EQUIFAX INC
Form 10-K/A
April 01, 2005

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

FORM 10-K/A

**Amendment No. 1**

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

**For the fiscal year ended December 31, 2004**

**OR**

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

**For the transition period from to**

**Commission file number 001-06605**

EQUIFAX INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Georgia** | **58-0401110** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **1550 Peachtree Street, N.W. Atlanta, Georgia** | **30309** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant s telephone number, including area code:** 404-885-8000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $1.25 par value per share | New York Stock Exchange |
| Common Stock Purchase Rights | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act:** None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject

to such filing requirements for the past 90 days.

x YES o NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

x YES o NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates, based upon the closing price for the Common Stock as reported on the New York Stock Exchange composite tape on June 30, 2004, was $3,371,599,440. All executive offers, directors, and holders of 5% or more of the outstanding Common Stock of registrant have been deemed, solely for purposes of the foregoing calculation, to be affiliates of the registrant.

As of February 28, 2005, 134,804,062 shares of registrant s Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The information required by Part III of this Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant s definitive proxy statement for the Annual Meeting of Shareholders to be held on May 17, 2005, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the registrant s fiscal year.

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**EXPLANATORY NOTE**

The purpose of this Amendment No. 1 on Form 10-K/A is to amend our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which was filed on March 16, 2005. This Amendment is being filed solely to correct an inadvertent error in the Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements (the Audit Opinion ), included in Part II, Item 8, Financial Statements and Supplementary Data, on page 48 of the original filing of this Form 10-K Report. Ernst & Young LLP has revised its Audit Opinion to delete an erroneous reference in the last paragraph to Note 2 of the Notes to our Consolidated Financial Statements, for information concerning the adoption by us in 2003 of Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities. Our adoption of Statement of Financial Accounting Standards No. 146, effective January 1, 2003, was previously disclosed in our Form 10-K for the fiscal year ended December 31, 2002, in Note 1 to the Notes to our Consolidated Financial Statements.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, this Amendment contains the complete text of Item 8 and Item 15, and our principal executive officer and principal financial officer are providing re-executed Rule 13a-14 certifications dated as of the date of this Amendment and are also furnishing written statements pursuant to Title 18 United States Code, as added by Section 906 of the Sarbanes-Oxley Act of 2002. The certifications are attached as Exhibits 31.1, 31.2, 32.1 and 32.2 to this Amendment. The Exhibit section also has been revised to include as Exhibit 23.1 the updated consent of the Independent Registered Public Accounting Firm. Unaffected Items or Exhibits are not included in this Amendment.

Except as described above, no other changes have been made to the original Form 10-K and this Form 10-K/A does not amend, update or change the financial statements or any other items or disclosures in the original Form 10-K.

**ITEM 8.** FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of Equifax is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Equifax s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Equifax;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States;

- provide reasonable assurance that receipts and expenditures of Equifax are being made only in accordance with authorization of management and the Board of Directors of Equifax; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Equifax s internal control over financial reporting as of December 31, 2004. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management s assessment included an evaluation of the design of Equifax s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment, management determined that, as of December 31, 2004, Equifax maintained effective internal control over financial reporting.

Ernst & Young LLP, an independent registered public accounting firm, who audited and reported on the consolidated financial statements of Equifax included in this report, has issued an attestation report on management s assessment of internal control over financial reporting which is included on page 5 of this report.



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**Report of Independent Registered Public Accounting Firm on Internal Control OVER FINANCIAL REPORTING**

The Board of Directors and
Stockholders of Equifax Inc.:

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that Equifax Inc. maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Equifax Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Equifax Inc. maintained effective internal control over financial reporting as of December 31, 2004 is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Equifax Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2004 of Equifax Inc. and our report dated March 15, 2005 expressed an unqualified opinion therein.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 15, 2005



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors and
Stockholders of Equifax Inc.:

We have audited the accompanying consolidated balance sheets of Equifax Inc., as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement position. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equifax Inc. at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Equifax Inc. s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2005 expressed an unqualified opinion therein.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 15, 2005

**EQUIFAX INC.**
**CONSOLIDATED STATEMENTS OF INCOME**

| | Twelve Months Ended December 31, | | |
|---|---|---|---|
| | **2004** | **2003** | **2002** |
| | (In millions, except per share amounts) | | |
| Operating revenue | **$ 1,272.8** | $ 1,210.7 | $ 1,095.3 |
| Costs and expenses: | | | |
| Costs of services | **531.5** | 499.7 | 416.4 |
| Selling, general and administrative expenses | **282.0** | 272.1 | 246.7 |
| Depreciation | **14.4** | 15.1 | 12.4 |
| Amortization | **66.7** | 79.0 | 67.3 |
| Restructuring and impairment charges | **2.4** | 30.6 | |
| Total costs and expenses | **897.0** | 896.5 | 742.8 |
| Operating income | **375.8** | 314.2 | 352.5 |
| Other income, net | **47.5** | 14.0 | 6.8 |
| Minority interests in earnings, net of tax | **(3.2)** | (3.3) | (2.0) |
| Interest expense | **(34.9)** | (39.6) | (41.2) |
| Income from continuing operations before income taxes | **385.2** | 285.3 | 316.1 |
| Provision for income taxes | **(147.9)** | (104.6) | (124.4) |
| Income from continuing operations | **237.3** | 180.7 | 191.7 |
| Discontinued operations (Note 3): | | | |
| Loss from discontinued operations, net of income tax benefit (expense) of $1.5, $0.0 and $(2.2) in 2004, 2003 and 2002 | **(2.6)** | (15.8) | (13.7) |
| Net income | **$ 234.7** | $ 164.9 | $ 178.0 |
| Per common share (basic): | | | |
| Income from continuing operations | **$ 1.81** | $ 1.35 | $ 1.41 |
| Discontinued operations | **(0.02)** | (0.12) | (0.10) |
| Net income | **$ 1.79** | $ 1.23 | $ 1.31 |
| Shares used in computing basic earnings per share | **131.3** | 134.5 | 136.2 |
| Per common share (diluted): | | | |
| Income from continuing operations | **$ 1.78** | $ 1.32 | $ 1.38 |
| Discontinued operations | **(0.02)** | (0.12) | (0.10) |
| Net income | **$ 1.76** | $ 1.20 | $ 1.28 |
| Shares used in computing diluted earnings per share | **133.5** | 136.7 | 138.5 |
| Dividends per common share | **$ 0.11** | $ 0.08 | $ 0.08 |

See Notes to Consolidated Financial Statements.

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**EQUIFAX INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Twelve Months Ended December 31, 2004 (In millions) | 2003 | 2002 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | **$ 234.7** | $ 164.9 | $ 178.0 |
| Adjustments to reconcile net income to net cash provided by operating activities of continuing operations: | | | |
| Gain on sale of investment in Intersections Inc. | **(36.8)** | | |
| Loss from discontinued operations | **2.6** | 15.8 | 13.7 |
| Depreciation and amortization | **81.1** | 94.1 | 79.7 |
| Restructuring and impairment charges | **2.4** | 30.6 | |
| Income tax benefit from stock plans | **5.9** | 4.3 | 6.6 |
| Deferred income taxes | **25.3** | 15.8 | 17.9 |
| Changes in assets and liabilities, excluding effects of acquisitions: | | | |
| Accounts receivable, net | **(17.2)** | 17.8 | 27.5 |
| Current liabilities, excluding debt | **7.6** | (15.4) | (31.7) |
| Other current assets | **7.9** | (3.9) | 12.0 |
| Other long-term liabilities, excluding debt | **2.7** | (3.4) | (10.8) |
| Other assets | **(7.0)** | (27.7) | (43.3) |
| Other | **(0.2)** | 0.8 | |
| Cash provided by operating activities | **309.0** | 293.7 | 249.6 |
| Investing activities: | | | |
| Additions to property and equipment | **(16.5)** | (14.2) | (12.5) |
| Additions to other assets, net | **(31.0)** | (38.5) | (42.9) |
| Acquisitions, net of cash acquired | **(17.4)** | (40.7) | (321.2) |
| Investments in unconsolidated companies | | | (0.1) |
| Proceeds from sale of investments and businesses | **59.4** | | 41.0 |
| Deferred payments on prior year acquisitions | **(1.4)** | (5.4) | (4.9) |
| Other | **0.4** | | |
| Cash used by investing activities | **(6.5)** | (98.8) | (340.6) |
| Financing activities: | | | |
| Net short-term payments | **(145.5)** | (16.0) | (25.8) |
| Additions to long-term debt | **0.6** | 113.4 | 249.5 |
| Payments on long-term debt | **(15.6)** | (202.6) | (75.0) |
| Treasury stock purchases | **(138.0)** | (94.9) | (79.8) |
| Dividends paid | **(15.0)** | (11.3) | (11.4) |
| Proceeds from exercise of stock options | **28.1** | 19.5 | 34.2 |
| Other | **(3.6)** | (3.4) | 0.9 |
| Cash (used) provided by financing activities | **(289.0)** | (195.3) | 92.6 |
| Effect of foreign currency exchange rates on cash | **(1.2)** | 8.3 | (2.8) |
| Cash provided (used) by discontinued operations | **1.7** | 0.8 | (2.4) |
| Increase (decrease) in cash and cash equivalents | **14.0** | 8.7 | (3.6) |
| Cash and cash equivalents, beginning of year | **38.1** | 29.4 | 33.0 |
| Cash and cash equivalents, end of year | **$ 52.1** | $ 38.1 | $ 29.4 |

