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APPLIED.

**December, 2005**

# Safe Harbor

## About IMS Health Incorporated

IMS Health Incorporated ("IMS") provides sales management and market research information services to the pharmaceutical and healthcare industries worldwide. IMS provides information services covering more than 100 countries and maintains offices in 76 countries on six continents, with approximately 64% of total 2004 IMS revenue generated outside the United States. IMS is listed on the New York Stock Exchange (NYSE: RX).

## About VNU N.V.

VNU N.V. ("VNU") is a global information and media company with leading market positions and recognized brands. VNU is active in more than 100 countries, with its headquarters located in Haarlem, The Netherlands and New York, USA. In 2004, total revenues amounted to EUR 3.8 billion. VNU is listed on the Euronext Amsterdam stock exchange (ASE: VNU), and VNU is part of the AEX Index of leading Netherlands-based stocks.

## Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This document contains certain forward-looking information about IMS, VNU and the combined company after completion of the transactions that are intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of IMS and VNU, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: the failure of stockholders to approve the transaction; the risk that the businesses will not be integrated successfully or that doing so will be costly or result in significant charges; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; the results of the reconciliation of IMS' financial statements into IFRS and the results of the reconciliation of VNU's results into U.S. GAAP; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; competition and its effect on pricing, spending, third-party relationships and revenues; the ability to obtain governmental approvals of the transaction on the proposed terms and schedule; the risk that VNU is not able to maintain its status as a foreign private issuer; risks associated with operating on a global basis, including fluctuations in the value of foreign currencies relative to the U.S. dollar, and the ability to successfully hedge such risks; to the extent the companies seek growth through acquisition, the ability of the companies to complete development of or to develop new or advanced technologies and systems for their businesses on a cost-effective basis; the ability to successfully achieve estimated effective tax rates and corporate overhead levels; competition, particularly in the markets for pharmaceutical information and audience measurement services; regulatory and legislative initiatives, particularly in the area of privacy; the outcome of pending legal and regulatory proceedings; leverage and debt service (including sensitivity to fluctuations in interest rates); compliance with covenants in loan agreements; the ability to obtain future financing on satisfactory terms; deterioration in economic conditions, particularly in the pharmaceutical, healthcare, media, information technology or other industries in which customers operate; and conditions in the securities markets which may affect the value or liquidity of portfolio investments. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Neither IMS nor VNU undertakes any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures in IMS' various reports with the Securities and Exchange Commission ("SEC"), including but not limited to IMS' Annual Report on Form 10-K for the year ended December 31, 2004 and IMS' Quarterly Reports on Form 10-Q for the quarterly period ending June 30, 2005, and VNU's Annual Report for the year ended December 31, 2004, which have been filed with the SEC. You may read and copy the above-mentioned SEC filings and other information at the public reference facilities maintained by the SEC located at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials can be obtained from the Public Reference Section of the Securities and Exchange Commission at prescribed rates by calling the Commission at 1-800-SEC-0330. Many of these materials are also available at the SEC's Internet site (<http://www.sec.gov>).

# Financial Highlights

## **All financials shown are on an “adjusted basis”:**

Adjusted results are those used by management for the purposes of global business decision-making, including developing budgets and managing expenditures. Adjusted results exclude certain U.S. GAAP measures to the extent that management believes exclusion will facilitate comparisons across periods and more clearly indicate trends. Although IMS discloses adjusted results in order to give a full picture to investors of its business as seen by management, these adjusted results are not prepared specifically for investors and are not a replacement for the more comprehensive information for investors included in IMS's U.S. GAAP results. 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. Investors interested in management's adjusted results are urged to review the detailed reconciliations of the adjusted measures to comparable U.S. GAAP results.

Adjusted Q3 2005, Operating Income, Net Income, EPS and a complete reconciliation to the comparable GAAP numbers can be found in our Q3 2005 earnings press release, which is available in the Investors Section of [www.imshealth.com](http://www.imshealth.com) and is attached to this document.

Preliminary Q3 2005 Free Cash Flow and a complete reconciliation to the comparable GAAP numbers can be found in the Investors Section of [www.imshealth.com](http://www.imshealth.com) and are attached to this document.

Complete reconciliations to the comparable GAAP numbers for 2002, 2003 and 2004 Return on Invested Capital, and quarterly Free Cash Flow and adjusted EPS for the prior nine quarters can be found in the Investors Section of [www.imshealth.com](http://www.imshealth.com) and are attached to this document.

# IMS Leadership: Realizing Growth

- Leading global market intelligence company serving the pharmaceutical and healthcare industry for over 50 years.
- Unparalleled combination of information assets, analytical tools, consulting & services capabilities
  - >60% revenue Non-U.S
  - Growing market opportunity exceeding \$5B
- Financial Performance\*
  - 10% Constant Dollar Revenue Growth
  - 13% Adjusted EPS Growth
  - >100% Free Cash Conversion
  - > 30% Return on Invested Capital
  - > 26% Operating Margins



# Creating Unique Value

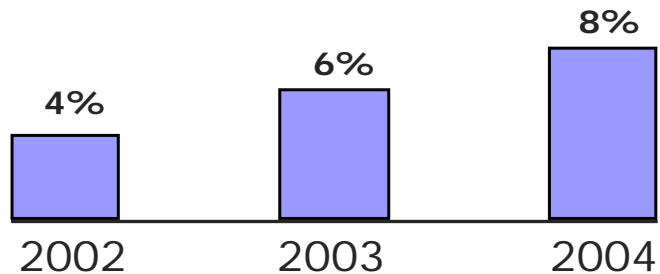


# Driving our Growth

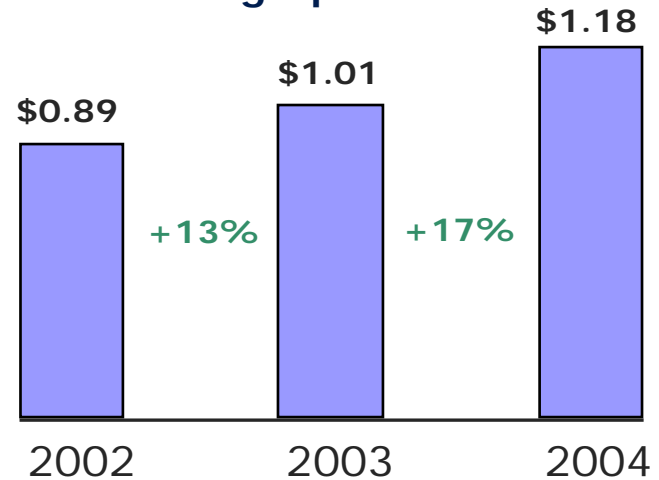
- Leading in Customer Satisfaction
- Enabling a Strong Consulting & Services Business
- Achieving Profitable Growth from Acquisitions
- Accelerating Global Capabilities and Performance

# Operational Performance

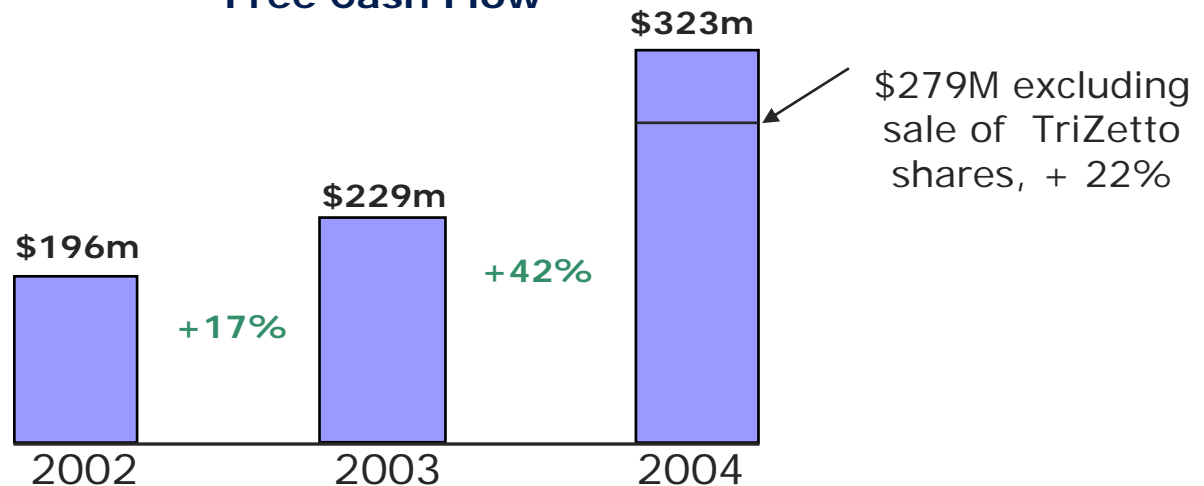
Constant Dollar Revenue  
Growth by Year



Adjusted EPS from  
Continuing Operations\*



Free Cash Flow



<sup>7</sup>  
\* Continuing Operations Excludes CTSH

## Q3 2005 Financial Highlights

|         |        |
|---------|--------|
| Revenue | \$433M |
|---------|--------|

|                 |     |
|-----------------|-----|
| Reported Growth | 13% |
|-----------------|-----|

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|                           |        |
|---------------------------|--------|
| Adjusted Operating Income | \$111M |
|---------------------------|--------|

|                 |    |
|-----------------|----|
| Reported Growth | 8% |
|-----------------|----|

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|                     |       |
|---------------------|-------|
| Adjusted Net Income | \$81M |
|---------------------|-------|

|        |     |
|--------|-----|
| Growth | 14% |
|--------|-----|

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|              |        |
|--------------|--------|
| Adjusted EPS | \$0.34 |
|--------------|--------|

|        |     |
|--------|-----|
| Growth | 13% |
|--------|-----|



## Business Lines: Year-to-Date Q3 2005

|                                  | Offerings View<br>Reported | Offerings View<br>Constant Dollar |
|----------------------------------|----------------------------|-----------------------------------|
| <b>Sales Force Effectiveness</b> | <b>9%</b>                  | <b>7%</b>                         |
| <b>Portfolio Optimization</b>    | <b>11%</b>                 | <b>9%</b>                         |
| <b>Launch / Brand / Other</b>    | <b>28%</b>                 | <b>26%</b>                        |
|                                  |                            |                                   |
| <b>Total</b>                     | <b>13%</b>                 | <b>11%</b>                        |

Offerings Line View – Consulting & Services Embedded in Business Lines

# Leveraging our Global Footprint

- Customer focused engagements driving growth
  - Pan-European brand performance
  - Multi-country product launches
  - Greater productivity & efficiencies
  - Seeking fewer stronger partners

Capitalizing on our global reach

## Q3 2005 Reported Revenue Growth

**Americas** + 13%

**Europe** + 10%

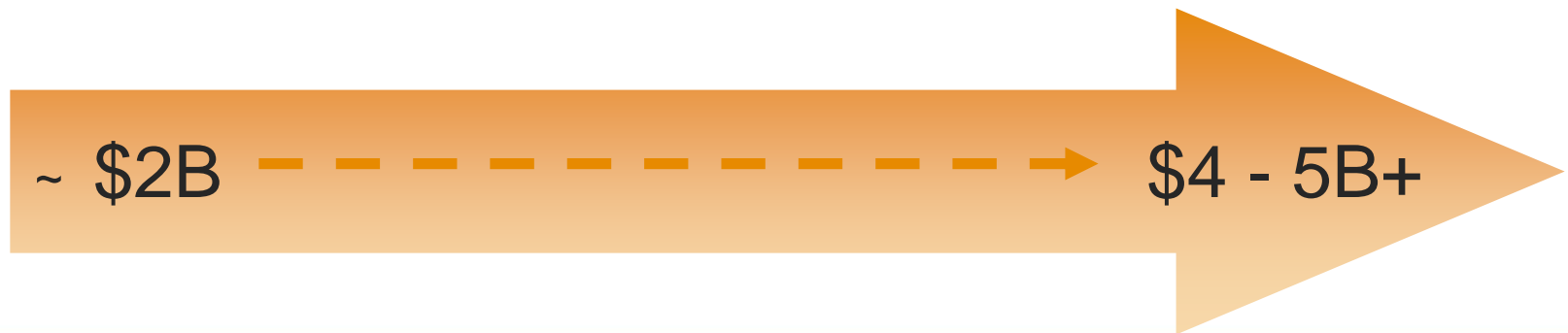
**Asia Pacific** + 19%

Focus on execution driving an accelerating performance

# Providing Unique Value



... Yields a Greater Market Opportunity



# Sustainable Financial Model

|                           | Strategic Goals   | 9 Quarter Performance* |
|---------------------------|-------------------|------------------------|
| CD Revenue Growth         | 8 – 13%           | 10%                    |
| Adjusted EPS Growth       | ≥ Revenue Growth  | 13%                    |
| ROIC                      | >30%              | ≥ 30%**                |
| Free Cash Flow Conversion | >85% Net Earnings | >100% Net Earnings     |

