

**EQUIFAX**

*We **change** the shape of global commerce.*

1998 ANNUAL REPORT

## 1998 EQUIFAX FINANCIAL HIGHLIGHTS

(Dollars in millions, except per share amounts)

Year ended December 31	1998	1997	1996	Compound Growth Rate
Operating revenue	\$ <b>1,621.0</b>	\$ 1,366.1	\$ 1,222.8	15.1%
Operating income*	\$ <b>365.7</b>	\$ 323.9	\$ 266.9	17.0%
Operating income margin*	<b>22.6%</b>	23.7%	21.8%	NA
Net income from continuing operations**	\$ <b>193.4</b>	\$ 182.6	\$ 153.1	12.4%
Diluted earnings per share from				
continuing operations**	\$ <b>1.34</b>	\$ 1.24	\$ 1.03	14.1%
Cash dividends per share	\$ <b>0.353</b>	\$ 0.345	\$ 0.330	3.4%
Market capitalization at December 31	\$ <b>4,787.7</b>	\$ 5,053.7	\$ 3,970.4	9.8%
Stock price per share at December 31	\$ <b>34.19</b>	\$ 35.44	\$ 27.41	11.7%

\*Before unusual charges

\*\*Before a 1997 nonrecurring gain, unusual charge, and accounting change

*Changing the shape of global commerce isn't just a tagline. It's what we do. We improve the relationship between buyers and sellers. Around the world. In hundreds of different ways. Millions of times a day.*

*How do we measure that change?*

*The same way our customers do.*

*in hits*

1110101110011001011. The digital you. Our new e-commerce initiatives are bringing security, transaction processing, and verification services to the Web. Providing buyers and sellers with digital certificates. Authenticating online identities. And making e-commerce more secure – for corporate procurement or shopping in a virtual mall.



# *in emerging markets*

“Cartão de crédito\*\*” From South America to the Pacific Rim, Equifax solidifies local economies – providing established and emerging markets a strong credit-based foundation. Card processing in India. Extensive consumer – and commercial – credit databases for Latin America. And more empowerment for consumers the world over.

edit car

03

\* cr d

## *in swipes*

VISA®, MasterCard®, or private label. Equifax handles 1.7 million card transactions a day, processing credit and debit card transactions for community banks in the U.S. And helping clients in 29 other countries manage more than 125 million card accounts a year. From St. Petersburg to Sydney, New York to New Delhi, Equifax gets the credit.



# *IN SPEED*

We expedite commerce — speeding actionable knowledge and information to our clients. Shifting decision making from the back office to the point of sale. Transforming simple transactions into profitable cross-selling opportunities. Seamlessly handling card processing, check authorization, and credit reporting.

05

# *IN SECURITY ADDED*

We lessen risks for buyers and sellers — using advanced database solutions to help identify risk and reduce losses in the financial, telecommunications, utility, and healthcare industries, among others. Safeguarding privacy on the Internet with digital signatures, privacy directories, and encryption. Providing banks, retailers, and other industries with total outsourced solutions in risk management.



*in dial tones*

It pays to know who's calling. Especially for telecommunications carriers. Equifax manages the nation's largest database on unpaid telephone and wireless subscribers. It's used to protect more than 60 telecommunications and wireless companies – minimizing their risk on new commercial and consumer accounts.



### *in buying power*

350 million consumers. 350 million wallets. Golden opportunities for Equifax. We're giving consumers more control over their credit profiles. Providing access to the information they need to make better credit decisions. Opening up more choices. And more charge accounts, too.

*in new neighbors*

Equifax holds the key to millions of new homes. We touch nearly 7,000 mortgage applications every day – providing mortgage lenders with the knowledge-based information they need to qualify applicants more quickly. And more accurately. From the U.S. to Argentina, we're helping dream homes become reality.





*in express lanes*



Next. Equifax keeps checkout lines moving swiftly. It's a big part of what we do – providing bank and debit card transaction processing services at the point of sale. By the way, we also verify a few checks. About 262 million checks a year. Or 23 billion dollars worth.

# *IN KNOWLEDGE*

We engineer new insights — helping companies better understand their customers and how they buy. Reinventing the marketing model. Analyzing databases for new opportunities. Predicting patterns of behavior. Strengthening retention and customer loyalty. Tailoring solutions to meet strategic goals.

# *IN CONVENIENCE ADDED*

We simplify the transaction process — sending critical decision-support information to the exact point of customer interface. Introducing sellers to qualified buyers via the Internet. Enlightening consumers on their credit picture. Educating young people about financial responsibility. Creating more choices for everyone.

## *in SUVs*

Looking for a new sports utility vehicle? Thanks to Equifax, buying it just got easier. In some markets, we verify odometer settings for buyers. In others, we deliver knowledge directly to the dealership – allowing credit decisions to be made at the point of purchase. For buyers that means quick approval right in the showroom. Of course, you'll still have to decide on the color.


RAY

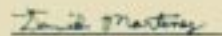
### Tri-Cities Auto

THIS IS TO CERTIFY THAT  
**RAY PORTELLA**

HAS BEEN NAMED  
**1998 SALES ASSOCIATE OF THE YEAR**

AWARDED FOR  
Outstanding Sales Performance  
and Exemplary Customer Satisfaction

  
D.K. HERRING  
PRESIDENT

  
CAROL HERRING  
SALES MANAGER

## *in bargain shoppers*

Equifax drives traffic to retailers – mining and analyzing their customer data. Developing knowledge-based analytic solutions to help them target the right marketing programs to the right customers at the right time. The result: more value for every marketing dollar. And a special on aisle five.





# *IN PRECISION*

We use data as a compass — pinpointing strategic opportunities for our customers. Providing a wider base of information. Scoring their possibilities. Optimizing their marketing programs with analytics and knowledge engineering. Predicting the life cycle of customer relationships and loan portfolios. Managing risk.

# *IN EXPERTISE ADDED*

We supply the competitive edge — complementing the core competencies of our customers. Supporting their operations from marketing to collections. Consulting across the entire credit life cycle. Scoring risk and profitability for better Go/No-Go decisions. Outsourcing collections for enhanced economies of scale. Leveraging our vast knowledge base.

# *IN EXPERIENCE ADDED*

*We bridge centuries – building on all we have learned. We started in 1899 in Atlanta, Georgia, offering simple credit reporting to local merchants. Now, 100 years later, we are celebrating our centennial. This in itself is a great accomplishment. To put this in perspective, about 38% of Fortune 500 companies have reached the age of 100. And only 45 of our 50 states have celebrated their centennials. But the important message here is not longevity. It is dependability. Because at Equifax, we feel 100 years is more a measure of our reliable performance than of our age. Since our founding in 1899, we have steadily changed the shape of commerce. Today, we affect transactions the world over, making them happen faster, easier, and better. Beyond today, we look to the new millennium. And another 100 years of creating change.*

**To Fellow Shareholders:**

Every annual report tells a story. Outwardly, ours is about measuring change and market opportunity. But to be more accurate, it is about measuring profitable growth. Because at Equifax, we grow by changing the shape of global commerce. Every innovation we create, every new technology we develop, every new market we enter is driven by strategic objectives. Consistent goals that have put us in a preeminent position with respect to our customers and competition worldwide. But having reached that position, our journey is not complete. We are committed to long-term growth, to expanding our definition of the marketplace, to bringing new information, payment, and knowledge-based solutions to our customers.

As Equifax begins its second hundred years in business, rest assured – there are more and better changes to come.

**Raising The Bar**

We stated earlier that we measure change the way our customers do – through value creation, customer loyalty, and time to market. Just as importantly, though, we also measure change the way our shareholders do – in sales, profitability, earnings, and above all, economic value added. In 1998, our performance again exceeded that of the prior year – marking our sixth consecutive year of increasing growth. As measured over the long term, Equifax continues to provide superior returns for shareholders.

- Revenue grew to \$1.62 billion, an 18.7% increase over the previous year.
- Income from continuing operations (before an unusual charge in 1997) rose 12.9% over 1997 to \$365.7 million.
- Economic Value Added (EVA) increased \$10 million to \$70 million in 1998.

- Earnings per share increases from continuing operations before unusual items have averaged over 17% over the last six years.
- Return on equity of 54% is among the highest in the industry.
- Commitment to share buyback continued with repurchase of 4.6 million shares of Equifax stock for \$162 million.

Our performance in Europe in 1998 did not meet our expectations. We moved quickly and decisively to make the necessary management and operational changes to improve Europe's financial performance in 1999.

As an EVA-driven company, Equifax focuses on building long-term value for our shareholders. The investments our company makes today are investments for the future - not the short term. We grow by being first, and by seizing opportunity. Nonetheless, we make careful strategic decisions. In 1994, we entered Chile with a 25% stake in DICOM and we increased our investment to 100% over the next three years. From Chile, we were able to expand into Peru, Colombia, and El Salvador. We have used this same growth model successfully in Argentina, and more recently in Brazil. Our activities in these countries help solidify Equifax's position as the leading information company in Latin America.

**Improving The Course Of Commerce**

At Equifax, we continually seek new opportunities for Growth, Innovation, Technology, and People – the four tenets of our operating philosophy.

In 1998, we grew in areas critical to our future expansion, such as the completion of our international credit reporting system – a multi-language, multi-currency, multi-functional system that will allow us to do business practically anywhere in the world – which is already installed in

**THOMAS F. CHAPMAN**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



two countries. Our growth took us to the Internet as well, where we are exploring new opportunities for our products and services. Here, our innovations in next-generation digital certificates and authentication services have given us a strong beachhead in making e-commerce more secure for buyers and sellers.

Along with innovation, Equifax technology is strengthening our position as a global information leader – enabling us to process transactions around the world and to facilitate delivery to our customers. Our advanced technology is driving our Y2K readiness program as well, positioning us for the new millennium.

In support of our focus on international expansion, we strengthened our international management team. And we moved closer to our goal of becoming an employee-owned enterprise by adding 10,000 new owners – salaried, full-time Equifax employees worldwide who are shareholders through participation in our Equifax Shares stock option grants.

### **Remodeling The Transaction**

Commerce no longer just evolves. Today, it moves at warp speed, changing direction virtually overnight. In the area of transaction processing, that presents us with two choices: Wait for the change to happen and then react to it, or create the change ourselves and help drive it. We choose the latter.

A case in point: The approximately 5,000 community bank members of the Independent Bankers Association of America (IBAA) and the 1700 credit union members of Card Services for Credit Unions (CSCU). Since 1968, our Card Solutions division has enhanced the ability of independent financial institutions to provide their customers with

leading-edge banking services. In 1998, we took that enhancement to new levels by providing financial institutions with complete Internet PC Banking capabilities. Now, they can offer their customers the same convenient and secure online banking services that are available from larger regional and national banks and credit unions.

Our strategic alliances are also helping to drive change. In the United Kingdom with our recent joint venture with Groupe Cofinoga and Banque Nationale de Paris, we are creating a new world-class cardholder and merchant processing system in Europe, allowing major retailers and financial institutions to increase profitability and to provide better quality service to their customers. And we have aligned with HNC Software Inc. and VNU Marketing Information Services to jointly develop and market new products around the world.

### **Realigning The Flow Of Information**

Change is continuous. In 1899, Equifax developed new ways to share credit information among local retailers in Atlanta, Georgia. Now, a century later, we still share information, only this time, around the world. In 1998, we continued to develop innovative ways to deliver knowledge-based information to the point of decision. Much of our information is used to prevent fraud and credit risk in the banking, finance, retail, telecommunications, utility, wireless, cable, and healthcare industries. In telecommunications, for example, we created and now manage two national databases of unpaid commercial and consumer telephone accounts – the National Telecommunications Data Exchange (NTDE) and the National Consumer Telecommunications Data Exchange (NCTDE). The NCTDE became operational in 1998, the NTDE in 1996.

## EQUIFAX EMPLOYEES

- Total Employees (U.S.): 7,000
- Total Employees (International): 7,000
- Employees with Equifax ownership: 10,000

## STERN STEWART PERFORMANCE 1000

- 1993 Rank: 302
- 1998 Rank: 225

## INDUSTRY RECOGNITION

- Ranked No. 1 on “Fast Tech 50 in Atlanta” by *Atlanta Business Chronicle*
- Ranked by *Fortune* magazine as America’s third most admired “Computer and Data Services” company
- Placed 47th out of 500 on *Information Week’s* list of the biggest and most innovative users of information technology in the U.S.
- Top 100 Index – National Association of Investors Corporation (NAIC)
- Cap Gemini Quality Certification
- 1998 Marketing Award for Excellence (MAX)

## EQUIFAX INCREASES GLOBAL REACH

COMPANY	COUNTRY	1997 OWNERSHIP (%)	1998 OWNERSHIP (%)
SCI	Brazil	0	80
UNNISA	Brazil	0	59
PROCEDA	Brazil	0	34
Infocorp S.A.	Peru	35	51
DICOM Centroamerica	El Salvador	48	51
VERAZ	Argentina	33	67
CCI Group Plc	U.K.	0	100
ASNEF-Equifax	Spain	49	58
Credit Bureau of Vancouver	Canada	0	100

Since its inception, the NTDE has helped reduce the number of unpaid commercial accounts by 25%. Based on this success, our management contract was renewed through 2001. As a global company, one of the strategic ways in which we grow is through the importing and exporting of products, technology, knowledge, and people from one national market to another. In the area of telecommunications, for example, we are working with telephone companies in Chile to install their first telecommunications database, which is based on the U.S. model.

### Altering The e-commerce Landscape

We have said it many times, “Wherever and whenever buyers meet sellers, Equifax is there.” That is as true in Hong Kong or London as it is in Charlotte. Today, it is also true on the Internet and other networks, where our role is continually expanding.

Enterprises and their trading communities are moving to the Internet. So are booksellers, toy stores, and used car dealers. Everywhere you go someone is talking about the potential of e-commerce. At Equifax, we are helping turn that potential into reality, building trust and security with an array of next-generation e-commerce solutions.

In an alliance with IBM, Equifax has developed a broad range of digital certificate services. These include complete certificate management and Equifax’s own proprietary remote authentication capabilities for the secure transport of information over the Internet, corporate internets, and extranets. Our Internet services leverage our long-standing expertise in secure, high-volume information processing and reputation as a

trusted steward of information. For example, eBay, the world’s largest online trading community with more than two million members, is planning to use Equifax to authenticate the identities of its members.

### Innovating World Economies

You cannot change the shape of world commerce unless you are part of world commerce. In 1998, we made significant strides in expanding our global presence, ending the year with operations in 18 countries worldwide and sales in almost 50 countries.

We strengthened our strategic position in Latin America, purchasing an 80% share of Segurança ao Crédito e Informações (SCI), the leading commercial financial information company and a major supplier of consumer information in Brazil. Also in Brazil, we launched our first card processing venture in Latin America, acquiring 59% ownership and control in UNNISA, a major provider of full-service bankcard and private label card processing. Over 100 years, our history of success proves the long term is more important than the short term.

Our growth in Brazil, or anywhere for that matter, is strategic and for the long term. The recent economic volatility of the Brazilian market does not dampen our belief that Brazil, as the leading economy in Latin America, is critical to Equifax’s future and our position as the leading information company there.

We continued to expand in the European market as well. The acquisition of CCI Group Plc in the United Kingdom enables us to expand our range of risk management services throughout Europe, helping provide our



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PRESIDENT AND CHIEF EXECUTIVE OFFICER

**C.B. ROGERS, JR.**  
CHAIRMAN OF THE BOARD

clients with a complete solution to their customer relationship and risk management needs. By acquiring a 58% majority shareholding of our Spanish operation, ASNEF-Equifax, we extended our commitment to the European information market even more.

### Recasting Data Into Actionable Knowledge

At Equifax, our future is based not only on information, but on knowledge. With the acquisition of The Decisioneering Group in 1998, a recognized leader in knowledge engineering and strategic consulting solutions, we greatly enhanced our competitive position.

By mining Equifax and customer databases overlaid with other available data, our Knowledge Engineering Group is predicting consumer behavior for our customers. Through time-series marketing analytics, for instance, we can predict buying cycles, that is, when and how often consumers will buy. Through modeling, analytics, and customer optimization, we can identify relationship opportunities for our customers. All of this translates into helping our customers better understand their own customers' needs, even to the point of anticipating them.

### Adding Value To The Future

At Equifax, even tomorrow can be measured. We are hard at work on it today. Looking for better ways to add value to information, creating more knowledge-based solutions, building more trust on the Internet, and helping credit-based economies grow. Our strategy for the future is built on a solid foundation, supported by Growth, Innovation, Technology, and People. Our direction for 1999 is clear:

- We will continue to seek a leadership position in the markets we serve.
- We will grow our business by focusing on geographic expansion, using our proven model for growth.
- We will expand our competitive preeminence in information services, payment services, and knowledge engineering, serving customers uniquely in multiple industries.
- We will continue to innovate, finding new ways to turn information into knowledge.
- We will seek consumers as our customers, providing them with new value-added information.
- We will continue to transform Equifax into an employee-owned enterprise.
- We will continue to champion global standards for information privacy, taking our privacy message to schools, businesses, and world governments.

### Measuring The Best

Our book of measurements would not be complete without one more entry: our people. We measure them in many ways. In commitment. In professionalism. In knowledge. In dedication. Like Equifax itself, they are focused on changing the shape of global commerce – not only for the past century, but for the century to come.

