CERIDIAN CORP /DE/
Form 10-Q/A
March 15, 2004

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2003

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from _____ to _____

Commission file number: 1-15168

CERIDIAN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	41-1981625
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
3311 East Old Shakopee Road, Minneapolis, Minnesota	55425
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (952) 853-8100

Former name, former address and former fiscal year if changed from last report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES x NO o

The number of shares of registrant s Common Stock, par value $.01 per share, outstanding as of October 31, 2003, was 149,394,907.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A amends Items 1, 2 and 3 of Part I of our Quarterly Report on Form 10-Q previously filed for the quarterly period ended September 30, 2003. This Form 10-Q/A is filed in connection with our restated financial statements as of and for the periods ended September 30, 2003 as a result of changes in revenue recognition at our Stored Value Systems unit. Stored Value Systems is a wholly owned subsidiary of our Comdata subsidiary that provides stored value cards and related processing principally to the retail industry. Financial statement information and related disclosures included in this Form 10-Q/A reflect, where appropriate, changes as a result of the restated financial statements and certain other changes that were responsive to comments received from the Division of Corporation Finance of the Securities and Exchange Commission. Certifications from our Chief Executive Officer and Chief Financial Officer required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are attached to this Form 10-Q/A as Exhibits 31.01, 31.02, 32.01 and 32.02. All other information contained in this Form 10-Q/A is as of the date of the original filing.

We are filing an Amendment No. 1 to our annual report on Form 10-K for the fiscal year ended December 31, 2002 and an Amendment No. 1 to quarterly reports on Form 10-Q for each of the first and second quarters of 2003 concurrently with the filing of this Form 10-Q/A. We have not amended and do not intend to amend our previously filed annual reports on Form 10-K or our quarterly reports on Form 10-Q for the periods affected by the restated financial statements for periods ending on or prior to December 31, 2002. For this reason, the consolidated financial statements, auditors reports and related financial information contained in such reports for the affected periods should no longer be relied upon.

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Certification of our CEO Pursuant to Section 302
Certification of our CFO Pursuant to Section 302
Certification of our CEO Pursuant to Section 906
Certification of our CFO Pursuant to Section 906

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In the opinion of Ceridian Corporation, the unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals, except as set forth in the notes to consolidated financial statements) necessary to present fairly our financial position as of September 30, 2003, and results of operations for the three and nine month periods and cash flows for the nine month periods ended September 30, 2003 and 2002.

The results of operations for the nine month period ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements should be read in conjunction with the notes to consolidated financial statements.

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PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS
(Restated)
(Unaudited)
(Dollars in millions, except per share data)

Ceridian Corporation and Subsidiaries

	For Periods Ended September 30,			
	Three Months		Nine Months	
	2003	2002	2003	2002
Revenue	$ 303.9	$ 288.6	$ 917.5	$ 882.6
Costs and Expenses				
Cost of revenue	142.7	136.5	428.9	415.4
Selling, general and administrative	100.1	92.3	309.3	295.7
Research and development	15.9	15.1	49.0	44.8
Other expense (income)	(1.1)	9.7	(1.3)	19.4
Interest income	(0.5)	(0.6)	(1.5)	(1.5)
Interest expense	1.3	1.5	3.7	5.3
Total costs and expenses	258.4	254.5	788.1	779.1
Earnings before income taxes	45.5	34.1	129.4	103.5
Income tax provision	16.2	12.3	46.0	37.2
Net earnings	$ 29.3	$ 21.8	$ 83.4	$ 66.3
Earnings per share				
Basic	$ 0.20	$ 0.15	$ 0.56	$ 0.45
Diluted	$ 0.19	$ 0.15	$ 0.56	$ 0.44
Shares used in calculations (in 000 s)				
Weighted average shares (basic)	148,426	148,526	148,282	147,882
Dilutive securities	3,404	1,407	1,733	3,496
Weighted average shares (diluted)	151,830	149,933	150,015	151,378
Antidilutive shares excluded (in 000 s)	4,054	10,766	9,924	4,400

See notes to consolidated financial statements.

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FORM 10-Q/A
CONSOLIDATED BALANCE SHEETS (Unaudited)(Restated)
(Dollars in millions)

Ceridian Corporation
and Subsidiaries

	September 30, 2003	December 31, 2002
Assets		
Cash and equivalents	$ 135.1	$ 134.3
Trade receivables, less allowance of $19.0 and $18.4	419.2	393.1
Other receivables	34.4	27.5
Current portion of deferred income taxes	27.1	28.4
Other current assets	46.2	45.9
Total current assets	662.0	629.2
Property, plant and equipment, net	150.4	149.1
Goodwill	898.9	890.3
Other intangible assets, net	105.9	114.5
Software and development costs, net	126.6	113.5
Prepaid pension cost	12.3	11.7
Deferred income taxes, less current portion	20.4	22.5
Investments	22.9	17.5
Derivative securities	67.6	71.4
Other noncurrent assets	5.8	10.3
Total assets before customer funds	2,072.8	2,030.0
Customer funds	2,213.1	2,440.9
Total assets	$4,285.9	$4,470.9
Liabilities and Stockholders Equity		
Short-term debt and current portion of long-term obligations	$ 5.2	$ 2.0
Accounts payable	35.0	35.3
Drafts and settlements payable	138.1	120.8
Customer advances	14.8	13.2
Deferred income	44.6	48.8
Accrued taxes	60.3	61.1
Employee compensation and benefits	43.2	55.9
Other accrued expenses	41.5	42.8
Total current liabilities	382.7	379.9

Long-term obligations, less current portion	157.8	191.5
Deferred income taxes	26.5	25.4
Employee benefit plans	253.6	278.3
Other noncurrent liabilities	33.2	35.2
Total liabilities before customer funds obligations	853.8	910.3
Customer funds obligations	2,213.1	2,440.9
Total liabilities	3,066.9	3,351.2
Stockholders equity	1,219.0	1,119.7
Total liabilities and stockholders equity	$4,285.9	$4,470.9

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Restated)

Ceridian Corporation
and Subsidiaries

(Unaudited) (Dollars in millions)	For Periods Ended September 30, Nine Months 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 83.4	$ 66.3
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred income tax provision	2.1	5.8
Depreciation and amortization	64.0	55.2
Asset write-downs		4.9
Reduction of environmental accrual		(4.1)
Gain on marketable securities	(3.4)	
Contributions to retirement plan trusts	(29.2)	(3.3)
Provision for doubtful accounts	8.9	13.4
Other	5.0	(5.1)
Decrease (Increase) in trade and other receivables	(35.1)	(72.8)
Increase (Decrease) in accounts payable	(1.2)	3.1
Increase (Decrease) in drafts and settlements payable	17.3	40.8
Increase (Decrease) in employee compensation and benefits	(13.3)	(18.0)
Increase (Decrease) in accrued taxes	3.3	7.0
Increase (Decrease) in other current assets and liabilities	(5.3)	(9.7)
Net cash provided by operating activities	96.5	83.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Expended for property, plant and equipment	(21.8)	(22.0)
Expended for software and development costs	(33.0)	(27.0)
Expended for investments in and advances to businesses, less cash acquired	(1.7)	(26.8)
Proceeds from sales of businesses and assets	12.7	0.4
Net cash provided by (used for) investing activities	(43.8)	(75.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving credit and overdrafts, net	(50.8)	(44.2)
Repayment of other debt	(1.1)	(0.1)
Repurchase of common stock	(28.3)	(2.7)
Exercise of stock options and other	25.2	33.6

Net cash provided by (used for) financing activities	(55.0)	(13.4)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3.1	0.1
NET CASH PROVIDED (USED)	0.8	(5.2)
Cash and equivalents at beginning of period	134.3	116.2
Cash and equivalents at end of period	$ 135.1	$ 111.0

See notes to consolidated financial statements.

