

DUN & BRADSTREET CORP/NW

Form 10-Q/A

March 19, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

Amendment No. 1

(Mark one)

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

For the quarterly period ended September 30, 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 September 30, 2002
Common Stock, par value \$.01 per share	74,324,393

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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 and nine months ended September 30, 2002 and September 30, 2001 and the balance sheets as of September 30, 2002 and December 31, 2001.

This Form 10-Q/ A hereby amends and restates Items 1, 2, 3 and 4 in Part I and Item 1 in Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 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. No further changes to the previously filed Form 10-Q are being made. All information in this Form 10-Q/ A is as of September 30, 2002 and does not reflect any subsequent information or events other than the restatement.

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THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended September 30,		Year-to-Date September 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
	(Amounts in millions, except per share data)			
Revenue	\$298.9	\$292.6	\$919.5	\$967.5
Operating Costs:				
Operating Expenses	100.3	97.4	311.3	344.7
Selling and Administrative Expenses	118.9	116.2	368.4	387.5
Depreciation and Amortization	20.9	23.3	60.3	71.9
Restructuring Expense Net			30.9	28.8
Reorganization Costs				(7.0)
Operating Costs	240.1	236.9	770.9	825.9
Operating Income	58.8	55.7	148.6	141.6
Non-Operating Income (Expense) Net:				
Interest Income	0.7	2.0	2.0	4.3
Interest Expense	(4.9)	(5.1)	(14.8)	(11.9)
Minority Interest Expense				(5.4)
Other Income (Expense) Net	1.8	(0.5)	(2.0)	34.0
Non-Operating Income (Expense) Net	(2.4)	(3.6)	(14.8)	21.0
Income before Provision for Income Taxes	56.4	52.1	133.8	162.6
Provision for Income Taxes	21.7	20.2	53.0	63.3
Equity in Net Losses of Affiliates		(1.5)	(1.7)	(3.3)
Net Income	\$ 34.7	\$ 30.4	\$ 79.1	\$ 96.0
Basic Earnings Per Share of Common Stock	\$ 0.47	\$ 0.38	\$ 1.06	\$ 1.20
Diluted Earnings Per Share of Common Stock	\$ 0.45	\$ 0.37	\$ 1.03	\$ 1.17
Weighted Average Number of Shares Outstanding:				
Basic	74.3	79.4	74.6	80.0
Diluted	76.5	81.8	77.0	82.1

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

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THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Restated September 30, 2002	Restated December 31, 2001
	(Unaudited) (Dollar amounts in millions, except per share data)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 136.0	\$ 145.3
Accounts Receivable Net of Allowance of \$21.7 at September 30, 2002 and \$21.0 at December 31, 2001	279.2	317.8
Other Current Assets	95.4	117.1
	<hr/>	<hr/>
Total Current Assets	510.6	580.2
	<hr/>	<hr/>
Non-Current Assets		
Property, Plant and Equipment, Net	143.4	158.0
Prepaid Pension Costs	380.3	333.7
Computer Software, Net	77.0	103.6
Goodwill, Net	173.2	139.6
Other Non-Current Assets	129.0	147.5
	<hr/>	<hr/>
Total Non-Current Assets	902.9	882.4
	<hr/>	<hr/>
Total Assets	\$1,413.5	\$1,462.6
	<hr/>	<hr/>
Current Liabilities		
Notes Payable	\$ 0.1	\$
Other Accrued and Current Liabilities	324.3	332.7
Unearned Subscription Income	362.3	359.5
	<hr/>	<hr/>
Total Current Liabilities	686.7	692.2
	<hr/>	<hr/>
Pension and Postretirement Benefits	382.8	377.3
Long Term Debt	299.9	299.6
Other Non-Current Liabilities	77.3	111.2
Contingencies (Note 8)		
Minority Interest		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	(0.9)	(1.8)
Capital Surplus	219.6	227.3
Retained Earnings	219.7	140.7
Treasury Stock, at cost, 7,621,127 shares at September 30, 2002 and 5,067,235 at December 31, 2001	(241.1)	(148.7)

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Cumulative Translation Adjustment	(197.7)	(203.7)
Minimum Pension Liability	(33.6)	(33.6)
	<u> </u>	<u> </u>
Total Shareholders Equity	(33.2)	(19.0)
	<u> </u>	<u> </u>
Total Liabilities and Shareholders Equity	\$1,413.5	\$1,462.6
	<u> </u>	<u> </u>

