

Financial Highlights

The selected condensed consolidated financial data set forth in the table has been derived from the Company's consolidated financial statements. This data should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company's audited consolidated financial statements, including the notes thereto and the report of the independent registered public accounting firm thereon, and the other financial information included in the DST Systems, Inc. 2007 Annual Report on Form 10-K filed with the SEC on February 26, 2008.

The information and comments in this document may include forward-looking statements respecting DST and its businesses. Such information and comments are based on DST's views as of the date of this report, and actual actions or results could differ. There could be a number of factors, risks, uncertainties or contingencies that could affect future actions or results, including but not limited to those set forth in DST's periodic reports (Form 10-K or 10-Q) filed from time to time with the Securities and Exchange Commission. All such factors should be considered in evaluating any forward-looking statements. The Company will not update any forward-looking statements in this report to reflect future events.

* Operating margin percentage has been calculated by dividing income from operations by total revenues.

** "If converted" earnings per share has been calculated using an exposure draft issued by the FASB on a proposed accounting standard that would amend SFAS No. 128 "Earnings per Share" to clarify guidance for mandatorily convertible instruments, the treasury stock method, contingently issuable shares, and contracts that may be settled in cash or shares.

*** Adjusted diluted earnings per share have been calculated by taking into account the impact of certain items that are not necessarily ongoing in nature, do not have a high level of predictability associated with them or are non-operational in nature. Generally, these items include net gains (losses) on dispositions of business units, net gains (losses) associated with securities and other investments, restructuring and impairment costs and other similar items.

**** Excludes operating revenues from the Investments and Other Segment, the Customer Management Segment (sold on July 1, 2005), and Segment Eliminations

Year Ended December 31, dollars in millions, except per share amounts

INCOME STATEMENT DATA

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|------------|------------|------------|------------|------------|
| Total revenues | \$ 2,302.5 | \$ 2,235.8 | \$ 2,515.1 | \$ 2,428.6 | \$ 2,416.3 |
| Operating revenues | 1,695.4 | 1,556.2 | 1,744.6 | 1,732.0 | 1,724.9 |
| Income from operations | \$ 343.9 | \$ 305.3 | \$ 336.4 | \$ 315.7 | \$ 307.5 |
| Operating margin percentage* | 14.9% | 13.7% | 13.4% | 13.0% | 12.7% |
| Interest expense | \$ 60.3 | \$ 77.3 | \$ 66.6 | \$ 55.3 | \$ 26.9 |
| Equity in earnings (losses) of unconsolidated affiliates | 62.6 | 47.7 | 44.8 | 5.4 | 12.5 |
| Income before income taxes | 1,389.2 | 378.5 | 703.0 | 322.0 | 430.1 |
| Net income | \$ 874.7 | \$ 272.9 | \$ 424.6 | \$ 222.8 | \$ 320.8 |
| Average common shares outstanding (millions) | 60.8 | 66.1 | 75.2 | 83.7 | 114.5 |
| Average diluted shares outstanding (millions) | 70.7 | 72.1 | 78.7 | 86.1 | 116.0 |
| Basic earnings per share | \$ 14.38 | \$ 4.13 | \$ 5.65 | \$ 2.66 | \$ 2.80 |
| Diluted earnings per share | \$ 12.35 | \$ 3.78 | \$ 5.39 | \$ 2.59 | \$ 2.77 |
| "If converted" diluted earnings per share** | \$ 10.97 | \$ 3.48 | \$ 4.71 | \$ 2.39 | \$ 2.69 |
| Adjusted diluted earnings per share *** | \$ 3.53 | \$ 3.02 | \$ 2.70 | \$ 2.50 | \$ 1.88 |

SEGMENT OPERATING REVENUE INFORMATION ****

| | | | | | |
|---|------------|------------|------------|------------|------------|
| U.S. total operating revenues | \$ 1,448.6 | \$ 1,349.9 | \$ 1,544.1 | \$ 1,526.1 | \$ 1,536.3 |
| U.S. Financial Services Segment operating revenues | 968.7 | 879.9 | 1,041.4 | 1,003.1 | 937.5 |
| U.S. Output Solutions Segment operating revenues | 476.2 | 461.1 | 436.7 | 404.2 | 492.2 |
| International total operating revenues | \$ 246.8 | \$ 206.3 | \$ 200.5 | \$ 205.9 | \$ 188.6 |
| International Financial Services Segment operating revenues | 165.9 | 131.3 | 142.3 | 138.7 | 123.0 |
| International Output Solutions Segment operating revenues | 78.9 | 74.8 | 50.5 | 49.7 | 41.9 |

BALANCE SHEET DATA

| | | | | | |
|----------------------|------------|------------|------------|------------|------------|
| Total assets | \$ 3,395.9 | \$ 3,119.1 | \$ 3,029.5 | \$ 3,383.4 | \$ 3,198.6 |
| Total debt | 1,061.1 | 1,441.2 | 1,404.5 | 1,482.9 | 1,464.7 |
| Stockholders' equity | \$ 1,159.1 | \$ 572.3 | \$ 495.7 | \$ 745.8 | \$ 683.7 |

OTHER FINANCIAL DATA

| | | | | | |
|------------------------------|------------|----------|----------|----------|----------|
| EBITDA | \$ 1,580.1 | \$ 585.7 | \$ 927.7 | \$ 535.8 | \$ 607.4 |
| Capital additions | \$ 115.4 | \$ 147.1 | \$ 133.4 | \$ 180.4 | \$ 269.7 |
| Share repurchases (millions) | 7.1 | 7.3 | 14.5 | 5.7 | 36.5 |

INVESTMENT MARKET VALUES

| | | | | | |
|-------------------------------------|----------|----------|----------|----------|----------|
| State Street Corporation | \$ 918.4 | \$ 762.7 | \$ 709.2 | \$ 628.3 | \$ 666.2 |
| Computershare Ltd. | 256.0 | 207.8 | 147.3 | | |
| Other available-for-sale securities | \$ 390.0 | \$ 305.4 | \$ 232.2 | \$ 571.7 | \$ 506.5 |

