

The TriZetto Group, Inc.
Condensed Consolidated Statements of Operations
(unaudited and in thousands, except per share amounts)

	Three Months Ended December 31,	
	2004	2003
Revenue		
Recurring revenue	\$ 38,419	\$ 40,522
Non-recurring revenue	35,872	26,139
Total revenue	<u>74,291</u>	<u>66,661</u>
Cost of revenue		
Recurring revenue	23,288	28,730
Non-recurring revenue	20,107	24,052
	<u>43,395</u>	<u>52,782</u>
Recurring revenue - loss on contracts	-	11,271
Non-recurring revenue - loss on contracts	(455)	3,680
	<u>(455)</u>	<u>14,951</u>
Total cost of revenue	<u>42,940</u>	<u>67,733</u>
Gross profit	31,351	(1,072)
Operating expenses		
Research and development	8,055	6,281
Selling, general and administrative	15,322	11,711
Amortization of other intangible assets	1,157	951
Restructuring & impairment charges	-	3,769
Total operating expenses	<u>24,534</u>	<u>22,712</u>
Income (loss) from operations	6,817	(23,784)
Interest income	177	197
Interest expense	(322)	(490)
Income (loss) before provision for income taxes	6,672	(24,077)
Provision for income taxes	(281)	-
Net income (loss)	<u>\$ 6,391</u>	<u>\$ (24,077)</u>
Net income (loss) per share:		
Basic	<u>\$ 0.14</u>	<u>\$ (0.52)</u>
Diluted	<u>\$ 0.13</u>	<u>\$ (0.52)</u>
Weighted average shares outstanding:		
Basic	<u>46,488</u>	<u>46,478</u>
Diluted	<u>47,995</u>	<u>46,478</u>
Other financial data:		
EBITDA (1)	\$ 14,222	\$ 1,333
Free cash flow (2)	\$ 9,004	\$ (4,587)
12-month backlog (3)	\$ 173,100	\$ 170,000
Total backlog (3)	\$ 585,000	\$ 496,200

See footnote definitions on following page.

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(unaudited and in thousands, except per share amounts)

Reconciliation of GAAP Net Income (Loss) to EBITDA and Free Cash Flow:

	Three Months Ended December 31,	
	2004	2003
Net income (loss)	\$ 6,391	\$ (24,077)
Amortization of deferred stock compensation	224	218
Operating depreciation and amortization	5,609	5,228
Amortization of other intangible assets	1,157	951
Loss on contracts, net	(455)	14,951
Restructuring, impairment & other charges	870	3,769
Interest expense, net	145	293
Provision for income taxes	281	-
	<u>7,831</u>	<u>25,410</u>
EBITDA (1)	14,222	1,333
Interest expense, net	(145)	(293)
Provision for income taxes	(281)	-
Capital expenditures	(4,792)	(5,627)
Free cash flow (2)	<u>\$ 9,004</u>	<u>\$ (4,587)</u>

- (1) The company defines EBITDA as net income (loss) before interest, taxes, depreciation and amortization, restructuring and related impairment charges, one-time provisions for expected future contractual losses and other non-recurring events, amortization of deferred stock compensation and intangible assets, and impairment charges. Other companies may calculate EBITDA differently. EBITDA is a non-GAAP measure of profitability and is a widely accepted financial indicator of a company's ability to service debt. EBITDA should not be considered in isolation or as an alternative to net income (loss) or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) nor construed as an indicator of operating performance or as a measure of liquidity.
- (2) The company defines free cash flow as EBITDA less interest expense (income), tax provision (benefit) and capital expenditures. Other companies may calculate free cash flow differently. Free cash flow is a non-GAAP measure of profitability, which management believes provides additional information for investors to evaluate the company's financial performance. Free cash flow should not be considered in isolation or as an alternative to net income (loss) or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) nor construed as an indicator of operating performance or as a measure of liquidity.
- (3) Total backlog is defined as the revenue we expect to generate in future periods from existing customer contracts. Our 12-month backlog is defined as the revenue we expect to generate from existing customer contracts over the next 12 months. Most of the revenue in our backlog is derived from multi-year recurring revenue contracts (including software hosting, business process outsourcing, IT outsourcing and software maintenance). For purposes of calculating our backlog and based upon our previous experience, we assume software maintenance contracts will be renewed for a period of up to five years. We classify revenue from software license and consulting contracts as non-recurring. Such revenue is included in the backlog when the revenue from such software license or consulting contract will be recognized over a period exceeding 12 months.

