

DUN & BRADSTREET CORP/NW

Form 10-Q/A

March 19, 2003

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-Q/A

Amendment No. 2

(Mark one)

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

For the quarterly period ended March 31, 2002

OR

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 001-15967

The Dun & Bradstreet Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

22-3725387
(I.R.S. Employer Identification No.)

103 JFK Parkway, Short Hills, NJ
(Address of principal executive offices)

07078-2708
(Zip Code)

Registrant's telephone number, including area code

(973) 921-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Title of Class | Shares Outstanding at March 31, 2002 |
|---|--------------------------------------|
| Common Stock, par value \$.01 per share | 74,559,220 |

TABLE OF CONTENTS

THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES CONSOLIDATED
STATEMENTS OF OPERATIONS

THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES CONSOLIDATED
BALANCE SHEETS

THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES CONSOLIDATED
STATEMENTS OF CASH FLOWS

THE DUN & BRADSTREET CORPORATION NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

SIGNATURES

Table of Contents**THE DUN & BRADSTREET CORPORATION****INDEX TO FORM 10-Q/A**

| | <u>Page</u> |
|---|-------------|
| PART I. FINANCIAL INFORMATION | |
| Item 1. Financial Statements | |
| Consolidated Statements of Operations Three Months Ended March 31, 2002 and 2001 (Unaudited) | 2 |
| Consolidated Balance Sheets March 31, 2002 (Unaudited) and December 31, 2001 | 3 |
| Consolidated Statements of Cash Flows Three Months Ended March 31, 2002 and 2001 (Unaudited) | 4 |
| Notes to Consolidated Financial Statements (Unaudited) | 5 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 15 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 21 |
| PART II. OTHER INFORMATION | |
| Item 1. Legal Proceedings | 21 |
| SIGNATURES | 22 |

Explanatory Note:

As a result of a review of its revenue recognition practices undertaken during the fourth quarter of 2002, The Dun & Bradstreet Corporation (the Company) identified timing errors totaling \$32.3 million (\$21.5 million net of tax) in the recognition of some revenue associated with 14 products during the period January 1, 1997 through September 30, 2002. In general, such revenue had been recognized at the time of billing instead of being deferred and recognized over the customer contract period (generally 12 months). Of the total errors, \$1.4 million related to 2002. We have also adjusted our consolidated balance sheets to reflect the tax effect of minimum pension liabilities for the years ended December 31, 1997 through 2001. The impact of the errors on the years ended December 31, 2001 and prior have been corrected through a restatement of previously reported amounts in Form 10-K/A for the year ended December 31, 2001. Note 2 to the consolidated financial statements summarizes the impact of this restatement on the Company's statements of operations for the three months ended March 31, 2002 and March 31, 2001 and the balance sheets as of March 31, 2002 and December 31, 2001.

This Form 10-Q/A hereby amends and restates Items 1, 2, and 3 in Part I and Item 1 in Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, to reflect the restatement of the Company's consolidated financial statements included in such report. We are also correcting the number of shares of our common stock authorized as of December 31, 2001 as reflected on the consolidated balance sheets in the previously filed Form 10-Q/A. No further changes to the previously filed Form 10-Q/A are being made. All information in this Form 10-Q/A is as of March 31, 2002 and does not reflect any subsequent information or events other than the restatement.

For additional discussion of developments relating to periods subsequent to March 31, 2002, please see the Company's reports filed with the Securities and Exchange Commission with respect to such subsequent periods, including the Company's Quarterly Reports on Forms 10-Q/A for the quarters ended June 30, 2002 and September 30, 2002.

Table of Contents

THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Quarter Ended March 31, | |
|---|---|------------------|
| | Restated 2002 | Restated 2001 |
| | (Unaudited) (Amounts in millions, except per share data) | |
| Revenue | \$ 314.7 | \$ 352.1 |
| Operating Costs: | | |
| Operating Expenses | 108.8 | 131.5 |
| Selling and Administrative Expenses | 127.4 | 143.0 |
| Depreciation and Amortization | 19.5 | 24.8 |
| Operating Costs | 255.7 | 299.3 |
| Operating Income | 59.0 | 52.8 |
| Non-Operating Income (Expense) Net: | | |
| Interest Income | 0.7 | 0.8 |
| Interest Expense | (5.0) | (1.2) |
| Minority Interest Expense | | (5.4) |
| Other Expense Net | (0.3) | (0.3) |
| Non-Operating Expense Net | (4.6) | (6.1) |
| Income before Provision for Income Taxes | 54.4 | 46.7 |
| Provision for Income Taxes | 20.4 | 18.5 |
| Equity in Net Losses of Affiliates | (0.5) | (0.7) |
| Net Income | \$ 33.5 | \$ 27.5 |
| Basic Earnings Per Share of Common Stock | \$ 0.45 | \$ 0.34 |
| Diluted Earnings Per Share of Common Stock | \$ 0.43 | \$ 0.33 |
| Weighted Average Number of Shares Outstanding: | | |
| Basic | 75.0 | 80.3 |
| Diluted | 77.9 | 82.6 |

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | Restated March 31, 2002 | Restated December 31, 2001 |
|--|---|----------------------------------|
| | (Unaudited) | |
| | (Dollar amounts in millions, except per share data) | |
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 89.4 | \$ 145.3 |
| Accounts Receivable Net of Allowance of \$20.5 at March 31, 2002 and \$21.0 at December 31, 2001 | 346.1 | 317.8 |
| Other Current Assets | 111.9 | 117.1 |
| | <u>547.4</u> | <u>580.2</u> |
| Non-Current Assets | | |
| Property, Plant and Equipment, Net | 155.4 | 158.0 |
| Prepaid Pension Costs | 349.5 | 333.7 |
| Computer Software, Net | 96.5 | 103.6 |
| Goodwill, Net | 139.7 | 139.6 |
| Other Non-Current Assets | 142.6 | 147.5 |
| | <u>883.7</u> | <u>882.4</u> |
| Total Assets | <u>\$1,431.1</u> | <u>\$1,462.6</u> |
| Current Liabilities | | |
| Notes Payable | \$ 35.7 | \$ |
| Other Accrued and Current Liabilities | 275.5 | 332.7 |
| Unearned Subscription Income | 402.3 | 359.5 |
| | <u>713.5</u> | <u>692.2</u> |
| Pension and Postretirement Benefits | 379.8 | 377.3 |
| Long Term Debt | 299.6 | 299.6 |
| Other Non-Current Liabilities | 108.3 | 111.2 |
| Contingencies (Note 8) | | |
| Minority Interest | 1.3 | 1.3 |
| Shareholders' Equity | | |
| Preferred Stock, \$.01 par value per share, authorized 10,000,000 shares; outstanding none | | |
| Series Common Stock, \$.01 par value per share, authorized 10,000,000 shares; outstanding none | | |
| Common Stock, \$.01 par value per share, authorized 200,000,000 shares for 2002 and 2001 respectively issued 81,945,520 | 0.8 | 0.8 |
| Unearned Compensation Restricted Stock | (1.5) | (1.8) |
| Capital Surplus | 222.5 | 227.3 |
| Retained Earnings | 174.5 | 140.7 |
| | <u>(230.8)</u> | <u>(148.7)</u> |

