IMS HEALTH INC
Form 10-Q
August 03, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from to

Commission File Number: 001-14049

IMS Health Incorporated
(Exact Name of Registrant as Specified in its Charter)

Delaware	**06-1506026**
(State of Incorporation)	(I.R.S. Employer Identification No.)

901 Main Avenue, Norwalk, CT 06851
(Address of principal executive offices)(Zip Code)

(203) 845-5200
(Registrant s telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. At June 30, 2007, there were 194,971,605 shares of IMS Health Incorporated Common Stock, $0.01 par value, outstanding.

IMS HEALTH INCORPORATED

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

IMS HEALTH INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(Dollars and shares in thousands, except per share data)

	As of June 30, 2007	As of December 31, 2006
Assets:		
Current Assets:		
Cash and cash equivalents	**$ 210,373**	$ 157,346
Accounts receivable, net of allowances of $6,859 and $7,860 in 2007 and 2006, respectively	**396,103**	367,413
Other current assets	**189,002**	168,534
Total Current Assets	**795,478**	693,293
Securities and other investments	**6,246**	6,401
Property, plant and equipment, net of accumulated depreciation of $188,196 and $181,543 in 2007 and 2006, respectively	**163,218**	148,190
Computer software	**258,050**	255,285
Goodwill	**557,223**	531,610
Other assets	**289,950**	271,815
Total Assets	**$ 2,070,165**	$ 1,906,594
Liabilities, Minority Interests and Shareholders (Deficit) Equity:		
Current Liabilities:		
Accounts payable	**$ 78,151**	$ 82,013
Accrued and other current liabilities	**210,843**	256,672
Accrued income taxes	**66,316**	74,485
Short-term deferred tax liability	**8,945**	7,238
Deferred revenues	**121,381**	122,466
Total Current Liabilities	**485,636**	542,874
Postretirement and postemployment benefits	**88,917**	85,846
Long-term debt (Note 9)	**1,171,436**	975,406
Other liabilities	**240,554**	168,149
Total Liabilities	**$ 1,986,543**	$ 1,772,275
Commitments and Contingencies (Note 7)		
Minority Interests	**$ 100,936**	$ 100,410
Shareholders (Deficit) Equity:		
Common Stock, par value $.01, authorized 800,000 shares; issued 335,045 shares in 2007 and 2006, respectively	**$ 3,350**	$ 3,350
Capital in excess of par	**519,043**	497,955
Retained earnings	**2,708,111**	2,612,939
Treasury stock, at cost, 140,074 and 134,367 shares in 2007 and 2006, respectively	**(3,253,274)**	(3,044,996)
Cumulative translation adjustment	**67,263**	28,786
Unamortized postretirement and postemployment balances (SFAS No. 158)	**(61,935)**	(64,264)
Unrealized gain on changes in fair value of cash flow hedges, net of tax	**6**	6
Unrealized gain on investments, net of tax	**122**	133
Total Shareholders (Deficit) Equity	**$ (17,314)**	$ 33,909
Total Liabilities, Minority Interests and Shareholders (Deficit) Equity	**$ 2,070,165**	$ 1,906,594

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

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See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

IMS HEALTH INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars and shares in thousands, except per share data)

	Three Months Ended June 30, 2007	2006
Information and analytics revenue	**422,864**	393,699
Consulting and services revenue	**114,608**	92,521
Operating Revenue	**$ 537,472**	$ 486,220
Operating costs of information and analytics	**179,817**	165,956
Direct and incremental costs of consulting and services	**54,053**	46,211
External-use software amortization	**12,376**	10,981
Selling and administrative expenses	**154,167**	132,946
Depreciation and other amortization	**18,922**	17,784
Merger costs (Note 16)		6,016
Operating Income	**118,137**	106,326
Interest income	**1,729**	1,212
Interest expense	**(9,416)**	(10,188)
Gains from investments, net	**2,175**	75
Other (expense) income, net	**(20)**	36,860
Non-Operating (Loss) Income, Net	**(5,532)**	27,959
Income before provision for income taxes	**112,605**	134,285
Provision for income taxes (Note 12)	**(39,211)**	(71,602)
Net Income	**$ 73,394**	$ 62,683
Basic Earnings Per Share of Common Stock	**$ 0.37**	$ 0.31
Diluted Earnings Per Share of Common Stock	**$ 0.36**	$ 0.30
Weighted average number of shares outstanding Basic	**196,502**	200,761
Dilutive effect of shares issuable as of period-end under Stock-based compensation plans and other	**3,953**	4,787
Adjustment of shares outstanding applicable to exercised and cancelled stock options during the period	**646**	286
Weighted Average Number of Shares Outstanding Diluted	**201,101**	205,834

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

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See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

IMS HEALTH INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars and shares in thousands, except per share data)

	Six Months Ended June 30, 2007	2006
Information and analytics revenue	**834,051**	770,834
Consulting and services revenue	**213,770**	161,540
Operating Revenue	**1,047,821**	$ 932,374
Operating costs of information and analytics	**352,459**	324,490
Direct and incremental costs of consulting and services	**110,660**	85,395
External-use software amortization	**23,621**	21,273
Selling and administrative expenses	**293,808**	257,297
Depreciation and other amortization	**38,073**	34,841
Merger costs (Note 16)		6,016
Operating Income	**229,200**	203,062
Interest income	**3,527**	2,755
Interest expense	**(17,972)**	(18,647)
Gains from investments, net	**1,964**	2,748
Other (expense) income, net	**(2,798)**	38,632
Non-Operating (Loss) Income, Net	**(15,279)**	25,488
Income before provision for income taxes	**213,921**	228,550
Provision for income taxes (Note 12)	**(54,958)**	(47,770)
Net Income	**158,963**	$ 180,780
Basic Earnings Per Share of Common Stock	**$ 0.81**	$ 0.88
Diluted Earnings Per Share of Common Stock	**$ 0.79**	$ 0.86
Weighted average number of shares outstanding Basic	**196,570**	204,988
Dilutive effect of shares issuable as of period-end under stock-based compensation plans and other	**3,286**	4,175
Adjustment of shares outstanding applicable to exercised and cancelled stock options during the period	**1,018**	448
Weighted Average Number of Shares Outstanding Diluted	**200,874**	209,611

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

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IMS HEALTH INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars and shares in thousands, except per share data)

	Six Months Ended June 30, 2007		2006	
Cash Flows from Operating Activities:				
Net income	**158,963**		$ 180,780	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**61,694**		56,114	
Bad debt expense	**505**		190	
Deferred income taxes	**(21,774**	**)**	(6,367	)
Gains from investments, net	**(1,964**	**)**	(2,748	)
Minority interests in net income of consolidated companies	**3,907**		1,766	
Non-cash stock-based compensation charges	**20,013**		24,354	
Excess tax benefits from stock-based compensation	**(4,227**	**)**	(2,284	)
Change in assets and liabilities, excluding effects from acquisitions and dispositions:				
Net increase in accounts receivable	**(26,339**	**)**	(36,109	)
Net increase in work-in-process inventory	**(864**	**)**	(4,708	)
Net increase in prepaid expenses and other current assets	**(14,397**	**)**	(1,374	)
Net decrease in accounts payable	**(3,992**	**)**	(16,317	)
Net decrease in accrued and other current liabilities	**(30,900**	**)**	(16,058	)
Net decrease in accrued severance, impairment and other charges	**(1,754**	**)**	(12,755	)
Net (decrease) increase in deferred revenues	**(1,015**	**)**	3,018	
Net increase (decrease) in accrued income taxes	**10,837**		(51,587	)
Net increase in pension assets (net of liabilities)	**(60**	**)**	(12,926	)
Net increase in other long-term assets (net of other long-term liabilities)	**(1,421**	**)**	(141	)
Net tax benefit on stock-based compensation	**9,588**		5,235	
Net Cash Provided by Operating Activities	**156,800**		108,083	
Cash Flows Used in Investing Activities:				
Capital expenditures	**(26,196**	**)**	(11,264	)
Additions to computer software	**(42,858**	**)**	(44,296	)
Payments for acquisitions of businesses, net of cash acquired	**(22,192**	**)**	(21,515	)
Proceeds from sales of investments, net	**3,524**		5,026	
Funding of venture capital investments	**(1,200**	**)**	(400	)
Other investing activities, net	**(8,800**	**)**	(2,897	)
Net Cash Used in Investing Activities	**(97,722**	**)**	(75,346	)
Cash Flows Used in Financing Activities:				
Net increase (decrease) in revolving credit facility and other	**217,798**		(60,391	)
Proceeds from short-term credit agreement, bank term loan and private placement notes			650,000	
Repayment of short-term credit agreement			(150,000	)
Payments for purchase of treasury stock	**(327,610**	**)**	(728,564	)
Proceeds from exercise of stock options	**110,779**		41,348	
Excess tax benefits from stock-based compensation	**4,227**		2,284	
Dividends paid	**(11,977**	**)**	(12,142	)
Proceeds from employee stock purchase plan	**3,330**		2,913	
(Decrease) increase in cash overdrafts	**(4,588**	**)**	10,485	
Payments to minority interests and other financing activities	**(3,381**	**)**	(1,612	)
Net Cash Used in Financing Activities	**(11,422**	**)**	(245,679	)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**5,371**		363	
Increase (Decrease) in Cash and Cash Equivalents	**53,027**		(212,579	)
Cash and Cash Equivalents, Beginning of Period	**157,346**		362,943	
Cash and Cash Equivalents, End of Period	**210,373**		$ 150,364	

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

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IMS HEALTH INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars and shares in thousands, except per share data)

Note 1. Interim Condensed Consolidated Financial Statements (Unaudited)

The accompanying Condensed Consolidated Financial Statements (Unaudited) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Article 10 of Regulation S-X under the Securities and Exchange Act of 1934, as amended. The Condensed Consolidated Financial Statements (Unaudited) do not include all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, all of which are of a normal recurring nature (except for those adjustments related to the Company s adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) (see Note 11)), considered necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented have been included. The results of operations for interim periods are not necessarily indicative of the results expected for the full year. The December 31, 2006 balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The Condensed Consolidated Financial Statements (Unaudited) and related notes should be read in conjunction with the Consolidated Financial Statements and related notes of IMS Health Incorporated (the Company or IMS) included in its 2006 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the 2007 presentation. Amounts presented in the Condensed Consolidated Financial Statements (Unaudited) may not add due to rounding.

Note 2. Basis of Presentation

IMS is the leading global provider of market intelligence to the pharmaceutical and healthcare industries. We offer leading-edge market intelligence products and services that are integral to our clients day-to-day operations, including portfolio optimization capabilities; launch and brand management solutions; sales force effectiveness innovations; managed care and consumer health offerings; and consulting and services solutions that improve ROI and the delivery of quality healthcare worldwide. Our information products are developed to meet our clients needs by using data secured from a worldwide network of suppliers in more than 100 countries. Our key information products include:

- Sales Force Effectiveness to optimize sales force productivity and territory management;

- Portfolio Optimization to provide clients with insights into market opportunity and business development assessment; and

- Launch, Brand Management and Other to support client needs relative to market segmentation and positioning, life cycle management for prescription and consumer health pharmaceutical products and health economics and outcomes research offerings.

Within these key information products, we provide consulting and services that use in-house capabilities and methodologies to assist pharmaceutical clients in analyzing and evaluating market trends, strategies and tactics, and to help in the development and implementation of customized software applications and data warehouse tools.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars and shares in thousands, except per share data)

The Company operates in more than 100 countries.

The Company is managed on a global business model with global leaders for the majority of its critical business processes and accordingly has one reportable segment (See Note 15).

Note 3. Summary of Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating this statement to determine any potential impact that it may have on its financial results.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Entities shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. The Company is currently evaluating this statement to determine any potential impact that it may have on its financial results.

Note 4. Summary of Significant Accounting Policies

Operating Costs of Information and Analytics

Operating costs of information and analytics (I&A) include costs of data, data processing and collection and costs attributable to personnel involved in production, data management and delivery of the Company s I&A offerings.

One of the Company s major expenditures is the cost for the data it receives from suppliers. After receipt of the raw data and prior to the data being available for use in any part of its business, the Company is required to transform the raw data into useful information through a series of comprehensive processes. These processes involve significant employee costs and data processing costs.

Costs associated with the Company s data purchases are deferred within work-in-process inventory and recognized as expense as the corresponding data product revenue is recognized by the Company, generally over a thirty to sixty day period.

Direct and Incremental Costs of Consulting and Services

Direct and incremental costs of consulting and services (C&S) include the costs of the Company s consulting staff directly involved with delivering revenue generating engagements,

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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related accommodations and the costs of primary market research data purchased specifically for certain individual C&S engagements. Although the Company s data is used in multiple customer solutions across different offerings within both I&A and C&S, the Company does not have a meaningful way to allocate the direct cost of the data between I&A and C&S revenues. As such, the direct and incremental costs of C&S do not reflect the total costs incurred to deliver its C&S revenues.

Costs associated with the Company s time and material and fixed-price C&S contracts are recognized as incurred.

Stock-Based Compensation Expense

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS 123R) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and non-employee directors including employee stock options, restricted stock, restricted stock units and employee stock purchases related to the Employee Stock Purchase Plan based on estimated fair values. SFAS 123R supersedes the Company s previous accounting under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) for periods beginning in 2006. In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107 (SAB 107) relating to SFAS 123R. The Company has applied the provisions of SAB 107 in its adoption of SFAS 123R. The Company adopted SFAS 123R using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company s fiscal year 2006. See Note 8 for additional information.

SFAS 123R requires companies to estimate the fair value of stock option awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period of the award in the Company s Consolidated Statements of Income. Prior to the adoption of SFAS 123R, the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). Under the intrinsic value method, stock-based compensation expense had been recognized in the Company s Consolidated Statements of Income only for stock option modifications and restricted stock units because the exercise price of the Company s stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the Company s Consolidated Statements of Income for 2006 and 2007 included compensation expense for share-based payment awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123, and compensation expense for the share-based payment awards granted subsequent to January 1, 2006 based on the grant date fair value estimated in accordance with the

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars and shares in thousands, except per share data)

provisions of SFAS 123R. Prior to the adoption of SFAS 123R, the Company used the straight-line method of attributing the value of stock-based compensation and continued to use that method after the adoption. As stock-based compensation expense recognized in the Consolidated Statements of Income for 2006 and 2007 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company s pro forma information required under SFAS 123 for the periods prior to 2006, the Company accounted for stock options by estimating forfeitures in the first three quarters of the year and applying the full year actual forfeitures in the fourth quarter of the year, as well as an estimate of future forfeitures, and recognized forfeitures as they occurred for restricted stock grants. The Company s method of valuation for stock option awards granted after January 1, 2006 is the Black-Scholes option-pricing model which was also previously used for the Company s pro forma information required under SFAS 123. See Note 8 for additional information.