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2004 | 2003 |
|---|---|---|
| | (In millions, except par values) | |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | **$ 52.1** | $ 38.1 |
| Trade accounts receivable, net of allowance for doubtful accounts of $9.3 in 2004 and $11.9 in 2003 | **195.1** | 172.5 |
| Other receivables | **8.9** | 13.0 |
| Deferred income tax assets | **13.2** | 14.4 |
| Other current assets | **29.8** | 42.1 |
| Current assets from discontinued operations | **0.5** | 5.8 |
| Total current assets | **299.6** | 285.9 |
| Property and Equipment: | | |
| Land, buildings and improvements | **30.2** | 29.5 |
| Data processing equipment and furniture | **309.6** | 300.4 |
| | **339.8** | 329.9 |
| Less accumulated depreciation | **198.0** | 183.3 |
| | **141.8** | 146.6 |
| Goodwill, net | **747.5** | 724.3 |
| Purchased Intangible Assets, net | **281.3** | 296.2 |
| Other Assets, net | **87.0** | 91.4 |
| Assets of Discontinued Operations | | 8.9 |
| | **$ 1,557.2** | $ 1,553.3 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current Liabilities: | | |
| Short-term debt and current maturities | **$ 255.7** | $ 160.5 |
| Accounts payable | **9.7** | 12.5 |
| Accrued salaries and bonuses | **28.8** | 32.8 |
| Other current liabilities | **162.4** | 144.9 |
| Current liabilities from discontinued operations | **0.3** | 4.1 |
| Total current liabilities | **456.9** | 354.8 |
| Long-Term Debt | **398.5** | 663.0 |
| Deferred Revenue | **9.8** | 12.0 |
| Deferred Income Tax Liabilities | **38.6** | 19.3 |
| Other Long-Term Liabilities | **129.8** | 124.1 |
| Liabilities of Discontinued Operations | | 8.6 |
| Total liabilities | **1,033.6** | 1,181.8 |
| Commitments and Contingencies | | |
| Shareholders Equity: | | |
| Preferred stock, $0.01 par value: Authorized 10.0; Issued none | | |
| Common stock, $1.25 par value: Authorized shares 300.0; Issued shares 182.0 in 2004 and 180.4 in 2003; Outstanding shares 129.4 in 2004 and 132.7 in 2003 | **227.5** | 225.5 |
| Paid-in capital | **466.9** | 432.5 |
| Retained earnings | **1,298.8** | 1,079.0 |
| Accumulated other comprehensive loss | **(267.0 )** | (296.1 ) |
| Treasury stock, at cost, 47.7 shares in 2004 and 42.3 shares in 2003 | **(1,133.4 )** | (995.5 ) |
| Stock held by employee benefits trusts, at cost, 4.9 shares in 2004 and 5.4 shares in 2003 | **(69.2 )** | (73.9 ) |
| Total shareholders equity | **523.6** | 371.5 |
| | **$ 1,557.2** | $ 1,553.3 |

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)**

| | Common Stock: Shares Outstanding (In millions) | Amount | Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Stock Held By Employee Benefits Trusts | Total Shareholders Equity |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2001 | 136.2 | $ 223.0 | $ 376.7 | $ 758.8 | $ (197.2) | $ (828.0) | $ (89.8) | $ 243.5 |
| Net income | | | | 178.0 | | | | 178.0 |
| Other comprehensive income | | | | | (162.2) | | | (162.2) |
| Shares issued under stock plans | 2.4 | 2.1 | 28.2 | | | 0.8 | 7.4 | 38.5 |
| Treasury stock purchased | (2.9) | | | | | (72.5) | | (72.5) |
| Cash dividends | | | | (11.4) | | | | (11.4) |
| Income tax benefit from stock plans | | | 6.6 | | | | | 6.6 |
| Dividends from employee benefits trusts | | | 0.5 | | | | | 0.5 |
| Balance, December 31, 2002 | 135.7 | $ 225.1 | $ 412.0 | $ 925.4 | $ (359.4) | $ (899.7) | $ (82.4) | $ 221.0 |
| Net income | | | | 164.9 | | | | 164.9 |
| Other comprehensive income | | | | | 63.3 | | | 63.3 |
| Shares issued under stock plans | 1.1 | 0.4 | 15.7 | | | (0.8) | 8.5 | 23.8 |
| Treasury stock purchased | (4.1) | | | | | (95.0) | | (95.0) |
| Cash dividends | | | | (11.3) | | | | (11.3) |
| Income tax benefit from stock plans | | | 4.3 | | | | | 4.3 |
| Dividends from employee benefits trusts | | | 0.5 | | | | | 0.5 |
| Balance, December 31, 2003 | 132.7 | $ 225.5 | $ 432.5 | $ 1,079.0 | $ (296.1) | $ (995.5) | $ (73.9) | $ 371.5 |
| Net income | | | | **234.7** | | | | **234.7** |
| Other comprehensive income | | | | | **29.1** | | | **29.1** |
| Shares issued under stock plans | **2.1** | **2.0** | **34.0** | | | | **4.7** | **40.7** |
| Treasury stock purchased | **(5.4)** | | | | | **(138.0)** | | **(138.0)** |
| Cash dividends | | | | **(15.0)** | | | | **(15.0)** |
| Dividends from employee benefits trusts | | | **0.4** | | | | | **0.4** |
| Balance, December 31, 2004 | **129.4** | **$ 227.5** | **$ 466.9** | **$ 1,298.8** * | **$ (267.0)** | **$ (1,133.4)** * | **$ (69.2)** | **$ 523.6** * |

* Does not total due to rounding

See Notes to Consolidated Financial Statements.

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Accumulated Other Comprehensive Loss consists of the following components:

| | December 31, 2004 (In millions) | 2003 | 2002 |
|---|---|---|---|
| Foreign currency translation | **$ (148.2 )** | $ (173.7 ) | $ (239.6 ) |
| Minimum pension liability, net of accumulated tax of $70.2, $70.7 and $70.2 in 2004, 2003 and 2002, respectively | **(117.0 )** | (120.1 ) | (117.0 ) |
| Cash flow hedging transactions, net of tax of $1.1, $1.4 and $1.9 in 2004, 2003 and 2002, respectively | **(1.8 )** | (2.3 ) | (2.8 ) |
| | **$ (267.0 )** | $ (296.1 ) | $ (359.4 ) |

Comprehensive Income is as follows:

| | Twelve Months Ended December 31, 2004 | 2003 | 2002 |
|---|---|---|---|
| Net income | **$ 234.7** | $ 164.9 | $ 178.0 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustment | **29.5** | 65.9 | (47.8 ) |
| Reclassification adjustment for the gain on sale of discontinued operations | **(4.0 )** | 0 | 0 |
| Change in cumulative loss from cash flow hedging transactions | **0.5** | 0.5 | (2.0 ) |
| Minimum pension liability adjustment | **3.1** | (3.1 ) | (112.4 ) |
| | **$ 263.8** | $ 228.2 | $ 15.8 |

See Notes to Consolidated Financial Statements.

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**1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

**Accounting Principles.** Our financial statements and the accompanying notes are prepared in accordance with U.S. generally accepted accounting principles ( GAAP ).

**Basis of Consolidation.** Our consolidated financial statements include Equifax and all subsidiaries. The Company consolidates all majority-owned and controlled subsidiaries, uses the equity method of accounting for investments in which the Company is able to exercise significant influence and uses the cost method for all other investments. All significant intercompany transactions and balances are eliminated. Certain prior year amounts have been reclassified to conform to current year presentation.

