

IMS HEALTH INC
Form 10-Q
July 31, 2008
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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, 2008

OR

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**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)

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Delaware
(State of Incorporation)

06-1506026
(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.

☒ Yes ☐ No

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

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ 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, 2008, there were 181,869,442 shares of IMS Health Incorporated Common Stock, \$0.01 par value, outstanding.

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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, 2008	As of December 31, 2007
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 220,725	\$ 218,249
Accounts receivable, net of allowances of \$8,664 and \$8,980 in 2008 and 2007, respectively	444,556	415,926
Other current assets	221,294	205,998
Total Current Assets	886,575	840,173
Securities and other investments	6,916	5,415
Property, plant and equipment, net of accumulated depreciation of \$217,731 and \$201,122 in 2008 and 2007, respectively	197,794	188,877
Computer software	266,870	269,032
Goodwill (Note 6)	699,337	651,709
Other assets	302,273	288,998
Total Assets	\$ 2,359,765	\$ 2,244,204
Liabilities, Minority Interests and Shareholders Deficit:		
Current Liabilities:		
Accounts payable	\$ 101,004	\$ 117,488
Accrued and other current liabilities	291,899	333,534
Accrued income taxes	64,059	61,791
Short-term deferred tax liability	8,173	7,415
Deferred revenues	97,490	114,316
Total Current Liabilities	562,625	634,544
Postretirement and postemployment benefits	80,110	79,992
Long-term debt (Note 9)	1,472,921	1,203,209
Other liabilities	254,211	265,330
Total Liabilities	\$ 2,369,867	\$ 2,183,075
Commitments and Contingencies (Note 7)		
Minority Interests	\$ 101,912	\$ 101,444
Shareholders Deficit:		
Common Stock, par value \$.01, authorized 800,000 shares; issued 335,045 shares in 2008 and 2007, respectively	\$ 3,350	\$ 3,350
Capital in excess of par	537,268	535,500
Retained earnings	2,897,081	2,771,278
Treasury stock, at cost, 153,176 and 143,818 shares in 2008 and 2007, respectively	(3,570,226)	(3,355,790)
Cumulative translation adjustment	75,829	61,924
Unamortized postretirement and postemployment balances (SFAS No. 158)	(55,323)	(56,584)
Unrealized gain on changes in fair value of cash flow hedges, net of tax	7	7
Total Shareholders Deficit	\$ (112,014)	\$ (40,315)
Total Liabilities, Minority Interests and Shareholders Deficit	\$ 2,359,765	\$ 2,244,204

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

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IMS HEALTH INCORPORATED

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Three Months Ended June 30,	
	2008	2007
Information and analytics revenue	\$ 453,440	\$ 420,551
Consulting and services revenue	147,269	116,921
Operating Revenue	600,709	537,472
Operating costs of information and analytics	192,166	177,828
Direct and incremental costs of consulting and services	73,660	55,848
External-use software amortization	13,043	12,376
Selling and administrative expenses	168,097	154,361
Depreciation and other amortization	22,366	18,922
Operating Income	131,377	118,137
Interest income	2,983	1,729
Interest expense	(11,970)	(9,416)
Gains from investments, net		2,175
Other expense, net	(7,782)	(20)
Non-Operating Loss, Net	(16,769)	(5,532)
Income before provision for income taxes	114,608	112,605
Provision for income taxes (Note 11)	(36,913)	(39,211)
Net Income	\$ 77,695	\$ 73,394
Basic Earnings Per Share of Common Stock	\$ 0.43	\$ 0.37
Diluted Earnings Per Share of Common Stock	\$ 0.42	\$ 0.36
Weighted average number of shares outstanding Basic	181,741	196,502
Dilutive effect of shares issuable as of period-end under stock-based compensation plans and other	2,133	3,953
Adjustment of shares outstanding applicable to exercised and cancelled stock options during the period	22	646
Weighted Average Number of Shares Outstanding Diluted	183,896	201,101

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Six Months Ended June 30,	
	2008	2007
Information and analytics revenue	\$ 909,627	\$ 828,712
Consulting and services revenue	265,262	219,109
Operating Revenue	1,174,889	1,047,821
Operating costs of information and analytics	385,452	348,478
Direct and incremental costs of consulting and services	141,722	114,324
External-use software amortization	25,757	23,621
Selling and administrative expenses	330,789	294,125
Depreciation and other amortization	43,410	38,073
Operating Income	247,759	229,200
Interest income	5,575	3,527
Interest expense	(23,233)	(17,972)
Gains from investments, net		1,964
Other expense, net	(28,631)	(2,798)
Non-Operating Loss, Net	(46,289)	(15,279)
Income before provision for income taxes	201,470	213,921
Provision for income taxes (Note 11)	(64,600)	(54,958)
Net Income	\$ 136,870	\$ 158,963
Basic Earnings Per Share of Common Stock	\$ 0.75	\$ 0.81
Diluted Earnings Per Share of Common Stock	\$ 0.74	\$ 0.79
Weighted average number of shares outstanding Basic	183,388	196,570
Dilutive effect of shares issuable as of period-end under stock-based compensation plans and other	1,547	3,286
Adjustment of shares outstanding applicable to exercised and cancelled stock options during the period	38	1,018
Weighted Average Number of Shares Outstanding Diluted	184,973	200,874

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

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	Six Months Ended June 30,	
	2008	2007
Cash Flows from Operating Activities:		
Net income	\$ 136,870	\$ 158,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,167	61,694
Bad debt expense	983	505
Deferred income taxes	1,439	(21,774)
Gains from investments, net		(1,964)
Minority interests in net income of consolidated companies	3,850	3,907
Non-cash stock-based compensation charges	16,227	20,013
Net tax (expense) benefit on stock-based compensation	(316)	9,588
Excess tax benefits from stock-based compensation	(88)	(4,227)
Change in assets and liabilities, excluding effects from acquisitions and dispositions:		
Net increase in accounts receivable	(28,930)	(26,339)
Net increase in work-in-process inventory	(5,468)	(864)
Net increase in prepaid expenses and other current assets	(18,817)	(14,397)
Net decrease in accounts payable	(18,196)	(3,992)
Net decrease in accrued and other current liabilities	(6,995)	(30,900)
Net decrease in accrued severance, impairment and other charges	(27,914)	(1,754)
Net decrease in deferred revenues	(18,476)	(1,015)
Net increase in accrued income taxes	5,413	10,837
Net decrease (increase) in pension assets (net of liabilities)	1,655	(60)
Net decrease (increase) in other long-term assets (net of long-term liabilities)	1,642	(1,421)
Net Cash Provided by Operating Activities	112,046	156,800
Cash Flows Used in Investing Activities:		
Capital expenditures	(22,462)	(26,196)
Additions to computer software	(36,537)	(42,858)
Proceeds from sale of capital asset, net	1,392	
Proceeds from sales of investments, net		3,524
Payments for acquisitions of businesses, net of cash acquired	(45,308)	(22,192)
Funding of venture capital investments	(1,500)	(1,200)
Other investing activities, net	(1,874)	(8,800)
Net Cash Used in Investing Activities	(106,289)	(97,722)
Cash Flows Used in Financing Activities:		
Net increase in revolving credit facility and other	139,500	217,798
Proceeds from private placement notes	240,000	
Repayment of private placement notes	(150,000)	
Payments for purchase of treasury stock	(229,340)	(327,610)
Proceeds from exercise of stock options	5,000	110,779
Excess tax benefits from stock-based compensation	88	4,227
Dividends paid	(11,067)	(11,977)
Proceeds from employee stock purchase plan and other	(25)	3,330
Decrease in cash overdrafts	(995)	(4,588)
Payments to minority interests and other financing activities	(3,382)	(3,381)
Net Cash Used in Financing Activities	(10,221)	(11,422)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6,940	5,371
Increase in Cash and Cash Equivalents	2,476	53,027

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Cash and Cash Equivalents, Beginning of Period		218,249		157,346
Cash and Cash Equivalents, End of Period	\$	220,725	\$	210,373

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Note 1. Interim Condensed Consolidated Financial Statements (Unaudited)

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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, considered necessary for a fair presentation of the statements of financial position, income 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, 2007 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 2007 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the 2008 presentation. Amounts presented in the Condensed Consolidated Financial Statements (Unaudited) may not add due to rounding.

