



Elements of Our Success



2003

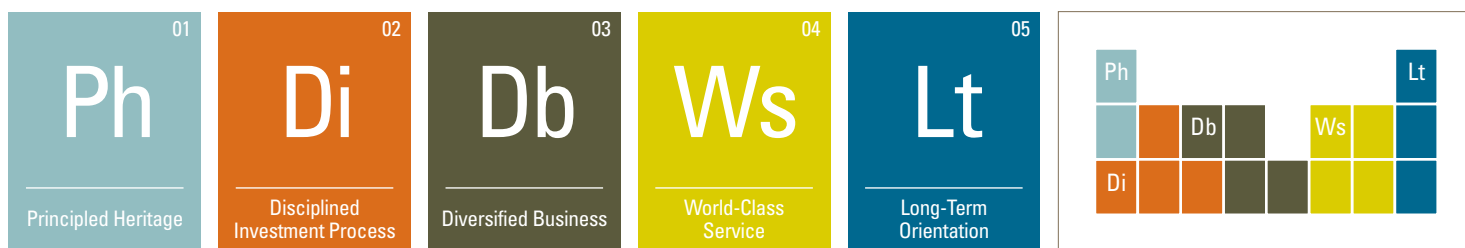
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Annual Report

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A Foundation of Naturally Aligned Components



Like the elements that compose our world, and the scientific principles that define its processes, the T. Rowe Price approach to the profession and business of investment management is composed of essential elements that guide its success.

Thomas Rowe Price, Jr., set down key fundamentals when he founded the firm 67 years ago. They are based on the simple belief that an investment management firm will prosper only if it is dedicated to its clients' success. In building the company, he valued traits that would further that goal: integrity, management skill, and farsightedness.

While the investment climate has changed, and continues to do so, as if to demonstrate one of Mr. Price's most resilient aphorisms — "Change is the investor's only certainty" — the principles of our company have not.

In 2003, the actions of the management and associates of T. Rowe Price continued to be guided by elements vital to the firm's success: a principled heritage, disciplined investment process, diversified business model, superior service, and long-term orientation.

Diversification is an essential element that extends beyond the T. Rowe Price business structure and investment philosophy. Management actively courts and values a spectrum of opinions and viewpoints in decision-making at the firm. In addition, at every level, the company maintains a deep commitment to finding the "best and brightest" from a multiplicity of backgrounds to help the firm meet its responsibilities.

Throughout its history, T. Rowe Price has valued its associates and recognized the contributions they have made to the success of the firm and especially its clients. Throughout this annual report, you will see glimpses of the vital people behind the scenes as they work on our clients' behalf at various company locations.

Letter to Our Stockholders

Dear Stockholder,

The financial markets and our company made significant strides in 2003 as geopolitical concerns early in the year gave way to a resurgent economy over the final nine months. Stocks reversed their three-year slide and outperformed bonds, which also posted gains, primarily because of a good first half.

The strengthening financial market allowed us to improve on our previous year's results, with income and earnings registering solid year-over-year gains. In December, the Board of Directors increased the quarterly dividend on our common stock, maintaining a record of consecutive annual increases since the company became publicly owned in 1986. We are pleased to report that the company's overall competitive position remains very strong. Especially gratifying was the performance of the mutual funds and portfolios that we manage, which continued to perform very well relative to our peers. More than 65% of all our funds surpassed their Lipper averages for the one-year period ended December 31, 2003, and 75% or more beat their peers for the 3-, 5-, and 10-year periods through the end of the year.

Financial Highlights

The markets' robust performance combined with strong inflows to expand the value of the investment assets we manage for individuals and institutions. At year-end 2003, assets under management totaled \$190 billion compared with \$141 billion a year earlier. The management fees that we charge on those assets, which provide over three-quarters of our operating revenues, improved commensurately. Administrative services revenue also rose in line with similar increases in our costs of providing these services.

Net revenues for 2003 rose to nearly \$996 million from \$924 million in 2002. Net income of \$227.5 million improved from the previous year, and diluted earnings per share increased 16% to \$1.77, up from 2002's \$1.52.

Operating expenses increased by approximately 5% in 2003. Compensation and related expenses increased due to rising salaries, bonuses, and outside labor costs. Advertising and promotional spending was flat compared to 2002, and depreciation and amortization of property and equipment declined. Other operating expenses increased.

In the last several years, due to major changes in accounting principles and regulations, investors have increased their focus on a firm's ability to generate positive cash flows. As shown in our financial statements, the firm generated strong cash flows from its operating activities. These cash flows increased from \$269 million in 2002 to \$297 million in 2003. This placed the firm in a very strong position to invest in our business, pay off debt, increase our dividend, and repurchase stock.

We paid off the remaining \$56 million of debt that was outstanding at the beginning of 2003 and have no short- or long-term debt outstanding at year-end 2003. We also repurchased 787,000 of our common shares at a cost of \$20 million during the first quarter of the year.

For further financial details, please consult Management's Discussion and Analysis starting on page 26 of this report.

FINANCIAL HIGHLIGHTS	in millions				
	2002	2003		2002	2003
Net Revenues	\$924	\$996	Basic Earnings Per Share	\$1.58	\$1.84
Net Income	194	227	Diluted Earnings Per Share	1.52	1.77
Stockholders' Equity	1,134	1,329	Dividends Per Share	0.65	0.70

Market Environment and Asset Flows

U.S. stocks recorded gains for the first time since 1999, with the Standard & Poor's 500 Stock Index rising a powerful 29%. The technology-heavy Nasdaq Composite Index surged 50% as investors appeared to regain some of the confidence lost in that sector. In retrospect, the markets bottomed in October 2002 before finishing that year strongly, but concerns about the looming war in Iraq held the markets in check in 2003's first quarter. A relatively quick resolution to the initial combat phase of that war, low interest rates, improving corporate earnings, and signs that the economy was at last gathering momentum helped stocks advance. Although global economic recovery was more subdued, the improving U.S. outlook boosted non-U.S. equities as well. Domestic bonds also posted modest gains, primarily due to an improving outlook and lower risk premiums on corporate and other less interest rate-sensitive fixed-income securities. As the year progressed and the economic news brightened, intermediate and long-term yields rose, hurting U.S. Treasuries. At the same time, high-yield bonds soared as corporate credit profiles improved and market confidence grew. Foreign bonds were also very strong as investors became increasingly alarmed at the growing U.S. trade and budget deficits, causing the dollar to fall against foreign currencies.

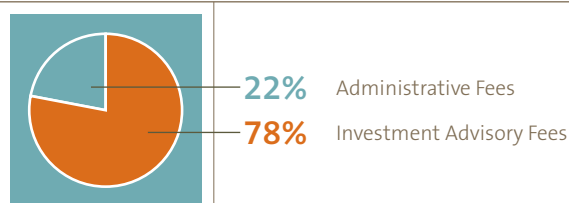
The strong market environment and solid relative performance of our funds and portfolios led to positive net cash inflows of \$13.3 billion for the year. Third-party distribution (where we manage assets gathered through intermediaries such as insurance companies and brokers) was responsible for a significant portion of the net inflows but institutional investors both within and outside the U.S. and domestic retail investors also contributed positively. For the year 2003, investors added nearly \$7.5 billion to the T. Rowe Price mutual funds offered in the U.S. and \$5.8 billion to the other managed portfolios. About two-thirds of the net mutual fund inflows for the year were spread among four funds—the Mid-Cap Growth, Equity Income, High Yield, and Growth Stock Funds. The percent of total assets under management comprising equities moved higher, from 66% in 2002 to 71%, reflecting the stock market's rally.

Troubling Developments in the Fund Industry

This positive economic and market backdrop was tarnished by some shocking news concerning trading abuses by several firms in the investment management industry, including allegations that executives at certain fund companies permitted excessive trading or illegal after-hours trading. In addition, certain intermediaries that process fund transactions allegedly assisted some investors in executing improper mutual fund trades. The investigations have led to charges of improper mutual fund trading by some fund company executives and portfolio managers.

I want T. Rowe Price stockholders to know that we emphatically condemn the abuses that have been revealed or alleged against other firms in the industry. We unequivocally oppose inappropriate trading. We have conducted a thorough review of our policies, procedures, and practices with respect to late trading and market timing, and we found that they are sound. T. Rowe Price has not entered into any agreements that authorize market timing by any party. We will use the current situation as an opportunity to make improvements where possible. We are also actively participating in industry-wide discussions with the intent of making possible suggestions to the SEC and NASD for more effective regulation of hedge funds and third-party intermediaries.

SOURCES OF NET REVENUES 2003



Thomas Rowe Price, Jr., who founded our firm in 1937, was known for saying: “If you do right by your clients, your clients will do right by you.” We believe that philosophy is engrained in the firm’s culture. No system is foolproof, but we have made a serious and sustained effort to live up to this principle.

Building for Growth

Over the past few years, we have pursued a number of initiatives to strengthen our competitive position and prepare for the changing market and investment environment. Among the major strides in 2003 was the implementation of our expanded primary provider initiative, which is a comprehensive effort designed to respond to the increasing need among our fund shareholders and investment clients for guidance and service through the creation of new tools, practices, and processes. We also focused on our initiative to identify investment-only opportunities in the defined contribution retirement plan market.

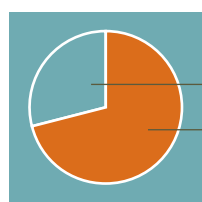
These initiatives are only a part of our overall strategy for success, which builds on our principled heritage, disciplined investment process, diversified business model, world-class service, and long-term orientation. For a more comprehensive look at our strategy, please see the story behind the elements of our success beginning on page 6.

Management and Board Changes

Before closing, I would like to thank several valued associates who will be leaving the company shortly. First, as part of a planned succession, Vice Chairman and Chief Investment Officer M. David Testa turned over his responsibilities as chief investment officer to Brian C. Rogers at the end of 2003 and will retire from the firm and the T. Rowe Price Group Board of Directors in 2004. Upon his retirement, David’s management responsibility for the firm’s investment divisions will transition to me. During his tenure, David was an innovator in the development of international investing for U.S.-based investors and in 1979 was instrumental in establishing the joint venture that became T. Rowe Price International. He served for a decade as portfolio manager of the T. Rowe Price Growth Stock Fund and also served as director of the firm’s Equity Division. While David’s leadership will be missed, Brian’s extensive investment experience managing the Equity Income Fund and institutional portfolios, his strategic insight, and the high regard in which he is held by portfolio managers, research analysts, and clients make him uniquely qualified to assume the CIO role for the firm.

In addition, William T. Reynolds will turn over responsibilities as director of the Fixed Income Division in the first quarter of 2004 and retire from the firm and the firm’s Board in 2004. Bill has enjoyed a remarkably successful 22-year career at T. Rowe Price, playing a critical role in the development of the firm’s fixed-income investment capabilities. Mary Miller will take over the reins of the Fixed Income Division. She has been at the firm for 20 years, working with Bill the entire time. She became head of the municipal bond department in 1996 and assistant director of Fixed Income in 2001.

ASSETS UNDER MANAGEMENT 2003



29% Fixed Income
71% Equities

\$190 Billion Assets Under Management

There are other changes to the makeup of the Board of Directors. In August, James H. Gilliam, Jr., passed away unexpectedly. Mr. Gilliam was an attorney, consultant, and philanthropist who had been a member of the Board since 2001. We miss him, and we express our condolences to his family. Richard L. Menschel, who has been an independent director of the Price Group since 1995 and chairman of the Executive Compensation Committee, has reached the mandatory retirement age and will not stand for reelection to the Board in April 2004. He has been a strong contributor to our Board, and we wish him well. Additionally, Henry H. Hopkins and John H. Laporte will step down from the Board this year as we move to implement the policy of having a majority of independent directors as mandated by the new Nasdaq listing requirements. They will continue to function in their current positions at the firm, Henry as director of the Legal Division and chief legal officer, and Jack as one of our most senior portfolio managers. We thank them for their service to the firm as directors. We welcomed two new independent directors to the Board in 2003. James T. Brady is a managing director for Ballantrae International Ltd., a management consulting firm, and Dr. Alfred Sommer serves as dean of the Johns Hopkins Bloomberg School of Public Health.

Looking Forward

The economy appears to have turned the corner in the second half of 2003, and we are optimistic that the markets will continue to provide investors reasonable returns, although neither the economy nor stocks are likely to grow at the very strong levels reached in 2003. The nation's rising budget and trade deficits are a concern, as are higher commodity prices. At some point, interest rates will begin to rise, limiting bond returns. Whatever the economy and markets present us with this year, our risk-aware investment approach, experience in the markets, diversified range of investment options, world-class service, sound financial position, and talented and dedicated associates provide a solid foundation for continued growth.

