

# Management's Discussion and Analysis of Financial Condition and Results of Operations

**EQUIFAX**

As used herein, the terms "Equifax," "the Company," "we," "our" and "us" refer to Equifax Inc., a Georgia corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only Equifax Inc.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes. This discussion contains forward-looking statements. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we refer to several measures used by management to evaluate performance including free cash flow, other financial results adjusted for the impact of the Fair and Accurate Credit Transactions Act of 2003 ("FACT Act"), and one-time items, which are not prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Under Securities and Exchange Commission ("SEC") regulations, we are required to provide supplemental explanations and reconciliations for these "non-GAAP financial measures," which we have included in this report.

*All references to earnings per share data in this MD&A are to diluted earnings per share unless otherwise noted.*

## OVERVIEW

Our business plan is focused on providing a comprehensive information database, analytical resources to transform information into value-add insight for our customers and technology platforms that deliver highly customized decisioning tools that enable our customers to make decisions about their customers in "real time" at the point of interaction. Our products and services include consumer credit information, information database management, marketing information, commercial credit information, decisioning and analytical tools and identity verification services which enable businesses to make informed decisions about extending credit or service, managing portfolio risk and developing strategies for marketing to consumers and businesses. We also enable consumers to manage and protect their financial affairs through a portfolio of products that we sell directly and indirectly via the Internet and other marketing channels of distribution.

**Information.** We collect, organize and manage numerous types of credit, financial, public record, demographic and marketing information regarding individuals and businesses. This information originates from a variety of sources including financial or credit granting institutions, which provide loan and accounts receivable information; governmental entities, which provide public records of bankruptcies, liens and judgments; and consumers who participate in surveys and submit warranty registration cards from which we gather demographic and marketing information. Our proprietary databases contain information on more than 400 million consumers and businesses worldwide. The original data is compiled and processed utilizing our pro-

prietary software and systems and distributed to customers in a variety of user-friendly and value-add formats. During 2005, in order to continue to grow our credit data business, we acquired the credit files, contractual rights to territories (generally states or integration areas) and customer relationships of two independent credit reporting agencies in the U.S. and one in Canada that house consumer information on our system.

**Analytics and Insights.** We have developed analytical tools for customers to use in their consumer and commercial oriented decisioning activities. These decisioning activities include numerous types of consumer interactions including customer acquisition, relationship management (e.g., up-selling and cross-selling) and risk management.

**Enabling Technologies.** Our enabling technologies include products such as ePort, APPLY, Decision Power, ID Authentication, Accel CM, Accel DM and InterConnect. These platforms are generally distributed using the application service provider model to allow for ease of integration into customers' in-house technology systems and to leverage our extensive technological systems and communication networks. We anticipate that our acquisitions in (1) March 2005 of APPRO Systems, Inc. ("APPRO"), a leading provider of enabling technologies for consumer and commercial lending operations, and (2) August 2005 of BeNow, Inc. ("BeNow"), a provider of leading edge solutions to multi-channel marketers, will help drive future growth in this market.

We are organized and report our business results in three reportable segments: North America, Europe and Latin America. The North America segment consists of three operating segments: Information Services, Marketing Services and Personal Solutions. The Europe and Latin America reportable segments are made up of varying mixes of three product lines: Information Services, Marketing Services and Personal Solutions. *Information Services* revenue is principally transaction related and is derived from our sales of the following products, of which a significant majority are delivered electronically: credit reporting and scoring, mortgage reporting, identity verification, fraud detection and modeling services, and certain of our decisioning products that facilitate and automate a variety of credit oriented decisions. *Marketing Services* revenue is derived from sales of products that help customers acquire new customers, cross-sell to existing customers and manage portfolio risk. *Personal Solutions* revenue is transaction and subscription based, and is derived from sales of credit monitoring and identity theft protection products, which we deliver to consumers through mail delivery and electronically via the Internet. For additional information regarding our geographic business units and operating segments, including detailed financial results, see Note 13 of the Notes to Consolidated Financial Statements in as well as further discussion within MD&A.

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We operate in 13 countries: North America (the U.S., Canada and Costa Rica), Europe (the United Kingdom, Ireland, Spain and Portugal) and Latin America (Brazil, Argentina, Chile, El Salvador, Peru and Uruguay). We serve customers across a wide range of industries, including the financial services, retail, telecommunications, utilities, automotive, brokerage, healthcare and insurance industries, as well as state and federal governments. Our revenue stream is highly diversified with our largest customer only providing slightly more than 2% of total revenues. Our revenues are sensitive to a variety of factors, such as demand for, and price of, our services, technological competitiveness, our reputation for providing timely and reliable service, competition within our industry, federal, state and foreign regulatory requirements governing privacy and use of data and general economic conditions.

Management focuses on a variety of key indicators to monitor operating and financial performance. These performance indicators include measurements of operating revenue, operating revenue growth, operating income, operating margin, income from continuing operations, diluted earnings per share from continuing operations, capital expenditures and cash provided by operating activities. We monitor these indicators, and our corporate governance practices, to ensure that business vitality is maintained and effective control is exercised.

The key performance indicators for the twelve months ended December 31, 2005, 2004 and 2003 were as follows:

	Key Performance Indicators Twelve Months Ended December 31,		
<i>(Dollars in millions, except per share data)</i>	2005	2004	2003
Operating revenue	\$1,443.4	\$1,272.8	\$1,210.7
Operating revenue growth	13%	5%	11%
Operating income	\$ 422.0	\$ 375.8	\$ 314.2
Operating margin	29%	30%	26%
Income from continuing operations	\$ 246.5	\$ 237.3	\$ 180.7
Diluted earnings per share from continuing operations	\$ 1.86	\$ 1.78	\$ 1.32
Capital expenditures	\$ 46.2	\$ 47.5	\$ 52.7
Cash provided by operating activities	\$ 337.8	\$ 309.0	\$ 293.7

For additional key performance indicators related to non-GAAP financial measures and our operating segments, see further discussion within MD&A.

### Business Environment

Our financial condition and operating performance are driven primarily by the rate at which the U.S. economy grows, as measured by the gross domestic product, as well as levels of consumer spending and confidence regarding jobs and the health of the economy. Changes in overall economic conditions in the

U.S., and other countries in which we operate, generally impact the demand for our credit information, as well as other products and services. These effects are dynamic and complex. For example, in 2005, interest rate increases in the U.S. began to negatively impact our Mortgage business. However, despite this trend, we achieved 13% growth in our Mortgage revenue in 2005 as compared to 2004 due to the diversity of our customers and product offerings. Additionally, we generally experience growth in our Marketing Services business during periods of rising interest rates. Lenders typically spend more on their marketing efforts in order to retain or expand market share in consumer credit markets, which may mitigate the impact on us of rising interest rates and an economic downturn.

The credit information business is characterized by intense price and service competition among a limited number of providers, investment in proprietary credit information databases, changes in customer requirements, continued consolidation in the lending, credit card and telecommunications industries, emerging new market segments and technological innovation. Being competitive requires an emphasis on efficient processing to offset price compression, technological competence, protection of sensitive data, devotion of significant resources to marketing and applications development to differentiate our products and services from those of our competitors. Other significant factors include product cost, brand recognition, customer responsiveness, ability to successfully integrate acquisitions and regulatory compliance.

### Consolidated Outlook for 2006

Looking forward, we believe that the performance of our business units in 2005, discussed in detail within MD&A, positions our company well for 2006. In 2006, we expect continued U.S. economic expansion, although at a slightly lower growth rate than in 2005 and 2004.

During 2006, we expect:

- U.S. Consumer and Commercial Services to continue its solid performance. We serve a diverse group of industries and applications within those industries which should allow this business to continue to grow and deliver a solid financial performance. The value added services, including Predictive Sciences and enabling technologies, will continue to drive revenue growth.
- Marketing Services' performance will primarily be driven by financial institutions' activities in acquiring, managing and collecting their account portfolios. As the economy continues to expand, this business should continue to grow in 2006.
- Personal Solutions to continue to grow in 2006, aided by consumers' increased focus on identity theft and fiscal responsibility, which drives demand for our products and services.
- Latin America to continue its solid performance, although at a more moderate rate than 2005. Latin America's financial performance improved dramatically in 2005 due to increased

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volume and higher pricing. In addition, new value-add products and services contributed to revenue growth and improved competitive position in 2005.

- Europe to continue to experience challenges due to the economic environment in the U.K.

We also expect to see opportunities for growth through our ability to identify and enhance our customers' decisioning intelligence to more effectively interact with, and serve, their customers; broadening our Personal Solutions offerings to consumers; and ultimately moving our own businesses further up the value chain from data to analytics and decisioning technology – the main driver of growth and differentiation in our North America and Latin America business units.

## RESULTS OF OPERATIONS – TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

### Consolidated Financial Results

Income from continuing operations for the twelve months ended December 31, 2005 was \$246.5 million, compared to \$237.3 million for the twelve months ended December 31, 2004. Earnings per share from continuing operations increased to \$1.86 for the twelve months ended December 31, 2005 as compared to \$1.78 for the same period a year ago.

