

Table 1
IMS Health
SEC Income Statement (a)
Three Months Ended June 30
(unaudited, in millions except per share)

	2004	2003	% Fav
	SEC	SEC	(Unfav)
Revenue			
Sales Force Effectiveness	\$172.7	\$159.6	8 %
Portfolio Optimization	109.7	99.5	10
Brand, Launch and Other	52.4	48.5	8
Consulting and Services	<u>44.8</u>	<u>30.1</u>	49
Total	379.6	337.8	12
Operating Expenses (b)			
Operating Costs	(162.4)	(141.5)	(15)
Selling and Administrative	(92.4)	(79.1)	(17)
Depreciation and Amortization	<u>(22.3)</u>	<u>(19.8)</u>	(13)
Total	(277.1)	(240.5)	(15)
Operating Income	102.5	97.3	5
Interest expense, net	(2.1)	(2.7)	23
Gains from investments, net (e)	2.1	0.0	NM
Gain (loss) on issuance of investees' stock, net (f)	(0.1)	0.1	NM
Other (expense), net (g)	<u>(1.6)</u>	<u>(9.8)</u>	84
Pretax Income	100.8	84.9	19
Provision for Income Taxes (h)	(35.4)	(29.5)	(20)
TriZetto Equity Loss, net (c)	<u>(0.3)</u>	<u>(0.1)</u>	(359)
Net Income	65.1	55.4	18
Diluted EPS:			
Total Diluted EPS	\$0.27	\$0.23	17 %
Shares Outstanding:			
Weighted Average Diluted	240.3	242.8	1 %
End-of-Period Actual	233.9	239.1	2

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

Table 2
IMS Health
SEC Income Statement (a)
Six Months Ended June 30
(unaudited, in millions except per share)

	2004 SEC	2003 SEC	% Fav (Unfav)	
Revenue				
Sales Force Effectiveness	\$339.8	\$312.0	9	%
Portfolio Optimization	222.8	199.9	11	
Brand, Launch and Other	101.2	88.2	15	
Consulting and Services	<u>77.4</u>	<u>51.6</u>	50	
Total	741.2	651.7	14	
Operating Expenses (b)				
Operating Costs	(311.9)	(278.8)	(12)	
Selling and Administrative	(186.5)	(160.6)	(16)	
Depreciation and Amortization	(44.0)	(36.6)	(20)	
Severance, Impairment & other charges (i)	<u>0.0</u>	<u>(37.2)</u>	100	
Total	(542.5)	(513.2)	(6)	
Operating Income	198.7	138.4	44	
Interest expense, net	(5.4)	(5.5)	2	
Gains (losses) from investments, net (e)	8.5	(0.8)	NM	
Loss on issuance of investees' stock, net (f)	(0.1)	(0.3)	65	
Other income (expense), net (g)	<u>1.2</u>	<u>(20.6)</u>	NM	
Pretax Income	202.9	111.3	82	
Provision for Income Taxes (h)	(55.5)	(93.8)	41	
TriZetto Equity Loss, net (c)	(1.3)	(0.4)	(218)	
TriZetto impairment charge, net (j)	<u>0.0</u>	<u>(14.8)</u>	100	
Net Income from continuing operations	146.2	2.2	NM	
Income from discontinued operations – CTS (d)	0.0	2.8	(100)	
Gain on discontinued operations – CTS (k)	<u>0.0</u>	<u>495.1</u>	(100)	
Net Income	\$146.2	\$500.0	(71)	
Diluted EPS:				
Income from continuing operations	0.61	0.01		
Income from discontinued operations – CTS (d)	0.00	0.01		
Gain on discontinued operations – CTS (k)	<u>0.00</u>	<u>1.97</u>		
Total Diluted EPS	\$0.61	\$1.99	(69)	%
Shares Outstanding:				
Weighted Average Diluted	240.3	251.3	4	%
End-of-Period Actual	233.9	239.1	2	

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

Table 3
IMS Health
Adjusted Income Statement (a)
Three Months Ended June 30
(unaudited, in millions except per share)

