

Data. Insights. Results.



Investor Briefing


Certain statements we make today are forward-looking within the meaning of US federal securities laws. These statements include, certain projections regarding the trends in our business, future events and future financial performance. We would like to caution you that these statements are just predictions, and the actual event or results may differ. They can be affected by inaccurate assumptions or by known or unknown risks or uncertainties. Consequently, no forward-looking statement can be guaranteed. We call your attention to our first quarter 2004 earnings release and our 2003 annual report on Form 10-K, which set forth important factors that could cause actual results to differ materially from those contained in any such forward-looking statements. All forward-looking statements represent our views only as of the date they are made and the Company undertakes no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

**All financials shown are on an “adjusted basis” consistent with our past practice.**

Adjusted results generally exclude from corresponding U.S. GAAP measures items that are not related to the core business of IMS (such as gains/losses on non-core transactions, gains/losses on issuance of investees’ stock, a tax provision related to D&B legacy and related subsequent tax transactions, etc.) and from time to time also have excluded items that are related to the core business of IMS but that management does not expect to be relevant to the business going forward (such as special restructuring, severance, impairment and other charges), together with the tax effect of these items. Severance, impairment and other charges were recorded in 2000, 2001 and 2003, and there can be no assurances that such charges will not be recorded in the future. Management uses these adjusted results to evaluate its financial results for business decision-making, to develop budgets and to manage expenditures with respect to its core business. Management believes that the adjusted results are useful to investors as a supplement to historical U.S. GAAP information because they facilitate comparisons across periods, more clearly indicate trends and add insight into the Company’s performance by focusing on the results generated by the Company’s core operations. However, the fact that an item has been excluded from adjusted results does not mean that similar items will not be recorded in the future. The method IMS uses to prepare adjusted results differs in significant respects from U.S. GAAP and is likely to differ from the methods used by other companies. Adjusted results should not be regarded as a replacement for corresponding U.S. GAAP measures, which provide more comprehensive information about the financial results of IMS. Investors are urged to review the detailed reconciliations of the adjusted measures to the comparable U.S. GAAP results.

Adjusted Q1 2004 Net Income, EPS and a complete reconciliation to the comparable GAAP numbers can be found in our Q1 2004 earnings press release, which is available in the Investors Section of [www.imshealth.com](http://www.imshealth.com) and is attached to this document.

Q1 2004 Free Cash Flow and 2003 Return on Invested Capital and a complete reconciliation to the comparable GAAP numbers are available in the Investors Section of [www.imshealth.com](http://www.imshealth.com) and are attached to this document.



IMS Health (NYSE: RX) is the one global source for business intelligence about the pharmaceutical and healthcare industries, providing critical solutions that drive decisions and shape strategies.

Just about every major pharmaceutical and biotech company in the world is a client of IMS. Our unique mix of experience, expertise, global reach and unmatched data assets makes us the right choice for help in planning strategies and tactics, evaluating alliances, considering new markets, managing brands, preparing drug launches, optimizing drug portfolios, or improving sales force effectiveness.

Market Capitalization	\$5.4B *
Average Daily Trading Vol.(13 wk)	1.1M shares *
Wt. Ave. Diluted Shares (1Q 2004)	240M shares
52 Week High / Low	\$26.80 / \$14.48 *
Annual Dividend Rate	\$.08

## 2003 Results:

Revenue	\$1.4B	+13% Reported, +6% Constant Dollar
EPS	\$1.02	+4%
Free Cash Flow	\$229M	+17%

## 2004 Q1 Results:

Revenue	\$362M	+15% Reported, +8% Constant Dollar
EPS	\$0.26	+30%

Operating Income	\$96.2M	+23% Reported, +16% Constant Dollar
Operating Margin	27%	+160bp

## Operating Information:

Coverage	A presence in 100+ countries
Employees	6,000
2003 Revenue distribution	40% US, 46% Europe, 14% Asia Pacific
Website	<a href="http://www.imshealth.com">www.imshealth.com</a>

## Investor Contact:

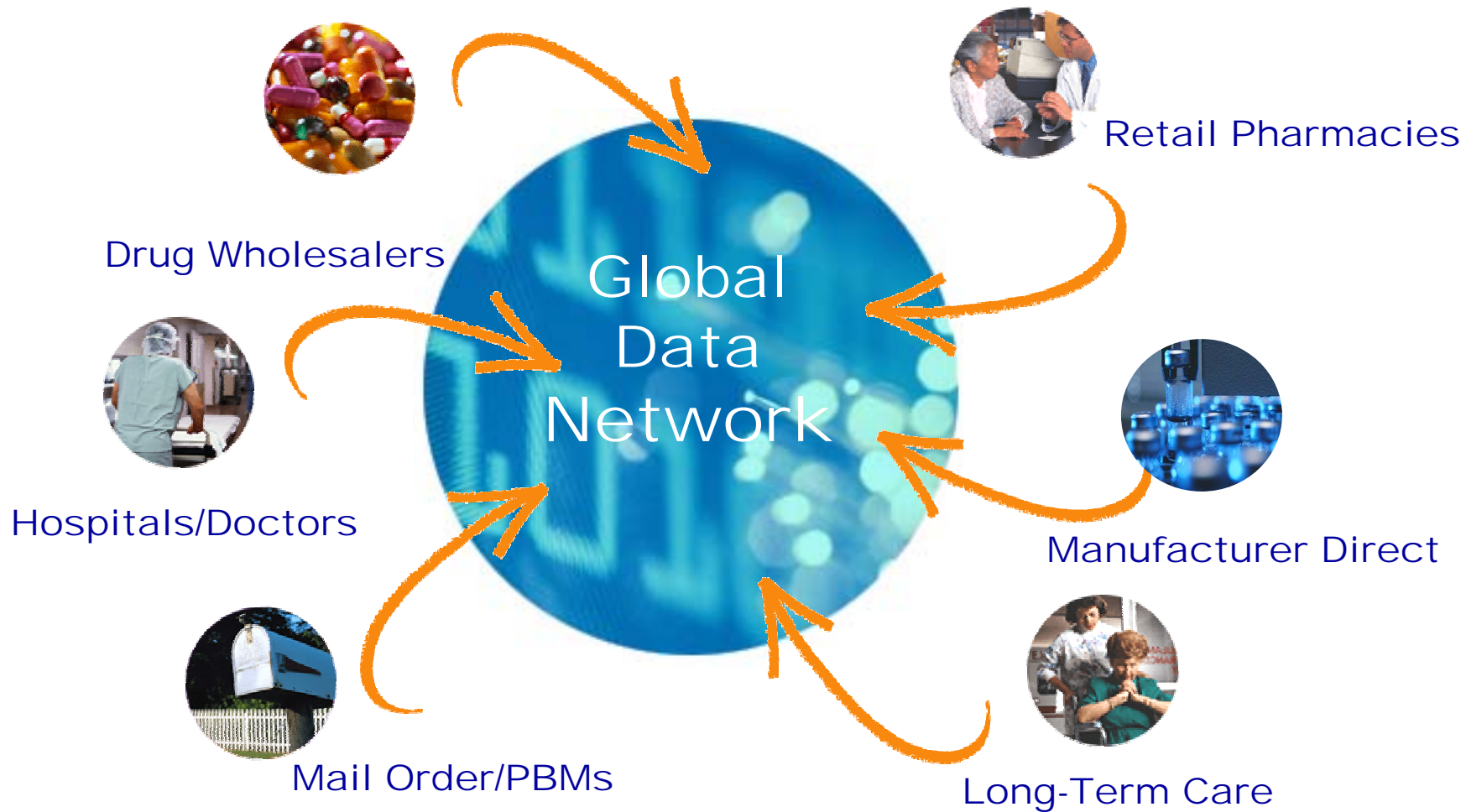
Darcie Peck, VP Investor Relations  
(203) 319-4766 [dpeck@imshealth.com](mailto:dpeck@imshealth.com)

## Leadership Position

- #1 Global Market Position
- Strength of Customer Base
- Global Scale and Coverage
- Breadth of Product Offerings
- Unparalleled Expertise
- Reputation of Quality and Accuracy