\*Trailing 9 quarter performance

\*\* Based on 2002 – 2004 annual results

# External Factors Affecting our Growth

|  | <b>Historical<br/>Effect</b>  | <b>Future<br/>Expectation</b>  |
|--|---|--|
| <b>Number of<br/>Pharma Sales<br/>Reps</b> | No Effect   | No Effect  |
| <b>Generic<br/>Event</b>                   | No Measurable<br>Effect   | No Measurable<br>Effect  |
| <b>Pharma Co<br/>Mergers</b>               | < 1 percentage point of<br>impact on growth                               | Model assumes 1 – 2<br>percentage points of<br>impact on growth              |
| <b>Pharma SG&amp;A<br/>Growth</b>          | Limited overall<br>correlation, unique to<br>each client and<br>geography | Positive opportunity<br>for IMS even if<br>growth stabilizes or<br>moderates |

# Emerging Marketplace Opportunities

- China
- Consumer Health
- Japan
- Biotech
- Managed Care
- Government
- Research & Development

# Summary

- Executing Well
- Global Presence Ensures Growth and Resiliency
- Opportunity Pipeline is Strengthening
- Financial Model Continues to be Strong
- Sustaining a Strong Cash Flow Model
- Expanding Market Opportunity Positions IMS Well for Future Growth



# Statement on Guidance

IMS expects SEC-reported fourth quarter and full-year diluted earnings per share ("EPS") to differ from adjusted diluted EPS. Items that could cause fourth quarter and full-year 2005 SEC-reported diluted EPS to differ from adjusted diluted EPS include, but are not limited to, additional costs associated with the proposed merger of IMS and VNU, IRI legal fees and gains or losses resulting from strategic actions with respect to IMS's investments. Additional items including phasing adjustments of foreign currency hedge gains (losses) and phasing adjustments relating to any tax benefit could cause quarterly SEC-reported diluted earnings per share ("EPS") to differ from quarterly adjusted diluted EPS. By year-end, it is expected that the foreign currency hedge gain difference and any phasing adjustments for a tax benefit difference between SEC-reported and adjusted diluted EPS will show no difference in these items between SEC-reported and adjusted diluted EPS for the full year. In addition, the full year SEC-reported and adjusted diluted EPS will differ due to the tax charge related to the company's repatriation transaction. IMS is unable to predict at this time the occurrence or amount of these as well as other items that could cause full-year 2005 SEC-reported diluted EPS to differ from adjusted diluted EPS.

We guide to constant dollar revenue growth but SEC-reported revenue growth will include the effect of foreign currency fluctuations, which we cannot at this time reliably predict.

Free cash flow guidance may differ from net cash provided by operating activities on a SEC-reported basis in ways similar to those described in the reconciliations identified in the 2004 full year press release and the Q3 2005 free cash flow reconciliation which can be found in the Investors Section of [www.imshealth.com](http://www.imshealth.com) and attached to this document.

Statements relating to guidance are based on current expectations as October 19, 2005. 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.

# 2005 Guidance

## Full Year 2005 Guidance

|                   |   |
|-------------------|---|
| CD Revenue Growth | 10% – 12%   |
| Adjusted EPS      | \$1.32 – \$1.35   |
| Free Cash Flow    | \$250 – \$295m  |
| Share Repurchase  | 6.2M shares through Q3                                  |
|                   | Share repurchase resumed post VNU<br>merger termination |

# David M. Thomas Executive Chairman, IMS



David M. Thomas is executive chairman of IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries. He served as chairman and chief executive officer of the company from 2000-2004. With \$1.6 billion in 2004 revenue, IMS employs 6,400 professionals serving more than 100 countries.

Before joining IMS, Thomas was senior vice president and group executive at IBM, responsible for its global Personal Systems Group, and served as a member of IBM's Corporate Executive Committee, overseeing all worldwide business operations.

From 1996 to 1998, Thomas was general manager, IBM Global Industries, responsible for sales and support of IBM's top enterprise customers worldwide. Prior to 1996, Thomas held progressively responsible executive positions at IBM, including general manager, North America; general manager, Asia Pacific; general manager, AS/400 Division; and president, National Distribution Division. He joined IBM in 1972 as a marketing representative.

Thomas holds an M.S. in Engineering and a B.S. in Industrial Engineering from the University of Florida. He received the University of Florida's Distinguished Graduate Award in 1996. Thomas serves on the boards of directors of Fortune Brands and Interpublic, and is an Advisory Board member of EZGOV, Inc.

# David R. Carlucci Chief Executive Officer and President, IMS



David R. Carlucci is chief executive officer and president of IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries. He is responsible for all IMS operations worldwide. With \$1.6 billion in 2004 revenue, IMS employs 6,400 professionals serving more than 100 countries.

Carlucci joined IMS in October 2002 as president and chief operating officer. In that role, he realigned IMS's global marketing function, enhanced global sales account management, assembled strong operating teams and dramatically strengthened consulting and services capabilities across all regions. Carlucci was named CEO and president in January 2005.

Before joining IMS, Carlucci was general manager, IBM Americas, a \$40 billion business comprising all sales and distribution operations in the U.S., Canada and Latin America.

Prior to that, Carlucci held roles of increasing responsibility at IBM, including general manager, IBM's S/390 Division; chief information officer; general manager, IBM Printing Systems Company; vice president, Systems, Industries and Services, Asia Pacific; and vice president, Marketing and Channel Management, IBM Personal Computer Company - North America. He joined IBM in 1976 as a sales representative.

Carlucci holds a B.A. in political science from the University of Rochester.

# Nancy E. Cooper Senior Vice President & Chief Financial Officer



Nancy E. Cooper is senior vice president and chief financial officer of IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries. With \$1.6 billion in 2004 revenue, IMS employs 6,400 professionals serving more than 100 countries.

She joined IMS in December 2001 from Reciprocal, Inc., a leading digital distribution infrastructure enabler, where she had served as CFO since July 2000. From 1998 to 2000, she was CFO of Pitney Bowes Credit Corporation. In 1998, Cooper served as a partner responsible for finance and administration at General Atlantic Partners.

Prior to General Atlantic, Cooper spent 22 years at IBM in various positions of increasing responsibility. From 1997 to 1998, she was CFO

for IBM's Global Industries Division, with global financial responsibility for a budget of more than \$55 billion. She also was a member of the IBM Senior Management Group. Cooper served as IBM's corporate assistant controller in 1996. From 1992 to 1996, she was controller and treasurer of IBM Credit Corporation.

From 1982 to 1992, Cooper was director of financial management systems, pricing and financial planning at IBM's corporate headquarters. She joined IBM as a marketing representative in 1976.

Cooper holds a B.A., Summa Cum Laude, in Economics and Political Science, Bucknell University, and a Master of Business Administration from the Harvard Graduate School of Business Administration.

# Darcie Peck Vice President, Investor Relations



Darcie Peck is vice president, Finance and Investor Relations at IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries. With \$1.6 billion in 2004 revenue, IMS employs 6,400 professionals serving more than 100 countries.

Peck joined IMS in May 2002 following a 20-year career with IBM. She joined IBM in 1982 as manager of financial planning and product pricing, and during the next 13 years held finance and planning positions of increasing responsibility at IBM's Enterprise Systems Division, IBM Credit Corporation and IBM's Networked Application Services Division.

In 1995, she was promoted to chief financial officer of IBM CS Systems, and later served as director of business development of IBM Credit Corporation and as director of finance and operations for IBM's Global Sales & Distribution Group.

Peck was named vice president of finance and site general manager of IBM's NUMA-Q Division in 1999, serving as chief financial officer and controller for IBM's acquisition of Sequent Computer Systems Inc. Prior to joining IMS, she served for a year as vice president of finance for IBM Software Group, and also acted as controller for global sales and marketing.

Peck holds a Bachelor of Arts degree from the University of Rochester in Rochester, NY, and a Master of Business Administration degree in Finance from the New York University Graduate School of Business Administration.



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# News

For Immediate Release

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## **IMS HEALTH REPORTS 13 PERCENT REVENUE GROWTH IN THIRD-QUARTER 2005**

**FAIRFIELD, CT, October 19, 2005** -- IMS Health (NYSE: RX) today announced third-quarter 2005 revenues of \$432.8 million, up 13 percent (12 percent constant dollar), compared with revenues of \$384.2 million for the third quarter of 2004. Third-quarter diluted earnings per share on an SEC-reported basis was \$0.30, up 7 percent, compared with \$0.28 in the prior year. Third-quarter adjusted diluted earnings per share was \$0.34, compared with \$0.30 per share in the same period of 2004, an increase of 13 percent. Net income on an SEC-reported basis was \$71.1 million, up 8 percent compared with net income of \$65.6 million in the year-earlier quarter. On an adjusted basis, net income for the third quarter of 2005 was \$80.6 million, up 14 percent, compared with net income of \$70.7 million in the prior year.

"We delivered another outstanding quarter," said David R. Carlucci, IMS chief executive officer and president. "In a dynamic marketplace, IMS delivered one of our strongest third-quarter results in revenue and adjusted earnings growth in recent years, with exceptional double-digit revenue gains in the Americas, Europe and Asia Pacific, including Japan. Our execution across our business lines is excellent, and we remain focused on strengthening and broadening client relationships. We have been gaining



momentum throughout the year, and remain very confident that we will achieve our guidance for 2005.”

Operating income in the third quarter was \$102.2 million on an SEC-reported basis and \$110.7 million on an adjusted basis, compared with operating income of \$102.9 million on both an SEC-reported and adjusted basis in the year-earlier period. Adjusted operating income excludes a charge of \$8.5 million for costs associated with the proposed merger of IMS and VNU N.V. Operating income was down 1 percent on an SEC-reported basis and rose 8 percent on an adjusted basis (7 percent constant dollar).

Adjusted results for the third quarter of 2005 exclude the merger-related costs mentioned above, certain net pre-tax income items totaling \$0.7 million, and certain net tax provisions of \$1.6 million.

Adjusted results for the 2004 third quarter exclude certain net pre-tax expense items totaling approximately \$1.7 million, as well as certain net tax provisions of approximately \$3.3 million. See Tables 5 and 7 for a reconciliation between SEC and adjusted results for the quarters ended September 30, 2005 and 2004, respectively.

### **Year-to-Date Results**

For the first nine months of 2005, revenues were \$1,277.1 million, up 13 percent (11 percent constant dollar) over the prior year period. Diluted earnings per share on an SEC-reported basis for the 2005 first nine months was \$0.84, compared with \$0.89 in the year-earlier period, down 6 percent, primarily due to the tax recorded in the first nine months of 2005 on cash IMS is repatriating under the American Jobs Creation Act of 2004 (AJCA). Adjusted diluted earnings per share for the first nine months of this year was \$0.98, a 17 percent increase over the \$0.84 reported in the prior-year period. On an SEC-reported basis, net income for the first nine months of this year was \$194.7 million, compared with \$211.8 million for the year-ago period, an 8 percent decrease. On an adjusted basis, net income for the 2005 first nine months was \$226.5 million, up 12

percent, compared with adjusted net income of \$201.6 million for the comparable period last year.

Operating income for the first nine months of 2005 was \$302.4 million on an SEC-reported basis and \$318.3 million on an adjusted basis, compared with \$301.6 million on both an SEC-reported and adjusted basis in the year-earlier period. Adjusted operating income for the 2005 first nine months excludes a charge of \$15.9 million for costs associated with the proposed IMS and VNU merger. Operating income growth in the 2005 first nine months was flat on an SEC-reported basis and up 6 percent on an adjusted basis (4 percent constant dollar) from the same period last year.