OTHER OPERATING DATA

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Mutual fund shareowner accounts processed (millions) | | | | | |
| U.S. | 119.1 | 105.8 | 102.2 | 92.2 | 87.9 |
| United Kingdom | 5.8 | 5.6 | 5.2 | 5.3 | 4.6 |
| Canada | 7.5 | 7.1 | 6.8 | 6.2 | 2.7 |
| TRAC participants (millions) | 4.8 | 4.5 | 4.3 | 3.9 | 3.5 |
| Automated Work Distributor workstations (thousands) | 127.7 | 120.8 | 107.2 | 96.4 | 87.0 |
| Argus pharmacy claims processed (millions) | 586.5 | 525.8 | 232.2 | 205.0 | 209.3 |
| DST Health Solutions covered lives (millions) | 24.5 | 25.3 | 16.3 | | |
| Output Solutions images produced (billions) | 17.0 | 15.5 | 11.6 | 9.0 | 9.7 |
| Output Solutions items mailed (billions) | 2.6 | 2.6 | 2.1 | 1.9 | 1.8 |

Business Overview

DST Systems, Inc. ("DST") provides sophisticated information processing and computer software services and products. DST is organized into two operating segments (Financial Services and Output Solutions). In addition, investments in equity securities and other financial interests and DST's real estate subsidiaries and affiliates have been aggregated into an Investments and Other segment. The illustration below depicts DST's operating segments.

Financial Services

- Mutual Fund Shareowner Processing
- Business Process Management
- Investment Management Solutions
- Healthcare Transaction Processing Solutions

Output Solutions

- Statement and Bill Production Services
- Postal Optimization
- Marketing and Personalization Services
- Electronic Solutions

S U P P O R T E D B Y I N F O R M A T I O N P R O C E S S I N G F A C I L I T I E S

The brand, service or product names or marks referred to in this Report are trademarks or services marks, registered or otherwise, of DST Systems, Inc. or its subsidiaries or affiliates or of vendors to DST.

Financial Services

DST's Financial Services Segment is comprised of business units and unconsolidated affiliates which incorporate proprietary software into service or product offerings principally supporting the mutual fund, investment management, insurance and healthcare industries. Certain product offerings are integrated to provide enhanced transaction processing solutions. DST's proprietary software systems include mutual fund shareowner, subaccount and unit trust recordkeeping systems for U.S. and international mutual fund companies; a defined-contribution participant recordkeeping system for the U.S. retirement plan market; investment management systems offered to U.S. and international investment managers and fund accountants; a business process management and customer contact system offered to mutual funds, insurance companies, brokerage firms, banks, healthcare payers, healthcare providers, cable television operators and mortgage servicing organizations; and healthcare claims administration processing systems and services, including consumer directed healthcare administration solutions, offered to providers of healthcare plans, third-party administrators and medical practice groups. DST's U.S. processing services are integrated with and supported by sophisticated centralized processing facilities.

Mutual Fund Shareowner Processing

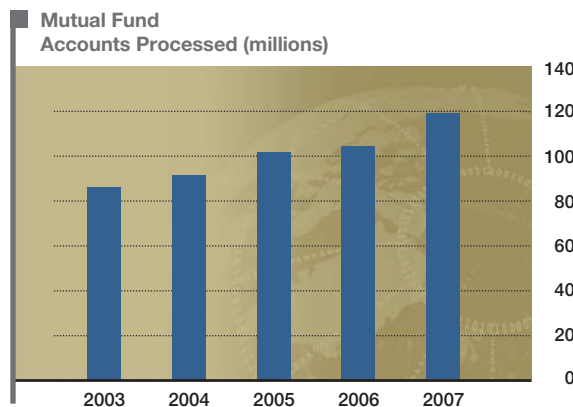
The U.S. mutual fund industry is a primary investment vehicle for the individual investor, with over \$10 trillion invested in mutual funds as of December 31, 2007. As the largest provider of third-party shareowner recordkeeping for the U.S. mutual fund industry, DST has played an important role in supporting the growth of the mutual fund industry. DST's strategy of continuously enhancing core proprietary systems, providing processing capacity to handle rapidly changing transaction volumes and expanding changes in marketing distribution channels, and delivering innovative products enables clients to provide world-class service to their constituents.

Shareowner Accounting and Recordkeeping

DST's software system for U.S. mutual fund shareowner recordkeeping and accounting is TA2000. TA2000 performs all shareowner related functions for mutual funds, including processing purchases, redemptions, exchanges and transfers of shares; maintaining shareowner identification and share ownership records; reconciling cash and share activity; calculating and disbursing commissions to brokers and other distributors; processing dividends; reporting sales; and providing information for printing of shareowner transaction and statement data and year-end tax statements. The system processes equity, fixed income, money market, load, no-load and multi-class funds. TA2000 also performs many specialized tasks, such as asset allocation and wrap fee calculations. At December 31, 2007, the Company provided shareowner accounting processing services for approximately 119.1 million U.S. mutual fund shareowner accounts, making DST the largest third-party provider of U.S. mutual fund shareowner processing services. Shareowner accounts

processed at December 31, 2007 increased 13.3 million accounts or 12.6% since December 31, 2006. The net increase during 2007 is attributable to the successful conversion of approximately 7.9 million or 7.5% of accounts from new clients and 5.4 million or 5.1% of account growth from existing clients.

