

IHS Inc.  
Form S-1/A  
October 31, 2005

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As filed with the Securities and Exchange Commission on October 31, 2005

Registration No. 333-122565

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT  
NO. 8 TO  
FORM S-1**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**IHS INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**7370**  
(Primary Standard Industrial  
Classification Code Number)  
**15 Inverness Way East**  
**Englewood, CO 80112**  
**(303) 790-0600**

**13-3769440**  
(I.R.S. Employer  
Identification Number)

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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**STEPHEN GREEN**  
**Senior Vice President and General Counsel**  
**IHS Inc.**  
**15 Inverness Way East**  
**Englewood, CO 80112**  
**(303) 790-0600**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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**Approximate date of commencement of proposed sale to the public:**  
**As soon as practicable after the effective date of this Registration Statement.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated October 31, 2005.

14,515,000 Shares

## IHS Inc.

### Class A Common Stock

This is an initial public offering of shares of Class A common stock of IHS Inc. Urvanos Investments Limited and Urpasis Investments Limited, the selling stockholders, are offering 14,515,000 shares of Class A common stock of IHS. IHS will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Prior to this offering, there has been no public market for the Class A common stock. It is currently estimated that the initial public offering price per share will be between \$14.50 and \$16.50. The Class A common stock has been approved for listing on the New York Stock Exchange under the symbol "IHS."

IHS has two classes of common stock outstanding, Class A common stock and Class B common stock. The rights of the Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to ten votes per share and is convertible into one share of Class A common stock at any time at the option of the holder or automatically upon the earlier of the occurrence of specified events or four years from the date of this offering. After the offering and the private placement described on page 3, Urvanos Investments Limited will hold all of the Class B common stock and the selling stockholders together will hold approximately 88.2% of the voting power of IHS's outstanding capital stock (which represents approximately 62.5% of the overall economic interest).

See "Risk Factors" beginning on page 12 to read about factors you should consider before buying shares of the Class A common stock.

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

	<u>Per Share</u>	<u>Total</u>
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds to the selling stockholders	\$	\$

To the extent that the underwriters sell more than 14,515,000 shares of Class A common stock, the underwriters have the option to purchase up to an additional 2,177,250 shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2005.

**Goldman, Sachs & Co.**

**Citigroup**

**Morgan Stanley**

**UBS Investment Bank**

**KeyBanc Capital Markets**

**Piper Jaffray**

Prospectus dated \_\_\_\_\_, 2005.

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus and provides an overview of the material aspects of this offering. This summary does not contain all of the information you should consider before deciding to invest in our Class A common stock. You should read this entire prospectus carefully, especially the risks of investing in our Class A common stock discussed under "Risk Factors" beginning on page 12. Except as otherwise noted, we present all financial and operating data on a fiscal year and fiscal quarter basis. Our fiscal years end on November 30 of each year.*

### Our Company

We are one of the leading global providers of critical technical information, decision-support tools, and related services to customers in the energy, defense, aerospace, construction, electronics, and automotive industries. We have developed a comprehensive collection of technical information that is highly relevant to the industries we serve. Our decision-support tools enable our customers to quickly and easily search and analyze this information and integrate it into their work flows. Our operational, research, and strategic advisory services combine this information and these tools with our extensive industry expertise to meet the needs of our customers. Our customers rely on these offerings to facilitate decision making, support key processes, and improve productivity.

Our customers range from governments and large multinational corporations (including approximately one quarter of the Fortune 500 companies) to smaller companies and technical professionals in more than 100 countries. We sell our offerings primarily through subscriptions and have historically experienced high renewal rates. As a result of our subscription-based business model and historically high renewal rates, we generate recurring revenue and cash flow. In 2004, we generated revenue of \$394 million, net income of \$61 million, and operating cash flows of \$67 million. For the nine months ended August 31, 2005, we generated revenue of \$350 million, net income of \$25 million, and cash flows from operating activities of \$37 million.

IHS has been in business for more than 45 years and employs more than 2,300 people around the world.

We manage our business through our Energy and Engineering operating segments:

Our Energy segment develops and delivers critical oil and gas industry data on exploration, development, production, and transportation activities to major global energy producers and oil companies. We also provide decision-support tools and operational, research, and strategic advisory services to these customers, as well as to utilities and transportation, petrochemical, coal, and power companies. For example, major global oil companies use our offerings to support a broad range of decision-making processes that identify attractive exploration investments, assess the likelihood of successful oil production projects, and develop detailed planning scenarios. In 2004 and for the nine months ended August 31, 2005, our Energy segment generated revenue of \$186 million and \$179 million, respectively.

Our Engineering segment provides solutions incorporating technical specifications and standards, regulations, parts data, design guides, and other information to customers in its targeted industries. We serve some of the largest engineering-intensive companies around the world in the defense, aerospace, construction, electronics, and automotive industries. For example, we provide some of the largest aerospace companies with desktop access to industry specifications and standards; parts, logistics, and procurement data; engineering methods; and related analytical tools. In 2004 and for the nine months ended August 31, 2005, our Engineering segment generated revenue of \$208 million and \$171 million, respectively.

### **Our Competitive Strengths**

We believe we are a leader in the markets we serve as a result of the following competitive strengths.

***Comprehensive collection of critical information.*** We have developed a comprehensive collection of current and historical technical information that is highly relevant to the industries we serve. We believe that this collection would be very difficult to replicate because it has been developed and maintained over several decades. We gather the information primarily through longstanding relationships with thousands of public and private sources and combine it with our proprietary content, our extensive industry insight, and our analysis to create what we believe is the largest collection of this type of information in the world.

***Deep expertise.*** We develop and utilize sophisticated processes and technologies for gathering, updating, indexing, and delivering our critical information. Our hundreds of information services experts analyze, integrate, and maintain this information. We also employ specialized professionals with extensive experience in our target industries to better understand the needs of our customers and to design tools and related services that address their needs.

***Trusted business partner.*** The combination of our critical information and industry expertise has resulted in our becoming a longstanding and trusted business partner, providing accurate and timely technical information to our customers. Many of our customers rely on us as a single-source provider of this information that, together with our decision-support tools and related services, supports their key operations and processes, facilitates strategy and decision making, and drives growth and productivity.

***Diversified and global customer base.*** We serve some of the world's largest corporations across multiple industries in more than 100 countries, as well as governments and other organizations. We generated approximately 50% of our total revenue outside the United States in 2004. In addition, in 2004 our largest customer generated less than 4% of our total revenue. We believe that our diversified and global customer base reduces the impact on our operating results of industry downturns and localized economic conditions.

***Subscription-based model with high renewal rates.*** We sell our offerings primarily through subscriptions. As a result of this model and our historically high renewal rates, we generate recurring revenue and cash flows. We believe that our high renewal rates demonstrate that our customers rely on us for high-quality solutions that they consider critical to their business.

***Experienced management team.*** Our management team includes information services veterans and experienced industry executives. We benefit from their thorough understanding of the information services business, deep knowledge of our target industries, and extensive relationships with content providers and existing and potential customers.

### **Our Growth Strategy**

We intend to build on our position as one of the leading providers of critical technical information, decision-support tools and related services to customers in the industries we target by executing the following strategies.

***Enhance our critical information.*** We will continue to augment our comprehensive collection of critical information by enhancing our data aggregation tools and processes and by further strengthening our relationships and alliances with content providers. We also plan to continue to selectively acquire databases and information services organizations in our target industries.

**Further embed our offerings in customer processes.** We intend to continue to work closely with our customers to more deeply embed our offerings into their workflows and business processes. We believe we can achieve this by developing new tools and services and by selectively acquiring complementary technologies and businesses that enhance our offerings. We intend to use these enhanced offerings to appeal to new customers and further penetrate our existing global customer base.

**Further penetrate targeted industries.** We believe we have a unique ability to develop decision- support tools and related services based on our critical information in the industries we target. We intend to further penetrate selected information-intensive industries where we already have significant presence, such as defense, aerospace, construction, and electronics, through internal growth and selective acquisitions.

**Expand geographic reach.** We are expanding our sales and marketing efforts in emerging markets, particularly in Asia. China, Russia and India represent significant opportunities for us as the information-intensive industries we serve have grown rapidly in these countries over the past few years. We intend to broaden our reach in these markets by tailoring our offerings with specialized local content and deploying knowledgeable sales representatives and dealers.

**Leverage operating model.** We derive most of our revenue from annual subscription fees, while a large portion of our costs are fixed. As a result, we believe we can improve our operating margins by generating additional revenue as we further penetrate our existing customer base and add new customers.

### **Private Placement**

The selling stockholders have agreed to sell in a private placement an aggregate of \$75 million of shares of our Class A common stock at the initial public offering price to investment entities affiliated with General Atlantic LLC. The closing of this private placement will occur simultaneously with the closing of this offering. We appointed Steven A. Denning, the Chairman and a Managing Director of General Atlantic, to our board of directors in April 2005.



### Ownership Structure

Voting and investment decisions with respect to the shares of our company have historically been made by TBG Holdings NV (TBG), a Netherlands-Antilles company that is the indirect sole owner of the selling stockholders, Urpasis Investments Limited and Urvanos Investments Limited. The selling stockholders are Cyprus limited liability companies. TBG is wholly-owned indirectly by The Thyssen-Bornemisza Continuity Trust (Trust), a Bermuda trust, which is controlled by a Bermudan trustee, Thybo Trustees Limited, and another oversight entity, Tornabuoni Limited, which is a Guernsey company. The following diagram summarizes our ownership structure following the offering and the General Atlantic private placement by the selling stockholders:

- 
- (1) TBG is indirectly wholly-owned by the Trust through a Bermuda corporation.
  - (2) The selling stockholders are indirectly wholly-owned by TBG through a Netherlands corporation.
  - (3) After the General Atlantic private placement and this offering (assuming the underwriters do not exercise their option to purchase additional shares), Urvanos Investments Limited will own 1,845,252 shares of our Class A common stock, assuming an initial public offering price of \$15.50 per share of Class A common stock, the midpoint of the range set forth on the cover page of this prospectus, and 13,750,000 shares of our Class B common stock, representing in the aggregate approximately 77.1% of the voting power of the outstanding common stock (compared to 27.3% of the overall economic interest).
  - (4) After the General Atlantic private placement, General Atlantic will own 4,838,710 shares of our Class A common stock, assuming an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus, representing approximately 2.7% of the voting power of the outstanding common stock (compared to 8.5% of the overall economic interest).
  - (5) After the General Atlantic private placement and this offering (assuming the underwriters do not exercise their option to purchase additional shares), Urpasis Investments Limited will own 20,051,038 shares of our Class A common stock, assuming an initial public offering price of \$15.50 per share of Class A common stock, the midpoint of the range set forth on the cover page of this prospectus, representing approximately 11.1% of the voting power of the outstanding common stock (compared to 35.1% of the overall economic interest).

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In November 2004, TBG completed a reorganization, which resulted in our current ownership structure. Prior to these transactions, all of our common stock was owned by Holland America Investment Corporation (HAIC U.S.), an indirect wholly-owned subsidiary of TBG. In the reorganization, HAIC U.S. contributed substantially all of its assets to us in exchange for our new common stock and subsequently liquidated and distributed this common stock to the selling stockholders. In connection with these transactions and in contemplation of this offering, our capitalization was changed to authorize 80,000,000 shares of Class A common stock, 13,750,000 shares of Class B common stock and 1,000 shares of Class C common stock. See Note 19 to our consolidated financial statements. The Class C common stock will no longer be authorized after this offering.

Jerre L. Stead, the chairman of our board of directors, is also a member of the board of directors of TBG. Michael v. Staudt, a member of our board of directors, is also an executive vice president of TBG. In addition, C. Michael Armstrong, Roger Holtback and Michael Klein, all members of our board of directors, were members of the board of directors and an advisory committee of TBG prior to this offering. See "Risk Factors - Risks Related to the Offering - We are controlled by an entity whose interests may differ from your interests; the chairman of our board serves on the board of that entity and one of our directors is one of its executive officers" and "Certain Relationships and Related Transactions - Relationship with Selling Stockholders and TBG."

### **Risk Factors**

You should carefully consider the information under the heading "Risk Factors" and all other information in this prospectus before investing in our Class A common stock.

### **Company Information**

We were incorporated in the state of Delaware in 1994. Our principal executive offices are located at 15 Inverness Way East, Englewood, Colorado 80112 and our telephone number is (303) 790-0600. We also maintain an Internet site at [www.ihs.com](http://www.ihs.com). Our website and the information contained therein shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

**The Offering**

Class A common stock offered by the selling stockholders	14,515,000 shares (16,692,250 shares if the underwriters exercise in full their option to purchase additional shares)
Class A common stock to be outstanding after this offering	43,319,306 shares
Class B common stock to be outstanding after this offering	13,750,000 shares
Total common stock to be outstanding after this offering	57,069,306 shares
Voting rights:	
Class A common stock	One vote per share
Class B common stock	Ten votes per share
Conversion	Each share of our Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock shall convert automatically, without any action by the holder, upon the earlier of the occurrence of specified events or four years from the date of this offering. See "Description of Capital Stock Common Stock Conversion."
Use of proceeds	We will not receive any proceeds from the sale of shares of Class A common stock by the selling stockholders in this offering or in the General Atlantic private placement.
New York Stock Exchange symbol	"IHS"

The outstanding share information appearing above and elsewhere in this prospectus (unless we specifically state otherwise) is based on the number of shares that were issued and outstanding as of August 31, 2005. Unless we specifically state otherwise, the information in this prospectus does not reflect:

1,271,220 shares of our Class A common stock underlying deferred stock units outstanding on August 31, 2005. The deferred stock units were granted on December 23, 2004. Each deferred stock unit represents the vested right to receive one share of Class A common stock on a specified date. These deferred stock units were granted in connection with the offers of our subsidiary, IHS Group Inc., on November 22, 2004 to exchange compensatory stock options and shares acquired upon the exercise of such options for cash and deferred stock units (see "Management Equity Compensation Plans Offer to Exchange Options and Shares Held by Directors and Certain Employees");

901,100 shares of our Class A common stock to be granted to our officers and employees as of the completion of the offering in the form of performance shares, performance unit awards, restricted shares or restricted stock unit awards (see "Management Equity Compensation Plans Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan");

2,731,513 shares of our Class A common stock available for issuance under the amended and restated IHS Inc. 2004 Long-Term Incentive Plan (including the IHS Inc. Directors Stock Plan, which is part of our long-term incentive plan) (as of the date of this prospectus, there were no options outstanding under this plan);

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1,000,000 shares of our Class A common stock available for issuance under the IHS Inc. Employee Stock Purchase Plan. We anticipate that the first purchase period will begin on January 1, 2006, with a purchase price equal to 100% of the fair market value of the shares on the last day of the purchase period, and that shares to fulfill our obligations for that purchase period will be purchased in the open market; and

the exercise by the underwriters of their option to purchase additional shares of our Class A common stock from the selling stockholders in this offering.

As of August 31, 2005, we had 43,319,306 shares of Class A common stock and 13,750,000 shares of Class B common stock outstanding. The 43,319,306 shares of Class A common stock outstanding included 1,919,766 restricted shares of Class A common stock that were not vested as of such date.

## Summary Consolidated Financial Data

The following summary consolidated financial data should be read in conjunction with, and are qualified by reference to, the information set forth in "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and unaudited condensed consolidated financial statements, including the notes thereto, included in this prospectus. Results for the nine months ended August 31, 2005 are not necessarily indicative of the results expected for the fiscal year ended November 30, 2005 or any other future period.

	Years Ended November 30,			Nine Months Ended August 31,	
	2002(1)	2003	2004	2004	2005
(In thousands)					
(Restated)(2)					
<b>Statement of Operations Data:</b>					
Revenue:					
Products	\$ 304,575	\$ 311,602	\$ 352,367	\$ 252,116	\$ 291,343
Services	34,336	34,238	41,602	23,413	58,742
<b>Total revenue</b>	<b>338,911</b>	<b>345,840</b>	<b>393,969</b>	<b>275,529</b>	<b>350,085</b>
Operating expenses:					
Cost of revenue:					
Products	139,592	132,940	150,357	106,574	132,056
Services	25,576	27,783	29,643	18,767	37,715
Compensation expense related to equity awards(3)			4,437		227
<b>Total cost of revenue</b>	<b>165,168</b>	<b>160,723</b>	<b>184,437</b>	<b>125,341</b>	<b>169,998</b>
Selling, general and administrative	117,837	119,902	136,529	97,511	122,761
Depreciation and amortization	9,352	8,940	9,642	6,734	8,539
Restructuring and other charges					12,397
Compensation expense related to equity awards(3)			17,065		3,318
Gain on sales of assets, net	(2,660)	(245)	(5,532)	(5,035)	(1,331)
Impairment of assets	8,556	567	1,972		
Recovery of investment	(1,598)				
Net periodic pension and post-retirement benefits	(10,866)	(8,558)	(5,791)	(4,344)	(2,781)
Earnings in unconsolidated subsidiaries	(2,934)	(3,196)	(437)	(394)	(78)
Other expense (income), net	(1,062)	1,105	3,173	3,375	(481)
<b>Total operating expenses</b>	<b>281,793</b>	<b>279,238</b>	<b>341,058</b>	<b>223,188</b>	<b>312,342</b>
<b>Operating income</b>	<b>57,118</b>	<b>66,602</b>	<b>52,911</b>	<b>52,341</b>	<b>37,743</b>
Impairment of investment in affiliate	(7,900)				
Gain on sale of investment in affiliate			26,601		
Interest income	1,043	1,359	1,140	586	2,553
Interest expense	(3,535)	(1,104)	(450)	(254)	(693)
<b>Non-operating income (expense), net</b>	<b>(10,392)</b>	<b>255</b>	<b>27,291</b>	<b>332</b>	<b>1,860</b>
<b>Income from continuing operations before income taxes and minority interests</b>	<b>46,726</b>	<b>66,857</b>	<b>80,202</b>	<b>52,673</b>	<b>39,603</b>
Provision for income taxes	(16,775)	(24,053)	(16,644)	(17,187)	(12,498)
<b>Income from continuing operations before minority interests</b>	<b>29,951</b>	<b>42,804</b>	<b>63,558</b>	<b>35,486</b>	<b>27,105</b>

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	Years Ended November 30,			Nine Months Ended August 31,	
Minority interests	(23)	(46)	(275)	(54)	(14)
Income from continuing operations	29,928	42,758	63,283	35,432	27,091
Discontinued operations:					
Loss from discontinued operations, net		(195)	(1,969)	(1,049)	(1,652)
Net income	\$ 29,928	\$ 42,563	\$ 61,314	\$ 34,383	\$ 25,439

**Balance Sheet Data (as of period end):**

Cash and cash equivalents	\$ 11,941	\$ 24,051	\$ 124,452	\$ 68,837	\$ 137,767
Total assets	581,291	620,113	752,644	646,940	742,967
Total long-term debt and capital leases	44,081	725	607	585	260
Total stockholders' equity	304,565	360,765	421,051	396,880	439,994

**Cash Flow and Other Financial Data:**

Net cash provided by (used in):					
Operating activities	\$ 74,735	\$ 60,145	\$ 66,980	\$ 50,998	\$ 36,819
Investing activities	(2,659)	(4,935)	34,603	(6,110)	(21,845)
Financing activities	(71,265)	(44,153)	(2,000)	(140)	(390)
EBITDA(4)	58,547	75,301	86,910	57,972	44,616
Adjusted EBITDA(4)	59,879	67,260	74,429	49,642	58,098

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(1)

During 2002, we disposed of several non-core businesses. The combined results of the divested businesses impacted our operating income for the years ended November 30, 2002 through 2004 and the nine months ended August 31, 2004 and 2005 as set forth below:

	Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
	(Unaudited)				
	(In thousands)				
Revenue	\$ 8,047	\$	\$	\$	\$
Cost of revenue	5,558				
Selling, general and administrative	5,195				
Depreciation and amortization	126				
Other expense (income), net	(47)				
Operating loss	\$ (2,785)	\$	\$	\$	\$

Our non-operating income (expense), net, during the periods presented was also impacted by these divestments. See footnotes 8 and 9 to the "Selected Historical Condensed Consolidated Financial Data."

(2)

As restated. See Note 11 to the unaudited condensed consolidated financial statements included in this prospectus.

(3)

Represents costs related to the modification of our long-term incentive plans to reflect more customary public company compensatory arrangements. In November 2004, we conducted an offer to purchase the outstanding options and shares of capital stock that had been issued pursuant to stock option plans maintained by one of our subsidiaries. The offer also included the issuance of deferred stock units and restricted stock of IHS Inc. in exchange for the previously outstanding options and shares. The expense amount for the year ended November 30, 2004 includes (i) a \$9.9 million one-time cash charge to purchase options outstanding under these plans and to purchase shares acquired upon exercise of the options and (ii) an \$11.9 million non-cash charge relating to the issuance of vested deferred stock units in connection with the offer. See Note 12 to our consolidated financial statements.

Total compensation expense related to equity awards is comprised of the following:

	Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
	(Unaudited)				
	(In thousands)				
Cost of products revenue	\$	\$	\$ 170	\$	\$ 227
Cost of services revenue			4,267		
Selling, general and administrative.			17,065		3,318
Discontinued operations			303		

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	Years Ended November 30,			Nine Months Ended August 31,	
	\$	\$	\$ 21,805	\$	\$ 3,545

(4)

EBITDA and adjusted EBITDA are measures used by management to measure operating performance. EBITDA is defined as net income plus net interest, taxes, depreciation, and amortization. Adjusted EBITDA excludes non-cash items, gains and losses on sales of assets and investments and other items that management does not utilize in assessing our operating performance. Management believes that it is useful to eliminate these items (as well as net interest, taxes, depreciation, and amortization, as noted above) because it allows management to focus on what it deems to be a more reliable indicator of ongoing operating performance



and our ability to generate cash flow from operations. As a result, internal management reports used during monthly operating reviews feature the EBITDA and adjusted EBITDA metrics. However, management uses these metrics in conjunction with traditional GAAP operating performance measures as part of its overall assessment of company performance and therefore does not place undue reliance on these measures as its only measures of operating performance.

EBITDA and adjusted EBITDA are also used by research analysts, investment bankers and lenders to assess our operating performance. For example, a measure similar to EBITDA is required by the lenders under our credit facility.

Neither EBITDA nor adjusted EBITDA are recognized terms under GAAP and do not purport to be an alternative to net income as an indicator of operating performance or any other GAAP measure. Because not all companies use identical calculations, this presentation of EBITDA and adjusted EBITDA may not be comparable to other similarly-titled measures of other companies. However, these measures can still be useful in evaluating our performance against our peer companies because management believes the measures provide users with valuable insight into key components of GAAP amounts. For example, a company with greater GAAP net income may not be as appealing to investors if its net income is more heavily comprised of gains on asset sales. Likewise, eliminating the effects of interest income and expense reduces the impact of a company's capital structure on its performance. In addition, removing the provision for income taxes from EBITDA permits users to assess returns on a pre-tax basis.

All of the items included in the reconciliation from net income to adjusted EBITDA are either (i) non-cash items (*e.g.*, depreciation, amortization and impairment of investment in affiliate) or (ii) items that management does not consider to be useful in assessing our on-going operating performance (*e.g.*, income taxes, restructuring and other charges, loss from discontinued operations and gain on sale of assets). In the case of the non-cash items, management believes that investors can better assess our operating performance if the measures are presented without such items because, unlike cash expenses, these adjustments do not affect our ability to generate free cash flow or invest in our business. For example, by eliminating depreciation and amortization from EBITDA, users can compare operating performance without regard to different accounting determinations such as useful life. In the case of the other items, management believes that investors can better assess our operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance. For example, our net gains on sales of assets and our gain on sale of investment in affiliate during the 2002 to 2004 period relate to sales of specific non-core assets.

EBITDA and adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use since they do not consider certain cash requirements, such as interest payments, tax payments, debt service requirements and capital expenditures.

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The following is a reconciliation of EBITDA and adjusted EBITDA to net income:

	Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
					(Restated)
					(Unaudited)
					(In thousands)
Net income	\$ 29,928	\$ 42,563	\$ 61,314	\$ 34,383	\$ 25,439
Interest income	(1,043)	(1,359)	(1,140)	(586)	(2,553)
Interest expense	3,535	1,104	450	254	693
Provision for income taxes	16,775	24,053	16,644	17,187	12,498
Depreciation and amortization	9,352	8,940	9,642	6,734	8,539
EBITDA	58,547	75,301	86,910	57,972	44,616
Restructuring and other charges					12,397
Compensation expense related to equity awards			21,502		3,545
Impairment of assets	8,556	567	1,972		
Net periodic pension and post-retirement benefits	(10,866)	(8,558)	(5,791)	(4,344)	(2,781)
Impairment of investment in affiliate	7,900				
Recovery of investment	(1,598)				
Gain on sales of assets, net	(2,660)	(245)	(5,532)	(5,035)	(1,331)
Gain on sale of investment in affiliate			(26,601)		
Loss from discontinued operations, net		195	1,969	1,049	1,652
Adjusted EBITDA	\$ 59,879	\$ 67,260	\$ 74,429	\$ 49,642	\$ 58,098

## RISK FACTORS

*You should carefully consider the following risks and all of the other information set forth in this prospectus before deciding to invest in shares of our Class A common stock. If any of the events or developments described below actually occurs, our business, financial condition, and results of operations may suffer. In that case, the trading price of our Class A common stock may decline and you could lose all or part of your investment.*

### Risks Related to Our Business

***We depend on content obtained through agreements with third parties, including SDOs, and the failure to maintain these agreements on commercially reasonable terms could prove harmful to our business.***

A significant amount of the content that we use in our offerings is either purchased or licensed from third parties, including Standards Development Organizations (SDOs). Although we obtain data from over 370 SDOs, approximately 60% of the revenue generated by our Engineering segment is derived from offerings that include data we license from 25 SDOs. We believe that the content licensed from many of these third parties, particularly the 25 SDOs referred to above, cannot be obtained from alternate sources on favorable terms, if at all. Our license agreements with these third parties are generally nonexclusive and many are terminable on less than one year's notice. In addition, many of these third parties compete with one another and us. As a result, we may not be able to maintain or renew these agreements at cost-effective prices and these third parties might restrict or withdraw their content from us for competitive or other reasons. Over the last few years, some third parties, including some SDOs, have increased the royalty payments we pay them for the use of their information and may continue to do so in the future. As a result, our Engineering operating margins have declined recently. If we are unable to maintain or renew a significant number of these agreements, particularly those we have with SDOs, or if we renew a significant number of these agreements on terms that are less favorable to us, the quality of our offerings and our business, operating results, and financial condition may be adversely affected.

***If we are unable to consistently renew subscriptions for our offerings, our results could weaken.***

In 2004, we derived more than 75% of our revenues from subscriptions to our offerings. These subscriptions are generally for a term of one year. Our results depend on our ability to achieve and sustain high annual renewal rates on existing subscriptions and to enter into new subscription arrangements on commercially acceptable terms. Our failure to achieve high annual renewal rates on commercially acceptable terms would have a material adverse effect on our business, financial condition, and operating results.

***Our growth strategy may prove unsuccessful.***

Our growth strategy involves enhancing our offerings to meet our customers' needs. Our success in meeting these needs depends in large part upon our ability to deliver consistent, high-quality, and timely offerings covering issues, developments and trends that our customers view as important. In addition, we plan to grow by attracting new customers and expanding into new geographic markets. We also expect to grow by enhancing our services business, which historically has not been a part of our core business. It may take a considerable amount of time and expense to execute our growth strategy and, if we are unable to do so, our operating performance, including our ability to generate additional revenues on a profitable basis, may be adversely affected.

*If we are unable to successfully identify or effectively integrate acquisitions, our financial results may be adversely affected.*

We intend to continue to selectively pursue acquisitions to complement our internal growth. There can be no assurance that we will be able to identify suitable candidates for successful acquisitions at acceptable prices. In addition, our ability to achieve the expected returns and synergies from our past and future acquisitions and alliances depends in part upon our ability to integrate the offerings, technology, administrative functions, and personnel of these businesses into our business in an efficient and effective manner. We cannot assure you that we will be successful in integrating acquired businesses or that our acquired businesses will perform at the levels we anticipate. In addition, our past and future acquisitions may subject us to unanticipated risks or liabilities or disrupt our operations and divert management's attention from our day-to-day operations.

*Our international operations are subject to exchange rate fluctuations and other risks relating to non-U.S. operations.*

In 2004, we generated approximately 50% of our revenues from sales outside the United States and we expect to increase our international presence over time. Our primary operations outside the United States are in the United Kingdom, Canada, and Switzerland. Our operating profit outside the United States has historically exceeded our domestic operating profit. There are numerous risks inherent in doing business in international markets, including:

currency fluctuations;

the cost and uncertainty of obtaining data and creating solutions that are relevant to particular geographic markets;

the complexity of maintaining effective policies and procedures in locations around the world;

the risks of divergent business expectations or difficulties in establishing joint ventures with foreign partners;

differing levels of intellectual property protection in various jurisdictions;

political instability and civil unrest;

restrictions or limitations on outsourcing contracts or services abroad;

restrictions or limitations on the repatriation of funds; and

potentially adverse tax consequences.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations." We are expanding our sales and marketing efforts in certain emerging markets, such as China, Russia, and India. Expanding our business into emerging markets may present additional risks beyond those associated with more developed international markets. For example, in China and Russia, we may encounter risks associated with the ongoing transition from state business ownership to privatization. In any emerging market, we may face the risks of working in cash-based economies, dealing with inconsistent government policies, and encountering sudden currency revaluations. In addition, we have entered into agreements with companies in India as independent contractors who engage in data entry, programming, indexing, and testing. By doing so we must prepare for the risks that one or more independent contractors may perform work that deviates from our standards or that we may not be able to adequately monitor and control access to and use of our intellectual property.

***We may not be able to protect intellectual property rights.***

We rely on copyright laws and nondisclosure, license, and confidentiality arrangements to protect our proprietary rights as well as the intellectual property rights of third parties whose content we license. However, it is not possible to prevent all unauthorized uses of these rights. We cannot assure you that the steps we have taken to protect our intellectual property rights, and the rights of those from whom we license intellectual property, are adequate to deter misappropriation or that we will be able to detect unauthorized uses and take timely and effective steps to remedy this unauthorized conduct. In particular, a significant portion of our revenues are derived internationally where protecting intellectual property rights is even more challenging. To prevent or respond to unauthorized uses of our intellectual property, we might be required to engage in costly and time-consuming litigation and we may not ultimately prevail. In addition, our offerings could be less differentiated from those of our competitors, which could adversely affect the fees we are able to charge.

***We rely on a network of independent contractors and dealers whose actions could have an adverse effect on our business.***

We obtain some of our critical information, particularly in our Energy segment, from independent contractors. In addition, we rely on a network of dealers to sell our offerings in locations where we do not maintain a sales office or sales teams. These independent contractors and dealers are not employees of our company. As a result, we are limited in our ability to monitor and direct their activities. The loss of a significant number of these independent contractors or dealers could disrupt our information gathering efforts or our sales, marketing and distribution activities. In addition, if any actions or business practices of these individuals or entities were found to violate our policies or procedures or were otherwise found to be inappropriate, we could be subject to litigation, regulatory sanctions, or reputational damage, any of which could adversely affect our business.

***We are affected by conditions and trends in our targeted industries, which may inhibit our ability to grow or otherwise adversely affect our business.***

We derive substantially all of our revenue from customers primarily in the energy, defense, aerospace, construction, electronics, and automotive industries. As a result, our business, financial condition, and results of operations depend upon conditions and trends affecting these industries generally. For example, many of our energy offerings are priced based on a customer's oil and gas production and a decline in production for any reason could reduce our revenues. Our ability to grow will depend in part upon the growth of these industries as well as our ability to increase sales of our offerings to customers in these industries. Additionally, the trend toward consolidation, particularly among oil and gas companies, could reduce the number of our current and potential customers and could have a material adverse effect on our business. Moreover, the larger organizations resulting from consolidation could have greater bargaining power, which could adversely affect the pricing of our offerings. Factors that adversely affect revenues and cash flows in these industries, including operating results, capital requirements, regulation, and litigation, could reduce the funds available to purchase our offerings. Our failure to maintain our revenues or margins could have a material adverse effect on our business, financial condition, and operating results.

***The loss of key personnel could impair our future success.***

Our future success depends in part on the continued service of our executive officers and other key management, sales, marketing, product development, and operations personnel and on our ability to continue to attract, motivate, and retain additional highly qualified employees. The loss of the services of one or more of our key personnel or our inability to recruit replacements for such

personnel or to otherwise attract, motivate, or retain qualified personnel could have an adverse effect on our business, operating results, and financial condition.

***Our investments in technology may not be sufficient and may not result in an increase in our revenue or decreases in our operating costs.***

As the technological landscape continues to evolve, it may become increasingly difficult for us to make timely, cost-effective changes to our offerings in a manner that adequately differentiates them from those of our competitors. We cannot assure you that our investments have been or will be sufficient to maintain or improve our competitive position or that the development of new or improved technologies and products by our competitors will not have a material adverse effect on our businesses.

***We operate in competitive markets, which may adversely affect our market share and financial results.***

Some of our competitors focus on sub-markets within our targeted industries while others have significant financial and information-gathering resources, recognized brands, technological expertise, and market experience. Our competitors are continuously enhancing their products and services, developing new products and services, and investing in technology to better serve the needs of their existing customers and to attract new customers.

We face competition in specific industries and with respect to specific offerings. For example, our U.S. well and production data offerings compete with offerings from P2 Energy Solutions, Inc., and DrillingInfo, Inc., in addition to smaller companies. Certain of our Energy segment's other offerings compete with products from Wood Mackenzie Ltd., Divestco Inc., and Geologic Data Systems, Inc., in addition to other specialized companies. Our Energy segment's advisory services compete with Global Decisions Group LLC and NV KEMA, in addition to other smaller consulting companies. Our Engineering segment competes against a fragmented set of companies. In our specifications and standards business, we compete with some of the SDOs, Thomson's Techstreet, United Business Media plc, and ILI Infodisk, Inc. Our Engineering segment's operational services and parts data offerings compete with i2 Technologies, Inc. and Thomas Publishing.

We may also face competition from organizations and businesses that have not traditionally competed with us but that could adapt their products and services to meet the demands of our customers. Increased competition may require us to reduce the prices of our offerings or make additional capital investments which would adversely affect our margins. If we are unable or unwilling to do so, we may lose market share in our target markets and our financial results may be adversely affected.

Most of our license agreements with SDOs are nonexclusive, which allow the SDOs to distribute their standards themselves or license them to other third parties for distribution. In addition, some of the critical information we use in our offerings is publicly available in raw form at little or no cost, and the Internet and other electronic media have simplified the process of locating, gathering and disseminating information. If users choose to obtain the critical information they need from our competitors, SDOs, or public sources, our business, financial condition, and results of operations could be adversely affected.

***We could experience property damage, system failures, or capacity constraints, which could interrupt the delivery of our offerings to customers and ultimately cause us to lose customers.***

Our ability to protect our data centers against damage from fire, power loss, telecommunications failure, or other disasters is critical. Any delays or failures in our systems or errors in the technology that we use to store and deliver our content to customers would harm our

business. The growth of our customer base may also strain our systems in the future. In addition, our products could be affected by failures of third-party technology used in our products and we could have no control over remedying these failures. Any failures or problems with our systems or decision-support tools could force us to incur significant costs to remedy the failures or problems, decrease customer demand for our products, tarnish our reputation, and harm our business.

***We may be exposed to litigation related to content we make available to customers, and we may face legal liability or damage to our reputation if our customers are not satisfied with our offerings.***

As a provider of critical information, decision-support tools, and related services and as a user of third-party content, we face potential liability for, among other things, breach of contract, negligence, and copyright and trademark infringement. Our professional reputation is an important factor in attracting and retaining our customers and in building relationships with the third parties that supply much of the critical information we use in our offerings. If customers were to become dissatisfied with the quality of our offerings, our reputation could be damaged and our business could be materially adversely affected. In addition, if the information in our offerings is incorrect for any reason, we could be subject to reputational damage or litigation.

***Our offerings could infringe on the intellectual property rights of others, which may require us to engage in costly litigation and could disrupt our business.***

Third parties may assert infringement or other intellectual property claims against us based on their intellectual property rights. If such claims are successful, we may have to pay substantial damages, possibly including treble damages, for past infringement. We might also be prohibited from selling our offerings or providing certain information without first obtaining a license from the third party, which, if available at all, may require us to pay additional royalties. Even if infringement claims against us are without merit, defending a lawsuit takes significant time, may be expensive, and may divert our management's attention from other business concerns.

#### **Risks Related to the Offering**

***We are controlled by an entity whose interests may differ from your interests; the chairman of our board serves on the board of that entity and one of our directors is one of its executive officers.***

Our Class B common stock is entitled to ten votes per share and our Class A common stock, which is the stock being sold in this offering, is entitled to one vote per share. We anticipate that upon the completion of this offering and the private placement by the selling stockholders to General Atlantic, the selling stockholders, Urpasis Investments Limited and Urvanos Investments Limited (which are Cyprus limited liability companies), will own all of our Class B common stock and 50.5% of our Class A common stock, assuming an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus. In the aggregate, this ownership represents approximately 88.2% of the voting power of our outstanding capital stock (compared to 62.5% of the overall economic interest). The Class B common stock may be converted into Class A common stock at any time and will automatically be converted into Class A common stock upon the earlier of the occurrence of specified events or four years from the date of this offering. See "Description of Capital Stock Common Stock Conversion."

Voting and investment decisions with respect to the shares of our company have historically been made by TBG Holdings NV (TBG), a Netherlands-Antilles company that is the indirect sole owner of the selling stockholders. As a result, TBG controls all matters requiring stockholder approval, including amendments to our certificate of incorporation, the election of directors, and significant corporate transactions, such as potential mergers or other sales of our company or our assets. In addition, TBG could also influence our dividend policy. TBG may have interests that

conflict with yours and actions may be taken that you do not view as beneficial. Jerre L. Stead, the chairman of our board of directors, is a member of the board of directors of TBG. Michael v. Staudt, an executive vice president of TBG, is a member of our board of directors. In addition, prior to this offering, C. Michael Armstrong, Roger Holtback, and Michael Klein, all members of our board of directors, were members of the board of directors and an advisory committee of TBG.

TBG is wholly-owned indirectly by The Thyssen-Bornemisza Continuity Trust (Trust), a Bermuda trust, which was created for the benefit of certain members of the Thyssen-Bornemisza family. The trustee of the Trust is Thybo Trustees Limited (Thybo), a Bermuda company. As trustee of the indirect sole stockholder of TBG, Thybo has the power to exercise significant influence over the management and affairs of TBG, including by electing or replacing TBG's board of directors. In addition, in certain circumstances, Thybo may be required to act with respect to TBG at the direction of Tornabuoni Limited (Tornabuoni), a Guernsey company, which is an oversight entity that was established at the time the Trust was created. The board of directors of Tornabuoni may only act by unanimous vote and one of its members is Georg Heinrich Thyssen-Bornemisza (a beneficiary of the Trust). Although Thybo has the power to exert influence over TBG, it has not done so in the past and is not required to do so, except in the case of fraud or as directed by Tornabuoni. In addition, while Tornabuoni has the power to direct Thybo to act with respect to TBG, Tornabuoni has not done so in the past. We have been advised by the current directors of each of Tornabuoni and Thybo that they have no intention at this time to exercise any power they may have to exert such influence with respect to TBG.

In addition, there are ongoing discussions among Thybo and the beneficiaries of the Trust with a view to reorganizing the Trust at some point after the completion of this offering. It is contemplated that if such a reorganization were to take place, separate trusts for the beneficiaries would be created, with the trust created for the benefit of Georg Heinrich Thyssen-Bornemisza and his immediate family becoming the sole indirect owner of TBG, which in turn would remain the sole indirect owner of Urvanos Investments Limited, which holds shares of our Class A common stock and all of our Class B common stock. The trusts created for the benefit of the other beneficiaries and their immediate families would become owners, directly or indirectly, of the shares of Class A common stock then held by Urvanos Investments Limited.

Should this reorganization occur, TBG would continue to have the power to exercise significant influence over our management and affairs and over all matters requiring stockholder approval in the same manner as it currently does. In addition, Georg Heinrich Thyssen-Bornemisza (who is the chairman of the board of directors of TBG), along with the trustees of a new trust for his benefit, would have the power to exert significant influence over the management and affairs of TBG, including through electing or replacing members of the TBG board of directors. Georg Heinrich Thyssen-Bornemisza and these trustees may have interests that conflict with yours.

Under Delaware law, the directors of a corporation owe fiduciary duties to all stockholders of the corporation, not just to the controlling stockholders. In addition, a majority of our board of directors is "independent" of management, as defined by the New York Stock Exchange rules and regulations. However, in light of the significant control that Urvanos Investments Limited, the Class B stockholder, will have over all matters requiring stockholder approval (including the election of directors), no assurances can be provided that these protections will prevent actions that may be viewed as adverse to the Class A stockholders.

***No public market for our Class A common stock existed before this offering and an active public market for our Class A common stock may not develop.***

There has been no public market for our Class A common stock prior to this offering. Therefore, the initial price of our Class A common stock to be sold in the offering will be determined through negotiations among us, the selling stockholders, and the representatives of the underwriters and may not be indicative of the prices that will prevail in the trading market. See



"Underwriting" for a description of the factors considered in determining the initial public offering price of our Class A common stock. An active public market for our Class A common stock may not develop or be sustained after the offering, which could affect your ability to sell your shares and depress the market price of your shares.

***Shares eligible for future sale could depress the price of our shares.***

Sales of substantial amounts of the Class A common stock in the public market following the offering, or the perception that such sales could occur, could adversely affect the market price of the shares. At the time of this offering, we will have 43,319,306 shares of Class A common stock and 13,750,000 shares of Class B common stock outstanding. After this offering and the General Atlantic private placement, the selling stockholders will own 21,896,290 shares of Class A common stock, assuming an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus, and all of the shares of Class B common stock. The selling stockholders will be entitled to require us to register such shares under the Securities Act in some cases, subject to the lock-up agreements described below. In addition, investment entities affiliated with General Atlantic will own 4,838,710 shares of Class A common stock after the private placement by the selling stockholders, assuming an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus. See "Shares Eligible for Future Sale Registration Rights." The sale by us, the selling stockholders or General Atlantic of additional shares of Class A common stock in the public market, the perception that such sales might occur, or the conversion of shares of Class B common stock into Class A common stock, could have a material adverse effect on the price of our shares.

The selling stockholders have agreed with us not to sell or otherwise dispose of any of their shares of common stock for a period of one year following this offering. In addition, we, holders of substantially all of our outstanding common stock, the General Atlantic entities and our directors and executive officers have agreed with the underwriters, subject to limited exceptions, not to sell or otherwise dispose of any shares of common stock without the prior written consent of Goldman, Sachs & Co. and Citigroup Global Markets Inc. for a period of 180 days after the date of this prospectus (or such longer period as described under "Shares Eligible for Future Sale Lock-up Agreements"). The General Atlantic entities have also agreed with us and the selling stockholders, subject to limited exceptions, not to sell or otherwise dispose of any shares of our common stock purchased in the private placement from the selling stockholders without our prior written consent for a period of two years after the date of this prospectus. However, upon the expiration of the lock-up periods, a significant number of shares of our common stock could become freely tradable which could depress the market price of the shares.

***The price of our Class A common stock may be volatile and may be affected by market conditions beyond our control.***

Our share price is likely to fluctuate in the future because of the volatility of the stock market in general and a variety of factors, many of which are beyond our control, including:

quarterly variations in actual or anticipated results of our operations;

changes in financial estimates by securities analysts;

actions or announcements by us or our competitors;

regulatory actions;

litigation;

loss or gain of a major customer;

additions or departures of key personnel; and

future sales of our Class A common stock.

Market fluctuations could result in volatility in the price of shares of our Class A common stock, which could cause a decline in the value of your investment. In addition, if our operating results fail to meet the expectations of stock analysts or investors, we may experience an immediate and significant decline in the trading price of our Class A common stock.

***Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.***

Certain provisions in our governing documents could make a merger, tender offer, or proxy contest involving us difficult, even if such events would be beneficial to the interests of our stockholders. These provisions include our dual class structure, our classified board, our supermajority voting requirements, and our adoption of a rights agreement, commonly known as a "poison pill." In addition, we are subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Accordingly, our board of directors could rely upon these or other provisions in our governing documents and upon Delaware law to prevent or delay an acquisition of us. See "Description of Capital Stock."

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We have made statements under the captions "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" and in other sections of this prospectus that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," or "continue," the negative of these terms, and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties, and assumptions, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance, or achievements to differ materially from the results, level of activity, performance, or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks outlined under "Risk Factors."

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this prospectus to conform our prior statements to actual results or revised expectations.

**USE OF PROCEEDS**

We will not receive any proceeds from the sale of shares of Class A common stock by the selling stockholders in this offering or in the General Atlantic private placement.

**DIVIDEND POLICY**

We currently anticipate that we will retain all available funds for use in the operation and expansion of our business, and we do not anticipate paying any dividends in the foreseeable future. In October 2004, we distributed a \$6.1 million dividend to a subsidiary of TBG. The dividend consisted of a preferred stock investment in Extruded Metals, Inc. with a fair market value of approximately \$4.3 million and \$1.8 million in cash. See "Certain Relationships and Related Transactions Investments in Related Parties."

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of August 31, 2005:

on an actual basis; and

as adjusted to reflect the reclassification of deferred stock units and restricted shares with put rights into stockholders' equity due to the termination of the put rights upon the completion of this offering.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included in this prospectus.

	As of August 31, 2005	
	Actual	As Adjusted
	(In millions, except share data)	
Cash and cash equivalents	\$ 137.8	\$ 137.8
Long-term debt and capital leases(1)	\$ 0.3	\$ 0.3
Deferred stock units and restricted shares with put rights	19.1	
Stockholders' equity:		
Class A common stock, \$0.01 par value per share, 80,000,000 shares authorized, 43,319,306 shares issued and outstanding (actual and as adjusted)	0.4	0.4
Class B common stock, \$0.01 par value per share, 13,750,000 shares authorized, issued and outstanding (actual and as adjusted)	0.1	0.1
Class C common stock, \$1.00 par value per share, 1,000 shares authorized, issued and held in treasury (actual); no shares authorized (as adjusted)		
Preferred stock, no par value, no shares authorized (actual); 937,500 shares authorized, no shares issued or outstanding (as adjusted)		
Additional paid-in capital	122.3	153.8
Retained earnings(2)	327.3	327.3
Accumulated other comprehensive loss	(10.2)	(10.2)
Unearned compensation from equity awards(3)		(12.4)
Total stockholders' equity(4)	440.0	459.1
Total capitalization	\$ 459.4	\$ 459.4

(1) On January 7, 2005, we entered into a \$125 million unsecured revolving credit agreement, which has a feature allowing us to expand the facility to a maximum of \$225 million based on our leverage at the time of the borrowings. The credit agreement expires January 7, 2010, at which time any outstanding principal becomes due and payable. As of August 31, 2005, we had no borrowings outstanding under the agreement. Borrowing capacity under the agreement is limited by outstanding letters of credit, of which we had \$1.5 million as of August 31, 2005, which we use to support insurance coverage, leases, and certain customer contracts.

This amount does not include other long-term obligations of \$45.4 million or current liabilities of \$237.1 million as of August 31, 2005.

(2)

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As restated. See Note 11 to the unaudited condensed consolidated financial statements included in this prospectus.

- (3) Unearned compensation expense from equity awards represents compensation expense to be recognized in future periods for unvested restricted shares that were issued during the first nine months of 2005. These shares will vest over a period of three to five years. Compensation expense will be recognized over the vesting period.
- (4) Differences are due to rounding.

**SELECTED HISTORICAL CONDENSED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and unaudited condensed consolidated financial statements, including the notes thereto, included in this prospectus. The consolidated statement of operations data for the years ended November 30, 2002, 2003, and 2004, and the consolidated balance sheet data as of November 30, 2003, and 2004, are derived from the audited consolidated financial statements included in this prospectus. The consolidated statement of operations data for the year ended November 30, 2001, and the balance sheet data as of November 30, 2001, and 2002, are derived from audited consolidated financial statements that are not included in this prospectus. The consolidated statement of operations data for the year ended November 30, 2000, and the balance sheet data as of November 30, 2000, are derived from unaudited consolidated financial statements that are not included in this prospectus. The selected historical consolidated financial data for the nine months ended August 31, 2004 and 2005 was derived from our unaudited condensed consolidated financial statements included in this prospectus. Results for the nine months ended August 31, 2005 are not necessarily indicative of results expected for the fiscal year ending November 30, 2005 or any other future period.

From 2000 to 2002, we disposed of several non-core businesses. The combined results of these divested businesses impacted our operating income from 2000 through 2002 as set forth in footnote 1 below.

