

A N N U A L R E P O R T 2 0 0 4



CATALINA MARKETING CORPORATION

THE LEADER IN BEHAVIOR-BASED MARKETING

Catalina Marketing Today

Our Vision...

Simply Smart Marketing: To be the world's most innovative marketing solutions provider across multiple industries.



Our Strategy...

Catalina Marketing's strategy is to be the **dominant provider of behavior-based marketing** solutions wherever and whenever packaged goods and healthcare products are sold. We win by providing unique marketing solutions that enable marketers to communicate directly to individuals through **proprietary networks**.

Our Priorities...

Provide **New and Innovative Solutions** to our clients.

Control Costs and improve resource productivity through efficient deployment of resources.

Develop People by creating a challenging, creative and rewarding work environment.



Our Strategic Advantage...

Catalina Marketing's competitive advantage is delivering precisely what customers' need. This competitive advantage is a result of combined utilization of three strategic assets which enable powerful, individual communications to be delivered efficiently and effectively.

Manufacturer Sponsor Relationships

Over **300 manufacturer sponsors** distribute **\$3.2 billion in value** annually to our retail partner customers through Catalina. Over **\$192 million is redeemed**, helping our retail partners to drive sales, improve customer loyalty and increase the value perception of their brand.



Retail Channel Partner Network

Through our network of retail channel partners Catalina provides immediate and dynamic access to over **10 billion transactions** annually, purchase histories of over **120 million Household IDs**, insight into over **70% of US Supermarket ACV** and program **response rates up to 29 percent.**

Proprietary Solutions Secured by Intellectual Property

Catalina's proprietary marketing solutions are protected by a strong portfolio of **53 US Patents** and **100 foreign patents.**





Executive Officers



1 L. Dick Buell
Chief Executive Officer
Catalina Marketing Corporation

2 Susan M. Klug
Chief Development Officer

3 Jay D. Parsons
Executive VP, Manufacturer / Retail

4 Cynthia J. McCloud
Executive VP Retail Sales

5 Christopher W. Wolf
Executive VP and
Chief Financial Officer

6 Craig H. Scott
President CHR/Senior VP CMC

7 Eric N. Williams
Senior VP & Chief Information Officer

8 Deborah A. Booth
Executive VP, Business Support Services

9 Thomas Buehlmann
Senior VP International



Executive Officers & Directors

▲ Board of Directors

Frederick W. Beinecke
Chairman
Antaeus Enterprises, Inc.

Frank H. Barker
Audit Committee Co-Chairperson
Chairman
U.S. Dermatology, Inc.

L. Dick Buell
Chief Executive Officer
Catalina Marketing Corporation

Evelyn V. Follit
Audit Committee Co-Chairperson
Senior Vice President and
Chief Information Officer
RadioShack Corporation

Anne MacDonald
Managing Director, Global Marketing
Citibank, N.A.

Peter Tattle
Group Chairman (retired)
Johnson & Johnson

Michael B. Wilson
Vice President
Sales and Marketing (retired)
Georgia Pacific Corporation

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Thomas Buehlmann
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Craig H. Scott
President CHR/Senior VP CMC

Eric N. Williams
Senior VP & Chief Information Officer

Christopher W. Wolf
Executive VP and
Chief Financial Officer

▲ Investor Information

Corporate Offices/Investor Relations
Catalina Marketing Corporation
200 Carillon Parkway
St. Petersburg, Florida 33716
727-579-5000

Transfer Agent: Mellon Investor Services, LLC
PO Box 3315
South Hackensack, NJ 07606
800-356-2017
www.mellon-investor.com

Independent Auditors: PricewaterhouseCoopers, LLP
Tampa, Florida

General Counsel: Paul, Hastings, Janofsky & Walker, LLP
New York, New York

The Annual Meeting of Stockholders will be held at
Catalina Marketing Corporation, St. Petersburg, Florida
on August 19, 2004.

As of March 31, 2004, there were approximately 800
registered holders of the Company's Common Stock.

Stock Price Information

The following table sets forth, for the periods indicated,
the high and low closing prices for the Company's com-
mon stock as reported by the New York Stock Exchange.