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# Operations

## Information Services

At Equifax Information Services, we touch people's lives in many ways. Apply for cable service, check into a hospital, be pre-approved for a low-interest loan, get a wireless phone, take a one-month payment vacation from your charge card bill – Equifax Information Services helps you do it all.

Equifax is the premier brand for value-added information and related services that help organizations be the best at identifying, lending to, and transacting with commercial and consumer customers throughout the entire customer life cycle. In almost 50 countries – from Europe to North America, Asia to Latin America – Equifax is bringing buyers and sellers together in ways that benefit both.

For our customers, the need for information begins well before a credit decision is made and continues long after that decision. Credit decisions are not isolated events; they are part of the life cycle of our customers' customers, beginning with identifying new strategic market opportunities all the way through cross-selling additional services to existing customers and recovering delinquent loans. At Equifax, our information, marketing, and decisioning products and services are designed to support every aspect of that life cycle.

Credit Reporting is a significant part of what we do at Equifax Information Services. Every month, we gather information into our databases from multiple sources, updating the more than 350 million consumer profiles we have on file. This information is also used by our Marketing Services division to help companies and financial institutions identify strategic opportunities and reach credit-worthy, credit-active consumers. Based on our customer's parameters, we identify qualified prospects for "pre-approved" promotional mailings. In 1998, we put companies in touch with more than 16 billion prospects.

The tremendous growth in the telecommunications industry, including cable, and the large number of new entrants into these businesses has fueled a growing need for sophisticated risk management solutions. A case in point is the database of unpaid commercial telephone accounts that we developed and now manage for the National Telecommunications Data Exchange (NTDE) to identify fraudulent and problem applications. In 1998, the members of the NTDE, including AT&T, Sprint, MCI, and 50 others, extended our management contract through the year 2001. Concurrent with that, we launched the National Consumer Telecommunications Data Exchange (NCTDE), a consumer version built on the same proven platform as the NTDE.

By adding value to information, Equifax creates knowledge-based solutions that help businesses make smarter, more accurate decisions. Our Knowledge Engineering division analyzes customer databases and scores individual customers as to risk, opportunity, and marketing potential. With this knowledge, businesses are better able to manage their credit and collections activities. In some cases, Equifax makes the credit decision on behalf of the customer (based on the customer's parameters).

## Highlights

**03/98**

ACQUIRED U.K. BASED  
CCI GROUP, PLC

**04/98**

FORMED CARD PROCESSING  
JOINT VENTURE IN THE U.K.

For example, in Argentina, Equifax facilitates more than 80% of the mortgage loan decisions for Banco Hipotecario National of Argentina, giving their branch managers more time to spend with customers.

We extended our risk management platform to the wireless and cable industries as well. Wireless carriers lose up to \$500 million a year to fraud. To combat that, we introduced FraudScan<sup>SM</sup>, an automated tool that helps identify and flag fraudulent applications. For the cable industry, we formed a two-year alliance with TCI Cable Management Corporation to offer cable operators a fully-integrated risk management program. This provides cable systems throughout the country with a more effective means of managing high-risk subscriber applications.

Equifax is also there on the back end of a credit decision – when it comes time to recover delinquent debt. Equifax's Risk Management Services provides a broad range of debt recovery solutions which are available on an as-needed or on a completely outsourced basis.

Equifax's technology helps improve people's lives even when there is no buyer or seller. A new information service from DICOM/Equifax in Chile protects the nearly five million inhabitants of Santiago from the risk of fire. In just seconds after an alarm sounds in the central control room, fire controllers can alert the nearest fire station – giving them the fastest route to take, along with one or two alternates and the locations of the nearest fire hydrants.

Latin America represents an enormous market for Information Services. Brazil, alone, is the second largest economy in the Western Hemisphere and the largest in Latin America. In 1998, Equifax acquired a majority interest in one of Brazil's leading financial information companies. We also increased our ownership in Peru's largest credit information company to 51%. We established the first online credit information company in El Salvador. And we increased our ownership in Argentina's largest credit information company to two-thirds.

In Canada, we continued to strengthen our already preeminent position with the acquisition of the Credit Bureau of Vancouver, a significant affiliate. We are the market leader in consumer and commercial credit reporting in Canada.

Decision support. Risk management. Marketing services. When it comes to information, Equifax is the value-add that global business needs.

### Payment Services

Charge an item in New Delhi or write a check in London, and chances are Equifax will have something to do with it. Equifax is the nation's premier, full-service card processor for independent financial institutions, and the world's largest check risk management provider.

Equifax is the card processing solution of choice for independent community banks and credit unions. In fact, with about 5,500 current institutional customers, we are the leading supplier of turnkey card processing services to this market. The reason: No competitor can match our range of third-party services and support. We handle everything from

**05/98**

INCREASED OWNERSHIP OF ASNEF-EQUIFAX OF SPAIN TO 58%

**06/98**

ALIGNED WITH IBM TO ISSUE ELECTRONIC DIGITAL CERTIFICATES

**06/98**

COMPLETED SUCCESSFUL \$400 MILLION DEBT OFFERING

**06/98**

LAUNCHED NATIONAL CONSUMER TELECOMMUNICATIONS DATA EXCHANGE

**07/98**

ACQUIRED THINK-TANK DECISIONEERING GROUP

card issuance and data processing to technical support and account collections. Thanks to Equifax, even the smallest institution can offer its customers credit and debit card services.

Beyond card processing, Equifax Payment Services offers financial institutions a variety of other banking services – programs designed to support every facet of the customer life cycle. Our portfolio management services provide financial institutions with a complete outsourcing alternative for card services, even down to determining credit limits based on their parameters. Falcon®, our new modeling program developed in partnership with HNC, uses neural-network technology to alert financial institutions to suspicious transactions which reduces losses and improves portfolio profitability. Our loyalty programs, such as frequent flyer programs, bonus programs, and other promotional programs, give independent financial institutions a competitive edge in a market otherwise dominated by large national and regional players.

In 1998, we enhanced that edge further with a turnkey electronic (online) banking solution, allowing institutions to provide convenient Internet PC Banking services to their customers.

Also in 1998, we completed the conversion of all of our customers to our Card Solutions software – an advanced data-based banking system platform that provides card issuing, merchant processing, and collections processing capabilities. Our Card Solutions software is a key component of our global expansion strategy as well. Through joint ventures and with our Card Solutions software, we have established centers of activity in India, Brazil, and the U.K. Future growth will expand outward from those three strategic hubs.

A recent joint venture with Groupe Cofinoga and Banque Nationale de Paris in the United Kingdom underscores our focus on international expansion. Equifax will provide third-party management of bankcard, retail, debit, and travel and entertainment programs in the U.K. and Ireland. This will add more than 1.5 million consumer credit card accounts to our account base.

Check risk management services accounts for almost one-third of Equifax's Payment Services business. Equifax provides both guarantee and check authorization services through our powerful risk management platform.

Check guarantee is just what the name implies; Equifax guarantees payment of the check. Our current global initiative targets national and mid-sized retailers in the U.S. and Europe for this service. In addition to our check guarantee services, Equifax provides a broad range of check authorization services enabling national retailers, such as Federated Department Stores, to make their own check approval decisions based on Equifax's extensive check database and superior risk management systems.

In 1998, in partnership with Neuristics Corporation, we introduced a leading edge check authorization risk model based on advanced neural-network artificial-intelligence (AI) technology. The AI model

**07/98**

SIGNED MASTER GLOBAL TECHNOLOGY OUTSOURCING CONTRACT WITH IBM

**08/98**

ACQUIRED 80% INTEREST IN ONE OF BRAZIL'S LEADING FINANCIAL INFORMATION COMPANIES

**09/98**

ACQUIRED 59% OWNERSHIP IN BRAZILIAN CARD PROCESSING COMPANY

**10/98**

INTRODUCED FRAUDSCAN<sup>SM</sup> FOR THE WIRELESS INDUSTRY

**11/98**

ESTABLISHED TCI CABLE EXCHANGE

makes smarter decisions without the need for human intervention. Since its incorporation into our check authorization risk management platform, we have seen a 17% increase in dollar value of approved check transactions (indicating increased sales to the retailer) with a corresponding 3% reduction in the dollar value of returned checks and a 40% gain in check collectibility values. In addition, we have reduced processing time by 15%, resulting in a quicker, more efficient check approval process.

Equifax's Check Solutions does not stop with the check itself. We offer risk consulting, which improves the accuracy of a retailer's own check approval system. We offer turnkey collections services. And we offer database marketing services that help retailers target customers based on their purchasing patterns.

At Equifax Payment Services, we make the transaction possible. Across a counter. Across the world. On the telephone. Or on the Internet.

### Knowledge Engineering

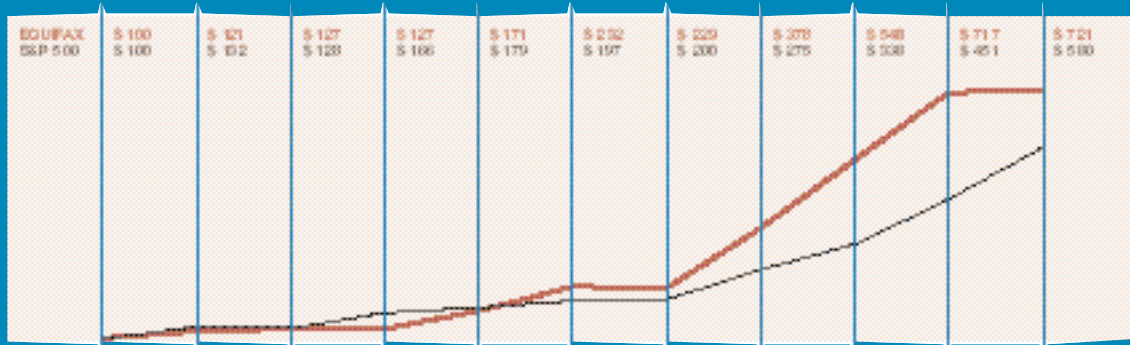
Equifax does more than bring buyers and sellers together. We keep them together – through a process we call Knowledge Engineering, creating the next level of value-add for our customers around the globe. It was developed by our Analytics and Consulting business and is built on a knowledge base of best practices. Knowledge Engineering combines time-series analytics with data from our customers, Equifax, and external sources to develop new tools for sales and marketing. And better ways to optimize relationships with customers and prospects.

Most marketing tactics today emphasize acquiring new customers. We add to that a strategic focus on the retention and growth of existing customers to enhance the buyer-seller relationship. Through a variety of new analytical tools, such as our Xprt<sup>TM</sup> micro-segmentation application and our advanced Wallet Navigator, we are helping clients reinvent their sales, marketing, and customer relationship management processes through fact-based decisioning and the application of enabling technology.

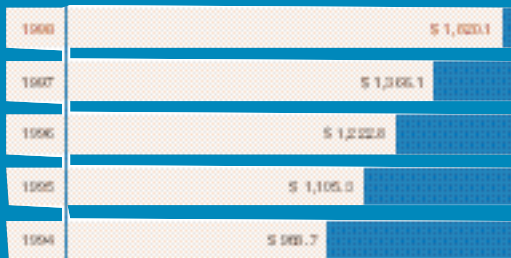
Equifax Knowledge Engineering's analytics and models help card issuers and financial institutions develop powerful cross-selling techniques, customer retention, and product affinity penetration strategies. Our Loyalty Analytics provide retailers, telecommunications, and energy companies with the insight they need to forge stronger relationships with their customers. Our Loyalty Engineering<sup>TM</sup> initiative helps our clients understand, predict, and leverage consumer behavior for relationship development and customer care activities.

Equifax Knowledge Engineering. We turn information into insight. Insight into knowledge. Knowledge into action.

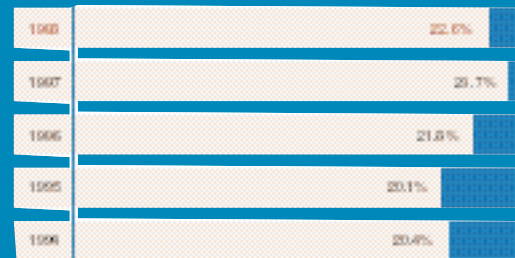
**Comparison with S&P 500 of Ten Year Cumulative Total Return**



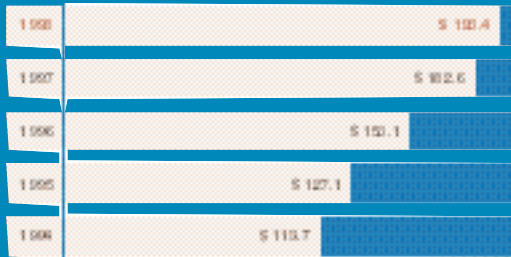
**Operating Revenue (in millions)**



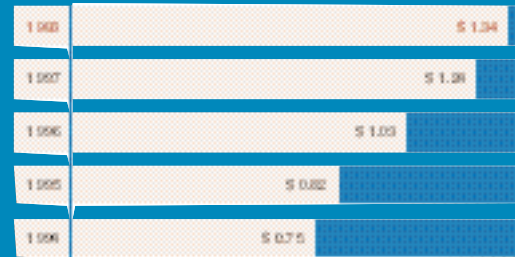
**Operating Income Margin \***



**Net Income From Continuing Operations (in millions) \*\***



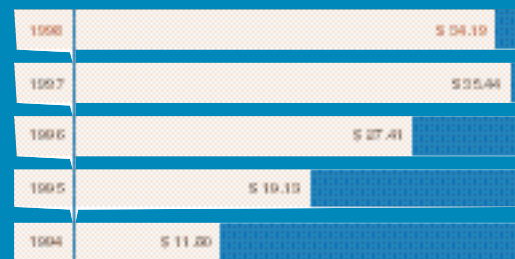
**Diluted Earnings Per Share From Continuing Operations \*\***



**Dividends Per Share**



**Year End Stock Price**



\* Before unusual items  
 \*\* Before unusual items and a 1997 nonrecurring gain and accounting change

# *in results*

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

EQUIFAX ANNUAL REPORT

This discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes.

## RESULTS OF OPERATIONS

On August 7, 1997, the Company completed the spinoff of its Insurance Services industry segment, "ChoicePoint" (Note 2). Accordingly, the results of operations information presented below reflect only the continuing operations of the Company.

Consolidated revenue for the year was \$1.62 billion, an increase of \$254.9 million or 18.7% over 1997. This increase is more than the 11.7% increase in 1997, which was impacted by the divestitures of the health information services businesses in 1996 and National Decision Systems in 1997. Excluding these divestitures, revenue increased 19.8% in 1998 and 19.3% in 1997 with acquisitions contributing about 11.9 and 10.6 percentage points of the increases, respectively. Revenue growth in 1998 benefited from the performances of Card Solutions and U.S. Credit Information and Marketing Services, as well as acquisitions.

Operating income of \$365.7 million increased \$41.7 million, or 12.9% over 1997 (excluding a \$25 million unusual charge in 1997 — Note 3). In 1997, operating income increased \$57.0 million, or 21.4% over 1996 before an unusual charge in each year (Note 3).

The 1998 improvement resulted from the revenue growth and operating margin improvements in North American Information Services and Payment Services, as well as gains related to acquisitions in Latin America and continuing expense controls throughout the organization. These improvements were partially offset by Equifax Europe, which had a \$25.9 million reduction in operating income from 1997 due to several factors (see Equifax Europe segment discussion below). The 1997 improvement in operating income over 1996 resulted from revenue increases in the higher margin businesses, improved performance in Equifax Europe and Latin America, and expense controls throughout the Company.

During 1998, the Company expensed approximately \$24.2 million (\$13.7 million after tax, or \$.10 per share) in costs related to the Company's "year 2000 program." In 1997 these costs totaled \$4.8 million (\$2.9 million after tax, or \$.02 per share).

During the second quarter of 1997, the Company's National Decision Systems business unit was sold resulting in a gain of \$42.8 million (\$17.9 million after tax, or \$.12 per share) recorded as other income. During the fourth quarter, Equifax recorded a \$25.0 million expense charge (\$15.0 million after tax, or \$.10 per share) in connection with its purchase of Computer Science Corporation's (CSC) collections business. This charge reflects valuation differences on this acquisition, which was then sold in October 1998 for approximately the carrying amount of its net assets (Note 10).

Results for 1997 were also affected by a nonrecurring after-tax charge of \$3.2 million or \$.02 per share related to an accounting rule established by the Financial Accounting Standards Board Emerging Issues Task Force on November 20, 1997. This rule, EITF Issue No. 97-13, requires certain components of computer system development projects to be expensed as they are incurred and also requires that any unamortized amounts previously capitalized be written off (Note 3).

Diluted earnings per share from continuing operations (excluding the 1997 nonrecurring gain, unusual charge, and accounting change mentioned above) increased 8.1% to \$1.34 in 1998 from \$1.24 in 1997. Net income from continuing operations was \$193.4 million in 1998, an increase of 5.9% over 1997's net income from continuing operations of \$182.6 million (before the nonrecurring gain, unusual charge, and accounting change). Higher diluted earnings per share increases relative to net income increases reflect the Company's repurchase of common shares during 1998. For the year, the average diluted shares outstanding declined approximately 1.5% as a result of Equifax's share repurchase plan.