**Nature of Operations.** We collect, organize and manage various types of financial, demographic and marketing information. Our products and services enable businesses to make credit and service decisions, manage their portfolio risk and develop marketing strategies concerning consumers and commercial enterprises. We serve customers across a wide range of industries, including the financial services, mortgage, retail, telecommunications, utilities, automotive, brokerage, healthcare and insurance industries, as well as state and federal governments. We also enable consumers to manage and protect their financial health through a portfolio of products offered directly to individuals. We have approximately 4,400 employees worldwide, and manage our business globally through the following three reporting segments: Equifax North America, Equifax Europe and Equifax Latin America. Our operations are predominantly located within the U.S., with foreign operations principally located in Canada, the U.K. and Brazil.

Our products and services are categorized as follows: Information Services, Marketing Services and Personal Solutions. Our Information Services products and services allow customers to make credit decisions about consumers and commercial enterprises. Our Marketing Services information products and databases enable customers to identify a target audience for marketing purposes, and our Personal Solutions products and services provide information to consumers which enable them to reduce their exposure to identity fraud and to monitor their credit health.

We develop, maintain and enhance secured proprietary information databases through compilation of accounts receivable information about consumers and businesses that we obtain from a variety of sources, such as credit granting institutions, public record information, including bankruptcies, liens and judgments, and marketing information from surveys and warranty cards. We process this information utilizing our proprietary information management systems and make it available to our customers in virtually any medium or format they choose.

**Use of Estimates.** GAAP requires us to make estimates and assumptions. Accordingly, we make these estimates and assumptions after exercising judgment and we believe that the estimates and assumptions inherent in our financial statements are reasonable, based upon information available to us at the time they are made. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used for, but not limited to, the accounting for long-lived asset impairments, contingencies and the allowance for doubtful accounts, the use, recoverability and/or realizability of certain assets, including deferred tax and other assets, restructuring costs, the valuation of pension plan obligations and assets and the preliminary allocation of the purchase price of acquisitions. Actual results could differ from these estimates.

**Revenue Recognition and Deferred Revenue.** We recognize revenue when persuasive evidence of an arrangement exists, for which the corresponding products have been delivered or services have been rendered, the pricing of which is either fixed or determinable and collectibility of the fee arrangement is reasonably assured. We consider the earnings process to be completed when we have fulfilled our specific obligations under the contract as demonstrated by evidence of product delivery or rendering of services.

Most of our revenues are based upon transactional activity generated by customers access to, or queries of, our proprietary databases. Revenues are typically usage-based and incorporate predetermined volume-tiered unit pricing. Some of our revenue is related to subscription-based contracts under which the customer pays a flat fee for a preset or unlimited volume of transactions or services. Revenue recognition in these cases is based upon pro-rating the related fee over the term of the contract. In conjunction with certain products and services, we charge non-refundable set-up and membership fees which are recognized on a straight-line basis over the term of the contract. Revenue from the sale of decision or statistical models is recognized upon customer installation and acceptance. For certain products and services sold on a subscription basis, we recognize revenue pro rata over the term of the contract.

Some of our sales contracts contain multiple elements pertaining to the delivery of distinct products and services such as decisioning models, prescreening services, and database management services. These deliverables are divided into separate units of accounting to which we allocate the contract revenues based on specific evidence of their relative fair values. The individual deliverables are generally independent of each other and can be sold on a stand-alone basis without affecting their usefulness to the customer. If relative fair values cannot be established, revenue recognition is deferred until all elements within the contract have been delivered. Failure to satisfy a specific element in the arrangement does not result in the cancellation of the entire contract but rather would result in a pro rata refund to the customer.

Deferred revenue represents the liability for amounts billed in advance of service delivery, and is classified as either current or long-term deferred revenue, with the current portion representing services expected to be provided within the next twelve months. Current deferred revenue is included with other current liabilities in the accompanying Consolidated Balance Sheets, and totaled $33.8 million and $22.9 million respectively at December 31, 2004 and 2003. In conjunction with the divestiture of our risk management collections businesses in the U.S. and Canada in October 2000, certain of the proceeds received related to contracts to provide credit information products and services to the buyers over the next five to six years and were recorded in current and long-term deferred revenue. At December 31, 2004 and 2003, $10.1 million and $11.6 million, respectively, remained unrecognized, with $7.7 million and $9.2 million, respectively, included in long-term deferred revenue in the accompanying Consolidated Balance Sheets. This deferred revenue will be recognized as the contracted products and services are provided.

**Accounts Receivable.** In September 2004, we entered into a new trade receivables-backed revolving credit facility. At December 31, 2004, $111.1 million of net accounts receivable had been sold to our wholly-owned subsidiary and is included in accounts receivable in the accompanying Consolidated Balance Sheets. We do not recognize interest income on our trade receivables.

**Allowance for Doubtful Trade Accounts Receivable.** The provision for estimated losses on trade accounts receivable is based on historical write-off experience, an analysis of the aging of outstanding receivables, customer payment patterns and the establishment of specific reserves for customers in adverse financial condition or for existing contractual disputes wherein we are not assured of a favorable outcome. The allowance for doubtful accounts was $9.3 million and $11.9 million, respectively, at December 31, 2004 and 2003. Increases to the provision are recorded as bad debt expense and are included in selling, general and administrative expenses on the accompanying Consolidated Statements of Income. Bad debt expense was $2.9 million or 0.23% of revenue for 2004, $8.8 million or 0.72% of revenue for 2003 and $10.1 million or 0.91% of revenue for 2002. We reassess the adequacy of the allowance for doubtful accounts receivable each reporting period. During 2004, we wrote off $4.5 million of accounts receivable and recovered $3.4 of previously written-off accounts receivable. During 2003, we wrote-off $17.0 million of accounts receivable, which included $11.0 million from our eMarketing business unit, and recovered $0.6 million of previously written-off accounts receivable.

**Costs of Services.** Costs of services consist primarily of data acquisition and royalties; customer service costs, which include: personnel costs to collect, maintain and update our proprietary databases, to develop and maintain software application platforms and to provide consumer and customer call center support; hardware and software expense associated with transaction processing systems; telecommunication and computer network expense; and occupancy costs associated with facilities where these functions are performed.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses consist primarily of personnel related costs paid to sales and administrative employees and management, fees for professional and consulting services and advertising costs.

**Advertising.** Advertising costs are expensed as incurred and totaled $15.7 million in 2004, $4.6 million in 2003 and $2.9 million in 2002.

**Legal Contingencies.** We periodically review claims and legal proceedings and assess whether we have potential financial exposure. If the potential loss from any claim or legal proceeding is probable and can be estimated, we accrue a liability for estimated settlements and incurred but unpaid legal fees for services performed to date.

**Income Taxes.** We base income tax expense on pre-tax financial accounting income, and recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Significant judgment is required to determine our overall local, state, federal and foreign income tax expense due to transactions and calculations where the ultimate tax consequence is uncertain. We have recorded a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that we estimate is likely to be received. We believe that our estimates are reasonable, however, the final outcome of tax matters may be different than the estimates reflected on our financial statements.

**Earnings Per Share.** Our basic earnings per share, or EPS, is calculated as income from continuing operations or net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated to reflect the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding. The income amount used in our EPS calculations is the same for both basic and diluted EPS. A reconciliation of the weighted average outstanding shares used in the two calculations is as follows:

| | **2004** | **2003** | **2002** |
|---|---|---|---|
| | **(In millions)** | | |
| Weighted average shares outstanding (basic) | **131.3** | 134.5 | 136.2 |
| Effect of dilutive securities: | | | |
| Stock options | **1.6** | 2.0 | 2.3 |
| Long-term incentive plans | **0.6** | 0.2 | |
| Weighted average shares outstanding (diluted) | **133.5** | 136.7 | 138.5 |

**Cash and cash equivalents.** We consider cash and cash equivalents to be short-term cash investments with original maturities of three months or less.

**Property and Equipment.** The cost of property and equipment is depreciated primarily on the straight-line basis over estimated asset lives of 30 to 50 years for buildings; useful lives, not to exceed lease terms, for leasehold improvements; three to ten years for data processing equipment (including capitalized software); and five to seven years for other fixed assets.