### Operating Revenue

Consolidated operating revenue for the twelve months ended December 31, 2005 increased \$170.6 million, or 13%, from \$1,272.8 million in 2004 to \$1,443.4 million in 2005. This increase is due to growth in all of our reporting segments, except Europe which was flat. Our regulatory recovery fee revenue related to the FACT Act contributed \$38.0 million for the twelve months ended December 31, 2005. Regulatory recovery fee revenue was not material during the twelve months ended December 31, 2004. See further discussion of segment financial results within MD&A.

### Operating Expenses and Operating Margin

Consolidated total operating expenses increased \$124.4 million, or 14%, for the twelve months ended December 31, 2005 as compared to the same period a year ago. Cost of services in 2005 increased \$62.7 million, or 12%, when compared to 2004, primarily due to revenue growth as well as higher benefits and incentive costs mainly associated with our annual incentive program. During 2005 and 2004, we also incurred significant compliance costs, including operating expenses and capital investment, to implement the FACT Act requirements.

Selling, general and administrative costs rose \$60.6 million, or 21%, in 2005 as compared to the same prior year period, mainly due to higher salary, incentive and benefit costs related

to our Chief Executive Officer ("CEO") transition as well as increased year-over-year expenses related to our annual incentive program based on our 2005 financial results. As part of the CEO transition, effective September 19, 2005, Richard F. Smith became our CEO, which, along with the retirement of our former CEO Thomas F. Chapman in 2005, contributed to the higher salary, incentive and benefit costs during the year. Additionally, higher year-over-year advertising costs also contributed to the increase in selling, general and administrative costs.

During the twelve months ended December 31, 2004, we recorded a \$2.4 million asset impairment charge, primarily for purchased data files and other assets.

Consolidated operating margin for the twelve months ended December 31, 2005 was 29% as compared to 30% for the same period in 2004.

### Other Income, Net

Consolidated other income, net decreased \$38.3 million for the twelve months ended December 31, 2005, as compared to the same period a year ago. The decrease is primarily driven by a \$36.8 million gain recorded in 2004 related to the sale of our investment in Intersections Inc. (for additional information regarding this sale, see Note 9 of the Notes to Consolidated Financial Statements), partially offset by a \$3.3 million gain recorded during the third quarter of 2005 related to an amendment to an agreement with RMA Holdings, LLC. For additional information about this gain, see Note 5 of the Notes to Consolidated Financial Statements.

### Effective Income Tax Rate

Our effective income tax rate from continuing operations was 36.9% for the twelve months ended December 31, 2005, down from 38.4% for the same period in 2004. The favorable reduction was primarily due to lower state income taxes and a reduction to the tax contingency reserve, partially offset by additional tax expense related to non-deductible executive compensation.

### Discontinued Operations

In 2002, we made the decision to exit our commercial services business in Spain, which was part of our European reportable segment. We disposed of this business in 2004. We have reclassified the 2004 and 2003 results of our commercial business in Spain to loss from discontinued operations. Additionally, in 2004, we sold our Italian business and have reclassified the 2004 and 2003 results of Italy to loss from discontinued operations. Accordingly, we recorded a \$2.6 million, net of tax, loss from discontinued operations for the twelve months ended December 31, 2004. For additional information about our discontinued operations, see Note 11 of the Notes to Consolidated Financial Statements.

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**EQUIFAX**

## Segment Financial Results

Our segment results for the twelve months ended December 31, 2005 and 2004 were as follows:

<i>(in millions)</i>	2005	% of Revenue	2004	% of Revenue	\$ Change	% Change
<b>Operating Revenue</b>						
North America						
Information Services	\$ 806.3	55%	\$ 707.1	56%	\$ 99.2	14%
Marketing Services	253.7	18%	236.1	19%	17.6	7%
Personal Solutions	114.7	8%	96.1	7%	18.6	19%
	<b>1,174.7</b>	<b>81%</b>	<b>1,039.3</b>	<b>82%</b>	<b>135.4</b>	<b>13%</b>
Europe	142.0	10%	142.0	11%	–	0%
Latin America	126.7	9%	91.5	7%	35.2	38%
	<b>\$1,443.4</b>	<b>100%</b>	<b>\$1,272.8</b>	<b>100%</b>	<b>\$170.6</b>	<b>13%</b>

<i>(in millions)</i>	2005	Profit Margin	2004	Profit Margin	\$ Change	% Change
<b>Operating Income (Loss)</b>						
North America						
Information Services	\$ 345.5	43%	\$ 299.5	42%	\$ 46.0	15%
Marketing Services	85.2	34%	74.4	32%	10.8	15%
Marketing Services asset impairment & related charges	–	0%	(2.4)	(1)%	2.4	nm
Marketing Services, net	85.2	34%	72.0	31%	13.2	18%
Personal Solutions	13.5	12%	17.6	18%	(4.1)	(23)%
	<b>444.2</b>	<b>38%</b>	<b>389.1</b>	<b>37%</b>	<b>55.1</b>	<b>14%</b>
Europe	33.4	24%	30.0	21%	3.4	11%
Latin America	33.3	26%	17.0	19%	16.3	96%
General Corporate Expense	(88.9)	nm	(60.3)	nm	(28.6)	(47)%
	<b>\$ 422.0</b>	<b>29%</b>	<b>\$ 375.8</b>	<b>30%</b>	<b>\$ 46.2</b>	<b>12%</b>

nm – not meaningful

Our North America revenue for the twelve months ended December 31, 2005 and 2004 was as follows:

<i>(in millions)</i>	2005	% of Revenue	2004	% of Revenue	\$ Change	% Change
<b>North America Revenue</b>						
U.S. Consumer and						
Commercial Services	\$ 610.4	52%	\$ 532.6	51%	\$ 77.8	15%
Mortgage Services	85.1	7%	75.5	7%	9.6	13%
Canadian Operations	110.8	9%	99.0	10%	11.8	12%
Total North America						
Information Services	806.3	68%	707.1	68%	99.2	14%
Credit Marketing Services	150.7	13%	139.5	14%	11.2	8%
Direct Marketing Services	103.0	9%	96.6	9%	6.4	7%
Total Marketing Services	253.7	22%	236.1	23%	17.6	7%
Personal Solutions	114.7	10%	96.1	9%	18.6	19%
	<b>\$1,174.7</b>	<b>100%</b>	<b>\$1,039.3</b>	<b>100%</b>	<b>\$135.4</b>	<b>13%</b>

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**EQUIFAX**

Our North America revenue excluding the impact of the FACT Act (non-GAAP) for the twelve months ended December 31, 2005 and 2004 was as follows:

<i>(in millions)</i>	2005	% of Revenue	2004	% of Revenue	\$ Change	% Change
<b>North America Revenue</b>						
U.S. Consumer and Commercial Services	\$ 575.3	51%	\$ 532.6	51%	\$42.7	8%
Mortgage Services	82.2	7%	75.5	7%	6.7	9%
Canadian Operations	110.8	10%	99.0	10%	11.8	12%
Total North America Information Services	768.3	68%	707.1	68%	61.2	9%
Credit Marketing Services	150.7	13%	139.5	14%	11.2	8%
Direct Marketing Services	103.0	9%	96.6	9%	6.4	7%
Total Marketing Services	253.7	22%	236.1	23%	17.6	7%
Personal Solutions	114.7	10%	96.1	9%	18.6	19%
	<b>\$1,136.7</b>	<b>100%</b>	<b>\$1,039.3</b>	<b>100%</b>	<b>\$97.4</b>	<b>9%</b>

## North America Information Services

For the twelve months ended December 31, 2005, total revenue for Information Services increased \$99.2 million, or 14%, to \$806.3 million in 2005 compared to \$707.1 million in 2004, as discussed further below. Operating income was \$345.5 million for Information Services, an increase of \$46.0 million, or 15%, over the same period a year ago. The increase in operating income is primarily the result of higher sales volume in all businesses and positive margins related to the FACT Act in 2005. While our total FACT Act-related costs have been greater than the related revenue since January 1, 2004, certain costs related to establishing systems to comply with the FACT Act were capitalized and are being depreciated over their respective useful lives.

U.S. Consumer and Commercial Services revenue for the twelve months ended December 31, 2005 increased \$77.8 million, or 15%, from \$532.6 million in 2004 to \$610.4 million in 2005. This increase is primarily due to higher sales to our specialty and financial services customers, regulatory recovery fee revenue of \$35.1 million related to the FACT Act for the year ended December 31, 2005, acquisitions that occurred during 2005 (mainly APPRO) and increased revenue from products sold in our commercial services unit. In our U.S. Consumer Information business, on-line transaction volume was approximately 610 million, up 8% year-over-year.

Mortgage Services revenue for the twelve months ended December 31, 2005 increased 13%, from \$75.5 million in 2004 to \$85.1 million. This increase is primarily due to new customers, increased market share, an affiliate acquisition as well as regulatory recovery fee revenue of \$2.9 million related to the FACT Act in 2005. These increases were partially offset by less favorable mortgage marketing conditions.

Canadian operating revenue increased 12%, from \$99.0 million in 2004 to \$110.8 million in 2005, primarily due to favorable

currency impact and increased sales volume. Local currency fluctuation against the U.S. dollar favorably impacted our Canadian revenue by \$7.6 million, or 8%.