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

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THE DUN & BRADSTREET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	Restated 2002	Restated 2001
	(Unaudited) (Dollar amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	\$ 79.1	\$ 96.0
Reconciliation of Net Income to Net Cash		
Depreciation and Amortization	60.3	71.9
Gain from Sale of Businesses	(2.6)	(43.0)
Equity Losses in Excess of Dividends Received from Affiliates	1.7	3.3
Restructuring Expense, Net and Other Asset Impairments	30.9	34.9
Decrease in Accounts Receivable	51.7	58.9
Net Decrease in Other Current Assets	3.1	13.0
Deferred Revenue from RMS Agreement	(5.3)	32.3
Deferred Income Taxes	(14.6)	(2.4)
Accrued Income Taxes, Net	48.1	19.3
Net Increase in Long Term Liabilities	4.3	1.3
Increase in Other Long Term Assets	(37.5)	(34.9)
Net (Decrease) Increase in Unearned Subscription Income	(7.7)	4.3
Net Decrease in Other Accrued and Current Liabilities	(84.9)	(73.5)
Other	7.1	6.8
Net Cash Provided by Operating Activities	133.7	188.2
Cash Flows from Investing Activities:		
Cash Proceeds from Sale of Real Estate	21.5	
Cash Proceeds from Sale of Businesses	1.3	88.1
Payments for Acquisition of Businesses	(21.2)	(16.6)
Capital Expenditures	(8.2)	(11.8)
Additions to Computer Software and Other Intangibles	(25.7)	(26.6)
Investments in Unconsolidated Affiliates	(0.9)	(8.9)
Other	(8.4)	5.7
Net Cash (Used in) Provided by Investing Activities	(41.6)	29.9
Cash Flows from Financing Activities:		
Payments for Purchase of Treasury Shares	(114.2)	(84.2)
Net Proceeds from Stock Plans	10.0	16.2
Decrease in Commercial Paper Borrowings		(49.5)
Repayment of Minority Interest Obligations		(300.0)
Increase in Long-Term Borrowings		299.6
Other	0.8	(0.9)
Net Cash Used in Financing Activities	(103.4)	(118.8)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2.0	1.4

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(Decrease) Increase in Cash and Cash Equivalents	(9.3)	100.7
Cash and Cash Equivalents, Beginning of Year	145.3	70.1
Cash and Cash Equivalents, End of Quarter	\$ 136.0	\$ 170.8
Supplemental Disclosure of Cash Flow information:		
Cash Paid Year to Date for:		
Income Taxes, Net of refunds	\$ 22.2	\$ 38.7
Interest and Minority Interest Expense	\$ 18.3	\$ 16.3

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's (D&B or the Company) Annual Report on Form 10-K/A for the year ended December 31, 2001. 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 and nine months ended September 30, 2002 and September 30, 2001 and the balance sheets as of September 30, 2002 and December 31, 2001. The impact of the restatement is an increase in revenue and net income of \$1.7 million and \$1.5 million, respectively, for the three months ended September 30, 2002, and \$2.1 million and \$1.3 million, respectively, for the three months ended September 30, 2001. For the nine months ended September 30, 2002, the impact of the restatement is a reduction in revenue of \$1.4 million and an increase in net income of \$0.1 million. For the nine months ended September 30, 2001, the impact of the restatement is a reduction in revenue and net income of \$1.3 million and \$0.7 million, respectively. 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 September 30, 2002 and December 31, 2001.

	Quarter Ended September 30, 2002		Quarter Ended September 30, 2001		Year-to-Date September 30, 2002		Year-to-Date September 30, 2001	
	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated
Impacts to Consolidated Statements of Operations:								
Revenue	\$ 297.2	\$ 298.9	\$ 290.5	\$ 292.6	\$ 920.9	\$ 919.5	\$ 968.8	\$ 967.5
Operating Income	\$ 57.1	\$ 58.8	\$ 53.6	\$ 55.7	\$ 150.0	\$ 148.6	\$ 142.9	\$ 141.6
Income before Provision for Income Taxes	\$ 54.7	\$ 56.4	\$ 50.0	\$ 52.1	\$ 135.2	\$ 133.8	\$ 163.9	\$ 162.6
Net Income	\$ 33.2	\$ 34.7	\$ 29.1	\$ 30.4	\$ 79.0	\$ 79.1	\$ 96.7	\$ 96.0
Basic Earnings Per Share	\$ 0.45	\$ 0.47	\$ 0.37	\$ 0.38	\$ 1.06	\$ 1.06	\$ 1.21	\$ 1.20
Diluted Earnings Per Share	\$ 0.43	\$ 0.45	\$ 0.36	\$ 0.37	\$ 1.03	\$ 1.03	\$ 1.18	\$ 1.17