There are five reporting segments: North American Information Services, Payment Services, Equifax Europe, Equifax Latin America, and Other. Other is primarily comprised of the lottery subcontract, and in 1996 also includes health information services businesses, which were divested during the fourth quarter. The following discussion analyzes (1) revenue and operating income by the five segments; (2) general corporate expense; (3) consolidated other income, interest expense, and effective income tax rates; and (4) financial condition. Note 11 breaks out the segment results by quarter for 1998 and 1997 and Note 12 provides additional segment and geographic information.

## NORTH AMERICAN INFORMATION SERVICES

(In millions)	1998	1997	1996
Revenue	\$ 773.9	\$ 709.0	\$ 668.8
Operating income	\$ 272.1	\$ 241.6	\$ 220.4

North American Information Services includes U.S. Credit Information and Marketing Services, U.S. Risk Management Services, Mortgage Services, Canadian Operations, as well as National Decision Systems (divested in May 1997). Revenue growth in North American Information Services was 9.1% in 1998, compared to 6.0% in 1997. Excluding divestitures, revenue increased 11.2% in 1998 and 10.4% in 1997, with 3.5 and 5.1 percentage points of the respective increases attributable to acquisitions.

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U.S. Credit Information and Marketing Services showed a revenue increase of 11.1% in 1998 compared to an 8.4% increase in 1997. The increases in both periods were driven by volume growth from telecommunication/utility industries' customers and growth in marketing services. The 1998 increase also benefited from higher volumes associated with mortgage refinancing activities due to lower interest rates. Acquisitions accounted for about 2 percentage points of the revenue increase in each period. Average prices for credit reports were up slightly in 1998 while remaining relatively stable in 1997. Pricing pressures on credit reports are expected in 1999, but volume growth is expected to more than offset price declines.

Revenue in U.S. Risk Management Services increased 18.3% in 1998, with about half of the increase due to the May 1998 acquisition of CSC's collection businesses, which were sold in October 1998 (Note 10). The remainder of the 1998 revenue increase was due primarily to new business from customers outsourcing the accounts receivable management function of their businesses. Revenue in 1997 increased 18.1%, with about 6.7 percentage points attributable to acquisitions.

Revenue in Mortgage Services increased \$9.6 million for the year due to increased volumes resulting from the favorable interest rate environment. In 1997, revenue declined \$2.1 million from 1996 primarily due to the continuing shift to the Company's lower-priced automated product.

Canadian revenue declined 4.3% in 1998 due to unfavorable exchange rate movements. Excluding acquisitions, in local currency, revenue was down slightly between years, as gains in reporting services were more than offset by declines in risk management and check services. Revenue in 1997 increased 17.6% due to acquisitions.

Operating income for North American Information Services increased 12.6% in 1998 and 9.6% in 1997 due primarily to revenue growth within U.S. Credit Information and Marketing Services. This segment's operating margin continued to increase in 1998, reflecting the operating leverage inherent in its businesses.

## PAYMENT SERVICES

(In millions)	1998	1997	1996
Revenue	\$ 518.1	\$ 440.0	\$ 339.3
Operating income	\$ 104.9	\$ 81.2	\$ 66.9

Payment Services consists of Card Solutions, Check Solutions, and Card Software. In September 1998, Payment Services expanded its operations into Latin America by acquiring a 59.3% interest in UNNISA, a card services business in Brazil and a 34% equity investment in

Proceda, an information technology company that provides data processing services to UNNISA and other Brazilian companies. In 1998 Payment Services revenue increased 17.7%, with 5.7 percentage points of the increase attributable to the UNNISA acquisition. In 1997, this segment's revenue increased 29.7%, with about 18 percentage points of the revenue increase attributable to the fourth quarter 1996 acquisition of the CSG-Madison card services business.

Excluding the effects of the UNNISA and CSG-Madison acquisitions, revenue within Card Solutions increased 13.7% in 1998 and 19.7% in 1997. This growth was driven by the higher number of cardholder accounts processed, due to business from new customers (i.e., credit unions and IBAA member banks) that either converted to or began using the Company's credit and debit card processing services. The revenue increase in both periods was also attributed to volume and new account growth from existing customers. Revenue growth in 1998 was tempered by price reductions within the CSG-Madison operations where certain cost savings achieved from converting these operations to the Equifax card processing system were passed on to customers.

Revenue in Check Solutions was up 6.7% in 1998, following a 4.5% increase in 1997. The 1998 growth was driven by volume increases in guarantee revenue and increasing sales of the Company's lower-priced verification product, PathWays®. As a result of the PathWays® product introduction, Check Solutions has expanded its customer base and retained targeted customers by offering an alternative to the guarantee product. The 1997 revenue growth in Check Solutions was primarily due to increased sales of the PathWays® product. The dollar amount of checks guaranteed or verified by Check Solutions was \$18.5 billion in 1998 versus \$15.8 billion in 1997.

Revenue in Card Software increased 29.7% in 1998 after remaining relatively level in 1997, due to increased license sales.

Payment Services operating income increased 29.2% in 1998 and 21.5% in 1997. These increases were primarily attributable to Card Solutions, where operating income was up 37.7% in 1998 versus 35.1% in 1997. The increase in Card Solutions operating income in both periods was primarily driven by the revenue growth. The 1998 results of Card Solutions also benefited from the increased operating leverage achieved from the CSG-Madison acquisition due to converting all of its card accounts to the Equifax card processing system during the year. In 1997 this acquisition contributed only modestly to the results of Card Solutions. Operating income within Check Solutions was up 4.3% in 1998 compared to a 4.7% decline in 1997. Card Software operating income increased in both 1998 and 1997. The Brazilian operations were slightly dilutive to this segment's operating income in 1998.

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## EQUIFAX EUROPE

(In millions)	1998	1997	1996
Revenue	\$ 215.4	\$ 178.6	\$ 157.5
Operating income	\$ 1.2	\$ 27.1	\$ 15.7

Equifax Europe consists of operations primarily in the United Kingdom and Spain. During the second quarter 1998, the Company increased its ownership in the operations in Spain to 58% and obtained the control necessary to consolidate these operations. Also, in the first quarter 1998, Equifax Europe acquired a risk management services business in the U.K. Exclusive of these acquisitions, revenue increased 2.8% in 1998 following a 13.4% increase in 1997. The decline in the revenue growth rate between years is primarily attributable to fourth quarter 1998 issues related to: (1) the cancellation or postponement of several projects which could not meet desired production schedules; (2) refunds to customers due to quality problems on projects shipped earlier in the year; (3) increased competition with auto product offerings; and (4) a weaker U.K. economy. The 1997 revenue increase of 13.4% was due primarily to volume increases in U.K. Consumer and Business Credit Services and improved performance across all industry groups.

Operating income for Equifax Europe declined \$25.9 million in 1998 after increasing \$11.5 million in 1997. The operating income decline in 1998 resulted primarily from: (1) the decline in the revenue growth discussed above in conjunction with a higher expense base built on the expectation of higher revenues; (2) increased bad check losses in the check services operation; (3) increased bad debt provisions due to collectibility of past due receivables; (4) expenses related to the Company's equity investment in RequesT, a start-up joint venture which was written off in the fourth quarter; and (5) increased year 2000 expense. While the results of Equifax Europe were disappointing in 1998, the Company has moved swiftly to make appropriate management and process changes and is giving heightened focus on managing and reducing the expense base of Equifax Europe to improve its financial performance in 1999. The 1997 operating income increase resulted primarily from increased revenue and the operating leverage obtained from the integration of 1994 and 1995 acquisitions.

## EQUIFAX LATIN AMERICA

(In millions)	1998	1997	1996
Revenue	\$ 103.9	\$ 28.8	\$ 0
Operating income	\$ 21.4	\$ 9.2	\$ 3.3

Equifax Latin America consists of a commercial information company in Brazil (SCI) as well as credit information companies in Chile (DICOM) and Argentina (VERAZ). Equifax Latin America also has a developing operation in Mexico and, in 1998, acquired a majority interest in credit information companies in Peru and El Salvador. This segment's 1998 revenue increase was due to the August 1998 acquisition of an 80% interest in SCI and the consolidation of operations in Argentina (beginning in the first quarter 1998) and Chile (beginning in the second quarter of 1997). In December 1997, the Company increased its ownership interest in VERAZ from 33.3% to 66.7%, and began to consolidate their operations in January 1998. In the second quarter of 1997, Equifax acquired the remaining 50% of DICOM S.A. in Chile which accounted for the entire increase in revenue of \$28.8 million in 1997. Prior to 1997, Equifax did not have a controlling interest in any of its Latin American joint ventures and therefore did not record any revenue because the investments were accounted for under the equity method of accounting.

Operating income for Equifax Latin America increased \$12.2 million in 1998. This increase was primarily due to the ownership increase in Argentina and the SCI acquisition. Developmental expenses related to the Mexican operations were about level with those in 1997. The Mexican operations are not expected to be significant in the near term and will continue to require moderate investment over the next few years. The increase in this segment's operating income in 1997 was primarily attributable to the improved performance of operations in Chile and Argentina, as well as the ownership increase in Chile. These gains were partially offset by higher developmental expenses in Mexico.

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## OTHER

(In millions)	1998	1997	1996
Revenue	\$ 9.6	\$ 9.6	\$ 57.2
Operating income	\$ 8.9	\$ 8.9	\$ 0.5

This segment's revenue and operating income remained comparable between 1998 and 1997. Its operations now consist solely of a sub-contract expiring in 2002 related to HISI, the Company's lottery subsidiary. Operations in 1996 included health information businesses which were sold in the fourth quarter of 1996.

## GENERAL CORPORATE EXPENSE

(In millions)	1998	1997	1996
Expense	\$ 42.8	\$ 44.1	\$ 39.7

General corporate expense declined \$1.3 million in 1998 due to lower incentive compensation expense, including performance share plan expense. This decline was partially offset by costs related to the development of remote authentication and digital certificate services. General corporate expense increased \$4.4 million in 1997 due primarily to higher international development costs and supplemental retirement expenses.

## OTHER INCOME, INTEREST EXPENSE, AND EFFECTIVE INCOME TAX RATES

(In millions)	1998	1997	1996
Other income, net	\$ 4.3	\$ 45.0	\$ 22.4
Interest expense	\$ 42.7	\$ 20.8	\$ 16.4
Effective income tax rate*	40.9%	42.6%	41.7%

\*ON INCOME FROM CONTINUING OPERATIONS BEFORE ACCOUNTING CHANGE

Other income in 1998 declined \$40.7 million from 1997 due to a one-time gain of \$42.8 million in 1997 related to the sale of National Decision Systems (Note 5), partially offset by higher levels of interest income in 1998.

Other income increased \$22.6 million in 1997 over 1996 due to the National Decision Systems sale. 1996 other income included one-time gains of \$11.6 million from the sale of health information businesses

(Note 5) and \$8.2 million from the sale of the Company's investment in Physicians Computer Network, Inc.

The increase in interest expense in both years reflects the higher levels of borrowing (including the 1998 issuance of \$400 million in senior unsecured notes) due to acquisitions and share repurchases.

The decline in the effective income tax rate from 1997 to 1998 resulted primarily from non-deductible goodwill related to the 1997 sale of National Decision Systems, partially offset by higher levels of non-deductible goodwill from 1998 acquisitions. The increase in the effective income tax rate in 1997 over 1996 resulted primarily from the higher level of non-deductible goodwill related to the National Decision Systems divestiture in 1997 versus the health information divestitures in 1996.

The effective tax rate in 1999 is expected to be comparable to the rate in 1998.

## FINANCIAL CONDITION

Net cash provided by operations increased from \$210.1 million to \$289.1 million primarily due to the Company's higher operating income and the timing of payments between years for income taxes and certain other accrued expenses. Normal capital expenditures and dividend payments were met with these internally generated funds.

Other significant outlays in 1998 included \$161.8 million of treasury stock purchases and \$501.2 million for acquisitions and equity investments. These items were principally financed by an increase in long-term debt and excess cash from operations. In June 1998, the Company offered and sold \$400 million (before discounts and fees) in senior unsecured notes and debentures (\$250 million in seven year notes and \$150 million in thirty year debentures).

Cash paid for 1998 acquisitions and equity investments included approximately \$353 million for companies in Brazil. These Brazilian investments diluted 1998 earnings per share by \$.03, and are expected to dilute 1999 earnings per share by about \$.07 due to increased goodwill amortization, interest expense, and expense associated with the Company's "year 2000 program."

Capital expenditures for 1998, exclusive of acquisitions, were \$119.3 million. Capital expenditures for 1999 are expected to be about \$120 million due to continued investment in products and services and system enhancements, additional projects to improve processes, investments in international development, and capital expenditures associated with acquisitions. Budgeted capital expenditures are expected to be met with internally generated funds. As of December 31, 1998, approximately \$61 million remained available for future share

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repurchases. At its January 1999 meeting, the Company's Board of Directors authorized an additional \$250 million for future share repurchases of the Company's common stock.

In 1997, the Company increased its revolving credit facility with its bank group from \$550 million to \$750 million. At December 31, 1998, \$501 million was available under this facility to fund future capital requirements, including the possible purchase of the CSC credit reporting businesses (Note 10). Management believes that the Company's liquidity will remain strong in both the short and long terms, and that the Company has sufficient debt capacity to finance all its capital needs, if necessary.

## YEAR 2000 INFORMATION

**Background** The widespread use of computer software that relies on two digits, rather than four digits, to define the applicable year may cause computers and computer-controlled systems to malfunction or incorrectly process data as we approach and enter the year 2000. In view of the potential adverse impact of these "year 2000 problems" on our business, operations, and financial condition, we have implemented a central function to manage, validate, and report on a continuing basis to the Company's executive management and Board of Directors with regard to our "year 2000 program." Our year 2000 program process comprises five continuing activities: (a) identification and assessment, (b) remediation planning, (c) remediation, (d) testing, and (e) contingency planning for year 2000 problem failures.

**The Company's Year 2000 Focus** We have focused our year 2000 program primarily in the following areas: (a) our information technology systems, which include (i) internally developed business applications software, (ii) software provided by vendors, and (iii) the computer and peripheral hardware used in our operations; (b) electronic data interchange systems; (c) non-information technology systems (embedded technology) including office business machines, and security, backup power, and other building systems; and (d) the flow of materials and non-information technology services from our vendors.

**Readiness and Plans** This section describes the status of our year 2000 program activities:

### *Information Technology Systems*

We have completed our year 2000 identification, assessment, and remediation planning activities for the application software and host

environments (operating systems software and hardware) of our critical information technology systems, including our systems for North American Information Services, Payment Services, Equifax Europe, Equifax Latin America, and our central corporate functions. Regarding remediation and testing, the status is as follows:

1) We have completed remediation and internal testing (internal application testing with current and future dates) for all of the critical information technology systems of our North American Information Services businesses, except for a small minority of systems comprising programs for processing third party data other than customer trade data. We plan to complete the remediation and internal testing of those programs by April 1999.

2) We have completed remediation for all of the critical information technology systems of our Payment Services businesses, except for our Brazilian card processing business acquired in August 1998. With respect to that business, we have begun converting the card processing accounts of our customers to two new systems (including our proprietary card processing system) that will replace the current system. We have installed both new systems, written to be year 2000 ready, and expect to complete substantially all internal testing and account conversions by September 1999.

With respect to our U.S. card services business, we have completed substantially all of our internal testing on a majority of our critical information technology systems. We plan to complete the remaining internal testing of our critical card processing systems by June 1999. Most of that remaining testing will be in coordination with software modifications we are making to conform to recent changes in Visa and MasterCard rules and regulations unrelated to year 2000.

With respect to our check services business (North America), we plan to complete the remainder of our internal testing by June 1999.

3) We have completed remediation of our critical information technology systems for Equifax Europe. Further, we have completed substantially all internal testing, except for our check services business, where we plan to complete internal testing by April 1999.

4) We have completed remediation of our critical information technology systems in Latin America, except for our Brazilian information reporting business acquired August 1998. We have completed internal testing, except for (i) our information reporting business in Chile where we have completed a substantial majority of that testing, and plan to complete the remaining internal testing by March 1999, and (ii) our Brazilian

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information reporting business. With respect to our Brazilian information reporting business, we expect to complete substantially all of our remediation by April 1999, and substantially all of our internal testing by June 1999.

5) We have completed remediation and internal testing of our central, corporate financial, human resources, and payroll systems in the U.S. With respect to our non-U.S. financial, human resources, and payroll systems, we are upgrading or migrating them to third party systems written to be year 2000 ready. We have completed a substantial majority of that process and have commenced internal testing of those new systems. We plan to complete the process, including internal testing, by July 1999.

In order to obtain further assurance of year 2000 readiness of our critical information technology systems, we are conducting additional layers of testing of those systems beyond internal testing, as we deem appropriate under the circumstances. We have commenced customer testing (future date application testing with the customer) with many of our more significant customers and intend to continue that throughout the year as we deem appropriate. With regard to a substantial majority of our critical information technology systems, we have either completed or are in the process of completing test plans for enterprise testing (internal end-to-end cross functional testing). We plan to commence enterprise testing in March 1999, and to continue into the third quarter as we deem appropriate. Further, we plan to conduct selected external end-to-end testing with targeted customers during the third quarter and into the fourth quarter.

We have completed the substantial majority of the identification, assessment, and remediation planning activities with regard to the other elements of our critical information technology systems (including our local area networks and desktop computing environments). The remainder of those activities are on target for completion by March 1999. We plan to complete the remediation and testing activities associated with those elements by August 31, 1999.