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Years Ended November 30,

Nine Months Ended August 31

	2000(1)	2001(1)	2002(1)	2003	2004	2004	2005
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(In thousands, except per share amounts)

(Restated)(2)

**Statement of Operations Data:**

Revenue	\$ 482,300	\$ 431,644	\$ 338,911	\$ 345,840	\$ 393,969	\$ 275,529	\$ 350,085
Operating expenses:							
Cost of revenue	291,672	256,278	165,168	160,723	184,437(3)	125,341	169,998(3)
Selling, general and administrative	140,772	123,881	117,837	119,902	136,529	97,511	122,761
Depreciation and amortization(4)	28,116	30,668	9,352	8,940	9,642	6,734	8,539
Restructuring and other charges							12,397
Compensation expense related to equity awards					17,065(3)		3,318(3)
Gain on sales of assets, net	(21,123)	(4,643)	(2,660)	(245)	(5,532)	(5,035)	(1,331)
Impairment of assets(5)	9,176	4,818	8,556	567	1,972		
Impairment (recovery) of investment(6)	28,042	37,841	(1,598)				
Net periodic pension and post-retirement benefits(7)	(10,075)	(12,342)	(10,866)	(8,558)	(5,791)	(4,344)	(2,781)
Loss (earnings) in unconsolidated subsidiaries	7,704	(3,686)	(2,934)	(3,196)	(437)	(394)	(78)
Other expense (income), net	1,603	1,246	(1,062)	1,105	3,173	3,375	(481)
<b>Total operating expenses</b>	<b>475,887</b>	<b>434,061</b>	<b>281,793</b>	<b>279,238</b>	<b>341,058</b>	<b>223,188</b>	<b>312,342</b>
Operating income	6,413	(2,417)	57,118	66,602	52,911	52,341	37,743
Impairment of investment in affiliate			(7,900)(8)				
Gain on sale of investment in affiliate					26,601(9)		
Interest income	5,632	4,532	1,043	1,359	1,140	586	2,553
Interest expense	(18,087)	(14,065)	(3,535)	(1,104)	(450)	(254)	(693)
<b>Non-operating income (expense), net</b>	<b>(12,455)</b>	<b>(9,533)</b>	<b>(10,392)</b>	<b>255</b>	<b>27,291</b>	<b>332</b>	<b>1,860</b>
Income (loss) from continuing operations before income taxes, minority interests, and discontinued operations	(6,042)	(11,950)	46,726	66,857	80,202	52,673	39,603
Provision for income taxes	(7,560)	4,557	(16,775)	(24,053)	(16,644)	(17,187)	(12,498)
Income (loss) from continuing operations before minority interests and discontinued operations	(13,602)	(7,393)	29,951	42,804	63,558	35,486	27,105
Minority interests	(56)	(50)	(23)	(46)	(275)	(54)	(14)
Income (loss) from continuing operations	(13,658)	(7,443)	29,928	42,758	63,283	35,432	27,091
Discontinued operations:(10)							
Income (loss) from discontinued operations, net	3,282	(401)		(195)	(1,969)	(1,049)	(1,652)
Gain on sale of discontinued operations, net		10,356					
Income (loss) from discontinued operations, net	3,282	9,955		(195)	(1,969)	(1,049)	(1,652)



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	Years Ended November 30,					Nine Months Ended August 31		
Net income (loss)	\$ (10,376)	\$ 2,512	\$ 29,928	\$ 42,563	\$ 61,314	\$ 34,383	\$ 25,439	
Income (loss) from continuing operations per share:								
Basic (Class A and Class B common stock)	\$ (0.25)	\$ (0.14)	\$ 0.54	\$ 0.78	\$ 1.15	\$ 0.65	\$ 0.49	
Diluted (Class A and Class B common stock)	\$ (0.25)	\$ (0.14)	\$ 0.54	\$ 0.78	\$ 1.15	\$ 0.65	\$ 0.49	
Net income (loss) per share:(11)								
Basic (Class A and Class B common stock)	\$ (0.19)	\$ 0.05	\$ 0.54	\$ 0.77	\$ 1.11	\$ 0.63	\$ 0.46	
Diluted (Class A and Class B common stock)	\$ (0.19)	\$ 0.05	\$ 0.54	\$ 0.77	\$ 1.11	\$ 0.63	\$ 0.46	

**Balance Sheet Data (as of period end):**

Cash and cash equivalents	\$ 22,891	\$ 10,452	\$ 11,941	\$ 24,051	\$ 124,452	\$ 68,837	\$ 137,767
Total assets	707,653	600,853	581,291	620,113	752,644	646,940	742,967
Total long-term debt and capital leases	173,000	(12)	44,081	725	607	585	260
Total stockholders' equity	272,429	272,321	304,565	360,765	421,051	396,880	439,994

(1) From 2000 to 2002, we disposed of the following non-core businesses:

In 2000, we sold our common stock investment in TriPoint Global Communications, Inc. (TriPoint), a satellite antenna manufacturer, to a subsidiary of TBG. We retained our preferred stock ownership interest in TriPoint, but did not consolidate TriPoint's results in our financial statements after 2000. As a result of the above, TriPoint was not recorded as a discontinued operation.

In 2001, we sold our common stock investment in Extruded Metals, Inc. (Extruded), a brass rod manufacturer, to TBG. We retained our preferred stock investment in Extruded, but did not consolidate Extruded's results in our financial statements after 2001. As a result of the above, Extruded was not recorded as a discontinued operation.

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From 2000 to 2002, we disposed of several other non-core critical information businesses. The disposal of these other non-core critical information businesses did not qualify for discontinued operations treatment under APB 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, because of our continued operations in the Energy and Engineering critical information businesses.

For the five years ended November 30, 2004 and the nine months ended August 31, 2004 and August 31, 2005, the combined results of TriPoint, Extruded, and the other non-core businesses impacted our operating income (loss) as set forth below:

	Years Ended November 30,					Nine Months Ended	
	2000	2001	2002	2003	2004	August 31, 2004	August 31, 2005
						(Unaudited)	
	(In thousands)						
Revenue	\$ 169,666	\$ 105,321	\$ 8,047	\$	\$	\$	\$
Cost of revenue	136,918	93,835	5,558				
Selling, general and administrative	19,238	10,004	5,195				
Depreciation and amortization	3,419	3,059	126				
Other expense (income), net	636	(472)	(47)				
Operating income (loss)	\$ 9,455	\$ (1,105)	\$ (2,785)	\$	\$	\$	\$

(2) As restated. See Note 11 to the unaudited condensed consolidated financial statements included in this prospectus.

(3) Represents costs related to the modification of our long-term incentive plans to reflect more customary public company compensatory arrangements. In November 2004, we conducted an offer to purchase the outstanding options and shares of capital stock that had been issued pursuant to stock option plans maintained by one of our subsidiaries. The offer included the issuance of deferred stock units and restricted shares of IHS Inc. in exchange for the previously outstanding options and shares. The expense amount for the year ended November 30, 2004 includes (i) a \$9.9 million one-time cash charge to purchase options outstanding under these plans and to purchase shares acquired upon exercise of the options and (ii) an \$11.9 million non-cash charge relating to the issuance of vested deferred stock units in connection with the offer. Of the \$21.8 million total charge, \$4.4 million relates to cost of revenue, \$17.1 million relates to selling, general and administrative expenses and \$0.3 million relates to discontinued operations. See Note 12 to our consolidated financial statements.

(4) In 2002, we adopted SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. Accordingly, we did not amortize goodwill beginning in 2002. Goodwill amortization in 2000 and 2001 was \$16.3 million and \$18.1 million, respectively.

(5) A \$9.2 million impairment charge was recorded in 2000 primarily related to goodwill (\$8.6 million). A \$4.8 million impairment charge was recorded in 2001 primarily related to goodwill (\$2.2 million) and decision support tools (\$1.0 million). An \$8.6 million impairment charge was recorded in 2002 related to the following: buildings held for sale (\$4.6 million); miscellaneous balances within our Engineering segment's services business (\$1.5 million); decision-support tools within our Energy segment (\$0.5 million); and a note receivable related to the divestment of Pyramid Mouldings, Inc. ("Pyramid"), a metal products manufacturer (\$2.0 million). The \$0.6 million and \$2.0 million impairment charges recorded in 2003 and 2004, respectively, related to decision-support tools within our Energy segment.

(6) Represents our investment in a provider of online procurement services for the electronic components industry. The loss in 2000 of \$28.0 million included an equity loss, impairment charge, and loss from a put option related to the investment. We wrote off our remaining \$37.8 million investment in this company in 2001. The investment was subsequently sold in 2002 for approximately \$1.6 million, which was recorded as a recovery of investment.

(7) Represents pension income and expense and post-retirement benefit expense, shown on a net basis. During the years ended November 30, 2000, 2001, 2002, 2003, and 2004, and the nine months ended August 31, 2004 and August 31, 2005, we recognized periodic pension benefit income of \$12.7 million, \$15.1 million, \$14.8 million, \$12.9 million, \$10.5 million, \$7.8 million, and \$4.8 million, respectively, primarily as a result of our overfunded U.S. pension plan. This income was reduced by other post-employment benefits expense of \$2.6 million, \$2.8 million, \$3.9 million,

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\$4.3 million, \$4.7 million, \$3.5 million, and \$2.0 million for the years ended November 30, 2000, 2001, 2002, 2003, and 2004, and the nine months ended August 31, 2004 and August 31, 2005, respectively, resulting in net periodic pension and post-retirement benefits income, as reflected in our statement of operations, of \$10.1 million, \$12.3 million, \$10.9 million, \$8.6 million, \$5.8 million, \$4.3 million, and \$2.8 million for the same respective periods.

- (8) Reflects the impairment of our preferred stock investment in Extruded. See "Certain Relationships and Related Transactions Investments in Related Parties."
- (9) Reflects a pretax gain on the sale of our preferred stock investment in TriPoint. See "Certain Relationships and Related Transactions Investments in Related Parties."
- (10) In 2001, Pyramid sold all of its assets. Pyramid's income (loss) is stated net of taxes of \$1,945, and \$(576) for the years ended 2000 and 2001, respectively. The gain on sale in 2001 is stated net of tax of \$5,576. Our discontinued operations are shown net of tax benefits of \$0.1 million, \$1.2 million, \$0.6 million and \$0.9 million for the years ended November 30, 2003 and 2004 and the nine months ended August 31, 2004 and 2005, respectively.
- (11) In November 2004, we completed a reorganization and recapitalization. See Note 19 to our consolidated financial statements.
- (12) At November 30, 2001, substantially all of our outstanding debt, or approximately \$115.5 million, was classified as current since it was payable within the succeeding twelve months.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion of our financial condition and operating results should be read in conjunction with "Selected Historical Consolidated Financial Data" and our consolidated financial statements and accompanying notes included in this prospectus.*

IHS is one of the leading global providers of critical technical information, decision-support tools, and related services to customers in the energy, defense, aerospace, construction, electronics, and automotive industries. We have developed a comprehensive collection of technical information that is highly relevant to the industries we serve. Our decision-support tools enable our customers to quickly and easily search and analyze this information as well as integrate it into their work flows. Our operational, research, and strategic advisory services combine this information and these tools with our extensive industry expertise to meet the needs of our customers. Our customers rely on these offerings to facilitate decision making, support key processes, and improve productivity. We manage our business through our Energy and Engineering operating segments.

Our Energy segment develops and delivers critical oil and gas industry data on exploration, development, production, and transportation activities to major global energy producers and national and independent oil companies. This segment also provides decision-support tools and operational, research, and strategic advisory services to these customers, as well as to utilities and transportation, petrochemical, coal, and power companies. Our Engineering segment provides solutions incorporating technical specifications and standards, regulations, parts data, design guides, and other information to customers in its targeted industries. This segment serves some of the largest engineering-intensive companies around the world in the defense, aerospace, construction, electronics, and automotive industries.

**Executive Summary**

*Subscription-based business model*

More than 75% of our revenue for the year ended November 30, 2004 was derived from subscriptions to our offerings. Our subscription-based business model and historically high renewal rates generate recurring revenue and cash flows. We generally recognize revenue from subscriptions (which are usually for one-year periods) ratably over the term of the subscription.

Less than 10% of our subscription-based revenue for the year ended November 30, 2004 was recognized at the time of sale. In these instances, we have no continuing responsibility to maintain and update the underlying information. Since sales of these non-deferred subscriptions occur most frequently in our fourth and first quarters, we generally recognize a greater percentage of our revenue and income in those quarters.

Subscriptions are generally paid in full within one to two months after the subscription period commences. As a result, the timing of our cash flows generally precedes our recognition of revenue and income. A greater percentage of our annual subscription sales are made in the fourth quarter due to a large volume of offerings that were first introduced in the fourth calendar quarter in prior years and are renewed on an annual basis. Also, the sales cycle for a number of our non-deferred subscription products, particularly those that are sold to our governmental and academic customers, is intentionally aligned with customers' budgeting and funding cycles, which often results in increased sales in the fourth calendar quarter. As a result, our cash flow from operations tends to be higher in our first fiscal quarter as we receive subscription payments.

*Revenue by offerings*

Our revenue by type of offering for the periods presented is set forth below:

	Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
(In thousands)					
Critical information	\$ 266,870	\$ 273,310	\$ 308,161	\$ 221,042	\$ 251,132
Decision-support tools	37,705	38,292	44,206	31,074	40,211
Services	34,336	34,238	41,602	23,413	58,742
Total revenue	\$ 338,911	\$ 345,840	\$ 393,969	\$ 275,529	\$ 350,085

As a result of our acquisitions of Cambridge Energy Research Associates (CERA), USA Information Systems, Inc. (USA), and Intermat, Inc. in the fourth quarter of 2004, each of which is discussed in "Acquisitions" below, we expect revenues for services and decision-support tools to increase at a faster rate than revenue from critical information in 2005.

*Acquisitions*

As part of our growth strategy, we intend to continue to augment our offerings by selectively acquiring information services organizations. In particular, we intend to further penetrate selected information-intensive industries in which we already have a significant presence, such as defense, aerospace, construction, and electronics, through internal growth and selective acquisitions. During 2004, we made the following acquisitions:

*CERA.* We acquired CERA for a total purchase price of approximately \$31 million at the beginning of the fourth quarter of 2004. CERA provides syndicated research and strategic advisory services to energy companies.

*USA.* We acquired USA for a total purchase price of approximately \$20 million in the fourth quarter of 2004. USA provides decision-support tools and, to a lesser extent, critical information to governments and government contractors.

*International Petrodata Limited (IPL).* We acquired IPL for a total purchase price of approximately \$16 million in the first quarter of 2004. IPL provides critical geological information to the oil and gas exploration and production markets in Canada.

*Intermat, Inc.* We acquired Intermat for a total purchase price of approximately \$5 million in the fourth quarter of 2004. Intermat provides decision-support tools for parts management, parts cleansing and predictive obsolescence projects.

Our consolidated financial statements include the results of operations and cash flows for these acquisitions beginning on their respective dates of acquisition. See Note 2 to our consolidated financial statements. The combined effect of these acquisitions on our operating income for the year ended November 30, 2004 is set forth below.

	(In thousands)
Revenue	\$ 17,165
Cost of revenue	7,884
Selling, general and administrative	5,687
Depreciation and amortization	1,710
Other expense (income), net	220

(In thousands)

Operating income

\$ 1,664

We entered into a non-binding letter of intent in September 2005 to acquire a content and data services business that serves all of the industries targeted by our Engineering segment. The

core product of this business is an extensive database that includes technical attributes and alternatives for, and obsolescence and environmental data on, electronic component parts. We intend to incorporate this database into our direct parts management projects and into our existing parts databases, such as Haystack, to enhance our overall parts data offerings. This business also provides solutions that complement our parts obsolescence solutions. We expect the purchase price to approximate \$33 million, which we intend to pay from existing cash on hand. The closing of the acquisition will be subject to the negotiation of satisfactory documentation and customary closing conditions. Therefore, no assurance can be provided that the acquisition will be consummated. If consummated, the acquisition is expected to close in November 2005.

We did not make any significant acquisitions in 2002 or 2003 or in the nine months ended August 31, 2005.

#### *Segments*

For the nine months ended August 31, 2005, approximately 56% of our Energy segment's revenue was generated from the sale of critical information, 16% was generated from the sale of decision-support tools, and 28% was generated from the sale of services. For the nine months ended August 31, 2005, approximately 88% of our Engineering segment's revenue was generated from the sale of critical information, 7% was generated from the sale of decision-support tools, and 5% was generated from the sale of services.

For the year ended November 30, 2004, approximately 65% of our Energy segment's revenue was generated from the sale of critical information, 18% was generated from the sale of decision-support tools, and 17% was generated from the sale of services. Our Engineering segment's revenue is more heavily weighted toward critical information. For the year ended November 30, 2004, approximately 90% of our Engineering segment's revenue was generated from the sale of critical information, 5% was generated from the sale of decision-support tools, and 5% was generated from the sale of services.

Each of our segments' results from operations is primarily driven by organic growth and acquisitions. Organic growth is driven by several factors, including: the introduction of new offerings, periodic updates of existing offerings, the execution of our sales and marketing plans, world economic and other events, and our ability to further penetrate existing customers, generate new customers and raise prices. For a discussion of the impact of acquisitions during the year ended November 30, 2004, see " Acquisitions" above.

#### *Pricing information*

Many of our sales are customized on an annual basis to meet individual customer needs and are based on a number of factors, including the number of customer locations, the number of simultaneous users and the breadth of the content to be included in the offering. In light of the customized nature of many of these offerings, pricing terms are also customized. In addition, the difficulty in contrasting price changes from period to period is exacerbated by the fact that the offering sets purchased by customers are often not constant between periods. As a result, we are not able to precisely differentiate between pricing and volume impacts on changes in revenue from these products from period to period.

#### *Global operations*

We serve some of the world's largest corporations across multiple industries, as well as governments and other organizations, in more than 100 countries. We generated revenue of \$197.9 million outside the United States during the year ended November 30, 2004, which represented approximately 50% of our total revenue. Our primary operations outside the United States are in the United Kingdom, Canada, and Switzerland. Our operating profit outside the United States has historically exceeded our domestic operating profit. Set forth below for the years ended

November 30 is our revenue indicated by country based on the location of our subsidiary generating the revenue (which differs in some cases from the location of the customer):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(In thousands)		
United States	\$ 185,332	\$ 180,307	\$ 196,090
United Kingdom	68,039	68,541	84,407
Canada	29,366	32,798	41,747
Switzerland	30,840	30,757	33,644
Rest of world	25,334	33,437	38,081
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue	\$ 338,911	\$ 345,840	\$ 393,969
	<u>          </u>	<u>          </u>	<u>          </u>

Our international operations expose us to foreign currency risk. Fluctuations in foreign currency rates increased (decreased) our revenues by \$(0.8) million, \$11.7 million, and \$13.2 million for the years ended November 30, 2002, 2003, and 2004, respectively, and increased (decreased) our operating income by \$2.3 million, \$(2.7) million, and \$(1.4) million for the same respective periods. See " Qualitative and Quantitative Disclosures About Market Risk Foreign Currency Risk."

#### *Restructuring and other charges*

During the third quarter of 2005, we executed a restructuring initiative affecting our Engineering segment and certain corporate costs. This initiative was undertaken to reduce costs, further integrate the operations of previous acquisitions, streamline our data delivery processes, and realign our marketing efforts to support our core product initiatives. During the course of the restructuring, we reduced our aggregate workforce by over 100 employees and closed two offices, one in the U.S. and one in the U.K.

A restructuring charge of approximately \$8.3 million was incurred during the third quarter of 2005 and was comprised primarily of termination costs. Of this amount, we had disbursed approximately \$2.5 million as of August 31, 2005. The remaining disbursements are expected to be made primarily during the fourth quarter of 2005 and are expected to be funded from cash on hand. We anticipate realizing net annual savings of approximately \$9 million from the restructuring primarily through reductions in cost of revenue and selling, general and administrative expenses. In addition, net cash flows are expected to improve by approximately \$8.5 million annually as a result of the restructuring. We anticipate that the benefits of the restructuring will be realized primarily beginning in the fourth quarter of 2005.

Restructuring and other charges also includes \$4.1 million related to the write-off of previously capitalized costs associated with our initial public offering. These costs had previously been capitalized because we had expected to issue shares in the offering, and were written off when the decision was made in the third quarter of 2005 not to issue additional shares. See Note 11 to the unaudited condensed consolidated financial statements included in this prospectus. We also expect to recognize approximately \$1.8 million of additional expenses during the fourth quarter of 2005 in connection with the completion of this offering by the selling stockholders.

#### *Discontinued operations*

During the third quarter of 2005, we also classified a business in our Energy segment as being held for sale. We continually evaluate opportunities to align our business activities within our core operations. The business held for sale is a manufacturing operation, which is not part of our core operations. We are actively seeking a buyer for this business, and we believe it is probable that it will be sold within the next year. For all of the periods presented in this prospectus, the related results of operations are shown as a discontinued operation, net of tax, in our consolidated



statement of operations. The related net loss from this discontinued operation was approximately \$1.7 million and \$1.0 million for the nine months ended August 31, 2005 and 2004, respectively.

The net decrease in cash associated with discontinued operations was \$1.9 million for the nine months ended August 31, 2005 (which was substantially comprised of cash used in operations with less than \$0.1 million used in investing activities) as compared to \$2.3 million for the nine months ended August 31, 2004 (which was comprised of \$2.2 million of cash used in operations and \$0.1 million of cash used in investing activities), representing a decrease of \$0.4 million. The decrease was primarily due to reduced funding required for operations, as well as reduced capital expenditures. Discontinuing this business is not expected to have a material impact on our future results of operations or liquidity.

*Other items*

*Cost of operating our business.* We incur our cost of revenue primarily to acquire, manage, and deliver our critical information. These costs include royalty payments to third-party information providers, as well as personnel, information technology, and occupancy costs related to these activities. Royalty payments generally vary based on subscription sales in our Engineering segment. Our cost of revenue for our services offerings is primarily comprised of personnel costs. Our selling, general, and administrative expenses primarily include wages and other personnel costs, commissions, corporate occupancy costs, and marketing costs.

A large portion of our operating expenses are fixed costs, particularly in our Energy segment which does not generally pay royalties for critical information. As a result, an increase in revenue should result in increased operating margins. We believe we can improve our Energy segment's operating margins as we further penetrate our existing customer base and add new customers. Within our Engineering segment, a portion of our critical information revenue is driven from the sale of specifications and standards, the content for which is obtained from SDOs. Over the last few years within this segment, certain SDOs have increased the royalty payments we pay for use of their specifications and standards information. As a result, our Engineering operating margins have declined recently.

*Costs of being a public company.* Beginning in 2004, our selling, general, and administrative costs increased as we prepared for this initial public offering. Following the offering, we will continue to incur additional selling, general, and administrative expenses related to operating as a public company, such as increased legal and accounting expenses, the cost of an investor relations function, costs related to Section 404 of the Sarbanes-Oxley Act, and increased director and officer insurance premiums.

We have also incurred costs to modify our long-term incentive plans to reflect more customary public company compensatory arrangements. In November 2004, we conducted an offer to purchase the outstanding options and shares of capital stock that had been issued pursuant to stock option plans maintained by one of our subsidiaries. Compensation expense related to equity awards for the year ended November 30, 2004 includes: (i) a \$9.9 million one-time cash charge to settle options under IHS Group Inc.'s 1998 and 2002 non-qualified stock option plans and to repurchase IHS Group Inc. shares previously issued upon the exercise of the options and (ii) an \$11.9 million non-cash charge relating to the vested restricted stock units issued under IHS Inc.'s 2004 Long-term Incentive Plan. We also issued restricted stock for which we will record the cost over its three- to five-year vesting period. Related expense is expected to be approximately \$5.0 million, \$5.2 million, and \$4.6 million for 2005, 2006, and 2007, respectively. In addition, upon the completion of this offering, we expect to grant 901,100 shares of our Class A common stock to our officers and employees in the form of performance shares, performance unit awards, restricted shares or restricted stock awards. Assuming that we complete the offering on November 30, 2005 at an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus, and that all of the performance measures are met, then we expect

the related expense to be approximately \$7.5 million, \$4.4 million and \$2.1 million for 2006, 2007, and 2008, respectively. See "Management Equity Compensation Plans."

*Pension and post-retirement benefits.* Net periodic pension and post-retirement benefits is primarily comprised of pension income and expense and post-retirement benefit expense, shown on a net basis. During the years ended November 30, 2002, 2003, and 2004 and the nine months ended August 31, 2004 and 2005, we recognized periodic pension benefit income of \$14.8 million, \$12.9 million, \$10.5 million, \$7.8 million and \$4.8 million, respectively, primarily as a result of our overfunded U.S. pension plan. This income was reduced by other post-employment benefits expense of \$3.9 million, \$4.3 million, \$4.7 million, \$3.5 million and \$2.0 million for the years ended November 30, 2002, 2003, and 2004, and the nine months ended August 31, 2004 and 2005 respectively, resulting in net periodic pension and post-retirement benefits income, as reflected in our statement of operations, of \$10.9 million, \$8.6 million, \$5.8 million, \$4.3 million, and \$2.8 million for the same respective periods.

On November 30, 2004, our U.S. pension plan and our post-retirement benefit plan were spun off. Previously, they were a part of a single-employer plan, which included operating companies that we did not own or consolidate, sponsored by our consolidated subsidiary. As a consequence of the spin-off of our plans, our prepaid pension asset and our accrued post-retirement benefit liability were reduced for the prepaid pension asset and accrued post-retirement benefit liability attributable to the non-IHS Inc. plans and recorded as a \$6.0 million net charge to equity. We expect that our net periodic pension and post-retirement benefit income will be reduced as a result of the spin-off in the future. The net amount of income has been declining over the last three years primarily due to the amortization of actuarial losses resulting from lower than expected asset returns from 2000 through 2002. We expect that the net amount of this income will continue to decline for the foreseeable future.

*Stock based compensation.* Through IHS Group Inc., our wholly owned subsidiary, we maintained a stock option plan that provided for granting of non-qualified stock options to certain employees for the purchase of shares of common stock of IHS Group Inc. In connection with this stock option plan, we formed a valuation committee of our board of directors to determine the fair value of the underlying common stock in the absence of a public trading market. As a means of establishing the March 2004 fair value per share, the committee reviewed a discounted net cash flow analysis and a comparable company valuation analysis, both of which were prepared for the committee by management. The comparable company analysis employed six peer companies and six industry multiples (*e.g.*, price to earnings ratio and equity value-to-last 12 months EBITDA ratios), and yielded an average fully diluted per share price of \$9.65 per share and a median fully diluted per share value of \$8.75 per share. The comparable companies were selected based on an assessment of the overall business model, size and inherent growth rates of such companies. Based on the comparable company analysis, the committee determined the fair value of the IHS Group Inc. shares to be in the range of \$8.75 to \$9.25 per share on a fully diluted basis, which is consistent with the discounted cash flow analysis referenced above. In order to select a specific per share amount from this range, the committee opted to set the fair market value of the IHS Group Inc. common stock at the mid-point of the range, or \$9.00 per share.

In establishing the fair value of IHS Group Inc. common stock in connection with the November 22, 2004 offer to exchange options and stock for restricted stock and/or deferred stock units, the committee again used the discounted net cash flow analysis. This estimate was again supplemented with a comparable company valuation analysis, which was prepared on a consistent basis and resulted in an average share price of \$9.80 and a median share price of \$9.25 per share. This analysis incorporated the same six comparable companies and same six valuation multiples as were employed in the March 2004 analysis. In light of these analyses, the committee determined that the enterprise value of IHS Group Inc. had not changed since the March 2004 valuation. However, in determining the fully diluted per share value, the committee concluded that it would be appropriate to consider the increased level of cash on the balance sheet as a proper increase to

the per share equity value of IHS Group Inc. This resulted in a fair value of \$9.42 per share. Management chose not to obtain an independent appraisal because it believed that it would be redundant and because there was only a narrow variation between the results obtained from the two analyses.

In connection with the November 2004 offer to exchange options and shares, option holders and shareholders also received an allocation of restricted shares or deferred stock units of IHS Inc. In order to determine the value of these securities, the valuation committee reviewed a comparison of valuation multiples within comparable public companies (the "guideline public company approach") and an analysis based on the discounted cash flow method to estimate the value of IHS Inc. common stock underlying the restricted shares and deferred stock units. The committee determined that both methods provide a reasonable estimate of the value of the IHS Inc. common stock and that the value of IHS Inc.'s restricted shares and deferred stock units was \$9.12 per share/unit in November 2004.

The primary reason for the difference between the \$9.12 per share fair value for the November 2004 grant of restricted shares and deferred stock units and \$15.50, the midpoint of the range set forth on cover page of this prospectus, relates to an improvement in our financial results as we have increased the level of our trailing twelve months revenue and adjusted EBITDA over the past nine months by approximately 19% and 10%, respectively. Moreover, we have experienced an increase in the organic growth rate of our revenue line from approximately 5% in 2004 to approximately 9% in the first nine months of 2005. In addition, adjusted EBITDA growth was approximately 7% for 2004 versus 2003, while adjusted EBITDA increased approximately 17% in the first nine months of 2005 versus the first nine months of 2004. Finally, the accretion of fair value also relates to the declining uncertainty surrounding the likelihood of us successfully completing an initial public offering.

In January 2005, February 2005, and April 2005, we issued 25,000, 218,333, and 4,000 restricted shares, respectively, which we valued at \$12.00 per share based on a fair value used in connection with a note conversion transaction with a third party. In June 2005 and July 2005, we issued 4,100 and 7,000 restricted shares, respectively. We valued these shares at \$13.18 per share, which represents a liquidity discount from the price at which we believe our shares would have traded in May 2005. See Note 2 to our unaudited condensed consolidated financial statements.

We accrued \$21.8 million as of November 30, 2004 in connection with the offer to exchange options and shares, which was comprised of \$4.4 million relating to cost of revenue and \$17.4 million relating to selling, general and administrative expenses. See Notes 12 and 13 to the consolidated financial statements.

*Provision for income taxes.* Our effective tax rate was 35.9%, 36.0%, and 20.8% in the years ended November 30, 2002, 2003, and 2004, respectively. The lower effective tax rate in 2004 was principally due to recognition in the fourth quarter of the tax benefit of a dividends-received deduction on dividends from a preferred stock investment and the tax benefit from a release of substantially all of the valuation allowance on foreign tax credits as a result of the extension of the credit carryforward period included in the American Jobs Creation Act of 2004. We expect our 2005 effective tax rate to be between 31% to 33%. We expect our 2006 effective tax rate to be slightly higher than the 2005 rate.

*Deferred subscription costs.* Deferred subscription costs, which impact cost of revenue, were \$25.7 million as of November 30, 2004, compared to \$15.2 million as of November 30, 2003, representing an increase of \$10.5 million or 69%. This increase was primarily the result of the dissolution of a joint venture with a third party. Upon dissolution, certain subscription contracts were acquired directly by us and the associated deferred revenue and deferred subscription costs were recorded on the balance sheet at the time of the dissolution. The associated deferred subscription costs were \$8.2 million as of November 30, 2004. The remaining increase was the result of the 10%

increase in revenue during 2004 in our Engineering segment which led to higher deferred subscription costs.

*Deferred subscription revenue.* Deferred subscription revenue was \$140.1 million as of November 30, 2004, compared to \$98.4 million as of November 30, 2003, an increase of \$41.7 million or 42%. The increase resulted from the following:

Upon the dissolution of a joint venture in 2004, certain products reverted back to us. Since the date of the dissolution, we have accounted for sales of these products under a subscription model and the associated deferred subscription revenue was \$15.0 million as of November 30, 2004.

Acquisitions occurring during the year ended November 30, 2004 resulted in incremental deferred revenue that aggregated \$14.0 million as of November 30, 2004.

The remaining increase was the result of the general increase in the business through new customer contracts and expanded product offerings.

*Accrued compensation.* Accrued compensation was \$28.9 million as of November 30, 2004, compared to \$13.4 million as of November 30, 2003, representing an increase of \$15.5 million or 116%. As noted in Note 12 to our consolidated financial statements, we offered to purchase the outstanding options and shares of capital stock that had been issued pursuant to stock option plans maintained by one of our subsidiaries. At the time the offer was extended in November 2004, an accrual related to the estimated cash settlement was recorded which aggregated \$9.9 million. Accrued bonuses increased due to improved performance and a higher number of employees within the eligible bonus pool. Accrued payroll also increased as a result of the timing of the cut-off of the year-end pay periods.

*Accrued royalties.* Accrued royalties were \$26.3 million as of November 30, 2004, compared to \$13.0 million as of November 30, 2003, representing an increase of \$13.3 million or 102%. The increase was principally attributable to increased unearned royalty rebates, a result of the 2004 dissolution of a joint venture, and increased sales of royalty-based critical information.

### **Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or GAAP. To apply GAAP, we must make significant estimates that affect our reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. In many instances, we could reasonably have used different accounting estimates. In addition, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which are discussed further below.

#### ***Revenue Recognition***

The majority of our offerings are provided under agreements containing standard terms and conditions. In our non-standard agreements, we make judgments to determine how to appropriately account for them. These judgments generally involve assessments regarding matters such as:

whether sufficient legally binding terms and conditions exist, and

whether customer acceptance has been achieved.

We evaluate the binding nature of the terms and conditions of our agreements, as well as whether customer acceptance has been achieved, based on management's judgments, and as appropriate, advice from legal counsel.

Historically, our judgments have been accurate because we have not experienced significant disputes with our customers regarding the timing and acceptance of delivered products and services. However, our actual experience in future periods with respect to binding terms and conditions and customer acceptance may differ from our historical experience.

### *Identifiable Intangible Assets and Goodwill*

We account for our business acquisitions using the purchase method of accounting. We allocate the total cost of an acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions, including those with respect to future cash flows, discount rates, and asset lives and therefore require considerable judgment. These determinations will affect the amount of amortization expense recognized in future periods.

We review the carrying values of identifiable intangible assets with indefinite lives and goodwill at least annually to assess impairment because these assets are not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances include significant negative industry or economic trends, significant changes in the manner of our use of the acquired assets or our strategy, a significant decrease in the market value of the asset, and a significant change in legal factors or in the business climate that could affect the value of the asset. We assess impairment by comparing the fair value of an identifiable intangible asset or goodwill with its carrying value. The determination of fair value involves significant management judgment. Impairments are expensed when incurred. Specifically, we test for impairment as follows:

#### *Identifiable intangible assets*

We compare the expected undiscounted future operating cash flows associated with finite-lived assets to their respective carrying values to determine if the asset is fully recoverable. If the expected future operating cash flows are not sufficient to recover the carrying value, we estimate the fair value of the asset. Impairment is recognized when the carrying amount of the asset is not recoverable and when the carrying value exceeds fair value.

#### *Goodwill*

We test goodwill for impairment on a "reporting unit" level. A reporting unit is a group of businesses (i) for which discrete financial information is available and (ii) that have similar economic characteristics. We test goodwill for impairment using the following two-step approach:

We first determine the fair value of each reporting unit. If the fair value of a reporting unit is less than its carrying value, this is an indicator that the goodwill assigned to that reporting unit might be impaired, which requires performance of the second step.

In the second step, we allocate the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. We then compare that implied fair value of the reporting unit's goodwill to the carrying value of that goodwill. If the implied fair value is less than the carrying value we recognize an impairment loss for the excess.

We determine the fair value of our reporting units based on a combination of various techniques, including the present value of future cash flows and comparisons of the earnings multiples of peer companies.

Since the valuation of identifiable intangible assets and goodwill requires significant estimates and judgment about future performance and fair values, our future results could be affected if our current estimates of future performance and fair values change.

### ***Income Taxes***

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Significant judgment is required in determining our provision for income taxes, current tax assets and liabilities, deferred tax assets and liabilities, and our future taxable income for purposes of assessing our ability to realize future benefit from our deferred tax assets. A valuation allowance is established to reduce our deferred tax assets to the amount that is considered more likely than not to be realized through the generation of future taxable income and other tax planning opportunities. To the extent that a determination is made to establish or adjust a valuation allowance, the expense or benefit is recorded in the period in which the determination is made.

Our accounting for income taxes requires us to exercise judgment for known issues under discussion with tax authorities and transactions yet to be settled. As a result, we maintain a tax liability for contingencies and regularly assess the adequacy of this tax liability. We record liabilities for known tax contingencies in the period when it is probable that a liability has been incurred, and adjust our tax contingencies in the period in which it is probable that the actual results will differ from our estimates.

If actual results differ from estimates we have used, or if we adjust these estimates in future periods, our operating results and financial position could be materially affected.

### ***Pension and Postretirement Benefits***

We have defined benefit plans that cover the majority of our employees in the U.S. and the U.K. We also have postretirement welfare plans in the U.S. that provide medical benefits for retirees and eligible dependents and life insurance for certain retirees. The accounting for these plans is subject to the guidance provided in Statement of Financial Accounting Standards No. 87, *"Employers' Accounting for Pensions"* (SFAS No. 87) and Statement of Financial Accounting Standards No. 106, *"Employers' Accounting for Postretirement Benefits Other than Pensions"* (SFAS No. 106). Both of these statements require that management make certain assumptions relating to the long-term rate of return on plan assets, discount rates used to measure future obligations and expenses, salary increases, inflation, health care cost trend rates and other assumptions. We believe that the accounting estimates related to our pension and postretirement plans are critical accounting estimates because they are highly susceptible to change from period to period based on market conditions.

We performed an analysis of high yield bonds at the end of 2004 and compared the results to appropriate indices and industry trends to support the discount rates used in determining our pension liabilities in the United States and in the United Kingdom for the year ended November 30, 2004. Discount rates and expected rates of return on plan assets are selected at the end of a given fiscal year and impact expense in the subsequent year. A fifty basis point decrease in certain assumptions made at the beginning of 2004 would have had the following effects on 2004 pension expense:

**Impact to Pension Results**  
**50 basis**  
**points decrease in discount rate/rate of return**

Description of Pension Sensitivity Item	2004 Expense Impact	November 30, 2004 PBO Impact
(In thousands)		
Expected return on U.S. plan assets, for 2004	\$ 1,740	\$ N/A
Expected return on U.K. plan assets for 2004	\$ 46	\$ N/A
Discount rate on U.S. projected benefit obligation	\$ 165	\$ 12,900
Discount rate on U.K. projected benefit obligation	\$ 213	\$ 1,638

On a consolidated basis, we had \$48.6 million of unrecognized pension and post-retirement benefit losses as of November 30, 2004. Actuarial losses are primarily comprised of cumulative investment returns that are lower than actuarially assumed investment returns and losses due to increased pension and post-retirement benefit liabilities resulting from falling interest rates. Pension income and post-retirement benefit expense includes amortization of these actuarial losses after they exceed specified thresholds. As a result of expected losses in excess of the thresholds for the foreseeable future, we anticipate net periodic pension and post-retirement benefit income will continue to decrease.

## Results of Operations

### *Restatement of Unaudited Consolidated Financial Statements*

We have restated our unaudited consolidated financial statements for the nine months ended August 31, 2005 to reflect the write-off of previously capitalized IPO-related offering costs. These costs were capitalized because we had expected to issue shares in this offering. However, we decided in the third quarter of 2005 that we would not issue any shares, and that all of the shares in the offering would be sold by the selling stockholders. At the time we decided not to sell shares in the offering, we did not expense these costs as required by generally accepted accounting principles.

The restatement increased restructuring and other charges and decreased net income by \$4.1 million. The impact of the restatement was to reduce net income per basic and diluted share by \$0.08 and \$0.07, respectively, for the nine months ended August 31, 2005. See Note 11 to the unaudited condensed consolidated financial statements included in this prospectus.

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Set forth below is our results of operations expressed as a percentage of revenue.

	Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
					(Restated)
<b>Revenue:</b>					
Products	90%	90%	89%	92%	83%
Services	10	10	11	8	17
Total revenue	100	100	100	100	100
<b>Operating expenses:</b>					
Cost of revenue:					
Products	41	38	38	39	38
Services	8	8	8	7	11
Compensation expense related to equity awards			1		
Total cost of revenue	49	46	47	46	49
Selling, general and administrative	35	35	35	35	35
Depreciation and amortization	2	3	2	2	2
Restructuring and other charges					4
Compensation expense related to equity awards			4		1
Gain on sales of assets, net	(1)		(1)	(2)	(1)
Impairment of assets	2				
Net periodic pension and post-retirement benefits	(3)	(2)	(1)	(1)	(1)
Earnings in unconsolidated subsidiaries	(1)	(1)			
Other expense (income), net			1	1	
Total operating expenses	83	81	87	81	89
Operating income	17	19	13	19	11
Impairment of investment in affiliate	(2)				
Gain on sale of investment in affiliate			7		
Interest income					
Interest expense	(1)				
Non-operating income (expense), net	(3)		7		
Income from continuing operations before income taxes and minority interests	14	19	20	19	11
Provision for income taxes	(5)	(7)	(4)	(6)	(3)
Income from continuing operations before minority interests	9	12	16	13	8
Minority interests					
Income from continuing operations	9	12	16	13	8
<b>Discontinued operations:</b>					
Loss from discontinued operations, net				(1)	(1)



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	<b>Years Ended November 30,</b>			<b>Nine Months Ended August 31,</b>	
Net income	9%	12%	16%	12%	7%

Set forth below is our revenue and operating income for our Energy and Engineering segments for the years ended November 30, 2002, 2003 and 2004 and the nine months ended August 31, 2004 and 2005. Certain corporate transactions are not allocated to our operating segments. Unallocated amounts include corporate-level restructuring and other charges,

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compensation expense related to equity awards, net periodic pension and post-retirement benefits income, corporate-level impairments, and gains on sales of corporate assets.

	Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
					(Restated)
					(Unaudited)
	(In thousands)				
Energy revenue	\$ 147,291	\$ 156,151	\$ 185,792	\$ 128,633	\$ 178,917
Engineering revenue	191,620	189,689	208,177	146,896	171,168
<b>Consolidated revenue</b>	<b>\$ 338,911</b>	<b>\$ 345,840</b>	<b>\$ 393,969</b>	<b>\$ 275,529</b>	<b>\$ 350,085</b>
Energy operating income(1)	\$ 30,520	\$ 29,854	\$ 35,225	\$ 25,723	\$ 38,788
Engineering operating income(2)	22,344	28,190	32,984	21,861	6,376
<b>Total segment operating income</b>	<b>52,864</b>	<b>58,044</b>	<b>68,209</b>	<b>47,584</b>	<b>45,164</b>
Adjustments(3)	4,254	8,558	(15,298)	4,757	(7,421)
<b>Consolidated operating income</b>	<b>\$ 57,118</b>	<b>\$ 66,602</b>	<b>\$ 52,911</b>	<b>\$ 52,341</b>	<b>\$ 37,743</b>

- (1) Includes asset impairments of \$0.5 million, \$0.6 million, and \$2.0 million for the years ended November 30, 2002, 2003, and 2004, respectively. There were no asset impairments for the nine months ended August 31, 2004 and 2005.
- (2) Includes gains on sales of assets, net, of \$2.7 million, \$0.2 million, \$5.1 million, \$4.6 million, and \$0 for the years ended November 30, 2002, 2003, 2004, and the nine months ended August 31, 2004 and 2005, respectively. Also includes asset impairments of \$1.5 million in 2002 and a recovery of investment of \$1.6 million in 2002.
- (3) Includes the following items:

	Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
					(Restated)
					(Unaudited)
	(In thousands)				

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	Years Ended November 30,			Nine Months Ended August 31,		
Impairment of assets	\$	(6,612)	\$	\$	5,791	\$
Net periodic pension and post-retirement benefits		10,866		8,558		4,344
Restructuring and other charges						2,781
Compensation expense related to equity awards				(21,502)		(7,991)
Gain on sales of corporate assets, net				413		413
						1,334
	\$	4,254	\$	8,558	\$	(15,298)
						4,757
						(7,421)

**Nine Months Ended August 31, 2005 Compared to the Nine Months Ended August 31, 2004**

**Revenue.** Revenue was \$350.1 million for the nine months ended August 31, 2005 compared to \$275.5 million for the nine months ended August 31, 2004, an increase of \$74.6 million or 27%. Revenue increased primarily due to 2004 acquisitions, which contributed approximately \$39.1 million; organic growth, which contributed \$24.0 million; and foreign-currency movements, which contributed \$4.1 million. The remainder of the change is primarily attributable to the first-quarter 2004 dissolution of a joint venture within our Engineering segment. The revenue increase from 2004 acquisitions principally resulted from our September 2004 CERA acquisition. Multiple factors contributed to the increased organic growth, including favorable energy-industry conditions, expanded offerings to existing customers, new customer contracts, the successful launch of new products, and modest price increases.

Revenue for our Energy segment was \$178.9 million for the nine months ended August 31, 2005 compared to \$128.6 million for the nine months ended August 31, 2004, an increase of \$50.3 million or 39%. The increase was principally due to 2004 acquisitions, which contributed \$31.1 million; organic growth, which contributed \$17.5 million; and foreign-currency movements,

which contributed \$1.7 million. The acquisition growth resulted primarily from CERA. Organic growth in the nine months ended August 31, 2005 was driven by higher sales of existing products, growth within our service offerings, and the introduction of new products and pricing.

Revenue for our Engineering segment was \$171.2 million for the nine months ended August 31, 2005 compared to \$146.9 million for the nine months ended August 31, 2004, an increase of \$24.3 million or 17%. Organic growth increased revenue \$6.5 million, acquisitions contributed \$8.0 million, and foreign-currency movements contributed \$2.4 million. The remainder of the change is attributable to the first-quarter 2004 dissolution of a joint venture. Organic growth resulted primarily from stronger sales volume across multiple products within our critical information and decision-support tools offerings, particularly in the UK.

**Cost of Revenue.** Cost of revenue was \$170.0 million for the nine months ended August 31, 2005 compared to \$125.3 million for the nine months ended August 31, 2004, an increase of \$44.7 million or 36%. As a percentage of revenue, cost of revenue increased from 46% to 49%. Margin improvements within our Energy segment were more than offset by margin declines in our Engineering segment. Energy margins improved primarily in our critical-information and services offerings through sales volume increases, our ability to leverage the fixed-cost component of our cost structure, and other cost efficiencies. Engineering margins decreased primarily as a result of continued increases in effective royalty rates related to sales of critical information, our primary source of Engineering revenue.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$122.8 million for the nine months ended August 31, 2005 compared to \$97.5 million for the nine months ended August 31, 2004, an increase of \$25.3 million or 26%. Acquisitions contributed \$15.3 million. The remainder of the increase was due to foreign-currency movements, increased sales-and-marketing investment in our Engineering segment, and, at the corporate level, increased costs related to the implementation of public company infrastructure, processes and systems in preparation for our initial public offering. As a percentage of revenue, selling, general and administrative expenses were 35% for both the nine months ended August 31, 2004 and 2005.

**Depreciation and Amortization Expenses.** Depreciation and amortization expenses were \$8.5 million for the nine months ended August 31, 2005, compared to \$6.7 million for the nine months ended August 31, 2004, an increase of \$1.8 million, or 27%. The increase is primarily due to acquisitions.

**Restructuring and Other Charges.** Restructuring and other charges were \$12.4 million for the nine months ended August 31, 2005. The restructuring costs of \$8.3 million were comprised primarily of termination costs. The other costs of \$4.1 million related to the write-off of previously capitalized costs associated with our initial public offering. We had no similar expense for the nine months ended August 31, 2004. During the third quarter of 2005, we executed a restructuring initiative affecting our Engineering segment and certain unallocated corporate costs. This initiative was undertaken to reduce costs, further the integration of operations from previous acquisitions, streamline our data delivery processes, and realign our marketing efforts to support core product initiatives. In the restructuring, we reduced our aggregate workforce by over 100 employees and closed two offices, one in the U.S. and one in the U.K. See " Executive Summary Restructuring and other charges."

**Compensation Expense Related to Equity Awards.** Compensation expense related to equity awards was \$3.3 million for the nine months ended August 31, 2005. We had no similar expense for the nine months ended August 31, 2004. During 2005, we granted certain employees restricted shares which vest over three to five years.

**Net Gain on Sales of Assets.** Net gain on sales of assets were \$1.3 million for the nine months ended August 31, 2005 compared to \$5.0 million for the nine months ended August 31,

2004, a decrease of \$3.7 million. Results for the nine months ended August 31, 2004 included a \$4.4 million gain from the first-quarter 2004 dissolution of a joint venture.

**Net Periodic Pension and Post-retirement Benefits.** Net periodic pension and postretirement benefits income was \$2.8 million for the nine months ended August 31, 2005 compared to \$4.3 million for the nine months ended August 31, 2004, a decrease of \$1.5 million or 35%. The decrease was primarily due to the November 30, 2004 spin-off of IHS's U.S. retirement plans as well as increased actuarial losses resulting from lower-than-expected asset returns in previous years.

**Earnings in Unconsolidated Subsidiaries.** Earnings from unconsolidated subsidiaries were less than \$0.1 million during the nine months ended August 31, 2005, compared to \$0.4 million for the nine months ended August 31, 2004.

**Net Other Expense (Income).** Net other expense (income) was \$(0.5) million for the nine months ended August 31, 2005, compared to \$3.4 million for the nine months ended August 31, 2004. The change was primarily attributable to foreign-currency movements, net of our 2005 hedging program, and integration costs related to acquisitions in 2004.

**Operating Income.** Operating income was \$37.7 million for the nine months ended August 31, 2005, compared to \$52.3 million for the nine months ended August 31, 2004, a decrease of \$14.6 million, or 28%. Increased operating results from our Energy segment were more than offset by the \$12.4 million restructuring and other charges, margin declines in our Engineering segment, increased company-wide general and administrative expenses, and \$3.5 million of compensation expense in 2005. Additionally, the results for the nine months ended August 31, 2004 included a gain of approximately \$4.4 million on the first-quarter 2004 dissolution of a joint venture.

Operating income for our Energy segment was \$38.8 million for the nine months ended August 31, 2005, compared to \$25.7 million for the nine months ended August 31, 2004, an increase of \$13.1 million, or 51%. The increase was primarily attributable to increased revenue based on our primarily fixed cost structure, which was partially offset by operating expense increases caused by acquisitions, efforts to comply with the requirements of the Sarbanes-Oxley Act, and back-office system implementation costs, and increased corporate-cost allocations resulting from the planned public-company infrastructure costs.

Operating income for our Engineering segment was \$6.4 million for the nine months ended August 31, 2005 compared to \$21.9 million for the nine months ended August 31, 2004, a decrease of \$15.5 million, or 71%. Operating income decreased primarily due to the restructuring charge; increasing royalty rates, which reduced margins; increased selling, general and administrative expenses, resulting from investments made in sales-and-marketing resources and programs; and increased corporate-cost allocations resulting from the planned public-company infrastructure costs. Additionally, the results for the nine months ended August 31, 2004 included a non-recurring gain of approximately \$4.4 million on the dissolution of a joint venture.

**Interest Income.** Interest income was \$2.6 million for the nine months ended August 31, 2005 compared to \$0.6 million for the nine months ended August 31, 2004, an increase of \$2.0 million. Interest income increased primarily as a result of increased cash, a function of the proceeds received from our fourth-quarter 2004 sale of a non-core asset for \$94.2 million, as well as increased interest rates. Also, during the third quarter of 2005, we implemented our cash investment policy and purchased short-term marketable securities.

**Interest Expense.** Interest expense was \$0.7 million for the nine months ended August 31, 2005 compared to \$0.3 million for the nine months ended August 31, 2004, an increase of \$0.4 million. In the first quarter of 2005, we wrote off certain deferred financing costs associated with our previous credit facility. We entered into a new credit facility in January 2005.