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Treasury Stock, at cost, 7,386,300 shares at March 31, 2002 and
5,067,235 at December 31, 2001

| | | |
|---|-------------------|-------------------|
| Cumulative Translation Adjustment | (203.3) | (203.7) |
| Minimum Pension Liability | (33.6) | (33.6) |
| | <u> </u> | <u> </u> |
| Total Shareholders' Equity | (71.4) | (19.0) |
| | <u> </u> | <u> </u> |
| Total Liabilities and Shareholders' Equity | \$1,431.1 | \$1,462.6 |
| | <u> </u> | <u> </u> |

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended March 31, | |
|--|--|------------------|
| | Restated 2002 | Restated 2001 |
| | (Unaudited) (Dollar amounts in millions) | |
| Cash Flows from Operating Activities: | | |
| Net Income | \$ 33.5 | \$ 27.5 |
| Reconciliation of Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 19.5 | 24.8 |
| Equity Losses in Excess of Dividends Received from Affiliates | 0.5 | 0.7 |
| Deferred Income Taxes | 9.2 | 0.5 |
| Changes in Current Assets and Liabilities: | | |
| Increase in Accounts Receivable | (29.4) | (16.8) |
| Net Decrease (Increase) in Other Current Assets | 1.3 | (1.1) |
| Net Increase in Unearned Subscription Income | 43.3 | 70.7 |
| Net Decrease in Other Accrued and Current Liabilities | (62.9) | (52.0) |
| Accrued Income Taxes, Net | 3.5 | 12.6 |
| Net Increase in Long Term Liabilities | 0.3 | 4.3 |
| Increase in Other Long Term Assets | (13.9) | (16.2) |
| Other | 2.6 | 2.7 |
| Net Cash Provided by Operating Activities | 7.5 | 57.7 |
| Cash Flows from Investing Activities: | | |
| Capital Expenditures | (3.3) | (4.8) |
| Additions to Computer Software and Other Intangibles | (6.0) | (5.9) |
| Investments in Unconsolidated Affiliates | (0.9) | (8.9) |
| Other | 1.1 | 4.6 |
| Net Cash Used in Investing Activities | (9.1) | (15.0) |
| Cash Flows from Financing Activities: | | |
| Payments for Purchase of Treasury Shares | (95.2) | (9.0) |
| Net Proceeds from Stock Plans | 5.9 | 5.1 |
| Increase (Decrease) in Commercial Paper Borrowings | 35.6 | (49.5) |
| Repayment of Minority Interest Obligations | | (300.0) |
| Increase in Long-Term Borrowings | | 299.6 |
| Other | 0.2 | (1.5) |
| Net Cash Used in Financing Activities | (53.5) | (55.3) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (0.8) | 0.4 |
| Decrease in Cash and Cash Equivalents | (55.9) | (12.2) |
| Cash and Cash Equivalents, Beginning of Year | 145.3 | 70.1 |
| Cash and Cash Equivalents, End of Quarter | \$ 89.4 | \$ 57.9 |

Supplemental Disclosure of Cash Flow information:

Cash Paid Year to Date for:

| | | |
|--|--------|--------|
| Income Taxes, Net of refunds | \$ 4.4 | \$ 2.1 |
| Interest and Minority Interest Expense | \$ 9.2 | \$ 5.4 |

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(Tabular dollar amounts in millions, except per share data)****Note 1 Interim Consolidated Financial Statements**

These interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of The Dun & Bradstreet Corporation (D&B or the Company) 2001 Annual Report on Form 10-K/A. The consolidated results for interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included.

Note 2 Restatement of Financial Statements

As a result of a review of its revenue recognition practices undertaken during the fourth quarter of 2002, the Company identified timing errors totaling \$32.3 million (\$21.5 million net of tax) in the recognition of some revenue associated with 14 products during the period January 1, 1997 through September 30, 2002. In general, such revenue had been recognized at the time of billing instead of being deferred and recognized over the customer contract period (generally 12 months). Of the total errors, \$1.4 million related to 2002. We also adjusted our consolidated balance sheets to reflect the tax effect of minimum pension liabilities for the years ended December 31, 1997 through 2001. The impact of the errors on the years ended December 31, 2001 and prior have been corrected through a restatement of previously reported amounts in Form 10-K/A for the year ended December 31, 2001.

The tables that follow present a summary of the impact of restating the consolidated statements of operations for the three months ended March 31, 2002 and March 31, 2001 and the balance sheets as of March 31, 2002 and December 31, 2001. The impact of the restatement is a reduction in revenue and net income of \$3.8 million and \$2.1 million, respectively, for the three months ended March 31, 2002, and \$5.5 million and \$3.4 million, respectively, for the three months ended March 31, 2001. The impact of recording the tax effect of the minimum pension liability is an increase to Other Non-Current Assets (Deferred Tax) and Total Shareholders' Equity of \$22.0 million as of March 31, 2002 and December 31, 2001.

| | Year-to-Date March 31, 2002 | | Year-to-Date March 31, 2001 | |
|--|--------------------------------|-------------|--------------------------------|-------------|
| | As Reported | As Restated | As Reported | As Restated |
| Impacts to Consolidated Statements of Operations: | | | | |
| Revenue | \$ 318.5 | \$ 314.7 | \$ 357.6 | \$ 352.1 |
| Operating Income | \$ 62.8 | \$ 59.0 | \$ 58.3 | \$ 52.8 |
| Income before Provision for Income Taxes | \$ 58.2 | \$ 54.4 | \$ 52.2 | \$ 46.7 |
| Net Income | \$ 35.6 | \$ 33.5 | \$ 30.9 | \$ 27.5 |
| Basic Earnings Per Share | \$ 0.47 | \$ 0.45 | \$ 0.38 | \$ 0.34 |
| Diluted Earnings Per Share | \$ 0.46 | \$ 0.43 | \$ 0.37 | \$ 0.33 |

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | March 31, 2002 | | December 31, 2001 | |
|--|----------------|-------------|-------------------|-------------|
| | As Reported | As Restated | As Reported | As Restated |
| Impacts to Consolidated Balance Sheets: | | | | |
| Other Non-Current Assets (inclusive of Deferred Taxes) | \$ 109.5 | \$ 142.6 | \$ 116.1 | \$ 147.5 |
| Total Assets | \$ 1,398.0 | \$ 1,431.1 | \$ 1,431.2 | \$ 1,462.6 |
| Unearned Subscription Income | \$ 369.1 | \$ 402.3 | \$ 330.0 | \$ 359.5 |
| Retained Earnings | \$ 198.0 | \$ 174.5 | \$ 162.3 | \$ 140.7 |
| Cumulative Translation Adjustment | \$ (204.7) | \$ (203.3) | \$ (205.2) | \$ (203.7) |
| Minimum Pension Liability | \$ (55.6) | \$ (33.6) | \$ (55.6) | \$ (33.6) |
| Total Shareholders' Equity | \$ (71.3) | \$ (71.4) | \$ (20.9) | \$ (19.0) |
| Total Liabilities and Shareholders' Equity | \$ 1,398.0 | \$ 1,431.1 | \$ 1,431.2 | \$ 1,462.6 |