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

	September 30, 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)	\$ 96.1	\$ 129.0	\$ 116.1	\$ 147.5
Total Assets	\$ 1,380.6	\$ 1,413.5	\$ 1,431.2	\$ 1,462.6
Unearned Subscription Income	\$ 330.7	\$ 362.3	\$ 330.0	\$ 359.5
Retained Earnings	\$ 241.1	\$ 219.7	\$ 162.3	\$ 140.7
Cumulative Translation Adjustment	\$ (198.4)	\$ (197.7)	\$ (205.2)	\$ (203.7)
Minimum Pension Liability	(55.6)	(33.6)	(55.6)	(33.6)
Total Shareholders' Equity	\$ (34.5)	\$ (33.2)	\$ (20.9)	\$ (19.0)
Total Liabilities and Shareholders' Equity	\$ 1,380.6	\$ 1,413.5	\$ 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 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 is 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 third quarter of 2002 compared with the same period in 2001, of which approximately \$0.4 million is attributable to North America and \$0.9 million attributable to Europe. For the first nine months of 2002, the reduction was \$3.9 million compared with the first nine months of 2001. The full-year impact in 2002 is expected to be a reduction of \$5.3 million in amortization expense.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
Reported Net Income	\$ 34.7	\$ 30.4	\$ 79.1	\$ 96.0
Add Back: Goodwill Amortization	—	1.3	—	3.9
Adjusted Net Income	\$ 34.7	\$ 31.7	\$ 79.1	\$ 99.9
Basic EPS:				
Reported Basic EPS	\$ 0.47	\$ 0.38	\$ 1.06	\$ 1.20
Add Back: Goodwill Amortization	—	0.02	—	0.05
Adjusted Basic EPS	\$ 0.47	\$ 0.40	\$ 1.06	\$ 1.25
Diluted EPS:				
Reported Diluted EPS	\$ 0.45	\$ 0.37	\$ 1.03	\$ 1.17
Add Back: Goodwill Amortization	—	0.02	—	0.05
Adjusted Diluted EPS	\$ 0.45	\$ 0.39	\$ 1.03	\$ 1.22

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 on the Balance Sheet and are now included in Other Non-Current Assets.

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. As discussed in Note 4 Impact of Implementation of the Blueprint for Growth Strategy, during the second quarter of 2002, the Company incurred impairment losses of \$10.6 million related to assets being sold or abandoned during the quarter as a result of actions taken under its financial flexibility program.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS No. 146). SFAS No. 146 addresses financial accounting and reporting for costs associated with restructuring activities, including severance and lease termination obligations. It nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Action (including Certain Costs Incurred in a Restructuring) (EITF Issue 94-3). The principal difference between SFAS No. 146 and EITF Issue 94-3 is in the timing of liability recognition. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity, including severance and lease termination obligations, be recognized when the liability is incurred, rather than at the date of a company's commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities after December 31, 2002. Adoption of SFAS No. 146 by D&B may result in expense recognition over a period of time rather than at one time if D&B undertakes restructuring activities after December 31, 2002.

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THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. These investments include leveraging the Company's brand through advertising, enhancing the current business by expanding and improving the Company's database, reinvigorating current products, creating new value added products and solutions, further developing the B2B e-business, and building a winning culture by strengthening our leadership and continuing to promote and add leaders.

To fund these and other investments, D&B has identified, and will continue to identify opportunities to reallocate and in some cases reduce spending in certain areas with the objective of investing for growth and delivering shareholder value. D&B also reviewed its non-core businesses and assets with a view to converting them into cash.

Restructuring/Financial Flexibility Program

In April 2002, the Company announced the third phase of its financial flexibility program. To create a more efficient business model, the Company intends to continue consolidating functions and streamlining processes, automating data collection and fulfillment functions, migrating revenue to the web, and outsourcing select activities. As shown in the table below, during the second quarter of 2002, the Company incurred a pre-tax restructuring charge of \$30.9 million in connection with these actions. The charge included \$18.6 million for severance, \$10.6 million for the write-off of assets that were sold or abandoned (including \$9.7 million resulting from the outsourcing action discussed below), and \$1.7 million for lease termination obligations.