Certain internal use software and systems development costs are deferred and capitalized in accordance with AICPA Statement of Position 98-1, Accounting for the Costs of Computer Software

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Developed or Obtained for Internal Use, and Emerging Issues Task Force ( EITF ) 97-13 Accounting for Costs Incurred with a Business Process Reengineering Project. Accordingly the specifically identified costs incurred to develop or obtain software and accompanying hardware which is intended for internal use are not capitalized until the determination is made as to the availability of a technically feasible solution to solve the pre-defined user and operating performance requirements as established during the preliminary stage of an internal use software development project. Costs incurred during a software development project s preliminary stage are expensed. Application development activities which are eligible for capitalization include software design and configuration, development of interfaces, coding, testing, installation and the development of training materials. Costs of business process reengineering are expensed as incurred. We monitor the activities undertaken in our various software and systems development projects and analyze the associated costs, making appropriate distinction between and accounting for costs to be capitalized and costs to be expensed. Internal use software and systems development project costs that are deferred and capitalized are subsequently amortized on a straight-line basis over a three to ten year period after project completion and when the related software or system is ready for its intended use.

**Impairment of 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 assets 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. During 2004, 2003 and 2002, we recognized a $2.4 million, $30.6 million and $0.0 million impairment charge, respectively. See Note 6 for further details.

**Other Assets.** Other assets at December 31, 2004 and 2003 consist of the following:

| | **2004** | **2003** |
|---|---|---|
| | **(In millions)** | |
| Purchased software | **$ 20.4** | $ 14.8 |
| Prepaid pension cost | **18.2** | 17.0 |
| Investments in unconsolidated companies | **0.4** | 28.5 |
| Data purchases | **5.6** | 2.7 |
| Other | **42.4** | 28.4 |
| | **$ 87.0** | $ 91.4 |

As discussed above under Impairment of Long-Lived Assets, we regularly review these assets to determine if conditions or circumstances exist or events have occurred that would indicate that an asset could be impaired, and, if appropriate, we recognize impairments by recording a charge against income. We believe that the long-lived assets, as reflected in the above table and the accompanying Consolidated Balance Sheets, were appropriately valued at December 31, 2004 and 2003. Amortization expense for other assets was $8.0 million in 2004, $17.6 million in 2003 and $6.6 million in 2002. As of December 31, 2004 and 2003, related accumulated amortization balances were $23.2 million and $28.3 million, respectively.

**Foreign Currency Translation.** The functional currency of our foreign subsidiaries is those subsidiaries local currencies. We translate the assets and liabilities of foreign subsidiaries at the year-end rate of exchange, and revenue and expenses at the average rates prevailing during the year. We record the resulting translation adjustment as a component of shareholders equity. We also record gains and losses resulting from the translation of inter-company balances of a long-term investment nature as a component of shareholders equity. We record foreign currency transaction gains and losses, which are not material, in the Consolidated Statements of Income.

**Financial Instruments.** Our financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, accounts payable and short-term and long-term debt. The carrying amounts of these items, other than long-term debt, approximate their fair market values due to their short maturity. As of December 31, 2004, the fair value of our long-term debt (determined primarily by broker quotes) was $426.3 million compared to its carrying value of $398.5 million.

**Accounting for Stock-Based Compensation.** In accordance with the accounting and disclosure provisions of Statement of Financial Accounting Standards ( SFAS ) No. 123, Accounting for Stock-Based Compensation and SFAS No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure, we have elected to apply APB Opinion No. 25 and related interpretations in accounting for our stock option and performance share plans. Accordingly, by our use of the intrinsic value method to account for stock-based employee compensation, we do not recognize compensation cost in connection with our stock option plans.

We have computed the proforma disclosures required under SFAS No. 123 and SFAS No. 148 using the Black-Scholes option pricing model. The fair value of options granted in 2004, 2003 and 2002 is estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

| | **2004** | **2003** | **2002** |
|---|---|---|---|
| Dividend yield | **0.5 %** | 0.4 % | 0.3 % |
| Expected volatility | **36.3 %** | 40.7 % | 40.8 % |
| Risk-free interest rate | **3.6 %** | 1.1 % | 3.5 % |
| Expected life in years | **4.5** | 2.8 | 2.9 |

The weighted-average grant date fair value per share of options granted in 2004, 2003 and 2002 is as follows:

| | **2004** | **2003** | **2002** |
|---|---|---|---|
| Grants (all at market price) | **$ 8.75** | $ 5.59 | $ 7.51 |

If we had elected to recognize compensation cost for these plans based on the fair value at grant date as prescribed by SFAS No. 123, net income and net income per share would have been reduced to the pro forma amounts indicated in the table below (in millions, except per share amounts):

| | **Twelve Months Ended December 31,** | | |
|---|---|---|---|
| | **2004** | **2003** | **2002** |
| | **(In millions, except per share data)** | | |
| Net income, as reported | **$ 234.7** | $ 164.9 | $ 178.0 |
| Add: Total stock-based employee compensation expense, net of related tax effect, included in reported net income | **1.5** | 2.3 | 2.0 |
| Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects | **(6.4 )** | (14.4 ) | (16.1 ) |
| Pro forma net income | **$ 229.8** | $ 152.8 | $ 163.9 |
| Earnings per share: | | | |
| Basic as reported | **$ 1.79** | $ 1.23 | $ 1.31 |
| Basic pro forma | **$ 1.75** | $ 1.14 | $ 1.20 |
| Diluted as reported | **$ 1.76** | $ 1.21 | $ 1.29 |
| Diluted pro forma | **$ 1.72** | $ 1.12 | $ 1.18 |

**Derivative Instruments and Hedging Activities.** We recognize derivatives as assets or liabilities on our balance sheet at fair value, and the gain or loss related to the effective portion of derivatives designated as cash flow hedges as a component of other comprehensive income.

We enter into hedging transactions in order to reduce financial volatility and manage the fixed-floating mix of our debt portfolio. As of December 31, 2004, the only hedging transactions to which we were a counterparty consisted of interest rate swap agreements.

At December 31, 2004, we have a $29.0 million notional amount floating-to-fixed interest rate swap agreement in place with a bank counterparty that fixes the interest rate on the $29.0 million synthetic lease related to our corporate headquarters through its maturity in 2010. This hedge has been designated as a cash flow hedge under SFAS 133, is fully effective, and at December 31, 2004, was marked to market and valued as a liability totaling $3.1 million. We determine the fair value of our interest rate swap derivative through the inquiry of the counterparty banks. This liability is included with other current liabilities in the accompanying Consolidated Balance Sheets, and the related loss of $1.8 million was recorded, net of income tax, as a component of accumulated other comprehensive loss. The termination of the lease, whenever that occurs, of our headquarters building will result in the reclassification of accumulated other comprehensive loss into earnings for the cash flow hedge.

At December 31, 2004, we also have interest rate swap agreements in place with a bank counterparty to float the interest rate on $250.0 million of our fixed rate senior unsecured notes through their maturity date in 2005. These derivatives have been designated as fair value hedges and are fully effective. The value of these swaps was $5.6 million at December 31, 2004, and is included with other current assets in the accompanying Consolidated Balance Sheets with a corresponding increase in the amount of currently maturing short-term debt. Changes in the fair value of these swaps and that of the related debt are recorded in interest expense in the accompanying Consolidated Statements of Income, the net of which is zero in 2004, 2003 and 2002.

Our maximum economic exposure to loss due to credit risk on these interest rate swap agreements approximates $2.5 million if all bank counterparties were to default. We manage this exposure by

monitoring the concentration of risk that we have with any one bank, and through the use of minimum credit quality standards for all counterparties.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

In November 2002, the EITF reached a consensus on Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF Issue No. 00-21 provides guidance pertaining to the revenue recognition methodology to apply to revenue arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. The provisions of EITF Issue No. 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We adopted EITF Issue No. 00-21 on July 1, 2003 and it did not have a material impact on our financial position or results of operations.

In December 2003, the Financial Accounting Standards Board ( FASB ) issued a revision to SFAS No. 132 Employers Disclosures about Pensions and Other Postretirement Benefits. The purpose of the revision is to require additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. These additional disclosures include information describing the types of plan assets, investment strategy, measurements date(s), plan obligations, cash flows and components of net periodic benefit cost recognized. As revised, SFAS 132 enhances disclosures by providing more relevant information about the plan assets available to finance benefit payments, the obligation to pay benefits and an entity s obligation to fund the plan. This revised version of SFAS 132 is effective for fiscal years ending after December 15, 2003. We adopted the revisions to SFAS 132 and have included the additional disclosures in the Notes to our Consolidated Financial Statements.

In December 2003, the FASB issued its revision to FASB Interpretation No. 46, Consolidation of Variable Interest Entities, (an Interpretation of ARB No. 51). FIN 46 addresses the consolidation by a reporting entity of variable interest entities that either do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or in which the equity investors lack the characteristics of a controlling financial interest. Application of FIN 46 is required in financial statements of public entities that have interests in variable interest entities or potential variable interest entities (also referred to as special-purpose entities) for periods ending after December 15, 2003. The FASB subsequently issued FASB Staff Positions ( FSP s ), which deferred the effective date for applying the provisions of FIN 46 for interests in certain variable interest entities or potential variable interest entities created before February 1, 2003 until the end of the first interim period ending after March 15, 2004. These FSP s also required certain disclosures about variable interest entities and potential variable interest entities. We adopted the provisions of FIN 46 in March 2004 and it has not had a material impact on our financial position or results of operations.