Adjusted for 3-for-1 stock split

Year Ended March 31, 2004	High	Low
First Quarter	\$ 19.49	15.51
Second Quarter	\$ 17.53	12.58
Third Quarter	\$ 20.99	15.20
Fourth Quarter	\$ 21.11	17.12
Year Ended March 31, 2003	High	Low
First Quarter	\$ 36.67	27.55
Second Quarter	\$ 32.89	25.26
Third Quarter	\$ 27.97	17.86
Fourth Quarter	\$ 20.53	16.25



To Our Shareholders



Dear Shareholder,

Catalina Marketing's fiscal year 2004, beginning April 1, 2003 and ending March 31, 2004, was characterized by diverse events that have led to new strategic and business directions. The company has emerged with a stronger, more focused organization. In this communication, last year's business challenges and successes will be reviewed and the company's new strategy will be introduced.

■ Challenges, Solutions and Rejuvenation

The company recently resolved issues related to its historical financial records, which included restatements of fiscal years 2001 and 2002, and completion of the audits of fiscal years 2003 and 2004. As a part of this, several steps were taken to strengthen the company's financial management and reporting. Consistent with recent legislation, Catalina is preparing a detailed report on the effectiveness of internal controls and procedures for financial reporting. This report will reflect the various measures taken to ensure results and other financial information are reported in an accurate, effective and timely manner.

In addition to an evaluation and report of various internal controls, every Catalina employee will be held accountable for performing in accordance with this system and a newly established code of ethics. Senior management is responsible for ensuring that all employee actions positively impact business performance and financial reporting.

Furthermore, Catalina Marketing's Board of Directors assessed the company's strategic direction, its leadership and future growth opportunities. Based on that assessment, several specific actions were taken to improve the company's ability to generate growth and create a strong return for its shareholders in the future.

- The decision was made to restructure the company and refocus its strategy on the core businesses. As a result, the company elected to exit several businesses. Direct Marketing Services, Research Solutions, the Japan billboard business and the card and data-entry businesses have been divested or are approaching divestiture.
- In March 2004, new leadership was appointed to re-establish Catalina Marketing's strategic direction and position the company for growth and success. Catalina Marketing emerged from fiscal 2004 with a financial, strategic and organizational structure in place to confidently move forward.
- Fiscal year 2005 reporting will be divided into three businesses segments.

Catalina Marketing Services serves the consumer product manufacturer and grocery retail industries; Catalina Health Resource provides condition-specific, behavior-based communication services to pharmaceutical manufacturers and drug retailers; and, Catalina Marketing International encompasses the company's operations in Europe and Japan.

■ Business Overview Performances

Throughout the year, Catalina Marketing's employees remained focused on providing exceptional value to our clients and delivering solid financials results. Below is a breakout of performance metrics.

Year Ended March 31, 2004			
	GAAP	Adjustments to reconcile from GAAP to Non-GAAP Pro forma	Non-GAAP Pro forma
Revenues	\$ 472,950	\$ 64,318	\$ 408,632
Net Income (Loss)	\$ (19,273)	\$ (81,353)	\$ 62,080
Earnings per share, Diluted (52,304 shares)	\$ (0.37)	\$ (1.56)	\$ 1.19

Catalina Marketing's 2004 numbers reflect the company's successes and challenges.

Catalina Marketing Services (CMS)

Among the company's notable successes is a new marketing product for CPG manufacturers and super-market retailers. Driving return visits to the retailer, increasing product sales volume and creating integrated in-store merchandising are some of the important benefits of this new program. Additionally, Catalina continued to enhance its retail network with several important contract renewals.

Catalina Health Resource (CHR)

Catalina Health Resource has a solid business model and has proven to be an important partner with drug retailers and pharmaceutical manufacturers. Today, all retail partners in the pharmacy network are taking advantage of Catalina Marketing's proprietary technology, ensuring that the greatest value is delivered to retailers, pharmaceutical manufacturers and their patients. CHR is developing new communication products to deliver smarter, more complete information with the ultimate goal of improving patients' overall healthcare. This division is excited about its future growth opportunities.

