

Table 1
IMS Health
SEC Income Statement (a)
Three Months Ended March 31
(unaudited, in millions except per share)

	2004 SEC	2003 SEC	% Fav (Unfav)
Revenue			
Sales Force Effectiveness	\$167.1	\$152.4	10 %
Portfolio Optimization	113.1	100.5	13
Brand, Launch and Other	48.8	39.6	23
Consulting and Services	<u>32.6</u>	<u>21.5</u>	52
Total	361.6	313.9	15
Operating Expenses (b)			
Operating Costs	(149.6)	(137.3)	(9)
Selling and Administrative	(94.1)	(81.5)	(15)
Depreciation and Amortization	(21.7)	(16.8)	(29)
Severance, Impairment & other charges (i)	<u>0.0</u>	<u>(37.2)</u>	NM
Total	(265.3)	(272.8)	3
Operating Income	96.2	41.2	134
Interest expense, net	(3.3)	(2.8)	
Gains (losses) from investments, net (e)	6.5	(0.9)	
Loss on issuance of investees' stock, net (f)	0.0	(0.3)	
Other income (expense), net (g)	<u>2.8</u>	<u>(10.8)</u>	
Pretax Income	102.2	26.4	287
Provision for Income Taxes (h)	(20.1)	(64.3)	
TriZetto Equity Loss, net (c)	(1.0)	(0.3)	
TriZetto impairment charge, net (j)	<u>0.0</u>	<u>(14.8)</u>	
Net Income (loss) from continuing operations	81.1	(53.2)	NM
Income from discontinued operations – CTS (d)	0.0	2.8	
Gain on discontinued operations – CTS (k)	<u>0.0</u>	<u>495.1</u>	
Net Income	\$81.1	\$444.7	(82)
Diluted EPS:			
Income from continuing operations	0.34	(0.20)	
Income from discontinued operations – CTS (d)	0.00	0.01	
Gain on discontinued operations – CTS (k)	<u>0.00</u>	<u>1.90</u>	
Total Diluted EPS	\$0.34	\$1.71	(80) %
Shares Outstanding:			
Weighted Average Diluted	240.4	260.0	8 %
End-of-Period Actual	235.0	244.6	4

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

Table 2
IMS Health
Adjusted Income Statement (a)
Three Months Ended March 31
(unaudited, in millions except per share)

	<u>2004</u> <u>Adjusted</u>	<u>2003</u> <u>Adjusted</u>	<u>% Fav</u> <u>(Unfav)</u>	<u>Constant \$</u> <u>Growth</u>
Revenue				
Sales Force Effectiveness	\$167.1	\$152.4	10 %	3 %
Portfolio Optimization	113.1	100.5	13	5
Brand, Launch and Other	48.8	39.6	23	13
Consulting and Services	<u>32.6</u>	<u>21.5</u>	52	44
Total	361.6	313.9	15	8
Operating Expenses (b)				
Operating Costs	(149.6)	(137.3)	(9)	
Selling and Administrative	(94.1)	(81.5)	(15)	
Depreciation and Amortization	<u>(21.7)</u>	<u>(16.8)</u>	(29)	
Total	(265.3)	(235.5)	(13)	
Operating Income	96.2	78.4	23	16
Interest expense, net	(3.3)	(2.8)	(19)	
Other expense, net (g)	<u>(2.5)</u>	<u>(4.6)</u>	46	
Pretax Income	90.4	71.0	27	
Provision for Income Taxes (h)	(28.0)	(21.9)	(28)	
TriZetto Equity Loss, net (c)	<u>(1.0)</u>	<u>(0.3)</u>	(190)	
Net Income from continuing operations	61.4	48.8	26 %	
Income from discontinued operations – CTS (d)	<u>0.0</u>	<u>2.8</u>	(100)	
Net Income	\$61.4	\$51.6	19 %	
Diluted EPS:				
Income from continuing operations	0.26	0.19	37	
Income from discontinued operations – CTS (d)	<u>0.00</u>	<u>0.01</u>	(100)	
Total Diluted EPS	\$0.26	\$0.20	30 %	
Shares Outstanding:				
Weighted Average Diluted	240.4	260.0	8 %	
End-of-Period Actual	235.0	244.6	4	

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

Table 3
IMS Health
Reconciliation from SEC to Adjusted Income Statement (a)
Three Months Ended March 31, 2004
(unaudited, in millions except per share)

