

# STILWELL

F I N A N C I A L I N C.

920 Main Street, 21<sup>st</sup> Floor  
Kansas City, Missouri 64105-2008  
NYSE Symbol: SV

## NEWS RELEASE

*Media Contact:*

Peggy Landon (816-218-2455)  
Director of Investor and Public Relations

*Investor Contacts:*

Landon H. Rowland (816-218-2416)  
Chairman, President and Chief Executive Officer  
Daniel P. Connealy (816-218-2412)  
Vice President and Chief Financial Officer

### **Stilwell Financial Reports Fourth Quarter and Full Year Earnings**

#### ***Ongoing EBITDA Margins Exceed 50 Percent***

KANSAS CITY, Mo (January 30, 2002) – Stilwell Financial Inc. (NYSE: SV) reported fourth quarter 2001 ongoing net income of \$84.0 million, or 37¢ per diluted share, and full year 2001 ongoing net income of \$390.9 million, or \$1.70 per diluted share. Stilwell reported ongoing net income of \$147.0 million, or 64¢ per diluted share, in fourth quarter 2000 and \$610.8 million, or \$2.67 per diluted share, for the year ended December 31, 2000. Including non-recurring items, reported net income totaled \$73.7 million (32¢ per diluted share) for fourth quarter 2001 versus \$153.2 million (66¢ per diluted share) in the same 2000 period and \$302.3 million (\$1.31 per diluted share) for the year ended December 31, 2001 versus \$663.7 million (\$2.90 per diluted share) in 2000. Stilwell's earnings reflect lower average assets under management and revenues, principally as a result of the decline in the equity markets during 2001.

Ongoing net income and earnings per share for the fourth quarter and year ended December 31, 2001 exclude the following after-tax non-recurring items: a) a charge of approximately \$10.4 million for the Janus funds' shareowner proxy costs incurred as a result of Stilwell's purchase of additional shares of Janus common stock; b) approximately \$16.3 million of additional facility closing and lease costs related to Janus' Austin and Denver facilities resulting primarily from weaker than expected commercial real estate markets; c) a one-time gain of \$15.9 million resulting from Stilwell's sale of 839,000 shares of DST

- MORE -

Systems, Inc. (NYSE: DST) in connection with the formation of a captive insurance company; and d) approximately \$0.5 million in net gains related to the company's proportionate share of DST net non-recurring items. Other non-recurring items during 2001 and 2000 are described in the footnotes to the tables below.

Stilwell's ongoing earnings before interest, income taxes, depreciation and amortization (EBITDA) as a percentage of revenues (EBITDA margin) increased significantly, reaching 55.5 percent for the fourth quarter 2001 versus 50.7 percent in the prior year's fourth quarter. For the year ended December 31, 2001, the ongoing EBITDA margin was 50.9 percent compared to 49.3 percent in 2000.

Landon H. Rowland, Stilwell's chairman, president and chief executive officer, commented, "The company's impressive EBITDA margins reflect the benefit of Stilwell's \$1.5 billion additional investment in Janus during 2001, as well as the strong operating margins achieved at Janus through aggressive cost controls. We believe these margins are a strong indicator of the financial strength and value of our company."

Stilwell reported an ongoing operating margin of 38.9 percent in fourth quarter 2001 and 39.4 percent for full year 2001. The company's ability to maintain these margins is indicative of the variability in the Janus business model and the savings generated from its emphasis on electronic shareowner servicing. Excluding the amortization expense associated with the company's additional investments in Janus during the year, the ongoing operating margin for the three months and year ended December 31, 2001 was 43.6 percent and 41.8 percent, respectively.

**- FOURTH QUARTER -**

***EARNINGS AND STATISTICS TABLE***

	<b><u>Fourth Quarter</u></b>	
	<b><u>2000</u></b>	<b><u>2001</u></b>
<b><u>Net Income (in millions):</u></b>		
<b>Ongoing net income</b>	\$ 147.0	\$ 84.0
DST net gains on non-recurring items (1)	6.2	0.5
Shareowner proxy costs for the Janus group of funds (2)		(10.4)
Facility closing and related costs (3)		(16.3)
Gain on sale DST common stock (4)		15.9
<b>Reported Net income</b>	\$ 153.2	\$ 73.7
<b><u>Diluted Earnings Per Share:</u></b>		
<b>Ongoing Operations</b>	\$ 0.64	\$ 0.37
DST net gains on non-recurring items (1)	0.02	
Shareowner proxy costs for the Janus group of funds (2)		(0.05)
Facility closing and related costs (3)		(0.07)
Gain on sale of DST common stock (4)		0.07
<b>Reported Diluted Earnings per Share</b>	\$ 0.66	\$ 0.32
<b>Operating Margin</b>	45.8%	26.2%
<b>Ongoing Operating Margin (2) (3)</b>	45.8%	38.9%
<b>EBITDA Margin</b>	51.9%	51.6%
<b>Ongoing EBITDA Margin (1) – (4)</b>	50.7%	55.5%
<b>Average assets under management (in billions)</b>	\$ 284.7	\$ 186.3