Sincerely,



George A. Roche
Chairman and President

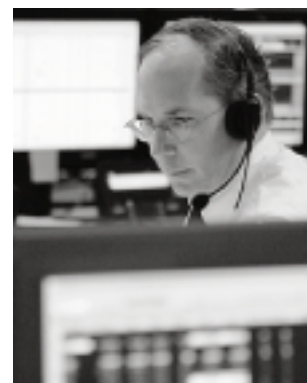
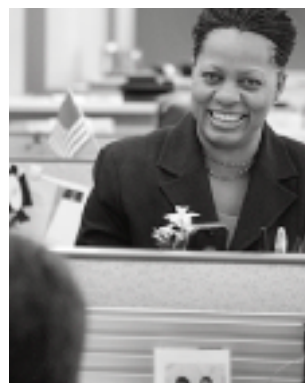
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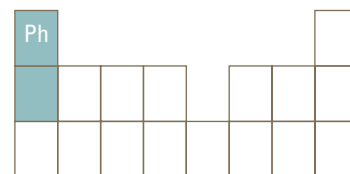
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Principled Heritage



A Principled Heritage Defined and Guided by Trust



The core elements of our success are not an accident or a relic of the past. Every associate, through large and small decisions and tasks, affirms them each day. From investment professionals, whose tenure is unusually long for the investment management industry, to the newest associate, a broad array of talent and dedication is focused on meeting client needs with long-term value.

T. Rowe Price seeks to validate the trust of its clients by staying true to time-tested principles, operating in a consistent manner, and focusing on the longer term, regardless of current events or short-term pressures.

A fundamental approach aligned with client objectives

When Thomas Rowe Price, Jr., established his investment management firm in 1937, he charged fees based on assets under management rather than commissions on sales, so that the firm would prosper over time only if its clients also prospered. In addition, Mr. Price implemented his “growth stock” strategy to guide the firm’s professionals toward sound investment decisions. That strategy relied on fundamental research to uncover companies whose revenues and earnings were expected to grow faster than inflation in the long term. He assumed correctly that stock prices ultimately reflected earnings. That same fundamental principle guides us today.

Since its founding, T. Rowe Price, along with its clients, has seen profound changes in the financial markets and in the composition of the investing public. Investors have been tested by unfavorable markets, sometimes for extended periods. And they have benefited from the favorable markets that have accompanied the long uptrend of domestic and global growth.

The scope of business has broadened tremendously, and the growth stock approach is now just one of many avenues we follow to meet client needs. Above all, the principles of putting the customer first and seeking long-term value continue to guide and infuse every aspect of the firm’s growth.

Whatever the current economic conditions, investment fads, or market psychology, T. Rowe Price remains focused on the business of investment management and its founding principles.

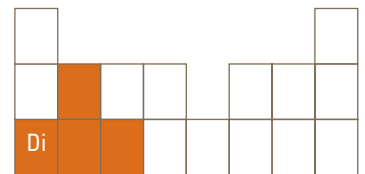


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Disciplined
Investment Process

A **Disciplined** Investment Process Focused on Strong Long-Term Results

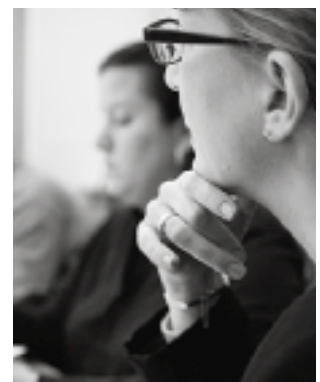


While financial markets are distinguished by change, T. Rowe Price is distinguished by discipline. Too often short-term trends and emotions are allowed to dictate investment decisions, but our philosophy embraces the notion that consistent long-term results require discipline — in approach, process, and goals.

T. Rowe Price investment professionals practice “bottom-up” investing, exploiting fundamental research to uncover promising opportunities. This approach also leverages sophisticated risk management techniques to avoid wide fluctuations in returns for investors. Extreme volatility can tempt investors — including professionals — to make short-term decisions that may be counter to long-term goals.

Over 85 stock and bond analysts cast a wide net around the globe to gather first-hand information in developing our independent research. Meeting with corporate managers is a key part of the research process, along with analyzing financial data and assessing information from myriad sources.

Our analysts conduct over 2,000 company visits per year. They discuss companies with their suppliers and clients and even observe the company grounds to glean useful insights. This information, distilled by our analysts and fused with rigorous valuation analysis, ultimately determines whether an investment is purchased at a reasonable price or sold at an advantageous price. Hands-on research and valuation disciplines, combined with prudent diversification, define our approach to risk management.





A risk-aware, collaborative environment

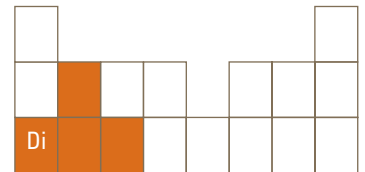
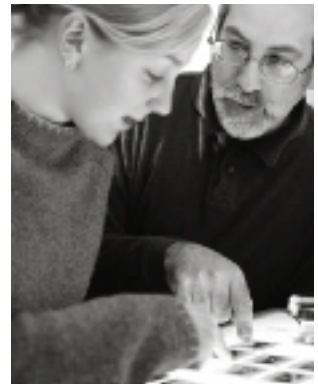
No investment philosophy is foolproof. However, a risk-aware approach to investing has helped us keep a collective eye on the long term, seizing opportunities when markets are trending down and sticking with sound fundamentals when they trend up. During the final, manic years of the 1990s bull market, for example, we were relatively cautious about investing in speculative stocks because they failed one or more of our analysts' tests for value, quality of earnings (if there were any), or management integrity.

Every portfolio manager is part of a disciplined, collaborative process. Each manager belongs to a tightly focused team that brings the specialized expertise of securities analysts and traders to bear on each decision. Each team adapts its approach to the portfolio's objectives and is wholly committed to maximizing results consistent with those objectives. In addition, the research and market insights of each investment professional are freely shared to benefit all investment areas at T. Rowe Price through formal and informal contacts, weekly research meetings, and investment teams that span various divisions.

Targeting consistent results through commitment to style

The investment process employed by our professionals seeks to provide consistent long-term performance. Toward this end, our portfolio managers try to avoid performance extremes and may give up potential gains when downside risk appears excessive. They adhere to a portfolio's stated investment style and objective whether it is currently in or out of favor, so investors can plan a diversified strategy with confidence. Our chief investment officer, in conjunction with equity, fixed-income, and international steering committees, helps ensure that portfolios are managed in a manner consistent with their charters as well as the firm's investment disciplines and philosophy. This approach allows for independent thought in decision-making, while maintaining collective accountability for results and ensuring alignment with client objectives.

This disciplined investment approach has resulted in long-term performance that compares very favorably with other investment managers and, along the way, has provided a smoother ride for our clients. For example, 82% of all T. Rowe Price actively managed funds, including all share classes, with a five-year history as of December 31, 2003, outperformed their comparable Lipper group averages.



T. ROWE PRICE FUND PERFORMANCE

Five Years Ended December 31, 2003

	Total Funds	Number Outperforming Lipper Average	Percentage Outperforming Lipper Average
Domestic	28	23	82 %
International Equity	11	6	55
Total Equity	39	29	74
Money Market (Taxable and Tax-Free)	7	7	100
Taxable Domestic Income	9	8	89
Tax-Free Domestic Income	14	14	100
International Income	2	0	0
Total Fixed Income	32	29	91
Total Funds	71	58	82 %

Note: Table excludes index funds; blended asset funds are included with domestic equity.
Data Source: T. Rowe Price, Lipper Inc.

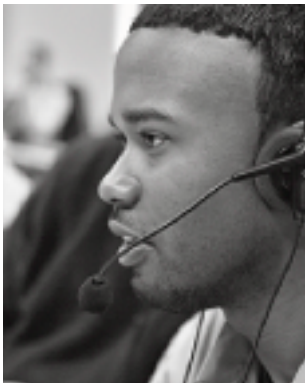




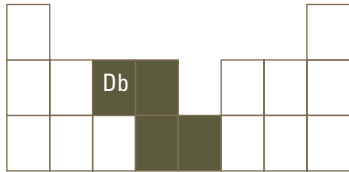
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Diversified Business



A Diversified Model for the Firm's Business



Diversification is a crucial and consistent element of T. Rowe Price's success both in managing investments and in managing the business of the firm. It is a result of a strong commitment to meeting our clients' needs for professional investment expertise.

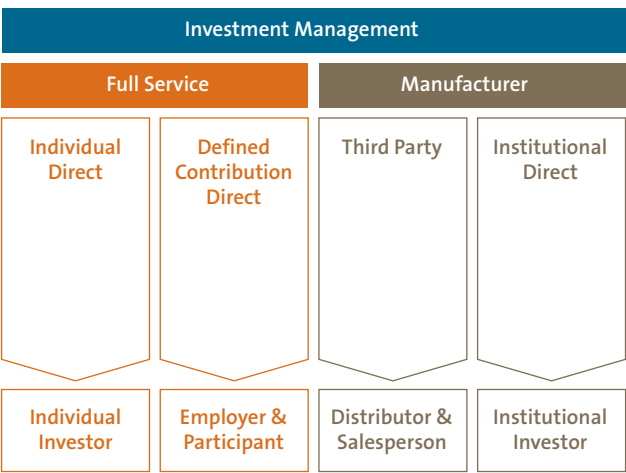
In a thoughtful and deliberate manner, T. Rowe Price has grown into a substantial global investment management firm, with a diversified business model that provides a strong and balanced platform for future growth. We now serve institutions at a variety of levels throughout the world, and individuals, whether investing on their own, through employer retirement plans, or through other intermediaries such as personal investment advisers.

Today, the extension of our company's reach and the expansion of the investment choices we offer to individuals and institutions far exceed those of only a dozen years ago. The investment world is fluid, and T. Rowe Price is meeting the challenges of change with new choices, delivered in new ways and in new global locations, while maintaining our standards for providing long-term value-added performance and superior client service.

Providing broad investment choices for clients and shareholders

In order to meet the variety of investment needs presented by a diverse customer base, we have successfully adapted our consistent approach across a variety of investment objectives — creating an array of solutions from separate accounts to sub-advised portfolios and from retirement programs to individual investment accounts. On the equity side, we maintain combinations of growth and value and small- to large-caps, and on the fixed-income side, a range of maturities, issuer types, and credit risks.

OUR BUSINESS MODEL





Over 90 no-load, low-cost mutual funds offer wide choices for individual investors and for institutions that include T. Rowe Price funds among the investments offered to their clients. Recognizing the increasing array of choices confronting “independent” investors, we recently introduced the T. Rowe Price Retirement Funds with built-in asset allocation shifts to simplify the decision-making process for investors saving for retirement. Other funds simplify diversification decisions, such as the T. Rowe Price Spectrum and Balanced Funds, and still others focus on tax efficiency.

Complementing the broad range of investment choices, we offer a broad range of investment vehicles designed to support particular retirement savings goals through employers, including 401(k)s, 403(b)s, SEP and SIMPLE IRAs, and profit sharing plans, as well as Traditional and Roth IRAs for individuals. For college savings, T. Rowe Price provides full-service management for a national 529 plan as well as state-specific plans for Maryland and Alaska.

Recognizing trends in the non-U.S. investment environment, in 2003 we expanded our Luxembourg-registered fund range to 12 funds. These *SICAVs* (European-based mutual funds) invest in U.S. and global securities and are offered to non-U.S. investors worldwide through various institutions.

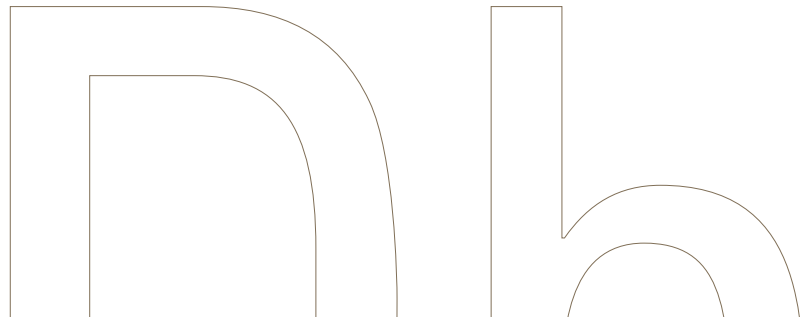
Providing more ways for investors to access T. Rowe Price investment management

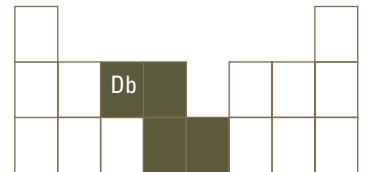
The investment landscape has become increasingly complex since T. Rowe Price’s early days as a boutique providing investment management for institutions and wealthy individuals. Today, investors can access our investment managers through an array of channels. Therefore, T. Rowe Price is diversified by investment management expertise, portfolio asset classes, and distribution channels.

Worldwide access for institutional investors

A range of investment management capabilities

Our investment management spans the full range of U.S. and non-U.S. equity, fixed-income, and multi-asset investment styles. Each of our strategies reflects our belief that in-depth, fundamental research and vigilant risk management leads to consistently strong long-term performance.





United States-based clients

U.S.-based institutions such as corporations, state and local governments, and nonprofit organizations invest directly with T. Rowe Price through funds or separately managed accounts tailored to their particular objectives. Defined contribution and benefit retirement plans have been a staple of the investment management business and represent a growth opportunity looking forward.