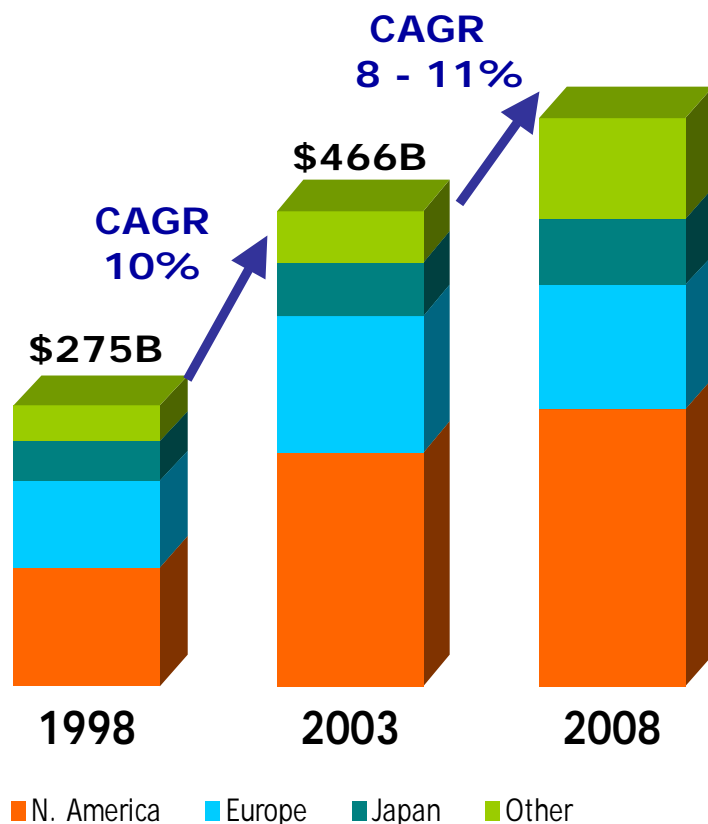
## Strong Financial Model

- Solid Revenue Growth
- High Free Cash Flows: \$229M
- High Return on Capital: >30%
- Strong Margins
- Strong Balance sheet
- Over 64% Revenue Committed