- (1) The company recorded equity in the earnings of DST representing Stilwell's proportionate share of DST net non-recurring gains during fourth quarter 2000 and 2001. The diluted earnings per share effect was less than \$0.01 in fourth quarter 2001.
- (2) Costs that were incurred to conduct a proxy vote for each of the Janus funds to obtain, among other things, shareholder approval of new advisory agreements with Janus, the terms of which are in all material respects the same as the current advisory agreements with Janus. See additional information in the company's Form 10-Q for the three months ended September 30, 2001.
- (3) During fourth quarter 2001, Janus recorded additional facility closing and related costs in connection with the closing of its Austin location in April 2001 and the Denver facility restructuring in 2001.

- (4) The company recorded a one-time gain resulting from the disposition of 839,000 shares of DST common stock in December 2001 in connection with Stilwell's formation of a captive insurance company.

Stilwell, which includes Janus, Berger Financial Group LLC, Nelson Money Managers Plc and an approximate 33 percent equity investment in DST, reported \$192.2 billion in assets under management as of December 31, 2001 compared to \$171.8 billion as of September 30, 2001 and \$257.8 billion as of December 31, 2000. The improvement in assets under management during the quarter reflected market appreciation of \$19.6 billion and additional assets of \$1.1 billion from Berger's acquisition of Bay Isle Financial Corporation, slightly offset by net cash redemptions of \$0.3 billion. Average assets under management totaled \$186.3 billion during fourth quarter 2001 compared to \$198.0 billion in third quarter 2001 and \$284.7 billion in fourth quarter 2000. The lower level of average assets under management in fourth quarter 2001 versus 2000 resulted in a 37 percent decrease in revenues quarter-to-quarter (to \$334.1 million from \$530.5 million).

Operating income, exclusive of the non-recurring items noted in (2) and (3) in the table above, for the three months ended December 31, 2001 was \$129.9 million versus \$243.2 million in 2000. This decline reflects the expected margin pressure attributable to the lower level of assets under management and revenues, higher amortization and certain components of expenses that are fixed. Although lower than the comparable prior period, Stilwell's ongoing operating margin improved 2.6 percentage points over third quarter 2001.

Operating expenses of \$204.2 million (\$246.6 million including the non-recurring items) for fourth quarter 2001 were 29 percent lower than the \$287.3 million in fourth quarter 2000. Expense reductions occurred in the following key categories:

- a) compensation, primarily due to reduced incentive compensation and a decline in the average number of employees quarter-to-quarter;
- b) third party concession fees resulting from a lower level of assets under management through these distribution arrangements;
- c) professional services, due to significantly reduced expenditures for consulting; and
- d) marketing and promotion. Offsetting these decreases, however, was a \$14.4 million

increase in depreciation and amortization arising from goodwill and identified intangibles associated with Stilwell's acquisitions of Janus common stock during the year and Janus' technology and operational infrastructure improvements from 1998 through 2000. The increase in these expenses had the effect of reducing the operating margin by nearly three percentage points when comparing fourth quarter 2001 to the same 2000 period.

Exclusive of the one-time items recorded by DST in fourth quarter 2001, equity earnings from DST improved \$1.7 million to \$16.9 million. This improvement was largely attributable to higher earnings in DST's financial services segment. Consolidated DST revenues increased 19 percent, largely due to the inclusion of revenue from EquiServe, in which DST acquired controlling ownership on March 30, 2001. Revenues also increased due to a higher number of shareowner accounts serviced (totaling 75.6 million at December 31, 2001 versus 75.2 million at September 30, 2001 and 72.1 million at December 31, 2000). DST's operating margin declined quarter-to-quarter, partially due to the inclusion of EquiServe during 2001.