Note 2. Basis of Presentation

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

The Company operates in more than 100 countries.

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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

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In September 2006, the Financial Accounting Standards Board (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. In February 2008, the FASB issued Staff Positions No. FAS 157-1 and No. FAS 157-2 which delayed the effective date of SFAS No. 157 for one year for certain non financial assets and liabilities and removed certain leasing transactions from its scope. The adoption of SFAS No. 157, effective January 1, 2008, did not have a material impact on the Company's financial position, results of operations or cash flows. The Company is currently evaluating the impact of SFAS No. 157 for certain non financial assets and liabilities 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 adoption of SFAS No. 159, effective January 1, 2008, did not have a material impact on the Company's financial position, results of operations or cash flows as the Company did not elect the fair value measurement option for any additional financial instruments or other items.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations. This statement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. This statement also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement is effective for fiscal years beginning after December 15, 2008. The impact on the Company's financial results will be dependent on the terms and conditions of acquisitions consummated on or after January 1, 2009, the effective date for the Company.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51. This statement establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. This statement also establishes disclosure requirements that identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective for fiscal years beginning on or after December 15, 2008. The

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IMS HEALTH INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Company is currently evaluating this statement to determine any potential impact that it may have on its financial results.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133. This statement requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. Entities will be required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is currently evaluating the new disclosure requirements under this statement.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. The statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. This statement is effective 60 days following the United States Securities and Exchange Commission's (SEC) approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The adoption of this statement is not expected to have an impact on the Company's financial results.

Note 4. Summary of Significant Accounting Policies

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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.

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

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, 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.

Note 5. Acquisitions

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The Company makes acquisitions in order to expand its products, services and geographic reach. During the six months ended June 30, 2008, the Company completed three acquisitions of Robinson and James Research Pty Limited (Australia), Fourth Hurdle Consulting Limited (U.K.) and Health Benchmarks, Inc. (U.S.) at an aggregate cost of approximately \$24,100 which were 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 these acquired companies subsequent to the closing of the acquisition. Had these acquisitions occurred as of January 1, 2008 or 2007, the impact on the Company's results of operations would not have been significant. Goodwill of approximately \$16,400 was recorded in connection with these acquisitions, none of which is deductible for tax purposes.

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 which was accounted for under the purchase method of accounting. As such, the aggregate purchase price had been 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 2007 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, 2007 or 2006, the impact on the Company's results of operations would not have been significant. Goodwill of approximately \$6,200 was recorded in connection with this acquisition. There is approximately \$8,500 of tax deductible goodwill.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Note 6. Goodwill and Intangible Assets

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During the six months ended June 30, 2008, the Company's goodwill increased by \$47,628 due to foreign currency translation adjustments and the preliminary allocations of purchase price for the acquisitions completed during the six months ended June 30, 2008 (see Note 5). During the six months ended June 30, 2007, the Company's goodwill increased by \$25,613 due to foreign currency translation adjustments and the preliminary allocation of purchase price for the acquisition completed during the six months ended June 30, 2007 (see Note 5).

All of the Company's other acquired intangibles are subject to amortization. Intangible asset amortization expense was \$4,768 and \$9,489 during the three and six months ended June 30, 2008, respectively, and \$4,185 and \$8,945 during the three and six months ended June 30, 2007, respectively. At June 30, 2008, intangible assets were primarily composed of customer relationships, databases and trade names (principally included in Other assets) and computer software. The gross carrying amounts and related accumulated amortization of these intangibles were \$183,132 and \$89,087, respectively, at June 30, 2008 and \$176,330 and \$79,598, respectively, at December 31, 2007. These intangibles are amortized over periods ranging from two to twenty years. As of June 30, 2008, the weighted average amortization periods of the acquired intangibles by asset class are listed in the following table:

Intangible Asset Type	Weighted Average Amortization Period (Years)
Customer Relationships	10.0
Computer Software and Algorithms	7.0
Databases	4.7
Trade Names	4.3
Other	3.5
Weighted average	8.9

Based on current estimated useful lives, amortization expense associated with intangible assets at June 30, 2008 is estimated to be approximately \$4,725 for each of the remaining two quarters in 2008. Thereafter, annual amortization expense associated with intangible assets is estimated to be as follows:

Year Ended December 31,	Amortization Expense
2009	\$ 16,768
2010	12,673
2011	11,053
2012	9,159
2013	8,702
Thereafter	\$ 26,241

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IMS HEALTH INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

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 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 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 "LLC Agreements"), 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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

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 (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 reach agreement through negotiation they must arbitrate the disputes. The Company intends to vigorously defend itself with respect to such disputes. As of June 30, 2008, the Company had a reserve of approximately \$22,400 (liability and interest, net of tax benefit) 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. In October 2007, a hearing on the merits of the parties' claims took place before an AAA arbitration panel, and on December 6, 2007, the panel issued a Partial Award. In the Partial Award, the panel directed the parties to attempt to agree on the allocation of liability between the parties for the tax controversy underlying the Dutch Partnership Dispute, in accordance with principles set out in the Partial Award. The parties were unable to reach agreement and, in March 2008, each submitted to the AAA arbitration panel their own calculation of the allocation of liability. The calculation submitted by the Donnelley Parties showed an underpayment by each of the Company and NMR of approximately \$6,800. The Donnelley Parties also claimed interest, the costs of the arbitration proceeding and their attorneys' fees, in an aggregate amount of approximately \$6,400, of which the Company's share would be approximately \$3,200. The Company and NMR disputed the Donnelley Parties' computation and additional claims and submitted their own calculation of the allocation of liability. This calculation showed a current underpayment by each of the Company and NMR of approximately \$2,500, but also showed potential pending adjustments to such amount in favor of each of the Company and NMR of approximately \$4,800. These pending adjustments are contingent upon the IRS's disposition of certain pending refund claims made by Donnelley. The Company and NMR have also claimed interest, the costs of the arbitration proceeding and their attorneys' fees. In July 2008, the AAA arbitration panel issued a Clarifying Order addressing in concept some (but not all) of the matters disputed by the parties in connection with the application of the principles set forth in the Partial Award. In the Clarifying Order, the panel directed the parties to submit an agreed joint computation of the principal amount of the liability to be shared, as well as proposed provisions for interest and/or costs or, if no agreement can be reached with respect to those matters, commentary by

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each of the parties as to the appropriate approach to be applied with respect thereto by the panel. Further arbitration proceedings to resolve these disputes are likely, and the Company continues to believe its reserve for this matter is adequate.

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 \$22,100, which amount the Company had reserved in current accrued income taxes payable at June 30, 2008.

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.

IMS Health Government Solutions Voluntary Disclosure Program Participation

Our wholly-owned subsidiary, IMS Government Solutions Inc., is primarily engaged in providing services and products under contracts with the U.S. government. U.S. government contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. government have the ability to investigate whether contractors' operations are being conducted in accordance with such requirements. U.S. government investigations, whether relating to these contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed on us, or could lead to suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and may result in no adverse action against us.

IMS Government Solutions has discovered potential noncompliance with various contract clauses and requirements under its General Services Administration Contract which was awarded in 2002 to its predecessor company, Synchronous Knowledge Inc. (Synchronous Knowledge Inc. was acquired by IMS in May 2005). Upon discovery of the potential noncompliance, the Company began remediation efforts, promptly disclosed the potential noncompliance to the government, and was accepted into the Department of Defense Voluntary Disclosure Program. The Company expects to file its Voluntary Disclosure Program Report in August 2008. The Company is currently unable to determine the outcome of this matter pending the resolution of the Voluntary Disclosure Program process and is therefore currently unable to estimate the potential liability, if any, arising from this matter.

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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 2008 and 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, 2008, approximately \$67,200 had been earned under these contingencies since 2002. The Company paid approximately \$19,300 under these contingencies during the six months ended June 30, 2008. Based on current estimates, the Company expects that additional contingent consideration under these agreements may total approximately \$4,200. It is expected that these contingencies will be resolved within a specified time period after the end of each respective calendar year for 2008 and 2009.