Computation of Net Income per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares primarily consist of employee stock options and restricted stock units.

SFAS No. 128, Earnings per Share, requires that employee equity share options, restricted stock units and similar equity instruments granted by the Company be treated as potential common shares outstanding in computing diluted earnings per share. Diluted shares outstanding include restricted stock units and the dilutive effect of in-the-money options which is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of benefits that would be recorded in additional paid-in capital when the award becomes deductible for tax purposes are assumed to be used to repurchase shares.

IMS HEALTH INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars and shares in thousands, except per share data)

Note 5. Acquisitions

The Company makes acquisitions in order to expand its products, services and geographic reach. During the six months ended June 30, 2007, the Company completed one acquisition of ValueMedics Research, LLC (U.S.) at a cost of approximately $9,800. This acquisition was accounted for under the purchase method of accounting. As such, the aggregate purchase price has been allocated on a preliminary basis to the assets acquired based on estimated fair values as of the closing date. The purchase price allocations will be finalized after the completion of the valuation of certain assets and liabilities. Any adjustments resulting from the finalization of the purchase price allocations are not expected to have a material impact on the Company s results of operations. The Condensed Consolidated Financial Statements (Unaudited) include the results of this acquired company subsequent to the closing of the acquisition. Had this acquisition occurred as of January 1, 2007 or 2006, the impact on the Company s results of operations would not have been significant. Goodwill of approximately $6,000 was recorded in connection with this acquisition, all of which is deductible for tax purposes.

During the six months ended June 30, 2006, the Company completed one acquisition of Läkemedelsstatistik AB (Sweden) for an aggregate cost of approximately $12,000. This acquisition was accounted for under the purchase method of accounting. As such, the aggregate purchase price was allocated on a preliminary basis to the assets acquired based on estimated fair values as of the closing date. The Company finalized the purchase price allocation for this acquisition during 2006 which did not have a material impact on the Company s results of operations. The Condensed Consolidated Financial Statements (Unaudited) include the results of this acquired company subsequent to the closing of the acquisition. Had this acquisition occurred as of January 1, 2006, the impact on the Company s results of operations would not have been significant. Goodwill of approximately $9,300 was recorded in connection with this acquisition, none of which is deductible for tax purposes.

Note 6. Goodwill and Intangible Assets

During the six months ended June 30, 2007, the Company recorded additional goodwill of approximately $14,000 related to the preliminary allocation of purchase price for the acquisition completed during the first six months of 2007 and the completion of purchase price allocations for 2006 acquisitions. During the six months ended June 30, 2006, the Company recorded additional goodwill of approximately $11,000 related primarily to the preliminary allocation of purchase price for the acquisition completed during the first six months of 2006 and to earn-out agreements for acquisitions completed prior to 2006.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars and shares in thousands, except per share data)

All of the Company s other acquired intangibles are subject to amortization. Intangible asset amortization expense was $4,185 and $8,945 during the three and six months ended June 30, 2007, respectively, and $4,185 and $8,584 during the three and six months ended June 30, 2006, respectively. At June 30, 2007, intangible assets were primarily composed of customer relationships, databases and trade names (included in Other assets) and computer software. The gross carrying amounts and related accumulated amortization of these intangibles were $150,188 and $70,793, respectively, at June 30, 2007 and $150,183 and $61,850, respectively, at December 31, 2006. These intangibles are amortized over periods ranging from two to fifteen years. As of June 30, 2007, the weighted average amortization periods of the acquired intangibles by asset class are listed in the following table:

Intangible Asset Type	Weighted Average Amortization (Years) Period
Customer Relationships	10.1
Computer Software and Algorithms	7.0
Databases	4.7
Trade Names	4.3
Other	3.6
Weighted Average	8.9

Based on current estimated useful lives, amortization expense associated with intangible assets at June 30, 2007 is estimated to be approximately $4,100 for each of the remaining two quarters in 2007. Thereafter, annual amortization expense associated with intangible assets is estimated to be as follows:

Year Ended December 31,	Amortization Expense
2008	$ 14,598
2009	12,534
2010	9,053
2011	7,851
2012	6,078
Thereafter	$ 21,044

Note 7. Contingencies

The Company and its subsidiaries are involved in legal and tax proceedings, claims and litigation arising in the ordinary course of business. Management periodically assesses the Company s liabilities and contingencies in connection with these matters based upon the latest information available. For those matters where management currently believes it is probable that the Company will incur a loss and that the probable loss or range of loss can be reasonably estimated, the Company has recorded reserves in the Condensed Consolidated Financial Statements (Unaudited) based on its best estimates of such loss. In other instances, because of the uncertainties related to either the probable outcome or the amount or range of loss, management is unable to make a reasonable estimate of a liability, if any. However, even in many instances where the Company has recorded a reserve, the Company is unable to predict with certainty the final outcome of the matter or

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars and shares in thousands, except per share data)

whether resolution of the matter will materially affect the Company s results of operations, financial position or cash flows. As additional information becomes available, the Company adjusts its assessment and estimates of such liabilities accordingly.

The Company routinely enters into agreements with its suppliers to acquire data and with its customers to sell data, all in the normal course of business. In these agreements, the Company sometimes agrees to indemnify and hold harmless the other party for any damages such other party may suffer as a result of potential intellectual property infringement and other claims related to the use of the data. These indemnities typically have terms of approximately two years. The Company has not accrued a liability with respect to these matters, as the exposure is considered remote.

In connection with the agreements (the LLC Agreements) governing the relationship among the Company and two of its subsidiaries and two third-party investors with respect to IMS Health Licensing Associates, L.L.C., the Company also entered into a guaranty agreement. Under the terms of this guaranty agreement, the Company guarantees in favor of the third-party investors the performance of the Company s subsidiaries under the LLC Agreements and agrees to indemnify and hold harmless the third-party investors against damages, including specified delay damages, the third-party investors may suffer as a result of failures to perform under the LLC Agreements by the Company and its subsidiaries.

Based on its review of the latest information available, in the opinion of management, the ultimate liability of the Company in connection with pending tax and legal proceedings, claims and litigation will not have a material effect on the Company s results of operations, cash flows or financial position, with the possible exception of the matters described below.

D&B Legacy and Related Tax Matters

Sharing Disputes. In 1996 the company then known as The Dun & Bradstreet Corporation (D&B) and now known as R.H. Donnelley Corporation (Donnelley) separated into three public companies by spinning off ACNielsen Corporation (ACNielsen) and the company then known as Cognizant Corporation (Cognizant) (the 1996 Spin-Off). Cognizant is now known as Nielsen Media Research, Inc., a subsidiary of The Nielsen Company, formerly known as VNU N.V. (NMR). The agreements effecting the 1996 Spin-Off allocated tax-related liability with respect to certain prior business transactions (the Legacy Tax Controversies) between D&B and Cognizant. The D&B portion of such liability is now shared among Donnelley and certain of its former affiliates (the Donnelley Parties), and the Cognizant portion of such liability is shared between NMR and the Company pursuant to the agreements effecting Cognizant s spin-off of the Company in 1998 (the 1998 Spin-Off).

The underlying tax controversies with the Internal Revenue Service (the IRS) have substantially all been resolved and the Company paid to the IRS the amounts that it believed were due and owing. In the first quarter of 2006, Donnelley indicated that it disputed the amounts contributed by the Company toward the resolution of these matters based on the Donnelley Parties interpretation of the allocation of liability under the 1996 Spin-Off agreements. The Donnelley Parties on the one hand, and NMR and the Company, on the other hand, have attempted to resolve these disputes through negotiation. The 1996 Spin-Off agreements provide that if the parties cannot

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reach agreement through negotiation they must arbitrate the disputes. As of June 30, 2007, the Company had a reserve of approximately $20,700 for these matters.

On August 14, 2006, the Donnelley Parties commenced arbitration regarding one of these disputes (referred to herein as the Dutch Partnership Dispute) by filing a Notice of Arbitration and Statement of Claim (the Donnelley Statement) with the American Arbitration Association International Center for Dispute Resolution (the AAA). In the Donnelley Statement, the Donnelley Parties claim that the Company and NMR collectively owe approximately an additional $10,800 with respect to the Dutch Partnership Dispute; (if determined liable, the Company s share of this amount would be approximately $5,400). On October 16, 2006, the Company and NMR filed a Statement of Defense denying all claims made by the Donnelley Parties in the Donnelley Statement. The arbitration process is currently ongoing. The Company intends to vigorously defend itself with respect to the Dutch Partnership Dispute and the remaining disputes.

The Partnership (Tax Year 1997). The IRS is seeking to reallocate certain items of partnership income and expense as well as disallow certain items of partnership expense with respect to a partnership now substantially owned by the Company (the Partnership) on the Partnership s 1997 tax return. During 1997, the Partnership was substantially owned by Cognizant, but liability for this matter was allocated to the Company pursuant to the agreements effecting the 1998 Spin-Off. The Company has filed a formal protest relating to the proposed assessment for 1997 with the IRS Office of Appeals. The Company is attempting to resolve this matter in the administrative appeals process before proceeding to litigation if necessary. If the IRS were to ultimately prevail in its position, the Company s liability (tax and interest, net of tax benefit) with respect to tax year 1997 would be approximately $20,900, which amount the Company had reserved in current accrued income taxes payable at June 30, 2007 (See Note 11).

In addition to these matters, the Company and its predecessors have entered, and the Company continues to enter, into global tax planning initiatives in the normal course of their businesses. These activities are subject to review by applicable tax authorities. As a result of the review process, uncertainties exist and it is possible that some of these matters could be resolved adversely to the Company.

Matters Before the Belgian Competition Service

Complaints were filed in 1998 and 1999 against the Company with the Belgian Competition Service (BCS) alleging abuse of a dominant position on the Belgian market. In October 1999 and 2000, the Chairman of the Belgian Competition Council (BCC) adopted interim measures against the Company, with which the Company complied. In December 2004, the Company received a formal statement of objections alleging that the Company had abused its dominant position on the Belgian market in violation of Article 82 of the EC Treaty and corresponding Belgian law. The Company submitted its comments to the statement of objections in writing to the BCC in February 2005.

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In a separate matter, in October 2004, the BCS notified IMS of a request for information in connection with IMS s acquisition in April 2004 of a competitor in the Belgian market, Source Informatics Belgium S.A. The BCS is investigating whether such acquisition may have violated Article 82 of the EC Treaty and corresponding Belgian law. The Company responded to the request for information in December 2004.

The Company intends to continue to vigorously defend itself in these matters before the Belgian competition authorities. Management of the Company is unable to predict at this time the final outcome of these matters or whether adverse resolutions thereof could materially affect the Company s results of operations, cash flows or financial position in the period in which such adverse resolution occurs.

Contingent Consideration

Under the terms of certain purchase agreements related to acquisitions made since 2002, the Company may be required to pay additional amounts as contingent consideration based on the achievement of certain performance related targets during 2007 through 2009. Substantially all of these additional payments will be recorded as goodwill in accordance with Emerging Issues Task Force (EITF) No. 95-8, Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination. As of June 30, 2007, approximately $47,000 had been earned under these contingencies. Based on current estimates, the Company expects that additional contingent payments under these agreements may total approximately $20,000. It is expected that these contingent payments will be resolved within a specified time period after the end of each respective calendar year from 2007 through 2009.

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Note 8. Stock-Based Compensation

The following table summarizes stock option activity for the periods indicated.

	Shares		Weighted Average Exercise Price Per Share	
Options Outstanding, December 31, 2004	35,500		$	21.86
Granted	4,813		$	24.12
Exercised	(8,726	)	$	18.97
Forfeited	(575	)	$	20.63
Cancelled	(1,028	)	$	26.93
Options Outstanding, December 31, 2005	29,984		$	22.91
Granted	11		$	24.54
Exercised	(6,161	)	$	19.36
Forfeited	(699	)	$	23.58
Cancelled	(1,739	)	$	28.93
Options Outstanding, December 31, 2006	**21,396**		**$**	**23.43**
Granted				
Exercised	**(4,872**	**)**	**$**	**22.74**
Forfeited	**(138**	**)**	**$**	**24.20**
Cancelled	**(168**	**)**	**$**	**29.59**
Options Outstanding, June 30, 2007	**16,218**		**$**	**23.56**
Options Vested or Expected to Vest, June 30, 2007	**16,163**		**$**	**23.56**
Exercisable, June 30, 2007	**14,738**		**$**	**23.51**

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The following table summarizes activity of restricted stock units with service conditions.

	Shares	Weighted Average Grant Date Fair Value
Unvested, December 31, 2004	410	$ 20.01
Granted	153	$ 24.46
Vested	(119)	$ 24.41
Forfeited		
Unvested, December 31, 2005	444	$ 20.30
Granted	1,386	$ 26.12
Vested	(217)	$ 22.03
Forfeited	(55)	$ 25.79
Unvested, December 31, 2006	**1,558**	**$ 25.04**
Granted	**1,117**	**$ 29.74**
Vested	**(267)**	**$ 26.05**
Forfeited	**(52)**	**$ 26.50**
Unvested, June 30, 2007	**2,356**	**$ 27.12**
Vested or Expected to Vest, June 30, 2007	**2,116**	**$ 26.92**

The following table summarizes activity of restricted stock units with performance conditions.

	Shares	Weighted Average Grant Date Fair Value
Unvested, December 31, 2004	241	$ 20.96
Granted	194	$ 20.62
Vested	(53)	$ 18.97
Forfeited	(7)	$ 17.72
Unvested, December 31, 2005	375	$ 21.12
Granted	154	$ 24.53
Vested	(181)	$ 21.76
Forfeited	(28)	$ 24.08
Unvested, December 31, 2006	**320**	**$ 22.14**
Granted	**123**	**$ 29.16**
Vested	**(84)**	**$ 18.65**
Forfeited	**(1)**	**$ 24.21**
Unvested, June 30, 2007	**358**	**$ 25.37**
Vested or Expected to Vest, June 30, 2007	**340**	**$ 25.28**

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The following table summarizes activity of non-employee director deferred stock granted in lieu of board meeting fees:

	Shares	Weighted Average Grant Date Fair Value
Outstanding, December 31, 2004	24	$ 21.47
Granted	6	$ 24.87
Outstanding, December 31, 2005	30	$ 22.12
Granted	3	$ 26.13
Outstanding, December 31, 2006	**33**	**$ 22.49**
Granted	**2**	**$ 29.20**
Outstanding, June 30, 2007	**35**	**$ 22.94**

The following table summarizes the components and classification of stock-based compensation expense in the second quarter of 2007 and 2006.