Stilwell's interest expense increased by \$11.1 million quarter-to-quarter, primarily as a result of accrued interest on Stilwell's \$400 million senior notes, accreted interest on the zero-coupon convertible debt securities and amortization of 25 percent of the approximately \$16.4 million in debt issue costs paid in connection with the convertible securities. Other income for fourth quarter 2001 declined by \$9.5 million from prior year as a result of reduced interest income from lower average cash balances and interest rates.

The company's effective tax rate increased quarter-to-quarter, principally reflecting the increase in non-deductible amortization charges.

- YEAR TO DATE -

**EARNINGS AND STATISTICS TABLE**

	<u>Year to Date</u>	
	<u>2000</u>	<u>2001</u>
<u>Net Income (in millions):</u>		
<b>Ongoing Net income</b>	\$ 610.8	\$ 390.9
Charge in connection with commitment to purchase Janus shares (1)		(64.0)
Severance, facility closing and other costs (2)		(38.3)
DST net gains on non-recurring items (3)		8.2
Shareowner proxy costs for the Janus group of funds (4)		(10.4)
Gain on sale of DST common stock (5)		15.9
2000 non-recurring items (6)	52.9	
<b>Reported Net income</b>	\$ 663.7	\$ 302.3
<u>Diluted Earnings Per Share:</u>		
<b>Ongoing Operations</b>	\$ 2.67	\$ 1.70
Charge in connection with commitment to purchase Janus shares (1)		(0.28)
Severance, facility closing and other costs (2)		(0.17)
DST net gains on non-recurring items (3)		0.04
Shareowner proxy costs for the Janus group of funds (4)		(0.05)
Gain on sale of DST common stock (5)		0.07
2000 non-recurring items (6)	0.23	
<b>Reported Diluted Earnings per Share</b>	\$ 2.90	\$ 1.31
<b>Operating Margin</b>	46.1%	34.1%
<b>Ongoing Operating Margin (2) (4)</b>	46.1%	39.4%
<b>EBITDA Margin</b>	52.5%	44.1%
<b>Ongoing EBITDA Margin (1) – (6)</b>	49.3%	50.9%
<b>Average assets under management (in billions)</b>	\$ 301.9	\$ 213.5
<b>Shareowner accounts (in thousands)</b>	6,305.3	5,912.6

- MORE -

- (1) In third quarter 2001, Stilwell recorded a one-time non-cash increase to minority interest of approximately \$64 million in connection with its commitment to purchase 609,950 shares of Janus common stock. This commitment represents the excess of the contractual price paid by Stilwell compared to the current market value of the stock. Upon completion of the acquisition of the Janus shares in November 2001, the intangible assets and goodwill recorded were reduced by the amount of this charge.
- (2) During the year ended December 31, 2001, Janus recorded approximately \$74.4 million (pretax) in severance, facility closing and related costs associated with work force reductions in February and April 2001, the closing of its Austin location and restructuring of its Denver location. Partially offsetting these costs was a first quarter 2001 reduction of approximately \$8.2 million (pretax) in stock bonus accruals at Janus that were no longer payable as a result of the sale of shares of Janus common stock to Stilwell on March 16, 2001 as previously disclosed.
- (3) The company recorded \$8.9 million in equity earnings of DST representing Stilwell's proportionate share of DST net non-recurring gains during 2001.
- (4) See note (2) in Earnings and Statistics table for the fourth quarter above.
- (5) See note (4) in Earnings and Statistics table for the fourth quarter above.
- (6) Reported net income for the year ended December 31, 2000 included the following: i) a first quarter after-tax gain of \$27.3 million from the settlement of litigation relating to a former equity affiliate; ii) a first quarter \$15.1 million after-tax gain associated with Stilwell's sale of 192,408 shares of its Janus common stock to Janus for use in the Janus employee stock incentive programs; and iii) \$3.4, \$0.9 and \$6.2 million (after-tax) in first, second and fourth quarter gains, respectively, representing the company's proportionate share of a litigation settlement and sales of marketable securities recorded by DST.

During the year ended December 31, 2001, assets under management declined \$65.6 billion (from \$257.8 billion to \$192.2 billion), of which approximately 92 percent was attributable to market depreciation. Average assets under management during the year ended December 31, 2001 totaled \$213.5 billion compared to \$301.9 billion in 2000, resulting in a decrease in revenues from \$2,248.1 million in 2000 to \$1,555.7 million in 2001. With lower revenues and the expected margin pressures noted in the fourth quarter discussion, Stilwell reported a 41 percent decline in ongoing operating income in 2001 versus 2000.

Operating expenses of \$942.6 million (\$1,025.3 million including non-recurring costs) for full year 2001 were 22 percent lower than the \$1,211.8 million in 2000. Reduced expenses occurred in the same key components identified in the fourth quarter discussion.