Non-U.S.-based clients

Through our Global Investment Services subsidiary, we have launched a vigorous initiative to capture assets and provide high-quality service to non-U.S. investors, as traditional investing patterns change in select global markets. This past year, attracted by its independence, organizational and professional stability, and investment consistency, non-U.S. institutions awarded mandates to T. Rowe Price Global Investment Services to manage significant assets in segregated accounts and in the SICAV funds. In Japan, T. Rowe Price Global Investment Services is sub-adviser to portfolios managed by a major Japanese investment manager, Daiwa SB Investments, Ltd. (in which we have a 10% interest), and marketed to institutional and retail investors.

A choice of access for individual investors

Direct

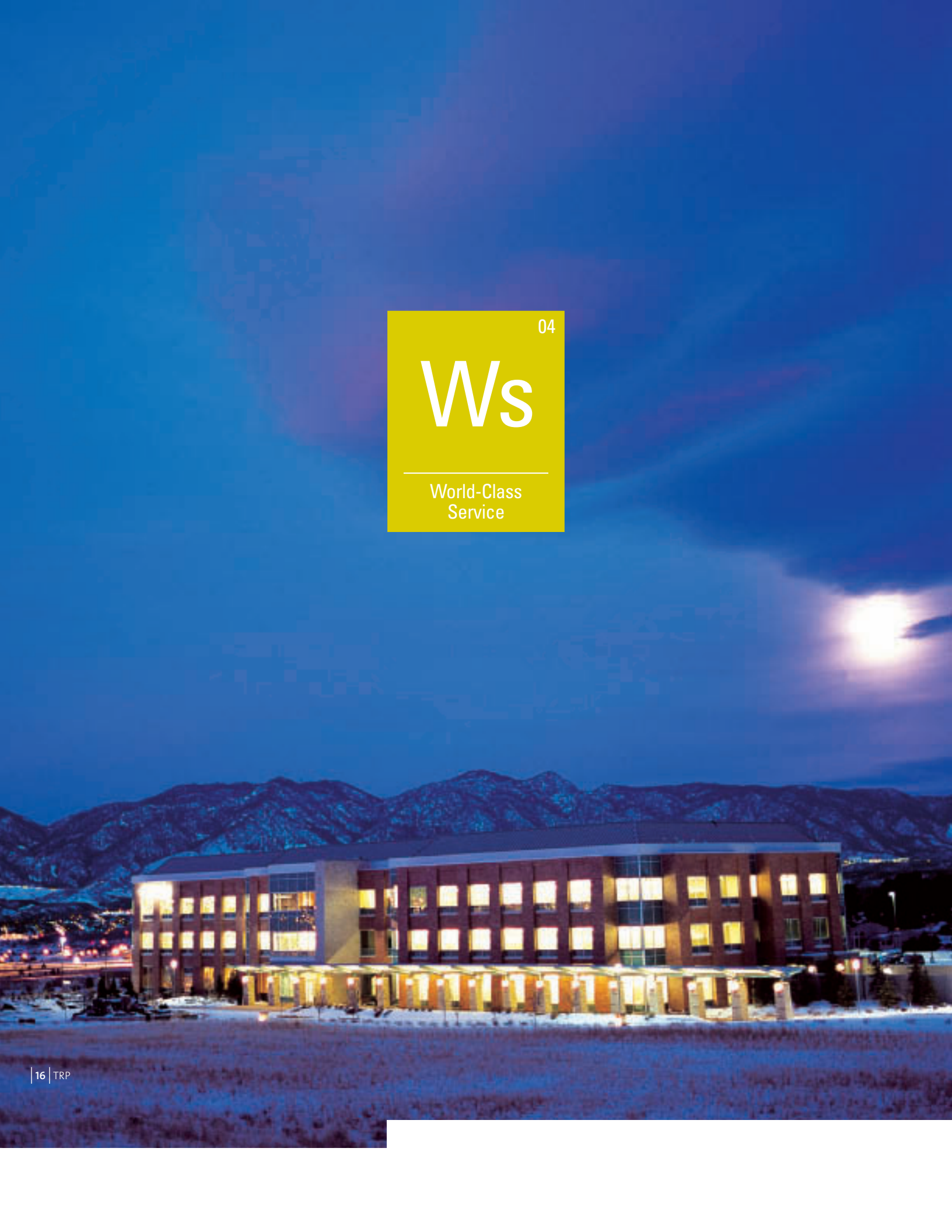
Individual investors in the U.S. can invest directly in over 90 T. Rowe Price mutual funds, paying no sales commissions or loads of any kind.

Through employers

Many individuals invest with our firm through employer-sponsored defined contribution plans, primarily 401(k) plans. As baby boomers near and reach retirement age, we are poised to meet their needs through retirement plans and rollovers into IRAs.

Through intermediaries

A majority of individuals prefer to invest with the help of an adviser. Typically, those investors turn to a broker, banker, or insurance agent for assistance. In recent years we have built strong relationships, globally, with insurance companies, brokers, banks, and other third parties who invest their clients' assets in our mutual funds and sub-advised accounts, often in conjunction with variable annuity and 529 college savings programs.



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World-Class
Service



Setting a **World-Class** Standard for Service



Clients and shareholders trust our firm not only for our investment expertise, but also for the assistance and support we provide in other aspects of the investment process. We provide investors with knowledgeable and skilled associates, as well as detailed information on their investments' performance.

For institutional investors, analysis of investment performance, including commentary, is organized and distributed in timely reports to both the investor and consultants.

T. Rowe Price supports intermediaries and institutional clients with sophisticated services tailored to their particular needs. These often include reports and investment updates, targeted information for sales forces, timely portfolio reviews, video and audio interviews with our portfolio managers, and personal meetings.

For individual investors, we make available an extensive library of highly regarded educational, financial planning, and advice tools — both paper- and Web-based. These tools, in addition to professional financial planners and counselors providing individual guidance, help investors make appropriate decisions. Information on markets and personal finance topics is provided quarterly from The Price Report and the award-winning T. Rowe Price Investor magazine.

Mr. Price strongly believed that “If you do right by your clients, your clients will do right by you.” For over 67 years, our company has taken this principle to heart. Year after year, our substantial allocations of resources for service functions and research provide concrete evidence of our commitment to stay at the top of the service world. In 2003, T. Rowe Price received various awards as well as media and peer recognition for its efforts on behalf of investors.



Recognition throughout the investment management industry

We do not adhere to a philosophy of self-promotion, but we do pay attention to what others say about us. In communicating to our stockholders through this report, we thought you should know that our approach to investing and client service is noticed and appreciated in the wider community. For example, one prominent investor publication noted: “Price managers invest in companies with growing earnings, but try to buy their stocks at fair prices. Price funds aim for — and usually deliver — consistent, above-average results.” — *Kiplinger’s*, August 2003

In 2003, our investment management won significant recognition from the industry: The T. Rowe Price high-yield strategy won *Global Investor’s* award for Investment Excellence in the High-Yield Bond category; we won the European Institutional Marketing Award at *Financial News’* awards for Investment Excellence in Institutional Asset Management; *Institutional Investor’s* “Best of the Buyside” included two of the firm’s analysts among a total of eight in the industry; and *Barron’s* list of “Top 100 Fund Managers” included three of the firm’s portfolio managers.

Clear, concise, informative communications are critical to the needs of clients whether independent, participants in employer retirement plans, or investors through an intermediary. And we have gained wide recognition in this area. The T. Rowe Price commitment to service was summed up by one publication thus: “T. Rowe Price gives the interests of its customers — individual investors — the highest priority.” — *Morningstar*, 7/28/03





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Throughout 2003, T. Rowe Price won awards for communication and services including the following:

DALBAR's 2003 Trends & Best Practices

in Investor Statements

This was the fourth consecutive year that we won the award for our participant account statements. We earned first place in the Defined Contribution participant statement category and the highest point rating of all statements.

STAR Awards from the Mutual Fund Education Alliance (MFEA)

These awards recognize “mutual fund companies for outstanding shareholder communications, education and support.” Awards were presented to our firm distinguishing its excellence in shareholder communications among large investment management firms for T. Rowe Price Investor magazine, the T. Rowe Price Web site, and the Retirement Planning Guide.

Other awards recognizing T. Rowe Price's commitment to excellence in communications to investors include: 2003 Profit Sharing Council of America (PSCA) Signature Awards; 2003 Communicator Awards – Employee Publication/Benefits; and 2003 Pensions & Investment-Eddy Awards.



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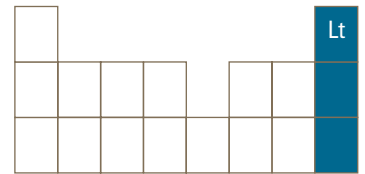
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Long-Term
Orientation

T. Rowe Price



A Long-Term Orientation to Delivering Lasting Value



Just as T. Rowe Price applies a disciplined, long-term orientation to asset management, we only offer products and services that meet a standard for delivering durable value, based on two key criteria: (a) we believe the product or service has merit for clients over the *long term*, and (b) we have the capability to add value. In addition, knowing that it often takes time for innovations to bear fruit, T. Rowe Price management pursues strategies that we believe have the potential to support profitable growth over the long term. Below are a few examples, past and present, that demonstrate how our associates adapt the basic elements of our business to respond successfully to changing client needs.

Retirement funding: adapting to serve within a dynamic environment

When employers began to shift their benefits strategies toward defined contribution plans in the 1980s, we responded by combining our mutual fund offerings with call center and individual investor communications capabilities, becoming one of the first providers of “bundled” defined contribution plan services. T. Rowe Price is now a market leader in this business. Likewise, as the ever-changing tax code has evolved, we have introduced a range of individual retirement accounts and services.

More recently, the firm entered into a business relationship to administer defined benefit plans in response to employer desires for “total retirement outsourcing.” Innovative services such as automatic enrollment help employees build assets

for retirement. In addition, the T. Rowe Price “One-Call Rollover” service makes it convenient for individuals who are changing jobs or retiring to move their retirement assets to an IRA at T. Rowe Price.

Global perspective and capability

Several decades ago, T. Rowe Price observed that its U.S. clients would benefit from holding non-U.S. investments as part of a well-diversified portfolio. To provide investors with the foreign investment capability required for this, we ventured with a successful London-based firm to form what has evolved into T. Rowe Price International. With our purchase in 2000 of the London-based firm’s interest, we have expanded our global investment capabilities and now pursue distribution opportunities outside the U.S. With foreign economies impacted by the same population aging trends as the U.S., and changes in the way pension assets are invested, we believe there is significant long-term opportunity to serve foreign institutions and financial intermediaries. Today, T. Rowe Price Global Investment Services pursues this opportunity, showing strong early progress and attractive long-term prospects.



Helping individual investors achieve their goals with objective advice and guidance at low cost

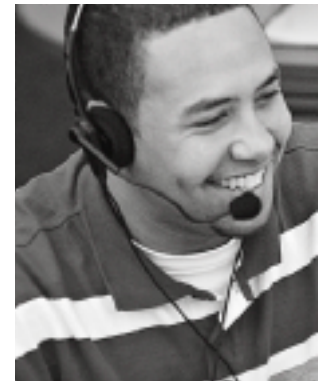
The mutual fund structure itself has been one of the most important innovations in consumer financial services, providing low-cost access to professional investment management and diversification to millions of investors. Today, these investors also need help using mutual funds effectively in pursuit of goals such as retirement and education. For years, T. Rowe Price has been a leader in investor education and guidance, beginning with retirement planning kits, then adding software and Web-based tools. More recently, we have expanded guidance resources available through call centers, investor centers, and our Web sites, and added state-of-the-art investment analysis tools through a unique partnership with industry leader Morningstar™. Investors who prefer a “turnkey” advice solution can now select the convenience of goal-oriented funds such as our retirement target date funds and 529 college savings accounts.

Of course, many investors prefer to manage their investments through a personal relationship with an adviser, insurance agent, banker, or other financial professional. In the mid-1990s, we began to develop relationships with many financial intermediaries who provide such client services, and our Third Party Distribution business has since become a major contributor to our growth in assets under management.

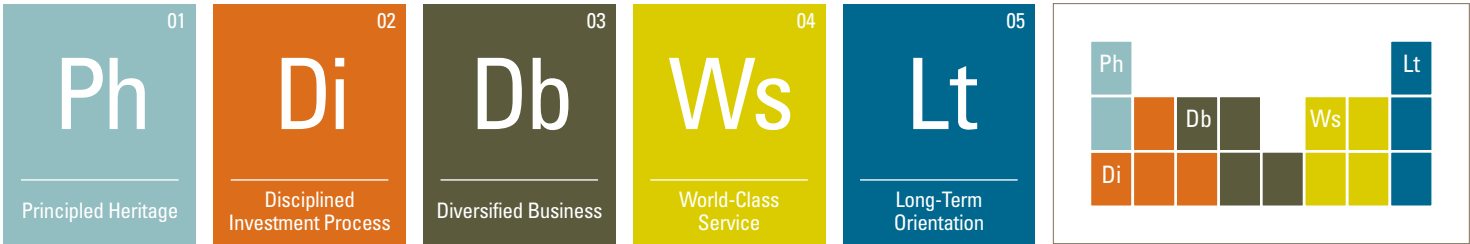
Leveraging technology to empower investors and employees

Long gone is the time when technology was simply a productivity tool. We view technology as an “enabler,” empowering virtually every aspect of our business to deliver tangible value. Clients are the ultimate beneficiaries of strategically employed technology solutions, including timely access to information, customized communications, quantitative techniques to improve investment processes, and an array of technology-enabled resources to assist in education and guidance.