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Stock Options	**$ 3,563**	$ 9,482	**$ 9,079**	$ 18,624
Restricted Stock Units	**5,793**	3,445	**10,560**	5,216
Employee Stock Purchase Plan	**147**	272	**374**	514
Total Stock-Based Compensation Expense	**$ 9,503**	$ 13,199	**$ 20,013**	$ 24,354
Operating Costs of I&A	**$ 979**	$ 1,411	**$ 1,961**	$ 2,498
Direct and Incremental Costs of C&S	**1,023**	673	**1,897**	1,125
Selling, & Administrative Expenses	**7,501**	11,115	**16,155**	20,731
Total Stock-Based Compensation Expense	**$ 9,503**	$ 13,199	**$ 20,013**	$ 24,354
Tax Benefit on Stock-Based Compensation Expense	**$ 2,895**	$ 4,145	**$ 6,115**	$ 7,471
Capitalized Stock-Based Compensation Expense	**$ 102**	$	**$ 177**	$

On April 17, 2007, the Company awarded its annual grant in the form of restricted stock units (RSUs) whose vesting and delivery are contingent upon completion of a specified period of future service. The awards have a zero exercise price to the employee and vest ratably over three to four years. The Company s amortization of the award is based upon the fair market value of a share of Common Stock on April 17, 2007.

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Note 9. Financial Instruments

Foreign Exchange Risk Management

The Company transacts business in more than 100 countries and is subject to risks associated with changing foreign exchange rates. The Company s objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes. Accordingly, the Company enters into foreign currency forward contracts to minimize the impact of foreign exchange movements on net income, non-U.S. dollar anticipated royalties, and on the value of non-functional currency assets and liabilities.

It is the Company s policy to enter into foreign currency transactions only to the extent necessary to meet its objectives as stated above. The Company does not enter into foreign currency transactions for investment or speculative purposes. The principal currencies hedged are the Euro, the Japanese Yen, the British Pound, the Swiss Franc and the Canadian Dollar.

The impact of foreign exchange risk management activities on pre-tax income in the three and six months ended June 30, 2007 was a net gain of $2,021 and $1,185, respectively and net losses of $7,223 and $4,532 in the three and six months ended June 30, 2006, respectively. In addition, at June 30, 2007, the Company had approximately $682,259 in foreign exchange forward contracts outstanding with various expiration dates through May 2008 relating to non-U.S. Dollar Operating Income, non-U.S. Dollar anticipated royalties and non-functional currency assets and liabilities. Foreign exchange forward contracts are recorded at estimated fair value. The estimated fair values of the forward contracts are based on quoted market prices.

Unrealized and realized gains and losses on the contracts hedging non-U.S. Dollar Operating Income and non-functional currency assets and liabilities do not qualify for hedge accounting in accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, and SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, (collectively, SFAS No. 133), and therefore are not deferred and are included in the Condensed Consolidated Statements of Income (Unaudited) in Other (expense) income, net.

Fair Value of Financial Instruments

At June 30, 2007, the Company s financial instruments included cash, cash equivalents, receivables, accounts payable and long-term debt. At June 30, 2007, the fair values of cash, cash equivalents, receivables and accounts payable approximated carrying values due to the short-term nature of these instruments. At June 30, 2007, the fair value of long-term debt approximated carrying value.

Credit Concentrations

The Company continually monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments and does not anticipate non-

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performance by the counterparties. The Company would not realize a material loss as of June 30, 2007 in the event of non-performance by any one counterparty. The Company enters into transactions only with financial institution counterparties that have a credit rating of A or better. In addition, the Company limits the amount of credit exposure with any one institution.

The Company maintains accounts receivable balances ($396,103 and $367,413, net of allowances, at June 30, 2007 and December 31, 2006, respectively), principally from customers in the pharmaceutical industry. The Company s trade receivables do not represent significant concentrations of credit risk at June 30, 2007 due to the high quality of its customers and their dispersion across many geographic areas.

Borrowings

The following table summarizes the Company s long-term debt at June 30, 2007 and December 31, 2006:

	June 30, 2007	December 31, 2006
4.6% Private Placement Notes, principal payment of $150,000 due January 2008, net of interest rate swaps of $(1,892) and $(2,819), respectively	**$ 148,108**	$ 147,181
5.55% Private Placement Notes, principal payment of $150,000 due April 2016	**150,000**	150,000
1.70% Private Placement Notes, principal payment of 34,395,000 Japanese Yen due January 2013	**278,953**	288,670
Revolving Credit Facility:		
Japanese Yen denominated borrowings at average floating rates of approximately 0.99 %	**365,118**	249,097
Swiss Franc denominated borrowings at average floating rates of approximately 2.82%	**71,257**	59,258
U.S. Dollar denominated borrowings at average floating rates of approximately 5.62%	**108,000**	31,200
Bank Term Loan, principal payment of $50,000 due June, 2009 at average floating rate of approximately 5.60%	**50,000**	50,000
Total Long-Term Debt	**$ 1,171,436**	$ 975,406

In July 2006, the Company entered into a $1,000,000 revolving credit facility with a syndicate of 12 banks (Revolving Credit Facility) replacing its existing $700,000 Amended and Restated Facility (see below). The terms of the Revolving Credit Facility extended the maturity of the facility in its entirety to a term of five years, maturing July 2011, reduced the borrowing margins, and increased subsidiary borrowing limits. Total borrowings under the Revolving Credit Facility were

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$544,374 and $339,555 at June 30, 2007 and December 31, 2006, respectively, all of which were classified as long-term. In April 2004, the Company entered into a $700,000 revolving credit facility with a syndicate of 12 banks (the Unsecured Facility). The Unsecured Facility replaced the Company s lines of credit with several domestic and international banks. On March 9, 2005, the Company renegotiated with the syndicate of 12 banks to amend and restate the Unsecured Facility (the Amended and Restated Facility). The terms of the Amended and Restated Facility extended the maturity of the facility in its entirety to a term of five years, maturing March 2010, reduced the borrowing margins and increased subsidiary borrowing limits.

The Company defines long-term lines as those where the lines are non-cancellable for more than 365 days from the balance sheet date by the financial institutions except for specified, objectively measurable violations of the provisions of the agreement. Although the 4.6% Private Placement Notes principal payment of $150,000 is due within 365 days, the Company has the ability and intent to refinance the notes with another long-term debt arrangement and continues to classify them as long-term in compliance with SFAS No. 6, Classification of Short-Term Obligations Expected to be Refinanced.

In general, rates for borrowing under the Revolving Credit Facility are LIBOR plus 30 basis points and can vary based on the Company s Debt to EBITDA ratio. The weighted average interest rates for the Company s lines were 2.15% and 1.61% at June 30, 2007 and December 31, 2006, respectively. In addition, the Company is required to pay a commitment fee on any unused portion of the facilities of 0.075%. At June 30, 2007, the Company had approximately $455,626 available under its existing bank credit facilities.

In June 2006, the Company closed a $50,000 three year term loan with a bank. The term loan allows the Company to borrow at a floating rate with a lower borrowing margin than the Company s revolving credit facility, and provides the Company with an option to extend the term up to an additional two years. The Company used the proceeds to refinance existing debt borrowed under the revolving credit facility.

In April 2006, the Company closed a private placement transaction pursuant to which it issued $150,000 of ten-year notes to two highly rated insurance companies at a fixed rate of 5.55%. The Company used the proceeds to refinance existing debt of $150,000 drawn under a short term credit agreement with a bank in January 2006.

In January 2006, the Company closed a private placement transaction pursuant to which its Japanese subsidiary issued 34,395,000 Japanese Yen seven-year debt (equal to $300,000 at date of issuance) to several highly rated insurance companies at a fixed rate of 1.70%. The Company used the proceeds to refinance existing debt in Japan borrowed under the Company s Amended and Restated Facility.

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In January 2003, the Company closed a private placement transaction pursuant to which it issued $150,000 of five-year debt to several highly rated insurance companies at a fixed rate of 4.60%. The Company used the proceeds to pay down short-term debt. The Company also swapped $100,000 of its fixed rate debt to floating rate based on six-month LIBOR plus a margin of approximately 107 basis points. The Company accounted for these swaps as fair value hedges under the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The Company determined the fair values based on estimated prices quoted by financial institutions. The fair values of these swaps were $(1,892) and $(2,819) as of June 30, 2007 and December 31, 2006, respectively.

The Company s financing arrangements provide for certain covenants and events of default customary for similar instruments, including in the case of its main bank arrangements, the private placement transactions, and the term loan, covenants to maintain specific ratios of consolidated total indebtedness to EBITDA and of EBITDA to certain fixed charges. At June 30, 2007, the Company was in compliance with these financial debt covenants.

Note 10. Pension and Postretirement Benefits

The following tables provide the Company s expense associated with pension benefits that are accounted for under SFAS No. 87, Employers Accounting for Pensions, and postretirement benefits that are accounted for under SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions. For a complete description of the Company s pension and postretirement benefits, refer to Note 11 of the Company s 2006 Annual Report on Form 10-K as filed with the SEC.

Components of Net Periodic Benefit Cost for the Three Months Ended June 30,	**Pension Benefits 2007**	**2006**	**Other Benefits 2007**	**2006**
Service cost	**$ 4,143**	$ 3,599	**$ 6**	$ 10
Interest cost	**4,611**	3,978	**177**	193
Expected return on plan assets	**(7,318)**	(6,437)		
Amortization of prior service cost (credit)	**5**	(44)	**(9)**	(9)
Amortization of transition obligation	**(1)**	(1)		
Amortization of net loss	**1,107**	1,159	**108**	152
Net periodic benefit cost	**$ 2,547**	$ 2,254	**$ 282**	$ 346

Components of Net Periodic Benefit Cost for the Six Months Ended June 30,	**Pension Benefits 2007**	**2006**	**Other Benefits 2007**	**2006**
Service cost	**$ 8,239**	$ 7,063	**$ 12**	$ 20
Interest cost	**9,193**	7,889	**354**	386
Expected return on plan assets	**(14,598)**	(12,791)		
Amortization of prior service cost (credit)	**9**	(89)	**(18)**	(150)
Amortization of transition obligation	**(2)**	(2)		
Amortization of net loss	**2,202**	2,287	**216**	304
Net periodic benefit cost	**$ 5,043**	$ 4,357	**$ 564**	$ 560

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Note 11. Income Taxes

The Company operates in more than 100 countries around the world and its earnings are taxed at the applicable income tax rate in each of these countries.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of this adoption, the Company recognized an increase in liabilities for uncertain tax positions of approximately $51,800 and a corresponding reduction to the January 1, 2007 retained earnings balance. As of the adoption date, the Company had approximately $117,200 of gross unrecognized tax benefits, of which $107,600, if recognized, would favorably affect the effective tax rate. The Company recognizes interest expense and penalties related to unrecognized tax benefits in income tax expense. As of the adoption date, the Company had accrued interest and penalties of approximately $13,500.

For the six months ended June 30, 2007, the Company had recorded approximately $7,000 of tax expense related to uncertain tax positions that if recognized, would favorably affect the effective tax rate. Included in this amount is approximately $3,700 of interest and penalties.

The Company files numerous consolidated and separate income tax returns in the U.S. federal and state and non-U.S. jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal income tax examinations for the years before 2003 and is no longer subject to state and local income tax examination by tax authorities for years before 1997. As well, with few exceptions, the Company is no longer subject to examination by tax authorities in its material non-U.S. jurisdictions prior to 2003. It is reasonably possible that within the next twelve months the Company could recognize approximately $1,000 of unrecognized benefits as a result of the expiration of certain statutes of limitation.

The Internal Revenue Service (IRS) is currently auditing the 2004 and 2005 federal income tax returns of the Company. It is reasonably possible that this audit may conclude within the next twelve months. To date, no material adjustments have been proposed as a result of this audit. At this time, it is not reasonably possible to estimate the impact of the resolution of this audit on the financial statements of the Company.

The Company had considered making a deposit of tax to stop the running of interest for the tax year 1997 related to a dispute over the allocation of certain items of partnership income and expense (see Note 7), but is currently in discussions with the IRS regarding this matter. The Company had approximately $20,900 (tax and interest, net of tax benefit) reserved in current accrued income taxes payable at June 30, 2007.

For the three and six months ended June 30, 2007, our effective tax rate was reduced primarily due to a favorable non-U.S. audit settlement for tax years 1998 through 2002 (approximately $16,500) and a reorganization of certain non-U.S. subsidiaries (approximately $4,400). For the three months ended June 30, 2006, the Company s effective tax rate was primarily impacted by approximately $21,400 of tax expense related to a reorganization of several of the Company s subsidiaries. For the six months ended June 30, 2006, the Company s effective tax rate was reduced primarily due to a favorable U.S. partnership audit settlement of approximately $69,200 for the tax years 1998 through 2003 and a favorable U.S. audit settlement of approximately $17,600 for the tax years 2000 through 2003. Also in

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the first half of 2006, approximately $21,400 of tax expense was recorded related to a reorganization of several of the Company s subsidiaries. Further, approximately $24,800 of tax expense was recorded primarily in the first quarter of 2006 related to disputes between the Company and NMR, on the one hand, and Donnelley and certain of its former affiliates on the other hand, as to proper interpretation of, and allocation of tax liabilities under, the 1996 Spin-Off agreements (see Note 7).

On July 6, 2007, the German State Council accepted the German 2008 Business Tax Reform Act (Bill). In order for the Bill to be enacted it must be signed by the President and then published in the Federal Gazette. The Bill reduces the German federal tax rate from 25% to 15%. If the Bill is enacted, the Company s German effective tax rate (including the effect of local taxes) will be reduced to 31.9% from 40.2%. As a result, the Company would recognize a tax charge of approximately $7,500 to revalue net deferred tax assets related to Germany during the quarter in which the Bill is enacted.

While the Company intends to continue to seek global tax planning initiatives, there can be no assurance that the Company will be able to successfully identify and implement such initiatives to reduce or maintain its overall tax rate.

Note 12. IMS Health Capital Stock

The Company s share repurchase program has been developed to buy opportunistically, when the Company believes that its share price provides it with an attractive use of its cash flow and debt capacity.

On December 19, 2006, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. As of June 30, 2007, 5,309 shares remained available for repurchase under the December 2006 program.

On January 25, 2006, the Board of Directors authorized a stock repurchase program to buy up to 30,000 shares. This program was completed in May 2007 at a total cost of $799,906.

On November 16, 2005, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. This program was completed in February 2006 at a total cost of $256,521.

On December 14, 2004, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. This program was completed in January 2006 at a total cost of $242,680.

During the first six months of 2007, the Company repurchased approximately 11,135 shares of outstanding Common Stock under these programs at a total cost of $333,621, including the repurchase of 6,135 shares pursuant to an accelerated share repurchase program (ASR). As part of the ASR, the Company simultaneously entered into a forward contract for the final settlement of the ASR transaction which was indexed to the price of the Company s Common Stock. The ASR agreement provided for the final settlement amount to be in the Company s Common Stock if the Company were to owe an amount to the bank, or in either cash or additional shares of the Company s Common Stock, at the Company s sole discretion, if the bank were to owe an amount to the Company. As the agreement required the Company to deliver shares to the bank for final settlement, the forward contract element qualified for permanent equity classification and the fair value of the forward contract, which

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was zero at the contract s inception, was recorded in equity in accordance with the provisions of EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company s Own Stock. Subsequent changes in the fair value of the forward contract were not recorded as the Company continued to classify the forward contract as equity. Upon completion of the ASR in April 2007, the Company was required to pay approximately $6,000 in shares, and therefore issued 203 treasury shares, as full settlement of its obligation under the ASR. The total cost of the ASR was approximately $176,000 or $28.68 per share. The Company funded the ASR through its existing bank credit facilities (see Note 9).