Adjusted results for the first nine months of 2005 exclude the merger-related costs mentioned above and certain net pre-tax income items totaling approximately \$15.1 million, as well as certain net tax provisions of approximately \$31.1 million, primarily related to the \$39.5 million tax expense recorded in the first nine months of 2005 on cash repatriated under the AJCA. Adjusted results for the first nine months of 2004 exclude certain net pre-tax income items of approximately \$9.6 million and certain net tax benefits of approximately \$0.7 million. See Tables 6 and 8 for a reconciliation between SEC and adjusted results for the nine months ended September 30, 2005 and 2004, respectively.

### **Balance Sheet Highlights**

IMS's cash, cash equivalents, restricted cash and short-term marketable securities as of September 30, 2005 was \$351.6 million, compared with \$460.0 million on December 31, 2004. Total debt as of September 30, 2005 was \$570.5 million, down from \$626.7 million at the end of 2004. See Table 9 for selected consolidated balance sheet items.

### **Shares Outstanding, Share Repurchase Program**

The number of shares outstanding as of September 30, 2005 was approximately 231.7 million, compared with 232.0 million the same period a year ago. Prior to

suspending its share buyback program as a result of the proposed merger with VNU, the company repurchased 6.2 million shares year to date at a total cost of \$147.9 million. Approximately 8.5 million IMS options have been exercised year to date.

## **Repatriation**

On April 19, 2005, IMS announced that it is taking the opportunity provided by the AJCA to repatriate approximately \$650 million of previously undistributed foreign earnings. In the third quarter, approximately 90 percent of the company's repatriation plan was executed, with the balance expected to be completed by the end of the year.

## **About IMS**

Operating in more than 100 countries, IMS Health is the world's leading provider of information solutions to the pharmaceutical and healthcare industries. With \$1.6 billion in 2004 revenue and more than 50 years of industry experience, IMS offers leading-edge business intelligence products and services that are integral to clients' day-to-day operations, including portfolio optimization capabilities; launch and brand management solutions; sales force effectiveness innovations; managed care and over-the-counter offerings; and consulting and services solutions that improve ROI and the delivery of quality healthcare worldwide. Additional information is available at <http://www.imshealth.com>.

## **Conference Call and Webcast Details**

IMS will host a conference call at 8:30 a.m. (EDT) today to discuss its third-quarter 2005 financial results. To participate, please dial 1-800-745-2192 (U.S. and Canada) and 1-212-231-6015 (outside the United States and Canada) approximately 15 minutes before the scheduled start of the call. The conference call also will be accessible live on the Investor Relations section of the IMS Website at [www.imshealth.com](http://www.imshealth.com).

A replay of the conference call will be available online on the Investor Relations section of the IMS Website and via telephone by dialing 1-800-633-8284 (U.S. and

Canada) or 1-402-977-9140 (outside the U.S. and Canada), and entering access code 21263875.

## **Forward-Looking Statements**

*This press release includes statements that may constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although IMS Health believes the expectations contained in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove correct. This information may involve risks and uncertainties that could cause actual results of IMS Health to differ materially from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to (i) the risks associated with operating on a global basis, including fluctuations in the value of foreign currencies relative to the U.S. dollar, and the ability to successfully hedge such risks, (ii) to the extent IMS Health seeks growth through acquisitions and joint ventures, the ability to identify, consummate and integrate acquisitions and joint ventures on satisfactory terms, (iii) the ability to develop new or advanced technologies and systems for its businesses on time and on a cost-effective basis, (iv) regulatory, legislative and enforcement initiatives, particularly in the areas of medical privacy and tax, (v) to the extent unforeseen cash needs arise, the ability to obtain financing on favorable terms, (vi) deterioration in economic conditions, particularly in the pharmaceutical, healthcare or other industries in which IMS Health's customers operate, and (vii) the inability, for any reason, to consummate the merger with VNU N.V., as expected. Additional information on factors that may affect the business and financial results of the Company can be found in filings of the Company made from time to time with the Securities and Exchange Commission.*

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

|  | 2005<br>SEC  | 2004<br>SEC  | % Fav<br>(Unfav) |   |
|--|--------------|--------------|------------------|---|
| <b>Revenue (b)</b>                     |              |              |                  |   |
| Sales Force Effectiveness              | \$208.0      | \$193.9      | 7                | % |
| Portfolio Optimization                 | 124.1        | 109.7        | 13               |   |
| Launch, Brand and Other                | <u>100.7</u> | <u>80.5</u>  | 25               |   |
| Total                                  | 432.8        | 384.2        | 13               |   |
| <b>Operating Expenses (c)</b>          |              |              |                  |   |
| Operating Costs                        | (199.7)      | (165.6)      | (21)             |   |
| Selling and Administrative             | (96.1)       | (92.4)       | (4)              |   |
| Depreciation and Amortization          | (26.3)       | (23.4)       | (13)             |   |
| Merger Costs (f)                       | <u>(8.5)</u> | <u>0.0</u>   | NM               |   |
| Total                                  | (330.6)      | (281.3)      | (18)             |   |
| <b>Operating Income</b>                | 102.2        | 102.9        | (1)              |   |
| <b>Interest expense, net</b>           | (4.7)        | (2.9)        | (61)             |   |
| <b>Gains from investments, net (e)</b> | 0.3          | 2.2          | (88)             |   |
| <b>Other income (expense), net (g)</b> | <u>7.7</u>   | <u>(3.3)</u> | NM               |   |
| <b>Pretax Income</b>                   | 105.4        | 98.9         | 7                |   |
| <b>Provision for Income Taxes (h)</b>  | (34.3)       | (33.9)       | (1)              |   |
| <b>TriZetto Equity Income, net (d)</b> | <u>0.0</u>   | <u>0.7</u>   | NM               |   |
| <b>Net Income</b>                      | \$71.1       | \$65.6       | 8                |   |
| <b>Diluted EPS:</b>                    |              |              |                  |   |
| Total Diluted EPS                      | \$0.30       | \$0.28       | 7                | % |
| <b>Shares Outstanding:</b>             |              |              |                  |   |
| Weighted Average Diluted               | 234.6        | 237.1        | 1                | % |
| End-of-Period Actual                   | 231.7        | 232.0        | 0                |   |

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

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

|  | <b>2005</b>   | <b>2004</b>  | <b>% Fav</b>   |
|--|---------------|--------------|----------------|
|  | <b>SEC</b>    | <b>SEC</b>   | <b>(Unfav)</b> |
| <b>Revenue (b)</b>                                 |               |              |                |
| Sales Force Effectiveness                          | \$615.4       | \$563.6      | 9 %            |
| Portfolio Optimization                             | 372.0         | 335.5        | 11             |
| Launch, Brand and Other                            | <u>289.7</u>  | <u>226.2</u> | 28             |
| Total  | 1,277.1       | 1,125.3      | 13             |
| <b>Operating Expenses (c)</b>                      |               |              |                |
| Operating Costs                                    | (572.5)       | (481.5)      | (19)           |
| Selling and Administrative                         | (309.6)       | (274.9)      | (13)           |
| Depreciation and Amortization                      | (76.7)        | (67.4)       | (14)           |
| Merger Costs (f)                                   | <u>(15.9)</u> | <u>0.0</u>   | NM             |
| Total  | (974.7)       | (823.7)      | (18)           |
| <b>Operating Income</b>                            | 302.4         | 301.6        | 0              |
| <b>Interest expense, net</b>                       | (13.1)        | (8.3)        | (58)           |
| <b>Gains from investments, net (e)</b>             | 2.6           | 10.7         | (76)           |
| <b>Losses on issuance of investees' stock, net</b> | 0.0           | (0.1)        | NM             |
| <b>Other income (expense), net (g)</b>             | <u>25.6</u>   | <u>(2.2)</u> | NM             |
| <b>Pretax Income</b>                               | 317.5         | 301.8        | 5              |
| <b>Provision for Income Taxes (h)</b>              | (122.8)       | (89.4)       | (37)           |
| <b>TriZetto Equity Loss, net (d)</b>               | <u>0.0</u>    | <u>(0.6)</u> | NM             |
| <b>Net Income</b>                                  | \$194.7       | \$211.8      | (8)            |
| <b>Diluted EPS:</b>                                |               |              |                |
| Total Diluted EPS                                  | \$0.84        | \$0.89       | (6) %          |
| <b>Shares Outstanding:</b>                         |               |              |                |
| Weighted Average Diluted                           | 232.1         | 239.2        | 3 %            |
| End-of-Period Actual                               | 231.7         | 232.0        | 0              |

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

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

|  | <b>2005<br/>Adjusted</b> | <b>2004<br/>Adjusted</b> | <b>% Fav<br/>(Unfav)</b> | <b>Constant \$<br/>Growth (j)</b> |
|--|--------------------------|--------------------------|--------------------------|-----------------------------------|
| <b>Revenue (b)</b>                     |                          |                          |                          |                                   |
| Sales Force Effectiveness              | \$208.0                  | \$193.9                  | 7 %                      | 6 %                               |
| Portfolio Optimization                 | 124.1                    | 109.7                    | 13                       | 13                                |
| Launch, Brand and Other                | <u>100.7</u>             | <u>80.5</u>              | 25                       | 25                                |
| Total                                  | 432.8                    | 384.2                    | 13                       | 12                                |
| <b>Operating Expenses (c)</b>          |                          |                          |                          |                                   |
| Operating Costs                        | (199.7)                  | (165.6)                  | (21)                     |                                   |
| Selling and Administrative             | (96.1)                   | (92.4)                   | (4)                      |                                   |
| Depreciation and Amortization          | <u>(26.3)</u>            | <u>(23.4)</u>            | (13)                     |                                   |
| Total                                  | (322.1)                  | (281.3)                  | (15)                     |                                   |
| <b>Operating Income</b>                | 110.7                    | 102.9                    | 8                        | 7                                 |
| <b>Interest expense, net</b>           | (4.7)                    | (2.9)                    | (61)                     |                                   |
| <b>Other income, net</b>               | <u>7.2</u>               | <u>0.6</u>               | <u>NM</u>                |                                   |
| <b>Pretax Income</b>                   | 113.3                    | 100.6                    | 13                       |                                   |
| <b>Provision for Income Taxes</b>      | (32.7)                   | (30.6)                   | (7)                      |                                   |
| <b>TriZetto Equity Income, net (d)</b> | <u>0.0</u>               | <u>0.7</u>               | <u>NM</u>                |                                   |
| <b>Net Income</b>                      | \$80.6                   | \$70.7                   | 14 %                     |                                   |
| <b>Diluted EPS:</b>                    |                          |                          |                          |                                   |
| Total Diluted EPS                      | \$0.34                   | \$0.30                   | 13 %                     |                                   |
| <b>Shares Outstanding:</b>             |                          |                          |                          |                                   |
| Weighted Average Diluted               | 234.6                    | 237.1                    | 1 %                      |                                   |
| End-of-Period Actual                   | 231.7                    | 232.0                    | 0                        |                                   |

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

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

|                               | <b>2005<br/>Adjusted</b> | <b>2004<br/>Adjusted</b> | <b>% Fav<br/>(Unfav)</b> | <b>Constant \$<br/>Growth (j)</b> |
|-------------------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|
| <b>Revenue (b)</b>            |                          |                          |                          |                                   |
| Sales Force Effectiveness     | \$615.4                  | \$563.6                  | 9 %                      | 7 %                               |
| Portfolio Optimization        | 372.0                    | 335.5                    | 11                       | 9                                 |
| Launch, Brand and Other       | <u>289.7</u>             | <u>226.2</u>             | 28                       | 26                                |
| Total                         | 1,277.1                  | 1,125.3                  | 13                       | 11                                |
| <b>Operating Expenses (c)</b> |                          |                          |                          |                                   |
| Operating Costs               | (572.5)                  | (481.5)                  | (19)                     |                                   |
| Selling and Administrative    | (309.6)                  | (274.9)                  | (13)                     |                                   |
| Depreciation and Amortization | <u>(76.7)</u>            | <u>(67.4)</u>            | (14)                     |                                   |
| Total                         | (958.8)                  | (823.7)                  | (16)                     |                                   |
| <b>Operating Income</b>       | 318.3                    | 301.6                    | 6                        | 4                                 |
| Interest expense, net         | (13.1)                   | (8.3)                    | (58)                     |                                   |
| Gain from investments (e)     | 3.0                      | 0.0                      | NM                       |                                   |
| Other income (expense), net   | <u>10.0</u>              | <u>(1.1)</u>             | NM                       |                                   |
| Pretax Income                 | 318.2                    | 292.2                    | 9                        |                                   |
| Provision for Income Taxes    | (91.7)                   | (90.0)                   | (2)                      |                                   |
| TriZetto Equity Loss, net (d) | <u>0.0</u>               | <u>(0.6)</u>             | NM                       |                                   |
| <b>Net Income</b>             | \$226.5                  | \$201.6                  | 12 %                     |                                   |
| <b>Diluted EPS:</b>           |                          |                          |                          |                                   |
| Total Diluted EPS             | \$0.98                   | \$0.84                   | 17 %                     |                                   |
| <b>Shares Outstanding:</b>    |                          |                          |                          |                                   |
| Weighted Average Diluted      | 232.1                    | 239.2                    | 3 %                      |                                   |
| End-of-Period Actual          | 231.7                    | 232.0                    | 0                        |                                   |