Note 3 Recent Accounting Pronouncements

Effective January 1, 2002, the Company adopted the Statement of Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets. SFAS No. 142 addresses the financial accounting and reporting for intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) at acquisition. SFAS No. 142 also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under the new rules, the Company is no longer required to amortize goodwill and other intangible assets with indefinite lives. Rather, the Company's goodwill will be subject to periodic testing for impairment at the reporting unit level. D&B considers its operating segments, North America, Europe/Africa/Middle East (Europe) and Asia Pacific/Latin America (APLA), as its reporting units under the definitions of SFAS No. 142 for consideration of potential impairment of intangible and goodwill balances. The Company performed the impairment test required by the new standard on the recorded balance of goodwill as of December 31, 2001, in the amount of \$139.6 million and determined that no charge for impairment was required.

The adoption of SFAS No. 142 resulted in a \$1.3 million reduction in amortization expense in the first quarter of 2002 compared to the same period in 2001. The full year impact in 2002 is expected to be a reduction of \$5.3 million in amortization expense.

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The proforma impact of this accounting policy change is outlined in the table below:

| | Quarter Ended March 31, | |
|---------------------------------|----------------------------|------------------|
| | Restated 2002 | Restated 2001 |
| Reported Net Income | \$ 33.5 | \$ 27.5 |
| Add Back: Goodwill Amortization | — | 1.3 |
| Adjusted Net Income | \$ 33.5 | \$ 28.8 |
| Basic EPS: | | |
| Reported Net Income | \$ 0.45 | \$ 0.34 |
| Add Back: Goodwill Amortization | — | 0.02 |
| Adjusted Net Income | \$ 0.45 | \$ 0.36 |
| Diluted EPS: | | |
| Reported Net Income | \$ 0.43 | \$ 0.33 |
| Add Back: Goodwill Amortization | — | 0.02 |
| Adjusted Net Income | \$ 0.43 | \$ 0.35 |

SFAS No. 142 also provides that intangible assets that have finite useful lives will continue to be amortized over their useful lives, but those lives will no longer be limited to 40 years. SFAS No. 142 supersedes APB Opinion No. 17, Intangible Assets. Other intangible assets of \$9.2 million at December 31, 2001, that continue to be amortized, have been reclassified and are now included in Other Non-Current Assets on the Balance Sheet.

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. This statement addresses financial accounting and reporting for the impairment of long-lived assets. The adoption of SFAS No. 144 did not have any impact on the Company's consolidated results of operations and financial position this quarter.

Note 4 Impact of Implementation of the Blueprint for Growth Strategy***Blueprint for Growth Strategy***

In October 2000, D&B announced a new business strategy, the Blueprint for Growth, designed to transform D&B into a growth company with an important presence on the Web, while also delivering shareholder value during the transformation. The implementation of the Blueprint for Growth requires significant investments. In order to fund these investments, D&B has identified opportunities to reallocate spending in order to invest for growth and deliver shareholder value. D&B also reviewed its non-core businesses and assets with a view to converting them into cash.

Restructuring

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With the first phase of its financial flexibility program, the Company recorded a pre-tax restructuring charge of \$41.5 million in the fourth quarter 2000 to globalize administrative functions, streamline data collection and fulfillment, rationalize sales and marketing functions and consolidate and simplify technology functions. During the second quarter of 2001, the Company reversed \$4.0 million of the 2000

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

restructuring charge. The Company determined that severance for approximately 50 employees would not be utilized and also lowered its estimate of its remaining lease termination liabilities.

In the second quarter of 2001, D&B announced the second phase of its financial flexibility program and recorded a pre-tax restructuring charge of \$32.8 million to reengineer administrative functions and institute common business practices worldwide.

As of March 31, 2002, D&B has terminated approximately 1,400 of the employees affected under the initial two phases of the financial flexibility program. Since the financial flexibility initiatives began in October 2001, the total employees expected to be terminated under these phases of the program will be approximately 1,700.

The restructuring reserves and utilization to date were as follows:

| | Original Charge | Balance at 12/31/2001 | 2002 Payments | Balance at 3/31/2002 |
|---|--------------------|--------------------------|------------------|-------------------------|
| 2001 Restructuring Charge Severance and Termination | \$20.7 | \$ 19.2 | \$(3.8) | \$15.4 |
| Asset Write-Offs | 8.9 | | | |
| Lease Termination Obligations | 3.2 | 1.6 | (.1) | 1.5 |
| | <u>\$32.8</u> | <u>\$20.8</u> | <u>\$(3.9)</u> | <u>\$16.9</u> |
| 2000 Restructuring Charge Severance and Termination | \$28.2 | \$ 4.4 | \$(2.2) | \$ 2.2 |
| Asset Write-Offs | 4.5 | | | |
| Lease Termination Obligations | 8.8 | 4.0 | (.4) | 3.6 |
| | <u>\$41.5</u> | <u>\$ 8.4</u> | <u>\$(2.6)</u> | <u>\$ 5.8</u> |

The Company completed all the actions contemplated under the first phase of its financial flexibility program as of the end of 2001 and plans to complete the remainder of the actions under the second phase by June 30, 2002. The remaining accruals largely relate to future payments to be made in accordance with the Company's severance policy for actions that have already been taken.

Note 5 Notes Payable and Indebtedness

The Company's borrowings at March 31, 2002 and December 31, 2001, including interest rate swaps designated as hedges, are summarized below:

| | 2002 | 2001 |
|--|----------------|-----------|
| Commercial paper | \$ 35.6 | \$ |
| Bank notes | .1 | |
| Notes Payable | <u>\$ 35.7</u> | <u>\$</u> |
| Fair value of long term fixed rate notes | \$296.2 | \$297.3 |
| Fair value of interest rate swap | 3.4 | 2.3 |

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Long Term Debt

\$299.6

\$299.6

■

■

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 6 Reconciliation of Weighted Average Shares**

| | Three Months Ended March 31, | |
|--|---|---------------|
| | 2002 | 2001 |
| | (Share data in thousands) | |
| Weighted average number of shares basic | 74,986 | 80,272 |
| Dilutive effect of shares issuable under stock options, restricted stock and performance share plans | 2,741 | 2,151 |
| Adjustment of shares applicable to stock options exercised during the period and performance share plans | 157 | 137 |
| Weighted average number of shares diluted | <u>77,884</u> | <u>82,560</u> |

During the first quarter of 2002, the Company repurchased 2.5 million shares of common stock at market prices totaling \$85.1 million, in a privately negotiated block trade. In addition, D&B repurchased 244,800 shares for \$10.1 million in the first quarter of 2002 to mitigate the dilutive effect of the shares issued under stock incentive plans and in connection with its Employee Stock Purchase Plan.