We concurrently are addressing year 2000 issues with respect to our non-critical information technology systems and believe their level of readiness will be sufficient to avoid any material impact on the Company's business, operations, or financial condition.

The majority of our information technology systems for North American Information Services and Equifax Europe are operated at data centers managed by IBM Global Services. IBM continues to assist us in achieving year 2000 readiness for our data processing operating environments in the IBM Global Services data centers.

## *Electronic Data Interchange Systems*

We are working with others with whom we engage in electronic data interchange (including vendors, customers, and other data suppliers), and with our network telecommunications service providers, to identify, assess, and test for potential year 2000 problem failures in our electronic data interchange systems. As part of those efforts, we continue our contacts with our data interchange vendors and critical network telecommunications service providers to assess their state of year 2000 readiness and determine the potential for year 2000 problem failures resulting from their equipment, networks, or application systems. We are in testing with the majority of our data interchange vendors, and we continue to monitor the carrier reporting and testing information being published by industry organizations such as Network Forum (U.S. local service providers) and ITU (International Telecommunications Union). We continue to review readiness analyses published by consulting organizations, such as Gartner and Forrester, and consultant reviews in relevant industry publications, pertaining to telecommunications service providers. We believe that this process will be ongoing throughout 1999, as we develop additional information regarding those systems. In cases where we determine that the risks associated with particular service providers are not acceptable, we believe that we will be able to timely migrate to satisfactory alternative delivery systems.

We have completed a substantial portion of our identification, assessment, and remediation planning activities for Company owned hardware components of our critical network telecommunications systems, and we are remediating those components as appropriate. We believe we will complete the remediation and testing activities by August 31, 1999.

Overall, we believe that our electronic data interchange systems will be year 2000 ready as necessary to avoid any material adverse impact on the Company's business, operations, or financial condition.

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## *Non-Information Technology Systems*

We have completed a substantial majority of our ongoing identification, assessment, and remediation planning for the year 2000 problem failures that may occur in our non-information technology systems resulting from embedded technologies, including office business machines, and security, backup power, and other building systems. We have completed the substantial majority of our remediation and testing of those systems and anticipate ongoing testing throughout 1999.

## *Materials and Services*

We have distributed surveys to our materials and non-information technology services vendors that support our material operations requesting disclosure of their year 2000 readiness status and their plans for addressing year 2000 problems relating to those goods and services and any applicable delivery systems. We have requested and will request additional assurances (including in some instances audit and test activities) from our critical vendors that their goods, services, and delivery systems will be appropriately and timely year 2000 ready to meet our continuing needs. If any vendor is unable or unwilling to provide appropriate assurances, we believe that we will be able to use alternative vendors. While we believe we will complete a substantial majority of those activities by June 1999, they will continue throughout 1999.

**Costs to Address** We estimate that the cost of our year 2000 program activities will be \$55 million. Through December 31, 1998, we have incurred costs of approximately \$31 million related to those activities. Regarding our annual per share charges, we expensed approximately one cent per share in 1996, two cents per share in 1997, and ten cents per share in 1998 in connection with our year 2000 program activities, and we plan to expense approximately ten cents per share in 1999. The 1999 expense estimate includes approximately two cents per share related to our recent acquisitions in Brazil. In addition to costs and expenses of outside consultants, programmers, and professional advisors, and acquired hardware and software, the above figures include the direct costs associated with Company information technology employees working on our year 2000 program and some of the Company's non-information technology employees who are devoting significant time to the year 2000 program. Not all year 2000 costs and expenses are incremental, because a portion of the costs and expenses are funded by a reallocation of company resources that we intend to redeploy after completion of our year 2000 program activities.

**Business Continuity and Contingency Planning** We continue the process of identifying the reasonably likely year 2000 problem failures that we could experience with the goal of revising, to the extent practical, our existing business continuity and contingency plans to address the internal and external issues specific to those problems. Thus far, we have focused as planned on reviewing our critical business processes. We believe we have identified the substantial majority of the potential material problem failures with respect to those critical processes, and we have documented strategies for mitigating the associated risk. We expect to revise our existing business continuity and contingency plans by June 1999 to reflect those strategies. The strategies and supporting plans, which are intended to enable us to continue to operate, include performing certain processes manually, repairing or obtaining replacement systems, changing suppliers, and reducing or suspending certain non-critical aspects of our operations. However, we believe that, due to the widespread nature of potential year 2000 problems and our dynamic business growth, the contingency planning process must be ongoing as we continue to monitor year 2000 developments and our internal and external business environment.

**Possible Consequences of Year 2000 Problems** We believe that we have put in place the processes and are devoting the resources necessary to achieve a level of readiness to meet our year 2000 challenges in a timely and appropriate manner. However, there can be no assurance that our internal systems or the systems of others on which we rely will be year 2000 ready in a timely and appropriate manner or that our contingency plans or the contingency plans of others on which we rely will mitigate the effects of year 2000 problem failures. Currently, we believe the most reasonably likely worst case scenario would be a sustained, concurrent failure of multiple critical systems (internal and external) that support our operations. While we do not expect that scenario to occur, that scenario if it occurs could, even despite the successful execution of our business continuity and contingency plans, result in the reduction or suspension of a material portion of our operations and accordingly have a material adverse effect on our business and financial condition.

The preceding "Year 2000 Information" discussion contains various forward-looking statements that represent our beliefs or expectations regarding future events. When used in the "Year 2000 Information" discussion, the words "believes," "expects," "estimates," "plans," "goals," and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, our expectations as to when we will complete the identification and assessment, remediation planning, remediation, and testing activities of our

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year 2000 program as well as our year 2000 contingency planning; our estimated cost of achieving year 2000 readiness; and our belief that our internal systems and equipment will be year 2000 ready in a timely and appropriate manner. All forward-looking statements involve a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. Factors that may cause those differences include availability of information technology resources; customer demand for our products and services; continued availability of materials, services, and data from our suppliers; the ability to identify and remediate all date sensitive lines of computer code and to replace embedded computer chips in affected systems and equipment; the failure of others to timely achieve appropriate year 2000 readiness; and the actions or inaction of governmental agencies and others with respect to year 2000 problems.

## FORWARD-LOOKING INFORMATION

The management's discussion and analysis, and other portions of this Annual Report, include "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning the Company's outlook for 1999, volume and pricing trends, cost control measures and their results, year 2000 expense, effective income tax rates, the Company's expectations as to funding its capital expenditures and operations during 1999, and other statements relative to future plans and strategies. These forward-looking statements reflect management's current expectations and are based upon currently available data. Actual results are subject to future events, risks, and uncertainties which could materially impact performance from that expressed or implied in these statements.

Equifax expects to post another year of record financial performance in 1999. To accomplish this goal, Equifax must successfully continue to implement its strategy of expanding and leveraging its core businesses in markets where it holds a substantial market share while positioning itself to exploit opportunities in the credit economies worldwide. Equifax expects to achieve these results by growing through global expansion, acquisitions, value-added products and services, sales to customers in new and growing industries, and new distribution channels. The Company will also need to continue its focus on cost containment.

Important factors that either individually or in the aggregate could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, the following: a significant change in the growth rate of the overall U.S. economy, such that consumer spending and related consumer debt are materially

impacted; a material decline or change in the marketing techniques of credit card issuers; unexpected pricing pressure above and beyond the levels experienced in the last several years; a significant reversal of the trend toward credit card use increasing as a percentage of total consumer expenditures; the Company's realization of cost control and synergies from integration of acquisitions at levels lower than expected; risks associated with investments and operations in foreign countries, including regulatory environments, exchange rate fluctuations, and local political, social, and economic factors; the extent to which the Company will continue its successful development and marketing of new products and services to existing and new industries; material changes in regulatory environments; the Company incurring higher than expected costs to achieve, or not achieving, "year 2000" readiness, or the failure of Company vendors or customers to timely achieve "year 2000" readiness, in a manner that has a material adverse impact on the business, operations, or financial results of the Company; a drastic negative change in market conditions; or other unforeseen difficulties.

# Summary of Selected Financial Data

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(Dollars in thousands, except per share amounts)

Year ended December 31

1998

## SUMMARY OF OPERATIONS

Operating revenue	\$ 1,620,978
Operating costs and expenses before unusual items	1,255,326
Unusual items	—
Operating income	365,652
Other income, net	4,294
Interest expense	(42,701)
Income from continuing operations before income taxes and cumulative effect of accounting change	327,245
Provision for income taxes	133,812
Income from continuing operations before cumulative effect of accounting change	193,433
Discontinued operations, net of income taxes	—
Cumulative effect of accounting change, net of income taxes *	—
Net income	\$ 193,433
Dividends paid	\$ 52,063
<b>PER COMMON SHARE (DILUTED)</b>	
Income from continuing operations before cumulative effect of accounting change	\$ 1.34
Discontinued operations	—
Cumulative effect of accounting change	—
Net income	\$ 1.34
Dividends	\$ 0.353
Weighted average common shares outstanding (diluted)	144,403,000

## BALANCE SHEET DATA (AT DECEMBER 31)

Total assets — continuing operations	\$ 1,828,795
Total assets	\$ 1,828,795
Long-term debt	\$ 869,486
Shareholders' equity	\$ 366,466
Common shares outstanding	140,042,000

## OTHER INFORMATION (AT DECEMBER 31)

Stock price per share **	\$ 34.19
Book value per share	\$ 2.62
Market capitalization **	\$ 4,787,686
Employees — continuing operations	14,000

\* THE 1997 ACCOUNTING CHANGE RELATES TO EITF NO. 97-13 REGARDING ACCOUNTING FOR BUSINESS PROCESS REENGINEERING COSTS.

\*\* STOCK PRICES AND MARKET CAPITALIZATION HAVE BEEN ADJUSTED TO REFLECT THE SPINOFF OF CHOICEPOINT.

# Summary of Selected Financial Data

EQUIFAX ANNUAL REPORT

	1997	1996	1995	1994	1993	1992
\$	1,366,087	\$ 1,222,798	\$ 1,105,309	\$ 968,660	\$ 813,235	\$ 724,030
	1,042,179	955,897	883,405	770,779	649,135	584,204
	(25,000)	(10,313)	9,243	—	(48,438)	—
	298,908	256,588	231,147	197,881	115,662	139,826
	45,027	22,400	7,335	8,643	3,881	7,474
	(20,797)	(16,439)	(15,342)	(12,986)	(8,742)	(3,031)
	323,138	262,549	223,140	193,538	110,801	144,269
	137,613	109,452	90,355	79,804	48,525	59,056
	185,525	153,097	132,785	113,734	62,276	85,213
	1,449	24,520	14,865	6,612	1,239	133
	(3,237)	—	—	—	—	—
\$	183,737	\$ 177,617	\$ 147,650	\$ 120,346	\$ 63,515	\$ 85,346
\$	52,030	\$ 49,704	\$ 50,223	\$ 47,161	\$ 42,041	\$ 42,770
\$	1.26	\$ 1.03	\$ 0.86	\$ 0.75	\$ 0.41	\$ 0.52
	0.01	0.16	0.10	0.04	0.01	—
	(0.02)	—	—	—	—	—
\$	1.24	\$ 1.19	\$ 0.96	\$ 0.79	\$ 0.42	\$ 0.52
\$	0.345	\$ 0.330	\$ 0.315	\$ 0.303	\$ 0.280	\$ 0.260
	147,818,000	149,207,000	154,375,000	150,691,000	151,631,000	164,746,000
\$	1,177,104	\$ 1,011,104	\$ 871,489	\$ 836,728	\$ 629,318	\$ 621,322
\$	1,177,104	\$ 1,207,518	\$ 976,173	\$ 934,832	\$ 643,279	\$ 638,375
\$	339,301	\$ 304,942	\$ 302,665	\$ 211,962	\$ 200,070	\$ 191,749
\$	349,397	\$ 424,950	\$ 353,465	\$ 361,935	\$ 254,031	\$ 257,990
	142,609,000	144,876,000	147,245,000	151,790,000	149,618,000	151,550,000
\$	35.44	\$ 27.41	\$ 19.13	\$ 11.80	\$ 12.25	\$ 9.23
\$	2.45	\$ 2.93	\$ 2.40	\$ 2.38	\$ 1.70	\$ 1.70
\$	5,053,706	\$ 3,970,444	\$ 2,816,061	\$ 1,790,667	\$ 1,832,821	\$ 1,399,413
	10,000	9,500	9,800	9,600	8,000	7,500

# Consolidated Balance Sheets

EQUIFAX ANNUAL REPORT

(In thousands)

December 31

1998

1997

## ASSETS

### Current Assets:

Cash and cash equivalents	\$ 90,617	\$ 52,251
Trade accounts receivable, net of allowance for doubtful accounts of \$12,811 in 1998 and \$6,188 in 1997	298,201	245,341
Other receivables	54,904	38,318
Deferred income tax assets	26,223	39,221
Other current assets	50,420	25,801
<b>Total current assets</b>	<b>520,365</b>	<b>400,932</b>

### Property and Equipment:

Land, buildings, and improvements	30,963	24,870
Data processing equipment and furniture	239,391	194,553
	270,354	219,423
Less accumulated depreciation	151,016	124,689
	119,338	94,734

Goodwill	719,662	365,427
Purchased Data Files	173,473	103,282
Other Assets	295,957	212,729
	\$ 1,828,795	\$ 1,177,104

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED BALANCE SHEETS.

# Consolidated Balance Sheets

EQUIFAX ANNUAL REPORT

(In thousands, except par values)

December 31	1998	1997
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Short-term debt and current maturities of long-term debt	\$ 47,387	\$ 12,984
Accounts payable	107,346	94,682
Accrued salaries and bonuses	37,973	26,404
Income taxes payable	9,518	13,827
Other current liabilities	216,955	179,712
<b>Total current liabilities</b>	<b>419,179</b>	<b>327,609</b>
<b>Long-Term Debt, Less Current Maturities</b>	<b>869,486</b>	<b>339,301</b>
<b>Long-Term Deferred Revenue</b>	<b>32,465</b>	<b>42,848</b>
<b>Deferred Income Tax Liabilities</b>	<b>50,132</b>	<b>24,417</b>
<b>Other Long-Term Liabilities</b>	<b>91,067</b>	<b>93,532</b>
Commitments and Contingencies (Note 10)		
Shareholders' Equity:		
Common stock, \$1.25 par value; shares authorized - 300,000; issued - 173,722 in 1998 and 172,465 in 1997; outstanding - 140,042 in 1998 and 142,609 in 1997	217,153	215,581
Preferred stock, \$0.01 par value; shares authorized - 10,000; issued and outstanding - none in 1998 or 1997	—	—
Paid-in capital	286,511	244,496
Retained earnings	562,911	421,541
Accumulated other comprehensive income (Note 8)	(35,063)	(20,076)
Treasury stock, at cost, 27,698 shares in 1998 and 23,304 shares in 1997 (Note 8)	(606,092)	(447,578)
Stock held by employee benefits trusts, at cost, 5,983 shares in 1998 and 6,553 shares in 1997 (Note 8)	(58,954)	(64,567)
<b>Total shareholders' equity</b>	<b>366,466</b>	<b>349,397</b>
	<b>\$ 1,828,795</b>	<b>\$ 1,177,104</b>

# Consolidated Statements of Income

EQUIFAX ANNUAL REPORT

(In thousands, except per share amounts)

Year ended December 31	1998	1997	1996
Operating revenue	\$ 1,620,978	\$ 1,366,087	\$ 1,222,798
Costs and expenses:			
Costs of services	943,833	778,936	697,168
Selling, general and administrative expenses	311,493	263,243	258,729
Unusual charges (Note 3)	—	25,000	10,313
Total costs and expenses	1,255,326	1,067,179	966,210
Operating income	365,652	298,908	256,588
Other income, net	4,294	45,027	22,400
Interest expense	42,701	20,797	16,439
Income from continuing operations before income taxes and cumulative effect of accounting change	327,245	323,138	262,549
Provision for income taxes	133,812	137,613	109,452
Income from continuing operations before cumulative effect of accounting change	193,433	185,525	153,097
Discontinued operations (Note 2):			
Income from discontinued operations, net of income taxes of \$10,179 in 1997 and \$16,494 in 1996	—	14,336	24,520
Costs associated with effecting the spinoff, net of income tax benefit of \$2,154	—	(12,887)	—
Total discontinued operations	—	1,449	24,520
Income before cumulative effect of accounting change	193,433	186,974	177,617
Cumulative effect of change in accounting for business process reengineering, net of income tax benefit of \$2,061 (Note 3)	—	(3,237)	—
Net income	\$ 193,433	\$ 183,737	\$ 177,617
Per common share (basic):			
Income from continuing operations before cumulative effect of accounting change	\$ 1.37	\$ 1.29	\$ 1.05
Discontinued operations	—	0.01	0.17
Cumulative effect of accounting change	—	(0.02)	—
Net income	\$ 1.37	\$ 1.27	\$ 1.22
Shares used in computing basic earnings per share	141,397	144,233	145,518
Per common share (diluted):			
Income from continuing operations before cumulative effect of accounting change	\$ 1.34	\$ 1.26	\$ 1.03
Discontinued operations	—	0.01	0.16
Cumulative effect of accounting change	—	(0.02)	—
Net income	\$ 1.34	\$ 1.24	\$ 1.19
Shares used in computing diluted earnings per share	144,403	147,818	149,207
Dividends per common share	\$ 0.353	\$ 0.345	\$ 0.330

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS.