*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 September 30, 2005**  
**(unaudited, in millions except per share)**

|  | SEC Q3        | Adjustments  | Adjusted<br>Q3 |
|--|---------------|--------------|----------------|
| <b>Revenue (b)</b>                     |               |              |                |
| Sales Force Effectiveness              | \$208.0       | \$0.0        | \$208.0        |
| Portfolio Optimization                 | 124.1         | 0.0          | 124.1          |
| Launch, Brand and Other                | <u>100.7</u>  | <u>0.0</u>   | <u>100.7</u>   |
| Total                                  | 432.8         | 0.0          | 432.8          |
| <b>Operating Expenses (c)</b>          |               |              |                |
| Operating Costs                        | (199.7)       | 0.0          | (199.7)        |
| Selling and Administrative             | (96.1)        | 0.0          | (96.1)         |
| Depreciation and Amortization          | (26.3)        | 0.0          | (26.3)         |
| Merger Costs (f)                       | <u>(8.5)</u>  | <u>8.5</u>   | <u>0.0</u>     |
| Total                                  | (330.6)       | 8.5          | (322.1)        |
| <b>Operating Income</b>                | 102.2         | 8.5          | 110.7          |
| <b>Interest expense, net</b>           | (4.7)         | 0.0          | (4.7)          |
| <b>Gains from investments, net (e)</b> | 0.3           | (0.3)        | 0.0            |
| <b>Other income, net (g)</b>           | <u>7.7</u>    | <u>(0.4)</u> | <u>7.2</u>     |
| <b>Pretax Income</b>                   | 105.4         | 7.8          | 113.3          |
| <b>Provision for Income Taxes (h)</b>  | <u>(34.3)</u> | <u>1.6</u>   | <u>(32.7)</u>  |
| <b>Net Income</b>                      | \$71.1        | \$9.4        | \$80.6         |
| <b>Diluted EPS:</b>                    |               |              |                |
| Total Diluted EPS                      | \$0.30        | \$0.04       | \$0.34         |
| <b>Shares Outstanding:</b>             |               |              |                |
| Weighted Average Diluted               | 234.6         | 0.0          | 234.6          |
| End-of-Period Actual                   | 231.7         | 0.0          | 231.7          |

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

**Table 6**  
**IMS Health**  
**Reconciliation from SEC to Adjusted Income Statement (a)**  
**Nine Months Ended September 30, 2005**  
**(unaudited, in millions except per share)**

|  | SEC Q3         | Adjustments   | Adjusted<br>Q3 |
|--|----------------|---------------|----------------|
| <b>Revenue (b)</b>                     |                |               |                |
| Sales Force Effectiveness              | \$615.4        | \$0.0         | \$615.4        |
| Portfolio Optimization                 | 372.0          | 0.0           | 372.0          |
| Launch, Brand and Other                | <u>289.7</u>   | <u>0.0</u>    | <u>289.7</u>   |
| Total                                  | 1,277.1        | 0.0           | 1,277.1        |
| <b>Operating Expenses (c)</b>          |                |               |                |
| Operating Costs                        | (572.5)        | 0.0           | (572.5)        |
| Selling and Administrative             | (309.6)        | 0.0           | (309.6)        |
| Depreciation and Amortization          | (76.7)         | 0.0           | (76.7)         |
| Merger Costs (f)                       | <u>(15.9)</u>  | <u>15.9</u>   | <u>0.0</u>     |
| Total                                  | (974.7)        | 15.9          | (958.8)        |
| <b>Operating Income</b>                | 302.4          | 15.9          | 318.3          |
| <b>Interest expense, net</b>           | (13.1)         | 0.0           | (13.1)         |
| <b>Gains from investments, net (e)</b> | 2.6            | 0.4           | 3.0            |
| <b>Other income, net (g)</b>           | <u>25.6</u>    | <u>(15.5)</u> | <u>10.0</u>    |
| <b>Pretax Income</b>                   | 317.5          | 0.8           | 318.2          |
| <b>Provision for Income Taxes (h)</b>  | <u>(122.8)</u> | <u>31.1</u>   | <u>(91.7)</u>  |
| <b>Net Income</b>                      | \$194.7        | \$31.8        | \$226.5        |
| <b>Diluted EPS:</b>                    |                |               |                |
| Total Diluted EPS                      | \$0.84         | \$0.14        | \$0.98         |
| <b>Shares Outstanding:</b>             |                |               |                |
| Weighted Average Diluted               | 232.1          | 0.0           | 232.1          |
| End-of-Period Actual                   | 231.7          | 0.0           | 231.7          |

*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 September 30, 2004**  
**(unaudited, in millions except per share)**

|  | <b>SEC Q3</b> | <b>Adjustments</b> | <b>Adjusted Q3</b> |
|--|---------------|--------------------|--------------------|
| <b>Revenue (b)</b>                     |               |                    |                    |
| Sales Force Effectiveness              | \$193.9       | \$0.0              | \$193.9            |
| Portfolio Optimization                 | 109.7         | 0.0                | 109.7              |
| Launch, Brand and Other                | <u>80.5</u>   | <u>0.0</u>         | <u>80.5</u>        |
| Total                                  | 384.2         | 0.0                | 384.2              |
| <b>Operating Expenses (c)</b>          |               |                    |                    |
| Operating Costs                        | (165.6)       | 0.0                | (165.6)            |
| Selling and Administrative             | (92.4)        | 0.0                | (92.4)             |
| Depreciation and Amortization          | <u>(23.4)</u> | <u>0.0</u>         | <u>(23.4)</u>      |
| Total                                  | (281.3)       | 0.0                | (281.3)            |
| <b>Operating Income</b>                | 102.9         | 0.0                | 102.9              |
| <b>Interest expense, net</b>           | (2.9)         | 0.0                | (2.9)              |
| <b>Gains from investments, net (e)</b> | 2.2           | (2.2)              | 0.0                |
| <b>Other income (expense), net (g)</b> | <u>(3.3)</u>  | <u>4.0</u>         | <u>0.6</u>         |
| <b>Pretax Income</b>                   | 98.9          | 1.7                | 100.6              |
| <b>Provision for Income Taxes (h)</b>  | (33.9)        | 3.3                | (30.6)             |
| <b>TriZetto Equity Loss, net (d)</b>   | <u>0.7</u>    | <u>0.0</u>         | <u>0.7</u>         |
| <b>Net Income</b>                      | \$65.6        | \$5.0              | \$70.7             |
| <b>Diluted EPS:</b>                    |               |                    |                    |
| Total Diluted EPS                      | \$0.28        | \$0.02             | \$0.30             |
| <b>Shares Outstanding:</b>             |               |                    |                    |
| Weighted Average Diluted               | 237.1         | 0.0                | 237.1              |
| End-of-Period Actual                   | 232.0         | 0.0                | 232.0              |

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

**Table 8**  
**IMS Health**  
**Reconciliation from SEC to Adjusted Income Statement (a)**  
**Nine Months Ended September 30, 2004**  
**(unaudited, in millions except per share)**

|  | SEC Q3        | Adjustments | Adjusted<br>Q3 |
|--|---------------|-------------|----------------|
| <b>Revenue (b)</b>                                 |               |             |                |
| Sales Force Effectiveness                          | \$563.6       | \$0.0       | \$563.6        |
| Portfolio Optimization                             | 335.5         | 0.0         | 335.5          |
| Launch, Brand and Other                            | <u>226.2</u>  | <u>0.0</u>  | <u>226.2</u>   |
| Total  | 1,125.3       | 0.0         | 1,125.3        |
| <b>Operating Expenses (c)</b>                      |               |             |                |
| Operating Costs                                    | (481.5)       | 0.0         | (481.5)        |
| Selling and Administrative                         | (274.9)       | 0.0         | (274.9)        |
| Depreciation and Amortization                      | <u>(67.4)</u> | <u>0.0</u>  | <u>(67.4)</u>  |
| Total  | (823.7)       | 0.0         | (823.7)        |
| <b>Operating Income</b>                            | 301.6         | 0.0         | 301.6          |
| <b>Interest expense, net</b>                       | (8.3)         | 0.0         | (8.3)          |
| <b>Gains from investments, net (e)</b>             | 10.7          | (10.7)      | 0.0            |
| <b>Losses on issuance of investees' stock, net</b> | (0.1)         | 0.1         | 0.0            |
| <b>Other expense, net (g)</b>                      | <u>(2.2)</u>  | <u>1.1</u>  | <u>(1.1)</u>   |
| <b>Pretax Income</b>                               | 301.8         | (9.6)       | 292.2          |
| <b>Provision for Income Taxes (h)</b>              | (89.4)        | (0.7)       | (90.0)         |
| <b>TriZetto Equity Loss, net (d)</b>               | <u>(0.6)</u>  | <u>0.0</u>  | <u>(0.6)</u>   |
| <b>Net Income</b>                                  | \$211.8       | \$(10.2)    | \$201.6        |
| <b>Diluted EPS:</b>                                |               |             |                |
| Total Diluted EPS                                  | \$0.89        | \$(0.05)    | \$0.84         |
| <b>Shares Outstanding:</b>                         |               |             |                |
| Weighted Average Diluted                           | 239.2         | 0.0         | 239.2          |
| End-of-Period Actual                               | 232.0         | 0.0         | 232.0          |

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

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

|   | <u>Sept. 30, 2005</u> | <u>Dec. 31, 2004</u> |
|---|-----------------------|----------------------|
| <b>Cash and cash equivalents</b>        | <b>\$246.2</b>        | <b>\$444.9</b>       |
| <b>Restricted cash</b>                  | <b>105.4</b>          | <b>0.0</b>           |
| <b>Short-term marketable securities</b> | <b>0.0</b>            | <b>15.1</b>          |
| <b>Accounts receivable, net (i)</b>     | <b>287.9</b>          | <b>264.8</b>         |
| <b>Total debt</b>                       | <b>570.5</b>          | <b>626.7</b>         |