The TriZetto Group, Inc.
Condensed Consolidated Statements of Operations
EBITDA Presentation
(unaudited and in thousands)

	Three Months Ended December 31,	
	2004	2003
Revenue		
Recurring revenue	\$ 38,419	\$ 40,522
Non-recurring revenue	35,872	26,139
Total revenue	<u>74,291</u>	<u>66,661</u>
Cost of revenue		
Recurring revenue	20,595	25,777
Non-recurring revenue	19,032	23,070
Total cost of revenue	<u>39,627</u>	<u>48,847</u>
Gross profit	34,664	17,814
Operating expenses		
Research and development	7,183	5,739
Selling, general and administrative	13,259	10,742
	<u>20,442</u>	<u>16,481</u>
EBITDA	14,222	1,333
Amortization of deferred stock compensation	224	218
Operating depreciation and amortization	5,609	5,228
Amortization of other intangible assets	1,157	951
Loss on contracts, net	(455)	14,951
Restructuring, impairment & other charges	870	3,769
	<u>7,405</u>	<u>25,117</u>
Income (loss) from operations	6,817	(23,784)
Interest income	177	197
Interest expense	(322)	(490)
	<u> </u>	<u> </u>
Income (loss) before provision for income taxes	6,672	(24,077)
Provision for income taxes	(281)	-
	<u> </u>	<u> </u>
Net income (loss)	<u>\$ 6,391</u>	<u>\$ (24,077)</u>

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Condensed Consolidated Statements of Operations
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	Twelve Months Ended December 31,	
	2004	2003
Revenue		
Recurring revenue	\$ 158,981	\$ 160,973
Non-recurring revenue	115,584	129,356
Total revenue	<u>274,565</u>	<u>290,329</u>
Cost of revenue		
Recurring revenue	107,825	115,812
Non-recurring revenue	63,126	93,244
	<u>170,951</u>	<u>209,056</u>
Recurring revenue - loss on contracts	(5,886)	11,271
Non-recurring revenue - loss on contracts	4,533	3,680
	<u>(1,353)</u>	<u>14,951</u>
Total cost of revenue	<u>169,598</u>	<u>224,007</u>
Gross profit	104,967	66,322
Operating expenses		
Research and development	30,398	24,823
Selling, general and administrative	59,980	52,138
Amortization of other intangible assets	4,244	10,908
Restructuring & impairment charges	-	3,769
Total operating expenses	<u>94,622</u>	<u>91,638</u>
Income (loss) from operations	10,345	(25,316)
Interest income	583	970
Interest expense	(1,369)	(2,005)
Income (loss) before provision for income taxes	9,559	(26,351)
Provision for income taxes	(1,101)	(1,124)
Net income (loss)	<u>\$ 8,458</u>	<u>\$ (27,475)</u>
Net income (loss) per share:		
Basic	<u>\$ 0.18</u>	<u>\$ (0.60)</u>
Diluted	<u>\$ 0.18</u>	<u>\$ (0.60)</u>
Weighted average shares outstanding:		
Basic	<u>46,794</u>	<u>46,170</u>
Diluted	<u>48,157</u>	<u>46,170</u>
Other financial data:		
EBITDA (1)	\$ 35,806	\$ 24,558
Free cash flow (2)	\$ 16,823	\$ (5,290)
12-month backlog (3)	\$ 173,100	\$ 170,000
Total backlog (3)	\$ 585,000	\$ 496,200

See footnote definitions on following page.