Note 8. Stock-Based Compensation

The following table summarizes activity of stock options for the periods indicated:

	Shares		Weighted Average Exercise Price Per Share
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	(6,299)	\$	22.72
Forfeited	(200)	\$	24.14
Cancelled	(371)	\$	27.61
Options Outstanding, December 31, 2007	14,526	\$	23.62
Granted	1,159	\$	22.58
Exercised	(247)	\$	20.24
Forfeited	(56)	\$	24.66

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Cancelled	(559)	\$	26.56
Options Outstanding, June 30, 2008	14,823	\$	23.48
Options Vested or Expected to Vest, June 30, 2008	14,775	\$	23.48
Exercisable, June 30, 2008	13,628	\$	23.55

The following table summarizes activity of restricted stock units (RSUs) with service

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conditions:

	Shares		Weighted Average Grant Date Fair Value
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	1,219	\$	29.64
Vested	(296)	\$	26.06
Forfeited	(148)	\$	28.09
Unvested, December 31, 2007	2,333	\$	27.16
Granted	1,209	\$	22.60
Vested	(493)	\$	27.69
Forfeited	(163)	\$	27.46
Unvested, June 30, 2008	2,886	\$	25.14
Vested or Expected to Vest, June 30, 2008	2,676	\$	25.13

The following table summarizes activity of RSUs with performance conditions:

	Shares		Weighted Average Grant Date Fair Value
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	(6)	\$	27.00
Unvested, December 31, 2007	353	\$	25.34
Granted	238	\$	24.44
Vested	(78)	\$	24.11
Forfeited	(10)	\$	27.13
Unvested, June 30, 2008	503	\$	25.07
Vested or Expected to Vest, June 30, 2008	489	\$	25.05

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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, 2005	30	\$ 22.12
Granted	3	\$ 26.13
Outstanding, December 31, 2006	33	\$ 22.49
Granted	5	\$ 29.50
Outstanding, December 31, 2007	38	\$ 23.37
Granted	2	\$ 23.32
Outstanding, June 30, 2008	40	\$ 23.37

The following table summarizes the components and classification of stock-based compensation expense for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Stock Options	\$ 1,199	\$ 3,563	\$ 3,217	\$ 9,079
RSUs	7,637	5,793	13,012	10,560
Employee Stock Purchase Plan		147	(2)	374
Total Stock-Based Compensation Expense	\$ 8,836	\$ 9,503	\$ 16,227	\$ 20,013
Operating Costs of I&A	\$ 844	\$ 979	\$ 1,621	\$ 1,961
Direct and Incremental Costs of C&S	1,003	1,023	1,711	1,897
Selling and Administrative Expenses	6,989	7,501	12,895	16,155
Total Stock-Based Compensation Expense	\$ 8,836	\$ 9,503	\$ 16,227	\$ 20,013
Tax Benefit on Stock-Based Compensation Expense	\$ 2,727	\$ 2,895	\$ 5,127	\$ 6,115
Capitalized Stock-Based Compensation Expense	\$ 65	\$ 102	\$ 106	\$ 177

On April 15, 2008, the Company awarded its annual grant in the form of restricted stock units 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 15, 2008. In addition, on April 15, 2008, the Company awarded stock appreciation rights (SARs) to certain executives. The SARs have an exercise price of \$22.58 to the employee, vest ratably over 4 years, and the Company's amortization of the award is based upon the Black-Scholes value.

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For a complete description of the Company's Stock Incentive Plans and its accounting policies regarding stock-based compensation, refer to Notes 2 and 11 of the Company's 2007 Annual Report on Form 10-K as filed with the SEC.

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 for the three and six months ended June 30, 2008 were net losses of \$6,131 and \$24,728, respectively, and net gains of \$2,021 and \$1,185 for the three and six months ended June 30, 2007, respectively. In addition, at June 30, 2008, the Company had assets of approximately \$688,856 and liabilities of \$693,874 in foreign exchange forward contracts outstanding with various expiration dates through May 2009 relating to non-U.S. Dollar anticipated royalties and non-functional currency assets and liabilities (see below). 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 net income and non-functional currency assets and liabilities do not qualify for hedge accounting in accordance with SFAS No. 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 Consolidated Statements of Income in Other income (expense), net.

Unrealized gains and losses on the contracts hedging non-U.S. Dollar anticipated royalties qualify for hedge accounting under SFAS No. 133 and are therefore deferred and included in OCI - Other Comprehensive Income.

Fair Value Disclosures

At June 30, 2008, the Company's financial instruments included cash, cash equivalents, receivables, accounts payable and long-term debt. At June 30, 2008, the fair values of cash, cash equivalents, receivables and accounts payable approximated carrying values due to the short-term

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nature of these instruments. At June 30, 2008, the fair value of long-term debt approximated carrying value.

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements, (see Note 3). SFAS No. 157 establishes a three-level hierarchy for disclosure of fair value measurements as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The following table summarizes assets and liabilities measured at fair value on a recurring basis at June 30, 2008:

	Basis of Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives (1)		\$ 688,856		\$ 688,856
Liabilities				
Derivatives (1)		\$ 693,874		\$ 693,874

(1) Derivatives consist of foreign exchange forward contracts based on observable market inputs of spot and forward rates.

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-performance by the counterparties. The Company would not realize a material loss as of June 30, 2008 in the event of non-performance by any one counterparty. In general, 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 (\$444,556 and \$415,926, net of allowances, at June 30, 2008 and December 31, 2007, respectively), principally from customers in the pharmaceutical industry. The Company's trade receivables do not represent significant

concentrations of credit risk at June 30, 2008 due to the credit worthiness of its customers and their dispersion across many geographic areas.

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The following table summarizes the Company's long-term debt at June 30, 2008 and December 31, 2007:

	2008	2007
4.6% Private Placement Note, principal payment of \$150,000 due January 2008, net of interest rate swaps of \$(981)	\$	\$ 149,019
5.58% Private Placement Notes, principal payment of \$105,000 due January 2015	105,000	
5.99% Private Placement Notes, principal payment of \$135,000 due January 2018	135,000	
5.55% Private Placement Notes, principal payment of \$150,000 due April 2016	150,000	150,000
1.70% Private Placement Note, principal payment of 34,395,000 Japanese Yen due January 2013	317,615	300,787
Revolving Credit Facility:		
Japanese Yen denominated borrowings at average floating rates of approximately 1.24%	374,168	397,973
Swiss Franc denominated borrowings at average floating rates of approximately 2.78%	27,338	54,730
U.S. Dollar denominated borrowings at average floating rates of approximately 3.01%	313,800	100,700
Bank Term Loan, principal payment of \$50,000 due June 2009 at average floating rate of approximately 2.99%	50,000	50,000
Total Long-Term Debt	\$ 1,472,921	\$ 1,203,209

In February 2008, the Company closed a private placement transaction pursuant to which it issued \$105,000 of seven-year debt at a fixed rate of 5.58%, and \$135,000 of ten-year debt at a fixed rate of 5.99% to several highly rated insurance companies. The Company used the proceeds for share repurchases (see Note 12) and to refinance existing debt.

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 facility. 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 \$715,306 and \$553,403 at June 30, 2008 and December 31, 2007, respectively, all of which were classified as long-term. 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. In general, rates for borrowing under the Revolving Credit Facility are LIBOR plus 40 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 2.08% and 2.16% at June 30, 2008 and December 31, 2007, respectively. In addition, the Company is required to pay a commitment fee on any unused portion of the facilities of 0.01%. At June 30, 2008, the Company had approximately \$284,694 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. The term loan also provides the Company with an option to extend

the term up to an additional two years, which the Company intends to do so. The Company used the proceeds

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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.

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 existing 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 \$(981) as of December 31, 2007. These notes and the related swaps matured and were paid off in January 2008. Although these notes were due within 365 days at December 31, 2007, the Company classified the notes as long-term at December 31, 2007 in compliance with SFAS No. 6, Classification of Short-Term Obligations Expected to be Refinanced, as the Company had the ability and intent to refinance these notes with another long-term debt arrangement.

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, 2008, the Company was in compliance with these financial debt covenants.

Note 10. Pension and Postretirement Benefits

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The following table provides 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 10 of the Company's 2007 Annual Report on Form 10-K as filed with the SEC.