As part of this third phase of the financial flexibility program, the Company outsourced certain technology functions to Computer Sciences Corporation (CSC). Under the terms of the agreement, approximately 400 D&B employees who performed data center operations, technology help desk and network management functions in the United States and in the United Kingdom were transitioned to CSC. In addition, as part of the agreement, CSC acquired the Company's data center and print mail facility located in Berkeley Heights, New Jersey, and related assets for \$10 million, which management considered the fair value for the assets. This resulted in the \$9.7 million impairment loss noted above.

The first phase of the financial flexibility program began in the fourth quarter of 2000, and the second phase began in the second quarter of 2001. For the first phase of the program, the Company recorded a pre-tax restructuring charge of \$41.5 million in the fourth quarter of 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 restructuring charge to reflect the Company's subsequent determination that severance for approximately 50 employees would not be utilized and that its estimate of its remaining lease termination liabilities would be lower than originally estimated. In the second quarter of 2001, the Company recorded a pre-tax restructuring charge of \$32.8 million to reengineer administrative functions and institute common business practices worldwide for the second phase of the financial flexibility program.

As of September 30, 2002, D&B has terminated approximately 2,200 of the employees affected under all three phases of the financial flexibility program, including the approximately 400 employees who were transitioned to CSC, as mentioned above. By June 30, 2003, approximately 600 additional employees worldwide will be terminated in connection with the third phase. The Company lowered its estimate of the number of employees to be terminated under the third phase by 100. This will bring the total number of

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employees reduced from the core business as a result of the three phases of this program since its inception in October 2000, to approximately 2,800, reflecting the elimination of 3,100 positions (including 300 open positions).

The restructuring reserves and utilization to date were as follows:

	Original Charge in Q2 2002		2002 Payments/ Write-Offs	Balance at 9/30/2002
2002 Restructuring Charge for:				
Severance and Termination	\$ 18.6		\$ (3.6)	\$ 15.0
Asset Write-Offs	10.6		(10.6)	
Lease Termination Obligations	1.7		(0.1)	1.6
	<u>30.9</u>		<u>(14.3)</u>	<u>16.6</u>
	\$ 30.9		\$ (14.3)	\$ 16.6
2001 Restructuring Charge for:				
Severance and Termination	\$ 20.7	\$ 19.2	\$ (16.8)	\$ 2.4
Asset Write-Offs	8.9			
Lease Termination Obligations	3.2	1.6	(.4)	1.2
	<u>32.8</u>	<u>20.8</u>	<u>(17.2)</u>	<u>3.6</u>
	\$ 32.8	\$ 20.8	\$ (17.2)	\$ 3.6
2000 Restructuring Charge for:				
Severance and Termination	\$ 28.2	\$ 4.4	\$ (3.2)	\$ 1.2
Asset Write-Offs	4.5			
Lease Termination Obligations	8.8	4.0	(.8)	3.2
	<u>41.5</u>	<u>8.4</u>	<u>(4.0)</u>	<u>4.4</u>
	\$ 41.5	\$ 8.4	\$ (4.0)	\$ 4.4

The Company completed all the actions contemplated under the first phase of its financial flexibility program as of the end of 2001 and completed the remainder of the actions under the second phase as of June 30, 2002. The remaining reserves for the 2001 and 2000 restructuring charges relate to future severance payments for actions already taken for ongoing lease termination obligations to be paid in the future.

Note 5 Notes Payable and Indebtedness

D&B's \$175 million 364-day revolving credit facility expired in September 2002. The Company renewed this facility in September 2002 for \$100 million. The Company also has an additional \$175 million term revolving credit facility expiring in September 2005. Under these facilities, D&B has the ability to borrow at prevailing short-term interest rates. D&B has not drawn on these facilities since their inception and has no borrowings outstanding under these facilities at September 30, 2002. The Company decided to renew its 364-day facility at a lower level because it believed that cash flows generated from its operations, supplemented as needed with its readily available financing arrangements, are sufficient to meet its short-term and long-term needs.

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The Company's borrowings at September 30, 2002 and December 31, 2001, including interest rate swaps designated as hedges, are summarized below:

	<u>2002</u>	<u>2001</u>
Fair Value Of Long-Term Fixed Rate Notes	\$ 304.9	\$ 297.3
Fair Value Of Interest-Rate Swaps	(5.0)	2.3
	<u> </u>	<u> </u>
Long Term Debt	\$ 299.9	\$ 299.6
	<u> </u>	<u> </u>

Note 6 Reconciliation of Weighted Average Shares

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(Share data in thousands)			
Weighted average number of shares basic	74,295	79,430	74,559	79,980
Dilutive effect of shares issuable under stock options, restricted stock and performance share plans	2,188	2,216	2,412	1,934
Adjustment of shares applicable to stock options exercised during the period and performance share plans	57	134	62	147
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average number of shares diluted	76,540	81,780	77,033	82,061
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the third quarter of 2002, the Company repurchased 85,400 shares for \$3.0 million to mitigate the dilutive effect of the shares issued under the Company's stock incentive plans and its Employee Stock Purchase Plan. During the first nine months of 2002, D&B repurchased 756,100 shares for \$29.1 million for this purpose. Also, during the first quarter of 2002, the Company repurchased 2.5 million shares at the market price of \$85.1 million, in a privately negotiated block trade.