In December 2003, the Staff of the Securities and Exchange Commission, or SEC, issued Staff Accounting Bulletin No. 104, or SAB 104, Revenue Recognition, which supersedes SAB 101, Revenue Recognition in Financial Statements. SAB 104 s primary purpose is to rescind the accounting guidance contained in SAB 101 related to multiple-element revenue arrangements that was superseded as a result of the issuance of EITF 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. Additionally, SAB 104 rescinds the SEC s related Revenue Recognition in Financial Statements Frequently Asked Questions and Answers issued with SAB 101 that had been codified in SEC Topic 13, Revenue Recognition. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104, which was effective upon issuance. We implemented SAB 104 in December 2003 and it did not have a material effect on our financial position or results of operations.

In May 2004, the FASB issued FSP No. 106-2 Accounting and Disclosure Requirements Related to the Medicare Modernization Act of 2003. This staff position supersedes FSP No. 106-1 Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 by clarifying the guidance on the recognition of the effects of the Act on employers accumulated post-retirement benefit obligation. Employers that sponsor a postretirement health care plan that provides prescription benefits that are deemed actuarially equivalent to the Medicare Part D benefit are eligible for a federal subsidy. This subsidy is to be treated as an actuarial experience gain in the calculation of the accumulated post-retirement benefit obligation. FSP 106-2 is effective for the first interim period or annual period beginning after June 15, 2004. We adopted the accounting and disclosure provisions of FSP 106-2 in July 2004 and it did not have a material effect on our financial position or results of operations.

In July 2004, the EITF of the FASB reached consensus Issue No. 02-14 Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means. EITF Issue No. 02-14 provides guidance pertaining to an investors accounting when the investor has significant influence over an investee through means other than voting stock. The provisions of EITF No. 02-14 apply to reporting periods beginning after September 15, 2004. The Company s accounting for such investments has been consistent with EITF 02-14 and its adoption during the fourth quarter of 2004 did not have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123R Share-Based Payments. SFAS 123R is a revision to SFAS 123 Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25 Accounting for Stock Issued to Employees. SFAS 123R establishes standards for the accounting for all transactions in which an entity exchanges its equity instruments for goods or services from either employees or non-employees. This financial accounting standard requires the cost resulting from share-based payment transactions be recognized in the entity s financial statements as the goods are received or the services are rendered, and establishes fair value as the measurement objective for the accounting for such transactions. SFAS 123R is effective for public entities as of the beginning of the first interim or annual reporting period beginning after June 15, 2005 and applies to (a) all new awards granted after June 15, 2005; (b) modifications, repurchases or cancellations occurring after June 15, 2005, but pertaining to awards granted before June 15, 2005; and (c) the unvested service component of outstanding awards granted prior to June 15, 2005. SFAS 123R requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. We will adopt the provisions of SFAS 123R in our third quarter beginning July 1, 2005 and expect that its impact on our financial position or results of operations will be in the range of our SFAS 123 pro forma amounts disclosed in Note 1.

In December 2004, the FASB issued SFAS 153 Exchanges of Non-monetary Assets An Amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions. SFAS 153 amends APB 29 to eliminate the fair value measurement principal exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that lack commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to significantly change as result of the exchange. SFAS 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We will adopt the provisions of SFAS 153 in July 2005 and do not expect that it will have a material impact on our financial position or results of operations.

In December 2004, the FASB issued FSP No. 109-2 Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 (the Act). FSP 109-2 specifically addresses the one-time deduction of 85% of certain foreign earnings that are

repatriated. In accordance with this FSP an enterprise is allowed time beyond the financial reporting period covering the enactment of the Act, to evaluate the effect of the Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS 109. FSP 109-2 requires the following disclosures for an enterprise that has not completed its evaluation of the repatriation provisions: (a) a summary of the repatriation as it applies to the enterprise; (b) the expected completion date of the evaluation; (c) the expected effect on income tax expense or benefit; and (d) the amount of un-remitted earnings being considered for repatriation. FSP 109-2 is effective upon issuance. We are utilizing the time allowed by FSP 109-2 to evaluate the effect of the Act as it pertains to our foreign earnings and our application of SFAS 109, and have included the requisite disclosures in Note 8 to our Consolidated Financial Statements.

## 3. DISCONTINUED OPERATIONS

In the third quarter of 2002, we made the decision to exit our commercial services business in Spain in our Equifax Europe segment. During 2003 and the first six months of 2004, this business component remained as held for sale. We completed the sale and final disposition of the business and recorded a $0.5 million gain in the third quarter of 2004, of which $1.7 million related to the recognition of a cumulative translation adjustment loss into income. In accordance with SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets to be Disposed Of, the net assets, results of operations and cash flows of the Spain commercial business for 2004, 2003 and 2002 were classified as discontinued operations. For 2004, 2003 and 2002, revenues for this business component were $1.3 million, $8.6 million and $9.1 million, respectively. We had a $0.1 million gain on discontinued operations in 2004, a $13.6 million loss on discontinued operations in 2003 and $13.3 million loss on discontinued operations in 2002. Included in the 2003 losses was an estimated loss on disposal of $8.6 million recorded in the second and fourth quarters of 2003.

After incurring losses in each of the last four years, we decided to sell our Italian operations, which were formerly included in our Equifax Europe segment, in the fourth quarter of 2004. In accordance with SFAS 144, the net assets, results of operations and cash flows of the Italian business for 2004, 2003 and 2002 were classified as discontinued operations. For 2004, 2003 and 2002, revenues for this business component were $11.4 million, $14.7 million and $14.0, respectively. We recorded an impairment charge of $5.3 million related to the write-down of purchased data during the second quarter of 2004. We had a $2.7 million, $2.2 million and $0.4 million loss on discontinued operations in 2004, 2003 and 2002, respectively. We recorded a gain on the sale of $2.6 million during the fourth quarter of 2004, of which $5.7 million related to the recognition of a cumulative translation adjustment gain into income.

**4. GOODWILL AND PURCHASED INTANGIBLE ASSETS**

**Goodwill.** Goodwill allocated to our reporting units at January 1, 2003 and changes in the carrying amount of goodwill for the years ended December 31, 2003 and 2004, are as follows:

**Reporting Units**

| | Information Services (In millions) | Marketing Services | European Operations | Latin America Operations | Total |
|---|---|---|---|---|---|
| Balance, January 1, 2003 | $ 185.7 | $ 267.7 | $ 94.1 | $ 103.0 | $ 650.5 * |
| Acquisitions | 12.7 | 6.9 | | | 19.6 |
| Adjustments to prior year s purchase price allocation | 1.0 | 10.1 | | | 11.1 |
| Reclassifications | (0.3 ) | 1.5 | 0.3 | | 1.5 |
| Foreign currency translation | 7.3 | | 12.9 | 21.4 | 41.6 |
| Balance, December 31, 2003 | 206.4 | 286.2 | 107.3 | 124.5 * | 724.3 * |
| Acquisitions | **4.1** | | | | **4.1** |
| Adjustments to prior year s purchase price allocation | | **(4.5 )** | **1.6** | | **(2.9 )** |
| Foreign currency translation | **3.5** | | **8.8** | **9.7** | **22.0** |
| Balance, December 31, 2004 | **$ 214.0** | **$ 281.7** | **$ 117.7** | **$ 134.2** | **$ 747.5** * |

* Does not total due to rounding

Goodwill is the cost in excess of the fair value of the net assets of acquired businesses. At least annually we evaluate goodwill for impairment. This evaluation is performed on a reporting unit basis and involves the determination of the reporting unit fair values based on discounted cash flow analyses corroborated by market multiple comparables. An impairment charge would result if the carrying amount of goodwill exceeded its implied value. Reporting units combine two or more business components and were determined on the basis of similarities pertaining to market geography, product offerings, customer profile, economic characteristics, operating margins and product fulfillment and delivery and methodologies. We determined the existence of five reporting units, i.e., Information Services, Marketing Services, Personal Solutions, European Operations and Latin America Operations. There were no goodwill impairment charges during 2004, 2003 or 2002.