By definition, only the passage of time will tell which innovations will have a broad impact on our clients and our business. Nevertheless, by taking a disciplined and long-term approach to new product and service development, virtually all past efforts have added tangible value. Ongoing evaluation of changing client needs and a commitment to durable solutions will help T. Rowe Price satisfy clients and sow the seeds of future growth and success for the corporation.



Elements of Tomorrow's Success



To maintain its integrity as a company, T. Rowe Price continues to seek a multiplicity of associates who share the firm's principles, follow its proven business and investment approaches, and value the trust investors place in our way of doing business.

These are the principles that informed our company's beginnings, guided T. Rowe Price's performance in 2003, and will define the elements behind our successes in the future.

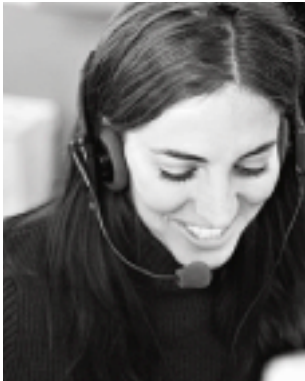
A principled heritage — the solid foundation of trust, values, and fundamental beliefs upon which all other elements are built.

A disciplined investment approach — the constant focus on time-tested approaches to deliver strong long-term results.

A diversified business model — accessibility through a global and varied reach.

A commitment to world-class service — the core principle of putting customers' needs first.

A long-term orientation — a predisposition toward creating durable value for our clients, our associates, and our stockholders.



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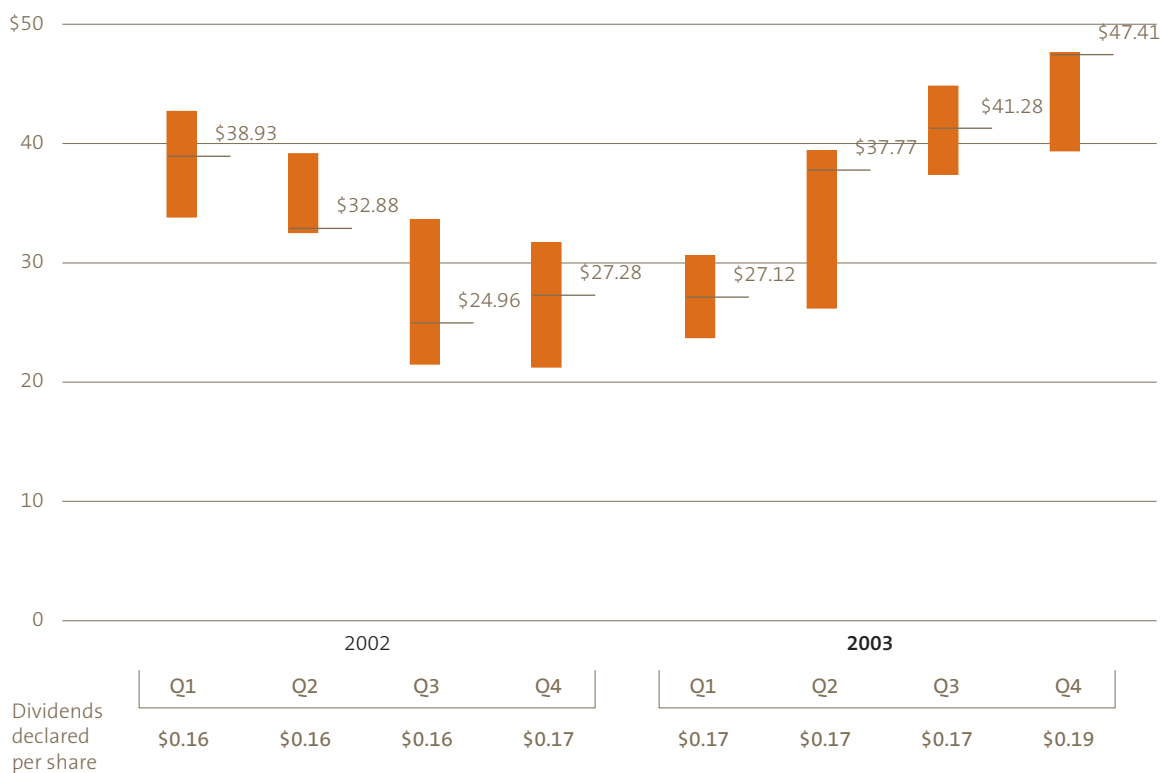
Selected Consolidated Financial Data

(in millions, except per-share data)

	1999	2000	2001	2002	2003
Net revenues	\$ 999	\$ 1,154	\$ 995	\$ 924	\$ 996
Net operating income	\$ 378	\$ 409	\$ 311	\$ 321	\$ 365
Net income	\$ 239	\$ 269	\$ 196	\$ 194	\$ 227
Net cash provided by operating activities	\$ 297	\$ 323	\$ 290	\$ 269	\$ 297
Basic earnings per share	\$ 1.99	\$ 2.22	\$ 1.59	\$ 1.58	\$ 1.84
Diluted earnings per share	\$ 1.85	\$ 2.08	\$ 1.52	\$ 1.52	\$ 1.77
Cash dividends declared per share	\$ 0.43	\$ 0.54	\$ 0.61	\$ 0.65	\$ 0.70
Weighted average shares outstanding	120.6	121.2	123.1	122.9	123.4
Weighted average shares outstanding - assuming dilution	129.2	129.6	129.0	127.7	128.3
Balance sheet data at December 31:					
Goodwill	\$ 2	\$ 695	\$ 666	\$ 666	\$ 666
Total assets	\$ 998	\$ 1,469	\$ 1,313	\$ 1,370	\$ 1,547
Debt	\$ 18	\$ 312	\$ 104	\$ 56	\$ —
Stockholders' equity	\$ 770	\$ 991	\$ 1,078	\$ 1,134	\$ 1,329
Assets under management (in billions)	\$ 179.9	\$ 166.7	\$ 156.3	\$ 140.6	\$ 190.0

Common Stock

Stock Prices: Quarterly Ranges With Closing Price Indicated



Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL.

Our revenues and net income are derived primarily from investment advisory services provided to U.S. individual and institutional investors in our sponsored mutual funds and other managed investment portfolios. Investors outside the United States have grown over the last three years and now account for 4% of our assets under management at December 31, 2003.

We manage a broad range of U.S. and international stock, bond, and money market mutual funds and other investment portfolios which meet the varied needs and objectives of individual and institutional investors. Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management impact our revenues and results of operations.

Total assets under our management were up more than \$49 billion during 2003 and ended the year at an all-time record of \$190 billion, including \$135.5 billion in equity securities and \$54.5 billion in bond and money market holdings. These investment assets include \$117.5 billion in the T. Rowe Price mutual funds distributed in the United States and \$72.5 billion in other investment portfolios consisting of separately managed accounts, sub-advised funds, and other sponsored investment portfolios offered to investors outside the United States and through variable annuity life insurance plans.

Improving financial market valuations and income added more than \$36 billion to our assets under management during 2003 while net investor inflows added more than \$13 billion. The previous period-end record for assets under management was \$185 billion at March 31, 2000, the month that equity market valuations peaked and the three-year market downturn began.

In 2003, financial markets generally bottomed out in the first quarter and then began an upward movement that continued through the rest of the year before accelerating in the fourth quarter. A U.S. market environment with income tax cuts and low interest rates provided the underlying foundation for the market recovery. After three down years, the Dow Jones Industrials ended up 25% and the Nasdaq Composite, led primarily by larger-cap technology companies, was up 50%. The broader market also captured significant gains, as the S&P 500 returned nearly 29%. While the early indications are that improving corporate profits and low interest rates will be the basis for continued market gains in 2004, we do expect that the financial market growth rate in the coming year will be lower than that of 2003.

This positive financial market backdrop was diminished over the last four months of 2003 by news of trading abuses at several investment management firms, including revelations that certain fund companies permitted excessive trading or illegal after-hours trading. In addition, certain intermediaries that process fund transactions allegedly assisted some investors in executing improper mutual fund trades. We have conducted a thorough review of our policies, procedures, and practices with respect to inappropriate trading activities and we have found them to be sound. As a result of the disclosures at other investment management firms, the industry and mutual funds in particular have come under greater regulatory scrutiny. New legislation and regulations designed to strengthen controls and restore investor confidence in the industry are expected in the coming months.

Net cash inflows during 2003 were also a strong driver of increased assets under management. Defined contribution retirement plans, which generally provide individual investors a regular opportunity to have recurring cash investments made directly from each paycheck into personal retirement accounts, were the source of steady cash inflows through the market downturn. As 2003 progressed, the individual investor began returning to the financial markets after an almost three year absence and our cash inflows increased. We reach individual investors directly and through third-party distribution efforts. Institutional investors both in the United States and in foreign countries also added net cash inflows during the year. In total, investors added nearly \$7.5 billion to the T. Rowe Price mutual funds in the U.S. and \$5.8 billion to the other portfolios that we manage.

Reflecting the very significant improvement in the financial markets, the fourth quarter of 2003 produced the largest net inflows, accounting for \$4.6 billion or nearly 35% of the net inflows for the year. For the year, the mutual fund inflows were third only to our peak inflows of \$8.6 billion and \$8.5 billion experienced in 1996 and 1997, respectively.

In this improving market environment, we expect to increase our expenditures to attract new investment advisory clients and additional investments from our existing clients. These efforts may involve significant costs that would precede the recognition of any future revenues that we might realize from increases to our assets under management.

RESULTS OF OPERATIONS.

2003 versus 2002. Total revenues increased \$73 million to \$999 million and net revenues increased \$72 million to \$996 million. Net income increased \$33.2 million, or 17%, to \$227.5 million. Diluted earnings per share increased 16% from \$1.52 to \$1.77.

Investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the United States increased \$39.2 million on higher average assets under management which increased \$7.3 billion from \$92.1 billion in 2002 to \$99.4 billion in 2003. Market appreciation and income, net of dividends paid and not reinvested, added \$22.7 billion to mutual fund assets during 2003 and net investor inflows added another \$7.5 billion. As a result, fund assets under management increased from \$87.3 billion at the beginning of 2003 to \$117.5 billion at December 31, 2003. Stock funds had net investor subscriptions of \$6.4 billion while bond and money market funds added net inflows of \$1.1 billion. Investors in the Mid-Cap Growth, Equity Income, and Growth Stock funds accounted for \$3.9 billion of the net inflows during the year. Bond fund investors seeking higher yields added \$.9 billion to the High Yield Fund.

Investment advisory revenues earned on the other investment portfolios that we manage increased \$22.9 million to \$219.2 million in 2003. Average assets for the year were \$60.5 billion, \$5 billion higher than in 2002. Year-end assets in these portfolios increased \$19.2 billion to \$72.5 billion at December 31, 2003. Net inflows to these portfolios were \$5.8 billion in 2003. Third-party distribution efforts and additions from new institutional investors, both in the U.S. and overseas, were responsible for the new investment dollars. Fees from our managed disposition service for equity securities distributed from venture capital investment pools accounted for \$2.2 million of the advisory revenue increase. Though recurring, these fees will vary significantly over time and through different phases of the market cycle.

Administrative revenues and other income increased \$10.1 million to \$217.5 million in 2003. This increase is primarily attributable to increased 12b-1 distribution fees received based on greater assets under management in the Advisor class shares of our sponsored mutual funds and to the transfer agency and participant recordkeeping services that we provide for defined contribution retirement plans. These revenue changes are generally offset by similar changes in the expenses that we incur to distribute the Advisor shares through third parties and provide the services to the retirement plans. Our discount brokerage operation added \$1.5 million of the increased revenues from commissions earned on greater trading volume.

Operating expenses in 2003 were \$27.5 million higher than in 2002. Our largest expense, compensation and related costs, including bonuses, increased 7% to \$383 million. At December 31, 2003, we employed 3,783 associates, up 2% over the year. Advertising and promotion expenditures were flat versus the 2002 year as we lowered spending during the first nine months of 2003 due to financial market conditions. The final quarter of 2003 saw an increase in our advertising and promotional spending to \$20.4 million, or 35% of 2003's total expense. We vary our promotional spending based on market conditions and investor demand as well as the extent of our efforts to expand our investor base in the United States and abroad. We expect our advertising and promotion expenditures in the first quarter of 2004 to be similar to the fourth quarter of 2003, with succeeding quarters being higher than that of the comparable 2003 periods. Market conditions will dictate the exact level of our spending.

Depreciation and amortization expense decreased \$5.3 million. New capital additions in 2003 were less than depreciation expense and the depreciable book value of our property and equipment is lower than in the prior year. Other operating expenses increased \$5.8 million due primarily to the \$4.3 million increase in distribution costs to third parties which offset the corresponding revenues recognized from the 12b-1 fees discussed above.

Overall, net operating income for 2003 increased nearly \$45.5 million, or 14%, from 2002.

Our net non-operating results, which include the recognition of investment gains and losses as well as interest and credit facility expenses, improved from a loss of \$10.9 million in 2002 to a gain of \$.5 million in 2003. During 2002, we recognized net investment losses of \$10.2 million on our mutual fund investments, private equity investments, and our investments in sponsored collateralized bond obligations. Interest and related costs were down \$.9 million from 2002 as we repaid all of our outstanding debt obligations during 2003.