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CERIDIAN CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2003
(Dollars in millions, except per share data)
(Unaudited)

STOCKHOLDERS EQUITY (Restated)

	September 30, 2003	December 31, 2002
Common Stock		
Par value $.01		
Shares authorized 500,000,000		
Shares issued 148,969,258 and 148,657,541	$ 1.5	$ 1.5
Shares outstanding 148,894,175 and 148,540,540		
Additional paid-in capital	906.9	906.3
Retained earnings	483.7	400.3
Treasury stock, at cost (75,083 and 117,001 common shares)	(1.4)	(1.6)
Accumulated other comprehensive income, net of deferred income taxes:		
Unrealized gain on derivative securities	43.6	45.9
Unrealized gain on marketable securities	3.7	1.0
Cumulative translation adjustment	7.2	(7.5)
Pension liability adjustment	(226.2)	(226.2)
Total stockholders equity	$1,219.0	$1,119.7

COMPREHENSIVE INCOME (LOSS) (Restated)

	For Periods Ended September 30,			
	Three Months		Nine Months	
	2003	2002	2003	2002
Net earnings	$ 29.3	$ 21.8	$ 83.4	$ 66.3
Items of other comprehensive income before income taxes:				
Change in foreign currency translation adjustment	(0.7)	2.1	14.7	1.4
Change in unrealized gain from derivative securities	2.8	40.4	20.0	65.8
Change in unrealized gain from marketable securities	5.8	(0.1)	7.7	(0.6)

Less unrealized gain previously reported on marketable and derivative securities sold or settled in this period	(14.5)	(6.7)	(27.0)	(19.7)
Other comprehensive income (loss) before income taxes	(6.6)	35.7	15.4	46.9
Income tax effect	2.1	(11.8)	(0.3)	(15.9)
Other comprehensive income (loss) after income taxes	(4.5)	23.9	15.1	31.0
Comprehensive income	$ 24.8	$ 45.7	$ 98.5	$ 97.3

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(Dollars in millions, except per share data)
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RESTATEMENT OF FINANCIAL STATEMENTS

As announced on February 18, 2004 and as described in a note to our amended Annual Report on Form 10-K/A for the year ended December 31, 2002, we have corrected our application of SEC Staff Accounting Bulletin No. 101 (SAB 101) to arrangements that include the sale of retail cards and related services such as activation, processing and reporting and restated all prior periods subsequent to December 31, 1999. The change in revenue and related cost recognition defers and extends the period over which we recognize revenue and related costs from retail cards and processing. We present our revised policy in Part II, Item 8 of our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2002 in Note A, Accounting Policies, to the consolidated financial statements in the section entitled Revenue Recognition under the heading Retail Services.

In addition, we have concluded that we lacked sufficient objective and reliable evidence to support our determination of separate accounting units for retail card sales and sales of related services upon adoption of Emerging Issues Task Force Issue No. 00-21 (EITF 00-21) to support the change in revenue recognition disclosed in our Quarterly Report of Form 10-Q for the quarter ended September 30, 2003. Therefore, in this amended report we have also corrected the financial statements presented to eliminate any impact that was due to the misapplication of EITF 00-21.

We present the effect of the SAB 101 and EITF 00-21 corrections in the table below. The corrections had no effect on operating, investing or financing cash flows.

	For Periods Ended September 30,			
	Three Months		Nine Months	
	2003	2002	2003	2002
Revenue as previously reported	$309.5	$288.6	$921.9	$878.2
Revenue as restated	$303.9	$288.6	$917.5	$882.6
Increase (decrease) related to SAB 101	1.2		2.4	4.4
Increase (decrease) related to EITF 00-21	(6.8)		(6.8)	
Total cost and expenses as previously reported	262.5	254.5	794.1	776.8
Total cost and expenses as restated	258.4	254.5	788.1	779.1
Increase (decrease) related to SAB 101	0.9		(1.0)	2.3
Increase (decrease) related to EITF 00-21	(5.0)		(5.0)	
Earnings before income taxes as previously reported	$ 47.0	$ 34.1	$127.8	$101.4
Earnings before income taxes as restated	$ 45.5	$ 34.1	$129.4	$103.5
Increase (decrease) related to SAB 101	0.3		3.4	2.1
Increase (decrease) related to EITF 00-21	(1.8)		(1.8)	
Income loss provision as previously reported	16.7	12.3	45.4	36.5

Income loss provision as restated	16.2	12.3	46.0	37.2
Increase (decrease) related to SAB 101	0.1		1.2	0.7
Increase (decrease) related to EITF 00-21	(0.6)		(0.6)	
Net earnings as previously reported	$ 30.3	$ 21.8	$ 82.4	$ 64.9
Net earnings as restated	$ 29.3	$ 21.8	$ 83.4	$ 66.3
Increase (decrease) related to SAB 101	0.2		2.2	1.4
Increase (decrease) related to EITF 00-21	(1.2)		(1.2)	
Basic earnings per share as previously reported	$ 0.20	$ 0.15	$ 0.56	$ 0.44
Basic earnings per share as restated	$ 0.20	$ 0.15	$ 0.56	$ 0.45
Increase (decrease) related to SAB 101			0.01	0.01
Increase (decrease) related to EITF 00-21	(0.01)		(0.01)	
Diluted earnings per share as previously reported	$ 0.20	$ 0.15	$ 0.55	$ 0.43
Diluted earnings per share as restated	$ 0.19	$ 0.15	$ 0.56	$ 0.44
Increase (decrease) related to SAB 101			0.02	0.01
Increase (decrease) related to EITF 00-21	(0.01)		(0.01)	

	At September 30, 2003	At December 31, 2002
Other current assets as previously reported	$ 32.0	$ 38.2
Other current assets as restated	$ 46.2	$ 45.9
Deferred income tax asset as previously reported	$ 16.7	$ 18.2
Deferred income tax asset as restated	$ 20.4	$ 22.5
Deferred income as previously reported	$ 20.6	$ 29.2
Deferred income as restated	$ 44.6	$ 48.8
Retained earning as previously reported	$ 489.8	$ 407.4
Retained earnings as restated	$ 483.7	$ 400.3

CHANGES IN PRESENTATION

Comdata s provision for doubtful accounts has been reclassified from cost of revenue to general expense to be consistent with the classification of such provisions by our other businesses. Amounts for prior periods have been reclassified to conform to the current presentation. Also see the accompanying note to the consolidated financial statements entitled Customer Funds regarding a reclassification of funds held by benefits services.

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EMPLOYEE PLANS

Stock Plans

We account for our stock-based compensation plans under the intrinsic method of APB Opinion No. 25 and related Interpretations. Under FAS 148, we are required on an interim basis to disclose the pro forma effects on reported net earnings and earnings per share that would have resulted if we elected to use the fair value method of accounting for stock-based compensation. This disclosure is presented in the accompanying table. We employ the Black-Scholes option pricing model to determine the fair value of stock option grants and employee stock purchase plan purchases.

Pro Forma Effect of Fair Value Accounting (Restated)

	For Periods Ended September 30,			
	Three Months		Nine Months	
	2003	2002	2003	2002
Net earnings as reported	$29.3	$21.8	$ 83.4	$ 66.3
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(3.6)	(3.3)	(11.0)	(11.5)
Pro forma net earnings	$25.7	$18.5	$ 72.4	$ 54.8
Diluted earnings per share as reported	$0.19	$0.15	$ 0.56	$ 0.44
Pro forma diluted earnings per share	$0.17	$0.12	$ 0.48	$ 0.36
Weighted-Average Assumptions				
Expected lives in years	4-8	4-8	4-8	4-8
Expected volatility	41.0%	42.0%	41.0%	42.0%
Expected dividend rate				
Risk-free interest rate	2.6%	2.3%	2.3%	4.6%

Retirement Plans

We maintain defined benefit pension plans for participating employees in the U.S. and in the UK. The U.S. plans include a principal plan that was offered to employees until it was closed on January 2, 1995. Active participants in this plan represent approximately 6% of the total participants. The other U.S. defined benefit plan is a supplemental

plan that is not subject to ERISA. At December 31, 2002, the aggregate projected benefit obligation for these plans exceeded the aggregate fair value of plan assets by $239.2. The net periodic pension cost (credit) for these defined benefit pension plans was $2.4 for the third quarter of 2003 compared to $(0.5) in the third quarter of 2002 and $7.4 for the first nine months of 2003 compared to $(1.4) for the first nine months of 2002. We used assumptions of a 6.75% discount rate, a long-term rate of return on plan assets of 8.75% and a rate of compensation increase of 4.0% in determining the 2003 net periodic pension cost.