## Marketing Services

Credit Marketing Services revenue for the twelve months ended December 31, 2005 increased \$11.2 million, or 8%, compared to the same period in 2004. The rise in revenue is primarily due to increased volume from mainly financial institutions for certain of our products that target new customers as well as higher revenue from other existing and new customers. Direct Marketing Services revenue increased \$6.4 million, or 7%, as compared to the same period in 2004. This increase is primarily due to higher volume from existing customers and revenue from new customers and products, as well as the acquisition of BeNow in 2005. Operating income for the twelve months ended December 31, 2005 was \$85.2 million for Marketing Services, an increase of \$13.2 million, or 18%, resulting primarily from increased revenue, reduced production related expenses for our traditional mail products and a \$2.4 million asset impairment charge taken during 2004. For additional information about this charge, see Note 10 of the Notes to Consolidated Financial Statements.

## Personal Solutions

Personal Solutions revenue for the twelve months ended December 31, 2005 increased \$18.6 million, or 19%, compared to the same period in 2004 primarily due to increased volume and new products, including Credit Watch™, Score Watch™ and 3-in-1 Credit Report Monitoring. In 2005, operating income was \$13.5 million for Personal Solutions, a decrease of \$4.1 million, or 23%, primarily due to an increase in advertising and other promotional campaigns.

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## Europe

Europe revenue was flat at \$142.0 million for the twelve months ended December 31, 2005 and 2004, primarily due to a decline in credit applications and marketing mailings in the U.K., offset by an increase in our Personal Solutions business, new product sales and increases in our account management scores. Local currency fluctuation against the U.S. dollar unfavorably impacted our Europe revenue by \$1.0 million, or 1%. Operating income for the twelve months ended December 31, 2005 increased \$3.4 million, or 11%, when compared to the same period a year ago. The improvement in operating income was driven by expense reductions. However, softness in the U.K. economy during 2005 continued to impact the overall performance of our European operations. Europe's operating margin was 24% for the year ended December 31, 2005, versus 21% for the same period in 2004.

In June 2004, after incurring losses in each of the last four years, we determined that certain long-lived assets in the Italian business were impaired and recorded an impairment charge of \$5.3 million. In 2004, we sold our Italian business and commercial services business in Spain. We have reclassified the 2004 and 2003 results from these businesses to loss from discontinued operations. For additional information about our discontinued operations, see Note 11 of the Notes to Consolidated Financial Statements.

## Latin America

Our Latin America segment revenue increased 38% to \$126.7 million for the twelve months ended December 31, 2005. Local currency fluctuation against the U.S. dollar favorably impacted our Latin America revenue by \$15.1 million and Latin America operating income by \$3.4 million. Six countries in Latin America experienced double digit revenue growth due to increased volume resulting from strengthening local economies and higher pricing associated with better contract execution.

Operating income increased to \$33.3 million for the twelve months ended December 31, 2005, compared to \$17.0 million for the same period in 2004. This increase was primarily the result of higher sales volumes and increased pricing, as well as favorable currency impact. Latin America operating margin was 26% for the twelve months ended December 31, 2005, versus 19% for the same period in 2004.

## General Corporate Expense

Our "general corporate expenses" are expenses that are incurred at the corporate level and have no clear relationship in their support of our business units, and ultimately the reportable segments. These expenses include shared services and administrative and legal expenses. General corporate expense was \$88.9 million for the twelve months ended December 31, 2005, compared to \$60.3 million for the same period in 2004. This increase was primarily driven by higher salary, incentive and benefit costs

related to our CEO transition (see discussion earlier within MD&A) as well as increased year-over-year expenses related to our annual incentive program based on our financial results.

## RESULTS OF OPERATIONS – YEARS ENDED

### DECEMBER 31, 2004 AND 2003

#### Consolidated Financial Results

Income from continuing operations for the twelve months ended December 31, 2004 was \$237.3 million, compared to \$180.7 million for the twelve months ended December 31, 2003. Earnings per share from continuing operations increased to \$1.78 for the twelve months ended December 31, 2004 as compared to \$1.32 for the same period in 2003.

#### Operating Revenue

Consolidated operating revenue for the twelve months ended December 31, 2004 increased 5%, from \$1,210.7 million in 2003 to \$1,272.8 million in 2004. This increase was primarily due to growth in North America Information Services, Personal Solutions, Europe and Latin America, partially offset by a decrease in Marketing Services revenue. See further discussion of segment financial results within MD&A.

#### Operating Expenses and Operating Margin

Consolidated total operating expenses were relatively flat for the twelve months ended December 31, 2004 as compared to the same period in 2003. Cost of services in 2004 increased \$31.8 million, or 6%, when compared to 2003, primarily due to revenue growth as well as higher benefits and incentive costs. During 2004, we also incurred significant compliance costs, including operating expenses and capital investment to implement the FACT Act requirements.

Selling, general and administrative costs rose \$8.6 million, or 3%, in 2004 as compared to the same period in 2003 mainly due to higher benefit costs and increased professional fees. The increase in professional fees was associated with expenses we incurred to comply with our 2004 review of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, which were in excess of \$5.0 million, and expenses associated with services provided by our independent registered public accounting firm. These fees totaled \$3.7 million in 2004, an increase of 162% compared to 2003. Depreciation and amortization expense declined \$11.7 million, or 13%, in 2004 as compared to the same period in 2003, primarily due to the write-off of certain amortizable intangible assets related to our eMarketing business in 2003.

During the twelve months ended December 31, 2004, we recorded a \$2.4 million asset impairment charge related to Marketing Services, primarily for purchased data. For the twelve months ended December 31, 2003, we recorded \$30.6 million of restructuring and impairment charges primarily related to our eMarketing business. For additional information about these charges, see Note 10 of the Notes to Consolidated Financial Statements.

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Consolidated operating margin for the twelve months ended December 31, 2004 was 30%, up from 26% for the same period in 2003. The increase in margin is primarily due to higher operating revenue and relatively flat total operating expenses.

## Other Income, Net

Consolidated other income, net increased \$33.5 million for the twelve months ended December 31, 2004, as compared to the same period a year ago. The increase is primarily driven by a \$36.8 million gain recorded in 2004 related to the sale of our investment in Intersections Inc. For additional information regarding this sale, see Note 9 of the Notes to Consolidated Financial Statements.

## Effective Income Tax Rate

Our effective income tax rate from continuing operations was 38.4% for the twelve months ended December 31, 2004, up from 36.7% for the same period in 2003. The increase was

primarily due to limitations on our ability to utilize foreign tax credits and higher state income taxes due to a reduction in the availability of state tax net operating losses for use in 2004.

## Discontinued Operations

In 2002, we made the decision to exit our commercial services business in Spain, which was part of our European reportable segment. We disposed of this business in 2004. We have reclassified the 2004 and 2003 results of our commercial business in Spain to loss from discontinued operations. Additionally, in 2004, we sold our Italian business and have reclassified the 2004 and 2003 results of Italy to loss from discontinued operations. Accordingly, we recorded a \$2.6 million, net of tax, and a \$15.8 million, net of tax, loss from discontinued operations for the twelve months ended December 31, 2004 and 2003, respectively. For additional information about our discontinued operations, see Note 11 of the Notes to Consolidated Financial Statements.

## Segment Financial Results

Our segment results for the twelve months ended December 31, 2004 and 2003 were as follows:

<i>(in millions)</i>	2004	% of Revenue	2003	% of Revenue	\$ Change	% Change
<b>Operating Revenue</b>						
North America						
Information Services	\$ 707.1	56%	\$ 679.8	56%	\$ 27.3	4%
Marketing Services	236.1	19%	265.7	22%	(29.6)	(11)%
Personal Solutions	96.1	7%	69.5	6%	26.6	38%
	<b>1,039.3</b>	<b>82%</b>	<b>1,015.0</b>	<b>84%</b>	<b>24.3</b>	<b>2%</b>
Europe	142.0	11%	115.8	10%	26.2	23%
Latin America	91.5	7%	79.9	6%	11.6	14%
	<b>\$1,272.8</b>	<b>100%</b>	<b>\$1,210.7</b>	<b>100%</b>	<b>\$ 62.1</b>	<b>5%</b>

<i>(in millions)</i>	2004	Profit Margin	2003	Profit Margin	\$ Change	% Change
<b>Operating Income (Loss)</b>						
North America						
Information Services	\$ 299.5	42%	\$ 296.9	44%	\$ 2.6	1%
Marketing Services	74.4	32%	48.8	18%	25.6	52%
Marketing Services asset impairment & related charges	(2.4)	(1)%	(30.6)	(12)%	28.2	nm
Marketing Services, net	72.0	31%	18.2	6%	53.8	nm
Personal Solutions	17.6	18%	9.2	13%	8.4	91%
	<b>389.1</b>	<b>37%</b>	<b>324.3</b>	<b>32%</b>	<b>64.8</b>	<b>20%</b>
Europe	30.0	21%	22.9	20%	7.1	31%
Latin America	17.0	19%	20.0	25%	(3.0)	(15)%
General Corporate Expense	(60.3)	nm	(53.0)	nm	(7.3)	(14)%
	<b>\$ 375.8</b>	<b>30%</b>	<b>\$ 314.2</b>	<b>26%</b>	<b>\$ 61.6</b>	<b>20%</b>

nm – not meaningful

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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Our North America revenue for the twelve months ended December 31, 2004 and 2003 was as follows:

<i>(in millions)</i>	2004	% of Revenue	2003	% of Revenue	\$ Change	% Change
<b>North America Revenue</b>						
U.S. Consumer and Commercial Services	\$ 532.6	51%	\$ 517.3	51%	\$ 15.3	3%
Mortgage Services	75.5	7%	71.6	7%	3.9	5%
Canadian Operations	99.0	10%	90.9	9%	8.1	9%
Total North America Information Services	707.1	68%	679.8	67%	27.3	4%
Credit Marketing Services	139.5	14%	149.8	15%	(10.3)	(7)%
Direct Marketing Services	96.6	9%	115.9	11%	(19.3)	(17)%
Total Marketing Services	236.1	23%	265.7	26%	(29.6)	(11)%
Personal Solutions	96.1	9%	69.5	7%	26.6	38%
	<b>\$1,039.3</b>	<b>100%</b>	<b>\$1,015.0</b>	<b>100%</b>	<b>\$ 24.3</b>	<b>2%</b>

## North America Information Services

For the twelve months ended December 31, 2004, total revenue for Information Services increased \$27.3 million, or 4%, to \$707.1 million in 2004 compared to \$679.8 million in 2003, as discussed further below. For the twelve months ended December 31, 2004, operating income was \$299.5 million for Information Services, an increase of \$2.6 million, or 1%, over the same period a year ago. The increase in operating income is primarily due to increased revenue partially offset by increased costs associated with higher volume in our financial services, utilities and telecommunications lines of business.