# Consolidated Statements of Cash Flows

EQUIFAX ANNUAL REPORT

(In thousands)

Year ended December 31

	1998	1997	1996
<b>Cash flows from operating activities:</b>			
Net income	\$ 193,433	\$ 183,737	\$ 177,617
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	103,825	77,069	67,475
Gain from sale of businesses	—	(42,798)	(11,564)
Income from discontinued operations	—	(14,336)	(24,520)
Costs associated with effecting the spinoff	—	12,887	—
Cumulative effect of accounting change	—	3,237	—
Valuation loss on pending acquisition	—	25,000	—
Asset impairment write-off	—	—	10,313
Gain from sale of long-term investments	—	—	(8,232)
Changes in assets and liabilities, excluding effects of acquisitions:			
Accounts receivable, net	(40,179)	(45,982)	(26,674)
Current liabilities, excluding debt	38,949	11,909	55,134
Other current assets	(336)	(3,827)	13,141
Deferred income taxes	34,595	9,726	(22,162)
Other long-term liabilities, excluding debt	(16,831)	4,894	51,554
Other assets	(24,328)	(11,431)	(11,053)
<b>Net cash provided by operating activities of continuing operations</b>	<b>289,128</b>	<b>210,085</b>	<b>271,029</b>
<b>Cash flows from investing activities:</b>			
Additions to property and equipment	(44,921)	(34,587)	(38,099)
Additions to other assets, net	(74,411)	(51,452)	(40,191)
Acquisitions, net of cash acquired	(478,463)	(96,630)	(83,109)
Investments in unconsolidated affiliates	(22,752)	(18,839)	—
Proceeds from sale of long-term investments	—	—	18,356
Proceeds from sale of businesses	12,874	80,998	49,081
<b>Net cash used by investing activities of continuing operations</b>	<b>(607,673)</b>	<b>(120,510)</b>	<b>(93,962)</b>
<b>Cash flows from financing activities:</b>			
Net short-term borrowings	28,988	8,556	31,998
Additions to long-term debt	524,068	67,285	12,820
Payments on long-term debt	(3,692)	(92,582)	(11,933)
Treasury stock purchases	(161,797)	(129,085)	(105,550)
Dividends paid	(52,063)	(52,030)	(49,704)
Proceeds from exercise of stock options	12,245	18,343	25,945
Other	11,704	11,085	9,967
<b>Net cash provided (used) by financing activities of continuing operations</b>	<b>359,453</b>	<b>(168,428)</b>	<b>(86,457)</b>
Effect of foreign currency exchange rates on cash	(2,542)	196	(1,023)
Net cash provided (used) by discontinued operations	—	82,748	(66,918)
<b>Net cash provided</b>	<b>38,366</b>	<b>4,091</b>	<b>22,669</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>52,251</b>	<b>48,160</b>	<b>25,491</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 90,617</b>	<b>\$ 52,251</b>	<b>\$ 48,160</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS.

# Consolidated Statements of Shareholders' Equity and Comprehensive Income

EQUIFAX ANNUAL REPORT

(In thousands)	Common Stock:		Paid-In Capital	Retained Earnings
	Shares Outstanding	Amount		
Balance, December 31, 1995	147,245	\$ 211,015	\$ 171,020	\$ 273,320
1996 changes:				
Net income	—	—	—	177,617
Foreign currency translation adjustment	—	—	—	—
Adjustment for minimum liability under supplemental retirement plan	—	—	—	—
Shares issued under stock plans	2,214	2,558	25,795	—
Treasury shares purchased	(4,614)	—	—	—
Treasury stock reissued for acquisitions	31	—	360	—
Cash dividends	—	—	—	(49,704)
Income tax benefit from stock plans	—	—	7,805	—
Dividends from employee benefits trusts	—	—	2,162	—
Balance, December 31, 1996	144,876	213,573	207,142	401,233
1997 changes:				
Net income	—	—	—	183,737
Foreign currency translation adjustment	—	—	—	—
Adjustment for minimum liability under supplemental retirement plan	—	—	—	—
Shares issued under stock plans	1,606	2,008	22,800	—
Treasury shares purchased	(4,143)	—	—	—
Treasury stock reissued for acquisitions	270	—	3,468	—
Cash dividends	—	—	—	(52,030)
Spinoff dividend	—	—	—	(111,396)
Income tax benefit from stock plans	—	—	8,825	—
Dividends from employee benefits trusts	—	—	2,261	—
Other	—	—	—	(3)
Balance, December 31, 1997	142,609	215,581	244,496	421,541
1998 changes:				
Net income	—	—	—	193,433
Foreign currency translation adjustment	—	—	—	—
Adjustment for minimum liability under supplemental retirement plan	—	—	—	—
Shares issued under stock plans	1,451	1,572	18,952	—
Shares contributed to U.S. retirement plan	390	—	10,392	—
Treasury shares purchased	(4,555)	—	—	—
Treasury stock reissued for acquisitions	147	—	2,346	—
Cash dividends	—	—	—	(52,063)
Income tax benefit from stock plans	—	—	8,085	—
Dividends from employee benefits trusts	—	—	2,240	—
<b>Balance, December 31, 1998</b>	<b>140,042</b>	<b>\$ 217,153</b>	<b>\$ 286,511</b>	<b>\$ 562,911</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS.

# Consolidated Statements of Shareholders' Equity and Comprehensive Income

EQUIFAX ANNUAL REPORT

Accumulated Other Comprehensive Income:			Treasury Stock	Stock Held By Employee Benefits Trusts	Total Shareholders' Equity	Comprehensive Income
Foreign Currency Translation	Minimum Liability Under Supplemental Retirement Plan	Total				
\$ (13,734)	\$ (3,334)	\$ (17,068)	\$ (218,613)	\$ (66,209)	\$ 353,465	
—	—	—	—	—	177,617	\$ 177,617
9,821	—	9,821	—	—	9,821	9,821
—	(1,559)	(1,559)	—	—	(1,559)	(1,559)
—	—	—	—	1,642	29,995	—
—	—	—	(105,550)	—	(105,550)	—
—	—	—	538	—	898	—
—	—	—	—	—	(49,704)	—
—	—	—	—	—	7,805	—
—	—	—	—	—	2,162	—
(3,913)	(4,893)	(8,806)	(323,625)	(64,567)	424,950	\$ 185,879
—	—	—	—	—	183,737	\$ 183,737
(9,771)	—	(9,771)	—	—	(9,771)	(9,771)
—	(1,499)	(1,499)	—	—	(1,499)	(1,499)
—	—	—	—	—	24,808	—
—	—	—	(129,085)	—	(129,085)	—
—	—	—	5,132	—	8,600	—
—	—	—	—	—	(52,030)	—
—	—	—	—	—	(111,396)	—
—	—	—	—	—	8,825	—
—	—	—	—	—	2,261	—
—	—	—	—	—	(3)	—
(13,684)	(6,392)	(20,076)	(447,578)	(64,567)	349,397	\$ 172,467
—	—	—	—	—	193,433	\$ 193,433
(15,313)	—	(15,313)	—	—	(15,313)	(15,313)
—	326	326	—	—	326	326
—	—	—	279	1,770	22,573	—
—	—	—	—	3,843	14,235	—
—	—	—	(161,797)	—	(161,797)	—
—	—	—	3,004	—	5,350	—
—	—	—	—	—	(52,063)	—
—	—	—	—	—	8,085	—
—	—	—	—	—	2,240	—
\$ (28,997)	\$ (6,066)	\$ (35,063)	\$ (606,092)	\$ (58,954)	\$ 366,466	\$ 178,446

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

## 1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

**Principles of Consolidation** The consolidated financial statements include the accounts of the Company and its majority-owned and controlled subsidiaries. All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation. The historical financial statements presented reflect the spinoff of ChoicePoint Inc. as a discontinued operation (Note 2).

**Nature of Operations** The Company principally provides information services to businesses to help them grant credit and authorize and process credit card and check transactions. The principal lines of business are information services and payment services (see Note 12 for segment information). The principal markets for both information and payment services are retailers, banks, and other financial institutions, with information services also serving the telecommunication and utility industries. The Company's operations are predominately located within the United States, with foreign operations principally located within Canada, the United Kingdom, and Brazil.

**Use of Estimates** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. 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. Actual results could differ from these estimates.

**Revenue Recognition** Revenue is recognized principally as services are provided to customers. Amounts billed in advance are recorded as current or long-term deferred revenue on the balance sheet, with current deferred revenue reflecting 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 as of December 31, 1998 and 1997 totaled \$45,140,000 and \$29,345,000, respectively. In 1996 the Company received a one-time payment of \$58,000,000 related to a lottery subcontract and recognized \$5,400,000 in revenue. The remaining balance is being recognized as revenue over the term of the contract, with \$9,636,000 recognized as revenue in both 1998 and 1997. The unrecognized balance at December 31, 1998 totaled \$33,328,000, with \$23,692,000 included in long-term deferred revenue in the accompanying consolidated balance sheets.

**Earnings Per Share** Basic EPS is calculated as 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 the Company's EPS calculations is the same for both basic and diluted EPS. A reconciliation of the average outstanding shares used in the two calculations is as follows:

(In thousands)	1998	1997	1996
Weighted average shares outstanding (basic)	141,397	144,233	145,518
Effect of dilutive securities:			
Stock options	2,714	3,099	3,154
Performance share plan	292	486	535
Weighted average shares outstanding (diluted)	144,403	147,818	149,207

**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 five years for data processing equipment, and eight to 20 years for furniture.

**Goodwill** Goodwill is amortized on a straight-line basis predominately over periods from 20 to 40 years. Amortization expense was \$21,536,000 in 1998, \$12,221,000 in 1997, and \$10,238,000 in 1996. As of December 31, 1998 and 1997, accumulated amortization was \$62,352,000 and \$42,996,000, respectively. The Company regularly evaluates whether events and circumstances have occurred which indicate that the carrying amount of goodwill may warrant revision or may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Company uses an estimate of the future undiscounted net cash flows of the related business over the remaining life of the goodwill in measuring whether the goodwill is recoverable.

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

**Purchased Data Files** Purchased data files are amortized on a straight-line basis primarily over 15 years. Amortization expense was \$14,982,000 in 1998, \$11,506,000 in 1997, and \$9,961,000 in 1996. As of December 31, 1998 and 1997, accumulated amortization was \$91,235,000 and \$77,587,000, respectively.

**Other Assets** Other assets at December 31, 1998 and 1997 consist of the following:

(In thousands)	1998	1997
Systems development and other deferred costs	\$ 127,912	\$ 81,927
Purchased software	47,691	40,627
Prepaid pension cost	58,518	40,171
Investments in unconsolidated affiliates	21,027	28,200
Other	40,809	21,804
	<b>\$ 295,957</b>	<b>\$ 212,729</b>

Purchased software and systems development and other deferred costs are being amortized on a straight-line basis over five to ten years. Amortization expense for other assets was \$32,078,000 in 1998, \$23,018,000 in 1997, and \$20,139,000 in 1996. As of December 31, 1998 and 1997, accumulated amortization was \$120,286,000 and \$91,915,000, respectively.

**Foreign Currency Translation** The assets and liabilities of foreign subsidiaries are translated at the year-end rate of exchange, and income statement items are translated at the average rates prevailing during the year. The resulting translation adjustment is recorded as a component of shareholders' equity. Exchange gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of shareholders' equity. Other foreign currency translation gains and losses, which are not material, are recorded in the consolidated statements of income.

**Consolidated Statements of Cash Flows** The Company considers cash equivalents to be short-term cash investments with original maturities of three months or less.

Cash paid for income taxes and interest from continuing operations is as follows:

(In thousands)	1998	1997	1996
Income taxes, net of amounts refunded	\$ 98,905	\$ 123,670	\$ 92,276
Interest	\$ 28,885	\$ 21,593	\$ 16,922

In 1998, 1997, and 1996, the Company acquired various businesses that were accounted for as purchases (Note 4). In conjunction with these transactions, liabilities were assumed as follows:

(In thousands)	1998	1997	1996
Fair value of assets acquired	\$ 540,078	\$ 127,724	\$ 104,385
Cash paid for acquisitions	485,076	102,903	83,214
Value of treasury shares reissued for acquisitions	6,000	8,600	—
Notes and deferred payments	—	5,800	1,542
Liabilities assumed	<b>\$ 49,002</b>	<b>\$ 10,421</b>	<b>\$ 19,629</b>

**Financial Instruments** The Company's 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, 1998, the fair value of the Company's long-term debt (determined primarily by broker quotes) was \$896,609,000 compared to its carrying value of \$869,486,000. During 1998, the Company did not hold any material derivative financial instruments.

**Recent Accounting Pronouncement** In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities and is effective January 1, 2000 for the Company. Based on its current level of derivative instruments and hedging activities, the Company does not believe the adoption of SFAS 133 will have a significant impact on its financial statements or reported earnings.

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

## 2. DISCONTINUED OPERATIONS

On December 9, 1996, the Company announced its intention to split into two independent, publicly traded companies by spinning off its Insurance Services industry segment, contingent on receiving a favorable ruling from the IRS regarding the tax-free status of the dividend for U.S. shareholders. In July 1997, the Company received the favorable IRS ruling and on August 7, 1997, completed the spinoff of its Insurance Services industry segment. The spinoff was accomplished by the Company's contribution of the business units that comprised the Insurance Services segment into one wholly owned subsidiary, ChoicePoint Inc. All of the common stock of ChoicePoint was then distributed to Equifax shareholders as a dividend, with one share of ChoicePoint common stock distributed for each ten shares of Equifax common stock held.

As a result of the spinoff, the Company's December 31, 1997 financial statements have been prepared with the Insurance Services segment results of operations and cash flows shown as "discontinued operations". All historical financial statements presented conform to this presentation. During the second quarter of 1997, the Company recorded an expense of \$15,041,000 to reflect the net costs associated with effecting the spinoff (\$12,887,000 after tax, or \$.09 per share). These costs include duplicate software licenses, severance, legal and investment banker fees, and other related costs, partially offset by a \$17.1 million curtailment gain related to the U.S. retirement plan caused by the spinoff and the pretax earnings of ChoicePoint for July.

Summarized financial information for the discontinued operation is as follows:

(In thousands)	1997	1996
Revenue	\$ 340,251	\$ 588,425
Income before income taxes	24,515	41,014
Net income	14,336	24,520

The results of operations of ChoicePoint in the table above include its operations only through June 30, 1997. ChoicePoint's results after June 30, 1997 through the spinoff date (July 31, 1997 for accounting purposes) are included with "Costs associated with effecting the spinoff" in the accompanying consolidated statements of income. These July results totaled \$4.5 million of income before income taxes and \$2.6 million of net income.

The Company's intercompany receivable from ChoicePoint totaled \$85.6 million at July 31, 1997, and was repaid to the Company by

ChoicePoint in August 1997. Other significant spinoff-related transactions occurring near the date of the spinoff included ChoicePoint's assumption of \$29.0 million of the Company's long-term debt and a \$13.0 million capital contribution made by the Company to ChoicePoint. These transactions, net of cash payments related to spinoff costs, have been included in "Net cash provided by discontinued operations" in the accompanying consolidated statements of cash flows.

## 3. UNUSUAL ITEMS AND ACCOUNTING CHANGE

Unusual items consisted of the following charges:

(In thousands)	1997	1996
Valuation loss accrued for pending acquisition (Note 10)	\$ 25,000	\$ —
Asset impairment write-off (Note 5)	—	10,313
	\$ 25,000	\$ 10,313

In November 1997, the Financial Accounting Standards Board Emerging Issues Task Force released Issue No. 97-13 "Accounting for Costs Incurred in Connection with a Consulting Contract or an Internal Project That Combines Business Process Reengineering and Information Technology Transformation" (EITF 97-13). This issue requires that the cost of business process reengineering activities that are a part of a systems development project be expensed as incurred, and that any costs previously capitalized be written off net of tax as a change in accounting principle in the current period. Prior to the issuance of EITF 97-13, the Company had capitalized certain costs of business process reengineering related to several of its systems development projects. Accordingly, during the fourth quarter, 1997, the Company recorded an expense of \$5,298,000 (\$3,237,000 after tax, or \$.02 per share) to reflect the write off of these previously capitalized costs in accordance with EITF 97-13.