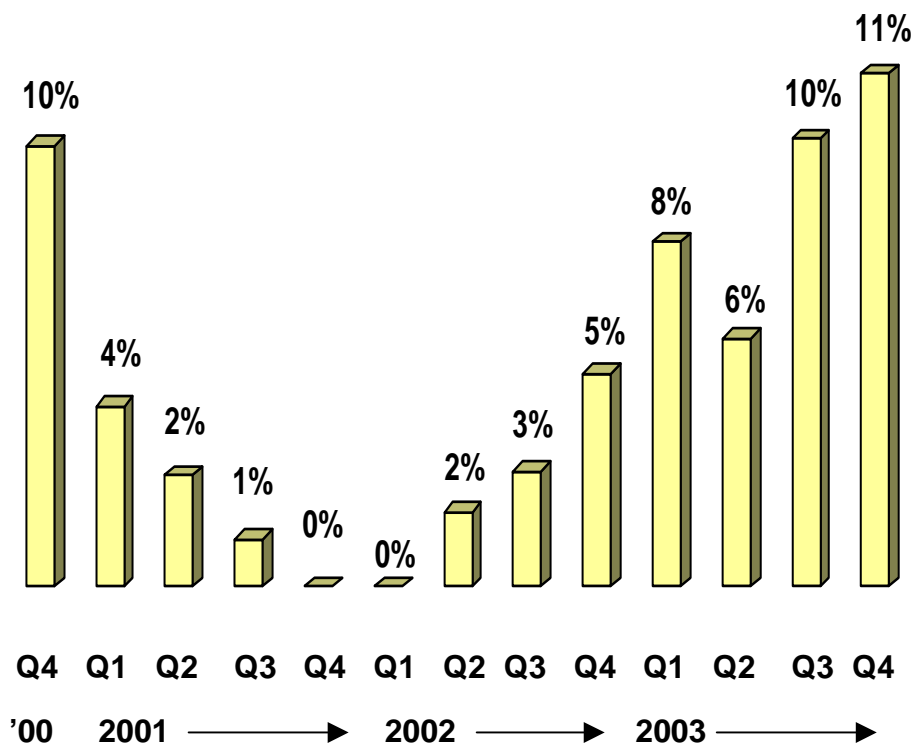


# Strong and Growing Customer Set

Pharma Industry Revenue  
Growth 1998 - 2008

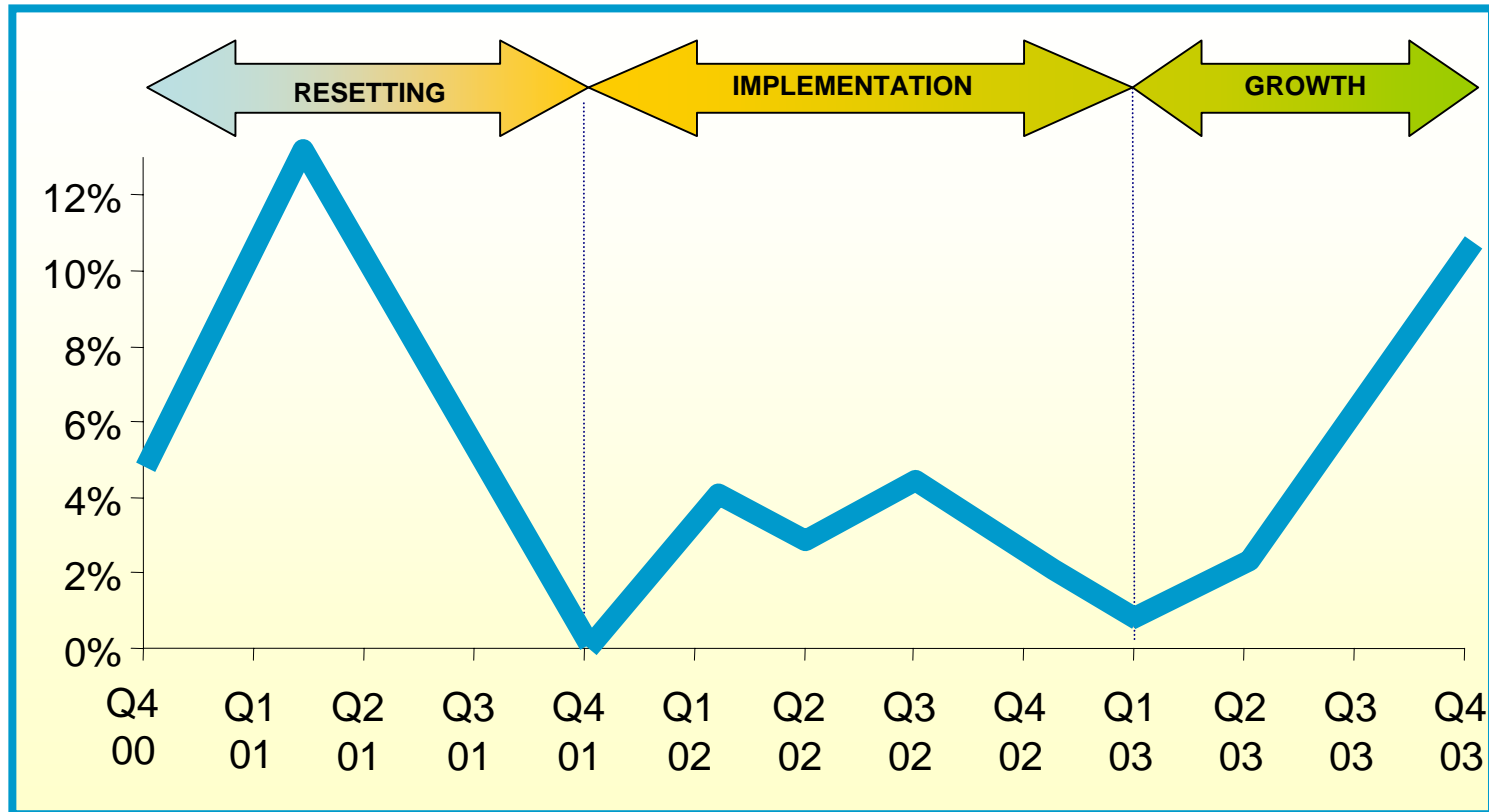


Top Pharma SG&A Growth:  
Last 13 quarters

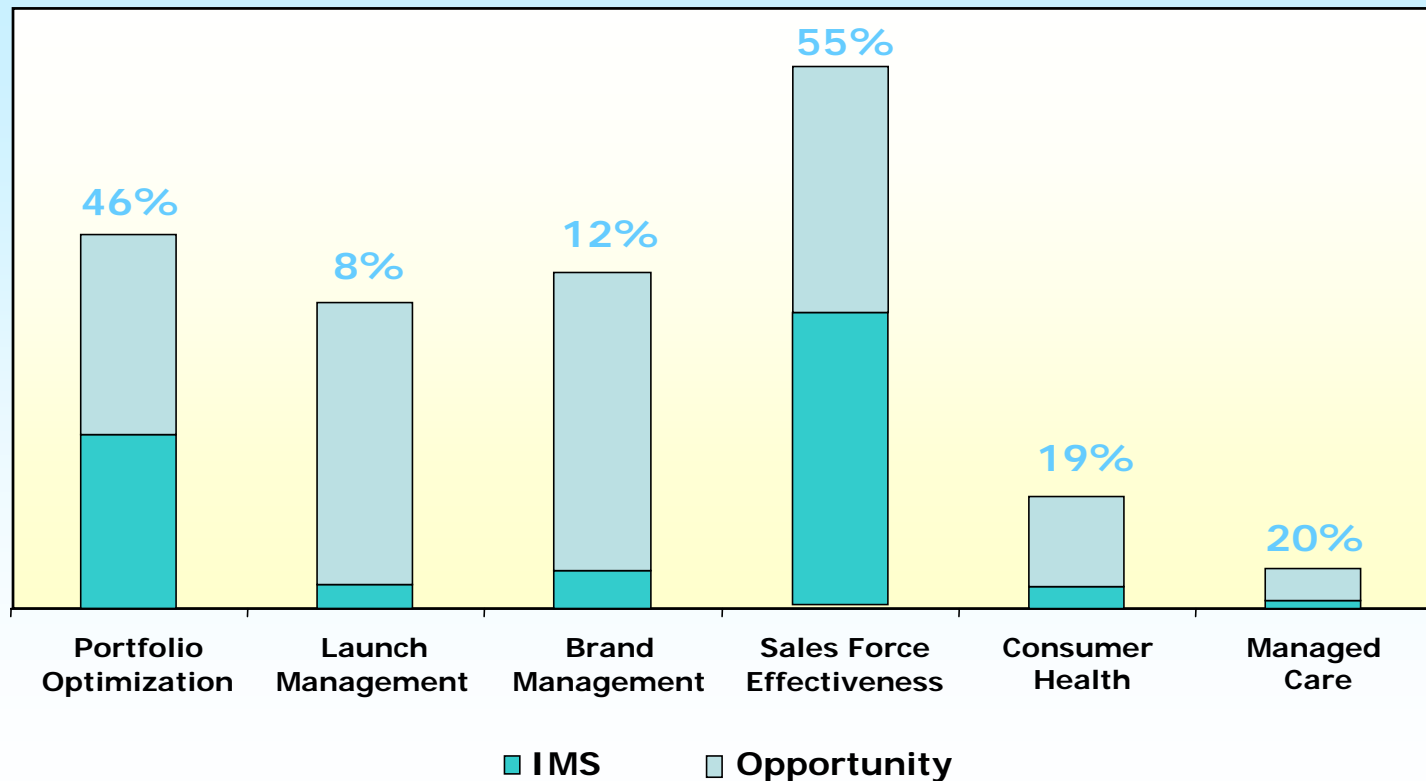




## IMS CD Revenue Growth



**Total = \$4 - 5 billion market opportunity**



## **CUSTOMER CHALLENGES**

**Discovering and developing  
new molecules**

**Successfully launching new  
products**

**Achieving optimal price**

**Optimizing promotion mix**

**Managing the sales force**

**Managing performance**

## **GROWTH DRIVERS**

**New Offerings**

**Transformation to a  
Solutions Model**

**Reach New Audiences  
Within Pharma**

## Sources of CD Revenue Growth

	2003 Growth	Q1 2004 Growth	Long-Term Model
Sales Force Effectiveness	3%	3%	7 – 10%
Portfolio Optimization	3%	5%	3 – 5%
Launch/Brand/Other	14%	13%	15 – 20%
Consulting & Services	24%	44%	20 – 30%
	6%	8%	8 – 13%



## Financial Performance: Q1 2004 Adjusted Earnings

(\$ millions, except per share)

	<u>Actual</u>	<u>Year to Year</u>	<u>Year to Year</u> C-D	<u>Guidance</u>
Revenue	361.6	15%	8%	5% - 7%
Op Income	96.2	23%	16%	
Net Income	61.4	19%		
EPS	\$0.26	30%		\$0.23 - \$0.25
Share Repurchases	5.5M shares			



<b>Revenue Growth</b>	.....▶	<b>High single-digit to low-teens</b>
<b>EPS</b>	.....▶	<b>With Revenue</b>
<b>ROIC</b>	.....▶	<b>&gt;30%</b>
<b>Free Cash Flow</b>	.....▶	<b>&gt;85% of Net Earnings</b>

**Strong Cash Flow Supports  
Long-Term Growth**



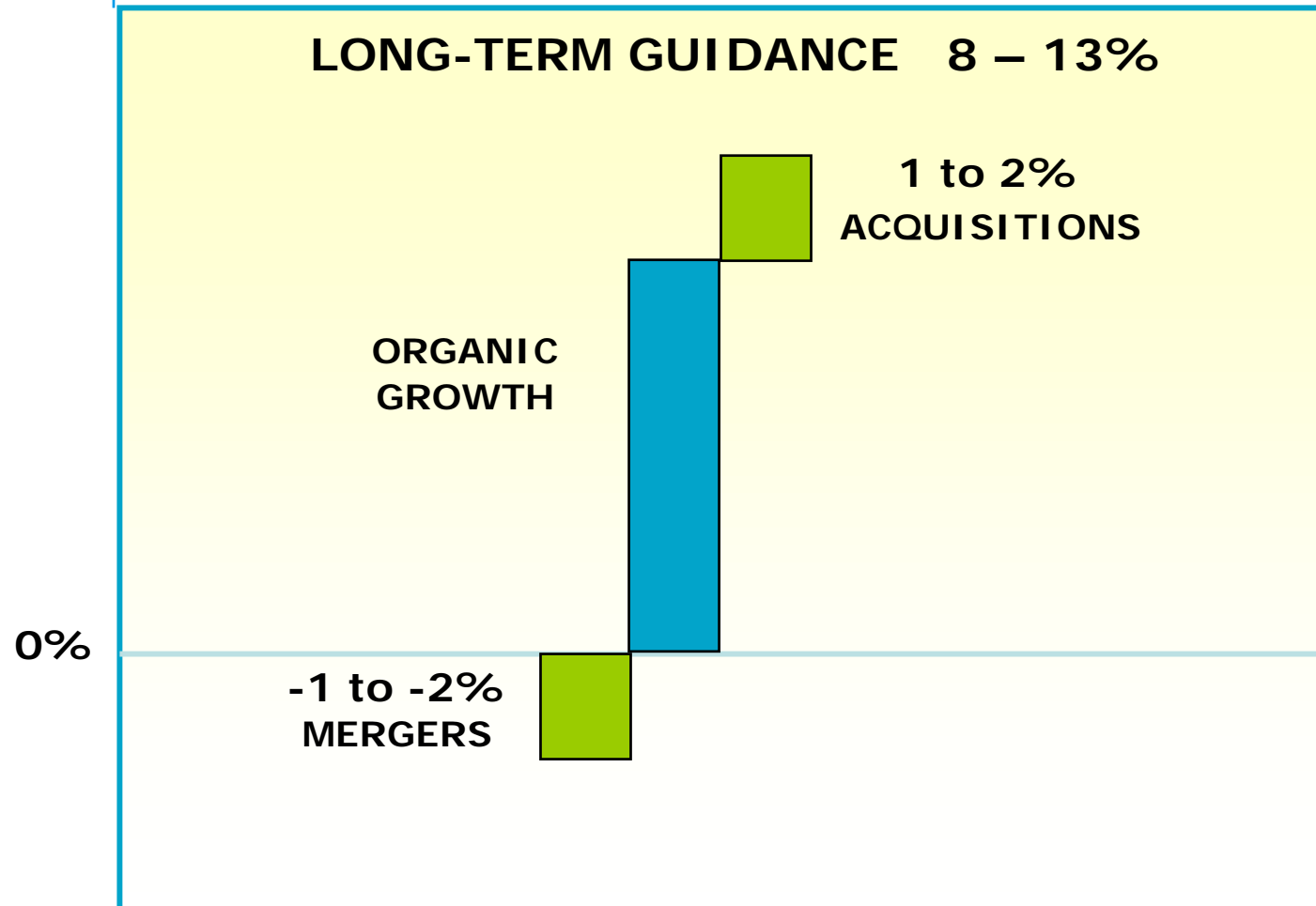
## Frequently Asked Questions:

Impact of Mergers? Drug Launches? Client Concentration?

Mix and Profitability?



Measuring the Growth Drivers of Our Business ?





**Some 3<sup>rd</sup> Party Analysts and Investors are increasingly comparing IMS to companies other than Healthcare IT, Pharma or S&P 500 some of which are listed below -**

### Data Processing Comparables

Paychex, Moody's, First Data

### Market Intelligence and Data Providers

ADP, Arbitron, Ceridian, Choicepoint, Dow Jones, Dun & Bradstreet, Equifax, FactSet Research Systems, Fair Isaac, Forrester Research, Gartner Group, IDC, McGraw Hill, The Thomson Corp.

Source: R. W. Baird – E. Coldwell, Lehman Brothers – L. Marsh, William Blair & Company – J. Kreger

- Leadership Position
- Strong and Growing Customer Set
- Significant Market Opportunity
- Accelerating Revenue Growth
- Positioned Well vs. Other Franchise Companies
- Proven Global Management Team
- Predictable & Strong Long-Term Financial Model



David M. Thomas is chairman and chief executive officer of IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries. Thomas, who joined the company in November 2000, is responsible for all IMS operations worldwide. With \$1.4 billion in 2003 revenue, IMS employs 6,000 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 The MONY Group, and is an Advisory Board member of EZGOV, Inc.



David R. Carlucci is president and chief operating officer of IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries. With \$1.4 billion in 2003 revenue, IMS employs 6,000 professionals serving more than 100 countries.

Carlucci, who joined the company in October 2002, has primary responsibility for IMS global operations and product development.

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 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 \$1.4 billion in 2003 revenue, IMS employs 6,000 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 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 \$1.4 billion in 2003 revenue, IMS employs 6,000 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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A thick, orange, hand-drawn brushstroke graphic that starts below the word 'Results' and sweeps upwards and to the left, ending under the word 'Insights'.



# News

For Immediate Release

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## **IMS HEALTH REPORTS \$0.34 EARNINGS PER SHARE AND \$0.26 ADJUSTED EPS, UP 30 PERCENT, FOR 2004 FIRST QUARTER**

### **First-Quarter 2004 Revenue Rises 15 Percent Reported, 8 Percent Constant Dollar**

FAIRFIELD, CT, April 20, 2004 -- IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries, today reported first-quarter 2004 results. "IMS's performance for the quarter was very strong, maintaining the momentum we created last year," said David Thomas, IMS chairman and chief executive officer. "Our results demonstrate that we are executing well in a challenging environment for our customers around the world. The information and services needs of our clients are expanding, and we have organized our business, our strategy and our operations around that demand. We remain confident that we are moving the business in the right direction and creating new opportunities for growth."

### **First-Quarter 2004 Results**

Revenue for the 2004 first quarter totaled \$361.6 million, up 15 percent on a reported basis over the first quarter of 2003. When calculated on a constant-dollar basis,



which eliminates the impact of year-over-year foreign exchange fluctuations, quarterly revenue grew 8 percent from the first quarter of 2003. Operating income was \$96.2 million, compared with \$41.2 million on an SEC-reported basis and \$78.4 million on an adjusted basis in the year-earlier quarter.

Net income for the quarter totaled \$81.1 million on an SEC-reported basis and \$61.4 million on an adjusted basis. This compares with net income of \$444.7 million on an SEC-reported basis and \$51.6 million on an adjusted basis in the 2003 first quarter, a 19 percent increase on an adjusted basis. SEC-reported earnings per share on a diluted basis was \$0.34, compared with \$1.71 in the year-earlier quarter. Adjusted earnings per share on a diluted basis of \$0.26 in the 2004 first quarter increased 30 percent over \$0.20 reported in the 2003 first quarter.

Adjusted results for the first quarter of 2004 exclude certain pre-tax income items totaling approximately \$11.7 million, as well as certain net tax benefits of approximately \$7.9 million. Adjusted results for the first quarter of 2003 exclude a one-time net gain of \$495.1 million resulting from the divestiture of IMS's equity interest in Cognizant Technology Solutions via a split-off, as well as certain pre-tax charges totaling approximately \$44.6 million, consisting primarily of severance, impairment and other charges. Adjusted first-quarter 2003 results also exclude a \$14.8 million after-tax impairment charge taken on IMS's equity investment in The TriZetto Group (Nasdaq: TZIX) and \$42.5 million of tax provision, related to a number of items, including a Dun & Bradstreet legacy tax transaction and subsequent related transactions. See Tables 3 and 4 for a reconciliation between SEC and adjusted results for the quarters ended March 31, 2004 and 2003, respectively.

## **Share Repurchase Program**

During the first quarter of 2004, IMS purchased approximately 5.5 million shares of company stock at a total cost of \$138.9 million and has 10.1 million shares remaining in its share repurchase authorization.

There were approximately 235.0 million shares outstanding as of March 31, 2004.

## **Consolidated Balance Sheet Highlights**

IMS's cash, cash equivalents and short-term marketable securities as of March 31, 2004 totaled \$392.6 million, compared with \$384.5 million on December 31, 2003. Total debt as of March 31, 2004 was \$672.2 million, up from \$562.0 million at the end of 2003. See Table 5 for selected consolidated balance sheet items.

## **Analyst Conference Call, Presentation Slides**

Executive management will review the company's performance during a conference call with analysts at 8:30 a.m. Eastern Time on Wednesday, April 21, 2004. Details for accessing the call can be found on the IMS website – [www.imshealth.com](http://www.imshealth.com). Prior to the call, a copy of this press release and any other financial and statistical information presented during the analyst conference call will be made available in the "Investors" area of IMS's website.

## **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 \$1.4 billion in 2003 revenue and 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>.

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*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 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, and the ability to implement cost-containment measures, (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, and (vi) deterioration in economic conditions, particularly in the pharmaceutical, healthcare or other industries in which IMS Health's customers operate. 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 March 31**  
**(unaudited, in millions except per share)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**IMS Health  
NOTES TO FINANCIAL TABLES**

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

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

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

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

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



**IMS Health Incorporated**

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

## PRELIMINARY - SUBJECT TO CHANGE

	Three Months Ended March 31, 2004		
	SEC Cash Flow	Adjustments	Free 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.