U.S. Consumer and Commercial Services revenues for the twelve months ended December 31, 2004 increased 3%, from \$517.3 million in 2003 to \$532.6 million in 2004. This increase is primarily due to higher sales for our commercial services products and to our customers in the financial services, utilities and telecommunications industries, which was partially offset by decreased sales of mortgage-related products. In our U.S. Consumer Information business, on-line transaction volume was approximately 565 million, up 20% year-over-year.

Mortgage Services revenue for the twelve months ended December 31, 2004 increased 5%, from \$71.6 million in 2003 to \$75.5 million in 2004, counter to the prevailing trends in the mortgage marketplace primarily due to our ability to attract new customers and increase our market share.

Canadian operations increased \$8.1 million, or 9%, when compared to 2003 due to favorable currency impact. Local currency fluctuation against the U.S. dollar favorably impacted our Canadian revenue by \$6.9 million, or 8%.

## Marketing Services

Credit Marketing Services revenues for the twelve months ended December 31, 2004 decreased \$10.3 million, or 7%, compared to 2003. The year-over-year decline is primarily due to net volume decreases. Direct Marketing Services revenues decreased by \$19.3 million, or 17%, primarily due to reduced eMarketing revenue from volume decreases, partially offset by increases in our traditional mail products in 2004 as compared to 2003. Marketing Services operating income for 2004 was \$74.4 million, an increase of \$25.6 million, or 52%, (excluding asset impairment and restructuring charges) resulting from the elimination of eMarketing operating losses as a result of our December 2003 eMarketing restructuring. In 2004, we determined that continued difficulties with our eMarketing operations indicated that certain remaining assets may not be recoverable and we recorded an asset impairment charge of \$2.4 million. For additional information about this charge, see Note 10 of the Notes to Consolidated Financial Statements.

## Personal Solutions

Personal Solutions revenues for the year ended December 31, 2004 increased \$26.6 million, or 38%, compared to 2003 due to increased volume. In 2004, operating income was \$17.6 million for Personal Solutions, an increase of \$8.4 million, or 91%, primarily due to profit contribution from incremental revenue.

## Europe

Europe revenues increased from \$115.8 million in 2003 to \$142.0 million in 2004, including favorable currency impact of \$14.9 million, or 13%. Operating income for 2004 increased \$7.1 million, or 31%, when compared to 2003. The improvement in operating income was driven by increased volume, expense reductions, operating efficiencies and the impact of foreign currency. Positive performance in our consumer line resulted in improved profit in the U.K.

In June 2004, after incurring losses in each of the last four years, we determined that certain long-lived assets in the Italian business were impaired and recorded an impairment charge of \$5.3 million. In 2004, we sold our Italian business and commercial services business in Spain. We have reclassified the 2004 and 2003 results to loss from discontinued operations. For additional information about our discontinued operations, see Note 11 of the Notes to Consolidated Financial Statements.

## Latin America

Our Latin America segment revenue increased 14% to \$91.5 million for the twelve months ended December 31, 2004. Local currency fluctuation against the U.S. dollar favorably impacted our Latin America revenue by \$4.4 million, or 6%.

Operating income decreased to \$17.0 million for the twelve months ended December 31, 2004, compared to \$20.0 million for the same period in 2003. This decrease was primarily the result of slower revenue growth and increased data-related costs in our Brazilian operations. Latin America operating margin was 19% for the year ended December 31, 2004, versus 25% for the same period in 2003.

## General Corporate Expense

Our "general corporate expenses" are expenses that are incurred at the corporate level and have no clear relationship in their support of our business units, and ultimately the reportable segments. These expenses include shared services and administrative and legal expenses. General corporate expense was \$60.3 million for the year ended December 31, 2004, compared to \$53.0 million for the same period in 2003. This increase was primarily driven by higher benefit costs and professional fees. Our total expenses incurred to comply with our 2004 review of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002 were in excess of \$5.0 million. A substantial portion of our increased professional fees related to expenses associated with services provided by our independent registered public accounting firm. These fees totaled \$3.7 million in 2004, an increase of 162% compared to 2003.

## LIQUIDITY AND FINANCIAL CONDITION

Our principal sources of liquidity are cash flow provided by our operating activities, our revolving credit and asset securitization facilities and cash and cash equivalents on hand. Our ability to generate cash from operations is one of our fundamental financial strengths. We use and intend to continue using cash flows from operations, along with borrowings, to fund our capital expenditures and growth initiatives, make acquisitions, retire outstanding indebtedness, pay dividends and purchase outstanding shares of our common stock.

We believe that anticipated cash flows provided by our operating activities, together with current cash and cash equivalent balances and access to committed and uncommitted credit facilities and the capital market, if required, will be sufficient to meet our projected cash requirements for the next twelve months, and the foreseeable future thereafter, although any projections of future cash needs and cash flows are subject to substantial uncertainty. At December 31, 2005, we had a principal amount of \$249.8 million, net of discount, of our 4.95% senior unsecured notes due November 1, 2007. We currently anticipate that these notes will be retired upon maturity in 2007 through a combination of borrowings under our \$500.0 million senior unsecured revolving credit agreement and excess corporate cash and cash equivalents available at that time. Alternatively, we could refinance these notes, if we choose to do so.

We continue to evaluate our ability to sell additional equity or debt securities, obtain credit facilities from lenders and restructure our long-term debt for strategic reasons or to further strengthen our financial position. The sale of additional equity or convertible debt securities could result in additional dilution to our shareholders. In addition, we will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services and technologies, and the retirement of debt, which might affect our liquidity requirements or cause us to issue additional equity or debt securities. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all.

Our cash and cash equivalents were \$37.5 million and \$52.1 million at December 31, 2005 and 2004, respectively.

## Operating Activities

For the twelve months ended December 31, 2005, we generated \$337.8 million of net cash flow from operating activities compared to \$309.0 million for the year ended December 31, 2004, a 9% increase. For the twelve months ended December 31, 2005, we generated \$291.6 million of free cash flow (a non-GAAP financial measure) compared to \$261.5 million for the twelve months ended December 31, 2004, a 12% increase. The major source of cash provided by operating activities for 2005 was net income of \$246.5 million, net of \$82.2 million of depreciation and amortization.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

**EQUIFAX**

Our net cash flow from operating activities for the twelve months ended December 31, 2004 was \$309.0 million compared to \$293.7 million for the same period in 2003, a 5% increase. The major source of cash provided by operating activities for 2004 was net income of \$234.7 million, net of \$78.7 million of depreciation and amortization offset by our gain on the sale of our investment in Intersections Inc. of \$36.8 million.

### Investing Activities

Net cash used in investing activities totaled \$157.9 million for the twelve months ended December 31, 2005, primarily for acquisitions and capital expenditures. During the twelve months ended December 31, 2004, we used net cash for investing activities of \$6.5 million, primarily for capital expenditures and acquisitions, substantially offset by proceeds from the sale of Intersections Inc. In March 2005, we acquired APPRO to broaden and further strengthen our enabling technologies capabilities in our North America Information Services business. In August 2005, we acquired BeNow to grow our Marketing Services business. We paid a total of \$109.0 million in cash to acquire APPRO and BeNow. The net cash impact to us of these acquisitions was \$91.6 million, after disposition of certain investments related to APPRO and net of cash acquired. We financed the purchase price of the acquisitions through available cash and short-term borrowings, including \$72.0 million in borrowings under our trade receivables-backed revolving credit facility. We acquired APPRO and BeNow as well as two affiliates in the U.S. and one affiliate in Canada for a total of \$121.8 million in cash, net of cash acquired, and 0.4 million shares of our common stock, which were issued from treasury stock. This issuance of common stock was a non-cash transaction in conjunction with the purchase of certain credit files and other assets of one of these U.S. affiliates. During 2004, we acquired the credit files, contractual rights to territories, customer relationships and related businesses of two credit reporting agencies in the U.S. and one in Canada, for \$17.4 million in cash. For additional information about our acquisitions, see Note 2 of the Notes to Consolidated Financial Statements.