During the first six months of 2006, the Company repurchased approximately 29,000 shares of outstanding Common Stock under these programs at a total cost of $746,818. The 2006 repurchases include the repurchase of 25,000 shares at a total cost of approximately $645,000 or $25.82 per share in January 2006 pursuant to an ASR. As the 2006 ASR provided for the final settlement of the contract in either cash or additional shares of the Company s Common Stock at its sole discretion, the forward contract element of the 2006 ASR, which was indexed to the price of the Company s Common Stock, was treated as permanent equity and subsequent changes in fair value were not recorded in accordance with the provisions of EITF 00-19.

Total share repurchases during the three and six months ended June 30, 2007 benefited diluted earnings per share (EPS) by less than $0.01 per share. Total share repurchases during the three and six months ended June 30, 2006 benefited EPS by approximately $0.01 per share and $0.04 per share, respectively.

Shares acquired through the Company s repurchase programs described above are open-market purchases or privately negotiated transactions in compliance with SEC Rule 10b-18, with the exception of purchases pursuant to the 2006 and 2007 ASR transactions.

Under the Company s Restated Certificate of Incorporation as amended, the Company has authority to issue 820,000 shares with a par value of $.01 per share of which 800,000 represent shares of Common Stock, 10,000 represent shares of preferred stock and 10,000 represent shares of Series Common Stock. The preferred and series Common Stock can be issued with varying terms, as determined by the Board of Directors.

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Note 13. Comprehensive Income

The following table sets forth the components of comprehensive income, net of income tax expense:

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Net Income	**$ 73,394**	$ 62,683	**$ 158,963**	$ 180,780
Other comprehensive income, net of taxes:				
Unrealized gains (losses) on:				
Available-for-sale equity securities	**66**	(162)	**(17)**	(118)
Tax (provision) benefit on above	**(23)**	57	**6**	41
Change in unrealized gains (losses) on investments	**43**	(105)	**(11)**	(77)
Foreign currency translation gains	**43,249**	9,337	**38,476**	18,458
Changes in fair value of cash flow hedges		22		65
Amortization of SFAS 158 service cost	**1,078**		**2,329**	
Total other comprehensive income	**44,370**	9,254	**40,794**	18,446
Comprehensive Income	**$ 117,764**	$ 71,937	**$ 199,757**	$ 199,226

Note 14. Severance, Impairment and Other Charges

During the fourth quarter of 2004, the Company recorded $36,890 of Severance, impairment and other charges as a component of operating income. As a result of leveraging prior investments in technology and process improvements, the Company committed to a plan to eliminate selected positions involved primarily in production and development. The plan resulted in a charge for one-time termination benefits relating to a headcount reduction of approximately 600 employees located primarily in EMEA and the U.S. These severance benefits were calculated pursuant to the terms of established employee protection plans, in accordance with local statutory minimum requirements or individual employee contracts, as applicable.

All of the charge was settled in cash. The Company paid $166 during the first quarter of 2007 and there was no remaining accrual balance at June 30, 2007. All termination actions under this plan were completed by the end of 2006.

	Severance related reserves
Charge at December 31, 2004	$ 36,890
2004 utilization	(452)
2005 utilization	(24,052)
2006 utilization	(12,220)
2007 utilization	(166)
Balance at June 30, 2007	$

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IMS HEALTH INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars and shares in thousands, except per share data)

During the three months ended March 31, 2003, the Company recorded $37,220 of Severance, impairment and other charges as a component of operating income. These charges were designed to further streamline operations and increase productivity through a worldwide reduction in headcount of approximately 80 employees and charges related to impaired contracts and assets. The contract-related charges were for impaired data supply and data processing contacts primarily in the Company s U.S. and Japanese operations. The asset write-downs portion of the 2003 charge related to the Company s decision to abandon certain products and as such, certain computer software primarily in the U.S., Japan and EMEA was written-down to its net realizable value.

	Severance related reserves	Contract related reserves	Asset write-downs	Total
Charge at March 31, 2003	$ 9,958	$ 22,307	$ 4,955	$ 37,220
2003 utilization	(6,197)	(7,047)	(6,634)	(19,878)
2004 utilization	(1,637)	(3,614)		(5,251)
2005 utilization	(378)	(6,747)		(7,125)
2006 utilization		(2,262)		(2,262)
2007 utilization		(248)		(248)
2007 reversals		(2,249)		(2,249)
Adjustments	(1,746)	67	1,679	
Balance at June 30, 2007	$	$ 207	$	$ 207

Approximately $9,958 of the 2003 charge related to a worldwide reduction in headcount of approximately 80 employees. These severance benefits were calculated pursuant to the terms of established employee protection plans, in accordance with local statutory minimum requirements or individual employee contracts, as applicable.

The cash portion of the 2003 charge amounted to $30,586, of which the Company paid approximately $248, $2,262 and $7,125 during 2007, 2006 and 2005, respectively, related primarily to employee termination benefits and contract-related charges. The remaining accrual of $207 at June 30, 2007 relates to a remaining lease obligation and will be utilized during 2007.

During the fourth quarter of 2001, the Company completed the assessment of its Competitive Fitness Program. This program was designed to streamline operations, increase productivity and improve client service. In connection with this program, the Company recorded $94,616 of Severance, impairment and other charges during the fourth quarter of 2001 as a component of operating income. As of June 30, 2007, approximately $1,498 remains to be utilized from 2007 to 2013 related to severance payments.

In the first quarter of 2007, the Company reversed $2,889 of contract-related reserves from the 2001 and 2003 charges due primarily to the termination and settlement of exit related costs for an impaired lease. These amounts were reversed against Selling and administrative expenses in the Condensed Consolidated Statements of Income (Unaudited).

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	Severance related reserves	Contract related reserves	Asset write-downs	Total
Charge at December 31, 2001	$ 39,652	$ 26,324	$ 28,640	$ 94,616
2001 utilization	(3,692)	(6,663)	(27,887)	(38,242)
2002 utilization	(26,277)	(9,819)	(1,474)	(37,570)
2003 utilization	(6,384)	(2,720)	(241)	(9,345)
2004 utilization	(455)	(1,232)		(1,687)
2005 utilization	(262)	(1,881)		(2,143)
2006 utilization	(264)	(1,887)		(2,151)
2007 utilization	(132)	(1,208)		(1,340)
2007 reversals		(640)		(640)
Adjustments	(688)	(274)	962	
Balance at June 30, 2007	$ 1,498	$	$	$ 1,498

The Company currently expects that the $1,498 balance remaining in the 2001 fourth quarter charge will be utilized as follows:

Year Ended December 31,	Outlays
2007	$ 130
2008	262
2009	262
2010	262
2011	262
Thereafter	320
Total	$ 1,498

Note 15. Operations by Business Segment

Operating segments are defined as components of an enterprise about which financial information is available that is evaluated on a regular basis by the chief operating decision-maker, or decision-making groups, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. The Company operates a globally consistent business model, offering pharmaceutical business information and related services to its customers in more than 100 countries. See Note 2.

The Company maintains regional geographic management to facilitate local execution of its global strategies. However, the Company maintains global leaders for the majority of its critical business processes; and the most significant performance evaluations and resource allocations made by the Company s chief operating decision makers are made on a global basis. As such, the Company has concluded that it maintains one operating and reportable segment.

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Geographic Financial Information:

The following represents selected geographic information for the regions in which we operate for the three and six months ended June 30, 2007 and 2006:

	Americas (1)	EMEA (2)	Asia Pacific (3)	Corporate & Other	Total IMS
Three months ended June 30, 2007:					
Operating Revenue (4)	$ 240,772	$ 224,504	$ 72,196		$ 537,472
Operating Income (Loss) (5)	$ 77,686	$ 26,049	$ 28,501	$ (14,099)	$ 118,137
Six months ended June 30, 2007:					
Operating Revenue (4)	$ 472,048	$ 434,850	$ 140,923		$ 1,047,821
Operating Income (Loss) (5)	$ 153,671	$ 49,479	$ 54,779	$ (28,729)	$ 229,200
Three months ended June 30, 2006:					
Operating Revenue (4)	$ 218,732	$ 202,777	$ 64,711		$ 486,220
Operating Income (Loss) (5)	$ 70,204	$ 31,786	$ 26,358	$ (22,022)	$ 106,326
Six months ended June 30, 2006:					
Operating Revenue (4)	$ 425,950	$ 377,490	$ 128,934		$ 932,374
Operating Income (Loss) (5)	$ 141,325	$ 47,183	$ 53,124	$ (38,570)	$ 203,062

Notes to Geographic Financial Information:

(1) Americas includes the United States, Canada and Latin America.

(2) EMEA includes countries in Europe, the Middle East and Africa.

(3) Asia Pacific includes Japan, Australia and other countries in the Asia Pacific region.

(4) Operating Revenue relates to external customers and is primarily based on the location of the customer. The Operating Revenue for the geographic regions includes the impact of foreign exchange in converting results into U.S. dollars.

(5) Operating Income for the three geographic regions does not reflect the allocation of certain expenses that are maintained in Corporate and Other and as such, is not a true measure of the respective regions profitability. The Operating Income for the geographic segments includes the impact of foreign exchange in converting results into U.S. dollars. $6,160 of Corporate and Other Operating Income (Loss) for the three months ended June 30, 2006 has been reclassified into the regions ($2,319, $2,845 and $996 in the Americas, EMEA and Asia Pacific, respectively) to conform to the current year presentation. $11,756 of Corporate and Other Operating Income (Loss) for the six months ended June 30, 2006 has been reclassified into the regions ($4,471, $5,456 and $1,829 in the Americas, EMEA and Asia Pacific, respectively) to conform to the current year presentation.

A summary of the Company s operating revenue by product line for the three and six months ended June 30, 2007 and 2006 is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Sales Force Effectiveness	**$ 246,221**	$ 230,036	**$ 479,253**	$ 444,130
Portfolio Optimization	**157,020**	138,554	**311,498**	268,365

Launch, brand and other	**134,231**	117,630	**257,070**	219,879
Total Operating Revenue	**$ 537,472**	$ 486,220	**$ 1,047,821**	$ 932,374

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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Note 16. Merger Costs

On July 11, 2005, the Company announced a definitive agreement to merge with The Nielsen Company (formerly VNU, N.V.) (Nielsen), a global information and media company based in Haarlem, The Netherlands. On November 17, 2005, the Company announced the termination of the proposed merger with Nielsen.

In accordance with the terms of the merger termination agreement, Nielsen was required to pay the Company $45,000 as a result of the acquisition of Nielsen by a private equity group in June 2006. This $45,000 payment was received during the second quarter of 2006 and was reflected in Other (expense) income, net in the Condensed Consolidated Statements of Income (Unaudited) for the three and six months ended June 30, 2006. Additionally, the Company was required to pay $6,016 of investment banker fees and expenses related to the $45,000 payment received which were included in Merger costs in the Condensed Consolidated Statements of Income (Unaudited) for the three and six months ended June 30, 2006.

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This discussion and analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements (Unaudited) and related notes.

Executive Summary

Our Business

IMS Health Incorporated (we , us or our) is the leading global provider of market intelligence to the pharmaceutical and healthcare industries. We offer leading-edge market intelligence products and services that are integral to our clients day-to-day operations, including portfolio optimization capabilities; launch and brand management solutions; sales force effectiveness innovations; managed care and consumer health offerings; and consulting and services solutions that improve ROI and the delivery of quality healthcare worldwide. Our information products are developed to meet our clients needs by using data secured from a worldwide network of suppliers in more than 100 countries. Our key information products include:

- Sales Force Effectiveness to optimize sales force productivity and territory management;

- Portfolio Optimization to provide clients with insights into market opportunity and business development assessment; and

- Launch, Brand Management and Other to support client needs relative to market segmentation and positioning, life cycle management for prescription and consumer health pharmaceutical products and health economics and outcomes research offerings.

Within these key information products, we provide consulting and services that use in-house capabilities and methodologies to assist pharmaceutical clients in analyzing and evaluating market trends, strategies and tactics, and to help in the development and implementation of customized software applications and data warehouse tools.

We operate in more than 100 countries.

We manage on a global business model with global leaders for the majority of our critical business processes and accordingly have one reportable segment.

We believe that important measures of our financial condition and results of operations include operating revenue, constant dollar revenue growth, operating income, constant dollar operating income growth, operating margin and cash flows.

Performance Overview

Our operating revenue grew 10.5% to $537,472 in the second quarter of 2007 as compared to $486,220 in the second quarter of 2006. Our operating revenue grew 12.4% to $1,047,821 in the six months ended June 30, 2007 as compared to $932,374 in the six months ended June 30, 2006. The quarterly and six month operating revenue increases were a result of growth in all three of our business lines. Our operating income grew 11.1% to $118,137 in the second quarter of 2007 as compared to $106,326 in the second quarter of 2006. Our operating income grew 12.9% to $229,200 in the six months June 30, 2007 as compared to $203,062 in the six months ended June 30, 2006. Both the quarterly and

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six month operating income growth were a result of increased operating revenues offset by increases in operating costs, selling and administrative expenses and depreciation and amortization, as discussed below. Our net income was $73,394 for the second quarter of 2007 as compared to $62,683 for the second quarter of 2006 and $158,963 for the six months ended June 30, 2007 as compared to $180,780 for the six months ended June 30, 2006, due to the Non-Operating (Loss) Income, net items discussed below and certain tax items as discussed in Note 11 of the Condensed Consolidated Financial Statements (Unaudited). Our diluted earnings per share of Common Stock increased to $0.36 for the second quarter of 2007 as compared to $0.30 for the second quarter of 2006 and decreased to $0.79 for the six months ended June 30, 2007 as compared to $0.86 for the six months ended June 30, 2006.

Results of Operations

Reclassifications. Certain prior-year amounts have been reclassified to conform to the 2007 presentation.