DST offers a complete range of recordkeeping services, from full-service or BPO (Business Process Outsourcing) processing, which includes all administrative and clerical data processing support for



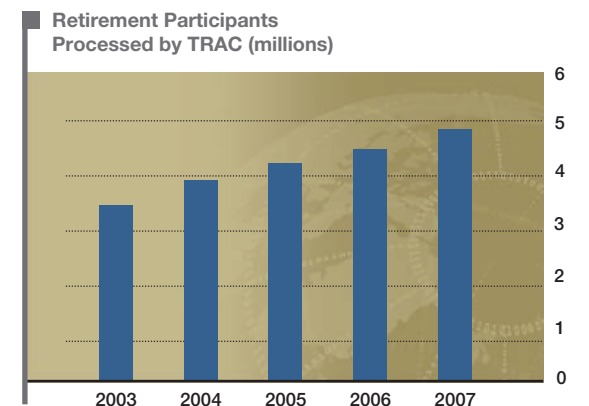
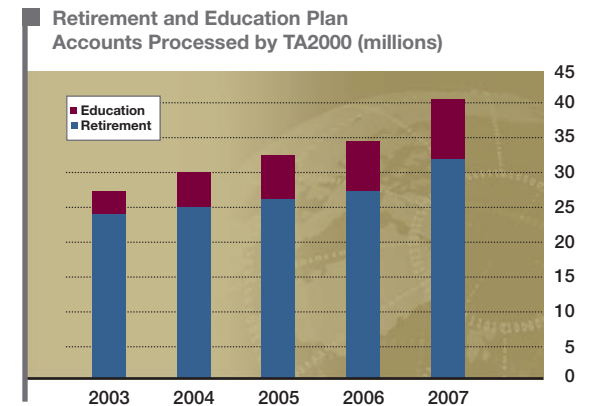
transfer agent activities, to remote or ASP (Application Service Provider) processing in which the clients perform all administrative and clerical data processing support activities using TA2000. Remote processing clients include mutual fund companies performing their own transfer agent operations and brokers performing shareowner recordkeeping (subaccounting) for funds they distribute. Full-service processing is offered by both DST and Boston Financial Data Services, Inc. ("BFDS"), which DST jointly owns with State Street Corporation ("State Street"). The design of DST's proprietary systems and the integration of AWD with TA2000 enables clients to select the services they choose to perform with DST or BFDS, resulting in an increasing number of shared service relationships.

Retirement and Savings Plan Recordkeeping and Administration

Mutual funds are popular investment vehicles used for individual and corporate retirement savings plans and for individual education saving plans. TA2000 supports all types of Individual Retirement Accounts ("IRAs"), including Traditional, Roth and rollover IRAs, and Educational Savings Plans, which include both Coverdell and Section 529 college plan accounts.

TA2000 serviced 27.5 million IRAs and 4.7 million accounts in an assortment of retirement accounts (SAR-SEP, Keogh and SIMPLEs) at December 31, 2007. Furthermore, TA2000 supported the processing of 8.7 million educational savings accounts at December 31, 2007, of which 7.9 million are Section 529 plan accounts.

TRAC is a component of TA2000 that provides participant recordkeeping and administration for defined



contribution plans, including 401(k), 403(b), 457, money purchase and profit sharing plans that invest in mutual funds, company stock, guaranteed investment contracts, annuities and other investment products. TRAC is integrated with TA2000, which eliminates the reconciliations required when different systems are used for participant recordkeeping and the underlying mutual fund shareowner accounting. TRAC provided recordkeeping for 4.8 million retirement plan participants at December 31, 2007.

Subaccounting

DST offers mutual fund shareowner subaccounting services to broker/dealers who perform shareowner accounting and recordkeeping for mutual fund accounts that have been sold by the broker/dealer's registered representatives. DST offers subaccounting services on both a remote (ASP) and full service (BPO) basis. DST enhanced TA2000 to meet the complex reconciliation and system interfaces required by the broker/dealers. The Company believes using the same system for both transfer agency shareowner recordkeeping and subaccounting should ensure the accounting for shareowner ownership positions in the mutual fund is the same, since the recordkeeping is done by one system—TA2000.

On July 31, 2007, DST acquired TASS, LLC ("TASS") which provides mutual fund shareowner subaccounting services on a full service basis to the broker/dealer industry. TASS uses the subaccounting platform of TA2000 to perform these services for its customers. The acquisition of TASS increased the total number of U.S. mutual fund open shareowner accounts processed by DST by approximately 200,000. In addition, during second quarter 2007, the Company received commitments from new remote clients with approximately 7.1 million subaccounts, based on current levels, and these new subaccounts are expected to convert at various times during 2008. The acquisition of TASS and the conversion of new subaccounts during 2008 expands DST's existing mutual fund subaccounting capabilities and offerings.

Non-Traded Real Estate Investment Trust Participant Accounting

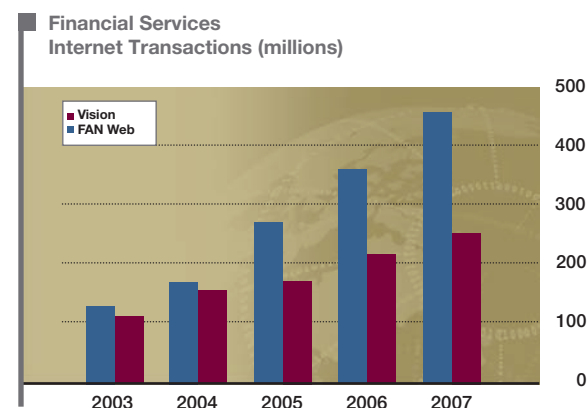
Beginning in 2008, the Company will offer non-traded Real Estate Investment Trust ("REIT") participant recordkeeping and accounting services on a full and shared service basis. The proprietary applications system for this service offering is TA2000, which performs shareowner related functions for non-traded REITS, including processing subscriptions, periodic redemptions and transfers of shares; maintaining shareowner identification and share ownership records; reconciling cash and share activity; calculating and disbursing commissions to brokers and other distributors; processing dividends; reporting sales; and providing information for printing of shareowner transaction and statement data and year-end tax statements.