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

**IMS Health**  
**NOTES TO FINANCIAL TABLES**

- (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 are those used by management for the purposes of global business decision-making, including developing budgets and managing expenditures. Adjusted results exclude certain U.S. GAAP measures to the extent that management believes exclusion will facilitate comparisons across periods and more clearly indicate trends. Although IMS discloses adjusted results in order to give a full picture to investors of its business as seen by management, these adjusted results are not prepared specifically for investors and are not a replacement for the more comprehensive information for investors included in IMS's U.S. GAAP results. 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. Investors interested in management's adjusted results are urged to review the detailed reconciliations of the adjusted measures to comparable U.S. GAAP results.
- (b) Revenue in 2004 has been reclassified to conform to the 2005 presentation, including a reclassification of Consulting and Services revenue into the other three business lines. Consulting and Services revenue was \$67.3 million in third quarter 2005, up 64% (63% constant dollar) from \$41.0 million in third-quarter 2004. Consulting and Services revenue was \$184.4 million for the first nine months of 2005, up 53% (50% constant dollar) from \$120.7 million in the first nine months of 2004.
- (c) Operating expenses in 2004 reflect a reclassification between operating costs and selling and administrative expenses to make them comparable with the 2005 presentation.
- (d) In the fourth quarter of 2004, IMS Health sold its entire interest in TriZetto back to TriZetto.
- (e) Gains from investments, net were \$0.3 million in the third quarter of 2005, relating primarily to a dividend recorded in the Enterprise portfolio, offset by related management fees and certain portfolio write downs. This is compared with a net gain of \$2.2 million in the third quarter of 2004 from the sale of certain Enterprise investments, partially offset by fees for the Enterprise investments. For the first nine months of 2005, Gains from investments, net were \$2.6 million relating primarily to a \$3.0 million gain from the sale of a 20% interest we held in a German company (GPI), partially offset by management fees for the Enterprise investments. This is compared with a net gain of \$10.7 million in the first nine months of 2004 from the sale of certain Enterprise investments and the items discussed above. These gains and losses from Enterprise investments are excluded from adjusted results because they relate to non-strategic investments and are not related to IMS's core business operations.
- (f) Merger costs related to professional fees incurred during the second and third quarters of 2005 in connection with IMS's proposed merger with VNU N.V., as announced on July 11, 2005. These costs, and the associated tax benefits, are excluded from adjusted results because they were incurred specifically in relation to the proposed merger of IMS with VNU N.V. and are not related to IMS's core business operations.
- (g) Other income (expense), net includes \$0.0 million and \$1.2 million of expenses for legal fees in the third quarter of 2005 and 2004, respectively, related to the IRI litigation. For the first nine months, IRI litigation legal fees were \$1.2 million and \$2.8 million in 2005 and 2004, 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. Other income (expense), net also includes a \$6.2 million foreign currency hedge gain related to the repatriation executed in the third quarter of 2005 under the American Jobs Creation Act of 2004 (AJCA) [see note (h)]. This gain is excluded from adjusted results because the AJCA is a one-time event. In addition, Other income (expense), net excludes a quarterly phasing adjustment of foreign currency hedge gains (losses), net of \$5.8 million and \$(10.5) million in the third quarter and first nine months of 2005, respectively, compared with \$2.8 million and \$(1.7) million in the third quarter and first nine months of 2004, respectively. 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 is no difference between the hedge losses in adjusted and SEC results.
- (h) The tax provision for the third quarter and first nine months of 2005 includes a tax benefit of \$2.8 million and \$0.8 million, respectively, related to the Enterprise investments described in note (e) and the items described in notes (f) and (g). The tax provision for the third quarter and first nine months of 2004 includes

a tax benefit of \$0.6 million and tax provision of \$3.3 million, respectively, related to the items described in notes (e) and (g). These tax provisions are excluded from adjusted results because the related charges and gains are excluded from adjusted results. The tax provision in the first nine months of 2005 also included a \$29.3 million tax benefit related to a favorable audit resolution in Japan of the tax years through 2003. Adjusted results include a phasing adjustment to recognize this benefit ratably throughout the year; the phasing adjustment for the third quarter and first nine months of 2005 was \$(7.7) million and \$7.6 million, respectively. This phasing adjustment allows the full-year effective tax rate to be applied in each quarter to adjusted pretax results. Also in the first nine months of 2005, \$39.5 million of tax expense was recorded related to the decision to repatriate approximately \$650 million of foreign earnings back to the U.S. during 2005 under the AJCA, including a tax benefit of \$3.3 million recorded in the third quarter as a result of foreign tax deductions related to financing the repatriation dividend. As the AJCA is a one-time event, this tax expense has been 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. The phasing adjustment for the third quarter of 2004 was \$(3.9) million and \$4.0 million for the first nine months of 2004.

- (i) December 31, 2004 Accounts receivable, net has been reclassified to conform to current period presentation.
- (j) Constant-dollar growth rates eliminate the impact of year-over-year foreign currency fluctuations.

*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.*



**IMS Health Incorporated**  
Return on Invested Capital (unaudited)

| (In thousands)   | Year Ended<br>December 31, 2004 |                      |                     |
|--|---------------------------------|----------------------|---------------------|
|  | SEC                             | Adjustments          | Adjusted            |
| <b><u>Net Operating Profits After Taxes ("NOPAT"):</u></b>   |                                 |                      |                     |
| Net Income   | \$ 285,422                      | (4,626) <sup>1</sup> | \$ 280,796          |
| <b>Add:</b>  |                                 |                      |                     |
| Severance, impairment and other charges, net of taxes  | 24,420                          | -                    | 24,420              |
| Gain on Sale of Trizetto, net of taxes   | (24,977)                        | -                    | (24,977)            |
| Interest expense   | 19,528                          | -                    | 19,528              |
| Tax paid on investment, interest income and other non-operating expenses (effective tax rate * income) | 3,396                           | (3,092) <sup>2</sup> | 304                 |
| <b>Subtract:</b>   |                                 |                      |                     |
| Investment, interest income and other non-operating expenses   | (8,703)                         | 7,718 <sup>2</sup>   | (985)               |
| Tax shield from interest expense (effective tax rate * interest expense)                               | (6,017)                         | -                    | (6,017)             |
| <b>Net Operating Profits After Taxes</b>   | <b>\$ 293,068</b>               | <b>\$ (0)</b>        | <b>\$ 293,068</b>   |
| <b>DIVIDED BY</b>  |                                 |                      |                     |
| <b><u>Invested Capital:</u></b>  |                                 |                      |                     |
| Total Assets   | \$ 1,890,706                    | \$ -                 | \$ 1,890,706        |
| <b>Subtract:</b>   |                                 |                      |                     |
| Cash   | (444,903)                       | -                    | (444,903)           |
| Short-term investments   | (15,053)                        | -                    | (15,053)            |
| Non-interest bearing current liabilities (no cost, interest free)                                      |                                 |                      |                     |
| Accounts payable   | (70,344)                        | -                    | (70,344)            |
| Accrued and other current liabilities  | (233,665)                       | -                    | (233,665)           |
| Accrued income taxes   | (116,985)                       | -                    | (116,985)           |
| <b>Invested Capital</b>  | <b>\$ 1,009,756</b>             | <b>\$ -</b>          | <b>\$ 1,009,756</b> |
| <b>Average Invested Capital</b>  | <b>\$ 982,097</b>               |                      | <b>\$ 982,097</b>   |
| <b>Return on Invested Capital</b>  | <b>29.8%</b>                    |                      | <b>29.8%</b>        |

Management provides Return on Invested Capital (ROIC) information as it is believed to be a helpful measure to determine the cash rate of return on capital that a company has invested.

**Notes:**

- For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Year Ended December 31, 2004, available in the "Investors" area of our Internet website under "Earnings & Financial Releases" at <http://www.IMSHEALTH.com>.  
Adjusted results are those used by management for the purposes of global business decision-making, including developing budgets and managing expenditures. Adjusted results exclude certain U.S. GAAP measures to the extent that management believes exclusion will facilitate comparisons across periods and more clearly indicate trends. Although IMS discloses adjusted results in order to give a full picture to investors of its business as seen by management, these adjusted results are not prepared specifically for investors and are not a replacement for the more comprehensive information for investors included in IMS's U.S. GAAP results. 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. Investors interested in management's adjusted results are urged to review the detailed reconciliations of the adjusted measures to comparable U.S. GAAP results.
- Relates to Gains (losses) from investments, net, Loss on issuance of investees' stock, net and IRI litigation fees. These items, and the related tax impact are excluded from adjusted results because they are not related to IMS's core business operations.





# IMS Health Incorporated

## Return on Invested Capital (unaudited)

| (In thousands)   | Year Ended<br>December 31, 2003 |                           |                   |
|--|---------------------------------|---------------------------|-------------------|
|  | SEC                             | Adjustments               | Adjusted          |
| <b>Net Operating Profits After Taxes ("NOPAT"):</b>  |                                 |                           |                   |
| Net Income   | \$ 638,945                      | \$ (386,903) <sup>1</sup> | \$ 252,042        |
| <b>Add:</b>  |                                 |                           |                   |
| Severance, impairment and other charges, net of taxes  | 23,128                          | (23,128) <sup>2</sup>     | -                 |
| Interest expense   | 15,388                          | -                         | 15,388            |
| Tax paid on investment, interest income and other non-operating expenses (effective tax rate * income) | (6,709)                         | (270) <sup>3</sup>        | (6,979)           |
| Gain on discontinued operations  | (496,887)                       | 496,887 <sup>4</sup>      | -                 |
| TriZetto impairment charge, net of taxes   | 14,842                          | (14,842) <sup>5</sup>     | -                 |
| TriZetto restructuring charge, net of taxes  | 2,962                           | (2,962) <sup>6</sup>      | -                 |
| Income from discontinued operations, net of taxes  | (2,779)                         | -                         | (2,779)           |
| D&B legacy tax accrual   | 69,580                          | (69,580) <sup>7</sup>     | -                 |
| <b>Subtract:</b>   |                                 |                           |                   |
| Investment, interest income and other non-operating expenses   | 21,781                          | 878 <sup>3</sup>          | 22,659            |
| Tax shield from interest expense (effective tax rate * interest expense)                               | (4,740)                         | -                         | (4,740)           |
| <b>Net Operating Profits After Taxes</b>   | <b>\$ 275,512</b>               | <b>\$ 80</b>              | <b>\$ 275,592</b> |
| <b>DIVIDED BY</b>  |                                 |                           |                   |
| <b>Invested Capital:</b>   |                                 |                           |                   |
| Total Assets   | \$ 1,644,338                    | \$ -                      | \$ 1,644,338      |
| <b>Subtract:</b>   |                                 |                           |                   |
| Cash   | (344,432)                       | -                         | (344,432)         |
| Short-term investments   | (40,108)                        | -                         | (40,108)          |
| Non-interest bearing current liabilities (no cost, interest free)                                      |                                 |                           |                   |
| Accounts payable   | (47,513)                        | -                         | (47,513)          |
| Accrued and other current liabilities  | (190,478)                       | -                         | (190,478)         |
| Accrued income taxes   | (67,369)                        | -                         | (67,369)          |
| <b>Invested Capital</b>  | <b>\$ 954,438</b>               | <b>\$ -</b>               | <b>\$ 954,438</b> |
| <b>Average Invested Capital</b>  | <b>\$ 862,634</b>               |                           | <b>\$ 862,634</b> |
| <b>Return on Invested Capital</b>  | <b>31.9%</b>                    |                           | <b>31.9%</b>      |

Management provides Return on Invested Capital (ROIC) information as it is believed to be a helpful measure to determine the cash rate of return on capital that a company has invested.

### Notes:

- For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Year Ended December 31, 2003, available in the "Investors" area of our Internet website under "Earnings & Financial Releases" at <http://www.IMSHEALTH.com>. Management uses 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. 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.
- Severance, impairment and other charges do not constitute part of Adjusted Net Income, so are not included in adjusted results.
- Relates to Gains (losses) from investments, net, Loss on issuance of investees' stock, net and IRI litigation fees. These items, and the related tax impact are excluded from adjusted results because they are not related to IMS's core business operations.
- IMS divested its equity interest in Cognizant Technology Solutions ("CTS") on February 6, 2003 via a split-off transaction, which generated a gain of \$496,887 for 2003. 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.
- This constitutes part of the \$386,903 net adjustment to Net Income number, so no add back is required for adjusted results.
- In the fourth quarter, TriZetto recorded an \$18,720 charge relating to loss contracts and asset impairments in lines of business that TriZetto is exiting. IMS's share of this charge is not related to IMS's core business operations and has therefore been excluded from adjusted results.
- Relates to an accrual for a D&B legacy tax transaction and subsequent related transactions. This accrual is not related to IMS's core business operations and as such is excluded from adjusted income.