# News

For Immediate Release

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## **IMS HEALTH ANNOUNCES 20 PERCENT REPORTED REVENUE GROWTH IN 2003 FOURTH QUARTER, UP 11 PERCENT CONSTANT DOLLAR**

**Full-Year 2003 Revenue up 13 Percent Reported, 6 Percent Constant Dollar; Full-Year Earnings Per Share Rises to \$2.58 SEC-Reported, \$1.05 Adjusted and Before \$0.03 Charge for Settlement of Class-Action Litigation**

FAIRFIELD, CT, February 10, 2004 -- IMS Health (NYSE: RX), the world's leading provider of information solutions to the pharmaceutical and healthcare industries, today reported fourth-quarter and full-year 2003 results. "IMS's performance for the quarter and year was strong," said David Thomas, IMS chairman and chief executive officer. "Four quarters of accelerating revenue growth in 2003 reflect our progress in making IMS a more flexible, innovative and customer-focused organization. We're building on that momentum by leveraging global efficiencies and delivering new consulting and services capabilities that differentiate us in the marketplace."

### **Fourth-Quarter 2003 Results**

Revenue for the 2003 fourth quarter totaled \$384.1 million, up 20 percent on a reported basis over the fourth quarter of 2002. When calculated on a constant-dollar

basis, which eliminates the impact of year-over-year foreign exchange fluctuations, quarterly revenue grew 11 percent from the fourth quarter of 2002. Operating income was \$115.1 million, compared with \$116.1 million in the year-earlier quarter, down 1 percent. Included in operating income is a \$10.6 million pre-tax charge for the estimated costs of the probable settlement of two class-action suits related to the Mayberry and Douglas litigation.

Net income for the quarter totaled \$69.7 million on an SEC-reported basis and \$70.9 million on an adjusted basis. Net income includes a \$6.4 million after-tax charge for the litigation settlement. This compares with net income of \$62.7 million on an SEC-reported basis in the year-earlier quarter, an 11 percent increase, and \$78.3 million on an adjusted basis in the 2002 fourth quarter, a 9 percent decline. SEC-reported earnings per share on a diluted basis was \$0.28, up 27 percent from \$0.22 in the year-earlier quarter. Before the costs for settlement of the class action litigation, adjusted diluted earnings per share was \$0.32 in the 2003 fourth quarter, up 14 percent over the year-earlier quarter. Including the costs to settle the class action litigation, adjusted earnings per share of \$0.29 in the 2003 fourth quarter increased 4 percent over the 2002 fourth quarter. Adjusted results for the fourth quarter of 2003 exclude certain pre-tax income items totaling approximately \$4.8 million. See Tables 3 and 4 for a reconciliation between SEC and adjusted results for the 2003 fourth quarter and 2002 fourth quarter, respectively.

### **Full-Year 2003 Results**

IMS revenue rose to \$1,381.8 million for the 2003 full year, up 13 percent on a reported basis and 6 percent constant dollar, compared with revenue of \$1,219.4 million in 2002. Operating income on an SEC-reported basis was \$361.5 million for the 2003 full year, down 10 percent, and on an adjusted basis was \$398.7 million, down 1 percent from the previous year. Net income in 2003 totaled \$638.9 million on an SEC-reported basis

and \$252.0 million on an adjusted basis. This compares with net income of \$266.1 million on an SEC-reported basis in 2002, a 140 percent increase, and \$279.8 million on an adjusted basis, a 10 percent decline. SEC-reported earnings per share on a diluted basis was \$2.58, up 177 percent from \$0.93 a year earlier. Before the costs to settle the class action litigation, adjusted diluted earnings per share was \$1.05 in 2003, up 7 percent over 2002. Including the class action litigation settlement costs, adjusted earnings per share of \$1.02 in 2003 increased 4 percent over \$0.98 in 2002.

Adjusted results for 2003 exclude certain pre-tax charges totaling approximately \$36.3 million. See Tables 7 and 8 for a reconciliation between SEC and adjusted results for full-year 2003 and full-year 2002, respectively.

### **Share Repurchase Program**

During the fourth quarter of 2003, IMS purchased approximately 3.6 million shares of company stock at an average price of \$23.79 per share, for a total cost of \$86.2 million. For full-year 2003, IMS purchased approximately 9.6 million shares of company stock at an average price of \$19.18 per share, for a total cost of \$184.2 million. The split-off of Cognizant Technology Solutions (CTS) in February 2003 reduced shares outstanding by an additional 36.5 million shares. As of December 31, 2003, approximately 5.6 million shares remained available under a 10 million share stock repurchase program authorized by the board in April 2003. On February 10, 2004, the board authorized the company to buy up to 10 million additional IMS shares under a new stock repurchase program. There were approximately 238.3 million shares outstanding as of December 31, 2003.

### **Consolidated Balance Sheet Highlights**

IMS's cash, cash equivalents and short-term marketable securities as of December 31, 2003 totaled \$384.5 million, compared with \$289.3 million on December 31, 2002.

Total debt as of December 31, 2003 was \$562.0 million, up from \$529.8 million at the end of 2002. The December 31, 2002 balance sheet has been restated to present Cognizant Technology Solutions (CTS) on a discontinued operations basis (see Table 9).

### **Analyst Conference Call, Presentation Slides**

Executive management will review the company's performance during a conference call with analysts at 8:30 a.m. Eastern Time on Wednesday, February 11, 2004. Details for accessing the call can be found on the IMS website – [www.imshealth.com](http://www.imshealth.com). Prior to the call, a copy of this press release and any other financial and statistical information presented during the analyst conference call will be made available in the "Investors" area of IMS's website, under "Presentations & Analyst Calls."

### **About IMS**

Operating in more than 100 countries, IMS is the world's leading provider of information solutions to the pharmaceutical and healthcare industries. With \$1.4 billion in 2003 revenue and 50 years of industry experience, IMS offers leading-edge business intelligence products and services that are integral to clients' day-to-day operations, including marketing effectiveness solutions for prescription and over-the-counter pharmaceutical products; sales optimization solutions to increase pharmaceutical sales force productivity; and consulting and customized services that turn information into actionable insights. Additional information is available at <http://www.imshealth.com>.

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*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 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, and the ability to implement cost-containment measures, (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, and (vi) deterioration in economic conditions, particularly in the pharmaceutical, healthcare or other industries in which IMS Health's customers operate. 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 December 31**  
**(unaudited, in millions except per share)**

	2003 SEC	2002 SEC	% Fav (Unfav)	
<b>Revenue</b>				
Sales Management	\$236.6	\$198.6	19	%
Market Research	131.8	112.5	17	
Other	<u>15.7</u>	<u>8.7</u>	81	
Total	384.1	319.8	20	
<b>Operating Expenses</b>				
Operating Costs	(150.2)	(117.9)	(27)	
Selling and Administrative	(88.0)	(70.0)	(26)	
Depreciation and Amortization	(20.1)	(15.8)	(27)	
Class Action Settlement	<u>(10.6)</u>	<u>-</u>	N/M	
Total	(269.0)	(203.7)	(32)	
Operating Income	115.1	116.1	(1)	
Interest expense, net	(2.8)	(2.7)		
Gains from investments, net (d)	(0.9)	4.8		
Loss on issuance of investees' stock, net (e)	0.0	(0.4)		
Other expense, net (f)	<u>(4.1)</u>	<u>(4.1)</u>		
Pretax Income	107.4	113.7	(6)	
Provision for Income Taxes (g)	(35.4)	(32.2)		
TriZetto Equity Income (Loss), Net (b)	(4.1)	(0.2)		
TriZetto impairment charge, net (i)	<u>0.0</u>	<u>(26.1)</u>		
Net Income from continuing operations	67.9	55.2	23	
Income from discontinued operations – CTS (c)	0.0	7.5		
Gain on discontinued operations – CTS (j)	<u>1.8</u>	<u>0.0</u>		
Net Income	\$69.7	\$62.7	11	
<b>Diluted EPS:</b>				
Income from continuing operations	0.28	0.20		
Income from discontinued operations – CTS (c)	0.00	0.03		
Gain on discontinued operations – CTS (j)	<u>0.01</u>	<u>0.00</u>		
Total Diluted EPS	\$0.28	\$0.22	27	%
Class Action Settlement impact	<u>(0.03)</u>	<u>-</u>		
Total Diluted EPS bef. Class Action Settlement	\$0.31	\$0.22	41	%
<b>Shares Outstanding:</b>				
Weighted Average Diluted	244.8	281.2	13	%
End-of-Period Actual	238.3	281.1	15	