Compensation and third party concession fees – the two largest components of Stilwell’s operating expenses – represented approximately 35 percent of revenues for the year ended December 31, 2001 versus 36 percent in 2000. The lower percentage in 2001 reflects the compensation savings associated with Janus organizational initiatives in the first half of the year and reduced performance-based incentive compensation. Depreciation and amortization increased \$49.4 million year-to-year, resulting in an increase in this component as a percentage of revenues from 3.6 percent in 2000 to 8.4 percent in 2001.

Exclusive of the one-time gains recorded by DST in 2001 and 2000, equity earnings from DST improved to \$66.5 million in 2001 versus \$58.4 million in 2000. This improvement was largely attributable to higher operating earnings in DST’s financial services segment, driven by increased revenues. DST recently announced that it had preliminary commitments from three new clients to convert nearly nine million mutual fund shareowner accounts to DST’s TA2000 system. The full benefit of the additional shareowner accounts serviced is not expected to realize until 2003.

Stilwell’s interest expense increased by \$27.1 million in 2001 versus 2000 due to the items noted in the fourth quarter discussion above, together with approximately \$7.0 million in interest associated with the acquisition of Janus common stock from Thomas H. Bailey in May 2001.

Other income decreased by \$23.5 million as a result of lower average cash balances and interest rates year-to-year. The company’s effective tax rate was slightly lower in 2001 compared to 2000 period, largely due to the larger proportionate contribution to net income from equity in net earnings of DST and a reduction in certain state taxes, substantially offset by higher levels of non-deductible amortization.

Rowland further commented, “Despite the extremely difficult markets during 2001, Stilwell experienced modest outflows during the year and a relatively stable level of shareowner accounts. This experience suggests that investors understand the benefits of long-term investing and respect the capabilities of Janus, Berger and Nelson.”

“As we move into 2002, each of our core organizations provides opportunities to add shareholder value. Janus is poised to regain momentum through efforts to improve investment performance, its strategic diversification of distribution channels and quality brand name. Berger, through the acquisitions of Bay Isle and INTECH, has strengthened its franchise and established a well-rounded foundation for growth. Nelson continues its steady growth through development of a multi-tiered savings gateway for employees throughout the United Kingdom. These subsidiaries, together with the consistently strong earnings growth at DST, provide the foundation for Stilwell’s future.”

---

Stilwell will present its fourth quarter and full year 2001 earnings on January 30 at 1:00 p.m. EST. Shareholders and other interested parties are invited to listen online at [www.stilwellfinancial.com](http://www.stilwellfinancial.com). Interested parties may also listen by calling (800) 289-0730, code #766293, at least ten minutes prior to the 1:00 pm EST start time of the presentation. The accompanying slides to the presentation are expected to be available on the Stilwell Web site on the morning of January 30. A replay of the audio portion of the presentation will be available online until the close of business on February 5.

**About Stilwell Financial Inc.**

Stilwell Financial Inc. is a diversified, global financial services company with subsidiaries and affiliates operating in North America, Europe and Asia. The primary entities comprising Stilwell are Janus Capital Corporation, Berger Financial Group LLC, Nelson Money Managers Plc and DST Systems, Inc. Stilwell currently owns 98 percent of Janus Capital Corporation, approximately 87 percent of Berger Financial Group LLC, 81 percent of Nelson Money Managers Plc and 33 percent of DST Systems, Inc.

*This press release includes statements concerning potential future events involving Stilwell Financial Inc. that could differ materially from the events that actually occur. The differences could be caused by a number of factors including those factors identified in Stilwell's Annual Report on Form 10-K for the year ended December 31, 2000 on file with the Securities and Exchange Commission (Commission file no. 001-15253). Stilwell will not update any forward-looking statements made in this press release to reflect future events or developments.*