	2004 Adjusted	2003 Adjusted	% Fav (Unfav)	Constant \$ Growth
Revenue				
Sales Force Effectiveness	\$172.7	\$159.6	8 %	5 %
Portfolio Optimization	109.7	99.5	10	6
Brand, Launch and Other	52.4	48.5	8	4
Consulting and Services	<u>44.8</u>	<u>30.1</u>	49	44
Total	379.6	337.8	12	9
Operating Expenses (b)				
Operating Costs	(162.4)	(141.5)	(15)	
Selling and Administrative	(92.4)	(79.1)	(17)	
Depreciation and Amortization	<u>(22.3)</u>	<u>(19.8)</u>	(13)	
Total	(277.1)	(240.5)	(15)	
Operating Income	102.5	97.3	5	3
Interest expense, net	(2.1)	(2.7)	23	
Other income (expense), net (g)	<u>0.8</u>	<u>(7.3)</u>	NM	
Pretax Income	101.2	87.3	16	
Provision for Income Taxes (h)	(31.4)	(26.9)	(17)	
TriZetto Equity Loss, net (c)	<u>(0.3)</u>	<u>(0.1)</u>	(359)	
Net Income	69.5	60.4	15 %	
Diluted EPS:				
Total Diluted EPS	\$0.29	\$0.25	16 %	
Shares Outstanding:				
Weighted Average Diluted	240.3	242.8	1 %	
End-of-Period Actual	233.9	239.1	2	

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

Table 4
IMS Health
Adjusted Income Statement (a)
Six Months Ended June 30
(unaudited, in millions except per share)

	2004 Adjusted	2003 Adjusted	% Fav (Unfav)	Constant \$ Growth
Revenue				
Sales Force Effectiveness	\$339.8	\$312.0	9 %	4 %
Portfolio Optimization	222.8	199.9	11	6
Brand, Launch and Other	101.2	88.2	15	8
Consulting & Services	<u>77.4</u>	<u>51.6</u>	50	44
Total	741.2	651.7	14	8
Operating Expenses (b)				
Operating Costs	(311.9)	(278.8)	(12)	
Selling and Administrative	(186.5)	(160.6)	(16)	
Depreciation and Amortization	<u>(44.0)</u>	<u>(36.6)</u>	(20)	
Total	(542.5)	(476.0)	(14)	
Operating Income	198.7	175.7	13	9
Interest expense, net	(5.4)	(5.5)	2	
Other expense, net (g)	<u>(1.7)</u>	<u>(11.9)</u>	86	
Pretax Income	191.6	158.4	21	
Provision for Income Taxes (h)	(59.4)	(48.8)	(22)	
TriZetto Equity Loss, net (c)	<u>(1.3)</u>	<u>(0.4)</u>	(218)	
Net Income from continuing operations	131.0	109.2	20 %	
Income from discontinued operations – CTS (d)	<u>0.0</u>	<u>2.8</u>	(100)	
Net Income	\$131.0	\$112.0	17 %	
Diluted EPS:				
Income from continuing operations	0.54	0.43	26	
Income from discontinued operations – CTS (d)	<u>0.00</u>	<u>0.01</u>	(100)	
Total Diluted EPS	\$0.54	\$0.45	20 %	
Shares Outstanding:				
Weighted Average Diluted	240.3	251.3	4 %	
End-of-Period Actual	233.9	239.1	2	

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

Table 5
IMS Health
Reconciliation from SEC to Adjusted Income Statement (a)
Three Months Ended June 30, 2004
(unaudited, in millions except per share)

	SEC Q2	Adjustments	Adjusted Q2
Revenue			
Sales Force Effectiveness	\$172.7	\$0.0	\$172.7
Portfolio Optimization	109.7	0.0	109.7
Brand, Launch and Other	52.4	0.0	52.4
Consulting and Services	<u>44.8</u>	<u>0.0</u>	<u>44.8</u>
Total	379.6	0.0	379.6
Operating Expenses (b)			
Operating Costs	(162.4)	0.0	(162.4)
Selling and Administrative	(92.4)	0.0	(92.4)
Depreciation and Amortization	<u>(22.3)</u>	<u>0.0</u>	<u>(22.3)</u>
Total	(277.1)	0.0	(277.1)
Operating Income	102.5	0.0	102.5
Interest expense, net	(2.1)	0.0	(2.1)
Gains from investments, net (e)	2.1	(2.1)	0.0
Loss on issuance of investees' stock, net (f)	(0.1)	0.1	0.0
Other income (expense), net (g)	<u>(1.6)</u>	<u>2.4</u>	<u>0.8</u>
Pretax Income	100.8	0.4	101.2
Provision for Income Taxes (h)	(35.4)	4.0	(31.4)
TriZetto Equity Loss, net (c)	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
Net Income	65.1	4.4	69.5
Diluted EPS	\$0.27	0.02	\$0.29
Shares Outstanding:			
Weighted Average Diluted	240.3	0.0	240.3
End-of-Period Actual	233.9	0.0	233.9

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

Table 6
IMS Health
Reconciliation from SEC to Adjusted Income Statement (a)
Six Months Ended June 30, 2004
(unaudited, in millions except per share)