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

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

	<b>2003 Adjusted</b>	<b>2002 Adjusted</b>	<b>% Fav (Unfav)</b>	<b>Constant \$ Growth</b>
<b>Revenue</b>				
Sales Management	\$236.6	\$198.6	19 %	10 %
Market Research	131.8	112.5	17	9
Other	<u>15.7</u>	<u>8.7</u>	81	74
Total	384.1	319.8	20	11
<b>Operating Expenses</b>				
Operating Costs	(150.2)	(117.9)	(27)	
Selling and Administrative	(88.0)	(70.0)	(26)	
Depreciation and Amortization	(20.1)	(15.8)	(27)	
Class Action Settlement	<u>(10.6)</u>	<u>-</u>	N/M	
Total	(269.0)	(203.7)	(32)	
<b>Operating Income</b>	115.1	116.1	(1)	(9)
<b>Interest expense, net</b>	(2.8)	(2.7)	(1)	
<b>Other expense, net (f)</b>	<u>(9.7)</u>	<u>(9.8)</u>	1	
<b>Pretax Income</b>	102.6	103.5	(1)	
<b>Provision for Income Taxes (g)</b>	(30.6)	(31.7)	3	
<b>TriZetto Equity Income (Loss), Net (b)</b>	<u>(1.1)</u>	<u>(0.2)</u>	N/M	
<b>Net Income from continuing operations</b>	70.9	71.6	(1) %	
<b>Income from discontinued operations – CTS (c)</b>	<u>0.0</u>	<u>6.6</u>	(100)	
<b>Net Income</b>	\$70.9	\$78.3	(9) %	
<b>Diluted EPS:</b>				
Income from continuing operations	0.29	0.25	16	
Income from discontinued operations – CTS (c)	<u>0.00</u>	<u>0.02</u>	(100)	
Total Diluted EPS	\$0.29	\$0.28	4 %	
Class Action Settlement impact	<u>(0.03)</u>	<u>-</u>		
Total Diluted EPS bef. Class Action Settlement	\$0.32	\$0.28	14 %	
<b>Shares Outstanding:</b>				
Weighted Average Diluted	244.8	281.2	13 %	
End-of-Period Actual	238.3	281.1	15	

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

**Table 3**  
**IMS Health**  
**Reconciliation from SEC to Adjusted Income Statement (a)**  
**Three Months Ended December 31, 2003**  
**(unaudited, in millions except per share)**

	SEC Q4	Adjustments	Adjusted Q4
<b>Revenue</b>			
Sales Management	\$236.6	\$0.0	\$236.6
Market Research	131.8	0.0	131.8
Other	<u>15.7</u>	<u>0.0</u>	<u>15.7</u>
Total	384.1	0.0	384.1
<b>Operating Expenses</b>			
Operating Costs	(150.2)	0.0	(150.2)
Selling and Administrative	(88.0)	0.0	(88.0)
Depreciation and Amortization	(20.1)	0.0	(20.1)
Class Action Settlement	<u>(10.6)</u>	<u>0.0</u>	<u>(10.6)</u>
Total	(269.0)	0.0	(269.0)
<b>Operating Income</b>	115.1	0.0	115.1
<b>Interest expense, net</b>	(2.8)	0.0	(2.8)
<b>Gains from investments, net (d)</b>	(0.9)	0.9	0.0
<b>Loss on issuance of investees' stock, net (e)</b>	0.0	0.0	0.0
<b>Other expense, net (f)</b>	<u>(4.1)</u>	<u>(5.6)</u>	<u>(9.7)</u>
<b>Pretax Income</b>	107.4	(4.8)	102.6
<b>Provision for Income Taxes (g)</b>	(35.4)	4.8	(30.6)
<b>TriZetto Equity Income, Net (b)</b>	<u>(4.1)</u>	<u>3.0</u>	<u>(1.1)</u>
<b>Net Income from continuing operations</b>	67.9	3.0	70.9
<b>Income from discontinued operations – CTS (c)</b>	0.0	0.0	0.0
<b>Gain on discontinued operations – CTS (j)</b>	<u>1.8</u>	<u>(1.8)</u>	<u>0.0</u>
<b>Net Income</b>	\$69.7	1.2	\$70.9
<b>Diluted EPS:</b>			
Income from continuing operations	0.28	0.01	0.29
Income from discontinued operations – CTS (c)	0.00	0.00	0.00
Gain on discontinued operations – CTS (j)	<u>0.01</u>	<u>(0.01)</u>	<u>0.00</u>
Total Diluted EPS	\$0.28	0.00	\$0.29
Class Action Settlement impact	<u>(0.03)</u>	<u>0.00</u>	<u>(0.03)</u>
Total Diluted EPS bef. Class Action Settlement	\$0.31	0.00	\$0.32
<b>Shares Outstanding:</b>			
Weighted Average Diluted	244.8	0.0	244.8
End-of-Period Actual	238.3	0.0	238.3

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

**Table 4**  
**IMS Health**  
**Reconciliation from SEC to Adjusted Income Statement (a)**  
**Three Months Ended December 31, 2002**  
**(unaudited, in millions except per share)**

	<b>SEC Q4</b>	<b>Adjustments</b>	<b>Adjusted Q4</b>
<b>Revenue</b>			
Sales Management	\$198.6	\$0.0	\$198.6
Market Research	112.5	0.0	112.5
Other	<u>8.7</u>	<u>0.0</u>	<u>8.7</u>
Total	319.8	0.0	319.8
<b>Operating Expenses</b>			
Operating Costs	(117.9)	0.0	(117.9)
Selling and Administrative	(70.0)	0.0	(70.0)
Depreciation and Amortization	<u>(15.8)</u>	<u>0.0</u>	<u>(15.8)</u>
Total	(203.7)	0.0	(203.7)
<b>Operating Income</b>	116.1	0.0	116.1
<b>Interest expense, net</b>	(2.7)	0.0	(2.7)
<b>Gains from investments, net (d)</b>	4.8	(4.8)	0.0
<b>Loss on issuance of investees' stock, net (e)</b>	(0.4)	0.4	0.0
<b>Other expense, net (f)</b>	<u>(4.1)</u>	<u>(5.7)</u>	<u>(9.8)</u>
<b>Pretax Income</b>	113.7	(10.2)	103.5
<b>Provision for Income Taxes (g)</b>	(32.2)	0.5	(31.7)
<b>TriZetto Equity Loss, Net (b)</b>	(0.2)	0.0	(0.2)
<b>TriZetto impairment charge, net (i)</b>	<u>(26.1)</u>	<u>26.1</u>	<u>0.0</u>
<b>Net Income from continuing operations</b>	55.2	16.4	71.6
<b>Income from discontinued operations – CTS (c)</b>	<u>7.5</u>	<u>(0.8)</u>	<u>6.6</u>
<b>Net Income</b>	\$62.7	15.6	\$78.3
<b>Diluted EPS:</b>			
Income from continuing operations	0.20	0.06	0.25
Income from discontinued operations – CTS (c)	<u>0.03</u>	<u>0.00</u>	<u>0.02</u>
Total Diluted EPS	\$0.22	0.06	\$0.28
<b>Shares Outstanding:</b>			
Weighted Average Diluted	281.2	0.0	281.2
End-of-Period Actual	281.1	0.0	281.1

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

**Table 5**  
**IMS Health**  
**SEC Income Statement (a)**  
**Twelve Months Ended December 31**  
**(unaudited, in millions except per share)**