References to constant dollar results and results excluding the effect of foreign currency translations. We report results in U.S. dollars, but we do business on a global basis. Exchange rate fluctuations affect the rate at which we translate foreign revenues and expenses into U.S. dollars and have important effects on our results. In order to illustrate these effects, the discussion of our business in this report sometimes describes the magnitude of changes in constant dollar terms or results excluding the effect of foreign currency translations. We believe this information facilitates a comparative view of business growth. In the first six months of 2007, the U.S. dollar was generally weaker against other currencies as compared to the first six months of 2006. As a result, revenue growth at constant dollar exchange rates was lower than growth at actual currency exchange rates, while operating income growth at constant dollar exchange rates was slightly higher than growth at actual currency exchange rates due to the mix of actual currency revenue and expense. See How Exchange Rates Affect Our Results below and the discussion of Market Risk in the Management Discussion and Analysis section of our annual report on Form 10-K for the year ended December 31, 2006 for a more complete discussion regarding the impact of foreign currency translation on our business.

Summary of Operating Results

	Three Months Ended June 30,		**% Variance**	
	2007	**2006**	**2007 vs 2006**	
Information and analytics revenue (I&A)	**$ 422,864**	$ 393,699	7.4	%
Consulting and services revenue (C&S)	**114,608**	92,521	23.9	%
Operating costs of I&A	**179,817**	165,956	8.4	%
Direct and incremental costs of C&S	**54,053**	46,211	17.0	%
External use software amortization	**12,376**	10,981	12.7	%
Selling and administrative expenses	**154,167**	132,946	16.0	%
Depreciation and amortization	**18,922**	17,784	6.4	%
Merger costs		6,016	(100.0	)%
Operating income	**$ 118,137**	$ 106,326	11.1	%

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	Six Months Ended June 30, 2007	2006	% Variance 2007 vs 2006
Information and analytics revenue (I&A)	**$ 834,051**	$ 770,834	8.2 %
Consulting and services revenue (C&S)	**213,770**	161,540	32.3 %
Operating costs of I&A	**352,459**	324,490	8.6 %
Direct and incremental costs of C&S	**110,660**	85,395	29.6 %
External use software amortization	**23,621**	21,273	11.0 %
Selling and administrative expenses	**293,808**	257,297	14.2 %
Depreciation and amortization	**38,073**	34,841	9.3 %
Merger costs		6,016	(100.0 %)
Operating income	**$ 229,200**	$ 203,062	12.9 %

Operating Income

Our operating income for the second quarter of 2007 grew 11.1% to $118,137 from $106,326 in the second quarter of 2006. This was due to the increase in our operating revenue and the absence of merger costs in the second quarter of 2007, offset by increases in our operating costs and selling and administrative expenses driven by acquisitions, increased cost of data, and investments in consulting and services capabilities. Our operating income increased 12.9% in constant dollar terms. Our operating income for the first six months of 2007 grew 12.9% to $229,200 from $203,062 in the first six months of 2006. This was due to the increase in our operating revenue and the absence of merger costs during the first six months of 2007, offset by increases in our operating costs and selling and administrative expenses driven by acquisitions, increased cost of data, and investments in consulting and services capabilities. Our operating income increased 13.8% in constant dollar terms.

Operating Revenue

Our operating revenue for the second quarter of 2007 grew 10.5% to $537,472 from $486,220 in the second quarter of 2006. On a constant dollar basis, operating revenue growth was 8.1%. Operating revenue for the first six months of 2007 grew 12.4% to $1,047,821 from $932,374 in the first six months of 2006. On a constant dollar basis our operating revenue growth was 9.4%. On a constant dollar basis, acquisitions completed within the prior twelve months contributed approximately 1.9 percentage points to our operating revenue growth for the second quarter and first six months of 2007. The increase in our operating revenue resulted from growth in revenue in all three of our business lines, together with the effect of approximately $12,000 and $28,000 of currency translation for the second quarter and first six months of 2007, respectively. On a constant dollar basis, all business lines grew.

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Summary of Operating Revenue

	Three Months Ended June 30,		% Variance 2007 vs 2006	
	2007	2006	Reported Rates	Constant Dollar
Sales Force Effectiveness	**$ 246,221**	$ 230,036	7.0 %	5.2 %
Portfolio Optimization	**157,020**	138,554	13.3 %	11.0 %
Launch, Brand and Other	**134,231**	117,630	14.1 %	10.6 %
Operating Revenue	**$ 537,472**	$ 486,220	10.5 %	8.1 %

	Six Months Ended June 30,		% Variance 2007 vs 2006	
	2007	2006	Reported Rates	Constant Dollar
Sales Force Effectiveness	**$ 479,253**	$ 444,130	7.9 %	5.6 %
Portfolio Optimization	**311,498**	268,365	16.1 %	13.1 %
Launch, Brand and Other	**257,070**	219,879	16.9 %	12.7 %
Operating Revenue	**$ 1,047,821**	$ 932,374	12.4 %	9.4 %

- *Sales Force Effectiveness:* The Americas contributed approximately two-thirds and Asia Pacific contributed approximately one-third to the revenue growth for the second quarter of 2007. The Americas contributed approximately two-thirds and Asia Pacific contributed more than one-quarter to the revenue growth for the first six months of 2007.

- *Portfolio Optimization:* EMEA contributed approximately one-half and the Americas contributed more than one-third to the growth during the second quarter and first six months of 2007.

- *Launch, Brand Management and Other:* The Americas contributed more than one-half and EMEA contributed more than one-quarter to the revenue growth for the second quarter and first six months of 2007.

Consulting and services (C&S) revenue, as included in the business lines above, was $114,608 in the second quarter of 2007, up 23.9% from $92,521 in the second quarter of 2006 (up 20.7% on a constant dollar basis). More than one-third of the C&S revenue growth for the second quarter of 2007 was attributable to acquisitions completed during the prior twelve months. C&S revenue, as included in the business lines above, was $213,770 in the first six months of 2007, up 32.3% from $161,540 in the first six months of 2006 (up 28.3% on a constant dollar basis). Approximately one-third of the C&S revenue growth for the first six months of 2007 was attributable to acquisitions completed during the prior twelve months.

Operating Costs of Information and Analytics

Operating costs of information and analytics (I&A) include costs of data, data processing and collection and costs attributable to personnel involved in production, data management and delivery of the Company s I&A offerings.

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Our operating costs of I&A grew 8.4% to $179,817 in the second quarter of 2007 from $165,956 in the second quarter of 2006. Our operating costs of I&A grew 8.6% to $352,459 in the first six months of 2007 from $324,490 in the first six months of 2006.

- *Foreign Currency Translation*: The effect of foreign currency translation increased our operating costs of I&A by approximately $6,000 and $12,000 for the second quarter and first six months of 2007 as compared to 2006, respectively.

Excluding the effect of foreign currency translation, our operating costs of I&A grew 4.9% and 4.8% in the second quarter and first six months of 2007, respectively, as compared to the second quarter and first six months of 2006.

- *Data*: Data costs increased by approximately $8,000 and $13,000 in the second quarter and first six months of 2007, compared to 2006, respectively.

- *Production, Client Services and Other*: Production, client services and other costs remained relatively constant in the second quarter of 2007 as compared to the second quarter of 2006 and increased approximately $3,000 in the first six months of 2007 as compared to the first six months of 2006.

Direct and Incremental Costs of Consulting and Services

Direct and incremental costs of C&S include the costs of consulting staff directly involved with delivering revenue-generating engagements, related accommodations and the costs of primary market research data purchased specifically for certain individual C&S engagements. Direct and incremental costs of C&S do not include an allocation of direct costs of data that are included within I&A. Our direct and incremental costs of C&S grew 17.0% to $54,053 in the second quarter of 2007 from $46,211 in the second quarter of 2006. Our direct and incremental costs of C&S grew 29.6% to $110,660 in the first six months of 2007 from $85,395 in the first six months of 2006.

- *Foreign Currency Translation*: The effect of foreign currency translation increased our direct and incremental costs of C&S by approximately $2,000 and $5,000 for the second quarter and first six months of 2007 as compared to 2006, respectively.

Excluding the effect of foreign currency translation, our direct and incremental costs of C&S grew 13.0% and 24.1% in the second quarter and first six months of 2007, respectively, as compared to the second quarter and first six months of 2006.

- C&S costs increased by approximately $6,000 and $20,000 in the second quarter and first six months of 2007 as compared to 2006, respectively, due to increased labor charges to support C&S revenue growth.

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External-Use Software Amortization

Our external-use software amortization charges represent the amortization associated with software we capitalized under the provisions of Statement of Financial Accounting Standards (SFAS) No. 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Our external-use software amortization charges grew 12.7% to $12,376 in the second quarter of 2007 from $10,981 in the second quarter of 2006. Our external-use software amortization charges grew 11.0% to $23,621 in the first six months of 2007 from $21,273 in the first six months of 2006.

Selling and Administrative Expenses

Our selling and administrative expenses consist primarily of the expenses attributable to sales, marketing, and administration, including human resources, legal, management and finance. Our selling and administrative expenses grew 16.0% in the second quarter of 2007, to $154,167 from $132,946 in the second quarter of 2006. Our selling and administrative expenses grew 14.2% to $293,808 in the first six months of 2007 as compared to $257,297 in the first six months of 2006:

- *Foreign Currency Translation*: The effect of foreign currency translation increased our selling and administrative expenses by approximately $5,000 and $11,000 for the second quarter and first six months of 2007 as compared to 2006, respectively.

Excluding the effect of foreign currency translation, our selling and administrative expenses grew 7.0% and 7.3% in the second quarter and first six months of 2007, respectively, as compared to the second quarter and first six months of 2006 to support revenue growth.

- *Sales and Marketing*: Sales and marketing expense increased by approximately $5,000 and $8,000 in the second quarter and first six months of 2007 compared to 2006, respectively.

- *Consulting*: Consulting and services expenses increased by approximately $13,000 and $16,000 in the second quarter and first six months of 2007 compared to 2006, respectively.

- *Administrative and Other*: Other expenses decreased by approximately $2,000 in the second quarter of 2007 as compared to the second quarter of 2006. Other expenses increased by approximately $1,000 in the first six months of 2007 compared to the first six months of 2006.

Depreciation and Other Amortization

Our depreciation and other amortization charges increased 6.4% to $18,922 in the second quarter of 2007 from $17,784 in the second quarter of 2006, and 9.3% to $38,073 in the first six months of 2007 from $34,841 in the first six months of 2006, resulting from higher amortization of intangible assets recorded from acquisitions made during 2006 and 2007 and increased internal-use software amortization.

Merger Costs

During the second quarter of 2006, we incurred $6,016 of investment banker fees and expenses related to a payment received from The Nielsen Company (formerly VNU, N.V.) (Nielsen) in accordance with the terms of the merger termination agreement (see Other (Expense) Income, net below). See Note 16 to our Condensed Consolidated Financial Statements (Unaudited).

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Trends in our Operating Margins

Our operating margin for the second quarter of 2007 was 22.0%, relatively flat as compared to 21.9% in the second quarter of 2006. Our operating margin for the first six months of 2007 was 21.9%, relatively flat as compared to 21.8% in the first six months of 2006. This is due to the absence of prior year costs related to the terminated merger with Nielsen.

A decrease of approximately 0.8 and 0.7 percentage points in operating margin for the second quarter and first six months of 2007, respectively, was due to foreign exchange fluctuations.

Recent acquisitions have also had an adverse effect on our operating margins due to the fact that some of the small businesses we have acquired have historically experienced lower operating margins than ours, and the revenue and cost synergies that we incorporate into our business plans are not all immediately realized. We also experience higher intangible amortization in the first years after completing an acquisition and may incur additional costs in integrating the acquired operations into ours, both of which tend to increase our costs and thus decrease our operating margins in the initial years of each completed acquisition.

Non-Operating (Loss) Income, net

Our non-operating (loss) income, net decreased to a loss of $5,532 in the second quarter of 2007 from a gain of $27,959 in the second quarter of 2006. Our non-operating (loss) income, net decreased to a loss of $15,279 in the first six months of 2007 from a gain of $25,488 in the first six months of 2006. This was due to the following factors:

- *Interest Expense, net*: Net interest expense was $7,687 and $14,445 for the second quarter and first six months of 2007, respectively, compared with $8,976 and $15,892 for the second quarter and first six months of 2006, due to lower borrowing costs in the second quarter and first six months of 2007 compared with the second quarter and first six months of 2006.

- *Gains from Investments, net*: Gains from investments of $2,175 during the second quarter of 2007 were a result of the sale of our Enterprise Portfolio. We had net gains from investments of $75 during the second quarter of 2006, as a net result of Enterprise portfolio sales and management fees. Net gains from investments of $1,964 during the first six months of 2007 were a result of the sale of our Enterprise portfolio offset by related management fees. We had net gains from investments of $2,748 during the first six months of 2006, as a result of the sale of our investment in Allscripts Healthcare Solutions, Inc., partially offset by management fees related to our Enterprise portfolio and write-downs related to other-than-temporary declines in the value of our venture capital investments.

- *Other (Expense) Income, net*: Other (expense) income, net, decreased by $36,880 and $41,430 in the second quarter and first six months of 2007, respectively, due to the receipt of $45,000 in the second quarter of 2006 from Nielsen as a result of the agreement to terminate the proposed merger (see Note 16 to our Condensed Consolidated Financial Statements (Unaudited)). This income was partially offset by net foreign exchange gains of $2,021 and $1,185 in the second quarter and first six months of 2007, respectively, and minority interest expense of $1,691 and $3,381 in the second quarter and first six months of 2007, respectively, compared with net foreign exchange losses of $7,223 and $4,532 in the second quarter and first six months of 2006, respectively, and minority interest expense of $806 and $1,613 in the second quarter and first six months of 2006,

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respectively.

Taxes

We adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) on January 1, 2007. As a result of this adoption, we recognized an increase in liabilities for uncertain tax positions of approximately $51,800 and a corresponding reduction to the January 1, 2007 retained earnings balance. As of the adoption date, we had approximately $117,200 of gross unrecognized tax benefits, of which $107,600, if recognized, would favorably affect the effective tax rate. We recognize interest expense and penalties related to unrecognized tax benefits in income tax expense. As of the adoption date, we had accrued interest and penalties of approximately $13,500.

For the six months ended June 30, 2007, we have recorded approximately $7,000 of tax expense related to uncertain tax positions that if recognized, would favorably affect the effective tax rate. Included in this amount is approximately $3,700 of interest and penalties.

We file numerous consolidated and separate income tax returns in the U.S. federal and state and non-U.S. jurisdictions. With few exceptions, we are no longer subject to U.S. federal income tax examinations for the years before 2003 and are no longer subject to state and local income tax examination by tax authorities for years before 1997. As well, with few exceptions, we are no longer subject to examination by tax authorities in its material non-U.S. jurisdictions prior to 2003. It is reasonably possible that within the next twelve months we could recognize approximately $1,000 of unrecognized benefits as a result of the expiration of certain statutes of limitation.

The Internal Revenue Service (IRS) is currently auditing our 2004 and 2005 federal income tax returns. It is reasonably possible that this audit may conclude within the next twelve months. To date, no material adjustments have been proposed as a result of this audit. At this time, it is not reasonably possible to estimate the impact of the resolution of this audit on our financial statements.