Options to purchase 4,300 and 75,000 shares of Common Stock at March 31, 2002 and 2001, respectively, were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the Common Stock. The Company's options generally expire 10 years after the initial grant date.

Note 7 Comprehensive Income

The Company's total comprehensive income for the three-month periods ended March 31 was as follows:

| | Three Months Ended March 31, | |
|---|---|--------------------------|
| | Restated 2002 | Restated 2001 |
| Net income | \$ 33.5 | \$ 27.5 |
| Other comprehensive income | | |
| Foreign currency translation adjustment | .4 | 7.8 |
| Unrealized mark to market impact on investments | (.2) | |
| Total comprehensive income | <u>\$ 33.7</u> | <u>\$ 35.3</u> |

Note 8 Contingencies

The Company and its subsidiaries are involved in legal proceedings, claims and litigation arising in the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, in the opinion of management, the ultimate liability of the Company,

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in connection with such matters will not have a material effect on the Company's results of operations, cash flows or financial position.

In addition, the Company also has certain other contingencies discussed below.

Table of Contents

THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information Resources

On July 29, 1996, Information Resources, Inc. (IRI) filed a complaint in the United States District Court for the Southern District of New York, naming as defendants R.H. Donnelley Corporation (Donnelley), A.C. Nielsen Company (a subsidiary of ACNielsen Corporation) and IMS International, Inc. (a subsidiary of the company then known as Cognizant Corporation). At the time of the filing of the complaint, each of the other defendants was a wholly owned subsidiary of Donnelley.

The complaint alleges various violations of United States antitrust laws, including alleged violations of Section 1 and 2 of the Sherman Act. The complaint also alleges a claim of tortious interference with a contract and a claim of tortious interference with a prospective business relationship. These claims relate to the acquisition by defendants of Survey Research Group Limited (SRG). IRI alleges SRG violated an alleged agreement with IRI when it agreed to be acquired by the defendants and that the defendants induced SRG to breach that agreement.

IRI s complaint alleges damages in excess of \$350 million, which amount IRI asked to be trebled under antitrust laws. IRI also seeks punitive damages in an unspecified amount. No amount in respect of these alleged damages has been accrued in the consolidated financial statements of the Company.

In November 1996, Donnelley completed a distribution to its shareholders (the 1996 Distribution) of the capital stock of ACNielsen Corporation (ACNielsen) and Cognizant Corporation (Cognizant). On October 28, 1996, in connection with the 1996 Distribution, Cognizant, ACNielsen and Donnelley entered into an Indemnity and Joint Defense Agreement (the Indemnity and Joint Defense Agreement) pursuant to which they have agreed: (i) to certain arrangements allocating potential liabilities (IRI Liabilities) that may arise out of or in connection with the IRI action and (ii) to conduct a joint defense of such action. In particular, the Indemnity and Joint Defense Agreement provides that ACNielsen will assume exclusive liability for IRI Liabilities up to a maximum amount to be calculated at such time such liabilities, if any, become payable (the ACN Maximum Amount), and that Donnelley and Cognizant will share liability equally for any amounts in excess of the ACN Maximum Amount. The ACN Maximum Amount will be determined by an investment banking firm as the maximum amount which ACNielsen is able to pay after giving effect to (i) any plan submitted by such investment bank which is designed to maximize the claims paying ability of ACNielsen without impairing the investment banking firm s ability to deliver a viability opinion (but which will not require any action requiring stockholder approval), and (ii) payment of related fees and expenses. For these purposes, financial viability means the ability of ACNielsen, after giving effect to such plan, the payment of related fees and expenses, and the payment of the ACN Maximum Amount, to pay its debts as they become due and to finance the current and anticipated operating and capital requirements of its business, as reconstituted by such plan, for two years from the date any such plan is expected to be implemented. In 2001, ACNielsen merged with VNU N.V. Pursuant to the Indemnity and Joint Defense Agreement, VNU N.V. is to be included for purposes of determining the ACN Maximum Amount, and VNU N.V. assumed ACNielsen s liabilities under that agreement.

In June 1998, Donnelley completed a distribution to its shareholders (the 1998 Distribution) of the capital stock of the company then known as The Dun & Bradstreet Corporation (Old D&B) and changed its name to R.H. Donnelley Corporation. In connection with the 1998 Distribution, Old D&B and Donnelley entered into an agreement (the 1998 Distribution Agreement) whereby Old D&B assumed all potential liabilities of Donnelley arising from the IRI action and agreed to indemnify Donnelley in connection with such potential liabilities.

During 1998, Cognizant separated into two new companies, IMS Health Incorporated (IMS) and Nielsen Media Research, Inc. (NMR). IMS and NMR are each jointly and severally liable for all Cognizant liabilities under the Indemnity and Joint Defense Agreement.

Table of Contents

THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In September 2000, the Company and Moody's Corporation separated through a tax-free distribution to shareholders of Old D&B (2000 Distribution). Under the terms of the 2000 Distribution, the Company undertook to be jointly and severally liable with Moody's for Old D&B's obligations to Donnelley under the 1998 Distribution Agreement, including any liabilities arising under the Indemnity and Joint Defense Agreement. However, as between themselves, each of the Company and Moody's will be responsible for 50% of any payments to be made with respect to the IRI action pursuant to the 1998 Distribution Agreement, including legal fees or expenses related thereto.

Management is unable to predict at this time the final outcome of the IRI action or whether the resolution of this matter could materially affect the Company's results of operations, cash flows or financial position.

Tax Matters

Old D&B and its predecessors had entered into global tax planning initiatives in the normal course of business, principally through tax free restructurings of both their foreign and domestic operations. These initiatives are subject to normal review by tax authorities. It is possible that additional liabilities may be proposed by tax authorities as a result of these reviews and that some of the reviews could be resolved unfavorably. At this time, management is unable to predict the extent of such reviews, the outcome thereof or whether the resolution of these matters could materially affect the Company's results of operations, cash flows or financial position.

Pursuant to the 2000 Distribution Agreement, the Company and Moody's agreed to each be financially responsible for 50% of any potential liabilities that may arise with respect to these reviews, to the extent such potential liabilities are not directly attributable to their respective business operations.

The IRS has completed its review of the utilization of certain capital losses generated during 1989 and 1990. On June 26, 2000, the IRS, as part of its audit process, issued a formal assessment with respect to the utilization of these capital losses.

Pursuant to a series of agreements, IMS Health and NMR are jointly and severally liable to pay one-half, and Donnelley the other half, of any payments for taxes and accrued interest arising from this matter and certain other potential tax liabilities after Donnelley pays the first \$137 million.