During the first nine months of 2003, we made voluntary employer cash contributions of $28.7 to the principal U.S. plan and to the supplemental U.S. plan of $0.5 during the second quarter of 2003 and $3.3 during the second quarter of 2002.

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OTHER EXPENSE (INCOME)

	For Periods Ended September 30,			
	Three Months		Nine Months	
	2003	2002	2003	2002
Dispute settlement costs	$ 1.9	$	$ 1.9	$
Foreign currency translation expense (income)	0.4		0.3	(0.1)
Loss (gain) on sale of assets	0.1		(0.1)	
Other expense (income)	(0.1)	(0.1)		(0.1)
Gain on sale of marketable securities	(3.4)		(3.4)	
Factoring receivables loss		9.8		9.8
Accrued exit costs				9.0
Asset write-downs				4.9
Reduction of environmental accrual				(4.1)
Total	$(1.1)	$ 9.7	$(1.3)	$19.4

ACCRUED EXIT COST

	Severance	Other Costs	Total
First quarter 2002	$ 6.3	$ 2.7	$ 9.0
Fourth quarter 2002	1.9	4.0	5.9
Total 2002 accrued exit costs	8.2	6.7	14.9
Utilization:			
2002 cash payments	(6.3)	(2.5)	(8.8)
2002 recoveries	(1.1)		(1.1)
2003 cash payments	(0.7)	(2.5)	(3.2)
Balance at September 30, 2003	$ 0.1	$ 1.7	$ 1.8

INVESTING ACTIVITY

Derivative Securities

During the reported periods we maintained interest rate contracts to hedge interest rate risk in our U.S. customer funds and corporate cash portfolios. These derivative securities provide that if one-month LIBOR is below a floor, the counterparty makes a payment to us. Likewise, if one-month LIBOR is above a cap, we make a payment to the counterparty. These payments increase or decrease investment income from customer funds as reported in HRS revenue. Counterparties are all commercial banks with debt ratings of A or better.

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INVESTING ACTIVITY (Continued)

The fair market value of these interest rate derivative securities is reported in the non-current asset section of the balance sheet. The fair market value decreased from $71.4 at December 31, 2002 to $67.6 at September 30, 2003. This decrease in value was primarily due to a increase in forward interest rates net of collections of cash payments from counterparties of $23.2 during the first nine months of 2003. Based upon future expected interest rates as determined from LIBOR futures prices in effect at the close of business on September 30, 2003, we expect to collect an additional $30.3 during the next 12 months.

At September 30, 2003, the net unrealized gain related to these interest rate derivative securities amounted to $43.8, after reduction for deferred income taxes of $23.6, and is reported in other comprehensive income. This compares to a net unrealized gain of $45.9, after reduction for deferred income taxes of $24.7, at December 31, 2002.

In April 2003, Comdata executed diesel fuel priced hedge contracts that became effective on June 1, 2003 to hedge the variability of Comdata revenue from customer contracts in which Comdata fees are determined as a percentage of pump fuel prices. These contracts hedge approximately half of the expected change in total Comdata revenue due to changes in diesel fuel prices for the period June 1 to December 31, 2003. Under this program, we pay the counterparty when diesel fuel prices are above a certain strike price, and the counterparty pays us when those prices are lower that that price. These hedges, which are recorded as a liability of $0.4 at September 30, 2003, required payments that reduced Comdata revenue by $0.4 during the third quarter of 2003. The net unrealized loss associated with the fuel hedges at September 30, 2003 was $0.2.

Investments

During March 2003, we paid to The Ultimate Software Group, Inc. (which this report refers to as Ultimate) $3.0 to acquire 750,000 unregistered shares of Ultimate common stock and a warrant to purchase an additional 75,000 unregistered Ultimate common shares at a price of $4.00 per share. At December 31, 2002 we also held 785,000 Ultimate common shares purchased on the open market, which we sold in September 2003 for proceeds of $5.9 and a net gain of $3.0 reported in other expense (income). Our holdings of Ultimate as of September 30, 2003 represent an equity interest of approximately 4.0% of the outstanding shares of Ultimate. In addition, we held 919,227 common shares of U.S.I. Holdings Corporation (which this report refers to as USIH) at December 31, 2002 and 782,069 common shares at September 30, 2003. During September 2003, we sold 137,158 common shares of USIH for proceeds of $1.8 and a gain of $0.4 which we reported in other expense (income).

The Ultimate and USIH securities are treated as available for sale securities. The carrying value of these securities has been adjusted at each balance sheet date to reflect the market price reported by the stock exchange that lists those securities. The amount of this change is reported as unrealized gain or loss from marketable securities in comprehensive income. The carrying values of our holdings of Ultimate amounted to $6.6

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INVESTING ACTIVITY (Continued)

Investments (continued)

at September 30, 2003 and $2.9 at December 31, 2002. The carrying values of our holdings of USIH amounted to $10.2 at September 30, 2003 and $10.8 at December 31, 2002. At September 30, 2003, the net unrealized gain related to these securities amounted to $3.7, after reduction for deferred income taxes of $2.2, and is reported in accumulated other comprehensive income. This compares to a net unrealized gain of $1.0, after reduction for deferred income taxes of $0.6, at December 31, 2002.

During July 2003, we settled in advance a revenue sharing arrangement associated with our acquisition in December 2002 of GLS Benefit Services LLC (which this report refers to as Great Lakes Strategies) by paying the sellers $1.4 of the $2.8 escrowed for this purpose at the time of acquisition. At the same time, we released $0.5 in escrowed funds to the sellers related to the representations and warranties provisions of the purchase agreement. These transactions reduced other current assets by $0.5 and other noncurrent assets by $2.8 while increasing goodwill by $1.9 and cash and equivalents by $1.4.

Capital expenditures

During the second quarter of 2003, we entered into two leasing agreements with different lessors intended to provide us with greater flexibility to take advantage of future data storage technology at a lower cost. One arrangement involved the sale and leaseback of storage equipment recently acquired by us. We received $6.3 as cash proceeds from the sale of the equipment, which is reported as an investing cash inflow. We accounted for the leaseback of this equipment, which has a 3-year term commencing on May 1, 2003 and a negligible residual value, as a capital lease. We recorded the capital lease asset in machinery and equipment at $6.3, net of a deferred gain, and the related capital lease obligation in long term debt at $6.9 with no effect on cash flows. The carrying value of the capital lease asset will be amortized on a straight line basis over the term of the lease.

The other leasing arrangement involved the replacement with new data storage equipment of data storage equipment we owned or leased. Under this arrangement, we received $5.8 as cash proceeds from the sale of owned equipment at its carrying value, which is reported as an investing cash inflow. We accounted for the lease of new storage equipment, which has a 5-year term commencing on June 1, 2003 and negligible residual value, as a capital lease. We recorded the capital lease asset in machinery and equipment at $13.4, net of a deferred gain, and the capital lease obligation in long-term debt at $15.3 with no effect on cash flows. The lease allows us access to increased levels of data storage capacity at months 10 and 22 according to a contractual schedule that correlates additional capacity with the lease payment schedule. Amortization of the capital lease asset will be allocated to each period of the lease based on the storage capacity available during that period.