We had considered making a deposit of tax to stop the running of interest for the tax year 1997 related to a dispute over the allocation of certain items of partnership income and expense (see Note 7 to our Condensed Consolidated Financial Statements (Unaudited)), but are currently in discussions with the IRS regarding this matter. We have approximately $20,900 (tax and interest, net of tax benefit) reserved in current accrued income taxes payable at June 30, 2007.

For the three and six months ended June 30, 2007, our effective tax rate was reduced primarily due to a favorable non-U.S. audit settlement for tax years 1998 through 2002 (approximately $16,500) and a reorganization of certain non-U.S. subsidiaries (approximately $4,400). For the three months ended June 30, 2006 our effective tax rate was primarily impacted by approximately $21,400 of tax expense related to a reorganization of several of the our subsidiaries. For the six months ended June 30, 2006, our effective tax rate was reduced primarily due to a favorable U.S. partnership audit settlement of approximately $69,200 for the tax years 1998 through 2003 and a favorable U.S. audit settlement of approximately $17,600 for the tax years 2000 through 2003. Also in the first half of 2006, approximately $21,400 of tax expense was recorded related to a reorganization of several of our subsidiaries. Further, approximately $24,800 of tax expense was recorded primarily in the first quarter of 2006 related to disputes between us and NMR, on the one hand, and Donnelley and certain of its former affiliates on the other hand, as to proper interpretation of, and allocation of tax liabilities under, the 1996 Spin-Off agreements (see Note 7 to our Condensed Consolidated Financial Statements (Unaudited)).

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On July 6, 2007, the German State Council accepted the German 2008 Business Tax Reform Act (Bill). In order for the Bill to be enacted it must be signed by the President and then published in the Federal Gazette. The Bill reduces the German federal tax rate from 25% to 15%. If the Bill is enacted, our German effective tax rate (including the effect of local taxes) will be reduced to 31.9% from 40.2%. As a result, we would recognize a tax charge of approximately $7,500 to revalue net deferred tax assets related to Germany during the quarter in which the Bill is enacted.

For all periods presented, our effective tax rate was reduced as a result of global tax planning initiatives. While we intend to continue to seek global tax planning initiatives, there can be no assurance that we will be able to successfully identify and implement such initiatives to reduce or maintain our overall tax rate.

Operating Results by Geographic Region

The following represents selected geographic information for the regions in which we operate for the three and six months ended June 30, 2007 and 2006:

	Americas (1)	EMEA (2)	Asia Pacific (3)	Corporate & Other	Total IMS
Three months ended June 30, 2007:					
Operating Revenue (4)	$ 240,772	$ 224,504	$ 72,196		$ 537,472
Operating Income (Loss) (5)	$ 77,686	$ 26,049	$ 28,501	$ (14,099)	$ 118,137
Six months ended June 30, 2007:					
Operating Revenue (4)	$ 472,048	$ 434,850	$ 140,923		$ 1,047,821
Operating Income (Loss) (5)	$ 153,671	$ 49,479	$ 54,779	$ (28,729)	$ 229,200
Three months ended June 30, 2006:					
Operating Revenue (4)	$ 218,732	$ 202,777	$ 64,711		$ 486,220
Operating Income (Loss) (5)	$ 70,204	$ 31,786	$ 26,358	$ (22,022)	$ 106,326
Six months ended June 30, 2006:					
Operating Revenue (4)	$ 425,950	$ 377,490	$ 128,934		$ 932,374
Operating Income (Loss) (5)	$ 141,325	$ 47,183	$ 53,124	$ (38,570)	$ 203,062

Notes to Geographic Financial Information:

(1) *Americas includes the United States, Canada and Latin America.*

(2) *EMEA includes countries in Europe, the Middle East and Africa.*

(3) *Asia Pacific includes Japan, Australia and other countries in the Asia Pacific region.*

(4) *Operating Revenue relates to external customers and is primarily based on the location of the customer. The Operating Revenue for the geographic regions includes the impact of foreign exchange in converting results into U.S. dollars.*

(5) *Operating Income for the three geographic regions does not reflect the allocation of certain expenses that are maintained in Corporate and Other and as such, is not a true measure of the respective regions profitability. The Operating Income for the geographic segments includes the impact of foreign exchange in converting results into U.S. dollars. $6,160 of Corporate and Other Operating Income (Loss) for the three months ended June 30, 2006 has been reclassified into the regions ($2,319, $2,845 and $996 in the Americas, EMEA and Asia Pacific, respectively) to conform to the current year presentation. $11,756 of Corporate and Other Operating Income (Loss) for the six months ended June 30, 2006 has been reclassified into the regions ($4,471, $5,456 and $1,829 in the Americas, EMEA and Asia Pacific, respectively) to conform to the current year presentation.*

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Americas Region

Operating revenue growth in the Americas region was 10.1% and 10.8% in the second quarter and first six months of 2007 compared to the second quarter and first six months of 2006. Excluding the effect of foreign currency translations, operating revenue grew 9.6% and 10.6% in the second quarter and first six months of 2007, respectively. This is driven more than one-third by Sales Force Effectiveness, more than one-third by Launch, Brand and Other business lines and more than one-quarter by Portfolio Optimization for the second quarter and first six months of 2007.

Operating income in the Americas region grew 10.7% and 8.7% in the second quarter and first six months of 2007 as compared to the second quarter and first six months of 2006, respectively. The operating income growth reflects revenue growth in the region offset by increases in operating expenses of $15,000 and $34,000 in the second quarter and first six months of 2007, respectively. Excluding the effect of foreign currency translations, operating income grew by 10.4% and 8.8% in the second quarter and first six months of 2007, respectively.

EMEA Region

Operating revenue increased in the EMEA region by 10.7% and 15.2% in the second quarter and first six months of 2007 as compared to the second quarter and first six months of 2006, respectively. Excluding the effect of foreign currency translations, operating revenue grew 5.3% and 8.1% in the second quarter and first six months of 2007, respectively. This is driven two-thirds by Portfolio Optimization in both the second quarter and first six months of 2007 and one-third and more than one-quarter by Launch, Brand and Other business lines for the second quarter of 2007 and first six months of 2007, respectively.

Operating income in the EMEA region declined by 18.0% in the second quarter of 2007 as compared to the second quarter of 2006. The operating income decline reflects revenue growth in the region offset by increases in operating expenses of $27,000. Excluding the effect of foreign currency translations, operating income declined by 13.7% in the second quarter of 2007. Operating income in the EMEA region grew by 4.9% in the first six months of 2007 as compared to the first six months of 2006. The operating income growth reflects revenue growth in the region offset by increases in operating expenses of $55,000. Excluding the effect of foreign currency translations, operating income increased by 6.1% in the first six months of 2007.

Asia Pacific Region

Operating revenue in the Asia Pacific region increased 11.6% and 9.3% in the second quarter and first six months of 2007 as compared to the second quarter and first six months of 2006, respectively. Excluding the effect of foreign currency translations, operating revenue grew 12.3% and 9.3% in the second quarter and first six months of 2007, respectively. This is driven more than one-half by Sales Force Effectiveness and one-quarter by Launch, Brand and Other business lines for the second quarter and first six months of 2007.

Operating income in the Asia Pacific region increased by 8.1% and 3.1% in the second quarter and first six months of 2007 as compared to the second quarter and first six months of 2006, respectively. The operating income growth reflects revenue growth in the region offset by increases in operating expenses of $5,000 and $10,000 in the second quarter and first six months of 2007, respectively. Excluding the

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effect of foreign currency translations, operating income increased by 10.0% and 4.1% in the second quarter and first six months of 2007, respectively.

How Exchange Rates Affect Our Results

We operate globally, deriving a significant portion of our operating income from non-U.S. operations. As a result, fluctuations in the value of foreign currencies relative to the U.S. dollar may increase the volatility of U.S. dollar operating results. We enter into foreign currency forward contracts to partially offset the effect of currency fluctuations. In 2007, foreign currency translation increased U.S. dollar revenue growth by approximately 2.4 percentage points in the second quarter of 2007 and increased U.S. dollar revenue growth by approximately 3.0 percentage points in the first six months of 2007, while the impact on operating income growth was an approximate decrease of 1.8 percentage points in the second quarter of 2007 and an approximate decrease of 0.9 percentage points in the first six months of 2007.

Non-U.S. monetary assets are maintained in currencies other than the U.S. dollar, principally the Euro, the Japanese Yen and the Swiss Franc. Where monetary assets are held in the functional currency of the local entity, changes in the value of these currencies relative to the U.S. dollar are charged or credited to Cumulative translation adjustment in the Condensed Consolidated Statements of Financial Position (Unaudited). The effect of exchange rate changes during the first six months of 2007 increased the U.S. dollar amount of Cash and cash equivalents by $5,371.

Liquidity and Capital Resources

Our Cash and cash equivalents increased $53,027 during the first six months of 2007 to $210,373 at June 30, 2007 compared to $157,346 at December 31, 2006. The increase reflects cash provided by operating activities of $156,800, an increase of $5,371 due to the effect of exchange rate changes on cash during the first six months of 2007, offset by cash used in investing activities of $97,722 and cash used in financing activities of $11,422.

We currently expect that we will use our Cash and cash equivalents primarily to fund:

- development of software to be used in our new products and capital expenditures to expand and upgrade our information technology capabilities and to build or acquire facilities to house our growing business (we currently expect to spend approximately $135,000 to $145,000 during full-year 2007 for software development and capital expenditures);
- acquisitions (see Note 5 of Notes to Condensed Consolidated Financial Statements (Unaudited));
- share repurchases (see Note 12 of Notes to Condensed Consolidated Financial Statements (Unaudited));
- dividends to our shareholders (we expect 2007 dividends will be $0.12 per share or approximately $24,000);
- payments for tax-related matters, including the D&B Legacy Tax Matters discussed further in Note 7 to our Condensed Consolidated Financial Statements (Unaudited). Payments for certain of the D&B Legacy Tax Matters could be up to approximately $33,000 in 2007; and

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- pension and other postretirement benefit plan contributions (we currently expect contributions to U.S. and non-U.S. pension and other postretirement benefit plans to total approximately $8,000 in 2007).

Net cash provided by operating activities amounted to $156,800 for the six months ended June 30, 2007, an increase of cash provided of $48,717 over the comparable period in 2006. The increase relates to higher collections of accounts receivable, lower payments for accrued severance, impairment and other charges and lower funding of accounts payable, offset by lower net income and higher funding of prepaid expenses and other current assets and accrued and other liabilities during the six months ended June 30, 2007. Cash invested in accounts receivable was driven by the increase in revenues, and DSO (days sales outstanding) in the first six months of 2007 was approximately 4 days higher than the first six months of 2006.

Net cash used in investing activities amounted to $97,722 for the six months ended June 30, 2007, an increase in cash used of $22,376 over the comparable period in 2006. The increase relates to higher capital expenditures during the first six months of 2007 related to new facilities and lower proceeds received from the sale of investments during the first six months of 2007.

Net cash used in financing activities amounted to $11,422 for the six months ended June 30, 2007, a decrease of $234,257 over the comparable period in 2006. This decrease in cash used was due to reduced purchases of our stock and higher proceeds from the exercise of employee stock options during the first six months of 2007 compared to the first six months of 2006, partially offset by lower debt incurred during the first six months of 2007 compared to the first six months of 2006. Refer to the Stock Repurchase Programs and Borrowings sections below for further information on our variance between the first six months of 2007 and 2006.

Our financing activities include cash dividends we paid of $0.03 per share quarterly in 2007 and 2006, which amounted to $11,977 and $12,142 during the first six months of 2007 and 2006, respectively. The payments and level of cash dividends made by us are subject to the discretion of our Board of Directors. Any future dividends, other than the $0.03 per share dividend for the third quarter of 2007, which was declared by our Board of Directors in July 2007, will be based on, and affected by, a number of factors, including our operating results and financial requirements.

Tax and Other Contingencies

We are exposed to certain known tax and other contingencies that are material to our investors. The facts and circumstances surrounding these contingencies and a discussion of their effect on us are included in Notes 7 and 11 to our Condensed Consolidated Financial Statements (Unaudited) for the period ended June 30, 2007. We do not know of any material tax or other contingencies, other than those described in Notes 7 and 11 to our Condensed Consolidated Financial Statements (Unaudited).

These contingencies may have a material effect on our liquidity, capital resources or results of operations. Although we have established reserves for D&B Legacy Tax Matters in accordance with SFAS No. 5, Accounting for Contingencies, the actual liability may exceed the amount of the reserve. We have not established any reserves in respect of the other contingencies other than those discussed in Notes 7 and 11 to our Notes to Condensed Consolidated Financial Statements (Unaudited). In addition, even where our reserves are adequate, the incurrence of any of these liabilities may have a material effect on our liquidity and the amount of cash available to us for other purposes.

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Management believes that we have made appropriate arrangements in respect of the future effect on us of these known tax and other contingencies. Management also believes that the amount of cash available to us from our operations, together with cash from financing, will be sufficient for us to pay any known tax and other contingencies as they become due without materially affecting our ability to conduct our operations and invest in the growth of our business.

Stock Repurchase Programs

Our share repurchase program has been developed to buy opportunistically, when we believe that our share price provides us with an attractive use of our cash flow and debt capacity.

On December 19, 2006, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. As of June 30, 2007, 5,309 shares remained available for repurchase under the December 2006 program.

On January 25, 2006, the Board of Directors authorized a stock repurchase program to buy up to 30,000 shares. This program was completed in May 2007 at a total cost of $799,906.

On November 16, 2005, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. This program was completed in February 2006 at a total cost of $256,521.

On December 14, 2004, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. This program was completed in January 2006 at a total cost of $242,680.

During the first six months of 2007, we repurchased approximately 11,135 shares of outstanding Common Stock under these programs at a total cost of $333,621, including the repurchase of 6,135 shares pursuant to an accelerated share repurchase program (ASR). As part of the ASR, we simultaneously entered into a forward contract for the final settlement of the ASR transaction which was indexed to the price of our Common Stock. The ASR agreement provided for the final settlement amount to be in our Common Stock if we were to owe an amount to the bank, or in either cash or additional shares of our Common Stock, at our sole discretion, if the bank were to owe an amount to us. As the agreement required us to deliver shares to the bank for final settlement, the forward contract element qualified for permanent equity classification and the fair value of the forward contract, which was zero at the contract s inception, was recorded in equity in accordance with the provisions of EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company s Own Stock. Subsequent changes in the fair value of the forward contract were not recorded as we continued to classify the forward contract as equity. Upon completion of the ASR in April 2007, we were required to pay approximately $6,000 in shares, and therefore issued 203 treasury shares, as full settlement of our obligation under the ASR. The total cost of the ASR was approximately $176,000 or $28.68 per share. We funded the ASR through our existing bank credit facilities (see Note 9).