The 2003 provision for income taxes as a percentage of pretax income is slightly higher than that of 2002 due primarily to credits in the 2002 year arising from lower than previously estimated 2001 state income tax liabilities.

2002 versus 2001. Net income decreased about \$1.6 million, or 1%, to \$194.3 million. Diluted earnings per share was unchanged at \$1.52 as lower weighted average shares and share equivalents outstanding, due to our repurchase of 2.8 million common shares in 2002 and our common stock's generally lower per share market value, offset the decline in net income. With the adoption of the new accounting standard for goodwill on January 1, 2002, we ceased amortizing the goodwill that is recognized in our consolidated balance sheet. After excluding the 2001 amortization of goodwill in the amount of \$28.9 million, adjusted net income for 2001 was \$224.8 million and adjusted diluted earnings per share was \$1.74. Total revenues declined \$70.6 million, or 7%, to \$925.8 million and net revenues declined a similar 7% or \$71.9 million to \$923.5 million.

Investment advisory revenues earned from the T. Rowe Price mutual funds distributed in the United States decreased \$43.5 million as average fund assets under management were \$92.1 billion during 2002, \$6.6 billion less than in 2001. Weakness in financial market valuations that began in early 2000 continued for three years. During the second half of 2002, U.S. equity market valuations fell to levels last seen in the first half of 1997. Mutual fund assets ended 2002 at almost \$87.3 billion, down \$10.7 billion from December 31, 2001 and nearly \$4.9 billion from the 2002 average. The Price funds had \$3.1 billion of net cash inflows during 2002, the highest net annual inflows since 1998; however, market depreciation, net of income and dividends paid but not reinvested, more than offset the inflows and reduced fund assets \$13.8 billion in 2002. Money market and bond funds had net investor subscriptions of \$1.9 billion and stock funds added an additional \$1.2 billion of net inflows. Bond fund investors seeking higher yields added \$704 million to the High Yield Fund in 2002. Net inflows of \$2.7 billion to U.S. domestic stock funds in 2002 were led primarily by value-oriented investors in the Equity Income, Mid-Cap Value, and Small-Cap Value funds while international stock fund investors had net redemptions of \$1.5 billion during the year.

Investment advisory revenues earned from the other investment portfolios that we manage were down \$11.2 million in 2002 on lower assets under management that also resulted from lower market valuations. The value of the assets in these portfolios decreased \$5 billion during 2002 to \$53.3 billion at year end as net cash inflows of \$1.7 billion were more than offset by \$6.7 billion of market value losses. Additionally, advisory fees from our managed disposition service were down \$5 million from 2001 to \$1.2 million in 2002. These fees declined during 2001 and 2002 as market conditions were unfavorable and investment portfolios changed.

Administrative revenues and other income decreased \$12.4 million from 2001 to \$207.4 million in 2002. This decrease is primarily attributable to transfer agency and participant recordkeeping services that we provide for defined contribution retirement plans and was partially offset by a \$2.3 million increase in 12b-1 distribution fees received from our Advisor class of mutual fund shares.

Total revenues also increased \$1.5 million on greater investment income from the larger investment portfolio of our savings bank subsidiary. Our savings bank depositor base increased from \$25 million at December 31, 2001 to \$81 million at the end of 2002. Interest expense on the higher deposits increased \$1.3 million. We manage the assets of our savings bank as a portfolio in a manner similar to that of our other investment advisory clients. The net of our investment portfolio income and depositor interest expense results in a net revenue amount that is similar to the investment advisory fees earned on the investment portfolios that we manage.

Operating expenses in 2002 were \$81.2 million less than in 2001. The elimination of the amortization of goodwill accounts for \$28.9 million or about 36% of the decrease. Our largest expense, compensation and related costs, decreased 7% or \$27.4 million from 2001. Our average staff size, use of temporary personnel in the technology operations group, and total levels of compensation were all lower in 2002. Attrition and a late 2001 staff reduction lowered our average number of associates in 2002 by 6% from the average 2001 level. At December 31, 2002, we employed 3,710 associates, up 2% from the 2002 average. Advertising and promotion expenditures were down \$5.6 million in 2002 as we again curtailed these expenditures due to weak financial market conditions that made investors more cautious and less active.

Occupancy and facility costs and other operating expenses in 2002 decreased \$5.8 million and \$12.5 million, respectively, versus 2001. These reductions primarily reflect the first half 2001 completions of several technology initiatives as well as the international facilities and infrastructure transition that resulted from the August 2000 purchase of Robert Fleming Holdings' interest in our consolidated subsidiary, T. Rowe Price International. Through the first half of 2001, we incurred substantial costs to establish and transition this entity to new operating facilities with appropriate infrastructure support for their international investment operations. Robert Fleming affiliates previously provided the space and infrastructure support for these offices.

Overall, net operating income was up \$9.3 million from 2001 to 2002 including the goodwill amortization of \$28.9 million in 2001 that did not recur in 2002.

Non-operating income and expenses include the recognition of investment gains and losses as well as interest expense incurred on our indebtedness. While we recognized \$31 million of net investment income in 2001, we experienced a net investment loss of \$8.3 million in 2002 as interest and dividend income of \$3.3 million was more than offset by losses across all of our investment portfolios. During 2002, we recognized \$3.9 million of losses on dispositions and other than temporary impairments of our mutual fund holdings, \$3.3 million of losses on our holdings of collateralized bond obligations, \$1.4 million of losses from exchange rate fluctuations on our yen debt, and \$3.0 million of valuation decreases in our private equity holdings. Our mutual fund investment holdings at December 31, 2002 include an aggregate net gain, before income taxes, of \$11.3 million that is included in stockholders' equity as part of accumulated other comprehensive income. This net gain has not been recognized in our statements of income and comprises aggregate gains of \$15.5 million and aggregate losses of \$4.2 million that have arisen since June 30, 2002 and are considered temporary. Interest expense on our debt is down more than \$9 million due to lower principal balances and interest rates in 2002. Overall, we recognized a net non-operating loss of \$10.9 million in 2002 versus net non-operating income of \$19.4 million in 2001.

The 2002 provision for income taxes as a percentage of pretax income is lower than that of 2001 due primarily to eliminating the amortization of nondeductible goodwill in 2002.

CAPITAL RESOURCES AND LIQUIDITY.

During 2003, stockholders' equity increased from \$1.1 billion to more than \$1.3 billion. Available net liquid assets, including our mutual fund investments in which there are no unrealized losses, total more than \$275 million at the beginning of 2004. Unused committed credit facilities that are available to the company include \$500 million expiring in June 2005 and \$80 million expiring in June 2004. During 2003, we retired our remaining \$56.7 million of outstanding debt.

Operating activities provided cash flows of \$297 million in 2003, up \$28 million from 2002, including \$33 million of increased net income offset by lower depreciation expense of \$5 million. Cash from our operating activities were used to fund \$54 million of net investing activities and \$118 million of net financing activities in 2003.

Net cash expended in investing activities decreased \$41 million versus 2002 primarily due to the investment of the more than \$40 million of greater net depositor inflows made at our savings bank subsidiary in 2002. Net cash used in financing activities decreased more than \$24 million versus 2002. We repurchased fewer common shares in 2003 and funded them entirely from the proceeds of stock option exercises. In 2002, we expended a net of more than \$70 million on greater share repurchase activity while also receiving the larger \$40 million net inflow of new savings bank deposits. We again increased dividends paid to our stockholders in 2003 and raised our quarterly rate to \$.19 per share in December.

Comparatively for 2001, operating activities provided cash flows of \$290 million on lower net income that included a \$29 million non-cash charge for amortization of goodwill. Operating activities that year funded nearly all of the net investing activities of \$9 million and net financing activities of \$282 million. Mutual fund proceeds in 2001 of \$89 million were used to fund \$42 million of investments and \$41 million of capital expenditures. We repaid \$205 million of our bank borrowings and used \$31 million to repurchase our common shares in 2001 financing activities. Increased savings bank deposits during the year were used to fund the net investments made by our savings bank subsidiary.

The following table presents a summary of our future obligations under the terms of existing operating leases and other contractual cash purchase commitments at December 31, 2003. Other purchase commitments include contractual amounts that will be due for the purchase of goods or services to be used in our operations and may be cancelable at earlier times than those indicated under certain conditions that may involve termination fees. Because these obligations are of a normal recurring nature, we expect that we will fund them from future cash flows from operations. The information presented does not include operating expenses or capital expenditures that will be committed in the normal course of operations in 2004 and future years.

	Total	2004	2005-6	2007-8	Later
Noncancelable operating leases	\$ 114,683	\$ 16,757	\$ 30,093	\$ 14,519	\$ 53,314
Other purchase commitments	104,817	55,394	38,100	4,538	6,785
	\$ 219,500	\$ 72,151	\$ 68,193	\$ 19,057	\$ 60,099

We also have outstanding commitments to fund additional investments totaling \$4.4 million at December 31, 2003.

Property and equipment expenditures in 2004, including those for business continuity facilities and support, are anticipated to be about \$60 million and are expected to be funded from operating cash flows.

CRITICAL ACCOUNTING POLICIES.

The preparation of financial statements often requires the selection of specific accounting methods and policies from among several acceptable alternatives. Further, significant estimates and judgments may be required in selecting and applying those methods and policies in the recognition of the assets and liabilities in our balance sheet, the revenues and expenses in our statement of income, and the information that is contained in our significant accounting policies and notes to the financial statements. Making these estimates and judgments requires the analysis of information concerning events that may not yet be complete and of facts and circumstances that may change over time. Accordingly, actual amounts or future results could differ materially from those estimates that we include currently in our financial statements and notes thereto.

We have historically presented those significant accounting policies that we use in the preparation of our financial statements as an integral part of those statements and have done so again in this 2003 Annual Report. In the following discussion, we highlight and explain further certain of those policies that are most critical to the preparation and understanding of our financial statements. The application of these policies often requires significant judgments and estimates.

Other than temporary impairments of available for sale securities. We classify our investment holdings in sponsored mutual funds and the debt securities held in the investment portfolio of our savings bank subsidiary as available for sale. At the end of each quarter, we mark the carrying amount of each investment holding to fair value and recognize an unrealized gain or loss in other comprehensive income within stockholders' equity. We next review each individual security position that has an unrealized loss to determine if that loss is other than temporary.

A mutual fund holding that has had an unrealized loss for more than six months is presumed to have an other than temporary loss and an impairment is recognized in our statement of income unless there is persuasive evidence, such as an increase in value subsequent to quarter end, to overcome that presumption. We may also recognize an other than temporary loss of less than six months in our statement of income if the particular circumstances of the underlying investment do not warrant our belief that a near-term recovery is possible. A debt security held by our savings bank subsidiary is considered impaired and an other than temporary loss is recognized whenever we determine that we will probably not collect all contractual amounts due under the terms of the security based on the issuer's financial condition and our intent to hold that security.

Goodwill. As a result of the adoption of a new financial accounting standard on January 1, 2002, we ceased recording recurring charges to amortize the carrying amount of goodwill in our balance sheet. The standard instead requires that we evaluate goodwill for possible impairment on an annual basis using a fair value approach. We make that evaluation in the third quarter of each year. Goodwill is considered impaired whenever the carrying amount of the related reporting unit exceeds the fair value of that unit. We attribute all goodwill to our single reportable business segment and reporting unit, our investment advisory business.

Because our testing in 2002 and 2003 demonstrated that the fair value of our investment advisory business exceeded our carrying amount (basically, our stockholders' equity), we concluded that no impairment exists. Should we reach a different conclusion when we conduct our evaluation in subsequent years, additional work would be performed to ascertain the amount of the non-cash charge needed to recognize the impairment. We must also perform impairment testing at other times if an event or circumstance occurs indicating that it is more likely than not that an impairment has been incurred. The maximum possible future impairment charge that we could incur is the total goodwill recognized in our balance sheet, \$666 million.

Provision for income taxes. After compensation and related costs, our provision for income taxes on our earnings is our second largest annual expense. We operate in several states and several other countries through our various subsidiaries, and must allocate our income, expenses, and earnings under the various laws and regulations of each of these taxing jurisdictions. Accordingly, our provision for income taxes represents our total estimate of the liability that we have incurred for doing business each year in all of our locations. Annually, we file tax returns which represent our filing positions with each jurisdiction and settle our return liabilities. Each jurisdiction has the right to audit those returns and may take different positions with respect to income and expense allocations and taxable earnings determinations. From time-to-time, we may also provide for estimated liabilities associated with uncertain tax return filing positions that are subject to, or in the process of, being audited by various tax authorities. Because the determinations of our annual provisions are subject to judgments and estimates, it is possible that actual results will vary from those recognized in our financial statements. In such cases, it is possible that additional expense for prior reporting periods may be recorded in subsequent periods as actual tax returns and tax audits are settled.

Stock options. The summary of significant accounting policies includes certain pro forma disclosures as if a fair value based method had been used to recognize compensation expense associated with our stock option grants. Fair value methods use a valuation model for shorter-term, market-traded financial instruments to theoretically value stock option grants even though they are not available for trading purposes and are of longer duration. The Black-Scholes option pricing model that we use includes the input of certain variables that are dependent on future expectations, including the expected lives of our options from grant date to exercise date, the volatility of our underlying common shares in the market over that time period, and the rate of dividends that we will pay during that time. Additionally, the recognition of expense fluctuates based on the forfeiture rate for unvested options when employees leave our company.