See the accompanying note entitled Financing for a description of the capital lease obligations.

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FINANCING

Capital Lease Obligations

In an accompanying note entitled Investing Activity under the heading Capital Expenditures, we described two leasing arrangements that became effective during the second quarter of 2003 that are accounted for as capital leases. The following schedule presents the principal amounts to be paid by year over the terms of the leases as of September 30, 2003.

Obligation	2003	2004	2005	2006	2007	2008
$21.6	$1.0	$4.0	$5.8	$4.8	$4.2	$1.8

Debt Instruments

At September 30, 2003 and December 31, 2002, we maintained two major credit facilities described below. We also maintain an overdraft account in our UK subsidiary with outstanding balances of $1.4 at September 30, 2003 and $2.0 at December 31, 2002.

In June 2002, Comdata entered into a $150.0 receivables securitization facility with up to a three-year term that uses selected Comdata trade receivables as collateral for borrowings. During September 2003, we made a payment of $10.0 on this facility. The amount outstanding under this facility was $150.0 at December 31, 2002, and $140.0 at September 30, 2003. The aggregate amount of receivables serving as collateral amounted to $166.7 at September 30, 2003 and $173.3 at December 31, 2002. The amounts outstanding as long-term debt and the collateralized receivables remain on our consolidated balance sheet.

The domestic revolving credit facility that we initiated in January 2001 provides up to $350.0 for a combination of advances and up to $50.0 of letters of credit until March 2006. During third quarter of 2003, we paid off the $40.0 of advances outstanding since December 31, 2002 while $2.3 of letters of credit remain outstanding. At September 30, 2003, we have unused borrowing capacity under the domestic revolving credit facility of $347.7, of which we have designated $140.0 as backup to the receivables securitization facility.

We remain in compliance with covenants under our credit facilities at September 30, 2003.

Equity Instruments

During the first nine months of 2003, we repurchased 1,844,100 shares of our common stock for $28.8 on the open market at an average net price of $15.60 per share. Of the 1,844,100 total shares repurchased, 25,000 of the shares repurchased for $0.5 in September 2003 did not settle until October 2003 and will be reported as an investing cash outflow in the fourth quarter of 2003. As of September 30, 2003, we may repurchase up to 10,362,900 additional shares of our common stock under an existing authorization from our board of directors. We generally use our

treasury stock to address our obligations under our stock compensation and employee stock purchase plans.

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CUSTOMER FUNDS

Effective in 2003, we added our benefits services customer deposits to our payroll and tax filing funds to present the combined amount as customer funds in our balance sheet. The related obligations are similarly reported on a combined basis. We believe that such a presentation better reflects our practice of utilizing benefits services customer deposits to meet the related customer obligation, even though the use of these funds is not restricted by law or regulation. Amounts for prior periods have been reclassified to conform to the current presentation.

Investment income from invested customer funds constitutes a component of our compensation for providing services under agreements with our customers. Invested income from invested customer funds included in revenue amount to $22.3 and $70.2 for the quarterly and year-to-date periods ended September 30, 2003 and $22.3 and $69.3 for the quarterly and year-to-date periods ended September 30, 2002.

Customer funds and the offsetting obligations amounted to $2,213.1 at September 30, 2003 and $2,440.9 at December 31, 2002. This amount varies significantly during the year and averaged $2,208.6 and $1,990.4, respectively, for the nine-month periods ended September 30, 2003 and 2002. The following tables provide information on cost and market price for various classifications of customer fund investments and amounts by maturity date.

Investments of Customer Funds

	September 30, 2003		December 31, 2002	
	Cost	Market	Cost	Market
Money market securities and other cash equivalents	$1,376.0	$1,373.2	$1,612.5	$1,612.5
Held-to-maturity investments:				
U.S. government and agency securities	225.6	233.5	197.6	207.0
Canadian and provincial government securities	145.3	154.6	124.7	130.5
Corporate debt securities	217.0	225.9	211.7	217.8
Asset-backed securities	172.5	178.0	212.7	223.0
Mortgage-backed and other securities	76.7	78.2	81.7	84.3
Total held-to-maturity investments	837.1	870.2	828.4	862.6
Payroll and tax filing funds	$2,213.1	$2,243.4	$2,440.9	$2,475.1

Investments of Customer Funds by Maturity Date

	September 30, 2003	
	Cost	Market
Due in one year or less	$1,527.9	$1,530.2
Due in one to three years	259.2	269.1
Due in three to five years	393.1	410.9
Due after five years	32.9	33.2
Total	$2,213.1	$2,243.4

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CAPITAL ASSETS

	September 30, 2003	December 31, 2002
Property, Plant and Equipment		
Land	$ 12.4	$ 12.4
Machinery and equipment	280.2	275.0
Buildings and improvements	96.7	91.9
Total property, plant and equipment	389.3	379.3
Accumulated depreciation	(238.9)	(230.2)
Property, plant and equipment, net	$ 150.4	$ 149.1
Goodwill		
At beginning of year (HRS $773.3 and $743.8, Comdata $117.0 and $117.0)	$ 890.3	$ 860.8
Acquired (HRS $3.0 and $28.2)	3.0	28.2
Translation and other adjustments (HRS $5.6 and $1.3)	5.6	1.3
At end of period (HRS $781.9 and $773.3, Comdata $117.0 and $117.0)	$ 898.9	$ 890.3
Other Intangible Assets		
Customer lists (accumulated amortization of $24.9 and $21.3)	$ 48.6	$ 45.5
Trademarks (accumulated amortization of $18.8 and $16.1)	73.5	73.2
Technology (accumulated amortization of $28.6 and $23.4)	51.5	51.8
Non-compete agreements (accumulated amortization of $8.4 and $7.0)	13.0	11.8
Total other intangible assets	186.6	182.3
Accumulated amortization	(80.7)	(67.8)

Other intangible assets, net	$ 105.9	$ 114.5
Software and Development Costs		
Purchased software	$ 75.6	$ 63.8
Other software development cost	130.0	109.9
	205.6	173.7
Accumulated amortization	(79.0)	(60.2)
Software and development costs, net	$ 126.6	$ 113.5

	For Periods Ended September 30,	
	2003	2002
Depreciation and Amortization		
Depreciation and amortization of property, plant and equipment	$ 32.4	$ 32.0
Amortization of other intangible assets	12.3	11.4
Amortization of software and development costs	19.3	11.8
Total	$ 64.0	$ 55.2

Amortization for other intangible assets held at September 30, 2003 is estimated to be $16.5 for 2003, $16.0 for 2004, $15.6 for 2005, $12.3 for 2006 and $10.9 for 2007.