**Provision for Income Taxes.** Our effective tax rate for the nine months ended August 31, 2005 was 32%, compared to 33% for the prior-year period. The effective tax rate for the 2005 period reflects the benefit of the favorable outcome of tax audits during the period, changes to certain estimates, the recognition of tax benefits relating to the reconciliation of our 2004 tax provision to our 2004 U.S. federal corporate income tax return, and the impact of non-deductible offering costs.

**Loss from Discontinued Operations, Net.** Loss from discontinued operations, net was \$1.7 million for the nine months ended August 31, 2005 compared to \$1.0 million for the nine months ended August 31, 2004, an increase of \$0.7 million. The loss from discontinued operations increased during 2005 principally due to increased costs. We also wrote off \$0.2 million of accounts receivable and incurred a \$0.1 million inventory obsolescence charge.

#### **Year Ended November 30, 2004 Compared to the Year Ended November 30, 2003**

**Revenue.** Revenue was \$394.0 million for the year ended November 30, 2004 compared to \$345.8 million for the year ended November 30, 2003, representing an increase of \$48.2 million or 14%. The increase was primarily attributable to internal growth, which contributed approximately \$17.8 million; 2004 acquisitions, which increased revenue by \$16.6 million; and favorable foreign currency movements, which increased revenue by \$13.2 million. Internal growth was primarily driven by increased sales of critical information and decision-support tools in both our Energy and Engineering operating segments, as well as modest price increases.

Revenue for our Energy segment was \$185.8 million for the year ended November 30, 2004 compared to \$156.2 million for the year ended November 30, 2003, representing an increase of \$29.6 million or 19%. The 2004 revenue increase within our Energy segment included increases in revenue of \$14.3 million, \$3.6 million, and \$11.7 million from our critical information, decision-support tools, and services, respectively. The revenue increases in critical information and decision-support tools stemmed from organic growth, foreign exchange movements and acquisitions. The increase in services revenue primarily resulted from the acquisition of CERA.

Revenue for our Engineering segment was \$208.2 million for the year ended November 30, 2004 compared to \$189.7 million for the year ended November 30, 2003, representing an increase of \$18.5 million or 10%. The 2004 revenue increase within our Engineering segment included increases in revenue of \$19.0 million and \$2.3 million from our critical information and decision-support tools offerings, respectively, which was partially offset by a \$2.8 million reduction in services revenue. The increase in revenue from the sale of critical information was split nearly evenly between organic growth and favorable foreign currency movements. The organic growth was primarily attributable to recent updates to existing products and improved performance of our largest information offering, Specs and Standards. The reduction in services revenue mainly reflects management's decision to exit certain less profitable non-core service offerings.

**Cost of Revenue.** Cost of revenue was \$184.4 million for the year ended November 30, 2004 compared to \$160.7 million for the year ended November 30, 2003, representing an increase of \$23.7 million or 15%. As a percentage of revenue, cost of revenue remained constant at 47%. Our ability to leverage the fixed cost component of our cost structure was offset by the foreign exchange effects on some of our expenses, lower margins in companies we acquired in 2004, and a continued increase in the effective rate of royalty expense.

**Selling, General and Administrative Expenses.** Selling, general, and administrative expenses were \$136.5 million for the year ended November 30, 2004 compared to \$119.9 million for the year ended November 30, 2003, representing an increase of \$16.6 million or 14%. The increase was due in part to an increase in corporate costs of \$6.5 million primarily associated with our proposed initial public offering, including costs related to Section 404 of the Sarbanes-Oxley Act and the assembly of our current management team. It also reflected an increase in expenses of \$5.8 million from our 2004 acquisitions, as well as foreign currency movements of \$4.4 million. Despite these increased costs, selling, general, and administrative expenses remained constant as

a percentage of revenue as a result of our ability to leverage these costs as we increased revenue and also because the selling, general, and administrative expenses of the companies we acquired in 2004 were less as a percentage of revenue than ours.

**Depreciation and Amortization Expenses.** Depreciation and amortization expenses were \$9.6 million for the year ended November 30, 2004 compared to \$8.9 million for the year ended November 30, 2003, representing an increase of \$0.7 million or 8%. The increase was primarily attributable to assets acquired as part of our 2004 acquisitions, partially offset by a reduced depreciable asset base which resulted in part from asset impairments.

**Compensation Expense Related to Equity Awards.** Compensation expense related to equity awards was \$17.1 million for the year ended November 30, 2004, reflecting the costs of our offer to purchase outstanding options and shares of capital stock issued pursuant to stock option plans maintained by one of our subsidiaries. We had no compensation expense related to equity awards for the year ended November 30, 2003.

**Net Gain on Sales of Assets.** Net gain on sales of assets was \$5.5 million for the year ended November 30, 2004 compared to \$0.2 million for the year ended November 30, 2003, representing an increase of \$5.3 million. The gain in 2004 resulted from the sale of corporate assets, the dissolution of a joint venture, and the settlement of a revenue-based earn-out arrangement relating to a non-core business we sold in 2002. The gain in 2003 resulted from the revenue-based earn-out which was settled in 2004. This revenue-based earn-out, which was the consideration we received for the sale of this non-core business in 2002, was to be paid quarterly for four years. Since the earn-out was contingent upon the future profitability of the business, we recognized a gain on the sale when we received the earn-out proceeds.

**Impairment of Assets.** Impairment of assets was \$2.0 million for the year ended November 30, 2004 compared to \$0.6 million for the year ended November 30, 2003, representing an increase of \$1.4 million. In 2004, we wrote off the value of a decision-support tool that was being developed by our Energy segment. During 2003, we wrote down this decision-support tool.

**Net Periodic Pension and Post-retirement Benefits.** Net periodic pension and post-retirement benefits income was \$5.8 million for the year ended November 30, 2004 compared to \$8.6 million for the year ended November 30, 2003, representing a decrease of \$2.8 million or 32%. The decrease was primarily due to the increased amortization of actuarial losses resulting from lower than expected asset returns from 2000 to 2002.

**Earnings in Unconsolidated Subsidiaries.** Earnings in unconsolidated subsidiaries were \$0.4 million for the year ended November 30, 2004 compared to \$3.2 million for the year ended November 30, 2003, representing a decrease of \$2.8 million or 86%. The decrease was principally attributable to the dissolution of a joint venture during early 2004. Prior to its dissolution, the joint venture was accounted for using the equity method.

**Net Other Expense (Income).** Net other expense was \$3.2 million for the year ended November 30, 2004 compared to \$1.1 million for the year ended November 30, 2003, representing an increase of \$2.1 million. The increase was principally attributable to foreign currency movements and integration costs relating to acquisitions.

**Operating Income.** Operating income was \$52.9 million for the year ended November 30, 2004 compared to \$66.6 million for the year ended November 30, 2003, representing a decrease of \$13.7 million or 21%. The decrease was primarily attributable to a \$21.8 million charge for compensation expense related to equity awards in 2004 and a decrease from unfavorable foreign currency movements, as well as a decline in net periodic pension and post-retirement benefits income. These declines were partially offset by \$5.5 million gain on net sales of assets, as well as increases in internal growth.

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Operating income for our Energy segment was \$35.2 million for the year ended November 30, 2004 compared to \$29.9 million for the year ended November 30, 2003, representing an increase of \$5.3 million or 18%. The increase was attributable to increased sales and acquisitions in 2004 that were partially offset by a \$2.0 million asset impairment and higher corporate costs that were allocated to the segment.

Operating income for our Engineering segment was \$33.0 million for the year ended November 30, 2004 compared to \$28.2 million for the year ended November 30, 2003, representing an increase of \$4.8 million or 17%. The increase is primarily comprised of a \$5.1 million net gain on sales of assets, as well as an increase in sales. These increases were partially offset by higher corporate costs that were allocated to the segment.

**Interest Income.** Interest income was \$1.1 million for the year ended November 30, 2004 compared to \$1.4 million for the year ended November 30, 2003, representing a decrease of \$0.3 million or 16%. The decrease was attributable to lower average interest rates.

**Interest Expense.** Interest expense was \$0.5 million for the year ended November 30, 2004 compared to \$1.1 million for the year ended November 30, 2003, representing a decrease of \$0.6 million or 59%. The decrease was attributable to the fact that we substantially repaid all of our long-term debt during 2003 and had reduced levels of borrowings during 2004.

**Provision for Income Taxes.** Our effective tax rate was 20.8% and 36.0% in 2004 and 2003, respectively. The decrease in effective tax rate in 2004 was principally due to the recognition of the tax benefit of a dividends-received deduction on dividends from a preferred stock investment. The decrease also reflected the tax benefit resulting from the release of substantially all of the valuation allowance on foreign tax credits primarily related to the extension of the credit carryforward period included in the American Jobs Creation Act of 2004.

**Loss from Discontinued Operations, Net.** Loss from discontinued operations, net was \$2.0 million for the year ended November 30, 2004 compared to \$0.2 million for the year ended November 30, 2003. The loss was greater in 2004 primarily due to the fact that we purchased this business in the fourth quarter of 2003.

### Year Ended November 30, 2003 Compared to the Year Ended November 30, 2002

**Revenue.** Revenue was \$345.8 million for the year ended November 30, 2003 compared to \$338.9 million for the year ended November 30, 2002, representing an increase of \$6.9 million or 2%. The increase was primarily attributable to internal growth, which contributed approximately \$3.2 million, and favorable foreign currency movements, which increased revenue by approximately \$11.7 million. These increases were partially offset by the loss of revenue related to the 2002 divestiture of certain non-core businesses which had generated revenue of \$8.0 million in 2002. The results of these businesses were accounted for within our Engineering segment. See footnote 1 to "Selected Historical Consolidated Financial Data."

Revenue for our Energy segment was \$156.2 million for the year ended November 30, 2003 compared to \$147.3 million for the year ended November 30, 2002, representing an increase of \$8.9 million or 6%. The increase in revenue in 2003 within our Energy segment reflected increases in revenue of \$7.2 million, \$0.3 million, and \$1.4 million from our critical information, decision-support tools, and services offerings, respectively.

Revenue for our Engineering segment was \$189.7 million for the year ended November 30, 2003 compared to \$191.6 million for the year ended November 30, 2002, representing a decrease of \$1.9 million or 1%. The 2003 decline in revenue within our Engineering segment was attributable to reductions in revenue of \$0.6 million and \$1.6 million from our critical information and services offerings, respectively. These declines were partially offset by an increase of \$0.3 million in revenue



from our decision-support tools. These amounts were impacted by the loss of revenue related to the divestitures of the non-core businesses during 2002.

**Cost of Revenue.** Cost of revenue was \$160.7 million for the year ended November 30, 2003 compared to \$165.2 million for the year ended November 30, 2002, representing a decrease of \$4.5 million or 3%. As a percentage of revenue, cost of revenue decreased from 49% in 2002 to 47% in 2003. This decrease reflects our cost reduction initiatives, which primarily related to headcount reductions, and our ability to leverage the fixed cost component of our cost structure. The decrease was partially offset by the foreign exchange effect on some of our expenses.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$119.9 million for the year ended November 30, 2003 compared to \$117.8 million for the year ended November 30, 2002, representing an increase of \$2.1 million or 2%. The increase was primarily due to increased expenses resulting from the corresponding increase in revenue, as well as unfavorable foreign currency movements of \$5.1 million.

**Depreciation and Amortization Expenses.** Depreciation and amortization expenses were \$8.9 million for the year ended November 30, 2003 compared to \$9.4 million for the year ended November 30, 2002, representing a decrease of \$0.5 million or 4%. The decrease primarily related to a reduced depreciable asset base. We also decreased our capital expenditure spending in 2003 by expanding our reliance on leasing arrangements.

**Net Gain on Sales of Assets.** Net gain on sales of assets for the year ended November 30, 2003 was \$0.2 million compared to \$2.7 million for the year ended November 30, 2002. The gain in 2003 was related to the receipt of a revenue-based earn-out payment. The gain in 2002 related to the sale of non-core businesses.

**Impairment of Assets.** Impairment of assets was \$0.6 million for the year ended November 30, 2003 compared to \$8.6 million for the year ended November 30, 2002, representing a decrease of \$8.0 million. During 2003, we impaired certain decision-support tools within our Energy segment. During 2002, we impaired buildings held for sale (\$4.6 million); miscellaneous balances within our Engineering segment (\$1.5 million); decision-support tools within our Energy segment (\$0.5 million); and a note receivable relating to a previously divested business (\$2.0 million).

**Recovery of Investment.** There was no recovery of investment for the year ended November 30, 2003 compared to \$1.6 million for the year ended November 30, 2002. Our investment in the affiliate was written off in 2001. We sold the investment in 2002 for \$1.6 million, which was recorded as a recovery of our investment.

**Net Periodic Pension and Post-retirement Benefits.** Net periodic pension and post-retirement benefits was \$8.6 million during the year ended November 30, 2003 compared to \$10.9 million for the year ended November 30, 2002, representing a decrease of \$2.3 million or 21%. The decrease was primarily due to the increased amortization of actuarial losses resulting from lower than expected asset returns from 2000 through 2002.

**Earnings in Unconsolidated Subsidiaries.** Earnings in unconsolidated subsidiaries were \$3.2 million for the year ended November 30, 2003 compared to \$2.9 million for the year ended November 30, 2002, representing an increase of \$0.3 million or 9%. The increase was primarily due to the increased sales and profitability of a joint venture accounted for under the equity method.

**Net Other Expense (Income).** Net other expense (income) was \$1.1 million for the year ended November 2003 compared to \$(1.1) million for the year ended November 30, 2002, representing an increase of \$2.2 million.

**Operating Income.** Operating income was \$66.6 million for the year ended November 30, 2003 compared to \$57.1 million for the year ended November 30, 2002, representing an increase of \$9.5 million or 17%. This increase was primarily attributable to revenue growth and a decrease in cost of revenue as a percentage of revenue, which was partially offset by higher selling, general, and administrative expenses.

Operating income for our Energy segment was \$29.9 million for the year ended November 30, 2003 compared to \$30.5 million for the year ended November 30, 2002, representing a decrease of \$0.6 million or 2%. The increase in revenue in this segment was more than offset by corresponding operating expense increases, which were driven by unfavorable foreign currency movements.

Operating income for our Engineering segment was \$28.2 million for the year ended November 30, 2003 compared to \$22.3 million for the year ended November 30, 2002, representing an increase of \$5.9 million or 26%. The increase was primarily attributable to our cost reduction initiatives.

**Interest Income.** Interest income was \$1.4 million for the year ended November 30, 2003 compared to \$1.0 million for the year ended November 30, 2002, representing an increase of \$0.4 million. The increase was primarily attributable to higher average cash balances.

**Interest Expense.** Interest expense was \$1.1 million for the year ended November 30, 2003 compared to \$3.5 million for the year ended November 30, 2002, representing a decrease of \$2.4 million. This decrease was primarily attributable to the fact that we paid off substantially all of our long-term debt during 2003.

**Provision for Income Taxes.** Our effective tax rate was 36.0% and 35.9% in 2003 and 2002, respectively. The modest increase in the effective rate was principally due to the impact of a reduction in foreign tax rate benefits resulting from an increase in repatriation of profits previously permanently reinvested. This was partially offset by the recognition of the tax benefit from basis differences on a disposed business.

#### **Quarterly Results of Operations**

The following table presents our unaudited quarterly results of operations for the last eight quarters. You should read the following table in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. This table includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair presentation of our financial position and operating results for the quarters presented. Operating results for any quarter are not necessarily indicative of result for any future quarters or for a full year.

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Three Months Ended

	November 30, 2003	February 29, 2004	May 31, 2004	August 31, 2004	November 30, 2004	February 28, 2005	May 31, 2005	August 31, 2005
(In thousands)								
(Restated)								
Revenue	\$ 94,129	\$ 91,345	\$ 90,042	\$ 94,142	\$ 118,440(1)	\$ 116,983	\$ 115,145	\$ 117,957
Operating expenses:								
Cost of revenue	40,489	42,007	41,420	41,914	59,096	55,458	57,247	57,293
Selling, general and administrative	30,144	31,514	32,378	33,619	39,018	40,559	42,514	39,688
Depreciation and amortization	2,049	2,226	2,487	2,021	2,908	2,907	2,859	2,773
Restructuring and other charges								12,397
Compensation expense related to equity awards					17,065	1,195	1,154	969
Gain on sales of assets, net	(63)	(4,458)	(495)	(82)	(497)	(617)	(714)	
Impairment of assets	567				1,972			
Net periodic pension and post-retirement benefits	(2,140)	(1,448)	(1,448)	(1,448)	(1,447)	(931)	(939)	(911)
Loss (earnings) in unconsolidated subsidiaries	(1,976)	(367)	(11)	(16)	(43)	(28)	(21)	(29)
Other expense (income), net	349	2,169	687	519	(202)	(319)	7	(169)
<b>Total operating expenses</b>	<b>69,419</b>	<b>71,643</b>	<b>75,018</b>	<b>76,527</b>	<b>117,870</b>	<b>98,224</b>	<b>102,107</b>	<b>112,011</b>
Operating income	24,710	19,702	15,024	17,615	570	18,759	13,038	5,946
Gain (loss) on sale of investment in affiliate					26,601			
Interest income	778	79	233	274	554	718	934	901
Interest expense	(302)	(4)	(133)	(117)	(196)	(502)	(81)	(110)
<b>Non-operating income (expense), net</b>	<b>476</b>	<b>75</b>	<b>100</b>	<b>157</b>	<b>26,959</b>	<b>216</b>	<b>853</b>	<b>791</b>
<b>Income from continuing operations before income taxes and minority interests</b>	<b>25,186</b>	<b>19,777</b>	<b>15,124</b>	<b>17,772</b>	<b>27,529</b>	<b>18,975</b>	<b>13,891</b>	<b>6,737</b>
Provision for income taxes	(9,503)	(6,690)	(4,366)	(6,131)	543	(5,406)	(4,574)	(2,518)
<b>Income from continuing operations before minority interests</b>	<b>15,683</b>	<b>13,087</b>	<b>10,758</b>	<b>11,641</b>	<b>28,072</b>	<b>13,569</b>	<b>9,317</b>	<b>4,219</b>
Minority interests	(30)	(4)	(40)	(10)	(221)	7	11	(32)
<b>Income from continuing operations</b>	<b>15,653</b>	<b>13,083</b>	<b>10,718</b>	<b>11,631</b>	<b>27,851</b>	<b>13,576</b>	<b>9,328</b>	<b>4,187</b>

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Three Months Ended

Discontinued operations:

Loss from discontinued operations, net	(195)	(354)	(295)	(400)	(920)	(443)	(682)	(527)
Net income	\$ 15,458	\$ 12,729	\$ 10,423	\$ 11,231	\$ 26,931	\$ 13,133	\$ 8,646	\$ 3,660

(1)

Fourth quarter 2004 revenue of \$118.4 million was higher than the first three quarters of 2004 as a result of, among other things, the acquisitions that were completed during the fourth quarter of 2004 (CERA, USA and Intermat). In particular, these acquisitions contributed \$11.6 million of revenue in the fourth quarter of 2004. These acquisitions contributed \$6.7 million to cost of revenue and \$5.2 million to selling, general and administrative expense in the fourth quarter of 2004.

Since sales of non-deferred subscriptions occur most frequently in our fourth and first quarters, we generally recognize a greater percentage of our revenue and income in those quarters.

**Liquidity and Capital Resources**

As of August 31, 2005 and November 30, 2004, we had cash and cash equivalents of \$137.8 million and \$124.5 million, respectively. These amounts include \$94.2 million from the September 2004 sale of an investment in an affiliate. We have also historically generated significant cash flows from operations. As a result of these factors, as well as the availability of funds under our credit facility, we believe we will have sufficient cash to meet our working capital and capital expenditure needs.

Our future capital requirements will depend on many factors, including our level of revenue, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introductions of new products, increased administrative costs of being a public company, changing technology, and the continued market acceptance of our offerings. We could be required, or could elect, to seek additional funding through public or private equity or debt financing for any possible future acquisitions. Additional funds may not be available on terms acceptable to us or at all. We expect our capital expenditures, excluding potential acquisitions, to be less than \$5 million for the remainder of 2005 and less than \$8 million in 2006.

#### *Cash Flow*

Net cash provided by operating activities was approximately \$36.8 million for the nine months ended August 31, 2005. Net cash provided by operating activities was approximately \$51.0 million for the nine months ended August 31, 2004. The decrease in net cash provided by operating activities was principally attributable to decreases in accrued expenses in 2005 due to the payments made in connection with the November 2004 offer to exchange options and shares. The decrease was also attributable to our third quarter 2005 restructuring initiative, pursuant to which we disbursed approximately \$2.5 million as of August 31, 2005. See " Executive Summary Restructuring and other charges."

Net cash provided by operating activities was \$67.0 million in 2004, \$60.1 million in 2003 and \$74.7 million in 2002. The increase from 2003 to 2004 was primarily attributable to higher levels of operating income in 2004 and higher levels of cash flow resulting from changes in working capital. The decrease from 2002 to 2003 was principally due to cash flow changes in working capital and higher levels of tax payments made in 2003.

Net cash used in investing activities amounted to approximately \$21.8 million for the nine months ended August 31, 2005. Net cash used in investing activities amounted to approximately \$6.1 million for the nine months ended August 31, 2004. The change in net cash used in investing activities was principally attributable to the implementation of our cash management policy during the third quarter of 2005. Under our cash management policy, we purchased approximately \$18.9 million of marketable securities during the nine months ended August 31, 2005.

Net cash provided by investing activities was \$34.6 million in 2004. This amount principally resulted from \$104.9 million of proceeds from sales of assets and investment in affiliate and was partially offset by \$70.3 million of cash outflows related to our 2004 acquisitions. Net cash used in investing activities was \$4.9 million in 2003 and related principally to \$4.1 million of capital expenditures. Cash used in investing activities was \$2.7 million in 2002 and related to \$6.8 million of capital expenditures offset by \$4.7 million of proceeds from sales of assets and an investment in an affiliate.

Net cash used in financing activities was \$2.0 million in 2004, \$44.2 million in 2003 and \$71.3 million in 2002. The 2004 uses of cash relates principally to a \$1.8 million cash dividend, while substantially all of the amounts used in 2003 and 2002 were used to repay debt.

#### *Credit Facility*

On January 7, 2005, we entered into a \$125 million unsecured revolving credit agreement, which has a feature allowing us to expand the facility to a maximum of \$225 million based on our leverage at the time of the borrowings. Origination fees and debt costs were approximately \$0.5 million, which will be amortized over the life of the agreement. The agreement expires in January 2010.

The credit agreement includes various operating and financial covenants. For example, our covenants limit the capitalized lease obligations and borrowings for leasing or purchasing fixed assets that we can have outstanding at a given time to \$10 million; limit the unsecured

indebtedness we may have outstanding at a given time (other than the indebtedness outstanding under the credit agreement) to \$20 million; and prohibit us from acquiring new businesses if the amount available under the credit agreement plus cash and cash equivalents would be less than \$15 million after the acquisition. We must also maintain a fixed coverage charge ratio (which is generally defined as the ratio of consolidated EBITDA plus rent expenses to consolidated fixed charges) that exceeds 1.10 to 1.00 and, after the offering, our leverage ratio (which is generally defined as the ratio of all indebtedness to consolidated EBITDA) may not exceed 2.50 to 1.00.

As of August 31, 2005, we were in compliance with all of the covenants in the agreement and had no borrowings outstanding under the agreement. Borrowing capacity under the agreement is limited by outstanding letters of credit, of which we had \$1.5 million as of August 31, 2005, which we use to support insurance coverage, leases and certain customer contracts. See Note 8 to our consolidated financial statements.

Interest under the agreement is payable periodically and ranges from LIBOR plus 75 basis points to LIBOR plus 160 basis points. The facility fee is payable periodically and ranges from 15 basis points to 25 basis points.

#### Off-Balance Sheet Transactions

We have no off-balance sheet transactions.

#### Contractual Obligations and Commercial Commitments

We have various contractual obligations and commercial commitments which are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts, are not recognized as liabilities in our consolidated financial statements but are required to be disclosed. The following table summarizes our contractual obligations and commercial commitments at November 30, 2004, and the future periods in which such obligations are expected to be settled in cash:

Contractual Obligations and Commercial Commitments	Payment due by period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	(in millions)				
Operating leases	\$ 49.4	\$ 13.9	\$ 19.3	\$ 14.8	\$ 1.4
Post-retirement medical-benefit plan contributions	12.6	0.9	2.1	2.4	7.2
Unconditional purchase obligations	6.4	1.5	3.8	1.1	
Total	\$ 68.4	\$ 16.3	\$ 25.2	\$ 18.3	\$ 8.6

In addition, we guaranteed minimum royalty payments totaling \$5.9 million as of November 30, 2004, substantially all of which expire in 2005. We have not historically had to make payments under these guarantees because royalties paid on sales have exceeded minimum guarantees. Based on the guarantees outstanding as of November 30, 2004, we do not expect to have to make payments under the guarantees during 2005.

We do not expect to contribute to our U.S. pension plan in 2005 since it is currently overfunded. We expect to contribute \$0.9 million in 2005 to our U.K. pension plan, which is currently underfunded. See Notes 12 and 13 to our consolidated financial statements.

#### Recent Accounting Pronouncement

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123(R), *Share-Based Payment*, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statement of Cash*

*Flows.* Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Statement 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date.
2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures for either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

We are currently reviewing Statement 123(R) and have not yet decided which alternative we plan to use when we adopt Statement 123(R) effective December 1, 2005. As permitted by Statement 123(R), we currently account for share-based payments to employees using APB Opinion 25's intrinsic value method and, as such, generally recognize no compensation cost for employee stock options. Subsequent to November 30, 2004, we cancelled all of our outstanding options. Consequently, the adoption of Statement 123(R) will impact our results of operations if we grant share-based payments in the future. Had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact under Statement 123(R) as described in the disclosure of pro forma net income and earnings per share in Note 1 to our consolidated financial statements.

#### **Qualitative and Quantitative Disclosures about Market Risk**

##### ***Interest Rate Risk***

We may be exposed from time to time to changes in interest rates that may adversely affect our results of operations and financial position. We were not exposed to this interest rate risk at August 31, 2005, since we had no outstanding debt as of that date.

##### ***Foreign Currency Risk***

Our consolidated financial statements are expressed in U.S. dollars, but a portion of our business is conducted in currencies other than U.S. dollars. Changes in the exchange rates for such currencies into U.S. dollars can affect our revenues, earnings, and the carrying values of our assets and liabilities in our consolidated balance sheet, either positively or negatively. Fluctuations in foreign currency rates increased (decreased) our revenues by \$(0.8) million, \$11.7 million, and \$13.2 million for the years ended November 30, 2002, 2003, and 2004, respectively, and increased (decreased) our operating income by \$2.3 million, \$(2.7) million, and \$(1.4) million for the same respective periods. The translation effects of changes in exchange rates in our consolidated balance sheet are recorded within the cumulative translation adjustment component of our stockholders' equity. In 2004, we recorded cumulative translation gains of \$13.3 million, reflecting changes in exchange rates of various currencies compared to the U.S. dollar.

Beginning in January 2005, we implemented a foreign-currency hedging program to reduce our foreign currency exposures. In particular, we have entered into forward contracts for our Energy segment's Swiss-based subsidiary to effectively convert a portion of its accounts receivable denominated in a foreign currency (other than the Swiss franc) to the subsidiary's functional

currency. Additionally, we also have entered into forward contracts to effectively convert a portion of its operating income, which are denominated in foreign currencies (other than the Swiss franc), into the subsidiary's functional currency. All of the forward contracts are entered into only with a counterparty that is an investment grade financial institution.

At August 31, 2005, we had contracted with one commercial bank, at no material cost, to acquire a total of CHF 26.7 million Swiss francs and £3.7 million British pounds through December 2005 at a fixed price in U.S. dollars of \$23.9 million and CHF 8.0 million Swiss francs respectively. We had derivative liabilities of \$2.4 million associated with foreign exchange contracts at August 31, 2005. If the applicable exchange rate were to increase or decrease 10% from the levels at August 31, 2005, we would incur an immaterial gain or loss. At November 30, 2004, we had no such forward contracts in place. We do not utilize financial derivatives for trading or other speculative purposes.

An immediate 10% change in the currencies that we are primarily exposed to would have impacted our 2004 revenue and operating income by \$12.0 million and \$(2.1) million, respectively, excluding any possible hedges.



## BUSINESS

### Overview

IHS is one of the leading global providers of critical technical information, decision-support tools, and related services to customers in the energy, defense, aerospace, construction, electronics, and automotive industries. We have developed a comprehensive collection of technical information that is highly relevant to the industries we serve. Our decision-support tools enable our customers to quickly and easily search and analyze this information and integrate it into their work flows. Our operational, research, and strategic advisory services combine this information and these tools with our extensive industry expertise to meet the needs of our customers. Our customers rely on these offerings to facilitate decision making, support key processes, and improve productivity.

Our customers range from governments and large multinational corporations (including approximately one quarter of the Fortune 500 companies) to smaller companies and technical professionals in more than 100 countries. We sell our offerings primarily through subscriptions. As a result of our subscription-based business model and historically high renewal rates, we generate recurring revenue and cash flow. In 2004, we generated revenue of \$394 million, net income of \$61 million, and operating cash flows of \$67 million. For the nine months ended August 31, 2005, we generated revenue of \$350 million, net income of \$25 million and cash flows from operating activities of \$37 million. IHS has been in business for more than 45 years and employs more than 2,300 people around the world. We manage our business through our Energy and Engineering operating segments.

Our Energy segment develops and delivers critical oil and gas industry data on exploration, development, production, and transportation activities to major global energy producers and oil companies. We also provide decision-support tools and operational, research, and strategic advisory services to these customers, as well as to utilities and transportation, petrochemical, coal, and power companies. For example, major global oil companies use our offerings to support a broad range of decision-making processes that identify attractive exploration investments, assess the likelihood of successful oil production projects, and develop detailed planning scenarios. In 2004 and for the nine months ended August 31, 2005, our Energy segment generated revenue of \$186 million and \$179 million, respectively.

Our Engineering segment provides solutions incorporating technical specifications and standards, regulations, parts data, design guides, and other information to customers in its targeted industries. We serve some of the largest engineering-intensive companies around the world in the defense, aerospace, construction, electronics, and automotive industries. For example, we provide some of the largest aerospace companies with desktop access to industry specifications and standards; parts, logistics, and procurement data; engineering methods; and related analytical tools. In 2004 and for the nine months ended August 31, 2005, our Engineering segment generated revenue of \$208 million and \$171 million, respectively.

### Our History

IHS has been a trusted name in the business of managing technical information since 1959. Over the years, we have expanded our offerings from a catalog database for aerospace engineers to become one of the leading providers of critical technical information, decision-support tools, and related services in the energy, defense, aerospace, construction, electronics, and automotive industries. In the late 1990s, we acquired several established energy information providers that we organized into our Energy segment. The businesses that now comprise this operating segment have accumulated and developed well production and geological information from industry and government sources dating back to the 1800s. With the evolution of new technologies, we transitioned our delivery methods from microfilm to the Internet and other electronic media. As our offerings have developed over the years, we have remained committed to providing our customers with solutions that facilitate decision making, support key processes, and improve productivity.

In November 2004, TBG completed a reorganization, which resulted in our current ownership structure. See "Prospectus Summary Ownership Structure" for an illustration of our ownership structure following this offering. Prior to these transactions, all of our common stock was owned by Holland America Investment Corporation (HAIC U.S.), an indirect wholly-owned subsidiary of TBG. In the reorganization, HAIC U.S. contributed substantially all of its assets to us in exchange for our new common stock and subsequently liquidated and distributed this common stock to the selling stockholders. In connection with these transactions and in contemplation of this offering, our capitalization was changed to authorize 80,000,000 shares of Class A common stock, 13,750,000 shares of Class B common stock and 1,000 shares of Class C common stock. See Note 19 to our consolidated financial statements. The Class C common stock will no longer be authorized after this offering.

## **Our Competitive Strengths**

We believe we are a leader in the markets we serve as a result of the following competitive strengths.

***Comprehensive collection of critical information.*** We have developed a comprehensive collection of current and historical technical information that is highly relevant to the industries we serve. We believe that this collection would be very difficult to replicate because it has been developed and maintained over several decades. We gather the information primarily through longstanding relationships with a variety of global sources including hundreds of Standards Development Organizations (SDOs) and government agencies and thousands of manufacturers and combine it with our proprietary content, our extensive industry insight, and our analysis to create what we believe is the largest collection of this type of information in the world.

***Deep expertise.*** We develop and utilize sophisticated processes and technologies for gathering, updating, indexing and delivering our critical information. Our hundreds of information services experts analyze, integrate, and maintain this information. We also employ specialized professionals with extensive experience in our target industries to better understand the needs of our customers and to design tools and related services that address their needs.

***Trusted business partner.*** The combination of our critical information and industry expertise has resulted in our becoming a longstanding and trusted business partner to our customers. Our brands maintain a strong reputation globally for providing accurate and timely technical information. Many of our customers rely on us as a single source provider of this information which, together with our decision-support tools and related services, supports their key operations and processes, facilitates strategy and decision making, and drives growth and productivity.

***Diversified and global customer base.*** We serve some of the world's largest corporations across multiple industries in more than 100 countries, as well as governments and other organizations. We generated revenue of \$197.9 million outside the United States in 2004, which represented approximately 50% of our total revenue. In addition, in 2004 our largest customer generated less than 4% of our total revenue, and no other customer generated more than 2% of our total revenue. We believe that our diversified and global customer base reduces the impact on our operating results of industry downturns and localized economic conditions.

***Subscription-based model with high renewal rates.*** We sell our offerings primarily through subscriptions. As a result of our subscription-based model and historically high renewal rates, we generate recurring revenue and cash flows. We believe that our high renewal rates demonstrate that our customers rely on us for high-quality solutions that they consider critical to their business.

***Experienced management team.*** Our management team includes information services veterans and experienced industry executives. We benefit from their thorough understanding of the information services business and deep knowledge of our target industries. In addition, our

management team has extensive relationships with content providers and existing and potential customers.

## **Our Growth Strategy**

We intend to build on our position as one of the leading providers of critical technical information, decision-support tools and related services to customers in the industries we target by executing the following strategies.

**Enhance our critical information.** We intend to continue to augment our comprehensive collection of critical information by enhancing our data aggregation tools and processes and by further strengthening our relationships and alliances with content providers. We also plan to continue to selectively acquire databases and information services organizations in our target industries.

**Further embed our offerings in customer processes.** We will continue to work closely with our customers to more deeply embed our offerings into their workflows and business processes. We believe we can achieve this by developing new tools and services and by selectively acquiring complementary technologies and businesses that enhance our offerings. We intend to use these enhanced offerings to appeal to new customers and further penetrate our existing global customer base.

**Further penetrate targeted industries.** We believe we have a unique ability to develop decision- support tools and related services based on our critical information in the industries we target. This ability is demonstrated by our deep penetration of, and comprehensive offerings for, the oil and gas industry. We intend to further penetrate selected information-intensive industries where we already have significant presence, such as defense, aerospace, construction, and electronics, through internal growth and selective acquisitions.

**Expand geographic reach.** We are expanding our sales and marketing efforts in emerging markets, particularly in Asia. China, Russia, and India represent significant opportunities for us as the information-intensive industries we serve have grown rapidly in these countries over the past few years. We intend to broaden our reach in these markets by tailoring our offerings with specialized local content and deploying knowledgeable sales representatives and dealers.

**Leverage operating model.** We derive most of our revenue from annual subscription fees, while a large portion of our costs are fixed. As a result, we believe we can improve our operating margins as we further penetrate our existing customer base and add new customers. We intend to capitalize on this model by optimizing our operational efficiencies with more standardized processes and by leveraging our infrastructure and technologies across our business.

## **Our Energy Segment**

Our Energy segment is one of the leading global providers of critical technical information, decision-support tools, and related services for the energy industry. We develop and deliver critical oil and gas industry data on exploration, development, production, and transportation activities to major global energy producers, national and independent oil companies, and financial institutions. We also provide operational, research, and strategic advisory services to these customers and to utilities and transportation, petrochemical, coal, and power companies.

For more than four decades, we have provided comprehensive decision-critical information to energy organizations around the world. We complement this information with economic, political, fiscal, and regulatory analysis, as well as operational, research, and strategic advisory services. By integrating our offerings, we help energy organizations analyze their operations and make better use of critical information, which we believe enhances their ability to effectively evaluate investment opportunities, reduce operating costs, and increase their productivity.

We monitor exploration and production activity in more than 180 countries through our global network of industry sources. These sources provide us with detailed technical and economic information on oil and gas producing assets, countries, and regions. As a result, our information offerings are enhanced with informed assessments about operating and economic matters around the world. We combine these global information-gathering activities with our industry expertise to provide the following offerings.

### *Energy Segment Offerings*

#### *Critical Information*

We provide comprehensive global exploration, development, and production data, industry activity, fiscal, legal, infrastructure, leasehold, and reservoir information, and related news, reports, and maps. We gather this information from government agencies, energy producers, and other industry sources. To augment proprietary systems and staff devoted to data collection, our Energy segment employs a network of nearly 100 independent contractors who each utilize an informal network of industry and government sources to obtain data. Each of these independent contractors has entered into a written agreement with IHS to follow certain standards in the course of obtaining data. Several of our Energy segment's products rely heavily upon the work product of these independent contractors. See "Risk Factors Risks Related to Our Business We rely on a network of independent contractors and dealers whose actions could have an adverse effect on our business."

Once we obtain data, we process it rigorously by testing its accuracy, cross-referencing it against numerous sources, verifying surface and subsurface attributes, and standardizing and creating common industry codes.

We offer this information in a timely and user-friendly manner through online and other electronic subscriptions, including via CD-ROM. Depending on the terms of a customer's subscription, the information is available on our servers and can be accessed online, installed on the customer's network for local access, or reproduced on disks for physical distribution. Customers can access the information through software platforms and underlying database structures that allow quick local or online access to our information. Our primary information categories are described below.

*Energy activity data.* Our energy activity data includes comprehensive and timely information, organized by country, on current and future seismic, drilling, and development activities. This data also includes detailed reports on contractual activity and changes in legislation, regulation, petroleum rights, and fiscal matters. Our customers use this data daily to track global energy activities, actively assess and mitigate potential risks to energy assets and operations, react to competitive industry pressures, and capitalize on developing opportunities. This data includes continually updated online information on energy activities in more than 180 countries and 335 hydrocarbon-producing regions around the world; daily breaking energy news alerts; and country and region maps detailing wells, fields, licenses, pipelines, facilities, and other pertinent geological data.

*Production data.* Our production data tracks information on more than 90% of the world's oil and gas production, including monthly production volumes for wells and fields in more than 100 countries. This data includes cumulative statistics on monthly oil and gas production volumes for more than two million oil assets and more than 70,000 producing fields globally. It is used by reservoir engineers and commercial analysts to assess the productivity and longevity of energy producing assets, determine the current and future value of these assets, and develop and assess investment and operating plans.

*Oil and gas well data.* Our oil and gas well data includes as many as 20,000 elements, narrative comments, and other information from as far back as the mid-1800s on over four million

wells around the world. This data includes comprehensive geological information on current and historic wells, including lease, operator, field, reservoir, fluid, linking well, permit, drilling activity, completion record, and other data, as well as digital geologic and reservoir images representing billions of feet of subsurface measurements. Geoscientists, petrophysicists, and reservoir engineers use this data to evaluate the production potential and economic value of current and future exploration and production wells.

*Reservoir data.* Our reservoir data includes reservoir pressure and geological formation data for assets in key energy producing regions of the world. Geoscientists and engineers use this data to analyze reservoir potential and identify geological pressure hazards to optimize drilling activities by maximizing yields and reducing downtime.

*Basin data.* Our basin data includes information on more than 30,000 hydrocarbon basins around the world. It also includes location, development, contractual, and ownership information, as well as comprehensive geological data on each basin. This data is developed and maintained by industry experts and used by exploration geologists to evaluate hydrocarbon potential, analyze production opportunities, and assess the feasibility of drilling opportunities.

*Infrastructure data.* Our infrastructure data provides location, capacity, and ownership information on oil and gas wells and facilities. It also includes transportation and refining infrastructure data on pipelines, ports, refineries, capacity specifications, and tariffs and rates, including information on major industrial plants and key retail consumers. Customers use this data to evaluate transportation options and to analyze oil field and infrastructure projects.

*Upstream data.* Our upstream data contains legal, regulatory, economic, contractual, political, and risk information relating to upstream energy exploration and production activities in more than 100 countries. It is used by commercial analysts, economists, corporate planners, and lawyers to better understand investment environments and assess risk.

### ***Decision-Support Tools***

We integrate critical energy information with technology and applications to meet the needs of a range of users across the energy industry. These tools enable our customers to integrate our information and their proprietary information within their workflows and business processes. Our decision-support tools range from easy-to-use "browse and search" applications, which are interfaces that allow customers to browse through all available information and search terms to locate specific information, to more sophisticated analytic systems. The underlying information could consist of a single database or multiple collections of information, depending on the subscription selected by the customer. In our more advanced decision-support tools, we strive to maintain a simple interface on the user's computer, but we design them to draw upon multiple sources of information and manipulate and organize the information into models, estimates, and other highly organized output. These sophisticated engineering, cost analysis, and economics tools can help a customer estimate drilling costs, assess project economics, optimize exploration and production activities, and improve production yields. Our primary decision-support tools are described below.

*Exploration analysis.* We integrate production, well, and reservoir information to enable geoscientists to search for and analyze oil and gas opportunities around the world. These tools provide surface and subsurface information, analysis, and graphical interfaces to facilitate geoscience workflows.

*Production engineering.* We integrate current and historical production information with performance analysis software. Energy engineers use these tools to optimize their well and field production systems by monitoring oil and gas production, modeling well performance, and performing production gradient and flow assurance calculations.

*Cost analysis.* We produce detailed capital and operating cost estimates for planning activities and project optimization. Our customers use these tools to analyze the economic feasibility of competing projects, significantly reduce cycle times in engineering work flows, and ultimately reduce costs.

*Economics.* We evaluate the after-tax economics of projects, fields, licenses, and country and company portfolios based on more than 200 pre-modeled fiscal regimes and our other critical information. Investors, commercial analysts, corporate planners, and engineers use these tools to evaluate a variety of economic factors, such as reservoir and reserve performance, estimated ultimate recovery, and projected cash flows to make rapid and informed acquisition, divestiture, and operations decisions.

### *Services*

Our operational, research, and strategic advisory services combine our critical information and decision-support tools with our extensive industry expertise to meet the needs of our customers.

*Operational Services.* We offer our customers access to our expertise in subsurface analysis, engineering, economics, fiscal, and regulatory matters and asset optimization through several services, including the following:

*Regulatory compliance services.* These services assist our customers in designing their procedures to achieve and maintain local legal and regulatory compliance. We support customers in more than 70 jurisdictions around the world using on-site specialists and local partners and our integrated fiscal and regulatory databases.

*Oil and gas asset optimization and management services.* These services provide comprehensive support to exploration and production organizations to improve the efficiency, productivity, and long-term profitability of their operations. We use our global cost and economic databases, specialized decision-support tools, and operations expertise to assist customers with asset management activities. These activities range from efficient lifecycle planning and automated monitoring of marginal fields to detailed operational analysis, assessment, and identification of efficiencies in individuals asset operations.

*New venture assessment services.* These services assist customers in identifying investments that complement their strategic goals. These services include detailed evaluations of production assets, as well as comprehensive transaction support services such as due diligence and negotiation support.

*Research.* Through our research offerings, we provide customers with insight and analysis into challenges facing the energy industry, including economic, geopolitical, financial, technological, regulatory, environmental, and managerial matters. Our research helps customers anticipate trends in the industry in order to make informed strategic, investment, and market decisions. For example, financial institutions use CERA research and analysis to make informed decisions about energy investments and markets. We syndicate our research through our well known and respected CERA brand and offer more than 30 syndicated research services, each focusing on different combinations of segments and regions in the energy industry. Recent research offerings include *Global LNG: The New Wave*; *Petroleum Products Markets to 2020*; and *Global Scenarios for the Future of the World Oil Industry*.

We also develop and organize executive research summits where high level industry, financial, and governmental decision makers interact with our senior research experts and discuss energy industry trends and market dynamics. These events provide a significant opportunity for our experts and customers to exchange knowledge and ideas. We conduct more than 75 events each year, including our premier event, CERAWEEK. CERAWEEK is an annual executive conference that has been addressing challenges facing international energy markets and companies for nearly 25 years.

By attracting more than 1,600 of the energy industry's leading executives and companies annually, it is widely considered to be the most important meeting of its kind.

*Strategic Advisory Services.* We assist customers in assessing their strategic options by providing the critical information and analytical insights required for sound decision making. Our services focus on a range of key issues, such as global oil and gas planning, exploration and production issues, alternative business line assessments, scenario planning and facilitation, market analysis, and corporate facilitation. For example, we recently completed a country-wide gas planning project in China and an oil and gas regulation project in Kuwait. We provide these services primarily through our CERA brand.

CERA is led by its chairman and co-founder, Dr. Daniel Yergin, who is a member of the U.S. Secretary of Energy's Advisory Board and the National Petroleum Council, a member of the Board of Trustees of the Brookings Institution, and a director of the United States Energy Association. Dr. Yergin is also author of the Pulitzer Prize-winning book entitled *The Prize: The Epic Quest for Oil, Money and Power*.

## **Our Engineering Segment**

Our Engineering segment is one of the leading global providers of critical technical information, decision-support tools, and related services to the information-intensive industries we target. We have developed and deliver comprehensive collections of decision-critical information to major organizations primarily in the defense, aerospace, construction, electronics, automotive, and petrochemicals industries.

We work with our customers to identify their critical information requirements for a wide range of engineering processes including: research and development; design, testing and validation; procurement; manufacturing; maintenance and repair; overhaul; and disposition. We provide the critical information required to support these processes, including technical specifications and standards, regulations, design guidelines, and parts and manufacturer information. We also have expertise in developing decision-support tools that enhance the accessibility and usability of this information. We offer targeted advisory services that are designed to maximize the utilization and integration of our information within our customers' business processes. Through these integrated offerings we have become a critical business partner to our customers, which we believe assists them in maintaining technical compliance, reducing operating costs, and improving productivity.

### ***Engineering Segment Offerings***

#### ***Critical Information***

We provide a comprehensive collection of current and historical technical information that is highly relevant to customers in the industries we serve. We continually augment, organize, and refine this information for breadth, depth, usability, and accuracy in order to deliver it according to industry requirements and customer needs. This information is gathered from various sources, including through our longstanding relationships with government agencies, more than 15,000 manufacturers, and more than 370 SDOs around the world.

Our SDO relationships are critical to our business. SDOs generally consist of manufacturer, service provider, and laboratory representatives who establish compliance guidelines, or specifications and standards, for an industry. Nearly all engineering work is governed by a wide array of specifications and standards that are designed to ensure that products and component parts conform to generally accepted design practices, performance criteria, and quality, safety and reliability standards. We enter into licensing agreements with SDOs, including the SDOs that publish the most commonly used specifications and standards, to distribute this information to customers. We believe that the content licensed to us cannot be obtained from alternate sources on favorable terms, if at all.

We supplement this SDO information with complementary content, including government and military specifications and standards; regulations; manufacturer and parts data; and logistics and procurement data. We use a number of methods, including proprietary technologies, to gather, update, organize, and index the information. These processes, along with our research and industry expertise, allow us to create unique packages of content to meet the specific business needs of our customers.

We offer this information in a timely and user-friendly manner through online and other electronic subscriptions, including via CD-ROM. Depending on the terms of a customer's subscription, the information is available on our servers and can be accessed online, installed on the customer's network for local access, or reproduced on disks for physical distribution. Customers can access the information through software platforms and underlying database structures that allow quick local or online access to our information. Our primary information offerings are described below.

*Specifications and standards data.* Engineering teams may need to reference anywhere from a half dozen to several hundred applicable standards and specifications, depending on the complexity of a project. We provide engineering organizations worldwide with single-source access to these specifications and standards so they can control costs, improve decision speed and effectiveness, and reduce design times. Our largest information offering, Specs & Standards, provides searchable documents and scanned document images containing commonly used and hard to find specifications and standards. Our online database contains over a million documents and images covering national, international, corporate, military, and other specifications and standards that we organize into more than 700 discrete data sets. For example, our military specifications and standards data set contains what we believe is the world's largest collection of unclassified U.S. military specifications and standards, with over 82,000 active and 387,000 historical military documents. We also offer customers access to our Standards Store where they can search for and purchase individual documents from our database.

*Regulations data.* Numerous regulations around the world impact engineering processes, product design and quality, resource deployment, and compliance matters. We provide access to critical regulations for our targeted industries, such as aviation, construction, and petrochemicals. For example, our AV-DATA® database contains over a million pages of essential aviation regulations and related documents relating to the airworthiness, regulatory compliance, and safety of aircraft. This internet-based database provides a wide range of information from U.S. and international aviation regulatory agencies. We also track regulations that affect multiple industries, such as occupational health and safety regulations. Our regulations data can be integrated with Specs & Standards to provide customers with a broader range of compliance information.

*Parts data.* We have developed a comprehensive database of parts data from a broad range of industry and government sources. This database includes: descriptive data, which specifies part dimensions, materials, performance criteria, and configuration features; manufacturer data, which identifies suppliers of parts and materials; and logistics data, which includes parts availability, location, pricing, use, and alternate source information.

*Manufacturers' product data.* We collect and maintain a broad set of manufacturers' catalogs. These online documents include manufacturers' product information, such as brand names and model numbers. This data can be cross-referenced against other information offerings.

*Engineering methods data.* We have developed a comprehensive proprietary database of engineering processes, principles, and related equations. The database covers more than 250 specific structural and mechanical topics, including noise and vibration, stress and fatigue, metals and composites, structure, and dynamics.