Catalina Marketing International (CMI)

Internationally, Catalina Marketing expanded its geographic presence while enjoying profitable growth. In France, strong retail relationships continued to drive success. Additionally, Catalina Marketing entered Germany, a country that recently removed promotional restrictions. Catalina Marketing Japan's (CMJ) progress was also encouraging as the CMJ store count doubled in size during the last fiscal year. Overall, the European and Japanese businesses are seeing positive results from capitalizing on the platform of Catalina Marketing's unique marketing solutions.

In fiscal year 2004, Catalina Marketing re-established the building blocks and laid the foundation for fiscal year 2005. Rejuvenation, innovation and execution will be the key characteristics of Catalina Marketing going forward.



■ "Simply Smart Marketing"

Catalina Marketing's strategy is to be the dominant provider of behavior-based marketing solutions wherever and whenever packaged goods and healthcare products are sold. Catalina Marketing wins by providing unique marketing solutions that empower marketers to communicate directly to individuals through proprietary networks and consumer insights.

Catalina Marketing's competitive advantage is delivering precisely what customers need. This competitive advantage is a combined result of three strategic assets which enable powerful, individual communications to be delivered efficiently and effectively.

- The first strategic business asset is the network of retail channel partners including more than 35,000 retail stores and encompassing more than 294 million transactions a week, worldwide – providing global manufacturer sponsors with an unequalled magnitude of consumer reach.
- Second, through our relationships with consumer packaged goods and pharmaceutical manufacturers, Catalina brings tens of thousands of valuable promotions and information-rich programs, collectively worth billions of dollars a year, to our retail partners and their customers. This combination is a superior force to execute and influence result-oriented behavior-based marketing programs.
- Third, Catalina Marketing continues to leverage its proprietary solutions in the marketplace, protected by a base of intellectual property including more than 50 U.S. patents and 100 foreign patents.

These three strategic assets combine to form a strong foundation and significant competitive advantage in the marketplace. It has become increasingly clear that Catalina Marketing's major opportunities rest in the company's ability to leverage these strategic advantages in pursuit of future growth opportunities.

■ Where Catalina Marketing Stands Today

So, where does Catalina Marketing stand today following the events of fiscal year 2004? Its leadership team is committed to renewed strategic and financial success. The new strategic direction includes new applications in its existing businesses, new channel partners and extended consumer reach around the world.

Catalina's business model, strong financials and operating cash flow will be extended with this strategy and outstanding execution. In addition, Catalina Marketing is committed to business development initiatives, and has specifically created a group solely accountable for creating new products, new business and related opportunities. Catalina has defined and is building the foundation for a future of sustained profitable growth.

Key Priorities

To execute Catalina Marketing's new strategy and achieve the objectives and goals established for the upcoming year, the organization must focus on three priorities. These priorities cover key aspects of the business: a focus on the development of innovative solutions, controlling costs and developing people. Senior management is dedicated to taking this organization to its next growth stage, and these priorities will give the organization the tools it needs to accomplish that growth.

- Catalina Marketing's first priority is developing new and innovative business solutions that create value for its clients. The company is researching ways to extend its current business model concepts, evaluating new business model opportunities and developing enhancements to the communication content.
- Controlling costs is another key priority for the company. The result will reflect efficient and effective operations with controlled costs and quality service.
- Finally, the company must be committed to retaining and developing its people. Solid leadership is one factor in the equation to building a profitable company, and good people are the backbone of its success. Catalina Marketing recognizes the importance of investing in its employees, and the company has made this a priority.

■ Positioned For A Profitable Future

Thanks to the dedicated and talented group of employees, Catalina Marketing is positioned for a year of rejuvenation. The senior management team is proud to have the privilege of leading such a resilient and committed workforce. Furthermore, on behalf of Catalina Marketing, we would like to take this opportunity to extend a special thank you to Michael O'Brien, one of Catalina Marketing's original founders, for his interim leadership during the last six months of fiscal 2004.

It was under his guidance that a number of key actions were taken and new policies and procedures instituted that are the framework for the future of Catalina. Thanks to his efforts, the management team has a clear path to profitable growth and success.

Catalina Marketing was built on an entrepreneurial spirit that is still strong within the organization today. The company is dedicated and aggressive, and it is enthusiastic about its future. Catalina Marketing was built on 20 years of success, and the foundation has been established for another 20 years of even greater successes.

Sincerely,

Dick Buell





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