Products Supporting Mutual Fund Distribution and Marketing

DST offers products to meet the expanding service requirements, distribution channels and regulatory requirements affecting the mutual fund market.

DST is the largest processor of the mutual fund industry's volume on Fund/Serv and Networking, two systems developed for mutual fund distribution by the National Securities Clearing Corporation, a subsidiary of the Depository Trust and Clearing Corporation. DST has also developed the Financial Access Network ("FAN"), which is the technological infrastructure that facilitates mutual fund transactions and servicing via the Internet.

Several of DST's products and services utilize FAN. FAN Web enables mutual fund companies to offer investors direct inquiry to account information, financial transaction execution and literature fulfillment through a set of customized Internet templates that link the mutual fund company's Web site to TA2000. FAN Investment Tracking enables shareholders to download their mutual fund transaction data through Quicken and Microsoft Money for Windows Online Investment Center. FAN Mail provides financial advisors and broker/dealers with trade confirmations, account positions and other data through public network access. Vision, a DST-hosted Web site, enables broker/dealers and financial advisors to view their clients' mutual fund and variable annuity positions, to establish new accounts and to process transactions. Over 200,000 financial intermediaries currently use FAN Mail and Vision.



International Shareowner Processing

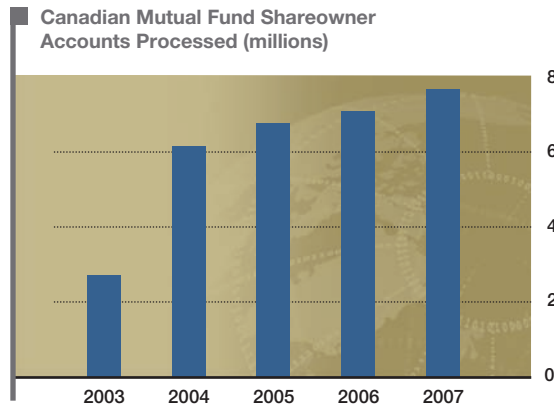
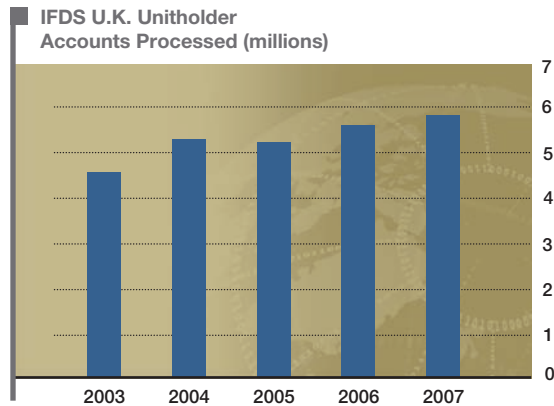
DST provides international shareowner processing through International Financial Data Services, U.K. ("IFDS U.K."), International Financial Data Services, Canada ("IFDS Canada"), International Financial Data Services, Luxembourg ("IFDS Luxembourg") and International Financial Data Services, Ireland ("IFDS Ireland"). All four companies are joint ventures of DST and State Street.

IFDS U.K. offers full, remote and shared service processing services for the U.K. Open Ended Investment Companies (“OEIC”) accounts and unit trusts and related products using FAST, its proprietary unit trust recordkeeping and accounting system. IFDS U.K. is the largest third-party provider of OEIC and unit trust shareowner processing in the U.K., processing 5.8 million unitholder and OEIC accounts at December 31, 2007.

Using iFAST, its proprietary mutual fund recordkeeping system, IFDS Canada offers mutual fund servicing in Canada on a full, remote and shared service processing basis. At December 31, 2007, IFDS Canada serviced 7.5 million shareowner accounts. In January 2008, IFDS Canada converted a new remote client which increased total shareowner accounts processed by 3.2 million accounts.

IFDS Luxembourg provides transfer agency services to State Street Luxembourg under an outsourcing agreement. Client servicing activities are focused on supporting State Street’s services to fund promoters and investment managers in the Luxembourg and continental European markets.

IFDS Ireland provides transfer agency services to State Street Ireland under an outsourcing agreement. Client servicing activities are focused on supporting State Street’s services to fund promoters and investment managers who provide offshore funds.



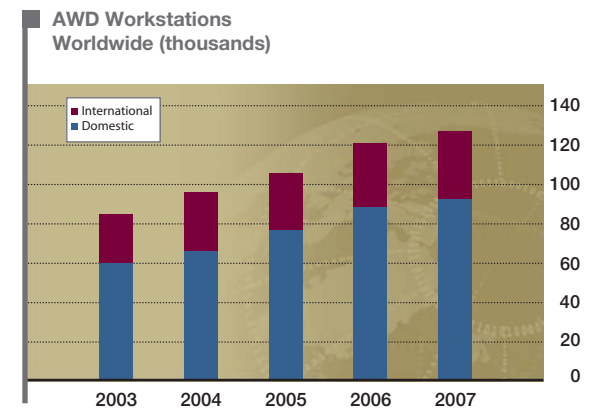
Business Process Management

Automated Work Distributor (“AWD”) is an enterprise-scale software system that enables companies to improve operating efficiency and customer satisfaction. AWD supports the capture of all inbound work at the point of contact (mail, telephone calls, Internet, e-mail, faxes, etc.), then identifies the steps that need to be followed to complete that item and its relative priority compared to other work that has been received. The system then delivers the piece of work, based on priority, to the resource most qualified to complete the current processing step. AWD’s sealed audit trail tracks all activities associated with completing each item of work, providing a valuable tool for the customers’ compliance with internal and external regulations. By enforcing standard business processes independent of the origin of a request, the system ensures that every AWD user within a customer organization is consistently working on the most important item that he or she has the training and experience to complete.