Options to purchase 1,600,974 and 166,084 shares of common stock at September 30, 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 grant date.

Note 7 Comprehensive Income

The Company's total comprehensive income, which includes net income and other gains and losses that affect shareholders' equity, was as follows, for the three-month and nine-month periods ended September 30:

<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
<u>Restated</u>	<u>Restated</u>	<u>Restated</u>	<u>Restated</u>

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	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net Income	\$34.7	\$30.4	\$79.1	\$96.0
Other Comprehensive Income (Loss)				
Foreign Currency Translation Adjustment	3.9	0.2	6.0	(3.4)
Unrealized Losses on Investments	—	—	(0.2)	(0.1)
Total Comprehensive Income	<u>\$38.6</u>	<u>\$30.6</u>	<u>\$84.9</u>	<u>\$92.5</u>

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THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8 Contingencies

The Company and its subsidiaries are involved in tax and legal 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 it is probable that the Company has incurred a loss and the loss or range of loss can be reasonably estimated, the Company has recorded reserves in the consolidated financial statements. In other instances, because of the uncertainties related to both the probable outcome and amount or range of loss, management is unable to make a reasonable estimate of a liability, if any. As additional information becomes available, the Company adjusts its assessment and estimates of such liabilities accordingly.

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.

In order to understand the Company's exposure to the potential liabilities described below, it is important to understand the relationship between the Company and Moody's Corporation (Moody's), and the Company and its predecessors and other parties that, through various corporate reorganizations and contractual commitments, have assumed varying degrees of responsibility with respect to such matters.

In November 1996, the company then known as The Dun & Bradstreet Corporation separated through a spin-off into three separate public companies, The Dun & Bradstreet Corporation, ACNielsen Corporation (ACNielsen) and Cognizant Corporation (Cognizant) (the 1996 Distribution). In June 1998, The Dun & Bradstreet Corporation separated through a spin-off into two separate public companies, The Dun & Bradstreet Corporation and R.H. Donnelley Corporation (Donnelley) (the 1998 Distribution). During 1998, Cognizant separated through a spin-off into two separate public companies, IMS Health Incorporated (IMS) and Nielsen Media Research, Inc. (NMR). In September 2000, The Dun & Bradstreet Corporation (Old D&B) separated through a spin-off into two separate public companies, the Company and Moody's (the 2000 Distribution).

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. The status of Internal Revenue Service (IRS) reviews of these initiatives is summarized below.

Pursuant to a series of agreements, between themselves, IMS and NMR are jointly and severally liable to pay one-half, and the Company and Moody's are jointly and severally liable to pay the other half, of any payments for taxes and accrued interest resulting from unfavorable IRS rulings on certain tax matters (excluding the matter described below as Amortization Expense Deductions, for which the Company and Moody's are solely responsible) and certain other potential tax liabilities after the Company and/or Moody's pays the first \$137 million, which amount was paid in connection with the matter described below as Utilization of Capital Losses.

In connection with the 2000 Distribution and pursuant to the terms of the related Distribution Agreement, the Company and Moody's have, between themselves, agreed to each be financially responsible for 50% of any potential liabilities that may arise to the extent such potential liabilities are not directly attributable to their respective business operations.

Utilization of Capital Losses 1989-1990. The IRS completed its review of the utilization of certain capital losses generated during 1989 and 1990 and on June 26, 2000, issued a formal assessment. On May 12, 2000, an amended tax return was filed for the 1989 and 1990 tax periods, which reflected

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

\$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, and IMS paid 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 on behalf of Donnelley is contesting the IRS's formal assessment and would also contest the assessment of amounts, if any, in excess of the amounts paid. Donnelley filed a petition for a refund in the U.S. District Court on September 21, 2000. The case is expected to go to trial in 2004. The Company would share responsibility for any additional assessment, as well as share in any refund obtained, with IMS, NMR and Moody's, as disclosed above.