### ***Decision-Support Tools***

We integrate our technical information into proprietary technology and applications to meet the needs of our customers. These decision-support tools enable our customers to embed our information offerings within their engineering workflows and business processes. These tools vary from easy-to-use "browse and search" applications, which are interfaces that allow customers to browse through all available information and search terms to locate specific information, to more sophisticated logistics and procurement systems. The underlying information could consist of a single database or multiple collections of information, depending on the subscription selected by the customer. In our more advanced decision-support tools, we strive to maintain a simple interface on the user's computer, but we design them to draw upon multiple sources of information and manipulate and organize the information into systems for processing and organizing vast amounts of information. Our sophisticated design, maintenance, and repair tools, are designed to improve the efficiency and cost effectiveness of our customers' operations. These tools include:

*Procurement, maintenance, and logistics.* HAYSTACK® is our industry-leading procurement, maintenance, and logistics tool which is primarily used by government agencies and contractors. This proprietary decision-support tool leverages our comprehensive parts databases to facilitate logistics, procurement, maintenance, and obsolescence decisions to assist customers reduce downtime and costs. For example, the U.S. Department of Defense relies on HAYSTACK® to quickly and efficiently procure new and replacement parts for aircraft and other equipment used in military operations. Aerospace companies use HAYSTACK® throughout their design, production, and maintenance processes to optimize parts utilization, avoid obsolescence, and ultimately minimize logistics costs. Aerospace companies also use this data to ensure that they receive competitive prices for their parts.

*Parts cleansing.* Our proprietary parts cleansing tool is STRUXURE®, which assists customers in "cleansing" their parts inventories by eliminating redundancies, standardizing terminology, and efficiently organizing their information. Clean inventory information enables customers to make better inventory management and facility utilization decisions. This tool uses a proprietary parts taxonomy and is particularly useful in facility-intensive manufacturing industries, such as aerospace and aviation, automotive, and electronics.

*Engineering methods.* ESDU® is our proprietary collection of decision-support tools that leverage our engineering methods database. ESDU® helps customers reduce their research and development cycles by integrating proven mathematical formulae, engineering equations, and analyses into their existing applications and processes. For example, aviation companies are able to substantially reduce design times for component parts by using ESDU® to apply fundamental engineering principles, such as aerodynamics, metallurgy, and structural integrity principles.

### ***Services***

Our services are based upon and utilize our expertise in managing information and developing information-based solutions. We primarily focus on improving the productivity of maintenance, repair, and operations (MRO) and supply chain processes, primarily in the defense, aerospace, automotive, petrochemical and utilities, and electronics industries. Customers use our services to assist them with a number of critical issues, including:

resolving information management issues;

providing long- or short-term support to an information-based activity or project; and

enhancing capabilities with our expertise and analysis.

We believe our services help customers achieve additional significant benefits, including faster decision making across the enterprise, increased productivity, and reduced time to market. In many

cases, our services customers already rely upon our information offerings to perform critical functions within their organizations. Our primary services offerings include the following:

*Parts Management.* A growing and long-term challenge for many of our customers is managing parts databases and processes for design, part selection, inventory control, and managing and predicting obsolescence. To address these issues, we integrate our extensive parts databases with other relevant data and offer parts services. These services optimize selecting of parts for an engineering task, stocking the appropriate parts to support maintenance and repair, improving lifecycle management, creating the appropriate bill of materials in support of job planning, managing parts for re-use, and predicting obsolescence. Parts projects are typically focused on selection and obsolescence.

*Part Selection.* We assist engineers in selecting parts for new designs, redesign, and form-fit-function requirements. This service integrates our authoritative reference parts content and data resident in our decision-support tools with customer information such as part data, bills of materials, supplier preferences, cost information, inventory, and customer systems. We provide guided navigation to increase efficiency in using information, promote greater speed in locating appropriate parts, encourage reuse of parts, and ensure the appropriate life expectancy of parts.

*Part Obsolescence.* When equipment outlasts its component parts, organizations are faced with increased maintenance costs, expensive product reconfigurations, and lost opportunities caused by pulling the equipment out of service, all leading to an unacceptably high cost of ownership. This offering assists engineers in identifying parts with risk of obsolescence before they impair their ability to deliver products or services. This helps our customers ensure that both new designs and existing products do not contain parts that are at risk of obsolescence. To effectively manage this problem, we use a combination of data, proprietary analytical decision-support tools, and portal technologies to provide insight into this complex and rapidly growing problem.

We entered into a non-binding letter of intent in September 2005 to acquire a content and data services business that serves all of the industries targeted by our Engineering segment. The core product of this business is an extensive database that includes technical attributes and alternatives for, and obsolescence and environmental data on, electronic component parts. We intend to incorporate this database into our direct parts management projects and into our existing parts databases, such as Haystack, to enhance our overall parts data offerings. This business also provides solutions that complement our parts obsolescence solutions. We expect the purchase price to approximate \$33 million. The closing of the acquisition will be subject to the negotiation of satisfactory documentation and customary closing conditions. Therefore, no assurance can be provided that the acquisition will be consummated. If consummated, the acquisition is expected to close in November 2005.

*Content Systems Enhancement.* We build and enhance information systems such as portals and intranets that enable the seamless integration of our information with customer and third-party information. To accomplish this we employ a variety of technologies, mostly web-based interfaces (known as "application program interfaces" or "APIs") that allow customer systems to directly communicate with and make use of our content. We also provide more complex services that build customized systems for our customers. These services help customers maximize the accuracy, accessibility, and usage of technical content as well as improve the overall efficiency of their operational systems and organizations.

## **Product Development and Technology**

Our product development efforts and use of technology focus on the collection, management, and delivery of critical information to our customers through our offerings. We manage our

comprehensive collection of critical technical information through what we refer to as our "metabase." The critical information itself is stored in a network of information repositories, many of which are linked directly to our metabase. The development, management, and expansion of our metabase and information repositories are central to our product development efforts. We continuously update and enhance our metabase and repositories through proprietary methods and the use of technology encompassing the following steps:

we gather content from thousands of sources around the world;

we categorize this content and route it to our technology and industry experts through proprietary workflows and rules-driven technologies;

our industry experts authenticate the content based on criteria specific to a given industry or data type (*e.g.*, a technical standard or well log data) and apply their expertise to create additional critical information;

we translate this critical information into useable formats;

our proprietary technology and processes evaluate this critical information for relevant data points, tag it for a broad range of attributes, and index it for ease of retrieval;

if the content is licensed from a third party, it undergoes a proprietary marking process to ensure compliance with applicable license agreements; and

the new critical information is added to our repositories and all of the tags, indexing, and other content generated by our experts and technology are integrated into our metabase.

Our metabase and other information management tools allow content to be identified by a variety of search and cross-reference methods. We use proprietary and non-proprietary technologies that index critical information in a variety of ways, such as broad field categories, document type, document title, and industry segment. We employ robust, redundant storage technology to ensure that our critical information is highly available. Our processes allow for updating as soon as new and relevant information becomes available.

Our product development teams create customer solutions by integrating our critical information with proprietary and widely used decision-support technology. These teams also develop the user interfaces and search capabilities that our customers employ when using our offerings. Our offerings are designed and developed by cross-functional teams that include sales and marketing, product development, and customer support personnel as well as, in some cases, the customers themselves. Customer feedback is shared with these teams so that decision-support tools can be enhanced to address changing customer requirements.

Our product development teams have also created proprietary web services and application interfaces that enhance access to our critical information. These services enable our customers to integrate our critical information with other data, business processes, and applications (*e.g.*, computer-aided design, enterprise resource planning, supply chain management, and product data/lifecycle management).

We use a series of digital rights management ("DRM") methods and technologies to preserve our intellectual property rights and the intellectual property rights of third-party licensors. These methods and technologies (for certain of which we have patent applications pending) involve applying and tracking the license rights granted to a given customer, while simultaneously assuring that critical information outside of a customer's licensed rights is not accessible. They also permit customers to download files or produce hard copies that are "watermarked" with license information and security codes designed to discourage unauthorized distribution of the content.

Our metabase is driven by industry standard relational database technologies such as Oracle. In addition, we have standardized hardware, decision-support tools, and application platforms from companies including Sun Microsystems, Inc., Microsoft Corporation, Endeca Technologies Inc., and Hewlett-Packard Company. We also have proprietary technology to support our metabase, information repositories, and offerings.



As a global company, we seek cost-efficient and technologically advanced locations for our data centers, data entry, quality assurance, and development functions. These functions are currently performed at various locations including Colorado, Texas, Switzerland, and Malaysia. In addition, we have entered into agreements with companies in India as independent contractors who engage in data entry, programming, indexing, and testing.

## **Customers**

We have a diverse customer base that includes many of the largest companies in the industries we serve. Our customers range from governments and large multinational corporations (including approximately one quarter of the Fortune 500 companies) to smaller companies and technical professionals. In 2004, our largest customer generated less than 4% of our total revenue and no other customer generated more than 2% of our total revenue. In addition, in 2004, we had 50 customers who generated \$1 million or more of revenue.

## **Sales and Marketing**

We have approximately 200 employees who focus on our sales and marketing efforts, approximately half of which comprise our direct sales force. We maintain sales offices in 17 countries and serve customers in more than 100 countries.

Our sales force is organized in teams focused on particular industry verticals. Each team is comprised of one or more relationship managers and product experts. The relationship managers serve as the primary sales interface with the customer. As part of the annual renewal process, they are responsible for reviewing offerings purchased by existing customers, as well as seeking opportunities to expand the offerings purchased by these customers. To expand customer penetration, the relationship manager utilizes all the expert resources resident within our organization. For smaller customers, we use a telesales team that is responsible for selling and renewal efforts. We compensate our sales teams primarily based on revenue generation and renewal rates.

New customer acquisition is largely conducted by our dedicated new business team. This team systematically identifies potential new customer opportunities and a sales approach for larger new business opportunities. Our telesales team also pursues smaller new customer opportunities. We supplement all of our sales efforts with our web store, which enables customers to purchase offerings online.

We use an extensive dealer network to reach customers in locations where it is not cost-effective to use our sales teams or maintain a sales office. We have 57 dealers which are independent contractors, each employing from one to five sales persons. Some of the dealers are focused on our offerings, but many of the dealers are in the business of providing similar products that are not in direct competition with us.

We review, on an annual basis, our go-to-market sales strategy. We do this to optimize the allocation of our sales resources across our customer segments, to capture the most attractive new business opportunities, and to further penetrate our existing customer base.

Our marketing teams are primarily responsible for ensuring that our offerings are meeting the needs of our customers. These teams conduct ongoing market research to understand changing needs within our targeted industries. They analyze industry investment patterns and work with our product development teams to ensure that we are aggregating critical information and creating decision-support tools that are relevant to our customers. These teams also study industries we do not currently target to determine if there are potential users that could benefit from our offerings.

Our marketing teams are also responsible for analyzing the offerings of our competitors to ensure that we remain competitive. Our marketing teams support our sales teams by creating

advertising programs, conducting seminars (including online seminars) and developing campaigns promoting our offerings.

## **Customer Support**

Our customer support program includes customer service and customer training:

*Customer Service:* We maintain call centers in multiple locations around the world that are available to our customers 24 hours a day, 7 days a week. For larger customers, we assign specific call center representatives to respond to all in-bound calls from that customer.

*Customer Training:* We offer customer training on how to best use our critical information and decision-support tools. Training can be delivered on-site for our customers or through our IHS University eLearning Solutions. Our training services provide instruction across a customer's organization and track a participant's progress. Many of our training services are purchased as part of an annual subscription for our critical information and decision-support tools. Training services may also be purchased on a one-time basis, often associated with first time purchases of our offerings.

Our customer service and customer training teams work with each other and with the sales teams representing our customers. This enables our customers to work with the same team of IHS employees for all their needs, which we believe results in greater customer satisfaction and stronger customer relationships.

We are proactive in managing ongoing customer needs by maintaining a key issues database that identifies patterns of customer service and support needs. This database is shared with product managers who, where appropriate, implement product improvements.

We employ annual customer satisfaction surveys to refine and enhance the quality and responsiveness of our service. We believe that the continuous contact between sales people and our customers through sales visits, consultations, briefings, and conferences also provides valuable feedback that is critical to developing and improving our offerings.

## **Competition**

We believe the principal competitive factors in our business include the depth, breadth, timeliness, and accuracy of information provided, quality of decision-support tools and services, ease of use, customer support, and price. We believe that we compete favorably on each of these factors. Although we do not believe that we have a direct competitor across all of the offerings we provide, we do face competition in specific industries and with respect to specific offerings.

In our Energy segment, our U.S. well and production data offerings compete with offerings from P2 Energy Solutions, Inc., and DrillingInfo, Inc., in addition to smaller companies. Certain of our Energy segment's other offerings compete with products from Wood Mackenzie Ltd., Divestco Inc. and Geologic Data Systems, Inc., in addition to other specialized companies. Our Energy segment's advisory services compete with Global Decisions Group LLC and NV KEMA, in addition to other smaller consulting companies.

Our Engineering segment competes against a fragmented set of companies. In our specifications and standards business, we compete with some of the SDOs, Thomson's Techstreet, United Business Media plc, and ILI Infodisk, Inc. Our Engineering segment's operational services and parts data offerings compete with i2 Technologies, Inc. and Thomas Publishing.

## **Intellectual Property**

We rely heavily on intellectual property, including the intellectual property we own and license. We regard our trademarks, copyrights, licenses, and other intellectual property as valuable assets

and use intellectual property laws, as well as license and confidentiality agreements with our employees, dealers, and others, to protect our rights. In addition, we exercise reasonable measures to protect our intellectual property rights and enforce these rights when we become aware of any potential or actual violation or misuse.

Intellectual property licensed from third parties, including SDOs, is a vital component of our offerings and, in many cases, cannot be independently replaced or recreated by us or others. We have longstanding relationships with the SDOs, government agencies, and manufacturers from whom we license information. Almost all of the licenses that we rely upon are nonexclusive and expire within one to two years unless renewed.

We maintain more than 85 registered trademarks which we will need to renew at various times within the next ten years. In addition, we have applied for patents in the United States relating to digital rights management, remote access printing, and print on demand.

### **Employees**

We have more than 2,300 employees, of which approximately 1,200 are located in the United States and approximately 1,100 are located abroad. None of our employees are represented by a collective bargaining agreement and we consider our employee relations to be good.

### **Facilities**

We own two office buildings in Englewood, Colorado, which comprise our headquarters, and other office buildings in London and Tetbury, England, Geneva, Switzerland and Johannesburg, South Africa. We lease space for a total of 36 offices in 21 countries, including offices in Cambridge, Massachusetts; Houston, Texas; Oklahoma City, Oklahoma; Calgary, Alberta; Geneva, Switzerland; Paris, France; New York, New York; Beijing, China; Rio de Janeiro, Brazil; and two locations in the United Kingdom. We believe that our properties, taken as a whole, are in good operating condition and are suitable and adequate for our current business operations, and that additional or alternative space will be available on commercially reasonable terms for future use and expansion.

Our ownership and operation of real property and our operation of our business is subject to various foreign, federal, state, and local environmental protection and health and safety laws and regulations. Some environmental laws hold current and previous owners and operators of businesses and real property liable for contamination on owned or operated property and on properties at which they disposed of hazardous waste, even if they did not know of and were not responsible for the contamination, and for claims for property damage or personal injury associated with the exposure to or the release of hazardous or toxic substances. We have not incurred and do not currently anticipate incurring any material liabilities in connection with such environmental laws.

### **Legal Proceedings**

We are not party to any material litigation and are not aware of any pending or threatened litigation that could have a material adverse effect upon our business, operating results, or financial condition.

## MANAGEMENT

## Executive Officers and Directors

Set forth below is information concerning our executive officers and directors as of August 31, 2005.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Charles A. Picasso	64	President and Chief Executive Officer, Director
Jerre L. Stead	62	Chairman of the Board
Michael J. Sullivan	40	Senior Vice President and Chief Financial Officer
Jeffrey Tarr	42	President and Chief Operating Officer, Engineering
Ron Mobed	46	President and Chief Operating Officer, Energy
Stephen Green	53	Senior Vice President and General Counsel
H. John Oechsle	43	Senior Vice President and Chief Information Officer
Jeffrey Sisson	48	Senior Vice President, Global Human Resources
Matt Levin	32	Senior Vice President, Corporate Development and Strategic Planning
Jane Okun	43	Senior Vice President, Investor Relations and Corporate Communications
C. Michael Armstrong	66	Director
Steven A. Denning	56	Director
Roger Holtback	60	Director
Balakrishnan S. Iyer	49	Director
Michael Klein	41	Director
Richard W. Roedel	55	Director
Michael v. Staudt	57	Director

Executive officers are appointed by our board of directors. A brief biography of each executive officer and director follows.

## Executive officers

**Charles A. Picasso** has served as President and Chief Executive Officer and a member of our board of directors since October 2004. Prior to his appointment as President and CEO of IHS, Mr. Picasso served as President and Chief Operating Officer of our Engineering segment, since September 2003. Prior to that, from December 2002 to September 2003, Mr. Picasso served as Executive Vice President of Worldwide Sales and Marketing for our Engineering segment. Before joining IHS, Mr. Picasso was Chief Operating Officer with Digital Island Inc. from August 2000 to December 2002. From 1999 to 2000 he was President of CDI Corporation. Prior to that, from 1996 to 1999, he was Senior Vice President of Worldwide Professional Services Business Unit with NCR Corporation (formerly AT&T Global Information Solutions). From January 1994 to 1996, he was President and Chief Executive Officer of AT&T-Istel Europe. Mr. Picasso holds a bachelor of science degree in Computer Science from the University of Sciences in Montpellier, France.



**Jerre L. Stead** has served as Chairman of our board of directors since December 1, 2000. From August 1996 until June 2000, Mr. Stead served as Chairman of the board of directors and Chief Executive Officer of Ingram Micro Inc. Prior to that, he served as Chief Executive Officer and Chairman of the board of directors at Legent Corporation, from January 1995 to August 1995. From May 1993 to December 1994 he was Executive Vice President of AT&T and Chairman and Chief Executive Officer of AT&T Corp. Global Information Solutions (NCR Corporation) and from September 1991 to April 1993 he was President and Chief Executive Officer of AT&T Corp. Global Business Communication Systems. Mr. Stead also serves on the board of directors of TBG, Armstrong World Industries, Inc., Brightpoint, Inc., Conexant Systems, Inc., Mindspeed Technologies, Inc., and Mobility Electronics, Inc.

**Michael J. Sullivan** joined IHS in October 1999 as Senior Vice President and Chief Financial Officer. Prior to that, Mr. Sullivan was director of corporate accounting from April 1997 to February 1998, and director of financial planning and analysis from February 1998 to October 1999, for Coors Brewing Company. Prior to joining Coors, he spent 10 years with Price Waterhouse in audit services and the transaction support group. Mr. Sullivan holds a bachelor's degree in Business Administration and Accounting from the University of Iowa.

**Jeffrey Tarr** has served as President and Chief Operating Officer of our Engineering segment since December 2004. From May 2001 to November 2004 he led Hoover's, Inc. Mr. Tarr served as Chief Executive Officer and President from May 2001, as a director from June 2001, and as Chairman from March 2002 until March 2003 when the business was acquired by Dun & Bradstreet Corporation. From the date of the acquisition until November 2004, Mr. Tarr served as President and as a director of the Hoover's subsidiary of Dun & Bradstreet. From January 2000 through March 2001 he served as Chief Executive, President and a director of All.com, Inc. From June 1994 until January 2000 he held a number of positions at U.S. West and served as a Vice President from April 1998. Earlier in his career he was a consultant with Bain & Company. Mr. Tarr holds an undergraduate degree in Public and International Affairs from Princeton University and an MBA from Stanford University.

**Ron Mobed** has served as President and Chief Operating Officer of our Energy segment since April 2004. Prior to that, Mr. Mobed served in multiple leadership roles at Schlumberger Limited, since September 1980. Mr. Mobed received his bachelor's degree in Engineering from Trinity College at the University of Cambridge in 1980, and was awarded his master's in Petroleum Engineering with distinction from Imperial College at the University of London in 1987.

**Stephen Green** has served as General Counsel of IHS since 1996. He was Vice President and General Counsel of IHS from 1996 to 2003 and was appointed Senior Vice President and General Counsel in December 2003. Mr. Green joined the legal department of TBG in 1981. Mr. Green holds a bachelor's degree from Yale University and a law degree from Columbia Law School.

**H. John Oechsle** joined IHS in July 2003 as Senior Vice President and Chief Information Officer. From June 2000 to July 2003, Mr. Oechsle was Chief Information Officer, Vice President Information Management Worldwide, for Ortho-Clinical Diagnostics, a Johnson & Johnson company. From August 1997 to June 2000, Mr. Oechsle was the General Manager, Executive Director Latin America for Networking & Computer Services, a Johnson & Johnson company. Mr. Oechsle holds a bachelor of science degree in Computer Science from Rutgers University and is a graduate of the Tuck Executive Program at Dartmouth College's Amos Tuck School of Business Administration.

**Jeffrey Sisson** has served as Senior Vice President of Global Human Resources of IHS since January 2005. From September 2002 to January 2005, Mr. Sisson was a Principal in Executive Partners, a private human resources consulting firm. From July 2001 to August 2002, Mr. Sisson was Senior Vice President, Human Resources for EaglePicher, Inc. From March 2000 to July 2001, he was Senior Director, Human Resources for Snap-on Incorporated. From February 1998 to February 2000, he was Director, Human Resources for Whirlpool Corporation. Mr. Sisson holds a

bachelor's degree and a master's degree in Labor & Industrial Relations from Michigan State University.

**Matt Levin** has served as Senior Vice President, Corporate Development and Strategic Planning since November 2004. Prior to that, Mr. Levin was Vice President, Global Operations Officer of Hudson Highland Group's Solutions Business, since September 2003. From August 2000 to September 2003 he was an independent consultant in the professional services, financial services, and media industries. Prior to working in consulting, Mr. Levin worked in financial services as a First Scholar at First Chicago NBD. Mr. Levin holds an undergraduate degree from Northwestern University and an MBA from the University of Chicago.

**Jane Okun** has served as Senior Vice President, Investor Relations and Corporate Communications since November 2004. From 2002 to 2004, Ms. Okun was a partner with Genesis, Inc., a strategic marketing firm also specializing in investor relations. Prior to that, she was Vice President, Investor Relations and Corporate Communications of Velocom, Inc., from 2000 to 2001, and Executive Director, Investor Relations of Media One Group from 1998 to 2000. Prior to joining Media One, Ms. Okun headed Investor Relations at Northwest Airlines, where she also held multiple corporate finance positions. Ms. Okun holds a bachelor's degree and an MBA from the University of Michigan.

## Directors

**C. Michael Armstrong** has served as a member of our board of directors since December 2003. Mr. Armstrong served as Chairman of Comcast Corporation from 2002 until May 2004. He was Chairman and Chief Executive Officer of AT&T Corp. from 1997 to 2002, Chairman and Chief Executive Officer of Hughes Electronic Corporation from 1992 to 1997, and retired from IBM in 1991 as Chairman of IBM World Trade after a 31-year career. Mr. Armstrong is on the board of directors of Citigroup Inc., HCA Inc., Parsons Corporation and the Telluride Foundation, and is on the board of trustees of Johns Hopkins University. Prior to this offering, Mr. Armstrong served as a member of the board of directors and an advisory committee of TBG, and from December 1988 to December 2003 he served on the board of directors of TBG. Mr. Armstrong is a Visiting Professor of the Sloan School at the Massachusetts Institute of Technology.

**Steven A. Denning** has served as a member of our board of directors since April 2005. Mr. Denning is the Chairman and a Managing Director of General Atlantic LLC, a private equity investment firm, and has been with General Atlantic (or its predecessor) since 1980. Mr. Denning is also a director of Eclipsys Corporation, Hewitt Associates, Inc., SRA International, Inc., The Thomson Corporation, and several private information technology companies of which entities affiliated with General Atlantic are investors. In addition, Mr. Denning is a member of The Board of Trustees of Stanford University and the Board of the American Museum of Natural History.

**Roger Holtback** has served as a member of our board of directors since December 2003. Since 2001 Mr. Holtback has served as Chairman and CEO of Holtback Holding AB. From 1993 to 2001 he served as President and CEO of the Bure Equity AB. From 1991 to 1993 he served as a member of the Group Executive Committee of SEB and Coordinating Chairman of SEB Sweden. From 1984 to 1990 he served as President and CEO of Volvo Corporation and Executive Vice President of the AB Volvo. Mr. Holtback is currently Chairman of the board of directors of Capio AB and Gunnebo AB, two companies listed on the Swedish Stock Exchange, as well as of SATS Holding AB and The Swedish Exhibition Centre. He serves as a member of the Stena Sphere Advisory Board and as Chairman of the Nordic Capital Investment Review Committee. Prior to this offering, Mr. Holtback served as a member of the board of directors and an advisory committee of TBG, and from September 1988 to December 2003 he served on the board of directors of TBG.

**Balakrishnan S. Iyer** has served as a member of our board of directors since December 2003. From October 1998 to June 2003 Mr. Iyer served as Senior Vice President and

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Chief Financial Officer of Conexant Systems Inc. From 1997 to 1998 he was Senior Vice President and Chief Financial Officer of VLSI Technology Inc. and from 1993 to 1997 he was Vice President, Corporate Controller of VLSI Technology Inc. Mr. Iyer serves on the board of directors of Invitrogen Corporation, Skyworks Solutions, Conexant Systems, Inc., Power Integrations, Inc., and QLogic Corporation.

**Michael Klein** has served as a member of our board of directors since December 1, 2003. Since February 2004, Mr. Klein has been Chief Executive Officer of Global Banking of Citigroup Inc. He also serves as the Vice Chairman of Citigroup International PLC. From 2003 to 2004, he was CEO of Citigroup Inc. Global Corporate and Investment Bank for Europe, the Middle East and Africa. From 2000 to 2003, he held the position of Co-Head of Global Investment Banking for Salomon Smith Barney, a member of Citigroup Inc. Prior to this offering, Mr. Klein served as a member of the board of directors and an advisory committee of TBG, and from December 2001 to December 2003 he served on the board of directors of TBG.

**Richard W. Roedel** has served as a member of our board of directors since November 2004. He was Chief Executive Officer of Take-Two Interactive Software, Inc. from June 2004 through January 2005. Mr. Roedel was an audit partner in BDO Seidman, LLC from 1985 to 2000 and Chairman and Chief Executive Officer of BDO Seidman from 1999 to 2000. He also serves on the board of directors of Brightpoint, Inc., Dade Behring Holdings, Inc., and of the Association of Audit Committee Members Inc.

**Michael v. Staudt** has served as a member of our board of directors since January 2005. Since March 1997, Mr. Staudt has served as Executive Vice President of TBG, overseeing finance, human resources, and corporate affairs. Before joining TBG in 1997, Mr. Staudt was a member of the Executive Committee of Bayerische Vereinsbank Group in charge of corporate banking.

### Classified Board

Our board of directors is made up of nine directors, of which six are independent. Our board is divided into three classes. The members of each class serve for a three-year term. Messrs. Picasso, Roedel and Staudt serve in the class with a term expiring in 2006, Messrs. Denning, Holtback and Klein serve in the class with a term expiring in 2007, and Messrs. Stead, Armstrong and Iyer serve in the class with a term expiring in 2008. At each annual meeting of the stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring.

### Board Committees

Our board of directors has an Audit Committee, a Human Resources Committee, and a Nominating and Corporate Governance Committee, each of which has the composition and responsibilities described below.

The Audit Committee is comprised of three independent directors. The members of the Audit Committee are Messrs. Iyer (Chairman), Holtback, and Roedel. The Audit Committee assists our board of directors in its oversight of (i) the integrity of our financial statements, (ii) our independent auditors' qualifications, independence, and performance, (iii) the performance of our internal audit function, and (iv) our compliance with legal and regulatory requirements. In addition to any other responsibilities that our board may assign from time to time, the Audit Committee prepares the audit committee report that the SEC rules require to be included in our annual proxy statement or annual report on Form 10-K.

The Human Resources Committee is comprised of three independent directors. The members of the Human Resources Committee are Messrs. Armstrong (Chairman), Denning and Klein. The Human Resources Committee has been created by our board of directors to (i) oversee our compensation and benefits policies generally, (ii) evaluate executive officer performance and review

our management succession plan, (iii) oversee and set compensation for our executive officers, and (iv) prepare the report on executive officer compensation that the SEC rules require to be included in our annual proxy statement or annual report on Form 10-K.

The Nominating and Corporate Governance Committee is comprised of five independent directors. The members of this committee are Messrs. Armstrong (Chairman), Denning, Holtback, Klein, and Iyer. The Nominating and Corporate Governance Committee has been created by our board of directors to (i) identify individuals qualified to become board members and recommend director nominees to the board, (ii) recommend directors for appointment to board committees, (iii) make recommendations to the board as to determinations of director independence, (iv) oversee the evaluation of the board, (v) make recommendations to the board as to compensation for our directors, and (vi) develop and recommend to the board our corporate governance guidelines and code of business conduct and ethics and oversee compliance with such guidelines and code.

#### **Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers, and directors. This Code is available on our website at [www.ihs.com](http://www.ihs.com) and copies will be mailed to stockholders, free of charge, upon written request made to the Corporate Secretary, IHS Inc., 15 Inverness Way East, Englewood, CO 80112. We intend to disclose any amendment to, or waiver from, a provision of this code on our website.

#### **Compensation Committee Interlocks and Insider Participation**

Our Human Resources Committee performs functions equivalent to a compensation committee. Messrs. Armstrong, Denning and Klein are members of this committee. During the last ten years, none of them has been an officer or employee of IHS. Mr. Stead, one of our executive officers and the chairman of our board, served on this committee during the last fiscal year.

Other than Mr. Stead, none of our executive officers currently serves, or in the past has served, on the board of directors or compensation committee (or committee performing equivalent functions) of any other company that has or had one or more executive officers serving on our board of directors or Human Resources Committee.

#### **Director Compensation**

Our nonemployee directors (other than Michael v. Staudt) receive compensation for their board service. That compensation is comprised of an annual cash retainer of \$40,000 (which may be converted into deferred stock units or deferred under our directors stock plan, as described in " Equity Compensation Plans IHS Inc. 2004 Directors Stock Plan") and a fee of \$1,500 per board and committee meeting attended, plus reimbursement for all reasonably incurred expenses related to the meeting. Additionally, there are annual retainers as follows:

a \$20,000 audit committee chair retainer;

a \$5,000 committee chair retainer for committees other than our audit committee; and

a \$5,000 audit committee member retainer.

Under our directors stock plan, on each December 1, commencing with December 1, 2005, each nonemployee director (other than Messrs. Klein and Staudt):

who was not on the preceding December 1 a director will receive a one-time award consisting of restricted stock units, whose underlying shares will have, on the date of grant, a fair market value (as defined in the plan) equal to \$80,000; and

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will receive both an award consisting of restricted stock units, whose underlying shares will have, on the date of grant, a fair market value equal to \$50,000, and an annual cash retainer award equal to \$40,000, which cash-based award may be converted into deferred stock units or deferred.

On December 29, 2004, each nonemployee director (other than Messrs. Klein and Staudt):

who was elected to our board on or before November 18, 2004 (*i.e.*, all of our current nonemployee directors except Mr. Roedel) received 8,000 shares of restricted stock;

who was elected to our board on or after November 22, 2004 but before November 30, 2004 (*i.e.*, Mr. Roedel) received 5,000 shares of restricted stock; and

who was a nonemployee director as of December 1, 2004 (*i.e.*, all of our current nonemployee directors) received 4,500 shares of restricted stock, in addition to any other shares of restricted stock he or she may have received under the plan.

We provide liability insurance for our directors and officers. In addition, prior to this offering, we expect to enter into contractual indemnification agreements with each of our directors. These agreements are described under Item 14 of the registration statement of which this prospectus forms a part.

In addition, our non-employee directors (other than C. Michael Armstrong and Michael Klein) may participate in our directed share program. See "Underwriting."

### **Executive Compensation**

The following summary compensation table sets forth information concerning total compensation earned by or paid to (i) each individual who served as our Chief Executive Officer during the year ended November 30, 2004, (ii) our four other most highly compensated executive officers who served in such capacities as of November 30, 2004, and (iii) one additional executive officer of ours who would have been included under clause (ii) above, but for the fact that he was no longer employed by us as of November 30, 2004, in each case for services rendered to us during the year ended November 30, 2004. We refer to these individuals as our named executive officers.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		
		Salary	Bonus	Other Annual Compensation(1)	Awards		
					Restricted Stock Awards\$(2)	Securities Underlying Options(#)	All Other Compensation
Charles A. Picasso President and Chief Executive Officer(3)	2004	\$ 374,903	\$ 240,000		150,000		
Jerre L. Stead Chairman of the Board	2004	400,000	400,000				
Stephen Green Senior Vice President and General Counsel	2004	272,058	203,206(4)		60,000	\$	6,500(5)
Michael J. Sullivan Senior Vice President and Chief Financial Officer	2004	270,673	157,006		70,000		6,500(5)
H. John Oechsle Senior Vice President and Chief Information Officer	2004	244,923	115,152		50,000		6,500(5)
Robert R. Carpenter Senior Advisor (former President and Chief Executive Officer of Information Handling Services Group Inc.)(6)	2004	514,400	390,853		250,000		1,506,500(7)
Randolph A. Weil Former Executive Vice President of Information Handling Services Group Inc.(8)	2004	307,727			70,000		1,545,188(9)

- (1) Perquisites and other personal benefits, securities or property are not disclosed unless the aggregate amount of such compensation is the lesser of either \$50,000 or 10% of the total of annual salary plus bonus for the named executive officer in question, as permitted by SEC rules.
- (2) No restricted stock awards were granted during the year ended November 30, 2004. Restricted stock awards were granted on December 23, 2004 to certain of our named executive officers, including Messrs. Picasso, Stead and Oechsle. See " Equity Compensation Plans Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan Restricted stock and restricted stock units." Additionally, restricted shares of our Class A common stock or deferred stock units, each representing the right to receive one share of our Class A common stock, were granted on December 23, 2004 to certain of our named executive officers who accepted the offer by IHS Group Inc., a Colorado corporation and our subsidiary ("IHS Group Inc."), to exchange all outstanding stock options to purchase shares of its Class A non-voting common stock and IHS Group Inc. shares previously acquired upon the exercise of such options. See " Equity Compensation Plans Offer to Exchange Options and Shares Held by Our Senior Executives" and " Equity Compensation Plans Offer to Exchange Options and Shares Held by Directors and Certain Employees."
- (3) Mr. Picasso became our chief executive officer as of October 6, 2004.
- (4) Of this amount, \$75,000 is attributable to a one-time bonus.
- (5) This entire amount is attributable to employer 401(k) contributions.
- (6) Mr. Carpenter ceased being our president and chief executive officer as of October 6, 2004.
- (7) Of this amount, \$6,500 is attributable to employer 401(k) contributions and \$1,500,000 is attributable to a portion of the consideration paid for canceling Mr. Carpenter's options to purchase 1.5 million shares of Class A non-voting common stock of IHS Group Inc. See " Employment Contracts, Termination of Employment and Change in Control Arrangements Robert R. Carpenter."

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- (8) Mr. Weil ceased being an executive vice president as of November 5, 2004.
- (9) Of this amount, \$4,788 is attributable to employer 401(k) contributions, \$315,000 is attributable to Mr. Weil's severance pay that he received pursuant to his termination agreement, \$126,000 is attributable to the amount that would have been payable to Mr. Weil as his annual bonus for 2004 at target performance and \$1,099,400 is attributable to consideration for the cancellation of all of Mr. Weil's stock options to purchase shares of the Class A non-voting common stock of IHS Group Inc. " Employment Contracts, Termination of Employment and Change in Control Arrangements Randolph A. Weil."

**Stock Option/SAR Grants in Last Year**

Since December 29, 2004, we have not had any options outstanding. The following table sets forth information concerning grants of stock options made to our named executive officers during the year ended November 30, 2004, but which are no longer outstanding. All such grants were stock options to purchase the Class A non-voting common stock of one of our subsidiaries and were granted under the subsidiary's Non-Qualified Stock Option Plan (effective December 1, 1998) and the 2002 Non-Qualified Stock Plan as applicable to our senior executives. All such options, other than for Robert R. Carpenter, had an exercise price equal to the fair market value of the underlying shares on the date of grant and vested over one year from such date. No stock appreciation rights were granted in the year ended November 30, 2004.

**OPTION GRANTS IN LAST YEAR (2004)**

Name	Individual Grant				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees	Exercise Price (\$/Sh)(1)	Expiration Date	5%(\$)	10%(\$)
Charles A. Picasso(3)	150,000	8.4%	\$ 9.00	12/1/2010	\$ 459,000	\$ 1,041,000
Jerre L. Stead(3)						
Stephen Green(3)	60,000	3.4	9.00	12/1/2010	183,600	416,400
Michael J. Sullivan(3)	70,000	3.9	9.00	12/1/2010	214,200	485,800
H. John Oechsle(3)	50,000	2.8	9.00	12/1/2010	153,000	347,000
Robert R. Carpenter(3)	250,000	14.1	12.00	12/1/2010	15,215	986,012
Randolph A. Weil(4)	70,000	3.9	9.00	12/1/2010	214,200	485,800

- (1) All stock options granted in the year ended November 30, 2004 were granted with an exercise price equal to the fair market value of the underlying shares on the date of grant, other than the stock options granted to Mr. Carpenter with an exercise price in excess of fair market value. The fair market value on the grant date was determined by a valuation committee of our board of directors after reviewing a discounted cash flow analysis prepared by management and an analysis of the valuation of comparable companies also prepared by management.
- (2) The potential realizable value is based on the term of the stock option. It is calculated assuming that the fair market value of the underlying shares on the date of grant appreciates at projected annual rates compounded annually for the entire term of the option and that the option is exercised on the last day of its term for the appreciated stock price. These values are calculated based on requirements of law and do not reflect estimates of our future stock price growth. We elected to use the fair market value on the grant date rather than the mid-point of the range on the cover of this prospectus to compute "potential realizable value" since these options relate to IHS Group Inc., an entity whose assets, results of operations and capital structure differ from IHS Inc. In addition, these options are no longer outstanding, as described in further detail in footnotes (3) and (4) below.
- (3) On November 22, 2004, IHS Group Inc. offered to exchange all outstanding stock options to purchase shares of its Class A non-voting common stock and IHS Group Inc. shares previously acquired upon the exercise of such options. See "Equity Compensation Plans Offer to Exchange Options and Shares Held by Our Senior Executives" and "Equity Compensation Plans Offer to Exchange Options and Shares Held by Our Directors and Certain Employees." All of our named executive officers, other than Mr. Weil, whose options were cancelled as described in footnote (4) below, accepted the offer and no longer hold any options.
- (4) Under Mr. Weil's termination agreement dated November 5, 2004, all of his then outstanding stock options were cancelled. In consideration of such cancellation, he received \$1,099,400 in cash. See "Employment Contracts, Termination of Employment and Change in Control Arrangements Randolph A. Weil."

**Aggregated Option and SAR Exercises in Last Year and Year-End Option Values**

The following table sets forth information concerning option exercises by our named executive officers during the year ended November 30, 2004. All such exercises were for the purchase of the





Class A non-voting common stock of one of our subsidiaries. No stock appreciation rights were exercised during the year ended November 30, 2004.

**AGGREGATED OPTION EXERCISES IN LAST YEAR (2004) AND YEAR-END OPTION VALUES**

Name	Shares Acquired on Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options At Year End(#)		Value of Unexercised In-the-Money Options At Year End\$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Charles A. Picasso(2)				475,000	\$	443,250
Jerre L. Stead(2)				750,000		877,500
Stephen Green(2)	35,000	126,700	55,000	155,000		215,349
Michael J. Sullivan(2)	100,000	362,000	30,000	210,000		318,151
H. John Oechsle(2)				100,000		79,500
Robert R. Carpenter(2)			1,000,000	750,000	\$	1,040,000
Randolph A. Weil(3)						

- (1) The value of an unexercised in-the-money option at November 30, 2004 is the product of (i) the excess of the fair market value of a share of the Class A non-voting common stock of IHS Group Inc. at November 30, 2004 over the exercise price of such option, multiplied by (ii) the number of shares underlying such option. All stock options have been granted with exercise prices equal to the fair market value of the underlying shares on the date of grant, other than the stock options granted to Mr. Carpenter in March 2004. The fair market value on the grant date was determined by a valuation committee of our board of directors after reviewing a discounted cash flow analysis prepared by management and an analysis of the valuation of comparable companies also prepared by management. We elected to use the exercise prices on the dates of grant and the fair market value of a share of IHS Group Inc. at November 30, 2004 to calculate the value of unexercised in-the-money options at November 30, 2004 because these options relate to IHS Group Inc., an entity whose assets, results of operations and capital structure differ from IHS Inc. In addition none of these options are currently outstanding, as described in further detail in footnotes (2) and (3) below.
- (2) On November 22, 2004, IHS Group Inc. offered to exchange all outstanding stock options to purchase shares of its Class A non-voting common stock and IHS Group Inc. shares previously acquired upon the exercise of such options. See " Equity Compensation Plans Offer to Exchange Options and Shares Held by Our Senior Executives" and " Equity Compensation Plans Offer to Exchange Options and Shares Held by Directors and Certain Employees." All of our named executive officers, other than Mr. Weil, whose options were cancelled as described in footnote (3) below, accepted the offer and no longer hold any options.
- (3) Under Mr. Weil's termination agreement dated November 5, 2004, all of his then outstanding stock options were cancelled. In consideration of such cancellation, he received \$1,099,400 in cash. See " Employment Contracts, Termination of Employment and Change in Control Arrangements Randolph A. Weil."

**Long-Term Incentive Plan**

We adopted our Amended and Restated 2004 Long-Term Incentive Plan on November 30, 2004, but did not grant any awards under that plan on that date.

**Pension Plans**

The following table sets forth the total estimated retirement benefits for representative years of service and average final compensation payable under the IHS Retirement Income Plan and IHS Supplemental Income Plan as in effect during the plan year 2004. Under the Internal Revenue Code, the maximum permissible benefit from the retirement income plan, which is a qualified pension plan, for retirement in 2004 was \$165,000, and annual compensation exceeding \$205,000 in 2004 could not be considered in computing the maximum permissible benefit under the retirement income plan. The supplemental income plan, which is a non-qualified pension plan, pays benefits in excess of Internal Revenue Code maximums to all participants of the retirement income plan.

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The benefit amounts shown in the following table do not reflect the reduction based on a portion of the recipient's Social Security benefit in calculating benefits payable under our plans.

### PENSION PLAN TABLE

Average Final Compensation	Years of Service					
	5	10	15	20	25	30
\$150,000	\$ 12,750	\$ 25,500	\$ 38,250	\$ 51,000	\$ 63,750	\$ 76,500
\$175,000	\$ 14,875	\$ 29,750	\$ 44,625	\$ 59,500	\$ 74,375	\$ 89,250
\$200,000	\$ 17,000	\$ 34,000	\$ 51,000	\$ 68,000	\$ 85,000	\$ 102,000
\$225,000	\$ 19,125	\$ 38,250	\$ 57,375	\$ 76,500	\$ 95,625	\$ 114,750
\$250,000	\$ 21,250	\$ 42,500	\$ 63,750	\$ 85,000	\$ 106,250	\$ 127,500
\$275,000	\$ 23,375	\$ 46,750	\$ 70,125	\$ 93,500	\$ 116,875	\$ 140,250
\$300,000	\$ 25,500	\$ 51,000	\$ 76,500	\$ 102,000	\$ 127,500	\$ 153,000
\$325,000	\$ 27,625	\$ 55,250	\$ 82,875	\$ 110,500	\$ 138,125	\$ 165,750
\$350,000	\$ 29,750	\$ 59,500	\$ 89,250	\$ 119,000	\$ 148,750	\$ 178,500
\$375,000	\$ 31,875	\$ 63,750	\$ 95,625	\$ 127,500	\$ 159,375	\$ 191,250
\$400,000	\$ 34,000	\$ 68,000	\$ 102,000	\$ 136,000	\$ 170,000	\$ 204,000
\$425,000	\$ 36,125	\$ 72,250	\$ 108,375	\$ 144,500	\$ 180,625	\$ 216,750
\$450,000	\$ 38,250	\$ 76,500	\$ 114,750	\$ 153,000	\$ 191,250	\$ 229,500
\$475,000	\$ 40,375	\$ 80,750	\$ 121,125	\$ 161,500	\$ 201,875	\$ 242,250
\$500,000	\$ 42,500	\$ 85,000	\$ 127,500	\$ 170,000	\$ 212,500	\$ 255,000

The following table provides information, as of November 30, 2004, on the number of full years of service under the plans and compensation for purposes of determining retirement benefits, consisting of regular salary plus commissions and overtime. The plan provides retirement benefits based on a percentage of the highest five years' average compensation in the last ten years of employment. Mr. Weil is no longer a participant in these plans.

Name	Full Years of Credited Service (#)	Compensation for Purposes of Determining Benefits (\$)
Charles A. Picasso	2(1)	\$ 349,904
Jerre L. Stead	4(2)	400,000
Stephen Green	23	252,212
Michael J. Sullivan	5	251,443
H. John Oechsle	1	226,846
Robert R. Carpenter	4(3)	476,754

- (1) Does not reflect ten additional years of service with which Mr. Picasso would be credited if he were to be employed by us through his 65th birthday or if we terminate his employment prior to his 65th birthday other than for cause, he terminates his employment prior to such date for good reason, his employment terminates prior to such date by reason of death or disability or he terminates his employment prior to such date following a change in control. See " Employment Contracts, Termination of Employment and Change In Control Arrangements Charles A. Picasso."
- (2) Does not reflect 25 additional years of service with which Mr. Stead has been credited pursuant to the supplemental income plan.
- (3) Does not reflect one additional year of service with which Mr. Carpenter has been credited pursuant to his termination agreement. See " Employment Contracts, Termination of Employment and Change In Control Arrangements Robert R. Carpenter."

Participants are 100% vested in their benefit at the time they are credited with five or more years of vesting service or the date when they reach age 65. Vesting may be accelerated in years in which we make a transfer of surplus plan assets to the retiree medical accounts under the plan to provide for retiree medical coverage.

Normal retirement age under the plan is 65 but a participant who terminates employment with at least ten years of vesting service may retire as early as age 55. Participants who terminate employment after age 55 with ten years of vesting service will receive a reduction of benefit equal to 0.5% for each month that benefit commencement precedes age 62. Participants who terminate



employment before age 55 with ten years of vesting service will receive a reduction of benefit equal to 0.5% for each month that benefit commencement precedes age 65.

#### **Employment Contracts, Termination of Employment and Change In Control Arrangements**

All of our executive officers, other than Jerre L. Stead, have employment agreements with us. The following are descriptions of:

the employment agreements for our named executive officers who served as our executive officers as of November 30, 2004; and

the termination agreements for two other named executive officers who are former executive officers.

These descriptions are intended to be summaries and do not describe all provisions of the agreements. In addition, the agreements for individuals who are currently our executive officers, but who are not our named executive officers, may contain provisions that are different than those described in the following descriptions.

**Charles A. Picasso.** We have entered into an employment agreement with Charles A. Picasso, our president and chief executive officer. The following is a description of the material terms of this agreement.

**Term.** The term of Mr. Picasso's employment under the agreement commenced on October 15, 2004 for an initial term of one year, and it renews automatically on each anniversary of that date for an additional one-year period, unless either Mr. Picasso's employment is terminated earlier in accordance with the agreement or we notify, or Mr. Picasso notifies, the other party in writing at least 30 days prior to the applicable anniversary of the commencement date.

**Base salary, bonus and benefits.** The agreement provides for an initial base salary of \$550,000, to be increased by the human resources committee of our board of directors in its sole discretion. During the year ended November 30, 2005, Mr. Picasso's base salary will remain at this level.

Under the agreement, Mr. Picasso is eligible for an annual bonus pursuant to our then current annual incentive plan. Mr. Picasso's 2004 bonus was based both on meeting certain financial performance measures, such as operating income and revenue for IHS Engineering, and, after Mr. Picasso assumed the position of President and CEO of IHS, on the financial performance measures of revenue, net income and cash flow for IHS. In addition, during both periods, Mr. Picasso had certain personal performance objectives that focused on improving the leadership and strength of his management team, improving and expanding relationships with SDOs and identifying acquisition and alliance opportunities. Commencing with the year beginning December 1, 2004, and for each subsequent year during the term of Mr. Picasso's employment, he will be eligible to receive a bonus in an amount equal to 80% of his base salary in effect at the beginning of such year at target performance and in an amount equal to 120% at maximum performance. The performance objectives for Mr. Picasso's annual bonus will be determined by our board. Mr. Picasso's annual bonus will be prorated for achievement of objectives between 80% and 100% of target performance and between target performance and maximum performance. No annual bonus will be payable in any year for performance at or below 80% of target performance.

Mr. Picasso is also entitled to participate in the employee benefits plans, programs and arrangements as are customarily accorded to our executives.

**Termination of employment.** If there is no "change in control" (as defined in the agreement), the agreement provides that Mr. Picasso's employment may terminate upon his resignation for "good reason" (as defined in the agreement) or by us without "cause" (as defined in the agreement). In either of these situations, Mr. Picasso is entitled to a lump-sum cash payment equal to the sum of the following:

any earned but unpaid base salary or other amounts accrued or owing through the date of termination;

in the event of termination prior to Mr. Picasso's 65th birthday, an amount equal to two years of his then base salary;

in the event of termination on or after his 65th birthday, in lieu of the payment described in the bullet above, we will employ Mr. Picasso as a consultant for the one-year period following termination and will pay him an amount equal to one year of his then base salary; and

Mr. Picasso's target bonus amount for such year, prorated for the number of days that have elapsed during such year.

In addition to the foregoing lump-sum payment, Mr. Picasso is entitled to:

continued participation in our medical, dental and vision plans for the relevant period, as described below, following the date of termination;

vesting of unvested stock options, restricted stock and other equity awards then held by Mr. Picasso, as determined under the applicable compensation plan;

outplacement services during the six-month period following such termination; and

a credit for an additional two years for the purposes of each of the age and service requirements of any of retirement related employee benefit plans, programs and arrangements maintained by us or our affiliates in which Mr. Picasso participated at the time of such termination.