	SEC Q1	Adjustments	Adjusted Q1
Revenue			
Sales Force Effectiveness	\$167.1	\$0.0	\$167.1
Portfolio Optimization	113.1	0.0	113.1
Brand, Launch and Other	48.8	0.0	48.8
Consulting and Services	<u>32.6</u>	<u>0.0</u>	<u>32.6</u>
Total	361.6	0.0	361.6
Operating Expenses (b)			
Operating Costs	(149.6)	0.0	(149.6)
Selling and Administrative	(94.1)	0.0	(94.1)
Depreciation and Amortization	<u>(21.7)</u>	<u>0.0</u>	<u>(21.7)</u>
Total	(265.3)	0.0	(265.3)
Operating Income	96.2	0.0	96.2
Interest expense, net	(3.3)	0.0	(3.3)
Gains from investments, net (e)	6.5	(6.5)	0.0
Loss on issuance of investees' stock, net (f)	0.0	0.0	0.0
Other income (expense), net (g)	<u>2.8</u>	<u>(5.3)</u>	<u>(2.5)</u>
Pretax Income	102.2	(11.7)	90.4
Provision for Income Taxes (h)	(20.1)	(7.9)	(28.0)
TriZetto Equity Loss, net (c)	<u>(1.0)</u>	<u>0.0</u>	<u>(1.0)</u>
Net Income	\$81.1	(19.6)	\$61.4
Diluted EPS	\$0.34	(0.08)	\$0.26
Shares Outstanding:			
Weighted Average Diluted	240.4	0.0	240.4
End-of-Period Actual	235.0	0.0	235.0

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

Table 4
IMS Health
Reconciliation from SEC to Adjusted Income Statement (a)
Three Months Ended March 31, 2003
(unaudited, in millions except per share)

	SEC Q1	Adjustments	Adjusted Q1
Revenue			
Sales Force Effectiveness	\$152.4	\$0.0	\$152.4
Portfolio Optimization	100.5	0.0	100.5
Brand, Launch and Other	39.6	0.0	39.6
Consulting and Services	<u>21.5</u>	<u>0.0</u>	<u>21.5</u>
Total	313.9	0.0	313.9
Operating Expenses (b)			
Operating Costs	(137.3)	0.0	(137.3)
Selling and Administrative	(81.5)	0.0	(81.5)
Depreciation and Amortization	(16.8)	0.0	(16.8)
Severance, Impairment & other charges (i)	<u>(37.2)</u>	<u>37.2</u>	<u>0.0</u>
Total	(272.8)	37.2	(235.5)
Operating Income	41.2	37.2	78.4
Interest expense, net	(2.8)	0.0	(2.8)
Gains (losses) from investments, net (e)	(0.9)	0.9	0.0
Loss on issuance of investees' stock, net (f)	(0.3)	0.3	0.0
Other expense, net (g)	<u>(10.8)</u>	<u>6.2</u>	<u>(4.6)</u>
Pretax Income	26.4	44.6	71.0
Provision for Income Taxes (h)	(64.3)	42.5	(21.9)
TriZetto Equity Loss, net (c)	(0.3)	0.0	(0.3)
TriZetto impairment charge, net (j)	<u>(14.8)</u>	<u>14.8</u>	<u>0.0</u>
Net Income (loss) from continuing operations	(53.2)	102.0	48.8
Income from discontinued operations – CTS (d)	2.8	0.0	2.8
Gain on discontinued operations – CTS (k)	<u>495.1</u>	<u>(495.1)</u>	<u>0.0</u>
Net Income	\$444.7	(393.1)	\$51.6
Diluted EPS:			
Income from continuing operations	(0.20)	0.39	0.19
Income from discontinued operations – CTS (d)	0.01	0.00	0.01
Gain on discontinued operations – CTS (k)	<u>1.90</u>	<u>(1.90)</u>	<u>0.00</u>
Total Diluted EPS	\$1.71	(1.51)	\$0.20
Shares Outstanding:			
Weighted Average Diluted	260.0	0.0	260.0
End-of-Period Actual	244.6	0.0	244.6

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

Table 5
IMS Health
Selected Consolidated Balance Sheet Items
(unaudited, in millions)

	<u>March 31, 2004</u>	<u>Dec. 31, 2003</u>
Cash and cash equivalents	\$352.4	\$344.4
Short-term marketable securities	40.2	40.1
Accounts receivable, net	290.3	271.3
Short-term debt	319.0	409.9
Long-term debt	353.2	152.1