Royalty Expense Deductions 1994-1996. During the second quarter of this year, the Company received a Notice of Proposed Adjustment from the IRS with respect to a transaction entered into in 1993. In this Notice, the IRS proposed to disallow certain royalty expense deductions claimed by Donnelley on its 1994, 1995 and 1996 tax returns. The IRS previously concluded an audit of this transaction for taxable years 1993 and 1994 and did not disallow any similarly claimed deductions. Donnelley disagrees with the position taken by the IRS in its Notice and has filed a responsive brief to this effect with the IRS. If the IRS were to issue a formal assessment and prevail, then the Company would share responsibility for the assessment with Moody's, as disclosed above. If Donnelley were to challenge the assessment in U.S. District Court rather than in U.S. Tax Court, then a payment of the disputed amounts would be required in connection with such challenge. In recent verbal communications with the IRS, the IRS has expressed a willingness to withdraw its proposed disallowance of certain royalty expense deductions of \$7.5 million for 1994. However, the IRS has also indicated an intention to assert penalties of \$7.5 million for 1995 and 1996 based on its interpretation of applicable law. Donnelley has advised the Company that it would challenge this interpretation. The Company estimates that its share of the required payment to the IRS, after taking into account these proposed adjustments, would be up to \$48 million, net of available tax credits (\$42 million net of associated tax benefits).

Amortization Expense Deductions 1997-2002. The IRS has requested documentation with respect to a transaction entered into in 1997 that produces amortization expense deductions. While the Company believes the deductions are appropriate, it is possible that the IRS could ultimately challenge them and issue an assessment. If the IRS were to prevail or the assessment were to be challenged by the Company in U.S. District Court, management estimates that the Company's cash payment to the IRS with respect to deductions claimed to date and including any potential assessment of penalties of \$6 million, could be up to \$44 million (\$41 million net of associated tax benefits). This transaction is scheduled to expire in 2012 and, unless earlier terminated by the Company, the Company's cash exposure (based on current interest rates and tax rates) would increase at a rate of approximately \$1.7 million per quarter as future amortization expenses are deducted.

* * *

The Company has considered the foregoing tax matters and the merits of its legal defenses and the various contractual obligations in its overall assessment of potential tax liabilities and believes it has adequate reserves recorded in the Consolidated Financial Statements for its share of its current exposures in these matters. Any payments that would be made for these exposures would be significant to the Company in the period a cash payment took place.

Legal Proceedings

Information Resources, Inc. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 Sections 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 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 as 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 that ACNielsen is able to pay after giving effect to (i) any plan submitted by such investment bank that 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 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.

IMS and NMR are each jointly and severally liable for all Cognizant liabilities under the Indemnity and Joint Defense Agreement.

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 agreed 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.

No trial date has been set, and discovery is ongoing. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IMS/NMR Arbitration. Subsequent to making its May 2000 payment to the IRS in connection with the utilization of capital losses referred to above, 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 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 is a proper party to the arbitration. Hearings before the arbitration panel are scheduled for December 2002. 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. No amount in respect of this matter has been accrued in the consolidated financial statements of the Company.

Note 9 Investment in Unconsolidated Affiliates

During the second quarter of 2002, the Company exited Avantrust LLC, its joint venture with American International Group, Inc. (*AIG*). As the market opportunity for e-marketplaces originally envisioned for Avantrust LLC did not develop, *AIG* and D&B agreed that the focus of Avantrust LLC should shift to selling and marketing *AIG* solutions. The Company had an ownership share of 41.8%, which had been accounted for under the equity method. As a result of exiting this joint venture, the Company recorded a \$2.9 million pre-tax write-off of the remaining investment in Other Income (Expense) Net, in the second quarter of 2002. For the first nine months of 2002, the Company recognized \$1.7 million as equity in net losses of affiliates, compared with \$3.3 million for the first nine months of 2001 and \$1.5 million for the third quarter of 2001.

Note 10 Sale of Property

During the second quarter of 2002, the Company completed the sale of its Murray Hill, New Jersey, facility and received proceeds of \$11.5 million. During the fourth quarter of 2001, the Company had announced its intention to sell the building and consequently wrote it down to its net realizable value, recognizing a pre-tax impairment loss of \$6.5 million at that time.

As discussed in detail in Note 4 *Impact of Implementation of the Blueprint for Growth Strategy*, during the second quarter, D&B sold its Berkeley Heights, New Jersey, facility and related assets to CSC for \$10.0 million.