Capital expenditures, which include additions to property and equipment and other assets, net, used cash of \$46.2 million and \$47.5 million for 2005 and 2004, respectively. Our capital expenditures are used for developing, enhancing and deploying new and existing technology platforms, replacing or adding equipment, updating systems for regulatory compliance, licensing software applications and investing in disaster recovery systems. In 2005 and 2004, FACT Act-related capital expenditures totaled \$2.8 million and \$9.2 million, respectively. In 2006, we expect total capital expenditures to be approximately \$60 million to \$65 million.

In 2004, net cash used in investing activities totaled \$6.5 million, a decrease from \$98.8 million in 2003. The decrease was primarily due to net proceeds of \$59.4 million from the sale of our investment in Intersections, Inc. in 2004 and a year-over-year decrease in cash used for acquisitions. Our acquisitions, net of cash acquired, accounted for \$17.4 million and \$40.7 million of total cash invested in 2004 and 2003, respectively. During 2003, we acquired consumer credit files, contractual rights to territories and customer relationships and related businesses from four affiliates in the U.S. and one in Canada and an email marketing business for \$41.0 million in cash and \$1.9 million in liabilities. Capital expenditures, exclusive of acquisitions, totaled \$47.5 million and \$52.7 million in 2004 and 2003, respectively, which principally represented development associated with key technology platforms in our businesses.

### Financing Activities

Net cash used in financing activities for the twelve months ended December 31, 2005 totaled \$193.5 million, compared with net cash used in financing activities of \$289.0 million and \$195.3 million during the same period in 2004 and 2003, respectively. Net borrowings on short-term debt were \$92.3 million for the twelve months ended December 31, 2005, primarily due to borrowings under our trade receivables-backed revolving credit facility to fund the APPRO acquisition and pay down debt maturities. Net borrowings under our long-term revolving credit facilities for 2005 were \$65.0 million. On July 1, 2005, we redeemed \$250.0 million principal amount of our 6.3% senior unsecured Notes by utilizing borrowings of \$165.0 million under our U.S. senior unsecured revolving credit agreement and \$85.0 million under our trade receivables-backed revolving credit facility. A portion of the borrowings under our U.S. senior unsecured revolving credit agreement was subsequently repaid. Net payments on short-term debt were \$22.5 million for the twelve months ended December 31, 2004, while net payments on our long-term revolving credit facilities were \$138.0 million for the same period.

Additionally, we used \$144.0 million during the twelve months ended December 31, 2005 for the purchase of 4.2 million shares of our common stock at an average price of \$34.45. During 2004, we used \$138.0 million for the purchase of 5.4 million shares of our common stock at an average price of \$25.57. At December 31, 2005, our remaining authorized amount for share repurchases was approximately \$95 million. On February 24, 2006, the Board of Directors authorized approximately \$250 million for additional share repurchases under this program. We expect to continue to purchase our common stock, if conditions warrant.

We paid cash dividends of \$20.2 million and \$15.0 million during the twelve months ended December 31, 2005 and 2004, respectively. In March 2004, we increased our quarterly dividend per share from \$0.02 per share to \$0.03 per share. Additionally, we increased our quarterly dividend per share from \$0.03 per share to \$0.04 per share in March 2005. While we have historically paid dividends to common shareholders, the declaration and payment of future dividends will depend on many factors, including our earnings, financial condition, business development needs, and regulatory considerations and is at the discretion of our Board of Directors. We received cash of \$62.8 million and \$28.1 million during the twelve months ended December 31, 2005 and 2004, respectively, from the exercise of stock options.

In 2003, net payments on short-term debt were \$16.0 million. Payments on our long-term debt were \$202.6 million during 2003, which primarily represents the retirement of the \$200.0 million aggregate principal amount of our outstanding 6.5% senior notes that matured in June 2003. Net borrowings under our long-term revolving credit facilities in 2003 were \$113.0 million. In addition, we used \$94.9 million during 2003 for the purchase of 4.1 million shares of our common stock at an average price of \$22.75. Our dividend policy remained consistent; we paid cash dividends of \$11.3 million in 2003. We received cash of \$19.5 million during 2003 for the exercise of stock options.

### Revolving Credit Facilities

In August 2004, we entered into a five-year, \$500.0 million senior unsecured revolving credit agreement. This facility provides for a variable interest rate tied to a Base Rate, London InterBank Offered Rate ("LIBOR") plus a specified margin or competitive bid options. We also pay an annual facility fee on the total amount of the facility, regardless of borrowings. Under our senior credit agreement, we must comply with various financial and non-financial covenants. Our borrowings under this facility, which have not been guaranteed by any of our subsidiaries, are unsecured and will rank on parity in right of payment with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. As of December 31, 2005, \$435.0 million was available as there were outstanding borrowings of \$65.0 million under this facility.

In September 2004, we entered into a trade receivables-backed revolving credit facility. Under the terms of the transaction, a wholly-owned subsidiary of Equifax may borrow up to \$125.0 million, subject to borrowing base availability and other terms and conditions. We generally use the net proceeds received from the sale of our trade receivables to our subsidiary for general corporate purposes and acquisitions. The credit facility has an expiration date of September 5, 2006, as amended, but may be extended for an additional period of up to two years if specified conditions are satisfied. Borrowings bear interest at commercial paper rates, LIBOR or Base Rate plus a specified margin. We pay a commitment fee based on an annual rate of 17.5 basis points on any unused portion of the facility. Outstanding debt under the facility is consolidated on our balance sheet for financial reporting purposes. Based on the calculation of the borrowing base applicable at December 31, 2005, \$0.4 million was available for borrowing and \$88.0 million was outstanding under this facility.

In November 2004, we entered into a C\$25.0 million revolving credit facility denominated in Canadian dollars that replaced a C\$100.0 million facility that expired in September 2004. The C\$25.0 million facility, as amended, expires in September 2006. We pay a commitment fee based on an annual rate of 10.0 basis points on any unused portion of the facility. There were no borrowings outstanding under this facility at December 31, 2005.

Interest rates on our variable rate debt ranged from 4.7% to 4.9% at December 31, 2005. These interest rates reset periodically, depending the terms of the financing agreements. Additionally, at December 31, 2005, we were in compliance with all of our debt covenants. For additional information about our revolving credit facilities, including our financial and non-financial covenants, see Note 4 of the Notes to Consolidated Financial Statements.

At February 1, 2006, our senior unsecured long-term fixed debt ratings were A- by Standard & Poor's and Baa1 by Moody's.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

**EQUIFAX**

## Contractual Obligations and Commercial Commitments

The following table summarizes our significant contractual obligations and commitments as of December 31, 2005. The table excludes commitments that are contingent based on events or factors uncertain at this time. Some of the excluded commitments are discussed below the footnotes to the table.

(in millions)	Payments due by				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Debt <sup>(1)</sup>	\$557.4	\$92.3	\$250.1	\$65.0	\$150.0
Operating leases <sup>(2)</sup>	98.8	16.3	24.4	14.9	43.2
Data processing, outsourcing agreements and other purchase obligations <sup>(3)</sup>	357.8	74.1	100.1	82.9	100.7
Other long-term liabilities <sup>(4)</sup>	84.1	10.9	13.9	12.8	46.5
Interest payments <sup>(5)</sup>	271.8	29.2	38.5	23.0	181.1
	\$1,369.9	\$222.8	\$427.0	\$198.6	\$521.5

(1) The amounts are gross of unamortized discounts totaling \$1.3 million at December 31, 2005. Total debt on our Consolidated Balance Sheets is net of the unamortized discounts. For additional information about our debt, see Note 4 of the Notes to Consolidated Financial Statements.

(2) Our operating lease obligations principally involve office space and equipment, which includes the lease of our technology center that expires in 2012, the lease associated with our headquarters building that expires in 2010 and the ground lease related to our headquarters building that expires in 2048. For additional information about our operating leases, see Note 5 of the Notes to the Consolidated Financial Statements.

(3) These agreements primarily represent our minimum contractual obligations for services that we outsource associated with our computer data processing operations and related functions, and certain administrative functions. These agreements expire between 2006 and 2013. For additional information about these agreements, see Note 5 of the Notes to Consolidated Financial Statements.

(4) These long-term liabilities primarily relate to obligations associated with certain of our pension, postretirement and other compensation related plans. We made certain assumptions about the timing of such future payments.

(5) For future interest payments on related variable rate debt, which is generally based on LIBOR plus a specified margin, we used the variable rate in effect at December 31, 2005 to calculate these payments. The variable portion of the rate at December 31, 2005 (excluding the margin and facility fees) was between 4.3% and 4.4%. Future interest payments related to our \$500.0 million revolving credit facility and trade receivables-backed revolving credit facility are based on the outstanding borrowings at December 31, 2005 through their respective maturity dates, assuming such borrowings are outstanding until that time. Future interest payments may be different depending on the borrowing activity going forward under these revolving credit facilities.