AWD’s automation components allow customers to remove associates from tasks in which human interaction is not required, resulting in increased productivity. In addition, AWD’s application integration components allow customers to seamlessly link business processes that cross multiple application systems. AWD also enables customers with multiple service centers to seamlessly move work between locations, minimizing geography as a barrier to productivity gains. The AWD product suite also includes imaging and content management, an event-based reporting and activity monitoring subsystem, a contact center desktop with proactive call scripting, intelligent character recognition and support for e-mail and Web-based customer service.

Classified as a “business process management (BPM)” solution by technology industry analysts, AWD is a mission-critical application implemented in many different industries including mutual funds, life insurance, healthcare providers and payers, property and casualty insurance, banking, mortgage, brokerage and video/broadband/telephony. AWD customers are located in over 19 countries including the U.S., Canada, the U.K., continental Europe, Australia, South Africa, Hong Kong, mainland China, Taiwan and Japan.

The Company combines the AWD system with hosting services and business process



outsourcing for AWD clients. Customers can access AWD at the AWD Data Center using DST's telecommunications network. The AWD Data Center provides a fully redundant disaster recovery option to AWD customers.

Investment Management Solutions

DST International Group Services Limited ("DST International"), a wholly owned U.K. company, provides software applications, implementation and other professional services. DST International currently services over 700 clients globally in over 25 countries. It has offices in the U.K., U.S., Australia, Canada, China, France, Hong Kong, Indonesia, New Zealand, Singapore, South Africa, Thailand and Vietnam. Its development centers are presently in the U.K., Thailand and Australia.

The business is comprised of three primary components:

- The largest is back office applications for the investment management industry and its third-party administrators globally.
- The second largest is solutions for the distributors of investment products.
- The third component is based on DST International's role as the distributor of the Company's AWD product outside of North America primarily to retail banks and insurance companies.

DST International is also expanding into billing and customer care applications for utility, telecom and financial services customers.

DST International provides development, support, implementation and other professional services directly to clients in each of these segments. DST International is in a transition from primarily a provider of technology applications to a technology services provider providing a wider range of implementation and advisory services to clients.

Investment Management Solutions

The core of the investment management solutions is investment and fund accounting. Two primary markets are serviced:

- Asset managers, who offer a wide range of traditional investment strategies for registered funds, insurance funds and separately managed accounts, and
- Third-party administrators serving those asset managers.

DST believes that its offerings are uniquely positioned because it has extensive penetration in both of the markets that it services. The connectivity required between asset managers and their agents is essential for these firms to reduce both operational risks and operating costs.

DST International is now undertaking an investment program to expand into middle office applications with an emphasis on support for alternative investments such as OTC derivatives. Its background in business process management and workflow applications should provide a unique solution set compared to both traditional competitors as well as new entrants.

Distribution Solutions

DST International has developed a number of customized applications that distribute investment products for financial institutions, including insurance companies, banks and wealth managers. The client base is dispersed geographically, and the requirements are quite varied due to differences in market practices such as commissions, tax reporting and compliance. This has created an opportunity for ongoing development work and professional services.

These include:

- Portfolio management and recordkeeping for distributors of registered funds who "wrap" them with insurance or pension offerings in the U.S. and U.K.;
- Management of model portfolios and rebalancing for wealth managers; and
- Large scale data warehousing and a reporting toolkit for banks serving mass affluent clients.

DST is also exploring how to further leverage capabilities in its various affiliates to create reusable solutions, such as transfer agency and process management.

Business Process Management Solutions

DST International distributes DST's AWD product outside of North America. The clients presently are primarily in retail banking and insurance. DST International also provides implementation and business process management consulting services to these clients. DST believes that it is uniquely positioned, because of its expertise in this area accumulated from years of developing these capabilities for its own usage in the U.S. It also believes that it can achieve significant synergies by integrating these applications with its Distribution and Investment Management solutions.

Healthcare Transaction Processing Solutions

DST provides healthcare transaction processing services and solutions through DST Health Solutions, LLC. ("DSTHS"), a wholly-owned subsidiary of DST Systems, and Argus Health Systems, Inc. ("Argus"), a joint venture between DST and a privately held life insurance holding company.

DSTHS is an enterprise software developer, software application services provider and business process outsourcer for the U.S. healthcare industry. Using its proprietary software, DSTHS supports providers of healthcare plans, third-party administrators and medical practice groups with business process outsourcing (“BPO”) services, application service provider (“ASP”) solutions, consumer directed healthcare (“CDH”) administration solutions, information technology outsourcing services and enterprise software applications for health plan administration and physician practice management. DSTHS provides technology based business solutions to the healthcare market with its core health plan administration systems: AMISYS Advance, PowerSTEPP, PowerMHS and PowerMHC. These enterprise-wide systems help support health plan business operations including claims processing, member and provider management, benefit plan management and medical management with browser-based graphical user interfaces designed to provide ready access to users in remote locations. The enterprise applications of DSTHS support approximately 367 healthcare clients, representing approximately 24.5 million covered lives.

Consumerism and the Consumer Directed Healthcare programs collectively represent a significant movement in the employee benefits business. CDH addresses a number of objectives including employer cost management, employee choice and control over their health and benefits, and free market influences in the pricing and costs of healthcare. DSTHS has been a major force behind some of the very first CDH programs, providing the infrastructure to notable CDH pioneer clients. DSTHS is able to use its proprietary software and services platform to support and facilitate the convergence of health and financial transactions and information for consumers to manage their Flexible Spending Account (“FSA”), Health Reimbursement Account (“HRA”) and/or Health Savings Account (“HSA”) programs. DSTHS has focused this CDH solution as a BPO service offering using its own platforms and systems.