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SEGMENT DATA (Restated)

	For Nine Months Ended September 30,	
	2003	**2002**
HRS		
Revenue	$ 680.2	$ 648.2
Earnings before interest and taxes	$ 53.6	$ 37.0
Total assets at September 30, 2003 and December 31, 2002 before customer funds	$1,411.6	$1,383.4
Customer funds at September 30, 2003 and December 31, 2002	2,213.1	2,440.9
Total assets at September 30, 2003 and December 31, 2002	$3,624.7	$3,824.3
Comdata		
Revenue	$ 237.3	$ 234.4
Earnings before interest and taxes	$ 78.0	$ 66.2
Total assets at September 30, 2003 and December 31, 2002	$ 585.8	$ 570.2
Other		
Revenue	$	$
Earnings before interest and taxes	$	$ 4.1
Total assets at September 30, 2003 and December 31, 2002	$ 75.4	$ 76.4
Total Ceridian		
Revenue	$ 917.5	$ 882.6
Earnings before interest and taxes	$ 131.6	$ 107.3
Interest income (expense), net	(2.2)	(3.8)
Earnings before income taxes	$ 129.4	$ 103.5
Total assets at September 30, 2003 and December 31, 2002 before customer funds	$2,072.8	$2,030.0
Customer funds at September 30, 2003 and December 31, 2002	2,213.1	2,440.9
Total assets at September 30, 2003 and December 31, 2002	$4,285.9	$4,470.9

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CERIDIAN CORPORATION AND SUBSIDIARIES
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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This Amendment No. 1 to our Quarterly Report on Form 10-Q/A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements regarding Ceridian Corporation and its subsidiaries contained in this report that are not historical in nature, particularly those that utilize terminology such as may, will, should, likely, expects, anticipates, estimates, believes or plans, or comparable terminology, are forward-looking statements. Forward-looking statements are based on current expectations and assumptions, and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in these forward-looking statements. Important factors known to us that could cause such material differences are identified and discussed from time to time in our filings with the Securities and Exchange Commission, including those factors discussed in this Amendment No. 1 to our Quarterly Report on Form 10-Q/A and discussed in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2002, which factors are also incorporated herein by reference. Such important factors include:

Our ability to attract and retain customers

The effect of changes in governmental regulations relating to employee benefits, funds transfer and other matters

Success in introducing and selling new or enhanced products and services

Economic factors such as trade, monetary and fiscal policies and political and economic conditions

Risks associated with litigation and similar matters

Problems implementing system upgrades and conversions

Our ability to adapt to changing technology

Acquisition risks

Competitive conditions

International operations risks

Success of implementation of plans to improve performance of U.S. HRS business

Our ability to increase operating efficiencies and reduce costs

Liability as a portability and retirement plan administrator

Comdata s relationships with key vendors and suppliers

We undertake no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any future disclosure we make on related subjects in future reports to the SEC.

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RESULTS OF OPERATIONS

Consolidated Results - Overview

Our net earnings for the third quarter of 2003 amounted to $29.3 million, or 19¢ per diluted share, on revenue of $303.9 million compared to net earnings of $21.8 million, or 15¢ per diluted share, on revenue of $288.6 million in the same quarter of 2002. Our net earnings for the first nine months of 2003 amounted to $83.4 million, or 56¢ per diluted share, on revenue of $917.5 million compared to net earnings of $66.3 million, or 44¢ per diluted share, on revenue of $882.6 million in the first nine months of 2002. Net earnings for the first nine months of 2002 included net unusual losses before income taxes of $19.6 million that are further described later in this discussion under the heading Unusual Items.

In the following tables and text, we use certain abbreviations described below:

SG&A expense represents selling, general and administrative expense

R&D expense represents research and development costs

EBIT represents earnings before interest and taxes

HRS relates to our human resource solutions division and subsidiaries

Comdata relates to the consolidated results of our transportation and retail card subsidiary, Comdata Network, Inc., and its subsidiaries

Other relates to the results of our corporate center operations that were not allocated to these two business segments

NM represents percentage relationships in the tables that are not meaningful

Statements of Operations Third Quarter Comparisons (Restated)
(*Dollars in millions, except per share data)*

	Amount		Inc (Dec)		% of Revenue	
	2003	**2002**	**$**	**%**	**2003**	**2002**
Revenue	$303.9	$288.6	15.3	5.3	100.0	100.0
Cost of revenue	142.7	136.5	6.2	4.5	47.0	47.3
SG&A expense	100.1	92.3	7.8	8.5	32.9	31.9
R&D expense	15.9	15.1	0.8	5.1	5.2	5.3
Other expense (income)	(1.1)	9.7	(10.8)	NM	(0.4)	3.4
Interest income	(0.5)	(0.6)	0.1	(17.7)	(0.2)	(0.2)
Interest expense	1.3	1.5	(0.2)	(10.0)	0.4	0.5
Total costs and expenses	258.4	254.5	3.9	1.6	85.0	88.2
	45.5	34.1	11.4	33.4	15.0	11.8

Earnings before income taxes						
Income taxes	16.2	12.3	3.9	31.8	5.3	4.3
Net earnings	$ 29.3	$ 21.8	7.5	34.3	9.7	7.6
Diluted earnings per share	$ 0.19	$ 0.15	0.04	26.7		

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Statements of Operations Year-To-Date September 30 Comparisons (Restated)
(*Dollars in millions, except per share data)*

	Amount		Inc (Dec)		% of Revenue	
	2003	**2002**	**$**	**%**	**2003**	**2002**
Revenue	$917.5	$882.6	34.9	4.0	100.0	100.0
Cost of revenue	428.9	415.4	13.5	3.3	46.8	47.1
SG&A expense	309.3	295.7	13.6	4.6	33.7	33.5
R&D expense	49.0	44.8	4.2	9.3	5.3	5.1
Other expense (income)	(1.3)	19.4	(20.7)	NM	(0.1)	2.2
Interest income	(1.5)	(1.5)	0.0	0.0	(0.2)	(0.2)
Interest expense	3.7	5.3	(1.6)	(29.6)	0.4	0.6
Total costs and expenses	788.1	779.1	9.0	1.2	85.9	88.3
Earnings before income taxes	129.4	103.5	25.9	25.0	14.1	11.7
Income taxes	46.0	37.2	8.8	23.5	5.0	4.2
Net earnings	$ 83.4	$ 66.3	17.1	25.8	9.1	7.5
Diluted earnings per share	$ 0.56	$ 0.44	0.12	27.3		

Our consolidated revenue increased by $15.3 million in the quarterly comparison and by $34.9 million in the year-to-date comparison. For the quarterly comparison, HRS revenue increased by $11.0 million while Comdata revenue increased by $4.3 million. On a year-to-date basis, HRS revenue increased by $32.0 million and Comdata revenue increased by $2.9 million.

The following factors had the most significant impacts on our HRS revenue performance:

Contributions of businesses acquired during 2002

Benefits from the effect of currency fluctuations on our international revenue

More revenue from the sale of add-on services to our payroll customers

Price increases

Lower employment levels of our customers

Lower yields on our investments of customer funds

The following factors had the most significant impacts on our Comdata revenue performance:

Higher levels of retail card sales and processing

Lower revenue from permitting services

Lower revenue from the sale of transportation equipment to merchants

Further details are provided in the following section entitled Business Segment Results.

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Our consolidated costs and expenses increased by $3.9 million in the quarterly comparison and $9.0 million in the year-to-date comparison. In the quarterly comparison, HRS costs and expenses, excluding unallocated net interest expense, increased by $8.2 million and Comdata costs and expenses, excluding unallocated net interest expense, decreased by $4.3 million. In the year-to-date comparison, HRS costs and expenses, excluding unallocated net interest expense, increased by $15.4 million and Comdata costs and expenses, excluding unallocated net interest expense, decreased by $8.9 million. Also, costs and expenses for the first nine months of 2002 included the first quarter benefit of a $4.1 million reduction of environmental accruals not allocated to our business segments. The principal factors affecting the comparison of total costs and expenses included the following factors.

Net unusual losses in other expense (income) of $9.8 million in the third quarter of 2002 at Comdata and $9.8 million in the first quarter of 2002

Added costs from businesses acquired in 2002

Additional pension expense of $2.9 million for the quarter and $8.8 million year-to-date

Additional quarterly costs of approximately $5.0 million related to SourceWeb introduction

Higher non-U.S. costs and expenses as a result of changes in currency exchange rates

Additional costs related to retail card sales and processing

Further details are provided in the following section entitled Business Segments.

Our interest expense declined by $0.2 million in the quarterly comparison and $1.6 million for the year-to-date comparison as a result of lower interest rates and a lower level of outstanding debt. For the quarterly comparison, our average effective interest rate on borrowings from our major credit facilities declined from 2.9% in the third quarter of 2002 to 2.1% in the third quarter of 2003, and our average outstanding borrowings from those facilities in those periods declined from $201.4 million to $176.2 million. For the year-to-date comparison, our average effective interest rate on borrowings from our major credit facilities declined from 3.2% in the first nine months of 2002 to 2.3% in the first nine months of 2003, and our average outstanding borrowings from those facilities in those periods declined from $213.1 million to $185.3 million.