**(Financial Information Attached)**

###

**STILWELL FINANCIAL INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
*(dollars in millions, except per share data)*  
(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2000	2001	2000	2001
<b>Revenues:</b>				
Investment management fees	\$ 435.8	\$ 273.2	\$ 1,850.7	\$ 1,275.2
Shareowner servicing fees	78.6	45.0	338.2	216.6
Other	16.1	15.9	59.2	63.9
Total	<u>530.5</u>	<u>334.1</u>	<u>2,248.1</u>	<u>1,555.7</u>
<b>Operating expenses:</b>				
Compensation	103.2	61.8	490.5	319.6
Marketing and promotion	26.5	17.9	103.5	90.3
Third party concession fees	77.8	49.6	314.9	230.7
Depreciation and amortization	24.2	38.6	81.2	130.6
Professional services	18.7	8.5	67.7	43.2
Other	36.9	27.8	154.0	128.2
Severance, facility closing and other costs	-	42.4	-	82.7
Total	<u>287.3</u>	<u>246.6</u>	<u>1,211.8</u>	<u>1,025.3</u>
<b>Operating Income</b>	<b>243.2</b>	<b>87.5</b>	<b>1,036.3</b>	<b>530.4</b>
Equity in earnings of unconsolidated affiliates	21.9	17.4	70.8	75.4
Interest expense - Kansas City Southern Industries, Inc.	-	-	(0.7)	-
Interest expense - third parties	(1.9)	(13.0)	(7.0)	(34.8)
Gain on litigation settlement	-	-	44.2	-
Gain on sale of Janus Capital Corporation common stock	-	-	15.1	-
Gain on sale of DST Systems, Inc. common stock	-	28.8	-	28.8
Other, net	11.6	2.1	43.7	20.2
Income before taxes and minority interest	<u>274.8</u>	<u>122.8</u>	<u>1,202.4</u>	<u>620.0</u>
Income tax provision	96.2	47.0	427.0	217.7
Minority interest in consolidated earnings	25.4	2.1	111.7	100.0
<b>Net Income</b>	<b><u>\$ 153.2</u></b>	<b><u>\$ 73.7</u></b>	<b><u>\$ 663.7</u></b>	<b><u>\$ 302.3</u></b>

**Per Share Data (1):**

Weighted Average Common shares outstanding ( <i>in thousands</i> )	<u>220,668</u>	<u>221,511</u>	<u>222,445</u>	<u>220,154</u>
<b>Basic</b> Earnings per Common Share	<u>\$ 0.69</u>	<u>\$ 0.33</u>	<u>\$ 2.98</u>	<u>\$ 1.37</u>
Diluted Common shares outstanding ( <i>in thousands</i> )	<u>226,689</u>	<u>223,812</u>	<u>225,423</u>	<u>224,424</u>
<b>Diluted</b> Earnings per Common Share	<u>\$ 0.66</u>	<u>\$ 0.32</u>	<u>\$ 2.90</u>	<u>\$ 1.31</u>

- (1) Stock options are included in the respective periods for the proportionate number of days outstanding during each period. The accumulations of Basic and Diluted Earnings per Common Share for the four quarters in 2000 and 2001 do not necessarily total the Basic and Diluted Earnings per Common Share for the year ended December 31, 2000 and 2001, respectively.

**STILWELL FINANCIAL INC.**  
**CONSOLIDATED BALANCE SHEETS**

*(dollars in millions, except per share data)*

(Unaudited)

	<u>December 31, 2000</u>	<u>December 31, 2001</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 364.3	\$ 236.5
Accounts receivable	194.4	128.8
Investments in advised funds	30.2	31.0
Other current assets	52.2	81.9
Total current assets	641.1	478.2
Investments held for operating purposes	511.1	488.7
Property and equipment, net	137.7	101.5
Intangibles and other assets, net	120.7	1,253.8
Goodwill, net	170.4	1,058.1
	641.1	478.2
<b>Total Assets</b>	<b>\$ 1,581.0</b>	<b>\$ 3,380.3</b>
<b>LIABILITIES and STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt	\$ -	\$ 694.7
Accounts and wages payable	27.3	11.9
Accrued compensation and benefits	98.0	57.8
Income taxes payable	9.7	-
Other accrued liabilities	61.1	123.0
Total current liabilities	196.1	887.4
<b>Other liabilities:</b>		
Long-term debt	-	399.5
Deferred income taxes	211.1	659.9
Other liabilities	42.7	44.7
Total liabilities	449.9	1,991.5
Minority interest in consolidated subsidiaries	73.3	23.3
<b>Stockholders' Equity</b>		
Preferred stock (\$1.00 par, 10,000,000 shares authorized, none issued)		
Common stock (\$0.01 par, 1,000,000,000 shares authorized; 224,790,650 issued; 218,909,153 and 222,101,350 outstanding, respectively)	2.2	2.2
Additional paid-in capital	-	-
Retained earnings	952.3	1,287.5
Accumulated other comprehensive income	103.3	75.8
Total stockholders' equity	1,057.8	1,365.5
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,581.0</b>	<b>\$ 3,380.3</b>