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Components of Net Periodic Benefit Cost for the Three Months Ended June 30,	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Service cost	\$ 4,310	\$ 4,143	\$	6
Interest cost	5,180	4,611	192	177
Expected return on plan assets	(7,926)	(7,318)		
Amortization of prior service cost (credit)	6	5	(3)	(9)
Amortization of transition obligation (asset)	(1)	(1)		
Amortization of net loss	632	1,107	145	108
Net periodic benefit cost	\$ 2,201	\$ 2,547	\$ 334	\$ 282

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Components of Net Periodic Benefit Cost for the Six Months Ended June 30,	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Service cost	\$ 8,615	\$ 8,239	\$ 12	
Interest cost	10,280	9,193	384	354
Expected return on plan assets	(15,858)	(14,598)		
Amortization of prior service cost (credit)	12	9	(6)	(18)
Amortization of transition obligation (asset)		(2)		
Amortization of net loss	1,264	2,202	291	216
Net periodic benefit cost	\$ 4,313	\$ 5,043	\$ 669	\$ 564

Note 11. Income Taxes

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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.

For the three months ended June 30, 2008, the Company's effective tax rate was reduced by approximately \$10,300 as a result of audit settlements with taxing authorities. Also during this period, the Company recorded tax expense for tax positions related to non-US transactions offset by a benefit related to the expiration of certain statutes of limitation, resulting in a net tax expense of approximately \$5,300. Further, for the three months ended March 31, 2008 the Company's effective tax rate was reduced by approximately \$4,900 primarily as a result of the filing of an advance pricing agreement (APA) between two taxing jurisdictions. The APA ensures conformity between the jurisdictions' taxing authorities regarding the treatment of certain intercompany transactions, thereby allowing the Company to record a corresponding tax benefit. For the six months ended June 30, 2007, the Company's effective tax rate was reduced by approximately \$16,500 primarily due to a favorable non-U.S. audit settlement for tax years 1998 through 2002 and by approximately \$4,400 from a reorganization of certain non-U.S. subsidiaries.

The Company files numerous consolidated and separate income tax returns in U.S. (federal and state) and non-U.S. jurisdictions. For the three and six months ended June 30, 2008, the Company recorded approximately \$5,200 and \$10,000, respectively, of tax expense related to uncertain tax positions that if recognized, would favorably affect the effective tax rate. Included in these amounts

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are approximately \$2,600 and \$5,300, respectively, of interest and penalties. For the three and six months ended June 30, 2007, the Company recorded approximately \$3,300 and \$7,000, respectively, of tax expense related to uncertain tax positions including approximately \$1,900 and \$3,700, respectively, of interest and penalties.

The IRS has concluded its audit of the Company's 2004 and 2005 federal income tax returns. The resolution of the audit resulted in a tax payment of approximately \$5,300 for which a reserve had been previously established. With few exceptions, the Company is no longer subject to U.S. federal income tax examinations for the years before 2004 and is no longer subject to state and local income tax examination by tax authorities for years before 1997. Further, 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 realize approximately \$17,700 of unrecognized benefits; \$9,700 as a result of the termination of a non-U.S. agreement and \$8,000 mainly as a result of the expiration of certain statutes of limitation.

Note 12. IMS Health Capital Stock

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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 18, 2007, the Board of Directors authorized a stock repurchase program to buy up to 20,000 shares. As of June 30, 2008, 10,000 shares remained available for repurchase under the December 2007 program.

On December 19, 2006, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. This program was completed in November 2007 at a total cost of \$287,072.

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.

During the six months ended June 30, 2008, the Company repurchased 10,000 shares of outstanding Common Stock under these programs at a total cost of \$229,340.

During the six months ended June 30, 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 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

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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).

Total share repurchases during the six months ended June 30, 2008 positively impacted the Company's diluted earnings per share (EPS) by \$0.02 per share for the three and six months ended June 30, 2008. Total share repurchases during the six months ended June 30, 2007 positively impacted the Company's diluted EPS by less than \$0.01 per share for the three and six months ended June 30, 2007.

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 2007 ASR.

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.

Note 13. Comprehensive Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net Income	\$ 77,695	\$ 73,394	\$ 136,870	\$ 158,963
Other comprehensive income, net of taxes:				
Unrealized gains (losses) on:				
Available-for-sale equity securities		66		(17)
Tax (provision) benefit on above		(23)		6
Change in unrealized gains (losses) on investments		43		(11)
Foreign currency translation gains	69,749	43,249	13,905	38,476
Amortization of SFAS 158 service cost	731	1,078	1,261	2,329
Total other comprehensive income	70,480	44,370	15,166	40,794
Comprehensive Income	\$ 148,175	\$ 117,764	\$ 152,036	\$ 199,757

Note 14. Severance, Impairment and Other Charges

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In response to healthcare marketplace dynamics, during the fourth quarter of 2007, the Company committed to a restructuring plan designed to eliminate approximately 1,070 positions

Table of Contents**IMS HEALTH INCORPORATED****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****(Dollars and shares in thousands, except per share data)**

worldwide in production and development, sales, marketing, consulting and services and administration. The plan also included the write-down of two impaired computer software assets and related contract payments to be incurred with no future economic benefit based on the Company's decision to abandon certain products in its EMEA region. As a result, the Company recorded \$88,690 of Severance, impairment and other charges as a component of operating income in the fourth quarter of 2007. The 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.

These charges were designed to strengthen client-facing operations worldwide, increase the Company's operating efficiencies and streamline its cost structure. Some of the initiatives included in this plan are designed to better align the Company's resources to help clients manage for change in a challenging climate.

The severance and contract payments portion of the charge was approximately \$75,043 and will all be settled in cash. The Company expects that all termination actions under the plan will be completed by the end of 2008.

	Severance Related reserves	Contract related reserves	Asset write- downs	Currency translation adjustments	Total
Charge at December 31, 2007	\$ 71,583	\$ 3,460	\$ 13,647	\$	\$ 88,690
2007 utilization			(13,647)		(13,647)
2008 utilization	(26,237)	(1,545)			(27,782)
Currency translation adjustments				2,135	2,135
Balance at June 30, 2008	\$ 45,346	\$ 1,915	\$	\$ 2,135	\$ 49,396

The Company currently expects that cash outlays will be applied against the \$49,396 balance remaining in the 2007 fourth quarter charge at June 30, 2008 as follows:

Year Ended December 31,	Outlays
2008	\$ 33,771
2009	14,244
2010	1,192
2011	189
Total	\$ 49,396

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, 2008,

approximately \$1,237 remains to be utilized from 2008 to 2013 related to severance payments.

Table of Contents**IMS HEALTH INCORPORATED****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****(Dollars and shares in thousands, except per share data)**

In the first quarter of 2007, the Company reversed \$640 of contract-related reserves from the fourth quarter 2001 charge 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 2005 utilization	(37,070)	(22,315)	(29,602)	(88,987)
2006 utilization	(264)	(1,887)		(2,151)
2007 utilization	(263)	(1,208)		(1,471)
2007 reversals		(640)		(640)
2008 utilization	(132)			(132)
Adjustments	(688)	(274)	962	
Balance at June 30, 2008	\$ 1,235	\$	\$	\$ 1,235

The Company currently expects that the \$1,235 balance remaining in the 2001 fourth quarter charge will be utilized as follows:

Year Ended December 31,	Outlays
2008	\$ 130
2009	262
2010	262
2011	262
2012	262
Thereafter	57
Total	\$ 1,235

Note 15. Operations by Business Segment

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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.

Table of Contents**IMS HEALTH INCORPORATED****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

Geographic Financial Information:

The following represents selected geographic information for the regions in which the Company operates for the three and six months ended June 30, 2008 and 2007.