Our estimates for the variables used in the valuation model are made for the purpose of theoretically determining an expense for each reporting period and are not subsequently adjusted. Unlike almost all other expenses, the resulting theoretical charge to earnings using a fair value based method is a non-cash charge that is never measured by or adjusted based on a cash outflow.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our revenues and net income are based primarily on the value of assets under our management. Accordingly, declines in financial market values directly and negatively impact our investment advisory revenues and net income.

We invest in our sponsored mutual funds, which are market risk sensitive financial instruments held for purposes other than trading; we do not invest in derivative financial or commodity instruments. Mutual fund investments have inherent market risk in the form of equity price risk; that is, the potential future loss of value that would result from a decline in the fair values of the mutual fund shares. Each fund and its underlying net assets are also subject to market risk which may arise from changes in equity prices, credit ratings, foreign currency exchange rates, and interest rates.

The following table (in thousands of dollars) presents the equity price risk from investments in sponsored mutual funds by assuming a hypothetical decline in the fair values of mutual fund shares. This potential future loss of value, before any income tax benefits, reflects the valuation of mutual fund investments at year end using each fund's lowest fair value per share during the past year. In considering this presentation, it is important to note that: all funds did not experience their lowest fair value per share on the same day; it is likely that the composition of the mutual fund investment portfolio would be changed if adverse market conditions persist; and we could experience future losses in excess of those presented below.

	Fair Value at December 31, 2003	% of Portfolio	Potential lower value	% of Portfolio	Potential loss	
Stock funds	\$ 106,728	66%	\$ 79,615	63%	\$ 27,113	25%
Bond funds	55,555	34	47,605	37	7,950	14
	\$ 162,283	100%	\$ 127,220	100%	\$ 35,063	22%

The comparable potential loss of value shown in last year's annual report was \$16.1 million on sponsored mutual fund investments of \$123.2 million at the end of 2002. During 2003, we actually experienced net unrealized gains of \$32.4 million as positive market conditions significantly improved the value of our fund investments.

Investments in mutual funds generally moderate market risk because funds, by their nature, are diversified investment portfolios that invest in a number of different financial instruments. T. Rowe Price further manages its exposure to market risk by diversifying its investments among many domestic and international funds. In addition, investment holdings may be altered from time to time, in response to changes in market risks and other factors, as deemed appropriate by management.

The investment portfolio and customer deposit liabilities of our savings bank subsidiary are subject to interest rate risk. If interest rates change 1%, the change in the net value of these assets and liabilities would not be material.

We also make other investments that we include in our balance sheet in other assets. We are at risk for losses on these investments should market conditions deteriorate. At December 31, 2003, we hold a \$4.5 million investment in a sponsored high-yield collateralized bond obligation and investments totaling \$6.1 million in private equity and other entities. Our risk of future loss on these investments cannot exceed the \$10.6 million recognized in our balance sheet. Additionally, we have recognized our 10% interest in Daiwa SB Investments (Japan) at \$15 million using the cost basis of accounting. Our market risk on this investment is primarily limited to foreign currency exchange rate fluctuations between the U.S. dollar and the Japanese yen because the functional currency of Daiwa SB Investments is the yen.

The U.S. dollar weakened versus the currencies of several foreign countries in which we operate, most prominent among which is Great Britain. We incur operating expenses and have foreign currency-denominated assets and liabilities associated with these operations, though our revenue stream is predominately realized in U.S. dollar receipts. We do not believe that foreign currency fluctuations materially impact our results of operations.

FORWARD-LOOKING INFORMATION.

From time to time, information or statements provided by or on behalf of T. Rowe Price, including those within this Annual Report, may contain certain forward-looking information, including information or anticipated information relating to changes in our revenues and net income, changes in the amount and composition of our assets under management, our expense levels, and our expectations regarding financial markets and other conditions. Readers are cautioned that any forward-looking information provided by or on behalf of T. Rowe Price is not a guarantee of future performance. Actual results may differ materially from those in forward-looking information as a result of various factors, including but not limited to those discussed below. Further, forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events.

Our future revenues and results will fluctuate primarily due to changes in the total value and composition of assets under our management. Such changes result from many factors including, among other things: cash inflows and outflows in the T. Rowe Price mutual funds and other managed investment portfolios; fluctuations in the financial markets around the world that result in appreciation or depreciation of the assets under our management; our introduction of new mutual funds and investment portfolios; and changes in retirement savings trends favoring participant-directed investments and defined contribution plans. The ability to attract and retain investors' assets under our management is dependent on investor sentiment and confidence; the relative investment performance of the Price mutual funds and other managed investment portfolios as compared to competing offerings and market indices; the ability to maintain our investment management and administrative fees at appropriate levels; competitive conditions in the mutual fund, asset management, and broader financial services sectors; and our level of success in implementing our strategy to expand our business. Our revenues are substantially dependent on fees earned under contracts with the Price funds and could be adversely affected if the independent directors of one or more of the Price funds determined to terminate or significantly alter the terms of the investment management or related administrative services agreements.

Our future results are also dependent upon the level of our expenses, which are subject to fluctuation for the following or other reasons: changes in the level of our advertising expenses in response to market conditions, including our efforts to expand our investment advisory business to investors outside the United States and to further penetrate our distribution channels within the United States; variations in the level of total compensation expense due to, among other things, bonuses, changes in our employee count and mix, and competitive factors; any goodwill impairment that may arise; fluctuation in foreign currency exchange rates applicable to the costs of our international operations; expenses and capital costs, such as technology assets, depreciation, amortization, and research and development, incurred to maintain and enhance our administrative and operating services infrastructure; unanticipated costs that may be incurred to protect investor accounts and the goodwill of our clients; and disruptions of services, including those provided by third parties, such as facilities, communications, power, and the mutual fund transfer agent and accounting systems.

Our business is also subject to substantial governmental regulation, and changes in legal, regulatory, accounting, tax, and compliance requirements may have a substantial effect on our operations and results, including but not limited to effects on costs that we incur and effects on investor interest in mutual funds and investing in general, or in particular classes of mutual funds or other investments.

Consolidated Balance Sheets

(in thousands)

	December 31,	2002	2003
ASSETS			
Cash and cash equivalents (Note 1)		\$ 111,418	\$ 236,533
Accounts receivable (Note 6)		96,787	121,295
Investments in sponsored mutual funds (Note 1)		123,172	162,283
Debt securities held by savings bank subsidiary (Note 1)		92,908	110,962
Property and equipment (Note 2)		215,590	201,094
Goodwill (Note 3)		665,692	665,692
Other assets (Notes 4 and 7)		64,866	48,718
		\$ 1,370,433	\$ 1,546,577
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses		\$ 42,317	\$ 47,699
Accrued compensation and related costs		34,640	36,893
Income taxes payable (Note 4)		1,585	12,890
Dividends payable		20,860	23,739
Customer deposits at savings bank subsidiary		81,292	96,276
Debt and accrued interest (Note 7)		55,899	—
Total liabilities		236,593	217,497
Commitments and contingent liabilities (Note 9)			
Stockholders' equity (Notes 5 and 9)			
Preferred stock, undesignated, \$.20 par value - authorized and unissued 20,000,000 shares		—	—
Common stock, \$.20 par value - authorized 500,000,000 shares; issued 122,648,696 shares in 2002 and 124,932,884 shares in 2003		24,530	24,987
Additional capital in excess of par value		80,744	131,425
Retained earnings		1,019,925	1,143,913
Accumulated other comprehensive income		8,641	28,755
Total stockholders' equity		1,133,840	1,329,080
		\$ 1,370,433	\$ 1,546,577

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Income

(in thousands, except per-share amounts)

	Year ended December 31,	2001	2002	2003
REVENUES (Note 6)				
Investment advisory fees		\$ 775,074	\$ 715,365	\$ 777,462
Administrative fees and other income		219,848	207,409	217,483
Investment income of savings bank subsidiary		1,535	3,055	3,910
Total revenues		996,457	925,829	998,855
Interest expense on savings bank deposits		1,011	2,327	3,288
Net revenues		995,446	923,502	995,567
OPERATING EXPENSES				
Compensation and related costs (Notes 2 and 9)		384,959	357,586	382,956
Advertising and promotion		64,638	59,056	59,005
Depreciation and amortization of property and equipment		51,567	50,578	45,289
Occupancy and facility costs (Note 9)		66,611	60,788	62,538
Goodwill amortization (Note 3)		28,921	—	—
Other operating expenses		87,519	74,983	80,739
		684,215	602,991	630,527
NET OPERATING INCOME		311,231	320,511	365,040
Other investment income (loss) (Note 1)		31,039	(8,273)	2,175
Other interest and credit facility expenses (Note 7)		11,681	2,634	1,699
Net non-operating income (loss)		19,358	(10,907)	476
Income before income taxes and minority interests		330,589	309,604	365,516
Provision for income taxes (Note 4)		135,078	115,350	138,029
Income from consolidated companies		195,511	194,254	227,487
Minority interests in consolidated subsidiaries		(357)	—	—
NET INCOME		\$ 195,868	\$ 194,254	\$ 227,487
EARNINGS PER SHARE				
Basic		\$ 1.59	\$ 1.58	\$ 1.84
Diluted		\$ 1.52	\$ 1.52	\$ 1.77

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

Year ended December 31,	2001	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 195,868	\$ 194,254	\$ 227,487
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of property and equipment	51,567	50,578	45,289
Goodwill amortization	28,921	—	—
Other changes in assets and liabilities	13,998	24,466	24,179
Net cash provided by operating activities	290,354	269,298	296,955
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in sponsored mutual funds	(35,968)	(15,547)	(17,423)
Dispositions of sponsored mutual funds	88,968	5,453	10,677
Investments in debt securities by savings bank subsidiary	(20,194)	(78,388)	(78,590)
Dispositions of debt securities by savings bank subsidiary	6,059	17,750	58,213
Additions to property and equipment	(41,375)	(26,047)	(31,742)
Other investment activity	(6,460)	1,808	5,206
Net cash used in investing activities	(8,970)	(94,971)	(53,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchases of common shares	(30,923)	(95,773)	(19,963)
Stock options exercised	13,102	25,320	27,169
Debt principal repaid	(205,000)	(49,366)	(56,699)
Dividends paid to stockholders	(73,838)	(78,701)	(83,672)
Savings bank subsidiary deposits	14,490	55,870	14,984
Net cash used in financing activities	(282,169)	(142,650)	(118,181)
CASH AND CASH EQUIVALENTS			
Net increase (decrease) during year	(785)	31,677	125,115
At beginning of year	80,526	79,741	111,418
At end of year	\$ 79,741	\$ 111,418	\$ 236,533

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(in thousands)

	Common Stock	Additional Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
BALANCE AT DECEMBER 31, 2000, 122,439,232 COMMON SHARES	\$ 24,488	\$ 80,855	\$ 852,775	\$ 32,947	\$ 991,065
Comprehensive income					
Net income			195,868		
Change in unrealized security holding gains, net of taxes				(21,177)	
Total comprehensive income					174,691
1,720,063 common shares issued under stock-based compensation plans	344	18,922			19,266
1,070,500 common shares repurchased	(214)	(31,812)			(32,026)
Dividends declared			(75,171)		(75,171)
BALANCE AT DECEMBER 31, 2001, 123,088,795 COMMON SHARES	24,618	67,965	973,472	11,770	1,077,825
Comprehensive income					
Net income			194,254		
Change in unrealized security holding gains, net of taxes				(3,129)	
Total comprehensive income					191,125
2,359,901 common shares issued under stock-based compensation plans	472	38,952	(2)		39,422
2,800,000 common shares repurchased	(560)	(26,173)	(67,937)		(94,670)
Dividends declared			(79,862)		(79,862)
BALANCE AT DECEMBER 31, 2002, 122,648,696 COMMON SHARES	24,530	80,744	1,019,925	8,641	1,133,840
Comprehensive income					
Net income			227,487		
Change in unrealized security holding gains, net of taxes				20,114	
Total comprehensive income					247,601
3,071,188 common shares issued under stock-based compensation plans	614	53,539			54,153
787,000 common shares repurchased	(157)	(2,858)	(16,948)		(19,963)
Dividends declared			(86,551)		(86,551)
BALANCE AT DECEMBER 31, 2003, 124,932,884 COMMON SHARES	\$ 24,987	\$ 131,425	\$ 1,143,913	\$ 28,755	\$ 1,329,080

The accompanying notes are an integral part of the consolidated financial statements.

Summary of Significant Accounting Policies

T. Rowe Price Group derives its consolidated revenues and net income primarily from investment advisory services that its subsidiaries provide to individual and institutional investors in the sponsored T. Rowe Price mutual funds and other investment portfolios. We also provide our investment advisory clients with related administrative services, including mutual fund transfer agent, accounting and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; discount brokerage; and trust services. The investors that we serve are primarily domiciled in the United States of America.

Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management impact our revenues and results of operations.

BASIS OF PREPARATION.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States which require the use of estimates made by our management. Actual results may vary from those estimates.