A potential extraordinary use of cash would be the option that Computer Sciences Corporation ("CSC") can exercise to sell its credit reporting business to us at any time prior to 2013. The option exercise price will be determined by an appraisal process and would be due in cash within 180 days after the exercise of the option. We estimate that if CSC were to exercise the option today, the option price would be approximately \$650 million to \$700 million. This estimate is based solely on our internal analysis of the value of the business, current market conditions and other factors, all of which are subject to constant change. If CSC were to exercise its option, we would have to obtain additional sources of funding. We believe that this funding would be available from sources such as additional bank credit and the issuance of public debt or equity financings. However, the availability and terms of any such financing would be subject to a number of factors, including credit market conditions, the condition of the equity markets, general economic conditions and our financial performance and condition. Because we do not control the timing of CSC's exercise of its option, we could be required to seek such financing and increase our indebtedness at a time when market or other conditions are unfavorable. Additionally, the agreement provides us with an option to purchase CSC's credit reporting business if CSC does not elect to

renew the agreement or if there is a change in control of CSC while the agreement is in effect.

In the table above, we have not included amounts related to future pension contributions and payments for our other benefit plans, as such required funding amounts have not been determined. For additional information about our pension and other benefit plans, see Note 8 of the Notes to Consolidated Financial Statements.

## Off-Balance Sheet Transactions

Other than facility leasing arrangements, we do not engage in off-balance sheet financing activities. In 1998, we entered into a synthetic lease on our Atlanta corporate headquarters building in order to obtain favorable financing terms with regard to this facility. This \$29.0 million lease expires in 2010. Lease payments for the remaining term total \$7.9 million. Under this synthetic lease arrangement, we have guaranteed the residual value of the leased property to the lessor. In the event that the property were to be sold by the lessor at the end of the lease term, we would be responsible for any shortfall of the sales proceeds, up to a maximum amount of \$23.2 million, which equals 80% of the value of the property at the beginning of the lease term. Based on an appraisal of the property at December 31, 2004,

## Management's Discussion and Analysis of Financial Condition and Results of Operations

**EQUIFAX**

we determined that its fair value is \$25.0 million. The \$4.0 million shortfall against the residual value guarantee is being recognized as an expense ratably over the remaining lease term. There was not a material change in the fair value of the property during 2005.

### Letters of Credit and Guarantees

We will from time to time issue standby letters of credit, performance bonds or other guarantees in the normal course of business. The aggregate notional amount of all performance bonds and standby letters of credit is less than \$3.4 million at December 31, 2005, and all have a maturity of one year or less. Guarantees are issued from time to time to support the needs of operating units. In connection with the sale of our risk management collections business to RMA Holdings, LLC ("RMA") in October 2000, we guaranteed the operating lease payments of a partnership affiliated with RMA to a lender of the partnership pursuant to a term loan. The operating lease, which expires December 31, 2011, has a remaining balance of \$7.9 million based on the undiscounted value of remaining lease payments, including real estate taxes, at December 31, 2005.

On September 12, 2005, RMA sold substantially all of its assets to NCO Group, Inc. ("NCO"), after obtaining approval from the U.S. Bankruptcy Court for the Northern District of Ohio, Eastern Division. In conjunction with this sale, NCO agreed to assume the operating lease obligations discussed above, which we will continue to guarantee. We believe that the likelihood of demand for payment by us is minimal and expect no material losses to occur related to this guarantee. Accordingly, we do not have a liability on our Consolidated Balance Sheets at December 31, 2005 or 2004 related to this guarantee. For additional information regarding this transaction, including the remaining amount of deferred revenue, see Notes 1 and 5 of the Notes to the Consolidated Financial Statements.

### Other Contingencies

There are other matters which we are involved in, such as legal proceedings, claims and litigation, for which the final outcome and impact to our Consolidated Financial Statements is uncertain at December 31, 2005. For additional information about these matters, see Note 5 of the Notes to Consolidated Financial Statements.

### Subsidiary Dividend and Fund Transfer Limitations

The ability of certain of our subsidiaries and associated companies to transfer funds to us is limited, in some cases, by certain restrictions imposed by foreign governments, which do not, individually or in the aggregate, materially limit our ability to service our indebtedness, meet our current obligations or pay dividends.

### Pension Plans

Pension benefits are provided through U.S. and Canadian defined benefit pension plans and two supplemental executive defined benefit pension plans. Substantially all employees participate in one or more of these plans. The measurement date for our defined benefit pension plans is December 31st of each year.

Prior to January 1, 2005, we had one non-contributory qualified retirement plan covering most U.S. salaried employees (the U.S. Retirement Income Plan, or "USRIP") and a defined benefit plan for most salaried employees in Canada (the Canadian Retirement Income Plan, or "CRIP"). Benefits of both plans are primarily a function of salary and years of service.

On January 1, 2005, we separated the USRIP into two defined benefit plans subject to the Employee Retirement Income Security Act ("ERISA"). The new plan, the Equifax Inc. Pension Plan ("EIPP"), was funded in January 2005 with the transfer of \$17.0 million of assets from the USRIP and a company contribution of \$20.0 million. In November 2005, an additional \$30.1 million of plan assets were transferred from the USRIP to the EIPP. The EIPP covers all active employee participants of Equifax as of January 1, 2005, and the USRIP covers all inactive retired and vested participants as of that date. Inactive participants constituted approximately 85% of total participants prior to the separation. The benefits of participants in both plans were unaffected by the separation. The two groups of participants – active and inactive – had projected patterns of actuarial liabilities which were markedly different, due to the demographic differences between the two populations. The two plans will have separate assumed rates of return and separate asset allocation strategies, which will allow us to more efficiently fund our pension liabilities. Additionally, the assets of one plan will not be available to fund the liabilities of the other plan. The CRIP was not impacted by the separation of the USRIP.

At December 31, 2005, the USRIP and the EIPP met or exceeded ERISA's minimum funding requirements. We do not expect to have to make any minimum funding contributions under ERISA for 2006 with respect to the USRIP or the EIPP based on applicable law as currently in effect. In January 2006, however, we made a discretionary contribution of \$20.0 million to the EIPP.

We reduced the discount rate assumption used to measure the projected pension obligations from 5.92% for the twelve months ended December 31, 2004 to 5.68% for the twelve months ended December 31, 2005. The decrease in discount rate is due to the general decline in long-term interest rates during 2005 and the consequent effect on the yields of the portfolio of long-term corporate bonds, which are used to determine the discount rate. This reduction caused the aggregated projected benefit obligation of all plans to increase \$28.2 million, from \$551.5 million at December 31, 2004 to \$579.7 million at

December 31, 2005. At December 31, 2005, the EIPP and Supplemental Retirement Plans were underfunded with respect to their accumulated benefit obligation by \$50.9 million as determined by Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87"), whereas the USRIP and CRIP were overfunded with respect to their accumulated benefit obligation by \$24.2 million.

The expected rate of return on pension plan assets should approximate the actual long-term investment gain on those assets. The expected rate of return on plan assets used to calculate annual expense was 8.75% for the USRIP for the year ended December 31, 2004 and was 8.00% for the USRIP and 8.25% for the EIPP for the year ended December 31, 2005. In 2006, the expected rate of return on plan assets used to calculate the annual SFAS No. 87 expense will be 8.00% for the USRIP and 8.25% for the EIPP, the same as 2005.

For our non-U.S. retirement tax-qualified retirement plans, we fund at least the amounts sufficient to meet minimum funding requirements but no more than allowed as a tax deduction pursuant to applicable tax regulations. For the non-qualified supplementary retirement plans, we fund the benefits as they are paid to retired participants, but accrue the associated expense and liabilities in accordance with GAAP.

### Related Party Transactions

We engage in various transactions and arrangements with related parties. We believe the terms of the transactions and arrangements do not differ from those that would have been negotiated with an independent party. For additional information about these transactions and arrangements, see Note 12 of the Notes to Consolidated Financial Statements.

### Inflation

We do not believe that the rate of inflation has had a material effect on our operating results. However, inflation could adversely affect our future operating results.

### RECENT ACCOUNTING PRONOUNCEMENTS

The following are recently issued accounting pronouncements:

#### Stock-Based Compensation

In December 2004, SFAS No. 123R, "Share-Based Payment" ("SFAS No. 123R"), was issued which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and supersedes Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires that the cost relating to share-based payment transactions in which an entity exchanges its equity instruments for goods or services from either employees or non-employees be recognized in the

financial statements as the goods are received or services are rendered. Related to this guidance, in March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment" ("SAB 107"), which expressed the SEC's views regarding the interaction between SFAS No. 123R and certain SEC rules and regulations.

We adopted SFAS No. 123R in January 2006, which applies to all of our outstanding unvested share-based payment awards as of January 1, 2006 and all prospective awards. We elected to use the modified prospective transition method as opposed to the modified retrospective transition method. Under the modified prospective transition method, financial statements prior to the adoption of SFAS No. 123R remain unchanged. The following discusses several other elections we made as a result of adopting SFAS No. 123R:

- For our pro forma disclosures under SFAS No. 123, we used the Black-Scholes option pricing model. Upon the adoption of SFAS No. 123R, we will compute the fair value of options granted on or after January 1, 2006 using the binomial model. Additionally, based on the guidance in SAB 107 we will change our expected volatility assumption used in the binomial model. We expect the compensation expense to be slightly lower using the binomial model as opposed to the Black-Scholes model. However, the assumptions used in the model have a significant impact on the valuation; we will revisit all assumptions at each grant date. The fair value of stock options granted prior to the adoption of SFAS No. 123R calculated using the Black-Scholes model will remain unchanged.
- Forfeitures under SFAS No. 123 were recognized when they occurred. SFAS No. 123R, however, requires forfeitures to be estimated at the grant date. Accordingly, compensation cost will be recognized based on the number of awards expected to vest. There may be adjustments in future periods if actual forfeitures differ from our estimates. For nonvested shares granted prior to our adoption of SFAS No. 123R, we recorded a cumulative catch-up adjustment in January 2006 related to estimated forfeitures. The adjustment was not material to our Consolidated Financial Statements.
- Generally, our stock options have graded vesting, while our nonvested shares have cliff vesting. SFAS No. 123R permits entities to elect between the accelerated recognition method or straight-line recognition method for recognizing compensation cost related to awards with graded vesting based on a service condition. Consistent with our prior practice, we intend to continue to apply the accelerated recognition method related to awards with graded vesting which results in more compensation cost early in the vesting period.