**IMS HEALTH**  
**RETURN ON INVESTED CAPITAL**  
**Year Ended December 31, 2002**  
(Dollars in thousands)

|   | <b>SEC<br/>2002</b> | <b>Adjustments</b>     | <b>Adjusted<br/>2002</b> |
|---|---------------------|------------------------|--------------------------|
| <b><u>Net Operating Profits After Taxes</u></b>                             |                     |                        |                          |
| Net Income  | \$ 266,115          | \$ 13,652 <sup>1</sup> | \$ 279,767               |
| <b>Add:</b>   |                     |                        |                          |
| Goodwill amortization   | -                   | -                      | -                        |
| Non-recurring costs   | 26,118              | (26,118) <sup>2</sup>  | -                        |
| Interest expense  | 14,443              | -                      | 14,443                   |
| Tax paid on investment and interest income<br>(effective tax rate * income) | 8,591               | (6,262) <sup>3</sup>   | 2,329                    |
| <b>Subtract:</b>  |                     |                        |                          |
| Investment and interest income  | (27,893)            | 20,331 <sup>3</sup>    | (7,562)                  |
| Tax shield from interest expense (effective tax rate * interest expense)    | (4,448)             | -                      | (4,448)                  |
| <b>Net Operating Profits After Taxes (NOPAT)</b>                            | <b>282,926</b>      | <b>\$ 1,603</b>        | <b>284,529</b>           |
| <b>DIVIDED BY</b>   |                     |                        |                          |
| <b><u>Invested capital</u></b>  |                     |                        |                          |
|   | <b>2002</b>         |                        | <b>2002</b>              |
| Total Assets  | 1,618,528           | -                      | 1,618,528                |
| <b>Less:</b>  |                     |                        |                          |
| Cash  | (415,472)           | -                      | (415,472)                |
| Short-term Investments  | (18,351)            | -                      | (18,351)                 |
| Long -term Investments (excluding investments in strategic alliances)       | -                   | -                      | -                        |
| Non-interest bearing current liabilities (no cost, interest free)           |                     |                        |                          |
| Accounts Payable  | (37,285)            | -                      | (37,285)                 |
| Accrued Liabilities & Other   | (181,513)           | -                      | (181,513)                |
| Accrued Income Taxes  | (143,872)           | -                      | (143,872)                |
| <b>INVESTED CAPITAL</b>   | <b>822,035</b>      | <b>-</b>               | <b>822,035</b>           |
| <b>AVERAGE INVESTED CAPITAL</b>   | <b>765,970</b>      |                        | <b>765,970</b>           |
| <b>ROIC</b>   | <b>36.9%</b>        |                        | <b>37.1%</b>             |

**Management provides Return on Invested Capital (ROIC) information as it is believed to be a helpful measure to determine the cash rate of return on capital that a company has invested.**

**Note:**

<sup>1</sup> For details of reconciliation items between SEC Net Income and adjusted Net Income, see Press Release for the Year Ended December 31, 2002, available on our Internet website at <http://www.IMSHEALTH.com>.

<sup>2</sup> Relates to Non-cash TriZetto impairment charge and is non-operating in nature and as such is excluded from adjusted income.

<sup>3</sup> Relates to Gains (losses) from investments, net and Gain (loss) on issuance of investees' stock, net and the associated taxes. Both items are non-operating in nature and as such are excluded from adjusted income.



**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Nine Months Ended<br>September 30, 2005 |                        |                       |
|--|---|------------------------|-----------------------|
|  | SEC<br>Cash Flow                        | Adjustments            | Free<br>Cash Flow     |
| <i>(In thousands)</i>  |   |                        |                       |
| <b>Cash Flows Provided by Operating Activities:</b>                                      |   |                        |                       |
| Net Income   | \$ 194,662                              | \$ 31,828 <sup>1</sup> | \$ 226,490            |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |   |                        |                       |
| Depreciation & amortization  | 76,658                                  | 0                      | 76,658                |
| Bad debt expense   | 2,552                                   | 0                      | 2,552                 |
| Deferred income taxes  | 8,559                                   | (8,559) <sup>2</sup>   | 0                     |
| Gains from investments, net  | (2,624)                                 | 2,624 <sup>3</sup>     | 0                     |
| Minority interests in net income of consolidated companies                               | 2,525                                   | (2,525) <sup>4</sup>   | 0                     |
| Non-cash stock compensation charges  | 3,511                                   | 0                      | 3,511                 |
| Change in assets and liabilities, excluding effects from acquisitions and dispositions:  |   |                        |                       |
| Net increase in restricted cash  | (105,404)                               | 105,404 <sup>5</sup>   | 0                     |
| Net increase in accounts receivable  | (11,383)                                | 0                      | (11,383)              |
| Net decrease in inventory  | 5,037                                   | 0                      | 5,037                 |
| Net increase in prepaid expenses and other current assets                                | (37,098)                                | 0                      | (37,098)              |
| Net decrease in accounts payable   | (11,089)                                | 0                      | (11,089)              |
| Net decrease in accrued and other current liabilities                                    | (11,957)                                | 0                      | (11,957)              |
| Net decrease in accrued severance, impairment and other charges                          | (6,767)                                 | 6,767 <sup>6</sup>     | 0                     |
| Net decrease in 2004 accrued severance, impairment and other charges                     | (18,267)                                | 0                      | (18,267)              |
| Net decrease in deferred revenues  | (15,293)                                | 0                      | (15,293)              |
| Net decrease in accrued income taxes   | (11,369)                                | 11,369 <sup>2</sup>    | 0                     |
| Net increase in pension assets, net of liabilities                                       | (2,332)                                 | 2,332 <sup>7</sup>     | 0                     |
| Net decrease in other long-term assets   | 2,402                                   | (2,402) <sup>7</sup>   | 0                     |
| Net tax benefit on stock option exercises  | 13,450                                  | (13,450) <sup>8</sup>  | 0                     |
| <b>Net Cash Provided by Operating Activities</b>   | <b>\$ 75,773</b>                        | <b>\$ 133,388</b>      | <b>\$ 209,161</b>     |
| <b>Cash Flows Used in Investing Activities:</b>  |   |                        |                       |
| Capital Expenditures   | (13,384)                                | 0                      | (13,384) <sup>9</sup> |
| Additions to Computer Software   | (60,724)                                | 0                      | (60,724) <sup>9</sup> |
| Proceeds from sale of TriZetto   | 37,414                                  | 0                      | 37,414                |
| <b>Free Cash Flow, End of Period</b>   |   |                        | <b>\$ 172,467</b>     |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



## IMS Health Incorporated

### Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

#### Notes:

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Three Months Ended September 30, 2005, available in the "Investors" area of our Internet website under "News Releases" at <http://www.IMSHEALTH.com>. Adjusted results are those used by management for the purposes of global business decision making, including developing budgets and managing expenditures. Adjusted results exclude certain U.S. GAAP measures to the extent that management believes that exclusion will facilitate comparisons across periods and more clearly indicate trends. Although IMS discloses adjusted results in order to give a full picture to investors of its business as seen by management, these adjusted results are not prepared specifically for investors and are not a replacement for the more comprehensive information for investors included in IMS's U.S. GAAP results. 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. Investors interested in management's adjusted results are urged to review the detailed reconciliations of the adjusted measures to comparable U.S. GAAP results.
- 2 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 3 A portion of this item (\$400) represents the loss on Enterprises and other investments that is part of the \$31,828 net adjustment to Net Income, so no add back is required for Free Cash Flow. The remainder of this item is cash proceeds from the sale of GPI that are already included in adjusted net income, so no add back is required.
- 4 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 5 Restricted cash represents the funding of a Rabbi Trust for change-in-control ("CIC") payments that may be due to selected executives of IMS resulting from the proposed merger between IMS and VNU as announced on July 11, 2005. As these CIC payments will be made to selected IMS executives only in the event the proposed merger with VNU is completed, this restricted cash is still an asset of IMS and therefore the funding of the Rabbi Trust is excluded from Free Cash Flow.
- 6 Payouts for severance, impairment and other charges for 2001 and 2003 do not constitute part of Adjusted Net Income, and are therefore not included as Free Cash Flow.
- 7 Pension assets and liabilities and other inherently long-term assets are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 8 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 9 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.



**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Six Months Ended<br>June 30, 2005 |                        |                       |
|--|-----------------------------------|------------------------|-----------------------|
|  | SEC<br>Cash Flow                  | Adjustments            | Free<br>Cash Flow     |
| <i>(In thousands)</i>  |                                   |                        |                       |
| <b>Cash Flows Provided by Operating Activities:</b>                                      |                                   |                        |                       |
| Net Income   | \$ 123,522                        | \$ 22,403 <sup>1</sup> | \$ 145,925            |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                   |                        |                       |
| Depreciation & amortization  | 50,319                            | 0                      | 50,319                |
| Bad debt expense   | 1,707                             | 0                      | 1,707                 |
| Deferred income taxes  | 6,208                             | (6,208) <sup>2</sup>   | 0                     |
| Gains from investments, net  | (2,372)                           | 2,372 <sup>3</sup>     | 0                     |
| Minority interests in net income of consolidated companies                               | 1,596                             | (1,596) <sup>4</sup>   | 0                     |
| Non-cash stock compensation charges  | 2,117                             | 0                      | 2,117                 |
| Change in assets and liabilities, excluding effects from acquisitions and dispositions:  |                                   |                        |                       |
| Net increase in accounts receivable  | (30,302)                          | 0                      | (30,302)              |
| Net decrease in inventory  | 4,136                             | 0                      | 4,136                 |
| Net increase in prepaid expenses and other current assets                                | (37,736)                          | 0                      | (37,736)              |
| Net decrease in accounts payable   | (16,239)                          | 0                      | (16,239)              |
| Net decrease in accrued and other current liabilities                                    | (30,604)                          | 0                      | (30,604)              |
| Net decrease in accrued severance, impairment and other charges                          | (4,177)                           | 4,177 <sup>5</sup>     | 0                     |
| Net decrease in 2004 accrued severance, impairment and other charges                     | (12,778)                          | 0                      | (12,778)              |
| Net increase in deferred revenues  | 130                               | 0                      | 130                   |
| Net increase in accrued income taxes   | 8,308                             | (8,308) <sup>2</sup>   | 0                     |
| Net increase in pension assets, net of liabilities                                       | (2,773)                           | 2,773 <sup>6</sup>     | 0                     |
| Net decrease in other long-term assets   | 598                               | (598) <sup>6</sup>     | 0                     |
| Net tax benefit on stock option exercises  | 4,253                             | (4,253) <sup>7</sup>   | 0                     |
| <b>Net Cash Provided by Operating Activities</b>   | <b>\$ 65,913</b>                  | <b>\$ 10,762</b>       | <b>\$ 76,675</b>      |
| <b>Cash Flows Used in Investing Activities:</b>  |                                   |                        |                       |
| Capital Expenditures   | (8,195)                           | 0                      | (8,195) <sup>8</sup>  |
| Additions to Computer Software   | (39,139)                          | 0                      | (39,139) <sup>8</sup> |
| Proceeds from sale of TriZetto   | 37,414                            | 0                      | 37,414                |
| <b>Free Cash Flow, End of Period</b>   |                                   |                        | <b>\$ 66,755</b>      |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



## IMS Health Incorporated

### Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

#### Notes:

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Three Months Ended June 30, 2005, available in the "Investors" area of our Internet website under "News Releases" at <http://www.IMSHEALTH.com>. Adjusted results are those used by management for the purposes of global business decision making, including developing budgets and managing expenditures. Adjusted results exclude certain U.S. GAAP measures to the extent that management believes that exclusion will facilitate comparisons across periods and more clearly indicate trends. Although IMS discloses adjusted results in order to give a full picture to investors of its business as seen by management, these adjusted results are not prepared specifically for investors and are not a replacement for the more comprehensive information for investors included in IMS's U.S. GAAP results. 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. Investors interested in management's adjusted results are urged to review the detailed reconciliations of the adjusted measures to comparable U.S. GAAP results.
- 2 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 3 A portion of this item (\$651) represents the loss on Enterprises investments that is part of the \$22,403 net adjustment to Net Income, so no add back is required for Free Cash Flow. The remainder of this item is cash proceeds from the sale of GPI that are already included in adjusted net income, so no add back is required.
- 4 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 5 Payouts for severance, impairment and other charges for 2001 and 2003 do not constitute part of Adjusted Net Income, and are therefore not included as Free Cash Flow.
- 6 Pension assets and liabilities and other inherently long-term assets and liabilities are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 7 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 8 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.