Our financial statements include the accounts of all subsidiaries in which we have a majority or controlling interest. We are not the primary beneficiary of any variable interest entity. All material intercompany accounts and transactions are eliminated in consolidation.

Certain 2001 and 2002 amounts have been reclassified to conform to the 2003 presentation.

CASH EQUIVALENTS.

Cash equivalents consist primarily of short-term, highly liquid investments in sponsored money market mutual funds and in commercial paper. The cost of these funds is equivalent to fair value.

INVESTMENTS.

Investments in sponsored mutual funds and debt securities held by our savings bank subsidiary are classified as available-for-sale and are reported at fair value. Net unrealized security holding gains are recognized in accumulated other comprehensive income.

We also hold other investments that are included in other assets and are recognized using the cost or equity methods of accounting, as appropriate.

We review the carrying amount of each investment for possible impairment on a quarterly basis and recognize a loss in our statement of income whenever a loss is considered other than temporary.

CONCENTRATIONS OF RISK.

Concentration of credit risk in accounts receivable is believed to be minimal in that our clients generally have substantial assets, including those in the investment portfolios that we manage for them.

Our investments in sponsored mutual funds expose us to market risk in the form of equity price risk; that is, the potential future loss of value that would result from a decline in the fair values of the mutual funds. Each fund and its underlying net assets are also subject to market risk which may arise from changes in equity prices, credit ratings, foreign currency exchange rates, and interest rates.

Investments by our savings bank subsidiary in debt securities expose us to market risk which may arise from changes in credit ratings and interest rates.

PROPERTY AND EQUIPMENT.

Property and equipment is stated at cost net of accumulated depreciation and amortization computed using the straight-line method. Provisions for depreciation and amortization are based on the following weighted average estimated useful lives: computer and communications software and equipment, 3 years; buildings, 32 years; leasehold improvements, 8 years; furniture and other equipment, 5 years; and leased land, 99 years.

REVENUE RECOGNITION.

Fees for investment advisory services and related administrative services that we provide to investment advisory clients are recognized in the period that our services are provided.

ADVERTISING.

Costs of advertising are expensed the first time that the advertising takes place.

EARNINGS PER SHARE.

Basic earnings per share excludes the dilutive effect of outstanding stock options and is computed by dividing net income by the weighted average common shares outstanding of 123,072,000 in 2001, 122,876,000 in 2002, and 123,423,000 in 2003. Diluted earnings per share reflects the potential dilution that could occur if outstanding stock options were exercised. It is computed by increasing the denominator of the basic calculation by potential dilutive common shares, determined using the treasury stock method, of 5,973,000 in 2001, 4,830,000 in 2002, and 4,866,000 in 2003.

COMPREHENSIVE INCOME.

Total comprehensive income is reported in our consolidated statements of stockholders' equity and includes net income and the change in unrealized security holding gains, net of income taxes.

STOCK OPTION GRANTS.

Our six stock-based compensation plans (the 1990, 1993, 1996, and 2001 Stock Incentive Plans and the 1995 and 1998 Director Stock Option Plans) are accounted for using the intrinsic value based method. Under these plans, we have granted only fixed stock options with a maximum term of 10 years to employees and directors. Vesting of employee options is based solely on the individual continuing to render service and generally occurs over a five-year graded schedule. The exercise price of each option granted is equivalent to the market price of the common stock at the date of grant. Accordingly, no compensation expense related to stock option grants has been recognized in the consolidated statements of income.

Accounting principles require us to make the following disclosures as if the fair value based method of accounting had been applied to our stock option grants after 1994. The weighted-average grant-date fair value of each option awarded is estimated to be \$9.15 in 2001, \$9.42 in 2002, and \$13.96 in 2003 using the Black-Scholes option-pricing model and the following weighted-average assumptions: dividend yield of 1.3% in 2001, 1.4% in 2002 and 1.5% in 2003; expected volatility of 37% in 2001, 36% in 2002, and 35% in 2003; risk-free interest rates of 4.2% in 2001, 4.0% in 2002, and 3.6% in 2003; and expected lives of 5.5 years in 2001 and 2003, and 5.7 years in 2002.

The following table illustrates the effect on net income (in thousands) and earnings per share if we had applied the fair value based method, including the estimates contained in the preceding paragraph, to our stock option grants that were outstanding and unvested during each of the past three years.

	2001	2002	2003
Net income, as reported	\$ 195,868	\$ 194,254	\$ 227,487
Additional stock-option based compensation expense estimated using the fair value based method	(42,688)	(39,369)	(37,028)
Related income tax benefits	13,471	11,985	11,248
Pro forma net income	\$ 166,651	\$ 166,870	\$ 201,707
Earnings per share			
Basic - as reported	\$ 1.59	\$ 1.58	\$ 1.84
Basic - pro forma	\$ 1.35	\$ 1.36	\$ 1.63
Diluted - as reported	\$ 1.52	\$ 1.52	\$ 1.77
Diluted - pro forma	\$ 1.30	\$ 1.31	\$ 1.59

It is important to note that the use of the fair value method to determine stock-based compensation expense results in an immediate increase to additional capital in excess of par value by an amount that equals the total of future compensation expense to be recognized. Accordingly, total stockholders' equity is not diminished if the fair value method is used to record compensation expense for stock-based plans.

Notes to Consolidated Financial Statements

NOTE 1 - INVESTMENTS.

Cash equivalent investments in our sponsored money market mutual funds aggregate \$99,457,000 at December 31, 2002 and \$222,104,000 at December 31, 2003.

Investments in our other sponsored mutual funds (in thousands) at December 31 include:

	Aggregate Cost	Unrealized Holding Gains	Aggregate Fair Value
2002			
Stock funds	\$ 70,350	\$ 2,579	\$ 72,929
Bond funds	41,558	8,685	50,243
	\$ 111,908	\$ 11,264	\$ 123,172
2003			
Stock funds	\$ 78,174	\$ 28,554	\$ 106,728
Bond funds	40,148	15,407	55,555
	\$ 118,322	\$ 43,961	\$ 162,283

The following table reconciles our unrealized holding gains (losses) on investments in sponsored mutual funds (in thousands) to that recognized in other comprehensive income.

	2001	2002	2003
Unrealized holding gains (losses)	\$ (14,159)	\$ (10,169)	\$ 32,365
Less gains (losses) realized in net income using average cost	18,701	(3,870)	(332)
	(32,860)	(6,299)	32,697
Deferred tax benefits (income taxes)	11,512	2,295	(11,447)
Unrealized holding gains (losses) recognized in other comprehensive income	\$ (21,348)	\$ (4,004)	\$ 21,250

Dividends earned on our investments in sponsored mutual funds, including money market mutual funds, totaled \$8,748,000 in 2001, \$2,989,000 in 2002, and \$2,624,000 in 2003. There are no individual mutual fund holdings with an unrealized loss at December 31, 2003.

Our savings bank subsidiary holds investments in mortgage-backed and other marketable debt securities which are accounted for as available-for-sale. The expected holding period of these securities generally correlates to customer deposits which range in maturity up to five years. Balances (in thousands) in these investments at December 31 were:

	Aggregate Cost	Unrealized Holding Gains	Aggregate Fair Value
2002	\$ 90,888	\$ 2,020	\$ 92,908
2003	\$ 110,822	\$ 140	\$ 110,962

Net unrealized holding gains at December 31, 2003 include aggregate unrealized gains of \$959,000 and aggregate unrealized losses of \$819,000. These losses are related to forty security positions with an aggregate fair value of \$46.4 million and have generally arisen subsequent to March 31, 2003. They are deemed to be temporary based upon our evaluation of the probability of collecting related contractual cash flows, the duration of unrealized holding losses, and our intent to hold these securities.

Other comprehensive income includes unrealized holding gains (losses) on the savings bank portfolio, net of income taxes of \$226,000 in 2001, \$799,000 in 2002, and \$55,000 in 2003.

NOTE 2 - PROPERTY AND EQUIPMENT.

Property and equipment (in thousands) at December 31 consists of:

	2002	2003
Computer and communications software and equipment	\$ 170,120	\$ 191,118
Buildings and leasehold improvements	166,568	165,127
Furniture and other equipment	60,276	61,479
Land owned and leased	21,503	21,503
	418,467	439,227
Accumulated depreciation and amortization	(202,877)	(238,133)
	\$ 215,590	\$ 201,094

Compensation and related costs attributable to the development of computer software for internal use totaling \$7,465,000 in 2001, \$4,639,000 in 2002, and \$7,034,000 in 2003 have been capitalized.

NOTE 3 - GOODWILL.

Goodwill arose primarily from our August 2000 purchase of the 50% non-controlling interest in our consolidated subsidiary, T. Rowe Price International, and was amortized until 2002 on a straight-line basis over 25 years. We operate in one reportable business segment—that of the investment advisory business—and all goodwill is attributed to that segment.

As of January 1, 2002, we adopted the provisions of a new financial accounting standard for goodwill, ceased amortizing goodwill, and determined that its carrying amount was not impaired. We also evaluated goodwill for possible impairment during the third quarters of 2002 and 2003 and each time concluded that there had been no impairment. A similar evaluation using the fair value approach will be done at least annually in the third quarter each year. Prior to 2002, we used an undiscounted future cash flows approach to evaluate goodwill for potential impairment.

The following information reconciles reported net income (in thousands) and earnings per share to adjusted net income (in thousands) and earnings per share, excluding the goodwill amortization recognized in prior years.

	2001	2002	2003
Reported net income	\$ 195,868	\$ 194,254	\$ 227,487
Add back goodwill amortization	28,921	—	—
Adjusted net income	\$ 224,789	\$ 194,254	\$ 227,487
Basic earnings per share			
Reported net income	\$ 1.59	\$ 1.58	\$ 1.84
Goodwill amortization	0.24	—	—
Adjusted net income	\$ 1.83	\$ 1.58	\$ 1.84
Diluted earnings per share			
Reported net income	\$ 1.52	\$ 1.52	\$ 1.77
Goodwill amortization	0.22	—	—
Adjusted net income	\$ 1.74	\$ 1.52	\$ 1.77

NOTE 4 - INCOME TAXES.

The provision for income taxes (in thousands) consists of:

	2001	2002	2003
Current income taxes			
U.S. federal and foreign	\$ 122,598	\$ 111,027	\$ 128,380
State and local	12,231	9,429	13,045
Deferred income taxes (tax benefits)	249	(5,106)	(3,396)
	\$ 135,078	\$ 115,350	\$ 138,029

Deferred income taxes arise from temporary differences between taxable income for financial statement and income tax return purposes. Significant temporary differences in 2001 included deferred benefits of \$3,866,000 related to investment income offset by deferred taxes of \$4,212,000 related to accrued compensation. Deferred tax benefits in 2002 include \$4,584,000 related to investment income and \$2,359,000 related to depreciation and amortization of property and equipment offset by deferred taxes of \$2,346,000 related to accrued compensation. Deferred tax benefits in 2003 include \$7,180,000 related to accrued compensation offset by \$3,219,000 related to investment income.

The net deferred tax asset of \$6,740,000 included in other assets at December 31, 2002, consists of total deferred tax liabilities of \$5,600,000 and total deferred tax assets of \$12,340,000. Deferred tax liabilities include \$4,642,000 arising from unrealized holding gains on available-for-sale securities. Deferred tax assets include \$9,025,000 arising from investment income.

The net deferred tax liability of \$569,000 included in income taxes payable at December 31, 2003, consists of total deferred tax liabilities of \$16,021,000 and total deferred tax assets of \$15,452,000. Deferred tax liabilities include \$15,346,000 arising from unrealized holding gains on available-for-sale securities. Deferred tax assets include \$8,312,000 related to accrued compensation and \$5,805,000 arising from investment income.

A deferred tax asset at December 31, 2003 of \$2,850,000 arising from foreign operating loss carryforwards and an offsetting valuation allowance have been recognized over the past three years as follows: \$1,100,000 in 2001, \$1,600,000 in 2002, and \$150,000 in 2003.

Cash outflows from operating activities include income taxes paid of \$103,125,000 in 2001, \$112,457,000 in 2002, and \$100,284,000 in 2003. The income tax benefit arising from exercises of our stock options reduced the income taxes that would have otherwise been payable by \$6,164,000 in 2001, \$14,102,000 in 2002, and \$26,984,000 in 2003.

The following table reconciles the statutory federal income tax rate to the effective income tax rate.

	2001	2002	2003
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefits	2.7	2.5	2.3
Nondeductible goodwill amortization	3.3	—	—
Other items	(0.1)	(0.2)	0.5
Effective income tax rate	40.9%	37.3%	37.8%

NOTE 5 - COMMON STOCK AND STOCK-BASED COMPENSATION PLANS.**SHARES AUTHORIZED AND ISSUED.**

At December 31, 2003, 32,667,027 shares of unissued common stock were reserved for the exercise of stock options. Additionally, 1,680,000 shares are reserved for issuance under a plan whereby substantially all employees may acquire common stock through payroll deductions at prevailing market prices.

The Board of Directors has authorized the future repurchase of up to 5,846,010 common shares at December 31, 2003.

DIVIDENDS.

Cash dividends declared per share were \$.61 in 2001, \$.65 in 2002, and \$.70 in 2003.