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

**IMS Health
NOTES TO FINANCIAL TABLES**

- (a) “SEC Income Statement” (Table 1) differs from the “Adjusted Income Statement” (Table 2) by amounts that are detailed on Tables 3 and 4. Adjusted results generally exclude from corresponding U.S. GAAP measures items that are not related to the core business of IMS (such as gains/losses on non-core transactions, gains/losses on issuance of investees’ stock, a tax provision related to D&B legacy and related subsequent tax transactions, etc.) and from time to time also have excluded items that are related to the core business of IMS but that management does not expect to be relevant to the business going forward (such as special restructuring, severance, impairment and other charges), together with the tax effect of these items. Severance, impairment and other charges were recorded in 2000, 2001 and 2003, and there can be no assurances that such charges will not be recorded in the future. Management uses these adjusted results to evaluate its financial results for business decision-making, to develop budgets and to manage expenditures with respect to its core business. Management believes that the adjusted results are useful to investors as a supplement to historical U.S. GAAP information because they facilitate comparisons across periods, more clearly indicate trends and add insight into the Company’s performance by focusing on the results generated by the Company’s core operations. However, the fact that an item has been excluded from adjusted results does not mean that similar items will not be recorded in the future. The method IMS uses to prepare adjusted results differs in significant respects from U.S. GAAP and is likely to differ from the methods used by other companies. Adjusted results should not be regarded as a replacement for corresponding U.S. GAAP measures, which provide more comprehensive information about the financial results of IMS. Investors are urged to review the detailed reconciliations of the adjusted measures to the comparable U.S. GAAP results.
- (b) Operating expenses in 2003 reflect a reclassification between operating costs and selling and administrative expenses to make them comparable with the 2004 presentation.
- (c) TriZetto Equity Loss in the first quarter of 2004 is based on an estimate of TriZetto’s results and includes IMS’s share of TriZetto results as well as purchase accounting amortization expenses.
- (d) IMS divested its equity interest in CTS on February 6, 2003 via a split-off transaction. Income from discontinued operations includes IMS’s share of CTS income on an after-tax basis for the portion of the first quarter of 2003 prior to the split-off. Previously CTS had been consolidated into the IMS Health financial statements.
- (e) Gains from investments, net were \$6.5 million in the first quarter of 2004, relating primarily to an \$8.6 million gain from the sale of a security, partially offset by \$2.2 million of writedowns and fees for the Enterprise investments. This is compared with a loss of \$0.9 million in the first quarter of 2003. These gains and losses are excluded from adjusted results because they relate to non-strategic investments and are not related to IMS’s core business operations.
- (f) Loss on issuance of investees’ stock, net was zero in the first quarter of 2004 compared with a loss of \$0.3 million in the first quarter of 2003. These SAB 51 losses relate to the exercise of stock options by TriZetto employees and TriZetto share repurchases. They are excluded from adjusted results because they are not related to IMS’s core business operations.
- (g) Other expense, net includes \$0.4 million of expenses for legal fees in the first quarter of both 2004 and 2003, related to the IRI litigation. These expenses are excluded from adjusted results because they relate to a D&B legacy matter and are not related to IMS’s core business operations. In addition, other expense, net excludes a quarterly phasing adjustment of foreign currency hedge gains (losses), net of (\$5.7) million in the first quarter of 2004 and \$5.8 million in the first quarter of 2003. This phasing adjustment is made to adjusted results in order to more closely match the timing of foreign exchange hedge gains (losses) with the operating income being hedged.
- (h) The tax provision for the first quarter of 2004 includes a tax provision of \$4.1 million related to the items described in notes (e), (f) and (g). The tax provision for the first quarter of 2003 includes a tax benefit of \$2.6 million for the items described in notes (e), (f) and (g), and a tax benefit of \$13.2 million for the item in note (i). These tax provisions and benefits are excluded from adjusted results because the related charges are excluded from adjusted results. In addition, the first-quarter 2004

tax provision also includes a \$15.6 million tax benefit related to a favorable audit resolution in the U.S. Adjusted results include a phasing adjustment to defer \$12.1 million of this benefit to recognize it ratably throughout 2004. This phasing adjustment allows the full-year effective rate to be applied in each quarter to adjusted pretax results. Similarly, the tax provision for the first quarter of 2003 includes a \$13.9 million tax benefit; adjusted results include a phasing adjustment to defer \$11.3 million of this benefit to recognize it ratably throughout 2003. The tax provision for the first quarter of 2003 also includes an accrual of \$69.6 million related to a D&B legacy tax and subsequent related transactions. This tax provision is excluded from adjusted results because it relates to legacy tax and subsequent related transactions and is not related to IMS's core business operations.

- (i) IMS incurred \$37.2 million of expense in the first quarter of 2003 for severance, impairment and other charges, including severance for approximately 80 employees, contract cancellations and impairments, idle real estate facilities and software writedowns. These amounts are excluded from adjusted results because management does not expect them to be relevant to the business going forward. Severance, impairment and other charges were recorded in 2000, 2001 and 2003, and there can be no assurances that such charges will not be recorded in the future.
- (j) The TriZetto Impairment Charge, net recorded in the first quarter of 2003 reduced the book value per share of IMS's investment in TriZetto shares (\$6.14 per share) down to the March 31, 2003 market value per share (\$4.13). This charge is excluded from adjusted results because it relates to a non-strategic investment and is not related to IMS's core business operations.
- (k) The split-off of CTS described in note (d) generated a net gain of \$495.1 million in the first quarter of 2003. This gain is calculated as the proceeds from the split-off less the book value of IMS's investment in CTS and transaction costs. No tax provision is provided as the split-off is expected to be a tax-free transaction. This gain is excluded from adjusted results as it relates to the divestiture of the business and is not related to IMS's ongoing core business operations.

Amounts presented in the financial tables may not add due to rounding.

These financial tables should be read in conjunction with IMS Health's filings previously made or to be made with the Securities and Exchange Commission.