Note 11 Acquisitions

During the third quarter of 2002, the Company acquired Data House, an Italian provider of commercial and personal Italian real estate information that is used in Italy by banks, notaries, real estate agencies and corporations in business loan decisions, for \$22.0 million (\$21.2 million, net of cash acquired) from Seat Pagine Gialle S.p.A. The acquisition was funded by cash on hand. The Company recognized goodwill of \$22.3 million in connection with the acquisition. No separately identifiable intangible assets were acquired.

Note 12 Dispositions

During the third quarter of 2002, the Company sold a portion of its equity interests in its Singapore operations for \$3.0 million. Proceeds included \$1.3 million in cash received during the third quarter of

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2002 and a \$1.7 million note receivable due in the fourth quarter of 2002. The Company recognized a pre-tax gain of \$2.6 million in Other Income (Expense) Net for these transactions.

The Company expects to complete the sale of its Korean operations in the fourth quarter of 2002. D&B expects to receive proceeds of \$3.0 million, consisting of \$1.8 million in cash and a note receivable for \$1.2 million payable over the 12 months following the closing. The Company expects to record a pre-tax gain of approximately \$2 million in Other Income (Expense) Net.

Note 13 Subsequent Events Share Repurchase Program Authorized

In October 2002, the Company announced that its Board of Directors authorized a share repurchase program of up to \$100 million. This two-year program is in addition to the Company's existing share repurchase program that is designed to offset the dilutive effect of shares issued under employee benefit arrangements.

Note 14 Segment Information

	Quarter Ended September 30,		Year-to-Date September 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
Revenue:				
North America	\$ 212.2	\$ 202.6	\$ 667.1	\$ 679.9
Europe	79.1	74.7	228.2	242.7
Asia Pacific/Latin America	7.6	15.3	24.2	44.9
Total Revenue	\$ 298.9	\$ 292.6	\$ 919.5	\$ 967.5
Operating Income (Loss):				
North America	\$ 67.6	\$ 63.8	\$ 213.8	\$ 208.0
Europe	6.6	4.9	14.7	2.7
Asia Pacific/Latin America	1.2	2.0	3.2	0.2
Total Divisions	75.4	70.7	231.7	210.9
Corporate and Other	(16.6)	(15.0)	(83.1)	(69.3)
Operating Income	\$ 58.8	\$ 55.7	\$ 148.6	\$ 141.6

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	Quarter Ended September 30,		Year-to-Date September 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
Geographic Revenue				
United States	\$205.5	\$196.2	\$646.8	\$659.2
International	93.4	96.4	272.7	308.3
Total Geographic Revenue	\$298.9	\$292.6	\$919.5	\$967.5
Product Line Revenue				
North America:				
Risk Management Solutions	\$146.5	\$143.9	\$451.9	\$449.0
Sales & Marketing Solutions	60.2	52.6	198.7	175.1
Supply Management Solutions	5.5	5.7	16.5	16.9
Core Revenue	212.2	202.2	667.1	641.0
Receivables Management Services and Other Divested Businesses		0.4		38.9
Total North America	212.2	202.6	667.1	679.9
Europe:				
Risk Management Solutions	63.3	57.1	181.5	178.3
Sales & Marketing Solutions	14.5	17.0	41.0	45.2
Supply Management Solutions	1.3	0.6	5.7	1.8
Core Revenue	79.1	74.7	228.2	225.3
Receivables Management Services and Other Divested Businesses				17.4
Total Europe	79.1	74.7	228.2	242.7
APLA:				
Risk Management Solutions	6.2	6.5	18.7	17.5
Sales & Marketing Solutions	1.4	1.4	5.5	5.4
Supply Management Solutions				
Core Revenue	7.6	7.9	24.2	22.9
Receivables Management Services and Other Divested Businesses		7.4		22.0
Total APLA	7.6	15.3	24.2	44.9
Consolidated Operating Revenues:				
Risk Management Solutions	216.0	207.5	652.1	644.8

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Sales & Marketing Solutions	76.1	71.0	245.2	225.7
Supply Management Solutions	6.8	6.3	22.2	18.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Core Revenue	298.9	284.8	919.5	889.2
Receivables Management Services and Other Divested Businesses		7.8		78.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenue	\$298.9	\$292.6	\$919.5	\$967.5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Restated Sep 2002	Restated Dec 2001
Assets:		
North America	\$ 335.7	\$ 387.7
Europe	431.8	447.2
Asia Pacific/Latin America	26.1	26.5
	<u> </u>	<u> </u>
Total Divisions	793.6	861.4
Corporate and Other (primarily domestic pensions and taxes)	619.9	601.2
	<u> </u>	<u> </u>
Total Assets	\$1,413.5	\$1,462.6
	<u> </u>	<u> </u>
	Sep 2002	Dec 2001
	<u> </u>	<u> </u>
Goodwill:		
North America	\$ 45.9	\$ 45.9
Europe	127.3	93.7
	<u> </u>	<u> </u>
Total Goodwill	\$173.2	\$139.6
	<u> </u>	<u> </u>