In connection with the 1998 Distribution, Old D&B and Donnelley entered into an agreement whereby Old D&B has assumed all potential liabilities of Donnelley arising from these tax matters and has agreed to indemnify Donnelley in connection with such potential liabilities.

On May 12, 2000, an amended tax return was filed for the 1989 and 1990 tax periods, which reflected \$561.6 million of tax and interest due. Old D&B paid the IRS approximately \$349.3 million of this amount on May 12, 2000, which Old D&B funded with short-term borrowings. IMS Health informed Old D&B that it paid to the IRS approximately \$212.3 million on May 17, 2000. The payments were made to the IRS to stop further interest from accruing. Notwithstanding the filing and payment, the Company is contesting the IRS's formal assessment and would also contest the assessment of amounts, if any, in excess of the amounts paid. Old D&B and the Company had accrued their anticipated share of the probable liability arising from the utilization of these capital losses and Old D&B responded by filing a petition for a refund in the U.S. District Court on September 21, 2000.

Subsequent to making its May 2000 payment to the IRS, IMS sought partial reimbursement from NMR under their 1998 Distribution Agreement (the IMS/NMR Agreement). Neither the Company nor Donnelley was a party to the IMS/NMR Agreement. NMR paid IMS less than the amount sought by IMS under the IMS/NMR Agreement and, in 2001, IMS filed an arbitration proceeding against NMR to recover the difference. IMS sought to include Donnelley in this arbitration, arguing that if NMR should

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

prevail in its interpretation of the IMS/NMR Agreement, then IMS could seek the same interpretation in an alternative claim against Donnelley. During the first quarter of 2002, the arbitration panel ruled that Donnelley properly belonged as a party to the arbitration. If NMR should prevail in the arbitration against IMS and, in turn, IMS should prevail against Donnelley, then the Company believes that the additional liability to Donnelley would be approximately \$15 million, net of tax benefits. As noted above, under the 2000 Distribution Agreement, the Company is responsible for one-half of any amount for which Donnelley is liable in this matter. The Company believes that the claim asserted against Donnelley by IMS is without merit.

Note 9 Subsequent Event

In April 2002, the Company announced a third phase of its financial flexibility program. The actions expected to be taken include consolidating functions and streamlining processes, automating data collection and fulfillment functions, migrating revenue to the web while creating a more efficient business model, and outsourcing select activities.

The Company currently expects to incur a charge in the range of \$30 to \$35 million pre-tax in the 2002 second quarter resulting from these actions, primarily relating to severance and the write-off of assets.

Note 10 Segment Information

| | Quarter Ended March 31, | |
|---------------------------------|----------------------------|-------------------|
| | Restated 2002 | Restated 2001 |
| Revenue: | | |
| North America | \$ 239.7 | \$ 257.6 |
| Europe | 67.3 | 80.5 |
| Asia Pacific/Latin America | 7.7 | 14.0 |
| | <u> </u> | <u> </u> |
| Total Revenue | \$ 314.7 | \$ 352.1 |
| | <u> </u> | <u> </u> |
| Operating Income (Loss): | | |
| North America | \$ 80.2 | \$ 79.1 |
| Europe | (3.3) | (7.2) |
| Asia Pacific/Latin America | (0.7) | (3.3) |
| | <u> </u> | <u> </u> |
| Total Divisions | 76.2 | 68.6 |
| Corporate and Other | (17.2) | (15.8) |
| | <u> </u> | <u> </u> |
| Operating Income | \$ 59.0 | \$ 52.8 |
| | <u> </u> | <u> </u> |

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Supplemental Geographic and Product Line Information:**

| | Quarter Ended March 31, | |
|---|----------------------------|------------------|
| | Restated 2002 | Restated 2001 |
| Geographic Revenue | | |
| United States | \$ 233.3 | \$ 250.5 |
| International | 81.4 | 101.6 |
| Total Geographic Revenue | <u>\$ 314.7</u> | <u>\$ 352.1</u> |
| Product Line Revenue | | |
| North America: | | |
| Risk Management Solutions | \$ 154.9 | \$ 156.1 |
| Sales & Marketing Solutions | 79.0 | 67.1 |
| Supply Management Solutions | 5.8 | 5.9 |
| Core Revenue | <u>239.7</u> | 229.1 |
| Receivables Management Services and Other Divested Businesses | | 28.5 |
| Total North America | <u>239.7</u> | <u>257.6</u> |
| Europe: | | |
| Risk Management Solutions | 54.5 | 56.8 |
| Sales & Marketing Solutions | 11.4 | 13.4 |
| Supply Management Solutions | 1.4 | 0.6 |
| Core Revenue | <u>67.3</u> | 70.8 |
| Receivables Management Services and Other Divested Businesses | | 9.7 |
| Total Europe | <u>67.3</u> | <u>80.5</u> |
| APLA: | | |
| Risk Management Solutions | 5.9 | 5.5 |
| Sales & Marketing Solutions | 1.8 | 1.4 |
| Supply Management Solutions | | - |
| Core Revenue | <u>7.7</u> | 6.9 |
| Receivables Management Services and Other Divested Businesses | | 7.1 |
| Total APLA | <u>7.7</u> | <u>14.0</u> |
| Consolidated Operating Revenues: | | |
| Risk Management Solutions | 215.3 | 218.4 |
| Sales & Marketing Solutions | 92.2 | 81.9 |
| Supply Management Solutions | 7.2 | 6.5 |

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| | | |
|---|----------------|---------|
| Core Revenue | 314.7 | 306.8 |
| Receivables Management Services and Other Divested Businesses | — | 45.3 |
| Total Revenue | \$314.7 | \$352.1 |

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Restated Mar 2002 | Restated Dec 2001 |
|---|------------------------------|------------------------------|
| Assets: | | |
| North America | \$ 437.6 | \$ 387.7 |
| Europe | 409.5 | 447.2 |
| Asia Pacific/Latin America | 26.2 | 26.5 |
| | 873.3 | 861.4 |
| Total Divisions | 873.3 | 861.4 |
| Corporate and Other (primarily domestic pensions and taxes) | 557.8 | 601.2 |
| | \$1,431.1 | \$1,462.6 |
| Total Assets | \$1,431.1 | \$1,462.6 |

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Overview**

The Dun & Bradstreet Corporation's (D&B or the Company) discussion and analysis of its financial condition and results of operations for the first quarter of 2002 are based upon the Company's unaudited consolidated financial statements for that period. The consolidated results for interim periods are not necessarily indicative of results for the full year or any subsequent period. These financial statements should be read in conjunction with the consolidated financial statements and related notes filed with the Securities and Exchange Commission on Form 10-K/A for the year ended December 31, 2001, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

D&B, which provides the information, tools and expertise to help customers Decide with Confidence, is managed on a geographical basis with three operating segments: North America, Europe/Africa/Middle East (Europe) and Asia Pacific/Latin America (APLA). In each segment, the Company is focused on its core product lines: Risk Management Solutions, Sales & Marketing Solutions, and Supply Management Solutions. In this discussion of the Company's results, revenues from Receivable Management Services (RMS), which was sold in the second quarter of 2001, and all other divested businesses have been reclassified as RMS and Other Divested Businesses and certain prior-period amounts have been adjusted to conform to the 2002 presentation. Other divested businesses also include results of the Australia/New Zealand operation, sold in the third quarter of 2001, and operations in other countries in APLA that underwent business model changes. D&B evaluates performance and allocates resources based on segment revenues and operating income. For management reporting purposes, restructuring charges, transition costs and other transactions incurred in connection with the Blueprint Strategy are not allocated to any of the business segments.

