APS 2; AvantGard/ETX; AvantGard/GTM; AvantGard/ICMS; AvantGard/Quantum; AvantGard/ResIQ	47 Fortune 100 corporations use SunGard systems.
	Payments exception management and reconciliation and messaging.	Correspondent and clearing banks. Asset managers and custodians.	intelliMATCH EP; intelliTRACS; MINT Knowledge Family; STeP; Stor/QM PLUS	15 of the world's 20 largest financial services companies use SunGard systems for messaging or exception management.
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Investment Management*	Institutional investment accounting, portfolio management and performance measurement.	Institutional asset managers, mutual funds, hedge funds, funds of funds, banks, prime brokers and third party administrators worldwide.	Decalog; GP3; HedgePower; IMPower; INVEST ONE; InvesTier; V3; XAMIN	Investment managers, banks, hedge funds, insurance companies, and custodians manage \$10 trillion in assets on SunGard systems.
Revenue \$192 million – 2003 \$178 million – 2002				
	Integrated front-to-back office support for private banking.	International private banks mostly in Switzerland and Luxembourg.	APSYS III	
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Businesses:	Solutions used for:	Solutions used by:	Principal brands/services:	Leadership:
Investment Support Systems				
Revenue: \$1.61 billion—2003 / \$1.41 billion—2002				
Benefit, Insurance & Investor Accounting*	Participant accounting, recordkeeping, workflow management and document generation for 401(k) plan administration.	Retirement plan administrators including mutual funds and banks, mostly in the U.S.	MACCESS; OmniDBEN; OmniPay; OmniPlus; PowerImage; Relius Administration; Relius Documents; Relius Government Forms	50 million retirement plan accounts are processed on SunGard systems.
Revenue \$260 million – 2003 \$278 million—2002	Investor accounting, recordkeeping and workflow management for equities, bonds and mutual funds.	Corporate trustees, transfer agents, banks and mutual funds.	BondMaster; CertMaster; CSSII; Investar*ONE; SUNSTAR; Trustware Corporate Trust	25 million mutual fund, equity and bond holders with \$10 trillion in assets are managed on SunGard systems. The top six corporate trust agents use SunGard systems for their debt recordkeeping.
	Sales support, benefit and policy administration, financial accounting, portfolio management, statutory accounting and reporting for all lines of insurance.	Insurance companies and agents, and financial services companies.	ABC; Amarta; CDS; EAS; EFS; EPS; FrontTier; ProCede; ProGen; SunGard AIMS; SunGard COMPASS; SunGard Financials; SunGard VIP	2,000 insurance companies including 7 of the top 10 U.S. life insurance carriers use SunGard systems.
Availability Services				
Revenue: \$1.17 billion—2003 / \$1.05 billion—2002				
	Access to mission-critical data and systems through a combination of business continuity services, managed IT services and professional services.	Broad range of North American and European businesses and government agencies.	Business Continuity Services: Systems Recovery; End-User Recovery; Mobile Recovery; Test Management Services; Voice Recovery Services; Network Recovery Services	Pioneer and leading provider for 25 years of information availability services, with vendor-neutral support for over 30 current and legacy platforms keeping data available up to 99.99% of the time.
	A complete portfolio of information availability services—with the support of secure, redundant facilities, systems and networks—to maintain cost-effective, reliable and compliant IT environments.	Information-dependent entities including financial services, business services, healthcare, retail and manufacturing companies.	Managed IT Services: System Management; Managed Security; Managed Storage; Monitoring; IT Outsourcing; Network Services; Managed Internet Access; Hosting Infrastructure	10,000 customers in North America and Europe. More than 60 facilities spanning 3 million square feet of hardened secure infrastructure. 25,000 mile global network.
			Professional Services: Business Continuity Planning; Continuity Program Management; Information Security Services; IT Technical Services; Availability Engineering Services; Availability Planning Software	100% recovery success rate on more than 1,500 actual recoveries. 5,000 business continuity plans written. 350,000 hours of business continuity consulting provided annually by 200 consultants.

Businesses:	Solutions used for:	Solutions used by:	Principal brands/services:	Leadership:
Higher Education & Public Sector Systems	Revenue: \$179 million – 2003 / \$133 million – 2002			
	Accounting, payroll, personnel, utility billing, land management, public safety and justice administration for governments. Accounting, payroll, personnel, fundraising, grant and project management, student administration and reporting for K-12 and higher education.	Local, state and federal governments and special districts, K-12 schools, universities and colleges, and nonprofit organizations such as associations, hospitals and charitable trusts.	Advance; Click2Gov; CommunityPLUS; eGovPLUS; FinancePLUS; IFAS; Naviline; SmartCall; StudentPLUS	Thousands of local government agencies and educational and nonprofit organizations use SunGard systems. In February 2004, SunGard became a leading global provider of technology solutions for higher education when it acquired Systems & Computer Technology Corporation.
	Automated mailing and integrated statement processing services.	U.S. corporations, often used in conjunction with other SunGard solutions.	ePresent; intelliSTOR; Output Solutions	

* 2002 reclassified for comparative purposes.