Additionally, if Mr. Picasso is employed by us through his 65th birthday or if we terminate his employment prior to his 65th birthday other than for cause, he terminates his employment prior to such date for good reason, his employment terminates prior to such date by reason of death or disability or he terminates his employment prior to such date following a change in control, he will be credited with ten additional years for purposes of service requirements under the pension plan in which he participates on such date. This credit will be added to any two-year service credit to which he may otherwise be entitled.

For these purposes, the "relevant period" means, if Mr. Picasso is terminated prior to his 65<sup>th</sup> birthday, the period of two years following termination of Mr. Picasso's employment, and, if Mr. Picasso is terminated on or after his 65th birthday and is engaged to provide consulting services, the period of one year following the termination of his employment.

In addition to the payments and benefits above, if there is change in control, and within one year of such change in control Mr. Picasso terminates employment for a "CIC good reason" (as defined in the agreement) or is terminated by us without cause, the agreement provides that all unvested stock options, restricted stock and other equity awards held by Mr. Picasso will fully vest and become exercisable as of the effective date of such termination.

Under the agreement, if Mr. Picasso terminates his employment other than for good reason or if his employment is terminated by us for cause, Mr. Picasso will receive no further payments, compensation or benefits, except as accrued or owing prior to the effectiveness of Mr. Picasso's termination, and such compensation or benefits that have been earned and will become payable without regard to future services.

The agreement provides that if Mr. Picasso's employment terminates by reason of death, disability or retirement, he or his beneficiaries will receive a lump-sum cash payment equal to the sum of:

any earned but unpaid base salary or other amounts, as defined in the agreement, accrued or owing through the date of termination; and

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Mr. Picasso's target bonus for such year, prorated for the number of days that have elapsed during such year.

If employment terminates by reason of Mr. Picasso's retirement, Mr. Picasso may be entitled to additional benefits as determined in accordance with our otherwise applicable employee benefit and retirement plans and programs.

Under the agreement, if Mr. Picasso's employment terminates other than by reason of death or disability, any payments Mr. Picasso is eligible for are contingent on Mr. Picasso's execution of a release.

*Tax indemnity.* Under the agreement, if any amounts or benefits received under the agreements or otherwise are subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, an additional payment will be made to restore Mr. Picasso to the after-tax position that he would have been in, if the excise tax had not been imposed.

*Covenants.* Under the agreement, Mr. Picasso has agreed to maintain the confidentiality of certain of our information at all times during his employment and thereafter unless he obtains the prior written consent of our board of directors. Mr. Picasso has also agreed not to compete with us during his employment and for a restricted period, as described below, after any termination of his employment. Additionally, Mr. Picasso has agreed not to solicit, hire or cause to be hired any of our employees or employees of any of our subsidiaries for or on behalf of any competitor during that restricted period. For these purposes, the "restricted period" means the two-year period following termination of Mr. Picasso's employment.

*Country Club.* Separately, we have agreed with Mr. Picasso that he will be the primary user of our membership in a country club. We will pay for the initiation fee and the monthly family dues while he is employed by us. At such time that Mr. Picasso leaves our employment for any reason, he will no longer be permitted to use our membership.

*Jerre L. Stead.* Mr. Stead does not have an employment agreement. At our board of directors meeting on December 9, 2004, our board set his base salary at \$400,000 for the year ending November 30, 2005, which is the same base salary received by Mr. Stead for the year ending November 30, 2004. Mr. Stead's annual compensation is determined by our board of directors, based on his performance and contributions.

*Stephen Green, Michael J. Sullivan, and H. John Oechsle.* We have entered into an employment agreement with each of Stephen Green, our general counsel; Michael J. Sullivan, our chief financial officer; and H. John Oechsle, our senior vice president and chief information officer. The following is a description of the material terms of their agreements.

*Term.* The term of employment for Messrs. Green, Sullivan, and Oechsle under their agreements commenced on November 1, 2004, for an initial term of one year, and it renews automatically on each anniversary of that date for an additional one-year period, unless their employment is terminated earlier in accordance with their agreements or we notify, or Messrs. Green, Sullivan, or Oechsle notifies, the other party in writing at least 30 days prior to the applicable anniversary of the commencement date.

*Base salary, bonus and benefits.* The agreements of Messrs. Green, Sullivan, and Oechsle provide for an initial base salary of \$275,000, \$275,000, and \$247,000, respectively, to be increased by the human resources committee of our board of directors in its sole discretion. At its meeting on December 9, 2004, the human resources committee established base salaries for the year ending November 30, 2005, for Messrs. Green, Sullivan, and Oechsle at \$297,000, \$300,000, and \$262,000, respectively.

Under their agreements, Messrs. Green, Sullivan and Oechsle are eligible for an annual bonus pursuant to our then current annual incentive plan. For the year ending November 30, 2005, each



of Messrs. Green, Sullivan and Oechsle will be eligible to receive a bonus in an amount equal to 50% of his base salary in effect at the beginning of such year at target performance. Performance objectives for their annual bonuses will be determined by our chief executive officer.

Messrs. Green, Sullivan, and Oechsle are also entitled to participate in the employee benefits plans, programs, and arrangements as are customarily accorded to our executives.

In accordance with Mr. Oechsle's agreement, he was granted 17,000 restricted shares of our Class A common stock on December 23, 2004. See " Equity Compensation Plans Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan Restricted stock and restricted stock units."

*Termination of employment.* If there is no "change in control" (as defined in their agreements), their agreements provide that the employment of Messrs. Green, Sullivan, and Oechsle may terminate upon their resignation for "good reason" (as defined in their agreements) or by us without "cause" (as defined in their agreements). In either of these situations, Messrs. Green, Sullivan, and Oechsle are entitled to a lump-sum cash payment equal to the sum of the following:

any earned but unpaid base salary or other amounts accrued or owing through the date of termination;

an amount equal to nine months of his then base salary, plus an additional month of such base salary for each year of employment with us or any of our affiliates, up to a maximum aggregate amount equal to two years of such base salary; and

his target bonus amount for such year, prorated for the number of days that have elapsed during such year.

In addition to the foregoing lump-sum payment, Messrs. Green, Sullivan, and Oechsle are entitled to the same rights as Mr. Picasso to benefit plan participation, equity award treatment, outplacement services, and two-year crediting under retirement related employee benefit plans.

For these purposes, the "relevant period" means the period following termination of the employment of Messrs. Green, Sullivan, and Oechsle equal to the total number of months upon which the payments thereunder are calculated, up to a maximum period of two years. Credit for the year in which termination occurs will be given for the purposes of calculating payments if he has completed 6 months or more of service beyond the prior anniversary date of his employment.

In addition to the payments and benefits above, if there is change in control, and within one year of such change in control Messrs. Green, Sullivan, or Oechsle terminates employment for a "CIC good reason" (as defined in their agreements) or is terminated by us without cause, rights with respect to their equity awards will be the same as those of Mr. Picasso.

Under their agreements, if Messrs. Green, Sullivan, or Oechsle terminates his employment other than for good reason or if his employment is terminated by us for cause, his rights will be the same as those of Mr. Picasso.

Their agreements provide that if the employment of Messrs. Green, Sullivan or Oechsle terminates by reason of death, disability, or retirement, he, or his beneficiaries, will have the same rights as Mr. Picasso.

Under their agreements, if the employment of Messrs. Green, Sullivan or Oechsle terminates other than by reason of death or disability, any payments he is eligible for are contingent on Messrs. Green, Sullivan, or Oechsle's execution of a release.

*Tax indemnity.* Under their agreements, Messrs. Green, Sullivan, or Oechsle have the same right to a tax indemnity as Mr. Picasso.

*Covenants.* Under their agreements, Messrs. Green, Sullivan, and Oechsle have agreed to the same confidentiality, non-competition, and non-solicitation provisions as Mr. Picasso. However, for their purposes, the "restricted period" means the longer of the one-year period following

termination of employment of Messrs. Green, Sullivan, or Oechsle, or in the event he receives payments as a result of his resignation for good reason, termination without cause, or following a change in control, in an amount greater than one year of his then base salary, the period following his termination of employment equal to the total number of months upon which the payments thereunder are calculated, up to a maximum period of two years.

**Robert R. Carpenter.** On August 4, 2004, Information Handling Services Group Inc. (a wholly owned subsidiary of the entity formerly known as HAIC Inc. and now known as IHS Inc.) entered into a termination agreement with Robert R. Carpenter pursuant to which he resigned from his employment with us and our affiliates, effective November 30, 2005. The agreement was amended as of November 29, 2004. From the date Mr. Carpenter ceased to serve as our president and chief executive officer on October 6, 2004 until November 30, 2005, he will be employed as our senior advisor. As such, he will report to our chairman and perform duties of an executive nature for us and our affiliates, as mutually agreed by our chairman and Mr. Carpenter. As of the date Mr. Carpenter ceased to be our president and chief executive officer, he also ceased to be an officer or director of any of our affiliates.

**Base salary, bonus and employee plan participation.** Under the agreement, Mr. Carpenter continued to receive his then current base salary through November 30, 2004. He is entitled to annual bonus payment for the year ended November 30, 2004, in accordance with our annual incentive plan.

For the period of December 1, 2004 through November 30, 2005, Mr. Carpenter will receive salary at the rate of \$250,000 per year. Mr. Carpenter will not participate in any annual bonus or incentive plans for such period, but will continue to participate in our then current health and welfare related benefit plans, 401(k) plan and retirement plan offered to our U.S.-based employees generally. Additionally, he will be vested in our retirement plan with the equivalent of 5 years of service.

**Equity compensation.** On December 1, 2003, we paid Mr. Carpenter \$1,500,000 as partial consideration for canceling his options to purchase 1.5 million shares of the Class A non-voting common stock of IHS Group Inc. The balance of the cash consideration for such cancellation was paid on December 1, 2004, and equaled \$250,000. Additionally, we paid Mr. Carpenter \$500,000 on December 1, 2004 and will pay him \$250,000 on December 1, 2005, in full satisfaction of the cancellation of a prior entitlement to receive a stock option to purchase 250,000 of the Class A non-voting common stock of IHS Group Inc.

In connection with the cancellation of Mr. Carpenter's options to purchase 1.5 million shares of the Class A non-voting common stock of IHS Group Inc., Mr. Carpenter also received stock options to purchase 1,750,000 shares of the Class A non-voting common stock of IHS Group Inc. under the 2002 Non-Qualified Stock Option Plan of IHS Group Inc., pursuant to stock option agreements dated March 1, 2003 and March 1, 2004, respectively. Pursuant to the amendment to his termination agreement, Mr. Carpenter tendered these options to IHS Group Inc. for \$1,040,000 in cash and 583,333 deferred stock units, each representing the right to receive one share of our Class A common stock. The shares underlying the deferred stock units will be delivered to Mr. Carpenter on June 1, 2006. In the event we have not had an initial public offering or change in control (as defined in the amendment) on or prior to June 1, 2006, Mr. Carpenter may authorize us to retain that number of shares of our stock necessary to satisfy the tax withholding obligation arising in connection with the delivery of the shares described above.

**Indemnification and release.** To the fullest extent permitted by the law, our predecessor company agreed to indemnify Mr. Carpenter and hold him harmless for all claims, lawsuits, losses, damages, assessments, penalties, expenses, costs or liabilities which he may sustain as a result of, or in connection with, any suit or other proceeding brought by a third party in connection with any of his acts or omissions by reason of the fact that he was employed by us or served as our officer or director, other than in connection with his gross negligence or willful misconduct.

Mr. Carpenter released and discharged us and any of our successors from all claims, demands and actions of any nature that he may have against us.

*Confidentiality.* Mr. Carpenter agreed that he will not communicate or disclose any information or materials regarding our operations, business practices, operating processes or personal practices without our prior written consent.

*Non-competition.* From August 4, 2004 through November 30, 2005 and for the one-year period following that date, Mr. Carpenter will be bound by the non-competition agreement contained in the stock option agreement dated March 1, 2004.

*Randolph A. Weil.* On November 5, 2004, Information Handling Services Group Inc. (a wholly owned subsidiary of the entity formerly known as HAIC Inc. and now known as IHS Inc.) entered into a termination agreement and general release and waiver of claims with Randolph A. Weil, effective immediately.

*Severance benefits.* Pursuant to the agreement, we paid Mr. Weil \$315,000 as severance pay and an additional \$126,000, representing the amount that would be payable to him as his annual bonus for 2004 at target performance. Additionally, we agreed to relocate Mr. Weil to a location within the United States during the one-year period after his termination date.

Under the agreement, Mr. Weil's medical, dental and vision coverages will continue through November 30, 2005. His premiums from such period will be deducted from his severance pay. If insurance premiums increase during the period through November 30, 2005, Mr. Weil is required to reimburse us for the additional amount.

Additionally, Mr. Weil's stock options to purchase shares of the Class A non-voting common stock of IHS Group Inc. were cancelled. In consideration of such cancellation, Mr. Weil received \$1,099,400 in cash.

*Release.* Mr. Weil released and discharged us and any of our successors from all claims, demands and actions of any nature that he may have against us.

*Confidentiality.* Mr. Weil agreed that he will not communicate or disclose any information or materials regarding our operations, business practices, operating processes or personal practices without our prior written consent.

*Non-competition.* For a period of twelve months from the termination date, Mr. Weil agreed that he will not:

engage in, acquire any financial or beneficial interest in (except as provided in the next sentence), be employed by or own, manage, operate or control any entity which is engaged in any business in competition with the business of us or any of our subsidiaries; or

solicit or attempt to entice away from us or our subsidiaries, or otherwise interfere with the business relationship with any person or entity who is, or was during the term of his employment, a customer or employee of, consultant or supplier to or other person or entity having material business relations with us or any of our subsidiaries.

Notwithstanding the foregoing, Mr. Weil will not be prohibited from:

owning less than 1% of any publicly traded corporation, whether or not such corporation is in competition with us or any of our subsidiaries;

during such twelve-month period, being employed or providing services to a company with multiple product and/or service lines where one or more of its products or service lines is in competition with us or any of our subsidiaries, so long as he has no contact with the unit(s) involved with the competitive products or services; or

during such twelve-month period, being employed by PennPoint LLC.



*Indemnification for breaches.* Under the agreement, generally, the parties will indemnify one another for any costs, losses, damages or expenses, including attorney's fees, which arise from the breach of the agreement.

## Equity Compensation Plans

*Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan.* Our 2004 Long-Term Incentive Plan has been in effect since November 30, 2004. The following description of the plan is intended to be a summary and does not describe all provisions of the plan.

*Purpose of the plan.* The purpose of the plan is to advance the interests of us and our stockholders by:

providing the opportunity to our employees, directors and service providers to develop a sense of proprietorship and personal involvement in our development and financial success and to devote their best efforts to our business; and

providing us with a means through which we may attract able individuals to become our employees or to serve as our directors or service providers and providing us a means whereby those individuals, upon whom the responsibilities of our successful administration and management are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for our welfare.

*Type of awards.* The plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares, cash-based awards, other stock-based awards and covered employee annual incentive awards.

*Duration.* Generally, the plan will terminate ten years from the effective date of the plan. After the plan is terminated, no awards may be granted, but any award previously granted will remain outstanding in accordance with the plan.

*Administration.* The plan is administered by the human resources committee of our board of directors or any other committee designated by our board to administer the plan. Committee members will be appointed from time to time by, and will serve at the discretion of, our board. The committee has full power and authority to interpret the terms and intent of the plan or any agreement or document in connection with the plan, determine eligibility for awards and adopt such rules, regulations, forms, instruments and guidelines for administering the plan. The committee may delegate its duties or powers.

*Number of authorized shares.* We have authorized a maximum of 7,000,000 shares, minus the number of shares relating to any award granted and outstanding as of, or subsequent to, the effective date under any other of our equity compensation plans, unless the shares used to satisfy such award are shares repurchased from the open market. As of July 31, 2005, the number of such shares granted under such other equity compensation plans is 3,371,986. Subject to the plan, the maximum number of shares that may be available for grant pursuant to incentive stock options will be 4,000,000. As of the date of this prospectus, there were no stock options, including incentive stock options, outstanding under the plan.

*Annual award limits.* Except as provided in the plan, no individual participant may receive awards in any plan year that relate to more than 500,000 shares. In the case of an award which is not valued in a way in which the foregoing limitation would effectively operate, any individual participant may not be granted awards authorizing the earning during any plan year of an amount that exceeds such participant's annual limit. For this purpose, a participant's annual limit will be equal to \$5,000,000 plus the amount of such participant's unused annual limit as of the close of the previous plan year.

*Eligibility and participation.* All of our employees, directors and service providers are eligible to participate in the plan. The committee may select from all eligible individuals those individuals to

whom awards will be granted and will determine the nature of any and all terms permissible by law and the amount of each award.

*Stock options.* The committee may grant options to participants in such number, upon such terms and at any time as it determines, provided that incentive stock options may be granted only to eligible employees. Each option grant will be evidenced by an award document that will specify the exercise price, the maximum duration of the option, the number of shares to which the option pertains, conditions upon which the option will become vested and exercisable and such other provisions which are not inconsistent with the plan. The award document will also specify whether the option is intended to be an incentive stock option or a non-qualified stock option.

The exercise price for each option will be:

based on 100% of the fair market value of the shares on the date of grant;

set at a premium to the fair market value of the shares on the day of grant; or

indexed to the fair market value of the shares on the date of grant, with the committee determining the index.

Other than with respect to a substitute award, which is an award granted to a holder of an option, stock appreciation right or other award granted by a company that is acquired by us or with which we combine, in lieu of such outstanding award previously granted by such company, the exercise price on the date of grant must be at least equal to 100% of the fair market value of the shares on the date of grant.

Each option will expire at such time as the committee determines at the time of its grant; however, no option will be exercisable later than the 10<sup>th</sup> anniversary of its grant date. Notwithstanding the foregoing, for options granted to participants outside the United States, the committee can set options that have terms greater than ten years.

Options will be exercisable at such times and be subject to such terms and conditions as the committee approves. A condition of the delivery of shares as to which an option will be exercised will be the payment of the exercise price. Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment, we will deliver to the participant evidence of book-entry shares or, upon his or her request, share certificates in an appropriate amount based on the number of shares purchased under the option(s). The committee may impose such restrictions on any shares acquired pursuant to the exercise of an option as it may deem advisable.

Each participant's award document will set forth the extent to which he will have the right to exercise the option following termination of his or her employment or services.

Only in the event that we are not accounting for equity compensation under APB Opinion No. 25, the committee has the ability to substitute, without receiving each participant's permission, stock appreciation rights paid only in shares for outstanding options. The terms of the substituted stock appreciation rights must be the same as the terms for the options, and the aggregate difference between the fair market value of the underlying shares and the grant price of the stock appreciation rights must be equivalent to the aggregate difference between the fair market value of the underlying shares and the exercise price of the options. If, in the opinion of our auditors, this would create adverse accounting consequences for us, it will be considered null and void.

We have not yet granted any stock options under the plan.

*Stock appreciation rights.* The committee may grant freestanding stock appreciation rights, tandem stock appreciation rights, or any combination of these forms of stock appreciation rights. Also subject to the provisions of the plan, the committee will have complete discretion in determining the number of stock appreciation rights granted to each participant and the terms and conditions pertaining to such stock appreciation rights.

Each stock appreciation right will be evidenced by an award document that will specify the grant price, the term of the stock appreciation right and such other provisions as the committee determines.

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The grant price for each freestanding stock appreciation right will be the same as exercise prices for our stock options. Other than with respect to substitute awards, the grant price of freestanding stock appreciation rights must be at least equal to 100% of the fair market value of the shares on the date of grant. The grant price of tandem stock appreciation rights will be equal to the exercise price of the related option.

The term of a stock appreciation right will be determined by the committee. Generally, no stock appreciation right will be exercisable later than the tenth anniversary date of its grant. Notwithstanding the foregoing, for stock appreciation rights granted to participants outside the United States, the committee can set terms greater than ten years.

Freestanding stock appreciation rights may be exercised upon whatever terms and conditions the committee imposes. Tandem stock appreciation rights may be exercised for all or part of the shares subject to the related option upon the surrender of the right to exercise the equivalent portion of the related option.

A tandem stock appreciation right may be exercised only with respect to the shares for which its related option is then exercisable. The plan contains additional provisions for tandem stock appreciation rights granted with incentive stock options.

Upon the exercise of a stock appreciation right, a participant will be entitled to receive payment in an amount determined by multiplying the excess of the fair market value of a share on the date of exercise over the grant price by the number of shares with respect to which the stock appreciation right is exercised. The payment upon exercise may be in cash, shares, or any combination thereof, or in any other manner approved by the committee. The form of settlement will be set forth in the award document. The committee may impose such other conditions and/or restrictions on any shares received upon exercise of a stock appreciation right as it may deem advisable or desirable. These restrictions may include a requirement that the participant hold the shares received upon exercise of a stock appreciation right for a specified period of time.

Each award document will set forth the extent to which the participant will have the right to exercise the stock appreciation right following his or her termination of employment or services.

We have not granted any stock appreciation rights under the plan.

*Restricted stock and restricted stock units.* The committee may grant shares of restricted stock and/or restricted stock units to participants. Restricted stock units will be similar to restricted stock, except that no shares are actually awarded to the participant on the date of grant.

Each grant will be evidenced by an award document that will specify the period(s) of restriction, the number of shares of restricted stock, or the number of restricted stock units granted and such other provisions as the committee determines.

Generally, shares of restricted stock will become freely transferable after all conditions and restrictions applicable to such shares have been satisfied or lapse and restricted stock units will be paid in cash, shares, or a combination, as determined by the committee.

The committee may impose such other conditions or restrictions on any shares of restricted stock or restricted stock units as it may deem advisable, including a requirement that participants pay a stipulated purchase price for each share of restricted stock or each restricted stock unit, restrictions based upon the achievement of specific performance goals and time-based restrictions on vesting.

Generally, participants holding shares of restricted stock may be granted the right to exercise full voting rights with respect to those shares during the period of restriction (as defined in the plan). A participant will have no voting rights with respect to any restricted stock units.

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Each award document will set forth the extent to which the participant will have the right to retain restricted stock and/or restricted stock units following termination of his or her employment or services.

The committee may provide that an award of restricted stock is conditioned upon the participant making or refraining from making an election with respect to the award under Section 83(b) of the Code.

Restricted stock awards were granted on December 23, 2004, to certain of our senior executives, including Charles A. Picasso, Jerre L. Stead, and H. John Oechsle. As permitted by the plan, their awards contain the following more specific or additional provisions:

The vesting schedule for the 240,000 shares granted to Mr. Picasso is as follows: 25% will vest on October 15, 2006, another 25% will vest on October 15, 2007, and the last 50% will vest on October 15, 2008, provided, however, that in the event of a change in control or his death or "disability" (as defined in the award document), the award will vest in full and be free of restrictions.

The vesting schedule for the 200,000 shares granted to Mr. Stead is as follows: one-third will vest on November 30, 2005, another one-third will vest on November 30, 2006, and the last one-third will vest on November 30, 2007, provided, however, that in the event of a change in control or his death or "disability" (as defined in the award document), the award will vest in full and be free of restrictions.

The vesting schedule for the 17,000 shares granted to Mr. Oechsle is as follows: 25% will vest on October 15, 2006, another 25% will vest on October 15, 2007, and the last 50% will vest on October 15, 2008, provided, however, that in the event of a change in control or his death or "disability" (as defined in the award document), the award will vest in full and be free of restrictions.

Unvested shares are transferable by will or by the laws of descent and distribution, or to a member of the participant's immediate family or specified estate planning vehicles established by the participant.

Restricted shares carry full voting and dividend rights, provided, however, that any cash dividends will be reinvested in dividend shares, and any such dividend shares and any stock dividends will be subject to the same restrictions as the underlying restricted shares.

As a condition to a participant's receiving an award of restricted stock, he or she will be required to execute and deliver an irrevocable proxy in the form provided by us, appointing Urvanos Investments Limited to vote the shares that he receives in connection with his or her award and any other shares that he owns as of the date of the proxy or may acquire until the expiration date of the proxy. The proxy will automatically expire on the earlier of the closing date of our initial public offering or the lapse of all restrictions with respect to the shares covered by the proxy.

Restricted stock awards representing an aggregate of 203,333 shares were granted on February 23, 2005 to two employees, including Dr. Yergin, in connection with amendments to their non-competition agreements with us. In the amendments, a portion of the deferred cash payments to be paid to the two employees under the terms of their non-competition agreements were exchanged for these restricted stock awards.

As of October 20, 2005, we anticipate making grants of restricted shares and restricted stock unit awards representing an aggregate of 462,860 shares to 2,352 employees, as of the completion of this offering. The vesting schedule for these awards, including the consequences of a change in control or termination of employment, will depend on the seniority of the employee.



*Performance units and performance shares.* The committee may grant performance units and/or performance shares to participants in such amounts and upon such terms as the committee determines.

Each performance unit will have an initial value that is established by the committee at the time of grant. Each performance share will have an initial value equal to the fair market value of a share on the date of grant. The committee will set performance goals in its discretion which, depending on the extent to which they are met, will determine the value and/or number of performance units or shares that will be paid out to the participant.

After the applicable performance period has ended, the participant will be entitled to receive payout on the value and number of performance units or shares earned by him or her over the performance period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

Payment of earned performance units or shares will be as determined by the committee and as evidenced in the award document. The committee may pay earned performance units or shares in the form of cash, shares, or a combination. Any shares may be granted subject to any appropriate restrictions. The form of payout will be set forth in the award document.

Each award document will set forth the extent to which the participant will have the right to retain performance units or shares following termination of his or her employment or services.

As of October 20, 2005, we anticipate making grants of performance shares and performance unit awards representing an aggregate of 438,240 shares to 60 officers and employees, including Messrs. Sullivan, Green, and Oechsle, as of the completion of this offering. These awards will have the following provisions:

The awards' performance objectives will be based on increases of specified levels in objective measures of our performance over a specified period of time. These measures will be "adjusted EBITDA" and "revenue" (each as specified in the award document). If the performance objectives are satisfied as of the end of the specified period, a participant's award will become fully vested and free of restrictions as of the last day of the immediately subsequent fiscal quarter, provided that he or she is employed by us on that date and has been employed by us at all times since the date of grant.

To the extent that these awards do not so vest, they will become fully vested and free of restrictions as of the sixth anniversary of the grant date, provided that the participant is employed by us on that date and has been employed by us at all times since the date of grant.

If a change in control occurs, all awards will vest and be free of restrictions as if all performance objectives had been fully satisfied, and the participant will be able to participate in the acquisition like all other of our stockholders.

In the event of a participant's death or termination of employment due to his disability (as defined in the award document), a pro rata portion of his or her performance shares (or shares underlying his or her performance units) will vest and be free of restrictions on the relevant vesting date, taking into account any achievement by us of the performance objectives.

*Cash-based awards and other stock-based awards.* The committee may grant cash-based awards to participants in such amounts and upon such terms, including the achievement of specific performance goals, as the committee determines.

The committee may grant other types of equity-based or equity-related awards not otherwise described by the provisions of the plan, including the grant or offer for sale of unrestricted shares, in such amounts and subject to such terms and conditions as the committee determines. Such

awards may involve the transfer of actual shares to participants or payment in cash or otherwise of amounts based on the value of shares, and may include awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

Each cash-based award will specify a payment amount or range. Each other stock-based award will be expressed in terms of shares or units based on shares. The committee may establish performance goals in its discretion, in which case, the number and/or value of awards that will be paid out to the participant will depend on the extent to which the performance goals are met. Payment, if any, will be made in accordance with the terms of the award, in cash or shares as the committee determines.

The committee will determine the extent to which the participant will have the right to receive cash-based awards or other stock-based awards following termination of his or her employment or services.

We have not granted any cash-based or other stock-based awards under the plan.

*Covered employee annual incentive awards.* The committee may designate covered employees (as defined in Section 162(m) of the Code) who are eligible to receive a monetary payment in any plan year based on a percentage of an incentive pool equal to the greater of:

9% of our consolidated operating earnings for the plan year;

10% of our operating cash flow for the plan year; or

15% of our net income for the plan year.

The committee will allocate an incentive pool percentage to each designated covered employee for each plan year. In no event may any covered employee receive more than \$1,200,000 from the incentive pool and the sum of the incentive pool percentages for all covered employees cannot exceed 100% of the total pool.

As soon as possible after the determination of the incentive pool for a plan year, the committee will calculate each covered employee's allocated portion of the incentive pool based upon the percentage established at the beginning of such plan year. Each covered employee's incentive award will then be determined by the committee based on his or her allocated portion of the incentive pool, subject to adjustment. In no event may the portion of the incentive pool allocated to a covered employee be increased in any way, including as a result of the reduction of any other covered employee's allocated portion. The committee shall retain the discretion to adjust such awards downward.

We have not granted any covered employee annual incentive awards.

*Nonemployee director awards.* All awards to our nonemployee directors will be determined by the board or the committee. Currently, such awards are granted under our directors stock plan, which is a sub-plan under our 2004 Long-Term Incentive Plan. See " Amended and Restated IHS Inc. 2004 Directors Stock Plan."

*Dividend equivalents.* Any participant selected by the committee may be granted dividend equivalents based on the dividends declared on shares that are subject to any award, to be credited as of dividend payment dates, during the period between the date the award is granted and the date the award is exercised, vests, or expires, as determined by the committee. Dividend equivalents will be converted to cash or additional shares by such formula and at such time and subject to such limitations as determined by the committee.

*Performance objectives.* Unless and until the committee proposes for stockholder vote and the stockholders approve a change in the general performance measures below, the performance goals upon which the payment or vesting of an award to a covered employee (except as otherwise

provided in the plan) that is intended to qualify as performance-based compensation will be limited to the following performance measures:

net earnings or net income (before or after taxes);

earnings per share;

net sales or revenue growth;

net operating profit;

return measures (including return on assets, capital, invested capital, equity, sales, or revenue);

cash flow (including operating cash flow, free cash flow, and cash flow return on equity);

earnings before or after taxes, interest, depreciation and/or amortization, and/or lease payments or other rent obligations;

gross or operating margins;

productivity ratios;

share price (including growth measures and total stockholder return);

expense targets;

margins;

operating efficiency;

market share;

customer satisfaction;

working capital targets; and

economic value added (*i.e.*, net operating profit after tax minus the sum of capital multiplied by the cost of capital).

*Transferability of awards.* Generally, awards cannot be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. However, with respect to our non-qualified stock options, our board or the committee may permit further transferability and impose conditions and limitations on any permitted transferability.

*Change in control.* Notwithstanding any other provision of the plan to the contrary, in the event of a "change in control" (as defined in the plan), provisions specified in the plan will apply, unless otherwise determined by the committee in connection with the grant of an award.

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Upon a change in control, all then-outstanding stock options and stock appreciation rights will become fully vested and exercisable, and all other then-outstanding awards that vest on the basis of continuous service will vest in full and be free of restrictions, except to the extent that another award meeting the requirements of a "replacement award" (as defined in the plan) is provided to the participant pursuant to the plan to replace such award. The treatment of any other awards will be as determined by the committee in connection with their grant.

Upon a termination of employment or directorship of a participant occurring in connection with or during the period of one year after such change in control, other than for cause,

all replacement awards held by the participant will become fully vested and (if applicable) exercisable and free of restrictions; provided, however, that if such acceleration would cause penalty taxation under Section 409A of the Code with respect to any replacement award,

then the committee may unilaterally delay such acceleration for such time as is sufficient to avoid such penalty, and

all stock options and stock appreciation rights held by the participant immediately before the termination of employment or termination of directorship that the participant held as of the date of the change in control or that constitute replacement awards shall remain exercisable for not less than one year following such termination or until the expiration of the stated term of such stock option or stock appreciation right, whichever period is shorter, provided, that if the applicable award document provides for a longer period of exercisability, that provision shall control.

*Adjustments in authorized shares.* In the event of any of the corporate events or transactions described in the plan, to avoid any unintended enlargement or dilution of benefits, the committee has the sole discretion to substitute or adjust the number and kind of shares that can be issued or otherwise delivered.

*Forfeiture events.* The committee may specify in an award document that the participant's rights, payments and benefits with respect to an award will be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an award.

If we are required to prepare an accounting restatement due to our material noncompliance, as a result of misconduct, with any financial reporting requirement under the security laws, then if the participant is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, the participant will reimburse us the amount of any payment in settlement of an award earned or accrued during the twelve-month period following the first public issuance or filing with the SEC (whichever just occurred) of the financial document embodying such financial reporting requirement.

*Amendment and termination.* Subject to, and except as, provided in the plan, the committee has the sole discretion to alter, amend, modify, suspend, or terminate the plan and any award document in whole or in part. However, without the prior approval of our stockholders, and except as provided in an award document, stock options or stock appreciation rights will not be repriced, replaced or regranted through cancellation or by lowering the exercise or grant price, and no amendment of the plan will be made without stockholder approval if stockholder approval is required by law, regulation or stock exchange rule.

***IHS Inc. 2004 Directors Stock Plan.*** Our 2004 Directors Stock Plan has been in effect as of December 1, 2004. The following description of the plan is intended to be a summary and does not describe all provisions of the plan.

*Purpose of the plan.* This plan is a sub-plan under our Amended and Restated 2004 Long-Term Incentive Plan. Awards under this plan will be granted in accordance with that plan and will constitute "nonemployee director awards" (as defined in that plan).

*Duration.* Generally, the plan will terminate ten years from the effective date of the plan. After the plan is terminated, no awards may be granted, but any award previously granted will remain outstanding in accordance with the plan.

*Eligibility.* Only nonemployee directors will be eligible to participate in the plan. However, Messrs. Klein and Staudt will not participate in this plan.

*Types of awards.* On each December 1, commencing with December 1, 2005, each nonemployee director (other than Messrs. Klein and Staudt):

who was not on the preceding December 1 a director will receive a one-time award consisting of restricted stock units, whose underlying shares will have, on the date of grant, a fair market value (as defined in the plan) equal to \$80,000; and

will receive both an award consisting of restricted stock units, whose underlying shares will have, on the date of grant, a fair market value equal to \$50,000, and an annual cash retainer award equal to \$40,000, which cash-based award may be converted into deferred stock units or deferred.

On December 29, 2004, each nonemployee director (other than Messrs. Klein and Staudt):

who was elected to our board on or before November 18, 2004 (*i.e.*, all of our current nonemployee directors except Mr. Roedel), received 8,000 shares of restricted stock;

who was elected to our board on or after November 22, 2004, but before November 30, 2004 (*i.e.*, Mr. Roedel), received 5,000 shares of restricted stock; and

who was a nonemployee director as of December 1, 2004 (*i.e.*, all of our current nonemployee directors), received 4,500 shares of restricted stock, in addition to any other shares of restricted stock he or she may have received under the plan.

Any nonemployee director who is elected to fill a vacancy or a newly created directorship in the interim will receive, effective as of the date of such election, a prorated award, under the plan, based on the number of full months he or she has served, or will serve, as a director between the month in which he or she was elected and the next December 1.

Each grant of restricted stock or restricted stock unit granted under the plan will be evidenced by an award document.

*Restricted stock.* Shares of restricted stock granted to our nonemployee directors on December 29, 2004, will be unvested and forfeitable until ten days after the earlier of the date the participant either attains age 55 and completes at least five years of service as a director or the date the participant resigns from our board or ceases to be a director, in either case, by reason of the antitrust laws, compliance with our conflict of interest policies, death, or disability (as defined in the plan), at which time, such shares will be considered vested and non-forfeitable. If a participant terminates his or her service as a director without satisfying the above conditions, other than in connection with an event described above, then his or her restricted stock will be forfeited without any payment therefor and those shares will again be available for issuance under our 2004 Long-Term Incentive Plan.

Shares of restricted stock will carry full voting and dividend rights. However, any cash dividends with respect to any such restricted shares will be reinvested in shares called dividend shares. Any such dividend shares, and any stock dividends with respect to any shares of restricted stock, will be subject to the same restrictions as the underlying shares of restricted stock.

Generally, a participant will not be able to sell, transfer, pledge, assign or otherwise alienate or hypothecate his or her shares of restricted stock. However, those shares will be transferable either by will or by the laws of descent and distribution, or to a member of a participant's immediate family or specified estate planning vehicles established by the participant.

As a condition to a participant's receiving an award of restricted stock, he or she will be required to execute and deliver an irrevocable proxy in the form provided by us, appointing Urvanos Investments Limited to vote the shares that he or she receives in connection with his or her award and any other shares that he or she owns as of the date of the proxy or may acquire until the expiration date of the proxy. The proxy will automatically expire on the earlier of the closing

date of our initial public offering or the lapse of all restrictions with respect to the shares covered by the proxy.

*Restricted stock units.* Each restricted stock unit granted on each December 1, commencing with December 1, 2005, will represent a participant's right to receive one share, which right will be unvested and forfeitable until the first anniversary of the date of grant. If a participant terminates his or her service as a director prior to the vesting date of the restricted stock units, then his or her restricted stock units will be forfeited without any payment therefor and the shares underlying such restricted stock units will again be available for reissuance under our 2004 Long-Term Incentive Plan.

Following the restricted stock unit vesting date, the shares underlying a participant's restricted stock units will be delivered to him or her on the 10<sup>th</sup> day following his or her termination of service as a director for any reason.

Restricted stock units will carry no voting rights. Restricted stock units will be credited with dividend equivalents, which will have the same unvested or vested status as the underlying restricted stock units. Dividend equivalents will be paid out in the form of shares (or such other cash, securities or other property that may be or become the consideration for such shares in the event we, or one of our successors, are acquired) at the same time that the shares underlying the restricted stock units are delivered. A participant may not sell, transfer, pledge, alienate or otherwise hypothecate restricted stock units and the shares underlying them until the restricted stock unit delivery date.

*Deferred stock units.* A participant may elect to convert his or her annual retainer award converted into deferred stock units whose underlying shares will have, on the date of grant, a fair market value equal to \$40,000. Such election must be made before the close of the calendar year preceding the fiscal year in respect of which the annual retainer award is made. Each deferred stock unit will represent such participant's right to receive one share, which right will be fully vested and non-forfeitable.

The shares underlying a participant's deferred stock units will be delivered to him or her on the 10th day following his or her termination of service as a director for any reason.

Deferred stock units will carry no voting rights. Deferred stock units will be credited with dividend equivalents, which will also be fully vested and non-forfeitable. Dividend equivalents will be paid out in the same way as dividend equivalents related to restricted stock units. A participant may not sell, transfer, pledge, alienate or otherwise hypothecate deferred stock units and the shares underlying them until the deferred stock unit delivery date.

*Deferral of annual retainer award.* A participant may elect to defer payment of his or her annual retainer award. Such election must be made before the close of the calendar year preceding the fiscal year in respect of which the annual retainer award is made. Such award will be paid to such participant in accordance with his or her deferral election, which date of payment will be:

a specified date that is at least two years following the date of election;

on the tenth day following his or her termination of service as a director for any reason;

upon the occurrence of an unforeseeable emergency resulting in severe financial hardship, to the extent necessary to relieve the hardship and pay any applicable taxes; or

in the event of a change in control, provided that if such payment is not permitted under regulations promulgated in connection with recently enacted legislation relating to deferred compensation, then such payment will be made in accordance with the second bullet point above.

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*"Put," "call" and "drag-along" rights.* If no listing event (as defined in the plan) occurs on or prior to the "relevant date" (as described below), then each participant will have the one-time right and option to sell to us, and to cause us to purchase, all of the shares held by him or her (including, for these purposes, any shares underlying restricted stock units or deferred stock units) as of such date.

For these purposes, the "relevant date" means, with respect to a participant for purposes of shares of restricted stock, such participant's restricted stock vesting date, and for purposes of restricted stock units and deferred stock units, the date that is the 10th day following such participant's termination of service as a director for any reason.

If no listing event occurs on or prior to the relevant date, then we will have the exclusive one-time right and option to purchase from each participant, and to cause each participant to sell, all or a portion of the shares held by him or her (including, for these purposes, any shares underlying restricted stock units or deferred stock units) as of such date.

Subject to the paragraph below, in the event of a change in control, all shares of restricted stock will vest in full and be free of restrictions (and, in the case of restricted stock units and deferred stock units, a participant's right to receive the shares underlying such stock units will be accelerated such that he or she will receive such shares immediately prior to the closing of the acquisition transactions, at which time such units will automatically be cancelled), and the participant will participate in the acquisition to the extent of, and in the same manner as, all of our other stockholders. If a change in control occurs prior to a listing event, then we will have the exclusive right and option to require each participant to sell or otherwise transfer to the acquiring party(ies) effecting such change in control all or a portion of such shares held (including, for these purposes, any shares underlying restricted stock units or deferred stock units) as of the effective date of such change in control, in each case for the same consideration per share and on the same terms and conditions as all of our other stockholders.

The delivery date of any shares underlying restricted stock units and deferred stock units will accelerate only if such acceleration is permitted by regulations promulgated in connection with recently enacted legislation relating to deferred compensation. If the acceleration is not permitted thereunder, then on the 10th day following the participant's termination of service as a director of us (or our successor) for any reason, for each share underlying restricted stock units or deferred stock units he or she will receive the same per share consideration received by our other stockholders for each share in the acquisition. At that time such restricted stock units and/or deferred stock units will automatically be cancelled.

***Offer to Exchange Options and Shares Held by Our Senior Executives.*** The following is intended to be a summary of the IHS Group Inc. Offer Under the Non-Qualified Stock Option Plan (Effective December 1, 1998) and the 2002 Non-Qualified Stock Option Plan of IHS Group Inc., as applicable to our senior executives, and does not describe all provisions of the offer.

*Offer.* On November 22, 2004, IHS Group Inc. offered to exchange all outstanding stock options to purchase shares of its Class A non-voting common stock that were granted to senior executives under IHS Group Inc.'s 1998 and 2002 non-qualified stock option plans and IHS Group Inc. shares previously acquired upon the exercise of such options. Our senior executives who were offered this opportunity include our named executive officers Charles A. Picasso, Jerre L. Stead, Stephen Green, Michael J. Sullivan and H. John Oechsle. The senior executives who accepted this offer received:

cash in the amount equal to the excess of \$9.42 over the per share exercise price option for every IHS Group Inc. share underlying his or her outstanding option, vested or unvested, with an exercise price lower than \$9.42 per share;



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\$9.42 in cash for every IHS Group Inc. share he or she previously acquired, upon the exercise of an option, and currently owns (which amount, to the extent applicable, was first applied to the repayment of the principal price of his or her loan in connection with his or her prior option exercise);

an additional \$0.42 in cash for every IHS Group Inc. share he or she previously acquired and surrendered in order to satisfy his or her payroll tax withholding in connection with his or her prior exercise of an option; and

one restricted share of our Class A common stock for every three IHS Group Inc. shares underlying his or her outstanding options (or previously acquired upon the exercise of an option), regardless of whether such options were vested or unvested and regardless of their exercise price.

An accepting senior executive was required to tender all of his or her outstanding options for the full number of IHS Group Inc. shares subject to those options and if he or she held any IHS Group Inc. shares previously acquired upon the exercise of an option, all of those IHS Group Inc. shares, on or before the expiration of the offer, which was December 23, 2004. A senior executive who accepted IHS Group Inc.'s offer was not required to be our employee or director to receive his or her cash. As a result of the offer, \$4,765,830 in cash was paid out and 1,286,667 restricted shares of our Class A common stock were granted to 32 people. Accepting senior executives received their restricted shares and, if applicable, cash, following the expiration of the offer.

*Purpose of offer.* The purpose of the offer was to more closely align our programs with the incentive programs of public companies and to provide senior executives the opportunity to obtain an equity stake in us.

*Vesting of our restricted shares.* The restricted shares will vest in accordance with the following schedule:

one-third of the total number of restricted shares he or she received will vest on the 211<sup>th</sup> day following an initial public offering;

one-third of the total number of restricted company shares he or she received will vest on the first anniversary of an initial public offering;

the remaining number of restricted shares he or she received will vest on the second anniversary of an initial public offering; and

if, as of October 1, 2007, he or she continues to hold any restricted shares, all such restricted shares will vest as of such date.

If the senior executive's employment terminates for any reason other than as a result of his or her death or "disability" (as defined in the plan), before all of his or her restricted shares vest, then unless our board of directors determines otherwise, he or she will forfeit his or her remaining unvested restricted shares. If the senior executive's employment terminates as a result of his or her death or disability before the vesting of any of his or her restricted shares, all of his or her restricted shares will vest as of the first day any of his or her restricted shares would have vested but for the termination of his or her employment. If the senior executive's employment with us terminates as a result of his or her death or disability after the vesting of any of his or her restricted shares, all of his or her remaining restricted shares will vest.

*Transferability of our shares.* Generally, a senior executive will not be able to sell, transfer, pledge, assign or otherwise alienate or hypothecate his or her restricted shares, unless our board of directors (or a committee thereof) permits their transfer. The two exceptions to this general rule are that a senior executive will be able to accomplish such transfers:

by will or by the laws of descent and distribution; or

to a member of a senior executive's immediate family or specified estate planning vehicles established by the senior executive.

Following our initial public offering, subject to securities and other of our applicable laws and policies, a senior executive will be able to transfer his or her vested shares.

If an initial public offering or "change in control" (as defined in the offer) has not occurred on or prior to October 1, 2007, the participant will have an opportunity to sell his or her shares to us (and we will have the opportunity to buy his or her shares).

*Change in control.* If we are acquired during the period between the date a senior executive received his or her restricted shares (and, if applicable, cash) and the date when his or her restricted shares vest, then the vesting of his or her restricted shares will be accelerated such that they will vest in full immediately prior to the closing of the acquisition transaction, and he or she will participate in the acquisition to the extent of, and in the same manner as, all of our other stockholders.

In addition, if a change in control occurs prior to our initial public offering, then we have the exclusive right and option to require the senior executive to sell or otherwise transfer to the acquiring party(ies) effecting such change in control all, or a portion, of his or her or her shares, in each case for the same consideration per share, and on the same terms and conditions, as all other stockholders.

*Dividends.* To the extent dividends are paid on our shares while they remain restricted and subject to vesting, a senior executive will be credited with corresponding dividends. Such dividends will be subject to the same restrictions applicable to restricted shares.

*Offer to Exchange Options and Shares Held by Directors and Certain Employees.* The following is intended to be a summary of our 2004 Offer Under the Non-Qualified Stock Option Plan (Effective December 1, 1998) and the 2002 Non-Qualified Stock Option Plan of IHS Group Inc., as applicable to our employees (other than our senior executives) and directors, and does not describe all provisions of the plan.

*Offer.* On November 22, 2004, IHS Group Inc. offered to exchange all outstanding stock options to purchase shares of its Class A non-voting common stock that were granted to current employees and directors under IHS Group Inc.'s 1998 and 2002 non-qualified stock option plans and IHS Group Inc. shares previously acquired upon the exercise of such options. Robert R. Carpenter was offered the opportunity to participate in this offer under the terms described in " Employment Contracts, Termination of Employment and Change In Control Arrangements Robert R. Carpenter Equity Compensation." The employees and directors who accepted this offer received:

cash in the amount equal to the excess of \$9.42 over the per share exercise price option for every IHS Group Inc. share underlying his or her outstanding option, vested or unvested, with an exercise price lower than \$9.42 per share;

\$9.42 in cash for every IHS Group Inc. share he or she previously acquired, upon the exercise of an option, and currently owns (which amount, to the extent applicable, was first applied to the repayment of the principal price of his or her loan in connection with his or her prior option exercise);

an additional \$0.42 in cash for every IHS Group Inc. share he or she previously acquired and surrendered in order to satisfy his or her payroll tax withholding in connection with his or her prior exercise of an option; and

one deferred stock unit representing one share of our Class A common stock for every three IHS Group Inc. shares underlying his or her outstanding options (or previously

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acquired upon the exercise of an option), regardless of whether such options were vested or unvested and regardless of their exercise price.

An accepting employee or director was required to tender all of his or her outstanding options for the full number of IHS Group Inc. shares subject to those options and if he or she held any IHS Group Inc. shares previously acquired upon the exercise of an option, all of those IHS Group Inc. shares, on or before the expiration of the offer, which was December 23, 2004. A current employee or director who accepted IHS Group Inc.'s offer was not required to be our employee or director to receive his or her deferred stock units, shares or cash. As a result of the offer, \$4,262,647 in cash was paid out and deferred stock units representing 1,301,801 shares of our Class A common stock were granted to 201 people.

*Purpose of offer.* The purpose of the offer was to more closely align our programs with the incentive programs of public companies and to provide current employees or directors the opportunity to obtain an equity stake in us.

*Deferred stock units and shares.* Participants received their deferred stock units and, if applicable, cash, as soon as reasonably practicable after the expiration of the offer. Our shares underlying those deferred stock units will be delivered to participants on December 15, 2005.

*Transferability.* Generally, a participant will not be able to sell, transfer, pledge, assign or otherwise alienate or hypothecate his or her deferred stock units, other than by will or by laws of descent and distribution, unless our board (or a committee thereof) permits their transfer.

Following our initial public offering, subject to securities and other of our applicable laws and policies, or contractual obligations, a participant may transfer his or her deferred stock units.

If an initial public offering or "change in control" (as defined in the offer) has not occurred on or prior to October 1, 2007, the participant will have an opportunity to sell his or her shares to us (and we will have the opportunity to buy his or her shares).

*Change in control.* If we are acquired during the period between the date the participant received his or her deferred stock units (and, if applicable, cash) and the date when he or she receives our shares underlying his or her deferred stock units, then the participant's right to receive such shares will be accelerated such that he or she will receive his or her shares immediately prior to the closing of the acquisition transaction (at which time his or her deferred stock units will be automatically cancelled), and he or she will participate in the acquisition to the extent of, and in the same manner as, all of our other stockholders.

The delivery date of a participant's shares will accelerate only if such acceleration is permitted under regulations promulgated in connection with recently enacted legislation relating to deferred compensation. If such acceleration is not permitted, then on December 15, 2005, for each share underlying his or her deferred stock units, he or she will receive the same per share consideration received by our stockholders for each share in the acquisition (at which time his or her deferred stock units will be automatically cancelled).

***IHS Inc. Employee Stock Purchase Plan.*** We adopted an employee stock purchase plan in May 2005. The following description of certain provisions of the plan is intended to be a summary and does not describe all provisions of the plan.