Prior to 2002, goodwill was amortized on a straight-line basis predominately over periods from twenty to forty years. As of December 31, 2004 and 2003, accumulated amortization balances were $89.7 million and $87.7 million, respectively. The adjustments to prior year s purchase price allocation in the table above relates primarily to revisions of Naviant and Italy deferred tax assets.

SFAS No. 142, Goodwill and Other Intangible Assets, requires that reporting unit goodwill be re-evaluated and tested for impairment at least on an annual basis. Accordingly, we have updated our impairment evaluation as of September 30, 2004 and determined that reporting unit goodwill remained unimpaired. However, future goodwill impairment tests could result in a charge to earnings. We will continue to evaluate goodwill annually or whenever events and circumstances indicate that there may be an impairment of the asset value.

**Purchased Intangible Assets.** Purchased intangible assets, as recorded on the accompanying Consolidated Balance Sheets, represent the estimated fair value of acquired intangible assets used in our products and services. Purchased data files, net, is the carrying value of files acquired primarily through the purchase of independent credit reporting agencies in the U.S. and Canada. We expense the cost of modifying and updating credit files in the period such costs are incurred.

| | 2004 | | | 2003 | | |
|---|---|---|---|---|---|---|
| | Gross<br>(In millions) | Accumulated amortization | Net | Gross | Accumulated amortization | Net |
| Purchased data files | **$ 405.4** | **$ (171.7 )** | **$ 233.7** | $ 424.9 | $ (181.6 ) | $ 243.3 |
| Acquired software | **10.4** | **(8.2 )** | **2.2** | 26.1 | (21.9 ) | 4.2 |
| Non-compete agreements | **11.7** | **(7.3 )** | **4.4** | 14.1 | (6.4 ) | 7.7 |
| Contractual/territorial rights | **41.0** | | **41.0** | 41.0 | | 41.0 |
| Total purchased intangible assets | **$ 468.5** | **$ (187.2 )** | **$ 281.3** | $ 506.1 | $ (209.9 ) | $ 296.2 |

We amortize purchased data files over a 15 year period on a straight line basis. Acquired software is amortized over a period of three to ten years; and non-compete agreements are amortized over a period of two to three years. Our contractual/territorial rights are perpetual in nature and, therefore, the useful lives are considered indefinite. Amortization expense related to purchased intangible assets was approximately $36.2 million, $51.8 million and $33.6 million for 2004, 2003 and 2002, respectively.

Estimated future amortization expense related to finite-lived purchased intangible assets at December 31, 2004 is as follows:

| | Amount<br>(In millions) |
|---|---|
| 2005 | $ 28.5 |
| 2006 | 24.8 |
| 2007 | 23.4 |
| 2008 | 23.1 |
| 2009 | 21.8 |
| Thereafter | 118.7 |
| | $ 240.3 |

We perform annual impairment tests for our purchased intangible assets with indefinite lives. Based on the results of our impairment tests, we determined that no impairment of the contractual/territorial rights existed at December 31, 2004 or December 31, 2003. However, future impairment tests could result in a charge to earnings. We will continue to evaluate our purchased intangible assets annually or whenever events and circumstances indicate that there may be an impairment of the asset value.

**5. ACQUISITIONS**

During 2004, we acquired two independent credit reporting agencies located in the U.S. (also referred to as Affiliates ) and one Affiliate located in Canada, that house their consumer information on our system. We acquired all of these businesses for $17.4 million in cash, allocating $11.7 million of the purchase price to purchased data files, $4.1 million to goodwill and $1.6 million to non-compete agreements. See Note 4 for a discussion of our purchased intangible assets. The results of operations for these acquisitions have been included in the accompanying Consolidated Statements of Income from the date of acquisition, and are not material.

During 2003, we acquired three Affiliates located in the U.S. and one Affiliate located in Canada, that house their consumer information on our system. Additionally, in April 2003 we completed the purchase of

a small eMarketing business for $10.0 million. We acquired all of these businesses for $41.0 million in cash and $1.9 million in liabilities, allocating $15.5 million of the purchase price to purchased data files, $19.6 million to goodwill and $5.9 million to non-compete agreements. In the case of the eMarketing business, the preliminary purchase price allocation did not include the involuntarily termination of certain employees of the acquired company during 2004. The results of operations for these acquisitions have been included in the accompanying Consolidated Statements of Income from the date of acquisition, and are not material.

The above acquisitions were accounted for as purchases and had a total cash purchase price of $58.4 million. The following table summarizes the estimated fair value of the net assets acquired and the liabilities assumed at the acquisition dates.

| | **2004** | **2003** |
|---|---|---|
| | **(In millions)** | |
| Other assets | **$ 1.6** | $ 5.9 |
| Purchased data files | **11.7** | 15.5 |
| Goodwill | **4.1** | 19.6 |
| Total acquired assets | **17.4** | 41.0 |
| Total liabilities | | 1.9 |
| Net assets acquired | **$ 17.4** | $ 39.1 |

The following unaudited pro forma information presents consolidated results of operations as if the above discussed acquisitions had occurred at the beginning of each year presented. The pro forma amounts may not necessarily be indicative of the operating revenues and results of operations had the acquisitions actually taken place at the beginning of each year presented. Furthermore, the pro forma information may not be indicative of future performance.

| | **2004** | | **2003** | |
|---|---|---|---|---|
| | **As Reported** | **Pro Forma** | **As Reported** | **Pro Forma** |
| | **(In millions, except per share data)** | | | |
| Revenues | **$ 1,272.8** | **$ 1,273.3** | $ 1,210.7 | $ 1,213.9 |
| Income from continuing operations | **$ 237.3** | **$ 237.6** | $ 180.7 | $ 180.2 |
| Income from continuing operations per share (basic) | **$ 1.81** | **$ 1.81** | $ 1.35 | $ 1.34 |
| Income from continuing operations per share (diluted) | **$ 1.78** | **$ 1.78** | $ 1.32 | $ 1.32 |

## 6. RESTRUCTURING AND IMPAIRMENT CHARGES

In the second quarter of 2004, we determined that continued difficulties with our eMarketing operations indicated that certain remaining assets may not be fully recoverable. Subsequently, we estimated their recoverability using undiscounted future cash flows from the use and eventual disposition of the related eMarketing long-lived asset. The carrying value of the asset exceeded the estimated undiscounted future cash flows and an impairment loss was recorded based on the amount by which the asset s carrying amount exceeded its estimated value. We estimated the fair value of the asset by discounting the present value of the future cash flows of the asset. We recorded asset impairment and related charges of $2.4 million ($1.5 million after tax, or $0.01 per diluted share). The asset impairment charges are primarily for purchased data in our Marketing Services segment. No restructuring charges were associated with this asset impairment. An analysis of the impairment charges taken is as follows (in millions):

| | **Purchased Data** | **Other** | **Totals** |
|---|---|---|---|
| Marketing Services | **$ 1.4** | **$ 1.0** | **$ 2.4** |

In the fourth quarter of 2003, we recorded restructuring, impairment and other related charges related to our eMarketing business of $25.9 million ($16.3 million after tax, or $0.12 per diluted share). The restructuring charges, which totaled $3.3 million, were associated with reducing headcount, consolidating multiple locations and eliminating our bulk e-mail product. The asset impairment charges, which totaled $22.6 million, reflected our write-down of amortizable intangible assets, indefinite lived intangible assets and fixed assets of our eMarketing business. At December 31, 2003, our remaining reserve balance was $3.3 million. During 2004, we paid $2.1 million against the reserve, leaving a remaining balance of $1.2 million. An analysis of 2004 activity in the reserve is as follows (in millions):

| | Severance | Facilities and Other | Total |
|---|---|---|---|
| Balance, December 31, 2003 | $ 1.1 | $ 2.2 | $ 3.3 |
| Less, current period payments | **(0.8 )** | **(1.3 )** | **(2.1 )** |
| Balance, December 31, 2004 | **$ 0.3** | **$ 0.9** | **$ 1.2** |

**7. LONG-TERM DEBT AND SHORT-TERM BORROWINGS**

Long-term debt at December 31, 2004 and 2003 was as follows:

| | December 31, 2004 (In millions) | December 31, 2003 |
|---|---|---|
| Notes, 6.3%, due 2005, net of unamortized discount of $0.1 million and $0.3 million at December 31, 2004 and December 31, 2003, respectively | **$ 249.9** | $ 249.7 |
| Notes, 4.95%, due 2007, net of unamortized discount of $0.3 million and $0.4 million at December 31, 2004 and December 31, 2003, respectively | **249.7** | 249.6 |
| Debentures, 6.9%, due 2028, net of unamortized discount of $1.2 million at December 31, 2004 and December 31, 2003 | **148.8** | 148.8 |
| Borrowings under U.S. revolving credit facilities, weighted-average rate of 1.6% at December 31, 2003 | | 137.1 |
| Other | **5.8** | 16.8 |
| | **654.2** | 802.0 |
| Less current maturities | **255.7** | 139.0 |
| | **$398.5** | $ 663.0 |

In July 2004, $249.9 million of our 6.3% Notes due 2005 became current. These notes are classified as short-term debt in our accompanying Consolidated Balance Sheets at December 31, 2004. On July 1, 2005, we expect to retire our 6.3% notes by utilizing our cash flow from operations and by borrowing under our revolving credit and asset securitization agreements.