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

## 4. ACQUISITIONS AND INVESTMENTS IN UNCONSOLIDATED AFFILIATES

During 1998, 1997, and 1996, the Company acquired, made equity investments, or increased its ownership in the following businesses:

Business	Date Acquired	Industry Segment	Percentage Ownership
Unnisa Ltda. (Brazil)	September 1998	Payment Services	59.3%
Proceda S.A. (Brazil)	September 1998	Payment Services	34.0%
Segurança ao Crédito e Informações (SCI-Brazil)	August 1998	Latin America	80.0%
Credit Bureau of Vancouver (Canada)	July 1998	North America	100.0%
Equifax Canada Inc.	July 1998	North America	100.0% <sup>1</sup>
Decisioneering Group, Inc.	July 1998	North America	100.0%
ASNEF-Equifax Servicios de Informacion de Credito, S.L. (Spain)	May 1998	Europe	58.0% <sup>2</sup>
Infocorp (Peru)	April 1998	Latin America	51.0% <sup>3</sup>
CCI Group Plc (U.K.)	March 1998	Europe	100.0%
Goldleaf Technologies, Inc.	December 1997	Payment Services	100.0%
Organizacion VERAZ S.A. (Argentina)	December 1997	Latin America	66.7% <sup>4</sup>
Equifax Venture Infotek (India)	November 1997	Payment Services	50.0%
Group Incesa (Spain)	July 1997	Europe	100.0%
DICOM S.A. (Chile)	March 1997	Latin America	100.0% <sup>5</sup>
HLS Financial Group, Inc.	February 1997	North America	100.0%
Foothill Collection Services, Inc.	February 1997	North America	100.0%
CUNA Service Group, Inc.	December 1996	Payment Services	100.0%
Creditel of Canada Limited	September 1996	North America	100.0%
Transax plc (U.K.)	June 1996	Europe	100.0% <sup>6</sup>
Collective Credit Bureaus Ltd. (Canada)	May 1996	North America	100.0%
Market Knowledge, Inc.	January 1996	North America	100.0%

<sup>1</sup> INCREASED TO 100.0% FROM 84.4%

<sup>2</sup> INCREASED FROM 49.0% ACQUIRED IN 1994

<sup>3</sup> INCREASED FROM 35.0% ACQUIRED WITH DICOM S.A. IN 1994

<sup>4</sup> INCREASED TO 66.7% FROM THE 33.3% OWNERSHIP POSITION ACQUIRED IN 1994

<sup>5</sup> INCREASED TO 100.0% FROM THE 50.0% OWNERSHIP POSITION ACQUIRED IN 1995 AND 1994

<sup>6</sup> INCREASED TO 100.0% FROM THE 50.1% OWNERSHIP POSITION ACQUIRED IN 1994 AND 1992

In 1998, in addition to the businesses above, the Company acquired the credit files of fourteen credit affiliates located in the United States and the collection businesses of Computer Sciences Corporation (CSC), which was subsequently sold (Note 10). Also, during the first quarter of 1998, the Company obtained the control necessary and began to consolidate the operations of its 66.7% owned investment in Organizacion VERAZ S.A. in Argentina. The investment in Proceda S.A., along with increases in certain other equity investments, totaled \$22.8 million and were accounted for under the equity method. They were purchased with cash and recorded as other assets. The remaining 1998 business and credit file acquisitions were accounted for as purchases and had an

aggregate purchase price of \$491,076,000. They were purchased with a combination of cash totaling \$485,076,000 and the reissuance of treasury stock with a fair market value of \$6,000,000. These acquisitions and the consolidation of VERAZ resulted in \$389,013,000 of goodwill, \$86,259,000 of purchased data files, and \$22,170,000 of other assets (primarily software and deferred systems costs). These allocations include \$26.0 million reallocated from other assets related to investments in companies previously accounted for under the equity method. Their results of operations have been included in the consolidated statements of income from the dates of acquisition. The following unaudited pro forma information has been prepared as if these acquisitions had occurred on

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

January 1, 1997. The information is based on the historical results of the separate companies, and may not necessarily be indicative of the results that could have been achieved, or of results that may occur in the future.

(In thousands, except per share amounts)	1998	1997
Revenue	\$ 1,751,184	\$ 1,592,264
Net income	181,598	170,588
Net income per common share (diluted)	1.26	1.15

In 1997, in addition to the businesses above, the Company acquired the credit files of sixteen credit affiliates located in the United States. The investments in companies in India and Argentina totaled \$18.8 million and were accounted for under the equity method. They were purchased with cash and recorded as other assets. The investment in Group Incesa in Spain was made by the Company's 49%-owned equity investment, ASNEF. The remaining 1997 business and credit file acquisitions were accounted for as purchases and had an aggregate purchase price of \$117,303,000, with \$88,661,000 allocated to goodwill, \$32,695,000 to purchased data files, and \$10,096,000 to other assets (primarily purchased software). These allocations include \$25.2 million reallocated from other assets related to the Company's first 50% ownership in DICOM S.A. Their results of operations have been included in the consolidated statements of income from the dates of acquisition and were not material. They were purchased using a combination of cash totaling \$102,903,000, notes payable to sellers of \$5,800,000, and the reissuance of treasury stock with a fair market value of \$8,600,000.

In 1996, in addition to the businesses above, the Company acquired the credit files of seven credit affiliates located in the United States. These business and credit file acquisitions were accounted for as purchases and had an aggregate purchase price of \$84,756,000, with \$47,389,000 allocated to goodwill, \$18,198,000 to purchased data files, and \$14,304,000 to other assets (primarily purchased software). Their results of operations have been included in the consolidated statements of income from the dates of acquisition and were not material. They were purchased using a combination of cash totaling \$83,214,000 and notes payable to sellers of \$1,542,000.

## 5. DIVESTITURES AND ASSET IMPAIRMENT

In October 1998, the Company sold the collection businesses it had purchased from CSC earlier in the year (Note 10). During the second quarter of 1997, the Company sold its National Decision Systems business unit from its North American Information Services segment. Cash proceeds, net of related divestiture expenses, totaled \$80,998,000 and resulted in a gain of \$42,798,000 recorded in other income (\$17,881,000 after tax, or \$.12 per share). During the fourth quarter of 1996, the Company sold all of the health information business units from its Other segment. Cash proceeds, net of related divestiture costs, totaled \$49,081,000 and resulted in an \$11,564,000 gain recorded in other income (\$1,631,000 after tax, or \$.01 per share).

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," in June 1996, the Company recorded a pre-tax loss of \$10,313,000 to write off certain intangible assets in the Healthcare Administrative Services business unit in its Other segment.

## 6. LONG-TERM DEBT AND SHORT-TERM BORROWINGS

Long-term debt at December 31, 1998 and 1997 is as follows:

(In thousands)	1998	1997
Senior Notes, 6.5%, due 2003, net of unamortized discount of \$459 in 1998 and \$561 in 1997	\$ 199,541	\$ 199,439
Senior Notes, 6.3%, due 2005, net of unamortized discount of \$1,089 in 1998	248,911	—
Senior Debentures, 6.9%, due 2028, net of unamortized discount of \$1,475 in 1998	148,525	—
Borrowings under \$750 million revolving credit facility, weighted average rate of 5.73% at December 31, 1998	249,000	125,000
Other	30,584	20,146
	876,561	344,585
Less current maturities	7,075	5,284
	\$ 869,486	\$ 339,301

# Notes to Consolidated Financial Statements

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In June 1998, the Company issued new 6.3% seven-year notes with a face value of \$250,000,000 in a public offering. The notes were sold at a discount of \$1,172,500. In July 1998, the Company issued new 6.9% thirty-year debentures with a face value of \$150,000,000 in a public offering. The debentures were sold at a discount of \$1,500,000. The discounts and related issuance costs will be amortized on a straight-line basis over the respective term of the notes and debentures.

In November 1997, the Company replaced its \$550 million revolving credit facility with a new, committed \$750 million revolving credit facility with a group of commercial banks that expires November 2002. The agreement provides interest rate options tied to Base Rate, LIBOR, or Money Market indexes and contains certain financial covenants related to interest coverage, funded debt to cash flow, and limitations on subsidiary indebtedness.

In 1997, the Company also arranged for a \$75 million revolving credit facility with a commercial bank that expires December 2000. The agreement provides interest rate options tied to LIBOR, Prime, and Federal Funds indexes and contains certain financial covenants related to interest coverage, funded debt to cash flow, and limitations on subsidiary indebtedness. No amounts were outstanding under this facility at December 31, 1998 or 1997.

Scheduled maturities of long-term debt during the five years subsequent to December 31, 1998, are as follows: \$7,075,000 in 1999; \$16,313,000 in 2000; \$3,282,000 in 2001; \$252,896,000 in 2002; and \$199,558,000 in 2003.

Short-term borrowings at December 31, 1998 and 1997 consisted of notes payable to banks totaling \$40,312,000 and \$7,700,000, respectively. These notes had a weighted average interest rate of 5.47% at December 31, 1998 and 7.15% at December 31, 1997.

## 7. INCOME TAXES

The Company records 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:

(In thousands)	1998	1997	1996
<b>Current:</b>			
Federal	\$ 74,769	\$ 109,804	\$ 104,754
State	10,854	21,408	16,677
Foreign	17,020	9,093	7,979
	<b>102,643</b>	140,305	129,410
<b>Deferred:</b>			
Federal	26,309	(8,361)	(20,035)
State	4,952	(2,269)	(1,612)
Foreign	(92)	7,938	1,689
	<b>31,169</b>	(2,692)	(19,958)
<b>Total</b>	<b>\$ 133,812</b>	\$ 137,613	\$ 109,452

The provision for income taxes from continuing operations is based upon income from continuing operations before income taxes as follows:

(In thousands)	1998	1997	1996
United States	\$ 299,815	\$ 284,116	\$ 235,761
Foreign	27,430	39,022	26,788
	<b>\$ 327,245</b>	\$ 323,138	\$ 262,549

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

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

(In thousands)	1998	1997	1996
Federal statutory rate	35.0%	35.0%	35.0%
Provision computed at federal statutory rate	\$ 114,536	\$ 113,098	\$ 91,892
State and local taxes, net of federal tax benefit	10,274	12,440	9,792
Nondeductible goodwill from divestitures	—	5,652	4,633
Other	9,002	6,423	3,135
	<b>\$ 133,812</b>	<b>\$ 137,613</b>	<b>\$ 109,452</b>

Components of the Company's deferred income tax assets and liabilities at December 31, 1998 and 1997 are as follows:

(In thousands)	1998	1997
Deferred income tax assets:		
Reserves and accrued expenses	\$ 24,710	\$ 37,821
Postretirement benefits	9,591	9,398
Employee compensation programs	18,205	21,150
Deferred revenue	14,985	18,769
Net operating loss carryforwards of subsidiaries	10,257	7,122
Foreign tax credit carryforwards	13,120	8,994
Other	4,265	5,758
	<b>95,133</b>	<b>109,012</b>
Deferred income tax liabilities:		
Data files and other assets	(61,643)	(52,752)
Depreciation	(3,952)	(4,545)
Pension expense	(22,989)	(15,832)
Undistributed earnings of foreign subsidiaries	(20,520)	(13,704)
Other	(9,938)	(7,375)
	<b>(119,042)</b>	<b>(94,208)</b>
Net deferred income tax (liability) asset	<b>\$ (23,909)</b>	<b>\$ 14,804</b>

The Company's deferred income tax assets and liabilities at December 31, 1998 and 1997 are included in the accompanying consolidated balance sheets as follows:

(In thousands)	1998	1997
Deferred income tax assets	\$ 26,223	\$ 39,221
Deferred income tax liabilities	\$ (50,132)	\$ (24,417)
Net deferred income tax (liability) asset	<b>\$ (23,909)</b>	<b>\$ 14,804</b>

Accumulated undistributed retained earnings of Canadian subsidiaries amounted to approximately \$105,727,000 at December 31, 1998. No provision for Canadian withholding taxes or United States federal income taxes is made on these earnings because they are considered by management to be permanently invested in those subsidiaries and, under the tax laws, are not subject to such taxes until distributed as dividends. If the earnings were not considered permanently invested, approximately \$5,286,000 of deferred income taxes would have been provided. Such taxes, if ultimately paid, may be recoverable as foreign tax credits in the United States.

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

## 8. SHAREHOLDERS' EQUITY

**Rights Plan** In 1995, the Company's Board of Directors adopted a Shareholder Rights Plan (Rights Plan). The Rights Plan contains provisions to protect the Company's shareholders in the event of an unsolicited offer to acquire the Company, 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 the Board of Directors to represent shareholders' interests fully. Pursuant to the Rights Plan, the Board of Directors declared a dividend of one Share Purchase Right (a Right) for each outstanding share of the Company's common stock, with distribution to be made to shareholders of record as of November 24, 1995. The Rights, which will expire in November 2005, initially will be represented by, and traded together with, the Company's 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 the Company's 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.

**Comprehensive Income** Effective with the first quarter 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income". SFAS 130 requires the disclosures of the components of comprehensive income (net income plus other changes in equity accounts from non-owner transactions), and accumulated other comprehensive income (the accumulated total of comprehensive income transactions other than net income). The Company has elected to disclose these items in its Consolidated Statements of Shareholders' Equity and has changed the format of those statements to meet the requirements of SFAS 130.

**Treasury Shares** During 1998, 1997, and 1996, the Company repurchased 4,555,000, 4,143,000, and 4,614,000 of its own common shares primarily through open market transactions at an aggregate cost of \$161,797,000, \$129,085,000, and \$105,550,000, respectively. During 1997, the Company's Board of Directors authorized an additional \$300,000,000 in share repurchases, and at December 31, 1998, approximately \$61 million remained available for future purchases. At its January 1999 meeting, the Company's Board of Directors authorized an additional

\$250 million for future share repurchases. During 1998 and 1997, the Company reissued approximately 164,000 and 270,000 treasury shares respectively in connection with acquisitions (Note 4). In 1998, the Company received approximately 17,000 treasury shares in conjunction with the final settlement of a prior year acquisition.

In 1993, the Company established the Equifax Inc. Employee Stock Benefits Trust to fund various employee benefit plans and compensation programs and transferred 6,200,000 treasury shares to the Trust. In 1994, the Company transferred 600,000 treasury shares to another employee benefits trust. Shares held by the trusts are not considered outstanding for earnings per share calculations until released to the employee benefit plans or programs. In 1998, 569,655 shares were used for a contribution to the Company's U.S. Retirement Plan, an employee stock purchase plan, and an employee bonus plan. The shares contributed to the U.S. Retirement Plan (390,000 shares) were repurchased by the Company at the current market price and recorded as treasury stock. In 1996, 166,702 shares were used for performance share awards and stock option exercises. No shares were used in 1997.

**Stock Options** The Company's shareholders have approved several stock option plans which provide that qualified and nonqualified options may be granted to officers and employees at exercise prices not less than market value on the date of grant. Generally, options vest proportionately over a four-year period and are exercisable for ten years from grant date. Grants in 1998 included 1,303,000 options awarded under programs that included essentially all full-time salaried employees. Those grants all vest in March 2001 and are exercisable through March 2003. Certain of the plans also provide for awards of restricted shares of the Company's common stock. At December 31, 1998, there were 4,902,000 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. The number of options outstanding and their exercise prices were adjusted pursuant to a formula as a result of the spinoff of ChoicePoint in August 1997. The 1997 grant, cancellation, and exercise information reflects the impact of this adjustment back to January 1, 1997, with the adjustment increasing the number of options outstanding at the beginning of fiscal 1997 by approximately 1,096,000 shares.

# Notes to Consolidated Financial Statements

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(Shares in thousands)	1998		1997		1996	
	Shares	Average Price	Shares	Average Price	Shares	Average Price
Balance, beginning of year	6,582	\$ 14.89	7,526	\$ 14.62	7,987	\$ 12.21
Adjustment to beginning balance due to spinoff	—	—	1,096	—	—	—
Granted:						
At market price	2,581	\$ 34.90	968	\$ 26.06	915	\$ 18.78
In excess of market price	271	\$ 45.97	119	\$ 35.44	1,092	\$ 25.14
Canceled	(388)	\$ 28.61	(1,434)	\$ 15.81	(382)	\$ 14.51
Exercised	(1,226)	\$ 11.20	(1,693)	\$ 11.45	(2,086)	\$ 12.73
Balance, end of year	7,820	\$ 22.40	6,582	\$ 14.89	7,526	\$ 14.62
Exercisable at end of year	4,230	\$ 15.35	4,420	\$ 12.53	4,412	\$ 13.30

The following table summarizes information about stock options outstanding at December 31, 1998 (shares in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$ 5.01 - \$ 12.49	2,973	3.7	\$ 10.40	2,765	\$ 10.24
13.53 - 25.75	2,101	6.8	\$ 21.65	1,212	\$ 21.10
26.41 - 35.25	1,986	6.3	\$ 34.07	40	\$ 32.60
35.87 - 55.12	760	9.0	\$ 40.87	213	\$ 45.63
	7,820	5.7	\$ 22.40	4,230	\$ 15.35

The weighted-average grant-date fair value per share of options granted in 1998, 1997, and 1996 is as follows:

	1998	1997	1996
Grants at market price	\$ 13.27	\$ 10.05	\$ 6.91
Grants in excess of market price	\$ 6.63	\$ 6.17	\$ 4.21

The fair value of options granted in 1998, 1997, and 1996 is estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	1998	1997	1996
Dividend yield	1.1%	1.1%	1.8%
Expected volatility	41.9%	41.3%	42.3%
Risk-free interest rate	5.6%	6.3%	5.1%
Expected life in years	4.3	4.3	4.1

**Performance Share Plan** The Company has a performance share plan for certain key officers that provides for distribution of the Company's common stock at the end of three-year measurement periods based on the growth in earnings per share and certain other criteria. Recipients may elect to receive up to 50% of their distribution in cash based on the Company's common stock price after the end of the measurement period. Units outstanding at July 31, 1997, were increased by approximately 14.6% to reflect the impact of the ChoicePoint spinoff. The total expense under the plan was \$4,213,000 in 1998, \$11,022,000 in 1997, and \$11,200,000 in 1996. At December 31, 1998, 904,841 shares of common stock were available for future awards under the plan. Units awarded during the year were 187,000 in 1998, 190,000 in 1997, and 356,000 in 1996. Award-date fair value per unit was \$32.69 in 1998, \$29.50 in 1997, and \$18.63 in 1996. Units outstanding at December 31 were 489,753 in 1998, 809,600 in 1997, and 893,028 in 1996.