*Stock purchase.* Under the plan, which is intended to be a qualified stock purchase plan, eligible employees may purchase up to 1,000,000 shares of our Class A common stock, subject to adjustment, through payroll deductions of up to 15% of their base salary. There will be four purchase periods per calendar year. The purchase price for each quarterly purchase period will be determined by the Human Resources Committee of our Board of Directors prior to the start of the purchase period. Under the plan, the Human Resources Committee may permit eligible employees to purchase shares at a discount, but in no event will the discounted price be less than 85% of the

lesser of the fair market value of the shares on the last day of the purchase period and the fair market value of the shares on the first day of the purchase period. For the initial purchase period anticipated to begin on January 1, 2006, the Human Resources Committee plans to set the purchase price to be equal to 100% of the fair market value of the shares on the last day of the purchase period. In other words, there will be no discount for that purchase period. The plan permits eligible employees to purchase newly issued shares, treasury shares or shares repurchased from the open market. For the initial purchase period, we anticipate that shares will be repurchased from the open market to fulfill our obligations under the plan.

*Amendment and termination.* The Human Resources Committee may modify or revoke the plan, provided that certain modifications must be approved in advance by our stockholders. Such modifications include any increase in the number of shares to be offered under the plan, any increase in the permitted discount or other changes that would further decrease the purchase price offered to eligible employees, any change that would withdraw administration of the plan from the Human Resources Committee, or any change in the definition of employees eligible to participate in the plan.

*Adjustments in authorized shares.* To avoid any unintended enlargement or dilution of benefits offered under the plan, the Human Resources Committee has the sole discretion to substitute or adjust the number and kind of shares that can be purchased under the plan in the event of any corporate events or transactions described in the plan.

**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table and accompanying footnotes set forth certain information regarding the beneficial ownership of our Class A common stock and Class B common stock:

immediately prior to the consummation of this offering; and

as adjusted to reflect the sale of the shares of Class A common stock in this offering (assuming the underwriters do not exercise their option to purchase additional shares), by:

each of the named executive officers and directors individually;

all executive officers and directors as a group;

each person or entity who owns or will own more than 5% of the outstanding shares of our Class A common stock; and

the selling stockholders.

In accordance with the rules of the Securities and Exchange Commission, "beneficial ownership" includes voting or investment power with respect to securities. The percentage of beneficial ownership for the following table is based on 43,319,306 shares of Class A common stock and 13,750,000 shares of Class B common stock outstanding as of August 31, 2005. The percentage of beneficial ownership after this offering and the General Atlantic private placement by the selling stockholders assumes an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus. Unless otherwise noted below, the address for each listed stockholder, director or executive officer is: c/o IHS Inc., 15 Inverness Way East, Englewood, CO 80112. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering and Private Placement				% Total Voting Power(1)	Shares of Class A Common Stock Being Offered	Shares Beneficially Owned After Offering and Private Placement				
	Class A Common Stock Shares		Class B Common Stock Shares				Class A Common Stock		Class B Common Stock		% Total Voting Power(1)
	Shares	%	Shares	%			Shares	%	Shares	%	
Charles A. Picasso(2)	398,333	*			*	398,333	*			*	
Jerre L. Stead(2)	450,000	1.0%			*	450,000	1.0%			*	
Stephen Green(2)	81,667	*			*	81,667(8)	*			*	
Michael J. Sullivan(2)	113,333	*			*	113,333(8)	*			*	
H. John Oechsle(2)	50,333	*			*	50,333(8)	*			*	
Robert R. Carpenter(3)											
Randolph A. Weil											
C. Michael Armstrong(2)	12,500	*			*	12,500	*			*	
Steven A. Denning(4)											
Roger Holtback(2)	12,500	*			*	12,500	*			*	
Balakrishnan S. Iyer(2)	12,500	*			*	12,500	*			*	
Michael Klein											
Richard W. Roedel(2)	9,500	*			*	9,500	*			*	
Michael v. Staudt											
	1,333,999	3.1%			*	1,333,999	3.1%			*	

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<b>Shares Beneficially Owned Prior to Offering and Private Placement</b>											
<b>All directors and executive officers as a group (17 persons)(5)</b>											
<b>Entities affiliated with General Atlantic LLC(4)</b>											
						4,838,710	11.2%				2.7%
<b>Selling Stockholders:</b>											
Urvanos Investments Limited(6)(7)											
10,312,500	23.8%	13,750,000	100%	81.7%	8,467,248(9)	1,845,252	4.3%	13,750,000	100%		77.1%
Urpasis Investments Limited(6)(7)											
30,937,500	71.3%			17.1%	10,886,462(9)	20,051,038	46.3%				11.1%
96											

\*

Represents less than one percent.

- (1) Percentage total voting power represents voting power with respect to all shares of our Class A and Class B common stock, as a single class. Each holder of Class B common stock is entitled to ten votes per share of Class B common stock and each holder of Class A common stock is entitled to one vote per share of Class A common stock on all matters submitted to our stockholders for a vote. The Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of our stockholders, except as may otherwise be required by law. The Class B common stock is convertible at any time by the holder into shares of Class A common stock on a share-for-share basis. The Class B common stock will automatically be converted into Class A common stock upon the earlier of the occurrence of specified events or four years from the date of this offering.
- (2) These shares were granted as restricted shares under one of our equity compensation plans.
- (3) Mr. Carpenter currently holds 583,333 deferred stock units, which he received in partial consideration for stock options tendered to us in connection with the termination of his employment. The shares underlying the deferred stock units will be delivered to Mr. Carpenter on June 1, 2006. See "Management Employment Contracts. Termination of Employment and Change in Control Arrangements Robert R. Carpenter."
- (4) General Atlantic LLC ("GA LLC") is the general partner of General Atlantic Partners 82, L.P. ("GAP 82"). The managing members of GAP Coinvestments III, LLC ("GAPCO III") and GAP Coinvestments IV, LLC ("GAPCO IV" and together with GA LLC, GAP 82 and GAPCO III, the "GA Group") are also the managing directors of GA LLC. Steven A. Denning is the Chairman and a Managing Director of GA LLC and a managing member of GAPCO III and GAPCO IV. The GA Group is a "group" within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934, as amended. Mr. Denning disclaims beneficial ownership of the shares held by GAP 82, GAPCO III and GAPCO IV, except to the extent of his pecuniary interest therein. The address of Mr. Denning and the GA Group is c/o General Atlantic Service Corporation, 3 Pickwick Plaza, Greenwich, CT 06830.
- (5) Does not include two of our named executive officers who are former executive officers.
- (6) Voting and investment decisions for the shares of our company have historically been made by TBG Holdings NV (TBG), a Netherlands-Antilles company which is the indirect sole owner of the selling stockholders. TBG is wholly-owned indirectly by The Thyssen-Bornemisza Continuity Trust (Trust), a Bermuda trust, which was created for the benefit of certain members of the Thyssen- Bornemisza family. The trustee of the Trust is Thybo Trustees Limited (Thybo), a Bermuda company. As trustee of the indirect sole stockholder of TBG, Thybo has the power to exercise significant influence over the management and affairs of TBG, including by electing or replacing TBG's board of directors. In addition, in certain circumstances, Thybo may be required to act with respect to TBG at the direction of Tornabuoni Limited (Tornabuoni), a Guernsey company, which is an oversight entity that was established at the time the Trust was created. The board of directors of Tornabuoni may only act by unanimous vote and its members are Georg Heinrich Thyssen-Bornemisza (a beneficiary of the Trust), Claus Hipp, Hans-Peter Schaer and Donald Perkins. Although Thybo has the power to exert influence over TBG, it has not done so in the past and is not required to do so, except in the case of fraud or as directed by Tornabuoni. In addition, while Tornabuoni has the power to direct Thybo to act with respect to TBG, Tornabuoni has not done so in the past. We have been advised by the current directors of each of Tornabuoni and Thybo that they have no intention at this time to exercise any power they may have to exert such influence with respect to TBG. Tornabuoni and Thybo disclaim any pecuniary interest in the shares held by the record holders. The address of both Urvanos Investments Limited and Urpasis Investments Limited is 17 Grigoriou Xenopoulou Street, P.O. Box 54425, Limassol, Cyprus. See "Risk Factors Risks Related to the Offering We are controlled by an entity whose interests may differ from your interests; the chairman of our board serves on the board of that entity and one of our directors is one of its executive officers."
- (7) If the underwriters exercise in full their option to purchase 2,177,250 additional shares of Class A common stock, Urvanos Investments Limited will sell an additional 952,547 shares of Class A common stock and Urpasis Investments Limited will sell an additional 1,224,703 shares of Class A common stock.
- (8) Does not include shares to be granted upon the completion of this offering in the form of performance shares under the Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan. As part of these grants, Mr. Green will receive 22,000 shares, Mr. Sullivan will receive 35,000 shares and Mr. Oechsle will receive 12,000 shares.
- (9) Although they are not being offered under this prospectus, these share amounts include 2,116,936 shares and 2,721,774 shares sold by Urvanos Investments Limited and Urpasis Investments Limited, respectively, in the General Atlantic private placement.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Relationship with Selling Stockholders and TBG

After this offering and the private placement by the selling stockholders to General Atlantic, assuming an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus, 1,845,252 shares of our Class A common stock and all of our Class B common stock will be held by Urvanos Investments Limited, and 20,051,038 shares of our Class A common stock will be held by Urvanos Investments Limited. In the aggregate, the Class A common stock and Class B common stock that will be held by Urvanos Investments Limited and Urvanos Investments Limited after this offering and the private placement to General Atlantic will represent approximately 88.2% of the voting power of our outstanding capital stock (compared to 62.5% of the overall economic interest).

Voting and investment decisions with respect to the shares of our company have historically been made by TBG Holdings NV (TBG), a Netherlands-Antilles company which is the indirect sole owner of the selling stockholders. Jerre L. Stead, the chairman of our board of directors, is a member of the board of directors of TBG. Michael v. Staudt, an executive vice president of TBG, is a member of our board of directors. In addition, prior to this offering, C. Michael Armstrong, Roger Holtback and Michael Klein, all members of our board of directors, were members of the board of directors and an advisory committee of TBG.

TBG is wholly-owned indirectly by The Thyssen-Bornemisza Continuity Trust (Trust), a Bermuda trust, which was created for the benefit of certain members of the Thyssen-Bornemisza family. The trustee of the Trust is Thybo Trustees Limited (Thybo), a Bermuda company. As trustee of the indirect sole stockholder of TBG, Thybo has the power to exercise significant influence over the management and affairs of TBG, including by electing or replacing TBG's board of directors. In addition, in certain circumstances, Thybo may be required to act with respect to TBG at the direction of Tornabuoni Limited (Tornabuoni), a Guernsey company, which is an oversight entity that was established at the time the Trust was created. The board of directors of Tornabuoni may only act by unanimous vote and one of its members is Georg Heinrich Thyssen-Bornemisza (a beneficiary of the Trust). Although Thybo has the power to exert influence over TBG, it has not done so in the past and is not required to do so, except in the case of fraud or as directed by Tornabuoni. In addition, while Tornabuoni has the power to direct Thybo to act with respect to TBG, Tornabuoni has not done so in the past. We have been advised by the current directors of each of Tornabuoni and Thybo that they have no intention at this time to exercise any power they may have to exert such influence with respect to TBG.

In addition, there are ongoing discussions among Thybo and the beneficiaries of the Trust with a view to reorganizing the Trust at some point after the completion of this offering. It is contemplated that if such a reorganization were to take place, separate trusts for the beneficiaries would be created, with the trust created for the benefit of Georg Heinrich Thyssen-Bornemisza and his immediate family becoming the sole indirect owner of TBG, which in turn will remain the sole indirect owner of Urvanos Investments Limited, which holds shares of our Class A common stock and all of our Class B common stock. The trusts created for the benefit of the other beneficiaries and their immediate families would become owners, directly or indirectly, of the shares of Class A Common Stock then held by Urvanos Investments Limited.

Should this reorganization occur, TBG will continue to have the power to exercise significant influence over our management and affairs and over all matters requiring stockholder approval in the same manner as it currently does. In addition, Georg Heinrich Thyssen-Bornemisza (who is the chairman of the board of directors of TBG), along with the trustees of a new trust for his benefit, would have the power to exert significant influence over the management and affairs of TBG, including through electing or replacing members of the TBG board of directors.



We do not face, and have not in the past faced, liabilities (including relating to environmental or health and safety matters) with respect to any properties, businesses or entities that are not part of our core business but are now or were historically owned by TBG or its affiliates, and we do not anticipate incurring such liabilities in the future. However, we cannot provide assurances that this will continue to be the case. We have entered into an agreement with TBG to provide certain indemnities to each other. This agreement generally provides that we will indemnify TBG for liabilities relating to our properties and core business, and that TBG will indemnify us for liabilities relating to any properties, businesses or entities that are now or were historically owned by TBG or its affiliates (other than our properties and core business).

#### **Investments in Related Parties**

In September 2004, we sold our investment in the preferred stock of TriPoint Global Communications, Inc. for \$94.2 million, which resulted in a pretax gain of \$26.6 million. At the time, a subsidiary of TBG owned 80% of the common stock of TriPoint.

In October 2004, we distributed a \$6.1 million dividend to a subsidiary of TBG. The dividend consisted of a preferred stock investment in Extruded Metals, Inc. with a fair value of approximately \$4.3 million and \$1.8 million in cash. At the time, TBG owned all of the common stock of Extruded Metals.

#### **Registration Rights Agreement**

We have entered into an agreement that provides registration rights to Urpasis Investments Limited and Urvanos Investments Limited and their Permitted Transferees (collectively, "holders"), who will hold an aggregate of 21,896,290 shares of our Class A common stock and all of our shares of Class B common stock after the offering and the General Atlantic private placement, assuming an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus. "Permitted Transferees" means (i) any trust, so long as one (or more) of the beneficiaries of the Trust as of the date of this offering is the principal beneficiary (or are the principal beneficiaries) of such trust or (ii) any corporate entity(ies), partnership(s) or other similar entity(ies), that is wholly-owned, directly or indirectly, by the Trust or any trust referred to in (i) above. Set forth below is a summary of these registration rights.

##### *Demand Registration Rights*

At any time on or after the first anniversary of our initial public offering, upon the written request of a holder, we will be required to use our best efforts to effect, as expeditiously as possible, the registration of all or a portion of their Class A common stock, provided that the aggregate proceeds of the offering is expected to equal or exceed \$50 million. Urpasis and Urvanos and their Permitted Transferees will be entitled to a total of six and two demand registrations, respectively. However, we will not be required to effect more than one demand registration within any twelve month period, and we will have the right to preempt any demand registration with a primary registration, in which case the holders will have their incidental registration rights as described below. We will pay all expenses in connection with any registration of shares on behalf of the holders, except that the holders will pay the underwriting discount.

##### *Incidental Registration Rights*

Under the agreement, the holders have the right to request that their shares be included in any registration of our Class A common stock other than registrations on Form S-8 or S-4, registrations for our own account pursuant to Rule 415, or in compensation or acquisition-related registrations. In addition, the underwriters may, for marketing reasons, cut back all or a part of the shares requested to be registered and we have the right to terminate any registration we initiated prior to its effectiveness regardless of any request for inclusion by the holders.

*Holdback Agreements*

Urpasis and Urvanos have agreed that they and their Permitted Transferees will not, until the first anniversary following our initial public offering (except as part of the initial public offering), directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any shares of Class A common stock, or any options or warrants to purchase any shares of Class A common stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of Class A common stock, whether now owned or later acquired.

The registration rights agreement contains the full legal text of the matters discussed above. We will file this agreement with the SEC as part of our registration statement of which this prospectus forms a part. See "Where You Can Find More Information" for more information on how to obtain a copy of this agreement.

**Private Placement General Atlantic**

The selling stockholders have agreed with certain affiliates of General Atlantic LLC, a private investment group, to sell in a private placement an aggregate of \$75 million of shares of our Class A common stock at the initial public offering price. The closing of this private placement will occur simultaneously with the closing of this offering. The General Atlantic entities have agreed with us and the selling stockholders, subject to limited exceptions, that they will not, until the second anniversary of our initial public offering, directly or indirectly, sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of the shares of our Class A common stock purchased in the private placement. In addition, we have agreed to provide, following the second anniversary of our initial public offering, under certain circumstances and subject to certain limitations, rights with respect to the registration under the Securities Act of the shares of our Class A common stock purchased prior to this offering and held by these entities. Steven A. Denning, the Chairman and a Managing Director of General Atlantic LLC, is a member of our board of directors.

## DESCRIPTION OF CAPITAL STOCK

### General Matters

The following description of our capital stock and the relevant provisions of our certificate of incorporation and bylaws are summaries thereof and are qualified by reference to our certificate of incorporation and bylaws, copies of which have been filed with the U.S. Securities and Exchange Commission as exhibits to our registration statement, of which this prospectus forms a part, and applicable law.

Our authorized capital stock consists of 80,000,000 shares of Class A common stock, \$0.01 par value, 13,750,000 shares of Class B common stock, \$0.01 par value, and 937,500 shares of preferred stock, which the board of directors may issue with or without par value.

### Common Stock

**Voting Rights.** The holders of our Class A common stock and Class B common stock have identical rights, except that holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to ten votes per share on all matters to be voted upon by the stockholders. Our certificate of incorporation provides that, so long as any shares of the Class B common stock are outstanding, no person or entity is permitted, without the approval of the board of directors, to vote more than 79.9% of the total combined voting power of all classes of stock entitled to vote. If a person would be entitled to vote more than 79.9% of the total combined voting power notwithstanding this limitation, then the excess voting power of such person will be allocated to the other shareholders on a pro rata basis for purposes of any vote. We have not provided for cumulative voting for the election of directors in our certificate of incorporation.

**Dividend Rights.** Subject to preferences that may be applicable to any outstanding preferred stock, the holders of Class A common stock and Class B common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor. See "Dividend Policy." In the event a dividend is paid in the form of shares of common stock or rights to acquire common stock, the holders of Class A common stock shall receive Class A common stock, or rights to acquire Class A common stock, as the case may be, and the holders of Class B common stock shall receive Class B common stock, or rights to acquire Class B common stock, as the case may be.

**Conversion.** Our Class A common stock is not convertible into any other shares of our capital stock. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock shall convert automatically, without any action by the holder, into one share of Class A common stock upon the earlier of:

any transfer, whether or not for value, except for:

transfers to any trust, so long as (a) such trust is the sole owner, directly or indirectly, of TBG; and (b) the principal beneficiary of such trust is Georg Heinrich Thyssen-Bornemisza; and

transfers to any corporate entities, partnerships or other similar entities, so long as The Thyssen-Bornemisza Continuity Trust or any trust described in the preceding bullet directly or indirectly wholly-own such entities;

the death of Georg Heinrich Thyssen-Bornemisza;

the fourth anniversary date of the closing of this offering; and

the date on which holders of Class B common stock do not own at least 22% of the aggregate number of shares of Class A common stock and Class B common stock then outstanding, as determined by our board of directors.

Once transferred and converted into Class A common stock, the Class B common stock shall not be reissued. No class of common stock may be subdivided or combined unless the other class of common stock concurrently is subdivided or combined in the same proportion and in the same manner.

**Liquidation Rights.** In the event of liquidation, dissolution, distribution of assets or winding up, the holders of Class A common stock and Class B common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

**Other Matters.** The Class A common stock and Class B common stock have no preemptive or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of Class A common stock and Class B common stock are fully paid and non-assessable.

### **Preferred Stock**

The board of directors has the authority to issue preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without any vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control and may adversely affect the voting, dividend and other rights of the holders of common stock.

At the closing of this offering, no shares of our preferred stock will be outstanding and, other than shares of our preferred stock that may become issuable pursuant to our rights agreement, we have no present plans to issue any shares of our preferred stock. See " Rights Agreement."

As of the completion of this offering, 937,500 shares of our series A junior participating preferred stock will be reserved for issuance upon exercise of our preferred share purchase rights.

### **Registration Rights**

Certain holders of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. See "Certain Relationships and Related Transactions Registration Rights Agreement" and " Private Placement General Atlantic."

### **Anti-Takeover Effects of Delaware Law and our Certificate of Incorporation and Bylaws**

Delaware law, our certificate of incorporation and our bylaws contain certain provisions, which are summarized below, that:

are expected to discourage coercive takeover practices and inadequate takeover bids;

are designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors;

could have the effect of delaying, deferring or discouraging another party from acquiring control of us;

could inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts;

could prevent changes in our management; and

could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

**Dual Class Structure.** As discussed above, our Class B common stock has ten votes per share, while our Class A common stock, which is the class of stock we are selling in this offering and which will be the only class that is publicly traded, has one vote per share. After this offering and the private placement by the selling stockholders to General Atlantic, all of our Class B common stock and 50.5% of our Class A common stock, collectively representing 88.2% of the voting power of our outstanding capital stock, will be controlled by the selling stockholders, in each case, assuming an initial public offering price of \$15.50 per share, the midpoint of the range on the cover page of this prospectus. Because of our dual class structure, the indirect sole owner of the selling stockholders, TBG, will continue to be able to control all matters submitted to our stockholders for approval even if they come to own significantly less than 50% of the shares of our outstanding common stock. See "Certain Relationships and Related Transactions Relationship with Selling Stockholders and TBG." This concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial to them.

**Classified Board.** Our certificate of incorporation will provide that our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Our certificate of incorporation and bylaws will provide that the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the board but must consist of not less than three or more than fifteen directors.

**Removal of Directors; Vacancies.** Under the Delaware General Corporation Law (the "DGCL"), unless otherwise provided in our certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our certificate of incorporation and bylaws will provide that directors may be removed only for cause and only upon the affirmative vote of the holders of at least  $66\frac{2}{3}\%$  of the votes of the outstanding shares of our common stock entitled to be cast in the election of directors. In addition, our certificate of incorporation will provide that any vacancies on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors even if the number of directors voting would not constitute a quorum.

**Supermajority Provisions.** The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend a corporation's certificate of incorporation or bylaws, unless the certificate of incorporation requires a greater percentage. Our certificate of incorporation will provide that the following provisions in the certificate of incorporation may be amended only by a vote of  $66\frac{2}{3}\%$  or more of all of the votes of the outstanding shares of our common stock entitled to be cast:

classified board, including the election and term of our directors;

the removal of directors and the filling of vacancies on our board of directors;

the prohibition on stockholder action by written consent;

the ability to call a special meeting of stockholders being vested solely in the chairman of our board of directors or our president or corporate secretary acting at the direction of our board of directors;

the ability of our board of directors to adopt, amend and/or repeal our bylaws without a stockholder vote; and

the amendment provision requiring that the above provisions be amended only with a 66<sup>2</sup>/<sub>3</sub>% supermajority vote.

In addition, our certificate of incorporation will grant our board of directors the authority to amend our bylaws without a stockholder vote in any manner that is consistent with the laws of the State of Delaware and our certificate of incorporation. Our certificate of incorporation will also provide that the following provisions in our bylaws may be amended only by a vote of 66<sup>2</sup>/<sub>3</sub>% or more of all of the votes of the outstanding shares of our common stock entitled to be cast:

the ability to call a special meeting of stockholders being vested solely in the chairman of our board of directors or our president or secretary acting at the direction of our board of directors;

the advance notice requirements for stockholder proposals and director nominations;

the number, election and term of our directors;

the removal of directors and the filling of vacancies on our board of directors; and

the amendment provision requiring that the above provisions be amended only with a 66<sup>2</sup>/<sub>3</sub>% supermajority vote.

**Authorized but Unissued Capital Stock.** The DGCL does not require stockholder approval for any issuance of authorized shares. In addition, the listing requirements of the New York Stock Exchange, which will apply to us so long as our Class A common stock is listed on the New York Stock Exchange, only require stockholder approval of certain issuances that equal or exceed 20% of the then-outstanding voting power or then-outstanding number of shares of common stock (or, in the case of certain related-party and other transactions, 1% or 5% of the then-outstanding voting power or then-outstanding number of shares of common stock).

The ability to issue authorized but unissued capital stock could enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of stock at prices higher than prevailing market prices.

**Undesignated Preferred Stock.** The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of our company.

**Limits on Written Consent and Special Meetings.** Our certificate of incorporation prohibits stockholders action by written consent. It also provides that special meetings of our stockholders may be called only by the chairman of our board of directors or by our president or corporate secretary at the direction of our board of directors.

**Advance Notice Requirements for Nominations.** Our bylaws contain advance notice procedures with regard to stockholder proposals related to the nomination of candidates for election as directors. These procedures provide that notice of stockholder proposals related to stockholder nominations for the election of directors must be received by our corporate secretary, in the case of an annual meeting, no later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the anniversary date of the immediately preceding annual meeting of stockholders. However, if the annual meeting is called for a date that is more than 30 days before or more than 70 days after that anniversary date, notice by the stockholder in order to be timely must be received not earlier than the close of business on the 120th day prior to such annual meeting or not later than the close of business on the later of the

90th day prior to such annual meeting or the tenth day following the day on which public announcement is first made by us of the date of such meeting. If the number of directors to be elected to our board of directors at an annual meeting is increased and there is no public announcement by us naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice will be considered timely, but only with respect to nominees for the additional directorships, if it is delivered to our corporate secretary not later than the close of business on the tenth day following the day on which such public announcement is first made by us.

Stockholder nominations for the election of directors at a special meeting must be received by our corporate secretary no earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of such special meeting and of the nominees proposed by our board of directors to be elected at such meeting.

A stockholder's notice to our corporate secretary must be in proper written form and must set forth information related to the stockholder giving the notice and the beneficial owner (if any) on whose behalf the nomination is made, including:

the name and record address of the stockholder and the beneficial owner;

the class and number of shares of our capital stock which are owned beneficially and of record by the stockholder and the beneficial owner;

a representation that the stockholder is a holder of record of our stock entitled to vote at that meeting and that the stockholder intends to appear in person or by proxy at the meeting to bring the nomination before the meeting; and

a representation as to whether the stockholder or the beneficial owner intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to elect the nominee, or otherwise to solicit proxies from stockholders in support of such nomination.

As to each person whom the stockholder proposes to nominate for election as a director, the notice must include:

all information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Securities Exchange Act of 1934; and

the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected.

***Advance Notice of Stockholder Proposals.*** Our bylaws also contain advance notice procedures with regard to stockholder proposals not related to director nominations. These notice procedures, in the case of an annual meeting of stockholders, are the same as the notice requirements for stockholder proposals related to director nominations discussed above insofar as they relate to the timing of receipt of notice by our corporate secretary.

A stockholder's notice to our corporate secretary must be in proper written form and must set forth, as to each matter the stockholder and the beneficial owner (if any) proposes to bring before the meeting:

a description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend our bylaws, the language of the proposed amendment), the reasons for conducting the business at the meeting and any material

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interest in such business of such stockholder and beneficial owner on whose behalf the proposal is made;

the name and record address of the stockholder and beneficial owner;

the class and number of shares of our capital stock which are owned beneficially and of record by the stockholder and the beneficial owner;

a representation that the stockholder is a holder of record of our stock entitled to vote at the meeting and that the stockholder intends to appear in person or by proxy at the meeting to propose such business; and

a representation as to whether the stockholder or the beneficial owner intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to approve or adopt the business proposal, or otherwise to solicit proxies from stockholders in support of such proposal.

***Limitations on Liability and Indemnification Matters.*** The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our certificate of incorporation will include a provision that eliminates the personal liability of directors for actions taken as a director, except for liability:

for breach of duty of loyalty;

for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;

under Section 174 of the DGCL (unlawful dividends); or

for transactions from which the director derived improper personal benefit.

Our certificate of incorporation and bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by the DGCL. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

***Rights Agreement.*** We will enter into a rights agreement prior to this offering. Pursuant to our rights agreement, one series A junior participating preferred stock purchase right will be issued for each share of our Class A common stock and Class B common stock (Class A rights and Class B rights, respectively) outstanding on the date this offering is completed. Our rights being issued are subject to the terms of our rights agreement.

Our board of directors will adopt our rights agreement to protect our stockholders from coercive or otherwise unfair takeover tactics. However, our rights agreement may also prevent takeovers that you would consider beneficial to you or us.

In general terms, our rights agreement works by imposing a significant penalty upon any person or group that acquires 15% or more of our outstanding common stock without the approval





of our board of directors. We provide the following summary description below. However, this description is only a summary, is not complete, and should be read together with our entire rights agreement, which has been publicly filed with the Securities and Exchange Commission as an exhibit to the registration statement of which this prospectus is a part.

Our board of directors has authorized the issuance of one Class A right for each share of our Class A common stock and one Class B right for each share of our Class B common stock outstanding on the date this offering is completed.

Our rights initially trade with, and are inseparable from, our common stock. Our Class A rights and Class B rights are evidenced only by Class A and Class B certificates that represent shares of our Class A or Class B common stock. New rights will accompany any new shares of common stock we issue after the date this offering is completed until the date on which the rights are distributed as described below.

Each of our rights will allow its holder to purchase from us one one-hundredth of a share of our series A junior participating preferred stock for \$100.00, once the rights become exercisable. Prior to exercise, our rights do not give their holders any dividend, voting or liquidation rights.

Our rights will not be exercisable until:

ten business days after the public announcement that a person or group has become an "acquiring person" by obtaining beneficial ownership of 15% or more of our outstanding common stock or, if earlier,

ten business days (or a later date determined by our board of directors before any person or group becomes an acquiring person) after a person or group begins a tender or exchange offer that, if completed, would result in that person or group becoming an acquiring person.

In light of the selling stockholders' substantial ownership position, our rights agreement contains provisions excluding these stockholders, their affiliates and their Permitted Transferees who beneficially own 15% or more of our outstanding common stock from the operation of the adverse terms of our rights agreement. See "Certain Relationships and Related Transactions Registration Rights Agreement" for a definition of Permitted Transferees.

Until the date our rights become exercisable, our certificates of Class A and Class B common stock also evidence our rights, and any transfer of shares of our common stock constitutes a transfer of our rights. After that date, our rights will separate from our common stock and be evidenced by book entries by the rights agent and by Class A and Class B rights certificates that we will mail to all eligible holders of our Class A and Class B common stock. Any of our rights held by an acquiring person are void and may not be exercised.

If a person or group becomes an acquiring person, all holders of our Class A rights except the acquiring person may, for the then applicable exercise price, purchase shares of our Class A common stock with a market value of twice the then applicable exercise price, based on the market price of our Class A common stock prior to such acquisition and all holders of Class B rights, except the acquiring person may, for the then applicable exercise price, purchase Class B common stock with a market value of twice the then applicable exercise price, based on the market price of Class B common stock prior to such acquisition (which solely for the purposes of the rights agreement, shall be equal to the market price of our Class A common stock).

If we are later acquired in a merger or similar transaction after the date our rights become exercisable, all holders of our rights except the acquiring person may, for the then applicable exercise price, purchase shares of the acquiring corporation with a market value of twice the then applicable exercise price, based on the market price of the acquiring corporation's stock prior to such merger.

Each one one-hundredth of a share of our series A junior participating preferred stock, if issued:

will not be redeemable;

will entitle holders to quarterly dividend payments of an amount equal to the greater of (i) \$0.01 per share and (ii) the dividend paid on one share of our Class A common stock;

will entitle holders upon liquidation either to receive an amount equal to the payment made on one share of our Class A common stock;

will have the same voting power as one share of our Class A common stock; and

if shares of our Class A common stock or Class B common stock are exchanged via merger, consolidation or a similar transaction, will entitle holders to a payment equal to the payment made on one share (as may be adjusted) of our Class A common stock or Class B common stock, as applicable.

The value of one one-hundredth interest in a share of our series A junior participating preferred stock purchasable upon exercise of each right should approximate the value of one share of our Class A common stock. Our rights will expire on the tenth anniversary of the completion of this offering.

Our board of directors may redeem our rights for \$0.01 per right at any time before any person or group becomes an acquiring person. If our board of directors redeems any of our rights, it must redeem all of our rights. Once our rights are redeemed, the only right of the holders of our rights will be to receive the redemption price of \$0.01 per right. The redemption price will be adjusted if we have a stock split or stock dividends of our common stock.

After a person or group becomes an acquiring person, but before an acquiring person owns 50% or more of our outstanding common stock, our board of directors may extinguish our rights by exchanging one share of our Class A or Class B common stock or an equivalent security for each Class A and Class B right, respectively, other than rights held by the acquiring person.

Our board of directors shall adjust the purchase price of our series A junior participating preferred stock, the number of shares of our series A junior participating preferred stock issuable and/or the number of our outstanding rights to prevent dilution that may occur from a stock dividend, a stock split or a reclassification of our preferred stock or common stock. No adjustments to the purchase price of our series A junior participating preferred stock of less than 1% will be made.

The terms of our rights agreement may be amended by our board of directors without the consent of the holders of our rights. After a person or group becomes an acquiring person, our board of directors may not amend the agreement in a way that adversely affects holders of our rights.

***Delaware Anti-Takeover Statute.*** We will be subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the time the person became an interested stockholder unless:

prior to the time the person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for

purposes of determining

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the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to the time the person became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock which is not owned by the interested stockholder.

The application of Section 203 may limit the ability of stockholders to approve a transaction that they may deem to be in their interests.

Under Section 203, a "business combination" generally includes a merger, asset or stock sale, or other similar transaction with an interested stockholder, and an "interested stockholder" is generally a person who, together with its affiliates and associates, owns or, in the case of affiliates or associates of the corporation, owned 15% or more of a corporation's outstanding voting securities within three years prior to the determination of interested stockholder status.

### **Listing**

Our Class A common stock has been approved for listing on the New York Stock Exchange under the symbol "IHS."

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be Computershare Trust Company, Inc.

**SHARES ELIGIBLE FOR FUTURE SALE**

Prior to this offering, there has been no market for our Class A common stock. Future sales of substantial amounts of our Class A common stock in the public market could adversely affect market prices prevailing from time to time. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

At the time of this offering, we will have 13,750,000 shares of Class B common stock outstanding and 43,319,306 shares of Class A common stock outstanding. Of these shares, the 14,515,000 shares of Class A common stock (or 16,692,250 shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares) sold in this offering will be freely transferable without restriction or registration under the Securities Act, except for any shares purchased by one of our existing "affiliates," as that term is defined in Rule 144 under the Securities Act, and except for any shares purchased in the directed share program, which will be freely transferable subject to contractual lock-up periods. See "Underwriting." The remaining 28,804,306 shares of Class A common stock (or 26,627,056 shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares) and the 13,750,000 shares of Class B common stock are "restricted shares" as defined in Rule 144. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 of the Securities Act. As a result of the contractual lock-up periods described below, the terms of the securities we granted and intend to grant in connection with the offering and the provisions of Rules 144 and 701, the following shares will be available for sale in the public market, subject in some cases to limitations imposed by Rule 144, as follows:

Number of Shares(1)	Date
687,887(2)	On December 15, 2005.
919,608(3)	On or after 180 days from the date of this prospectus, unless the lock-up period is extended as described below and in "Underwriting."
454,540	On or after 211 days from the completion of the offering.
36,030,809(4)	On or after one year from the date of this prospectus.
6,202,490(5)	On or after two years from the date of this prospectus.
138,866(6)	On or after three years from the date of this prospectus.

- (1) Does not include (i) 1,000,000 shares of our Class A common stock that may be purchased by eligible employees pursuant to the IHS Inc. Employee Stock Purchase Plan, which is anticipated to commence on January 1, 2006 (see "Management Equity Compensation Plans IHS Inc. Employee Stock Purchase Plan"), (ii) 26,040 shares of Class A common stock issued prior to this offering to an employee pursuant to the Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan and (iii) 159,334 shares of Class A common stock issued prior to this offering to two employees in connection with termination of their respective employment pursuant to the 2004 Offer Under the Non-Qualified Stock Option Plan (effective December 1, 1998) and the 2002 Non-Qualified Stock Option Plan of IHS Group Inc. (see "Management Equity Compensation Plans Offer to Exchange Options and Shares Held by Directors and Certain Employees"), all of which will become freely transferable before 180 days from the date of this prospectus.
- (2) Represents shares of Class A common stock underlying outstanding deferred stock units granted to certain employees pursuant to the 2004 Offer Under the Non-Qualified Stock Option Plan (Effective December 1, 1998) and the 2002 Non-Qualified Stock Option Plan of IHS Group Inc. See "Management Equity Compensation Plans Offer to Exchange Options and Shares Held by Directors and Certain Employees."
- (3) Includes (i) 204,400 shares of Class A common stock to be granted either as restricted shares, or restricted stock units representing shares, to certain employees upon the completion of this offering pursuant to the Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan, based on estimates made as of October 20, 2005 (see "Management Equity Compensation Plans Amended and Restated IHS Inc. Long-Term Incentive Plan") and (ii) 583,333 shares of Class A common stock underlying deferred stock units granted to Mr. Carpenter in connection with the termination of his

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employment (see "Management Employment Contracts, Termination of Employment and Change in Control Arrangements Robert R. Carpenter").

- (4) Includes (i) 21,896,290 shares of Class A common stock held by the selling stockholders (assuming an initial public offering price of \$15.50 per share, the midpoint of the range set forth on the cover page of this prospectus), (ii) 13,750,000 shares of Class B common stock held by the selling stockholders, each of which is convertible into one share of Class A common stock (see "Description of Capital Stock"), and (iii) 86,153 shares of Class A common stock to be granted either as restricted shares, or restricted stock units representing shares, to certain employees upon the completion of this offering pursuant to the Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan, based on estimates made as of October 20, 2005.
- (5) Includes (i) 4,838,710 shares of Class A common stock that General Atlantic has agreed to purchase in a private placement by the selling stockholders (assuming an initial public offering price of \$15.50, the midpoint of the range set forth on the cover page of this prospectus), and (ii) 524,393 shares of Class A common stock to be granted as restricted shares, restricted stock units, performance shares or performance units, to certain employees upon the completion of this offering pursuant to the Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan, based on estimates made as of October 20, 2005 (see "Management Equity Compensation Plans Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan").
- (6) Includes 86,153 shares of Class A common stock to be granted either as restricted shares, or restricted stock units representing shares, to certain employees upon the completion of this offering pursuant to the Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan, based on estimates made as of October 20, 2005 (see "Management Equity Compensation Plans Amended and Restated IHS Inc. Long-Term Incentive Plan").

### Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after this offering, a person, or persons whose shares are aggregated, who owns shares that were purchased from us, or any affiliate, at least one year previously, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of our then-outstanding shares of Class A common stock, which will equal approximately 0.4 million shares immediately after this offering, or the average weekly trading volume of our Class A common stock during the four calendar weeks preceding the filing of a notice of the sale on Form 144. Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us. We are unable to estimate the number of shares that will be sold under Rule 144 since this will depend on the market price for our Class A common stock, the personal circumstances of the stockholder and other factors.

### Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who owns shares within the definition of "restricted securities" under Rule 144 that were purchased from us, or any affiliate, at least two years previously, would be entitled to sell shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements described above. For so long as the selling stockholders continue to control us, they will be deemed to be our affiliates under Rule 144(k) and may not rely on the exemption from registration under Rule 144(k).

### Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to resell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period requirements or other restrictions contained in Rule 701.

The Securities and Exchange Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of such options,

including exercises after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described below under "Lock-up Agreements," beginning 90 days after the date of this prospectus, may be sold by persons other than "affiliates," as defined in Rule 144, subject only to the manner of sale provisions of Rule 144 and by "affiliates" under Rule 144 without compliance with its one-year minimum holding period requirement.

### **Registration Rights**

Upon the one year anniversary of this offering, the selling stockholders will be entitled to various rights with respect to the registration of their shares of common stock under the Securities Act. See "Certain Relationships and Related Transactions Registration Rights Agreement."

We have also agreed to provide, following the second anniversary of our initial public offering, under certain circumstances and subject to certain limitations, rights with respect to the registration under the Securities Act of the shares of our Class A common stock purchased in the private placement and held by the General Atlantic entities. See "Certain Relationships and Related Transactions Private Placement General Atlantic."

### **Equity Compensation Awards**

We have not granted any stock options to purchase shares of our Class A common stock. Deferred stock units representing 1,301,801 shares of our Class A common stock were granted on December 23, 2004 to our current employees and directors who accepted the offer by IHS Group Inc. to exchange all outstanding stock options to purchase shares of its Class A non-voting common stock and IHS Group Inc. shares previously acquired upon the exercise of such options. See "Management Equity Compensation Plans Offer to Exchange Options and Shares Held by Directors and Certain Employees." An additional 2,731,513 shares of Class A common stock will be available for future equity compensation awards under our Amended and Restated 2004 Long-Term Incentive Plan. See "Management Equity Compensation Plans Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan." One million shares of Class A common stock will be available for purchase by our eligible employees under our Employee Stock Purchase Plan. See "Management Equity Compensation Plans IHS Inc. Employee Stock Purchase Plan."

Upon completion of this offering, we intend to file a registration statement under the Securities Act covering all shares of our Class A common stock issuable pursuant to our Amended and Restated 2004 Long-Term Incentive Plan, the 2004 Offer Under the Non-Qualified Stock Option Plan (Effective December 1, 1998) and the 2002 Non-Qualified Stock Option Plan of IHS Group Inc. and our Employee Stock Purchase Plan. Subject to Rule 144 volume limitations applicable to affiliates, shares registered under any registration statements will be available for sale in the open market, except to the extent that the shares are subject to vesting restrictions with us or the contractual restrictions described below.

### **Lock-Up Agreements**

The selling stockholders have agreed with us not to sell or otherwise dispose of any of their shares of common stock for a period of one year following this offering. In addition we, our executive officers and directors, holders of substantially all of our common stock and the General Atlantic entities have agreed with the underwriters not to dispose of or hedge any of their Class A common stock or securities convertible into or exchangeable for shares of Class A common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and Citigroup Global Markets Inc. or in other limited circumstances. The General Atlantic entities have agreed with us, subject to limited exceptions, that they will not, until the second anniversary of our initial public offering, directly or indirectly, sell, pledge, grant any option to purchase, make any



short sale or otherwise dispose of any shares of our Class A common stock purchased from the selling stockholders in the private placement. Our agreement with the underwriters does not apply to any shares of Class A common stock or securities convertible into or exchangeable for shares of Class A common stock issued pursuant to any existing employee benefit plans.

The 180-day restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the 180-day restricted period, IHS issues an earnings release or announces material news or a material event; or

prior to the expiration of the 180-day restricted period, IHS announces that it will release earnings results during the 16-day period beginning on the last day of the period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

Goldman, Sachs & Co. and Citigroup Global Markets Inc. have advised us that they have no current intent or arrangement to release any of the shares subject to the lock-up agreements prior to the expiration of the lock-up period. Any waiver of the lock-up agreements prior to the expiration of the lock-up period will be at the sole discretion of Goldman, Sachs & Co. and Citigroup Global Markets Inc.

**MATERIAL UNITED STATES FEDERAL TAX CONSIDERATIONS  
FOR NON-U.S. HOLDERS OF COMMON STOCK**

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of common stock by a beneficial owner that is a "non-U.S. holder." This discussion does not apply to persons owning, or who have owned, actually or constructively, more than 5% of our common stock. A "non-U.S. holder" is a person or entity that, for U.S. federal income tax purposes, is a:

non-resident alien individual, other than certain former citizens and residents of the United States subject to tax as expatriates,

foreign corporation, or

foreign estate or trust.

A "non-U.S. holder" does not include an individual who is present in the United States for 183 days or more in the taxable year of disposition and is not otherwise a resident of the United States for U.S. federal income tax purposes. Such an individual is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the sale, exchange, or other disposition of common stock.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), and administrative pronouncements, judicial decisions and final, temporary, and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus may affect the tax consequences described herein. This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to non-U.S. holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. Prospective holders are urged to consult their tax advisors with respect to the particular tax consequences to them of owning and disposing of common stock, including the consequences under the laws of any state, local, or foreign jurisdiction.

**Dividends**

As discussed under "Dividend Policy" above, we do not currently expect to pay dividends. In the event that we do pay dividends, dividends paid to a non-U.S. holder of common stock generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. In order to obtain a reduced rate of withholding, a non-U.S. holder will be required to provide an Internal Revenue Service Form W-8BEN certifying its entitlement to benefits under a treaty.

The withholding tax does not apply to dividends paid to a non-U.S. holder who provides a Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. holder were a U.S. resident. A non-U.S. corporation receiving effectively connected dividends may also be subject to an additional "branch profits tax" imposed at a rate of 30% (or a lower treaty rate).

**Gain on Disposition of Common Stock**

A non-U.S. holder generally will not be subject to U.S. federal income tax (including the "branch profits tax") on gain realized on a sale or other disposition of common stock unless:

the gain is effectively connected with a trade or business of the non-U.S. holder in the United States, subject to an applicable treaty providing otherwise, or

we are or have been a U.S. real property holding corporation, at any time within the five-year period preceding the disposition or the non-U.S. holder's holding period, whichever

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period is shorter, and our common stock has ceased to be regularly traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs.

We believe that we are not, and do not anticipate becoming, a U.S. real property holding corporation.

### **Information Reporting Requirements and Backup Withholding**

Information returns will be filed with the Internal Revenue Service in connection with payments of dividends and the proceeds from a sale or other disposition of common stock. You may have to comply with certification procedures to establish that you are not a United States person in order to avoid information reporting and backup withholding tax requirements. The certification procedures required to claim a reduced rate of withholding under a treaty will satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability and may entitle you to a refund, provided that the required information is furnished to the Internal Revenue Service.

### **Federal Estate Tax**

An individual non-U.S. holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the common stock will be required to include the value of the stock in his gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

**UNDERWRITING**

IHS, the selling stockholders and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and Citigroup Global Markets Inc. are acting as joint book-running managers for the offering, Morgan Stanley & Co. Incorporated is acting as joint lead manager for the offering and, together with UBS Securities LLC, KeyBanc Capital Markets, A Division of McDonald Investments Inc., and Piper Jaffray & Co., are the representatives of the underwriters.

<b>Underwriters</b>	<b>Number of Shares</b>
Goldman, Sachs & Co.	
Citigroup Global Markets Inc.	
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
KeyBanc Capital Markets, A Division of McDonald Investments Inc.	
Piper Jaffray & Co.	
<b>Total</b>	<b>14,515,000</b>

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, Goldman, Sachs & Co., Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated have an option to buy up to an additional 2,177,250 shares from the selling stockholders to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, such three underwriters will severally purchase shares in approximately the same proportion as they are purchasing the total of \_\_\_\_\_ shares listed next to their names in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 2,177,250 additional shares.

Paid by the Selling Stockholders

	<b>No Exercise</b>	<b>Full Exercise</b>
Per Share	\$	\$
Total	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

IHS, its executive officers and directors, the General Atlantic entities and holders of substantially all of the common stock of IHS have agreed with the underwriters not to dispose of or hedge any of their Class A common stock or securities convertible into or exchangeable for shares of Class A common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and Citigroup Global Markets Inc. or in other limited circumstances. IHS's agreement with the underwriters does not apply to any shares of Class A common stock or securities

convertible into or exchangeable for shares of Class A common stock issued pursuant to any existing employee benefit plans. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the 180-day restricted period, IHS issues an earnings release or announces material news or a material event; or

prior to the expiration of the 180-day restricted period, IHS announces that it will release earnings results during the 16-day period beginning on the last day of the period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

At IHS's request, the underwriters have reserved up to 2% of the shares for sale at the initial public offering price to certain persons associated with IHS, including its non-employee directors (other than C. Michael Armstrong and Michael Klein), through a directed share program. The number of shares available for sale to the general public will be reduced by the number of directed shares purchased by participants in the program. Any directed shares not purchased will be offered by the underwriters to the general public on the same basis as all other shares offered. IHS has agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act of 1933, in connection with the sales of the directed shares. Each participant in the program will be subject to the restrictions on transfer of shares as described in the preceding paragraph.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among IHS, the selling stockholders and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be IHS's historical performance, estimates of the business potential and earnings prospects of IHS, an assessment of IHS's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

The Class A common stock has been approved for listing on the New York Stock Exchange under the symbol "IHS." In order to meet one of the requirements for listing the Class A common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

In connection with the offering, the underwriters may purchase and sell shares of Class A common stock in the open market. Transactions conducted by Goldman, Sachs & Co., Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by such underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than such underwriters' option to purchase additional shares from the selling stockholders in the offering. These underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, such underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. Such underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if such underwriters are concerned that there may be downward pressure on the price of the Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of Class A common stock made by such underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because certain of the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of IHS's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Class A common stock. As a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

A prospectus in electronic format may be made available by one or more of the representatives of the underwriters and may also be made available on websites maintained by other underwriters. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives of the underwriters to the underwriters that may make Internet distributions on the same basis as other allocations.

Each of the underwriters has represented, warranted and agreed that:

- (a) it has not made or will not make an offer of shares to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA") except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by IHS of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority ("FSA");
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to IHS; and
- (c) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and

(3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

- (c) in any other circumstances which do not require the publication by the IHS of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The shares may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the shares may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Each underwriter has acknowledged and agreed that the shares have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

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IHS estimates that the total expenses of the offering, excluding the underwriting discount, will be approximately \$5,900,000. IHS has agreed that it will pay all expenses of the offering on behalf of itself and the selling stockholders, except that the selling stockholders will pay the underwriting discount with respect to the shares to be sold by them in this offering.

IHS and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for IHS for which they received or will receive customary fees and expenses. Certain of the underwriters also acted as placement agents in connection with the private placement of shares to General Atlantic for which they will receive placement fees. C. Michael Armstrong, who is on the board of directors of Citigroup Inc., an affiliate of Citigroup Global Markets Inc., and Michael Klein, who is Chief Executive Officer of Global Banking for Citigroup Inc. and Vice Chairman of Citigroup International PLC, an affiliate of Citigroup Global Markets Inc., serve on the board of directors of IHS. In addition, KeyBank National Association, an affiliate of KeyBanc Capital Markets, A Division of McDonald Investments Inc., is the lead arranger, sole book runner, administrative agent and a lender under IHS's credit facility.

### VALIDITY OF CLASS A COMMON STOCK

The validity of the shares of Class A common stock offered hereby will be passed upon for us by Davis Polk & Wardwell, New York, New York, and for the underwriters by Sullivan & Cromwell LLP, Washington, D.C.