	2003 SEC	2002 SEC	% Fav (Unfav)	
<b>Revenue</b>				
Sales Management	\$836.3	\$744.8	12	%
Market Research	491.7	427.7	15	
Other	<u>53.7</u>	<u>47.0</u>	14	
Total	1,381.8	1,219.4	13	
<b>Operating Expenses</b>				
Operating Costs	(556.5)	(463.7)	(20)	
Selling and Administrative	(340.8)	(298.8)	(14)	
Depreciation and Amortization	(75.1)	(53.9)	(39)	
Class Action Settlement	(10.6)	-	N/M	
Severance, Impairment & other charges (h)	<u>(37.2)</u>	<u>0.0</u>	N/M	
Total	(1,020.3)	(816.4)	(25)	
<b>Operating Income</b>	361.5	403.0	(10)	
Interest expense, net	(11.2)	(8.7)		
Gains from investments, net (d)	0.3	7.3		
Loss on issuance of investees' stock, net (e)	(0.4)	(1.0)		
Other expense, net (f)	<u>(25.8)</u>	<u>(21.9)</u>		
Pretax Income	324.3	378.8	(14)	
Provision for Income Taxes (g)	(166.0)	(115.0)		
TriZetto Equity Loss, Net (b)	(4.2)	(0.9)		
TriZetto impairment charge, net (i)	<u>(14.8)</u>	<u>(26.1)</u>		
Net Income from continuing operations	139.3	236.8	(41)	
Income from discontinued operations – CTS (c)	2.8	29.3		
Gain on discontinued operations – CTS (j)	<u>496.9</u>	<u>0.0</u>		
Net Income	\$638.9	\$266.1	140	
<b>Diluted EPS:</b>				
Income from continuing operations	0.56	0.83		
Income from discontinued operations – CTS (c)	0.01	0.10		
Gain on discontinued operations – CTS (j)	<u>2.01</u>	<u>0.00</u>		
Total Diluted EPS	\$2.58	\$0.93	177	%
Class Action Settlement impact	<u>(0.03)</u>	-		
Total Diluted EPS bef. Class Action Settlement	\$2.61	\$0.93	181	%
<b>Shares Outstanding:</b>				
Weighted Average Diluted	247.3	286.7	14	%
End-of-Period Actual	238.3	281.1	15	

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

**Table 6**  
**IMS Health**  
**Adjusted Income Statement (a)**  
**Twelve Months Ended December 31**  
**(unaudited, in millions except per share)**

	<b>2003 Adjusted</b>	<b>2002 Adjusted</b>	<b>% Fav (Unfav)</b>	<b>Constant \$ Growth</b>
<b>Revenue</b>				
Sales Management	\$836.3	\$744.8	12 %	4 %
Market Research	491.7	427.7	15	7
Other	<u>53.7</u>	<u>47.0</u>	14	11
Total	1,381.8	1,219.4	13	6
<b>Operating Expenses</b>				
Operating Costs	(556.5)	(463.7)	(20)	
Selling and Administrative	(340.8)	(298.8)	(14)	
Depreciation and Amortization	(75.1)	(53.9)	(39)	
Class Action Settlement	<u>(10.6)</u>	<u>-</u>	N/M	
Total	(983.0)	(816.4)	(20)	
<b>Operating Income</b>	398.7	403.0	(1)	(8)
<b>Interest expense, net</b>	(11.2)	(8.7)	(29)	
<b>Other expense, net (f)</b>	<u>(26.9)</u>	<u>(20.7)</u>	(30)	
<b>Pretax Income</b>	360.7	373.6	(4)	
<b>Provision for Income Taxes (g)</b>	(110.1)	(116.6)	6	
<b>TriZetto Equity Loss, Net (b)</b>	<u>(1.3)</u>	<u>(0.9)</u>	(47)	
<b>Net Income from continuing operations</b>	249.3	256.2	(3) %	
<b>Income from discontinued operations – CTS (c)</b>	<u>2.8</u>	<u>23.6</u>	(88)	
<b>Net Income</b>	\$252.0	\$279.8	(10) %	
<b>Diluted EPS:</b>				
Income from continuing operations	1.01	0.89	13	
Income from discontinued operations – CTS (c)	<u>0.01</u>	<u>0.08</u>	(88)	
Total Diluted EPS	\$1.02	\$0.98	4 %	
Class Action Settlement impact	<u>(0.03)</u>	<u>-</u>		
Total Diluted EPS bef. Class Action Settlement	\$1.05	\$0.98	7 %	
<b>Shares Outstanding:</b>				
Weighted Average Diluted	247.3	286.7	14 %	
End-of-Period Actual	238.3	281.1	15	

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

**Table 7**  
**IMS Health**  
**Reconciliation from SEC to Adjusted Income Statement (a)**  
**Twelve Months Ended December 31, 2003**  
**(unaudited, in millions except per share)**

	SEC FY	Adjustments	Adjusted FY
<b>Revenue</b>			
Sales Management	\$836.3	\$0.0	\$836.3
Market Research	491.7	0.0	491.7
Other	<u>53.7</u>	<u>0.0</u>	<u>53.7</u>
Total	1,381.8	0.0	1,381.8
<b>Operating Expenses</b>			
Operating Costs	(556.5)	0.0	(556.5)
Selling and Administrative	(340.8)	0.0	(340.8)
Depreciation and Amortization	(75.1)	0.0	(75.1)
Class Action Settlement	(10.6)	0.0	(10.6)
Severance, impairment & other charges (h)	<u>(37.2)</u>	<u>37.2</u>	<u>0.0</u>
Total	(1,020.3)	37.2	(983.0)
<b>Operating Income</b>	361.5	37.2	398.7
<b>Interest expense, net</b>	(11.2)	0.0	(11.2)
<b>Gains from investments, net (d)</b>	0.3	(0.3)	0.0
<b>Loss on issuance of investees' stock, net (e)</b>	(0.4)	0.4	0.0
<b>Other expense, net (f)</b>	<u>(25.8)</u>	<u>(1.0)</u>	<u>(26.9)</u>
<b>Pretax Income</b>	324.3	36.3	360.7
<b>Provision for Income Taxes (g)</b>	(166.0)	55.8	(110.1)
<b>TriZetto Equity Loss, Net (b)</b>	(4.2)	3.0	(1.3)
<b>TriZetto impairment charge, net (i)</b>	<u>(14.8)</u>	<u>14.8</u>	<u>0.0</u>
<b>Net Income from continuing operations</b>	139.3	110.0	249.3
<b>Income from discontinued operations – CTS (c)</b>	2.8	0.0	2.8
<b>Gain on discontinued operations – CTS (j)</b>	<u>496.9</u>	<u>(496.9)</u>	<u>0.0</u>
<b>Net Income</b>	\$638.9	(387.0)	\$252.0
<b>Diluted EPS:</b>			
Income from continuing operations	0.56	0.44	1.01
Income from discontinued operations – CTS (c)	0.01	0.00	0.01
Gain on discontinued operations – CTS (j)	<u>2.01</u>	<u>(2.01)</u>	<u>0.00</u>
Total Diluted EPS	\$2.58	(1.56)	\$1.02
Class Action Settlement impact	<u>(0.03)</u>	<u>0.00</u>	<u>(0.03)</u>
Total Diluted EPS bef. Class Action Settlement	\$2.61	(1.56)	\$1.05
<b>Shares Outstanding:</b>			
Weighted Average Diluted	247.3	0.0	247.3
End-of-Period Actual	238.3	0.0	238.3

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



**Table 8**  
**IMS Health**  
**Reconciliation from SEC to Adjusted Income Statement (a)**  
**Twelve Months Ended December 31, 2002**  
**(unaudited, in millions except per share)**