For both comparisons, our effective tax rate decreased from 36.0% for 2002 to 35.5% for 2003.

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Business Segment Results

Segment Third Quarter Comparisons (Restated)
(Dollars in millions)

	Amount		Inc (Dec)		% of Revenue	
	2003	**2002**	**$**	**%**	**2003**	**2002**
Revenue						
HRS	$224.2	$213.2	11.0	5.2	73.8	73.9
Comdata	79.7	75.4	4.3	5.7	26.2	26.1
Total	$303.9	$288.6	15.3	5.3	100.0	100.0
EBIT*						
HRS	$ 18.8	$ 16.0	2.8	17.6	8.4	7.5
Comdata	27.5	19.0	8.5	44.9	34.5	25.2
Total	$ 46.3	$ 35.0	11.3	32.4	15.3	12.1

* We measure the business performance of our business segments by reference to earnings before interest and taxes since consolidated interest income and interest expense are not allocated to those segments.

Segment Year-To-Date September 30 Comparisons (Restated)
(Dollars in millions)

	Amount		Inc (Dec)		% of Revenue	
	2003	**2002**	**$**	**%**	**2003**	**2002**
Revenue						
HRS	$680.2	$648.2	32.0	4.9	74.1	73.4
Comdata	237.3	234.4	2.9	1.3	25.9	26.6
Total	$917.5	$882.6	34.9	4.0	100.0	100.0
EBIT*						
HRS	$ 53.6	$ 37.0	16.6	44.9	7.9	5.7
Comdata	78.0	66.2	11.8	17.9	32.9	28.2
Other		4.1	(4.1)	NM	NM	NM
Total	$131.6	$107.3	24.3	22.7	14.3	12.2

* We measure the business performance of our business segments by reference to earnings before interest and taxes since consolidated interest income and interest expense are not allocated to those segments.

HRS

Revenue for our HRS business increased by $11.0 million in the quarterly comparison and $32.0 million in the year-to-date comparison. For the quarterly comparison, revenue from U.S. operations increased by $8.0 million while revenue from Canadian operations increased by $3.9 million and UK operations decreased by $0.9 million. For the year-to-date comparison, revenue from U.S. operations increased by $19.6 million while revenue from Canadian operations increased by $9.1 million and UK operations increased by $3.3 million.

Our U.S. payroll and tax filing revenue increased by $5.1 million in the quarterly comparison and $9.7 million in the year-to-date comparison due primarily to the sale of add-on services to existing customers and price increases. Additional sales of add-on services contributed $4.6 million to revenue in the quarterly comparison and $11.6 million in the year-to-date comparison. Price increases provided $1.8 million of additional revenue in the quarterly comparison and $3.8 million in the year-to-date comparison. The effect of lower customer employment levels and lower installation revenue partially offset these increases in both comparisons. The revenue increases from benefits services

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operations of $3.7 million in the quarterly comparison and $9.4 million in the year-to-date comparison largely represented revenue from businesses we acquired during 2002. LifeWorks revenue showed little change in either comparison while benefiting from the acquisition of HR Comply in May 2002. Revenue from Canada and UK operations benefited from changes in currency exchange rates by a total of $5.2 million in the quarterly comparison and $13.1 million in the year-to-date comparison. In both operations, increased sales of add-on services reduced the adverse effect of lower customer employment levels.

Revenue from earnings on invested customer funds changed little for the quarterly comparison and increased by $0.5 million for the year-to-date comparison, affected by both the change in average balances and the average yields. For the quarterly comparison, the average balance of customer funds rose by $209.3 million or 12.0% from $1,749.3 million to $1,958.6 million, which contributed additional revenue of $2.7 million. The average yields on invested customer funds for the comparative quarters fell from 5.12% in 2002 to 4.57% in 2003, which reduced our revenue by $2.7 million. On a year-to-date basis, the average balance of total customer funds rose by $218.2 million from $1,990.4 million in 2002 to $2,208.6 million in 2003, which contributed additional revenue of $7.7 million. The average yields on invested customer funds for the comparative year-to-date periods fell from 4.74% in 2002 to 4.30% in 2003, which reduced our revenue by $7.2 million. The increases in average balances included a Canadian currency exchange benefit and the growth of Payment Solutions balances.

Total costs and expenses for our HRS business increased by $8.2 million in the quarterly comparison and $15.4 million in the year-to-date comparison. The increases in both comparisons reflected the additional costs of businesses acquired in 2002, the effect of currency exchange rate changes, and higher SourceWeb and pension costs. First quarter 2002 charges totaling $12.4 million from exit costs and an asset write-down with no corresponding charge during the current year also affected the year-to-date comparison. These charges are described later in this discussion under the heading Unusual Items.

Cost of revenue for HRS increased by $0.8 million in the quarterly comparison and $10.3 million in the year-to-date comparison. Cost of revenue for payroll and tax filing operations increased by $2.2 million in the quarterly comparison and $1.8 million in the year-to-date comparison. Costs associated with the introduction of our SourceWeb product contributed $2.8 million of the quarterly increase and $6.4 million of the year-to-date increase. Reductions in cost of revenue for U.S. payroll and tax filing operations of $0.6 million in the quarterly comparison and $4.6 million in the year-to-date comparison related primarily to lower labor and supplies costs resulting from production consolidation efforts initiated in 2002.

Benefits services operations cost of revenue decreased by $0.5 million in the quarterly comparison and increased by $7.4 million in the year-to-date comparison. The year-to-date comparison largely reflected additional costs from benefits services operations acquired in 2002 and incremental costs associated with the transfer of certain California and Virginia operations to our Florida operation beginning in the third quarter of 2002 and concluded in the second quarter of 2003. The quarterly comparison included additional costs from 2002 business acquisitions reduced by savings from the elimination of the incremental transfer costs that were $1.1 million in the third quarter of 2002.

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Cost of revenue for LifeWorks decreased by $2.2 million in the quarterly comparison and $2.7 million in the year-to-date comparison due largely to staff reductions, lower utilization of outside consultants and cost savings on supplies and materials in both comparisons.

Cost of revenue for operations in Canada increased by $1.0 million in the quarterly comparison and $1.2 million in the year-to-date comparison. Cost of revenue for UK operations increased by $0.3 million in the quarterly comparison and by $2.6 million in the year-to-date comparison. In both international operations, cost of revenue increased due to the impact of the exchange rate changes that also benefited the revenue comparison in both comparisons. These increases were offset in part by cost savings from staff reductions and lower costs for supplies and materials.

SG&A expense for our HRS business increased by $9.8 million in the quarterly comparison and $16.9 million in the year-to-date comparison. Increases in selling expense of $5.8 million for the quarter and $17.5 million for the year-to-date reflected a higher staffing level in U.S. operations, increased marketing efforts in Canada and UK operations and incremental costs associated with the introduction of SourceWeb. General and administrative expenses for HRS increased by $4.0 million in the quarterly comparison due to increased allocations for pension cost of $2.2 million as well as the additional expenses of 2002 acquisitions and the effect of currency rate changes on non-U.S. expenses. HRS general and administrative expense decreased by $0.6 million in the year-to-date comparison as increases due to allocations for pension costs of $6.6 million and the effect of currency rate changes on non-U.S. expenses were more than offset by the effects of staff reductions and reduced provisions for incentive payouts in 2003.

R&D expense for our HRS business increased by $0.5 million in the quarterly comparison and $3.7 million in the year-to-date comparison due primarily to development efforts associated with add-on products and services, including the reassignment of resources from capitalizable projects completed in 2002.