The following table sets forth condensed financial information derived from the Company's consolidated financial statements for the periods indicated:

| | Quarter Ended March 31, | |
|--|----------------------------|-------------------|
| | Restated 2002 | Restated 2001 |
| Operating Revenues: | | |
| North America | \$ 239.7 | \$ 229.1 |
| Europe | 67.3 | 70.8 |
| Asia Pacific/Latin America | 7.7 | 6.9 |
| | <u> </u> | <u> </u> |
| Total Core Revenues | 314.7 | 306.8 |
| Receivable Management Services and Other Divested Businesses | <u> </u> | 45.3 |
| | <u> </u> | <u> </u> |
| Consolidated Operating Revenues | \$314.7 | \$352.1 |
| | <u> </u> | <u> </u> |
| Operating Income (Loss): | | |
| North America | \$ 80.2 | \$ 79.1 |
| Europe | (3.3) | (7.2) |
| Asia Pacific/Latin America | (0.7) | (3.3) |
| | <u> </u> | <u> </u> |
| Total Divisions | 76.2 | 68.6 |
| Corporate and Other | (17.2) | (15.8) |
| | <u> </u> | <u> </u> |
| Consolidated Operating Income | 59.0 | 52.8 |
| | <u> </u> | <u> </u> |
| Non-Operating Income (Expense) Net | (4.6) | (6.1) |
| Provision for Income Taxes | 20.4 | 18.5 |
| Equity in Net Losses of Affiliates | (0.5) | (0.7) |

Table of Contents

| | Quarter Ended March 31, | |
|---|----------------------------|------------------|
| | Restated 2002 | Restated 2001 |
| Net Income | \$33.5 | \$27.5 |
| | ■ | ■ |
| Basic Earnings Per Share of Common Stock | \$0.45 | \$0.34 |
| | ■ | ■ |
| Diluted Earnings Per Share of Common Stock | \$0.43 | \$0.33 |
| | ■ | ■ |

To facilitate an understanding of D&B's results, certain significant events should be considered, including:

Impact of Blueprint for Growth Strategy (See Note 4 to the consolidated financial statements)

In October 2001, D&B launched a new business strategy, the Blueprint for Growth, designed to transform D&B into a growth company with an important presence on the Web, while also delivering shareholder value during the transformation. The implementation of the Blueprint for Growth requires significant investments. In order to fund these investments, D&B has created a flexible business model whereby the Company has, and will continue to, identify opportunities to reallocate spending in order to invest for growth and deliver shareholder value.

Financial Flexibility

During the fourth quarter of 2000, D&B began the first phase of its financial flexibility program, which reduced expenses to generate approximately \$130 million in annualized funds that can be reallocated for investment. In connection with this program, D&B recorded a pre-tax restructuring charge of \$41.5 million to globalize administrative functions, streamline data collection and fulfillment, rationalize sales and marketing functions and consolidate and simplify technology functions. During the second quarter of 2001, the Company reversed \$4.0 million of the 2000 restructuring charge. The Company determined that severance for approximately 50 employees would not be utilized and lowered its estimate of its remaining lease termination liabilities.

In the second quarter of 2001, D&B announced a second phase of its financial flexibility program that will reduce expenses to generate approximately \$70 million in funds that can be reallocated for investment in 2002. Actions taken include reengineering administrative functions and instituting common business practices worldwide. The Company recorded a pre-tax restructuring charge of \$32.8 million in connection with these actions.

As of March 31, 2002, D&B has terminated approximately 1,400 of the employees affected under the initial two phases of the financial flexibility program. Since the financial flexibility initiatives began in October 2001, the total employees expected to be terminated under these phases of the program will be approximately 1,700. The Company completed all the actions contemplated under the first phase of its financial flexibility program as of the end of 2001, and plans to complete the remainder of the actions under the second phase by June 30, 2002.

In April 2002, the Company announced the third phase of its financial flexibility program that is expected to capture approximately \$80 million in additional funds that can be reallocated in 2003. The Company will continue consolidating functions and streamlining processes, automating data collection and fulfillment functions, migrating revenue to the web while creating a more efficient business model, and outsourcing select activities. In the third phase an additional 1,300 people worldwide are expected to have their positions eliminated by June 2003. This brings the total number of people reduced from the core business since the start of the Blueprint for Growth's financial flexibility initiatives in October 2000 to 3,000 and positions eliminated to 3,300.

Table of Contents

The Company currently expects to incur a charge in the range of \$30 to \$35 million pre-tax in the 2002 second quarter resulting from implementing the third phase of its financial flexibility program, primarily for severance and the write-off of assets.

Results of Operations

Consolidated Results

For the quarter ended March 31, 2002, D&B reported net income of \$33.5 million, or \$.45 per share basic and \$.43 per share diluted. This compares with the first quarter of 2001 net income of \$27.5 million and earnings per share of \$.34 basic and \$.33 diluted. Net income increased 22% and earnings per share increased 32% for basic and 30% for diluted earnings.

Reported operating revenues declined 11% to \$314.7 million in the first quarter of 2002, compared with \$352.1 million in the first quarter of 2001. Core revenues, which excludes revenues from RMS and other divested businesses, increased 3%, as revenue growth in North America of 5% and in APLA of 13% were partially offset by a decline in Europe of 5%. Before the effect of foreign exchange, core revenues increased 4% in the first quarter of 2002 as compared to the first quarter of 2001, with a European revenue decline of 2% offset by APLA revenue growth of 17% from the prior year. D&B's results, before the effect of foreign exchange, reflect flat performance in both revenues from traditional Risk Management Solutions and value-added Risk Management Solutions, a 13% increase in Sales & Marketing Solutions and a 12% increase in Supply Management Solutions. The revenue growth in Sales & Marketing Solutions has been driven by the strategic acquisitions of iMarket and Harris Infosource and growth in value-added solutions.