	Americas (1)	EMEA (2)	Asia Pacific (3)	Corporate & Other	Total IMS
Three months ended June 30, 2008:					
Operating Revenue (4)	\$ 257,020	\$ 260,424	\$ 83,265	\$	\$ 600,709
Operating Income (Loss) (5)	\$ 82,151	\$ 31,624	\$ 31,953	\$ (14,351)	\$ 131,377
Six months ended June 30, 2008:					
Operating Revenue (4)	\$ 509,450	\$ 501,294	\$ 164,145	\$	\$ 1,174,889
Operating Income (Loss) (5)	\$ 161,293	\$ 48,844	\$ 62,516	\$ (24,894)	\$ 247,759
Three months ended June 30, 2007:					
Operating Revenue (4)	\$ 240,772	\$ 224,504	\$ 72,196	\$	\$ 537,472
Operating Income (Loss) (5)	\$ 77,685	\$ 26,049	\$ 28,501	\$ (14,098)	\$ 118,137
Six months ended June 30, 2007:					
Operating Revenue (4)	\$ 472,048	\$ 434,850	\$ 140,923	\$	\$ 1,047,821
Operating Income (Loss) (5)	\$ 153,670	\$ 49,478	\$ 54,780	\$ (28,728)	\$ 229,200

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 amounts for the geographic segments include the impact of foreign exchange in converting results into U.S. dollars.*

A summary of the Company's operating revenue by product line for the three and six months ended June 30, 2008 and 2007 is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Sales Force Effectiveness	\$ 271,079	\$ 246,221	\$ 536,639	\$ 479,253
Portfolio Optimization	168,152	157,910	334,471	314,108
Launch, Brand and Other	161,478	133,341	303,779	254,460
Operating Revenue	\$ 600,709	\$ 537,472	\$ 1,174,889	\$ 1,047,821

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

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

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 markets 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 client needs by using data secured from a worldwide network of suppliers in more than 100 countries. 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 products and health economics and outcomes research offerings.

Within these business lines, 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 11.8% to \$600,709 in the second quarter of 2008 as compared to \$537,472 in the second quarter of 2007. Our operating revenue grew 12.1% to \$1,174,889 in the six months ended June 30, 2008 as compared to \$1,047,821 in the six months ended June 30, 2007. The three and six month operating revenue increases were a result of growth in all three of our business lines. Our operating income grew 11.2% to \$131,377 in the second quarter of 2008 as compared to \$118,137 in the second quarter of 2007. Our operating income grew 8.1% to \$247,759 in the six months ended June 30, 2008 as compared to \$229,200 in the six months ended June 30, 2007. Both the three and six month operating income growth were a result of increased operating revenues offset by increases in operating

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costs, selling and administrative expenses and depreciation and amortization, as discussed below. Our net income was \$77,695 for the second quarter of 2008 as compared to \$73,394 for the second quarter of 2007 and \$136,870 for the six months ended June 30, 2008 as compared to \$158,963 for the six months ended June 30, 2007, due to the Non-Operating Loss, 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 \$0.42 for the second quarter of 2008 as compared to \$0.36 for the second quarter of 2007 and decreased to \$0.74 for the six months ended June 30, 2008 as compared to \$0.79 for the six months ended June 30, 2007.

Results of Operations

Reclassifications. Certain prior-year amounts have been reclassified to conform to the 2008 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 may have significant 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 our business. In the first six months of 2008, the U.S. dollar was generally weaker against other currencies as compared to the first six months of 2007. As a result, growth at constant dollar exchange rates was lower than growth at actual currency exchange rates. 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, 2007 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
	2008	2007	2008 vs 2007
Information and analytics revenue (I&A)	\$ 453,440	\$ 420,551	7.8%
Consulting and services revenue (C&S)	147,269	116,921	26.0%
Operating Revenue	600,709	537,472	11.8%
Operating costs of I&A	192,166	177,828	8.1%
Direct and incremental costs of C&S	73,660	55,848	31.9%
External-use software amortization	13,043	12,376	5.4%
Selling and administrative expenses	168,097	154,361	8.9%
Depreciation and other amortization	22,366	18,922	18.2%
Operating Income	\$ 131,377	\$ 118,137	11.2%

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	Six Months Ended June 30,		% Variance
	2008	2007	2008 vs 2007
Information and analytics revenue (I&A)	\$ 909,627	\$ 828,712	9.8%
Consulting and services revenue (C&S)	265,262	219,109	21.1%
Operating Revenue	1,174,889	1,047,821	12.1%
Operating costs of I&A	385,452	348,478	10.6%
Direct and incremental costs of C&S	141,722	114,324	24.0%
External-use software amortization	25,757	23,621	9.0%
Selling and administrative expenses	330,789	294,125	12.5%
Depreciation and other amortization	43,410	38,073	14.0%
Operating Income	\$ 247,759	\$ 229,200	8.1%

Operating Income

Our operating income for the second quarter of 2008 grew 11.2% to \$131,377 from \$118,137 in the second quarter of 2007. This was due to the increase in our operating revenue, offset by increases in our operating costs and selling and administrative expenses driven by increased cost of data and investments in consulting and services capabilities. Our operating income increased 1.3% in constant dollar terms. Our operating income for the first six months of 2008 grew 8.1% to \$247,759 from \$229,200 in the first six months of 2007. This was due to the increase in our operating revenue, offset by increases in our operating costs and selling and administrative expenses driven by increased cost of data and investments in consulting and services capabilities. Our operating income decreased 0.8% in constant dollar terms.

Operating Revenue

Our operating revenue for the second quarter of 2008 grew 11.8% to \$600,709 from \$537,472 in the second quarter of 2007. On a constant dollar basis, operating revenue growth was 4.2%. Operating revenue for the first six months of 2008 grew 12.1% to \$1,174,889 from \$1,047,821 in the first six months of 2007. On a constant dollar basis our operating revenue growth was 4.9%. On a constant dollar basis, acquisitions completed within the prior twelve months contributed approximately 2.0 and 1.9 percentage points to our operating revenue growth for the second quarter and first six months of 2008, respectively. The increase in our operating revenue resulted from growth in revenue due to higher purchases of products and consulting offerings from existing customers in all three of our business lines, together with the effect of approximately \$41,000 and \$76,000 of currency translation for the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. On a constant dollar basis, our Sales Force Effectiveness and Launch, Brand Management and Other business lines grew.

[Table of Contents](#)**Summary of Operating Revenue**

	Three Months Ended June 30,		% Variance 2008 vs 2007	
	2008	2007	Reported Rates	Constant Dollar
Sales Force Effectiveness	\$ 271,079	\$ 246,221	10.1%	2.5%
Portfolio Optimization	168,152	157,910	6.5%	(0.7)%
Launch, Brand and Other	161,478	133,341	21.1%	13.1%
Operating Revenue	\$ 600,709	\$ 537,472	11.8%	4.2%

	Six Months Ended June 30,		% Variance 2008 vs 2007	
	2008	2007	Reported Rates	Constant Dollar
Sales Force Effectiveness	\$ 536,639	\$ 479,253	12.0%	4.5%
Portfolio Optimization	334,471	314,108	6.5%	(0.2)%
Launch, Brand and Other	303,779	254,460	19.4%	12.0%
Operating Revenue	\$ 1,174,889	\$ 1,047,821	12.1%	4.9%

- *Sales Force Effectiveness:* The Americas was the primary contributor to the revenue growth for the second quarter of 2008. The Americas contributed more than one-half and EMEA contributed more than one-third to the revenue growth for the first six months of 2008.
- *Portfolio Optimization:* EMEA was the primary contributor to the constant dollar revenue decline for the second quarter of 2008 almost completely offset by revenue growth in Asia Pacific. EMEA was the primary contributor to the constant dollar revenue decline for the first six months of 2008 almost completely offset by revenue growth in Asia Pacific and the Americas.
- *Launch, Brand Management and Other:* EMEA contributed more than one-half and the Americas contributed more than one-third to the revenue growth for the second quarter of 2008. The Americas and EMEA contributed equally to the growth in the first six months of 2008.

Consulting and services (C&S) revenue, as included in the business lines above, was \$147,269 in the second quarter of 2008, up 26.0% from \$116,921 in the second quarter of 2007 (up 17.9% on a constant dollar basis). Approximately one-third of the C&S revenue growth for the second quarter of 2008 was attributable to acquisitions completed during the prior twelve months. C&S revenue, as included in the business lines above, was \$265,262 in the first six months of 2008, up 21.1% from \$219,109 in the first six months of 2007 (up 13.5% on a constant dollar basis). More than one-third of the C&S revenue growth for the first six months of 2008 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

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collection and costs attributable to personnel involved in production, data management and delivery of the Company's I&A offerings.

Our operating costs of I&A grew 8.1% to \$192,166 in the second quarter of 2008 from \$177,828 in the second quarter of 2007. Our operating costs of I&A grew 10.6% to \$385,452 in the first six months of 2008 from \$348,478 in the first six months of 2007.