**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Three Months Ended<br>March 31, 2005 |                        |                       |
|--|--------------------------------------|------------------------|-----------------------|
|  | SEC<br>Cash Flow                     | Adjustments            | Free<br>Cash Flow     |
| <i>(In thousands)</i>  |                                      |                        |                       |
| <b>Cash Flows from Operating Activities:</b>   |                                      |                        |                       |
| Net Income   | \$ 30,343                            | \$ 37,777 <sup>1</sup> | \$ 68,120             |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                      |                        |                       |
| Depreciation & amortization  | 24,677                               | 0                      | 24,677                |
| Bad debt expense   | 1,311                                | 0                      | 1,311                 |
| Deferred income taxes  | 2,380                                | (2,380) <sup>2</sup>   | 0                     |
| Gains from investments, net  | (2,671)                              | 2,671 <sup>3</sup>     | 0                     |
| Minority interests in net income of consolidated companies                               | 727                                  | (727) <sup>4</sup>     | 0                     |
| Non-cash stock compensation charges  | 740                                  | 0                      | 740                   |
| Change in assets and liabilities, excluding effects from acquisitions and dispositions:  |                                      |                        |                       |
| Net increase in accounts receivable  | (49,405)                             | 0                      | (49,405)              |
| Net decrease in inventory  | 3,295                                | 0                      | 3,295                 |
| Net increase in prepaid expenses and other current assets                                | (34,605)                             | 0                      | (34,605)              |
| Net increase in accounts payable   | (302)                                | 0                      | (302)                 |
| Net decrease in accrued and other current liabilities                                    | (31,784)                             | 0                      | (31,784)              |
| Net decrease in accrued severance, impairment and other charges                          | (1,423)                              | 1,423 <sup>5</sup>     | 0                     |
| Net decrease in 2004 accrued severance, impairment and other charges                     | (5,559)                              | 0                      | (5,559)               |
| Net decrease in deferred revenues  | (2,780)                              | 0                      | (2,780)               |
| Net increase in accrued income taxes   | 32,789                               | (32,789) <sup>2</sup>  | 0                     |
| Net increase in pension assets, net of liabilities                                       | (2,031)                              | 2,031 <sup>6</sup>     | 0                     |
| Net increase in other long-term assets   | (1,699)                              | 1,699 <sup>6</sup>     | 0                     |
| Net decrease in other long-term liabilities  | (4,111)                              | 4,111 <sup>6</sup>     | 0                     |
| Net tax benefit on stock option exercises  | 1,990                                | (1,990) <sup>7</sup>   | 0                     |
| <b>Net cash Provided by Operating Activities</b>   | <b>\$ (38,117)</b>                   | <b>\$ 11,826</b>       | <b>\$ (26,291)</b>    |
| <b>Cash Flows used in Investing Activities:</b>  |                                      |                        |                       |
| Capital Expenditures   | (4,337)                              | 0                      | (4,337) <sup>8</sup>  |
| Additions to Computer Software   | (20,885)                             | 0                      | (20,885) <sup>8</sup> |
| Proceeds from sale of TriZetto   | 37,414                               | 0                      | 37,414                |
| <b>Free Cash Flow, End of Period</b>   |                                      |                        | <b>\$ (14,099)</b>    |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



## IMS Health Incorporated

### Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

#### Notes:

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Three Months Ended March 31, 2005, available in the "Investors" area of our Internet website under "News Releases" at <http://www.IMSHEALTH.com>. Adjusted results are those used by management for the purposes of global business decision making, including developing budgets and managing expenditures. Adjusted results exclude certain U.S. GAAP measures to the extent that management believes that exclusion will facilitate comparisons across periods and more clearly indicate trends. Although IMS discloses adjusted results in order to give a full picture to investors of its business as seen by management, these adjusted results are not prepared specifically for investors and are not a replacement for the more comprehensive information for investors included in IMS's U.S. GAAP results. 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. Investors interested in management's adjusted results are urged to review the detailed reconciliations of the adjusted measures to comparable U.S. GAAP results.
- 2 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 3 A portion of this item (\$353) represents the loss on Enterprises investments that is part of the \$37,777 net adjustment to Net Income, so no add back is required for Free Cash Flow. The remainder of this item is cash proceeds from the sale of GPI that are already included in adjusted net income, so no add back is required.
- 4 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 5 Payouts for severance, impairment and other charges for 2001 and 2003 do not constitute part of Adjusted Net Income, and are therefore not included as Free Cash Flow.
- 6 Pension assets and liabilities and other inherently long-term assets and liabilities are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 7 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 8 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.





**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Year Ended<br>December 31, 2004 |                         |                       |
|--|---------------------------------|-------------------------|-----------------------|
|  | SEC<br>Cash Flow                | Adjustments             | Free<br>Cash Flow     |
| <i>(In thousands)</i>  |                                 |                         |                       |
| <b>Cash Flows from Operating Activities:</b>   |                                 |                         |                       |
| Net Income   | \$ 285,422                      | \$ (4,625) <sup>1</sup> | \$ 280,797            |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b>       |                                 |                         |                       |
| Depreciation & amortization  | 93,534                          | 0                       | 93,534                |
| Bad debt expense   | 3,997                           | 0                       | 3,997                 |
| Deferred income taxes  | 17,875                          | (17,875) <sup>2</sup>   | 0                     |
| Gains from investments, net  | (11,892)                        | 11,892 <sup>3</sup>     | 0                     |
| Gain on sale of TriZetto   | (38,803)                        | 0                       | (38,803)              |
| Loss on issuance of investees' stock, net  | 184                             | (184) <sup>3</sup>      | 0                     |
| TriZetto equity loss, net  | (164)                           | 0                       | (164)                 |
| Minority interests in net income of consolidated companies                                     | 5,818                           | (5,818) <sup>4</sup>    | 0                     |
| Non-cash stock compensation charges  | 3,518                           | 0                       | 3,518                 |
| <b>Change in assets and liabilities, excluding effects from acquisitions and dispositions:</b> |                                 |                         |                       |
| Net decrease in accounts receivable  | 17,518                          | 0                       | 17,518                |
| Net increase in inventory  | (6,939)                         | 0                       | (6,939)               |
| Net increase in prepaid expenses and other current assets                                      | (16,914)                        | 0                       | (16,914)              |
| Net increase in accounts payable   | 11,036                          | 0                       | 11,036                |
| Net increase in accrued and other current liabilities  | 2,253                           | 0                       | 2,253                 |
| Net decrease in accrued severance, impairment and other charges                                | (6,933)                         | 6,933 <sup>5</sup>      | 0                     |
| Net increase in 2004 accrued severance, impairment and other charges                           | 36,438                          | 0                       | 36,438                |
| Net decrease in deferred revenues  | (529)                           | 0                       | (529)                 |
| Net increase in accrued income taxes   | 21,352                          | (21,352) <sup>2</sup>   | 0                     |
| Net increase in pension assets, net of liabilities   | (25,557)                        | 25,557 <sup>6</sup>     | 0                     |
| Net increase in other long-term assets   | (1,900)                         | 1,900 <sup>6</sup>      | 0                     |
| Net tax benefit on stock option exercises  | 10,958                          | (10,958) <sup>7</sup>   | 0                     |
| <b>Net cash Provided by Operating Activities</b>   | <b>\$ 400,272</b>               | <b>\$ (14,530)</b>      | <b>\$ 385,742</b>     |
| <b>Cash Flows used in Investing Activities:</b>  |                                 |                         |                       |
| Capital Expenditures   | (22,462)                        | 0                       | (22,462) <sup>8</sup> |
| Additions to Computer Software   | (84,461)                        | 0                       | (84,461) <sup>8</sup> |
| Proceeds from sale of TriZetto   | 44,550                          | 0                       | 44,550                |
| <b>Free Cash Flow, End of Period</b>   |                                 |                         | <b>\$ 323,369</b>     |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



**IMS Health Incorporated**

Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

**Notes:**

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Year Ended December 31, 2004, available in the "Investors" area of our Internet website under "News Releases" at <http://www.IMSHEALTH.com>. Adjusted results are those used by management for the purposes of global business decision making, including developing budgets and managing expenditures. Adjusted results exclude certain U.S. GAAP measures to the extent that management believes that exclusion will facilitate comparisons across periods and more clearly indicate trends. Although IMS discloses adjusted results in order to give a full picture to investors of its business as seen by management, these adjusted results are not prepared specifically for investors and are not a replacement for the more comprehensive information for investors included in IMS's U.S. GAAP results. 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. Investors interested in management's adjusted results are urged to review the detailed reconciliations of the adjusted measures to comparable U.S. GAAP results.
- 2 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 3 This item constitutes part of the \$4,625 net adjustment to Net Income, so no add back is required for Free Cash Flow.
- 4 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 5 Payouts for severance, impairment and other charges in prior years do not constitute part of Adjusted Net Income, and are therefore not included as Free Cash Flow.
- 6 Pension assets and liabilities and other inherently long-term assets are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 7 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 8 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.



**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Nine Months Ended<br>September 30, 2004 |                          |                       |
|--|---|--------------------------|-----------------------|
|  | SEC<br>Cash Flow                        | Adjustments              | Free<br>Cash Flow     |
| <i>(In thousands)</i>  |   |                          |                       |
| <b>Cash Flows from Operating Activities:</b>   |   |                          |                       |
| Net Income   | \$ 211,831                              | \$ (10,207) <sup>1</sup> | \$ 201,624            |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b>       |   |                          |                       |
| Depreciation & amortization  | 67,378                                  | 0                        | 67,378                |
| Bad debt expense   | 1,000                                   | 0                        | 1,000                 |
| Deferred income taxes  | 8,710                                   | (8,710) <sup>2</sup>     | 0                     |
| Gains from investments, net  | (10,715)                                | 10,715 <sup>3</sup>      | 0                     |
| Loss on issuance of investees' stock, net  | 60                                      | (60) <sup>3</sup>        | 0                     |
| TriZetto equity loss, net  | 607                                     | 0                        | 607                   |
| Minority interests in net income of consolidated companies                                     | 4,397                                   | (4,397) <sup>4</sup>     | 0                     |
| Non-cash stock compensation charges  | 2,345                                   | 0                        | 2,345                 |
| <b>Change in assets and liabilities, excluding effects from acquisitions and dispositions:</b> |   |                          |                       |
| Net decrease in accounts receivable  | 19,207                                  | 0                        | 19,207                |
| Net increase in inventory  | (2,305)                                 | 0                        | (2,305)               |
| Net increase in prepaid expenses and other current assets                                      | (15,704)                                | 0                        | (15,704)              |
| Net decrease in accounts payable   | (1,769)                                 | 0                        | (1,769)               |
| Net decrease in accrued and other current liabilities  | (23,855)                                | 0                        | (23,855)              |
| Net decrease in accrued severance, impairment and other charges                                | (5,252)                                 | 5,252 <sup>5</sup>       | 0                     |
| Net decrease in deferred revenues  | (12,470)                                | 0                        | (12,470)              |
| Net increase in accrued income taxes   | 19,161                                  | (19,161) <sup>2</sup>    | 0                     |
| Net decrease in pension assets, net of liabilities   | 1,162                                   | (1,162) <sup>6</sup>     | 0                     |
| Net decrease in other long-term assets   | 2,269                                   | (2,269) <sup>6</sup>     | 0                     |
| Net tax benefit on stock option exercises  | 8,424                                   | (8,424) <sup>7</sup>     | 0                     |
| <b>Net cash Provided by Operating Activities</b>   | <b>\$ 274,481</b>                       | <b>\$ (38,423)</b>       | <b>\$ 236,058</b>     |
| <b>Cash Flows used in Investing Activities:</b>  |   |                          |                       |
| Capital Expenditures   | (14,271)                                | 0                        | (14,271) <sup>8</sup> |
| Additions to Computer Software   | (58,259)                                | 0                        | (58,259) <sup>8</sup> |
| <b>Free Cash Flow, End of Period</b>   |   |                          | <b>\$ 163,528</b>     |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



**IMS Health Incorporated**

**Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)**

**Notes:**

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Quarter Ended September 30, 2004, available in the "Investors" area of our Internet website under "News Releases" at <http://www.IMSHEALTH.com>. Management uses 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. 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.
- 2 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 3 This item constitutes part of the \$10,207 net adjustment to Net Income number, so no add back is required for Free Cash Flow.
- 4 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 5 Severance, impairment and other charges do not constitute part of Adjusted Net Income, and are therefore not included as Free Cash Flow.
- 6 Pension assets and liabilities and other inherently long-term assets are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 7 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 8 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.