Upon the adoption of SFAS No. 123R, we began recognizing compensation cost related to new stock-based awards from the grant date through the date the employee is eligible to receive the award without further service, such as when the employee becomes retirement eligible, which may be shorter than the stated vesting period ("New Policy"). For stock-based awards granted prior to the adoption of SFAS No. 123R with accelerated vesting terms, we recognized compensation cost over the stated vesting period; this recognition policy will continue for any such awards that are unvested at the time of adoption. If we had recognized compensation cost related to all stock-based awards granted in prior periods under the New Policy in our pro forma disclosures, the compensation cost and earnings per share amounts would not have been materially different than our historical pro forma disclosures.

We do not expect to change our policies related to stock-based awards, such as the quantity or type of instruments issued, as a result of adopting SFAS No. 123R, nor do we plan on changing the terms of our stock-based awards. We generally issue stock options and nonvested shares each year to certain employees, which typically vest based on service over a three year period. Our stock-based awards have accelerated vesting features upon retirement. At December 31, 2005, our total unrecognized compensation cost related to nonvested stock and stock options was \$13.2 million with a weighted average recognition period of 2.6 years and \$4.0 million with a weighted average recognition period of 0.9 years, respectively.

We estimate that the adoption of SFAS No. 123R will reduce our 2006 fully diluted earnings per share on a consolidated basis by approximately \$0.05. This estimate, however, is subject to change based on a number of factors including, without limitation, the number, terms and conditions of new stock awards and the fair value at date of grant of such awards.

## Income Taxes

On October 22, 2004, the American Jobs Creation Act was signed into law. In December 2004, Financial Accounting Standards Board Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"), was issued. FSP 109-2 specifically addresses the one-time deduction of 85% of certain foreign earnings that are repatriated. We did not elect to apply this provision to qualifying earnings repatriations.

For additional information about these recent accounting pronouncements and the impact to our Consolidated Financial Statements, see Note 1 of the Notes to Consolidated Financial Statements.

## APPLICATION OF CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in our Consolidated Financial Statements and accompanying notes. The following accounting policies involve a "critical accounting estimate" because they are particularly dependent on estimates and assumptions made by management about matters that are uncertain at the time the accounting estimates are made. In addition, while we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period, or changes in the accounting estimates that we used are reasonably likely to occur from period to period which may have a material impact on the presentation of our financial condition and results of operations. We also have other key accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results. For additional information about these policies, see Note 1 of the Notes to Consolidated Financial Statements. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

## Revenue Recognition

We recognize revenue in accordance with SEC SAB No. 104, "Revenue Recognition." A significant portion of our revenues is based upon transactional activity generated by customers' access to, or queries of, our proprietary data bases. Product or service delivery and customer acceptance is inherent in this process by nature of the value thereby transferred to and utilized by the customer. Revenues are typically usage based and incorporate predetermined volume-tiered unit pricing.

Revenue from, and customer billing for, the sale of complementary Information Service products, such as the development of unique decision or predictive statistical models, and the sale of Marketing Service products, such as demographic data lists, data queries and market research, is recognized upon delivery and customer acceptance.

Revenue for contracts containing multiple elements that can be divided into separate units of accounting is allocated to those separate units based on their relative fair values. If the relative fair value cannot be determined for a particular deliverable, then the associated component of the arrangement fees is deferred and combined with the amount allocable to the applicable undelivered element(s) of the total arrangement fee and recognized when those elements have been delivered and accepted by the customer. Multiple deliverable arrangements

generally involve the delivery of services generated by various product lines. The distinction between product lines facilitates the separation of the contract's deliverables into separate units of accounting. No specific product line impacts the value or usage of other deliverables in the arrangement, and each deliverable can be sold alone or purchased from another vendor without affecting the quality of use or value to the customer of the remaining deliverables.

We consider revenue recognition to be critical to all of our operating segments due to the impact on our results of operations.

### **Valuation of Long-Lived Assets, Goodwill and Intangible Assets** *Long-Lived Assets.*

We monitor the status of our long-lived assets annually or more frequently if necessary, in order to determine if conditions exist or events and circumstances indicate that an asset may be impaired in that its carrying amount may not be recoverable. Significant factors that are considered that could be indicative of an impairment include: changes in business strategy, market conditions or the manner in which an asset is used; underperformance relative to historical or expected future operating results; and negative industry or economic trends. If potential indicators of impairment exist, we estimate recoverability based on the asset's ability to generate cash flows greater than the carrying value of the asset. We estimate the undiscounted future cash flows arising from the use and eventual disposition of the related long-lived asset group. If the carrying value of the long-lived asset group exceeds the estimated future undiscounted cash flows, an impairment loss is recorded based on the amount by which the asset's carrying amount exceeds its fair value. We utilize the discounted present value of the associated future estimated cash flows to determine the asset's fair value. The projected cash flows require several assumptions related to, among other things, relevant market factors, revenue growth, if any, and operating margins. While we believe our assumptions are reasonable, changes in these assumptions in future periods may have a material impact on our Consolidated Financial Statements. There was no impairment charge during the year ended December 31, 2005. For additional information about the charges in 2004 and 2003, see Note 10 of the Notes to Consolidated Financial Statements.

**Goodwill.** Goodwill is the cost in excess of the fair value of the net assets of acquired businesses. We review goodwill for impairment based on the requirements of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). In accordance with SFAS No. 142, goodwill is tested for impairment at the reporting unit level on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carry-

ing value. These events or circumstances would include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors. We perform our annual goodwill impairment test as of September 30th. During 2005, we were not required to test goodwill for impairment at an interim date.

In accordance with SFAS No. 142, we are required to test goodwill at the reporting unit level as defined by reference to our operating segments determined under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." We have five reporting units for which we test goodwill for impairment: Information Services, Marketing Services, Personal Solutions, Europe and Latin America.

In analyzing goodwill for potential impairment, we use projections of future discounted cash flows from our reporting units to determine whether the reporting unit's estimated fair value exceeds its carrying value. These projections of cash flows are based on our views of growth rates, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. Our estimates of fair value for each reporting unit are corroborated by market multiple comparables. The use of different estimates or assumptions within our projected discounted cash flows (e.g., growth rates, future economic conditions, discount rates and estimates of terminal values) when determining the fair value of our reporting units could result in different values and may result in a goodwill impairment charge. Additionally, a change in our reporting unit structure would result in the requirement to test goodwill for impairment at different reporting units. During the twelve months ended December 31, 2005, 2004 and 2003, we had no impairment of our reporting unit goodwill balances. For additional information about goodwill, see Note 3 of the Notes to Consolidated Financial Statements.

**Indefinite-Lived Intangible Assets.** Our contractual/territorial rights recorded in goodwill and indefinite-lived intangible assets on our accompanying Consolidated Balance Sheets are perpetual in nature and, therefore, the useful lives are considered indefinite. The balance of our contractual/territorial rights represents the estimated fair value at the date of acquisition.

In accordance with SFAS No. 142, we are required to test indefinite-lived intangible assets for impairment annually or whenever events and circumstances change that would indicate the asset might be impaired. We perform the impairment test for our indefinite-lived intangible assets by comparing the asset's fair value to its carrying value. An impairment charge is recognized

if the asset's estimated fair value is less than its carrying value. We perform our annual impairment test as of September 30th. During 2005, we were not required to test contractual/territorial rights for impairment at an interim date.

We estimate the fair value based on projected discounted future cash flows. The use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our contractual/territorial rights or using a methodology other than a discounted cash flow model could result in different values for our contractual/territorial rights and could result in an impairment charge. The most significant assumptions within our discounted cash flow model are the discount rate and the growth rate. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value.

If any legal, regulatory, contractual, competitive, economic or other factors were to limit the useful lives of our indefinite-lived intangible assets, we would be required to test these intangible assets for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and amortize the intangible asset over its remaining useful life.

During the twelve months ended December 31, 2005, 2004 and 2003, we recognized no impairment charges related to our contractual/territorial rights. For additional information about contractual/territorial rights, see Note 3 of the Notes to Consolidated Financial Statements.