- *Foreign Currency Translation:* The effect of foreign currency translation increased our operating costs of I&A by approximately \$13,000 and \$26,000 for the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

Excluding the effect of foreign currency translation, our operating costs of I&A grew 0.5% and 3.3% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

- *Data:* Data costs increased by approximately \$7,000 and \$16,000 in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

- *Production, Client Services and Other:* Production, client services and other costs decreased by approximately \$6,000 and \$5,000 for the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

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 31.9% to \$73,660 in the second quarter of 2008 from \$55,848 in the second quarter of 2007. Our direct and incremental costs of C&S grew 24.0% to \$141,722 in the first six months of 2008 from \$114,324 in the first six months of 2007.

- *Foreign Currency Translation:* The effect of foreign currency translation increased our direct and incremental costs of C&S by approximately \$5,000 and \$9,000 for the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

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Excluding the effect of foreign currency translation, our direct and incremental costs of C&S grew 23.0% and 16.0% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

- C&S costs increased by approximately \$13,000 and \$18,000 in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007, due to increased labor, accommodations and primary market research data expense, all directly related to C&S revenue growth.

External-Use Software Amortization

Our external-use software amortization charges represent the amortization associated with

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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 5.4% to \$13,043 in the second quarter of 2008 from \$12,376 in the second quarter of 2007. Our external-use software amortization charges grew 9.0% to \$25,757 in the first six months of 2008 from \$23,621 in the first six months of 2007. These were due to increased software amortization associated with new products.

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 8.9% in the second quarter of 2008, to \$168,097 from \$154,361 in the second quarter of 2007. Our selling and administrative expenses grew 12.5% to \$330,789 in the first six months of 2008 as compared to \$294,125 in the first six months of 2007.

- *Foreign Currency Translation:* The effect of foreign currency translation increased our selling and administrative expenses by approximately \$9,000 and \$18,000 for the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

Excluding the effect of foreign currency translation, our selling and administrative expenses grew 2.9% and 6.4% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007 to support revenue growth.

- *Sales and Marketing:* Sales and marketing expense decreased by approximately \$3,000 in the second quarter of 2008 as compared to the second quarter of 2007. Sales and marketing expense remained relatively constant for the first six months of 2008 as compared to the first six months of 2007.

- *Consulting:* Consulting and services expenses decreased by approximately \$7,000 in the second quarter of 2008 as compared to the second quarter of 2007 and increased by approximately \$1,000 in the first six months of 2008 as compared to the first six months of 2007.

- *Administrative and Other:* Other expenses increased by approximately \$14,000 and \$18,000 in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

Depreciation and Other Amortization

Our depreciation and other amortization charges increased 18.2% to \$22,366 in the second quarter of 2008 from \$18,922 in the second quarter of 2007, and 14.0% to \$43,410 in the first six months of 2008 from \$38,073 in the first six months of 2007 due to increased depreciation related to new facilities and technology to upgrade our systems and increased amortization related to internal-use software additions.

Trends in our Operating Margins

Our operating margin for the second quarter of 2008 was 21.9%, as compared to 22.0% in the second quarter of 2007. Our operating margin for the first six months of 2008 was 21.1%, as compared to 21.9% in the first six months of 2007. Margins were negatively impacted by increased cost of data and our

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continuing investments in new products and consulting and services capabilities.

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, net

Our non-operating loss, net increased to a loss of \$16,769 in the second quarter of 2008 from a loss of \$5,532 in the second quarter of 2007. Our non-operating loss, net increased to a loss of \$46,289 in the first six months of 2008 from a loss of \$15,279 in the first six months of 2007. This was due to the following factors:

- ***Interest Expense, net:*** Net interest expense was \$8,987 and \$17,658 for the second quarter and first six months of 2008, respectively, as compared to \$7,687 and \$14,445 for the second quarter and first six months of 2007. This was due to higher debt levels in the second quarter and first six months of 2008 as compared to the second quarter and first six months of 2007.
- ***Gains from Investments, net:*** Gains from investments of \$2,175 and \$1,964 during the second quarter and first six months of 2007, respectively, were the result of the final distribution from our Enterprise portfolio, offset by related management fees.
- ***Other Expense, net:*** Other expense, net, grew by \$7,762 in the second quarter of 2008 as compared to the second quarter of 2007. This was a result of net foreign exchange losses of \$6,131 in the second quarter of 2008 as compared to net foreign exchange gains of \$2,021 in the second quarter of 2007. Other expense, net, grew by \$25,833 in the first six months of 2008 as compared to the first six months of 2007. This was a result of net foreign exchange losses of \$24,728 in the first six months of 2008 as compared to net foreign exchange gains of \$1,185 in the first six months of 2007.

Taxes

We operate in more than 100 countries around the world and our earnings are taxed at the applicable income tax rate in each of these countries.

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For the three months ended June 30, 2008, our effective tax rate was reduced by approximately \$10,300 as a result of audit settlements with taxing authorities. Also during this period, we recorded tax expense for tax positions related to non-US transactions offset by a benefit related to the expiration of certain statutes of limitation, resulting in a net tax expense of approximately \$5,300. Further, for the three months ended March 31, 2008 our effective tax rate was reduced by approximately \$4,900 primarily as a result of the filing of an advance pricing agreement (APA) between two taxing jurisdictions. The APA ensures conformity between the jurisdictions' taxing authorities regarding the treatment of certain intercompany transactions, thereby allowing us to record a corresponding tax benefit. For the six months ended June 30, 2007, our effective tax rate was reduced by approximately \$16,500 primarily due to a favorable non-U.S. audit settlement for tax years 1998 through 2002 and by approximately \$4,400 for a reorganization of certain non-U.S. subsidiaries.

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We file numerous consolidated and separate income tax returns in U.S. (federal and state) and non-U.S. jurisdictions. For the three and six months ended June 30, 2008, we recorded approximately \$5,200 and \$10,000, respectively, of tax expense related to uncertain tax positions that if recognized, would favorably affect the effective tax rate. Included in these amounts are approximately \$2,600 and \$5,300, respectively, of interest and penalties. For the three and six months ended June 30, 2007, we recorded approximately \$3,300 and \$7,000, respectively, of tax expense related to uncertain tax positions including approximately \$1,900 and \$3,700, respectively, of interest and penalties.

The IRS has concluded its audit of our 2004 and 2005 federal income tax returns. The resolution of the audit resulted in a tax payment of approximately \$5,300 for which a reserve had been previously established. With few exceptions, we are no longer subject to U.S. federal income tax examinations for the years before 2004 and are no longer subject to state and local income tax examination by tax authorities for years before 1997. Further, with few exceptions, we are no longer subject to examination by tax authorities in our material non-U.S. jurisdictions prior to 2003. It is reasonably possible that within the next twelve months we could realize approximately \$17,700 of unrecognized benefits; \$9,700 as a result of the termination of a non-U.S. agreement and \$8,000 mainly as a result of the expiration of certain statutes of limitation.

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 and therefore rates may go up in the future.

Operating Results by Geographic Region

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The following represents selected geographic information for the regions in which we operate for the three and six months ended June 30, 2008 and 2007:

	Americas (1)	EMEA (2)	Asia Pacific (3)	Corporate & Other	Total IMS
Three months ended June 30, 2008:					
Operating Revenue (4)	\$ 257,020	\$ 260,424	\$ 83,265	\$	\$ 600,709
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(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*

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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 amounts for the geographic segments include the impact of foreign exchange in converting results into U.S. dollars.*

Americas Region

Operating revenue growth in the Americas region was 6.7% and 7.9% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. Excluding the effect of foreign currency translations, operating revenue grew 5.5% and 6.4% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. This was driven more than one-half by Launch, Brand and Other business lines and more than one-third by Sales Force Effectiveness for the second quarter and first six months of 2008.

Operating income in the Americas region grew 5.7% and 5.0% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. The operating income growth reflected revenue growth in the region offset by increases in operating expenses of \$12,000 and \$30,000 in the second quarter and first six months of 2008, respectively. Excluding the effect of foreign currency translations, operating income grew by 4.5% and 3.5% in the second quarter and first six months of 2008, respectively.

EMEA Region

Operating revenue increased in the EMEA region by 16.0% and 15.3% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. Excluding the effect of foreign currency translations, operating revenue grew 2.7% and 3.1% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. The revenue growth in the second quarter of 2008 was driven by Launch, Brand and Other, offset by declines in revenue growth in Sales Force Effectiveness and Portfolio Optimization business lines. The growth in the first six months of 2008 was driven by Launch, Brand and Other and Sales Force Effectiveness business lines, offset by a revenue decline in Portfolio Optimization.