Other expense (income) for HRS in the third quarter of 2003 included a $3.4 million gain from the sale of portions of our holdings of the common stock of Ultimate and USIH as described in the accompanying note to our consolidated financial statements entitled Investing Activity. The year-to-date 2002 other expense (income) reflected first quarter 2002 net unusual losses for HRS of $12.4 million.

Comdata

Comdata revenue increased by $4.3 million in the quarterly comparison and $2.9 million in the year-to-date comparison as increased revenue from retail card sales and processing and higher business fleet revenue from local hauling customers more than offset lower revenue from phone resale and permitting services and sales of transportation equipment to truck stops. Revenue from retail card sales and transaction processing increased by $6.9 million in the quarterly comparison and $10.2 million in the year-to-date comparison. Business fleet revenue

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increased by $0.5 million in the quarterly comparison and $2.3 million in the year-to-date comparison due to the growth in the number of local fueling customers and in the utilization of Comdata products and services by existing customers in both comparisons as well as higher fuel prices in the year-to-date comparison.

Revenue from phone resale and permitting services decreased by $1.3 million in the quarterly comparison and $4.8 million in the year-to-date comparison as the demand for these services continued to decline. Sales of transportation equipment to truck stops and other merchants decreased by $0.5 million in the quarterly comparison and $6.0 million in the year-to-date comparison due to fewer sales. Higher fuel prices added $2.6 million to the year-to-date increase in revenue for our over the road transportation business largely during the first half of the year before our fuel price hedges were put in place. Transaction volume for the over the road transportation business improved slightly in both the quarterly and year-to-date comparisons. Additional decreases in revenue of $1.3 million in the quarterly comparison and $1.4 million in the year-to-date comparison related primarily to a reduction in the volume and a change in the mix of over the road transportation products and services resulting from a consolidation of major customers.

Comdata s costs and expenses decreased in 2003 by $4.3 million in the quarterly comparison and decreased by $8.9 million for the year-to-date comparison. Costs related to retail card sales and processing increased by $4.8 million in the quarterly comparison and $6.1 in the year-to-date comparison. Costs related to sales of equipment to truck stops decreased by $0.7 million in the quarterly comparison and $3.0 million in the year-to-date comparison as truck stops continued to restrain their capital spending.

Comdata SG&A expense decreased by $1.9 million in the quarterly comparison and $3.2 million in the year-to-date comparison as increases in selling expense and allocated pension expense were more than offset by reductions in general and administrative expense as a result of lower bad debt expense and the conclusion of amortization on certain intangible assets and contracted services in late 2002. Bad debt expense declined by $2.7 million in the quarterly comparison and $3.6 million in the year-to-date comparison due largely to a charge in the third quarter of 2002 related to a bankruptcy filing by a major customer. Comdata absorbed $0.7 million for the quarter and $2.2 million year-to-date of our additional 2003 pension cost in general and administrative expense.

Unusual costs reported in Other Expense (Income) decreased by $7.9 million in the quarterly comparison and $9.4 million in the year-to-date comparison. In September 2003, Comdata paid $1.9 million to settle out of court a dispute with a former vendor. In the first nine months of 2002, Comdata recorded first quarter exit costs related to facility consolidation of $1.5 million and a third quarter $9.8 million factoring receivables loss with no comparable items in the first nine months of 2003. These costs are described later in this discussion under the heading Unusual Items.

Other

The reported EBIT of $4.1 million for the first nine months of 2002 results from the first quarter reduction of a previously established accrual for environmental cleanup. Further details on this item and other unusual gains and losses are presented below under the heading Unusual Items.

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Unusual Items

During the first quarter of 2002, we announced a series of actions intended to consolidate certain operations in both of our business segments and recorded accrued exit costs of $9.0 million. A plan to consolidate certain HRS payroll and tax filing processing services, previously conducted in 25 district offices, into 4 regional processing centers resulted in the accrual of $7.5 million for exit costs. Of the $7.5 million accrual:

$5.3 million related to severance costs for 317 employees, all of whom were terminated by December 31, 2002

$2.2 million represented other exit costs, primarily related to lease terminations.

The consolidation of certain Comdata facilities resulted in accrued severance costs of $1.0 million for 76 employees, including 75 terminated by September 30, 2003, and other exit costs of $0.5 million, primarily related to lease terminations.

During the third quarter of 2002, Comdata recorded a loss of $9.8 million as a result of purchases of receivables from a certain trucking company by Comdata s factoring business after we found that the debtors could not be verified and that the parties that sold us the receivables had declared bankruptcy.

In the fourth quarter of 2002, we reviewed the status of accrued exit costs and revised the estimated amounts to reduce the severance cost provisions made by HRS in the first quarter of 2002 by $0.8 million and in the first quarter of 2000 by $0.3 million and by Comdata in the first quarter of 2002 by $0.3 million. We also incurred additional expense in HRS for severance costs of $1.3 million, involving 81 employees (all terminated by December 31, 2002), and other exit costs of $2.9 million and in Comdata for severance costs of $0.6 million, involving 41 employees (all of whom were terminated by March 31, 2003), and other exit costs of $1.1 million. We paid all of the additional HRS severance costs during the fourth quarter of 2002. The other exit costs largely represented lease commitments, net of expected recoveries.

Balances and activity related to the accrued liabilities arising from the charges described above are reported in an accompanying note to the financial statements entitled Accrued Exit Costs. We also recorded a $4.9 million asset write-down of internally developed software costs in the first quarter of 2002 as a result of our February 2002 acceptance of the software technology provided under a March 2001 agreement with Ultimate.

During the first quarter of 2002, we conducted a periodic reassessment of our environmental obligations, which revealed a reduced requirement for certain of these obligations that were previously established. As a result, we credited $4.1 million to other expense (income) and removed that amount from other noncurrent liabilities.

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FINANCIAL CONDITION

Consolidated Statements of Cash Flows Highlights
(Dollars in millions)

	Nine Months Ended September 30,		
	2003	**2002**	**Change**
Operating activities	$ 96.5	$ 83.5	$ 13.0
Investing activities	(43.8)	(75.4)	31.6
Financing activities	(55.0)	(13.4)	(41.6)
Effect of exchange rate on cash and equivalents	3.1	0.1	3.0
Net cash flows provided (used)	$ 0.8	$ (5.2)	$ 6.0
Cash and equivalents at 9/30/03 and 12/31/02	$135.1	$134.3	$ 0.8

Reconciliation of Earnings to Cash Inflows (Outflows) from Operating Activities (Restated)
(Dollars in millions)

	Nine Months Ended September 30,		
	2003	**2002**	**Change**
Net earnings	$ 83.4	$ 66.3	$ 17.1
Provision for deferred income taxes	2.1	5.8	(3.7)
Depreciation and amortization	64.0	55.2	8.8
Gain on sale of marketable securities	(3.4)		(3.4)
Asset write-downs		4.9	(4.9)
Contribution to retirement plan trust	(29.2)	(3.3)	(25.9)
Other reconciling items	13.9	4.2	9.7
From net earnings	130.8	133.1	(2.3)
From working capital activities	(34.3)	(49.6)	15.3
Cash flows provided by operating activities	$ 96.5	$ 83.5	$ 13.0

Cash Flows

Cash Balances and Operations

Effective in 2003, we added our HRS benefits services customer funds to our payroll and tax filing funds and present the combined amount as customer funds in our balance sheet. The related obligations are similarly reported on a combined basis. We believe that such a presentation better reflects our practice of utilizing benefits services customer deposits to meet the related customer obligation, even though the use of these funds is not restricted by law or

regulation. Amounts for prior periods have been reclassified to conform to the current presentation.