# Notes to Consolidated Financial Statements

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**Pro Forma Information** In accordance with the provisions of Statement of Financial Accounting Standards, "Accounting for Stock-Based Compensation" (SFAS No. 123), the Company has elected to apply APB Opinion No. 25 and related interpretations in accounting for its stock option and performance share plans. Accordingly, the Company does not recognize compensation cost in connection with its stock option plans and records compensation expense related to its performance share plan based on the current market price of the Company's common stock and the extent to which performance criteria are being met. If the Company 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 thousands, except per share amounts):

	1998		1997		1996	
	Reported	Pro forma	Reported	Pro forma	Reported	Pro forma
Net income	\$ 193,433	\$ 184,690	\$ 183,737	\$ 182,239	\$ 177,617	\$ 172,787
Net income per share (basic)	\$ 1.37	\$ 1.31	\$ 1.27	\$ 1.26	\$ 1.22	\$ 1.19
Net income per share (diluted)	\$ 1.34	\$ 1.28	\$ 1.24	\$ 1.23	\$ 1.19	\$ 1.16

Because the SFAS No. 123 fair value disclosure requirements apply only to options and performance share units granted after December 31, 1994, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

## 9. EMPLOYEE BENEFITS

In 1998, the Company adopted Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of these plans.

**U.S. Retirement Plan** The Company has a non-contributory qualified retirement plan covering most U.S. salaried employees. Benefits are primarily a function of salary and years of service. A reconciliation of the benefit obligation, plan assets, and funded status of the plan is as follows (in thousands):

	1998	1997
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 388,859	\$ 365,203
Service cost	4,351	5,266
Interest cost	27,562	26,735
Actuarial loss	21,638	38,942
Curtailements	—	(18,803)
Benefits paid	(30,721)	(28,484)
Benefit obligation at end of year	\$ 411,689	\$ 388,859

	1998	1997
Change in plan assets		
Fair value of plan assets		
at beginning of year	\$ 435,005	\$ 376,945
Actual return on plan assets	33,443	76,544
Employer contribution	18,000	10,000
Benefits paid	(30,721)	(28,484)
Fair value of plan assets		
at end of year	\$ 455,727	\$ 435,005
Funded status	\$ 44,038	\$ 46,146
Unrecognized actuarial loss (gain)	9,262	(12,003)
Unrecognized prior service cost	1,027	1,872
Prepaid pension cost	\$ 54,327	\$ 36,015

# Notes to Consolidated Financial Statements

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Assumptions used in accounting for the plan are as follows:

	1998	1997
Discount rate	6.75%	7.25%
Expected return on plan assets	9.50%	9.50%
Rate of compensation increase	4.25%	4.25%

Pension expense for the plan includes the following components:

(In thousands)	1998	1997	1996
Service cost	\$ 4,351	\$ 5,266	\$ 7,465
Interest cost	27,562	26,735	26,692
Expected return on plan assets	(34,588)	(32,835)	(29,559)
Amortization of prior service cost	846	1,293	1,637
Recognized actuarial loss	1,517	—	2,283
Amortization of transition obligation	—	(62)	(466)
Pension (credit) expense	\$ (312)	\$ 397	\$ 8,052

Pension expense in 1997 and 1996 includes amounts allocated to discontinued operations totaling \$411,000 and \$3,261,000, respectively. As a result of the spinoff, employees of ChoicePoint ceased accruing benefits under the plan and the Company recognized a curtailment gain of \$17,118,000 in the second quarter of 1997 (see Note 2).

At December 31, 1998, the plan's assets included 980,355 shares of the Company's common stock with a market value of approximately \$33,516,000.

**Foreign Retirement Plans** The Company maintains a defined benefits plan for most salaried employees in Canada. The aggregate fair market value of the Canadian plan assets approximates that plan's projected benefit obligation, which totaled \$26,021,000 and \$23,659,000 at December 31, 1998 and 1997, respectively. Prepaid pension cost for this plan was \$4,191,000 and \$4,156,000 at December 31, 1998 and 1997, respectively. The Company also maintains defined contribution plans for certain employees in the United Kingdom.

**Supplemental Retirement Plan** The Company maintains a supplemental executive retirement program for certain key employees. The plan, which is unfunded, provides supplemental retirement payments based on salary and years of service. The expense for this plan was \$4,182,000 in 1998, \$3,691,000 in 1997, and \$3,517,000 in 1996. The accrued liability for this plan at December 31, 1998 and 1997, was \$28,474,000 and \$27,764,000, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

**Employee Retirement Savings Plan** The Company's retirement savings plans provide for annual contributions, within specified ranges, determined at the discretion of the Board of Directors for the benefit of eligible employees in the form of cash or shares of the Company's common stock. Expense for these plans was \$3,346,000 in 1998, \$3,294,000 in 1997, and \$2,912,000 in 1996.

**Postretirement Benefits** The Company maintains certain unfunded healthcare and life insurance benefit plans for eligible retired employees. Substantially all of the Company's U.S. employees may become eligible for these benefits if they reach normal retirement age while working for the Company and satisfy certain years of service requirements. The Company accrues the cost of providing these benefits over the active service period of the employee. Expense for these plans was \$1,969,000 in 1998, \$1,690,000 in 1997, and \$1,547,000 in 1996. The accrued liability for these plans at December 31, 1998 and 1997 was \$24,680,000 and \$24,384,000, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

## 10. COMMITMENTS AND CONTINGENCIES

**Leases** The Company's operating leases involve principally office space and office equipment. Rental expense relating to these leases was \$46,087,000 in 1998, \$38,779,000 in 1997, and \$39,443,000 in 1996.

Future minimum payment obligations for noncancelable operating leases exceeding one year are as follows as of December 31, 1998:

(In thousands)	Amount
1999	\$ 34,067
2000	31,294
2001	26,713
2002	19,258
2003	17,408
Thereafter	128,448
	<hr/>
	\$ 257,188

**Agreement with Computer Sciences Corporation** The Company has an agreement with Computer Sciences Corporation (CSC) under which CSC-owned credit bureaus and certain CSC affiliate bureaus utilize the Company's credit database service. CSC and these affiliates retain ownership of their respective credit files and the revenues generated by their credit reporting activity. The Company receives a processing fee for maintaining the database and for each report supplied. The initial term of the agreement expired in July 1998, and was renewable at the option of CSC for successive ten-year periods. CSC has renewed the agreement for the ten-year period beginning August 1, 1998. The agreement provides CSC with an option to sell its credit reporting businesses to the Company and provides the Company with an option to purchase CSC's credit reporting businesses 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. Both options expire in 2013. As of August 1, 1998, the option price is determined by appraisal.

On November 25, 1997, CSC exercised an option, also contained in the agreement, to sell its collection businesses to the Company at a purchase price of approximately \$38 million. Subsequent to November 25, 1997, the Company determined that the fair value of the business being sold (based on its estimated discounted cash flows) was less than the contractual purchase price because a major contract expiring in 1998 would not be renewed. Accordingly, in the fourth quarter of 1997, the Company recorded a \$25,000,000 charge (\$14,950,000 after tax, or \$.10 per share) to reflect a valuation loss on this acquisition, with a corresponding \$25,000,000 liability included in other current liabilities.

This transaction was finalized in the second quarter of 1998, and the \$25,000,000 liability was reclassified to reduce the amount of goodwill recorded with the acquisition. In October 1998, this business was sold for approximately the carrying amount of its net assets.

**Data Processing Services Agreement** In April 1993, the Company entered into a ten-year agreement to outsource a portion of its computer data processing operations and related functions to Integrated Systems Solutions Corporation (ISSC), a subsidiary of IBM. In 1997, IBM assumed ISSC's obligations under this agreement. Effective January 1998, the Company extended and expanded this agreement into a new master global technology outsourcing agreement expiring 2008. The Company currently estimates the aggregate contractual obligation under this renegotiated agreement to be approximately \$900 million over the ten year period. However, this amount could be more or less depending on various factors such as the inflation rate, the introduction of significant new technologies, or changes in the Company's data processing needs as a result of acquisitions or divestitures. Under certain circumstances (e.g., a change in control of the Company, or for the Company's convenience), the Company may terminate this agreement; however, the agreement provides that the Company must pay a significant termination charge in the event of such a termination.

**Change in Control Agreements** The Company has agreements with eleven of its officers which provide certain severance pay and benefits in the event of a termination of the officer's employment under certain circumstances following a "change in control" of the Company. "Change in control" is defined as the accumulation by any person, entity or group of 20% or more of the combined voting power of the Company's voting stock or the occurrence of certain other specified events. In the event of a "change in control," the Company's performance share and restricted stock plans provide that all shares designated for future distribution will become fully vested and payable, subject to the achievement of certain levels of growth in earnings per share and certain other criteria. At December 31, 1998, the maximum contingent liability under the agreements and plans was approximately \$23,645,000.

**Litigation** A number of lawsuits seeking damages are brought against the Company each year, largely as a result of reports issued by the Company. The Company provides for estimated legal fees and settlements relating to pending lawsuits. In the opinion of management, the ultimate resolution of these matters will not have a materially adverse effect on the Company's financial position, liquidity, or results of operations.

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

## 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly operating revenue and operating income by reportable segment (Note 12) and other summarized quarterly financial data for 1998 and 1997 are as follows (in thousands, except per share amounts):

1998	First	Second	Third	Fourth
Operating revenue:				
North American Information Services	\$ 181,434	\$ 195,441	\$ 201,579	\$ 195,427
Payment Services	107,149	120,975	130,369	159,645
Equifax Europe	46,433	56,673	61,559	50,735
Equifax Latin America	15,669	17,966	29,498	40,790
Other	2,409	2,409	2,409	2,409
	\$ 353,094	\$ 393,464	\$ 425,414	\$ 449,006
Operating income (loss):				
North American Information Services	\$ 62,366	\$ 69,351	\$ 70,525	\$ 69,820
Payment Services	19,300	22,569	26,501	36,548
Equifax Europe	3,058	6,010	7,578	(15,448)
Equifax Latin America	4,186	4,346	6,046	6,830
Other	2,215	2,217	2,217	2,217
	91,125	104,493	112,867	99,967
General Corporate Expense	(10,131)	(12,310)	(13,220)	(7,139)
	\$ 80,994	\$ 92,183	\$ 99,647	\$ 92,828
Net Income	\$ 44,735	\$ 50,632	\$ 53,529	\$ 44,537
Per common share (basic):				
Net Income <sup>1</sup>	\$ 0.32	\$ 0.36	\$ 0.38	\$ 0.32
Per common share (diluted):				
Net Income	\$ 0.31	\$ 0.35	\$ 0.37	\$ 0.31

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

1997	First	Second	Third	Fourth
Operating revenue:				
North American Information Services	\$ 172,240	\$ 182,296	\$ 178,670	\$ 175,817
Payment Services	98,820	105,519	108,612	127,094
Equifax Europe	38,583	43,127	45,547	51,309
Equifax Latin America	6	9,620	8,848	10,344
Other	2,413	2,404	2,409	2,409
	\$ 312,062	\$ 342,966	\$ 344,086	\$ 366,973
Operating income:				
North American Information Services	\$ 56,734	\$ 62,904	\$ 63,064	\$ 58,875
Payment Services	16,083	18,476	18,223	28,445
Equifax Europe	1,960	4,705	7,240	13,228
Equifax Latin America	542	2,590	1,785	4,291
Other	2,217	2,217	2,217	2,217
	77,536	90,892	92,529	107,056
General Corporate Expense	(8,989)	(13,128)	(9,792)	(12,196)
Unusual Charge (Note 3)	—	—	—	(25,000)
	\$ 68,547	\$ 77,764	\$ 82,737	\$ 69,860
Income from continuing operations before cumulative effect of accounting change				
	\$ 38,541	\$ 61,190	\$ 47,240	\$ 38,554
Income before cumulative effect of accounting change				
	\$ 44,717	\$ 56,463	\$ 47,240	\$ 38,554
Per common share (basic):				
Income from continuing operations before cumulative effect of accounting change	\$ 0.27	\$ 0.42	\$ 0.33	\$ 0.27
Income before cumulative effect of accounting change	\$ 0.31	\$ 0.39	\$ 0.33	\$ 0.27
Per common share (diluted):				
Income from continuing operations before cumulative effect of accounting change <sup>1</sup>	\$ 0.26	\$ 0.41	\$ 0.32	\$ 0.26
Income before cumulative effect of accounting change <sup>1</sup>	\$ 0.30	\$ 0.38	\$ 0.32	\$ 0.26

<sup>1</sup> QUARTERLY PER SHARE AMOUNTS DO NOT ADD TO THE AMOUNTS SHOWN IN THE CONSOLIDATED STATEMENTS OF INCOME DUE TO ROUNDING.

## 12. SEGMENT INFORMATION

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information." Certain prior years' amounts have been restated to conform to the disclosure requirements of SFAS 131.

The Company's operations are primarily organized by its two major product groups, information services and payment services. Information

services are organized in three reportable segments based on geographic region (North America, Europe, and Latin America), while payment services are contained in one reportable segment. The accounting policies of the segments are the same as those described in the Company's summary of significant accounting and reporting policies (Note 1). The Company evaluates the segment performance based on its operating income before unusual items. Intersegment sales and transfers are not material.

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

A description of segment product and services is as follows:

**North American Information Services** Consumer credit information; credit card marketing services; risk management and collection services; locate services; fraud detection and prevention services; mortgage loan origination information; analytics and consulting; commercial credit reporting in Canada; check guarantee services in Canada; and through May 1997, PC-based marketing systems, geo-demographic systems, and mapping tools.

**Payment Services** Credit and debit card authorization and processing; credit card marketing enhancement; software products to manage

credit card, merchant, and collection processing; and check guarantee and verification services.

**Equifax Europe** Consumer and commercial credit information and marketing services, credit scoring and modeling services, check guarantee services and auto lien information.

**Equifax Latin America** Consumer and commercial credit information and other commercial, financial, and consumer information.

**Other** Lottery services; and Health Information Services, divested in the fourth quarter of 1996.

Segment information for 1998, 1997, and 1996 is as follows (dollars in thousands):

	1998		1997		1996	
	Amount	%	Amount	%	Amount	%
Operating revenue:						
North American Information Services	\$ 773,881	48%	\$ 709,023	52%	\$ 668,771	55%
Payment Services	518,138	32	440,045	32	339,326	28
Equifax Europe	215,400	13	178,566	13	157,511	13
Equifax Latin America	103,923	6	28,818	2	—	—
Other	9,636	1	9,635	1	57,190	4
	<b>\$ 1,620,978</b>	<b>100%</b>	<b>\$ 1,366,087</b>	<b>100%</b>	<b>\$ 1,222,798</b>	<b>100%</b>
Operating income:						
North American Information Services	\$ 272,062	67%	\$ 241,577	66%	\$ 220,359	72%
Payment Services	104,918	26	81,227	22	66,881	22
Equifax Europe	1,198	—	27,133	7	15,650	5
Equifax Latin America	21,408	5	9,208	3	3,256	1
Other	8,866	2	8,868	2	501	—
	<b>408,452</b>	<b>100%</b>	<b>368,013</b>	<b>100%</b>	<b>306,647</b>	<b>100%</b>
General Corporate Expense	(42,800)		(44,105)		(39,746)	
Unusual Charges (Note 3)	—		(25,000)		(10,313)	
	<b>\$ 365,652</b>		<b>\$ 298,908</b>		<b>\$ 256,588</b>	
Total assets at December 31:						
North American Information Services	\$ 555,018	30%	\$ 453,141	39%	\$ 433,075	43%
Payment Services	449,491	25	236,921	20	199,957	20
Equifax Europe	366,865	20	261,414	22	241,337	24
Equifax Latin America	341,834	19	115,617	10	32,452	3
Other	3,517	—	4,227	—	12,828	1
Corporate	112,070	6	105,784	9	91,455	9
	<b>1,828,795</b>	<b>100%</b>	<b>1,177,104</b>	<b>100%</b>	<b>1,011,104</b>	<b>100%</b>
Net Assets of Discontinued Operations	—		—		196,414	
	<b>\$ 1,828,795</b>		<b>\$ 1,177,104</b>		<b>\$ 1,207,518</b>	

# Notes to Consolidated Financial Statements

EQUIFAX ANNUAL REPORT

	1998	1997	1996
Depreciation and amortization:			
North American Information Services	\$ 41,891	\$ 38,650	\$ 34,258
Payment Services	23,455	14,965	9,391
Equifax Europe	20,106	13,542	12,894
Equifax Latin America	12,513	4,736	1,108
Other	768	768	6,264
Corporate	5,092	4,408	3,560
	<b>\$ 103,825</b>	<b>\$ 77,069</b>	<b>\$ 67,475</b>

Capital expenditures excluding property and equipment and other assets acquired in acquisitions:

North American Information Services	\$ 35,296	\$ 30,775	\$ 30,112
Payment Services	38,818	21,302	32,581
Equifax Europe	30,028	18,160	4,688
Equifax Latin America	4,874	4,771	405
Other	—	—	1,693
Corporate	10,316	11,031	8,811
	<b>\$ 119,332</b>	<b>\$ 86,039</b>	<b>\$ 78,290</b>

Financial information by geographic area is as follows:

	1998		1997		1996	
	Amount	%	Amount	%	Amount	%
Operating revenue based on location of customer:						
United States	\$ 1,174,733	72%	\$ 1,057,032	78%	\$ 978,575	80%
Canada	96,628	6	100,943	7	85,832	7
United Kingdom	184,161	12	166,099	12	149,099	12
Brazil	62,253	4	—	—	—	—
Other	103,203	6	42,013	3	9,292	1
	<b>\$ 1,620,978</b>	<b>100%</b>	<b>\$ 1,366,087</b>	<b>100%</b>	<b>\$ 1,222,798</b>	<b>100%</b>
Long-lived assets at December 31:						
United States	\$ 511,482	39%	\$ 421,559	54%	\$ 369,218	56%
Canada	96,840	7	60,521	8	63,937	10
United Kingdom	215,254	17	184,755	24	179,262	27
Brazil	347,355	27	—	—	—	—
Other	137,499	10	109,337	14	43,153	7
	<b>\$ 1,308,430</b>	<b>100%</b>	<b>\$ 776,172</b>	<b>100%</b>	<b>\$ 655,570</b>	<b>100%</b>

# Report of Independent Public Accountants and Report of Management

EQUIFAX ANNUAL REPORT

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Equifax Inc.:

We have audited the accompanying consolidated balance sheets of Equifax Inc. (a Georgia corporation) and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. 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 generally accepted auditing standards. 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 presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equifax Inc. and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.