Operating income in the EMEA region grew 21.4% in the second quarter of 2008 as compared to the second quarter of 2007 and declined 1.3% in the first six months of 2008 as compared to the first six months of 2007. The operating income growth in the second quarter of 2008 reflected revenue growth in the region offset by increases in operating expenses of \$30,000. The operating income decline in the first six months of 2008 reflected revenue growth in the region which was more than offset by increases in operating expenses of \$67,000. Growth in data and C&S expense drove the increase in operating expenses. Excluding the effect of foreign currency translations, operating income declined by 9.2% and 26.9% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

Asia Pacific Region

Operating revenue in the Asia Pacific region increased 15.3% and 16.5% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. Excluding the effect of foreign currency translations, operating revenue grew 4.3% and 5.7%

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in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. The revenue growth in the second quarter and first six months of 2008 was driven by Portfolio Optimization and Sales Force Effectiveness, offset by a revenue decline in the Launch, Brand and Other business lines.

Operating income in the Asia Pacific region increased by 12.1% and 14.1% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007. The operating income growth reflected revenue growth in the region offset by increases in operating expenses of \$8,000 and \$15,000 in the second quarter and first six months of 2008, respectively. Excluding the effect of foreign currency translations, operating income increased by 1.0% and 2.8% in the second quarter and first six months of 2008, respectively, as compared to the second quarter and first six months of 2007.

How Exchange Rates Affect Our Results

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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 2008, foreign currency translation increased U.S. dollar revenue growth by approximately 7.6 and 7.2 percentage points in the second quarter and first six months of 2008, respectively, while the impact on operating income growth was an approximate increase of 9.9 and 8.9 percentage points in the second quarter and first six months of 2008, respectively.

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 reflected in Cumulative translation adjustment in the Condensed Consolidated Statements of Financial Position (Unaudited). The effect of exchange rate changes during the first six months of 2008 increased the U.S. dollar amount of Cash and cash equivalents by \$6,940.

Venezuela imposed currency exchange restrictions in February 2003, and subsequently adjusted its official exchange rates in February 2004 and once again in March 2005. At June 30, 2008, IMS AG, our Swiss operating subsidiary, maintained a cash balance of approximately 54,687 Venezuelan Bolívars (Bolívars), or approximately \$25,500. Maintaining this cash balance in a non-functional currency requires that we mark-to-market the cash balance at each reporting date with the difference reflected as a gain or loss in the statement of income. We currently have limited ability to exchange or liquidate this Bolívar balance. We have recognized exchange losses on the Bolívar balance in the past, resulting from changes in the official U.S. Dollar to Bolivar exchange rate. It is not possible for us to predict the extent to which we may be affected by future changes in exchange rates and exchange controls imposed by the local government. However, based on a hypothetical 10% decrease in the value of the Bolívar against the U.S. dollar, we would be required to record a pre-tax loss of approximately \$2,300.

Liquidity and Capital Resources

Our cash and cash equivalents increased \$2,476 during the six months ended June 30, 2008 to \$220,725 at June 30, 2008 compared to \$218,249 at December 31, 2007. The increase reflects cash provided by operating activities of \$112,046 and a \$6,940 increase due to the effect of exchange rate

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changes, partially offset by cash used in investing and financing activities of \$106,289 and \$10,221, respectively.

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

- development of software to be used internally and 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 \$130,000 to \$155,000 during 2008 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 2008 dividends will be \$0.12 per share or approximately \$22,000);
- 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 \$31,400 in 2008; and
- 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 \$12,300 in 2008).

Net cash provided by operating activities amounted to \$112,046 for the six months ended June 30, 2008, which represented a decrease of \$44,754 from cash provided over the comparable period in 2007. The decrease relates to lower net income, higher severance and other payments related to our fourth quarter 2007 restructuring plan (see Note 14 of Notes to Condensed Consolidated Financial Statements (Unaudited)), higher funding of accounts payable and lower deferred revenue balances, partially offset by the lower funding of accrued expenses and other current liabilities during the six months ended June 30, 2008. DSO (days sales outstanding) in the second quarter of 2008 was approximately 1 day higher than the prior year comparable quarter.

Net cash used in investing activities amounted to \$106,289 for the six months ended June 30, 2008, an increase in cash used of \$8,567 over the comparable period in 2007. The increase relates to higher payments for acquisitions, partially offset by lower capital expenditures and computer software additions during the six months ended June 30, 2008.

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Net cash used in financing activities amounted to \$10,221 for the six months ended June 30, 2008, a decrease in cash used of \$1,201 over the comparable period in 2007. The decrease relates to lower purchases of treasury stock and higher debt levels, partially offset by lower proceeds from the exercise of employee stock options during the six months ended June 30, 2008.

Our financing activities include cash dividends we paid of \$0.03 per share quarterly, which amounted to \$11,067 and \$11,977 during the six months ended June 30, 2008 and 2007, respectively. The payments and level of cash dividends made by us are subject to the discretion of our Board of Directors.

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Any future dividends, other than the \$0.03 per share dividend for the third quarter of 2008, which was declared by our Board of Directors in July 2008, 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, 2008.

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. 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.

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 18, 2007, the Board of Directors authorized a stock repurchase program to buy up to 20,000 shares. As of June 30, 2008, 10,000 shares remained available for repurchase under the December 2007 program.

On December 19, 2006, the Board of Directors authorized a stock repurchase program to buy up to 10,000 shares. This program was completed in November 2007 at a total cost of \$287,072.

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.

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During the six months ended June 30, 2008, we repurchased 10,000 shares of outstanding Common Stock under these programs at a total cost of \$229,340.

During the six months ended June 30, 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.

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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 of Notes to Condensed Consolidated Financial Statements (Unaudited)).

Total share repurchases during the six months ended June 30, 2008 positively impacted our diluted earnings per share (EPS) by \$0.02 per share for the three and six months ended June 30, 2008. Total share repurchases during the six months ended June 30, 2007 positively impacted our diluted EPS by less than \$0.01 per share for the three and six months ended June 30, 2007.

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 2007 ASR.

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, 2008, our debt totaled \$1,472,921, 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, 2008, we had \$220,725 in worldwide cash and cash equivalents;
- at June 30, 2008, we had \$284,694 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, 2008 and December 31, 2007:

	2008	2007
4.6% Private Placement Note, principal payment of \$150,000 due January 2008, net of interest rate swaps of \$(981)	\$	\$ 149,019
5.58% Private Placement Notes, principal payment of \$105,000 due January 2015	105,000	
5.99% Private Placement Notes, principal payment of \$135,000 due January 2018	135,000	
5.55% Private Placement Notes, principal payment of \$150,000 due April 2016	150,000	150,000
1.70% Private Placement Note, principal payment of 34,395,000 Japanese Yen due January 2013	317,615	300,787
Revolving Credit Facility:		
Japanese Yen denominated borrowings at average floating rates of approximately 1.24%	374,168	397,973
Swiss Franc denominated borrowings at average floating rates of approximately 2.78%	27,338	54,730
U.S. Dollar denominated borrowings at average floating rates of approximately 3.01%	313,800	100,700
Bank Term Loan, principal payment of \$50,000 due June 2009 at average floating rate of approximately 2.99%	50,000	50,000
Total Long-Term Debt	\$ 1,472,921	\$ 1,203,209

In February 2008, we closed a private placement transaction pursuant to which we issued \$105,000 of seven-year debt at a fixed rate of 5.58%, and \$135,000 of ten-year debt at a fixed rate of 5.99% to several highly rated insurance companies. We used the proceeds for share repurchases (see Note 12 of Notes to Condensed Consolidated Financial Statements (Unaudited)) and to refinance existing debt.

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 facility. 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 \$715,306 and \$553,403 at June 30, 2008 and December 31, 2007, respectively, all of which were classified as long-term. 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. In general, rates for borrowing under the Revolving Credit Facility are LIBOR plus 40 basis points and can vary based on the Company's Debt to EBITDA ratio. The weighted average interest rates for our lines were 2.08% and 2.16% at June 30, 2008 and December 31, 2007, respectively. In addition, we are required to pay a commitment fee on any unused portion of the facilities of 0.01%. At June 30, 2008, we had approximately \$284,694 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. The term loan also provides us with an option to extend the term up to an additional two years, which we intend to do so. 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.