## Contingencies

We are subject to various proceedings, lawsuits and claims arising in the normal course of our business. In accordance with SFAS No. 5, "Accounting for Contingencies," we determine whether to disclose and/or accrue for loss contingencies based on our assessment of whether the potential loss is probable, reasonably possible or remote. We periodically review claims and legal proceedings and assess whether we have potential financial exposure based on consultation with internal and outside legal counsel and other advisors. If the likelihood of an adverse outcome from any claim or legal proceeding is probable and the amount can be reasonably estimated, we accrue a liability for the estimated settlement. If the likelihood of an adverse outcome is reasonably possible, but not probable, we provide disclosures related to the potential loss contingency. Our assumptions related to loss contingencies are inherently subjective. Changes in these assumptions in future periods or an outcome different than our assumption may have a material impact on our Consolidated Financial Statements. For additional information about our contingencies, see Note 5 of the Notes to Consolidated Financial Statements.

## Income Taxes

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." As part of the process of preparing our Consolidated Financial Statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets. We must then assess the likelihood that our net deferred tax assets will be recovered from future taxable income or other tax planning opportunities, and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the Consolidated Statements of Income. A valuation allowance is currently set against certain net deferred tax assets because we believe it is more likely than not that these deferred tax assets will not be realized through the generation of future taxable income or other tax planning opportunities. Significant management judgment is required in determining our provision for income taxes and our deferred tax assets and liabilities and our future taxable income for purposes of assessing our ability to realize any future benefit from our deferred tax assets.

Our income tax provisions are based on assumptions and calculations which will be subject to examination by various tax authorities. We record tax benefits for positions in which we believe they are probable of being sustained under such examinations. Regularly, we assess the potential outcome of such examinations to determine the adequacy of our income tax accruals. We adjust our income tax provision during the period in which we determine that the actual results of the examinations may differ from our estimates. Changes in tax laws and rates are reflected in our income tax provision in the period in which they occur.

Changes in these assumptions in future periods or actual results different from our estimates may have a material impact on our Consolidated Financial Statements. For additional information about our income taxes, see Note 6 of the Notes to Consolidated Financial Statements.

## Pension Plans

Our pension plans are accounted for using actuarial valuations required by SFAS No. 87. Our prepaid pension asset and accrued benefit liability as of December 31, 2005, were \$183.7 million, or 10% of total assets, and \$50.9 million, or 5% of the total liabilities, respectively, on our Consolidated Balance Sheet as of December 31, 2005. We consider accounting for our U.S. and Canadian pension plans critical because our management is

required to make significant subjective judgments about a number of actuarial assumptions, which include discount rates, salary growth, expected return on plan assets, interest cost and mortality rates.

We believe that the most critical assumptions are (1) the expected return on plan assets and (2) the discount rate. The expected rate of return on plan assets is primarily based on two methods prepared by an external advisor which consider, among other things, (1) the expected equity returns based on assumptions such as dividend yield and growth rate, and (2) estimated risk premium for various asset categories. These assumptions are projected using an asset/liability forecasting model which produces a range and distribution of values for the assumed rate of return. Adjusting our expected long-term rate of return (7.98% at December 31, 2005) by 0.5% would change our estimated pension expense in 2006 by approximately \$3 million. We determine our discount rates primarily based on high-quality fixed-income investments and yield-to-maturity analysis specific to our estimated future benefit payments. Adjusting our weighted average discount rate (5.90% at December 31, 2005) by 0.5% would change our estimated pension expense in 2006 by approximately \$3 million.

Depending on the assumptions and estimates used, the pension expense could vary within a range of outcomes and have a material impact on our Consolidated Financial Statements. For additional information about our pension plans, see Note 8 of the Notes to Consolidated Financial Statements.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of our business, we are exposed to market risk, primarily from changes in foreign currency exchange rates and changes in interest rates, that could impact our results of operations and financial position. We manage our exposure to these market risks through our regular operating and financing activities, and when deemed appropriate, through the use of derivative financial instruments, such as interest rate swaps, to hedge certain of these exposures. We use derivative financial instruments as risk management tools and not for speculative or trading purposes.

### Foreign Currency Exchange Rate Risk

A substantial majority of our revenue, expense and capital expenditure activities are transacted in U.S. dollars. However, we do transact business in other currencies, primarily the British pound, the euro, the Canadian dollar and the Brazilian real. For most of these foreign currencies, we are a net recipient, and therefore, benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the foreign currencies in which we transact significant amounts of business.

We are required to translate, or express in U.S. dollars, the assets and liabilities of our foreign subsidiaries that are denominated or measured in foreign currencies at the applicable year-end rate of exchange on our Consolidated Balance Sheets, and income statement items of our foreign subsidiaries at the average rates prevailing during the year. We record the resulting translation adjustment, and gains and losses resulting from the translation of intercompany balances of a long-term investment nature, as components of our shareholders' equity. Other immaterial foreign currency transaction gains and losses are recorded in our Consolidated Statements of Income. We do not, as a matter of policy, hedge translational foreign currency exposure. We may, however, hedge transactional foreign currency exchange rate risks associated with material transactions which are denominated in a foreign currency.

At December 31, 2005, a 10% weaker U.S. dollar against the currencies of all foreign countries in which we had operations during 2005, would have resulted in an increase of our revenue by \$37.8 million, and an increase of our pre-tax operating profit by \$11.1 million. A 10% stronger U.S. dollar would have resulted in similar decreases to our revenue and pre-tax operating profit.

### Interest Rate Risk

Our exposure to market risk for changes in interest rates primarily relates to our variable rate revolving credit debt and, until July 2005, the interest rate swap agreements associated with portions of our fixed rate public debt. The nature and amount of our long-term and short-term debt as well as the proportionate amount of fixed-rate and floating-rate debt can be expected to vary as a result of future business requirements, market conditions and other factors.

We attempt to achieve the lowest all-in weighted average cost of debt while simultaneously taking into account the mix of our fixed and floating rate debt, and the average life and scheduled maturities of our debt. At December 31, 2005, our weighted average cost of debt was 5.4% and weighted average life of debt was 7.5 years. At December 31, 2005, 72% of our debt was fixed rate, and the remaining 28% floating rate. Occasionally we use derivatives to manage our exposure to changes in interest rates by entering into interest rate swaps.

Our variable rate indebtedness consists primarily of (1) our \$500.0 million unsecured revolving credit facility, (2) trade receivables-backed revolving credit facility under which we may borrow up to \$125.0 million, subject to borrowing base availability and other terms and conditions, and (3) a separate C\$25.0 million revolving credit facility in Canada, which is denominated in Canadian dollars. Interest related to borrowings under these facilities is generally based on LIBOR, Base Rate plus a specified margin or commercial paper rates. We also have a \$29.0 million floating-to-fixed interest rate swap, maturing

2010, which fixes the effective rate of interest on the \$29.0 million synthetic lease for our Atlanta corporate headquarters. This derivative instrument is designated as a cash flow hedge, was documented as fully effective under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133") and was valued on a mark-to-market basis as a liability totaling \$1.6 million at December 31, 2005. This interest rate swap gives us the right to receive a floating rate payment tied to three-month LIBOR plus a spread from the counterparty, in exchange for a fixed rate payment from us. The net settlements occur quarterly.

A 1% increase in the average rate of interest on the variable rate debt outstanding under our revolving credit facilities during 2005 would have increased our pre-tax interest expense by \$2.4 million. Since our interest rate swap related to the synthetic lease is fully effective in accordance with SFAS No. 133, our income statement is unaffected by the non-cash quarterly mark-to-market adjustments associated with these derivatives.

For additional information about our debt, including interest rates at December 31, 2005, see Note 4 of the Notes to Consolidated Financial Statements.

### FORWARD-LOOKING STATEMENTS

This annual report and certain information incorporated herein by reference contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. In addition, certain statements included in our future filings with the SEC, in press releases, and in oral and written statements made by us or with our approval, which are not statements of historical fact, are forward-looking statements. Words such as "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "seeks," "plan," "project," "continue," "predict," and other words or expressions of similar meaning are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are found at various places throughout this report and in the documents incorporated herein by reference. These statements are based on our current expectations about future events or results and information that is currently available to us, involve assumptions, risks, and uncertainties, and speak only as of the date on which such statements are made. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Our actual results may differ materially from those expressed or implied in these forward-looking statements. Factors that may cause such a difference include, but are not limited to those discussed in our 2005 Form 10-K, as well as: changes in worldwide and U.S. economic conditions that materially impact consumer spending and consumer debt; interest rate increases or other factors that reduce mortgage refinancings or new mortgages; changes in the marketing techniques of credit card issuers; pricing and other competitive pressures and the company's ability to gain or maintain share of sales as a result of actions by competitors and others; risks relating to illegal third party efforts to access data; risks associated with the integration of acquisitions and other investments; the outcome of our litigation; changes in estimates in critical accounting judgments; changes in or failure to comply with laws and regulations, including changes in the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax interpretations) in domestic or foreign jurisdictions; costs associated with compliance with the Fair and Accurate Credit Transactions Act of 2003 and federal or state responses to identity theft concerns; exchange rate fluctuations and other risks associated with investments and operations in foreign countries; our ability to successfully develop and market new products and services, incorporate new technology and adapt to technological change; equity markets, including market disruptions and significant interest rate fluctuations, which may impede our access to, or increase the cost of, external financing; increased competitive pressures both domestically and internationally; and international conflict, including terrorist acts. Equifax undertakes no duty to update, whether as a result of new information, future events or otherwise, unless required by law.

Readers should carefully review the disclosures and the risk factors described in other documents we file from time to time with the SEC, including our 2005 Form 10-K and future reports on Forms 10-Q and 8-K, and any amendments thereto.