Our cash and equivalents increased by $0.8 million to $135.1 million during the first nine months of 2003 as we used operating cash flows and cash balances to fund investing activities and pay on our financing activities. Our net operating cash inflow amounted to $96.5 million for the first nine months of 2003 as operating cash inflows from earnings activities of $130.8 million exceeded cash outflows associated with an investment in net working capital of $34.3 million. The net operating cash inflow of $83.5 million for the first nine months of 2002 represented the excess of cash inflows from earnings activities of $133.1 million over cash outflows associated with net working capital investments of $49.6 million.

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Our change in working capital activities during the first nine months of 2003 provided $15.3 million more cash than in 2002 due to a smaller increase in Comdata receivables, net of related drafts payable. The use of cash from working capital activities of $34.3 million during the first nine months of 2003 reflects a $35.1 million build-up in receivables, compared to a $72.8 million increase in receivables during the first nine months of 2002. This $37.7 million decrease in the build-up of receivables in 2003 compared to 2002 largely relates to Comdata activities and is offset in part by a decrease of $23.5 million in Comdata drafts payable. The amounts of Comdata receivables and drafts payable at the end of a reporting period are significantly affected by the relationship of the period-end date and the timing of weekly draft clearing operations. The net increase in working capital cash inflows from changes in receivables and drafts payable of $14.2 million accounted for most of the $15.3 million increase in working capital activities.

Investing

During the first nine months of 2003 we made capital expenditures of $21.8 million for property and equipment and $33.0 million for software and development costs. The respective amounts for the first nine months of 2002 were $22.0 million and $27.0 million. During March 2003, at the request of Ultimate, we paid $3.0 million to Ultimate to acquire 750,000 unregistered shares of Ultimate common stock and a warrant to purchase an additional 75,000 unregistered common shares at a price of $4.00 per share. In June 2003, we received cash of $10.9 million for assets sold relative to two sale and leaseback transactions. In July 2003, we received additional cash of $1.2 million for assets related to one of the sale and leaseback transactions. Also in July 2003, we recovered $1.4 million of the $2.8 million earn-out escrow established in connection with the acquisition of Great Lakes Strategies after settling in advance a revenue sharing arrangement with the sellers. In September 2003, we sold 785,000 Ultimate common shares purchased on the open market in years prior to 2003 for $5.9 million. Also in September 2003, we sold 137,158 common shares of USIH for $1.8 million. We reported the gain of $3.4 million from these securities sales in the third quarter of 2003. Settlement of these transactions took place in October 2003 and the investing cash inflow will be reported in the fourth quarter of 2003. Further information on these activities is provided in the note to the consolidated financial statements entitled Investing Activity.

Investing cash flows for the first nine months of 2002 also included the acquisition of SYLINQ for $15.5 million and HR Comply for $8.9 million.

Financing

During the first nine months of 2003, we repurchased 1,844,100 shares of our common stock for $28.8 million on the open market at an average net price of $15.60 per share. Of the 1,844,100 total shares repurchased, 25,000 of the shares were repurchased in late September 2003 for $0.5 million and payment did not occur until October 2003. Proceeds from exercises of stock options and employee stock plan purchases amounted to $25.2 million during the first nine months of 2003 compared to $33.6 million in the first nine months of 2002.

During the second quarter of 2003, we entered into two capital lease arrangements resulting in a minimum payment obligation of $22.2 million to be paid over a 60-month period.

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During the third quarter of 2003, we reduced our borrowings under our domestic revolving credit facility by $40.0 million and our receivable securitization facility by $10.0 million. At September 30, 2003, under our $350.0 million domestic revolving credit facility, we have $347.7 million of unused borrowing capacity. Of that amount, we have designated $140.0 million as backup for the amount outstanding under the receivables securitization facility, which leaves $207.7 million available for other purposes.

Further information on these activities is provided in the note to consolidated financial statements entitled Financing.

Liquidity and Capital Resources

We expect to meet our liquidity needs from existing cash balances, cash flows from operations and borrowings under external credit facilities. Cash balances and cash flows from operations are discussed under the section entitled Cash Balances and Operations above. Cash flows from operations are primarily influenced by the same factors that influence revenue. We discussed these in a preceding section of this discussion entitled Results of Operations and in several of the cautionary factors described at the beginning of this discussion. In addition to issues discussed in Cash Balances and Operations above, cautionary factors of particular relevance to our liquidity needs include those that refer to:

- The effects of government regulations on such matters as the timing of tax payments, interest rates, employee benefits, and funds transfer activities
- Our ability to attract new customers and retain our existing customers
- General economic conditions

As of September 30, 2003, we have unused borrowing capacity under the $350.0 million revolving credit facility amounting to $347.7 million, of which we have designated $140.0 million as backup to our borrowings under the Comdata receivables securitization facility. We are also in compliance with all covenants related to the revolving credit and Comdata securitization facilities.

During the nine months ended September 30, 2003, we made voluntary cash contributions of $28.7 million to our principal defined benefit pension plan. We also expect to continue to repurchase a modest number of our outstanding common shares in the open market during 2003. As of September 30, 2003, we may repurchase up to 10,362,900 shares of our common stock under an existing authorization from our board of directors.

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Critical Accounting Policies

We consider our critical accounting policies to be revenue recognition and recoverability of software and development costs. These policies were discussed in the section with this title in Part II, Item 7 of our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2002.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We presented information concerning our strategy of hedging our market risk exposure affecting variability in interest rates related to revenue derived from investments of customer funds in Part II, Item 7A, Quantitative and Qualitative Disclosure About Market Risk, contained in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2002. We expanded that disclosure in Part I, Item 3 of our Amendment No. 1 to our Form 10-Q/A for the second quarter of 2003. During the third quarter of 2003, we established new interest rate hedges with an expiry in 2007 that will replace hedges scheduled to expire in March and June of 2004. As a result of this new arrangement, the expected risk to 2004 pre-tax earnings of $3.9 million, referred to the disclosure in our Amendment No. 1 to our Form 10-Q/A for the period ended June 30, 2003 would be reduced to $1.3 million.

Fuel Price Risk

In Part I, Item 3 of our Amendment No. 1 to our Form 10-Q/A for the second quarter of 2003, we presented information concerning our strategy of hedging market risk exposure related to Comdata revenue. This market risk exposure arises from variability in fuel prices that determine the amount billed to certain of our customers for transaction services. There has been no material change during the quarter ended September 30, 2003 in the risk associated with these fuel hedge contracts, which expire on December 31, 2003. Results from this hedging activity are presented in an accompanying note to the consolidated financial statements entitled Investing Activity under the heading Derivative Securities.

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Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a 15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of September 30, 2003, the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that, as of September 30, 2003, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

(b) Changes in Internal Controls.

During the quarter ended September 30, 2003, there has been no change in our internal controls over financial reporting (as defined in Rule 13a 15(f) under the Exchange Act) that has materially affected or is reasonable likely to materially affect, our internal control over financial reporting.

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Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

31.01 Certification of our Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.02 Certification of our Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.01 Certification of our Chief Executive Officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.02 Certification of our Chief Financial Officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

The contents of the following Forms 8-K are not incorporated by reference herein or deemed filed within the meaning of Section 18 or the Securities Act:

On July 17, 2003, we filed a Current Report on Form 8-K, furnishing under Items 7 and 9, a press release reporting our second quarter 2003 results.

On July 21, 2003, we filed a Current Report on Form 8-K, furnishing under Items 7 and 9, a press release announcing Robert H. Ewald as President, Ceridian Human Resource Solutions.

On October 15, 2003, we filed a Current Report on Form 8-K, furnishing under Items 7 and 12, a press release reporting our third quarter 2003 results.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to Quarterly Report on Form 10-Q/A for the period ended September 30, 2003, to be signed on its behalf by the undersigned thereunto duly authorized.

CERIDIAN CORPORATION
Registrant

Date: March 15, 2004

/s/ L. D. Gross

L. D. Gross
Vice President and Corporate Controller
(Principal Accounting Officer)