In the healthcare payer market, DSTHS competes through increasing its investment in platform independent, service-oriented component applications that enable clients to accelerate customer acquisition, deliver new, profitable products to market rapidly and cost-effectively, facilitate administration of consumer-directed healthcare, improve enterprise workflow and enhance health payer revenue cycles. These new components can be deployed as part of a core replacement project including the PowerSolutions and AMISYS Advance core administration engines, or as stand-alone applications that extend clients’ existing core systems.

Healthcare Payer Solutions

DSTHS supports healthcare payer clients with diverse lines of business including: indemnity, HMO, PPO, POS, CDH, dental, vision, behavioral health and government sponsored initiatives (Medicaid, Medicare Advantage and Part D).

Health Plan Outsourcing Solutions

DSTHS provides BPO services that include mail receipt and processing, imaging/OCR (optical character recognition)/data capture, eligibility and enrollment management, benefit plan management, claims processing, overflow, plan administration, fulfillment, utilization management, case management and customer service, delivered as discrete, a la carte services or as a comprehensive administrative solution.

PowerQueue AWD

PowerQueue AWD offers an enterprise-wide Business Process Management solution. Designed for real-time integration to the Health Solutions’ core administration systems, it delivers increased operational efficiency through automation and continuous process improvement, thus allowing clients to focus on business decisions rather than repetitive tasks. Functionality includes claims routing, quality audits, customer service, correspondence processing and imaging.

Core Transaction Systems

The AMISYS Advance and PowerSolutions family of functional and scalable core health plan administration and claims processing engines offer the flexibility to support a payer’s entire business portfolio on a single technology platform. The PowerSolutions core applications include PowerSTEPP, PowerMHS and PowerMHC.

Enterprise Extension Applications

The PowerSolutions Suite includes optional, fully integrated applications for e-business, claims workflow automation, issue management, utilization management and case management. Applications include:

CareSTEPP—CareSTEPP is a graphical, workflow driven medical utilization management and case management application that helps health plans control medical costs, deliver quality care and automate paperwork associated with these processes. CareSTEPP provides many benefits to the health plan enterprise, including efficient monitoring of staff productivity, workload balancing, improved staff communications, intelligent deployment of medical and administrative personnel, grievances and appeals tracking, and improved consistency of medical decisions.

CaseSTEPP—CaseSTEPP is an optional CareSTEPP module that tracks information related to catastrophic or high-cost cases. CaseSTEPP enables the coordination of care provided, improves the continuity and quality of care, and lowers the costs of delivering care. Additionally, CaseSTEPP uses all of the features in CareSTEPP, plus additional features that include care/treatment plans, user-defined reference codes, tracking of diagnoses and medications, free-text case notes, time/expense/savings tracking, tracking of case-related contacts, management of documentation/correspondence, scheduling of reviews, reporting of case parameters, and tools to identify prospective case management candidates.

Business Analysis Applications

Health Solutions offers the following business analysis, reporting and quality management applications:

InfoSTEPP—InfoSTEPP is a decision support application that is fully integrated with DST Health Solutions' PowerSTEPP Health Plan Administration System. It assists health plans in finding, analyzing and interpreting mission-critical information from managed care transaction data captured by PowerSTEPP. InfoSTEPP gives health plans the information they need to more effectively manage health plan profitability and make more informed decisions.

DSTHS CareAnalyzer —DSTHS CareAnalyzer solution helps health plans select members who may benefit most from care management. The unique analytic approach combines elements of care opportunities, risk and provider effectiveness to provide a more complete member assessment within a single integrated tool. CareAnalyzer combines predictive modeling, HEDIS and Pay for Performance to provide optimized health plan business analysis.

Johns Hopkins' ACG System—DSTHS is the exclusive distributor for an innovative and proven patient classification system developed by Johns Hopkins University. Johns Hopkins' Adjusted Clinical Groups ("ACG") System is a software tool for provider profiling, predictive modeling, resource management and reimbursement rate adjustment. The ACG System markers identify individual patient risk for the evaluation and forecasting of healthcare utilization and costs.

Managed Pharmacy Benefit Solutions

Argus provides claim processing, information services and administrative support to help manage pharmacy benefit programs, including Medicare Part D. These services include pharmacy and member reimbursements, call center, pharmacy network management, clinical information services, rebate contracting and rebate processing. Argus' proprietary claims processing system is an interactive, database managed processing system for administration of prescription drug claims, pharmacy and member reimbursement and drug utilization review.

Information Processing Facilities

DST operates three primary data centers to support the data processing needs of its products and services.

The Winchester Data Center ("Winchester") is DST's primary central computer operations and data processing facility. Winchester is one of the largest and most

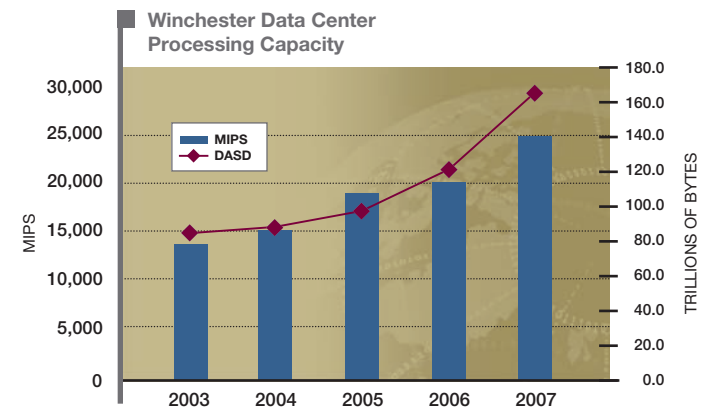
advanced facilities of its type in the U.S. and supports hundreds of thousands of computer users connected through fully redundant telecommunications networks from locations across the U.S., U.K. and Canada. Winchester runs computers with a combined mainframe processing capability of more than 25,000 million instructions per second ("MIPS") and direct access storage devices ("DASD") with an aggregate mainframe storage capacity that exceeds 165 trillion bytes. Winchester also contains more than 950 servers with over 700 trillion bytes of storage capacity supporting Windows, UNIX and iSeries small and midrange computing environments.