Operating costs decreased 15% to \$255.7 million in the first quarter of 2002 compared with \$299.3 million in the first quarter of 2001, primarily as a result of net cost savings achieved through the financial flexibility program discussed above. Selling and administrative expenses declined 11% to \$127.4 million in the first quarter of 2002 compared with \$143.0 million in the first quarter of 2001. Administrative cost savings achieved through the financial flexibility program were partially offset by transition costs incurred in implementing the Blueprint for Growth strategy and planned spending in the B2B e-business. Depreciation and amortization decreased 21% to \$19.5 million in the first quarter of 2002, as compared to the first quarter of 2001 as a result of lower capitalized spending during the past few years and the write-off of certain assets in connection with the financial flexibility programs. The \$1.3 million impact of the elimination of amortization of goodwill, upon adoption of SFAS No 142 in the first quarter of 2002, also contributed to the decrease in the prior period.

Operating income increased 12% in the first quarter of 2002 to \$59.0 million from \$52.8 million in the first quarter of 2001 as a result of the financial flexibility program initiatives, which continue to reduce costs throughout the Company.

Non-operating expense net was \$4.6 million in the first quarter of 2002 compared with \$6.1 million in the first quarter of 2001. Included in non-operating income (expense) net is interest income and expense, minority interest expense in the prior year and other income (expense) net. Interest income was \$0.7 million and \$0.8 million in the first quarter of 2002 and 2001, respectively. Interest expense of \$5.0 million in the first quarter of 2002 decreased by \$1.6 million compared to combined interest and minority interest expense of \$6.6 million in the first quarter of the prior year, as the Company's cost of financing has decreased. Other expense net was \$0.3 million in the first quarter of both years.

D&B's effective tax rate was 37.5% in the first quarter of 2002 compared with 39.6% in the first quarter of 2001. The tax rate has declined as result of better global tax planning as well as improvements in our tax planning at the state and local level.

D&B recognized \$0.5 million and \$0.7 million as equity in net losses of affiliates for the quarters ended March 31, 2002 and 2001, respectively. These losses result from the Company's investment in a joint venture with American International Group, Inc. called Avantrust LLC.

Table of Contents

Segment Results (see Note 10 to the consolidated financial statements)

North America

North America's core revenues were \$239.7 million in the first quarter of 2002, up 5% from the first quarter of 2001 core revenues. In comparing first quarter 2002 and first quarter 2001 revenues, North America's revenues from Risk Management Solutions of \$154.9 million decreased 1%, revenues from Sales & Marketing Solutions increased 18% to \$79.0 million, and revenues from Supply Management Solutions were relatively flat at \$5.8 million. The decline in revenues in Risk Management Solutions reflected a 2% decline in the traditional products, which were adversely impacted by one less business day in 2002 than in the prior year quarter and an underlying decline in the usage of these products, partially offset by a 3% increase in sales of value-added products. The 18% increase in revenues from Sales & Marketing Solutions was driven by growth in both traditional and value-added marketing products and last year's acquisitions of iMarket and Harris Infosource. In the first quarter of 2001 total North American reported revenues were \$257.6 million, which included RMS and Other Divested Businesses revenues of \$28.5 million. Total North American reported revenues declined 7% from the first quarter last year.

North America's operating income in the first quarter of 2002 was \$80.2 million, a 1% increase over the first quarter of the prior year, reflecting the benefits of the Company's financial flexibility initiatives offset by planned investments in the D&B E-Business Solutions and the loss of operating income from the RMS business sold in the second quarter of 2001.

Europe

Europe's core revenues were \$67.3 million in the first quarter of 2002, down 5% when compared with the first quarter of 2001 core revenues of \$70.8 million. However, before the effect of foreign exchange, Europe's core revenues would have decreased 2%. Before the effect of foreign exchange, Europe's revenues from Risk Management Solutions remained relatively flat. Before the effect of foreign exchange, Europe reported a decrease in revenues from Sales & Marketing Solutions of 12%, and a substantial increase in revenues from Supply Management Solutions on a relatively small base. Europe's results were impacted by weak economic conditions tied to the global slowdown. In the first quarter of 2001, total European reported revenues were \$80.5 million, which included RMS and Other Divested Businesses revenues of \$9.7 million. Total Europe's reported revenues declined 17% from the first quarter last year.

Europe reported an operating loss of \$3.3 million in the first quarter of 2002 as compared to an operating loss of \$7.2 million in the first quarter of 2001. The Company's financial flexibility initiatives, including a reorganization in the management of Europe from 19 separate country operations to a One Europe business model, continued to contribute to the improvement in European results.

APLA

APLA reported core revenues of \$7.7 million in the first quarter of 2002, compared to \$6.9 million in the first quarter of 2001. Before the effect of foreign exchange, core revenues would have increased 17%. Before the effect of foreign exchange, APLA's revenues from Risk Management Solutions increased 11% and revenues from Sales & Marketing Solutions increased 40% as a result of strong performance of value-added products. In the first quarter of 2001, total APLA reported revenues were \$14.0 million, which included RMS and Other Divested Businesses revenues of \$7.1 million. Total APLA's reported revenues declined 45% from the first quarter last year. The reported revenues in the first quarter of 2001 include the revenues of the RMS business and Australia/New Zealand operation as well as revenues related to other business model changes in the region.

APLA reported an operating loss of \$0.7 million in the first quarter of 2002, compared with an operating loss of \$3.3 million in the first quarter of 2001. The improvement in APLA's results reflects the benefit of the Company's on-going financial flexibility initiatives including business model changes designed to align investment in the region with revenue growth and profit potential.

Table of Contents**Recent Accounting Pronouncements**

As of January 1, 2002, the Company adopted the Statement of Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets. SFAS No. 142 addresses the financial accounting and reporting for intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) at acquisition. SFAS No. 142 also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under the new rules, the Company is no longer required to amortize goodwill and other intangible assets with indefinite lives. Rather, the Company's goodwill will be subject to periodic testing for impairment at the reporting unit level. D&B considers its operating segments, North America, Europe and APLA, as its reporting units under the definitions of SFAS No. 142 for consideration of potential impairment of intangible and goodwill balances. The Company performed the impairment test required by the new standard on the recorded balance of goodwill as of December 31, 2001, in the amount of \$139.6 million and determined that no charge for impairment was required.

The adoption of SFAS No. 142 resulted in a \$1.3 million reduction in amortization expense in the first quarter of 2002 compared to the same period in 2001. The full year impact in 2002 will be a reduction of \$5.3 million.

The proforma impact of this accounting policy change is outlined in the table below:

| | Quarter Ended March 31, | |
|---------------------------------|------------------------------------|--------------------------|
| | Restated 2002 | Restated 2001 |
| Reported Net Income | \$ 33.5 | \$ 27.5 |
| Add Back: Goodwill Amortization | — | 1.3 |
| Adjusted Net Income | \$ 33.5 | \$ 28.8 |
| Basic EPS: | | |
| Reported Net Income | \$ 0.45 | \$ 0.34 |
| Add Back: Goodwill Amortization | — | 0.02 |
| Adjusted Net Income | \$ 0.45 | \$ 0.36 |
| Diluted EPS: | | |
| Reported Net Income | \$ 0.43 | \$ 0.33 |
| Add Back: Goodwill Amortization | — | 0.02 |
| Adjusted Net Income | \$ 0.43 | \$ 0.35 |

SFAS No. 142 also provides that intangible assets that have finite useful lives will continue to be amortized over their useful lives, but those lives will no longer be limited to 40 years. SFAS No. 142 supersedes APB Opinion No. 17, Intangible Assets. Other intangible assets of \$9.2 million at December 31, 2001 that continue to be amortized have been reclassified and are now included in Other Non-Current Assets on the Balance Sheet.