During the first six months of 2006, we repurchased approximately 29,000 shares of outstanding Common Stock under these programs at a total cost of $746,818. The 2006 repurchases include the repurchase of 25,000 shares at a total cost of approximately $645,000 or $25.82 per share in January 2006 pursuant to an ASR. As the 2006 ASR provided for the final settlement of the contract in either cash or additional shares of our Common Stock at our sole discretion, the forward contract element of the 2006 ASR, which was indexed to the price of our Common Stock, was treated as permanent equity and

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subsequent changes in fair value were not recorded in accordance with the provisions of EITF 00-19.

Total share repurchases during the three and six months ended June 30, 2007 benefited diluted earnings per share (EPS) by less than $0.01 per share. Total share repurchases during the three and six months ended June 30, 2006 benefited EPS by approximately $0.01 per share and $0.04 per share, respectively.

Shares acquired through our repurchase programs described above are open-market purchases or privately negotiated transactions in compliance with SEC Rule 10b-18, with the exception of purchases pursuant to the 2006 and 2007 ASR transactions.

Under our Restated Certificate of Incorporation as amended, we have authority to issue 820,000 shares with a par value of $.01 per share of which 800,000 represent shares of Common Stock, 10,000 represent shares of preferred stock and 10,000 represent shares of Series Common Stock. The preferred and series Common Stock can be issued with varying terms, as determined by the Board of Directors.

Borrowings

In recent years, we have increased debt levels to balance appropriately the objective of generating an attractive cost of capital with providing us a reasonable amount of financial flexibility. At June 30, 2007, our debt totaled $1,171,435, and management does not believe that this level of debt poses a material risk to us due to the following factors:

- in each of the last three years, we have generated strong net cash provided by operating activities in excess of $300,000;
- at June 30, 2007, we had $210,373 in worldwide cash and cash equivalents;
- at June 30, 2007, we had $455,626 of unused debt capacity under our existing bank credit facilities; and
- we believe that we have the ability to obtain additional debt capacity outside of our existing debt arrangements.

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The following table summarizes our long-term debt at June 30, 2007 and December 31, 2006:

	June 30, 2007	**December 31, 2006**
4.6% Private Placement Notes, principal payment of $150,000 due January 2008, net of interest rate swaps of $(1,892) and $(2,819), respectively	**$ 148,108**	$ 147,181
5.55% Private Placement Notes, principal payment of $150,000 due April 2016	**150,000**	150,000
1.70% Private Placement Notes, principal payment of 34,395,000 Japanese Yen due January 2013	**278,953**	288,670
Revolving Credit Facility:		
Japanese Yen denominated borrowings at average floating rates of approximately 0.99 %	**365,118**	249,097
Swiss Franc denominated borrowings at average floating rates of approximatel0y 2.82%	**71,257**	59,258
U.S. Dollar denominated borrowings at average floating rates of approximately 5.62%	**108,000**	31,200
Bank Term Loan, principal payment of $50,000 due June, 2009 at average floating rate of approximately 5.60%	**50,000**	50,000
Total Long-Term Debt	**$ 1,171,436**	$ 975,406

In July 2006, we entered into a $1,000,000 revolving credit facility with a syndicate of 12 banks (Revolving Credit Facility) replacing our existing $700,000 Amended and Restated Facility (see below). The terms of the Revolving Credit Facility extended the maturity of the facility in its entirety to a term of five years, maturing July 2011, reduced the borrowing margins, and increased subsidiary borrowing limits. Total borrowings under the Revolving Credit Facility were $544,374 and $339,555 at June 30, 2007 and December 31, 2006, respectively, all of which were classified as long-term. In April 2004, we entered into a $700,000 revolving credit facility with a syndicate of 12 banks (the Unsecured Facility). The Unsecured Facility replaced our lines of credit with several domestic and international banks. On March 9, 2005, we renegotiated with the syndicate of 12 banks to amend and restate the Unsecured Facility (the Amended and Restated Facility). The terms of the Amended and Restated Facility extended the maturity of the facility in its entirety to a term of five years, maturing March 2010, reduced the borrowing margins and increased subsidiary borrowing limits.

We define long-term lines as those where the lines are non-cancellable for more than 365 days from the balance sheet date by the financial institutions except for specified, objectively measurable violations of the provisions of the agreement. Although the 4.6% Private Placement Notes principal payment of $150,000 is due within 365 days, we have the ability and intent to refinance the notes with another long-term debt arrangement and continue to classify them as long-term in compliance with SFAS No. 6, Classification of Short-Term Obligations Expected to be Refinanced.

In general, rates for borrowing under the Revolving Credit Facility are LIBOR plus 30 basis points

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and can vary based on our Debt to EBITDA ratio. The weighted average interest rates for our lines were 2.15% and 1.61% at June 30, 2007 and December 31, 2006, respectively. In addition, we are required to pay a commitment fee on any unused portion of the facilities of 0.075%. At June 30, 2007, we had approximately $455,626 available under our existing bank credit facilities.

In June 2006, we closed a $50,000 three year term loan with a bank. The term loan allows us to borrow at a floating rate with a lower borrowing margin than our revolving credit facility, and provides us with an option to extend the term up to an additional two years. We used the proceeds to refinance existing debt borrowed under the revolving credit facility.

In April 2006, we closed a private placement transaction pursuant to which we issued $150,000 of ten-year notes to two highly rated insurance companies at a fixed rate of 5.55%. We used the proceeds to refinance existing debt of $150,000 drawn under a short term credit agreement with a bank in January 2006.

In January 2006, we closed a private placement transaction pursuant to which our Japanese subsidiary issued 34,395,000 Japanese Yen seven-year debt (equal to $300,000 at date of issuance) to several highly rated insurance companies at a fixed rate of 1.70%. We used the proceeds to refinance existing debt in Japan borrowed under our Amended and Restated Facility.

In January 2003, we closed a private placement transaction pursuant to which we issued $150,000 of five-year debt to several highly rated insurance companies at a fixed rate of 4.60%. We used the proceeds to pay down short-term debt. We also swapped $100,000 of our fixed rate debt to floating rate based on six-month LIBOR plus a margin of approximately 107 basis points. We accounted for these swaps as fair value hedges under the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. We determined the fair values based on estimated prices quoted by financial institutions. The fair values of these swaps were $(1,892) and $(2,819) as of June 30, 2007 and December 31, 2006, respectively.

Our financing arrangements provide for certain covenants and events of default customary for similar instruments, including in the case of our main bank arrangements, the private placement transactions, and the term loan, covenants to maintain specific ratios of consolidated total indebtedness to EBITDA and of EBITDA to certain fixed charges. At June 30, 2007, we were in compliance with these financial debt covenants.

Severance, Impairment and Other Charges

During the fourth quarter of 2004, we recorded $36,890 of Severance, impairment and other charges as a component of operating income. As a result of leveraging prior investments in technology and process improvements, we committed to a plan to eliminate selected positions involved primarily in production and development. The plan resulted in a charge for one-time termination benefits relating to a headcount reduction of approximately 600 employees located primarily in EMEA and the U.S. These severance benefits were calculated pursuant to the terms of established employee protection plans, in accordance with local statutory minimum requirements or individual employee contracts, as applicable.

All of the charge was settled in cash. We paid $166 during the first quarter of 2007 and there was no remaining accrual balance at June 30, 2007. All termination actions under this plan were completed by the end of 2006.

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	Severance related reserves
Charge at December 31, 2004	$ 36,890
2004 utilization	(452)
2005 utilization	(24,052)
2006 utilization	(12,220)
2007 utilization	(166)
Balance at June 30, 2007	$

During the three months ended March 31, 2003, we recorded $37,220 of Severance, impairment and other charges as a component of operating income. These charges were designed to further streamline operations and increase productivity through a worldwide reduction in headcount of approximately 80 employees and charges related to impaired contracts and assets. The contract-related charges were for impaired data supply and data processing contacts primarily in our U.S. and Japanese operations. The asset write-downs portion of the 2003 charge related to our decision to abandon certain products and as such, certain computer software primarily in the U.S., Japan and EMEA was written-down to its net realizable value.

	Severance related reserves	**Contract related reserves**	**Asset write-downs**	**Total**
Charge at March 31, 2003	$ 9,958	$ 22,307	$ 4,955	$ 37,220
2003 utilization	(6,197)	(7,047)	(6,634)	(19,878)
2004 utilization	(1,637)	(3,614)		(5,251)
2005 utilization	(378)	(6,747)		(7,125)
2006 utilization		(2,262)		(2,262)
2007 utilization		(248)		(248)
2007 reversals		(2,249)		(2,249)
Adjustments	(1,746)	67	1,679	
Balance at June 30, 2007	$	$ 207	$	$ 207

Approximately $9,958 of the 2003 charge related to a worldwide reduction in headcount of approximately 80 employees. These severance benefits were calculated pursuant to the terms of established employee protection plans, in accordance with local statutory minimum requirements or individual employee contracts, as applicable.

The cash portion of the 2003 charge amounted to $30,586, of which we paid approximately $248, $2,262 and $7,125 during 2007, 2006 and 2005, respectively, related primarily to employee termination benefits and contract-related charges. The remaining accrual of $207 at June 30, 2007 relates to a remaining lease obligation and will be utilized during 2007.

During the fourth quarter of 2001, we completed the assessment of our Competitive Fitness Program. This program was designed to streamline operations, increase productivity and improve client service. In connection with this program, we recorded $94,616 of Severance, impairment and other charges during the fourth quarter of 2001 as a component of operating income. As of June 30, 2007, approximately $1,498 remains to be utilized from 2007 to 2013 related to severance payments.

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In the first quarter of 2007, we reversed $2,889 of contract-related reserves from the 2001 and 2003 charges due primarily to the termination and settlement of exit related costs for an impaired lease. These amounts were reversed against Selling and administrative expenses in the Condensed Consolidated Statements of Income (Unaudited).

	Severance related reserves	**Contract related reserves**	**Asset write-downs**	**Total**
Charge at December 31, 2001	$ 39,652	$ 26,324	$ 28,640	$ 94,616
2001 utilization	(3,692)	(6,663)	(27,887)	(38,242)
2002 utilization	(26,277)	(9,819)	(1,474)	(37,570)
2003 utilization	(6,384)	(2,720)	(241)	(9,345)
2004 utilization	(455)	(1,232)		(1,687)
2005 utilization	(262)	(1,881)		(2,143)
2006 utilization	(264)	(1,887)		(2,151)
2007 utilization	(132)	(1,208)		(1,340)
2007 reversals		(640)		(640)
Adjustments	(688)	(274)	962	
Balance at June 30, 2007	$ 1,498	$	$	$ 1,498

We currently expect that the $1,498 balance remaining in the 2001 fourth quarter charge will be utilized as follows:

Year Ended December 31,	**Outlays**
2007	$ 130
2008	262
2009	262
2010	262
2011	262
Thereafter	320
Total	$ 1,498

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating this statement to determine any potential impact that it may have on our financial results.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Entities shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. We are currently evaluating this statement to

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(Dollars and shares in thousands, except per share data)

determine any potential impact that it may have on our financial results.

Forward-Looking Statements and Risk Factors

This Quarterly Report on Form 10-Q, as well as information included in oral statements or other written statements made or to be made by us, contain statements that, in our opinion, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words such as believe, expect, anticipate, intend, plan, foresee, likely, project, estimate, will, may predicts, potential, continue and similar expressions identify these forward-looking statements, which appear in a number of places in this Quarterly Report and include, but are not limited to, all statements relating to plans for future growth and other business development activities as well as capital expenditures, financing sources, dividends and the effects of regulation and competition, foreign currency conversion and all other statements regarding our intent, plans, beliefs or expectations or those of our directors or officers. Investors are cautioned that such forward-looking statements are not assurances for future performance or events and involve risks and uncertainties that could cause actual results and developments to differ materially from those covered in such forward-looking statements. These risks and uncertainties include, but are not limited to:

- 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 we derived approximately 63% of our operating revenue in 2006 from non-U.S. operations;

- regulatory, legislative and enforcement initiatives to which we are or may become subject relating particularly to tax and to medical privacy and the collection and dissemination of data and, specifically, non-patient identifiable information, e.g., prescriber identifiable information, or to the process of anonymizing data;

- the imposition of additional restrictions on our use of or access to data, or the refusal by data suppliers to provide data to us;

- to the extent we seek growth through acquisitions, alliances or joint ventures, the ability to identify, consummate and integrate acquisitions, alliances and joint ventures on satisfactory terms;

- our ability to develop new or advanced technologies, including sophisticated information systems, software and other technology used to deliver our products and services and to do so on a timely and cost-effective basis, and the exposure to the risk of obsolescence or incompatibility of these technologies with those of our customers or suppliers; our ability to maintain effective security measures for our computer and communications systems; and failures or delays in the operation of our computer or communications systems;

- our ability to successfully maintain historic effective tax rates;

- our ability to maintain and defend our intellectual property rights in jurisdictions around the world;

- competition, particularly in the markets for pharmaceutical information;

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

(Dollars and shares in thousands, except per share data)

- regulatory, legislative and enforcement initiatives to which our customers in the pharmaceutical industry are or may become subject restricting the prices that may be charged for prescription or other pharmaceutical products or the manner in which such products may be marketed or sold;

- deterioration in economic conditions, particularly in the pharmaceutical, healthcare or other industries in which our customers operate;

- consolidation in the pharmaceutical industry and the other industries in which our customers operate;

- conditions in the securities markets that may affect the value or liquidity of portfolio investments; and management s estimates of lives of assets, recoverability of assets, fair market value, estimates and liabilities and accrued income tax benefits and liabilities;

- to the extent unforeseen cash needs arise, the ability to obtain financing on favorable terms; and

- terrorist activity, epidemics or other conditions that could disrupt commerce, the threat of any such conditions, and responses to and results of such conditions and threats, including but not limited to effects, domestically and/or internationally, on us, our personnel and facilities, our customers and suppliers, financial markets and general economic conditions.

Consequently, all of the forward-looking statements we make in this document are qualified by the information contained herein, including, but not limited to, the information contained under this heading, Risk Factors and our Condensed Consolidated Financial Statements (Unaudited) and notes thereto for the three and six months ended June 30, 2007 and by the material set forth under the headings Business and Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006. We are under no obligation to publicly release any revision to any forward-looking statement contained or incorporated herein to reflect any future events or occurrences.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information in response to this Item is set forth in Note 9. Financial Instruments in the Notes to the Condensed Consolidated Financial Statements (Unaudited).

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits to the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company s disclosure controls and procedures are designed to do. Thus, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-14c and 15d-14c under the Exchange Act) as of June 30, 2007 (the Evaluation Date). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company s internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information in response to this Item is incorporated by reference to the information set forth in Note 7. Contingencies in the Notes to the Condensed Consolidated Financial Statements (Unaudited).