### EXPERTS

The consolidated financial statements of IHS Inc. at November 30, 2003 and 2004, and for each of the three years in the period ended November 30, 2004, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

### WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the Class A common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to the company and its Class A common stock, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules thereto, may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov), from which interested persons can electronically access the registration statement, including the exhibits and any schedules thereto. The registration statement, including the exhibits and schedules thereto, are also available for reading and copying at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

As a result of the offering, we will become subject to the full informational requirements of the Securities Exchange Act of 1934, as amended. We will fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing consolidated financial statements certified by an independent public accounting firm. We also maintain an Internet site at [www.ihs.com](http://www.ihs.com). Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.



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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of IHS Inc.

We have audited the accompanying consolidated balance sheets of IHS Inc. as of November 30, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended November 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of IHS Inc. at November 30, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 30, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Denver, Colorado  
January 17, 2005, except for Note 22,  
as to which the date is September 20, 2005

## IHS INC.

## CONSOLIDATED BALANCE SHEETS

	As of November 30,	
	2003	2004
	(In thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 24,051	\$ 124,452
Accounts receivable, net	107,474	117,873
Deferred subscription costs	15,209	25,727
Deferred income taxes	3,774	12,173
Buildings held for sale	8,707	
Other	8,274	11,625
<b>Total current assets</b>	<b>167,489</b>	<b>291,850</b>
Non-current assets:		
Property and equipment, net	49,977	49,591
Intangible assets, net	2,958	26,821
Goodwill, net	229,418	301,880
Preferred stock investments in related parties	71,850	
Prepaid pension asset	96,835	81,242
Other	1,586	1,260
<b>Total non-current assets</b>	<b>452,624</b>	<b>460,794</b>
<b>Total assets</b>	<b>\$ 620,113</b>	<b>\$ 752,644</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Short-term capital leases	\$ 68	\$ 48
Accounts payable	53,459	39,516
Accrued compensation	13,448	28,869
Accrued royalties	12,981	26,307
Other accrued expenses	19,341	28,262
Income tax payable	8,702	9,114
Deferred subscription revenue	98,444	140,120
Other current liabilities	2,428	
<b>Total current liabilities</b>	<b>208,871</b>	<b>272,236</b>
Long-term debt and capital leases	725	607
Accrued pension liability	3,855	7,531
Accrued post-retirement benefits	31,458	18,740
Deferred income taxes	13,237	11,533
Other liabilities	317	8,065
Minority interests	885	1,209
Deferred stock units and restricted shares with put rights		11,672
Stockholders' equity:		
Common stock, \$1.00 par value, 1,000 shares authorized, issued and outstanding at November 30, 2003		

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	<u>As of November 30,</u>	
Class A common stock, \$0.01 par value per share, 80,000,000 shares authorized, 41,250,000 issued and outstanding at November 30, 2004		413
Class B common stock, \$0.01 par value per share, 13,750,000 shares authorized, issued and outstanding at November 30, 2004		138
Class C common stock, \$1.00 par value per share, 1,000 shares authorized, issued and held in treasury at November 30, 2004		
Additional paid-in capital	122,850	122,300
Retained earnings	252,725	301,887
Accumulated other comprehensive loss	(14,811)	(3,687)
	<u>          </u>	<u>          </u>
Total stockholders' equity	360,765	421,051
	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	\$ 620,113	\$ 752,644
	<u>          </u>	<u>          </u>

See accompanying notes.

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## IHS INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended November 30,		
	2002	2003	2004
(In thousands, except per share amounts)			
<b>Revenue:</b>			
Products	\$ 304,575	\$ 311,602	\$ 352,367
Services	34,336	34,238	41,602
Total revenue	338,911	345,840	393,969
<b>Operating expenses:</b>			
Cost of revenue:			
Products	139,592	132,940	150,357
Services	25,576	27,783	29,643
Compensation expense related to equity awards			4,437
Total cost of revenue	165,168	160,723	184,437
Selling, general and administrative	117,837	119,902	136,529
Depreciation and amortization	9,352	8,940	9,642
Compensation expense related to equity awards			17,065
Gain on sales of assets, net	(2,660)	(245)	(5,532)
Impairment of assets	8,556	567	1,972
Recovery of investment	(1,598)		
Net periodic pension and post-retirement benefits	(10,866)	(8,558)	(5,791)
Earnings in unconsolidated subsidiaries	(2,934)	(3,196)	(437)
Other expense (income), net	(1,062)	1,105	3,173
Total operating expenses	281,793	279,238	341,058
<b>Operating income</b>	57,118	66,602	52,911
Impairment of investment in affiliate	(7,900)		
Gain on sale of investment in affiliate			26,601
Interest income	1,043	1,359	1,140
Interest expense	(3,535)	(1,104)	(450)
Non-operating income (expense), net	(10,392)	255	27,291
Income from continuing operations before income taxes and minority interests	46,726	66,857	80,202
Provision for income taxes	(16,775)	(24,053)	(16,644)
Income from continuing operations before minority interests	29,951	42,804	63,558
Minority interests	(23)	(46)	(275)
Income from continuing operations	29,928	42,758	63,283
Discontinued operations:			
Loss from discontinued operations, net		(195)	(1,969)
<b>Net income</b>	\$ 29,928	\$ 42,563	\$ 61,314
Income from continuing operations per share:			
Basic and diluted (Class A and Class B common stock)	\$ 0.54	\$ 0.78	\$ 1.15

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Years Ended November 30,

	Years Ended November 30,		
	2011	2010	2009
<b>Loss from discontinued operations per share:</b>			
Basic and diluted (Class A and Class B common stock)	\$ (0.01)	\$ (0.01)	\$ (0.04)
<b>Net income per share:</b>			
Basic and diluted (Class A and Class B common stock)	\$ 0.54	\$ 0.77	\$ 1.11
<b>Weighted average shares:</b>			
Basic (Class A common stock)	41,250	41,250	41,250
Basic (Class B common stock)	13,750	13,750	13,750
Diluted (Class A common stock)	55,000	55,000	55,000
Diluted (Class B common stock)	13,750	13,750	13,750
<b>Total compensation expense related to equity awards is comprised of the following:</b>			
Cost of products revenue	\$ 170	\$ 170	\$ 170
Cost of services revenue	4,267	4,267	4,267
Selling, general and administrative	17,065	17,065	17,065
Discontinued operations	303	303	303
	\$ 21,805	\$ 21,805	\$ 21,805

See accompanying notes.

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## IHS INC.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
(In thousands)							
<b>Balance at November 30, 2001</b>	\$ 1	\$	\$	\$ 122,850	\$ 180,234	\$ (30,764)	\$ 272,321
Net income					29,928		29,928
Other comprehensive income:							
Foreign currency translation adjustments						4,326	4,326
Minimum pension liability adjustment, net of tax						(2,010)	(2,010)
Comprehensive income, net of tax							32,244
<b>Balance at November 30, 2002</b>	1			122,850	210,162	(28,448)	304,565
Net income					42,563		42,563
Other comprehensive income:							
Foreign currency translation adjustments						14,850	14,850
Minimum pension liability adjustment, net of tax						(1,213)	(1,213)
Comprehensive income, net of tax							56,200
<b>Balance at November 30, 2003</b>	1			122,850	252,725	(14,811)	360,765
Effect of pension plan spin-off					(6,009)		(6,009)
Cash dividend					(1,843)		(1,843)
Distribution of preferred stock					(4,300)		(4,300)
Recapitalization	(1)	413	138	(550)			
Net income					61,314		61,314
Other comprehensive income:							
Foreign currency translation adjustments						13,268	13,268
Minimum pension liability adjustment, net of tax						(2,144)	(2,144)
Comprehensive income, net of tax							72,438
<b>Balance at November 30, 2004</b>	\$	\$ 413	\$ 138	\$ 122,300	\$ 301,887	\$ (3,687)	\$ 421,051

See accompanying notes.





## IHS INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended November 30,		
	2002	2003	2004
	(In thousands)		
<b>Operating activities</b>			
Net income	\$ 29,928	\$ 42,563	\$ 61,314
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	9,352	8,943	9,882
Compensation expense related to equity awards (non-cash portion)			11,872
Gain on sales of assets, net	(2,660)	(245)	(5,532)
Gain on sale of investment in affiliate			(26,601)
Recovery of investment	(1,598)		
Impairment of assets	8,556	567	1,972
Impairment of investment in affiliate	7,900		
Net periodic pension and post-retirement benefits	(10,866)	(8,558)	(5,791)
Minority interests	23	46	275
Deferred income taxes	17,791	7,165	(1,424)
Change in assets and liabilities:			
Accounts receivable, net	15,605	(1,205)	4,557
Other current assets	(2,622)	1,013	(11,755)
Accounts payable	383	4,005	(15,208)
Accrued expenses	6,755	(8,654)	26,232
Income taxes	(7,544)	10,929	1,035
Deferred subscription revenue	4,034	3,576	16,152
Other liabilities	(302)		
<b>Net cash provided by operating activities</b>	<b>74,735</b>	<b>60,145</b>	<b>66,980</b>
<b>Investing activities</b>			
Capital expenditures on property and equipment	(6,763)	(4,123)	(4,444)
Change in other assets	(548)	1,412	4,485
Acquisitions of businesses, net of cash acquired		(2,224)	(70,331)
Proceeds from sales of assets and investment in affiliate	4,652		104,893
<b>Net cash provided by (used in) investing activities</b>	<b>(2,659)</b>	<b>(4,935)</b>	<b>34,603</b>
<b>Financing activities</b>			
Net payments on debt	(71,265)	(44,153)	(157)
Cash dividends			(1,843)
<b>Net cash used in financing activities</b>	<b>(71,265)</b>	<b>(44,153)</b>	<b>(2,000)</b>
Foreign exchange impact on cash balance	678	1,053	818
Net increase in cash and cash equivalents	1,489	12,110	100,401
Cash and cash equivalents at the beginning of the year	10,452	11,941	24,051
Cash and cash equivalents at the end of the year	\$ 11,941	\$ 24,051	\$ 124,452

See accompanying notes.

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IHS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Nature of Business and Significant Accounting Policies**

IHS Inc. ("IHS," "we," "our," or "us") is a Delaware corporation wholly owned by Urpasis Investments Limited and Urvanos Investments Limited, Cyprus limited liability companies. We are one of the leading global providers of critical technical information, decision-support tools and services to customers in the energy, defense, aerospace, construction, electronics, and automotive industries.

We manage our business through two reportable segments: Energy and Engineering. Our Energy segment develops and delivers critical oil and gas industry data on exploration, development, production, and transportation activities to major global energy producers and national and independent oil companies. Our Energy segment also provides decision-support tools and operational, research, and strategic advisory services to these customers, as well as to utilities and transportation, petrochemical, coal, and power companies. Our Engineering segment provides solutions incorporating technical specifications and standards, regulations, parts data, design guides, and other information to customers in its targeted industries. We maintain an international sales and service network of subsidiaries and distributors.

***Fiscal Year End***

Our fiscal years end on November 30 of each year. References herein to individual years mean the year ended November 30. For example, 2002 means the year ended November 30, 2002.

***Consolidation Policy***

The consolidated financial statements include the accounts of all wholly owned and majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

***Revenue Recognition***

Revenue is recognized when all of the following criteria have been met: (a) persuasive evidence of an arrangement exists, (b) delivery has occurred or services have been rendered, (c) the price to the customer is fixed or determinable, and (d) collectibility is reasonably assured. Our revenue recognition policies are based on the guidance in Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*, and Statement of Position (SOP) 97-2, *Software Revenue Recognition*.

***Sales of critical information and decision-support tools***

The majority of our revenue is derived from the sale of subscriptions to our critical information, which is recognized ratably as delivered over the subscription period. Costs that are directly related to the subscription revenue and are primarily comprised of prepaid royalty fees, are generally deferred and amortized to cost of revenue over the subscription period.

We do not defer the revenue for the limited number of sales of subscriptions in which we have no continuing responsibility to maintain and update the underlying database. We recognize this revenue upon the sale of these subscriptions and delivery of the information and tools. For a limited number of our offerings, we serve as the sales agent for third parties. We recognize revenue from these sales in accordance with Emerging Issues Task Force 99-19, *Report Revenue Gross as a Principal versus Net as Agent*.

Revenue is recognized upon delivery for non-subscription-based sales.

In certain locations, we use dealers to distribute our critical information and decision-support tools. Revenue for products sold through dealers is recognized as follows:

For subscription based services, revenue is recognized ratably as delivered to the end user over the subscription period.

For non-subscription based products, revenue is recognized upon delivery to the dealer.

#### *Services*

We provide our customers with service offerings that are primarily sold on a stand-alone basis and on a significantly more limited basis as part of a multiple-element arrangement. Our service offerings are generally separately priced in a standard-price book. For services that are not in a standard-price book, as the price varies based on the nature and complexity of the service offering, pricing is based on the estimated amount of time to be incurred at standard billing rates for the estimated underlying effort for executing the associated deliverable in the contract. Revenue related to services performed under time- and material-based contracts is recognized in the period performed at standard billing rates. Revenue associated with fixed-price contracts is recognized upon completion of each specified performance obligation under the terms of the contract. See discussion of "multiple-element arrangements" below. If the contract includes acceptance contingencies, revenue is recognized in the period in which we receive documentation of acceptance from the customer.

#### *Multiple-element arrangements*

Occasionally, we may execute contracts with customers which contain multiple offerings. In our business, multiple-element arrangements refer to contracts with separate fees for decision-support tools, maintenance, and/or related services. We have established separate units of accounting as each offering is primarily sold on a stand-alone basis. Generally, if sufficient vendor-specific objective evidence of the fair value of each element of the arrangement exists based on stand-alone sales of these products and services, then the elements of the contract are unbundled and are recognized as follows:

Subscription offerings and license fees are recognized ratably over the license period as long as there is an associated licensing period or a future obligation. Otherwise, revenue is recognized upon delivery.

For non-subscription offerings of a multiple-element arrangement, the revenue is generally recognized for each element in the period in which delivery of the product to the customer occurs, completion of services occurs or, for post-contract support, ratably over the term of the maintenance period.

In some instances, customer acceptance is required for consulting services rendered. For those transactions, the service revenue component of the arrangement is recognized in the period that customer acceptance is obtained.

In infrequent instances where a multiple-element arrangement includes offerings for which vendor-specific objective evidence is not available, we would consider the substance of the whole arrangement to be a subscription and thus revenue is recognized ratably over the service period.

#### *Cash and Cash Equivalents*

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

***Property and Equipment***

Land, buildings and improvements, machinery and equipment are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7 to 30 years
Machinery and equipment	2 to 10 years

Leasehold improvements are depreciated over their estimated useful life, or the life of the lease, whichever is shorter. Maintenance, repairs and renewals of a minor nature are expensed as incurred. Betterments and major renewals which extend the useful lives of buildings, improvements, and equipment are capitalized.

***Preferred Stock Investment in Related Parties***

Investment in related parties consisted solely of preferred stock of companies in which TBG Holding, NV (TBG), our indirect controlling stockholder, holds common stock and are stated at cost, net of impairments. During 2004, we liquidated our preferred stock investments in related parties in conjunction with the disposition of the equity investments by TBG (see Note 2).

***Identifiable Intangible Assets and Goodwill***

We account for our business acquisitions using the purchase method of accounting. We allocate the total cost of an acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we must identify and attribute values and estimated lives to the intangible assets acquired.

Identifiable intangible assets with finite lives are amortized on a straight-line basis over their respective lives.

We review the carrying values of identifiable intangible assets with indefinite lives and goodwill at least annually to assess impairment because these assets are not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. We assess impairment by comparing the fair value of an identifiable intangible asset or goodwill with its carrying value. Impairments are expensed when incurred.

***Minority Interest***

We recognize the minority interests' share of net income in an amount equal to the minority interests' allocable portion of the common equity of certain consolidated subsidiaries. These subsidiaries are located in Germany and Switzerland and are included in our Engineering segment.

***Income Taxes***

Deferred income taxes are provided using tax rates enacted for periods of expected reversal on all temporary differences. Temporary differences relate to differences between the book and tax basis of assets and liabilities, principally goodwill, property and equipment, deferred subscription revenue, and pension assets and accruals. Pursuant to the provisions of SFAS No. 109, *Accounting for Income Taxes*, we regularly review the adequacy of our deferred tax asset valuation allowance. We recognize these benefits only when the underlying assessments indicate that it is more likely than not that the benefits will be realized.

Judgment is required in determining the worldwide provision for income taxes. Additionally, the income tax provision is based on calculations and assumptions that are subject to examination by

many different tax authorities and to changes in tax law and rates in many jurisdictions. We adjust our income tax provision in the period in which it becomes probable that actual results will differ from our estimates.

#### ***Foreign Currency***

The functional currency of each of our foreign subsidiaries is that subsidiary's local currency. Monetary assets and liabilities are translated at year-end exchange rates. Income and expense items are translated at weighted-average rates of exchange prevailing during the year. Any translation adjustments are included in the foreign currency translation adjustment account in stockholders' equity. Transactions executed in different currencies resulting in exchange adjustments are translated at spot rates and resulting foreign exchange transaction gains and losses are included in the results of operations.

#### ***Research and Development***

Costs of research and development, which are included in cost of revenue, are expensed as incurred and amounted to approximately \$12.9 million, \$7.0 million and \$13.1 million for 2002, 2003 and 2004, respectively.

#### ***Software Development Costs***

We account for software research and development costs in accordance with SFAS No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed* (SFAS 86). Our development process includes the requirement that we make a determination regarding technological feasibility. Upon such determination, management evaluates the nature and timing of costs to be capitalized. We capitalize these costs through the period that the product is generally available for sale. The capitalized amounts, net of accumulated amortization, are included in intangible assets in our consolidated balance sheet. The capitalized amounts are amortized over the expected period of benefit, not to exceed five years, and such amortization expense is included within cost of revenue in our consolidated statement of operations. The costs capitalized were \$0, \$0, and \$0.6 million, in 2002, 2003 and 2004, respectively. Amortization expense was \$0.3 million in each of 2002, 2003 and 2004.

#### ***Impairment of Long-Lived Assets***

In 2003, we adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*, and the accounting and reporting provisions of Accounting Principles Board (APB) Opinion No. 30, *Reporting the Results of Operation*, for the disposal of a segment of a business. Upon adoption, we evaluated the recoverability of our property and equipment and other long-lived assets in accordance with the new standard.

We periodically review the carrying amounts of long-lived assets to determine whether current events or circumstances warrant adjustment to such carrying amounts. Any impairment is measured by the amount that the carrying value of such assets exceeds their fair value, primarily based on estimated discounted cash flows. Considerable management judgment is necessary to estimate the fair value of assets. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value, less costs to sell.

**Stock Option Accounting**

As discussed in Note 13, IHS Group Inc., our wholly owned subsidiary, settled all of its options outstanding at November 30, 2004. IHS Group Inc. has elected to follow APB Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise prices of IHS Group Inc.'s employee stock options have been equal to or greater than the estimated fair market value of the underlying stock on the date of the grant, no compensation expense for stock options has been recognized. SFAS No. 123, *Accounting and Disclosure of Stock-Based Compensation* (SFAS 123), establishes an alternative method of expense recognition for stock-based compensation awards to employees based on fair values. As of November 30, 2004, IHS Group Inc. has not yet adopted SFAS 123(R) for expense recognition purposes. See "New Accounting Pronouncement" below for further discussion concerning SFAS 123(R).

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if IHS Group Inc. had accounted for its employee stock options under the fair value method. The fair value of each option grant was estimated on the date of grant with the following weighted-average assumptions: risk-free interest rate of 3.0%, 2.8% and 3.0% in 2002, 2003 and 2004, respectively, expected life of five years, and expected dividends of 0%.

Option valuation models require the input of highly subjective assumptions including expected stock price characteristics significantly different from those of traded options. Because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The weighted-average fair value of options granted during 2002 was \$0.91 per option. The weighted-average fair value of options granted during 2003 at fair market value was \$1.08 per option and for those granted in excess of fair market value was \$0.64 per option. The weighted-average fair value of options granted during 2004 at fair market value was \$1.27 per option. The options granted in excess of fair market value during 2004 had no value. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Our pro forma net income if IHS Group Inc. had used the fair value accounting provisions of SFAS 123 are shown below, for the years ended November 30:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(amounts in thousands except for per share amounts)		
Net income (loss) as reported	\$ 29,928	\$ 42,563	\$ 61,314
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects for cash settlement of awards under APB 25	\$	\$	\$ 6,237
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(726)	(1,084)	(1,009)
Deduct: Total stock-based employee compensation expense determined under fair value based method on cash settlement, net of related tax effects			(1,471)
Pro forma	<u>\$ 29,202</u>	<u>\$ 41,479</u>	<u>\$ 65,071</u>
Earnings per share (Class A and Class B common stock):			
Basic and diluted, as reported	\$ 0.54	\$ 0.77	\$ 1.11
Basic and diluted, pro forma	\$ 0.53	\$ 0.75	\$ 1.18

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As a result of the ultimate \$9.4 million cash settlement of all outstanding options, both vested and unvested, the Company accelerated the vesting on unvested options which resulted in \$1.5 million of compensation cost under SFAS 123. The cash settlement of vested and unvested options did not result in additional compensation as the cash paid for the options did not exceed the FMV on the settlement date.

***Use of Estimates***

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of significant management estimates. Actual results could differ from those estimates.

***Concentration of Credit Risk***

Our financial instruments that are exposed to concentrations of credit risk consist principally of accounts receivable and equity investments in related parties. Credit is extended to commercial customers based on an evaluation of the customer's financial condition; generally, collateral is not required. We maintain reserves for potential credit losses from such customers.

***Fair Value of Financial Instruments***

The carrying value of our financial instruments, including cash, accounts receivable, accounts payable and long-term debt, approximates their fair value.

***New Accounting Pronouncement***

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), *Share-Based Payment*, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statement of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Statement 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date.
2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures for either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

We are currently studying Statement 123(R) and have not yet decided which alternative to use when we adopt Statement 123(R) effective December 1, 2005. As permitted by Statement 123(R), we currently account for share-based payments to employees using APB Opinion 25's intrinsic value method and, as such, generally recognize no compensation cost for employee stock options.



Subsequent to November 30, 2004, we cancelled all of our outstanding options. Consequently, the adoption of Statement 123(R) will impact our results of operations if we grant share-based payments in the future. Had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact under Statement 123(R) as described in the disclosure of pro forma net income appearing earlier in Note 1 to our consolidated financial statements.

## 2. Acquisitions and Divestitures

All acquisitions are accounted for using the purchase method of accounting. The consolidated financial statements include all the assets and liabilities acquired and the results of operations from the respective dates of acquisition. Pro forma results of the acquired businesses have not been presented as they did not have a material impact on our results of operations. Significant transactions are discussed below.

### Acquisitions

On December 9, 2003, we acquired the assets of International Petrodata Limited (IPL) for a total purchase price of approximately \$16 million in cash. IPL, based in Calgary, Canada, provides critical information to the oil and gas exploration and production markets in Canada.

On September 1, 2004, we acquired the outstanding capital stock of Cambridge Energy Research Associates (CERA) for a total purchase price of approximately \$31 million, net of cash acquired of \$1.5 million. CERA provides syndicated research and strategic advisory services to energy companies.

On September 16, 2004, we acquired Intermat, Inc., a provider of decision-support tools for parts management, parts cleansing and predictive obsolescence projects, for a total purchase price of approximately \$5 million in cash.

On September 20, 2004, we acquired the outstanding capital stock of USA Information Systems, Inc. (USA). The total purchase price was approximately \$20 million, net of \$0.5 million of acquired cash. USA provides decision-support tools and critical information to governments and government contractors.

The purchase prices for these acquisitions were allocated as follows:

	<u>IPL</u>	<u>CERA</u>	<u>Intermat</u>	<u>USA</u>	<u>Total</u>
	(In thousands)				
<b>Assets:</b>					
Current assets	\$ 1,242	\$ 8,437	\$ 729	\$ 1,968	\$ 12,376
Property and equipment	215	2,512	212	65	3,004
Intangible assets	4,518	14,770	3,607	2,788	25,683
Goodwill	12,528	27,474	1,182	18,821	60,005
Deferred tax assets		2,241			2,241
<b>Total assets</b>	<b>18,503</b>	<b>55,434</b>	<b>5,730</b>	<b>23,642</b>	<b>103,309</b>
<b>Liabilities:</b>					
Current liabilities	2,418	18,164	430	4,157	25,169
Long-term liabilities		7,809			7,809
<b>Total liabilities</b>	<b>2,418</b>	<b>25,973</b>	<b>430</b>	<b>4,157</b>	<b>32,978</b>
<b>Purchase price</b>	<b>\$ 16,085</b>	<b>\$ 29,461</b>	<b>\$ 5,300</b>	<b>\$ 19,485</b>	<b>\$ 70,331</b>

*Divestitures of Investments in Affiliates*

During 2004, we divested our preferred stock investments in two related parties in which TBG held common stock. On September 17, 2004, we sold our preferred stock in one related party (TriPoint Global Communications, Inc.) for \$94.2 million and we recorded a \$26.6 million gain on the sale. On October 18, 2004, we distributed to TBG, in the form of a \$4.3 million dividend, the preferred stock we owned in the second related party (Extruded Metals, Inc.). In 2002, we recorded a \$7.9 million impairment charge in 2002 related to our preferred stock investment in Extruded Metals, Inc. The impairment charge was the result of writing down our investment to its estimated fair value.

**3. Dissolution of Joint Venture**

On January 1, 2004, we dissolved our joint venture with the British Standards Institution (BSI) in favor of a distribution agreement relating to certain products, which incorporate BSI standards and were previously sold through and owned by the joint venture. We recorded a \$4.4 million gain in connection with the dissolution of the joint venture, and have included this gain in gain on sales of assets, net, in our consolidated statement of operations. The gain resulted from the fact that the cash distribution that we received in connection with the dissolution exceeded the balance of our investment in the joint venture. A \$4.5 million deferred revenue balance was also recorded at the time of the dissolution. This amount represented the estimated fair value of the fulfillment obligation that we assumed relative to the subscription products whose ownership reverted back to us at the time of the dissolution.

**4. Impairment of Assets**

An \$8.6 million impairment charge was recorded in 2002 relating to the following: buildings held for sale (\$4.6 million); miscellaneous balances within our Engineering segment's services business (\$1.5 million); decision-support tools within our Energy segment (\$0.5 million); and a note receivable related to the divestment of Pyramid (\$2.0 million). The impairment charges related to prepaid royalties and decision-support tools were based on undiscounted future cash flows of the respective businesses or products.

A \$0.6 million impairment charge was recorded in 2003 relating to decision-support tools within our Energy segment. This impairment charge was based on a fair value analysis of the future cash flows of the related product.

A \$2.0 million impairment charge was recorded in 2004 relating to decision-support tools within our Energy segment. This impairment charge occurred as a result of a decision by management to discontinue development efforts on the product.

**5. Accounts Receivable**

Our accounts receivable balance consists of the following as of November 30:

	<u>2003</u>	<u>2004</u>
	(In thousands)	
Accounts receivable	\$ 111,695	\$ 123,077
Less: accounts receivable allowance	(4,221)	(5,204)
	<u>          </u>	<u>          </u>
Accounts receivable, net	\$ 107,474	\$ 117,873
	<u>          </u>	<u>          </u>

The activity in our accounts receivable allowance consists of the following as of November 30:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(In thousands)		
Balance at beginning of year	\$ 6,839	\$ 4,793	\$ 4,221
Provision for bad debts	2,176	592	519
Recoveries and other additions	(576)	307	1,415
Writeoffs and other deductions	(3,646)	(1,471)	(951)
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at end of year	\$ 4,793	\$ 4,221	\$ 5,204
	<u>          </u>	<u>          </u>	<u>          </u>

**6. Property and Equipment**

Property and equipment consists of the following at November 30:

	<u>2003</u>	<u>2004</u>
	(In thousands)	
Land, buildings and improvements	\$ 47,551	\$ 49,228
Machinery and equipment	53,880	56,700
	<u>          </u>	<u>          </u>
	101,431	105,928
Less: accumulated depreciation	(51,454)	(56,337)
	<u>          </u>	<u>          </u>
	\$ 49,977	\$ 49,591
	<u>          </u>	<u>          </u>

Depreciation expense was approximately \$9.0 million, \$8.6 million, and \$8.0 million in 2002, 2003, and 2004, respectively.

During 2002, we determined that certain office buildings met the criteria of SFAS 121 for assets held for sale. Accordingly, the carrying value of the buildings was adjusted to \$8.7 million, which represented their fair value less costs to sell. The resulting \$4.6 million impairment loss was recorded in 2002 as a component of impairment of assets.

## 7. Goodwill and Intangible Assets

The following tables present details of our intangible assets, other than goodwill, as of November 30, 2004:

	Useful Life	Gross	Accumulated Amortization	Net
	(Years)		(In thousands)	
<b>Intangible assets subject to amortization:</b>				
Information databases	5-15	\$ 7,530	\$ (1,067)	\$ 6,463
Customer relationships	2-5	7,052	(392)	6,660
Non-compete agreements	5	3,757	(177)	3,580
Developed computer software	5	2,364	(1,234)	1,130
Other	3-5	1,232	(216)	1,016
<b>Total</b>		<b>\$ 21,935</b>	<b>\$ (3,086)</b>	<b>\$ 18,849</b>
<b>Intangible assets not subject to amortization:</b>				
Trademarks		7,972		7,972
<b>Total intangible assets</b>		<b>\$ 29,907</b>	<b>\$ (3,086)</b>	<b>\$ 26,821</b>

Intangible assets as of November 30, 2003 were comprised of developed computer software.

The estimated future amortization expense of intangible assets is as follows:

Year	Amount
	(In thousands)
2005	\$ 4,120
2006	3,665
2007	3,507
2008	3,238
2009	1,687

Amortization expense of intangible assets was \$0.4 million and \$1.7 million for the years ended November 30, 2003 and November 30, 2004, respectively.

Changes in our goodwill from November 30, 2003 to November 30, 2004 were the result of the 2004 acquisitions (see Note 2) and foreign currency exchange rate fluctuations.

## 8. Debt

On October 22, 2002, we entered into a \$95 million unsecured revolving credit agreement ("Agreement") with an expiration date of December 31, 2005, at which time any outstanding principal would have become due and payable. We paid origination fees and debt costs of \$0.8 million, which we amortized to interest expense over the life of the Agreement.

The Agreement included various financial and operating covenants which we were in compliance with at November 30, 2004. Consistent with the terms of the Agreement, interest was payable periodically and ranged from LIBOR plus 125 basis points to LIBOR plus 187.5 basis points. At November 30, 2003 and 2004, there were no amounts outstanding under this Agreement. As discussed below, we terminated the Agreement subsequent to November 30, 2004, and we wrote off \$0.3 million of remaining unamortized costs related to the Agreement at that time.



On January 7, 2005, we entered into a \$125 million unsecured revolving credit agreement ("New Agreement"), that has a feature allowing us to expand the facility to a maximum of \$225 million. We expect origination fees and debt costs to be approximately \$0.5 million, which will be amortized over the life of the New Agreement.

The New Agreement includes various financial and operating covenants. The New Agreement expires January 7, 2010, at which time any outstanding principal becomes due and payable.

Consistent with the terms of the New Agreement, interest is payable periodically and ranges from LIBOR plus 75 basis points to LIBOR plus 160 basis points. The facility fee is payable periodically and ranges from 15 basis points to 25 basis points.

## 9. Other Long-term Liabilities

Other long-term liabilities consist of the following at November 30:

	<u>2003</u>	<u>2004</u>
	(In thousands)	
Non-compete agreements	\$	\$ 4,850
Purchased above-market lease commitment		2,903
Other	317	312
	<u>          </u>	<u>          </u>
Total	\$ 317	\$ 8,065
	<u>          </u>	<u>          </u>

## 10. Taxes on Income

The amounts of income from continuing operations before income taxes and minority interests by U.S. and foreign jurisdictions follow for the years ended November 30:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(In thousands)		
U.S.	\$ 3,513	\$ 26,117	\$ 32,073
Foreign	43,213	40,740	48,129
	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 46,726	\$ 66,857	\$ 80,202
	<u>          </u>	<u>          </u>	<u>          </u>

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The provision for income tax expense (benefit) from continuing operations, for the years ended November 30 was as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(In thousands)		
<b>Current:</b>			
U.S.	\$ (8,900)	\$ (834)	\$ 3,720
Foreign	12,237	16,861	14,046
State	(4,353)	880	95
	<u>          </u>	<u>          </u>	<u>          </u>
Total current	(1,016)	16,907	17,861
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Deferred:</b>			
U.S.	14,593	7,090	(2,074)
Foreign	2,021	(983)	522
State	1,177	1,039	335
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred	17,791	7,146	(1,217)
	<u>          </u>	<u>          </u>	<u>          </u>
Provision for income taxes	\$ 16,775	\$ 24,053	\$ 16,644
	<u>          </u>	<u>          </u>	<u>          </u>

The provision for income taxes from continuing operations recorded within the consolidated statements of operations differs from the provision determined by applying the U.S. statutory tax rate to pretax earnings as a result of the following for the years ended November 30:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(In thousands)		
Statutory U.S. federal income tax	\$ 16,354	\$ 23,400	\$ 28,071
State income tax, net of federal benefit	(822)	1,579	397
Foreign rate differential	(3,014)	(222)	(3,230)
U.S. tax on dividends from foreign affiliates, net of foreign tax credits (FTCs)	(1,325)	4,608	5,940
Valuation allowance on FTCs	7,142		(6,712)
Valuation allowance on capital loss	2,765		
Worthless stock deduction		(3,373)	
Benefit of dividends received deduction			(6,518)
Reduction of accrual due to audit settlements	(3,206)		
Other	(1,119)	(1,939)	(1,304)
	<u>          </u>	<u>          </u>	<u>          </u>
Income tax expense	\$ 16,775	\$ 24,053	\$ 16,644
	<u>          </u>	<u>          </u>	<u>          </u>
Effective tax rate expressed as a percentage of pretax earnings	35.9%	36.0%	20.8%
	<u>          </u>	<u>          </u>	<u>          </u>

Undistributed earnings of our foreign subsidiaries were approximately \$21 million at November 30, 2004. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, we would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with its hypothetical calculation. Withholding

taxes of approximately \$1.3 million would be payable upon remittance of all previously unremitted earnings at November 30, 2004.

The significant components of deferred tax assets and liabilities at November 30 were:

	2003	2004
	(In thousands)	
Deferred tax assets:		
Accruals and reserves	\$ 3,805	\$ 10,185
Deferred revenue	1,629	1,330
Depreciation	1,899	232
Tax credits	18,105	17,769
Deferred loss on stock investment	3,609	3,609
Net operating losses	1,397	3,511
Other	496	161
	<u>30,940</u>	<u>36,797</u>
Valuation allowance	(12,150)	(6,082)
	<u>18,790</u>	<u>30,715</u>
Deferred tax liabilities:		
Pension and post-retirement benefits	(23,654)	(20,250)
Intangibles	(4,599)	(9,825)
	<u>(28,253)</u>	<u>(30,075)</u>
Net deferred tax asset (liability)	\$ (9,463)	\$ 640

As of November 30, 2004, we have net operating loss carryforwards totaling approximately \$8.3 million, comprised of \$4.3 million of U.S. loss carryforwards and \$4.0 million of foreign loss carryforwards for tax purposes, which will be available to offset future taxable income. If not used, the U.S. tax carryforwards will expire between 2021 and 2024; the foreign tax loss carryforwards generally may be carried forward indefinitely. We believe the realization of substantially all of the deferred tax asset related to foreign net operating losses is not more likely than not to occur, and, accordingly, have placed a valuation allowance on this asset.

As of November 30, 2004, we have foreign tax credit (FTC) carryforwards of approximately \$11.5 million, Research and Development (R&D) credit carryforwards of approximately \$2.9 million, and Alternative Minimum Tax (AMT) credit carryforwards of approximately \$3.3 million, which will be available to offset future U.S. tax liabilities. If not used, the FTC carryforwards will expire between 2010 and 2012, and the R&D credit carryforwards will expire between 2006 and 2024. The AMT credit carryforwards may be carried forward indefinitely. We believe that it is more likely than not that we will realize our R&D and AMT tax credit assets. As of November 30, 2004, we have unused capital losses totaling \$1.7 million. If not used, these losses will expire in 2009. We believe the realization of this deferred tax asset is not more likely than not to occur and, accordingly, have placed a valuation allowance on this asset.

The valuation allowance for deferred tax assets decreased by \$6.1 million in 2004. The decrease in this allowance was primarily due to the removal of most of the allowance on realization of FTC carryforwards. A provision in the American Jobs Creation Act of 2004 extended the carryforward period for unused FTCs; this extension along with our updated projections of future



U.S. tax liabilities against which the unused FTCs may be utilized drove the release of this allowance as we believe it is more likely than not that substantially all of the FTCs will be realized before expiration.

We have provided what we believe to be an appropriate amount of tax for items that involve interpretation of the tax law. However, events may occur in the future that will cause us to reevaluate our current reserves and may result in an adjustment to the reserve for taxes.

**11. Other Comprehensive Income (Loss)**

	Foreign currency translation adjustments	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
(In thousands)			
<b>Balances, November 30, 2001</b>	\$ (30,764)	\$	\$ (30,764)
Foreign currency translation adjustments	4,326		4,326
Minimum pension liability adjustment		(2,872)	(2,872)
Tax benefit		862	862
	(26,438)	(2,010)	(28,448)
<b>Balances, November 30, 2002</b>			
Foreign currency translation adjustments	14,850		14,850
Minimum pension liability adjustment		(1,733)	(1,733)
Foreign currency effect on pension	297	(297)	
Tax benefit		520	520
Foreign currency effect on tax benefit	(89)	89	
	(11,380)	(3,431)	(14,811)
<b>Balances, November 30, 2003</b>			
Foreign currency translation adjustments	13,268		13,268
Minimum pension liability adjustment		(3,062)	(3,062)
Foreign currency effect on pension	565	(565)	
Tax benefit		918	918
Foreign currency effect on tax benefit	(170)	170	
<b>Balances, November 30, 2004</b>	\$ 2,283	\$ (5,970)	\$ (3,687)

**12. 2004 Long-Term Incentive and Directors Stock Plans and the Offer to Exchange Options and Shares**

*Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan*

The Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan became effective as of November 30, 2004.

The plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares, cash-based awards, other stock-based awards and covered employee annual incentive awards. See Note 21 for information concerning certain put and call provisions.

We have authorized a maximum of 7,000,000 shares, minus the number of shares relating to any award granted and outstanding as of, or subsequent to, the effective date under any other of our equity compensation plans. Subject to the plan, the maximum number of shares that may be available for grant pursuant to incentive stock options will be 4,000,000.

As of November 30, 2004, no awards of any kind under the Amended and Restated IHS Inc. 2004 Long-Term Incentive Plan were outstanding.

***IHS Inc. 2004 Directors Stock Plan***

Our 2004 Directors Stock Plan became effective as of December 1, 2004. This plan is a sub-plan under our 2004 Long-Term Incentive Plan. Awards under this plan are granted in accordance with the 2004 Long-Term Incentive Plan and will constitute "nonemployee director awards" (as defined in that plan). Only nonemployee directors are eligible to participate in the plan. As of November 30, 2004, no awards were outstanding.

On each December 1, commencing with December 1, 2005, each nonemployee director (except for two):

who was not a director on the preceding December 1 will receive a one-time award consisting of restricted stock units, whose underlying shares will have, on the date of grant, a fair market value (as defined in the plan) equal to \$80,000; and

will receive both an award consisting of restricted stock units, whose underlying shares will have, on the date of grant, a fair market value equal to \$50,000, and an annual cash retainer award equal to \$40,000, which cash-based award may be converted into deferred stock units or deferred.

On December 29, 2004, each nonemployee director (except for two):

who was elected to our board on or before November 18, 2004 received 8,000 shares of restricted stock; and

who was elected to our board on or after November 22, 2004 but before November 30, 2004 received 5,000 shares of restricted stock; and

who was a nonemployee director as of December 1, 2004 received 4,500 shares of restricted stock, in addition to any other shares of restricted stock he or she may have received under the plan.

***Offer to Exchange Options and Shares***

*Offer.* On November 22, 2004, IHS Group Inc. offered to exchange all outstanding stock options to purchase shares of its Class A non-voting common stock that were granted to senior executives, directors and certain employees (other than senior executives) under IHS Group Inc.'s 1998 and 2002 non-qualified stock option plans and IHS Group Inc. shares previously acquired upon the exercise of such options (the "Offer"). See Note 13 for further information concerning IHS Group Inc.'s 1998 and 2002 non-qualified stock options plans. The senior executives, employees and directors who accepted the Offer received:

cash in the amount equal to the excess of the estimated fair value at the date of offer, or \$9.42, over the per share exercise price option for every IHS Group Inc. share underlying his or her outstanding option, vested or unvested, with an exercise price lower than \$9.42 per share; The \$9.42 estimated fair value per share was determined by the Valuation Committee of the Board. The Committee utilized a discounted cash flow analysis prepared by the Company's Chief Financial Officer to establish the fair value per share, and validated the results of this analysis with an internally prepared comparable company analysis. The discounted cash flow analysis provided an estimated range of values from \$9.13 - \$9.77 per share, while the comparable company analysis supported a range of values from \$9.25 to \$9.80 per share. Based on the comparability of these value ranges, the Committee opted to set the price in the middle of the range, at \$9.42 per share.

\$9.42 in cash for every IHS Group Inc. share he or she previously acquired, upon the exercise of an option, and currently owns (which amount, to the extent applicable, was first applied to the repayment of the principal price of his or her loan in connection with his or her prior option exercise);

an additional \$0.42 in cash for every IHS Group Inc. share he or she previously acquired and surrendered in order to satisfy his or her payroll tax withholding in connection with his or her prior exercise of an option; and

for senior executives, one restricted share of our Class A common stock for every three IHS Group Inc. shares underlying his or her outstanding options (or previously acquired upon the exercise of an option), regardless of whether such options were vested or unvested and regardless of their exercise price. Employees other than senior executives received one deferred stock unit representing one share of our Class A common stock for every three IHS Group Inc. shares underlying his or her outstanding options (or previously acquired upon the exercise of an option), regardless of whether such options were vested or unvested and regardless of their exercise price.

All senior executives, directors and certain other employees who received the Offer accepted it prior to the December 23, 2004 expiration of the Offer.

*Vesting of our shares.* Senior executives' restricted shares will vest in accordance with the following schedule:

one-third of the total number of restricted shares he or she received will vest on the 211th day following an initial public offering;

one-third of the total number of restricted shares he or she received will vest on the first anniversary of an initial public offering;

the remaining number of restricted shares he or she received will vest on the second anniversary of an initial public offering; and

if, as of October 1, 2007, he or she continues to hold any restricted shares, all such restricted shares will vest as of such date.

*Deferred stock units and shares.* Participants received their deferred stock units and, if applicable, cash, as soon as reasonably practicable after the expiration of the Offer. The shares underlying those deferred stock units will be delivered to participants on December 15, 2005.

*Former Chief Executive Officer's deferred stock units.* Pursuant to the amendment to his termination agreement, our former Chief Executive Officer tendered options to IHS Group Inc. previously issued for \$1,040,000 in cash and 583,333 deferred stock units, each representing the right to receive one share of our Class A common stock. The shares underlying the deferred stock units will be delivered to our former CEO on June 1, 2006. In the event we have not had an initial public offering or change in control (as defined in the amendment) on or prior to June 1, 2006, our former CEO may authorize us to retain that number of shares of our stock necessary to satisfy the tax withholding obligation arising in connection with the delivery of the shares described above.

*Accounting treatment.* On November 22, 2004, the Offer was extended to senior executives, directors, and certain employees other than senior executives. Although the corresponding awards were not granted until December 23, 2004, management believed at November 30, 2004, that the likelihood that the Offer would be accepted by all who received it was probable and the related cost could be reasonably estimated. Consequently, we accrued \$21.8 million as of November 30, 2004. Of the \$21.8 million charge, \$4.4 million relates to cost of revenue and \$17.4 million relates to selling, general and administrative expenses. The accrual of the Offer at November 30, 2004, includes (a) \$9.9 million of cash to be paid to settle options under IHS Group Inc.'s 1998 and 2002 non-qualified stock option plans and IHS shares previously acquired upon the exercise of such options and (b) \$11.9 million of the deferred stock units and shares. The cost associated with the restricted shares granted to senior executives will be recorded over the vesting period.

### **13. IHS Group Inc. 1998 and 2002 Non-Qualified Stock Option Plans**

Through IHS Group Inc., a wholly owned subsidiary of IHS Inc., we maintained a stock option plan (the "Plan") that provided for granting of non-qualified stock options to certain employees for the purchase of shares of common stock. As discussed in Note 12, on November 22, 2004, IHS Group Inc. offered to exchange all outstanding stock options under its 1998 and 2002 non-qualified stock option plans. All individuals who received the Offer accepted it.

During 2004, IHS Group Inc. authorized an additional 1.2 million shares, bringing the total shares reserved for issuance pursuant to the Plan to 8.7 million. Options were granted with an exercise price not less than equal to the estimated fair market value of IHS Group Inc. shares at the date of grant. Options granted under the Plan generally vested 100% after the third anniversary of the grant date, and the maximum life of options granted was seven years. In December 2002, IHS Group Inc. adopted certain revisions to the Plan which provided, among other things, IHS Group Inc. with the right or obligation to acquire shares of common stock pursuant to the issuance of such stock options at the estimated fair market value at the date of acquisition.

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The following table summarizes IHS Group Inc.'s stock option activity for the three years ended November 30, 2004:

	Shares Available for Grant	Outstanding Options	
		Number of Shares	Weighted- Average Exercise Price
Balance at November 30, 2001:			
(395,000 exercisable)	1,614,000	3,386,000	\$ 7.36
Options authorized	1,750,000		
Options granted	(1,307,250)	1,307,250	6.54
Options forfeited	1,723,000	(1,723,000)	7.07
Balance at November 30, 2002:			
(740,000 exercisable)	3,779,750	2,970,250	7.27
Options authorized	750,000		
Options granted at fair market value	(2,688,000)	2,688,000	8.25
Options granted in excess of fair market value	(1,500,000)	1,500,000	9.05
Options forfeited	610,600	(610,600)	7.48
Balance at November 30, 2003:			
(3,065,900 exercisable)	952,350	6,547,650	8.06
Options authorized	1,200,000		
Options granted at fair market value	(1,877,500)	1,877,500	9.00
Options granted in excess of fair market value	(250,000)	250,000	12.00
Options exercised		(475,200)	5.38
Shares repurchased	67,000		
Options forfeited	889,250	(889,250)	7.93
Balance at November 30, 2004:			
(3,198,700 exercisable)	981,100	7,310,700	7.91

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The March 2004 stock options of IHS Group Inc. were issued with an exercise price of \$9.00 per share. This estimated price per share was determined by the Valuation Committee of the Board. The Committee utilized a discounted net cash flow analysis prepared by the Company's Chief Financial Officer to set this value. This analysis supported an estimated fair market value of IHS Group Inc. of \$8.75 - \$9.25 per share on a fully diluted basis. As a means of validating the discounted net cash flow analysis, the Committee reviewed an internally prepared comparable company valuation analysis, which provided the Committee with market confirmation that the values derived from the discounted net cash flow analysis were reasonable. This comparable company analysis yielded a range of values from \$8.75 - \$9.65 per share. In light of the comparability of the results of the above procedures, the Committee determined the fair value of the IHS Group Inc. shares to be in the range of \$8.75 - \$9.25 per share on a fully diluted basis, consistent with the discounted cash flow analysis referenced above. In order to select a specific per share amount, the Committee opted to set the Fair Market Value of the IHS Group Inc. common stock at the mid-point of the range, or \$9.00 per share.

Certain of IHS Group Inc.'s stock options were originally granted to our former CEO with a feature that guaranteed that the option would have a minimum value of \$3.00 per option. This feature required IHS Group Inc. to record compensation expense at an amount equal to the difference between the fair value of IHS Group Inc.'s stock and the exercise price, subject to the \$3.00 minimum value, over the three-year vesting period. IHS Group Inc. issued 1,000,000 options with this guarantee during 2001 and 250,000 options in 2002. IHS Group Inc. was required to issue an additional 250,000 options with this guarantee over each of the next two years. During 2002, these options were cancelled, in exchange for a deferred cash award equal to the minimum value, and a commitment to issue a similar number of new options during 2003 and 2004. IHS Group Inc. recorded in selling, general and administrative expenses approximately \$1.9 million, \$1.8 million and \$0.8 million of compensation expense associated with this deferred cash award for 2002, 2003 and 2004, respectively.

We settled all of these options at \$9.42 after November 30, 2004 (see Note 12). The following table summarizes information concerning outstanding exercisable stock options as of November 30, 2004:

Exercise Prices	Number of Options Outstanding	Number of Options Exercisable
\$ 5.38	193,200	193,200
6.54	836,500	836,500
8.25	2,257,000	
8.38	1,000,000	1,000,000
9.00	1,696,000	
9.42	75,000	
9.54	250,000	250,000
9.97	381,000	381,000
11.25	250,000	250,000
12.00	250,000	166,000
13.42	122,000	122,000
	7,310,700	3,198,700

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The weighted-average remaining contractual life for outstanding options was 4.6 years as of November 30, 2004.

Options granted to employees were recorded in accordance with APB 25. Therefore, since the exercise price of the employee stock options equaled the fair value of the underlying stock on the date of grant, no compensation expense was recognized.

Additional information regarding 2004 equity-based grants follows:

Grant Type	Grant Date	Number of Options/Shares	Exercise Price	Fair Value	Intrinsic Value
Subsidiary Options	March 2004	1,589,500(a)	\$ 9.00	\$ 9.00(d)	
Subsidiary Options	March 2004	250,000	\$ 12.00	\$ 9.00(d)	
Subsidiary Options	September 2004	75,000	\$ 9.42	\$ 9.42(d)	
Deferred Stock Units	December 2004	1,301,801(b)	\$	\$ 9.12(d)	9.12
Restricted Shares	December 2004	1,910,667(c)	\$	\$ 9.12(d)	9.12

- (a) Net of same year forfeitures of 106,500 shares
- (b) Includes non-executive employees. All of these shares pertained to the Offer and related expense was recorded in 2004 (see Note 12).
- (c) Includes directors, new hires and converted shares net of terminated employees. Of this amount, 1,286,667 pertained to the Offer (see Note 12).
- (d) Fair value was determined contemporaneously by the Company's valuation committee, a subcommittee of the board of directors.