Atlanta, Georgia  
February 19, 1999

## REPORT OF MANAGEMENT

The consolidated financial statements presented in this report, which were prepared by the Company, are based on generally accepted accounting principles applied on a consistent basis and are considered by management to reflect the financial position of the Company at December 31, 1998 and 1997, and the results of operations and cash flows for each of the three years in the period ended December 31, 1998.

The integrity and objectivity of the data in these financial statements, including estimates and judgments relating to matters not concluded by year-end, are the responsibility of management. The Company and its subsidiaries maintain accounting systems and related controls, including a detailed budget and reporting system, to provide reasonable assurance that financial records are reliable for preparing the consolidated financial statements and for maintaining accountability of assets. The system of controls also provides assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization. Periodic reviews of the systems and controls are performed by the Company's internal auditors.

The system of controls includes the careful selection of people, a division of responsibility consistent with cost effectiveness, and the application of formal policies and procedures that are consistent with good standards of accounting and administrative practices.



DAVID A. POST

Corporate Vice President  
and Chief Financial Officer

# Shareholder Information

EQUIFAX ANNUAL REPORT

Equifax began operations in 1899 and became a publicly owned corporation in 1965. Since 1971, Equifax's common stock has been listed on the New York Stock Exchange under the symbol EFX. As of December 31, 1998, Equifax had about 11,800 shareholders of record.

**Dividends** Cash dividends have been paid by Equifax for 86 consecutive years and dividends have increased in 18 of the last 19 years. In 1998, investors were paid dividends of 35.25 cents per share. In most cases, shareholders of record receive cash dividends quarterly on specific payable dates.

## DIVIDENDS PER SHARE

Quarter	1991	1992	1993	1994	1995	1996	1997	1998
First	\$0.065	\$0.065	\$0.070	\$0.070	\$0.078	\$0.083	\$0.083	\$0.088
Second	0.065	0.065	0.070	0.078	0.078	0.083	0.088	0.088
Third	0.065	0.065	0.070	0.078	0.078	0.083	0.088	0.088
Fourth	0.065	0.065	0.070	0.078	0.083	0.083	0.088	0.090
Annual	\$0.260	\$0.260	\$0.280	\$0.303	\$0.315	\$0.330	\$0.345	\$0.353

**Investor's Service Plan** Equifax introduced the Investor's Service Plan on June 1, 1997, to provide shareholders and other investors with a convenient and economical way to purchase shares of Equifax common stock directly through the Plan. Current shareholders may purchase additional shares and non-shareholders may make initial investments through the Plan Administrator, SunTrust Bank, Atlanta. Under the terms of the Plan, shareholders may reinvest their quarterly dividends and may make optional cash investments weekly in amounts up to \$10,000 per month. Shareholders may also deposit their certificates with the Plan Administrator for safekeeping. A brochure and enrollment form is available by calling the toll-free number (888) 887-2971.

## STOCK PRICES\*

(In dollars)	1994		1995		1996		1997		1998	
	High	Low	High	Low	High	Low	High	Low	High	Low
First Quarter	12.250	9.797	15.219	11.297	20.141	15.891	30.094	23.938	37.625	31.750
Second Quarter	13.594	10.344	15.656	13.703	24.844	17.563	33.281	23.719	40.688	33.938
Third Quarter	13.531	11.969	18.844	14.594	24.500	21.594	33.000	27.750	44.125	29.750
Fourth Quarter	13.813	10.734	19.469	16.109	30.875	23.719	36.438	28.625	45.000	31.438
Year	13.813	9.797	19.469	11.297	30.875	15.891	36.438	23.719	45.000	29.750

\*STOCK PRICES HAVE BEEN ADJUSTED TO REFLECT THE SPINOFF OF CHOICEPOINT.

**Form 10-K** Equifax's Form 10-K, the Annual Report to the Securities and Exchange Commission, will be available after March 31, 1999. Shareholders may obtain a copy without charge by writing to the Equifax Corporate Secretary's Office, P.O. Box 4081, Atlanta, Georgia 30302. SEC documents, including the 10-K, can be viewed or downloaded from the Internet by accessing the Equifax corporate site at: [www.equifax.com](http://www.equifax.com).

**Annual Shareholders' Meeting** The Equifax annual meeting for shareholders will be held at 10:00 a.m. on Thursday, May 6, 1999, at the Company's Corporate Headquarters, 1600 Peachtree Street, N.E., Atlanta, Georgia 30309. Proxies will be mailed to all shareholders before the meeting.

**Equifax Shareholder Hotline** An updated summary of financial results and business highlights can be obtained 24 hours a day by calling the Equifax Shareholder Hotline at (800) 462-9853. Investors and shareholders may use the Hotline to request mailed or faxed documents, as well as relay questions regarding account information.

**Equifax On The Internet** You can obtain a broad range of consumer, business, and investor information by accessing the Equifax corporate home page at [www.equifax.com](http://www.equifax.com).

**Investor Relations Contact** All requests by investors for financial information should be directed to the Corporate Secretary and Corporate Vice President of Investor Relations, Marietta Edmunds Zakas, either by phone at (404) 885-8190 or in writing at P.O. Box 4081, Atlanta, Georgia 30302. To fax requests for information, call (404) 885-8682.

# Economic Value Added

EQUIFAX ANNUAL REPORT

**Measuring the Value We Add** That Equifax brings value to every part of the equation is evident in the success we have recorded over the last century. This success has been driven by one overriding goal: to create long-term value for our shareholders who have entrusted their capital to us. Our strategic plans, capital investments, acquisitions, new business initiatives, and compensation plans are all aimed at this goal. It is the force behind everything we do.

We believe the primary financial measurement we use to review our success must be as effective as the strategic vision that governs our business decisions. Since 1992, that measurement has been Economic Value Added (EVA). EVA provides a framework for evaluating our performance by measuring our profits against our cost of doing business. EVA is calculated as net operating profit after tax less the cost of capital associated with generating that profit to determine if we are earning more than the cost of capital, and thus generating shareholder wealth. Over the last ten years, Equifax has provided a compound annual total return of 22% for its shareholders.

We use EVA as a guide to strategic planning and as a measure of our financial strength. It is a tool for all types of analysis: investment in new and existing businesses, acquisitions, and capital expenditures. It is the measurement system and the discipline by which Equifax managers focus on three key goals: profitable revenue growth, margin improvement, and efficient use of capital.

Effective capital structure management helps control the cost of capital. Equifax has repurchased 40.6 million shares of Equifax stock in the past seven years for a total cost of \$741.0 million and repurchased 4.6 million shares in 1998 for \$161.8 million. Equifax continues to pay quarterly cash dividends, which have increased for 18 of the last 19 years.

EVA provides Equifax with better information to make important decisions and carry out initiatives. It encourages managers and employees to think as shareholders. They in turn are directly rewarded for the success they help achieve for our shareholders through management incentives tied to EVA and stock option plans. EVA serves as a basis for a significant part of the total incentive compensation for senior management. All employees benefit from improved stock price performance

through participation in Equifax's 401(k) Plan and Equifax Shares stock option grants.

In 1998, Equifax added almost \$70 million in EVA, a \$10 million increase over 1997. An increasing EVA shows that we are creating value for our shareholders.

## EVA RESULTS \*

(Dollars in millions)	1998	1997	1996
Net Operating Profit after Taxes	\$ 249.7	\$ 216.2	\$ 185.2
Weighted Average Cost of Capital	11.0%	12.5%	12.4%
Capital Charge	\$ 180.2	\$ 156.4	\$ 146.7
Economic Value Added	\$ 69.5	\$ 59.8	\$ 38.5

\*CONTINUING OPERATIONS

## MARKET CAPITALIZATION AT DECEMBER 31

(In thousands)

1998	\$4,787,686
1997	\$5,053,706
1996	\$3,970,444
1995	\$2,816,061
1994	\$1,790,667
1993	\$1,832,821
1992	\$1,399,413

## COMPANY PROFILE

Equifax (www.equifax.com), a worldwide leader in shaping global commerce, brings buyers and sellers together through its information management, transaction processing, and knowledge-based businesses. Atlanta-based Equifax (NYSE: EFX) serves the financial services, retail, credit card, telecommunications/utilities, transportation, information technology and healthcare industries and government. Equifax adds knowledge, expertise, convenience, and security to provide value-added solutions and processes for its customers wherever they do business, including the Internet and other networks. Entering its second century in business, Equifax employs more than 14,000 associates in 18 countries with sales in nearly 50.

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# Equifax at a Glance

## SCOPE

## CUSTOMERS

### INFORMATION SERVICES

**Equifax is a leading provider of consumer and commercial financial information worldwide:**

- The largest provider of consumer information in the U.S.
- The largest provider of consumer and commercial information in Canada, the U.K., Spain, Portugal, and Latin America, with operations in Chile, Brazil, Argentina, Peru, Colombia, El Salvador, and Mexico.
- Equifax provides information on almost 400 million consumers and businesses around the world.

**And through its electronic commerce initiatives, Equifax facilitates the delivery of products and services for its customers and enhances the privacy and security of transactions over the Internet and other networks.**

**Equifax provides information services to customers in these industries:**

- Financial services, retail, mortgage, telecommunications, utilities, automotive, information technology, and healthcare industries, and the government.
- The Company markets to customers within specific industry segments, enabling Equifax to precisely focus on industry needs and to provide product experts to each industry segment.
- In its electronic commerce operations, Equifax provides identity authentication services and issues and manages digital certificates to companies using the Internet and other networks.

### PAYMENT SERVICES

**Equifax brings buyers and sellers together around the world, processing over 850 million payment transactions yearly.**

- Equifax Card Solutions is the leading provider of third-party processing solutions to credit unions and independent banks in the U.S.
- Equifax Card Solutions provides card processing services internationally through its businesses in Brazil, in India (where Equifax is the only provider of third-party processing services), and through its U.K. joint venture company, which will commence operations in 1999.
- Equifax Card Solutions also licenses to customers around the world its mainframe and Unix-based software for in-house card processing, collections, and merchant portfolio processing.
- Equifax Check Solutions is a leader in check risk management services through its Global Check Solutions businesses in the U.S., the U.K., France, Ireland, Australia, and New Zealand.

**Equifax provides payment services to:**

- About 5,500 independent banks and credit unions in the U.S. use Equifax for card processing services.
- Some of the world's leading financial institutions turn to Equifax for software and transaction processing services.
- Equifax Card Solutions software is used in 30 countries to process over 125 million accounts.
- Equifax Check Solutions' customer base includes national and regional retailers, hotels, automotive dealers, and other retail businesses.

### KNOWLEDGE ENGINEERING

**Equifax's Knowledge Engineering delivers products and solutions that add value to information management with an increased level of technical sophistication – helping customers reinvent their sales, marketing, and customer relationship management processes.**

- New levels of fact-based decisioning capabilities
- Database marketing
- Data mining
- Analytics modeling
- High performance cross-selling and product affinity penetration strategies

**Equifax Knowledge Engineering provides knowledge-based solutions to leading institutions worldwide including:**

- Financial services
- Telecommunications/utilities
- Retail
- Automotive

## PRODUCTS

### **Equifax enhances its core information businesses with innovative products and technologies that enable customers to manage information with greater precision and profitability.**

- Consumer and commercial credit information
- Risk management services
- Fraud detection and prevention
- Locate services
- Card marketing services
- Account acquisition services
- Notification services
- Mortgage information
- Outsourcing of collection services
- Equifax Decision Power<sup>SM</sup> for streamlined decisioning capabilities
- Authentication of buyers and sellers
- Issuance and management of digital certificates and directories

### **Equifax provides a broad range of products and services supporting every phase of the card payment industry, including:**

- Credit and debit card transaction processing, card processing software, portfolio management services, portfolio analysis, cardholder customer service, marketing services, credit marketing services, risk management services, merchant processing, and collection services.

### **Equifax Global Check Solutions supports customers with:**

- Check risk management services including check guarantee and authorization services, data file exchanges, risk management consulting, check collections, and database marketing.

### **Knowledge Applications support customers with:**

- Loyalty Engineering<sup>TM</sup>
- Micro-segmentation tools – Equifax Xprt<sup>TM</sup>
- Bankruptcy prediction and management systems
- Data Mining
- Advanced Knowledge Navigators
- Wallet Navigator
- Time series analytics and marketing applications
- Decision support tools
- Loyalty Analytics

## COMPETITION

- In the U.S., Experian and TransUnion are primary competitors although Equifax maintains its position as the industry leader.
- The Company also leads the industry in Canada and the U.K., competing with TransUnion in Canada and with Experian in the U.K. In other countries, local information businesses compete with Equifax.
- In the area of analytical data management, Equifax competes in the U.S. with such companies as Fair, Isaac, May & Speh, and Acxiom.
- In its e-commerce business, Equifax competes with several other U.S. information and technology providers, although Equifax stands alone in providing a full complement of digital certificate, authentication, and directory services to its customers.

- Equifax Card Solutions leads the payment card industry in processing to independent banks and credit unions.
- Competition comes from a number of third-party processors and card software providers worldwide.
- Equifax Check Solutions is a leading provider of check risk management services to retailers in the U.S. and is the leading provider of these services worldwide.
- Competitors in this business segment in the U.S. include Telecheck and SCAN.

- Internationally, U.K.-based Experian is a main competitor in information analysis.
- Database analytics companies such as Fair, Isaac, and Epsilon represent competition in the U.S.

## *Board of Directors and Officers*

### *DIRECTORS*

**C.B. Rogers, Jr.**

Chairman  
Equifax Inc., 1978

**Thomas F. Chapman**

President and Chief Executive Officer  
Equifax Inc., 1994

**Lee A. Ault, III**

Former Chairman and  
Chief Executive Officer  
Telecredit, Inc., 1991

**John L. Clendenin**

Retired Chairman  
BellSouth Corporation, 1982

**A. William Dahlberg**

Chairman, President and  
Chief Executive Officer  
The Southern Company, 1992

**Robert P. Forrestal**

Of Counsel  
Smith, Gambrell & Russell  
Retired President and  
Chief Executive Officer  
Federal Reserve Bank of Atlanta, 1996

**L. Phillip Humann**

Chairman, President and  
Chief Executive Officer  
SunTrust Banks, Inc., 1992

**Larry L. Prince**

Chairman and Chief Executive Officer  
Genuine Parts Company, 1988

**D. Raymond Riddle**

Retired Chairman  
and Chief Executive Officer  
National Service Industries, Inc., 1989

**Dr. Betty L. Siegel**

President  
Kennesaw State University, 1987

**Dr. Louis W. Sullivan**

President  
Morehouse School of Medicine, 1995

**Jacquelyn M. Ward**

President and Chief Executive Officer  
Computer Generation Incorporated, 1999

### *EXECUTIVE OFFICERS*

**C.B. Rogers, Jr.**

Chairman of the Board

**Thomas F. Chapman**

President and Chief Executive Officer

**James J. Allhusen**

Executive Vice President and  
Group Executive –  
North American Information Services

**C. Richard Crutchfield**

Executive Vice President,  
Group Executive – Europe, and  
Chief Technology Officer

**Lee A. Kennedy**

Executive Vice President and  
Group Executive – Payment Services

**William R. Phinney**

Executive Vice President and  
Group Executive – Latin America

**John T. Chandler**

Corporate Vice President and  
Chief Administrative Officer

**Karen H. Gaston**

Corporate Vice President,  
Human Resources and  
Community Relations

**Philip J. Mazzilli**

Corporate Vice President,  
Treasurer, and Controller

**David A. Post**

Corporate Vice President and  
Chief Financial Officer

**Bruce S. Richards**

Corporate Vice President and  
General Counsel

**Marietta Edmunds Zakas**

Corporate Vice President,  
Communications, Investor Relations,  
and Secretary

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### *AUDITORS*

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