	SEC Q2	Adjustments	Adjusted Q2
Revenue			
Sales Force Effectiveness	\$339.8	\$0.0	\$339.8
Portfolio Optimization	222.8	0.0	222.8
Brand, Launch and Other	101.2	0.0	101.2
Consulting and Services	<u>77.4</u>	<u>0.0</u>	<u>77.4</u>
Total	741.2	0.0	741.2
Operating Expenses (b)			
Operating Costs	(311.9)	0.0	(311.9)
Selling and Administrative	(186.5)	0.0	(186.5)
Depreciation and Amortization	<u>(44.0)</u>	<u>0.0</u>	<u>(44.0)</u>
Total	(542.5)	0.0	(542.5)
Operating Income	198.7	0.0	198.7
Interest expense, net	(5.4)	0.0	(5.4)
Gains from investments, net (e)	8.5	(8.5)	0.0
Loss on issuance of investees' stock, net (f)	(0.1)	0.1	0.0
Other income (expense), net (g)	<u>1.2</u>	<u>(2.9)</u>	<u>(1.7)</u>
Pretax Income	202.9	(11.3)	191.6
Provision for Income Taxes (h)	(55.5)	(3.9)	(59.4)
TriZetto Equity Loss, net (c)	<u>(1.3)</u>	<u>0.0</u>	<u>(1.3)</u>
Net Income	146.2	(15.2)	131.0
Diluted EPS	\$0.61	(0.07)	\$0.54
Shares Outstanding:			
Weighted Average Diluted	240.3	0.0	240.3
End-of-Period Actual	233.9	0.0	233.9

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

Table 7
IMS Health
Reconciliation from SEC to Adjusted Income Statement (a)
Three Months Ended June 30, 2003
(unaudited, in millions except per share)

	SEC Q2	Adjustments	Adjusted Q2
Revenue			
Sales Force Effectiveness	\$159.6	\$0.0	\$159.6
Portfolio Optimization	99.5	0.0	99.5
Brand, Launch and Other	48.5	0.0	48.5
Consulting and Services	<u>30.1</u>	<u>0.0</u>	<u>30.1</u>
Total	337.8	0.0	337.8
Operating Expenses (b)			
Operating Costs	(141.5)	0.0	(141.5)
Selling and Administrative	(79.1)	0.0	(79.1)
Depreciation and Amortization	<u>(19.8)</u>	<u>0.0</u>	<u>(19.8)</u>
Total	(240.5)	0.0	(240.5)
Operating Income	97.3	0.0	97.3
Interest expense, net	(2.7)	0.0	(2.7)
Gains from investments, net (e)	0.0	0.0	0.0
Gain on issuance of investees' stock, net (f)	0.1	(0.1)	0.0
Other expense, net (g)	<u>(9.8)</u>	<u>2.5</u>	<u>(7.3)</u>
Pretax Income	84.9	2.4	87.3
Provision for Income Taxes (h)	(29.5)	2.6	(26.9)
TriZetto Equity Loss, net (c)	<u>(0.1)</u>	<u>0.0</u>	<u>(0.1)</u>
Net Income	55.4	5.0	60.4
Diluted EPS:			
Total Diluted EPS	\$0.23	0.02	\$0.25
Shares Outstanding:			
Weighted Average Diluted	242.8	0.0	242.8
End-of-Period Actual	239.1	0.0	239.1

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

Table 8
IMS Health
Reconciliation from SEC to Adjusted Income Statement (a)
Six Months Ended June 30, 2003
(unaudited, in millions except per share)

	<u>SEC Q2</u>	<u>Adjustments</u>	<u>Adjusted Q2</u>
Revenue			
Sales Force Effectiveness	\$312.0	\$0.0	\$312.0
Portfolio Optimization	199.9	0.0	199.9
Brand, Launch and Other	88.2	0.0	88.2
Consulting and Services	<u>51.6</u>	<u>0.0</u>	<u>51.6</u>
Total	651.7	0.0	651.7
Operating Expenses (b)			
Operating Costs	(278.8)	0.0	(278.8)
Selling and Administrative	(160.6)	0.0	(160.6)
Depreciation and Amortization	(36.6)	0.0	(36.6)
Severance, Impairment & other charges (i)	<u>(37.2)</u>	<u>37.2</u>	<u>0.0</u>
Total	(513.2)	37.2	(476.0)
Operating Income	138.4	37.2	175.7
Interest expense, net	(5.5)	0.0	(5.5)
Losses from investments, net (e)	(0.8)	0.8	0.0
Loss on issuance of investees' stock, net (f)	(0.3)	0.3	0.0
Other expense, net (g)	<u>(20.6)</u>	<u>8.8</u>	<u>(11.9)</u>
Pretax Income	111.3	47.1	158.4
Provision for Income Taxes (h)	(93.8)	45.0	(48.8)
TriZetto Equity Loss, net (c)	(0.4)	0.0	(0.4)
TriZetto impairment charge, net (j)	<u>(14.8)</u>	<u>14.8</u>	<u>0.0</u>
Net Income from continuing operations	2.2	107.0	109.2
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	\$500.0	(388.1)	\$112.0
Diluted EPS:			
Income from continuing operations	0.01	0.42	0.43
Income from discontinued operations – CTS (d)	0.01	0.00	0.01
Gain on discontinued operations – CTS (k)	<u>1.97</u>	<u>(1.97)</u>	<u>0.00</u>
Total Diluted EPS	\$1.99	(1.54)	\$0.45
Shares Outstanding:			
Weighted Average Diluted	251.3	0.0	251.3
End-of-Period Actual	239.1	0.0	239.1