### 14. Employee Retirement Benefits

We sponsor a non-contributory, defined-benefit retirement plan for all of the U.S. salaried employees of our Engineering segment. We also have a defined-benefit pension plan that covers certain employees of a subsidiary of our Engineering segment based in the United Kingdom (U.K.). We account for our participation in these plans in accordance with SFAS No. 87, *Employers' Accounting for Pensions*. Benefits for both plans are generally based on years of service and average base compensation. Plan funding strategies are influenced by employee benefit laws and tax laws. Our U.K. plan includes provision for employee contributions and inflation-based benefit increases for retirees.

On November 30, 2004, our U.S. plan was spun off. Previously, it was a part of a single-employer plan, which included operating companies that we did not own nor consolidate, sponsored by our consolidated subsidiary. As a consequence of the spin-off of our plans, and the transfer of the previously consolidated sponsor subsidiary to a related party owned by TBG, our net pension asset was reduced by the \$25.4 million value of the prepaid pension asset attributable to the non-IHS Inc. plans and recorded as a charge to equity.

The decrease in pension income from 2003 to 2004 is primarily due to the decline in the market value of plan investments that occurred from 2000 through 2002. Although pension

investment returns were significant in 2003 and 2004, the impact of the three previous years' returns and a continued decline in interest rates reduced the funded positions of the plans to a level that resulted in the amortization of previously unrecognized actuarial losses. In addition, service cost for the U.K. plan in U.S. dollars increased due to the appreciation of the British pound sterling against the dollar. The underfunded position of our U.K. plan resulted in the recognition of an additional minimum liability in 2002, 2003 and 2004.

Both U.S. and U.K. plan assets consist primarily of equity securities with smaller holdings of bonds and real estate. Equity assets are diversified between international and domestic investments, with additional diversification in the domestic category through allocations to large-cap, small-cap, and growth and value investments.

The U.S. plan's established investment policy seeks to balance the need to maintain a viable and productive capital base and yet achieve investment results superior to the actuarial rate consistent with our funds' investment objectives. Asset allocations are subject to ongoing analysis and possible modification as basic capital market conditions change over time (interest rates, inflation, etc.).

The following compares target asset allocation percentages as of the beginning of 2004 with actual asset allocations at the end of the 2004:

	U.S. Plan Assets		U.K. Plan Assets	
	Target Allocations	Actual Allocations	Target Allocations	Actual Allocations
Equities	30-85%	79%	(a)	81%
Fixed Income	10-50	12	(a)	9
Real Estate	0-15		(a)	
Other	0-40	9	(a)	10

(a)

Following an investment review, the U.K. plan's trustee's investment policy is to match the liabilities for active and deferred members with equity investment and match the liabilities for pensioner members with U.K. Treasury and other bonds. This would lead to a new asset allocation of approximately 50% investment in equities and property and 50% investment in debt securities. This change from the current allocation to the revised allocation is expected to take place in 2005.

Investment return assumptions for both plans have been determined by obtaining independent estimates of expected long-term rates of return by asset class and applying the returns to assets on a weighted-average basis.

We do not expect any required contributions to the U.S. plan during 2005. However, we expect to contribute approximately \$0.9 million to the U.K. plan during 2005.



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The following table provides the expected benefit payments from our trustees for our pension plans:

	U.S. Plan	U.K. Plan	Total
	(In thousands)		
2005	\$ 10,319	\$ 752	\$ 11,071
2006	10,279	775	10,054
2007	10,266	798	11,064
2008	10,397	821	11,218
2009	10,510	846	11,356
2010-2014	58,544	4,615	63,159

We recognized approximately \$14.8 million, \$12.8 million, and \$10.5 million of net periodic pension benefit income in 2002, 2003, and 2004, respectively. The net periodic pension benefit income was based upon actuarial estimates. Net periodic pension benefit income in 2002, 2003, and 2004, includes the results from the multi-employer plan from which IHS's retirement plan was spun off effective November 30, 2004. The following table provides the components of the net periodic pension benefit income, for the years ended November 30:

	2002			2003			2004		
	U.S. Plan	U.K. Plan	Total	U.S. Plan	U.K. Plan	Total	U.S. Plan	U.K. Plan	Total
	(In thousands)								
Service costs incurred	\$ 3,269	\$ 433	\$ 3,702	\$ 3,601	\$ 567	\$ 4,168	\$ 4,052	\$ 700	\$ 4,752
Interest costs on projected benefit obligation	15,248	908	16,156	15,173	1,105	16,278	14,580	1,390	15,970
Expected return on plan assets	(31,742)	(1,236)	(32,978)	(31,603)	(1,217)	(32,820)	(29,537)	(1,503)	(31,040)
Amortization of prior service cost	(2,916)		(2,916)	(608)		(608)	(580)		(580)
Amortization of actuarial loss		406	406		135	135		440	440
Special termination benefits	870		870						
Net periodic pension benefit (income) expense	\$ (15,271)	\$ 511	\$ (14,760)	\$ (13,437)	\$ 590	\$ (12,847)	\$ (11,485)	\$ 1,027	\$ (10,458)

The changes in the projected benefit obligation and fair value of plan assets were as follows, for the years ended November 30:

	2003			2004		
	U.S. Plan	U.K. Plan	Total	U.S. Plan	U.K. Plan	Total
	(In thousands)					
Actuarial present value of accumulated benefit obligation	\$ 240,562	\$ 19,548	\$ 260,110	\$ 172,753	\$ 27,755	\$ 200,508

**Change in projected benefit obligation**

Net benefit obligation at beginning of year	\$ 229,242	\$ 15,685	\$ 244,927	\$ 256,643	\$ 20,657	\$ 277,300
Service costs incurred	3,601	567	4,168	4,052	700	4,752
Employee contributions		224	224		258	258
Interest costs on projected benefit obligation	15,173	1,105	16,278	14,580	1,390	15,970
Actuarial loss (gain)	23,391	2,227	25,618	(6,707)	4,229	(2,478)
Gross benefits paid	(14,764)	(719)	(15,483)	(15,345)	(719)	(16,064)
Plan amendment				308		308
Foreign currency exchange rate change		1,568	1,568		2,383	2,383
Effect of spin-off				(65,615)		(65,615)
<b>Net benefit obligation at end of year</b>	<b>\$ 256,643</b>	<b>\$ 20,657</b>	<b>\$ 277,300</b>	<b>\$ 187,916</b>	<b>\$ 28,898</b>	<b>\$ 216,814</b>

**Change in plan assets**

Fair value of plan assets at beginning of year	\$ 278,613	\$ 12,211	\$ 290,824	\$ 294,992	\$ 15,693	\$ 310,685
Actual return on plan assets	32,890	2,124	35,014	40,091	2,323	42,414
Employer contributions (distributions)	(1,747)	590	(1,157)	(1,727)	858	(869)
Employee contributions		224	224		258	258
Gross benefits paid	(14,764)	(719)	(15,483)	(15,345)	(719)	(16,064)
Foreign currency exchange rate change		1,263	1,263		1,811	1,811
Effect of spin-off				(79,585)		(79,585)
<b>Fair value of plan assets at end of year</b>	<b>\$ 294,992</b>	<b>\$ 15,693</b>	<b>\$ 310,685</b>	<b>\$ 238,426</b>	<b>\$ 20,224</b>	<b>\$ 258,650</b>

The funded status is as follows for the years ended November 30:

2003			2004		
U.S. Plan	U.K. Plan	Total	U.S. Plan	U.K. Plan	Total
(In thousands)					

**Reconciliation of funded status**

Over/(under)funded status	\$ 38,349	\$ (4,964)	\$ 33,385	\$ 50,510	\$ (8,674)	\$ 41,836
Unrecognized net transition asset	(4,173)		(4,173)	(2,499)		(2,499)
Unrecognized prior service costs	1,099		1,099	397		397
Unrecognized net loss	61,560	6,011	67,571	32,834	9,672	42,506
<b>Prepaid asset recognized in balance sheets</b>	<b>\$ 96,835</b>	<b>\$ 1,047</b>	<b>\$ 97,882</b>	<b>\$ 81,242</b>	<b>\$ 998</b>	<b>\$ 82,240</b>

The amounts recognized in the balance sheet consist of the following as of November 30:

2003			2004		
U.S. Plan	U.K. Plan	Total	U.S. Plan	U.K. Plan	Total
(In thousands)					
Prepaid asset	\$ 96,835	\$ 1,047	\$ 97,882	\$ 81,242	\$ 998
Accumulated other comprehensive loss		(4,902)	(4,902)	(8,529)	(8,529)
<b>Net amount recognized at year end</b>	<b>\$ 96,835</b>	<b>\$ (3,855)</b>	<b>\$ 92,980</b>	<b>\$ (7,531)</b>	<b>\$ 73,711</b>

Pension expense is actuarially calculated annually based on data available at the beginning of each year. Assumptions used in the actuarial calculation include the discount rate selected and

disclosed at the end of the previous year as well as other assumptions detailed in the table below, for the years ended November 30:

	U.S. Plan		U.K. Plan	
	2003	2004	2003	2004
<b>Weighted-average assumptions as of year end</b>				
Discount rate	6.0%	6.0%	6.0%	5.3%
Average salary increase rate	4.5	4.5	4.5	4.3
Expected long-term rate of return on assets	8.5	8.5	8.5	6.7

Employees of certain subsidiaries of both the Energy and Engineering segments may participate in defined contribution plans. Benefit expense relating to these plans was approximately \$2.2 million, \$2.2 million, and \$2.4 million for 2002, 2003 and 2004, respectively.

We have a Supplemental Income Plan, which is a non-qualified pension plan, for certain company executives. Benefit expense recognized under this plan was approximately \$0.7 million, \$0.2 million, and \$0.7 million for 2002, 2003 and 2004, respectively.

#### 15. Post-retirement Benefits

We sponsor a non-contributory, defined-benefit post-retirement plan, which provides certain health care benefits, for all U.S. salaried employees of our Engineering segment who also participate in the U.S. pension plan. We account for the plan pursuant to SFAS No. 106, *Employers' Accounting for Post-retirement Benefits Other Than Pensions*. Substantially all of our employees of our Engineering segment may become eligible for these benefits if they reach normal retirement age while working for us.

We recognized approximately \$3.9 million, \$4.3 million, and \$4.7 million of net periodic post-retirement benefit expense in 2002, 2003, and 2004, respectively, based upon actuarial estimates. The obligation under these plans was determined by the application of the terms of medical and life insurance plans together with relevant actuarial assumptions and health care cost trend rates ranging ratably from 10.25% in 2003 to 5.00% in 2011. We have not measured the impact of the prescription drug coverage under the Medicare Modernization Act because our plans are fully insured plans and the savings are dependent upon outside vendors. The discount rate used in determining the accumulated post-retirement benefit obligation was 6.5%, 6.0%, and 6.0% at November 30, 2002, 2003, and 2004, respectively.

On November 30, 2004, our U.S. pension plan and our post-retirement benefit plan were spun off. Previously, they were a part of a single-employer plan, which included operating companies that we did not own nor consolidate, sponsored by our consolidated subsidiary. As a consequence of the spin-off of our plans, our prepaid pension asset and our accrued post-retirement benefit liability were reduced for the prepaid pension asset and accrued post-retirement benefit liability attributable to the non-IHS Inc. plans and recorded as a \$6.0 million net charge to equity. We expect that our net periodic pension and post-retirement benefit income will be reduced as a result of the spin-off in the future. The net amount of income has been declining over the last three years primarily due to the amortization of actuarial losses resulting from lower than expected asset returns from 2000 through 2002. We expect that the net amount of this income will continue to decline for the foreseeable future.

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Net periodic post-retirement benefit expense for 2002, 2003, and 2004 includes the results from the multi-employer plan from which the IHS post-retirement plan was spun off effective November 30, 2004. The following table provides the components of the net periodic post-retirement benefit expense for the years ended November 30:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(In thousands)		
Service costs incurred	\$ 1,090	\$ 1,294	\$ 1,481
Interest costs	2,453	2,556	2,641
Amortization of net actuarial loss	351	439	545
	<u>          </u>	<u>          </u>	<u>          </u>
Net periodic post-retirement benefit expense	\$ 3,894	\$ 4,289	\$ 4,667

The following table provides the components in the changes in the projected post-retirement benefit plan obligation for the years ended November 30:

	<u>2003</u>	<u>2004</u>
	(In thousands)	
Post-retirement benefit obligation at beginning of year	\$ 38,895	\$ 43,438
Service costs	1,294	1,481
Interest costs	2,556	2,641
Actuarial loss	2,440	(100)
Benefits paid	(1,747)	(1,726)
Effect of spin-off		(20,882)
	<u>          </u>	<u>          </u>
Post-retirement benefit obligation at end of year	\$ 43,438	\$ 24,852

The following table provides the reconciliation of funded status for the years ended November 30:

	<u>2003</u>	<u>2004</u>
	(In thousands)	
Underfunded status	\$ (43,438)	\$ (24,852)
Unrecognized net actuarial loss	11,980	6,112
	<u>          </u>	<u>          </u>
Accrued post-retirement benefit liability at end of year	\$ (31,458)	\$ (18,740)

Employer contributions to the post-retirement benefit plan expected to be paid during the year ending November 30, 2005, are approximately \$0.9 million.

The following table provides the expected cash flows for our post-retirement benefit plan (in thousands):

2005	\$ 947
2006	1,024
2007	1,104
2008	1,162
2009	1,233
2010-2014	7,219

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Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one-percentage-point change in assumed health-care cost trend rates would have the following effects:

	<b>One-percentage- point increase</b>	<b>One-percentage- point decrease</b>
(In thousands)		
Effect on total of service and interest cost for the year ended November 30, 2004	\$ 820	\$ (645)
Effect on post-retirement benefit obligation as of November 30, 2004	4,288	(3,434)

### 16. Long-term Leases, Commitments and Contingencies

Rental charges in 2002, 2003, and 2004 approximated \$11.0 million, \$10.8 million, and \$12.7 million, respectively. Minimum rental commitments under noncancelable operating leases in effect at November 30, 2004 are as follows (in thousands):

2005	\$ 13,870
2006	10,701
2007	8,588
2008	7,868
2009	6,937
2010 and thereafter	1,429
	\$ 49,393

We had outstanding letters of credit in the aggregate amount of approximately \$1.5 million and \$1.7 million at November 30, 2003 and 2004, respectively.

From time to time, we are involved in litigation, most of which is incidental to our business. In our opinion, no litigation to which we currently are a party is likely to have a material adverse effect on our results of operations or financial condition.

### 17. Supplemental Cash Flow Information

Net cash provided by operating activities reflects cash payments for interest and income taxes as shown below, for the years ended November 30:

	<b>2002</b>	<b>2003</b>	<b>2004</b>
(In thousands)			
Interest paid	\$ 2,972	\$ 839	\$ 127
Income tax payments, net	\$ 4,519	\$ 10,204	\$ 16,651

In 2004, we distributed a preferred stock investment with a fair value of approximately \$4.3 million to an affiliate.

Cash and cash equivalents amounting to approximately \$124.5 million reflected on the consolidated balance sheets at November 30, 2004, are maintained primarily in U.S. Dollars,

Canadian Dollars, British Pound Sterling, and Swiss Francs, and are subject to fluctuation in the current exchange rate.

## 18. Segment Information

We have two reportable segments: Energy and Engineering. Our Energy segment develops and delivers critical oil and gas industry data on exploration, development, production, and transportation activities to major global energy producers and national and independent oil companies. Our Energy segment also provides operational, research, and strategic advisory services to these customers, as well as to utilities and transportation, petrochemical, coal, and power companies. Our Engineering segment provides solutions incorporating technical specifications and standards, regulations, parts data, design guides, and other information to customers in its targeted industries. Both segments primarily derive their revenue from subscriptions.

Information as to the operations of our two segments is set forth below based on the nature of the offerings. Our Chief Executive Officer and his direct reports represent our chief operating decision maker, and they evaluate segment performance based primarily on revenue and operating profit. The accounting policies of our segments are the same as those described in the summary of significant accounting policies (see Note 1).

No single customer accounted for 10% or more of our total revenue for 2002, 2003, or 2004. There are no intersegment revenues for any period presented.

As shown below, certain corporate transactions are not allocated to the reportable segments. Amounts not allocated include compensation expense related to equity awards, net periodic pension and post-retirement benefits income, corporate-level impairments, gain on sales of corporate assets, and gain on sale of investment in affiliate.

	<u>Energy</u>	<u>Engineering</u>	<u>Segment Totals</u>	<u>Amounts not Allocated</u>	<u>Consolidated Total</u>
	(In thousands)				
<b>2002</b>					
Revenue	\$ 147,291	\$ 191,620	\$ 338,911	\$	\$ 338,911
Segment operating income	30,520	22,344	52,864	4,254	57,118
Depreciation and amortization	3,895	5,457	9,352		9,352
Assets	198,989	185,941	384,930	196,361	581,291
<b>2003</b>					
Revenue	\$ 156,151	\$ 189,689	\$ 345,840	\$	\$ 345,840
Segment operating income	29,854	28,190	58,044	8,558	66,602
Depreciation and amortization	4,447	4,493	8,940		8,940
Assets	229,211	192,258	421,469	198,644	620,113
<b>2004</b>					
Revenue	\$ 185,792	\$ 208,177	\$ 393,969	\$	\$ 393,969
Segment operating income	35,225	32,984	68,209	(15,298)	52,911
Depreciation and amortization	5,527	4,115	9,642		9,642
Assets	307,366	224,059	531,425	221,219	752,644

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The following is a schedule of revenue by major product and service:

	2002	2003	2004
	(In thousands)		
Critical information	\$ 266,870	\$ 273,310	\$ 308,161
Decision-support tools	37,705	38,292	44,206
Services	34,336	34,238	41,602
	\$ 338,911	\$ 345,840	\$ 393,969

The following is a schedule of revenue and long-lived assets by geographic location:

	2002		2003		2004	
	Revenues	Long-lived assets	Revenues	Long-lived assets	Revenues	Long-lived assets
	(In thousands)					
United States	\$ 185,332	\$ 127,808	\$ 180,307	\$ 160,038	\$ 196,090	\$ 218,653
United Kingdom	68,039	10,276	68,541	21,314	84,407	33,763
Canada	29,366	42,733	32,798	53,010	41,747	73,176
Switzerland	30,840	24,264	30,757	38,050	33,644	42,134
Rest of world	25,334	5,476	33,437	9,941	38,081	10,566
	\$ 338,911	\$ 210,557	\$ 345,840	\$ 282,353	\$ 393,969	\$ 378,292

Revenue by geographic area is generally based on the location of our subsidiary that receives credit for the sale (which may not correspond to either the billing address of the customer to which it was shipped or the foreign currency in which it was billed). Long-lived assets include property and equipment, net; intangible assets, net; and goodwill.

### 19. Reorganization and Recapitalization

Until November 9, 2004, Holland America Investment Corporation (HAIC U.S.), a Delaware corporation, was a wholly owned subsidiary of NV H.A.I.C. HAIC U.S. owned all of our outstanding stock. Effective November 9, 2004, HAIC U.S. became a wholly owned subsidiary of Urpasis Investments Limited and Urvanos Investments Limited, Cyprus limited liability companies.

On November 10, 2004, we changed our capitalization to 80,000 shares of Class A common stock, 13,750 shares of Class B common stock, and 1,000 shares of Class C common stock.

On November 12, 2004, HAIC U.S. contributed substantially all of its assets to us in exchange for our new common stock. Subsequently, HAIC U.S. liquidated by distributing its assets, comprised principally of our new common stock, to Urpasis Investments Limited and Urvanos Investments Limited.

On November 19, 2004, we changed our capitalization to 80,000,000 shares of Class A common stock, 13,750,000 shares of Class B common stock and 1,000 Shares of Class C common stock.

On December 13, 2004, we changed our name from IHS Group Inc. to IHS Inc.



## 20. Earnings per Common Share

Earnings per common share (EPS) is computed in accordance with SFAS No. 128, *Earnings Per Share*. Basic EPS is computed by dividing net income by the weighted average number of common share outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common shares.

Our authorized capital stock consists of 80,000,000 shares of Class A common stock, 13,750,000 shares of Class B common stock and 1,000 shares of Class C common stock. All of the shares of Class C common stock are issued and held in treasury. These classes have equal dividend rights and liquidation rights. However, the holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to ten votes per share on all matters to be voted upon by the stockholders. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock and will automatically convert, without any action by the holder, upon the earlier of the occurrence of specified events or four years from the date of our initial public offering. As the dividend and liquidation rights are equal for the two classes of stock, the calculation of weighted-average common shares outstanding aggregates both classes. Additionally, all years presented have been retroactively adjusted to reflect the change in capital structure as discussed in Note 19.

We use the two-class method for computing basic and diluted EPS amounts. First, we calculated undistributed earnings as follows:

	Years Ended November 30,		
	2002	2003	2004
	(In thousands)		
Net income	\$ 29,928	\$ 42,563	\$ 61,314
Less: dividends			
Undistributed earnings	\$ 29,928	\$ 42,563	\$ 61,314

Then we calculated weighted average common shares outstanding as follows:

	Years Ended November 30,					
	2002		2003		2004	
	Class A	Class B	Class A	Class B	Class A	Class B
	(In thousands)					
Weighted average common shares outstanding:						
Shares used in basic per-share calculation	41,250	13,750	41,250	13,750	41,250	13,750
Effect of dilutive securities:						
Deferred stock units						
Restricted shares						
Assumed conversion of Class B shares	13,750		13,750		13,750	
Shares used in diluted per-share calculation	55,000	13,750	55,000	13,750	55,000	13,750

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Then we allocated undistributed earnings and calculated basic and diluted EPS amounts as follows:

Years Ended November 30,

	2002		2003		2004	
	Class A	Class B	Class A	Class B	Class A	Class B
(In thousands)						
<b>Basic</b>						
Weighted average shares outstanding	41,250	13,750	41,250	13,750	41,250	13,750
Divided by: Total weighted average shares outstanding (Class A and Class B)	55,000	55,000	55,000	55,000	55,000	55,000
Multiplied by: Undistributed earnings	\$ 29,928	\$ 29,928	\$ 42,563	\$ 42,563	\$ 61,314	\$ 61,314
Subtotal	\$ 22,446	\$ 7,482	\$ 31,922	\$ 10,641	\$ 45,986	\$ 15,328
Divided by: Weighted average shares outstanding	41,250	13,750	41,250	13,750	41,250	13,750
Earnings per share	\$ 0.54	\$ 0.54	\$ 0.77	\$ 0.77	\$ 1.11	\$ 1.11
<b>Diluted</b>						
Weighted average shares outstanding	55,000	13,750	55,000	13,750	55,000	13,750
Divided by: Total weighted average shares outstanding (Class A and Class B)	55,000	55,000	55,000	55,000	55,000	55,000
Multiplied by: Undistributed earnings	\$ 29,928	\$ 29,928	\$ 42,563	\$ 42,563	\$ 61,314	\$ 61,314
Subtotal	\$ 29,928	\$ 7,482	\$ 42,563	\$ 10,641	\$ 61,314	\$ 15,328
Divided by: Weighted average shares outstanding	55,000	13,750	55,000	13,750	55,000	13,750
Earnings per share	\$ 0.54	\$ 0.54	\$ 0.77	\$ 0.77	\$ 1.11	\$ 1.11

**21. Deferred Stock Units and Restricted Shares with Put Rights**

Deferred stock units and restricted shares granted in the Offer and under the 2004 Long-Term Incentive and Directors Stock Plans (see Note 12) contain a put right on the part of the holder and a call right on the part of the Company. Redemption of the deferred stock units and restricted shares by the holders is considered uncertain as it is contingent upon certain events not occurring. If a listing event (as defined in the plan), which includes an initial public offering, or a change in control, has not occurred on or prior to October 1, 2007, the put right gives the holder the option to sell to the Company, and cause the Company to purchase at fair value, all of the shares of Class A common stock of the Company owned by the holder on October 1, 2007. The put right must be exercised by the holder within 20 calendar days of October 1, 2007. The put right terminates upon the occurrence of a listing event.

If a listing event or change in control has not occurred on or prior to October 1, 2007, the call right gives the Company the exclusive one-time option to purchase from each participant, and to cause each participant to sell, at fair value, all or a portion of the shares held by him or her as of such date. The fair value, for purposes of the Company's purchase of the shares from the holder following the holder's exercise of the put right or the Company's exercise of the call right, will be determined in good faith by the board of directors of the Company or a committee of the board. In

determining fair value, the board (or committee) may consider the valuation methodologies and other factors that it deems appropriate.

## 22. Discontinued Operations

During the third quarter of 2005, a business in our Energy segment was classified as being held for sale. We continually evaluate opportunities to align our business activities within core operations. The business held for sale is a manufacturing operation, which is not a part of our core operations. We are actively seeking a buyer for this business, and we believe it is probable that it will be sold within the next year. For all of the periods presented, the related results of operations are shown as a discontinued operation, net of tax, in our consolidated statements of operations and cash flows.

The carrying amounts of the major classes of related assets and liabilities were as follows:

	<b>November 30,</b>	
	<b>2003</b>	<b>2004</b>
	<b>(In thousands)</b>	
<b>Assets</b>		
Accounts receivable, net	\$	\$ 254
Inventories	184	784
Property and equipment, net	90	135
Intangible assets	1,000	800
Deferred tax asset	60	267
<b>Liabilities</b>		
Accounts payable	\$ 296	\$ 843
Accrued expenses	28	343

Operating results of the discontinued operations for the years ended November 30, 2002, 2003 and 2004 were as follows:

	<b>Years Ended November 30,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(In thousands)</b>		
Revenue	\$	\$	\$ 582
Loss from discontinued operations	\$	\$ (312)	\$ (3,218)
Tax benefit		117	1,249
Loss from discontinued operations, net	\$	\$ (195)	\$ (1,969)

## IHS INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	November 30, 2004	August 31, 2005
		(Restated, see Note 11) (Unaudited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 124,452	\$ 137,767
Short-term investments		17,816
Accounts receivable, net	117,873	80,151
Deferred subscription costs	25,727	26,790
Deferred income taxes	12,173	12,333
Other	11,625	10,215
Total current assets	291,850	285,072
Non-current assets:		
Property and equipment, net	49,591	46,216
Intangible assets, net	26,821	24,553
Goodwill, net	301,880	298,654
Prepaid pension asset	81,242	87,329
Other	1,260	1,143
Total non-current assets	460,794	457,895
Total assets	\$ 752,644	\$ 742,967
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Short-term capital leases	\$ 48	\$
Accounts payable	39,516	17,159
Accrued compensation	28,869	19,954
Accrued royalties	26,307	17,810
Other accrued expenses	28,262	26,311
Income tax payable	9,114	9,890
Deferred subscription revenue	140,120	143,583
Risk management liabilities		2,355
Total current liabilities	272,236	237,062
Long-term debt and capital leases	607	260
Accrued pension liability	7,531	7,663
Accrued post-retirement benefits	18,740	20,767
Deferred income taxes	11,533	12,064
Other long-term liabilities	8,065	4,949
Minority interests	1,209	1,143
Deferred stock units and restricted shares with put rights	11,672	19,065
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.01 par value per share, 80,000,000 shares authorized; 41,250,000 shares issued and outstanding at November 30, 2004, 43,319,306 issued and outstanding at August 31, 2005	413	413

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	November 30, 2004	August 31, 2005
Class B common stock, \$0.01 par value per share, 13,750,000 shares authorized, issued and outstanding	138	138
Class C common stock, \$1.00 par value per share, 1,000 shares authorized, issued and held in treasury		
Additional paid-in capital	122,300	122,300
Retained earnings	301,887	327,326
Accumulated other comprehensive loss	(3,687)	(10,183)
	<u>421,051</u>	<u>439,994</u>
Total stockholders' equity	421,051	439,994
	<u>\$ 752,644</u>	<u>\$ 742,967</u>
Total liabilities and stockholders' equity	\$ 752,644	\$ 742,967

See accompanying notes.

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## IHS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per-share amounts)

	Nine Months Ended August 31,	
	2004	2005 (Restated, see Note 11)
<b>Revenue:</b>		
Products	\$ 252,116	\$ 291,343
Services	23,413	58,742
	<u>275,529</u>	<u>350,085</u>
<b>Operating expenses:</b>		
Cost of revenue:		
Products	106,574	132,056
Services	18,767	37,715
Compensation expense related to equity awards		227
	<u>125,341</u>	<u>169,998</u>
Selling, general and administrative	97,511	122,761
Depreciation and amortization	6,734	8,539
Restructuring and other charges		12,397
Compensation expense related to equity awards		3,318
Gain on sales of assets, net	(5,035)	(1,331)
Net periodic pension and post-retirement benefits	(4,344)	(2,781)
Earnings in unconsolidated subsidiaries	(394)	(78)
Other expense (income), net	3,375	(481)
	<u>223,188</u>	<u>312,342</u>
<b>Operating income</b>	52,341	37,743
Interest income	586	2,553
Interest expense	(254)	(693)
	<u>332</u>	<u>1,860</u>
<b>Non-operating income, net</b>	332	1,860
	<u>52,673</u>	<u>39,603</u>
Income from continuing operations before income taxes and minority interests	52,673	39,603
Provision for income taxes	(17,187)	(12,498)
	<u>35,486</u>	<u>27,105</u>
Income from continuing operations before minority interests	35,486	27,105
Minority interests	(54)	(14)
	<u>35,432</u>	<u>27,091</u>
Income from continuing operations	35,432	27,091
Discontinued operations:		
Loss from discontinued operations, net	(1,049)	(1,652)
	<u>34,383</u>	<u>25,439</u>
<b>Net income</b>	\$ 34,383	\$ 25,439
	<u>0.65</u>	<u>0.49</u>
Income from continuing operations per share:		
Basic (Class A and Class B common stock)	\$ 0.65	\$ 0.49

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	<u>Nine Months Ended August 31,</u>	
	<u>\$</u>	<u>\$</u>
Diluted (Class A and Class B common stock)	0.65	0.49
<b>Loss from discontinued operations per share:</b>		
Basic (Class A and Class B common stock)	(0.02)	(0.03)
Diluted (Class A and Class B common stock)	(0.02)	(0.03)
<b>Net income per share:</b>		
Basic (Class A and Class B common stock)	0.63	0.46
Diluted (Class A and Class B common stock)	0.63	0.46
<b>Weighted average shares:</b>		
Basic (Class A common stock)	41,250	41,316
Basic (Class B common stock)	13,750	13,750
Diluted (Class A common stock)	55,000	55,838
Diluted (Class B common stock)	13,750	13,750
<b>Total compensation expense related to equity awards was comprised of the following:</b>		
Cost of products revenue	\$	227
Cost of services revenue		
Selling, general and administrative.		3,318
	\$	3,545

See accompanying notes.

## IHS INC.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(UNAUDITED)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
(In thousands)						
<b>Balance at November 30, 2004</b>	\$ 413	\$ 138	\$ 122,300	\$ 301,887	\$ (3,687)	\$ 421,051
Net income as restated, see Note 11				25,439		25,439
Other comprehensive income:						
Foreign-currency translation adjustments					(3,773)	(3,773)
Change in fair value of foreign-currency hedges					(2,717)	(2,717)
Unrealized holding loss on marketable securities					(6)	(6)
Comprehensive income, net of tax						18,943
<b>Balance at August 31, 2005 as restated, see Note 11</b>	\$ 413	\$ 138	\$ 122,300	\$ 327,326	\$ (10,183)	\$ 439,994

See accompanying notes.

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## IHS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)

	Nine Months Ended August 31,	
	2004	2005 (Restated, see Note 11)
<b>Operating activities</b>		
Net income	\$ 34,383	\$ 25,439
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	6,814	8,716
Compensation expense related to equity awards		3,545
Gain on sales of assets, net	(5,035)	(1,331)
Net periodic pension and post-retirement benefits	(4,344)	(2,781)
Minority interests	54	14
Deferred income taxes	1,267	59
Change in assets and liabilities:		
Accounts receivable, net	40,733	33,614
Other current assets	(6,981)	(794)
Accounts payable	(33,267)	(20,530)
Accrued expenses	4,644	(20,076)
Income taxes	1,786	2,055
Deferred subscription revenue	10,679	8,275
Other liabilities	265	614
<b>Net cash provided by operating activities</b>	<b>50,998</b>	<b>36,819</b>
<b>Investing activities</b>		
Capital expenditures on property and equipment	(2,245)	(3,965)
Change in other assets	1,480	1,524
Purchases of investments		(18,871)
Sales and maturities of investments		1,100
Acquisitions of businesses, net of cash acquired	(16,085)	(2,967)
Proceeds from sale of assets	10,740	1,334
Net cash used in investing activities	(6,110)	(21,845)
<b>Financing activities</b>		
Net payments on debt	(140)	(390)
<b>Net cash used in financing activities</b>	<b>(140)</b>	<b>(390)</b>
Foreign exchange impact on cash balance	38	(1,269)
Net increase in cash and cash equivalents	44,786	13,315
Cash and cash equivalents at the beginning of the period	24,051	124,452
Cash and cash equivalents at the end of the period	\$ 68,837	\$ 137,767

See accompanying notes.



**IHS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of Business and Basis of Presentation**

IHS Inc. ("IHS," "we," "our," or "us") is a Delaware corporation wholly owned by Urpasis Investments Limited and Urvanos Investments Limited, Cyprus limited liability companies. We are one of the leading global providers of critical technical information, decision-support tools and services to customers in the energy, defense, aerospace, construction, electronics, and automotive industries.

The accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The accompanying condensed consolidated financial statements include our accounts and the accounts of our majority-owned domestic and foreign subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. These condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Form S-1, as amended. The results of operations for the nine months ended August 31, 2005, are not necessarily indicative of the results that may be achieved for the full fiscal year and cannot be used to indicate financial performance for the entire year.

The year-end condensed balance sheet data was derived from the audited November 30, 2004 balance sheet.

**2. Significant Accounting Policies**

*Use of Estimates*

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of significant management estimates. Actual results could differ from those estimates.

*Marketable Securities*

All of our marketable securities are accounted for as available-for-sale securities and recorded at their estimated fair value based on quoted market prices. Accordingly, unrealized gains and losses on these investments are reported, net of tax, as a component of accumulated other comprehensive income (loss). Interest earned on investments is included in interest income. We utilize the specific identification method to compute realized gains and losses. Realized gains and losses on sales of securities are recognized within other income (expense). Securities are classified as short- or long-term investments based upon contractual maturity date.

An evaluation of our investments is performed periodically to determine whether any decline in fair value below cost basis is other-than-temporary. Impairment charges are recognized within other income (expense) to the extent that a decline in the value of an investment is determined to be other-than-temporary.

*Stock-based Compensation*

We use the intrinsic value method when accounting for options issued to employees in accordance with Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, we do not recognize compensation expense related to employee stock options, since options are always granted at a price equal to or in excess of the fair market price on the day of grant. Compensation expense recorded in the financial statements

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relates to grants of restricted stock. The following table illustrates the effect on net income and earnings per share if we had applied the fair value provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-based Compensation* (SFAS No. 123) to stock-based compensation using the fair value accounting provisions of SFAS No. 123 (in thousands):

	Nine Months Ended August 31,	
	2004	2005
		(Restated, see Note 11)
Net income as reported	\$ 34,383	\$ 25,439
Add: Stock-based compensation expense included in reported income, net of related tax effects		2,375
Deduct: Total stock-based compensation expense determined under fair-value-based method for all awards, net of related tax effects	(757)	(2,375)
Pro forma net income	\$ 33,626	\$ 25,439
Earnings per share:		
Basic, as reported (Class A and B common stock)	\$ 0.63	\$ 0.49
Basic, pro forma (Class A and B common stock)	\$ 0.61	\$ 0.49
Diluted, as reported (Class A and B common stock)	\$ 0.63	\$ 0.46
Diluted, pro forma (Class A and B common stock)	\$ 0.61	\$ 0.46

*Current Period Activity*

Additional information regarding equity-based grants for the nine months ended August 31, 2005 is as follows:

Grant Type	Grant Date	Number of Shares	Exercise Price	Fair Value	Intrinsic Value
Deferred stock units	December 2004	1,301,801(b)	\$	\$ 9.12(a)	\$ 9.12
Restricted shares	December 2004	1,910,667(c)	\$	\$ 9.12(a)	\$ 9.12
Restricted shares	January 2005	25,000	\$	\$ 12.00(d)	\$ 12.00
Restricted shares	February 2005	15,000	\$	\$ 12.00(d)	\$ 12.00
Restricted shares	February 2005	203,333(e)	NA	\$ 12.00(e)	NA
Restricted shares	April 2005	4,000	\$	\$ 12.00(d)	\$ 12.00
Restricted shares	June 2005	4,100	\$	\$ 13.18(f)	\$ 13.18
Restricted shares	July 2005	7,000	\$	\$ 13.18(f)	\$ 13.18

- (a) Fair value was determined contemporaneously by the Company's valuation committee, a subcommittee of the board of directors.
- (b) Includes non-executive employees. All of these shares pertained to the Offer and related expense was recorded in 2004.
- (c) Includes directors, new hires and converted shares, net of terminated employees.



- (d) Fair value was determined based upon the February 2005 conversion of certain notes payable, related to non-compete agreements from a 2004 acquisition, to restricted shares.
- (e) Shares issued and fair value were determined based on the note conversion discussed in (d) above.
- (f) Fair value represents a liquidity discount from the price at which we believe the shares of Class A common stock would have traded in May 2005.

***Income Taxes***

Our effective tax rate is estimated based upon the effective tax rate expected to be applicable for the full fiscal year.

Our effective tax rate for the nine months ended August 31, 2005 was lower than our projected annual tax rate for several reasons. During 2005, we recognized tax benefits relating to the reconciliation of our 2004 tax provision to our 2004 federal corporate income tax return. The 2005 year-to-date effective tax rate also reflects the benefit of the favorable completion of certain tax audits for the years 1998 through 2003, changes to certain estimates, and changes in judgment regarding the future realizability of certain tax credit and foreign tax loss carryforward deferred tax assets.

***Earnings per Common Share***

Earnings per common share (EPS) are computed in accordance with SFAS No. 128, *Earnings per Share*. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common shares.

Our authorized capital stock consists of 80,000,000 shares of Class A common stock, 13,750,000 shares of Class B common stock and 1,000 shares of Class C common stock. All of the shares of Class C common stock are issued and held in treasury. These classes have equal dividend and liquidation rights. However, the holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to ten votes per share on all matters to be voted upon by the stockholders. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock and will automatically convert, without any action by the holder, upon the earlier of the occurrence of specified events or four years from the date of our initial public offering. The prior-year information has been retroactively adjusted to reflect the change in capital structure which occurred in November 2004.

We use the two-class method for computing basic and diluted EPS amounts. First, we calculate undistributed earnings as follows (in thousands):

	<b>Nine Months Ended August 31,</b>	
	<b>2004</b>	<b>2005</b>
		<b>(Restated, see Note 11)</b>
Net income	\$ 34,383	\$ 25,439
Less: dividends		
<b>Undistributed earnings</b>	<b>\$ 34,383</b>	<b>\$ 25,439</b>

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Then we calculate weighted average common shares outstanding as follows:

	Nine Months Ended August 31,			
	2004		2005	
	Class A	Class B	Class A	Class B
	(In thousands)			
Weighted average common shares outstanding:				
Shares used in basic per-share calculation	41,250	13,750	41,316	13,750
Effect of dilutive securities:				
Deferred stock units			675	
Restricted shares			97	
Assumed conversion of Class B shares	13,750		13,750	
Shares used in diluted per-share calculation	55,000	13,750	55,838	13,750

Then we allocate undistributed earnings and calculated basic and diluted EPS amounts as follows:

	Nine Months Ended August 31,			
	2004		2005	
	Class A	Class B	Class A	Class B
	(In thousands)			
<b>Basic</b>				
Weighted average shares outstanding	41,250	13,750	41,316	13,750
Divided by: Total weighted average shares outstanding (Class A and Class B)	55,000	55,000	55,066	55,066
Multiplied by: Undistributed earnings	\$ 34,383	\$ 34,383	\$ 25,439	\$ 25,439
Subtotal	\$ 25,787	\$ 8,596	\$ 19,087	\$ 6,352
Divided by: Weighted average shares outstanding	41,250	13,750	41,316	13,750
Earnings per share (a)	\$ 0.63	\$ 0.63	\$ 0.46	\$ 0.46
<b>Diluted</b>				
Weighted average shares outstanding	55,000	13,750	55,838	13,750
Divided by: Total weighted average shares outstanding (Class A and Class B)	55,000	55,000	55,838	55,838
Multiplied by: Undistributed earnings	\$ 34,383	\$ 34,383	\$ 25,439	\$ 25,439
Subtotal	\$ 34,383	\$ 8,596	\$ 25,439	\$ 6,264
Divided by: Weighted average shares outstanding	55,000	13,750	55,838	13,750
Earnings per share (a)	\$ 0.63	\$ 0.63	\$ 0.46	\$ 0.46

(a)

As restated, see Note 11.

*Derivatives*

We follow the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*" (SFAS 133). SFAS 133 requires every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in our condensed consolidated balance

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sheet as either an asset or liability measured at its fair value, with changes in the fair value of qualifying hedges recorded in other comprehensive income. SFAS 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Accounting for qualifying hedges allows a derivative's gains and losses to offset the related results of the hedged item and requires us to formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. Based on the criteria established by SFAS 133, all of our qualifying hedges, consisting of foreign-currency forward contracts, are deemed effective. While we expect that our derivative instruments will continue to meet the conditions for hedge accounting, if the hedges did not qualify as effective or if we did not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. We do not believe we are exposed to more than a nominal amount of credit risk in our hedging activities, as our counterparty is an established, well-capitalized financial institution.

Our Swiss subsidiary's local currency is its functional currency. The functional currency is used to pay labor and other operating costs, and it also has certain other operating costs which are denominated in Great British Pound sterling. However, this subsidiary bills and collects principally in U.S. dollars. Beginning January 2005, to hedge our Swiss subsidiary's foreign-currency risk, we have effectively converted a portion of our Swiss subsidiary's revenue and operating expenses which are denominated in foreign currencies into the local currency using forward contracts.

As of August 31, 2005, the total notional amount of those contracts is summarized as follows (in thousands):

Local Currency	Local Currency Amount	USD/GBP	Date Contracts Are Through
Swiss Franc	26,718	\$ 23,906	December 2005
Swiss Franc	3,683	£ 7,953	December 2005

During the nine months ended August 31, 2005, we recorded losses of \$0.2 million in revenue and gains of \$0.4 million in cost of revenue in the accompanying condensed consolidated statements of operations for settled forward-exchange contracts. As of August 31, 2005, we had derivative current liabilities of \$2.4 million and current assets of \$0.2 million associated with foreign-exchange contracts, consisting of the fair market value of forward-exchange contracts.

Additionally, for our Swiss subsidiary, we effectively convert a portion of its U.S.-dollar-denominated accounts receivable to its local currency. As of August 31, 2005, the notional amount of this contract was \$7.5 million. During the nine months ended August 31, 2005, we recorded losses of approximately \$1.0 million, respectively, in other (income) expense, net for settled foreign-exchange contracts. Our accounts receivable hedges do not qualify for hedge accounting.

### 3. Restructuring and Other Charges

A summary of the restructuring and other charges follows (in thousands):

	Nine Months Ended August 31,	
	2004	2005
		(Restated, see Note 11)
Restructuring charge	\$	\$ 8,277
Other		4,120
<b>Total</b>	<b>\$</b>	<b>\$ 12,397</b>

#### *Restructuring*

During the third quarter of 2005, we executed a restructuring initiative affecting our Engineering segment and certain unallocated corporate costs. This initiative was undertaken to reduce costs, further integrate the operations of previous acquisitions, streamline our data delivery processes, and realign our marketing efforts to support our core product initiatives. During the course of the restructuring, we reduced our aggregate workforce by over 100 employees and closed two offices, one in the U.S. and one in the U.K.

A restructuring charge of approximately \$8.3 million was incurred during the third quarter of 2005. Approximately \$4.4 million and \$3.5 million of the restructuring charge related to our Engineering segment and certain corporate costs, respectively. Our Energy segment did not have a restructuring charge. The restructuring charge was comprised of the following (in thousands):

Employee severance and other termination benefits	\$ 5,980
Accelerated vesting of restricted stock	2,130
Contract-termination costs	167
<b>Total</b>	<b>\$ 8,277</b>

A reconciliation of the related accrued restructuring liability which, exclusive of the restricted shares, is expected to be paid primarily during fiscal 2005 as of August 31, 2005 was as follows:

	Employee Severance and Other Termination Benefits	Accelerated Vesting of Restricted Shares(a)	Contract Termination Costs	Total
	(In thousands)			
Beginning balance	\$	\$	\$	\$
Add: restructuring costs incurred	5,980	2,130	167	8,277
Less: Amount paid during the quarter ended August 31, 2005	(2,478)		(70)	(2,548)
<b>Ending balance</b>	<b>\$ 3,502</b>	<b>\$ 2,130</b>	<b>\$ 97</b>	<b>\$ 5,729</b>

- (a) This portion of the accrued restructuring liability is included in deferred stock units and restricted shares with put rights on the condensed consolidated balance sheet. The remainder

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of the accrual is included in other accrued expenses on the condensed consolidated balance sheet.

### *Other*

Restructuring and other charges also includes \$4.1 million related to the write-off of previously capitalized costs associated with our initial public offering. See also Note 11.

#### **4. Discontinued Operations**

During the third quarter of 2005, a business in our Energy segment was classified as being held for sale. We continually evaluate opportunities to align our business activities within our core operations. The business held for sale is a manufacturing operation, which is not a part of our core operations. We are actively seeking a buyer for this business, and we believe it is probable that it will be sold within the next year.

The carrying amounts of the major classes of related assets and liabilities were as follows:

	<b>November 30, 2004</b>	<b>August 31, 2005</b>
(In thousands)		
<b>Assets</b>		
Accounts receivable, net	\$ 254	\$ 122
Inventories	784	703
Property and equipment, net	135	112
Intangible assets	800	650
Deferred tax asset	267	327
<b>Liabilities</b>		
Accounts payable	\$ 843	52
Accrued expenses	343	329

Operating results of the discontinued operations for the nine months ended August 31, 2004 and 2005 were as follows:

	<b>Nine Months Ended August 31,</b>	
	<b>2004</b>	<b>2005</b>
(In thousands)		
Revenue	\$ 396	\$ 312
Loss from discontinued operations	\$ (1,681)	\$ (2,577)
Tax benefit	632	925
Loss from discontinued operations, net	\$ (1,049)	\$ (1,652)

## 5. Marketable Securities

At November 30, 2004, we did not have any investments. At August 31, 2005, we owned only short-term investments which were classified as available-for-sale securities and reported at fair value as follows:

	<b>Gross Amortized Cost</b>	<b>Unrealized Holding Loss</b>	<b>Estimated Fair Value</b>
	(In thousands)		
Municipal securities	\$ 17,793	\$ (6)	\$ 17,787
Other	29		29
<b>Total</b>	<b>\$ 17,822</b>	<b>\$ (6)</b>	<b>\$ 17,816</b>

We use the specific identification method to account for gains and losses on securities. Realized gains on sales of marketable securities included within in other income (expense) were immaterial for the nine months ended August 31, 2005.

We review all marketable securities to determine if any decline in value is other than temporary. We have concluded that the decline in value as of August 31, 2005 is not other than temporary.

## 6. Commitments and Contingencies

We are a party to various legal proceedings that arise in the ordinary course of business. In the opinion of management, none of these actions, either individually or in the aggregate, is expected to have a material adverse effect on our financial condition, liquidity or results of operations.

## 7. Deferred Stock Units and Restricted Shares with Put Rights

Deferred stock units and restricted shares granted in the Offer and under the 2004 Long-Term Incentive and Directors Stock Plans contain a put right on the part of the holder and a call right on the part of the Company. Redemption of the deferred stock units and restricted shares by the holders is considered uncertain as it is contingent upon certain events not occurring. If a listing event (as defined in the plan), which includes an initial public offering or a change in control, has not occurred on or prior to October 1, 2007, the put right gives the holder the option to sell to the Company, and cause the Company to purchase at fair value, all of the shares of Class A common stock of the Company owned by the holder on October 1, 2007. The put right must be exercised by the holder within 20 calendar days of October 1, 2007. The put right terminates upon the occurrence of a listing event. If we had redeemed all outstanding deferred stock units and restricted shares at August 31, 2005 at a fair value of \$13.18 per share, we would have been required to pay approximately \$42.1 million.

If a listing event or change in control has not occurred on or prior to October 1, 2007, the call right gives the Company the exclusive one-time option to purchase from each participant, and to cause each participant to sell, at fair value, all or a portion of the shares held by him or her as of such date. For purposes of the holder's exercise of the put right or the Company's exercise of the call right, the fair value will be determined in good faith by the board of directors of the Company or a committee of the board. In determining fair value, the board (or committee) may consider the valuation methodologies and other factors that it deems appropriate.

**8. Other Comprehensive Income (Loss)**

Our comprehensive income (loss) for the nine months ended August 31, 2004 and 2005 was as follows (in thousands):

	Nine Months Ended August 31,	
	2004	2005 (Restated, see Note 11)
Net income	\$ 34,383	\$ 25,439
Other comprehensive income (loss):		
Foreign currency translation adjustment	1,732	(3,773)
Change in fair value of foreign-currency hedges		(2,717)
Unrealized holding loss on marketable securities		(6)
Comprehensive income, net of tax	\$ 36,115	\$ 18,943

At August 31, 2005, our accumulated comprehensive loss consisted of the following:

Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Change in Fair Value of Foreign-Currency Hedges	Unrealized Holding Loss on Marketable Securities	Accumulated Other Comprehensive Loss
(In thousands)				

Balances, November 3