**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Six Months Ended<br>June 30, 2004 |                          |                       |
|--|-----------------------------------|--------------------------|-----------------------|
|  | SEC<br>Cash Flow                  | Adjustments              | Free<br>Cash Flow     |
| <i>(In thousands)</i>  |                                   |                          |                       |
| <b>Cash Flows from Operating Activities:</b>   |                                   |                          |                       |
| Net Income   | \$ 146,199                        | \$ (15,234) <sup>1</sup> | \$ 130,965            |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                   |                          |                       |
| Depreciation & amortization  | 44,023                            | 0                        | 44,023                |
| Bad debt expense   | 450                               | 0                        | 450                   |
| Deferred income taxes  | 32,966                            | (32,966) <sup>2</sup>    | 0                     |
| Gains from investments, net  | (8,527)                           | 8,527 <sup>3</sup>       | 0                     |
| Loss on issuance of investees' stock, net  | 91                                | (91) <sup>3</sup>        | 0                     |
| TriZetto equity loss, net  | 1,269                             | 0                        | 1,269                 |
| Minority interests in net income of consolidated companies                               | 2,781                             | (2,781) <sup>4</sup>     | 0                     |
| Non-cash stock compensation charges  | 1,492                             | 0                        | 1,492                 |
| Change in assets and liabilities, excluding effects from acquisitions and dispositions:  |                                   |                          |                       |
| Net increase in accounts receivable  | (17,601)                          | 0                        | (17,601)              |
| Net increase in inventory  | (3,055)                           | 0                        | (3,055)               |
| Net increase in prepaid expenses and other current assets                                | (10,846)                          | 0                        | (10,846)              |
| Net increase in accounts payable   | 3,736                             | 0                        | 3,736                 |
| Net decrease in accrued and other current liabilities                                    | (27,590)                          | 0                        | (27,590)              |
| Net decrease in accrued severance, impairment and other charges                          | (3,374)                           | 3,374 <sup>5</sup>       | 0                     |
| Net increase in deferred revenues  | 393                               | 0                        | 393                   |
| Net decrease in accrued income taxes   | (12,774)                          | 12,774 <sup>2</sup>      | 0                     |
| Net decrease in pension assets (net of liabilities)                                      | 385                               | (385) <sup>6</sup>       | 0                     |
| Net decrease in other long-term assets   | 5,345                             | (5,345) <sup>6</sup>     | 0                     |
| Net tax benefit on stock option exercises  | 6,029                             | (6,029) <sup>7</sup>     | 0                     |
| <b>Net cash Provided by Operating Activities</b>   | <b>\$ 161,392</b>                 | <b>\$ (38,156)</b>       | <b>\$ 123,236</b>     |
| <b>Cash Flows used in Investing Activities:</b>  |                                   |                          |                       |
| Capital Expenditures   | (10,997)                          | 0                        | (10,997) <sup>8</sup> |
| Additions to Computer Software   | (36,736)                          | 0                        | (36,736) <sup>8</sup> |
| <b>Free Cash Flow, End of Period</b>   |                                   |                          | <b>\$ 75,503</b>      |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



**IMS Health Incorporated**

**Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)**

**Notes:**

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Quarter Ended June 30, 2004, available in the "Investors" area of our Internet website under "News Releases" at <http://www.IMSHEALTH.com>. Management uses 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. 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.
- 2 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 3 This item constitutes part of the \$15,234 net adjustment to Net Income number, so no add back is required for Free Cash Flow.
- 4 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 5 Severance, impairment and other charges do not constitute part of Adjusted Net Income, and are therefore not included as Free Cash Flow.
- 6 Pension assets and liabilities and other inherently long-term assets are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 7 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 8 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.



**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Three Months Ended<br>March 31, 2004 |                          |                       |
|--|--------------------------------------|--------------------------|-----------------------|
|  | SEC<br>Cash Flow                     | Adjustments              | Free<br>Cash Flow     |
| <i>(In thousands)</i>  |                                      |                          |                       |
| <b>Cash Flows from Operating Activities:</b>   |                                      |                          |                       |
| Net Income   | \$ 81,078                            | \$ (19,643) <sup>1</sup> | \$ 61,435             |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                      |                          |                       |
| Depreciation & amortization  | 21,706                               | 0                        | 21,706                |
| Bad debt expense   | 400                                  | 0                        | 400                   |
| Deferred income taxes  | 7,640                                | (7,640) <sup>2</sup>     | 0                     |
| Gains from investments, net  | (6,453)                              | 6,453 <sup>3</sup>       | 0                     |
| TriZetto equity loss, net  | 966                                  | 0                        | 966                   |
| Minority interests in net income of consolidated companies                               | 1,179                                | (1,179) <sup>4</sup>     | 0                     |
| Non-cash stock compensation charges  | 563                                  | 0                        | 563                   |
| Change in assets and liabilities, excluding effects from acquisitions and dispositions:  |                                      |                          |                       |
| Net increase in accounts receivable  | (21,962)                             | 0                        | (21,962)              |
| Net increase in inventory  | (272)                                | 0                        | (272)                 |
| Net increase in prepaid expenses and other current assets                                | (10,710)                             | 0                        | (10,710)              |
| Net increase in accounts payable   | 1,828                                | 0                        | 1,828                 |
| Net decrease in accrued and other current liabilities                                    | (36,738)                             | 0                        | (36,738)              |
| Net decrease in accrued severance, impairment and other charges                          | (2,030)                              | 2,030 <sup>5</sup>       | 0                     |
| Net decrease in deferred revenues  | (4,177)                              | 0                        | (4,177)               |
| Net decrease in accrued income taxes   | (15,111)                             | 15,111 <sup>2</sup>      | 0                     |
| Net decrease in pension assets (net of liabilities)                                      | 167                                  | (167) <sup>6</sup>       | 0                     |
| Net decrease in other long-term assets   | 3,245                                | (3,245) <sup>6</sup>     | 0                     |
| Net tax benefit on stock option exercises  | 3,722                                | (3,722) <sup>7</sup>     | 0                     |
| <b>Net cash Provided by Operating Activities</b>   | <b>\$ 25,041</b>                     | <b>\$ (12,002)</b>       | <b>\$ 13,039</b>      |
| <b>Cash Flows used in Investing Activities:</b>  |                                      |                          |                       |
| Capital Expenditures   | (4,524)                              | 0                        | (4,524) <sup>8</sup>  |
| Additions to Computer Software   | (17,181)                             | 0                        | (17,181) <sup>8</sup> |
| <b>Free Cash Flow, End of Period</b>   |                                      |                          | <b>\$ (8,666)</b>     |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



## IMS Health Incorporated

### Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

#### Notes:

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Three Months Ended March 31, 2004, available in the "Investors" area of our Internet website under "Earnings & Financial Releases" at <http://www.IMSHEALTH.com>.  
Management uses 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. 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.
- 2 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 3 This item constitutes part of the \$19,643 net adjustment to Net Income number, so no add back is required for Free Cash Flow.
- 4 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 5 Severance, impairment and other charges do not constitute part of Adjusted Net Income, and are therefore not included as Free Cash Flow.
- 6 Pension assets and liabilities and other inherently long-term assets are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 7 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 8 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.





**IMS Health Incorporated**

Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

|  | Year Ended<br>December 31, 2003 |                             |                        |
|--|---------------------------------|-----------------------------|------------------------|
|  | SEC<br>Cash Flow                | Adjustments                 | Free<br>Cash Flow      |
| <i>(In thousands)</i>  |                                 |                             |                        |
| <b>Cash Flows from Operating Activities:</b>   |                                 |                             |                        |
| Net Income   | \$ 638,945                      | \$ (386,903) <sup>1</sup>   | \$ 252,042             |
| Less Income from discontinued operations   | (2,779)                         | 2,779 <sup>2</sup>          | 0                      |
| Less Gain from discontinued operations   | (496,887)                       | 496,887 <sup>1</sup>        | 0                      |
| Income from continuing operations  | <b>139,279</b>                  | <b>112,763 <sup>1</sup></b> | <b>252,042</b>         |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                 |                             |                        |
| Depreciation & amortization  | 75,132                          | 0                           | 75,132                 |
| Bad debt expense   | 672                             | 0                           | 672                    |
| Deferred income taxes  | 27,333                          | (27,333) <sup>3</sup>       | 0                      |
| Gains from investments, net  | (258)                           | 258 <sup>4</sup>            | 0                      |
| Loss on issuance of investees' stock, net  | 420                             | (420) <sup>4</sup>          | 0                      |
| TriZetto equity loss, net  | 4,248                           | (2,962) <sup>5</sup>        | 1,286                  |
| TriZetto impairment charge, net  | 14,842                          | (14,842) <sup>4</sup>       | 0                      |
| Minority interests in net income of consolidated companies                               | 7,579                           | (7,579) <sup>6</sup>        | 0                      |
| Non-cash stock compensation charges  | 3,005                           | 0                           | 3,005                  |
| Non-cash portion of severance, impairment and other charges                              | 6,576                           | (6,576) <sup>7</sup>        | 0                      |
| Change in assets and liabilities, excluding effects from acquisitions and dispositions:  |                                 |                             |                        |
| Net increase in accounts receivable  | (31,899)                        | 0                           | (31,899)               |
| Net increase in inventory  | (591)                           | 0                           | (591)                  |
| Net increase in prepaid expenses and other current assets                                | (8,569)                         | 0                           | (8,569)                |
| Net increase in accounts payable   | 9,861                           | 0                           | 9,861                  |
| Net increase in accrued and other current liabilities                                    | 25,846                          | 0                           | 25,846                 |
| Net increase in accrued severance, impairment and other charges                          | 8,015                           | (8,015) <sup>7</sup>        | 0                      |
| Net increase in deferred revenues  | 2,704                           | 0                           | 2,704                  |
| Net increase in accrued income taxes   | 76,588                          | (76,588) <sup>3</sup>       | 0                      |
| Net increase in pension assets (net of liabilities)                                      | (24,813)                        | 24,813 <sup>8</sup>         | 0                      |
| Net increase in other long-term assets   | (2,510)                         | 2,510 <sup>8</sup>          | 0                      |
| Net tax benefit on stock option exercises  | 4,016                           | (4,016) <sup>9</sup>        | 0                      |
| Nielsen Media Research payment received in respect of<br>D&B Legacy Tax Matters          | 37,025                          | (37,025) <sup>10</sup>      | 0                      |
| <b>Net cash Provided by Operating Activities</b>   | <b>\$ 374,501</b>               | <b>\$ (45,012)</b>          | <b>\$ 329,489</b>      |
| <b>Cash Flows used in Investing Activities:</b>  |                                 |                             |                        |
| Capital Expenditures   | (23,676)                        | 0                           | (23,676) <sup>11</sup> |
| Additions to Computer Software   | (77,296)                        | 0                           | (77,296) <sup>11</sup> |
| <b>Free Cash Flow, End of Period</b>   |                                 |                             | <b>\$ 228,517</b>      |

In addition to SEC Cash Flow, management provides Free Cash Flow information as it is believed to be a helpful measure for investors of cash generated from and invested in current operations, and is indicative of the cash the Company has available for acquisitions, share repurchases, dividends, debt reduction, etc.

Please see following page for the accompanying notes to the Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)



## IMS Health Incorporated

### Notes to Reconciliation of SEC Cash Flow to Free Cash Flow (unaudited)

#### Notes:

- 1 For details of reconciliation items between SEC Net Income and Adjusted Net Income, see Press Release for the Year Ended December 31, 2003, available in the "Investors" area of our Internet website under "Earnings & Financial Releases" at <http://www.IMSHEALTH.com>.  
Management uses 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. 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.
- 2 Consistent with prior periods, IMS's share of CTS's Net Income is included for the period as part of Free Cash Flow.
- 3 Movements in deferred and accrued income taxes do not necessarily relate directly to current operations. The tax provision, included within Adjusted Net Income, is considered to be useful to represent cash taxes from operations.
- 4 These items constitute part of the \$112,763 net adjustment to Net Income number, so no add back is required for Free Cash Flow.
- 5 In the fourth quarter, TriZetto recorded an \$18,720 charge relating to loss contracts and asset impairments in lines of business that TriZetto is exiting. IMS's share of this charge is not related to IMS's core business operations and has therefore been excluded from Free Cash Flow.
- 6 Free Cash Flow is designed to only include IMS's share of cash from consolidated subsidiaries, so no add back is required.
- 7 Severance, impairment and other charges do not constitute part of Adjusted Net Income, so are not included as Free Cash Flow.
- 8 Pension assets and liabilities and other inherently long-term assets are not viewed as part of current operations and are therefore excluded from Free Cash Flow.
- 9 All impacts from stock option exercises are excluded from Free Cash Flow as they are considered to be financing activities.
- 10 The Nielsen Media Research payment received in respect of D&B Legacy Tax Matters is not viewed as part of current operations and is therefore excluded from Free Cash Flow.
- 11 Investment in capital assets and software are integral to the ongoing business and operations of the Company and are therefore included as part of Free Cash Flow.