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

Table 9
IMS Health
Selected Consolidated Balance Sheet Items
(unaudited, in millions)

	<u>June 30, 2004</u>	<u>Dec. 31, 2003</u>
Cash and cash equivalents	\$371.9	\$344.4
Short-term marketable securities	27.8	40.1
Accounts receivable, net	293.7	271.3
Short-term debt	233.4	409.9
Long-term debt	401.2	152.1

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

IMS Health NOTES

- (a) “SEC Income Statement” (Tables 1 and 2) differs from the “Adjusted Income Statement” (Tables 3 and 4) by amounts that are detailed on Tables 5, 6, 7 and 8. 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 assurance 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 second quarter of 2004 is based on an estimate of TriZetto’s results and includes IMS’s share of such estimated 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 \$2.1 million in the second quarter of 2004, relating primarily to an earn-out payment from the sale of an Enterprise investment. This is compared with a gain of less than \$0.1 million in the second quarter of 2003. Gains from investments, net were \$8.5 million for the first six months of 2004, primarily from the sale of a security in the first quarter and the items discussed above. This is compared with a loss of \$0.8 million in the first six months 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 \$0.1 million in the second quarter and the first six months of 2004 compared with a gain of \$0.1 million in the second quarter of 2003 and a loss of \$0.3 million in the first six months 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 \$1.2 million and \$(2.2) million of expenses for legal fees in the second quarter of 2004 and 2003, respectively, related to the IRI litigation. For the first six months, IRI litigation legal fees were \$1.6 million and \$(1.8) million in 2004 and 2003, respectively. 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 \$1.2 million in the second quarter and \$(4.5) million for the first six months of 2004, and \$4.8 million in the second quarter and \$10.6 million for the first six months 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. For the full year, there will be no difference between the hedge gains (losses) in adjusted and SEC results.

- (h) The tax provision for the second quarter and first six months of 2004 includes a tax benefit of \$0.2 million and tax provision of \$4.0 million, respectively, related to the items described in notes (e), (f) and (g). The tax provision for the second quarter and first six months of 2003 includes a tax benefit of \$0.9 million and \$3.5 million, respectively, 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. of the 1998 and 1999 tax years. Adjusted results include a phasing adjustment to recognize it ratably throughout 2004. The second quarter phasing adjustment was \$4.2 million and the phasing adjustment for the first six months was \$(7.9) million. 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 included a \$13.9 million tax benefit; adjusted results included a phasing adjustment to recognize it ratably throughout 2003. The second-quarter 2003 phasing adjustment was \$3.4 million and the phasing adjustment for the first six months of 2003 was \$(7.9) million.
- (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.
- (l) IMS expects SEC-reported full-year diluted earnings per share ("EPS") to differ from adjusted diluted EPS. For the first six months of 2004, the SEC-reported diluted EPS of \$0.61 was \$0.07 higher than adjusted diluted EPS of \$0.54. See Table 6. This difference was due to net gains from IMS investments, legal fees relating to the IRI litigation, phasing adjustments of foreign currency hedge gains (losses) and phasing adjustments relating to a tax benefit. By year-end, it is expected that the \$0.01 foreign currency hedge gain difference and \$0.03 phasing adjustments for a tax benefit difference between SEC-reported and adjusted diluted EPS for the first six months of 2004 will reverse, resulting in no difference in these items between SEC-reported and adjusted diluted EPS for the full year. Additional items that could cause full-year 2004 SEC-reported diluted EPS to differ from adjusted diluted EPS include, but are not limited to, additional IRI legal fees and gains or losses resulting from strategic actions with respect to IMS's investments. IMS is unable to predict at this time the occurrence or amount of these as well as other items that could cause full-year 2004 SEC-reported diluted EPS to differ from adjusted diluted EPS.

Statements relating to guidance are based on current expectations as of the date of this release. These statements are forward-looking, and actual results may differ materially. IMS does not undertake to update these targets in any way or for any reason prior to discussing actual results.

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.