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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

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rated insurance companies at a fixed rate of 1.70%. We used the proceeds to refinance existing debt in Japan.

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 existing 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 \$(981) as of December 31, 2007. These notes and the related swaps matured and were paid off in January 2008. Although these notes were due within 365 days at December 31, 2007, we classified the notes as long-term at December 31, 2007 in compliance with SFAS No. 6, Classification of Short-Term Obligations Expected to be Refinanced, as we had the ability and intent to refinance these notes with another long-term debt arrangement.

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, 2008, we were in compliance with these financial debt covenants.

Severance, Impairment and Other Charges

In response to healthcare marketplace dynamics, during the fourth quarter of 2007, we committed to a restructuring plan designed to eliminate approximately 1,070 positions worldwide in production and development, sales, marketing, consulting and services and administration. The plan also included the write-down of two impaired computer software assets and related contract payments to be incurred with no future economic benefit based on our decision to abandon certain products in our EMEA region. As a result, we recorded \$88,690 of Severance, impairment and other charges as a component of operating income in the fourth quarter of 2007. The 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.

These charges were designed to strengthen client-facing operations worldwide, increase our operating efficiencies and streamline our cost structure. Some of the initiatives included in this plan are designed to better align our resources to help clients manage for change in a challenging climate.

The severance and contract payments portion of the charge was approximately \$75,043 and will all be settled in cash. We expect that all termination actions under the plan will be completed by the end of 2008.

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	Severance Related reserves	Contract related reserves	Asset write- downs	Currency translation adjustments	Total
Charge at December 31, 2007	\$ 71,583	\$ 3,460	\$ 13,647	\$	\$ 88,690
2007 utilization			(13,647)		(13,647)
2008 utilization	(26,237)	(1,545)			(27,782)
Currency translation adjustments				2,135	2,135
Balance at June 30, 2008	\$ 45,346	\$ 1,915	\$	\$ 2,135	\$ 49,396

We currently expect that cash outlays will be applied against the \$49,396 balance remaining in the 2007 fourth quarter charge at June 30, 2008 as follows:

Year Ended December 31,	Outlays
2008	\$ 33,771
2009	14,244
2010	1,192
2011	189
Total	\$ 49,396

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, 2008, approximately \$1,237 remains to be utilized from 2008 to 2013 related to severance payments.

In the first quarter of 2007, we reversed \$640 of contract-related reserves from the fourth quarter 2001 charge 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
2001-2005 utilization	(37,070)	(22,315)	(29,602)	(88,987)
2006 utilization	(264)	(1,887)		(2,151)
2007 utilization	(263)	(1,208)		(1,471)
2007 reversals		(640)		(640)
2008 utilization	(132)			(132)
Adjustments	(688)	(274)	962	
Balance at June 30, 2008	\$ 1,235	\$	\$	\$ 1,235

We currently expect that the \$1,235 balance remaining in the 2001 fourth quarter charge will be utilized as follows:

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Year Ended December 31,	Outlays
2008	\$ 130
2009	262
2010	262
2011	262
2012	262
Thereafter	57
Total	\$ 1,235

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board (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. In February 2008, the FASB issued Staff Positions No. FAS 157-1 and No. FAS 157-2 which delayed the effective date of SFAS No. 157 for one year for certain non financial assets and liabilities and removed certain leasing transactions from its scope. The adoption of SFAS No. 157, effective January 1, 2008, did not have a material impact on our financial position, results of operations or cash flows. We are currently evaluating the impact of SFAS No. 157 for certain non financial assets and liabilities 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. The adoption of SFAS No. 159, effective January 1, 2008, did not have a material impact on our financial position, results of operations or cash flows as we did not elect the fair value measurement option for any additional financial instruments or other items.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations. This statement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. This statement also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement is effective for fiscal years beginning after December 15, 2008. The impact on our financial results will be dependent on the terms and conditions of acquisitions consummated on or after January 1, 2009, the effective date for us.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51. This statement establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. This statement also establishes disclosure requirements that identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This

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statement is effective for fiscal years beginning on or after December 15, 2008. We are currently evaluating this statement to determine any potential impact that it may have on our financial results.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133. This statement requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. Entities will be required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We are currently evaluating the new disclosure requirements under this statement.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. The statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. This statement is effective 60 days following the United States Securities and Exchange Commission's (SEC) approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The adoption of this statement is not expected to have an impact 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 2007 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;

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- 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;
- 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, 2008 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, 2007. 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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in our exposure to market risk during the three and six months ended June 30, 2008. For a discussion of our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our 2007 Annual Report on Form 10-K.

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.

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, 2008 (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.

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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 and privacy laws may restrict our activities.

Data protection and privacy 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 and privacy issues and the number of jurisdictions with data protection and privacy laws has been slowly increasing. For example, there have been a number of legislative and regulatory initiatives in the

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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.

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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 2007 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;

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- 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 more than 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.

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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.

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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;

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- 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.

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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.

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Period	Total Number of Shares Purchased	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 (1)
April 1-30, 2008		\$		10,000,000
May 1-31, 2008				10,000,000
June 1-30, 2008				10,000,000
Total		\$		10,000,000

(1) In December 2007, the Board of Directors authorized a stock repurchase program to buy up to 20,000,000 shares. As of June 30, 2008, 10,000,000 shares remained available for repurchase under the December 2007 program. Unless terminated earlier by resolution of our Board of Directors, this program will expire when we have 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 2, 2008.

The following nominees for director named in the Proxy Statement dated March 28, 2008 were elected at the Meeting for a three-year term expiring in 2011 by the votes indicated:

	For	Against	Abstain
David R. Carlucci	155,069,702	2,685,011	1,310,795
Constantine L. Clemente	156,610,336	1,216,125	1,239,046
Kathryn E. Giusti	155,980,310	1,844,566	1,240,628
M. Bernard Puckett	155,860,254	1,898,217	1,307,041

The following directors continue to serve terms expiring in 2009: John P. Imlay, Jr., and H. Eugene Lockhart. The following directors continue to serve terms expiring in 2010: James D. Edwards, William C. Van Faasen and Bret W. Wise.

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

	For	Against	Abstain
Number of Shares	156,231,002	1,608,234	1,226,277

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The approval of the amendment to the Restated Certificate of Incorporation to declassify the Board of Directors:

	For	Against	Abstain	Broker Non-Votes
Number of Shares	157,118,882	486,025	1,460,603	11

The reapproval of the business criteria used for performance goals under the Executive Annual Incentive Plan:

	For	Against	Abstain	Broker Non-Votes
Number of Shares	154,905,119	2,768,139	1,392,251	12

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Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Exhibits
4.1	Certificate of Amendment of Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on May 8, 2008)
4.2	Fourth Amended and Restated By-laws of IMS Health Incorporated dated May 8, 2008 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on May 8, 2008)
10.1	Forms B and C of Employees' Stock Appreciation Rights Agreements
10.2	IMS Health Incorporated Executive Annual Incentive Plan (As Amended and Restated June 26, 2008)
10.3	IMS Health Incorporated Supplemental Executive Retirement Plan (As Amended and Restated Effective as of January 1, 2005)
10.4	IMS Health Incorporated Executive Pension Plan (As Amended and Restated Effective as of January 1, 2005)
10.5	IMS Health Incorporated U.S. Executive Retirement Plan (As Amended and Restated Effective as of January 1, 2005)
10.6	IMS Health Incorporated Retirement Excess Plan (As Amended and Restated Effective as of January 1, 2005)
10.7	IMS Health Incorporated Savings Equalization Plan (As Amended and Restated Effective as of January 1, 2005)
10.8	IMS Health Incorporated Defined Contribution Executive Retirement Plan (As Amended and Restated Effective as of January 1, 2009)
10.9	IMS Health Incorporated Employee Protection Plan and Summary Plan Description (As Amended and Restated Effective as of January 1, 2008)
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

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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

Date: July 31, 2008

By: /s/ Leslye G. Katz
Leslye G. Katz
Senior Vice President and
Chief Financial Officer
(principal financial officer)

Date: July 31, 2008

/s/ Harshan Bhangdia
Harshan Bhangdia
Vice President, Controller
(principal accounting officer)

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