In August 2004, we entered into a new five-year, $500.0 million senior unsecured revolving credit agreement. The new facility provides for a variable interest rate tied to a Base Rate, LIBOR plus a specified margin or competitive bid options similar to those contained in the previous facility. The new facility replaces a $465.0 million revolving credit facility. Under our senior credit agreement, we must comply with various financial and non-financial covenants. The financial covenants require us to maintain a leverage ratio, consolidated funded debt divided by consolidated EBITDA (as defined by the agreement) from the preceding four quarters, of not more than 3.0 to 1.0 (raised to 3.25 to 1.0 for four fiscal quarters if the CSC Put option described in Note 11 below is exercised) and a minimum interest coverage ratio of consolidated EBITDA (as defined by the agreement) for the preceding four quarters divided by consolidated interest expense for the preceding four quarters, of not less than 4.0 to 1.0. Compliance with

these financial covenants is tested quarterly on a rolling four quarters basis. At December 31, 2004, our maximum leverage ratio was 1.4 and our minimum interest coverage ratio was 14.4. The non-financial covenants include limitations on liens, cross defaults subsidiary debt, mergers, liquidations, asset dispositions and acquisitions. 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, 2004, $500.0 million was available and there were no borrowings outstanding under this facility. As of December 31, 2004, we were in compliance with our covenants under the senior credit agreement.

In September 2004, we entered into a new 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. Equifax will use the net proceeds received from the sale of its trade receivables to the subsidiary for general corporate purposes. The credit facility has an expiration date of September 6, 2005, but may be extended for an additional period of up to three years if specified conditions are satisfied. Loans will bear interest at commercial paper rates, LIBOR or Base Rate plus a specified margin. Outstanding debt under the facility will be consolidated on our balance sheet for financial reporting purposes. As of December 31, 2004, $84.0 million was available and no amounts were outstanding under this facility.

In October 2002, we issued new 4.95% fixed rate five-year senior unsecured notes with a face value of $250.0 million. The notes, which expire in 2007, were sold at a discount of $0.5 million. The discount, and related issuance costs, will be amortized on a straight-line basis over the term of the notes. Our $200.0 million 6.5% senior unsecured notes, originally issued in 1993, matured in June 2003. We borrowed $200.0 million under our revolving credit facility to retire the maturing notes. The indebtedness evidenced by our 4.95% senior unsecured notes, our 6.3% senior unsecured notes and our 6.9% senior unsecured debentures, none of which has been guaranteed by any of our subsidiaries, is unsecured, and ranks on parity in right of payment with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.

Scheduled maturities of long-term debt during the five years subsequent to December 31, 2004, are as follows:

| | **Amount (In millions)** |
|---|---|
| 2005 | $ 255.7 |
| 2006 | |
| 2007 | 249.7 |
| 2008 | |
| 2009 | |
| Thereafter | 148.8 |
| | $ 654.2 |

Our short-term borrowings at December 31, 2004 and 2003, totaled $0.0 million and $21.5 million, respectively, and consisted primarily of notes payable to banks. These notes had a weighted average interest rate of 1.8% at December 31, 2003. One of our Canadian subsidiaries had an unsecured, 364-day C$100.0 million revolving credit facility that expired on September 30, 2004. The agreement provided for borrowings tied to the Prime Rate, Base Rate, LIBOR or Canadian Banker s Acceptances, and contains financial covenants related to interest coverage, funded debt to cash flow and limitations on subsidiary indebtedness. We guaranteed the indebtedness of our Canadian subsidiary under this credit facility. The bank agreed to carry the amounts outstanding under the facility on a demand basis following the expiration of the revolver on September 30, 2004, and the remaining balance was paid in October 2004. Borrowings under this loan (which are included in the 2003 short-term borrowings totals above) at December 31, 2003 were $15.4 million.

In November 2004, we entered into a C$25.0 million revolving credit facility that replaced the C$100.0 million facility that expired in September 2004. The C$25.0 million facility expires in September 2005. There were no borrowings outstanding under this facility at December 31, 2004.

Cash paid for interest was $34.9 million in 2004, $39.6 million in 2003 and $41.8 million in 2002.

**8. INCOME TAXES**

We record deferred income taxes using enacted tax laws and rates for the years in which the taxes are expected to be paid. Deferred income tax assets and liabilities are recorded based on the differences between the financial reporting and income tax bases of assets and liabilities.

The provision for income taxes from continuing operations consists of the following:

| | **2004** | **2003** | **2002** |
|---|---|---|---|
| | **(In millions)** | | |
| Current: | | | |
| Federal | **$ 74.7** | $ 63.5 | $ 71.9 |
| State | **12.9** | 5.7 | 10.0 |
| Foreign | **24.7** | 22.8 | 21.4 |
| | **112.3** | 92.0 | 103.3 |
| Deferred: | | | |
| Federal | **30.9** | 11.4 | 23.3 |
| State | **2.7** | | (1.9 ) |
| Foreign | **2.0** | 1.2 | (0.3 ) |
| | **35.6** | 12.6 | 21.1 |
| | **$147.9** | $ 104.6 | $ 124.4 |

Domestic and foreign income from continuing operations before income taxes was as follows:

| | **2004** | **2003** | **2002** |
|---|---|---|---|
| | **(In millions)** | | |
| United States | **$ 302.8** | $ 214.9 | $ 264.5 |
| Foreign | **82.4** | 70.4 | 51.6 |
| | **$385.2** | $ 285.3 | $ 316.1 |

The provision for income taxes from continuing operations is reconciled with the federal statutory rate, as follows:

| | **2004** | **2003** | **2002** |
|---|---|---|---|
| | **(In millions)** | | |
| Federal statutory rate | **35.0 %** | 35.0 % | 35.0 % |
| Provision computed at federal statutory rate | **$ 134.8** | $ 99.9 | $ 110.6 |
| State and local taxes, net of federal tax benefit | **10.3** | 0.6 | 5.0 |
| Foreign | **2.0** | (9.1 ) | (8.4 ) |
| Valuation allowance | **(13.0 )** | 7.4 | 21.1 |
| Tax reserves | **12.9** | (0.8) | |
| Other | **0.9** | 6.6 | (3.9 ) |
| | **$147.9** | $ 104.6 | $ 124.4 |

Components of the deferred income tax assets and liabilities at December 31, 2004 and 2003 are as follows:

| | 2004 (In millions) | 2003 |
|---|---|---|
| Deferred income tax assets: | | |
| Reserves and accrued expenses | **$ 18.9** | $ 17.1 |
| Postretirement benefits | **71.1** | 71.5 |
| Employee compensation programs | **17.1** | 12.6 |
| Deferred revenue | **4.8** | 7.0 |
| Depreciation | | 0.2 |
| Net operating loss carryforwards of subsidiaries | **26.7** | 40.1 |
| Foreign tax credits | **21.9** | 19.1 |
| Unrealized foreign exchange loss | **41.4** | 58.5 |
| Valuation allowance | **(88.0)** | (111.9) |
| Other | **4.2** | 3.6 |
| | **118.1** | 117.8 |
| Deferred income tax liabilities: | | |
| Data files and other assets | **(62.2)** | (50.5) |
| Depreciation | **(1.5)** | |
| Pension expense | **(70.2)** | (61.9) |
| Undistributed earnings of foreign subsidiaries | **(7.9)** | (8.0) |
| Other | **(1.7)** | (1.2) |
| | **(143.5)** | (121.6) |
| Net deferred income tax liability | **$ (25.4)** | $ (3.8) |

Our deferred income tax assets and liabilities at December 31, 2004 and 2003, are included in the accompanying Consolidated Balance Sheets as follows:

| | 2004 (In millions) | 2003 |
|---|---|---|
| Current deferred income tax assets | **$ 13.2** | $ 15.5 |
| Deferred income tax liabilities | **(38.6)** | (19.3) |
| Net deferred income tax liability | **$ (25.4)** | $ (3.8) |

We record deferred income tax on the temporary differences of our foreign subsidiaries and branches, except for the temporary differences attributable to pre-2004 undistributed earnings of Canadian and Chilean subsidiaries which we consider to be indefinitely invested that amounted to approximately $74.5 million and $93.6 million at December 31, 2003 and December 31, 2004, respectively. We recorded a deferred tax benefit of approximately $1.9 million in 2004 attributable to our Chilean subsidiary to reflect our determination that the pre-2004 undistributed earnings are indefinitely invested. If the pre-2004 earnings were not considered indefinitely invested, approximately $7.0 million of deferred income taxes would have been provided. Such taxes, if ultimately paid, may be recoverable as foreign tax credits in the U.S.