The AWD Data Center supports DST's image-based workflow processing services, including more than 18,500 AWD workstations used in DST's full and remote service mutual fund shareowner recordkeeping operations, and customers in the healthcare, insurance and brokerage industries. Systems are deployed in a high-availability configuration and replicated across two data center facilities to provide system and data redundancy.

The Recovery Data Center, located over 250 miles away from Winchester, has a computer room equivalent in size and infrastructure redundancy to Winchester. It houses the latest mainframe technology, including mainframe computers that have the processing capacity to run over 24,000 MIPS and the mainframe capacity to store more than 350 trillion bytes of data on DASD. DST makes available to clients various options for disaster recovery objectives ranging between approximately four hours in certain applications up to 30 hours, depending on the application and business requirements.

DST's Internet architecture provides redundant connectivity for clients. Through the deployment of Web servers, application servers and a large network of dedicated Internet bandwidth, Winchester provides its customers with Internet connections designed for security, speed and reliability.

All three data centers are staffed 24 hours a day, seven days a week and have self-contained power plants with mechanical and electrical systems designed to operate without interruption in the event of a commercial power loss. The Winchester and Recovery Data Center facilities are seismically braced and designed to be resistant to tornado-force winds.



2007

Output Solutions

DST's Output Solutions Segment provides single-source, integrated print and electronic statement and billing output solutions. The Output Solutions Segment provides customized statement and bill production, marketing and personalization services, postal optimization, and electronic presentment, payment and distribution solutions in the U.S., Canadian and U.K. markets. The Output Solutions Segment produced 17.0 billion images and delivered 2.6 billion items in 2007 from five operation centers strategically located throughout North America and in the U.K. DST Output is among the largest First-Class mailers in the U.S. and is one of the largest users of continuous, high-speed, full-color inkjet printing systems.

Statement and Bill Production Services

Statement and bill production services are supported by integrated and automated production environments that rapidly and cost-effectively transform electronic data received from clients into customized statements that can be delivered in print or electronic format in accordance with individual client preferences. The highly automated production environment helps maximize postal savings while minimizing delivery time.

For the financial services industry, products and services include electronic printing, variable and selective insertion and distribution of custom designed shareowner and other account-based communications, including transaction confirmations, dividend checks, account statements and year-end tax reports. These clients are offered the capability of personalizing their individual customer communications through proprietary segmentation tools that facilitate targeted messaging and utilization of syndicated content and full-color. The Output Solutions Segment is integrated with and uses processing functions of DST's TA2000 system and DST's information data processing facilities.

Single source statement and bill production services are provided to the mutual fund, retirement, brokerage, banking, consumer finance, cable and satellite TV/broadband, telecommunications, healthcare, insurance, utilities, rapid delivery and other service industries.

Advanced high-speed, full-color digital printing solutions and targeted messaging and graphics management tools provide clients with additional capabilities to develop marketing campaigns, cross-sell services and improve customer loyalty.

The Output Solutions Segment's research and development initiatives resulted in live implementations of a new Digital Press Technology ("DPT") high-speed color printing and inserting platform, which combines a state-of-the-art digital printing press with its patent-pending technology. The new platform enables the Output Solutions Segment to produce high-speed transactional printing combined with dynamic forms color printing. The platform enables the client's corporate logo to be printed in color onto the paper stock simultaneous with customer and other bill/statement data, where previously the client provided preprinted paper stock. Similar technological innovations enable clients to add highlight color or full-color printing throughout the statements or bills.

The DPT platform, when combined with campaign management capabilities, enables affordable "TransPromo" capabilities—integrating transactional printing with proactive promotional marketing offers based on customer demographics and buying habits. TransPromo opportunities allow clients to target and customize content and graphic images at the individual statement level for their printed as well as electronic customer communications.

Mailpiece tracking software integrated with the U.S. Postal Service allows clients to

predict incoming mail volumes and confirm consumer delivery to improve customer satisfaction.

Advanced statement consolidation capabilities, which combine data from multiple services and funds into a single integrated statement, offer clients potentially significant savings in both paper and mailing costs while creating a marketing tool

for companies seeking to establish brand name recognition and sell combined services.

Output's Customer Portal enables clients to access multiple tools that support their statement and bill production services. These include campaign management, online job auditing, and job and mail tracking, etc. In addition, clients can use near real-time reports and inquiries to monitor production activities including job tracking, postage expense amounts and insert counts throughout the production process.

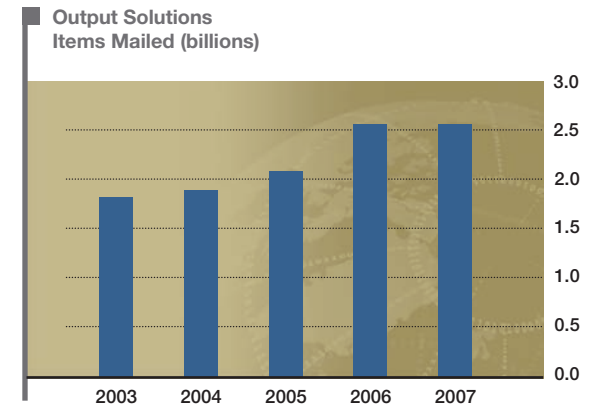
DST Output offers a full range of technical support. Customized programming tools have been developed that allow electronic information streams from a variety of client systems to be received without the need to make changes to the client's software. These tools enable rapid and smooth transitions when clients outsource their statement processing and electronic functions.

Postal Optimization

As one of the largest First-Class mailers in the U.S., the Output Solutions Segment provides a range of postal services for clients to optimize mail efficiencies and streamline postage expenses. Such postal processing services include address quality, mail design, presentment and tracking.