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 third quarter of 2002, and for the nine months ending September 30, 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 the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001, in which the financial statements were 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's core product lines are: Risk Management Solutions, Sales & Marketing Solutions, and Supply Management Solutions. In its discussion of operations, the Company has defined its core revenue as the revenue generated from its core product lines in its ongoing operations. Revenue from Receivable Management Services, which was sold in the second quarter of 2001, and all other divested businesses have been reclassified as Receivable Management Services 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 revenue and operating income. For management reporting purposes, restructuring charges and gains or losses on other transactions incurred in connection with D&B's Blueprint for Growth Strategy are not allocated to any of the business segments. Additionally, transition costs, which are period costs incurred to implement the Company's strategy including consulting fees, costs of temporary employees, relocation costs and stay bonuses, are included within Corporate and Other expenses and are not allocated to the business segments.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
Revenue				
North America	\$212.2	\$202.2	\$667.1	\$641.0
Europe	79.1	74.7	228.2	225.3
Asia Pacific/Latin America	7.6	7.9	24.2	22.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Core Revenue	298.9	284.8	919.5	889.2
Receivable Management Services and Other Divested Businesses		7.8		78.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenue	<u>\$298.9</u>	<u>\$292.6</u>	<u>\$919.5</u>	<u>\$967.5</u>

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2002	Restated 2001	Restated 2002	Restated 2001
Operating Income (Loss):				
North America	\$ 67.6	\$ 63.8	\$ 213.8	\$ 208.0
Europe	6.6	4.9	14.7	2.7
Asia Pacific/Latin America	1.2	2.0	3.2	0.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Divisions	75.4	70.7	231.7	210.9
Corporate and Other(1)	(16.6)	(15.0)	(83.1)	(69.3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating Income	58.8	55.7	148.6	141.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-Operating Income (Expense) Net(2)	(2.4)	(3.6)	(14.8)	21.0
Provision for Income Taxes	21.7	20.2	53.0	63.3
Equity in Net Losses of Affiliates, Net of Income Taxes		(1.5)	(1.7)	(3.3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Income	\$ 34.7	\$ 30.4	\$ 79.1	\$ 96.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic Earnings per Share of Common Stock	\$ 0.47	\$ 0.38	\$ 1.06	\$ 1.20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted Earnings per Share of Common Stock	\$ 0.45	\$ 0.37	\$ 1.03	\$ 1.17
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(1) Corporate and Other is composed of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Corporate Costs	\$ (16.6)	\$ (14.0)	\$ (52.2)	\$ (46.5)
Restructuring Expense Net			(30.9)	(28.8)
Asset Write-Off for WTC		(1.0)		(1.0)
Reorganization Costs				7.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Corporate and Other	\$ (16.6)	\$ (15.0)	\$ (83.1)	\$ (69.3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(2) Non-Operating Income (Expense) Net included \$6.6 million and \$43.0 million of gains on the sales of businesses in the three and nine months ended September 30, 2001, respectively. Non-Operating Income (Expense) Net also included in the third quarter of 2001 a \$6.1 million write-down of impaired investments.

D&B's business and financial results have been impacted during the periods presented by the Company's Blueprint for Growth strategy, as explained below.

Impact of the Blueprint for Growth Strategy (See Note 4 to the Consolidated Financial Statements)

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In October 2000, 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. These investments include leveraging the brand through advertising, enhancing the current business by expanding and improving the Company's database, reinvigorating current products, creating new value-added products and solutions, further developing the B2B e-business, and building a winning culture by strengthening our leadership and continuing to promote and add leaders. In addition, the Company has completed three acquisitions since launching this business strategy. In North America, D&B acquired iMarket in the second quarter of 2001 and Harris InfoSource in the fourth quarter of 2001. In Europe, D&B completed the acquisition of Data House in the third quarter of 2002.

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In order to fund these and other investments, D&B has created a flexible business model whereby the Company has identified, and will continue to identify, opportunities to reallocate and in some cases reduce spending in certain areas with the objective of investing for growth and delivering shareholder value.

Financial Flexibility

In April 2002, the Company announced the third phase of its financial flexibili