STOCK OPTIONS.

The following table summarizes the status of and changes in our stock option grants during the past three years.

	Options	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
Outstanding at beginning of 2001	25,601,872	\$ 23.90	14,910,572	\$ 16.25
Granted	3,973,384	25.96		
Exercised	(1,839,850)	9.48		
Forfeited	(434,619)	34.28		
Outstanding at end of 2001	27,300,787	25.01	16,233,787	20.03
Granted	3,970,367	27.41		
Exercised	(2,482,951)	11.87		
Forfeited	(844,347)	33.62		
Outstanding at end of 2002	27,943,856	26.25	16,759,556	23.50
Granted	3,799,147	42.98		
Exercised	(3,981,406)	16.16		
Forfeited	(335,820)	31.31		
Outstanding at end of 2003	27,425,777	\$ 29.98	16,607,977	\$ 27.38

Information regarding the exercise prices and lives of stock options outstanding at December 31, 2003 follows.

Range of Exercise Prices	Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Exercisable	Weighted-Average Exercise Price
\$ 8.06 to 23.71	5,158,550	\$ 13.62	2.0	5,158,550	\$ 13.62
\$23.72 to 27.28	3,357,702	25.71	7.7	1,178,402	25.70
\$27.29 to 36.03	10,829,207	30.95	6.2	7,210,807	32.48
\$36.04 to 47.15	8,080,318	40.88	7.8	3,060,218	39.24
	27,425,777	\$ 29.98	6.1	16,607,977	\$ 27.38

NOTE 6 - INFORMATION ABOUT REVENUES AND SERVICES.

Revenues (in thousands) from advisory services provided under agreements with sponsored mutual funds and other investment clients include:

	2001	2002	2003
Sponsored mutual funds in the U.S.			
Stock	\$ 464,883	\$ 411,679	\$ 434,423
Bond and money market	97,707	107,425	123,879
	562,590	519,104	558,302
Other portfolios	212,484	196,261	219,160
Total investment advisory fees	\$ 775,074	\$ 715,365	\$ 777,462

The following table summarizes the various investment portfolios and assets under management (in billions) on which advisory fees are earned.

	Average during			December 31,	
	2001	2002	2003	2002	2003
Sponsored mutual funds in the U.S.					
Stock	\$ 75.8	\$ 67.1	\$ 71.2	\$ 60.7	\$ 88.4
Bond and money market	22.9	25.0	28.2	26.6	29.1
	98.7	92.1	99.4	87.3	117.5
Other portfolios	56.5	55.5	60.5	53.3	72.5
	\$ 155.2	\$ 147.6	\$ 159.9	\$ 140.6	\$ 190.0

Fees for advisory-related administrative services provided to our sponsored mutual funds were \$170,916,000 in 2001, \$155,771,000 in 2002, and \$162,853,000 in 2003. Accounts receivable from the mutual funds aggregate \$55,474,000 and \$70,127,000 at December 31, 2002 and 2003, respectively. All services to the sponsored U.S. mutual funds are provided under contracts which are subject to periodic review and approval by each of the funds' boards and, with respect to investment advisory contracts, also by the funds' shareholders.

NOTE 7 - DEBT.

In April 1999, we borrowed 1,809,500,000 yen (\$15,019,000) from a bank under a promissory note. Foreign currency transaction gains of \$2,085,000 in 2001 and losses of \$1,335,000 in 2002 and \$988,000 in 2003 arising from this borrowing are included in non-operating investment income (loss). We made a principal payment in 2002 and retired the remaining loan balance in 2003.

To partially finance the purchase of the T. Rowe Price International interest, we borrowed \$300,000,000 in August 2000 under a \$500,000,000 syndicated bank credit facility expiring in June 2005 for which JPMorgan Chase Bank serves as administrative agent. Interest on borrowings under this facility float at 0.35% over the Eurodollar base rate. We made principal payments over the three-year period of the loan until it was paid in full in 2003. Deferred credit facility costs of \$387,000 are included in other assets at December 31, 2003 and are being amortized through June 2005. We also have a complementary \$80,000,000 syndicated bank credit facility expiring in June 2004 under which there have been no borrowings. We paid annual fees for these credit facilities of \$928,000 in 2003.

At December 31, 2003, we are in compliance with the covenants contained in our credit facility agreements. Total interest expense on our outstanding debt, including amortization of credit facility costs, and annual fees was \$11,681,000 in 2001, \$2,634,000 in 2002, and \$1,699,000 in 2003.

NOTE 8 - VARIABLE INTEREST ENTITIES.

On December 24, 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (revised), Consolidation of Variable Interest Entities, which defines a variable interest entity as a corporation, partnership, limited liability company, trust, or any other legal structure used for conducting activities or holding assets that either has equity investors that (a) do not have the characteristics of a controlling financial interest or (b) do not have sufficient equity at risk for the entity to finance its activities. The Interpretation generally requires a variable interest entity to be consolidated by a public company at December 31, 2003 if that company is subject to, among other things, a majority of the risk or variability associated with the residual returns of the entity. A company that is required to consolidate a variable interest entity is referred to as the primary beneficiary of that entity.

We presently hold residual interests in two high-yield collateralized bond obligations (the 1999 CBO and the 2001 CBO; collectively, the CBOs). These entities are non-recourse, limited liability companies in which we hold a portion, though not a majority, of the interests in their residual returns. We are also the collateral manager of each CBO and receive a base investment advisory fee for performance of that service. At December 31, 2003, the CBOs had assets of approximately \$634 million.

On May 30, 2003, we altered the fee terms of the collateral management agreements with each CBO and irrevocably waived any performance fees that we might receive or otherwise earn in 2003 and 2004 with respect to the 2001 CBO. A similar waiver was also made for the 1999 CBO through its remaining life. Subsequently, we determined that as of May 30, 2003, we were not the primary beneficiary of either CBO and therefore do not consolidate either CBO into our financial statements.

Our maximum aggregate exposure to future losses from these CBOs is equal to the remaining 2001 CBO carrying amount of \$4.5 million which is included in other assets at December 31, 2003. The 1999 CBO was considered impaired and its carrying amount charged off at the end of the second quarter in 2002.

NOTE 9 - OTHER DISCLOSURES.

We occupy certain office facilities and rent computer and other equipment under noncancelable operating leases. Related rental expense was \$25,711,000 in 2001, \$20,636,000 in 2002, and \$19,710,000 in 2003. Future minimum rental payments under these leases aggregate \$16,757,000 in 2004, \$15,832,000 in 2005, \$14,261,000 in 2006, \$9,090,000 in 2007, \$5,429,000 in 2008, and \$53,314,000 in later years.

At December 31, 2003, we had outstanding commitments to fund additional investments totaling \$4.4 million.

Our consolidated stockholders' equity at December 31, 2003 includes approximately \$42,000,000 which is restricted as to use by various regulations and agreements arising in the ordinary course of our business.

From time to time, various claims against us arise in the ordinary course of business, including employment-related claims. In the opinion of management, after consultation with counsel, it is unlikely that any adverse determination in one or more pending claims would have a material adverse effect on our financial position or results of operations.

Expenses for our defined contribution retirement plans were \$22,897,000 in 2001, \$24,069,000 in 2002, and \$24,815,000 in 2003.

NOTE 10 - SUPPLEMENTARY QUARTERLY FINANCIAL DATA (Unaudited).

(in thousands, except for per-share amounts)	Net Revenues	Net Income	Basic Earnings Per Share	Diluted Earnings Per Share
2002				
1st quarter	\$ 242,008	\$ 53,024	\$ 0.43	\$ 0.41
2nd quarter	240,280	51,854	0.42	0.40
3rd quarter	221,576	43,210	0.35	0.34
4th quarter	219,638	46,166	0.38	0.37
2003				
1st quarter	\$ 218,718	\$ 38,774	\$ 0.32	\$ 0.31
2nd quarter	237,462	53,775	0.44	0.42
3rd quarter	258,268	66,291	0.53	0.51
4th quarter	281,119	68,647	0.55	0.53

Independent Auditors' Report

The Board of Directors and Stockholders of T. Rowe Price Group, Inc.:

We have audited the accompanying consolidated balance sheets of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of T. Rowe Price Group, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

KPMG LLP

Baltimore, Maryland
January 29, 2004

Corporate Headquarters

100 East Pratt Street
Baltimore, Maryland 21202
United States
(410) 345-2000

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Buenos Aires, Argentina	United States:
Copenhagen, Denmark	Long Beach, California
Paris, France	San Francisco, California
Tokyo, Japan	Colorado Springs, Colorado
Hong Kong	Tampa, Florida
Singapore	Baltimore, Maryland
London, United Kingdom	Owings Mills, Maryland

Additional Information

SEC Form 10-K

A copy is available, at no charge, by sending a written request to:

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Secretary
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Shareowner Services
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St. Paul, Minnesota 55164-0854

Independent Accountants

KPMG LLP
Baltimore, Maryland

Annual Meeting

April 8, 2004
Renaissance Harborplace Hotel
202 East Pratt Street
Baltimore, Maryland 21202

Board of Directors

Edward C. Bernard

President, T. Rowe Price
Investment Services

James T. Brady

Managing Director, Mid Atlantic,
Ballantrae International, Ltd.

D. William J. Garrett

Former Group Chief Executive,
Robert Fleming Holdings Limited

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John H. Laporte

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William T. Reynolds

Director, Fixed Income Division

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Vice Chairman

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Portfolio Manager

Dr. Alfred Sommer

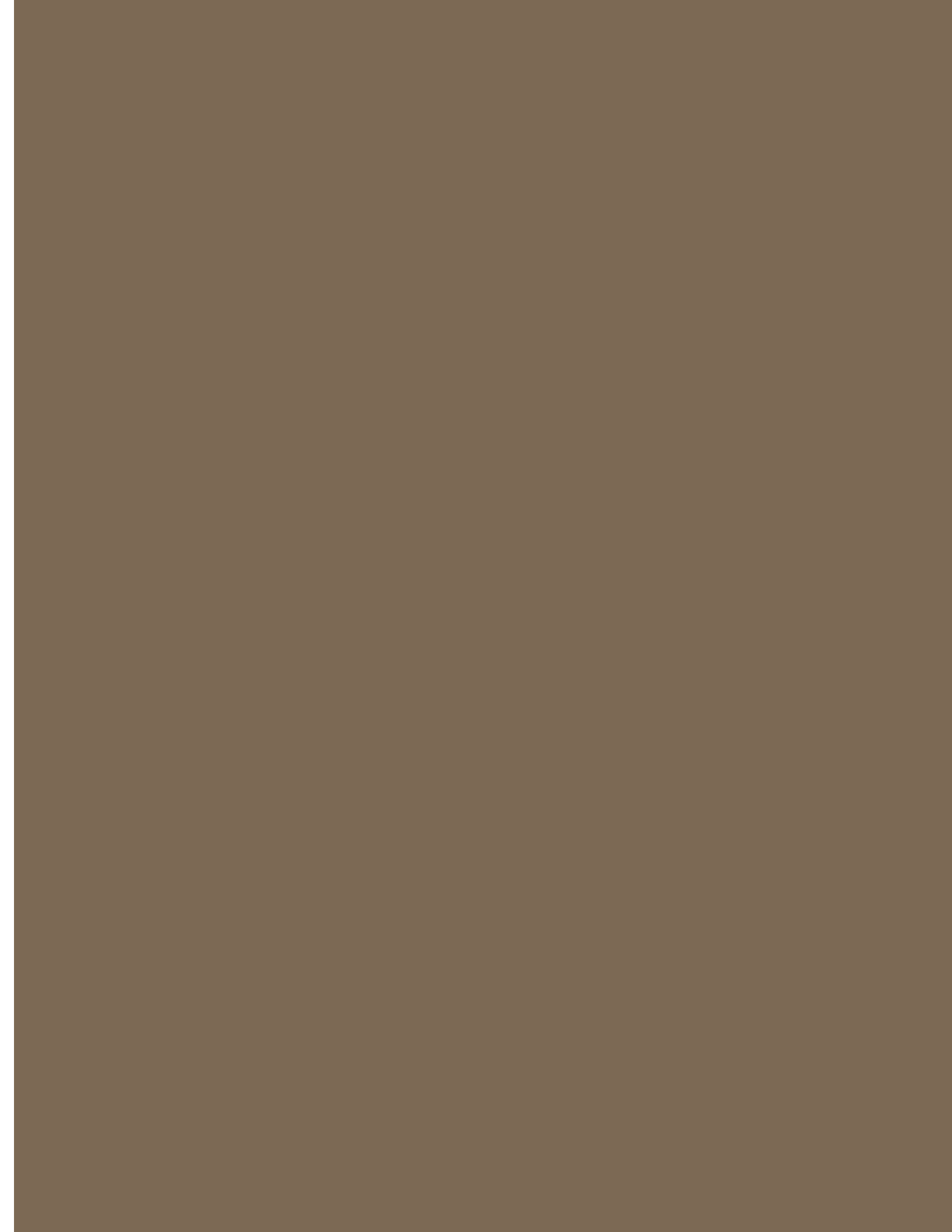
Dean, Johns Hopkins Bloomberg
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M. David Testa

Vice Chairman,
Chief Investment Officer

Anne Marie Whittemore

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