	<b>SEC FY</b>	<b>Adjustments</b>	<b>Adjusted FY</b>
<b>Revenue</b>			
Sales Management	\$744.8	\$0.0	\$744.8
Market Research	427.7	0.0	427.7
Other	<u>47.0</u>	<u>0.0</u>	<u>47.0</u>
Total	1,219.4	0.0	1,219.4
<b>Operating Expenses</b>			
Operating Costs	(463.7)	0.0	(463.7)
Selling and Administrative	(298.8)	0.0	(298.8)
Depreciation and Amortization	<u>(53.9)</u>	<u>0.0</u>	<u>(53.9)</u>
Total	(816.4)	0.0	(816.4)
<b>Operating Income</b>	403.0	0.0	403.0
<b>Interest expense, net</b>	(8.7)	0.0	(8.7)
<b>Gains from investments, net (d)</b>	7.3	(7.3)	0.0
<b>Loss on issuance of investees' stock, net (e)</b>	(1.0)	1.0	0.0
<b>Other expense, net (f)</b>	<u>(21.9)</u>	<u>1.2</u>	<u>(20.7)</u>
<b>Pretax Income</b>	378.8	(5.1)	373.6
<b>Provision for income taxes (g)</b>	(115.0)	(1.6)	(116.6)
<b>TriZetto equity loss, Net (b)</b>	(0.9)	0.0	(0.9)
<b>TriZetto impairment charge, net (i)</b>	<u>(26.1)</u>	<u>26.1</u>	<u>0.0</u>
<b>Net Income from continuing operations</b>	236.8	19.4	256.2
<b>Income from discontinued operations – CTS (c)</b>	<u>29.3</u>	<u>(5.8)</u>	<u>23.6</u>
<b>Net Income</b>	\$266.1	13.6	\$279.8
<b>Diluted EPS:</b>			
Income from continuing operations	0.83	0.07	0.89
Income from discontinued operations – CTS (c)	<u>0.10</u>	<u>(0.02)</u>	<u>0.08</u>
Total Diluted EPS	\$0.93	0.05	\$0.98
<b>Shares Outstanding:</b>			
Weighted Average Diluted	286.7	0.0	286.7
End-of-Period Actual	281.1	0.0	281.1

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

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

	<u><b>Dec. 31, 2003</b></u>	<u><b>Dec. 31, 2002</b></u>
<b>Cash and cash equivalents</b>	<b>\$344.4</b>	<b>\$264.7</b>
<b>Short-term marketable securities</b>	<b>40.1</b>	<b>24.5</b>
<b>Accounts receivable, net</b>	<b>271.3</b>	<b>215.9</b>
<b>Short-term debt</b>	<b>409.9</b>	<b>204.8</b>
<b>Long-term debt</b>	<b>152.1</b>	<b>325.0</b>

The December 31, 2002 balance sheet has been restated to present CTS on a discontinued operations basis, consistent with the December 31, 2003 presentation. Cash and cash equivalents and accounts receivable, net exclude CTS amounts in all periods.

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

**IMS Health  
NOTES TO FINANCIAL TABLES**

- (a) “Adjusted Income Statements” (Tables 2 and 6) differ from the “SEC Income Statements” (Tables 1 and 5) by amounts that are detailed on Tables 3, 4, 7 and 8. Adjusted results generally exclude from corresponding U.S. GAAP measures items that are not related to the core business of IMS (such as gains/losses on non-core transactions, gains/losses on issuance of investees’ stock, a tax provision related to D&B legacy and related subsequent tax transactions, etc.) and from time to time also have excluded items that are related to the core business of IMS but have been identified specifically by management to have arisen from special historical circumstances that management does not expect to be relevant to the core business going forward (such as special restructuring, severance, impairment and other charges), together with the tax effect of these items. Management uses these adjusted results to evaluate its financial results for business decision-making, to develop budgets and to manage expenditures with respect to its core business. Management believes that the adjusted results are useful to investors as a supplement to historical U.S. GAAP information because they facilitate comparisons across periods, more clearly indicate trends and add insight into the Company’s performance by focusing on the results generated by the Company’s core operations. The method IMS uses to prepare adjusted results differs in significant respects from U.S. GAAP and is likely to differ from the methods used by other companies. Adjusted results should not be regarded as a replacement for corresponding U.S. GAAP measures, which provide more comprehensive information about the financial results of IMS. Investors are urged to review the detailed reconciliations of the adjusted measures to the comparable U.S. GAAP results.
- (b) TriZetto Equity Income in the fourth quarter of 2003 is based on TriZetto’s year end earnings release and includes IMS’s share of TriZetto results as well as purchase accounting amortization expenses. In the fourth quarter, TriZetto recorded an \$18.7 million charge relating to loss contracts and asset impairments in lines of business that TriZetto is exiting. IMS’s share of this charge (\$3.0 million) has been excluded from adjusted results because it is not related to IMS’s core business operations.
- (c) IMS divested its equity interest in CTS on February 6, 2003 via a split-off transaction. Income from discontinued operations includes IMS’s share of CTS income on an after-tax basis for the portion of the first quarter of 2003 prior to the split-off, and for the four quarters of 2002. Previously CTS had been consolidated into the IMS financial statements.
- (d) Losses from investments, net were \$0.9 million in the fourth quarter of 2003, relating primarily to fees for the Enterprise investments, compared with a gain of \$4.8 million in the fourth quarter of 2002. Gains from investments, net were \$0.3 million for full year 2003 compared to a gain of \$7.3 million for full year 2002. These gains and losses are excluded from adjusted results because they relate to non-strategic investments and are not related to IMS’s core business operations.
- (e) Loss on issuance of investees’ stock, net was \$0.0 million in the fourth quarter of 2003 compared with a loss of \$0.4 million in the fourth quarter of 2002. Loss on issuance of investees’ stock was \$0.4 million for full year 2003 compared to a loss of \$1.0 million for full year 2002. These SAB 51 gains and losses relate to the exercise of stock options by TriZetto employees and TriZetto share repurchases. They are excluded from adjusted results because they are not related to IMS’s core business operations.
- (f) Other expense, net includes \$0.4 million of expenses for legal fees in the fourth quarter of both 2003 and 2002, related to the IRI litigation. For full year 2003, IRI litigation fees were (\$1.0) million compared with \$1.2 million for full year 2002. These expenses are excluded from adjusted results because they relate to a D&B legacy matter and are not related to IMS’s core business operations. In addition, Other expense, net excludes a quarterly phasing adjustment of foreign currency hedge losses, net of \$6.0 million in the fourth quarter of 2003 and \$6.1 million in the fourth quarter of 2002. 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.
- (g) The tax provision for the fourth quarter of 2003 includes a tax provision of \$0.8 million related to the items described in notes (d), (e) and (f). The tax provision for full year 2003 includes a tax provision of \$0.3 million relating to items described in notes (d), (e) and (f), and a tax benefit of \$14.1 million

related to the Severance, impairments and other charges, as described in note (h). These tax benefits are excluded from adjusted results because the related charges are excluded from adjusted results. In addition, the fourth quarter 2003 adjusted tax provision includes a phasing adjustment of \$4.0 million. This relates to a Q1 tax benefit that is being recognized ratably in adjusted results throughout the full year. This phasing adjustment allows the full year effective tax rate to be applied in each quarter to adjusted pretax results. The tax provision for full year 2003 also includes an accrual of \$69.6 million related to a D&B legacy tax transaction and subsequent related transactions. This tax provision is excluded from adjusted results because it relates to legacy tax transactions and is not related to IMS's core business operations.

- (h) IMS incurred \$37.2 million of expense in the first quarter of 2003 for severance, impairment and other charges, including severance for approximately 80 employees, contract cancellations and impairments, idle real estate facilities and software writedowns. These amounts are excluded from adjusted results because they represent costs that are not related to IMS's core operations on an on-going basis. Severance, impairment and other charges were recorded in 2000, 2001 and 2003 and there can be no assurances that such charges will not be recorded in the future.
- (i) The TriZetto Impairment Charge, Net recorded in the first quarter of 2003 reduced the book value per share of IMS's investment in TriZetto shares (\$6.14 per share) down to the March 31, 2003 market value per share (\$4.13). This charge is excluded from adjusted results because it relates to a non-strategic investment and is not related to IMS's core business operations.
- (j) The split-off of CTS described in Note (c) generated a net gain of \$495.1 million in the first quarter of 2003 and a net gain of \$1.8 million in the fourth quarter, due to the final true-up of transaction costs, for a total gain of \$496.9 million for the full-year 2003. This gain is calculated as the proceeds from the split-off less the book value of IMS's investment in CTS and transaction costs. No tax provision is provided as the split-off is expected to be a tax-free transaction. This gain is excluded from adjusted results as it relates to the divestiture of the business and is not related to IMS's ongoing core business operations.

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

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



# IMS Health Incorporated

## Return on Invested Capital (unaudited)

(In thousands)	Year Ended 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 Incorporated**

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

	Year Ended December 31, 2003		
	SEC Cash Flow	Adjustments	Free 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 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.