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Reconciliation of GAAP Net Income (Loss) to EBITDA and Free Cash Flow:

	Twelve Months Ended December 31,	
	2004	2003
Net income (loss)	\$ 8,458	\$ (27,475)
Amortization of deferred stock compensation	594	1,839
Operating depreciation and amortization	21,106	18,407
Amortization of other intangible assets	4,244	10,908
Loss on contracts, net	(1,353)	14,951
Restructuring, impairment & other charges	870	3,769
Interest expense, net	786	1,035
Provision for income taxes	1,101	1,124
	<u>27,348</u>	<u>52,033</u>
EBITDA (1)	35,806	24,558
Interest expense, net	(786)	(1,035)
Provision for income taxes	(1,101)	(1,124)
Capital expenditures	(17,096)	(27,689)
	<u>(17,096)</u>	<u>(27,689)</u>
Free cash flow (2)	<u>\$ 16,823</u>	<u>\$ (5,290)</u>

- (1) The company defines EBITDA as net income (loss) before interest, taxes, depreciation and amortization, restructuring and related impairment charges, one-time provisions for expected future contractual losses and other non-recurring events, amortization of deferred stock compensation and intangible assets, and impairment charges. Other companies may calculate EBITDA differently. EBITDA is a non-GAAP measure of profitability and is a widely accepted financial indicator of a company's ability to service debt. EBITDA should not be considered in isolation or as an alternative to net income (loss) or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) nor construed as an indicator of operating performance or as a measure of liquidity.
- (2) The company defines free cash flow as EBITDA less interest expense (income), tax provision (benefit) and capital expenditures. Other companies may calculate free cash flow differently. Free cash flow is a non-GAAP measure of profitability, which management believes provides additional information for investors to evaluate the company's financial performance. Free cash flow should not be considered in isolation or as an alternative to net income (loss) or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) nor construed as an indicator of operating performance or as a measure of liquidity.
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The TriZetto Group, Inc.
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EBITDA Presentation
(unaudited and in thousands)

	Twelve Months Ended December 31,	
	2004	2003
Revenue		
Recurring revenue	\$ 158,981	\$ 160,973
Non-recurring revenue	115,584	129,356
Total revenue	<u>274,565</u>	<u>290,329</u>
Cost of revenue		
Recurring revenue	97,797	104,609
Non-recurring revenue	59,125	89,910
Total cost of revenue	<u>156,922</u>	<u>194,519</u>
Gross profit	117,643	95,810
Operating expenses		
Research and development	27,120	23,258
Selling, general and administrative	54,717	47,994
	<u>81,837</u>	<u>71,252</u>
EBITDA	35,806	24,558
Amortization of deferred stock compensation	594	1,839
Operating depreciation and amortization	21,106	18,407
Amortization of other intangible assets	4,244	10,908
Loss on contracts, net	(1,353)	14,951
Restructuring, impairment & other charges	870	3,769
	<u>25,461</u>	<u>49,874</u>
Income (loss) from operations	10,345	(25,316)
Interest income	583	970
Interest expense	(1,369)	(2,005)
	<u>(1,369)</u>	<u>(2,005)</u>
Income (loss) before provision for income taxes	9,559	(26,351)
Provision for income taxes	(1,101)	(1,124)
	<u>(1,101)</u>	<u>(1,124)</u>
Net income (loss)	<u>\$ 8,458</u>	<u>\$ (27,475)</u>

The TriZetto Group, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 70,489	\$ 56,026
Short-term investments	1,203	18,843
Restricted cash	1,455	1,478
Accounts receivable, net	52,483	37,349
Prepaid expenses and other current assets	7,964	7,592
Total current assets	<u>133,594</u>	<u>121,288</u>
Property and equipment, net	31,466	41,124
Capitalized software products, net	27,902	25,479
Other intangible assets, net	5,097	6,040
Goodwill	39,201	37,579
Other assets	2,624	1,798
Total assets	<u>\$ 239,884</u>	<u>\$ 233,308</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term notes payable and line of credit	\$ 39,600	\$ 29,742
Capital lease obligations	4,186	5,178
Accounts payable	13,019	11,483
Accrued liabilities	37,585	33,379
Deferred revenue	39,520	23,422
Total current liabilities	<u>133,910</u>	<u>103,204</u>
Long-term notes payable and line of credit	12,000	2,138
Capital lease obligations	1,838	5,017
Deferred revenue	1,882	832
Other long-term obligations	3,321	8,594
Total liabilities	<u>152,951</u>	<u>119,785</u>
Common stock	42	47
Additional paid-in capital	369,669	402,702
Deferred stock compensation	(2,873)	(863)
Accumulated deficit	(279,905)	(288,363)
Total stockholders' equity	<u>86,933</u>	<u>113,523</u>
Total liabilities and stockholders' equity	<u>\$ 239,884</u>	<u>\$ 233,308</u>