An Output Solutions affiliate, DST Mailing Services, Inc., was formed to focus on managing postage-related services including postal compliance, automated postage payment, postage advance accounts (deposits and escrow accounts) and management of presort vendors and international mail.

DST believes that having one Output Solutions entity focused on print and mail processing and one focused on postage management provides advantages to addressing ongoing U.S. Postal Service initiatives to improve quality and lower costs.



Marketing and Personalization Services

Targeted Marketing

The Output Solutions Segment's Campaign Manager offering allows clients to segment their customer databases for targeting variable campaigns through selective inserting, personalized messaging, graphics and the targeted use of syndicated content to selected audiences across multiple output media. The offering includes a graphical workflow management capability that enables clients to create, target and schedule graphics that are dynamically placed on the color statements for both print and electronic distribution. This solution facilitates customer acquisition, response rates, nurturing and retention, product cross-selling and brand awareness.

Direct Marketing

Direct marketing solutions provide highly personalized and targeted mailpieces to clients' target audiences. Services include database list management, development and programming, print production, postal processing, advanced laser personalization, inkjet addressing, inserting and other direct marketing production services.

Variable data printing technology allows individual mailpieces to be personalized to drive response rates, increase average order values and boost sales. Solutions allow for monthly short runs to large cross-country campaigns according to the clients' needs.

Graphic Design Services

The Output Solutions Segment's Communications design services offer expertise and industry knowledge of how recipients are affected by information placement, use of color and white space, charts and graphs and personalized content placement before statements are initially developed. Many clients have the opportunity through statement-based marketing and creative design services to use the print or electronic statement to reinforce a corporate image, advertise special offers and features, deliver customer-specific messages and otherwise market their services to customers.

Electronic Solutions

The Segment has created an automated information and technology infrastructure that electronically formats data, manages presentation over the Web, and provides alternative media in the form of encrypted CD/DVD and computer output microfiche. As electronic statements and payment solutions have become more widely expected by consumers and intermediaries, communications service providers, utilities, financial services, healthcare insurers and other companies continue to implement electronic presentment capabilities.

To fulfill the requirement, the Segment offers a broad range of electronic solutions designed to meet the needs for electronic statement presentment, payment and distribution, including secure e-mail push delivery.

The need for customer service retrieval of statements is addressed by the Segment's presentment solutions. These products provide customer service representatives with a searchable, indexed statement image that matches the print or electronic version sent to consumers, which can enable faster customer service calls and improved first-call resolution rates. In addition to variable retention via Web presentment solutions, encrypted CD/DVD, microfilm and microfiche capabilities are available for longer-term storage and archival.

Electronic Proxy Delivery

As a result of the SEC's recently adopted Internet Availability of Proxy Materials Rule, the Output Solutions Segment and DST together provide a presentment solution for mutual fund companies to electronically deliver proxy materials via the Internet. The integrated solution includes on-demand production and delivery of printed materials at shareholder request, as well as proxy voting capabilities via Web, IVR (interactive voice response) and mail.

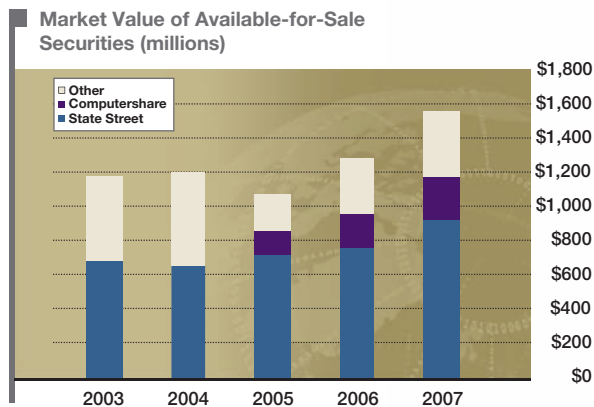
International Operations

The Output Solutions Segment also offers services to the Canadian and U.K. markets. In Canada, DST Output is one of the largest producers of bills and statements. DST Output Canada is among the largest providers of services for paper-intensive businesses. Output Canada automates these functions by using document scanning and online hosting technologies. DST International Output pioneered the use of high-volume, four full color variable digital solutions within the U.K. transactional print and mail market. These solutions can be tailored for each client. With the ability to customize the message for each end customer and a full range of color and graphics, client communications on statements and invoices can be enhanced to provide one-to-one marketing.

Investments and Other

In addition to DST's two operating segments, DST's Investments and Other Segment is comprised of its real estate subsidiaries and affiliates, and investments in equity securities and certain financial interests. DST owns and operates real estate mostly in the U.S. and U.K., which is held primarily for lease to the Company's other business segments. DST is a partner in certain real estate joint ventures that lease office space to DST, certain of its unconsolidated affiliates and unrelated third parties. DST is a 50% partner in a limited purpose real estate joint venture formed to develop and lease approximately 1.1 million square feet of office space to the U.S. government.

DST's investments in equity securities and other financial interests totaled approximately \$1.6 billion at December 31, 2007, principally from an investment in State Street Corporation with a market value of \$918.4 million and Computershare Ltd. with a market value of \$256.0 million.



State Street Corporation

At December 31, 2007, DST owned approximately 11.3 million shares, or 3.0%, of State Street Corporation with a market value of \$918.4 million. DST received shares in State Street as consideration for the sale of its 50% interest in Investors Fiduciary Trust Company to State Street in 1995. State Street is the world's leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading services.

Computershare Ltd.

At December 31, 2007, DST owned 29.6 million shares, or approximately 5.0%, of Computershare Ltd. with a market value of \$256.0 million. DST received shares in Computershare as partial consideration for the sale of its wholly-owned subsidiary, EquiServe, Inc., in June 2005. Computershare is one of the world's leading financial services and technology providers for the global securities industry, providing services and solutions to listed companies, investors, employees, exchanges and other financial institutions.