A provision for Canadian withholding taxes of approximately $1.1 million has been made on the 2004 retained earnings of Canadian subsidiaries of approximately $23.4 million. We have determined that the 2004 earnings of our Canadian subsidiaries are not indefinitely invested.

As of December 31, 2004, we had a deferred tax asset of $41.4 million related to accumulated foreign currency translation loss for foreign locations, excluding adjustments for current year Canadian and

Chilean earnings. A full valuation allowance, included in accumulated other comprehensive loss, has been provided due to uncertainty of future realization of this deferred tax asset.

At December 31, 2004, we had net operating loss and capital loss carryforwards of approximately $194.1 million of which $135.4 million related to U.S. federal and state and $58.8 million to foreign jurisdictions. Of the total net operating loss and capital loss carryforwards, $22.1 million will expire in 2005, $35.9 million will expire in 2006 and $136.1 million will begin to expire at various times beginning in 2012. Additionally, we had foreign tax credit carryforwards of approximately $21.9 million of which $15.3 million will begin to expire in 2010 and the remaining $6.6 million will be utilized upon repatriation of foreign earnings. Tax effected state net operating loss, capital loss, foreign tax credit carryforwards and other foreign deferred tax assets of $46.6 million have been fully reserved in the deferred tax valuation allowance due to the uncertainty resulting from a lack of previous foreign taxable income within certain foreign tax jurisdictions and uncertainty that sufficient capital gains will be generated.

A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. We released valuation allowance of $12.9 million in 2004 for capital loss carryovers in the U.S. and foreign net operating loss carryforwards relating to Spain. In addition, we released valuation allowance of $3.9 million in 2004 associated with acquired net operating losses. The tax benefit of the $3.9 million release was recorded as a reduction to goodwill.

On October 22, 2004, the American Jobs Creation Act ( AJCA ) was signed into law. The AJCA includes a tax deduction of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. Equifax may elect to apply this provision to qualifying earnings repatriations during its 2005 tax year. Equifax has started an evaluation of the effects of the repatriation provision; however, we do not expect to be able to complete this evaluation until after Congress or the Treasury Department provides additional clarifying language on key elements of the provision. Equifax expects to complete its evaluation of the effects of the repatriation provision within a reasonable period of time following the publication of the additional clarifying language. The range of possible amounts that we are considering for repatriation under this provision is between zero and $100.0 million. Due to complexity of the provisions of the AJCA and pending additional clarifying language, the range of possible income tax effects of potential repatriation cannot be reasonably estimated at this time.

Cash paid for income taxes, net of amounts refunded was $102.2 million in 2004, $84.6 million in 2003 and $92.6 million in 2002.

## 9. SHAREHOLDERS EQUITY

**Rights Plan.** In 1995, our Board of Directors adopted a Shareholder s Rights Plan ( Rights Plan ). Our Rights Plan contains provisions to protect our shareholders in the event of an unsolicited offer to acquire us, including offers that do not treat all shareholders equally, the acquisition in the open market of shares constituting control without offering fair value to all shareholders and other coercive, unfair or inadequate takeover bids and practices that could impair the ability of our Board to represent shareholders interests fully. Pursuant to the Rights Plan, our Board declared a dividend of one Share Purchase Right for each outstanding share of our common stock, with distribution to be made to shareholders of record as of November 24, 1995. The Rights, which will expire in November 2005 unless renewed by the Board of Directors, initially will be represented by, and traded together with, our common stock. The Rights are not currently exercisable and do not become exercisable unless certain triggering events occur. Among the triggering events is the acquisition of 20% or more of our common stock by a person or group of affiliated or associated persons. Unless previously redeemed, upon the occurrence of one of the specified triggering events, each Right that is not held by the 20% or more shareholder will entitle its holder to purchase one share of common stock or, under certain circumstances, additional shares of common stock at a discounted price.

**Treasury Stock.** During 2004, 2003 and 2002, we repurchased 5.4 million, 4.2 million and 2.9 million of our common shares through open market transactions at an aggregate investment of $138.0 million, $95.0 million and $72.5 million, respectively. In addition to the remaining authorized shares from our Board of Director s previous authorization in February 2002, the Board authorized an additional $250.0 million in share repurchases in August 2004. At December 31, 2004, approximately $239.3 million remained available for future purchases from prior authorizations of our Board of Directors.

**Stock Options.** Our shareholders have approved several stock option plans which provide that qualified and nonqualified options may be granted to officers and employees. Our Board of Directors has also approved a nonqualified stock option plan that cannot be used to grant shares to directors or executive officers. In addition, options remain outstanding under two plans from which no new grants may be made, one of which was approved by shareholders. In October 2004, the Board of Directors approved that authorized grants would only be made from shareholder approved plans, resulting in cancellation of shares previously available for future grants. All plans require that options be granted at exercise prices not less than market value on the date of grant. Generally, options vest over periods of up to 3 years and are exercisable for ten years from grant date. Certain of the plans also provide for awards of restricted shares of our common stock. At December 31, 2004, there were 1.4 million shares available for future option grants and restricted stock awards.

A summary of changes in outstanding options and the related weighted average exercise price per share is shown in the following table:

| (Shares in thousands) | 2004 Shares | Average Price | 2003 Shares | Average Price | 2002 Shares | Average Price |
|---|---|---|---|---|---|---|
| Balance, December 31, 2003 | **11,126** | **$ 19.65** | 10,554 | $ 18.47 | 10,824 | $ 16.35 |
| Granted (all at market price) | **935** | **25.70** | 2,984 | 21.06 | 2,398 | 25.05 |
| Cancelled | **(270 )** | **20.17** | (738 ) | 21.53 | (354 ) | 18.74 |
| Exercised | **(2,307 )** | **17.47** | (1,674 ) | 13.93 | (2,314 ) | 15.31 |
| Balance, December 31, 2004 | **9,484** | **$ 20.76** | 11,126 | $ 19.65 | 10,554 | $ 18.47 |
| Exercisable at end of year | 7,891 | $ 20.16 | 9,076 | $ 19.14 | 8,217 | $ 17.58 |

The following table summarizes information about stock options outstanding at December 31, 2004 (shares in thousands):

| **Options Outstanding** | | | | **Options Exercisable** | |
|---|---|---|---|---|---|
| **Range of exercise prices** | **Shares** | **Weighted Average Remaining Contractual Life in Years** | **Weighted Average Exercise Price** | **Shares** | **Weighted Average Exercise Price** |
| $7.40 to $15.24 | 2,003 | 4.23 | $ 13.53 | 2,003 | $ 13.53 |
| $15.47 to $20.87 | 1,509 | 5.63 | 18.13 | 1,386 | 18.03 |
| $21.11 to $24.18 | 2,977 | 6.87 | 21.85 | 2,447 | 21.97 |
| $24.30 to $25.50 | 1,886 | 7.09 | 25.43 | 1,566 | 25.46 |
| $25.55 to $37.25 | 1,109 | 7.60 | 26.52 | 489 | 27.42 |
| | 9,484 | 6.25 | $ 20.76 | 7,891 | $ 20.16 |

Restricted stock awards generally vest over a period of three to five years. The unearned compensation is recognized as compensation expense ratably over the applicable vesting period of the restricted stock award. The restricted stock awards granted to Thomas F. Chapman, chairman and chief executive officer, will fully vest in 2005 due to his retirement. See Item 7. Management s Discussion and Analysis of general condition and Results of Operations CEO Transition. Restricted Stock expense of

$2.4 million in 2004, $3.7 million in 2003 and $3.3 million in 2002 was recorded in the accompanying Consolidated Statements of Income.

The following table summarizes information about restricted stock grants for 2004, 2003 and 2002:

| Year | | Number of Shares | Average Fair Value |
|---|---|---|---|
| **2004** | **Grants** | **486,500** | **$ 25.86** |
| | **Cancellations** | **6,500** | **$ 25.60** |
| 2003 | Grants | 103,000 | $ 20.84 |
| | Cancellations | 110,000 | $ |