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. This statement addresses financial accounting and reporting for the impairment of long-lived assets. The adoption of SFAS No. 144 did not have any impact on the Company's consolidated results of operations and financial position this quarter.

Table of Contents

Liquidity and Financial Position

Management believes that cash flows generated from its operations and supplemented as needed with readily available financing arrangements are sufficient to meet the short-term and long-term needs of D&B. D&B accesses the commercial paper market from time to time to fund working capital needs and share repurchases. Such borrowings have been supported by D&B's bank credit facilities.

At March 31, 2002, cash and cash equivalents totaled \$89.4 million, a decrease from \$145.3 million at December 31, 2001, primarily driven by an acquisition of 2.5 million shares in the first quarter of 2002 and lower cash provided by operating activities as discussed below.

Cash Provided by Operating Activities

Cash provided by operating activities in the first quarter of 2002 was \$7.5 million. Operating activities in the first quarter of 2001 provided net cash of \$57.7 million. Cash flows from operations were negatively impacted by the loss of cash provided by the RMS business, which was sold in the second quarter of 2001, an increase in accounts receivable, and a decline in unearned subscription income compared to the first quarter of last year due to timing of contract renewals, a slowdown in the sales of traditional risk management services and mix effects. During the first quarter 2002, D&B made payments of \$6.5 million related to restructuring actions under the Blueprint for Growth compared to \$9.9 million for the first quarter of 2001.

Cash Used in Investing Activities

Net cash used in investing activities totaled \$9.1 million in the first quarter of 2002, compared with net cash used in investing activities of \$15.0 million in the first quarter of 2001. In the first quarter of 2002, D&B spent \$9.3 million on capital expenditures, computer software and other intangibles, compared to \$10.7 million in the first quarter of 2001. The Company invested \$0.9 million in the first quarter of 2002 and \$8.9 million in the first quarter of 2001 in a joint venture with American International Group, Inc. called Avantrust LLC.

Cash Used in Financing Activities

Net cash used in financing activities was \$53.5 million in the first quarter of 2002, compared with net cash used in financing activities of \$55.3 million during 2001.

In January 2002, the Company acquired 2.5 million shares in a privately-negotiated block trade for \$85.1 million, funded with cash on hand and short-term commercial paper borrowings. At March 31, 2002, the Company had \$35.7 million of commercial paper outstanding. At March 31, 2001 the Company had no short-term debt outstanding having repaid \$49.5 million during the first quarter of 2001.

D&B repurchased 244,800 shares of common stock for \$10.1 million in the first quarter of 2002 to mitigate the dilutive effect of shares issued under stock incentive plans and in connection with its Employee Stock Purchase Plan. Net proceeds from D&B stock plans totaled \$5.9 million in 2002.

During the first quarter of 2001, D&B repurchased 345,900 shares of common stock for \$9.0 million to mitigate the dilutive effect of shares issued under stock incentive plans and in connection with the D&B Employee Stock Purchase Plan. D&B received proceeds in connection with its stock plans of \$5.1 million in the first quarter of 2001.

There was no change in long-term borrowings in the first quarter of 2002. In the first quarter of 2001, the Company issued \$300 million in principal of notes. The cash proceeds from the issuance of these notes were used to repay a \$300 million obligation resulting from the purchase of an unrelated partner's interest in a limited partnership.

Table of Contents

Forward-Looking Statements

Certain statements in this Form 10-Q/A are forward-looking statements. Statements that are not historical facts are forward-looking statements. In addition, words such as expects, anticipates, believes, plans, guidance and similar expressions are intended to identify forward-looking statements. All such forward-looking statements are based on D&B's reasonable expectations at the time that they are made. However, forward-looking statements are not guarantees of future performance as they involve risks, uncertainties and assumptions that may prove to be incorrect and that may cause D&B's actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect D&B's performance, which are discussed more fully in the Company's 2001 Form 10-K/A, include: the possibility that economic or other conditions might lead to a reduction in the demand for D&B products and services worldwide; the possibility that the current economic slowdown may worsen and/or persist for an unpredictable period of time; D&B's ability to successfully implement its Blueprint for Growth, including the ability to achieve its financial flexibility objectives on terms and conditions contemplated by D&B; changes in the business information and risk management industries and markets, including changes in customer preferences for products and product delivery formats resulting from advances in information technology; competitive pressures causing price reductions and/or loss of market share; risks associated with investments and operations in foreign countries, including foreign economic conditions, exchange rate fluctuations, regulatory environment, and cultural factors; D&B's ability to successfully integrate recent and future acquisitions, alliances and investments; D&B's ability to protect its proprietary information and technology or to obtain necessary licenses on commercially reasonable terms; the potential loss of key business assets, including data center capacity, or interruption of telecommunication links or power sources; changes in the legislative, accounting, regulatory and commercial environments affecting D&B's ability to collect, manage, aggregate and use data; D&B's ability to attract and retain key employees; and the competitive implications that the conversion to the euro may have on D&B's pricing and marketing strategies. D&B undertakes no obligations to update any forward-looking statements to reflect future events or circumstances.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

The Company's market risks primarily consist of the impact of changes in currency exchange rates on assets and liabilities of non-U.S. operations and the impact of changes in interest rates. The Dun & Bradstreet Corporation's 2001 Consolidated Financial Statements included in its Annual Report on Form 10-K/A provide a more detailed discussion of the market risks affecting operations. As of March 31, 2002, no material change had occurred in the Company's market risks, as compared to the disclosure in the Form 10-K/A for the year ending December 31, 2001.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Information in response to this Item is included in Note 8 Contingencies on Pages 9-12 in Part I, Item 1 of this Form 10-Q/A.

Table of Contents

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.

THE DUN & BRADSTREET CORPORATION

By: /s/ SARA MATHEW

Sara Mathew
Senior Vice President and Chief Financial Officer

Date: March 18, 2003

By: /s/ MARY JANE RAYMOND

Mary Jane Raymond
Vice President and Corporate Controller

Date: March 18, 2003

CERTIFICATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

I, Allan Z. Loren, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A (Amendment No. 2) of The Dun and Bradstreet Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

By: /s/ ALLAN Z. LOREN

Allan Z. Loren
Chairman and Chief Executive Officer

Date: March 18, 2003

Table of Contents

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Sara Mathew, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A (Amendment No. 2) of The Dun and Bradstreet Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: March 18, 2003

By: /s/ SARA MATHEW

Sara Mathew
Senior Vice President and Chief Financial Officer

23