Item 1A. Risk Factors

In addition to the other information included or incorporated by reference into this Quarterly Report on Form 10-Q, including the matters addressed under the caption Forward-Looking Statements, set forth below are some of the risks and uncertainties that, if they were to occur, could materially adversely affect our business or could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report and other public statements we make.

Our data suppliers might restrict our use of or refuse to license data, which could lead to our inability to provide certain products or services.

Our products and services incorporate data that we collect from third parties. These suppliers of data may increase restrictions on our use of such data, fail to adhere to our quality control standards or refuse altogether to license the data to us. For example, in 2002 certain of our data suppliers in Japan began withholding certain data from us. This interruption in data supply led us to discontinue one of our Japanese products and adversely affected our operating results. If the suppliers of a significant amount of data that we use for one or more of our products or services were to impose additional contractual restrictions on our use of or access to data, fail to adhere to our quality control standards, or refuse to provide data, now or in the future, our ability to provide products and services to our clients could be materially adversely impacted, which could result in decreased revenue, net income and earnings per share.

Data protection laws may restrict our activities.

Data protection laws affect our collection, use, storage and transfer of personally identifiable information both abroad and in the United States. Compliance with such laws may require investment or may dictate that we not offer certain types of products and services. Failure to comply with such laws may result in, among other things, civil and criminal liability, negative publicity, data being blocked from use and liability under contractual warranties.

In addition, there is an increasing public concern regarding data protection issues and the number of jurisdictions with data protection laws has been slowly increasing. For example, there have been a number of legislative and regulatory initiatives in the U.S. and abroad in the area of access to medical data. These initiatives tend to seek to place restrictions on the use and disclosure of patient-identifiable information without consent and, in some cases, seek to extend restrictions to non-patient-identifiable information, e.g., prescriber identifiable information, or to the process of anonymizing data. There are also some initiatives that seek to restrict access to this information to non-commercial uses. While most of the current initiatives should not impact our business, there can be no assurance that these initiatives or future initiatives will not adversely affect IMS s ability to generate or assemble data or to develop or market current or future products or services.

Hardware and software failures, delays in the operation of our computer and communications systems or the failure to implement system enhancements may harm our business.

Our success depends on the efficient and uninterrupted operation of our computer and communications systems. A failure of our network or data gathering procedures could impede the processing of data, delivery of databases and services, client orders and day-to-day management of our business and could result in the corruption or loss of data. While many of our operations have appropriate disaster recovery plans in place, we currently do not have full backup facilities everywhere in the world to provide redundant network capacity in the event of a system failure. Despite any precautions we may take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins, sabotage, breaches of security, epidemics and similar events at our various computer facilities could result in interruptions in the flow of data to our servers and from our servers to our clients. In addition, any failure by our computer environment to provide our required data communications capacity could result in interruptions in our service. In the event of a delay in the delivery of data, we could be required to transfer our data collection operations to an alternative provider of server hosting services. Such a transfer could result in significant delays in our ability to deliver our products and services to our clients. Additionally, significant delays in the planned delivery of system enhancements, improvements and inadequate performance of the systems once they are completed could damage our reputation and harm our business. Finally, long-term disruptions in the infrastructure caused by events such as natural disasters, the outbreak of war, the escalation of hostilities, epidemics and acts of terrorism (particularly involving cities in which we have offices) could adversely affect our businesses. Although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur.

Our business is subject to exchange rate fluctuations and our revenue and net income may suffer due to currency translations.

We operate globally, deriving approximately 63% of our 2006 revenue from non-United States operations. As a result, fluctuations in the value of foreign currencies relative to the U.S. dollar increase the volatility of U.S. dollar denominated operating results. Emerging markets currencies tend to be considerably less stable than those in established markets, which may further contribute to volatility in our U.S. dollar-denominated operating results.

As a result of devaluations and fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into dollars, we are subject to currency translation exposure on the profits of our operations, in addition to economic exposure.

Our international operations present risks to our current businesses that could impede growth in the future.

International operations are subject to various risks that could adversely affect our business, including:

- costs of customizing services for foreign clients;
- reduced protection for intellectual property rights in some countries;
- the burdens of complying with a wide variety of foreign laws;

- exposure to local economic conditions; and

- exposure to local political conditions, including the risks of an outbreak of war, the escalation of hostilities, acts of terrorism and nationalization, expropriation, price controls or other restrictive government actions.

We may be unsuccessful in identifying acquisition candidates or evaluating the material risks involved in any acquisition.

An important aspect of our business strategy in the past has been growth through acquisitions or joint ventures and we may continue to acquire or make investments in complementary businesses, technologies, services or products. There can be no assurance that we will be able to continue to identify and consummate acquisitions or joint ventures on satisfactory terms. Moreover, every acquisition and joint venture entails some degree of uncertainty and risk. For example, we may be unsuccessful in identifying and evaluating business, legal or financial risks as part of the due diligence process associated with a transaction. In addition, some acquisitions will have contingent consideration components that may require us to pay additional amounts in the future in relation to future performance results of the acquired business. If we do not properly assess these risks, or if we fail to realize the benefits from one or more acquisitions, our business, results of operations and financial condition could be adversely affected.

We may be unsuccessful in integrating any acquired operations with our existing business.

We may experience difficulties in integrating operations acquired from other companies. These difficulties include the diversion of management s attention from other business concerns and the potential loss of key employees of the acquired operations. Acquisitions also frequently involve significant costs, often related to integrating information technology, accounting and management services and rationalizing personnel levels. If we experience difficulties in integrating one or more acquisitions, our business, results of operations and financial condition could be adversely affected.

Changes in tax laws or their application may adversely affect our reported results.

We operate in approximately 100 countries worldwide and our earnings are subject to taxation in many differing jurisdictions and at differing rates. We seek to organize our affairs in a tax efficient manner, taking account of the jurisdictions in which we operate. Tax laws that apply to our business may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such amendments, or their application to our business, may adversely affect our reported results.

We are involved in tax related matters that could have a material effect on us.

We (and our predecessors) have entered, and we continue to enter, into global tax planning initiatives in the normal course of business. These activities are subject to review by applicable tax authorities and courts. As a result of the review process, uncertainties exist and it is possible that some of these matters could be resolved adversely to us, including those tax related matters described in Part I, Item 1 of this Quarterly Report on Form 10-Q. Moreover, there can be no assurance that we will be able to maintain our effective tax rate.

We are, and may become, involved in litigation that could harm the value of our business.

In the normal course of our business, we are involved in lawsuits, claims, audits and investigations, such as those described in Part I, Item 1 of this Quarterly Report on Form 10-Q. The outcome of these matters could have a material adverse effect on our business, results of operation or financial condition. In addition, we may become subject to future lawsuits, claims, audits and investigations that could result in substantial costs and divert our attention and resources.

Significant technological changes could render our products and services obsolete. We may not be able to develop the technology necessary for our business, or to do so efficiently.

We operate in businesses that require sophisticated data collection and processing systems and software and other technology. Some of the technologies supporting the industries we serve are changing rapidly and we must continue to develop cost-effective technologies for data collection and processing to accommodate such changes. We also must continue to deliver data to our clients in forms that are easy to use while simultaneously providing clear answers to complex questions. There can be no guarantee that we will be able to develop new technologies for data collection, processing and delivery or that we will be able to do so as quickly or cost-effectively as our competition. Significant technological change could render our products and services obsolete.

Moreover, the introduction of new products and services embodying new technologies and the emergence of new industry standards could render existing products and services obsolete. Our continued success will depend on our ability to adapt to changing technologies, manage and process ever-increasing amounts of data and information and improve the performance, features and reliability of our products and services in response to changing client and industry demands. We may experience difficulties that could delay or prevent the successful design, development, testing, introduction or marketing of our products and services. New products and services, or enhancements to existing products and services, may not adequately meet the requirements of current and prospective clients or achieve any degree of significant market acceptance.

Government imposed price restrictions on pharmaceutical companies could reduce demand for our products and services.

A number of countries in which we operate have enacted regulations limiting the prices pharmaceutical companies may charge for drugs. We believe that such cost containment measures will cause pharmaceutical companies to seek more effective means of marketing their products (which will benefit us in the medium and long-term). However, such governmental regulation may cause pharmaceutical companies to revise or reduce their marketing programs in the near term, which may in turn reduce the demand for certain of our products and services. This could result in decreased revenue, net income and earnings per share.

Our success will depend on our ability to protect our intellectual property rights.

The success of our businesses will continue to depend, in part, on:

- obtaining patent protection for our technology, products and services;
- defending our patents, copyrights and other intellectual property;
- preserving our trade secrets and maintaining the security of our know-how; and

- operating without infringing upon patents and proprietary rights held by third parties.

We rely on a combination of contractual provisions, confidentiality procedures and patent, copyright, trademark, service mark and trade secret laws to protect the proprietary aspects of our products, services, databases and technologies. There can be no assurance that these protections will be adequate, or that we will adequately employ each and every one of these protections at all times, to provide sufficient protection in the future to prevent the use or misappropriation of our data, technology and other products and services. Further, our competitors may develop products, services, databases or technologies that are substantially equivalent or superior to our products, services, databases or technologies. Although we believe that our products, services, databases, technologies and related proprietary rights do not infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against us in the future. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets and to determine the validity and scope of our proprietary rights. For example, we have been involved in litigation with Insight Health GmbH & Co. KG in Germany in order to protect our proprietary mapping software. In addition, the growing need for global data, along with increased competition and technological advances, puts increasing pressure on us to share our intellectual property for client applications. Any future litigation, regardless of outcome, could result in substantial expense and diversion of resources with no assurance of success and could seriously harm our business, financial condition and operating results.

If we are unable to attract, retain and motivate employees, we will not be able to compete effectively and will not be able to expand our business.

Our success and ability to grow are dependent, in part, on our ability to hire, retain and motivate sufficient numbers of talented people, with the increasingly diverse skills needed to serve clients and expand our business, in many locations around the world. Competition for highly qualified technical and managerial, and particularly consulting personnel is intense. Recruiting, training and retention costs and benefits place significant demands on our resources. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of our employees could have a serious negative effect on us, including our ability to obtain and successfully complete important client engagements and thus maintain or increase our revenues.

Consolidation in the industries in which our clients operate may put pressure on the pricing of our products and services, and could increase the cost of acquiring data, leading to decreased earnings.

Consolidation in the pharmaceutical industry could put pressure on the pricing of our information products and services, as the consolidated client seeks pricing concessions from us, and could limit available dollars for our products and services. In addition, when companies merge, the products and services they previously purchased separately are now purchased only once by the combined entity, leading to contract compression and loss of revenue. While we have experienced success in mitigating the revenue impact of any pricing pressure through effective negotiations and by providing services to individual businesses within a particular group, there can be no assurance as to the degree to which we will be able to continue to do so as consolidation continues.

Our businesses are subject to significant or potential competition that is likely to intensify in the future.

Our future growth and success will be dependent on our ability to successfully compete with other companies that provide similar services in the same markets, some of which may have financial, marketing, technical and other advantages.

Disruptions in commerce could adversely affect our business.

Commerce could be disrupted by various political, economic, world health or other conditions. Examples of such disruptions that could adversely affect our business include:

- terrorist activity, the threat of such activity, and responses to and results of such activity and threats, including but not limited to effects, domestically and/or internationally, on us, our personnel and facilities, our customers and suppliers, financial markets and general economic conditions; and

- an outbreak of SARS, avian influenza (Bird Flu) or other epidemic, the fear of such an epidemic, and responses to and results of such an epidemic or fear thereof, including but not limited to effects, domestically and/or internationally, on us, our personnel and facilities, our customers and suppliers, financial markets and general economic conditions.

If such disruptions result in cancellations of or reductions in customer orders or contribute to a general decrease in economic activity, or directly impact our marketing, collection, production, delivery, financial and logistics functions, our results of operations and financial condition could be materially adversely affected.

The success of our business will largely depend on the performance of the pharmaceutical and healthcare industries.

The vast majority of our revenues are generated from sales to the pharmaceutical and healthcare industries. To the extent the businesses we serve, especially our clients in the pharmaceutical and healthcare industries, are subject to financial pressures of, for example, price controls, increased costs or reduced demand for their products, the demand for our products and services, or the price our clients are willing to pay for those products and services, may decline.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased Under Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Programs(2)
April 1-30, 2007				10,308,730
May 1 31, 2007	2,662,700	$ 30.82	2,662,700	7,646,030
June 1-30, 2007	2,337,300	$ 32.34	2,337,300	5,308,730
Total	5,000,000		5,000,000	5,308,730

(1) All shares were repurchased through the Company s publicly announced stock repurchase programs.

(2) In January 2006, the Board of Directors authorized a stock repurchase program to buy up to 30,000,000 shares. As of June 30, 2007, no shares remained available for repurchase under the January 2006 program. In December 2006, the Board of Directors authorized a stock repurchase program to buy up to 10,000,000 shares. As of June 30, 2007, 5,308,730 shares remained available for repurchase under the December 2006 program. Unless terminated earlier by resolution of the Company s Board of Directors, this program will expire when the Company has repurchased all shares authorized for repurchase thereunder. See Note 12 of our Notes to Condensed Consolidated Financial Statements (Unaudited) for further details.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of IMS Health Incorporated was held on May 4, 2007.

The following nominees for director named in the Proxy Statement dated March 29, 2007 were elected at the Meeting for a three-year term expiring in 2010 by the votes indicated:

	For	Withheld
James D. Edwards	166,615,391	13,820,826
William C. Van Faasen	166,504,164	13,932,053
Bret W. Wise	166,615,762	13,820,455

The following directors continue to serve terms expiring in 2008: David R. Carlucci, Constantine L. Clemente, Kathryn E. Giusti and M. Bernard Puckett. The following directors continue to serve terms expiring in 2009: John P. Imlay, Jr., Robert J. Kamerschen and H. Eugene Lockhart.

The appointment of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm was approved by the following vote:

	For	Against	Abstain
Number of Shares	175,371,275	4,007,723	1,057,217

The Shareholder Proposal regarding the election of each Director annually:

	For	Against	Abstain	Broker Non-Votes
Number of Shares	121,861,561	38,879,096	1,093,204	18,602,356

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Item 6. Exhibits

(a) Exhibits

Exhibit Number	**Description of Exhibits**
10.1	Underwriting Agreement, between IMS Health Incorporated and Goldman, Sachs & Co., dated April 20, 2007 (incorporated by reference to Exhibit 1.1 to the Registrant s Current Report on Form 8-K, filed on April 24, 2007).
31.1	CEO 302 Certification pursuant to Rule 13a-14(a)/15d-14(a)
31.2	CFO 302 Certification pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Joint CEO/CFO Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		IMS Health Incorporated
	By:	/s/ Leslye G. Katz
Date: August 3, 2007		Leslye G. Katz Senior Vice President and Chief Financial Officer (principal financial officer)
		/s/ Harshan Bhangdia
Date: August 3, 2007		Harshan Bhangdia Vice President and Controller (principal accounting officer)

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